

TomTom reports first quarter 2012 results

Financial headlines

- Group revenue of €233 million
- Content and Services revenue of €98 million
- Adjusted EPS of €0.04
- Net cash flow from operating activities of €16 million
- Early repayment of borrowings of €28 million

Operational headlines

- Renault partnership extended with R-Link
- Samsung to use TomTom maps for Wave3 smartphone
- Indian map deal signed with HTC
- First traffic agreement for Chinese market with Qoros Auto
- Car insurance market entered through Motaquote partnership

Outlook full year 2012

- Guidance to deliver revenue of around €1.1 billion and adjusted EPS¹ of around €0.35 maintained

Key figures

(in € millions)	Q1 '12	Q1 '11	y.o.y. change	Q4 '11	q.o.q. change
Revenue	233	265	-12%	357	-35%
Gross result	114	141	-19%	166	-31%
Gross margin	49%	53%		46%	
EBITDA ²	28	44	-37%	47	-41%
EBITDA margin	12%	17%		13%	
EBIT result ²	0	18		10	
EBIT margin	0%	7%		3%	
Net result	-2	11		12	
EPS, diluted in €	-0.01	0.05		0.05	
Adjusted EPS, diluted in €	0.04	0.10	-60%	0.16	-76%

Change percentages are based on non-rounded figures

TomTom's Chief Executive Officer, Harold Goddijn

"The economic headwind in Southern Europe impacted Consumer and Automotive revenue in the quarter. We saw consumer discretionary spending decline and OEMs adjusting their production accordingly, which was largely in line with our expectations. Due to a bug in a third party component some of our products stopped functioning properly after 31 March. We released a software update to fix this product issue for our customers and have been working with our partners to deliver a solution for the affected devices in the channel.

The first positive results of last year's reorganisation are becoming apparent. The product focus is starting to pay off and is resonating well. I am proud that in the quarter we could announce our first traffic deal with an automotive company in China.

We reiterate our full year guidance for revenue and EPS."

¹ Earnings per share adjusted for impairment, acquisition-related amortisation and restructuring charges on a post-tax basis

² Operating expenses include restructuring charges of €0.6 million in Q1 2011 and €13.6 million in Q4 2011

Outlook 2012

We continue to expect to grow our Automotive, Licensing and Business Solutions revenues, whilst the visibility about the rate of decline in our core PND markets remains limited.

We maintain our guidance of full year revenue of around €1.1 billion and adjusted earnings per share of around €0.35. Our guidance takes into account our estimate of the aggregate impact of the product issue.

Business review

The market size in Europe for PNDs was 2.0 million units compared to 2.4 million units in the same quarter of last year. The North American market size was 1.4 million units compared to 2.1 million units last year. Our market shares in Europe and North America were fairly flat at 46% and 24% respectively.

At the start of the year Consumer introduced a new product line up of PNDs for the North American market. The new line-up classifies TomTom's navigation solutions in to three step-up ranges named Start, VIA, and GO. Consumer expanded geographically by launching the Via and GO series of PNDs in Indonesia.

Automotive extended its partnership with Renault with the upcoming R-Link. R-Link is Renault's new integrated, connected multi-media system with a seven-inch display and steering wheel mounted controls with features which include HD Traffic, IQ Routes and speech recognition. Zoe, the first Renault car model to be equipped with R-Link will be launched later this year. We signed our first deal with an automotive OEM for the Chinese market; Qoros Auto will equip its car models as of 2013 with HD Traffic. In the quarter we also announced that Chevrolet dealerships are offering TomTom PNDs to customers.

In the quarter we announced several new traffic customers. Agreements were signed with the government of the Basque Country and Atkins who will analyse traffic conditions through use of our Custom Travel Times product. Delcan Corporation will use our historical traffic data for a comprehensive research programme. In addition an agreement was signed with the British Automobile Association (the AA) which will use TomTom HD Traffic to provide its website visitors with a live view of road conditions and areas of congestion.

TomTom announced the expansion of coverage of its portfolio of real time traffic products for licensing customers to include the Czech Republic, Denmark, Finland, Norway and Sweden, bringing the total count to 23 countries.

The quality of our real-time traffic information was corroborated by independent research conducted by the German Aerospace Centre. Solutions with TomTom's HD Traffic outperform competing solutions and reduce average drive times by 13% and up to 30% in congested areas.

Licensing signed an agreement with Samsung whereby TomTom maps and location content will power the Wave3 smartphone. We extended our partnership with HTC to provide the maps, points of interest and turn-by-turn directions for a range of HTC smartphones in India.

Business Solutions entered the car insurance market in line with its strategy to more broadly leverage its technologies. Our fleet management technology is used in Motaquote's new insurance product, which bases premiums on driving behaviour. WEBFLEET's installed base grew by 36% compared to the first quarter of 2011 to 194 thousand. An updated version WEBFLEET Mobile extends the use of the app to iOS and Android tablets.

Financial review

Revenue split

(in € millions)	Q1 '12	Q1 '11	y.o.y. change	Q4 '11	q.o.q. change
Consumer	126	157	-20%	242	-48%
Automotive	58	60	-3%	56	5%
Licensing	33	34	-3%	40	-19%
Business Solutions	16	14	14%	19	-15%
Hardware	135	169	-20%	250	-46%
Content & Services	98	96	2%	107	-9%

Change percentages are based on non-rounded figures

Revenue

The group generated €233 million revenue for the quarter, a decrease of 12% compared to the same quarter last year (Q1 2011: €265 million) and a 35% decrease sequentially (Q4 2011: €357 million).

The revenue of the Consumer business unit over the past quarter amounted to €126 million which is a €31 million decrease compared to the same quarter of last year (Q1 2011: €157 million). The year on year decrease is the result of the declining PND markets partially compensated by an increase in LIVE Services revenue.

Automotive revenue decreased by €1.8 million or 3.0% to €58 million compared to the same quarter last year (Q1 2011: €60 million). The decline resulted from less hardware sales as some of our Automotive partners face difficult market circumstances. Automotive content revenue increased in the corresponding period. Sequentially revenue increased by 4.6% (Q4 2011: €56 million).

Licensing revenue declined year on year by €1.2 million or 3.5% to €33 million and decreased by €7.6 million sequentially (Q1 2011: €34 million, Q4 2011: €40 million). In the previous year there was a one off positive impact from a royalty adjustment of €4 million from a customer.

Business Solutions revenue increased by €2.0 million or 14% year on year to €16 million (Q1 2011: €14 million) driven by new subscriptions revenue. Sequentially revenue decreased by €2.8 million (Q4 2011: €19 million).

Hardware revenue for the quarter was €135 million across the group, a decrease of 20% year on year (Q1 2011: €169 million) and a decrease of 46% compared to the previous quarter (Q4 2011: €250 million).

Content & Services revenue was €98 million for the quarter compared to €96 million in Q1 2011, an increase of 2.1%. LIVE Services and Automotive were the main contributors to the increase. Sequentially, Content & Services revenue for the quarter decreased by 8.6%, mainly as a result of Licensing's seasonally lower map sales to PND customers. Content & Services revenue represented 42% of total revenue (Q1 2011: 36%; Q4 2011: 30%).

Gross margin

The gross margin for the group was 49% compared to 53% in the same quarter last year and was up sequentially by 3 percentage points from 46%. The gross result in the quarter was impacted by the product issue. Excluding the estimated cost of rectifying the product issue the gross margin in the quarter would have been 55%.

Operating expenses

Total operating expenses for the quarter amounted to €114 million, a decrease of €8.5 million, or 6.9% compared to the same quarter of last year (Q1 2011: €123 million). The year on year decrease was mainly the result of lower selling, general and administrative (SG&A) and research and development (R&D) expenditure partially offset by an increase in amortisation of technology & databases and marketing expenses. Compared to Q4 2011, which included a €14 million restructuring charge, operating expenses decreased by €41 million or 27% (Q4 2011: €156 million). We are on track to deliver our cost savings target for the full year.

R&D expenses for the quarter were €38 million, a decrease of €3.4 million year on year (Q1 2011: €42 million) and a decrease of €8.4 million compared to the previous quarter (Q4 2011: €47 million and €40 million excluding restructuring). The decrease mainly relates to the timing of development projects.

Amortisation of technology and databases for the quarter was €21 million (Q1 2011: €19 million, Q4 2011: €27 million). The year on year increase is due to the adoption of a shorter estimated useful life of certain internally developed technologies. In Q4 2011 amortisation of technology and databases included an accelerated amortisation of some intangible assets.

Marketing expenses increased by €2.3 million year on year to €13 million (Q1 2011: €10 million). The €7.9 million sequential decrease mainly reflects seasonality (Q4 2011: €21 million).

SG&A expenses for the quarter amounted to €40 million, representing a year on year decrease of 18% and a sequential decrease of 34% (Q4 2011: €61 million and €54 million excluding restructuring; Q1 2011: €49 million).

Financial results

The total interest charge for the quarter was €3.5 million (Q1 2011: €6.0 million, Q4 2011: €3.8 million). Interest expense on the term loan and revolving credit facility for the quarter amounted to €2.7 million. The amortisation of the transaction costs related to the facility amounted to €1.3 million. The interest expense was partially offset by an interest income of €0.5 million on cash balances.

Net result and adjusted EPS

The net result was -€1.5 million compared to €11 million in the prior year, which represents adjusted earnings per share of €0.04 and €0.10 respectively. Without the impact of the product issue the adjusted earnings per share in the quarter would have been €0.09.

Debt financing

On 31 March 2012, the carrying value of our borrowings amounted to €357 million, a decrease of €27 million compared to the previous quarter because we made an early repayment on our borrowings of €28 million (Q4 2011: €384 million). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings amounted to €360 million (Q4 2011: €388 million).

Net debt as of 31 March 2012 decreased slightly to €192 million from €194 million at the end of the previous year. Net debt is the sum of the borrowings (€360 million), minus cash and cash equivalents at the end of the period (€168 million).

The net debt to the last twelve months EBITDA ratio was 0.94 times compared to 0.88 at year end 2011.

Balance sheet

As at the end of Q1 2012, accounts receivable plus other receivables totalled €157 million. This is a decrease of €20 million year on year and a decrease of €80 million sequentially. The inventory level was €55 million, a decrease of €43 million year on year and a decrease of €10 million in comparison to the previous quarter. Cash and cash equivalents at the end of the quarter were €168 million.

Current liabilities were €733 million compared to €635 million at the end of the same quarter last year and €858 million in the previous quarter. The sequential decrease was mainly caused by a decrease of €62 million in accruals and other liabilities and €45 million in other accounts payable.

Cash flow

During the quarter, we recorded a cash inflow from operations of €16 million which was mainly driven by a reduction of inventory.

The cash flow used in investing activities during the quarter decreased to €13 million from €17 million in Q1 2011, mainly driven by lower expenditures on internal development projects.

Cash outflow from financing activities was €28 million as we continued to make repayments on our outstanding borrowings.

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Consolidated income statements

(in € thousands)	Q1'12	Q1'11
Revenue	232,901	265,146
Cost of sales	118,791	124,224
Gross result	114,110	140,922
Research and development expenses	38,310	41,729
Amortisation of technology & databases	21,237	18,620
Marketing expenses	12,557	10,248
Selling, general and administrative expenses	40,254	49,320
Stock compensation expense	1,896	2,847
Total operating expenses	114,254	122,764
Operating result	-144	18,158
Interest result	-3,480	-6,043
Other finance result	2,576	1,665
Result associates	189	-332
Result before tax	-859	13,448
Income tax	-645	-2,977
Net result	-1,504	10,471
Minority interests	29	-109
Net result attributed to the group	-1,533	10,580
Basic number of shares (in millions)	221.9	221.8
Diluted number of shares (in millions)	221.9	224.1
EPS, € basic	-0.01	0.05
EPS, € diluted	-0.01	0.05

Consolidated balance sheet

(in € thousands)	31 March 2012	31 Dec 2011
Goodwill	381,569	381,569
Other intangible assets	861,088	871,528
Property, plant and equipment	30,398	32,555
Deferred tax assets	10,301	10,493
Investments	4,806	4,450
Total non-current assets	1,288,162	1,300,595
Inventories	55,383	65,502
Trade receivables	109,318	184,939
Other receivables and prepayments	47,210	51,242
Other financial assets	622	2,784
Cash and cash equivalents	168,014	193,579
Total current assets	380,547	498,046
Total assets	1,668,709	1,798,641
Share capital	44,379	44,379
Share Premium	975,260	975,260
Other reserves	131,329	131,213
Retained deficit	-445,911	-444,852
Minority interests	2,546	2,451
Total equity	707,603	708,451
Provisions	50,182	50,114
Deferred tax liability	178,258	182,273
Total non-current liabilities	228,440	232,387
Trade payables	71,673	116,616
Borrowings ³	357,080	383,810
Tax and social security	23,163	20,942
Provisions	57,917	51,213
Other liabilities and accruals	222,833	285,222
Total current liabilities	732,666	857,803
Total equity and liabilities	1,668,709	1,798,641

³ The borrowings are fully due in 2012; a forward start facility, which will replace the existing borrowings as from 31 December 2012, is in place.

Consolidated statements of cash flows

(in € thousands)	Q1 '12	Q1 '11
Operating result	-144	18,158
Financial gains/(losses)	2,958	-3,194
Depreciation and amortisation	28,237	26,322
Change in provisions	-5,244	-2,818
Change in stock compensation reserve	1,582	2,685
Changes in working capital:		
Change in inventories	8,684	-5,488
Change in receivables and prepayments	79,392	170,924
Change in current liabilities	-99,357	-201,088
Cash generated from operations	16,108	5,501
Interest received	430	438
Interest paid	-2,634	-5,063
Corporate income tax received	1,636	1,588
Net cash flow from operating activities	15,540	2,464
Investments in intangible assets	-11,332	-12,469
Investments in property, plant and equipment	-1,866	-4,367
Total cash flow used in investing activities	-13,198	-16,836
Repayment of borrowings	-28,000	0
Proceeds on issue of ordinary shares	0	564
Total cash flow used in financing activities	-28,000	564
Net decrease in cash and cash equivalents	-25,658	-13,808
Cash and cash equivalents at beginning of period	193,579	305,600
Exchange rate effect on cash balances held in foreign currencies	93	-2,476
Cash and cash equivalents at end of period	168,014	289,316

Accounting policies

Basis of accounting

The condensed consolidated financial information for the three-month month period ended 31 March 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 March 2012, are the same as those followed in the Financial Statements for the year ended 31 December 2011. 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 first quarter 2012 results

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

Date and time:

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

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands

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About TomTom

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

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.