

## TomTom reports third quarter 2010 results

### Financial highlights Q3 2010

- Group revenue increased by 3% to €375 million
- Automotive and Business Solutions revenue grew by 48% and 37% respectively
- Gross margin of 48% (Q3 2009: 52%) and EBIT margin of 15% (Q3 2009: 19%)
- Operating profit of €55 million; EPS of €0.09 impacted by forex charges
- €125 million of debt redeemed ahead of schedule

### Operational highlights Q3 2010

- GO LIVE 1000 shipped; new PND range VIA LIVE announced
- New Renault, Mazda and Sony in-dash contracts announced
- One million connected users milestone passed
- Traffic Manifesto launched; commitment to reducing congestion on roads

### Outlook 2010

- Full year guidance maintained of broadly flat revenue and earnings per share in 2010<sup>1</sup>

### TomTom's Chief Executive Officer, Harold Goddijn

*"Our Consumer business unit performed well in a soft market through strengthened market share, slowing price declines and an increased contribution from service and subscription sales. We made good progress in securing new automotive contracts and our Business Solutions unit continues to deliver strong increases in subscriber numbers. We are focused on broadening our revenue base and on rolling out high quality content and services to our customers and I am pleased with the progress we are making."*

### Key figures<sup>2</sup>

(in € millions)	Q3'10	Q3'09	y.o.y. change	Q2'10	q.o.q. change
Revenue	375	365	3%	362	4%
Gross result	178	191	-7%	185	-4%
Gross margin	48%	52%		51%	
EBITDA	81	96	-15%	75	7%
EBITDA margin	22%	26%		21%	
Operating result	55	70	-21%	50	11%
Operating margin	15%	19%		14%	
Net result	19	31	-37%	34	-43%
EPS, € diluted	0.09	0.14	-39%	0.15	-43%
Adjusted EPS <sup>3</sup> , € diluted	0.14	0.20	-31%	0.21	-34%

<sup>1</sup> In 2009 full year revenue was €1,480 million and earnings per share were €0.47

<sup>2</sup> Operating expenses include restructuring charges of -€0.5 million in Q3 '10, €1.2 million in Q2 '10 and €1.4 million in Q1 '10

<sup>3</sup> Earnings per share adjusted for acquisition related amortisation, non-cash goodwill impairment and restructuring charges on a post tax basis

## Outlook full year 2010

After the first three quarters of the year our results are on track. We maintain our guidance for the full year of broadly flat revenue and EPS compared to 2009.

## Operational review

### Revenue split

(€ millions <i>based on non-rounded figures</i> )	Q3 '10	Q3 '09	y.o.y. change	Q2 '10	q.o.q. change
Consumer	293	293	0%	273	7%
Automotive*	41	28	48%	44	-7%
Licensing**	28	35	-18%	33	-13%
Business Solutions	13	9	37%	12	1%
Hardware	284	280	2%	274	4%
Content & Services	90	85	6%	88	2%

\* includes automotive content licensing

\*\* third party content licensing

In the quarter, TomTom's PND market share in Europe grew from 45% to 48% compared to the same period last year. The market size in Europe was 3.4 million units (Q3 2009: 3.8 million; Q2 2010: 3.1 million). In North America our market share grew from 20% last year to 25%. The North American market size was 2.8 million units (Q3 2009: 3.1 million; Q2 2010: 3.4 million).

The connected high-end PND GO LIVE 1000 started shipping towards the end of the quarter and the connected mid-range PND VIA LIVE was announced. We now have more than one million connected TomTom customers. We are enabling more people in more countries to take advantage of our superior HD Traffic and other services as we continue with our pan-European roll-out of LIVE Services.

Our Automotive business unit announced it will supply Mazda Motor Corporation with a connected in-dash multimedia and navigation solution. Mazda will offer the solution as an option on its new Mazda5 in Europe. We extended our partnership with Renault who will be offering our first fully connected in-dash navigation system including HD Traffic to its customers. Together with Sony we announced that we will collaborate to bring Sony's new connected Xplod AV Navigation System to the market.

The latest version of our map database was released in the quarter and covers more than 32 million kilometres (20 million miles) across 102 countries and territories. In this release 350,000 kilometres (217,000 miles) of high-precision gradient data in the U.S. for use in ADAS (Advanced Driver Assistance Systems) applications and solutions were added as were 70,000 kilometres (42,000 miles) of newly validated and precisely realigned motorways across Europe.

Business Solutions (previously WORK) has grown its subscriber base by 40% over the last year from 87,000 in Q3 2009 to 122,000 as of Q3 2010. In the quarter we introduced a new solution, ecoPLUS which enables businesses to measure and reduce their fuel cost and carbon footprint. We also introduced the new PRO series of PNDs, combining TomTom's latest cross-platform technologies with Business Solutions-specific features.

## Financial review

### Revenue

Revenue for the group was €375 million for the quarter, an increase of 3% compared to the same quarter last year (Q3 2009: €365 million) and an increase of 4% sequentially (Q2 2010: €362 million). Year on year, growth in revenue for Automotive and Business Solutions (previously WORK) was partially offset by a decrease in Licensing revenue. The main driver for the sequential growth was our Consumer business unit.

The revenue of the Consumer business unit over the past quarter amounted to €293 million and was flat compared to the same quarter of last year (Q3 2009: €293 million). A reduction in hardware sales was fully offset by growth in content and services. Sequentially Consumer revenue increased by 7% (Q2 2010: €273 million) driven by higher PND units and increased content and services sales.

Automotive revenue, which includes map and content sales to automotive companies and their suppliers, grew by €13 million or 48% to €41 million compared to the same quarter last year (Q3 2009: €28 million). Sequentially revenue decreased by 7% (Q2 2010: €44 million) due to the seasonal pattern in production of our automotive partners. Revenue from licensing maps to our automotive partners continued to grow strongly, both year on year and sequentially.

Licensing revenue decreased by €6.3 million or 18% to €28 million compared to the same quarter last year (Q3 2009: €35 million) and decreased 13% sequentially (Q2 2010: €33 million). The decrease results from lower third party PND map revenues.

Business Solutions revenue grew year on year by €3.4 million or 37% to €12.5 million (Q3 2009: €9.1 million) driven by additional hardware sales as well as increased revenue from subscriptions. Sequentially revenue was flat (Q2 2010: €12.5 million) because of the seasonally slower summer period.

Hardware revenue for the quarter was €284 million across the group, an increase of 2% year on year (Q3 2009: €280 million) and an increase compared to the second quarter of the year of 4% (Q2 2010: €274 million). Year on year the growth was driven by Automotive and Business Solutions hardware while Consumer hardware revenue was lower.

Content & Services revenue was €90 million for the quarter compared to €85 million in the third quarter of 2009, an increase of 6%. The main contributor to the increase came from Consumer. Sequentially, Content & Services revenue increased by 2%, from €88 million. Content & Services revenue represented 24% of total revenue (Q3 2009: 23%; Q2 2010: 24%).

### Gross margin

The gross margin for the group was 48%. The gross margin declined 4 percentage points compared to the same quarter last year and by 3 percentage points sequentially (Q3 2009: 52%; Q2 2010: 51%). The reduction in the gross margin was caused firstly by the US dollar being, on average, stronger compared to the euro, secondly by the deferral of high margin revenue linked to services on our PNDs and thirdly by changes in product and regional mix.

### Operating expenses

In the quarter, total operating expenses amounted to €123 million, which represents an increase of 1% or €1.7 million compared to the third quarter last year (Q3 2009: €122 million). The increase in operating expenses was mainly the result of increased research and development

(R&D) expenses. Sequentially operating expenses decreased by €12 million (Q2 2010: €135 million). The sequential decrease results from lower marketing and R&D expenditure. Operating expenses as a percentage of revenue for the quarter were stable compared to the same quarter last year at 33% (Q3 2009: 33%) and decreased compared to the previous quarter (Q2 2010: 37%).

R&D expenses for the quarter were €36 million, a decrease of €3.8 million compared to the previous quarter (Q2 2010: €40 million) and an increase of €5.1 million or 16% compared to the same quarter last year (Q3 2009: €31 million). The year on year increase is the result of increased investments in service and delivery activities in 2010. The quarterly decrease was the result of non-recurring items in the second quarter.

Amortisation of technology and databases for the quarter was €18 million (Q2 2010: €19 million, Q3 2009: €19 million). The year on year decrease is the result of technology acquisitions made in the past that have now been fully amortised partially offset by our investments in new technology.

Marketing expenses for the quarter amounted to €17 million, a sequential decrease of 28% and a year on year decrease of 19% (Q2 2010: €24 million; Q3 2009: €21 million). This sequential decrease results from the seasonal pattern of our business with higher marketing spend in the second and especially the fourth quarters. Total marketing expenses represented 5.9% of Consumer revenue, a decrease of 2.9 percentage points sequentially and 1.4 percentage point decrease year on year (Q2 2010: 8.8%; Q3 2009: 7.3%). Marketing expenses will increase significantly in the fourth quarter.

Selling, general and administrative (SG&A) expenses for the quarter amounted to €47 million, a sequential decrease of 4% compared to the previous quarter and a year on year increase of 1% (Q2 2010: €48 million; Q3 2009: €46 million). SG&A costs in the quarter included a one-off gain of €4 million following the settlement of a legal dispute. SG&A expenses represented 12% of current quarter group revenue, compared to 13% in the previous quarter and 13% in the same quarter last year.

Stock compensation expenses for the quarter were €4.6 million, up from an expense of €3.2 million in the previous quarter and €3.6 million in Q3 2009.

The operating result for the quarter was €55 million, a sequential increase of €5.3 million or 11% (Q2 2010: €50 million) and a year on year decrease of 21% (Q3 2009: €70 million) owing to the lower gross margin. As a percentage of revenue, the operating profit was 15%, a decrease of 4 percentage points compared with the same quarter last year (Q3 2009: 19%) and up by 1 percentage point sequentially (Q2 2010: 14%).

### **Financial results**

In the quarter we incurred a €6.2 million net interest expense on our €808 million term loan, €174 million revolving credit facility and cash balances. The amortisation of the transaction costs related to the term loan and revolving credit facility amounted to €2.4 million. Additionally, as we decided to repay €125 million early, we recorded a one-off non-cash charge of €0.8 million due to the IFRS treatment of our floating to fixed interest rate swap. The total interest expense for the third quarter amounted to €9.5 million (Q3 2009: €27 million, Q2 2010: €9.0 million).

As our PND sales in the second half of the year are skewed to the fourth quarter, we carry a significant level of option and forward contracts securing our dollar denominated purchase

commitments in the third quarter. While the relatively strong US dollar (on average) compared to the euro in the quarter negatively impacted our gross margin, the significant weakening of the US dollar against the euro towards the end of the quarter negatively impacted our foreign exchange results. This in combination with our seasonally high level of option and forward contracts resulted in a financial charge of €20 million, of which a significant part was non cash.

**Tax**

The income tax charge was €5.5 million in the third quarter (Q3 2009: €9.8 million). The effective tax rate in the third quarter was 22.4% (Q2 2010: 22.4%; Q3 2009: 24.0%).

**Cash flow**

During the quarter, we recorded a cash inflow from operations of €63 million which was mainly driven by the operating profit of €55 million and relatively stable working capital.

The cash flow used in investing activities during the quarter increased to €16 million from €14 million in the same quarter in the previous year and increased by €4 million compared to the previous quarter.

Cash flows used in financing activities amounted to €125 million because of an early repayment of our borrowings.

**Debt financing**

On 30 September 2010, the carrying value of our borrowings amounted to €673 million (Q2 2010: €795 million). The reduction is the result of the early debt repayment of €125 million we made at the end of the third quarter plus 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 €683 million (Q2 2010: €808 million).

Net debt as of 30 September 2010 decreased to €416 million from €442 million at the end of the previous quarter. Net debt is the sum of the borrowings (€683 million), less cash and cash equivalents at the end of the period (€268 million) plus our financial lease commitments (€1 million). The net debt to last twelve month EBITDA ratio was 1.2 times.

**Balance sheet**

As of the end of Q3 2010, accounts receivable together with other receivables had decreased by €9 million to €283 million (Q2 2010: €291 million; Q3 2009: €249 million). The inventory level was €80 million, an increase of €17 million or 27% in comparison to the previous quarter and an increase of €2.2 million or 3% compared to the same quarter last year (Q2 2010: €63 million; Q3 2009: €78 million). Cash and cash equivalents at the end of the quarter were €268 million (Q2 2010: €367 million) as a result of cash generated from operating activities in the quarter of €43 million offset by the early debt repayment of €125 million and investments in intangible assets and property, plant & equipment of €16 million.

Current liabilities decreased by €139 million from €697 million in Q2 2010 to €558 million in Q3 2010. This was mainly caused by the reduction in borrowing. At the end of the quarter we had shareholders' equity of €1,088 million up from €1,069 million at the beginning of the quarter.

**Consolidated income statements**

(in € thousands)	Q3'10	Q3'09	YTD'10	YTD'09
Revenue	374,919	365,151	1,005,249	946,348
Cost of sales	196,585	173,857	497,767	460,056
<b>Gross result</b>	<b>178,334</b>	<b>191,294</b>	<b>507,482</b>	<b>486,292</b>
Research and development expenses	36,477	31,385	117,746	102,910
Amortisation of technology & databases	18,374	19,355	54,921	57,080
Marketing expenses	17,270	21,302	56,501	60,445
Selling, general and administrative expenses	46,709	46,132	146,163	146,870
Stock compensation expense	4,550	3,552	10,555	8,829
<b>Total operating expenses</b>	<b>123,380</b>	<b>121,726</b>	<b>385,886</b>	<b>376,134</b>
<b>Operating result</b>	<b>54,954</b>	<b>69,568</b>	<b>121,596</b>	<b>110,158</b>
Interest result	-9,536	-26,945	-26,990	-59,592
Other finance result	-20,307	-2,542	-21,090	-35,480
Result associates	-511	672	-1,977	1,870
<b>Result before tax</b>	<b>24,600</b>	<b>40,753</b>	<b>71,539</b>	<b>16,956</b>
Income tax	-5,506	-9,780	-16,049	-3,205
<b>Net result</b>	<b>19,094</b>	<b>30,973</b>	<b>55,490</b>	<b>13,751</b>
Minority interests	-167	431	-573	0
<b>Net result attributed to the group</b>	<b>19,261</b>	<b>30,542</b>	<b>56,063</b>	<b>13,751</b>
Basic number of shares (in millions)	221.7	213.4	221.7	171.3
<b>Diluted number of shares (in millions)</b>	<b>221.7</b>	<b>215.9</b>	<b>221.7</b>	<b>172.0</b>
EPS, € basic	0.09	0.14	0.25	0.08
<b>EPS, € diluted</b>	<b>0.09</b>	<b>0.14</b>	<b>0.25</b>	<b>0.08</b>

**Consolidated balance sheet**

(in € thousands)	30 Sep 2010	31 Dec 2009
Goodwill	854,713	854,713
Other intangible assets	957,767	986,472
Property, plant and equipment	35,678	42,904
Deferred tax assets	24,091	28,205
Investments	7,345	7,683
<b>Total non-current assets</b>	<b>1,879,594</b>	<b>1,919,977</b>
Inventories	79,698	66,719
Trade receivables	235,762	294,024
Other receivables and prepayments	46,775	26,035
Other financial assets	8,631	10,602
Cash and cash equivalents	267,615	368,403
<b>Total current assets</b>	<b>638,481</b>	<b>765,783</b>
<b>Total assets</b>	<b>2,518,075</b>	<b>2,685,760</b>
Share capital	44,344	44,344
Share Premium	973,755	973,755
Other reserves	58,968	34,319
Stock compensation reserve	77,078	66,267
Retained earnings/ (deficit)	-71,026	-106,209
Minority interests	5,141	5,094
<b>Total equity</b>	<b>1,088,260</b>	<b>1,017,570</b>
Borrowings	594,611	588,141
Provisions	60,039	57,847
Long-term liability	920	1,158
Deferred tax liability	216,238	222,129
<b>Total non-current liabilities</b>	<b>871,808</b>	<b>869,275</b>
Trade payables	180,395	201,176
Borrowings	78,377	201,387
Tax and social security	15,381	30,186
Provisions	47,591	56,503
Other liabilities and accruals	236,263	309,663
<b>Total current liabilities</b>	<b>558,007</b>	<b>798,915</b>
<b>Total equity and liabilities</b>	<b>2,518,075</b>	<b>2,685,760</b>

**Consolidated statements of cash flows**

(in € thousands)	Q3'10	Q3'09	YTD'10	YTD'09
Operating result	54,954	69,568	121,596	110,158
Financial (losses) / gains	-1,108	8,766	-7,395	-15,851
Depreciation of PPE	3,379	2,418	11,467	14,465
Amortisation of intangible assets	22,641	23,555	67,129	66,115
Change to provisions	-4,210	-2,529	-6,678	-12,074
Change to stock compensation reserve	3,810	3,632	10,809	7,043
Changes in working capital:				
Change in inventories	-16,926	-12,464	-13,022	68,487
Change in receivables and prepayments	7,650	7,073	37,521	57,379
Change in current liabilities	-6,928	13,558	-98,986	-70,678
<b>Cash generated from operations</b>	<b>63,262</b>	<b>113,577</b>	<b>122,441</b>	<b>225,044</b>
Interest received	252	289	699	1,877
Interest paid	-8,290	-23,155	-19,464	-57,745
Corporate income taxes paid	-12,155	-12,184	-34,638	-14,985
<b>Net cash flow from operating activities</b>	<b>43,069</b>	<b>78,527</b>	<b>69,038</b>	<b>154,191</b>
Investments in intangible assets	-12,211	-7,624	-32,954	-42,429
Investments in property, plant and equipment	-3,526	-3,340	-9,711	-12,185
Acquisition of subsidiary	0	-2,604	0	-2,604
<b>Total cash flow used in investing activities</b>	<b>-15,737</b>	<b>-13,568</b>	<b>-42,665</b>	<b>-57,218</b>
Repayment on borrowings	-125,000	-412,048	-125,000	-412,048
Proceeds on issue of ordinary shares	0	348,189	0	415,867
<b>Total cash flow from financing activities</b>	<b>-125,000</b>	<b>-63,859</b>	<b>-125,000</b>	<b>3,819</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>-97,668</b>	<b>1,100</b>	<b>-98,627</b>	<b>100,792</b>
Cash and cash equivalents at beginning of period	366,883	422,530	368,403	321,039
Exchange rate effect on cash balances held in foreign currencies	-1,600	-698	-2,161	1,101
<b>Cash and cash equivalents at end of period</b>	<b>267,615</b>	<b>422,932</b>	<b>267,615</b>	<b>422,932</b>



## Accounting policies

### Basis of accounting

The condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2010 with related comparative information have been prepared using International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the interim financial statements, for the period ended 30 September 2010, are the same as those followed in the Financial Statements for the year ended 31 December 2009. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial statements.

### For more information

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### Audio webcast third quarter 2010 results

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

Date and time: 20 October 2010 at 14:00 CET

Place: <http://investors.tomtom.com/events.cfm>

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands  
ISIN: NL0000387058 / Symbol: TOM2

### About TomTom

TomTom N.V. (AEX: TOM2) is the world's leading provider of location and navigation solutions. Headquartered in The Netherlands it employs over 3,000 employees worldwide. Over 45 million people daily use its solutions, be it in the form of dedicated portable navigation devices (PNDs), in-dash car systems or tracking and tracing solutions for fleet management. In addition, hundreds of millions of people use TomTom's digital maps on the internet or mobile phone.

In 2009, TomTom reported €1.5 billion in revenues and a €340 million net cash flow from operating activities. More information about TomTom can be found on [www.TomTom.com](http://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 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 the Company's relationship with third party suppliers, and its ability to accurately forecast the volume and timing of sales. Additional factors could cause future results to differ materially from those in the forward-looking statements.*