

TomTom reports fourth quarter and full year 2010 results

Financial highlights full year 2010

- Revenue increased by 3% to €1,521 million
- Net result increased by 24% to €108 million, EPS of €0.49
- Net debt reduced to €294 million (YE 2009: €442 million)

Financial highlights Q4 2010

- Revenue decreased by 3% to €516 million (Q4 2009: €533 million)
- Content & Services revenue grew by 16% to €98 million
- Automotive revenue grew by 52% to €55 million
- Gross margin of 46% and EBIT margin of 13%
- Net result of €52 million
- Net cash flow from operating activities of €141 million

Operational highlights Q4 2010

- Expansion of existing automotive partnerships with Fiat, Toyota and Subaru
- Agreement signed with smartphone manufacturer HTC for provision of content
- Extension of MiTAC content licensing agreement to include Magellan
- GPS fitness watch announced in conjunction with Nike

Outlook full year 2011¹

- We expect broadly flat revenue and earnings per share in 2011 compared with 2010

Key figures²

(in € millions)	Q4 '10 (unaudited)	Q4 '09 (unaudited)	y.o.y. change	FY'10 (audited)	FY'09 (audited)	y.o.y. change
Revenue	516	533	-3%	1,521	1,480	3%
Gross result	237	245	-3%	744	731	2%
<i>Gross margin</i>	46%	46%		49%	49%	
EBITDA	95	136	-30%	295	327	-10%
<i>EBITDA margin</i>	18%	26%		19%	22%	
Operating result	65	111	-42%	186	221	-16%
<i>Operating margin</i>	13%	21%		12%	15%	
Net result	52	73	-29%	108	87	24%
EPS, € diluted	0.23	0.33	-29%	0.49	0.47	3%
Adjusted EPS ³ , € diluted	0.29	0.39	-27%	0.70	0.78	-10%

¹For the outlook on earnings per share for 2011 we used an estimate of the average diluted share count of 226 million shares

²Operating expenses include restructuring charges of €1.3 million in Q4'10 (€2.7 million in Q4'09) and €3.3 million in FY'10 (€10.3 million in FY'09)

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

TomTom's Chief Executive Officer, Harold Goddijn

"In 2010 we launched new products, rolled-out our traffic information service and broadened the customer base of our company. We grew revenue and earnings per share and generated €145 million of cash.

The size of the PND market declined compared to the previous year, though by increasing our market share and because of a more limited decline in selling prices, our Consumer business proved to be a resilient revenue base for the company. Our Automotive business delivered rapid growth (52% y.o.y.) by deepening existing and adding new partnerships. Our Business Solutions unit grew strongly and our content Licensing business successfully focused on the expanding internet and wireless market.

Overall I am pleased with the performance of the company in 2010. In 2011 we will accelerate the development of the technologies which will deliver the user experience expected by our customers of tomorrow."

Outlook 2011

In 2011 we expect our Consumer business unit revenues to contract modestly as a result of a decline in the size of the PND market and limited price erosion, partly compensated by a strengthening of our market share, geographical expansion and growth in Content and Services. Automotive is expected to grow its existing partnerships, offer real-time services and announce new contract wins. Licensing will widen its product delivery capabilities to strengthen our position in the government, enterprise and wireless markets. Business Solutions aims to outperform the expected European fleet management market growth rate of 10 to 20 percent. Overall we expect revenue to be broadly in line with 2010.

TomTom has developed all of the core content, knowledge and technologies needed to create the best user experience for car navigation. We will invest in these assets to bring innovative products and services to the market. 2011 will see an increase in expenditure, primarily in development and commercial activities, as we evolve our technologies and capabilities to expedite our growth in the Automotive and Business Solutions segments. Together with more Content and Services in our revenue mix and a reduced level of debt, this results in an expectation of broadly flat earnings per share compared with 2010.

Operational review

Revenue split

(in € millions based on non-rounded figures)	Q4'10	Q4'09	y.o.y. change	Q3'10	q.o.q. change
Consumer	406	448	-9%	293	39%
Automotive*	55	36	52%	41	33%
Licensing**	39	35	11%	28	37%
Business Solutions	16	14	15%	13	26%
Hardware	418	449	-7%	284	47%
Content & Services	98	85	16%	90	8%

* includes automotive map sales

** third party location and navigation content licensing

In the quarter, TomTom's PND market share in Europe (largest 16) compared to the same period last year grew from 46% to 49%. The market size in Europe was 3.5 million units (Q4 2009: 4.3 million; Q3 2010: 3.5 million). In North America our market share grew from 29% in the fourth quarter last year to 32% this year. The North American market size was 6.5 million units (Q4 2009: 8.6 million; Q3 2010: 2.8 million).

The connected premium-range GO LIVE and the connected mid-range Via LIVE were launched and were well received. The PND market size in the fourth quarter holiday season was smaller than expected but revenues were supported by growth in market share, an increase in selling prices and by higher Content & Services revenue. It is part of TomTom Consumer's strategy to move into the fast-growing sports and fitness market. At the start of the new year we announced a partnership with Nike to deliver a product for runners in the second quarter of 2011.

Our Automotive business unit announced significant expansions to existing partnerships. The Blue&Me TomTom product was extended to the Fiat Doblo, Fiat 500, Qubo and Iveco ECODAILY models. We will also supply solutions for the Toyota Aygo, and together with FUJITSU TEN we will supply an embedded PND for the Subaru Forester and Impreza in the US.

We also announced a significant extension of our content licensing agreement with MiTAC to include Magellan, the third largest PND brand in the US, to add to the Mio and Navman brands. Agreement was reached with smartphone manufacturer HTC to provide our maps for their location application. This is an example of the goal of some of the handset manufacturers to retain control of their navigation user experience. A new partnership was announced with AutoNavi, China's leading provider of map content and navigation and location based solutions with a focus on the automotive OEM market.

Business Solutions introduced a new premium model for the truck navigation market, the PRO 7100 TRUCK, which expands the coverage of access restrictions affecting large vehicles in Europe. In the quarter, the number of WEBFLEET subscriptions grew by 12,000 to 134,000.

We take our intellectual property and the protection of our innovations seriously. By the end of 2010, we had filed more than 3,450 individual patent applications worldwide.

Financial review

Revenue

Revenue for the group was €516 million for the quarter, a decrease of 3% compared to the same quarter last year (Q4 2009: €533 million) and an increase of 38% sequentially (Q3 2010: €375 million). Year on year, the decline in revenue for Consumer was partially offset by an increase in revenue in the other three business units, further broadening the company's revenue base. Sequentially all four business units showed growth with the largest contribution coming from our Consumer business unit.

The revenue of the Consumer business unit over the past quarter amounted to €406 million which is a €42 million decrease compared to the same quarter of last year (Q4 2009: €448 million). The decrease is explained by year on year lower sales in the holiday season especially around Black Friday in the US. Sequentially Consumer revenue increased by 39% (Q3 2010: €293 million) driven by higher unit sales and increased Content & Services revenue.

Automotive revenue, which includes map and content sales to automotive companies and their suppliers, grew by €19 million or 52% to €55 million compared to the same quarter last year (Q4 2009: €36 million). Sequentially revenue increased by 33% (Q3 2010: €41 million) due to the seasonal pattern of production by our automotive partners, new products coming on line and strong content sales in the US.

Licensing revenue increased by €4 million or 11% to €39 million compared to the same quarter last year (Q4 2009: €35 million) and increased 37% sequentially (Q3 2010: €28 million). The sales increase in the fourth quarter is related to the seasonal effect in the portable navigation segment and growth in the internet and wireless segment.

Business Solutions revenue grew year on year by €2.1 million or 15% to €15.8 million (Q4 2009: €13.7 million) driven by additional hardware sales as well as increased revenue from subscriptions. Sequentially revenue increased by €3.3 million (Q3 2010: €12.5 million) on the back of the continued growth of our subscriber base.

Hardware revenue for the quarter was €418 million across the group, a decrease of 7% year on year (Q4 2009: €449 million) and an increase compared to the third quarter of 47% (Q3 2010: €284 million).

Content & Services revenue was €98 million for the quarter compared to €85 million in the fourth quarter of 2009, an increase of 16%. The main contributor to the increase came from HD traffic service subscriptions. Content & Services revenue increased by 8% to €98 million sequentially. Content & Services revenue for the quarter represented 19% of total revenue (Q4 2009: 16%; Q3 2010: 24%).

Gross margin

The gross margin for the group was 46% in the quarter. The gross margin was flat compared to the same quarter last year and was down by 2 percentage points sequentially (Q4 2009: 46%; Q3 2010: 48%). The sequential decrease was the result of the change in our product mix due to the effects of the holiday season.

Operating expenses

In the quarter, total operating expenses amounted to €172 million, an increase of 28% or €38 million compared to the fourth quarter of last year (Q4 2009: €134 million). The increase in operating expenses was mainly the result of higher marketing and R&D expenses. Sequentially operating expenses increased by €49 million (Q3 2010: €123 million) mainly because of higher marketing expenditure. Operating expenses as a percentage of revenue for the quarter increased to 33% (Q4 2009: 25%) and were stable compared to the previous quarter (Q3 2010: 33%).

R&D expenses for the quarter were €44 million, an increase of €7.7 million compared to the previous quarter (Q3 2010: €36 million) and an increase of €7.6 million or 21% compared to the same quarter last year (Q4 2009: €37 million).

Amortisation of technology and databases for the quarter was €23 million (Q3 2010: €18 million, Q4 2009: €18 million). The increase is the result of a one-off accelerated amortisation of tools and databases which are no longer in use.

Marketing expenses for the quarter amounted to €48 million, a sequential increase of 180% and a year on year increase of 86% (Q3 2010: €17 million; Q4 2009: €26 million). This sequential increase results from the seasonal pattern of our business with higher marketing spend in the fourth quarter in our Consumer Business Unit. In 2010 we significantly increased fourth quarter expenditure compared to the previous year. Total marketing expenses represented 9.4% of total revenue, an increase of 4.8 percentage points sequentially and 4.5 percentage point increase year on year (Q3 2010: 4.6%; Q4 2009: 4.9%).

Selling, general and administrative (SG&A) expenses for the quarter amounted to €54 million, representing a sequential increase of 15% compared to the previous quarter and a year on year increase of 4% (Q3 2010: €47 million; Q4 2009: €52 million). The sequential increase is explained by a one-off gain in the previous quarter. SG&A expenses represented 10% of current quarter group revenue, compared to 12% in the previous quarter and 10% in the same quarter last year.

The operating result for the quarter was €65 million, a sequential increase of €9.8 million or 18% (Q3 2010: €55 million) and a year on year decrease of 42% (Q4 2009: €111 million) mainly because of the higher operating costs. As the percentage of revenue, the operating profit was 13%, a decrease of 8 percentage points compared with the same quarter last year (Q4 2009: 21%) and down by 2 percentage points sequentially (Q3 2010: 15%).

Financial results

In the quarter we paid €6.1 million in interest on our €683 million term loan and €174 million revolving credit facility. The amortisation of the transaction costs related to the term loan and revolving credit facility amounted to €1.8 million. In the quarter we repaid €85 million of term debt. The total interest expense for the fourth quarter amounted to €8.1 million (Q4 2009: €11 million, Q3 2010: €10 million).

Due to the 2% appreciation of the US dollar against the Euro in the past quarter we realised a gain of approximately €5 million in financial income and expenses.

Tax

The income tax charge was €10.3 million in the fourth quarter (Q4 2009: €21.9 million). The effective tax rate in the fourth quarter was 16.5% (Q3 2010: 22.4%; Q4 2009: 23.2%). The low tax rate in the quarter was influenced by the one-off impact of a transfer of a content database from the US to the Netherlands.

Debt financing

As at 31 December 2010, the carrying value of borrowings amounted to €588 million (Q3 2010: €673 million; Q4 2009: €790 million). The reduction compared to the third quarter is the result of the repayment of €85 million at the end of the fourth quarter plus the amortised transaction costs which are added back to the borrowings over the lifetime of the borrowings. Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings at the end of the quarter amounted to €598 million (Q3 2010: €683 million).

Net debt as at 31 December 2010 decreased to €294 million from €416 million at the end of the previous quarter and €442 million at the end of the prior year. Net debt is the sum of the borrowings (€598 million), less cash and cash equivalents at the end of the period (€306 million) plus our financial lease commitments (€1.2 million). The net debt to EBITDA ratio at year end was 0.98 times (YE 2009 1.31 times).

Balance sheet

As at 31 December 2010, accounts receivable plus other receivables had increased by €65 million to €348 million compared to the previous quarter (Q3 2010: €283 million; Q4 2009: €320 million). The inventory level was €94 million, an increase of €14 million or 18% in comparison to the previous quarter and an increase of €27 million or 41% compared to the same quarter last year (Q3 2010: €80 million; Q4 2009: €67 million). Cash and cash equivalents at the end of the quarter were €306 million.

Total current liabilities increased by €276 million from €558 million in Q3 2010 to €834 million in Q4 2010 (Q4 2009: €799 million). This was caused mainly by the seasonal increase of rebate and revenue-related accruals in our Consumer business and part of our borrowings moving from non-current to current liabilities. At the end of the quarter we had shareholders' equity of €1,142 million up from €1,088 million at the beginning of the quarter.

Cash flow

During the quarter, we recorded a net cash inflow from operations of €141 million. This was mainly driven by the operating profit of €65 million and a €48 million decrease in working capital resulting from an increase in current liabilities of €128 million partially offset by higher inventories and receivables.

Cash flow used in investing activities during the quarter increased from €16 million in the previous quarter to €22 million in Q4 2010 (Q4 2009: €32 million).

Cash flow used in financing activities amounted to €84 million due to the repayment of borrowings.

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Consolidated income statements

(in € thousands)	Q4'10 (unaudited)	Q4'09 (unaudited)	FY'10 (audited)	FY'09 (audited)
Revenue	515,834	533,312	1,521,083	1,479,660
Cost of sales	279,251	288,568	777,018	748,624
Gross result	236,583	244,744	744,065	731,036
Research and development expenses	44,129	36,531	161,875	139,441
Amortisation of technology & databases	22,723	17,918	77,644	74,998
Marketing expenses	48,287	25,918	104,788	86,363
Selling, general and administrative expenses	53,778	51,909	199,941	198,779
Stock compensation expense	2,940	1,738	13,495	10,567
Total operating expenses	171,857	134,014	557,743	510,148
Operating result	64,726	110,730	186,322	220,888
Interest result	-8,074	-11,223	-35,064	-70,815
Other finance result	5,128	-5,722	-15,962	-41,202
Result of associates	707	733	-1,270	2,603
Result before tax	62,487	94,518	134,026	111,474
Income tax	-10,307	-21,883	-26,356	-25,088
Net result	52,180	72,635	107,670	86,386
Minority interests	475	-381	-98	-381
Net result attributed to the group	51,705	73,016	107,768	86,767
Basic number of shares (in millions)	221.7	221.7	221.7	184.0
Diluted number of shares (in millions)	224.0	223.6	222.0	184.9
EPS, € basic	0.23	0.33	0.49	0.47
EPS, € diluted	0.23	0.33	0.49	0.47

Consolidated balance sheet

(in € thousands)	31 Dec 2010 (audited)	31 Dec 2009 (audited)
Goodwill	854,713	854,713
Other intangible assets	946,263	986,472
Property, plant and equipment	38,977	42,904
Deferred tax assets	22,265	28,205
Investments in associates	7,720	7,683
Total non-current assets	1,869,938	1,919,977
Inventories	93,822	66,719
Trade receivables	305,821	294,024
Other receivables and prepayments	41,853	26,035
Other financial assets	5,724	10,602
Cash and cash equivalents	305,600	368,403
Total current assets	752,820	765,783
Total assets	2,622,758	2,685,760
Share capital	44,362	44,344
Share Premium	974,554	973,755
Other reserves	45,757	34,319
Stock compensation reserve	71,662	66,267
Accumulated deficit	-222	-106,209
Minority interests	5,416	5,094
Total equity	1,141,529	1,017,570
Borrowings	384,011	588,141
Provisions	51,051	57,847
Long-term liability	926	1,158
Deferred tax liability	211,014	222,129
Total non-current liabilities	647,002	869,275
Trade payables	218,419	201,176
Borrowings	203,586	201,387
Tax and social security	35,443	30,186
Provisions	58,237	56,503
Other liabilities and accruals	318,542	309,663
Total current liabilities	834,227	798,915
Total equity and liabilities	2,622,758	2,685,760

Consolidated statements of cash flows

(in € thousands)	Q4'10 (unaudited)	Q4'09 (unaudited)	FY'10 (audited)	FY'09 (audited)
Operating result	64,725	110,730	186,322	220,888
Financial (losses) / gains	-4,394	-3,890	-11,789	-19,741
Depreciation of PPE	3,396	5,951	14,863	20,416
Amortisation of intangible assets	27,105	19,805	94,235	85,920
Change to provisions	1,500	10,807	-5,180	-1,267
Change to stock compensation reserve	2,092	705	12,901	7,748
Changes in working capital:				
Change in inventories	-13,965	12,876	-26,987	81,363
Change in receivables and prepayments	-65,138	-71,469	-27,617	-14,090
Change in current liabilities	127,531	119,214	28,545	48,536
Cash generated from operations	142,852	204,729	265,293	429,773
Interest received	278	966	977	2,843
Interest paid	-6,125	-8,735	-25,589	-66,480
Corporate income taxes paid	4,260	-10,813	-30,378	-25,798
Net cash flow from operating activities	141,265	186,147	210,303	340,338
Investments in intangible assets	-14,140	-14,562	-47,096	-56,991
Investments in property, plant and equipment	-8,155	-6,550	-17,866	-18,735
Acquisition of subsidiary	0	-11,369	0	-13,973
Total cash flow used in investing activities	-22,295	-32,481	-64,962	-89,699
Repayment of borrowings	-85,000	-210,000	-210,000	-622,048
Proceeds on issue of ordinary shares	815	74	817	415,941
Total cash flow from financing activities	-84,185	-209,926	-209,183	-206,107
Net (decrease) increase in cash and cash equivalents	34,785	-56,260	-63,842	44,532
Cash and cash equivalents at beginning of period	267,615	422,932	368,403	321,039
Exchange rate effect on cash balances held in foreign currencies	3,200	1,731	1,039	2,832
Cash and cash equivalents at end of period	305,600	368,403	305,600	368,403

Consolidated statement of changes in stockholders' equity

(in € thousands) (audited)	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Minority interests	Total Equity
Balance as at 31 December 2009	44,344	973,755	100,586	-106,209	1,012,476	5,094	1,017,570
Comprehensive income							
Result for the year	0	0	0	107,768	107,768	-98	107,670
Other comprehensive income							
Translation differences	0	0	1,071	0	1,071	984	2,055
Transfer to legal reserves	0	0	7,956	-7,956	0	0	0
Cash flow hedge	0	0	2,411	0	2,411	0	2,411
Total other comprehensive income	0	0	11,438	-7,956	3,482	984	4,466
Total comprehensive income	0	0	11,438	99,812	111,250	886	112,136
Transactions with owners							
Dividends to minority shareholders	0	0	0	0	0	-251	-251
Change in minority share	0	0	0	0	0	-313	-313
Stock compensation expense	0	0	5,640	0	5,640	0	5,640
Issue of share capital	18	799	-245	6,175	6,747	0	6,747
Balance as at 31 December 2010	44,362	974,554	117,419	-222	1,136,113	5,416	1,141,529

Accounting policies

Basis of accounting

The condensed financial information for the three-month period ended 31 December 2010 with related comparative information has been prepared using accounting policies which are based on International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the condensed financial information, for the period ended 31 December 2010, 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 statements. The Consolidated and Company Financial Statements for TomTom NV for the year ended 31 December 2010 have been prepared and audited but are not yet published.

For more information

TomTom Investor Relations
ir@tomtom.com
+31 20 757 5194

Audio webcast fourth quarter 2010 results

The information for our fourth quarter results audio webcast is as follows:
Date and time: 18 February 2011 at 14:00 CET
<http://corporate.tomtom.com/events.cfm>

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About TomTom

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

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.