

TomTom reports third quarter 2013 results

Financial summary

- Group revenue of €244 million (Q3 '12: €274 million)
- Gross margin of 56% (Q3 '12: 55%)
- EBIT margin of 6% (Q3 '12: 12%)
- Adjusted¹ EPS of €0.10 (Q3 '12: €0.14)
- Cash flow from operating activities of €71 million (Q3 '12: €50 million)
- Net cash position of €52 million (Q3 '12: net debt of €153 million)

Operational summary

- New generation of PNDs widely available in Europe
- Successful roll-out of our GPS sports watches, now available in 21 countries
- TomTom's real-time traffic in more Daimler models
- Renault R-Link ranked by independent study as the best in-dash infotainment system
- Business Solutions acquires Coordina, the Spanish market leader in Fleet Management Solutions

2013 outlook

We expect to deliver full year revenue towards the upper end of our guidance of between €900 and €950 million and we expect adjusted¹ EPS of around €0.25 (previously around €0.20).

Key figures

(in € millions)	Q3 '13	Q3 '12	y.o.y. change	YTD '13	YTD '12	y.o.y. change
Revenue	244	274	-11%	696	768	-9%
Gross result	137	150	-9%	378	400	-6%
<i>Gross margin</i>	<i>56%</i>	<i>55%</i>		<i>54%</i>	<i>52%</i>	
EBITDA	41	58	-30%	110	128	-14%
<i>EBITDA margin</i>	<i>17%</i>	<i>21%</i>		<i>16%</i>	<i>17%</i>	
EBIT result	14	32	-57%	21	46	-53%
<i>EBIT margin</i>	<i>6%</i>	<i>12%</i>		<i>3%</i>	<i>6%</i>	
Net result	11	22	-49%	17	30	-43%
EPS, € diluted	0.05	0.10	-50%	0.07	0.13	-45%
Adjusted ¹ EPS, € diluted	0.10	0.14	-32%	0.20	0.27	-26%

Change percentages are based on non-rounded figures

¹ Earnings per share adjusted for acquisition-related amortisation & gain on a post-tax basis

TomTom's Chief Executive Officer, Harold Goddijn

"Our new PND ranges became fully available in the European market and our first TomTom branded sports watches shipped in all of our major global markets. On the back of this we have started a communications campaign that will run well into the fourth quarter.

We continue to make inroads into the Automotive market although revenue is affected by ongoing low car sales.

We reported a solid set of results despite challenging market conditions and generated significant cash from operations."

Business review

The PND market size in Europe was 2.3 million units in the third quarter, 15% lower compared to Q3 '12, in line with expectations and the trend seen in the first half of the year. Our Q3 '13 PND revenue in Europe was flat compared to the same quarter last year as the decline in the PND market was partially offset by an increase in our market share to more than 50% and by a strengthening of our ASP. We made the new generation of PNDs fully available across Europe.

The PND market in size in North America was 1.1 million units in the third quarter, 28% lower compared to Q3 '12. We have chosen not to participate in highly discounted promotional activities and this resulted in a market share of 17% in the quarter.

After initial introduction earlier this year, Consumer started shipping our new GPS sports watches in the US in July, accompanied by a communication campaign launched in September. Following a wider geographical roll-out, our sports watches are now available in 21 countries globally.

In Automotive, we entered into a partnership with Ford, where future TomTom iOS and Android navigation applications will connect to Ford's SYNC in-dash multimedia system. In September, we started shipping our navigation application into Sony's second generation in-dash infotainment system and our real-time traffic information service was added to additional Daimler Mercedes-Benz lines. In addition, the Renault R-Link built-in infotainment system was ranked as the best infotainment system available in a study performed by SBD, an independent automotive research consultancy firm. The R-Link system received consistently high scores for its balance of simplicity and feature-richness.

In the third quarter, we made our speed camera service available for integration into third-party connected navigation solutions. This allows vehicle manufacturers and their suppliers to enhance their own navigation offerings.

Business Solutions acquired Coordina, the number one Fleet Management Service provider in Spain. Coordina has a broad local sales network and a well-established local service hub. More than two thirds of Business Solutions revenue is recurring subscription based revenue, generated by the installed base of 310,000 WEBFLEET-subscribers.

Financial review

Revenue

(in € millions)	Q3 '13	Q3 '12	y.o.y. change	YTD '13	YTD '12	y.o.y. change
Group	244	274	-11%	696	768	-9%
Consumer	151	172	-12%	402	452	-11%
Automotive	44	49	-11%	147	168	-13%
Licensing	28	33	-17%	87	95	-8%
Business Solutions	21	19	11%	60	53	15%
Hardware	151	169	-11%	416	466	-11%
Content & Services	93	105	-11%	280	302	-7%

Change percentages are based on non-rounded figures

Group revenue for the quarter was €244 million, 11% lower compared to €274 million in Q3 '12.

Consumer revenue for the quarter was €151 million, 12% lower compared to €172 million in Q3 '12. PND revenue in Europe was flat as the decline in the PND market was partially offset by the increase in our market share and by a strengthening of our ASP. PND revenue in North America decreased year on year mainly because of the smaller market size. Revenue from fitness products showed a strong growth compared to the same quarter last year.

Revenue from Automotive was €44 million, a decrease of 11% compared to €49 million in Q3 '12, reflecting the on-going lower demand for in-dash devices from our automotive partners as the result of weak car sales in Europe.

Licensing revenue for the quarter was €28 million compared to €33 million in Q3 '12. The decline came mainly from lower GIS Licensing revenue.

Business Solutions generated revenue of €21 million in the quarter, which represents 11% growth compared to €19 million in Q3 '12. Q3 '13 revenue of Business Solutions includes two months revenue from the recently acquired Coordina group. The installed base of WEBFLEET subscribers increased by 39% to 310,000 from 223,000 at the end of Q3 '12.

Hardware revenue was €151 million for the quarter (Q3 '12: €169 million). Content & Services revenue was €93 million in Q3 '13, €12 million lower compared to Q3 '12, mainly due to lower Licensing revenue. Content & Services revenue represented 38% of total revenue for the quarter (Q3 '12: 38%).

Gross margin

The gross margin was 56% and increased by 1 percentage point compared to 55% in Q3 '12. Both in Q3 '13 and in Q3 '12, the gross margin included some one-off releases in our provisions. Excluding these one-off effects, the gross margin would have been 54% in Q3 '13 compared to 52% in Q3 '12. The year on year increase was mainly due to the change in geographical revenue mix.

Operating expenses

Total operating expenses increased by €5.4 million year on year. We saw an increase in SG&A (€4.5 million) and stock compensation expenses (€1.9 million) partially driven by the increase of our share price. Marketing expenses were slightly down year on year (€2.2 million), as investments were phased to support a planned communication campaign in the fourth quarter.

Financial income and expenses

The net interest charge for the quarter was €0.8 million (Q3 '12: €3.2 million). The other financial result for the quarter was a gain of €0.4 million (Q3 '12: charge of €0.2 million) which consisted primarily of foreign exchange gains on the revaluation of USD denominated monetary balance sheet items.

Income tax

The net income tax charge was €2.0 million in Q3 '13, a decrease of €4.5 million compared to €6.6 million in Q3 '12. The effective tax rate (ETR) in the third quarter was 15.0% compared to 22.7% in Q3 '12. The ETR year to date equals 16.7% (YTD '12: 22.8%). The lower ETR for the quarter was mainly caused by releases of tax provisions.

Net result and adjusted¹ EPS

The net result for the quarter was €11 million compared to €22 million in Q3 '12, which represents adjusted¹ EPS of €0.10 and €0.14 respectively.

Balance sheet

At the end of the quarter, trade receivables amounted to €136 million compared to €171 million at the end of Q3 '12. The inventory level was €56 million, a decrease of €3.6 million year on year. Cash and cash equivalents at the end of the quarter were €228 million versus €137 million at the end of Q3 '12.

The carrying value of our borrowings as at 30 September 2013 was €174 million (Q3 '12: €289 million). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €176 million (Q3 '12: €290 million).

Current liabilities were €415 million compared to €717 million at the end of Q3 '12. The year on year decrease is mainly caused by the fact that our outstanding borrowings were presented as current in Q3 '12 as they fell due for repayment in December 2012. Trade payables amounted to €89 million, €6.6 million lower compared to Q3 '12. Tax and social security amounted to €42 million, €13 million higher compared to Q3 '12 mainly due to timing of corporate income tax payments.

Deferred revenue for the quarter ended at €115 million (Q3 '12: €93 million). The main reason for the year on year increase is a combination of an increase of deferred revenue related to our lifetime maps and traffic in PNDs and higher deferred revenue on Licensing contracts.

At 30 September 2013 we reported a net cash position of €52 million (Q3 '12: net debt of €153 million). Net cash is the sum of the cash and cash equivalents at the end of the period (€228 million) minus the borrowings (€176 million).

Cash flow

Cash flow from operating activities for the quarter was €71 million compared to €50 million in Q3 '12. The increase was mainly driven by higher working capital from other liabilities.

The cash flow used in investing activities during the quarter increased by €12 million year on year to €24 million. Maps continue to be our largest area of investment and we saw increased activity in customer specific Automotive projects and in navigation software development. Additionally we acquired the Coordina group in Spain.

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Consolidated condensed statement of income

(in € thousands)	Q3 '13	Q3 '12	YTD '13	YTD '12
Revenue	244,056	273,561	695,889	768,124
Cost of sales	106,573	123,286	318,081	367,721
Gross result	137,483	150,275	377,808	400,403
Research and development expenses	40,276	40,154	122,084	121,058
Amortisation of technology & databases	20,962	19,900	59,262	62,234
Marketing expenses	12,758	14,933	34,695	43,066
Selling, general and administrative expenses	46,207	41,723	133,012	123,017
Stock compensation expense	3,665	1,742	7,445	5,417
Total operating expenses	123,868	118,452	356,498	354,792
Operating result	13,615	31,823	21,310	45,611
Interest result	-765	-3,187	-2,145	-9,711
Other finance result	358	-169	-1,936	1,932
Result associates	166	356	2,979	590
Result before tax	13,374	28,823	20,208	38,422
Income tax	-2,009	-6,554	-3,373	-8,743
Net result	11,365	22,269	16,835	29,679
Net result attributable to:				
Equity holders of the parent	11,248	22,283	16,281	29,612
Non-controlling interests	117	-14	554	67
Net result	11,365	22,269	16,835	29,679
Basic number of shares (in thousands)	221,940	221,895	221,913	221,895
Diluted number of shares (in thousands)	223,871	222,023	222,751	221,983
EPS, € basic	0.05	0.10	0.07	0.13
EPS, € diluted	0.05	0.10	0.07	0.13

Consolidated condensed balance sheet

(in € thousands)	30 September 2013	31 December 2012
Goodwill	381,569	381,569
Other intangible assets	812,246	821,233
Property, plant and equipment	24,253	26,770
Deferred tax assets	12,117	13,610
Investments in associates	2,782	3,880
Total non-current assets	1,232,967	1,247,062
Inventories	55,514	44,383
Trade receivables	136,344	149,834
Other receivables and prepayments	38,798	118,262
Other financial assets	64	444
Cash and cash equivalents	227,538	164,459
Total current assets	458,258	477,382
Total assets	1,691,225	1,724,444
Share capital	44,388	44,379
Share premium	975,482	975,260
Other reserves	178,094	159,011
Accumulated deficit	-347,832	-342,875
Equity attributable to equity holders of the parent	850,132	835,775
Non-controlling interests	2,466	2,642
Total equity	852,598	838,417
Borrowings	173,864	173,437
Deferred tax liability	167,106	170,909
Provisions	51,608	48,268
Other liabilities ²	31,012	18,130
Total non-current liabilities	423,590	410,744
Borrowings	106	73,703
Trade payables	88,537	84,162
Tax and social security	41,995	33,263
Provisions	29,369	33,192
Other liabilities and accruals ²	255,030	250,963
Total current liabilities	415,037	475,283
Total equity and liabilities	1,691,225	1,724,444

² Non-current and current "Other liabilities" include deferred revenue totalling €115,150 (31 December 2012: €95,256)

Consolidated condensed statements of cash flows

(in € thousands)	Q3 '13	Q3 '12	YTD '13	YTD '12
Operating result	13,615	31,823	21,310	45,611
Financial (losses)/ gains	-323	-134	-4,576	3,442
Depreciation and amortisation	27,416	26,577	88,336	82,142
Change in provisions	-5,361	-6,615	-6,578	-8,500
Equity-settled stock compensation expenses	1,557	1,281	4,469	4,490
Changes in working capital:				
Change in inventories	-6,959	3,116	-9,113	958
Change in receivables and prepayments	842	-11,074	11,503	14,602
Change in liabilities (excl. Provisions) ³	44,094	8,009	24,075	-54,458
Cash flow from operations	74,881	52,983	129,426	88,287
Interest received	73	433	1,068	983
Interest paid	-607	-1,715	-2,114	-6,442
Corporate income taxes received/(paid)	-3,389	-1,466	80,289	-6,781
Cash flow from operating activities	70,958	50,235	208,669	76,047
Investments in intangible assets	-21,841	-10,843	-59,977	-31,915
Investments in property, plant and equipment	-2,663	-1,779	-10,286	-5,792
Dividend received	45	0	1,001	1,447
Cash flow from investing activities	-24,459	-12,622	-69,262	-36,260
Repayment of borrowings	0	-50,000	-75,000	-98,000
Dividends paid	0	0	-204	0
Proceeds on issue of ordinary shares	0	0	157	0
Cash flow from financing activities	0	-50,000	-75,047	-98,000
Net increase/(decrease) in cash and cash equivalents	46,499	-12,387	64,360	-58,213
Cash and cash equivalents at beginning of period	181,139	148,910	164,459	193,579
Exchange rate effect on cash balances held in foreign currencies	-100	5	-1,281	1,162
Cash and cash equivalents at end of period	227,538	136,528	227,538	136,528

³ Includes the movement of non-current deferred revenue

Accounting policies - basis of accounting

The condensed consolidated financial information for the three-month period ended 30 September 2013 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 2013, are the same as those followed in the Financial Statements for the year ended 31 December 2012. 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

TomTom Investor Relations

ir@tomtom.com

+31 20 757 5194

Audio webcast third quarter 2013 results

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

Date and time: 30 October 2013 at 14.00 CET

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

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About TomTom

Founded in 1991, TomTom (TOM2) provides map-based components and consumer and business products, in many cases integrating its own components.

The map-based components include map content, online map-based services, real-time traffic, and navigation software. Our consumer products include PNDs, navigation apps, and GPS sports watches. Our main business products are custom in-dash navigation systems and a fleet management system, which is offered to fleet owners as an online service with integrated in-vehicle cellular devices.

Headquartered in Amsterdam, TomTom has 3,500 employees worldwide and sells its products in over 35 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.