

First quarter 2014 results

Financial and operational highlights

Financial summary Q1 '14

- Revenue of €205 million (Q1 '13: €202 million)
- Gross margin of 57% (Q1 '13: 56%)
- EBIT of €2 million (Q1 '13: €0 million)
- Adjusted EPS¹ of €0.08, of which €0.04 relates to one-off tax gain (Q1 '13: €0.03)
- Net cash of €44 million

Operational summary Q1 '14

- TomTom Cardio GPS sports watch with integrated heart rate monitor launched
- TomTom BRIDGE, a programmable driver terminal for B2B customers, announced
- Latest generation of PNDs introduced in North America
- TomTom maps and navigation software extended into the new Alfa Romeo MiTo MY 2014 range and the entire Fiat 500L family
- TomTom Traffic made available in China, Taiwan and Singapore
- The LINK200, an entry-level track and trace device launched

Outlook 2014

- Full year outlook updated; revenue now expected of at least €900 million and adjusted¹ EPS of around €0.25

Key figures²

(€ in millions, unless stated otherwise)	Q1 '14	Q1 '13	y.o.y. change
Consumer	125	124	1%
Automotive	29	29	1%
Licensing	26	30	-12%
Telematics	25	19	29%
REVENUE	205	202	2%
GROSS RESULT	117	112	4%
<i>Gross margin</i>	<i>57%</i>	<i>56%</i>	
EBITDA	30	29	3%
<i>EBITDA margin</i>	<i>14%</i>	<i>14%</i>	
EBIT	2	0	
<i>EBIT margin</i>	<i>1%</i>	<i>0%</i>	
NET RESULT	8	-2	
DATA PER SHARE (in €)			
EPS - diluted	0.03	-0.01	
Adjusted EPS - diluted ¹	0.08	0.03	118%

Change percentages are based on non-rounded figures.

TomTom's Chief Executive Officer, Harold Goddijn

"We have started the year strongly with results which are ahead of expectations and we launched important new products for all of our business units.

In particular, the Cardio GPS sports watch, with its built in heart rate monitor, has received encouraging early order levels from customers. I am especially pleased to see the progress made in Telematics where we saw an accelerating growth in our WEBFLEET subscriber base and in recurring revenue in the first quarter."

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

² Revenue and operating expenses breakdown reflect TomTom's new reporting structure as announced on 28 March 2014.

Outlook 2014

Given our first quarter results and because of the one-off tax settlement, which contributed €0.04 of earnings per share, we are updating our full year outlook for 2014. We now expect revenue of at least €900 million and adjusted¹ earnings per share of around €0.25, which includes the one-off tax settlement of €0.04 in Q1 '14.

We also re-iterate that we expect our gross margin to stay strong, we will maintain tight control on operating costs, and we expect capital investments of more than €100 million. We expect to increase our net cash position for the year as a whole.

Financial and business review²

Group revenue for the quarter was €205 million, a 2% increase compared to revenue of €202 million in Q1 '13. The year on year growth in revenue came from the strong increase in Telematics revenue partly offset by a decline in Licensing revenue.

Consumer

Consumer revenue for the quarter was €125 million, an increase of 1% compared to €124 million in the same quarter last year. Revenue increased year on year due to higher PND revenue in EMEA and higher sports revenue. Automotive hardware revenue (now included in Consumer) was €20 million in Q1 '14 (Q1 '13: €22 million).

The PND market size in Europe³ was 1.6 million units in the first quarter, 12% lower compared to Q1 '13. Our European market share for the quarter was estimated at around 52%, up by two percentage points compared to Q1 '13. The PND market size in North America during Q1 '14 was 0.8 million units, 24% lower compared to Q1 '13. We estimate our North American market share for the first quarter at around 19%. Following a successful rollout in Europe in 2013, our latest generation of PNDs was introduced in North America at the end of the quarter.

We continued our commitment to innovate in the sports watch product category in Q1 '14. We launched the TomTom Runner and Multi-Sport Cardio GPS sport watches. These models have a built-in heart rate monitor, which eliminates the need for a separate chest strap and provides easy use of heart rate training during workouts. We also introduced the TomTom MySports mobile app, which wirelessly connects with our sports watches for the upload of key workout performance information. The mobile app also automatically downloads the latest QuickGPSFix satellite data, enabling users of our sports watches to start a run faster.

We expanded our product offering for the B2B market with the launch of TomTom BRIDGE. TomTom BRIDGE is a programmable driver terminal, which enables seamless integration of TomTom technology with customised business applications to help businesses, who manage a fleet of vehicles, to move and work their fleets more efficiently. TomTom BRIDGE offers the flexibility to create own applications for specific business needs and is available with different models that also include our WEBFLEET solution in Telematics.

Automotive

Automotive revenue for the quarter was €29 million (Q1 '13: €29 million).

We extended our long-standing partnership with Fiat Chrysler Automotive to provide a fully integrated navigation system for the Alfa Romeo MiTo MY 2014 model and the entire family of FIAT 500L models. TomTom is delivering advanced navigation software for the Uconnect™ 5" Radio NAV featuring TomTom's IQ routes and digital maps.

We expanded our real-time traffic service to China, Taiwan and Singapore. Our traffic service is now available in 36 countries in North and South America, Europe, South Africa, Asia, Australia and New Zealand.

Licensing

Licensing revenue for the quarter was €26 million, which is €3.6 million lower than in Q1 '13. The year on year decrease mainly resulted from the phasing out of a major contract in the first half of last year.

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

First quarter 2014 results / Continued

In the first quarter, TomTom entered into a strategic partnership with worldwide indoor mapping leader, Micello Inc. adding indoor venues to our current range of mapping products. With this partnership, TomTom customers are now able to develop apps and location-based services, which help users to navigate with ease both in and out of the car.

Telematics

TomTom renamed its Business Solutions business unit to Telematics in March 2014. The new name reflects our focus on Telematics Software-as-a-Service (SaaS) solutions.

Key figures

(€ in millions, unless stated otherwise)	Q1 '14	Q1 '13	y.o.y. change
Hardware revenue	7.8	6.6	18%
Subscription revenue	17.3	12.8	35%
Total Telematics revenue	25.1	19.4	29%
Monthly ARPU (€)	17.00	17.40	-2%
WEBFLEET subscriber installed base (#)	348,000	252,000	38%

Change percentages are based on non-rounded figures.

Telematics generated revenue of €25 million in the quarter, which represents 29% growth year on year (Q1 '13: €19 million). This revenue increase was driven by strong growth in the WEBFLEET subscriber base and the related recurring revenue. The acquired Spanish business Coordina also contributed well. The recurring SaaS revenue amounted to €17 million for the quarter, 35% higher compared to Q1 '13. At the end of the quarter, Telematics reported an installed base of 348,000 active subscribers, which is an increase of 38% compared to the first quarter of last year.

In Q1 '14, Telematics launched LINK200, an entry-level track and trace product that can help small businesses take advantage of connected car technology. The device plugs directly into a vehicle's on-board diagnostic system (OBD) port, allowing for self-installation by customers, which eliminates installation charges. LINK200 is offered on a rental basis as part of the newly introduced WEBFLEET Lite subscription and reflects Telematics' introduction of bundled hardware and software rental models.

Telematics strengthened its product offering by entering into a partnership with Zebra Technologies, a global printing, barcode and radio frequency identification (RFID) specialist. This partnership will add additional fleet management data and mobile printing, such as receipts, invoices and barcodes on RFID labels, through our recently introduced LINK.connect API. This API allows third parties and integrators to connect additional in-vehicle devices and sensors via the new Bluetooth interface of Telematics LINK boxes.

Hardware and Content & Services revenue split²

Hardware revenue for the quarter was €106 million compared to €101 million in Q1 '13. Content & Services revenue in the quarter was €99 million, 1% lower compared to Q1 '13, mainly due to lower Licensing revenue. As a percentage of revenue, Content & Services revenue accounted for 48% of total revenue in Q1 '14.

Gross margin

The gross margin for the quarter was 57.1%, which is 1.3 percentage points higher compared to 55.8% in Q1 '13. The year on year increase was mainly due to higher margins on certain hardware products partly due to the strengthening of the euro against the US dollar.

Operating expenses

Total operating expenses for the quarter were €116 million (Q1 '13: €112 million). The increase in operating expenses reflects an increase in R&D expenses and amortisation of technology and databases, offset by slightly lower marketing expenses. The year on year increase in R&D expenses results from an amendment to the level of subsidies claimed against R&D personnel costs.

Financial income and expenses

The net interest charge for the quarter was €1.0 million versus an interest charge of €1.1 million in Q1 '13. The other financial result primarily comprises of foreign exchange losses of €1.2 million (Q1 '13: loss of €1.0 million).

Income tax

The net income tax gain for the quarter was €8.1 million versus a net income tax expense of €0.4 million in Q1 '13. The income tax gain in the current quarter was caused by a release of a tax provision following the finalisation of an overseas tax audit. Excluding the impact of the tax settlement the normalised effective tax rate (ETR) for the quarter was close to nil versus an ETR of 21.4% in Q1 '13. The lower 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 €7.6 million, of which €8.1 million reflects the above-mentioned tax settlement (Q1 '13: €2.2 million loss). The adjusted¹ EPS for Q1 '14 was €0.08, of which €0.04 relates to the above-mentioned tax settlement.

Balance sheet

Trade receivables at the end of the quarter equalled €110 million compared to €115 million at the end of Q4 '13. Inventory at the end of Q1 '14 was €46 million, €4 million higher compared to Q4 '13. Cash and cash equivalents decreased from €258 million at the end of Q4 '13 to €219 million at the end of Q1 '14.

At the end of Q1 '14 the carrying value of our outstanding borrowings was €174 million (Q4 '13: €173 million). The nominal amount of the outstanding borrowings excluding transaction costs was €175 million (Q4 '13: €175 million).

Current liabilities excluding deferred revenue were €333 million at the end of Q1 '14 (Q4 '13: €383 million). The quarter on quarter decrease was mainly driven by lower trade payables, tax and social securities and other accruals in Q1 '14. Trade payables amounted to €74 million, €8 million lower compared to Q4 '13. Tax and social securities decreased by €9 million mainly due to the release of an income tax provision following the finalisation of the aforementioned overseas tax audit. Other liabilities and accruals at the end of the quarter equalled €131 million versus €174 million at the end of Q4 '13. The main reason for this decrease related to the settlement of sales related accruals and employee incentive plans, in some cases in a different quarter than last year.

Deferred revenue for the quarter ended at €109 million (Q4 '13: €114 million). The decrease is mainly related to the timing of payments for some Licensing contracts.

At the end of the first quarter, we had a net cash position of €44 million. Net cash is the sum of the cash and cash equivalents at the end of the period (€219 million) minus the outstanding gross borrowings (€175 million).

Cash flow

For the quarter the net cash used in operating activities was €15 million versus a cash inflow of €92 million in Q1 '13. The cash from operating activities in Q1 '13 included a refund of €70 million from the €80 million tax settlement agreed upon with the Dutch Tax Authorities in 2012. Adjusted for this impact, the year on year decrease was mainly driven by a seasonal shift of working capital utilisation in Q1 '14.

The cash flow used in investing activities during the quarter increased by €3 million year on year to €24 million (Q1 '13: €21 million). The majority of the investments related to our new Map production platform, the Navigation engine NavKit and Customer specific investments in Automotive.

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Consolidated condensed statement of income

(€ in thousands)	Q1 '14	Q1 '13
REVENUE	205,378	201,589
Cost of sales	88,089	89,123
GROSS RESULT	117,289	112,466
Research and development expenses	43,178	38,961
Amortisation of technology and databases	21,182	18,908
Marketing expenses	9,298	10,749
Selling, general and administrative expenses	42,120	43,800
TOTAL OPERATING EXPENSES	115,778	112,418
OPERATING RESULT	1,511	48
Interest result	-1,020	-1,116
Other financial result	-1,176	-995
Result of associates	136	254
RESULT BEFORE TAX	-549	-1,809
Income tax income/(expense)	8,103	-387
NET RESULT	7,554	-2,196
Attributable to:		
- Equity holders of the parent	7,492	-2,265
- Non-controlling interests	62	69
NET RESULT	7,554	-2,196
Basic number of shares (in thousands)	222,191	221,895
Diluted number of shares (in thousands)	224,431	222,143
EARNINGS PER SHARE (in €)		
Basic	0.03	-0.01
Diluted	0.03	-0.01

Consolidated condensed balance sheet

(€ in thousands)	31 March 2014	31 December 2013
ASSETS		
NON-CURRENT ASSETS		
Goodwill	381,569	381,569
Other intangible assets	798,468	803,635
Property, plant and equipment	25,552	25,804
Deferred tax assets	9,233	9,681
Investments in associates	2,973	2,854
TOTAL NON-CURRENT ASSETS	1,217,795	1,223,543
CURRENT ASSETS		
Inventories	46,212	42,260
Trade receivables	110,321	115,429
Other receivables and prepayments	31,968	38,121
Other financial assets	335	376
Cash and cash equivalents	219,279	257,785
TOTAL CURRENT ASSETS	408,115	453,971
TOTAL ASSETS	1,625,910	1,677,514
EQUITY AND LIABILITIES		
EQUITY		
Share capital	44,438	44,435
Share premium	977,164	977,087
Other reserves	165,512	160,087
Accumulated deficit	-325,175	-329,463
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	861,939	852,146
Non-controlling interests	2,191	2,115
TOTAL EQUITY	864,130	854,261
NON-CURRENT LIABILITIES		
Borrowings	99,445	99,348
Deferred tax liability	166,356	171,727
Provisions	53,294	55,857
Deferred revenue	39,965	38,300
TOTAL NON-CURRENT LIABILITIES	359,060	365,232
CURRENT LIABILITIES		
Borrowings	74,219	74,089
Trade payables	74,111	82,337
Tax and social security	18,708	28,101
Provisions	34,983	23,975
Deferred revenue	69,269	75,516
Other liabilities and accruals	131,430	174,003
TOTAL CURRENT LIABILITIES	402,720	458,021
TOTAL EQUITY AND LIABILITIES	1,625,910	1,677,514

Consolidated condensed statements of cash flows

(€ in thousands)	Q1 '14	Q1 '13
Operating result	1,511	48
Financial gains/(losses)	380	-2,643
Depreciation and amortisation	28,184	28,708
Change in provisions	5,599	-2,024
Equity-settled stock compensation expenses	938	1,442
Changes in working capital:		
Change in inventories	-3,156	-7,502
Change in receivables and prepayments	11,192	33,937
Change in liabilities (excluding provisions) ¹	-57,368	-24,902
CASH GENERATED FROM OPERATIONS	-12,720	27,064
Interest received	103	382
Interest paid	-895	-871
Corporate income taxes (paid)/received	-1,127	65,648
CASH FLOWS FROM OPERATING ACTIVITIES	-14,639	92,223
Investments in intangible assets	-20,396	-17,700
Investments in property, plant and equipment	-3,482	-3,588
Dividend received	0	499
CASH FLOWS FROM INVESTING ACTIVITIES	-23,878	-20,789
Repayment of borrowings	0	-75,000
Dividends paid	0	-204
Proceeds on issue of ordinary shares	52	0
CASH FLOWS FROM FINANCING ACTIVITIES	52	-75,204
Net (decrease) in cash and cash equivalents	-38,465	-3,770
Cash and cash equivalents at beginning of period	257,785	164,459
Effect of exchange rate changes on cash balances held in foreign currencies	-41	266
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	219,279	160,955

¹ Includes the movement of non-current deferred revenue.

Accounting policies - basis of accounting

The condensed consolidated financial information for the three-month period ended 31 March 2014 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 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 first quarter 2014 results

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

- Date and time: 29 April 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 sports 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 3,600 employees worldwide and sell our products in over 35 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.