De Ruyterkade 154
1011 AC Amsterdam, The Netherlands
corporate.tomtom.com
ir@tomtom.com

TOMTOM

12 February 2013

TomTom reports fourth quarter and full year results

Financial headlines Q4 2012

- Revenue down 19% year on year to €289 million
- Gross margin up 7 percentage points year on year to 53%
- One-off tax gain of €80 million; proceeds to be received in H1 2013
- EPS of €0.45 and adjusted EPS[1] of €0.13 (Q4 2011: €0.05 and €0.16 respectively)
- Net cash flow from operating activities of €91 million

Financial headlines FY 2012

- Revenue down 17% year on year to €1,057 million
- Gross margin up 2 percentage points year on year to 52%
- OPEX down 12% year on year to €484 million[2]
- EPS of €0.58 and adjusted EPS of €0.40 (2011: €-1.97 and €0.55 respectively)
- Net debt of €86 million compared to €194 million at the end of 2011

Operational headlines Q4 2012

- HD Traffic 6.0 launched in US powered by 75 million probes
- New LBS portal launched for developers
- PND market share in Europe increased to 50%
- Partnership with LoJack Corporation to drive WEBFLEET sales in North American market

Outlook full year 2013

- Revenue in the range of €900 million to €950 million
- Adjusted EPS of around €0.20; €0.25 adjusted for the introduction of lifetime maps

Key figures

(in € millions)	FY '12	FY '11	y.o.y. change	Q4 '12	Q4 '11	y.o.y. change	Q3 '12	q.o.q. change
Revenue	1,057	1,273	-17%	289	357	-19%	274	6%
Gross result	555	640	-13%	154	166	-7%	150	3%
Gross margin	*52%*	*50%*		*53%*	*46%*		*55%*	
EBITDA	181	206	-12%	53	47	12%	58	-9%
EBITDA margin	*17%*	*16%*		*18%*	*13%*		*21%*	
EBIT	70	-425		25	10	137%	32	-23%
EBIT margin	7%	*-33%*		9%	*3%*		*12%*	
Net result attr. to the group	129	-438		99	12		22	
EPS, € diluted	0.58	-1.97		0.45	0.05		0.10	
Adjusted EPS, € diluted	0.40	0.55	-28%	0.13	0.16	-22%	0.14	-10%

Change percentages are based on non-rounded figures

1 *Earnings per share adjusted for impairment, acquisition-related amortisation and restructuring charges on a post-tax basis in 2011 and acquisition-related amortisation on a post-tax basis and the €80 million tax benefit in 2012.*

2 *Excluding €512 million impairment charge booked in Q2 2011.*

TomTom's Chief Executive Officer, Harold Goddijn

"We delivered financial results in the quarter modestly ahead of expectations with a high gross margin and strong cash flow.

Early in 2012 we implemented a new product unit structure to increase development efficiency and reduce time to market by componentising our core map, navigation and traffic content and technologies. The year ahead will be a pivotal year as new products start to reach our customers. R&D investments will continue to shift to new technologies, away from legacy technologies, to increase returns."

Outlook 2013

We expect the macro-economic situation to remain challenging. In this environment Consumer will focus on broadening its revenue base consistent with its brand while limiting the revenue decline from PNDs. We expect our core PND markets to decline by 15–20% in volume year over year. Automotive revenue development will largely depend on the new car sales and take rates of our current partners. For Licensing we expect revenue to be broadly stable. Business Solutions is expected to continue to grow strongly.

For the group we expect full year revenue of between €900 million and €950 million. We expect to deliver adjusted earnings per share of around €0.20. Adjusted for the negative impact of deferred revenue related to PND introductions with lifetime maps in the European market, this would be €0.25.

Business review Q4 2012

Consumer released an update to the Android app, making it available to a broader range of smartphones.

We launched our new cloud-based Location Based Services (LBS) Platform and Developer Portal. The platform provides developers with the content and tools to create location-enabled applications. These applications include map display, routing, traffic and geocoding.

We launched the latest version of our real-time traffic information service in the US. With over 75 million probes in the US alone, HD Traffic 6.0 is able to report the location and length of traffic jams on highways more accurately than the previous version. During the quarter we signed a partnership with Telenav to deliver TomTom HD Traffic to Telenav's mobile navigation customers.

Automotive is affected by tough conditions for its customers in the European car market. It is progressing well with the execution of its modular strategy. We aim to sell OEMs and their tier one suppliers, easy-to-integrate maps, traffic and navigation components that provide low development cost, fast time-to-market and the best end-user experience for their customers.

Business Solutions grew its WEBFLEET subscriber base in the quarter by 33% year on year to 239,000 (Q4 2011: 180,000). The customer base passed the 19,000 mark, the largest in the fleet management services industry. Our partnership with Tracker is developing well and sales in South Africa grew markedly. Just after quarter end, we entered into an alliance with LoJack Corporation. The US based stolen vehicle recovery specialist will add WEBFLEET to its product offering and sell it through its extensive dealership network.

Financial review

Revenue split

(€ millions)	Q4'12	Q4 '11	y.o.y. change	Q3 '12	q.o.q. change
Group	289	357	-19%	274	6%
Consumer	187	242	-23%	172	9%
Automotive	44	56	-21%	49	-10%
Licensing	37	40	-7%	33	12%
Business Solutions	20	19	8%	19	6%
Hardware	191	250	-24%	169	13%
Content & Services	98	107	-8%	105	-6%

Change percentages are based on non-rounded figures

Revenue

Revenue for the quarter was €289 million which is 19% lower compared to the same quarter last year (Q4 2011: €357 million) and 6% higher compared to the previous quarter (Q3 2012: €274 million). The year on year decrease is mainly driven by lower Consumer and Automotive sales.

Consumer revenue for Q4 decreased year on year by 23% from €242 million in Q4 2011 to €187 million in Q4 2012. The year-on-year decrease is mainly the result of PND demand continuing to be less skewed towards the fourth quarter. PND sales in EMEA were relatively strong and we saw revenue from the SportWatch nearly double year on year albeit from a small base. Sequentially, Consumer revenue increased by €15 million or 9%, mainly due to our higher market share in Europe and seasonality in PND demand in the US.

The PND market size in Europe was 2.5 million units compared to 3.2 million units in the same quarter of last year. TomTom's European market share increased from 47% in Q4 2011 to 50% in Q4 2012. The North American market size was 2.5 million units compared to 3.7 million units last year. Our market share in North America was 19% compared to 27% in the prior year.

Automotive revenue for Q4 2012 was €44 million, which is a decrease of 21% compared to €56 million in Q4 2011 and 10% sequentially (Q3 2012: €49 million). The year on year decline reflects the tough conditions in the European automotive industry which continue to constrain new car sales.

Licensing generated revenue of €37 million in this quarter, a decline of 7% compared to the €40 million in Q4 2011, mainly due to lower revenue coming from third party PND vendors. Sequentially, revenue increased by €4.0 million or 12% (Q3 2012: €33 million) as a result of higher revenue from smartphone and internet customers.

Revenue for Business Solutions in the quarter was €20 million, representing an 8% increase year on year (Q4 2011: €19 million) and a 6% increase sequentially (Q3 2012: €19 million). The year on year increase is the result of the growth in WEBFLEET subscription revenue. The partner model for geo-expansion is increasing the relative contribution of WEBFLEET revenue in the mix.

Hardware revenue development reflected the decline in Consumer PND and Automotive hardware sales. Hardware revenue in the quarter decreased by 24% year on year to €191 million (Q4 2011: €250 million). Sequentially, Hardware revenue increased by 13% (Q3 2012: €169 million).

Revenue from Content & Services for the quarter was €98 million, an 8% decrease year on year (Q4 2011: €107 million) and a 6% decrease sequentially (Q3 2012: €105 million). Content & Services revenue accounted for 34% of revenue for the quarter (Q4 2011: 30%; Q3 2012: 38%).

Gross margin
The gross margin for the quarter was 53% compared with 46% in Q4 2011 and 55% in Q3 2012. The year on year increase is mainly due to the accelerated write-off of pre-paid third party service costs in Q4 2011 and one-off provision releases in the current quarter. Excluding the releases the gross margin for the current quarter was 51%. Foreign exchange currency movements did not have a meaningful impact on the gross margin compared to last year and prior quarter. The normalised gross margin in Q4 2011 was 48%.

Operating expenses
The restructuring program initiated in Q4 2011 has made a visible impact on the lowering of our cost base in 2012. Total operating expenses for the quarter were €130 million compared to €156 million in Q4 2011, representing a 17% decrease year on year. €14 million out of the €26 million decrease is explained by the restructuring costs recognised in Q4 2011. Sequentially, operating expenses increased by €11 million or 9.5%.

The year on year reduction in operating expenses in the quarter was mainly visible in the areas of Marketing (-31%) and SG&A (-23%). In R&D we continue to invest in our innovation projects which resulted in a modest decrease of 3.2% for the quarter compared to Q4 2011. The amortisation of technology and databases decreased by 19% year on year as the result of the accelerated amortisation of certain technologies in Q4 2011.

The sequential increase in operating expenses is mainly due to the timing of R&D projects, which led to higher R&D expenses, and an increase in the SG&A expenses mainly as a result of higher property and personnel expenses.

Financial results
The net interest charge for the quarter was €2.4 million compared with €3.8 million in Q4 2011 and €3.2 million in Q3 2012. Interest paid for the quarter was €3.5 million. The amortisation of transaction costs related to the term loan and revolving credit facility amounted to €0.8 million.

The other financial result for the quarter was a loss of €0.3 million compared with a gain of €0.7 million in Q4 2011.The loss was mainly driven by our hedge results.

Tax
In the quarter we had a normalised income tax charge of €2.6 million, representing an effective tax rate of 11.7%. Due to an €80 million one-off tax gain as a result of a settlement of prior year tax issues with the Dutch tax authority, the total tax result was a gain of €77 million (Q4 2011: gain of €4.6 million). The normalised tax rate in Q4 2011, excluding a €5.9 million one-off tax gain as well as the tax effect of the restructuring charges was 20.7%.

Cash flows
The cash inflow from operations for the quarter was €98 million compared with €138 million in the same quarter last year. The year on year reduction is mainly because the cash inflow from reduced working capital was lower in the quarter than in the corresponding quarter of last year.

The cash flow used in investing activities during the quarter was €15 million, an increase of €3.3 million compared to €11 million in Q4 2011.

Cash flows used in financing activities amounted to €48 million mainly reflecting the net effect of repayments made during the quarter net of the proceeds from our new term loan.

Debt financing
On 31 December 2012 we made the final repayment on the outstanding amount of the loan we entered into in 2008 and we drew down on the new €250 million term loan.

This new term loan is part of the forward-start facility arrangement we signed in April 2011. It additionally includes a €150 million revolving credit facility, which remained unutilised on 31 December 2012. Netted with the transaction costs, the carrying amount of this €250 million loan at year end was €247 million.

Our net debt position on 31 December 2012 was €86 million, down from €194 million at the end of 2011. Our leverage ratio was reduced from 0.9 at the end of 2011 to 0.5 at the end of 2012.

Balance sheet
As at 31 December 2012, accounts receivable plus other receivables were €268 million compared with €236 million at 31 December 2011. The increase is mainly attributed to the income tax receivable balance partly offset by a decrease in the trade receivables balance. The inventory level was reduced to €44 million from €66 million at the end of last year and €59 million at the end of previous quarter. Cash and cash equivalents at the end of the quarter were €164 million compared to €194 million at the end of the prior year.

Current liabilities were €475 million compared to €845 million in the same quarter last year. The year on year decrease is mainly due to the full repayment of our previous borrowings partly offset by the current portion of our new term loan.

At the end of the quarter we had shareholders’ equity of €838 million up from €742 million at the beginning of the quarter.

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Consolidated income statements

(in € thousands)	**Q4 '12**	**Q4 '11**	**FY '12**	**FY '11**
Revenue	289,010	357,401	1,057,134	1,273,217
Cost of sales	134,678	191,426	502,398	633,545
Gross result	**154,332**	**165,975**	**554,736**	**639,672**
Research and development expenses	45,257	46,745	166,315	172,822
Amortisation of technology & databases	21,777	27,007	84,011	84,619
Impairment charge	0	0	0	511,936
Marketing expenses	14,238	20,507	57,305	78,062
Selling, general and administrative expenses	46,698	60,511	169,716	208,917
Stock compensation expense	1,723	789	7,140	7,985
Total operating expenses	**129,693**	**155,559**	**484,487**	**1,064,341**
Operating result	**24,639**	**10,416**	**70,249**	**-424,669**
Interest result	-2,374	-3,826	-12,084	-21,862
Other finance result	-290	714	1,642	6,093
Result associates	137	-94	726	-432
Result before tax	**22,112**	**7,210**	**60,533**	**-440,870**
Income tax	77,403	4,583	68,660	1,919
Net result	**99,515**	**11,793**	**129,193**	**-438,951**
Non-controlling interests	403	-94	469	-1,107
Net result attributed to the group	**99,112**	**11,887**	**128,724**	**-437,844**
Basic number of shares (in thousands)	221,895	221,895	221,895	221,874
Diluted number of shares (in thousands)	**222,316**	**221,939**	**222,024**	**221,874**[1]
EPS, € basic	0.45	0.05	0.58	-1.97
EPS, € diluted	**0.45**	**0.05**	**0.58**	**-1.97**

[1] In 2011, 29,686 potential diluted shares were not taken into account as the effect would be anti-dilutive.

Consolidated balance sheet

(in € thousands)	31 December 2012	31 December 2011
Goodwill	381,569	381,569
Other intangible assets	821,233	871,528
Property, plant and equipment	26,770	32,555
Deferred tax assets	13,610	10,493
Investments in associates	3,880	4,450
Total non-current assets	**1,247,062**	**1,300,595**
Inventories	44,383	65,502
Trade receivables	149,834	184,939
Other receivables and prepayments	118,262	51,242
Other financial assets	444	2,784
Cash and cash equivalents	164,459	193,579
Total current assets	**477,382**	**498,046**
Total assets	**1,724,444**	**1,798,641**
Share capital	44,379	44,379
Share Premium	975,260	975,260
Other reserves	159,011	131,213
Accumulated deficit	-342,875	-444,852
Equity attributable to equity of the parent	**835,775**	**706,000**
Non-controlling interests	2,642	2,451
Total equity	**838,417**	**708,451**
Borrowings	173,437	0
Provisions	48,268	50,114
Deferred tax liability	170,909	182,273
Other long term liabilities	18,130	12,720
Total non-current liabilities	**410,744**	**245,107**
Trade payables	84,162	116,616
Borrowings[1]	73,703	383,810
Tax and social security	33,263	20,942
Provisions	33,192	51,213
Other liabilities and accruals	250,963	272,502
Total current liabilities	**475,283**	**845,083**
Total equity and liabilities	**1,724,444**	**1,798,641**

[1] The 2011 borrowings were fully due in 2012 and hence the full amount has been presented under current liabilities.

Consolidated statements of cash flows

(in € thousands)	Q4 '12	Q4 '11	FY '12	FY '11
Operating result	24,639	10,416	70,249	-424,669
Financial (losses)/gains	-4,226	7,786	-784	4,554
Depreciation and amortisation	28,528	36,999	110,670	119,097
Impairment charge	0	0	0	511,936
Change in provisions	-928	-6,645	-9,428	-10,224
Equity-settled stock compensation expenses	1,210	1,067	5,700	7,996
Changes in working capital:				
Change in inventories	12,861	9,683	13,819	27,915
Change in receivables and prepayments	33,058	31,185	47,660	113,384
Change in current liabilities (excl. provisions)[1]	3,249	47,253	-51,210	-154,770
Cash flow from operations	**98,391**	**137,744**	**186,676**	**195,219**
Interest received	214	1,535	1,197	2,871
Interest paid	-3,466	-3,997	-9,908	-18,459
Corporate income taxes paid	-4,244	-1,119	-11,025	-5,456
Net cash flow from operating activities	**90,895**	**134,163**	**166,940**	**174,175**
Investments in intangible assets	-11,075	-9,512	-42,990	-57,918
Investments in property, plant and equipment	-3,519	-3,370	-9,311	-16,502
Dividend received	40	1,628	1,487	1,628
Total cash flow used in investing activities	**-14,554**	**-11,254**	**-50,814**	**-72,792**
Repayments of borrowings	-290,000	-110,000	-388,000	-210,000
Proceeds of new term loan	247,140	0	247,140	0
Redemption of vested equity instruments	-4,605	0	-4,605	0
Dividends paid	-317	0	-317	0
Acquisition of non-controlling interests	0	-4,004	0	-4,243
Proceeds on issue of ordinary shares	0	0	0	724
Total cash flow from financing activities	**-47,782**	**-114,004**	**-145,782**	**-213,519**
Net increase in cash and cash equivalents	**28,559**	**8,905**	**-29,656**	**-112,136**
Cash and cash equivalents at beginning of period	136,528	182,313	193,579	305,600
Exchange rate effect on cash balances held in foreign currencies	-628	2,361	536	115
Cash and cash equivalents at end of period	**164,459**	**193,579**	**164,459**	**193,579**

[1] Includes movements in non-current portion of deferred revenue presented under other long term liabilities.

Accounting policies

Basis of accounting

The condensed consolidated financial information for the three-month and twelve-month periods ended 31 December 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 31 December 2012, 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 consolidated and company financial statements of TomTom NV for the year ended 31 December 2012 have been prepared and audited but are not yet published. 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 fourth quarter and full year 2012 results

The information for our fourth quarter results audio webcast is as follows:
12 February at 14.00 CET
http://corporate.tomtom.com/presentations.cfm

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

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