

TomTom reports third quarter 2011 results

Financial headlines Q3 2011

- Group revenue decreased by 10% to €336 million
- Content and Services revenue increased by 19% to €107 million
- Consumer revenue decreased by 23% to €225 million
- Automotive revenue increased by 43% to €59 million
- Licensing revenue increased by 27% to €36 million
- Business Solutions revenue increased by 33% to €17 million
- Net result attributable to the group increased by 50% to €29 million
- Net cash flow from operating activities increased by 62% to €70 million

Operational headlines Q3 2011

- Restructuring programme initiated; savings of €50 million targeted
- LIVE Services take rate increased to 28% from 21% last year
- Expansion of automotive partnerships with Renault, Fiat and Mazda
- Consumer product announcement for the Indian market

Outlook full year 2011

- We expect to deliver full year results towards the upper end of our guidance for revenue of between €1,225 million and €1,275 million and EPS of between €0.25 and €0.30, excluding impairment and restructuring charges

Key figures¹

(in € millions)	Q3 '11	Q3'10	y.o.y. change	Q2'11	q.o.q. change
Revenue	336	375	-10%	314	7%
Gross result	173	178	-3%	160	8%
Gross margin	51%	48%		51%	
EBITDA	68	81	-16%	46	49%
EBITDA margin	20%	22%		15%	
Operating result	41	55	-26%	-494	
Operating margin	12%	15%			
Net result attributable to the group	29	19	50%	-489	
EPS, € diluted	0.13	0.09	50%	-2.20	
EPS, € diluted, excluding impairment ²	0.13	0.09	50%	0.05	162%
Adjusted EPS, € diluted ³	0.18	0.14	35%	0.10	80%

Change percentages are based on non-rounded figures

TomTom's Chief Executive Officer, Harold Goddijn

"We delivered a solid set of results this quarter. Consumer revenue was in line with our expectations and we saw strong growth from our other business units."

"The nature of our industry is changing and we will adapt our organisation accordingly. We have started a restructuring programme which will focus our organisation on the areas where we

¹ Operating expenses include restructuring charges of €0.4 million in Q3 2011, €0.2 million in Q2 2011 and €-0.5 million in Q3 2010

² Excluding impairment charge and related tax effects

³ Earnings per share adjusted for impairment, acquisition-related amortisation and restructuring charges on a post tax basis

see the greatest potential for growth, of which Automotive and Content & Services are clear examples.

The programme, which was initiated in the third quarter, includes a headcount reduction which will only be partially achieved through attrition. The reduction of the workforce is a regrettable but necessary step to adapt the company to the changed conditions in the markets we operate in.

We will continue to invest in the quality of our global map database, in our navigation technologies and our leading traffic service. This will enable us to grow our position in the expanding markets of location and navigation and to continue our transition into a broader based company."

Outlook and restructuring

We expect full year revenue towards the upper end of our guidance of between €1,225 million and €1,275 million.

We expect to deliver earnings per share at the upper end of our guidance of between €0.25 and €0.30, excluding impairment and restructuring charges.

We have reduced our operating expenses this year. We expect full year operating expenses to be around €540 million, excluding impairment and restructuring charges. We expect full year capital expenditure to be around €80 million. In 2012 we expect additional savings of around €50 million.

Further details about the restructuring programme will be provided towards the end of the current quarter.

Operational review

Revenue split

(€ millions)	Q3 '11	Q3 '10	y.o.y. change	Q2 '11	q.o.q. change
Consumer	225	293	-23%	209	8%
Automotive	59	41	43%	60	-1%
Licensing	36	28	27%	32	14%
Business Solutions	17	13	33%	14	19%
Hardware	229	284	-19%	218	5%
Content & Services	107	90	19%	96	12%

Change percentages are based on non-rounded figures

The market size in Europe for PNDs was 3.0 million units compared to 3.4 million units in the same quarter of last year. The North American market size was 2.1 million units compared to 2.9 million units last year. The European and North American markets combined declined in line with our guidance by 19% year over year.

Our PND market share in Europe was 45%, which is the same as in the prior quarter. Our North American market share grew sequentially from 21% to 25%.

Consumer announced the introduction of the VIA range of PNDs for the nascent Indian market. The VIA range was also introduced in Mexico and Argentina. A new GO LIVE range was

launched with travel-specific apps which include Expedia, TripAdvisor and Twitter. The take up rate of our LIVE Services increased in the quarter to 28% compared to 21% last year.

Our latest map release covers 35 million kilometres of navigable roads in over 100 countries. Licensing announced a number of traffic information related contracts, amongst others with the Flemish government and Mappy. As a group we showed our commitment to reducing congestion by launching our Traffic Foundation which is dedicated to fostering collaboration and nurturing talent in the field of traffic management. TomTom Places was launched on the iPhone and made available in 5 countries in Europe.

Automotive announced the expansion of existing relationships with Renault, Fiat and Mazda. We will be supplying Renault's electric vehicle Fluence with our factory fitted navigation product, including a real time charging station reservation feature. We will supply the new Mazda 3 and CRX-5 series with our solutions, of which the latter will be factory fitted. Fiat has announced that it will offer our integrated solution as an option on the new Panda. All solutions are connected and offer LIVE Services, including HD Traffic.

Business Solutions expanded geographically into Australia. In the quarter, the number of WEBFLEET subscriptions grew by 9,000 to 161,000, a year over year increase of 39,000 or 32%. With over 13,000 individual customers, Business Solutions now has the largest customer base of any telematics service provider in Europe.

Financial review

Revenue

Group revenue for the quarter amounted to €336 million, a decline of 10% compared to last year (Q3 2010: €375 million). The decline results from lower Consumer revenue which was partially offset by increased revenue in each of the other three business units. Sequentially revenue increased by 7% (Q2 2011: €314 million).

Consumer revenue was €225 million, which is a 23% decrease year on year (Q3 2010: €293 million). The decrease was driven by lower PND sales, slightly offset by higher content and services revenue. Sequentially Consumer revenue increased by 8% (Q2 2011: €209 million).

Automotive revenue was €59 million, a 43% increase compared to the same quarter last year (Q3 2010: €41 million). The growth came from systems, maps and other content sales to existing customers. Sequentially Automotive revenue was nearly flat (Q2 2011: €60 million).

Licensing revenue was €36 million, which is a 27% increase compared to last year (Q3 2010: €28 million). The increase was mainly driven by increased revenue from the internet and wireless segment. Sequentially Licensing revenue increased by 14% (Q2 2011: €32 million).

Business Solutions revenue for the quarter was €17 million, a 33% increase year on year (Q3 2010: €13 million). The increase results from higher hardware and WEBFLEET subscription sales. Sequentially revenue increased by 19% (Q2 2011: €14 million).

Hardware revenue for the quarter was €229 million, a 19% decrease year on year (Q3 2010: €284 million) and a 5% increase sequentially (Q2 2011: €218 million). The sequential growth was due to the increased hardware sales in Consumer.

Content & Services revenue for the quarter was €107 million, a 19% increase year on year (Q3 2010: €90 million). All business units contributed to the year on year increase. Sequentially, Content & Services revenue increased by 12% (Q2 2011: €96 million). Content & Services revenue represented 32% of total revenue (Q3 2010: 24%; Q2 2011: 31%).

Gross margin

The gross margin for the group was 51% compared to 48% in the same quarter last year and was stable compared with the previous quarter (Q2 2011: 51%). The year on year margin increase results from the euro on average being stronger compared to the US dollar as well as a change in revenue mix from hardware revenue towards higher margin Content and Services revenue.

Operating expenses (excluding impairment charge for Q2 2011)

Total operating expenses for the quarter amounted to €132 million, a 7% increase compared to the same quarter last year (Q3 2010: €123 million). The year on year increase was mainly the result of higher R&D expenses. Sequentially operating expenses decreased by 7% (Q2 2011: €142 million). The decrease was mainly caused by a decrease in marketing expenses partly offset by an increase in R&D expenses. As a percentage of revenue, operating expenses for the quarter were 39% compared to 33% in Q3 2010 and 45% in Q2 2011.

R&D expenses for the quarter were €44 million, a 19% increase year on year (Q3 2010: €36 million). The year on year increase is mainly the result of higher project related expenditure in our Automotive business. Sequentially R&D expenses increased by 7% (Q2 2011: €41 million).

Marketing expenses were €17 million and flat year on year (Q3 2010: €17 million). Sequentially marketing expenses saw a 43% decrease, owing to seasonality (Q2 2011: €30 million).

Financial results

The total interest charge for the quarter was €5.9 million (Q3 2010: €9.5 million, Q2 2011: €6.1 million). The interest expense on the loan facilities for the quarter amounted to €4.5 million. The amortisation of the transaction costs related to the facility amounted to €1.9 million. The interest expense was partially offset by interest income of €0.5 million on cash balances.

The other financial result for the quarter of €1.5 million consisted of a foreign exchange gain mainly attributed to depreciation of the euro against the US dollar during the quarter.

Debt financing

On 30 September 2011, the carrying value of our borrowings amounted to €492 million, a decrease of €98 million compared to the previous quarter (Q2 2011: €591 million) which results from an early repayment of our debt of €100 million partly offset by the amortised transaction costs which are added back to the borrowings over the life time of the borrowings. Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €498 million (Q2 2011: €598 million; Q3 2010: €683).

Our net debt as of 30 September 2011 was €316 million compared to €366 million at the end of the previous quarter. Net debt is the sum of the borrowings (€498 million), minus cash and cash equivalents at the end of the period (€182 million) plus our financial lease commitments (€0.6 million).

Balance sheet

At the end of Q3 2011, accounts receivable amounted to €198 million (Q3 2010: €236 million; Q2 2011: €197 million). Lower revenue explains the decrease of €38 million year on year. The inventory level was €73 million, a decrease of €6.7 million year on year and a decrease of €28 million compared to the previous quarter. Cash and cash equivalents at the end of the quarter were €182 million.

Cash flow

During the quarter, we recorded a cash inflow from operations of €75 million which was mainly driven by EBITDA of €68 million and a decrease of working capital of €7.8 million.

The cash flow used in investing activities during the quarter increased by €4.3 million compared to last year to €20 million (Q3 2010: €16 million; Q2 2011 €25 million).

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Consolidated income statements

(in € thousands)	Q3'11	Q3'10	YTD '11	YTD '10
Revenue	336,445	374,919	915,815	1,005,249
Cost of sales	163,625	196,585	442,119	497,767
Gross result	172,820	178,334	473,696	507,482
Research and development expenses	43,573	36,477	126,077	117,746
Amortisation of technology & databases	19,787	18,374	57,612	54,921
Impairment charge	0	0	511,936	0
Marketing expenses	17,159	17,270	57,555	56,501
Selling, general and administrative expenses	49,241	46,709	148,406	146,163
Stock compensation expense	2,324	4,550	7,196	10,555
Total operating expenses	132,084	123,380	908,782	385,886
Operating result	40,736	54,954	-435,086	121,596
Interest result	-5,943	-9,536	-18,036	-26,990
Other finance result	1,529	-20,307	5,379	-21,090
Result associates	-65	-511	-337	-1,977
Result before tax	36,257	24,600	-448,080	71,539
Income tax	-8,130	-5,506	-2,664	-16,049
Net result	28,127	19,094	-450,744	55,490
Minority interests	-811	-167	-1,013	-573
Net result attributed to the group	28,938	19,261	-449,731	56,063
Basic number of shares (in thousands)	221,895	221,718	221,869	221,718
Diluted number of shares (in thousands)	221,940	221,718	221,886	221,752
EPS, € basic	0.13	0.09	-2.03	0.25
EPS, € diluted	0.13	0.09	-2.03	0.25

Consolidated balance sheet

(in € thousands)	30 Sep 2011	31 Dec 2010
Goodwill	381,569	854,713
Other intangible assets	895,530	946,263
Property, plant and equipment	32,887	38,977
Deferred tax assets	18,978	22,265
Investments	4,731	7,720
Total non-current assets	1,333,695	1,869,938
Inventories	73,020	93,822
Trade receivables	197,848	305,821
Other receivables and prepayments	69,348	41,853
Other financial assets	5,376	5,724
Cash and cash equivalents	182,313	305,600
Total current assets	527,905	752,820
Total assets	1,861,600	2,622,758
Share capital	44,379	44,362
Share Premium	975,260	974,554
Other reserves	63,041	45,757
Stock compensation reserve	78,592	71,662
Accumulated (deficit)	-471,090	-222
Minority interests	4,022	5,416
Total equity	694,204	1,141,529
Borrowings	386,948	384,011
Provisions	46,608	51,051
Long-term liability	2,214	926
Deferred tax liability	188,202	211,014
Total non-current liabilities	623,972	647,002
Trade payables	105,207	218,419
Borrowings	105,522	203,586
Tax and social security	39,734	35,443
Provisions	56,532	58,237
Other liabilities and accruals	236,429	318,542
Total current liabilities	543,424	834,227
Total equity and liabilities	1,861,600	2,622,758

Consolidated statements of cash flows

(in € thousands)	Q3 '11	Q3'10	YTD'11	YTD'10
Operating result	40,736	54,954	-435,086	121,596
Financial (losses)	-2,335	-1,108	-3,231	-7,395
Depreciation of PPE	2,939	3,379	10,829	11,467
Amortisation of intangible assets	24,745	22,641	71,270	67,129
Impairment charge	0	0	511,936	0
Change to provisions	-896	-4,210	-3,579	-6,678
Change to stock compensation reserve	2,124	3,810	6,930	10,809
Changes in working capital:				
Change in inventories	26,820	-16,926	18,232	-13,022
Change in receivables and prepayments	-17,441	7,650	82,200	37,521
Change in current liabilities	-1,621	-6,928	-202,026	-98,986
Cash generated from operations	75,071	63,262	57,475	122,441
Interest received	450	252	1,336	699
Interest paid	-4,516	-8,290	-14,462	-19,464
Corporate income taxes paid	-1,265	-12,155	-4,337	-34,638
Net cash flow from operating activities	69,740	43,069	40,012	69,038
Investments in intangible assets	-15,490	-12,211	-48,407	-32,954
Investments in property, plant and equipment	-4,334	-3,526	-13,130	-9,711
Investments in financial fixed assets	-239	0	-239	0
Total cash flow used in investing activities	-20,063	-15,737	-61,776	-42,665
Repayments on borrowings	-100,000	-125,000	-100,000	-125,000
Proceeds on issue of ordinary shares	0	0	724	0
Total cash flow from financing activities	-100,000	-125,000	-99,276	-125,000
Net decrease in cash and cash equivalents	-50,323	-97,668	-121,040	-98,627
Cash and cash equivalents at beginning of period	232,235	366,883	305,600	368,403
Exchange rate effect on cash balances held in foreign currencies	401	-1,600	-2,247	-2,161
Cash and cash equivalents at end of period	182,313	267,615	182,313	267,615

Accounting policies

Basis of accounting

The condensed consolidated financial information for the three-month and nine-month periods ended 30 September 2011 with related comparative information have been prepared using accounting policies which are based on International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the condensed consolidated financial information, for the periods ended 30 September 2011, are the same as those followed in the Financial Statements for the year ended 31 December 2010. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial information.

For more information

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Audio webcast third quarter 2011 results

The information for our third quarter results audio webcast is as follows:

Date and time: 24 October 2011 at 14:00 CET

<http://corporate.tomtom.com/events.cfm>

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands

ISIN: NL0000387058 / Symbol: TOM2

About TomTom

Founded in 1991, TomTom (AEX:TOM2) is the world's leading supplier of in-car location and navigation products and services focused on providing all drivers with the world's best navigation experience. Headquartered in Amsterdam, TomTom has over 3,500 employees and sells its products more than 40 countries.

Our products include portable navigation devices, in-dash infotainment systems, fleet management solutions, maps and real-time services, including the award winning TomTom HD Traffic.

For the world's most up-to-date route planner, including live traffic information please visit www.tomtom.com/livetraffic/

For further information, please visit www.tomtom.com

This document contains certain forward-looking statements relating to the business, financial performance and results of the Company and the industry in which it operates. These statements are based on the Company's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "estimate", "may", "should", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those suggested in the forward-looking statements. These include, but are not limited to: the level of consumer acceptance of existing and new and upgraded products and services; the growth of overall market demand for the Company's products or for personal navigation products generally; the Company's ability to sustain and effectively manage its recent rapid growth and its relations with third party suppliers, and its ability to accurately forecast the volume and timing of sales. Additional presently unknown factors could also cause future results to differ materially from those in the forward-looking statements.