

TomTom reports third quarter 2012 results

Financial headlines

- Group revenue of €274 million, down 19% year on year
- Gross margin of 55%, up 4 percentage points year on year
- Total operating expenses of €118 million, down 10% year on year
- EBIT margin 12%, flat year on year
- Adjusted EPS¹ of €0.14 compared to €0.18 in the prior year
- Net cash flow from operating activities of €50 million; €70 million in the prior year
- Net debt reduced to €153 million compared to €194 million at the start of the year

Operational headlines

- Global content, software and services agreement with PSA Peugeot Citroën
- Mazda and Fiat relationships expanded with Mazda6 and Abarth models
- Navigation app for Android smartphones launched
- Growth of WEBFLEET subscriber base to 223,000, up 39% year on year

Outlook full year 2012

- Revised revenue guidance of around €1.05 billion reflecting the impact of the macro-economic conditions in Europe on the automotive industry; guidance for adjusted EPS of around €0.35 maintained

Key figures

| (in € millions) | Q3 '12 | Q3 '11 ² | y.o.y. change | Q2 '12 | q.o.q. change |
|--------------------------------------|--------|---------------------|------------------|--------|------------------|
| Revenue | 274 | 336 | -19% | 262 | 5% |
| Gross result | 150 | 173 | -13% | 136 | 10% |
| Gross margin | 55% | 51% | | 52% | |
| EBITDA | 58 | 68 | -15% | 41 | 42% |
| EBITDA margin | 21% | 20% | | 16% | |
| EBIT | 32 | 41 | -22% | 14 | 128% |
| EBIT margin | 12% | 12% | | 5% | |
| Net result attributable to the group | 22 | 29 | -23% | 9 | 151% |
| EPS, € diluted | 0.10 | 0.13 | -23% | 0.04 | 151% |
| Adjusted EPS, € diluted | 0.14 | 0.18 | -22% | 0.09 | 65% |

Change percentages are based on non-rounded figures

TomTom's Chief Executive Officer, Harold Goddijn

"The PND market developments have become more predictable. The year over year decline of our core markets combined has been in line with previously communicated expectations and sales prices are stabilising. The European economic situation is having a significant impact on the automotive industry. We expect our Automotive revenue to remain under pressure in the coming quarters. As a result we lower our group revenue guidance for the year from around €1.10 billion to around €1.05 billion. We continue to deliver a strong gross margin and the reduction of our cost base is ahead of schedule. We therefore maintain our adjusted EPS guidance for the year of around €0.35."

¹ Earnings per share adjusted for impairment, acquisition-related amortisation and restructuring charges on a post-tax basis.

² Operating expenses in Q3 2011 include restructuring charges of €0.4 million.

Business review

Consumer introduced a navigation app for Android smartphones to add to our well established smartphone app offering for the iPhone. In the quarter we also launched two new TomTom Hands Free Car Kits for smartphones, which support the iPhone and micro USB compatible smartphones, such as Android phones. We introduced the PRO 5150 TRUCK LIVE for truck drivers in Europe which offers truck-friendly routes, and takes into account dimensional, weight and hazardous materials restrictions. BMW will fit our TomTom GO LIVE PND onto the dashboards of selected models with a specially-designed mount.

Automotive extended its partnerships with Fiat and Mazda with the addition of the Abarth models 500 and Punto, and the new Mazda6. Earlier we announced that PSA Peugeot Citroën had chosen TomTom as the global provider of location and navigation content and services for its infotainment system. Starting early 2015, Peugeot and Citroën models will be equipped with TomTom's maps, HD Traffic and navigation software. In the quarter TomTom introduced a new delivery format for traffic information (TPEG) which makes it easier for third parties to integrate HD Traffic in their products.

Licensing signed a number of traffic information agreements in the quarter. Traffic management expert DUEL will use our maps, historical and real-time traffic information for forecasting traffic in the Lazio region of Italy. VMZ Berlin, the operator of Berlin's Traffic Information Centre, will use our real-time traffic information to react faster to traffic congestion and improve traffic information for Berlin and for selected parts of the State of Brandenburg.

Business Solutions introduced a comprehensive expansion of WEBFLEET's reporting capabilities. A set of more than 40 different reports provide businesses with increased insights into fleet operations and help them reduce costs, increase productivity and comply with legal obligations. WEBFLEET's installed base grew by 39% year on year to 223 thousand.

Financial review

Revenue split

| (€ millions) | Q3 '12 | Q3 '11 | y.o.y. change | Q2 '12 | q.o.q. change |
|--------------------|--------|--------|------------------|--------|------------------|
| Group | 274 | 336 | -19% | 262 | 5% |
| Consumer | 172 | 225 | -24% | 155 | 11% |
| Automotive | 49 | 59 | -16% | 60 | -17% |
| Licensing | 33 | 36 | -7% | 29 | 13% |
| Business Solutions | 19 | 17 | 14% | 18 | 8% |
| Hardware | 169 | 229 | -26% | 163 | 4% |
| Content & Services | 105 | 107 | -2% | 99 | 6% |

Change percentages are based on non-rounded figures

Revenue

Group revenue for the quarter was €274 million, a 19% decrease compared to the same quarter last year (Q3 2011: €336 million) and a 4.5% increase sequentially (Q2 2012: €262 million). Year on year, revenue for Consumer, Automotive and Licensing declined, while Business Solutions continued to grow strongly.

Consumer revenue over the past quarter amounted to €172 million, which is a €53 million decrease year on year (Q3 2011: €225 million) and an increase of €17 million sequentially (Q2 2012: €155 million). The year on year decrease was driven by lower PND sales reflecting the decline of the size of the PND markets in our core geographies.

The market size in Europe for PNDs was 2.6 million units compared to 3.0 million units in the same quarter of last year. The North American market size was 1.5 million units compared to 1.9 million units last year; combined, our core PND markets declined by 17%. Our market share in Europe increased sequentially by 1 percentage point to 46%. In North America our market share increased sequentially from 19% to 22%.

Automotive revenue declined by 16% year on year to €49 million (Q3 2011: €59 million). The decline was mainly driven by lower hardware sales as the automotive industry was significantly impacted by the European economic situation. Sequentially revenue declined by 17% (Q2 2012: €60 million).

Licensing revenue decreased by €2.7 million or 7.4% year on year to €33 million and increased by €3.9 million sequentially (Q3 2011: €36 million, Q2 2012: €29 million). The year on year decline was mainly due to decline in the PND and internet segments, which was not fully offset by other segments.

Business Solutions revenue for the quarter increased by €2.4 million or 14% year on year to €19 million (Q3 2011: €17 million) mainly driven by a net increase of 62 thousand subscribers to the WEBFLEET subscriber base. Sequentially revenue increased by €1.5 million or 8.3% (Q2 2012: €18 million).

Hardware revenue for the quarter was €169 million across the group, a decrease of 26% year on year (Q3 2011: €229 million) and an increase of 3.7% sequentially (Q2 2012: €163 million). Hardware revenue accounted for 62% of total revenue.

Content & Services revenue for the quarter was €105 million, a slight decline of 2.2% year on year (Q3 2011: €107 million). Sequentially Content & Services revenue increased by 6.0%. Content & Services revenue accounted for 38% of total revenue (Q3 2011: 32%; Q2 2012: 38%).

Gross margin

The gross margin for the quarter was 55%. The gross margin increased by 4 percentage points compared to the same quarter last year due to a change in revenue mix towards higher margin Content & Services and because of some one-off releases relating to the reduction of provisions which positively impacted the gross margin. Excluding the one-off releases (-3 percentage points) and based on constant currencies (+2 percentage points) the gross margin would have been 54%. Sequentially the gross margin increased by 3 percentage points.

Operating expenses

Total operating expenses for the quarter amounted to €118 million, a decrease of €14 million or 10% year on year. Sequentially operating expenses decreased by €3.6 million or 3%. We are ahead of schedule with our cost savings programme and now expect to report total operating expenses for the full year of around €485 million compared to the earlier guidance of €500 million.

The year on year decrease in operating expenses reflects the implementation of the cost savings programmes across all functions and the adjusted level of marketing spend. R&D expenses decreased by 8% year on year to €40 million, marketing expenses decreased by 13% year on year to €15 million and SG&A expenses amounted to €42 million, a 15% year on year decrease.

The sequential decrease in operating expenses was mainly driven by a decline of €2.4 million in R&D expenses to €40 million (Q2 2012: €43 million).

As a percentage of revenue, operating expenses for the quarter were 43% compared to 39% in Q3 2011 and 47% in Q2 2012.

Financial results

The total interest charge for the quarter was €3.2 million (Q3 2011: €5.9 million, Q2 2012: €3.0 million). The interest expense on the loan facilities for the quarter amounted to €1.5 million. The amortisation of the transaction costs related to the facility amounted to €1.1 million. Other net interest expense for the quarter amounted to €0.6 million.

The other financial result for the quarter of €0.2 million comprised primarily of foreign exchange revaluations and hedging results.

Tax

The effective tax rate in the quarter was 22.7%. This compares to 22.4% in the same quarter last year. The effective tax rate of the previous quarter was low at 14.8%, fully utilising the impact of tax benefits in the first half of the year which we could not reflect in the first quarter.

Debt financing

On 30 September 2012, the carrying value of our borrowings had decreased to €289 million, compared to €338 million at the end of the previous quarter. This is the result of an early repayment of €50 million during the quarter (€98 million has been repaid year to date). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €290 million (Q2 2012: €340 million).

Net debt on 30 September 2012 was €153 million compared to €191 million at the end of the previous quarter. Net debt is the sum of the borrowings (€290 million), minus cash and cash equivalents at the end of the period (€137 million).

Balance sheet

At the end of Q3 2012 our accounts receivable plus other receivables amounted to €218 million (Q3 2011: €267 million; Q2 2012: €207 million). The year on year decrease of €49 million in the receivables balance is mainly reflecting the year on year decline in revenue. The inventory level was €59 million, a decrease of €14 million year on year and a decrease of €5.0 million compared to the previous quarter. Cash and cash equivalents at the end of the quarter were €137 million.

Current liabilities were €717 million compared to €543 million at the end of the same quarter last year and €741 million in the previous quarter. The year on year increase is mainly caused by the presentation of the remaining outstanding bank loan as short term. A forward start facility, which will replace the existing borrowings as of 31 December 2012, is in place. The sequential decrease in current liabilities was mainly caused by the early debt repayment of €50 million.

Cash flow

Cash flow from operations for the quarter amounted to €53 million compared to €75 million in Q3 2011. The decrease in cash flow was mainly driven by the lower operating result and movements in working capital. Year to date we have consumed €39 million in working capital compared to €102 million in the same period last year.

The cash flow used in investing activities during the quarter decreased to €13 million from €20 million in the same quarter last year and increased sequentially by €2.2 million compared to €10 million in Q2 2012.

Consolidated income statements

| (in € thousands) | Q3'12 | Q3'11 | YTD '12 | YTD '11 |
|--|----------------|----------------|----------------|-----------------|
| Revenue | 273,561 | 336,445 | 768,124 | 915,815 |
| Cost of sales | 123,286 | 163,625 | 367,721 | 442,119 |
| Gross result | 150,275 | 172,820 | 400,403 | 473,696 |
| Research and development expenses | 40,154 | 43,573 | 121,058 | 126,077 |
| Amortisation of technology & databases | 19,900 | 19,787 | 62,234 | 57,612 |
| Impairment charge | 0 | 0 | 0 | 511,936 |
| Marketing expenses | 14,933 | 17,159 | 43,066 | 57,555 |
| Selling, general and administrative expenses | 41,723 | 49,241 | 123,017 | 148,406 |
| Stock compensation expense | 1,742 | 2,324 | 5,417 | 7,196 |
| Total operating expenses | 118,452 | 132,084 | 354,792 | 908,782 |
| Operating result | 31,823 | 40,736 | 45,611 | -435,086 |
| Interest result | -3,187 | -5,943 | -9,711 | -18,036 |
| Other finance result | -169 | 1,529 | 1,932 | 5,379 |
| Result associates | 356 | -65 | 590 | -337 |
| Result before tax | 28,823 | 36,257 | 38,422 | -448,080 |
| Income tax | -6,554 | -8,130 | -8,743 | -2,664 |
| Net result | 22,269 | 28,127 | 29,679 | -450,744 |
| Non-controlling interests | -14 | -811 | 67 | -1,013 |
| Net result attributed to the group | 22,283 | 28,938 | 29,612 | -449,731 |
| Basic number of shares (in thousands) | 221,895 | 221,895 | 221,895 | 221,869 |
| Diluted number of shares (in thousands) | 222,023 | 221,940 | 221,983 | 221,886 |
| EPS, € basic | 0.10 | 0.13 | 0.13 | -2.03 |
| EPS, € diluted | 0.10 | 0.13 | 0.13 | -2.03 |

Consolidated balance sheet

| (in € thousands) | 30 September 2012 | 31 December 2011 |
|--|-------------------|------------------|
| Goodwill | 381,569 | 381,569 |
| Other intangible assets | 835,757 | 871,528 |
| Property, plant and equipment | 27,122 | 32,555 |
| Deferred tax assets | 9,709 | 10,493 |
| Investments in associates | 3,695 | 4,450 |
| Total non-current assets | 1,257,852 | 1,300,595 |
| Inventories | 59,108 | 65,502 |
| Trade receivables | 171,101 | 184,939 |
| Other receivables and prepayments | 47,073 | 51,242 |
| Other financial assets | 489 | 2,784 |
| Cash and cash equivalents | 136,528 | 193,579 |
| Total current assets | 414,299 | 498,046 |
| Total assets | 1,672,151 | 1,798,641 |
| Share capital | 44,379 | 44,379 |
| Share Premium | 975,260 | 975,260 |
| Other reserves | 121,999 | 131,213 |
| Accumulated deficit | -402,187 | -444,852 |
| Equity attributable to equity of the parent | 739,451 | 706,000 |
| Non-controlling interests | 2,343 | 2,451 |
| Total equity | 741,794 | 708,451 |
| Provisions | 40,221 | 50,114 |
| Deferred tax liability | 173,015 | 182,273 |
| Total non-current liabilities | 213,236 | 232,387 |
| Trade payables | 95,178 | 116,616 |
| Borrowings ¹ | 289,214 | 383,810 |
| Tax and social security | 29,285 | 20,942 |
| Provisions | 47,239 | 51,213 |
| Other liabilities and accruals | 256,205 | 285,222 |
| Total current liabilities | 717,121 | 857,803 |
| Total equity and liabilities | 1,672,151 | 1,798,641 |

¹ The borrowings are fully due in 2012; a forward start facility, which will replace the existing borrowings as from 31 December 2012, is in place.

Consolidated statements of cash flows

| (in € thousands) | Q3 '12 | Q3 '11 | YTD'12 | YTD'11 |
|--|----------------|-----------------|----------------|-----------------|
| Operating result | 31,823 | 40,736 | 45,611 | -435,086 |
| Financial (losses)/gains | -134 | -2,335 | 3,442 | -3,231 |
| Depreciation and amortisation | 26,577 | 27,684 | 82,142 | 82,099 |
| Impairment charge | 0 | 0 | 0 | 511,936 |
| Change in provisions | -6,615 | -896 | -8,500 | -3,579 |
| Equity-settled stock compensation expenses | 1,281 | 2,124 | 4,490 | 6,930 |
| Changes in working capital: | | | | |
| Change in inventories | 3,116 | 26,820 | 958 | 18,232 |
| Change in receivables and prepayments | -11,074 | -17,441 | 14,602 | 82,200 |
| Change in current liabilities (excl. provisions) | 8,009 | -1,621 | -54,458 | -202,026 |
| Cash generated from operations | 52,983 | 75,071 | 88,287 | 57,475 |
| Interest received | 433 | 450 | 983 | 1,336 |
| Interest paid | -1,715 | -4,516 | -6,442 | -14,462 |
| Corporate income taxes paid | -1,466 | -1,265 | -6,781 | -4,337 |
| Net cash flow from operating activities | 50,235 | 69,740 | 76,047 | 40,012 |
| Investments in intangible assets | -10,843 | -15,490 | -31,915 | -48,407 |
| Investments in property, plant and equipment | -1,779 | -4,334 | -5,792 | -13,130 |
| Dividend received | 0 | 0 | 1,447 | 0 |
| Total cash flow used in investing activities | -12,622 | -19,824 | -36,260 | -61,537 |
| Repayments of borrowings | -50,000 | -100,000 | -98,000 | -100,000 |
| Acquisition of non-controlling interests ¹ | 0 | -239 | 0 | -239 |
| Proceeds on issue of ordinary shares | 0 | 0 | 0 | 724 |
| Total cash flow from financing activities | -50,000 | -100,239 | -98,000 | -99,515 |
| Net increase in cash and cash equivalents | -12,387 | -50,323 | -58,213 | -121,040 |
| Cash and cash equivalents at beginning of period | 148,910 | 232,235 | 193,579 | 305,600 |
| Exchange rate effect on cash balances held in foreign currencies | 5 | 401 | 1,162 | -2,247 |
| Cash and cash equivalents at end of period | 136,528 | 182,313 | 136,528 | 182,313 |

¹ In press release Q3'11 classified as investments in financial fixed assets

Accounting policies

Basis of accounting

The condensed consolidated financial information for the three-month and nine-month periods ended 30 September 2012 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 period ended 30 September 2012, are the same as those followed in the Financial Statements for the year ended 31 December 2011. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial information. The quarterly condensed consolidated information in this press release is unaudited.

For more information

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Audio webcast third quarter 2012 results

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

Date and time: 30 October 2012 at 14:00 CET

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

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands
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About TomTom

Founded in 1991, TomTom is a leading provider of navigation and location-based products and services.

TomTom maps, traffic information and navigation technology power automotive in-dash systems, mobile devices, web based applications and government and business solutions.

TomTom also designs and manufactures its own location-based products including portable navigation devices and fleet management solutions, as well as GPS-enabled sports watches.

Headquartered in Amsterdam, TomTom has 3,500 employees worldwide and sells its products in over 40 countries.

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.