

Third quarter 2014 results

Financial and operational highlights

Financial summary Q3 '14

- Revenue of €235 million (Q3 '13: €244 million)
- Gross margin of 57% (Q3 '13: 56%)
- EBIT of €8 million (Q3 '13: €14 million)
- Adjusted EPS¹ of €0.07 (Q3 '13: €0.10)
- Net cash position of €104 million (Q3 '13: €52 million)

Operational summary Q3 '14

- New entry-level START range of PNDs introduced
- TomTom Golfer GPS watch launched
- Partnership with Volkswagen Group Research for the development of Highly Automated Driving (HAD) systems
- Partnership with Bosch SoftTec to deliver Advanced Driver Assistance Systems (ADAS)
- Multinet-R map format launched, the first commercial product release from our new map-making platform
- Location-based services product portfolio extended with online turn-by-turn navigation
- Telematics installed base increased to 414,000

Outlook 2014

- Full year outlook for revenue updated; revenue now expected of between €930 million and €950 million. Outlook for adjusted¹ EPS of at least €0.25 is unchanged

Key figures²

(€ in millions, unless stated otherwise)	Q3 '14	Q3 '13	y.o.y. change	YTD '14	YTD '13	y.o.y. change
Consumer	153	170	-10%	447	465	-4%
Automotive	26	26	1%	86	85	1%
Licensing	27	27	0%	80	85	-6%
Telematics	28	21	34%	79	60	31%
REVENUE	235	244	-4%	692	696	-1%
GROSS RESULT	133	137	-3%	390	378	3%
<i>Gross margin</i>	<i>57%</i>	<i>56%</i>		<i>56%</i>	<i>54%</i>	
EBITDA	41	41	0%	108	110	-2%
<i>EBITDA margin</i>	<i>17%</i>	<i>17%</i>		<i>16%</i>	<i>16%</i>	
EBIT	8	14	-42%	20	21	-8%
<i>EBIT margin</i>	<i>3%</i>	<i>6%</i>		<i>3%</i>	<i>3%</i>	
NET RESULT	6	11	-49%	22	17	32%
DATA PER SHARE (in €)						
EPS - diluted	0.03	0.05	-49%	0.10	0.07	35%
Adjusted EPS - diluted ¹	0.07	0.10	-32%	0.23	0.20	13%

Change percentages are based on non-rounded figures.

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

² Segment revenue breakdown reflects TomTom's new reporting structure as announced on 28 March 2014.

TomTom's Chief Executive Officer, Harold Goddijn

'We reported a solid set of results in the third quarter and generated strong cash from operations.

We launched a number of new products across our businesses, such as our first sport watch for golfers, a line of fully customisable driver terminals and an online turn-by-turn navigation product.

We also achieved a very important milestone with the commercial release of the MultiNet-R map format in September. This map format is the first product fully built from our new map-making platform. With incremental updating at the core of its design, MultiNet-R will serve as a key component in delivering short cycle times between detecting changes in the real world and updating the map on the end-user's devices.

In Automotive, we continue to make good progress in delivering our connected navigation system components. Our bookings for this year so far are above €170 million, which together with orders secured earlier will support growth in our Automotive business from 2016 onwards.'

Financial and business review²

Group revenue for the quarter was €235 million, a 4% decrease compared to €244 million in the same quarter last year. The year on year decrease in revenue came from a decline in Consumer revenue partly offset by strong growth in Telematics revenue, whilst Automotive and Licensing revenue were relatively flat year on year.

Consumer

Consumer revenue for the quarter was €154 million compared to €170 million in Q3 '13. The year on year decline was mainly driven by lower PND and Automotive hardware revenue, partly offset by growth in sport revenue. Automotive hardware revenue was €15 million in Q3 '14 (Q3 '13: €19 million).

The rate of decline of the PND market slowed down, particularly in Europe. The PND market size in Europe³ was 2.1 million units in the third quarter, 6% lower compared to Q3 '13. Our European market share for the quarter is estimated at around 51%, in line with the same quarter last year. The PND market size in North America in Q3 '14 was 0.9 million units, 16% lower compared to Q3 '13. We estimate our North American market share for the third quarter at around 15%. In the quarter, we introduced the new TomTom START PND range, which makes our latest technology accessible to more drivers by providing them with access to lifetime maps and smarter routing at an entry-level price.

We made good progress with our sport business. We continued to strengthen the awareness of our Cardio GPS watch and are on track with the expansion of our sports distribution network. Our investment in this category is increasing as we are building a multiproduct consumer business. We extended our sport product range with the launch of TomTom Golfer. The watch uses GPS technology to automatically recognise the golf course and to find the next hole. It also includes relevant data, such as distances to hazards and layups, from over 34,000 golf courses across the globe.

Automotive

Automotive revenue for the quarter was €26 million, flat compared to the same quarter last year (Q3 '13: €26 million).

In the third quarter, we extended our partnerships with Renault, Fiat Chrysler and Toyota Motor Europe. Renault introduced a new Renault Twingo at the Paris Motor Show with the latest version of the R-Link infotainment system made by TomTom. In addition, TomTom will provide turn-by-turn navigation and maps into the Uconnect™ 5" Radio Nav infotainment system for the new Jeep Renegade line for Europe. We also extended our agreement with Toyota to supply TomTom Traffic and Places services⁴ in Europe for the period between 2016 and 2018.

In the quarter, we announced a partnership with Volkswagen Group Research to join forces to develop HAD systems. The goal of this co-operation is to jointly specify the digital map that is essential for automated driving. Both parties bundle their competencies by combining TomTom's expertise in map content and map-making with Volkswagen's know-how about the car as well as automated driving.

³ Europe refers to EMEA17: AT, CH, DE, BE, NL, FR, IT, GB, ES, PT, TR, CZ, PL, DK, SE, FI, ZA.

⁴ To all European models except for the Aygo line.

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TomTom and Volkswagen Research are working on a concept based on the Navigation Data Standard (NDS) to deliver scalable and cost effective automated driving systems.

We also announced a partnership with Bosch SoftTec to integrate our navigation technology and maps into Bosch's Advanced Driver Assistance Systems (ADAS), providing drivers with a more detailed view of the road ahead. This partnership will enable Bosch to develop more advanced applications with near real-time information including intelligent cruise control, upcoming curve alerts, and jam tail warnings.

In parallel, we extended our map content with traffic sign data covering Europe and North America to encompass a wide range of signage that is relevant to drivers for warning and informational purposes in navigation systems. Newly added traffic signs include animal crossing locations, stop signs, curve warnings, and speed limit signs.

Licensing

Licensing generated revenue of €27 million in the third quarter, flat compared to Q3 '13.

In the third quarter, the first commercial release of the MultiNet-R map format was delivered. MultiNet-R is the first product fully built from our new map-making platform and allows us to deliver short cycle times between detecting changes in the real world and updating the map on our end-user's devices at high quality levels.

We also extended our location-based services product portfolio with an online turn-by-turn navigation service for business customers. This new product enables mobile device vendors and web service providers to provide online mapping and navigation applications that do not require an offline map. The service also includes TomTom's maps, real-time traffic service and navigation software along with easy-to-use software development kits.

Telematics

(€ in millions, unless stated otherwise)	Q3 '14	Q3 '13	y.o.y. change	YTD '14	YTD '13	y.o.y. change
Hardware revenue	8.8	6.4	39%	24.2	19.5	24%
Subscription revenue	19.6	14.8	32%	55.0	41.0	34%
Total Telematics revenue	28.4	21.2	34%	79.2	60.5	31%
Monthly ARPU (€)	16.00	16.70	-4%			
WEBFLEET subscriber installed base (#)	414,000	310,000	34%			

Change percentages are based on non-rounded figures.

Telematics revenue in Q3 '14 was €28 million, which reflects a 34% growth year on year (Q3 '13: €21 million). The recurring SaaS revenue for the quarter was €20 million compared to €15 million in the same quarter last year, an increase of 32% year on year. This increase is driven by the ongoing growth of the WEBFLEET subscriber base, both organically as well as through the recent acquisition in France. At the end of the third quarter Telematics reported an installed base of 414,000 subscribers, a 34% increase compared to 310,000 at the end of Q3 '13. Telematics now services over 31,000 customers.

Year on year growth in hardware revenue in Q3 '14 included the impact of the introduction of the new PRO PND devices and PRO 8 series driver terminals in September. The new PRO 8 driver terminals are connected to the WEBFLEET platform, and are designed to seamlessly integrate information captured in the field into back-end systems enabling decision-making based on real-time data. The PRO 8 series offers additional integration capabilities for customised Apps using the new PRO.connect API. It also comes with a ready-to-use mobile device management platform which extends WEBFLEET capabilities to fully integrate mobile workforce applications.

Hardware and Content & Services revenue split²

Hardware revenue for the quarter was €133 million (Q3 '13: €143 million). Content & Services revenue in the quarter was €102 million (Q3 '13: €101 million). As a percentage of revenue, Content & Services revenue accounted for 43% of total revenue for the quarter (Q3 '13: 41%).

Gross margin

The gross margin of the quarter for the group was 56.8%, 0.5 percentage points higher compared to 56.3% in Q3 '13. The reported gross margin in both years includes one-off provision releases. Excluding these one-off effects, the gross margin would have been 54.6% in Q3 '14 and 54.0% in Q3 '13. The year on year increase in gross margin was mainly due to higher margins on certain hardware products.

Operating expenses

Total operating expenses for the quarter were €125 million, in line with the same quarter last year (Q3 '13: €124 million). Year on year we increased our marketing expenses by €6.2 million to €19 million driven by advertising campaigns launched around sport and traffic within our Consumer business. We accelerated the amortisation of some legacy Navigation technologies resulting in a year on year increase in our amortisation of technology and database line. Our SG&A expenses in the quarter were lower than the same quarter last year in part due to a one-off reduction in costs.

Financial income and expenses

The net interest charge for the quarter was €1.0 million compared to €0.8 million in Q3 '13. The interest expense on the loan facilities in the quarter amounted to €0.7 million. The other financial result was a loss of €0.7 million for the quarter, which consisted primarily of foreign exchange loss on the revaluation of monetary balance sheet items.

Income tax

The net income tax expense for the quarter was €0.6 million (Q3 '13: €2.0 million). The effective tax rate (ETR) for the quarter was 10% versus an ETR of 15% in Q3 '13. The relatively low ETR reflects benefits from tax incentives, which are made available for companies with significant research and development activities in the Netherlands.

Net result and adjusted¹ EPS

The net result for the quarter was €5.8 million (Q3 '13: €11.4 million). The adjusted¹ EPS in Q3 '14 was €0.07 (Q3 '13: €0.10).

Balance sheet

At the end of the quarter, trade receivables plus other receivables totalled €168 million compared to €175 million at the end of Q3 '13. The inventory level was €55 million, slightly less than the same period last year (Q3 '13: €56 million). Cash and cash equivalents at the end of the quarter were €279 million versus €228 million at the end of Q3 '13.

Current liabilities excluding deferred revenue were €371 million compared to €331 million at the end of Q3 '13. The year on year increase is because part of our borrowings is classified as current. We are scheduled to repay €75 million by the end of the current year of the €175 term loan that matures at the end of Q1 in 2016.

Deferred revenue was €139 million at the end of Q3 '14, compared to €115 million at the end of the same quarter last year. The main reason for the year on year increase is an increase of deferred revenue related to our lifetime maps and traffic in PNDs.

At 30 September 2014 we reported a net cash position of €104 million (Q3 '13: net cash of €52 million). Net cash is the sum of the cash and cash equivalents at the end of the period (€279 million) minus the borrowings (€175 million).

Cash flow

The cash flow from operating activities for the quarter was €68 million, which is €3.3 million lower compared the same quarter last year (Q3 '13: €71 million).

The cash flow used in investing activities during the quarter was €22 million (Q3 '13: €24 million). The majority of the investments in the quarter related to our new map production platform and the connected navigation system components for the Automotive industry.

In the third quarter, 1.1 million options related to our long-term employee incentive programmes, were exercised resulting in €5 million cash in.

Dividend policy

At the general meeting of 1 May 2014, the Management Board was requested to give further consideration to the topic of 'shareholders' remuneration'.

The Management Board has considered this request from a number of points of view, such as business prospects, cash requirements, financial performance, new product development and plans for international expansion. After having considered all these factors, the Management Board has decided not to change the company's policy, meaning that it has no current plans to distribute a dividend. The company gives priority to increasing technology investments to strengthen its capabilities and competitive position and to pursuing acquisitions in its fleet management business (Telematics), whilst at the same time improving its balance sheet.

Further information can be found on [our corporate website](#).

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Consolidated condensed statement of income

(€ in thousands)	Q3 '14 Unaudited	Q3 '13 Unaudited	YTD '14 Unaudited	YTD '13 Unaudited
REVENUE	234,564	244,056	691,893	695,889
Cost of sales	101,271	106,573	301,449	318,081
GROSS RESULT	133,293	137,483	390,444	377,808
Research and development expenses	39,052	41,118	128,456	124,500
Amortisation of technology and databases	26,227	20,962	68,522	59,262
Marketing expenses	18,993	12,825	49,790	34,821
Selling, general and administrative expenses	41,178	48,963	124,090	137,915
TOTAL OPERATING EXPENSES	125,450	123,868	370,858	356,498
OPERATING RESULT	7,843	13,615	19,586	21,310
Interest result	-1,017	-765	-2,027	-2,145
Other financial result	-657	358	-2,139	-1,936
Result of associates	232	166	294	2,979
RESULT BEFORE TAX	6,401	13,374	15,714	20,208
Income tax (expense)/income	-619	-2,009	6,475	-3,373
NET RESULT	5,782	11,365	22,189	16,835
Attributable to:				
- Equity holders of the parent	5,741	11,248	22,085	16,281
- Non-controlling interests	41	117	104	554
NET RESULT	5,782	11,365	22,189	16,835
Basic number of shares (in thousands)	222,740	221,940	222,207	221,913
Diluted number of shares (in thousands)	225,914	223,871	224,361	222,751
EARNINGS PER SHARE (in €)				
Basic	0.03	0.05	0.10	0.07
Diluted	0.03	0.05	0.10	0.07

Consolidated condensed balance sheet

(€ in thousands)	30 September 2014 Unaudited	31 December 2013 Audited
ASSETS		
NON-CURRENT ASSETS		
Goodwill	381,569	381,569
Other intangible assets	786,997	803,635
Property, plant and equipment	28,561	25,804
Deferred tax assets	7,899	9,681
Investments in associates	3,129	2,854
TOTAL NON-CURRENT ASSETS	1,208,155	1,223,543
CURRENT ASSETS		
Inventories	54,828	42,260
Trade receivables	141,214	115,429
Other receivables and prepayments	27,148	38,121
Other financial assets	1,989	376
Cash and cash equivalents	278,621	257,785
TOTAL CURRENT ASSETS	503,800	453,971
TOTAL ASSETS	1,711,955	1,677,514
EQUITY AND LIABILITIES		
EQUITY		
Share capital	44,677	44,435
Share premium	985,313	977,087
Other reserves	180,346	160,087
Accumulated deficit	-321,850	-329,463
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	888,486	852,146
Non-controlling interests	2,227	2,115
TOTAL EQUITY	890,713	854,261
NON-CURRENT LIABILITIES		
Borrowings	99,739	99,348
Deferred tax liability	162,791	171,727
Provisions	48,868	55,857
Deferred revenue	49,828	38,300
TOTAL NON-CURRENT LIABILITIES	361,226	365,232
CURRENT LIABILITIES		
Borrowings	74,381	74,089
Trade payables	93,350	82,337
Tax and social security	21,382	28,101
Provisions	36,684	23,975
Deferred revenue	89,171	75,516
Accruals and other liabilities	145,048	174,003
TOTAL CURRENT LIABILITIES	460,016	458,021
TOTAL EQUITY AND LIABILITIES	1,711,955	1,677,514

Consolidated condensed statements of cash flows

(€ in thousands)	Q3 '14 Unaudited	Q3 '13 Unaudited	YTD '14 Unaudited	YTD '13 Unaudited
Operating result	7,843	13,615	19,586	21,310
Financial gains/(losses)	150	-323	497	-4,576
Depreciation and amortisation	33,158	27,416	88,014	88,336
Change in provisions	-5,212	-5,361	203	-6,578
Equity-settled stock compensation expenses	1,463	1,557	2,849	4,469
Changes in working capital:				
Change in inventories	-13,570	-6,959	-11,148	-9,113
Change in receivables and prepayments	11,687	842	-15,166	11,503
Change in liabilities (excluding provisions) ¹	35,443	44,094	11,778	24,075
CASH GENERATED FROM OPERATIONS	70,962	74,881	96,613	129,426
Interest received	145	73	1,309	1,068
Interest paid	-628	-607	-2,347	-2,114
Corporate income taxes (paid)/received	-2,834	-3,389	-9,325	80,289
CASH FLOWS FROM OPERATING ACTIVITIES	67,645	70,958	86,250	208,669
Investments in intangible assets	-17,019	-21,841	-60,676	-59,977
Investments in property, plant and equipment	-4,723	-2,663	-11,972	-10,286
Dividend received	0	45	0	1,001
CASH FLOWS FROM INVESTING ACTIVITIES	-21,742	-24,459	-72,648	-69,262
Repayment of borrowings	0	0	0	-75,000
Dividends paid	0	0	0	-204
Proceeds on issue of ordinary shares	5,366	0	5,818	157
CASH FLOWS FROM FINANCING ACTIVITIES	5,366	0	5,818	-75,047
Net increase in cash and cash equivalents	51,269	46,499	19,420	64,360
Cash and cash equivalents at the beginning of period	226,324	181,139	257,785	164,459
Effect of exchange rate changes on cash balances held in foreign currencies	1,028	-100	1,416	-1,281
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	278,621	227,538	278,621	227,538

¹ Includes the movement of non-current deferred revenue.

Accounting policies - basis of accounting

The condensed consolidated financial information for the three-month and the nine-month period ended 30 September 2014 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 consolidated financial information, for the period ended 30 September 2014, are the same as those followed in the Financial Statements for the year ended 31 December 2013. 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 2014 results

The information for our third quarter 2014 results audio webcast is as follows:

- Date and time: 29 October 2014 at 14.00 CET
- corporate.tomtom.com/presentations.cfm

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands

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About TomTom

TomTom empowers movement. Every day millions of people around the world depend on TomTom to make smarter decisions. We design and develop innovative products that make it easy for people to keep moving towards their goals. Our 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 sport 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. Our business consists of four customer facing business units: Consumer, Automotive, Licensing and Telematics. Founded in 1991 and headquartered in Amsterdam, we have 4,000 employees worldwide and sell our products in over 37 countries. For further information, please visit www.tomtom.com.

Forward-looking statements/Important notice

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of TomTom NV and its subsidiaries (referred to as 'the company' or 'the group') and certain of the plans and objectives of the company with respect to these items. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'believe' and similar expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results may differ materially from those expressed in these forward-looking statements, and you should not place undue reliance on them. We have based these forward-looking statements on our current expectations and projections about future events, including numerous assumptions regarding our present and future business strategies, operations and the environment in which we will operate in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of customer spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, the levels of marketing and promotional expenditures by the company and its competitors, raw materials and employee costs, changes in exchange and interest rates (in particular changes in the US dollar and GB pound versus the euro can materially affect results), changes in tax rates, future business combinations, acquisitions or disposals, the rate of technological changes, political and military developments in countries where the company operates and the risk of a downturn in the market. Statements regarding market share, including the company's competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Market shares are based on sales in units unless otherwise stated. The forward-looking statements contained refer only to the date in which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this document.