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TomTom reports first quarter 2013 results

Financial highlights
- Revenue of €202 million (Q1 2012: €233 million)
- Gross margin of 56% (Q1 2012: 49%)
- Adjusted EPS[1] of €0.03 (Q1 2012:€ 0.04)
- Net debt of €14 million (Q4 2012: €86 million)

Operational highlights
- Traffic deals with Daimler and Toyota announced
- TomTom navigation to be included in Fiat's line fitted infotainment system
- Business Solutions passed the 250,000 WEBFLEET subscribers milestone
- New ranges of Consumer products announced at Launch Event in Amsterdam

Outlook full year 2013
Full year outlook maintained of revenue of between €900 and €950 million, and adjusted EPS[1] of around €0.20.

Key figures

(in € millions)	**Q1 '13**	**Q1 '12**	**Change**
Revenue	202	233	-13%
Gross result	112	114	-1%
Gross margin	56%	49%	
EBITDA	29	28	2%
EBITDA margin	14%	12%	
Operating result	0	0	
Net result	-2	-2	
EPS, diluted in €	-0.01	-0.01	
Adjusted EPS[1], diluted in €	0.03	0.04	

Change percentages are based on non-rounded figures

TomTom's Chief Executive Officer, Harold Goddijn

"In the quarter we delivered results in line with expectations and a strong gross margin.

The product unit structure we implemented last year is starting to deliver on its goal of making componentised products out of our map, navigation and traffic assets. The launch of NavKit is a major milestone; our new navigation software is being rebuilt from the ground up and will be available for licensing to automotive and enterprise customers.

We are excited to see the first consumer products based on our new technologies enter the market. The new PND range with its map and traffic centric display will bring more context to navigation. With the sport watches we are combining our GPS knowledge with our expertise in creating products that are easy to use. We will continue to work on bringing innovations to the market and reiterate our outlook for the full year."

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

Business review

At TomTom's Launch event on 17 April, Consumer announced a number of new products. We presented a new range of PNDs that are powered by a new navigation engine, NavKit and come with a redesigned map-centric user interface. NavKit will power the next generations of products across the business and will also be available for third party customers. Additionally we announced a range of new GPS watches for runners, cyclists and swimmers.

Automotive announced that starting this summer, Daimler will equip its upcoming Mercedes-Benz vehicles with our traffic service in 12 European countries. Also Toyota Motor Europe will roll out HD traffic from early 2014 as a standard in all vehicles equipped with its new navigation and infotainment systems. We will continue our four-year partnership with Fiat as a supplier of the navigation solution for the new built-in Uconnect infotainment system, initially available in the Fiat 500L.

Licensing signed a worldwide agreement with Telmap, an Intel company, to supply maps and related content. We announced the extension of our partnership with MiTAC. At the start of the quarter we signed a partnership with Telenav to deliver TomTom Traffic content to Telenav's mobile navigation customers in the US.

In the quarter, Business Solutions reached the 250,000 WEBFLEET-subscribers milestone and delivered growth of 30% year on year. To help companies manage their mobile operations more efficiently, we have extended the integration possibilities of our fleet management solution by enabling third-party developers to create new applications for use in and around the vehicle.

Financial review

Revenue split

(in € millions)	Q1 '13	Q1 '12	Change
Group	202	233	-13%
Consumer	101	126	-19%
Automotive	51	58	-13%
Licensing	30	33	-8%
Business Solutions	19	16	21%
Hardware	111	135	-18%
Content & Services	91	98	-7%

Change percentages are based on non-rounded figures

Revenue

TomTom generated €202 million revenue for the quarter, a decrease of 13% compared to the same quarter last year (Q1 2012: €233 million).

The revenue of the Consumer business unit over the past quarter amounted to €101 million which is a €24 million decrease compared to the same quarter of last year (Q1 2012: €126 million). The year on year decrease is the result of the declining PND demand partially compensated by an increase in fitness revenue.

The PND market size in Europe in the quarter was 1.7 million units compared to 2.1 million units in the same quarter of last year. The North American market size was 1.1 million units compared to 1.5 million units last year. Our market share in Europe grew by 5 percentage points year on year to 51%. In North America our market share decreased by 1 percentage point year on year to 23%.

Automotive revenue decreased by €7.7 million or 13% year on year to €51 million (Q1 2012: €58 million). The decline resulted mainly from lower new car sales by our Automotive customers.

Licensing revenue declined by €2.6 million or 8% year on year to €30 million (Q1 2012: €33 million). The year on year decrease results from lower Consumer licensing sales.

Business Solutions revenue increased by €3.4 million or 21% year on year to €19 million (Q1 2012: €16 million) driven by both higher hardware and subscriptions revenue.

Hardware revenue across the group was €111 million, a decrease of 18% year on year (Q1 2012: €135 million).

Content & Services revenue was €91 million for the quarter compared to €98 million in Q1 2012, a decrease of 7%. Lower content and services revenue from our Consumer segment was the main contributor to the decrease. Content & Services revenue represented 45% of total revenue (Q1 2012: 42%).

Gross margin

The gross margin for the group was 56% compared to 49% in the same quarter last year. The gross result in the previous year was impacted by one-off provision for a malfunctioning GPS chip. Excluding this one-off the gross margin in the first quarter of 2012 would have been 55%.

Operating expenses

Total operating expenses for the quarter amounted to €112 million, a decrease of €1.8 million, or 2% compared to the same quarter of last year (Q1 2012: €114 million). The year on year decrease is explained by lower amortisation charges for technology and databases (-11%) as well as lower marketing expenses (-15%) offset by an increase in selling, general and administrative (SG&A) expenditures (+7%).

R&D expenses for the quarter were flat compared to the first quarter of last year at €38 million (Q1 2012: €38 million).

Lower amortisation of technology and databases for the quarter is explained by the fact that some intangibles were fully written off during the prior year.

Marketing expenses decreased by €1.9 million year over year to €11 million.

SG&A expenses for the quarter amounted to €43 million, representing a year on year increase of €2.9 million (Q1 2012: €40 million).

Financial results

The total interest charge for the quarter was €1.1 million (Q1 2012: €3.5 million). Interest expense on the term loan and revolving credit facility for the quarter amounted to €0.9 million. The amortisation of the transaction costs related to the facility amounted to €0.6 million. The interest expense was partially offset by interest income of €0.4 million on the cash balances.

Net result and adjusted EPS

The net result was -€2.3 million compared to -€1.5 million in the prior year, which represents adjusted earnings per share of €0.03 and €0.04 respectively.

Debt financing
On 31 March 2013, the carrying value of our borrowings amounted to €173 million, a decrease of €74 million compared to the previous quarter because we made an early repayment of €75 million on our borrowings (Q4 2012: €247 million). Excluding transaction costs, which are netted against the borrowings, our outstanding borrowings at the end of the quarter amounted to €175 million (Q4 2012: €250 million).

Net debt as of 31 March 2013 decreased to €14 million from €86 million at the end of the previous year. Net debt is the sum of the borrowings (€175 million), minus cash and cash equivalents at the end of the period (€161 million).

The net debt to the last twelve months EBITDA ratio was 0.1 times compared to 0.5 at year end 2012.

Balance sheet
As at the end of Q1 2013, accounts receivable plus other receivables totalled €172 million. This is an increase of €16 million year on year and a decrease of €96 million sequentially, the latter follows from a €70 million tax receipt. The inventory level was €53 million, a decrease of €2.0 million year on year and an increase of €9.0 million in comparison to the previous quarter. Cash and cash equivalents at the end of the quarter were €161 million.

Current liabilities were €381 million compared to €733 million at the end of the same quarter last year and €475 million in the previous quarter. The sequential decrease was mainly caused by a decrease in current borrowings to nil as we have already repaid our contractual 2013 repayment. Last year our total borrowings amounted to €357 million and were fully classified as current as repayment was scheduled in 2012.

Cash flow
During the quarter, we recorded a cash inflow from operations of €27 million which was mainly driven by our EBITDA of €29 million. In the quarter we received €70 million of the €80 million total settlement we agreed upon with the tax authorities in relation to prior year tax issues. The remaining €10 million is expected to be received during the second quarter.

The cash flow used in investing activities during the quarter increased to €21 million from €13 million in Q1 2012 and €15 million in the previous quarter. The majority of the investments were related to our Map production platform, the Navigation engine NavKit and Customer specific investments in our automotive segment.

The cash outflow in financing activities was €75 million because of the early repayment on our outstanding borrowings.

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Consolidated income statements

(in € thousands)	**Q1'13**	**Q1'12**
Revenue	201,589	232,901
Cost of sales	89,123	118,791
Gross result	**112,466**	**114,110**
Research and development expenses	38,181	38,310
Amortisation of technology & databases	18,908	21,237
Marketing expenses	10,687	12,557
Selling, general and administrative expenses	43,171	40,254
Stock compensation expense	1,471	1,896
Total operating expenses	**112,418**	**114,254**
Operating result	**48**	**-144**
Interest result	-1,116	-3,480
Other finance result	-995	2,576
Result associates	254	189
Result before tax	**-1,809**	**-859**
Income tax	-387	-645
Net result	**-2,196**	**-1,504**
Minority interests	69	29
Net result attributed to the group	**-2,265**	**-1,533**
Basic number of shares (in millions)	221.9	221.9
Diluted number of shares (in millions)	**222.1**	**221.9**
EPS, € basic	-0.01	-0.01
EPS, € diluted	**-0.01**	**-0.01**

Consolidated balance sheet

(in € thousands)	31 March 2013	31 December 2012
Goodwill	381,569	381,569
Other intangible assets	811,827	821,233
Property, plant and equipment	26,978	26,770
Deferred tax assets	13,520	13,610
Investments	3,471	3,880
Total non-current assets	**1,237,365**	**1,247,062**
Inventories	53,346	44,383
Trade receivables	113,985	149,834
Other receivables and prepayments	58,152	118,262
Other financial assets	1,712	444
Cash and cash equivalents	160,955	164,459
Total current assets	**388,150**	**477,382**
Total assets	**1,625,515**	**1,724,444**
Share capital	44,379	44,379
Share Premium	975,260	975,260
Other reserves	160,870	159,011
Retained deficit	-345,638	-342,875
Minority interests	2,303	2,642
Total equity	**837,174**	**838,417**
Borrowings	172,757	173,437
Provisions	46,306	48,268
Other long term liabilities	20,034	18,130
Deferred tax liability	168,118	170,909
Total non-current liabilities	**407,215**	**410,744**
Trade payables	88,573	84,162
Borrowings	0	73,703
Tax and social security	35,313	33,263
Provisions	34,591	33,192
Other liabilities and accruals	222,649	250,963
Total current liabilities	**381,126**	**475,283**
Total equity and liabilities	**1,625,515**	**1,724,444**

Consolidated statements of cash flows

(in € thousands)	Q1 '13	Q1 '12
Operating result	48	-144
Financial (losses)/gains	-2,643	2,958
Depreciation and amortisation	28,708	28,237
Change in provisions	-2,024	-5,244
Equity-settled stock compensation expense	1,442	1,582
Changes in working capital:		
Change in inventories	-7,502	8,684
Change in receivables and prepayments	33,937	79,392
Change in current liabilities[2]	-24,902	-99,357
Cash generated from operations	**27,064**	**16,108**
Interest received	382	430
Interest paid	-871	-2,634
Corporate income tax received	65,648	1,636
Net cash flow from operating activities	**92,223**	**15,540**
Investments in intangible assets	-17,700	-11,332
Investments in property, plant and equipment	-3,588	-1,866
Dividend received	499	0
Total cash flow used in investing activities	**-20,789**	**-13,198**
Repayment of borrowings	-75,000	-28,000
Dividends paid	-204	0
Total cash flow used in financing activities	**-75,204**	**-28,000**
Net decrease in cash and cash equivalents	**-3,770**	**-25,658**
Cash and cash equivalents at beginning of period	164,459	193,579
Exchange rate effect on cash balances held in foreign currencies	266	93
Cash and cash equivalents at end of period	**160,955**	**168,014**

[2] Includes movements in the 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 month period ended 31 March 2013 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 2013, 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 quarterly condensed consolidated information in this press release is unaudited.

For more information

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Audio webcast first quarter 2013 results
The information for our first quarter results audio webcast is as follows:
Date and time: 23 April at 14.00 CET
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 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 35 countries.

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.