# ANNUAL REPORT 2014

## ICONS by category

### DRIVE

CAR

MOTORCYCLE

CAMPER & CARAVAN

TRUCK

### SPORT

RUNNING

CYCLING

SWIMMING

GOLF

### PRODUCT-RELATED

CONNECTED CAR

DIGITAL MAP

MULTINET-R

REAL-TIME TRAFFIC INFORMATION

NAVKIT NAVIGATION ENGINE

NAVCLOUD

CLOUD-BASED PRODUCTS

WEBFLEET

TELEMATICS APP CENTER

FLEET

### FINANCE & STRATEGY

ACCOUNTING POLICIES

SIGNIFICANT ESTIMATES

OUTLOOK

STRATEGY

## 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 (the company) and certain of the plans and objectives of TomTom and its subsidiaries (together with the company referred to as 'the group') with respect to these items. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'would', '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 group and its competitors, raw materials and employee costs, changes in exchange and interest rates (in particular changes in the USD and GBP 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 specialised research institutes, industry and dealer panels in combination with management estimates. Where full year information regarding 2014 is not yet available to the company, these statements may also be based on estimates and projections prepared by outside sources or management. 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 annual report.

## OVERVIEW

## MESSAGE FROM THE CEO

Dear stakeholder,

I am pleased to report that 2014 was a good year for TomTom. We made good progress with our investments in our core technologies across the group, achieving important milestones and positioning TomTom back for growth. We made further inroads in establishing a multi-product consumer business with our GPS sport watches, we announced new deals with automotive customers and we saw accelerated growth in our fleet management business.

Improvements to our organisational structure and R&D set-up over recent years have created a stronger basis for the future of TomTom. As well as being able to look forward to the benefits of a more efficient organisational structure, we will continue to build on a growth and performance-oriented culture that embraces teamwork, strong employee engagement, and the drive for excellence.

2014 marked a year in which we achieved significant milestones with our technologies. We made substantial progress with the first version of our unique transactional map-making platform that will provide incremental map updates, enabling near real-time maps. With this technological innovation, TomTom is well positioned to address the need for accurate and up-to-date maps, for navigation applications and driver assistance applications, including Highly Automated Driving.

We invested to maintain our leadership position in traffic, increasing our global coverage and enhancing our traffic services. Over 40 countries around the world now have access to TomTom's historic and real-time traffic information. TomTom also became the first company to use real-time weather information to calculate routes and arrival times. By knowing the exact traffic situation across the entire road network, including weather conditions, we give drivers more insight about the road ahead, making journeys faster and more predictable.

We made good progress on investments in our modular navigation software, which is used by our consumer drive products such as PNDs and offered as a modular connected navigation system with maps and traffic to our automotive customers for their embedded systems. We are committed to using the Navigation Data Standard (NDS) industry standard map format, which we are integrating into our navigation software on device-based and server-based navigation applications. The ability of NDS to support incremental updates fits well with our transactional map-making capability, making it possible to keep an on-board map up-to-date.

Our European PND business held up well in 2014. We improved our European market share and average selling price (ASP). The North American market continued to decline faster than in Europe and it remains a challenging market for PNDs. Our strategy is to maximise the value from the PND category, which we believe will remain a meaningful category in its own right for the foreseeable future. With the introduction of our own branded GPS sport watches we made a successful step into the sports market. In 2014, we extended our sport watch range with the launch of TomTom Runner Cardio, equipped with a built-in heart rate monitor, which made heart rate training easily accessible to athletes. We also delivered a GPS watch to help golfers to improve their game. We will continue to invest in our consumer business and we look forward to bringing innovative and relevant new products to the market in 2015.

Our strategy of offering modular Connected Navigation System (CNS) components, including maps, traffic and navigation software and services, to automotive OEMs and Tier 1 vendors is driving growth in our Automotive business. In 2014, we continued to deliver our modular CNS components to our existing customers and we secured new partnerships and deals. Key strategic partnerships with Bosch SoftTec and Volkswagen Research to develop Advanced Driving Systems, and jointly research the future of Highly Automated Driving build on TomTom's expertise in mapping, traffic and navigation and position TomTom as a leading innovator in the future of automated driving. We also continued to strengthen our position as a premium traffic service provider in the automotive industry, underlined by new contract wins such as Daimler, Toyota, Fiat, and Audi. Our order bookings for 2014 exceeded €220 million, which together with earlier secured orders will support growth in our Automotive business from 2016 onwards.

In our Licensing business, we diversified and grew our customer base globally and announced a number of strategic deals that enable us to offer cloud-based navigation and location services, a pedestrian-friendly map layer and an indoor mapping offering.

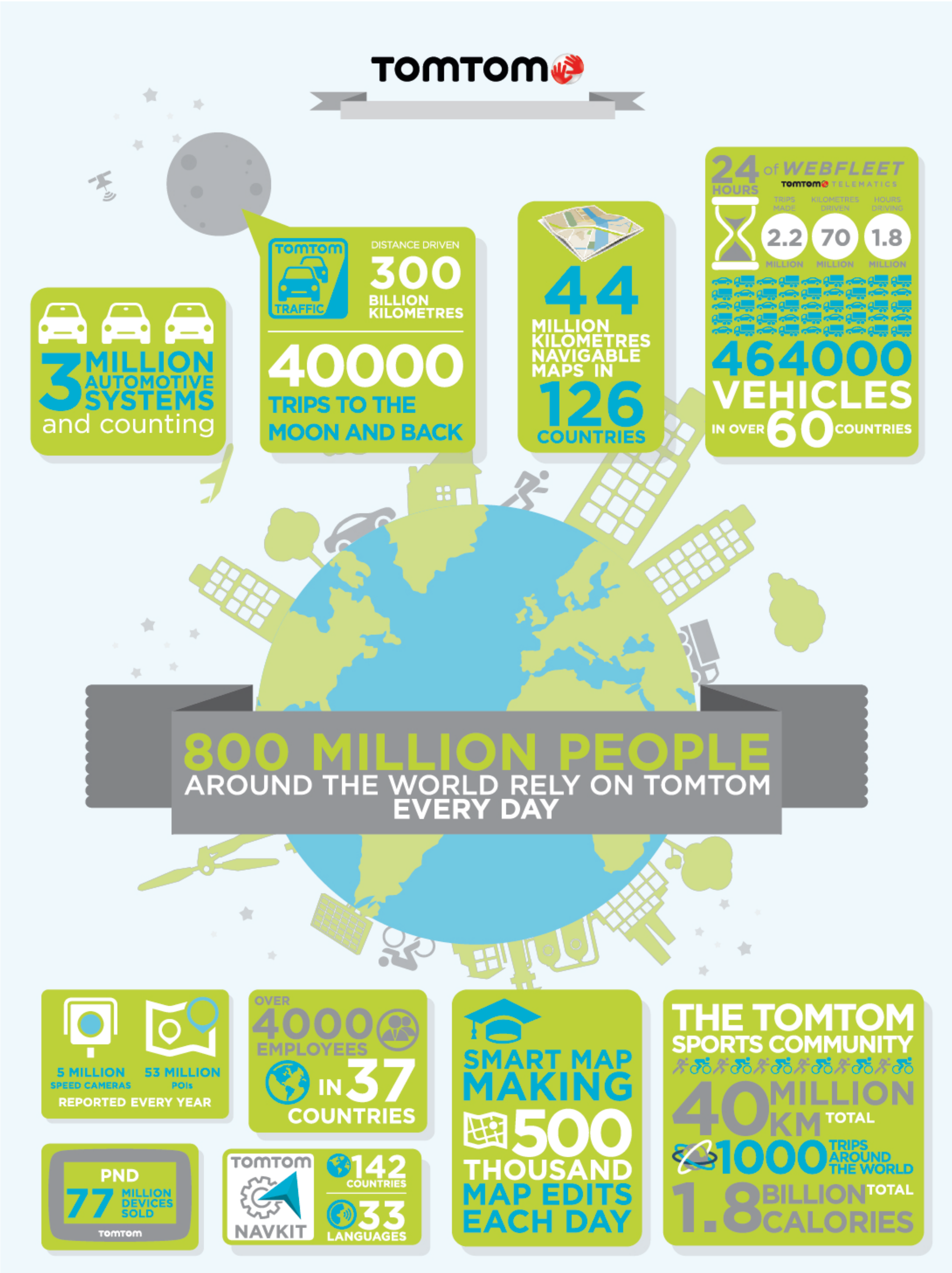
Our Telematics business performed strongly in 2014. We saw accelerated growth in the WEBFLEET subscriber base reaching close to half a million subscriptions by the year end. This was achieved through a combination of solid organic growth and two acquisitions: DAMS Tracking in France and Fleetlogic in the Netherlands. Today, our Telematics business is recognised as the largest and fastest growing telematics provider in Europe. We are increasingly becoming the fleet management service provider of choice for fleet owners of any size, with recurring revenue streams accounting for around 70% of Telematics' total revenue. Our established and scalable technology platform, in combination with our ongoing commitment to innovation, sustained investment in R&D and capacity to leverage economies of scale, enables us to continue to capitalise on the favourable industry trends.

The demand for applications that use location is expected to continue to grow globally across many industries, and we see new opportunities for TomTom. Over the past year, we have been positioning ourselves for growth and the results of our investments give us confidence for the future. Each of our business units has its own strategy, which includes developing and launching new products, and expanding our commercial footprint in both existing and new markets. While remaining cautious about the short-term economic outlook in our core markets and closely monitoring the developments in the PND market, we are committed to deliver top line revenue growth in 2015. We will continue to execute on our existing strategy to grow our telematics, automotive and consumer businesses: we expect continued strong growth in our fleet management business, to announce new deals with automotive customers, and to further develop and grow a multi-product consumer business.

I would like to thank all of our stakeholders: our shareholders for their continued support and confidence in TomTom as we continue our journey in this dynamic and fast moving industry; our customers for their loyalty and valuable feedback that drives us to constantly innovate; and finally our employees for their dedication, energy and hard work.

**Harold Goddijn** / Chief Executive Officer, TomTom NV

## KEY FACTS AND FIGURES




*Key facts and figures cumulative for the period since the introduction of products and technologies up to the end of 2014, unless stated otherwise*

**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. Best known for being a global leader in navigation and mapping products, TomTom also creates GPS sport watches, as well as state-of-the-art fleet management solutions and industry-leading location-based products.**

TomTom was founded in 1991 and has grown from a Dutch-based start-up company into a leading multi-national, global brand. The original founders remain committed to the business and together with the 4,000 employees are focused on driving innovation and helping people achieve their goals.

In 1991, TomTom began a journey that would change the way people drive, beginning with software development for B2B mobile applications and personal digital assistants (PDAs) for consumers. In just two years, TomTom became the market leader in PDA software with navigation applications such as EnRoute (later renamed RoutePlanner) and Citymaps. By June 2002, the TomTom Navigator was launched, providing customers across Europe with an easy-to-use, affordable navigation solution for the first time.

A year after the successful launch of TomTom Navigator, it was clear there was a strong demand for an all-in-one, easy-to-use, portable navigation device. TomTom recruited an experienced hardware team ready to take on this challenge. The result was not just a new product, but also an entirely new category in consumer electronics: the Portable Navigation Device (PND). The PND became the fastest selling consumer technology device in history, as the trusted travel companion for millions of drivers. Demand grew rapidly across Europe and North America and in the ten years since its launch, over 77 million TomTom PND devices have been sold in 35 countries.

In the years that followed, TomTom continued to innovate and create new products, both in the B2C and the B2B segments. Its consumer product portfolio was extended with its own branded GPS sport watches, which enable runners, cyclists, swimmers and golfers to keep moving towards their goals. A number of new businesses were acquired including Datafactory AG (which formed TomTom Telematics), Applied Generics (which formed TomTom Traffic), the automotive engineering team from the Siemens R&D division (which formed TomTom's Automotive business) and Tele Atlas, one of the largest digital map-making companies in the world (which formed TomTom Maps). These acquisitions provided specialist data, technology, knowledge, and resources to deliver a best-in-class navigation and location-based experience for our customers.

Today, TomTom's B2B activities are focused on fleet management solutions, embedded navigation systems and location-based solutions. TomTom Telematics grew into a leading global provider of fleet management and vehicle telematics solutions, reaching an installed base of 464,000 vehicles at the end of 2014, and is recognised as the fastest growing telematics provider in Europe today. TomTom is set to revolutionise the way maps will be delivered, with the introduction of its new map-making engine that provides incremental map updates, enabling near real-time maps. With the deployment of this important technological innovation, TomTom will be uniquely positioned to fully address the need for highly accurate and always up-to-date maps, enabling its customers to lead the future of Highly Automated Driving.

Together with its state-of-the-art real-time traffic information and navigation software, TomTom's products are sold to customers across various markets, reaching 800 million people around the world every day.

## TOMTOM'S ACTIVITIES AT A GLANCE

### Core technologies

TomTom's core technology assets are maps, traffic and navigation. These assets underly many of TomTom's products, and are used in PNDs, embedded navigation systems, smartphone applications, and web-based applications.

#### Maps

TomTom provides global map coverage with fully navigable maps for 126 countries. Its maps with voice-guided navigation are available in 46 unique languages. Map-making at TomTom is about efficiently dealing with changes and the increasing use of our state-of-the-art transactional map-making engine will enable TomTom to deliver high quality map content with short delivery cycles. TomTom is the leader in the use of probe traces in quality map-making and in handling consumer feedback. Today, over 12 trillion probe traces have been collected and over 500,000 map edits are processed each day.

#### Traffic

TomTom creates real-time and historic traffic information for highways, major roads and secondary roads. Its traffic service is available in over 40 countries and it provides drivers highly accurate measurements of traffic jams and delays for better route calculation and expected times of arrival (ETAs). TomTom uses a wide range of sources to generate real-time traffic information; an important source of traffic data comes from its own community input that delivers over 5 billion speed measurements per day. TomTom's traffic technology intelligently combines the data from all available sources into a database with both traffic flow and incident data for the entire road network covered.

### Navigation

NavKit, TomTom's proprietary navigation engine, is the foundation for many of TomTom's products brought to the market today and delivers best-in-class dynamic routing performance. The navigation engine provides interfaces (APIs) that enable the development of a fully customised navigation application on any device or platform. NavKit can be provided with a state-of-the-art and off-the-shelf reference User Interface. NavKit navigation technology is also offered with cloud-based services that enable on-line navigation. We also offer a cloud service that provides a secure storage facility for navigation data to allow for a seamless navigation experience across different devices.

## Group business structure

Our activities are organised around four customer-facing business units that leverage our brand, capabilities, and common technology assets to provide consumers, businesses, governments and local authorities with industry-leading location-based products.

**"Leading provider of location-based products"**

| BUSINESS UNITS | CONSUMER | AUTOMOTIVE | LICENSING | TELEMATICS |
|---|---|---|---|---|
| Principal business | B2C devices | B2B connected navigation systems | B2B system components | B2B fleet telematics |
| Core products |  |  | |  |
| Customers | Consumers | Automotive OEMs, Tier 1 headunit vendors | Mobile device vendors, web service providers, GIS owners | Fleet owners |
| Core markets | Europe & North America | Europe & North America | Europe & North America | Europe |

Our Consumer business is focused on creating innovative and easy-to-use location-based products that give consumers the knowledge they need to get where they want to go effortlessly and quickly. Consumer activities are focused on the drive and sports categories; products include PNDs, GPS sport watches and smartphone navigation applications. TomTom consumer products are recognised for their smart and intuitive user interface, strong GPS performance and innovative design and features.

Our Automotive business provides cutting-edge modular components, being maps, traffic and navigation software, to car manufacturers and Tier 1 head unit vendors. Each component can be integrated as a stand-alone product, or combined into the Connected Navigation System, to deliver seamless compatibility, advanced user experience and cost-effective implementation.

Our Licensing business sells TomTom map, traffic and navigation software. It also offers cloud-based products and platforms that allow developers easy access to create location-enabled applications for businesses and governments. Licensing focuses on two types of customers:
- **B2B2C**, where TomTom's products are incorporated in end user applications such as smartphones and tablets, and on the internet; and
- **B2B**, serving professional users for location-based applications such as geographical information systems (GIS) providers, governmental bodies and traffic management institutions.

Our Telematics business offers fleet management solutions for commercial fleets of any size and is also a partner for the insurance industry to provide usage-based insurance products. Telematics' WEBFLEET Software-as-a-Service (SaaS) solution is highly intuitive to use, allows for seamless integration with third-party applications and offers information security certified to ISO 27001 standards. Telematics products enable businesses to improve vehicle performance, save fuel, support drivers, increase overall fleet efficiency, and contribute to environmentally responsible logistics operations.

## STRATEGIC PRIORITIES

TomTom is determined to turn the company back to growth. This can be achieved through growth from non-PND product sales whilst maximising the value from the PND category, which we believe will remain a meaningful category in its own right for the foreseeable future. With the introduction of our own branded GPS sport watches, we have successfully diversified into the sports market and aim to continue to build on this positive momentum going forward with innovative new products. TomTom's new map-making engine is essential for creating a stronger market positioning as well as for pursuing new opportunities in the Automotive and Licensing end markets. We believe that our new map-making engine, together with our traffic and navigation software, will enable TomTom to pursue further growth opportunities with existing and new customers in the area of Highly Automated Driving. The underlying industry dynamics for our fleet management business remain favourable. A combination of short return on investment for our customers and an under-penetrated market allow us to plan for long-term double-digit growth of our Telematics revenue.

TomTom's strategic priorities are summarised as follows:
- Maximise value from the PND category;
- Establish a multi-product consumer business;
- Launch the new map-making engine;
- Effectively market automotive Connected Navigation System products to OEMs and Tier 1s;
- Pursue new Automotive growth opportunities in the area of Highly Automated Driving;
- Maximise Licensing revenue via existing customers and broadening of the product portfolio; and
- Continue to expand the WEBFLEET installed base, organically and through bolt-on acquisitions and partnerships.

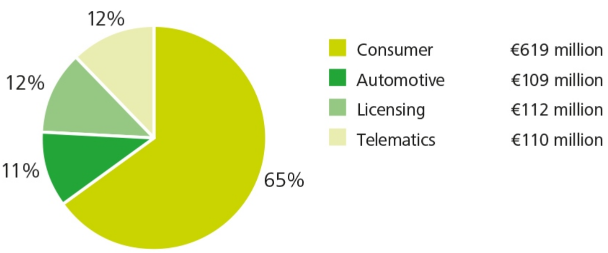
## 2014 FINANCIAL HIGHLIGHTS

In 2014, we delivered revenue of €950 million, 1% lower compared to €963 million in 2013. The PND was the biggest revenue contributor for the Group in 2014. Our Telematics and sports businesses grew strongly to counterbalance the reduction in PND and Automotive hardware revenue in Consumer. Our Automotive and Licensing business units both showed a modest decline year on year.

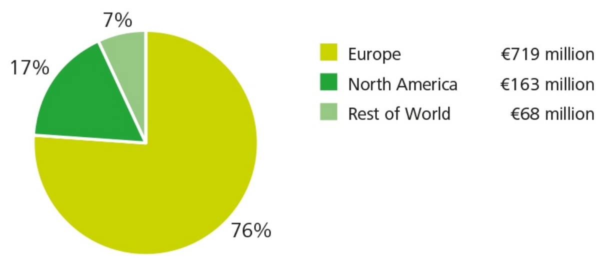
Revenue from Content & Services was €407 million in the year and accounted for 43% of total revenue. Hardware revenue for the year amounted to €543 million and accounted for 57% of total revenue. From a regional perspective, 76% of our 2014 revenue was generated in Europe, 17% in North America and the remaining 7% in the rest of the world.

In 2014, we broadened our product portfolio and invested more in advertising to support this. We made significant investments in our new map-making platform, and in the components of our Connected Navigation System. Our Group EBITDA reached €136 million in 2014, slightly lower compared to last year (2013: €143 million).

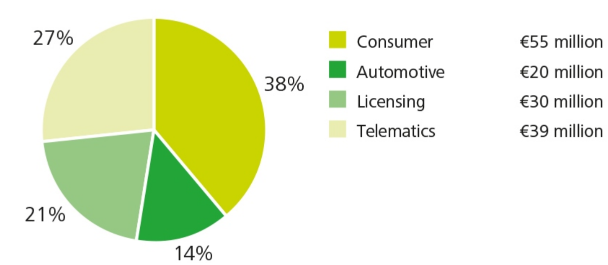
### 2014 Revenue by business unit



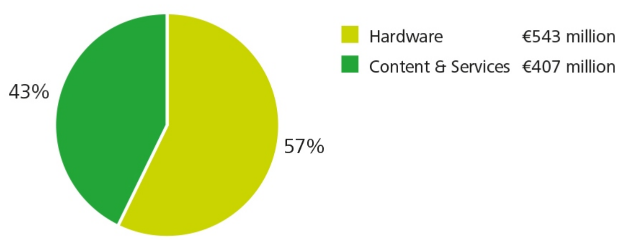

### 2014 Revenue by geography

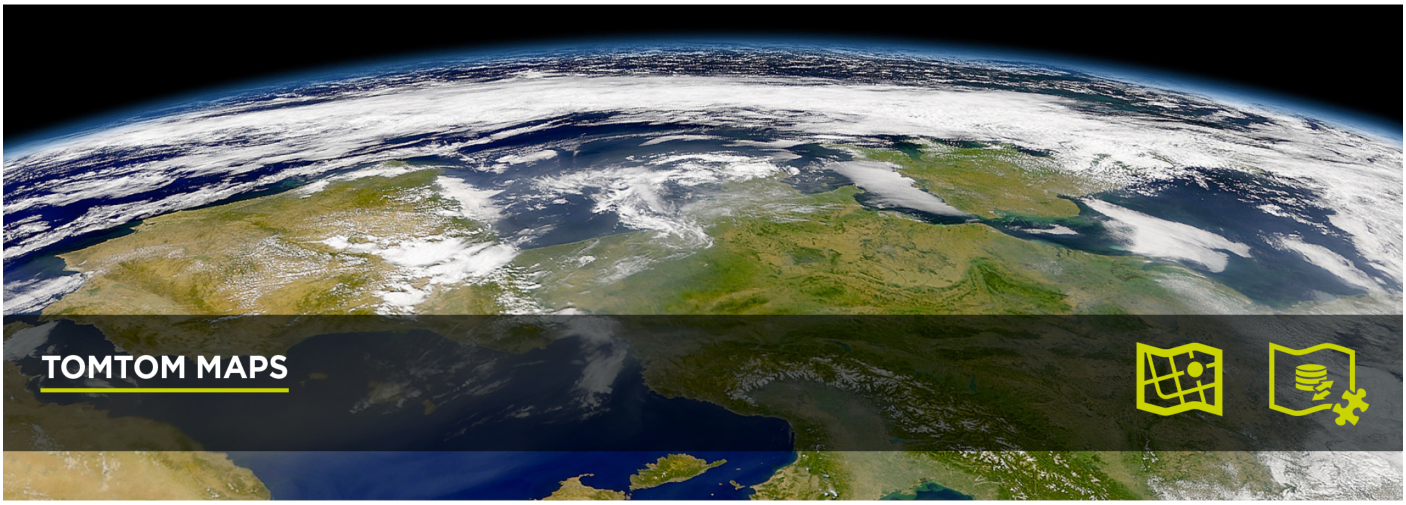



### 2014 Segment EBITDA by business unit




### 2014 Revenue by type





# TOMTOM MAPS

**TOMTOM IS A GLOBAL LEADER IN DIGITAL MAPPING**

- **126** countries with navigable coverage
- **240 MILLION** Address Points
- **53 MILLION** Points of Interest
- **75,000** global map sources
- **5 BILLION** anonymous GPS measurements per day
- **2 MILLION KM** driven by our mobile mapping vans per year
- **500,000** map edits per day

Location and location awareness are increasingly relevant to everyone today and to the things they use today. In a connected world, people demand maps that are accurate and up-to-date, and which can be seamlessly integrated across automotive, mobile and location-based applications. Future use cases, such as automated driving, will require significantly more detailed and more accurate maps than are available today.

Expectations will continue to grow for a map that perfectly reflects the real-world. This will lead to new opportunities to create cutting edge software and technology. For example, we expect to see the development of map use cases in the area of Highly Automated Driving, where connected cars will be equipped with real-time maps that are used with sensors to navigate without human input.

The challenge is to deliver the highest quality and most detailed real-time maps to facilitate this vision, by handling the huge volumes of real-world changes automatically reported by remote in-car sensors and connected devices while minimising the time between detecting changes in the real world and updating the map on the end user's device or platform.

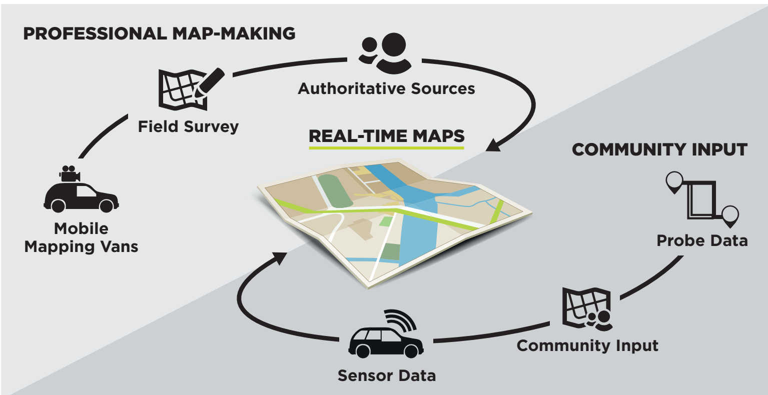
## Intelligent map-making

TomTom invented and perfected a highly efficient hybrid approach that combines professional map-making methods with community input and has a focus on fast cycle times and quality assurance.

Through this hybrid approach, we tap into local teams of highly skilled map technicians located in more than 40 countries and a fleet of mobile mapping vans that drive the streets every day.

We also have a growing community of hundreds of millions of users, who share map feedback with us as changes in the real world are detected.

We receive more than 200,000 consumer reports monthly and our database of anonymous GPS measurements contains over 12 trillion data points.




*TomTom's hybrid map-making approach*

In addition, we continue to explore new sensor data, as cars become more and more connected, to further extend our pool of intelligent map-making data. We believe that this hybrid map-making approach allows us to deliver highly accurate global maps more quickly.

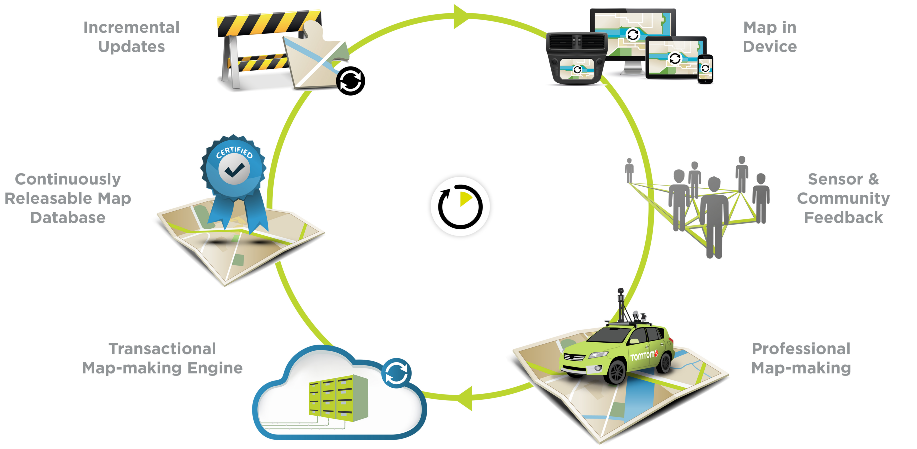
## TomTom's transactional map-making engine

At TomTom we believe we are uniquely positioned to address future needs for highly accurate maps that are always up-to-date. Since 2011, we have been working on the redesign and development of our map-making technology. We aim to create a transactional map-making engine for the future use cases of maps that would optimise professional and community input map-making techniques, and also would be able to handle the vast amounts of data coming from a growing number of connected devices and remote sensors, and deliver map changes in near real-time back to user's devices.

In 2014, we made substantial progress with the first version of our transactional map-making engine, that will provide incremental map updates, enabling near real-time maps.

Our new transactional map-making engine enables a change to pass through our closed loop process end-to-end, be quality assured in real-time, and end up in the product in a matter of days, hours and eventually minutes, fulfilling a key requirement for real-time maps.

We believe TomTom will be unique in the industry in being able to offer such a transactional map-making engine with high quality assurance and fast cycle times.




*TomTom's 'closed loop' map-making process*

Our new map-making engine will enable TomTom to deliver real-time incremental map updates to customers via fast and frictionless map distribution mechanisms, which include Navigation Data Standard (NDS), Multinet-R and our Map Content API.

## Highly Automated Driving (HAD)

*With Advanced Driving Assistance Systems (ADAS) content, the overall driver experience is improved*

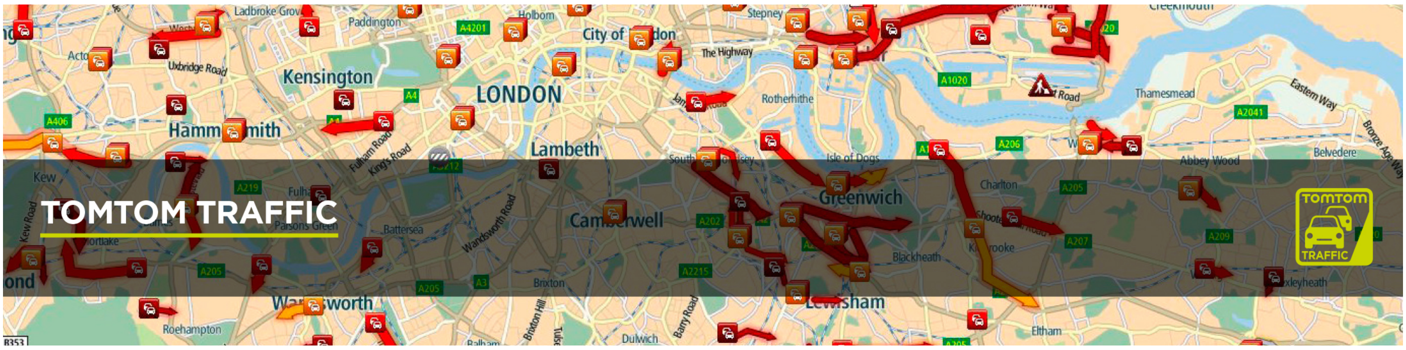
The automotive industry is set to continue to develop higher quality and more accurate map content through in-car sensors to improve overall driver safety, increase fuel efficiency, provide business critical insight and deliver automated movement.

Delivering an up-to-date map with near real-time updates, that contains advanced driving attributes covering lanes, speeds, gradient, curvature, height, and advanced geometry, will give drivers a more detailed view of the road ahead.

The strength of our technology in this area has resulted in TomTom becoming a key partner for important strategic collaborations for Advanced Driving Assistance Systems and Highly Automated Driving research in 2014.

## Business outlook

In 2014, we launched our new map format, MultiNet-R. In 2015, we aim to deliver monthly full feature incremental updates through MultiNet-R. With our new engine, we aim to realise greater efficiency and map performance, allowing TomTom to deliver new levels of quality, faster.




# TOMTOM TRAFFIC

Traffic congestion continues to increase in urban areas around the world. As the number of cars on the global road network grows, people will find themselves stuck in more jams than ever before. Transportation authorities are looking for new solutions to monitor, manage and control traffic, to measure long-term trends, and to make informed investment decisions.

TomTom creates precise and up-to-date traffic information for highways, major roads and secondary roads on a global scale. Our real-time traffic information is a vital tool for drivers and government authorities to save time and resources by reducing congestion. We provide highly accurate measurements of traffic jams and delays for better route calculation, which helps drivers to make better decisions that save time, reduce stress and make the roads a safer place. Along with real-time traffic products, our historical database continues to be a standard source of data in the government sector, used by governments and local authorities to improve traffic flow on congested road networks enabling to plan smart traffic solutions.

## TomTom Traffic platform

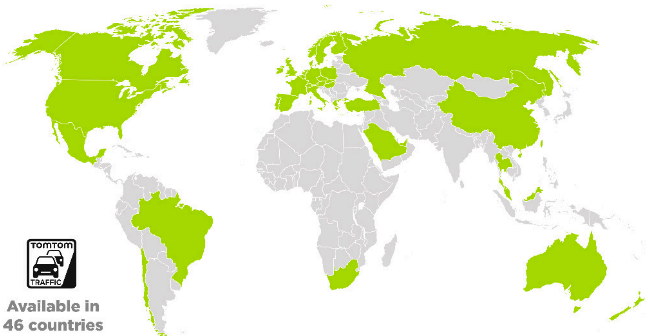
To achieve the quality and road coverage of TomTom Traffic, we use a wide range of GPS probe data from fleets, PNDs, smartphones, in-dash system and other data sources to generate precise real-time traffic information.

Our traffic fusion system combines the data from all available sources and enriches it with traffic flow and incident data for the entire road network. End-users are then updated every two minutes with the latest information about the road ahead. Location referencing and standardised delivery protocols are key features of any traffic service. TomTom Traffic is created in modular and independent components that can be delivered using common industry standards such as the Traffic Messaging Channel (TMC), Datex-2 and Transport Protocol Experts Group (TPEG), for use with TomTom or third-party navigation software.

In 2009, we introduced our new dynamic location referencing system OpenLR, which has developed into the new open-source industry standard for advanced, map-independent location referencing after successful market adoption by leading OEMs and business partners. Each independent traffic component is delivered 'over the air' direct to user devices, or 'over the internet' to customer distribution servers. An important source of traffic content is our own community, which generates over 5 billion anonymous speed measurements each day.

Since 2007, we have built a traffic data archive of over 12 trillion probe measurements, which we utilise for congestion level benchmarking and long-term trend analysis. This data enables us to create TomTom Traffic Index, a global benchmark that is published annually comparing congestion levels and the impact they have on over 220 cities worldwide.

In 2014, TomTom became the first company to use real-time weather information to calculate accurate routes and arrival times. TomTom Traffic now warns drivers about upcoming delays caused by rain or snow, so they can take faster, smarter decisions on every journey.

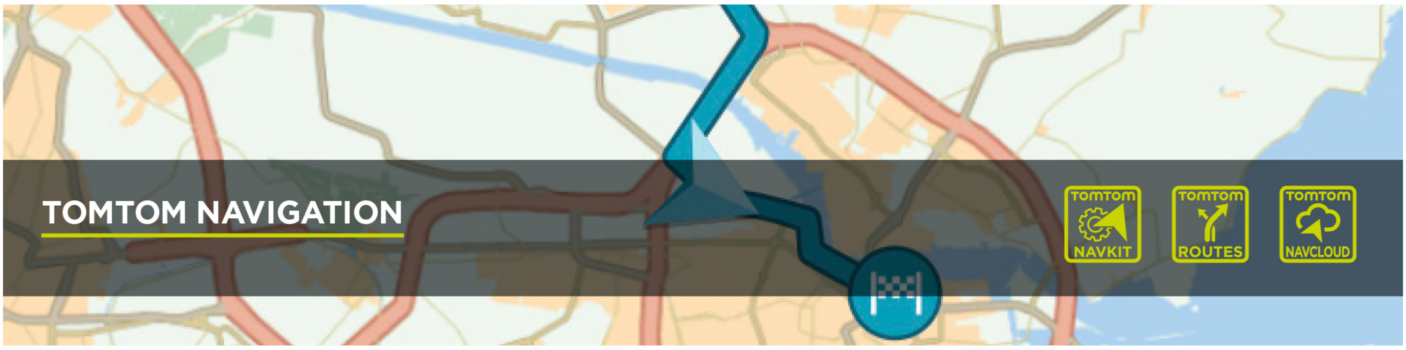



*Includes Chile, Mexico, Greece, Hungary and Slovakia, which launched in the beginning of 2015.*

We continued to expand our global footprint. TomTom's historic and real-time traffic information is now available in over 40 countries including China, Malaysia, Saudi Arabia, Singapore, Taiwan, Thailand, Turkey and the United Arab Emirates, which all launched in 2014.

### Business outlook

In 2015, we will continue to strengthen our traffic service, as we know the number of cars on the road network is increasing, congestion is building and travel times are becoming longer. We aim to make TomTom Traffic relevant to all road users. 2015 will also focus on further geographical expansion.




# TOMTOM NAVIGATION

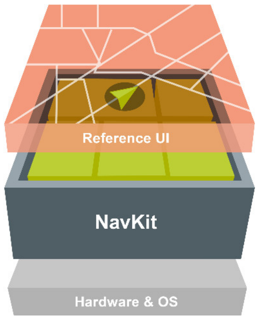
The nature of navigation is changing. Navigation systems are rapidly on the way to becoming ubiquitous, and the market for location-based services continues to grow exponentially. The availability of connectivity and the wide availability of smartphones impact the navigation experience in several ways, some more device-centric and some more user-centric:

- Smartphones can be used to add connectivity to stand-alone devices, allowing for access to services like real-time traffic;
- The computational power of smartphones can be used to collaborate with in- or on-dashboard devices that provide the screen and user interaction functions. There are currently many interfaces being developed to allow for this device integration; and
- Applications on various user devices (including the car) work seamlessly together to allow for an integrated navigation experience, whenever and wherever the driver is. Example use cases would be pre-trip planning and last mile navigation. Personalisation is an important characteristic of this integrated navigation experience and future navigation will go much further than just bringing a person from A to B.

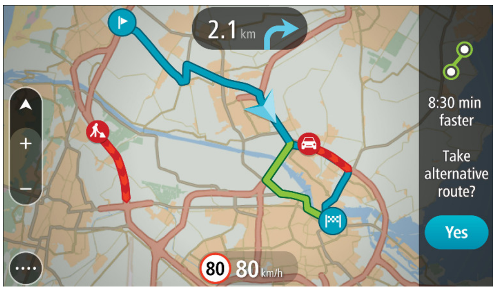
Today, we are only at the brink of the abovementioned enrichment of the navigation experience for end users. At TomTom, we believe many different applications will be developed around navigation in the future.

## Our navigation engine

TomTom is an established global leader in navigation; innovating and helping to shape how people drive. All our navigation systems are designed with the driver in mind. We deliver a state-of-the-art and off-the-shelf User Interface (UI) that is simple, intuitive and easy-to-use. We have also been a leader in enabling users to personalise their navigation experience for many years. NavKit, our proprietary navigation engine, is the foundation for many of TomTom's products brought to the market today. This engine implements our core navigation IP and algorithms. It also provides interfaces (APIs) that enable the development of fully customised navigation applications. NavKit is fully portable to any high-level Operating System (OS), such as Linux, Android, iOS, QNX, Tizen and Windows.




Bringing connected navigation into the vehicle is a complex task. As a result, TomTom has developed a range of software components and tools that make it easier for our automotive customers to integrate navigation in their own systems and platforms. These include routing, free text search, map visualisation, traffic, and guidance that are rich in features, meet automotive quality requirements and are easy to integrate.




Our navigation software development follows the evolution of our traffic service to facilitate more accuracy and new features, such as weather information. In 2014, we introduced new navigation features that enable drivers to see and choose alternative navigation routes helping them to get to their destination faster, aiming to become a vital navigation tool for the daily commuter. We further extended our break through User Interface, introduced in 2013, with additional core features. Our User Interface places the map at the heart of the user experience, meaning that drivers can simply pinpoint their destination on a map and start driving immediately. It is also available as a reference implementation for third-party product developers.

## Our cloud-based navigation products

TomTom also offers a cloud-based navigation solution. Some of these services were already successfully introduced in automotive applications in 2014, to provide an efficient offer of relevant traffic content in the car. In addition, TomTom also offers a smartphone companion app that provides connectivity, 'outside-in-the-car' navigation (navigation function that spans the entire journey, from beginning to the end of the trip, inside and outside the car) and a web-based application, creating an easy way for drivers to plan their journey, both in and out of the car. To manage seamless integration between an on-board device (in the car), a smartphone application and a web-based application, TomTom provides a secure storage facility, where drivers can store their personal navigation data in the cloud. This storage facility allows for seamless integration between devices. It also allows for the creation of additional location-based services around the driver's personal navigation data, while ensuring privacy and security.

## Business outlook

In 2015, we will focus on ongoing product innovation and new product development. We also aim to extend our navigation software development in the area of personalisation.

## MANAGEMENT BOARD REPORT

# TomTom Management Board

## HAROLD GODDIJN (54) / Chief Executive Officer

| | |
|---|---|
| Nationality | Dutch |
| Year of first appointment | 2001 |
| Current term of office | 2013 – 2017 |
| Education and former positions | Harold studied Economics at the University of Amsterdam, and started his career with a venture capital firm. In 1989, Harold founded Psion Netherlands BV, as a joint venture with Psion PLC, and in 1991 co-founded TomTom with Peter-Frans Pauwels and Pieter Geelen. In 1998, he was appointed Managing Director of Psion Computers and served on the Board of Psion PLC from 1998 to 1999. |

## MARINA WYATT (51) / Chief Financial Officer

| | |
|---|---|
| Nationality | British |
| Year of first appointment | 2005 |
| Current term of office | 2013 – 2017 |
| Current other positions | Non-Executive Director of Shanks Group PLC, Supervisory Board member of Lucas Bols NV |
| Education and former positions | Marina is a Cambridge University graduate, a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. Having spent nine years with Arthur Andersen in the UK and US, Marina joined Psion PLC as Group Controller in 1994 and became Chief Financial Officer in 1996. She was also a Non-Executive Director of Symbian and of the publishing company Blackwell's. From 2002 to 2005 Marina served as Chief Financial Officer of Colt Telecom PLC. |

## ALAIN DE TAEYE (57) / Member of the Management Board

| | |
|---|---|
| Nationality | Belgian |
| Year of first appointment | 2008 |
| Current term of office | 2012 – 2016 |
| Current other positions | Non-Executive Director of Cyient Ltd |
| Education and former positions | Alain graduated as engineer-architect from the University of Ghent. He founded Informatics & Management Consultants (I&M) where, next to IT consultancy, he continued his research work on digital map databases and routing. In 1989 I&M was integrated into the Dutch Tele Atlas group. As of 1990 Alain headed Tele Atlas, which was acquired by TomTom in 2008. |

## BUSINESS AND FINANCIAL REVIEW BY BUSINESS UNIT


### Strategic priorities

- Maximise value from the PND category
- Establish a multi-product consumer business

### Business review

In 2014, we made good progress towards becoming a multi-category Consumer business. We continued to strengthen our offering in the world of navigation, while also successfully expanding our presence in the world of sports.

### DRIVE

We completed the transition of our PND range onto our new NavKit software platform in 2014. We also expanded our GO range, bringing lifetime maps and traffic to more geographies around the world.

We launched the all-new TomTom START, making navigation accessible to more drivers at an entry-level price. Our line-up was simplified in 2014, giving people an easier way to select the right device based on map view, traffic option and screen size.

With the launch of TomTom Bridge, we expanded our Consumer product offering to the B2B market. TomTom Bridge is a programmable driver terminal that combines our navigation technology with customised applications, to help businesses manage their vehicle fleets more efficiently.

Bridge includes a developer portal with an open platform, offering the flexibility to create tailor-made applications for specific business needs.

### SPORTS

We continued to diversify and innovate within our sports business in 2014.

The launch of Runner Cardio, with a built-in heart rate monitor, made it easier for athletes to train in their optimal heart rate zone, by eliminating the need for a separate chest strap.

We also introduced TomTom Golfer, a GPS sport watch that helps golfers improve their game.

A golfer can see key golf course data like distance to hazards and green, and keep track of the score, distance and time of their round. TomTom Golfer uses GPS technology to automatically recognise nearby courses.

Course updates are delivered wirelessly via a smartphone app, giving golfers the most up-to-date information for more than 34,000 courses around the world.

## Financial review

### Key figures overview

| (€ in millions, unless stated otherwise) | 2014 | 2013 | y.o.y.[1] change |
|---|---|---|---|
| Consumer products | 548.4 | 567.0 | −3% |
| Automotive hardware[2] | 70.7 | 84.8 | −17% |
| Total revenue | 619.1 | 651.8 | −5% |
| EBITDA | 55.3 | 56.7 | −2% |
| *EBITDA margin (%)* | *9%* | *9%* | |
| EBIT | 36.2 | 33.2 | 9% |
| *EBIT margin (%)* | *6%* | *5%* | |
| **Key PND market data** | | | |
| Market size Europe (# units sold in millions)[3] | 7.7 | 8.4 | −9% |
| *TomTom market share (%)* | *52%* | *51%* | |
| Market size North America (# units sold in millions) | 4.0 | 5.2 | −23% |
| *TomTom market share (%)* | *15%* | *17%* | |

[1] Change percentages are based on non-rounded figures.
[2] Reporting structure for the Automotive business unit was reclassified in 2014. The hardware component of previously developed in-dash hardware sales to automotive clients is now reported in Consumer business unit, in order to clearly identify automotive revenue which comes from CNS components.
[3] Europe refers to EMEA17: AT, CH, DE, BE, NL, FR, IT, GB, ES, PT, TR, CZ, PL, DK, SE, FI, ZA.

Total Consumer revenue for the year was €619 million, a decline of 5% compared to last year (2013: €652 million). The year on year decline was mainly driven by lower PND and Automotive hardware revenue, partly offset by strong growth in sports revenue. Automotive hardware revenue was €71 million in 2014 (2013: €85 million).

PND was the biggest revenue contributor for Consumer in 2014. The European PND market rate of decline slowed to 9% in 2014 (2013: -14%). We saw market growth in the second half of the year in our core European PND markets, Germany and the UK. The North American PND market declined by 23% in 2014 (2013: -27%).

Our PND business developed better than the market. We improved our market share and ASP in Europe partially offset by lower unit sales in North America.

Our sports business developed strongly in 2014. Full year sports revenue amounted to €50 million in 2014, an increase of 73% compared to last year (2013: €29 million) and we achieved our milestone of 500,000 GPS sport watches shipped in 2014.

Consumer generated EBITDA of €55 million in 2014, slightly below last year (2013: €57 million). EBIT amounted to €36 million in 2014, 9% higher compared to last year (2013: €33 million). This translates into the EBIT margin of 6% in 2014, compared to 5% in 2013. In 2014, Consumer generated higher gross margin on their hardware products, partially offset by increased investments in marketing and R&D to fuel further diversification.

### Business outlook

In 2015, we will continue to diversify our Consumer business into new areas.

Our aim is to become a leading sports electronics brand. The sport-focused wearables tech market is expected to continue to grow in 2015. We will continue to capitalise on our success and make further inroads into the sports business. We will continue to develop easy-to-use, fit-for-purpose sports products that make it easier for everyday athletes to improve their performance.

Within our drive business, our aim is to unlock the daily relevance of a TomTom navigation device. We will capitalise on the strength of our traffic information and routing software to help millions of commuters find the fastest way to work and home. We will also focus on new market opportunities in different categories. Our new TomTom RIDER was specifically developed for bikers, showcasing our continuous commitment to designing products that meet the needs of consumers in different categories.


**Strategic priorities**

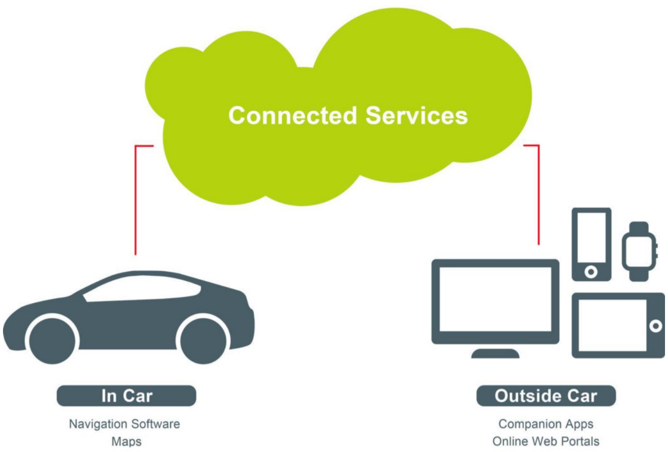
- Launch the new map-making engine
- Effectively market automotive CNS products to OEMs and Tier1s
- Pursue new Automotive growth opportunities in the area of Highly Automated Driving

## Business review

Our Automotive business today licenses class-leading software components and services to OEMs and Tier 1 head unit vendors. We previously also developed in-dash hardware and we will continue to manufacture this hardware for existing OEM customers. Our more recent focus on software and services has broadened our customer base such that we are now a strong partner for both OEMs and Tier 1 vendors.

OEM expectations for embedded systems are evolving fast, driven by innovation in consumer electronic devices such as smartphones and tablets. The challenge for car makers is to offer an embedded navigation system that matches the expectations of their customers, while keeping them affordable; navigation products must then be scalable, global, and cover their vehicle range.

Car makers will increasingly demand future-proof solutions that are open, modular and upgradeable. Given the complexity of building state-of-the-art infotainment systems, they are looking for suppliers that can help create competitive products that are low cost, low risk and have a fast time-to-market. TomTom Automotive Connected Navigation System (CNS) components can easily be integrated to create location and navigation functions for connected cars.




We believe that navigation will remain essential to the future of in-vehicle infotainment systems. This will include knowing where you are and how you get to your destination, but the navigation function will evolve to span the entire journey, from beginning to the end of the trip, inside and outside the car. We believe that the best end-user experience will be when the embedded navigation system, with an embedded map, is augmented with connected real-time navigation services. This hybrid navigation approach maximises the use of connected services, while ensuring critical functionality will work even with no connectivity.

Our Automotive strategy has been well received by automotive OEMs and Tier 1 in-dash system vendors. We made good progress in delivering a complete set of leading CNS components to our existing customers and securing new deals and partnerships. We continued to build a reputation as a premium connected traffic service provider in the automotive market in 2014. We announced that we will deliver our real-time traffic service to Daimler, Toyota Motor Europe, Fiat Chrysler and Audi (China).

Renault introduced a new Twingo in 2014 with the latest version of the R-Link infotainment system made by TomTom. TomTom will also provide turn-by-turn navigation and maps into the Uconnect™ 5" Radio Nav infotainment system for the new Jeep Renegade line, the new Alfa Romeo MiTo model and the entire family of the FIAT 500L models for Europe. We started shipping a new navigation system to Daimler in 2014. This in-dash navigation product, developed in partnership with Renault, will be available on the new Smart ForTwo and ForFour lines. It has a 7'' capacitive touchscreen and features TomTom maps, navigation software and real-time traffic service.

Our map-making technology puts TomTom in a leading position to provide advanced map features required for Highly Automated Driving. In 2014, we announced a partnership with Volkswagen Research to join forces for the development of Highly Automated Driving systems. 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 that do not require expensive hardware. 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.

## Financial review

### Key figures overview

| (€ in millions, unless stated otherwise) | 2014 | 2013 | y.o.y.[1] change |
|---|---|---|---|
| Revenue[2] | 109.4 | 110.9 | −1% |
| EBITDA[3] | 20.1 | 37.9 | −47% |
| *EBITDA margin (%)* | *18%* | *34%* | |
| EBIT | −28.7 | −11.8 | n.m. |
| *EBIT margin (%)* | *−26%* | *−11%* | |

[1] Change percentages are based on non-rounded figures.
[2] Reporting structure for the Automotive business unit was reclassified in 2014. The hardware component of previously developed in-dash hardware sales to automotive clients is now reported in Consumer business unit, in order to clearly identify automotive revenue which comes from CNS components. Additionally, due to client portfolio redistribution a minor amount of revenue was moved from Licensing to Automotive.
[3] Automotive D&A costs mainly include amortisation related to our map asset (including acquisition-related amortisation) and our navigation software development.

Our Automotive business generated revenue of €109 million for the year, compared to €111 million in 2013.

Automotive generated EBITDA of €20 million in 2014, which compares to €38 million in 2013. The EBITDA margin was 18% in 2014 (2013: 34%). EBIT amounted to -€29 million in 2014 (2013: -€12 million).

Automotive's EBIT for 2014 was limited as a result of relatively flat revenue, while we increased our investments in new products and technologies to support the future growth of our Automotive business. This is reflected in higher R&D costs, which mainly relate to the development of our connected navigation products. Our investments in the navigation software mainly relate to our commitment to use the NDS industry standard map format, which we are integrating into our navigation software.

The first results of our investments give us confidence for the future. Our Automotive business bookings for 2014 exceeded €220 million, which together with earlier secured orders will support growth in our Automotive business from 2016 onwards.

### Business outlook

In 2015, we will expand the reach of our CNS products to more automotive OEM and Tier 1 customers and we will continue to explore new growth opportunities in the Highly Automated Driving area. Building on the strategic partnerships we entered into in 2014 with Volkswagen Research and Bosch SoftTec, we will reaffirm our position as a key partner in the automotive market with leading mapping and traffic expertise necessary for the future of Highly Automated Driving.


### Strategic priorities

- Launch the new map-making engine
- Maximise Licensing revenue via existing customers and broadening of the product portfolio

## Business review

In 2014, our Licensing business focused on diversifying and growing our customer base globally. We also signed a number of strategic deals which enriched our competitive offering, including cloud-based navigation and location services, a pedestrian-friendly map layer, and an indoor mapping offering.

Through customer collaborations and partnerships we have expanded our map products to address new use cases such as pedestrian and indoor navigation. 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.

We extended our location-based services product portfolio with the addition of an online turn-by-turn navigation service. This service enables mobile device customers and web service providers to offer online mapping and navigation applications that do not require an offline map. The new service is also well-suited for products in the emerging wearables category.

We extended our partnership with AOL's MapQuest, giving its users access to TomTom's map database, across all digital platforms including MapQuest.com and its iOS and Android smartphone and tablet apps. We announced a multi-year deal with Acer to bring TomTom turn-by-turn navigation technology to new Acer smartphones with the launch of a new navigation application called 'AcerNAV'. The app enables users to navigate anywhere in the world, without extra roaming charges, with the ability to download any TomTom map for free. We also announced a partnership with Intel and Opening Ceremony to power the MICA, 'My Intelligent Communication Accessory' bracelets with location-based services and real-time location information. The real-time location feature provides real-time location information such as estimated times of arrival to precise locations.

We also built go-to-market capability in emerging markets by creating a dedicated, locally present sales team, further optimising our sales channels.

## Financial review

### Key figures overview

| (€ in millions, unless stated otherwise) | 2014 | 2013 | y.o.y.[1] change |
|---|---|---|---|
| Revenue[2] | 111.6 | 116.0 | –4% |
| EBITDA[3] | 30.1 | 31.1 | –3% |
| *EBITDA margin (%)* | *27%* | *27%* | |
| EBIT | –11.4 | –10.9 | n.m. |
| *EBIT margin (%)* | *–10%* | *–9%* | |

[1] Change percentages are based on non-rounded figures.
[2] Reporting structure for the Licensing business unit was reclassified in 2014. Due to client portfolio redistribution a minor amount of revenue was moved from Licensing to Automotive.
[3] Licensing D&A costs mainly relate to our map asset (including acquisition-related amortisation).

Licensing revenue in 2014 was €112 million, 4% lower compared to last year (2013: €116 million). Licensing generated EBITDA of €30 million in 2014, which translates into an EBITDA margin of 27%, comparable to last year. Licensing EBIT amounted to -€11 million in 2014 (2013: -€11 million). The relatively flat EBIT year on year was due to a modest decline in revenue offset by improved gross margin and lower operating expenses.

## Business outlook

We believe that the trends of growing location awareness will provide a wealth of future opportunities, in which TomTom is well positioned to play a role. As more location and navigation services rely on cloud-based technologies, our full suite of location products will be equipped to meet demand. These new business models increasingly rely on fresh map and traffic content, an area where TomTom has proven technology that combines fast cycle times with industry-leading quality standards.

In 2015, we will continue to strengthen our operational effectiveness. In the B2B sector, we aim to drive growth by expanding our customer base for traffic products, through new product introductions and through geographical expansion in emerging markets.


TomTom

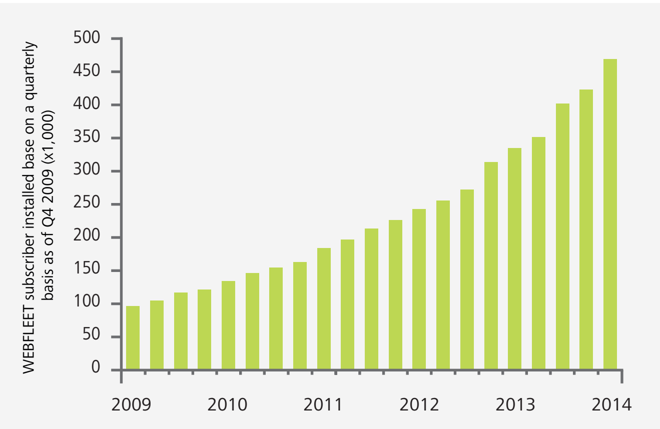

**Strategic priority**

- Continue to expand the WEBFLEET installed base, organically and through bolt-on acquisitions and partnerships

## Business review

### WEBFLEET subscriber base

Our Telematics business performed strongly in 2014, where we saw accelerating growth in our WEBFLEET subscriber base reaching 464,000 subscriptions at the year end, a 41% growth compared to 2013. Telematics serves more than 34,000 customers worldwide.




Our strong growth was achieved through a combination of organic growth and acquisitions. In 2014, we acquired DAMS Tracking, the fleet management business of DAMS in France, and Fleetlogic, a leading fleet management service provider in the Netherlands. The combined acquisitions added 54,000 subscriptions to our active installed base and allowed us to further strengthen our market position in these respective markets.

### LINK 200 + WEBFLEET Lite subscription

In 2014, we launched the LINK 200 tracking box to provide 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, eliminating installation charges.

LINK 200 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.

### PRO 8270/5 driver terminals

We also introduced our new PRO range driver terminals, which can be connected to the WEBFLEET platform. The flagship product in the range is the 7'' ruggedised PRO 8 driver terminal, which is designed to seamlessly integrate real-time information into back-end systems.

It is provided with a ready-to-use mobile device management platform, which extends WEBFLEET capabilities to fully integrate mobile workforce applications. The PRO 8 series offers additional integration capabilities for customised Apps using the new PRO.connect API and Software Development Kit (SDK).

### Insurance telematics

We announced two strategic partnerships in the insurance telematics industry with Allianz (France) and Signal Iduna (Germany) to develop consumer insurance products using TomTom Telematics technology. The new insurance solutions demonstrate opportunities for developing innovative smartphone apps using vehicle data, provided by OBD-based vehicle connected devices.

### WEBFLEET technology platform

TomTom Telematics has an established, scalable technology platform, with product solutions suitable for both small and large businesses. To date, more than 300 software and hardware application partners have integrated the WEBFLEET platform into their product applications, making it adaptable to any business requirement. In May 2014, the first international developer's conference for WEBFLEET partners was held in Amsterdam. We will continue to expand this network of partners.

## Financial review

### Key figures overview

| (€ in millions,unless stated otherwise) | **2014** | **2013** | **y.o.y.[1] change** |
|---|---|---|---|
| Hardware revenue | 34.6 | 28.3 | 22% |
| Subscription revenue | 75.6 | 56.3 | 34% |
| Total revenue | 110.2 | 84.6 | 30% |
| EBITDA | 39.1 | 28.3 | 38% |
| *EBITDA margin (%)* | *35%* | *33%* | |
| EBIT | 33.8 | 26.0 | 30% |
| *EBIT margin (%)* | *31%* | *31%* | |
| Monthly WEBFLEET ARPU (€) | 16.2 | 16.7 | −3% |
| WEBFLEET subscriber installed base (# in thousands) | 464 | 330 | 41% |

[1] Change percentages are based on non-rounded figures.

Telematics revenue in 2014 was €110 million, a 30% growth year on year (2013: €85 million). This strong increase was driven by the ongoing growth of the WEBFLEET subscriber base and by higher hardware revenue, driven by the launch of our new PRO range driver terminals. The recurring subscription revenue for the year was €76 million compared to €56 million in 2013, an increase of 34% year on year.

Telematics increased EBITDA by 38% year on year to €39 million in 2014 (2013: €28 million), which led to an improved EBITDA margin of 35% in 2014 (2013: 33%).

EBIT amounted to €34 million in 2014, a 30% increase compared to last year (2013: €26 million). In 2014, Telematics saw a strong gross margin slightly offset by higher operating expenses. We increased our sales and marketing costs in 2014 to support further organic growth. Our operating expenses were also impacted by the integration costs related to our recent acquisitions. The integration of these acquisitions developed according to plan.

Our monthly WEBFLEET ARPU decreased slightly year on year, which mainly related to product mix changes, regional mix changes and acquisitions.

### Business outlook

With the company's ongoing commitment to innovation, sustained investment in R&D and capacity to leverage economies of scale, we are in a strong position to capitalise on favourable market opportunities.

In 2015, we aim to continue to accelerate our growth path, organically as well as through acquisitions and strategic partnerships. We will further develop the strength, reliability and performance of the WEBFLEET platform.

# GROUP FINANCIAL REVIEW

## Key figures overview

| (€ in millions, unless stated otherwise) | 2014[1] | 2013 | y.o.y.[2] change |
|---|---|---|---|
| Consumer | 619.1 | 651.8 | −5% |
| Automotive | 109.4 | 110.9 | −1% |
| Licensing | 111.6 | 116.0 | −4% |
| Telematics | 110.2 | 84.6 | 30% |
| Revenue | 950.3 | 963.5 | −1% |
| Gross result | 523.3 | 521.2 | 0.4% |
| *Gross margin (%)* | *55%* | *54%* | |
| Total operating expenses | 502.2 | 495.7 | 1% |
| Operating result (EBIT) | 21.1 | 25.5 | −17% |
| *EBIT margin (%)* | *2%* | *3%* | |
| Depreciation & amortisation | 114.7 | 117.4 | −2% |
| *of which acquisition-related* | *50.3* | *53.9* | *−7%* |
| Net result | 22.7 | 20.1 | 13% |
| Adjusted net result[3] | 60.3 | 58.0 | 4% |
| EPS - diluted (€) | 0.10 | 0.09 | 14% |
| Adjusted EPS - fully diluted (€)[4] | 0.27 | 0.26 | 3% |
| Cash flows from operating activities[5] | 118.6 | 179.5 | −34% |
| Cash flows from investing activities | −106.5 | −90.5 | 18% |
| Net cash | 102.9 | 82.8 | 24% |

[1] Segment revenue and operating expenses reflect TomTom's new reporting structure as announced on 28 March 2014. 2013 comparative figures have been adjusted accordingly.
[2] Change percentages are based on non-rounded figures.
[3] Net result adjusted for acquisition-related amortisation & gain on a post-tax basis.
[4] Earnings per fully diluted share count adjusted for acquisition-related amortisation & gain on a post-tax basis.
[5] €180 million in 2013 excludes a €80 million one-off tax gain received from the Dutch tax authorities.

### Revenue
In 2014, we delivered top line revenue of €950 million, 1% lower compared to €963 million in 2013. Our Telematics and sports businesses grew strongly to broadly counterbalance the reduction in PND revenue and Automotive hardware revenue. The Automotive and Licensing business unit both showed a modest decline in revenue year on year. Content & Services revenue grew by 1% to €407 million (2013: €405 million), and represented 43% of total revenue (2013: 42%). 76% of our 2014 revenue was generated in Europe (2013: 74%), 17% in North America (2013: 18%) and the remaining 7% in the rest of the world (2013: 8%).

### Gross result
Our gross result for 2014 was €523 million, relatively flat compared to last year (2013: €521 million). We reported a gross margin of 55% in 2014 (2013: 54%). The improved margin mainly came from a shift in product mix towards higher margin products.

### Operating expenses
Operating expenses for the year were €502 million compared to €496 million last year.

Research and development (R&D) expenses increased by €6 million year on year. Total R&D spending, including the capitalised element of internal development projects, increased year on year by €15 million to €243 million (2013: €228 million). The major areas of R&D investments included our new navigation technology, the new map-making platform and specific customer-related automotive projects. We broadened our product portfolio and invested more in advertising to support this. We increased our marketing spend by €7 million year on year to €70 million. Selling, general and administrative (SG&A) expenses decreased by €13 million year on year to €171 million due to lower variable personnel expenses slightly offset by an increase in sales expenses related to the expansion of our Telematics business unit.

Total depreciation and amortisation costs amounted to €115 million, 2% lower compared to last year (2013: €117 million). Amortisation of technology and databases increased by €7 million compared to 2013 mainly due to accelerated amortisation of certain legacy navigation technologies during the year. Acquisition-related amortisation declined to €50 million compared to €54 million in 2013, as certain map-making tools were fully amortised early in 2014.

Our EBIT for the year amounted to €21 million (2013: €26 million).

### Financial results and taxation
The net interest expense for the year was €3.1 million (2013: €2.9 million), higher compared to last year mainly due to the acceleration of loan amortisation charges as we fully repaid our previous loan facility. The other financial result consisted mainly of negative foreign currency results of €3.8 million compared to a loss of €2.3 million in 2013.

Our normalised full year Effective Tax Rate (ETR) for 2014 was 8.5% adjusted for one-off releases of tax provisions following the finalisation of an overseas tax audit in Q1 2014 and finalisation of prior period tax returns. This relatively low ETR reflects benefits from the tax incentives, which are made available for companies with significant research and development activities in the Netherlands. The reported ETR for the year was -54.9% compared to 16.7% in 2013.

### Net result
The net result for the year was €23 million (2013: €20 million). The net result adjusted for acquisition-related amortisation & gain on a post-tax basis was €60 million compared to €58 million in 2013. The adjusted EPS for the year was €0.27 and includes the one-off tax settlement of €0.04 related to the release of tax provision in Q1 2014.

### Investments
In 2014, we made significant investments in our new map-making platform, and the connected navigation system components for the automotive industry. In addition, we made two acquisitions in Telematics to expand our customer subscriber base. As a result, total cash used in investing activities in 2014 increased from €91 million in 2013 to €106 million in 2014.

We will continue our investments in product developments and at the same time focus on expanding our product reach enabling more customers to benefit from our cutting-edge technologies and products.

### Cash from operations, liquidity and debt financing
Net cash from operating activities for the year was €119 million compared to €180 million in 2013 (excluding the €80 million tax refund from the Dutch tax authorities received in 2013). The year on year decrease was mainly driven by higher working capital utilisation.

Net cash used in financing activities was €118 million (2013: €74 million), which included €7 million cash in from the exercise of 1.4 million options related to our long-term employee incentive programmes.

In December 2014, we replaced our existing term loan and revolving credit facility, which originated from 2011. The new credit facility comprises of a revolving credit facility of €250 million, which will provide us with the flexibility to manage our operating and investment financing needs. The agreement is effective for a three-year period with a renewal option at the end of this period. The interest rate on this new facility is based on Euribor plus a spread which depends on specified leverage covenants. In December 2014, we made a full repayment of our previous term loan and at the same time drew down an amount of €50 million from our new credit facility. At the end of the year our cash position was €153 million versus €258 million at the end of 2013 and the net cash position was €103 million (2013: €83 million).

### Outlook for 2015

In 2015, we plan for revenue growth and expect revenue of around €1 billion. Adjusted EPS is expected of around €0.20, which is lower than 2014 because of adverse currency movements and the one-off tax settlement of €0.04 that was reported in the first quarter of last year.

In 2015, we will maintain the level of investment (both capital expenditures and operating expenses) in our core technologies. In particular, we are investing in advanced content and software for the automotive industry (e.g. to enable Highly Automated Driving) and in our new map-making platform. We expect these investments to lead in the medium term to higher Automotive revenue. The 2014 bookings of more than €220 million provides support that we are on the right track.

The number of employees in 2015 is expected to be broadly comparable to 2014.

## HUMAN RESOURCES

Our goal is to employ highly talented people who are fully engaged in our business and who deliver high levels of personal performance at work. TomTom employs more than 4,000 people across 54 locations in 37 countries. Our HR Team is responsible for the development and delivery of all initiatives to retain talented employees and attract new talent to the company. TomTom believes in fairness. Our employment policies provide equal opportunities for all, regardless of age, gender, ethnicity, social background, religion, disability or sexuality.

### Employee engagement programme

TomTom currently operates several key employee initiatives within the company-wide global engagement programme. The initiatives within the programme are designed to ensure that we motivate and engage our employees. They include initiatives in career development, management and leadership, organisational effectiveness, workplace processes and policies, and compensation and benefits.

#### Career development

TomTom is committed to enabling our employees to develop their talents and realise their ambitions within the company. The career development initiatives aim to motivate and retain employees by providing them with career opportunities and development challenges. Over the past few years, we have created career tracks for our Engineering, Finance, Customer Care and Map Operations employees. In 2014, we worked on enhancing these career tracks. In 2014, we conducted a successful graduate programme with 10 top graduates from renowned universities. Their roles relate to Sales, Product Marketing, Product Management and UX Design. We also launched “Interns on Track”, a programme that aims to continuously attract and develop young talent and offer students from universities worldwide the opportunity to apply their learning. We have a company-wide talent management process including succession planning. Our succession planning approach helps management to identify and support a ready pipeline of talent that is capable of taking on challenging roles and management positions within the company in the future. In 2014, we introduced an additional process to succession planning that includes development assessments for potential successors in order to determine their readiness for their next career steps.

#### Management and leadership

We introduced a consistent approach to training our people managers three years ago. In 2014, we conducted training in the Netherlands and Poland, and over 240 managers have completed the programme to date. We continued the investment in our leadership development programme aimed at our executive level managers. The programme was developed in close cooperation with a global training provider, as well as a number of academics from a leading European business school. In 2014, we continued a training and development programme to assist the leaders of our Shared Services Units to support the business. Members of the IT, Finance, Legal and Human Resources teams have followed this programme. During 2014, we launched a Sales training and development programme for non-sales employees, with participants from the Engineering, Product Management, Product Marketing and Finance departments.

#### Organisational effectiveness

In 2014, we continued to focus attention on further improving the software development capabilities within our engineering teams. We also launched a global programme for Product Management. The programme targets hiring practices and internal development programmes. We have reorganised the group management structure to allow greater focus on the markets in which we operate and to secure our technology assets in dedicated organisational units. Finally, we completed the acquisition of businesses located in France and the Netherlands and continued to expand our Poland and India operations. In Pune, we now employ approximately 650 people. At the end of 2014, 28% of our employees were based in the Netherlands, compared to 31% at the end of 2013. In terms of employee statistics, we ended 2014 with 65% of our employees based in EMEA, 24% in APAC and 11% in the Americas. These figures exclude interns. In terms of gender diversity, 29% of our workforce is female and 71% is male. For management roles, 26% of middle management (defined as up to Director level) is female, 29% of Executive Management is female, and of the three members of our Management Board one is female.

### Workplace processes and policies

As a company, we believe that our work processes and employment policies should enable employees to work effectively with minimal bureaucracy. During 2014, we continued to monitor and where necessary amend employment policies and work processes. We improved reporting tools for line managers, including detailed information on both their permanent and contingent workforces. In 2014, we introduced easier processes for people managers through user-friendly self-service functions.

### Compensation and benefits

Our remuneration strategy is key for attracting and retaining talent. We aim to provide fair, competitive and responsible compensation for each of our employees. Our performance-related bonus plan, which rewards company performance and individual performance, was introduced in 2009. The bonuses paid as a percentage of base pay vary according to the job grade and reflect the level of influence of each role in the execution of TomTom's strategy.

Our performance-related bonus plan is in line with TomTom's vision, which is that success for our business should also mean success for the individual employee.

Long-term incentives are part of our remuneration policy, for both the Management Board and our employees. They are intended to attract and retain key talent to the company. Our long-term incentive programmes include phantom stock, along with stock options and restricted stock, which are offered to selected key talents. All of our long-term incentive programmes have a vesting period of three years.

In terms of employee benefits, TomTom is committed to offering all employees secure pension, health and disability cover. Accordingly, our benefit programmes focus primarily on these aspects. Next to these important benefit programmes, we also offer a product discount programme worldwide as part of our benefits package to encourage ownership of TomTom products.

## CORPORATE SOCIAL RESPONSIBILITY

### Community giving

At TomTom we are committed to having a strong, positive social impact. We take an active role in supporting the communities in which we work. In 2014, we continued to focus our CSR activities on supporting causes across the world through financial donations and donations of TomTom products. In May, Serbia suffered the worst flooding in its history. As a result, over 40% of the country suffered damage and 3,500 kilometres of roads were destroyed. To support the efforts to rebuild the country's road infrastructure, we donated €10,000 to the Serbian Red Cross.

Our PND donation programme supported several charities, including The American Red Cross which received over 1,000 devices to help emergency responders get where they needed to be faster in the event of a national disaster. We also donated PNDs to smaller charities which promote road safety, provide charitable care and help disadvantaged youth.

Taking an active role and giving back to the community has always been an important part of our working culture. In 2015, we are launching a new CSR initiative working with local charities that are focused on getting Children fit and active. For any charitable event we organise or take part in, the money raised will go to these charities and, as a company, we will also provide funding and resources to these charities.

### Supply chain

As a global business we are committed to continuously improving our supply management practices. To enable us to effectively achieve these objectives, TomTom has been a member of the Electronic Industry Citizenship Coalition (EICC) since 2012.

We expect our suppliers to share our commitment to corporate social responsibility and continuous improvement in social and environmental performance; not only in the development and manufacturing of products but also in the way they conduct their businesses.

In order to assess our supply chain against these goals, we apply a three-step framework:

1. Secure the commitment of our suppliers to meet our requirements;
2. Use a range of analytical tools to identify and monitor supplier risk;
3. Manage risks by monitoring where best to focus our auditing efforts.

We have an Electronics Code of Conduct, based on the EICC industry code of conduct, which sets out the electronics supply chain standards and practices for business conduct that we expect from our suppliers. This code is embedded in our vendor selection process and is signed by all our tier 1 major suppliers. We expect our suppliers to comply with this code. We believe that a risk management approach enables us to spend our resources efficiently by identifying areas of high risk. The risk profile, self-assessments and audits are all based on EICC industry-developed tools and practices, which we believe to be the most appropriate and relevant to our business and our supply chain. Using EICC tools is not only efficient for TomTom but it also sends a consistent message to our suppliers, and minimises the duplication of their effort between different customer requirements.

In 2014, we completed facility risk assessments for 100% of our tier 1 suppliers using EICC-developed tools. This includes electronics assembly suppliers for the PND, in-dash navigation systems and sports products. These suppliers account for almost 85% of TomTom's total supply chain spend. It also included 50% of our logistics suppliers, accounting for a further 6% of total supply chain spend. We found that the majority of the supplier facility risk assessments had a low-risk profile and there were no high-risk findings. As a result, we did not conduct any independent supplier audits in 2014. We also maintained our efforts to improve internal processes for the management of environmental product compliance in 2014. Our focus for CSR in 2015 will be to grow our community giving programme to help more local communities, and to maintain our efforts to work with our suppliers to make sure they follow the required standards of business conduct regarding environmental and social responsibility.

## BUSINESS RISKS

TomTom can be adversely affected by a variety of business risks and economic developments. A structured risk management process helps management to better understand how risks might impact the company and to take appropriate risk mitigation initiatives. We update our business risk profile every year in order to manage our most important risks.

Below is an overview of our key business risks. The sequence of risks below does not reflect an order of importance, vulnerability or materiality. We believe that the careful management of all of these risks is important and that singling out particular risks could disrupt the balance of our risk management programme.

### Approach to risk management

Senior management together agree on the risk management priorities for the group. A single owner is assigned responsibility for each risk, which helps ensure clear accountability for the mitigating actions. The Business Assurance department facilitates the annual assessment of business risks to achieve an appropriate level of objectivity in our assessment of risks. The business risk profile is taken into account when establishing our strategy, annual business plans and budgets.

### Group risk profile

Below is an overview of the risks that we believe are most relevant to the achievement of our strategy. This overview is not exhaustive and should be considered in connection with forward-looking statements. There may be risks not yet known to us or which are currently not deemed to be material, which could later turn out to have a significant impact on our business and could have a material adverse effect on TomTom's financial condition, results of operations and liquidity.

### Strategic risks

#### Competitive landscape

We operate in a highly dynamic and competitive industry characterised by convergence of technologies, consolidation of competitors, as well as new and disruptive technologies and innovations. Failure to adapt our organisation to industry trends or otherwise remain competitive could have a material adverse effect on our business and TomTom's financial condition, results of operations and liquidity.

Many of our current competitors are large, well-known organisations with greater financial, technical and human resources than ours. They may have greater ability to fund product research and development and capitalise on potential market opportunities. New competitors interested in the same markets and products may also emerge. Industry consolidation may also result in increased competition.

We have entered into a number of strategic partnerships and joint ventures to bring competitive product and service offerings to market. If any of our strategic partners fail to perform as planned or if we fail to find suitable partners for our business activities, we may be unable to bring our products and services to the market and maintain a competitive market position.

#### Global economics

The majority of our sales are generated in Europe which makes us vulnerable to the continued concerns about the macro-economic environment across the region. The US is also an important market for us and deterioration in consumer demand in this region would have a negative impact on our financial results.

The majority of our purchases are made in USD. Any devaluation of the euro against the USD would therefore have a negative impact on our profitability. We use foreign exchange contracts to mitigate the risks, although these are short term in nature and do not cover all our open exposures.

The impact of global economic conditions on consumer demand could impair our ability to generate sufficient cash flow to support our operational and investment plans. These or other unforeseen macro-economic conditions may render us unable to implement our strategic agenda as planned and consequently could have a material adverse effect on TomTom's financial condition, results of operations and liquidity.

#### Geographical sustainability

The largest portion of our revenue is generated in Europe and we view maintaining market share in Europe as vital to our commercial success. The US is also an important market for us in which we aim to maintain market share.

Our aspirations to grow in high growth markets such as the BRICS countries will expose us to additional political, legal, social and economic risks. We cannot be certain that our products and services will meet consumer acceptance in these markets and we may be unable to realise our growth objectives in these emerging markets. If we are unable to realise our growth plans in emerging markets our anticipated revenues and profits could be adversely affected.

#### Automotive

The automotive market is continuously evolving with respect to navigation. Although the navigation experience for our end users is similar, whether the navigation system is built in the dash or provided on a PND, the dynamics of supplying to the automotive industry are different from those for delivering mass-market consumer electronics. Our easy-to-integrate Navigation Data Standard (NDS)-based Connected Navigation System will aid in addressing the Automotive opportunity.

There could be additional operational and technical challenges in growing our automotive business and maintaining profitability over the longer term in such a rapidly evolving environment. Furthermore, new map and navigation providers may choose to enter the automotive market, which could significantly increase the level of competition we face. If we are unsuccessful in maintaining and growing a profitable automotive business, our financial condition, results of operations and liquidity may be materially adversely affected.

#### Brand

All our products and services are brought to market under one brand. This leads to brand concentration risk. Brand value can be severely damaged, even by isolated incidents affecting the reputation of our business or our products and services. Some of these incidents may be beyond our ability to control and can erode consumer confidence in our products or services.

Factors that negatively affect our reputation or brand image, such as adverse consumer publicity, inferior product quality or poor service, could have a material adverse effect on our financial condition and results of operations.

### Innovation and engineering capabilities

Our markets are characterised by rapid technological change, which challenges us to deliver highly competitive products and services on an ongoing basis. We will continue to focus on our product management capabilities and producing high quality innovative solutions, but there can be no guarantee that our products and services will compete successfully against current or new market entrants or competing technologies.

Our success depends on our ability to rapidly develop, market and commercialise new and upgraded products and services. The timing of our new product and service releases, our ability to accurately forecast market demand, our product mix relative to that of our competitors and our ability to understand and meet changing consumer preferences are vital to this effort. Should we be unable to meet these challenges it may have a material adverse effect on our financial condition and results of operations.

### Digital mapping

The competitive environment requires continuous investment in new technology for creating and updating map databases. Maps need to be continuously updated for changes in the environment and we are continuously adding new geographies and attributes to our map database to enable us to meet the needs of existing customers, bring out new products and expand into new markets.

If we are unable to invest sufficiently to compete with other global map providers in terms of both the quality and coverage and to modernise our map delivery platforms, our business, our financial condition, results of operations and liquidity may be materially adversely affected.

### Dependency on GPS satellites

Our navigation products and services depend on GPS satellite transmissions that provide position data to our customers. GPS satellites are funded and maintained by the US government. We have no control over their maintenance, support or repair. The availability and free use of GPS signals to the level of accuracy required for commercial use remains at the sole discretion of the US government.

GPS signals are carried on radio frequency bands. Any reallocation of, or interference with these bands could impair the functionality of our products. Our Navigation products use positioning chips which are compatible with GLONASS (Russian Satellite System). Chinese and European systems are in various stages of development; these systems again remain under the control of sponsoring governments and agencies.

## Operational risks

### Human resources

In order to be a market leader in our industry we need to have the most talented people working effectively together. The success of our business depends on attracting, integrating and retaining highly skilled personnel in all business units and development centres.

We aim to employ highly talented people in our organisation. We have a rigorous recruitment process so that we can have high levels of confidence in the people we hire. To retain talent within our organisation we monitor the organisational health of the company and have programmes in place to retain and keep key employees engaged. However, if we are unable to attract and retain the highly talented people we require, our ability to operate our business successfully could be significantly impaired.

### Supply chain

We depend on a limited number of third parties and, in certain instances, on sole suppliers, for map content, component supply, connectivity and manufacturing. Any disruption to or termination of our relationships with third-party manufacturers, suppliers or distributors, or any reduction in their ability to supply our needs would adversely affect our business.

Our capacity to deliver innovative products to the market means that we will continue to be dependent to some extent on components that are only available from specific leading technology organisations. Single-source component risk will remain a part of our business model for the foreseeable future. If we are unable to source any critical components, particularly critical single-source components, our business could be significantly impaired and our financial condition, results of operations and liquidity could be materially adversely affected.

### Product Quality

Our industry is characterised by frequent technological advances. In order to remain competitive, we need to continuously innovate to introduce new and upgraded products and services. Difficulties may be experienced that delay the development, introduction or market acceptance of our new or enhanced products.

Furthermore, we develop complex hardware and software products which may experience material defects, errors or failure. We have internal quality control standards and procedures to mitigate these risks. However, should any of our products fail to operate as intended or otherwise experience quality problems, our reputation and brand value may suffer and we may be exposed to increased operating costs and the possibility of significant warranty and consumer product liability, which could adversely affect our financial condition, results of operations and liquidity.

### Performance of real-time services

We provide a variety of e-commerce and service portals for our products and services on a 24/7 basis, these include: fleet management services, live traffic information and sales via our website. To provide these services to our customers we rely on our own, as well as outsourced, information technology, telecommunications and other infrastructure systems.

A significant disruption to the availability of these systems could cause interruptions in our service to customers that may cause reputational damage for us and could trigger contractual penalties which could have a material adverse effect on our financial condition and results of operations.

### Disaster recovery planning

Unforeseen business disruptions could affect our service to customers and cause loss of, or delays in TomTom's critical business systems, our research and development work and/or product shipments. Any permanent or temporary loss of these systems would result in reputational damage, loss of revenue and liabilities to our clients. In the case of a catastrophic disaster our company's success rests on our ability to restore our critical data and rebuild our IT business systems.

We have business continuity and disaster recovery planning in place for certain systems and various eventualities. However, we are unable to plan for every possible disaster or incident. A major failure of a business critical system from which we are not able to quickly recover could have a material adverse effect on our financial condition, results of operations and liquidity.

## Legal and compliance risks

### Intellectual property

We rely on a combination of trademarks, trade names, patents, confidentiality and non-disclosure clauses and agreements, copyrights and design rights to defend and protect our trade secrets, and rights to the intellectual property in our products.

We may be faced with claims that we have infringed the intellectual property rights or patents of others, which if successfully asserted against us may result in us being ordered to pay substantial damages or forced to stop or delay the development, manufacture or sale of infringing products. Any such outcome could have a material adverse effect on our financial condition, results of operations and liquidity. Furthermore, even if we were to prevail, any litigation could be costly and time-consuming.

### Privacy of customer data

The focus of our business providing location-based products and services to individual customers, growing public awareness and increased scrutiny by regulatory authorities, means that compliance with privacy regulations and customer expectations is increasingly important in maintaining our competitive position.

While we anonymise the trace data we collect from our individual customers, and our privacy programme is designed to ensure TomTom's Privacy Principles are adhered to throughout our operations and in the design of our products and services, our reputation and brand may suffer if we fail to comply with privacy regulations or otherwise fail to meet our customers' expectations in relation to privacy matters.

### Information security

Our business operations and reputation are substantially dependent on our ability to maintain confidentiality, integrity and availability over information regarding customers, employees, suppliers, proprietary technologies, intellectual property and business processes. Our information security programme requires that we deploy and maintain information security controls, processes and tools in our operations and products using a risk-based approach. However, the volume and sophistication of information security threats continue to grow. The leakage of confidential information, unauthorised use of our systems and networks or defective products could adversely affect our business and could have a material adverse effect on our financial conditions, results of operations and liquidity.

## Financial risks

Financial risks are presented in note 28. Financial risk management in the consolidated financial statements.

## IN CONTROL AND RESPONSIBILITY STATEMENT

The Management Board is responsible for TomTom's risk management and internal control systems. The Management Board believes that the company maintains an adequate and effective system of risk management and internal control that complies with the requirements of the Dutch Corporate Governance Code (the Code).

The internal control systems are designed to manage, rather than eliminate, the risk that we fail to achieve our business objectives and can provide reasonable, but not absolute, assurance against financial loss or material misstatements in the financial statements.

The Management Board reviews the effectiveness of TomTom's systems of internal control relative to strategic, financial, operational and compliance risks and discusses risk management and internal controls with the Audit Committee on at least a quarterly basis.

TomTom embeds risk management in its strategic business planning. A top-down approach is followed in which management identifies the major risks that could affect the company's business objectives - and assesses the effectiveness of the processes and internal controls in place to manage and mitigate these risks. For an overview of our most important business risks, please refer to the Business Risks section. Assurance on the effectiveness of controls is obtained through management reviews, monitoring control dashboards, control self-assessments, internal audits and testing of certain aspects of our internal financial control systems by the external auditors during their annual audit.

This, however, does not imply that certainty as to the realisation of our business and financial objectives can be provided, nor can the approach taken by the company to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations.

The key features of the systems of internal control are as follows:
- Clearly defined lines of accountability and delegation of authority are in place, together with comprehensive reporting and analysis against approved budgets;
- A financial shared service centre with a centralised ERP environment which allows us to monitor our business throughout all regions and apply a consistent level of control;
- Operating risk is minimised by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the business;
- An organisational design is in place that supports business objectives and a culture that encourages open and transparent communication;
- Centralised Treasury operations manage cash balances and exposure to credit default and currency risks through treasury policies, risk limits and monitoring procedures; and
- A Code of Conduct is accessible to all staff via the intranet, which includes whistleblowing facilities.

The key controls over financial reporting policies and procedures include controls to ensure that:
- Commitments and expenditures are appropriately authorised by the Management Board;
- Records are maintained which accurately and fairly reflect transactions;
- Any unauthorised acquisition, use or disposal of the company's assets that could have a material effect on the Financial Statements are detected on a timely basis;
- Transactions are recorded as required to permit the preparation of financial statements; and
- Reporting of the financial statements is done in compliance with IFRS.

The Management Board believes, based on the activities performed in 2014 and in accordance with best practice provision II.1.5 of the Code, that the risk management and control systems with regard to the financial reporting risks have functioned effectively in 2014, and that the risk management and control systems provide a reasonable assurance that the 2014 financial statements do not contain any errors of material importance.

With reference to the statement within the meaning of Article 5:25 (2c) of the Financial Supervision Act, the Management Board states that, to the best of its knowledge:
- The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and that
- The Management Board Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the company faces.

Amsterdam, 12 February 2015

**The Management Board**
Harold Goddijn / Chief Executive Officer
Marina Wyatt / Chief Financial Officer
Alain De Taeye / Member of the Management Board

# CORPORATE GOVERNANCE

## INTRODUCTION

TomTom is committed to being transparent and accountable in the way we do business. Our corporate governance structure supports and contributes to fulfilling this commitment to all our stakeholders. We monitor our corporate governance structure continuously, to ensure compliance with Dutch legislation, the Dutch Corporate Governance Code (the Code), the company's Articles of Association, applicable securities laws, and the rules and regulations of NYSE Euronext Amsterdam, complemented by several internal policies and procedures.

In this section, TomTom addresses its overall corporate governance structure and compliance with the best practice provisions of the Code. Occasional deviations from the Code are explained and information is provided on the reasons for doing so.

Furthermore, any substantial changes in the corporate governance structure of TomTom and its compliance with the Code will be explained to the shareholders at a General Meeting.

## DEVIATIONS FROM THE CORPORATE GOVERNANCE CODE

As a Dutch listed company, TomTom is subject to the Code. The Management Board and Supervisory Board are committed to complying with the best practice provisions of the Code and will continue to do so.

TomTom complies with all of the relevant provisions of the Code, with the exception of the following provisions: II.2.4 and IV.1.1. The reasons for these deviations are explained below.

### Provision II.2.4

*Best practice provision II.2.4 provides that if options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.*

At the 2014 General Meeting, the proposal to amend the remuneration policy with regard to the long-term incentive component laid down in the TomTom NV Management Board Stock Option Plan (the Plan) was adopted. As a result of this decision, the performance conditions for the vesting of the options were removed. All options granted under the Plan shall be granted conditional to continued employment of the members of the Management Board only. TomTom deviates from best practice provision II.2.4 to the extent that it does not specify targets beforehand. A vesting period of three years remains applicable.

The reason for amending the remuneration policy was to align it better with international high-tech sector practice. Under the new plan, the Management Board remains continuously focused on creating more value for its shareholders.

TomTom's comparator companies are international companies in the high-tech sector. These companies continue to favour stock option plans and operate in environments not subject to the Code. The current Plan is reflective of competitive practices and enables TomTom to be competitive for international senior leadership talent.

Furthermore, the inclusion of vesting conditions in addition to the increase of TomTom's share price of the options results in multiple layers of hurdles for the Management Board to potentially obtain value. Stock options carry an innate de facto performance condition that focuses on achieving stock price growth before value can be derived from stock option grants. The value of the stock option remains wholly dependent on the development of the company's stock price.

This new remuneration policy is deemed to be appropriate for the company at this time.

### Provision IV.1.1

*Best practice provision IV.1.1 provides that the General Meeting may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third.*

TomTom's Articles of Association provide that a binding nomination for the appointment of members of the Management Board or of the Supervisory Board may only be set aside by a resolution of the General Meeting passed with a two-thirds majority representing more than 50% of its issued share capital. The same provision applies to any resolution to dismiss a member of the Management Board or of the Supervisory Board.

The company deviates from the best practice provision outlined in the preceding paragraph because it believes that maintaining continuity in its Management Board and Supervisory Board is critical for delivering long-term shareholder value. The company would like to protect its stakeholders against a sudden change in management by maintaining the qualified majority and voting quorum requirement, which is consistent with Dutch law.

## LEGAL STRUCTURE OF THE COMPANY

TomTom NV is a public limited liability company established under Dutch law and listed on NYSE Euronext Amsterdam in the Netherlands. TomTom has a two-tier governance structure consisting of a Management Board and a Supervisory Board.

## MANAGEMENT BOARD

### General

The Management Board is responsible for the day-to-day management of the operations of the company. Its responsibilities involve setting and achieving the company's strategic objectives, managing the company's strategic risks, legal compliance and corporate social responsibility matters insofar as these are relevant to the company's business. In these areas the Management Board is accountable to the Supervisory Board and to the General Meeting. In performing its duties, the Management Board is guided by the interests of the company, taking into consideration the interests of the company's stakeholders as a whole. The Management Board must provide the Supervisory Board with all information necessary for the exercise of the duties of the Supervisory Board in a timely manner. Furthermore, the Management Board must consult with the Supervisory Board on important matters and submit important decisions to the Supervisory Board for its prior approval.

### Composition and appointment

The Articles of Association provide that the Management Board must consist of at least two members. Each member of the Management Board is appointed for a maximum period of four years and may be re-appointed for another period of not more than four years. The General Meeting appoints the members of the Management Board, subject to the right of the Supervisory Board to make a binding nomination.

The General Meeting may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast, and representing more than 50% of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such a case, the General Meeting may appoint a member of the Management Board in contravention of the Supervisory Board's nomination by a resolution passed with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital. If the Supervisory Board fails to use its right to submit a binding nomination, the General Meeting may appoint members of the Management Board with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital.

A resolution of the General Meeting to suspend or dismiss members of the Management Board requires a majority of at least two-thirds of the votes cast, representing more than 50% of the company's issued share capital.

### Members of the Management Board

The Management Board currently consists of three members and meets the requirements set by the Act on Management and Supervision (*Wet Bestuur en Toezicht*) with respect to gender diversity. The members of the Management Board are jointly authorised to represent the company.

Biographies of the members of the Management Board, as well as other details relating to their careers can be found in the Management Board Report section.

### Remuneration

Upon a proposal by the Remuneration Committee, the Supervisory Board determines the remuneration of the individual members of the Management Board in accordance with the company's remuneration policy for the Management Board. The remuneration policy was adopted in 2009 and amended by the General Meeting in 2011 respectively in 2014 as further set out in the Deviations from the Corporate Governance Code section of this report.

For further information about the remuneration of the members of the Management Board, reference is made to the Remuneration Report included in the Supervisory Board Report, as well as note 33. Remunerations of members of the Management Board and the Supervisory Board in the consolidated financial statements.

### Conflicts of interest

Members of the Management Board must report any (potential) conflict of interest to the Chairman of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Management Board who has a (potential) conflict of interest may not be present at such meetings. Matters in which the company has a conflict of interest with a member of the Management Board in his private capacity are subject to the prior approval of the Supervisory Board. During 2014, no such conflicts of interest were reported.

## SUPERVISORY BOARD

### General

The Supervisory Board is responsible for supervising the conduct of management by the Management Board and the general course of affairs of the company and its affiliates. The Supervisory Board may on its own initiative provide advice to the Management Board. The Management Board can also request the Supervisory Board's advice. The Supervisory Board acts in the interest of the company as well as that of its stakeholders as a whole in performing its duties.

The Articles of Association require that certain decisions of the Management Board be subject to the approval of the Supervisory Board. Resolutions of the Management Board to issue shares, to grant rights to acquire shares or to restrict or exclude pre-emptive rights require prior approval from the Supervisory Board. Other resolutions requiring such approval include, among others:

- Proposals to amend the Articles of Association;
- Proposals to conclude a legal merger or a legal demerger;
- Proposals to reduce the issued share capital; and
- Matters in which the company has a conflict of interest with a member of the Management Board in his private capacity.

### Composition and appointment

The Articles of Association provide that the Supervisory Board should consist of three or more members. Members of the Supervisory Board may be appointed for a maximum of three times a term of four years. The Supervisory Board appoints a Chairman and a Deputy Chairman from amongst its members. The members of the Supervisory Board retire periodically in accordance with a rotation plan.

The General Meeting appoints the members of the Supervisory Board, subject to the right of the Supervisory Board to make a binding nomination.

The General Meeting may at all times, by a resolution passed with a majority of at least two-thirds of the votes cast, and representing more than 50% of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such cases, the appointment of a member of the Supervisory Board in contravention of the nomination requires a resolution of the General Meeting adopted with a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Supervisory Board requires a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital.

The Supervisory Board has determined a profile regarding its size and composition, taking into account the nature of TomTom's business, its activities and the desired expertise. The Supervisory Board aims for a diverse composition and will strive for a fair balance between experience, expertise, gender, age and background. When nominating a candidate for (re)appointment, however, the qualifications of the candidate and the specific requirements of the positions to be filled will prevail.

The Supervisory Board profile and other rules and regulations covering its decision-making process are posted on TomTom's corporate website: corporate.tomtom.com/articles.cfm.

### Members of the Supervisory Board

The Supervisory Board currently consists of seven members. Biographies of the members of the Supervisory Board, as well as other details relating to their careers can be found in the Supervisory Board Report section.

The Supervisory Board confirms that its current composition has the necessary experience, expertise, and independence to ensure that its members are able to properly execute their duties. All current members of the Supervisory Board were appointed in accordance with the Supervisory Board profile. Mr Vuursteen retired from the Supervisory Board following the 2014 General Meeting and was succeeded by Mr Wakkie as Chairman. Mr Van den Bergh resigned from the Supervisory Board following the 2014 General Meeting. The proposals for the appointments of Ms Tammenoms Bakker and Ms Elberse were adopted at the 2014 General Meeting. Both appointments were made for a period of four years. According to the Act on Management and Supervision (*Wet Bestuur en Toezicht*), a proper composition of the Supervisory Board means that at least 30% of the seats are held by women and at least 30% by men. Two out of seven Supervisory Board members are female (29%). With regards to the same Act, no member of the Supervisory Board holds more than five supervisory positions at Dutch 'large companies'.

### The committees

In line with the Code, the Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee. Each of these committees is staffed by members of the Supervisory Board. For an overview of all activities performed by the Committees, reference is made to the Supervisory Board Report section. The terms of reference of each committee can be found on TomTom's corporate website: corporate.tomtom.com/supboard.cfm.

### Remuneration

The remuneration of the Supervisory Board members and the additional remuneration of the Chairman and the members of its committees is determined by the General Meeting. Members of the Supervisory Board are not authorised to receive any payments under the company's pension or bonus schemes or under the option or share plans. The annual remuneration of the Supervisory Board and sub-committees membership remained unchanged during 2014. The annual remuneration of the Chairman of the Supervisory Board is €50,000; the other Supervisory Board members receive €40,000.

The annual remuneration of the Chairman of the Audit Committee is €10,000, while the other members of the committee receive €7,000. The annual remuneration of the Chairman of the Remuneration Committee and of the Chairman of the Selection and Appointment Committee is €7,000, while the other members of these committees receive €4,000. The remuneration of Supervisory Board members and committee members is proportional to the number of months served. The remuneration of Mr Vuursteen and Mr Van den Bergh was paid out pro rata. The aggregate remuneration of the Supervisory Board members in 2014 amounted to €351,000.

For more detailed information about the remuneration of individual members of the Supervisory Board see note 33. Remunerations of members of the Management Board and the Supervisory Board in the consolidated financial statements.

### Conflicts of interest

Members of the Supervisory Board (excluding the Chairman) must report any (potential) conflict of interest to the Chairman of the Supervisory Board. If the (potential) conflict of interest involves the Chairman of the Supervisory Board, it must be reported to the Deputy Chairman of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Supervisory Board who has a (potential) conflict of interest may not be present at such meetings. The member of the Supervisory Board with a (potential) conflict of interest shall not participate in discussions and decision-making on a subject or transaction in relation to which the member has a conflict of interest with the company. Such transactions shall be disclosed in the annual report. No transactions in which there were conflicts of interest with members of the Supervisory Board were reported in 2014.

### Shareholdings

No shares or rights to shares were granted to a Supervisory Board member by way of remuneration. No shares in the company are held by any Supervisory Board member.

## GENERAL MEETING

### Functioning of the General Meeting

The General Meeting must be held within six months after the end of each financial year. The General Meeting is convened by public notice via the company's corporate website: corporate.tomtom.com/agm.cfm.

The compilation of the annual report is a recurring agenda item, as are the adoption of the annual accounts, the release from liability of the members of the Management Board and Supervisory Board and the execution of the remuneration policy during the present year. When deemed necessary in the interests of the company, an Extraordinary General Meeting may be convened by resolution of the Management Board or the Supervisory Board.

Shareholders may appoint a proxy who is then empowered to vote on their behalf in the General Meeting. The minutes and the resolutions of the General Meeting are recorded in writing.

The minutes will be made available to the shareholders on TomTom's corporate website no later than three months after the meeting.

### Voting rights

Each of our ordinary shares and preferred shares is entitled to one vote. Shareholders may vote by proxy. The voting rights attached to any company shares held by the company are suspended as long as they are held in treasury.

Resolutions of the General Meeting are adopted by an absolute majority of votes cast, except where Dutch law or TomTom's Articles of Association provide for a special majority.

According to TomTom's Articles of Association, the following decisions of the General Meeting require a majority of at least two-thirds of the votes cast, representing more than 50% of our issued share capital:

- Resolution to cancel a binding nomination for the appointment of a member of the Management Board or the Supervisory Board;
- Resolution to appoint a member of the Management Board or the Supervisory Board in contravention of the binding nomination by the Supervisory Board; and
- Resolution to dismiss or suspend a member of the Management Board or the Supervisory Board.

In addition, in accordance with Dutch law, TomTom's Articles of Association provide that, if less than 50% of our issued share capital is represented at the meeting, certain decisions of the General Meeting require a majority of at least two-thirds of the issued capital represented. This includes decisions of our General Meeting regarding:

- The restriction and exclusion of pre-emptive rights, or the designation of the Management Board as the authorised body to exclude or restrict such rights;
- The reduction of the issued share capital; and
- A legal merger or legal demerger of the company.

### Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association of the company if it acts on a proposal by the Management Board that has also been approved by the Supervisory Board.

A resolution of the General Meeting to amend the Articles of Association requires an absolute majority of votes cast, irrespective of the share capital represented at the General Meeting.

The company's Articles of Association were last amended at the 2013 General Meeting.

## THE CAPITAL STRUCTURE

The company's authorised share capital amounts to €180,000,000 and is divided into 600,000,000 ordinary shares with a nominal value of €0.20 each and 300,000,000 preferred shares, with a nominal value of €0.20 each. On 31 December 2014, a total of 223,569,822 ordinary shares were issued and outstanding.

### Issue of shares

The Management Board has the power to issue shares or grant rights to subscribe for shares if so designated by the General Meeting or the company's Articles of Association. This Management Board resolution is subject to the prior approval of the Supervisory Board. No resolution of the General Meeting or the Management Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

The Management Board continues to believe it is in the company's best interests that it should be in a position to react promptly when business opportunities arise that require the issue of ordinary shares. When such occasions arise, the Management Board therefore wishes to be authorised to issue ordinary shares and to grant rights to subscribe for such shares without the need to obtain prior approval from company shareholders at an Extraordinary General Meeting. Such meetings take time to convene and could generate disruptive market speculation.

On 1 May 2014, the General Meeting passed a resolution extending the Management Board's authorisation to resolve to issue ordinary shares or grant rights to subscribe for such shares until 1 November 2015. This authority is limited to 10% of the number of issued ordinary shares for general purposes, and an additional 10% in connection with or on the occasion of a merger or acquisition, and to restrict or exclude the pre-emption rights for existing shareholders for such issue or grant of rights.

Separately, the Management Board has been authorised to grant, subject to the prior approval of the Supervisory Board, rights to subscribe for ordinary shares and to restrict or exclude the pre-emption rights for existing shareholders for those rights, up to 2,200,000 ordinary shares for the purpose of executing the TomTom Employee Stock Option Plan and the Management Board Stock Option Plan. It was granted for a period starting from the 2014 General Meeting and ending with the General Meeting to be held in 2015.

### Repurchase by the company of its own shares

The 2014 General Meeting has resolved to authorise the Management Board to acquire shares in the capital of the company up to 10% of the issued share capital. The authorisation was granted for a period of 18 months, and will be in effect until 1 November 2015.

## PROTECTION MECHANISM

### Foundation Continuity TomTom

A foundation, Stichting Continuïteit TomTom (the Foundation), was established on 26 May 2005 to act as an instrument that protects the company against hostile takeovers. The purpose of the Foundation is to safeguard the interests of the company and all of its stakeholders. It does so by ensuring that the company is in a position to resist influences that could affect its independence, continuity and/or corporate identity in any manner that would be in contravention of the interests of the company or its stakeholders. The granting of rights to subscribe for preferred shares to the Foundation may help to prevent, discourage or otherwise delay unsolicited attempts to obtain (de facto) control of the company. This measure will strengthen the company's position in relation to potential bidders, and allows the company time to seek alternatives to hostile takeover bids.

On 23 April 2013, the General Meeting adopted the proposal of the Management Board to grant the Foundation a call option entitling it to subscribe for preferred shares up to one hundred per cent (100%) of the aggregate nominal value of the outstanding ordinary shares at the time of issue, up to a maximum of the number of preferred shares included in the authorised capital at the time of issue.

The Foundation shall subscribe for the preferred shares at par. Immediately after subscribing for preferred shares, the Foundation shall proceed to pay one-fourth of the nominal value of the preferred shares at the time of issue. Three-fourths of the nominal amount shall only need to be paid upon call by the company, without prejudice to the provisions of section 2:84 of the Dutch Civil Code. The Foundation is entitled to exercise the option right in one or more tranches. The possible issuance of preferred shares to the Foundation will be temporary and subject to the company's Articles of Association and the legislation on takeovers.

Currently, there are no preferred shares outstanding.

The Management Board of the company and the Board of the Foundation declare that the Foundation is independent vis-à-vis the company.

Unless the preferred shares have been issued pursuant to a resolution of the General Meeting, the company's Articles of Association require that a General Meeting be held within one year after the issue of preferred shares to consider their purchase or withdrawal. If no resolution on the purchase or withdrawal of the preferred shares is adopted at such a General Meeting, a General Meeting will be held every year thereafter for as long as preferred shares remain outstanding.

## NOTIFICATION OF SUBSTANTIAL SHAREHOLDINGS AND SHORT POSITIONS

Shareholders owning 3% or more of the issued capital of a listed company (a substantial shareholding or short position) must report this to the Netherlands Authority for Financial Markets (AFM) as soon as this threshold is reached or exceeded.

Subsequently, notification to the AFM must be done as soon as a substantial shareholding or short position reaches, exceeds or falls below set thresholds. The thresholds are: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95% of the company's issued share capital.

As at 31 December 2014, the following shareholders owning 3% or more of the company's voting rights were registered with the AFM:

| Name | % voting rights |
|---|---|
| Harold Goddijn | 11.7% |
| Corinne Goddijn-Vigreux | 11.7% |
| Pieter Geelen/Stichting Beheer Moerbei | 11.7% |
| Peter-Frans Pauwels/Stichting Beheer Pillar Arc | 11.7% |
| Flevo Deelnemingen IV BV (Dasym/Janivo)[1] | 10.1% |
| Highclere International Investors LLP | 3.0% |
| **Total substantial shareholdings** | **59.9%** |

[1] Flevo Deelnemingen IV BV is a 100% direct shareholder of Flevo Dasym BV and Flevo Janivo BV.

## MANDATORY CORPORATE GOVERNANCE STATEMENT

The Corporate Governance section can be considered to be the corporate governance statement as referred to in Article 2a of the Dutch Decree on additional requirements for annual reports, as last amended on 1 January 2010, to the extent that it is applicable to TomTom.

The main characteristics of the company's internal risk management measures and control systems connected to its financial reporting process are described in the In Control and Responsibility Statement section of this annual report.

## ARTICLE 10 OF THE EU TAKEOVER DIRECTIVE DECREE

The Management Board states that all information which must be disclosed pursuant to Article 10 of the EU Takeover Directive Decree is included in the Corporate Governance section of this annual report, to the extent that it is applicable to TomTom.

## SUPERVISORY BOARD REPORT

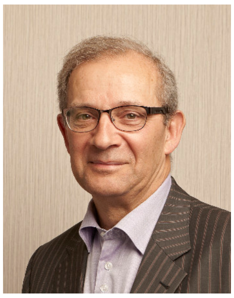
# TomTom Supervisory Board

## PETER WAKKIE (66) / Chairman

| | |
|---|---|
| Nationality | Dutch |
| Date of first appointment | 28 April 2009 |
| Current term of office | 2013 – 2017 |
| Former positions | Member of the Executive Board of Koninklijke Ahold NV |
| Current positions | Founding partner of Spinath + Wakkie BV, Chairman of the Supervisory Board of Wolters Kluwer NV and Vice-Chairman of the Supervisory Board of ABN AMRO Group NV, ABN AMRO Bank NV and Supervisory Board Member of BCD Holdings NV |
| Committees | Remuneration Committee, Selection and Appointment Committee (Chairman) |

## DOUG DUNN (70) / Deputy Chairman

| | |
|---|---|
| Nationality | British |
| Date of first appointment | 13 May 2005 |
| Current term of office | 2011 – 2015 |
| Former positions | Chief Executive Officer and President of ASML Holding NV |
| Current positions | Non-Executive Director of Soitec SA and Global Foundries and Vice-Chairman of the Supervisory Board of BE Semiconductor Industries NV |
| Committees | Audit Committee |



## GUY DEMUYNCK (63)

| | |
|---|---|
| Nationality | Belgian |
| Date of first appointment | 13 May 2005 |
| Current term of office | 2012 – 2016 |
| Former positions | Member of the Board of Directors of Koninklijke KPN NV, Chief Executive Officer of Kroymans Corporation BV, member of the Supervisory Board of Apollo Vredestein BV and Chief Executive Director of Liquavista BV |
| Current positions | Non-Executive Director of Belgacom NV and Wizz Air Holdings PLC, member of the Supervisory Board of Teleplan International NV and Divitel Holding BV and Chairman of the Supervisory Board of Aito BV |
| Committees | Remuneration Committee (Chairman), Selection and Appointment Committee |

## BEN VAN DER VEER (63)

| | |
|---|---|
| Nationality | Dutch |
| Date of first appointment | 1 October 2008 |
| Current term of office | 2012 – 2016 |
| Former positions | Member and Chairman of the Board of Management of KPMG NV |
| Current positions | Non-Executive Director of Reed Elsevier Group PLC, Reed Elsevier PLC and Reed Elsevier NV and member of the Supervisory Board of AEGON NV, Koninklijke Friesland Campina NV and Royal Imtech NV, and Amsterdam Museum |
| Committees | Audit Committee (Chairman) |

## TOINE VAN LAACK (51)

| | |
|---|---|
| Nationality | Dutch |
| Date of first appointment | 23 April 2013 |
| Current term of office | 2013 – 2017 |
| Former positions | Member of the Board of Management Ernst & Young Netherlands and Belgium |
| Current positions | CEO of Janivo Holding BV and member of the Supervisory Board of Nidera Capital BV and Hespri Holding BV |
| Committees | Audit Committee |

## JACQUELINE TAMMENOMS BAKKER (61)

| | |
|---|---|
| Nationality | Dutch |
| Date of first appointment | 1 May 2014 |
| Current term of office | 2014 – 2018 |
| Former positions | Director General at the Dutch Ministry of Transport, responsible for Civil Aviation and Freight Transport and Chairman of the High Level Group for the future of aviation regulation in Europe |
| Current positions | Non-executive Director of Tesco PLC (UK) and independent board member of CNH Industrial NV, Chairman of the Van Leer Group Foundation (NL) and Vice-Chair of the advisory board of the Rotterdam School of Management, Erasmus University (NL) |
| Committees | Remuneration Committee, Selection and Appointment Committee |

## ANITA ELBERSE (42)

| | |
|---|---|
| Nationality | American |
| Date of first appointment | 1 May 2014 |
| Current term of office | 2014 – 2018 |
| Former positions | Visiting Fellow and Lecturer at The Wharton School University of Pennsylvania (2001-2003) |
| Current positions | Lincoln Filene Professor of Business Administration at Harvard Business School |
| Committees | Audit Committee |

## INTRODUCTION

It was a good year for TomTom; 2014 saw substantial progress in the development of the company's core technologies and its positioning back for growth. The company again achieved its financial objectives in 2014 and delivered important milestones in its technologies. The efforts made by the employees of the company and its Management Board are greatly appreciated by the Supervisory Board. We look forward to the further successful execution of TomTom's strategy.

The TomTom Supervisory Board is responsible for supervising and advising the Management Board in setting and achieving the company's strategy and its objectives. The interests of the company and TomTom's stakeholders guide the performance of the duties of the Supervisory Board. The Supervisory Board is assisted in its decision-making process by the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee.

## COMPOSITION

The Supervisory Board of TomTom consists of seven members. At the 2014 General Meeting, Karel Vuursteen (former Chairman) and Rob van den Bergh stepped down from the Supervisory Board and the two new Supervisory Board members Jacqueline Tammenoms Bakker and Anita Elberse were appointed. The Supervisory Board resolved to appoint Peter Wakkie as its new Chairman.

The term of Doug Dunn will expire at the 2015 General Meeting, by which time he will have served for ten years on the Supervisory Board. At this meeting, Doug Dunn will be nominated for reappointment for a term of a further two years. He will then have served a total of twelve years, the maximum term according to best practice provision III.3.5 of the Corporate Governance Code (the Code).

The Supervisory Board confirms that six of its members are independent as meant within the terms of best practice provision III.2.2 of the Code. Toine van Laack does not qualify as independent, as he is a board member of Janivo Holding BV, which is indirectly related to the substantial shareholder of the company Flevo Deelnemingen IV BV.

The composition of the Supervisory Board is in line with the Supervisory Board profile, as drawn up by the Supervisory Board and published on the company's website, in terms of experience, expertise, nationality, gender and age. According to the Act on Management and Supervision (*Wet Bestuur en Toezicht*), a proper composition of the Supervisory Board means that at least 30% of the members should be female. With the appointment of the two new members of the Supervisory Board at the 2014 General Meeting, two out of seven Supervisory Board members (29%) is female. No member of the Supervisory Board holds more than five directorships at Dutch 'large companies'.

Biographies of the members of the Supervisory Board, as well as the information as prescribed by provision III.1.3 of the Code can be found at the start of this report. This section also provides details on the committees of the Supervisory Board.

## SUPERVISORY BOARD MEETINGS

The Supervisory Board met twelve times in 2014: six physical meetings and six conference calls. The non-physical meetings were held to discuss financial updates and recent developments within the company, usually in months when there was no physical meeting. The Management Board members attended all those meetings either in full or in part. The meetings of the Supervisory Board achieved an overall average attendance rate of 87%.

All members have sufficient time available for their duties relating to their membership of the Supervisory Board. No member of the Supervisory Board was regularly absent from the meetings. Their availability for ad-hoc calls and prompt response to emails, and the fact that the members attended the meetings well prepared and actively participated in the discussions, demonstrate they were all able to devote sufficient attention to the company.

The agenda for the meetings was prepared through consultation between the Chairman, the Management Board and the Company Secretary. In addition to the regular meetings, the Chairman of the Supervisory Board was in regular contact with the CEO of the company. The members of the Supervisory Board also held informal consultations with members of the Management Board and senior management of the company to keep closely informed about the business.

Meetings of the Supervisory Board are preceded by committee meetings. The chairs of the committees work closely with senior management and conduct regular face-to-face meetings to set the agendas and prepare all relevant information for the committee meetings.

The two new Supervisory Board members followed an induction programme which covered, among other matters, general financial, social and legal affairs, financial reporting by the company and the responsibilities of a supervisory board member. Several meetings with the Management Board members and senior management were organised to familiarise the two new Supervisory Board members with the company strategy, the business unit strategies and activities. The programme also included site visits.

## SUPERVISORY BOARD ACTIVITIES

To facilitate open and productive discussions, senior management provided the Supervisory Board with comprehensive quarterly reports that outline the developments, achievements, challenges and opportunities in each business unit of the company before each physical meeting. These reports include insight into noticeable market developments, trends and analyses. During the year, senior management was frequently invited to present a range of topics to the Supervisory Board. It is important for the Supervisory Board to keep in touch with the talents within the company. The members of the Supervisory Board strongly support the company's efforts in the area of talent management and this will remain a key attention area moving forward.

The Supervisory Board devoted considerable time to reviewing strategic options and discussing the company's long-term strategy. An active role was played in ensuring that the Management Board's ideas were challenged and tested in order to reach decisions that would underpin the company's strategy. Every quarter, the business unit strategies were presented, and constructive discussions and reviews were performed with the Management Board. In addition, the Supervisory Board was kept regularly informed of intended organisational changes, appointments of key positions and material contracts.

During discussions with the Management Board, specific attention was given to the various R&D projects, which were discussed and monitored at each quarterly meeting. A strong attention point of the Supervisory Board was the company's delivery of significant technology milestones, including the delivery of the first version of the unique transactional map-making platform that will provide incremental map updates. In addition, progress on investments in the field of modular navigation software was closely monitored. The Supervisory Board was regularly updated on the positioning of these technological innovations and their traction in the market.

The Consumer business, and in particular the continued decline of the PND market in North America, were important attention topics during discussions with the Management Board. The company's undertakings in the sports market were closely monitored and several product presentations and demonstrations were provided during the year.

Updates on the progress made with modular Connected Navigation System components, an important driver for growth for the Automotive business, featured regularly on the Supervisory Board agenda. Also in this respect, the Supervisory Board was frequently updated on the bookings made which, together with orders secured earlier, will support growth for the Automotive business onwards.

For the Telematics business, the Supervisory Board was involved in the acquisitions of *DAMS Tracking*, in France, and *Fleetlogic*, in the Netherlands. These acquisitions reflected the execution of the strategy of the Telematics business to expand the WEBFLEET installed base, both organically and through potential bolt-on acquisitions and partnerships.

The company's results and its cash generation from operations were presented and closely monitored throughout the year. Regarding the financial management of the company, the Supervisory Board reviewed and approved the budget for 2015 and was involved in the refinancing project that resulted in a new €250 million revolving credit facility for the company. It oversaw the tendering procedure for the selection of a new audit firm and decided to nominate Ernst & Young Accountants LLP for appointment by the General Meeting in 2015 for a three-year term. The Supervisory Board was regularly updated on the company's Investor Relations activities, such as share price developments and financial analysts' research and communication with shareholders and investors. The press releases regarding the full year and half-year results, and the quarterly trading updates were reviewed and approved. A proposal from the Management Board in relation to the dividend policy was discussed and challenged by the members of the Supervisory Board. The decision of the Management Board on the company's dividend policy was published on the company's website in October 2014.

Through its Audit Committee, the Supervisory Board was kept informed of the company's risks, both general and financial, and of the actions taken and systems in place to manage these risks. Time was also dedicated to discussing the company's organisational structure and R&D set-up, and it was concluded that the improvements made over the past years have created a stronger basis for the future of TomTom.

The composition and functioning of the Management Board and the performance of its individual members were discussed, alongside the succession planning for the key positions within the organisation.

The Supervisory Board received updates on the company's legal compliance programme, corporate social responsibility and the developments with respect to corporate governance.

## SELF-ASSESSMENT

The Supervisory Board reviewed and discussed its own functioning, as well as that of its members, its committees and the Chairman. During this meeting the Management Board was not present but had been requested to provide feedback. The evaluation of the Chairman was discussed by the entire Supervisory Board, without the Chairman present. In preparation for these discussions, the members of the Supervisory Board and Management Board provided feedback through a written assessment. The assessment included reviews of the composition and expertise of the Supervisory Board, its time management, effectiveness, dynamics and succession planning. The Supervisory Board's overview of the company's strategy, human resources management, risk management and internal controls was also reviewed.

The Supervisory Board was very positive about the organisation of the meetings, its agenda setting, effectiveness and strategic overview. The dynamics between the Management Board and the Supervisory Board was perceived as transparent. The improvement made with regard to gaining insights into the constantly changing landscape in which TomTom operates was welcomed by the Supervisory Board. In order to be kept more up-to-date on the actual functioning of new technologies and products, the Supervisory Board requested that demonstrations of such innovations would feature regularly on the agenda for 2015.

The Supervisory Board intends to bring in a third-party to assess its functioning every three years; the next such occasion being in 2015.

## REMUNERATION COMMITTEE REPORT

The Remuneration Report describes the activities of the Remuneration Committee (Committee), the Remuneration Policy and its application in 2014. The Remuneration Policy (including the Management Board Stock Option Plan) was first adopted by the General Meeting in 2005 and has since been amended several times, most recently in 2014. In line with Dutch legislation, the execution of the Remuneration Policy in 2014 will be put on the agenda for discussion as a separate agenda item at the General Meeting on 24 April, 2015.

### Committee meetings

The Remuneration Committee met four times in the course of 2014, with an overall attendance rate of 100%. Each meeting was also attended by Alain De Taeye, the VP Reward and HR Operations, the SVP Group HR and the Company Secretary. Preparation meetings attended by the Chairman of the Committee, the VP Reward and HR Operations and the Company Secretary were held prior to each Committee meeting.

## Committee activities

The Committee monitored the effectiveness and relevance of TomTom's Management Board Remuneration Policy throughout the year. It also considered the extent to which the individual remuneration packages of the Management Board members were in line with the company's policy.

The Committee spent time during their meetings in February and April on its preparation for the 2014 General Meeting. Topics that appeared on the agenda of the General Meeting were the execution of the Remuneration Policy in 2013, as a separate agenda item, and the proposed changes to the policy to better align it with international high-tech sector practice by removing the performance conditions of the Long-Term Incentive plan for the Management Board members.

The Committee agreed on the key performance indicators (KPIs) and weighting levels set for the short-term variable remuneration of the Management Board and periodically reviewed the progress on the achievement of the KPIs that had been set for the ongoing short-term and long-term variable remuneration components of the Management Board.

It was concluded that the vesting conditions for the options granted to the members of the Management Board in 2012 were partly met, which will result in a vesting of 65% of the granted options for each Management Board member, which equals a total number of 113,750 options.

A scenario analysis was carried out within the terms of the best practice provision II.2.1 of the Code to evaluate the variable components of the remuneration packages of the Management Board members. The Committee members were also presented with a report on the market trends on the remuneration components in Europe and the Netherlands and within the high-tech sector, prepared by an independent remuneration expert. In addition, new and upcoming legislation were addressed.

Since an extensive remuneration benchmark was performed in 2013, the Committee decided to perform the next benchmark against its peer group in 2015. The peer group consists of the companies Wolters Kluwer, Invensys, Harman, Garmin, ASM International, Temenos, Imagination Technology Group, SimCorp, Unit 4, CompuGroup Medical, Pace, Kudelski and Exact Holding.

The Committee carried out a self-assessment of the functioning of the Committee and concluded that it works effectively.

## Remuneration Policy

The company's Articles of Association state that the Supervisory Board must propose the Remuneration Policy for the members of the Management Board and that the Remuneration Policy must be adopted by the General Meeting. The Supervisory Board determines the remuneration of individual members of the Management Board on the basis of criteria established by the Remuneration Policy. It reviews this policy regularly in the light of internal and/or external developments. The full text of the policy can be found on the company's corporate website:
corporate.tomtom.com/remuneration.cfm.

The company's Remuneration Policy must ensure that the company is able to attract and retain highly qualified and expert executives to its Management Board in an internationally competitive market. It must also ensure that the Management Board members' remuneration is consistent with the company's strategy, its operational and financial results and delivery of value to shareholders. Another aim of the policy is to apply a responsible and sustainable remuneration framework in line with the general result-driven remuneration principles and practices throughout the company. The Remuneration Policy establishes that remuneration for the Management Board must consist of four components: base salary, short-term incentive, long-term incentive and benefits (including pension scheme contributions).

## Application in 2014

The details of the individual remuneration of all members of the Management Board and its costs to the company are presented in note 33. Remunerations of members of the Management Board and the Supervisory Board in the consolidated financial statements. The information described in the best practice provision II.2.13 (d) of the Code is also provided there.

### 1. Base salary at median market level

Fixed remuneration consists of base salary plus holiday allowance, where applicable and in accordance with market practice. The objective of this element of the policy is to align the base salary levels of TomTom Management Board members with median market practice in a measured way. The base salary levels are reviewed annually, taking into account developments in the pay market and the level of position as graded within the company.

Based on the outcome of the benchmarking performed in 2013, the Supervisory Board concluded that Marina Wyatt's base salary and Alain De Taeye's base salary were in line with the median market level and did not need adjustment for 2014. The CEO's base salary remains under median market level. However, it was decided not to bring the CEO's base salary closer to the median and therefore the CEO's base salary has not been adjusted in 2014. The base salaries of all Management Board members comply with the Remuneration Policy.

### 2. Short-term incentive

The intention of the percentage-of-salary bonus scheme is to ensure a uniform bonus structure throughout the organisation. It aligns the Management Board's bonus scheme with the bonus structure that applies to other staff within the company and with Dutch market practice. This component of Management Board remuneration was benchmarked against the same peer group as was used for the base salary comparison.

The level of cash payment is determined according to predetermined criteria and objectives. TomTom's 'on-target' bonus percentages are assessed relative to the median 'on-target' bonus percentages of our peer group companies. The on-target bonus percentage for the CEO position is 80% of his base salary. It is 64% of the base salary for the other members of the Management Board. The maximum bonus amount may be increased to 1.5 times the 'on-target' bonus amounts. For example, in cases of excellent performance the CEO may receive 120% of his base salary, and the other members of the Management Board 96% of their base salaries. In addition to the incentive scheme based on pre-determined performance criteria, the Supervisory Board may at its own discretion also decide to reward bonuses for exceptional individual performance.

For 2014, it was decided to replace the revenue KPI for the short-term incentive plan with a gross profit KPI with a weighting level of 40% to reflect the company's strategy and to align the metric with the employee bonus plan. The other two performance criteria, the EBIT KPI and the cash flow KPI, remained the same as in the previous year. The EBIT KPI remained at the same weighting level of 40% while the weighting for the cash flow KPI is reduced to 20%. The focused nature of the KPIs reflects the Supervisory Board's opinion that the current economic climate continues to require strong financially driven KPIs with a focus on top line growth. These KPIs are an important measure of the success of the execution of the company's strategy and, as such, the remuneration is directly linked to performance and the company's strategy.

Applying the pre-determined performance criteria to the 2014 results of the company, the Supervisory Board has awarded an overall pay-out ratio of 101% of the 'on-target' bonus percentage under the short-term incentive scheme.

The Supervisory Board is of the opinion that the continuous challenging economic environment and competitive market warranted strong financial control and that therefore the strictly financial nature of the KPIs set for 2014 was appropriate.

### 3. Long-term incentive

The long-term incentive component is laid down in the TomTom Management Board Stock Option Plan. The Management Board Stock Option Plan is aimed at attracting and retaining key talent, in order to ensure the company's continued high performance. It therefore aligns the company's long-term incentives with common practices within international companies operating in the technology sector.

With regard to the Management Board Stock Option Plan, all options shall be granted conditional to continued employment of the Management Board members only. The vesting of the options is not subject to the achievement of pre-determined performance criteria. The options will vest three years after the grant date.

The Supervisory Board confirmed that the unconditional option plan, where value only materialises upon the successful execution of the company's long-term strategy by the Management Board, reflects the company's vision and the corresponding strategy considerations for 2014 to 2016, with a strong focus on top line growth.

In 2014, the Supervisory Board decided to set annual stock option grants as a percentage of the annual base salary of the Management Board members. The level for the CEO was set to a grant value equivalent to 100% of the annual base salary, and for the other two members of the Management Board to a grant value equivalent to 60% of the annual base salary.

### 4. Benefits

Members of the Management Board are eligible for, and can opt to participate in the company's pension plans or receive a contribution to their respective private pension plan. According to the Remuneration Policy, the contribution to be paid by the company on behalf of a member of the Management Board is based on a percentage of the gross annual base salary and is capped at 20% of the gross annual base salary.

The contribution to the respective private pension plan of Alain De Taeye is capped at 10% of his gross annual base salary.

Harold Goddijn has opted to waive his rights to take part in the company's pension plan and does not receive any contribution from the company.

In addition to the abovementioned remuneration components, the Management Board members are entitled to remuneration for items such as medical insurance, death and disability insurance, housing and car allowances. They also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice. The company does not provide loans to members of the Management Board.

## Outlook 2015

The Supervisory Board does not intend to change the Remuneration Policy in the foreseeable future.

A remuneration benchmark against TomTom's peer group shall be performed in the course of 2015 to assess the appropriateness of the base salary of the members of the Management Board. The outcome of this benchmark may have an impact on the base salaries of the Management Board members. In any event, an indexation of 2.7% of the salaries of all members of the Management Board shall take place in 2015.

For the short-term incentive scheme of 2015, the Supervisory Board feels it is appropriate to apply KPIs and weighting that measure the company's strategy in consideration of its financial position. Given the focus on revenue growth and considering the company's current financial position, the Supervisory Board decided to remove the cash flow KPI for 2015. As such, the two performance criteria will be a revenue KPI weighted at 50% and an EBIT KPI also weighted at 50%. These KPIs fully align with the KPIs set for the employee annual bonus plan.

The Supervisory Board is of the opinion that the unconditional Management Board Option Plan is appropriate and corresponds with the company's long-term focus on growth.

To align the company's contribution to the private pension plan of Alain De Taeye with competitive market levels, the Supervisory Board decided to increase the contribution from 10% to 20% of the annual base salary. This means that both members of the Management Board who benefit from the company's contribution to their respective private pension plans receive the maximum contribution as provided for in the Remuneration Policy.

## Employee arrangements and severance agreements

All members of the Management Board have an employment contract with the company. The employment contracts are entered into for an indefinite period, but the term of office of members of the Management Board is four years. After this period, they may be reappointed for another term of not more than four years at a time.

A notice period of 12 months is applicable to all members of the Management Board. In the event that the employment of a member of the Management Board is terminated by the company, or on its initiative, he or she shall be entitled to a fixed amount of 50% of one year's base salary, including holiday allowance if applicable. The severance compensation due will be paid to members of the Management Board during the agreed notice period of 12 months in addition to the salary.

These terms will not apply if the employment of a member of the Management Board is terminated for any reason as set out in Articles 7:677 (1) and 7:678 of the Dutch Civil Code. In such situations, the Management Board member will not be entitled to any severance compensation. A member of the Management Board will not be entitled to severance compensation if the employment is terminated by him or her, or on his or her initiative.

Members of the Supervisory Board are not entitled to any benefits upon the termination of their appointment.

## SELECTION AND APPOINTMENT COMMITTEE REPORT

The Selection and Appointment Committee Report describes the main items discussed by the Selection and Appointment Committee (Committee) during the year 2014. Following the retirement of Karel Vuursteen, the Committee appointed Peter Wakkie as the new Chairman of the Committee.

### Committee meetings

The Selection and Appointment Committee met four times during the course of 2014, with an overall attendance rate of 100%. Each meeting was also attended by Alain De Taeye, the SVP Group HR and the Company Secretary.

### Committee activities

At the beginning of the year the HR strategy within the company was shared with the Committee, and quarterly updates were provided by the SVP Global HR. Topics that were shared in this respect with the Committee were initiatives concerning career development, management and leadership, and compensation and benefits. These initiatives all underpin the company's efforts in the area of talent management, with the aim to attract, retain and develop talent.

The Committee focused on the company's progress on its succession planning for key positions within the company. On a quarterly basis, the Committee was given an update on the recruitment status of vacant key positions in senior management. An annual update was provided on TomTom's Diversity Programme.

The Committee rules were reviewed and discussed and textual changes were made in this respect.

The term of Doug Dunn will expire at the 2015 General Meeting by which time he will have served for ten years on the Supervisory Board. In this respect, the Committee considered the composition of the Supervisory Board and concluded its recommendation to the Supervisory Board to nominate Doug Dunn for reappointment for a term of a further two years, meaning that he will have served twelve years in total. The composition of the Management Board was also discussed.

## AUDIT COMMITTEE REPORT

The Audit Committee considers that it has sufficient breadth, depth, industry-relevant knowledge, experience and expertise available to enable it to discharge its duties appropriately. In particular, the Audit Committee considers that the financial skills and experience that can reasonably be expected of an audit committee in the discharge of its duties were available during the year.

### Committee meetings

The Audit Committee met six times during the course of 2014, with an overall attendance rate of 83%. Four meetings were held prior to the publication of the financial results, and the additional meetings were to discuss the impairment review relating to the Financial Statements. All meetings were attended by the CFO and the VP of Business Assurance in full during the year. The other members of the Management Board attended the meetings as required (for instance, where important group risks and internal controls were discussed). The external auditor attended all agenda items relevant to the publication of the quarterly financial results. During the year, the Audit Committee also met with other company employees, such as the CIO, VP of Tax, the General Counsel, and head of Treasury and Group Control.

### Committee activities

The Audit Committee assisted the Supervisory Board in overseeing the following areas of the business:

- The integrity of the company's quarterly financial results and related press releases;
- The integrity of the annual report, including the company's accounting and financial reporting policies and processes;
- A more in-depth review of specific accounting topics was performed for revenue recognition, provisions, accrual accounting and valuation of intangible assets, including goodwill;
- The integrity of the company's disclosure controls and procedures;
- Relations with the external auditor, including the scope of their plans, assessment of their independence, approval of their remuneration, and their annual reappointment;
- Review of external auditor management letter and actions taken by management to address the recommendations and observations of the external auditor;
- The role and functioning of the Internal Audit department (part of the Business Assurance team that coordinates oversight of the company's business risk management);
- The maintenance of an effective system of risk management and internal control relating to strategic, financial, operational and compliance risks;
- Compliance with the recommendations and observations of the internal auditor;
- The company's approach to financing, cash and foreign exchange management;
- The application of information and communication technology (ICT);
- The company's policy on tax planning and compliance;
- The company's approach to business conduct and ethics, as well as its approach to protecting and securing key company assets; and
- The tender of the external auditor, please refer to the section on Ernst & Young below.

In April 2014, the Audit Committee reviewed and updated the Audit Committee Charter. The Audit Committee Charter is available on the TomTom website.

## Financial reporting

The Supervisory Board and Audit Committee reviewed the quarterly financial results and full year financial statements prior to their release. Attention was paid to critical accounting policies, the valuation of goodwill and assets and the clarity of the rules for disclosure, as well as the company's compliance with accounting standards, the requirements of NYSE Euronext Amsterdam and other corporate governance, legal and regulatory bodies.

## Business assurance

The company monitors its internal controls through a systematic approach to risk assessment and internal audit. The Business Assurance team assists in the independent review of the company's risk management controls. The VP of Business Assurance reports functionally to the Audit Committee and administratively to the CFO. During 2014, the VP of Business Assurance reported each quarter to the Audit Committee.

The internal audit programme covers key business processes, subsidiary office reviews, the auditing of major ICT projects before go live and special requests. Working with management, Internal Audit selects the areas of the business to be audited during the year. Members of the Audit Committee and Management Board may at any time request Internal Audit to carry out an internal audit or special consulting service.

The Internal Audit Plan for 2014 – 2016 was developed by the Business Assurance team working with Management. A top-down approach was used, taking into consideration the key risk areas of the business as well as the geographical spread of our offices and the core activities performed there. The external auditors provided their input to the Internal Audit Plan. The Audit Committee reviewed and approved the final Internal Audit Plan 2014 – 2016.

## Independence

The Business Assurance department maintains a high-level of independence and objectivity within the company based on the following principles:

- The Audit Committee Charter describes the purpose, authority and responsibilities of Internal Audit;
- The VP of Business Assurance has unrestricted access to the Supervisory Board and Audit Committee and reports regularly to the Audit Committee, as well as maintaining a direct relationship with the Audit Committee chairman;
- The VP of Business Assurance meets at least once annually with the Audit Committee without the Management Board being present;
- Members of the Internal Audit department are qualified professionals who uphold the ethical guidelines covering independence laid down by the professional bodies governing registered accountants and internal auditors; and
- The internal auditor's role is to provide assurance and advice to management, who are ultimately accountable for the effectiveness of the internal control and risk systems.

## External auditor

### Deloitte – 2014 financial audit

The Audit Committee agrees the compensation of the external auditor and recommends the appointment of an external auditor to the Supervisory Board. Each new appointment is subject to the approval of the company's shareholders at the General Meeting.

Deloitte Accountants BV has acted as external auditor for the company since 2004. During 2014, the external auditor attended each of the four Audit Committee meetings to address agenda items relating to the external financial reporting and related press releases. The Audit Committee and the external auditor also met separately, without the Management Board present, in order to facilitate free and open discussions.

The Audit Committee reviewed the independence of the external auditor, taking into account qualitative and quantitative factors. The committee concluded that the external auditor has sufficient objectivity and independence to perform the external audit function. Below a summary is provided of services performed by Deloitte Accountants BV, its network affiliates and the fees earned.

**Breakdown of fees by type of service**

| (€ in thousands) | 2014 | % of total | 2013 | % of total |
|---|---|---|---|---|
| Audit - group | 445 | 58% | 445 | 48% |
| Audit - statutory | 141 | 19% | 141 | 15% |
| Audit - related services[1] | 60 | 8% | 60 | 6% |
| Tax compliance[2] | 117 | 15% | 289 | 31% |
| **TOTAL** | **763** | **100%** | **935** | 100% |

[1] During 2014, audit-related services consisted of quarterly analytical procedures.
[2] Tax compliance comprises local tax compliance services, including local tax filings and HR-related compliance services. These services are based on a contract that existed prior to 31 December 2012.

### Ernst & Young Accountants LLP – 2015 to 2017 financial audits

During 2014, TomTom decided to change its auditor in order to remain at the forefront of good governance and in recognition of regulatory changes in the Netherlands. The Chairman of the Audit Committee represented the Audit Committee in the audit tender process by chairing the Audit Tender Steering Committee. The Committee was made up of several key people within the company.

Three audit firms were approached to tender for the audit in March 2014 and the Audit Committee recommended to the Supervisory Board that Ernst & Young Accountants LLP (EY) be proposed for appointment. In line with our tender, in the interest of efficiency, the proposal is for a three-year term, as opposed to an annual reappointment as in the past. As a result of the tender, Deloitte's appointment will expire on completion of the 2015 General Meeting, following which EY will become TomTom's statutory auditor for three years subject to approval by the shareholders at the same meeting.

The company has developed a transition plan with EY such that minimal disruption will occur within the business. This includes ensuring no independence concerns arise through the performing of non-audit services, as EY previously provided tax advisory services to the company.

## FINANCIAL STATEMENTS

The annual Financial Statements of the company for 2014, as prepared by the Management Board, have been audited by Deloitte Accountants BV. The financial statements, the report and management letter of the external auditor were discussed extensively with the auditors by the Audit Committee in the presence of the Management Board, and by the full Supervisory Board with the Management Board.

The Supervisory Board is of the opinion that the 2014 Financial Statements of TomTom NV meet all requirements for correctness and transparency. The Supervisory Board has approved these Financial Statements for 2014 and all individual members of the Supervisory Board and members of the Management Board have signed the Financial Statements for 2014 pursuant to the statutory obligations under Article 2:101 (2) of the Dutch Civil Code.

The Supervisory Board recommends to the General Meeting to adopt the Financial Statements for 2014. In addition, the Supervisory Board requests that the General Meeting discharge the members of the Management Board of their responsibility for the conduct of business in 2014 and the members of the Supervisory Board for their supervision in 2014.

The Annual Report for 2014 is available at the company's offices on request and on the company's website:
corporate.tomtom.com/annuals.cfm.

The Supervisory Board would like to thank all employees and the Management Board members for their continued dedication and commitment in 2014.

Amsterdam, 12 February 2015

**The Supervisory Board**

Peter Wakkie
Doug Dunn
Guy Demuynck
Ben van der Veer
Toine van Laack
Jacqueline Tammenoms Bakker
Anita Elberse

## FINANCIAL STATEMENTS

# Consolidated statement of income

for the year ended 31 December

| (€ in thousands) | Notes | 2014 | 2013 |
|---|---|---|---|
| **REVENUE** | 4 | **950,292** | **963,454** |
| Cost of sales | 5 | 426,966 | 442,207 |
| **GROSS RESULT** | | **523,326** | **521,247** |
| Research and development expenses | | 174,014 | 168,155 |
| Amortisation of technology and databases | | 88,100 | 81,436 |
| Marketing expenses | | 69,559 | 62,796 |
| Selling, general and administrative expenses | | 170,539 | 183,314 |
| **TOTAL OPERATING EXPENSES**[1] | 6-9 | **502,212** | **495,701** |
| **OPERATING RESULT** | | **21,114** | **25,546** |
| Interest result | 30 | –3,145 | –2,945 |
| Other financial result | 30 | –3,720 | –1,619 |
| Result of associates | 16 | 374 | 3,091 |
| **RESULT BEFORE TAX** | | **14,623** | **24,073** |
| Income tax gain / (charge) | 10 | 8,032 | –4,010 |
| **NET RESULT** | | **22,655** | **20,063** |
| Attributable to: | | | |
| - Equity holders of the parent | | 22,549 | 19,539 |
| - Non-controlling interests | 26 | 106 | 524 |
| **NET RESULT** | | **22,655** | **20,063** |
| **EARNINGS PER SHARE (in €)** | 25 | | |
| Basic | | 0.10 | 0.09 |
| Diluted | | 0.10 | 0.09 |

[1] The 2014 stock compensation expenses amounted to €8.7million and are presented within each of the functions of the Operating expenses. The 2013 comparative figures (€8.0 million) have been adjusted to follow this presentation.

The notes on pages 52 to 80 are an integral part of these consolidated financial statements.



TOMTOM

# Consolidated statement of comprehensive income

for the year ended 31 December

| (€ in thousands) | Notes | 2014 | 2013 |
|---|---|---|---|
| **NET RESULT** | | **22,655** | **20,063** |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial (losses) / gain on defined benefit obligations | 6 | –1,086 | 10 |
| *Items that may be subsequently reclassified to profit or loss:* | | | |
| Currency translation differences | | 13,996 | –9,617 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR** | | **12,910** | **–9,607** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **35,565** | **10,456** |
| Attributable to: | | | |
| - Equity holders of the parent | | 35,430 | 10,624 |
| - Non-controlling interests | | 135 | –168 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR[1]** | | **35,565** | **10,456** |

[1] The items in the statement above are presented net of tax.

The notes on pages 52 to 80 are an integral part of these consolidated financial statements.

# Consolidated balance sheet

as at 31 December

| (€ in thousands) | Notes | 2014 | 2013 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 14 | 381,569 | 381,569 |
| Other intangible assets | 12 | 800,583 | 803,635 |
| Property, plant and equipment | 13 | 30,294 | 25,804 |
| Investments in associates | 16 | 3,289 | 2,854 |
| Deferred tax assets | 11 | 18,438 | 9,681 |
| **TOTAL NON-CURRENT ASSETS** | | **1,234,173** | **1,223,543** |
| **Current assets** | | | |
| Inventories | 17 | 46,575 | 42,260 |
| Trade receivables | 18 | 133,266 | 115,429 |
| Other receivables and prepayments | 19 | 33,198 | 38,121 |
| Other financial assets | 20 | 1,186 | 376 |
| Cash and cash equivalents | 21 | 152,949 | 257,785 |
| **TOTAL CURRENT ASSETS** | | **367,174** | **453,971** |
| **TOTAL ASSETS** | | **1,601,347** | **1,677,514** |
| **Equity** | | | |
| Share capital | 24 | 44,714 | 44,435 |
| Share premium | | 986,683 | 977,087 |
| Other reserves | | 202,289 | 160,087 |
| Accumulated deficit | | –335,163 | –329,463 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | | **898,523** | **852,146** |
| Non-controlling interests | 26 | 2,073 | 2,115 |
| **TOTAL EQUITY** | | **900,596** | **854,261** |
| **Non-current liabilities** | | | |
| Borrowings | 27 | 48,925 | 99,348 |
| Deferred tax liability | 11 | 166,551 | 171,727 |
| Provisions | 31 | 48,496 | 55,857 |
| Deferred revenue | | 54,963 | 38,300 |
| **TOTAL NON-CURRENT LIABILITIES** | | **318,935** | **365,232** |
| **Current liabilities** | | | |
| Trade payables | 22 | 88,218 | 82,337 |
| Income taxes | 10 | 6,621 | 16,370 |
| Other taxes and social security | | 11,492 | 11,731 |
| Borrowings | 27 | 0 | 74,089 |
| Provisions | 31 | 34,074 | 23,975 |
| Deferred revenue | | 90,717 | 75,516 |
| Accruals and other liabilities | 23 | 150,694 | 174,003 |
| **TOTAL CURRENT LIABILITIES** | | **381,816** | **458,021** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,601,347** | **1,677,514** |

The notes on pages 52 to 80 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 December

| (€ in thousands) | Notes | 2014 | 2013 |
|---|---|---|---|
| Operating result | | 21,114 | 25,546 |
| | | | |
| Financial (losses) | | –1,956 | –7,757 |
| Depreciation and amortisation | 8 | 114,711 | 117,419 |
| Equity-settled stock compensation expense | 7 | 4,126 | 4,440 |
| Change in provisions | | –3,702 | –5,285 |
| Change in working capital: | | | |
| Change in inventories | | –3,549 | 3,753 |
| Change in receivables and prepayments | | –11,592 | 33,059 |
| Change in current liabilities (excluding provisions)[1] | | 15,568 | 16,861 |
| **CASH GENERATED FROM OPERATIONS** | | **134,720** | **188,036** |
| | | | |
| Interest received | 30 | 1,467 | 1,139 |
| Interest paid | 30 | –3,817 | –2,863 |
| Corporate income taxes (paid) / received | | –13,741 | 73,196 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **118,629** | **259,508** |
| | | | |
| Investments in intangible assets | 12 | –72,700 | –68,414 |
| Investments in property, plant and equipment | 13 | –16,564 | –16,184 |
| Acquisitions of subsidiaries and other businesses | 15 | –17,280 | –6,942 |
| Dividend received | 16 | 58 | 1,036 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **–106,486** | **–90,504** |
| | | | |
| Repayment of borrowings | 27 | –175,000 | –75,000 |
| Amount utilised from credit facility | 27 | 50,000 | 0 |
| Dividends paid | | –177 | –377 |
| Proceeds on issue of ordinary shares | 7 | 6,794 | 1,508 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **–118,383** | **–73,869** |
| | | | |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | **–106,240** | **95,135** |
| Cash and cash equivalents at the beginning of period | | 257,785 | 164,459 |
| Effect of exchange rate changes on cash balances held in foreign currencies | | 1,404 | –1,809 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | | **152,949** | **257,785** |

[1] Includes movements in the non-current portion of deferred revenue presented under Non-current liabilities.

The notes on pages 52 to 80 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

| (€ in thousands) | Notes | Share capital | Share premium | Other[1] reserves | Accumulated deficit | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | | 44,379 | 975,260 | 159,011 | −342,875 | 835,775 | 2,642 | 838,417 |
| **COMPREHENSIVE INCOME** | | | | | | | | |
| Result for the year | | 0 | 0 | 0 | 19,539 | 19,539 | 524 | 20,063 |
| **OTHER COMPREHENSIVE INCOME** | | | | | | | | |
| Currency translation differences | | 0 | 0 | −8,925 | 0 | −8,925 | −692 | −9,617 |
| Actuarial gains on defined benefit obligations | | 0 | 0 | 0 | 10 | 10 | 0 | 10 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **0** | **0** | **−8,925** | **10** | **−8,915** | **−692** | **−9,607** |
| **TOTAL COMPREHENSIVE INCOME** | | **0** | **0** | **−8,925** | **19,549** | **10,624** | **−168** | **10,456** |
| **TRANSACTIONS WITH OWNERS** | | | | | | | | |
| Dividend paid | | 0 | 0 | 0 | 0 | 0 | −377 | −377 |
| Change in non-controlling interest | | 0 | 0 | 0 | 0 | 0 | 18 | 18 |
| Stock compensation related movements | 7 | 56 | 1,827 | −19,562 | 23,426 | 5,747 | 0 | 5,747 |
| **OTHER MOVEMENTS** | | | | | | | | |
| Transfer to legal reserves | | 0 | 0 | 29,563 | −29,563 | 0 | 0 | 0 |
| **BALANCE AS AT 31 DECEMBER 2013** | | **44,435** | **977,087** | **160,087** | **−329,463** | **852,146** | **2,115** | **854,261** |
| **COMPREHENSIVE INCOME** | | | | | | | | |
| Result for the year | | 0 | 0 | 0 | 22,549 | 22,549 | 106 | 22,655 |
| **OTHER COMPREHENSIVE INCOME** | | | | | | | | |
| Currency translation differences | | 0 | 0 | 13,967 | 0 | 13,967 | 29 | 13,996 |
| Actuarial losses on defined benefit obligations | | 0 | 0 | 0 | −1,086 | −1,086 | 0 | −1,086 |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **0** | **0** | **13,967** | **−1,086** | **12,881** | **29** | **12,910** |
| **TOTAL COMPREHENSIVE INCOME** | | **0** | **0** | **13,967** | **21,463** | **35,430** | **135** | **35,565** |
| **TRANSACTIONS WITH OWNERS** | | | | | | | | |
| Dividend paid | | 0 | 0 | 0 | 0 | 0 | −177 | −177 |
| Stock compensation related movements | 7 | 279 | 9,596 | −36 | 1,108 | 10,947 | 0 | 10,947 |
| **OTHER MOVEMENTS** | | | | | | | | |
| Transfer to legal reserves | | 0 | 0 | 28,271 | −28,271 | 0 | 0 | 0 |
| **BALANCE AS AT 31 DECEMBER 2014** | | **44,714** | **986,683** | **202,289** | **−335,163** | **898,523** | **2,073** | **900,596** |

[1] Other reserves include Legal reserve and the Stock compensation reserve.

The notes on pages 52 to 80 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

TomTom is committed to continuously develop its financial reporting and, as part of this development, the order of items in the consolidated financial statements has been restructured to increase the focus on what drives the group's performance. The notes have therefore been grouped into six sections. The notes contain the relevant financial information as well as a description of accounting policy applied for the topic of the individual notes.

## SECTION 1 GENERAL INFORMATION AND BASIS OF REPORTING

*This section introduces the basis of preparation and the general accounting policy applied to the consolidated financial statements as a whole, as well as a summary of the areas that involve significant judgements and estimates.*

### 1. General

TomTom NV (the company) has its statutory seat and headquarters in Amsterdam, the Netherlands. The activities of the company include the development and sale of navigation and location-based solutions, which include among others: PNDs, sport watches, maps, traffic, navigation software and fleet management services.

The consolidated financial statements comprise the company and its subsidiaries (together referred to as the group). A condensed income statement is presented in the company financial statements in accordance with section 402 of Part 9 of Book 2 of the Dutch Civil Code.

The financial statements have been prepared by the Management Board and authorised for issue on 12 February 2015. The financial statements will be submitted for approval to the General Meeting on 24 April 2015.

### 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for financial instruments (including derivatives) classified at fair value through profit or loss and derivatives used for hedging, which are stated at fair value.

Income and expenses are accounted for on an accrual basis.

#### Summary of significant accounting policy

The general accounting policies applied to the consolidated financial statements as a whole are described below, while other significant accounting policies related to specific line items are described under the relevant note. The description of accounting policy in the notes forms an integral part of the description of the accounting policies in this section. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### New accounting standards and developments

The following standards that are effective from 1 January 2014 have been adopted earlier by the group as from 1 January 2013:

1. IFRS 10 'Consolidated financial statements'
2. IFRS 11 'Joint arrangements'
3. IFRS 12 'Disclosures of interests in other entities'
4. IFRS 13 'Fair value measurement'
5. IAS28R 'Investments in Associates'

Other than certain additional disclosures, all the abovementioned standards had no material impact on the recognition and measurement of the group's assets, liabilities, income and expenses. All other standards and interpretations issued and effective for the reporting period starting 1 January 2014 did not have a material impact on the group.

All IFRS standards and interpretations that were in issue but not yet effective for reporting periods beginning on 1 January 2014 have not yet been adopted.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (and its subsidiaries). Control is achieved when the parent is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policy in line with the group. All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

#### Foreign currencies

The company's primary activities are denominated in euros. Accordingly, the euro is the company's functional currency, which is also the group's presentation currency. Items included in the financial information of individual entities in the group are measured using the individual entity's functional currency, which is the currency of the primary economic environment in which the entity operates.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Foreign exchange gains and losses are presented under 'Other financial result' in the income statement.

*Group companies*

For consolidation purposes, the assets and liabilities of entities that have a functional currency other than the group's presentation currency are translated at the closing rate at the date of the balance sheet, whereas the income statement is translated at the average exchange rate for the period. Translation differences arising thereon are recognised in 'Other comprehensive income'.

## Cash flow statements

Cash flow statements are prepared using the indirect method. Cash flows from derivative instruments are classified consistently with the nature of the instrument.

## 3. Accounting estimates

The preparation of these financial statements requires management to make certain assumptions, estimates and judgements that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and the future periods if the revision affects both current and future periods.

The table below presents the areas that involve a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements:

| | Note |
|---|---|
| Revenue recognition | 4 |
| Internally generated intangible assets | 12 |
| Impairment of goodwill | 14 |
| Income tax | 10 - 11 |
| Provisions and contingent assets / liabilities | 31 - 32 |

Detailed explanations of the degree of judgement and assumptions used are included under each of the respective sections in the notes to the financial statements as referenced above.

## SECTION 2 RESULTS OF THE YEAR

*This section presents the notes related to items in the income statement (except for financial income and expenses) and disclosure on operating segments. If applicable, relevant notes on balance sheet items related to the respective items in the income statement are presented in this section. A detailed description of the results for the year is provided in the* Business and financial review by business unit *and* Group financial review *sections in the Management Board report.*

### 4. Segment reporting and revenue

The operating segments are identified and reported on the basis of internal reports about components of the group that are regularly reviewed by the Management Board to assess the performance of the segments.

As of 1 January 2014, the internal management reporting, which is used as the basis for segment reporting, was changed. The hardware component of sales to automotive customers is reported in Consumer instead of in Automotive in order to clearly identify automotive revenue which comes from content, software and services. Additionally, due to client portfolio redistribution, a minor amount of revenue was moved from Licensing to Automotive. Accordingly, the reported segment information and its comparative figures have been adjusted to reflect these changes, and are not necessarily consistent with the numbers reported previously.

The group's internal management reporting is structured primarily on the basis of the market segments in which the four operating segments - Consumer, Automotive, Licensing and Telematics - operate. Consumer generates revenue mainly from the sale of PNDs, sport watches, maps and related navigation products and services. The Automotive business unit develops and sells navigation software components, services and content, such as maps, traffic and navigation software, to car manufacturers and Tier 1 suppliers worldwide. Licensing generates revenue by licensing digital maps, traffic, navigation software and other content to a wide range of customers, and Telematics provides fleet management services and related solutions to fleet owners including sale and/or rental of hardware products associated with the services.

Management assesses the performance of segments based on the measures of revenue and earnings before interest and taxes (EBIT), whereby the EBIT measure includes allocations of expenses from supporting functions within the group. Such allocations have been determined based on relevant measures that reflect the level of benefits of these functions to each of the operating segments. As the four operating segments serve only external customers, there is no inter-segment revenue. The effects of non-recurring items such as impairment are excluded from management's measurement basis. Interest income and expenses and tax are not allocated to the segments. There is no measure of segment (non-current) assets and/or liabilities provided to the Management Board.

| (€ in thousands) | 2014 | 2013[1] |
|---|---|---|
| **Revenue** | | |
| Consumer | 619,099 | 651,845 |
| Automotive | 109,409 | 110,932 |
| Licensing | 111,575 | 116,047 |
| Telematics | 110,209 | 84,630 |
| **TOTAL** | **950,292** | **963,454** |

[1] The reported 2013 Revenue for Consumer, Automotive and Licensing was respectively € 567.0 million, €192.4 million and €119.4 million.

The EBIT of each segment is as follows:

| (€ in thousands) | 2014 | 2013[1] |
|---|---|---|
| **EBIT** | | |
| Consumer | 36,168 | 33,223 |
| Automotive | – 28,685 | – 11,755 |
| Licensing | – 11,360 | – 10,910 |
| Telematics | 33,801 | 26,003 |
| **TOTAL** | **29,924** | **36,561** |

[1] The reported 2013 EBIT for Consumer, Automotive, Licensing and Telematics was respectively €25.7 million, -€0.6 million, -€13.3 million and € 24.8 million.

The EBITDA of each segment is as follows:

| (€ in thousands) | 2014 | 2013[1] |
|---|---|---|
| **EBITDA** | | |
| Consumer | 55,349 | 56,675 |
| Automotive | 20,093 | 37,864 |
| Licensing | 30,091 | 31,098 |
| Telematics | 39,102 | 28,343 |
| **TOTAL** | **144,635** | **153,980** |

[1] The reported 2013 EBITDA for Consumer, Automotive, Licensing and Telematics was respectively €50.6 million, €41.6 million, €34.3 million and € 27.1 million.

A reconciliation of the segment performance measure (EBIT) to the group's result before tax is provided below.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **Total Segment EBIT** | **29,924** | **36,561** |
| Unallocated expenses | −8,810 | −11,015 |
| Interest result | −3,145 | −2,945 |
| Other finance result | −3,720 | −1,619 |
| Result of associates | 374 | 3,091 |
| **RESULT BEFORE TAX** | **14,623** | **24,073** |

A breakdown of the external revenue to types of products and services and to geographical areas is as follows:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **External revenue - by products and services** | | |
| Sale of goods[1] | 578,086 | 592,834 |
| Rendering of content and services | 188,600 | 190,072 |
| Royalty revenue | 183,606 | 180,548 |
| **TOTAL** | **950,292** | **963,454** |

[1] Includes navigation software, map and traffic components sold initially in bundle with the Automotive hardware.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **External revenue - by geographical areas** | | |
| Europe | 718,767 | 710,101 |
| North America | 163,461 | 177,725 |
| Rest of world | 68,064 | 75,628 |
| **TOTAL** | **950,292** | **963,454** |

The geographical split of the group's revenue from sale of goods and content and services is based on the location of the customers, while the split for royalty revenue is based on the coverage of the group's geographical map data and other contents.

Total revenue generated in the Netherlands during 2014 amounted to €74 million (2013: €60 million).

The group has no significant concentration of sales from a particular individual external customer.

The non-current assets within the group include a significant portion of the carrying value of the step up resulting from the Tele Atlas acquisition in 2008. As this step up is not geographically allocated to the respective regions for internal management reporting, it is believed that disclosure of geographic allocation would be highly judgemental and would not give a true representation of geographical spread of the group's assets.

## Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products and/or services delivered in the normal course of business. Revenue is reduced for estimated probable customer returns, rebates and other similar allowances whenever applicable.

The revenue recognition policy for each type of revenue or their combination is presented below:

### *Sale of goods*

Revenue from the sale of goods is only recognised when the risks and rewards of ownership of goods are transferred to the customers, which include distributors, retailers, end users and OEMs. The risks and rewards of ownership are generally transferred at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. In cases where contractual acceptance is not required, revenue is recognised when management has established that all aforementioned conditions for revenue recognition have been met.

### *Royalty revenue*

Royalty revenue is generated through licensing of geographic and/or other traffic-/location-based content to customers. Revenue is recognised on an accrual basis based on the contractual terms and substance of the relevant arrangements with the customers.

### *Sale of services*

Services revenue is generated from the sale of traffic and map update services, content sales, connected navigation and fleet management services to commercial fleets. The revenue relating to the service element is recognised over the agreed or estimated service period on a straight-line basis. In arrangements where devices are rented out to the customer in Telematics, the rental revenue is included in the revenue from subscriptions.

### *Multiple-element arrangements*

The group's product and services offerings include arrangements that require the group to deliver equipment (e.g. navigation hardware) and/or a number of services (e.g. map update services) under one agreement, or under a series of agreements that are commercially linked (referred to as 'multiple-element arrangements'). In such multiple-element arrangements, the consideration received is allocated to each separately identifiable element, based on the estimated relative fair values of each identifiable element. To the extent that there is a discount on the arrangement, the discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements and the substance of the transaction.

The amount of revenue allocated to the hardware element is recognised in line with the accounting policy for the sale of goods as described above. The revenue relating to the service element is recognised over the agreed or estimated service period on a straight-line basis, which varies on average from 3 months to 48 months (for lifetime services).

### Significant estimates

The estimated sales return deduction is based upon historical data on the return rates and information on the inventory levels in the distribution channel. For sales incentives including channel- and end user rebates, the reduction in revenue is based on the group's historical experience, taking into account future expectations on rebate payments. If there is excess stock at retailers when a price reduction becomes effective, the group will compensate its customers on the price difference for their existing stock, provided certain criteria are met. To reflect the costs related to known price reductions in the income statement, an accrual is created against revenue based on an estimate of the inventory levels in the channel and future price reductions.

In the absence of a stand-alone selling price, the fair value of each element under a multiple-element arrangement is estimated using other methods allowed under IFRS, such as the cost plus reasonable margin or the residual method or a combination thereof. In making such estimates, management make use of judgement and assumptions to arrive at an outcome that best reflects a transaction's substance. Total deferred revenue balance relating to the elements deferred under such multiple-element arrangements as at 31 December 2014 amounted to €85 million (31 December 2013: €63 million).

## 5. Cost of sales

The group's cost of sales consists of material costs for goods sold to customers, royalty and license expenses and fulfilment costs incurred on inventory sold during the year as well as amortisation of certain technologies specifically developed/used for particular customers.

## 6. Personnel expenses

Included in the operating expenses are, amongst others, the following items:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Salaries | 155,771 | 149,200 |
| Social security costs | 26,478 | 28,572 |
| Pensions | 7,758 | 7,831 |
| Share-based compensation | 8,742 | 7,980 |
| Other[1] | 49,596 | 48,011 |
| **PERSONNEL EXPENSES** | **248,345** | **241,594** |

[1] Other personnel expenses include costs of secondary benefits such as health insurance, vehicle lease costs, sales commissions and bonuses.

The average number of employees in 2014 was 3,888 (2013: 3,491) spread across the following functional areas:

| | 2014 | 2013 |
|---|---|---|
| Research and development | 2,602 | 2,265 |
| Marketing | 97 | 102 |
| Sales, general and administrative | 1,189 | 1,124 |
| **TOTAL** | **3,888** | **3,491** |

At 31 December 2014, the group had 4,172 (2013: 3,671) employees. During 2014, 2,797 of employees worked outside the Netherlands (2013: 2,351).

### Pensions

The group's pension plans primarily comprise of defined contribution plans, limiting the employer's legal obligation to the amount it agrees to contribute during the period of employment and a defined benefit plan for a German subsidiary. This defined benefit plan is unfunded and has no plan asset. Management is of the opinion that the plan has limited risks to the group as it was frozen in 2007. In the extraordinary event that the group is unable to meet its obligations, the participants will receive (partial) payments from a state-owned pension protection fund.

The total pension costs of €7.8 million consist of the costs of the defined contribution plans of €7.5 million (2013: €7.6 million) and of the German-defined benefit plan of €0.3 million (2013: €0.2 million).

The movement of the German-defined benefit obligation is presented below:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **PRESENT VALUE OF OBLIGATION AS AT 1 JANUARY** | 6,763 | 6,572 |
| Current service cost | 36 | 24 |

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Interest cost | 229 | 222 |
| | 7,028 | 6,818 |
| Remeasurements: | | |
| - Experience losses / (gains) due to change in demographical assumptions | 59 | −10 |
| - Losses / (gains) from change in financial assumptions | 1,394 | 0 |
| | 1,453 | −10 |
| Benefits paid | −98 | −45 |
| **PRESENT VALUE OF OBLIGATION AS AT 31 DECEMBER** | **8,383** | **6,763** |

The service cost and the interest cost are recognised as pension costs, while the actuarial (gains)/losses are credited/charged to 'Other comprehensive income'.

The significant actuarial assumptions were as follows:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.30% | 3.40% |
| Average life expectancy[1] | 21.0 | 20.8 |

[1] The above average life expectancy is the average actual value for males and females retiring at age 65 set in accordance with the common German mortality tables 'Heubeck 2005 G'.

A 0.1% increase or decrease in discount rate would result in a decrease or increase in the defined benefit obligation of approximately €0.1 million and a 1-year increase or decrease in average life expectancy would result in a €0.1 million increase or decrease in the defined benefit obligation.

In Italy, employees are paid a leaving indemnity on termination of their employment. This is a statutory payment based on Italian civil law. An amount is accrued each year based on the employee's remuneration and previously revalued accruals. The indemnity has the characteristics of a defined contribution obligation and is an unfunded, but fully provided liability.

Employees in the United States are offered the opportunity to participate in the 401K pension plan, which involves no contribution or obligation from the group besides withholding and paying the employee's contribution.

### Accounting policy

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when service has been rendered to the group. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction of future payments is available.

In relation to the defined benefit plan, the group recognised a liability on the balance sheet based on the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension obligation.

Service costs and interest costs are charged to the pension expenses. Actuarial gains and losses are charged or credited to equity in 'Other comprehensive income' in the period in which they arise.

## 7. Share-based compensation

The group operates two equity-settled plans, as well as a cash-settled phantom share plan (previously referred to as 'performance share plan'). The purpose of the share-based compensation is to retain management and employees and align the interests of management and eligible employees with those of shareholders, by providing additional incentives to improve the group's performance on a long-term basis.

### Stock option plans

The group has adopted stock option plans for members of the Management Board and eligible employees. Under the schemes, the General Meeting has granted options to members of the Management Board to subscribe for shares. The Management Board in turn has granted options to eligible employees.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Opening balance | 29,012 | 48,818 |
| Stock compensation expense | 3,898 | 4,196 |
| Transfer to retained earnings | −937 | −23,426 |
| Stock options excercised | −3,006 | −576 |
| **CLOSING BALANCE** | **28,967** | **29,012** |

The group stock option plan qualifies as an 'Equity-settled share-based payment plan'. The options granted from 2011 onwards under the 2009 plan will vest after three years (cliff vesting). The options cannot be transferred, pledged or charged and may be exercised only by the option holder over a period of seven years from the grant date but only after completion of the vesting period. Options expire after the exercise period. The options will be covered at the time of exercise by issuing new shares.

The following table summarises information about the stock options outstanding on 31 December 2014:

| Year of grant | Number outstanding at 31-12-2014 | Exercise price per share (€) | Weighted average remaining life | Number exercisable at 31-12-2014 | Weighted average exercise price (€) |
|---|---|---|---|---|---|
| 2009 | 3,744,880 | 5.71 - 6.00 | 1.46 | 3,744,880 | 5.75 |
| 2010 | 3,137,083 | 4.81 - 5.48 | 2.35 | 3,137,083 | 5.30 |
| 2011 | 1,634,300 | 6.08 - 6.20 | 3.36 | 1,509,300 | 6.11 |
| 2012 | 3,215,250 | 3.34 - 3.88 | 4.36 | 0 | n.a. |
| 2013 | 2,770,200 | 3.36 - 5.90 | 5.35 | 0 | n.a. |
| 2014 | 1,960,080 | 4.93 - 5.28 | 6.36 | 0 | n.a. |

A summary of the group's stock option plans and the movements during the years 2014 and 2013 are presented below:

| **Option plans** | **2014** | | **2013** | |
|---|---|---|---|---|
| | **No.** | **Weighted average exercise price (€)** | **No.** | **Weighted average exercise price (€)** |
| **OUTSTANDING AS AT 1 JANUARY** | **17,182,090** | **5.39** | **17,682,662** | **7.21** |
| Granted | 1,960,080 | 5.24 | 3,006,000 | 3.52 |
| Exercised | −1,363,610 | 5.96 | −281,200 | 4.65 |
| Expired | −691,485 | 8.30 | −1,639,550 | 27.86 |
| Forfeited | −625,282 | 5.21 | −1,585,822 | 5.53 |
| **OUTSTANDING AS AT 31 DECEMBER** | **16,461,793** | **5.41** | **17,182,090** | **5.39** |

The fair value of the stock options granted in May 2014 and May 2013 was determined using the binomial tree model. This model contains the input variables, including the risk-free interest rate, volatility of the underlying share price, exercise price, and share price at the date of grant. The fair value calculated is allocated on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

| | **2014** | **2013** |
|---|---|---|
| Share price at grant date (€) | 5.28 | 3.52 |
| Exercise price (€) | 4.93-5.28 | 3.36-5.90 |
| Expected volatility | 45% | 50% |
| Expected average option life in years | 5.3 | 5.3 |
| Weighted average risk-free rate | 0.98% | 0.72% |
| Expected dividends | Zero | Zero |

The option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Volatility is determined using industry benchmarking for listed peer group companies, as well as the historic volatility of the TomTom NV stock. The group's employee stock options have characteristics that are significantly different from those of traded options, and changes in the subjective input assumptions can affect the fair value estimate.

### Phantom share plan

The existing Phantom share plan was introduced in 2011. Under this plan, eligible employees are entitled to receive a cash payment equal to the value of the number of shares that have vested. These cash-settled phantom shares are conditional on the employee completing three years of service (the vesting period). On 31 December 2014 the outstanding liability with regard to the phantom share plan was €8.0 million (2013: €5.3 million).

The following table provides the movement in the number of phantom shares.

| | **2014** | **2013** |
|---|---|---|
| **OUTSTANDING AS AT 1 JANUARY** | **2,356,730** | **1,407,750** |
| Vested and paid out | −393,300 | 0 |
| Granted | 1,235,855 | 1,073,680 |
| Forfeited | −204,955 | −124,700 |
| **OUTSTANDING AS AT 31 DECEMBER** | **2,994,330** | **2,356,730** |

The fair value of the phantom shares was determined using the applicable share price at the grant date and subsequent reporting date.

### Restricted stock plans

As from 2011, the group introduced a restricted stock plan to retain a selected group of talented employees. Each restricted-stock unit gives the right to receive one TomTom share after a three-year vesting period and qualifies as an equity-settled plan. The costs that arise from this plan are spread over the vesting period and have been determined based on TomTom's share price on the grant date. Total 2014 stock compensation expenses charged to the stock compensation reserve for this plan amounted to €228 thousand (2013: €245 thousand). As this plan is not material, no further disclosures are provided.

### Accounting policy

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. The costs are determined based on the fair value of the granted instruments and the number expected to vest. At each balance sheet date, the group revises its estimates of the number of instruments expected to vest.

Cash-settled share-based payments are initially recognised at the fair value of the liability and are expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately as either a profit or a loss.

## 8. Depreciation and amortisation

Total depreciation and amortisation for the year was €115 million (2013: €117 million) of which €6.1 million (2013: € 4.9 million) is included in cost of sales.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Amortisation | 102,089 | 100,404 |
| Depreciation | 12,622 | 17,015 |
| **TOTAL** | **114,711** | **117,419** |

Amortisation charge totalling €102.1 million (2013: €100.4 million) are included in the following line items in the Income Statement:

- Cost of sales: €5.7 million (2013: €4.9 million);
- Amortisation of technology and databases: €88.1 million (2013: €81.4 million);
- R&D expenses: €2.2 million (2013: €8.0 million); and
- Selling, general and administration expenses: €6.1 million (2013: €6.1 million).

## 9. Government grants

In 2014, the group received government grants amounting to €4.7 million, in relation to the research and development activities performed by the group (2013: €6.4 million).

### Accounting policy

Government grants are recognised at their fair value when there is a reasonable assurance that the group will comply with the conditions attached to them, and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the group with no future related costs, are recognised as a deduction of the related expense in the period in which they become receivable.

## 10. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The activities of the group are subject to corporate income tax in several countries, depending on presence and activity. The applicable statutory tax rates vary between 12.5% and 41.0%. The different tax jurisdictions in which the group operates can cause the Effective Tax Rate (ETR) to differ from the Dutch corporate tax rate.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Current tax | 4,054 | 2,398 |
| Deferred tax | –12,086 | 1,612 |
| **INCOME TAX (GAIN) / EXPENSE** | **–8,032** | **4,010** |

In 2914, the ETR was –54.9% compared to 16.7% last year. The reconciliation between the tax charge on the basis of the Dutch tax rate and the Effective Tax Rate is as follows:

| | 2014 | 2013 |
|---|---|---|
| **Dutch tax rate** | 25.0% | 25.0% |
| Higher weighted average statutory rate of group activities | 9.8% | 6.9% |
| Income exempted from tax | –26.2% | –20.8% |
| Non tax deductible costs | 17.7% | 15.7% |
| Utilisation of losses not previously capitalised | –19.6% | –17.3% |
| Effect of prior years' settlements and/or adjustments | –40.6% | –26.5% |
| Remeasurement of deferred tax | –25.6% | 33.2% |
| Other | 4.7% | 0.5% |
| **EFFECTIVE TAX RATE** | **–54.9%** | **16.7%** |

The income tax credited directly in equity in 2014 amounted to €6.9 million (2013: credit of €0.3 million).

### Accounting policy

Current and deferred taxes are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity. In this case, the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

The group's income tax expense is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

## 11. Deferred income tax

As at 31 December 2014, the group had a deferred tax liability of €167 million (2013: €172 million) and a deferred tax asset of €18 million (2013: €10 million). The deferred tax asset and liability result from timing differences between the tax and accounting treatment of the amortisation of intangible assets, tax loss carry forwards, cash-settled share-based payments and certain provisions.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **DEFERRED TAX:** | | |
| To be recovered after more than 12 months | −147,016 | −160,141 |
| To be recovered within 12 months | −1,097 | −1,905 |
| **TOTAL** | **−148,113** | **−162,046** |

The movement of deferred tax is as follows:

| (€ in thousands) | Stock compensation expense | Other | Intangible assets | Provisions | Assessed losses | Total |
|---|---|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | **964** | **−330** | **−207,129** | **9,115** | **40,081** | **−157,299** |
| Acquisitions through business combination | 0 | 0 | −5,279 | 0 | 685 | −4,594 |
| (Charged)/released to income | 362 | −265 | 15,794 | −2,662 | −14,841 | −1,612 |
| Currency translation differences | 0 | 0 | 1,527 | −215 | 147 | 1,459 |
| **BALANCE AS AT 31 DECEMBER 2013** | 1,326 | −595 | −195,087 | 6,238 | 26,072 | −162,046 |
| Acquisitions through business combination | 0 | 0 | −3,705 | 0 | 0 | −3,705 |
| (Charged)/released to income | 668 | 437 | 12,899 | 497 | −2,415 | 12,086 |
| (Charged)/released to equity | 0 | 0 | 0 | 436 | 6,430 | 6,866 |
| Currency translation differences | 0 | −200 | −4,386 | −460 | 3,732 | −1,314 |
| **BALANCE AS AT 31 DECEMBER 2014** | **1,994** | **−358** | **−190,279** | **6,711** | **33,819** | **−148,113** |

Deferred tax balances are presented in the balance sheet as follows:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Deferred tax assets | 18,438 | 9,681 |
| Deferred tax liabilities | −166,551 | −171,727 |
| **TOTAL** | **−148,113** | **−162,046** |

The group has in some jurisdictions tax loss carry forwards that have not been recognised as deferred tax assets, as the amounts as well as possible future recovery of these losses against future taxable income are uncertain. As at 31 December 2014, these losses amounted to approximately €90 million (2013: €100 million).

### Accounting policy

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### Significant estimates

The determination of the group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## SECTION 3 NON-CURRENT ASSETS AND INVESTMENTS

*The notes in this section specify the group's non-current assets including investments made during the year either through separate asset acquisitions or business combinations.*

### 12. Intangible assets

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Goodwill | 381,569 | 381,569 |
| Other intangible assets | 800,583 | 803,635 |
| **TOTAL INTANGIBLE ASSETS** | **1,182,152** | **1,185,204** |

The movements in the intangible assets are as follows:

| (€ in thousands) | Goodwill | Database and tools | Internally generated | Other[1] | Total |
|---|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | | | | | |
| Investment cost | 1,902,489 | 967,729 | 131,527 | 221,612 | 3,223,357 |
| Accumulated amortisation and impairment | –1,520,920 | –236,139 | –82,908 | –180,588 | –2,020,555 |
| | **381,569** | **731,590** | **48,619** | **41,024** | **1,202,802** |
| **Movements** | | | | | |
| Investments | 0 | 29,502 | 34,040 | 4,376 | 67,918 |
| Acquisitions through business combination | 0 | 4,387 | 0 | 13,754 | 18,141 |
| Amortisation charges | 0 | –64,726 | –22,984 | –12,694 | –100,404 |
| Currency translation differences | 0 | –3,047 | –12 | –194 | –3,253 |
| | 0 | –33,884 | 11,044 | 5,242 | –17,598 |
| **BALANCE AS AT 31 DECEMBER 2013** | | | | | |
| Investment cost | 1,902,489 | 997,021 | 143,319 | 238,172 | 3,281,001 |
| Accumulated amortisation and impairment | –1,520,920 | –299,315 | –83,656 | –191,906 | –2,095,797 |
| | **381,569** | **697,706** | **59,663** | **46,266** | **1,185,204** |
| **Movements**[2] | | | | | |
| Investments | 0 | 38,114 | 30,434 | 5,203 | 73,751 |
| Acquisitions through business combination | 0 | 381 | 0 | 24,167 | 24,548 |
| Disposal (net) | 0 | –17 | –125 | –63 | –205 |
| Amortisation charges[3] | 0 | –66,972 | –26,801 | –8,317 | –102,090 |
| Currency translation differences | 0 | 720 | 82 | 142 | 944 |
| | 0 | –27,774 | 3,590 | 21,132 | –3,052 |
| **BALANCE AS AT 31 DECEMBER 2014** | | | | | |
| Investment cost | 1,902,489 | 1,036,892 | 139,741 | 250,795 | 3,329,917 |
| Accumulated amortisation and impairment | –1,520,920 | –366,960 | –76,488 | –183,397 | –2,147,765 |
| | **381,569** | **669,932** | **63,253** | **67,398** | **1,182,152** |

[1] Other intangible assets include technology, customer relationships, brand name and software.
[2] During the year we disposed certain intangibles. The total gross amount of the assets disposed across all asset classes was €51.8 million (2013: €23.7 million).
[3] The database as acquired at acquisition date (June 2008) represents geographical content data used for the group's digital maps and has a remaining useful life of 12 years and 5 months.

### Accounting policy

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition and is carried at cost less accumulated impairment losses.

*Intangible assets other than goodwill*

Intangible assets other than goodwill comprise of assets that have been acquired separately either through separate asset acquisitions or business combinations and assets that have been generated internally such as the group's core technology and geographical content database.

**Internally generated intangible assets**

Internal development costs for core technology are recognised as an intangible asset if, and only if, all of the following have been demonstrated:

- The technical feasibility to complete the project;
- The intention to complete the intangible asset, and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate resources to complete the project; and
- The cost of developing the asset can be measured reliably.

Internally generated databases are capitalised until a certain level of map coverage is reached and ongoing activities focus on maintenance. At this point, capitalisation is discontinued.

Internal software costs relating to development of non-core software with an estimated average useful life of less than one year and engineering costs relating to the detailed manufacturing design of new products are expensed in the period in which they are incurred.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

All expenditures on research activities are expensed in the income statement as incurred.

**Acquired intangible assets**

Definite-lived intangible assets acquired separately are initially recognised at cost. The cost of assets acquired separately includes directly attributable costs to bring the asset to its intended use. Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, all intangible assets other than goodwill are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation of other intangible assets is recorded on a straight-line basis over the following estimated useful lives as follows:

- Internally generated core technology: 3-5 years
- Databases and tools: 5-20 years
- Customer relationships: 5-27 years
- Computer software: 2-5 years
- Acquired technology: 4-5 years

Customer relationships include customers for maps; there is a high cost involved in changing map providers and historically there is a high customer retention.

## Significant estimates

Management made use of assumptions and judgement in assessing the expected future economic benefits that can be attributed to the internally generated technology, databases and tools, as well as their expected useful lives. For internally generated databases, assumption is also made on the level of completion, at which point the capitalisation is discontinued and future activities are considered as maintenance.

Such estimates are made on a regular basis, as they can be significantly affected by changes in technology and other factors.

## 13. Property, plant and equipment

| (€ in thousands) | Furniture and fixture | Computer and harware | Other[1] | Total |
|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | | | | |
| Investment cost | 18,069 | 70,703 | 43,383 | 132,155 |
| Accumulated amortisation and impairment | –16,340 | –58,404 | –30,641 | –105,385 |
| | **1,729** | **12,299** | **12,742** | **26,770** |
| **Movements** | | | | |
| Investments | 810 | 7,467 | 8,600 | 16,877 |
| Transfer between categories | 25 | 1,500 | –1,525 | 0 |
| Acquisitions through business combination | 0 | 466 | 0 | 466 |
| Disposals (net) | –61 | –233 | –817 | –1,111 |
| Depreciation charges | –643 | –8,593 | –7,779 | –17,015 |
| Currency translation differences | –122 | –151 | 90 | –183 |
| | 9 | 456 | –1,431 | –966 |
| **BALANCE AS AT 31 DECEMBER 2013** | | | | |
| Investment cost | 14,328 | 51,638 | 48,089 | 114,055 |
| Accumulated amortisation and impairment | –12,590 | –38,883 | –36,778 | –88,251 |
| | **1,738** | **12,755** | **11,311** | **25,804** |
| **Movements** | | | | |
| Investments | 1,945 | 8,186 | 6,354 | 16,485 |
| Transfer between categories | 270 | 297 | –567 | 0 |
| Acquisitions through business combination | 6 | 303 | 10 | 319 |
| Disposals (net)[2] | –60 | –73 | –50 | –183 |
| Depreciation charges | –647 | –5,859 | –6,116 | –12,622 |
| Net foreign currency exchange differences | 86 | 242 | 163 | 491 |
| | 1,600 | 3,096 | –206 | 4,490 |
| **BALANCE AS AT 31 DECEMBER 2014** | | | | |
| Investment cost | 10,499 | 53,769 | 36,811 | 101,079 |
| Accumulated amortisation and impairment | –7,161 | –37,918 | –25,706 | –70,785 |
| | **3,338** | **15,851** | **11,105** | **30,294** |

[1] Other assets balance as at 31 December 2014 mainly comprises of leasehold improvements with a carrying value of €4.2 million (31 December 2013: €5.0 million).
[2] The total gross amount of the assets disposed across all asset classes was €31.8 million.

The costs for operating leases in 2014 amounted to €13.0 million (2013: €15.5 million).

### Accounting policy

The group leases certain property, plant and equipment. Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the group. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture and fixtures: 4-10 years
- Computer equipment and hardware: 2-4 years
- Vehicles: 4 years
- Tools and moulds: 1-2 years
- Leasehold improvements: 4-10 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect that any changes in estimate are accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

## 14. Impairment testing of non-financial assets

Non-financial assets comprises of goodwill, other intangible assets and property, plant and equipment. No impairment was identified for these assets during the reporting period.

Goodwill is allocated to the operating segments identified according to the core business activities as monitored by management for the purpose of impairment testing. The allocation is made to those operating segments that are expected to benefit from the business combination in which the goodwill arose.

A segment-level summary of the goodwill allocation for the group's segments in 2014 and 2013 is presented below:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Consumer | 168,687 | 168,687 |
| Automotive | 83,389 | 83,389 |
| Licensing | 85,217 | 85,217 |
| Telematics | 44,276 | 44,276 |
| **TOTAL** | **381,569** | **381,569** |

## Accounting policy

Assets, such as goodwill, that have an indefinite useful life, which are not subject to amortisation, and intangible assets not yet ready to use are tested for impairment at least annually, or whenever management identifies conditions that may trigger a risk of impairment. Assets that are subject to amortisation/depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately in the income statement. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amount, management is required to make an estimate of the expected future cash flows from the cash-generating unit in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Such estimates might be subject to a certain degree of judgement and uncertainty.

Non-financial assets, other than goodwill, which have been subject to an impairment, are reviewed for possible reversal of the impairment at each reporting date.

## Significant estimates

*Impairment test for goodwill*

The recoverable amount of a segment is determined based on the higher of the value in use or fair value less costs of disposal calculations. The fair value less costs of disposal calculation resulted in a higher recoverable amount.

The calculations of fair value less costs of disposal use post-tax cash flow projections based on financial forecasts approved by management covering a five-year period (forecasted period). Management's cash flow projections for each of the segments in the forecasted period are based on management's assumptions on the expected revenue growth rate, gross margin and operating margin after allocation of operating expenses from shared units, taking into account management's expectation of market size and market share development.

The revenue projections of Consumer and Licensing in the forecasted period show a single digit growth rate, while Automotive and Telematics revenues are projected to grow significantly throughout the forecasted period. Given the limited visibility on the longer-term growth, these growth rates do represent a higher level of uncertainty versus the earlier years. Gross margin and operating margin projections of each of the segments are consistent with the expected revenue developments. The growth rates after the forecasted period as well as the discount rate used for each of the segments are presented in the table below. The input to the group's key assumptions include those that are based on non-observable market data (level 3 input in accordance with IFRS 13).

| | Consumer | Automotive | Licensing | Telematics |
|---|---|---|---|---|
| **2014** | | | | |
| Revenue - perpetual growth[1] | 0.0% | 2.0% | 0.0% | 2.0% |
| Discount rate[2] | 9.5% | 9.5% | 9.5% | 9.5% |
| | | | | |
| **2013** | | | | |
| Revenue - perpetual growth[1] | 0.0% | 1.0% | 0.0% | 2.0% |
| Discount rate[2] | 10.0% | 10.0% | 10.0% | 10.0% |

[1] Weighted average growth rate used to extrapolate cash flows beyond the forecasted period.
[2] Post-tax discount rate applied to the cash flow projections.

Discount rates used are post-tax and reflect specific risks relating to the relevant operating segments. Management considered the effects of applying a pre-tax approach and concluded that this will not materially change the outcome of the impairment test.

Expectations and input to the impairment calculation, as well as the overall outcome, have been compared with the available external information from various analysts and to the extent available with market information on recent comparable transactions.

The impairment test performed resulted in no goodwill impairment for 2014 and 2013 for any of the segments.

Management performed a sensitivity analysis on the relevant key assumptions in the group's 2014 year-end annual impairment testing.

The sensitivity test for the Automotive segment showed that the level of headroom available at year end 2014 (headroom: €41 million, 2013: €52 million) would fall to nil should the compound annual revenue growth rate in the forecasted period decrease from 16.5% to 14.1% or if the discount rate increases from 9.5% to 10.2% while other factors remain constant.

The sensitivity test for the Licensing segment showed that the level of headroom available at year-end 2014 (headroom: €104 million, 2013: €64 million) would fall to nil should the compound annual revenue growth rate in the forecasted period decrease from 7.4% to 3.5% while other factors remain constant. A reasonably possible change in either the perpetual revenue growth rate or discount rate would not reduce the headroom to nil.

For Consumer and Telematics, a reasonably possible change in any of the abovementioned key assumptions as well as other assumptions in the forecasted period would not cause the fair value less costs of disposal of either unit to fall below the level of their respective carrying value.

## 15. Business combinations

### 2014

In 2014, the group made several acquisitions for an aggregate consideration of €22.0 million. This consideration includes cash considerations as well as an estimate of contingent consideration, which has been determined based on certain financial and non-financial key performance indicators.

The main acquisitions were the acquisitions of DAMS Tracking in France on 1 June 2014 and Fleetlogic in the Netherlands on 1 December 2014. Both companies are fleet management service providers which in aggregate added approximately 54,000 subscribers to our Telematics subscribers' base.

The Fleetlogic acquisition was effectuated through the acquisition of 100% equity interest of the companies: Fleetlogic BV and Inalise BV, while DAMS Tracking was acquired through a sale and asset purchase agreement.

The main assets and liabilities that arose from all acquisitions combined were intangible assets of €24.5 million and deferred tax liabilities of €3.7 million. None of the acquisitions resulted in goodwill. The fair value of the assets and liabilities acquired have been determined using discounted cash flow technique, which includes inputs that are not based on observable market data (level 3 input).

The acquired businesses contributed a revenue of €3.2 million and a net loss of €0.8 million in 2014. Excluding the impact of the acquisition-related amortisation from the purchase price allocations, the contributed result in 2014 was a net profit of €0.1 million. If the group had acquired all companies from 1 January 2014, the group revenue and net result for 2014 would have been €961 million and €20 million respectively.

As none of the transactions are material individually, they are not disclosed separately in accordance with IFRS 3.

### 2013

In 2013, the group acquired a 100% equity interest in Coordina (Gestion Electronica Logistica, S.L.) and 51% in mapIT for an aggregated consideration of €15.1 million. This consideration includes a cash consideration as well as an estimated contingent consideration, which has been determined based on certain financial and non-financial key performance indicators.

mapIT is a South Africa-based associate company, in which the group previously held a 49% interest. With this acquisition, which was effective from 1 June 2013, the group gained full control over mapIT. The previously held 49% interest has been remeasured to its fair value, resulting in a gain of €2.5 million, which is included under the line 'Result of associates' in the income statement.

Coordina, which was acquired on 31 July 2013, is the largest fleet management service provider in Spain and has a broad local sales network and a well-established local service hub. This acquisition will enable us to deliver the group’s innovative and easy-to-use products in combination with the group's TomTom WEBFLEET SaaS services to more Spanish fleets faster.

The main assets and liabilities that arose from both acquisitions combined were intangible assets of €18.3 million, deferred tax assets of €0.7 million and deferred tax liabilities of €5.3 million. Neither acquisition resulted in goodwill.

The acquired businesses contributed a revenue of €3.8 million and a net loss of €0.7 million in 2013. Excluding the impact of the acquisition-related amortisation from the purchase price allocations, the contributed result in 2013 was a net profit €0.4 million. If the group had acquired both companies from 1 January 2013, the group revenue and net result for 2013 would have been €968 million and €21 million respectively.

As neither transaction is material individually, they are not disclosed separately in accordance with IFRS 3.

### Accounting policy

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition of additional interest in associates, which results in the group gaining control over the associate, is accounted for as a business combination. The previously held interest in the associate is considered as part of the consideration and hence is remeasured to its fair value.

The gain or loss from this remeasurement is included in the 'Result of associates' in the income statement. The associate is accounted for as a subsidiary and included in the consolidated financial statements from the date the control passes to the group.

## 16. Investments in associates

As at 31 December 2014, the group held interest in a number of associates: Cyient Ltd. ('Cyient', 2013: Infotech Enterprises Ltd.), Beijing Golden Tom Information Technology Co. Ltd. (Beijing Golden Tom) and WayTag (Pty) Ltd. (WayTag). Cyient provides content development and support services while Beijing Golden Tom provides support in licensing TomTom map and traffic content in the Chinese market. WayTag is a South Africa-based company that allows people and businesses to create a unique location identifier that either refers to a fixed location or to an individual's current location.

The movements in the investments in associates can be specified as follows:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **BALANCE AS AT 1 JANUARY** | **2,854** | **3,880** |
| Result of associates[1] | 536 | 3,091 |
| Transfer to subsidiary[2] | 0 | –2,957 |
| Dividend received | –117 | –1,036 |
| Other direct equity movements | 16 | –124 |
| **BALANCE AS AT 31 DECEMBER** | **3,289** | **2,854** |

[1] Total comprehensive income equalled the net results of the associates as there were no other items recognised in 'Other comprehensive income' of the associates. The 2013 result included a gain of €2.5 million relating to remeasurement of previously held interest in mapIT to its fair value.
[2] Following the acquisition of 51% interest in mapIT in 2013, this associate company is included as a subsidiary in the consolidated financial statements from 2013.

As the associates are not material to the group, no further information is provided other than those detailed below. The (estimated) full year revenues and net profits of the associates and their assets (excluding goodwill) and liabilities are as follows:

| Name of associate | Country of incorporation | Assets | Liabilities (€ in thousands) | Revenue | Net result | Interest held (%) |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Cyient Ltd. (prev. Infotech Ent. Ltd.)[1] | India | 255,243 | 46,954 | 287,021 | 34,339 | 1.35% |
| Beijing Golden Tom | China | 788 | 1,489 | 1,124 | –637 | 49.00% |
| WayTag | South Africa | 106 | 596 | 0 | –1,200 | 16.00% |
| **2013** | | | | | | |
| Infotech Enterprises Ltd.[1] | India | 189,492 | 33,879 | 220,454 | 27,195 | 1.35% |
| Beijing Golden Tom | China | 5,878 | 5,401 | 1,524 | –636 | 49.00% |
| WayTag | South Africa | 167 | 41 | 0 | –271 | 16.00% |

[1] This associate has a 31 March year-end. Data for calculating the result of associate, based on the equity method, is obtained from January through to December. The summarised financial information presented above is based on financial statements for the year ending 31 March 2014 and 31 March 2013.

Cyient and WayTag are regarded as associates as TomTom is represented on their Board of Directors. The fair value of the investment in Cyient is €10.1 million (2013: €6.2 million).

### Accounting policy

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, or other evidence of significant influence. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in 'Other comprehensive income' is recognised in 'Other comprehensive income'. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policy of associates has been changed where necessary to ensure consistency with the policy adopted by the group.

## SECTION 4 WORKING CAPITAL

*The notes in this section specify items that form part of group's working capital. Disclosure on cash and cash equivalents is included in this section.*

### 17. Inventories

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Finished goods | 24,632 | 21,492 |
| Components and sub-assemblies | 21,943 | 20,768 |
| **INVENTORIES** | **46,575** | **42,260** |

The amount of inventories recognised as an expense when the inventories are sold and included in cost of sales amounted to €319 million (2013: €320 million).

As a result of the write-down of inventories to their net realisable value, the group recognised a cost of €3.1 million (2013: €2.7 million). The costs are included in cost of sales.

#### Accounting policy

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises costs of purchase, assembly and conversion to finished products. The cost of inventories is determined using the first-in, first-out (FIFO) method, net of reserves for obsolescence and any excess stock. Net realisable value represents the estimated selling price less an estimate of the costs of completion and direct selling costs.

### 18. Trade receivables

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Gross accounts receivables | 136,812 | 118,546 |
| Allowance for doubtful receivables | –3,546 | –3,117 |
| **TRADE RECEIVABLES (NET)** | **133,266** | **115,429** |

The group expects to recover all receivables within a year. An allowance has been made for estimated unrecoverable amounts from the sale of goods. The carrying amount of trade receivables approximates their fair value. The group does not hold any collateral over these balances.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is some concentration of credit risk with certain of the group's large customers' accounts. Management actively monitors the credit risk related to these customers and takes pro-active action to reduce credit limits if required.

The following table summarises the movement in the allowance for doubtful trade receivables account:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **BALANCE AS AT 1 JANUARY** | –3,117 | –1,863 |
| Additional receivables impairment | –1,321 | –2,567 |
| Receivables written off during the year as uncollectible | 837 | 410 |
| Unused amounts reversed | 15 | 654 |
| Translation effects | 40 | 249 |
| **BALANCE AS AT 31 DECEMBER** | **–3,546** | **–3,117** |

The following table sets out details of the age of trade accounts receivable that are not overdue, as the payment terms specified in the terms and conditions established with the group's customers have not been exceeded, and an analysis of overdue amounts and related provisions for doubtful trade accounts receivable:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Of which: | | |
| Not overdue | 118,289 | 94,883 |
| Overdue < 3 months | 13,422 | 20,594 |
| 3 to 6 months | 2,826 | 1,463 |
| Over 6 months | 2,275 | 1,606 |
| less provision | –3,546 | –3,117 |
| **TRADE RECEIVABLES (NET)** | **133,266** | **115,429** |

The provisions recorded in 2014 and 2013 are mainly related to the overdue amounts.

Trade accounts receivable include amounts denominated in the following major currencies:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| EUR | 71,358 | 57,146 |
| GBP | 24,785 | 12,507 |
| USD | 22,914 | 33,193 |
| Other | 14,209 | 12,583 |
| **TRADE RECEIVABLES (NET)** | **133,266** | **115,429** |

### Accounting policy

Trade receivables are initially recognised at fair value, and subsequently measured at amortised cost (if the time value is material), using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'Cost of sales'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Cost of sales' in the income statement.

## 19. Other receivables and prepayments

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Prepayments | 12,673 | 6,247 |
| VAT and other taxes | 3,389 | 6,551 |
| Unbilled revenue | 9,475 | 11,057 |
| Deferred cost of sales | 4,721 | 10,969 |
| Other receivables | 2,940 | 3,297 |
| **TOTAL OTHER RECEIVABLES** | **33,198** | **38,121** |

The carrying amount of the other receivables and prepayments approximates their fair value.

## 20. Other financial assets/liabilities

Other financial assets/liabilities include derivative financial instruments carried at fair value through profit or loss.

| | **2014** | | 2013 | |
|---|---|---|---|---|
| (€ in thousands) | **Assets** | **Liabilities** | Assets | Liabilities |
| Derivatives at fair value through profit or loss | 1,186 | –23 | 376 | –236 |

The notional principal amounts of the outstanding forward foreign exchange and option contracts on 31 December 2014 were €54 million (2013: €69 million).

All the group's outstanding options and forwards have a contractual maturity of less than one year.

### Accounting policy

Derivatives are initially and subsequently measured at fair value. Gains or losses arising from changes in fair value of derivatives are recognised in the income statement, except for derivatives designated as hedging instruments, in a highly effective hedge relationship, for which cash flow hedge accounting is applied. Transaction costs are expensed in the income statement.

## 21. Cash and cash equivalents

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Cash and equivalents | 148,614 | 119,361 |
| Deposits | 4,335 | 138,424 |
| **TOTAL CASH AND CASH EQUIVALENTS** | **152,949** | **257,785** |

Cash and cash equivalents consist of cash held by the group partly invested in short-term bank deposits with an original maturity of three months or less. The carrying amount of cash and cash equivalents approximates its fair value.

All cash and cash equivalents are available for immediate use by the group.

### Accounting policy

Cash and cash equivalents are stated at face value and comprise cash on hand, deposits held on call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

## 22. Trade payables

All trade payable balances have a contractual maturity of less than six months and the carrying amount approximates its fair value.

## 23. Accruals and other liabilities

Accruals and other liabilities comprise of the following:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Margin-related accruals | 64,238 | 79,094 |
| Operating expenses accruals | 86,456 | 94,909 |
| **TOTAL** | **150,694** | **174,003** |

## SECTION 5 FINANCING, FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

*This section includes notes related to financing items such as equity and borrowings as well as financial risk management and financial instruments. Related items such as earnings per share calculation as well as financial income and expenses, are included in this section.*

### 24. Shareholder's equity

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | No. | (€ in thousands) | No. | (€ in thousands) |
| **AUTHORISED:** | | | | |
| Ordinary shares | 600,000,000 | 120,000 | 600,000,000 | 120,000 |
| Preferred shares | 300,000,000 | 60,000 | 300,000,000 | 60,000 |
| | **900,000,000** | **180,000** | **900,000,000** | **180,000** |
| **ISSUED AND FULLY PAID:** | | | | |
| Ordinary shares | 223,569,822 | 44,714 | 222,176,212 | 44,435 |

In 2014, 1,393,610 shares were issued following the exercise of stock options and the restricted stock units by employees (2013: 281,200).

Reserves are freely distributable except for €172.9 million of legal reserves (2013: €130.6 million). Note F. Other reserves in the company financial statements provides an overview of the non-distributable reserves.

All shares have a par value of €0.20 per share (2013: €0.20 per share). Further information on the rights, restrictions and other conditions attached to ordinary and preferred shares is provided in the Corporate Governance section in the annual report.

The Corporate Governance section of this annual report provides a detailed description regarding the use of Foundation Continuity TomTom as a protective measure.

Management is of the opinion that the call option as described in the Corporate Governance section does not represent a significant value as meant in IAS 1, paragraph 31, due to the fact that the likelihood that the call option will be exercised is remote. In the remote event that the call option is exercised, the preferred shares that are issued are intended to be cancelled shortly after issuance (within 1 year period). The option is therefore not accounted for in the annual accounts, nor is any additional information as meant in IAS 32 and 39 provided.

#### Accounting policy

*Share capital*

Ordinary shares are classified as share capital.

*Share premium*

The share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 25. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **Earnings** | | |
| Net result attributed to equity holders | 22,549 | 19,539 |
| **Adjusted net result** | | |
| Net result attributed to equity holders | 22,549 | 19,539 |
| Amortisation of acquired intangibles | 50,332 | 53,895 |
| Acquisition-related gain | 0 | –2,472 |
| Tax effect of adjustments | –12,583 | –12,985 |
| **ADJUSTED NET RESULT** | **60,298** | 57,977 |

| | 2014 | 2013 |
|---|---|---|
| **NUMBER OF SHARES** | | |
| Weighted average number of ordinary shares for basic earnings per share | 222,689,197 | 221,950,450 |
| **EFFECT OF DILUTIVE POTENTIAL ORDINARY SHARES** | | |
| Share options and restricted stock | 2,432,734 | 1,356,832 |
| **WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE** | **225,121,931** | **223,307,282** |
| **EARNINGS PER SHARE (in €)** | | |
| Basic | 0.10 | 0.09 |
| Diluted | 0.10 | 0.09 |
| **ADJUSTED EARNINGS PER SHARE (in €)[1]** | | |
| Basic | 0.27 | 0.26 |
| Diluted | 0.27 | 0.26 |

[1] Adjusted earnings per share is not an IFRS performance measure and hence is not comparable across companies.

### Accounting policy

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares arising from stock options and other equity-settled share-based plans. For the stock options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares), based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued, assuming the exercise of the stock options. When the effect of the options and other equity-settled share-based plans is anti-dilutive, the number is excluded from the calculation of diluted earnings.

*Adjusted earnings per share*

Adjusted earnings per share is calculated by dividing the adjusted earnings by the weighted average number of ordinary and diluted shares outstanding during the year.

## 26. Non-controlling interests (minority interests)

The following table presents the interest held by third parties in the group's consolidated subsidiaries:

| Subsidiary | Country | % of non controling interest | |
|---|---|---|---|
| | | 31 Dec 2014 | 31 Dec 2013 |
| TomTom Africa (Pty) Ltd. | South Africa | 24% | 24% |
| TomTom Navigation Taiwan Co., Ltd. | Rep. of China | 30% | 30% |
| Coordina Chile Soluciones de Localizacion Ltda. | Chile | 20% | 20% |
| Movilogistica S.A. de CV | Mexico | 30% | 30% |

The movements in the non-controlling interests is presented below.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **BALANCE AS AT 1 JANUARY** | **2,115** | **2,642** |
| Non-controlling interests in the net result of subsidiaries | 106 | 524 |
| Dividends paid | –177 | –377 |
| Change in share of non-controlling interests | 0 | 18 |
| Currency translation differences | 29 | –692 |
| **BALANCE AS AT 31 DECEMBER** | **2,073** | **2,115** |

The main part of the balance of the non-controlling interest relates to TomTom Africa (Pty) Ltd. There are no material cash balances or assets held by any of the abovementioned subsidiaries.

## 27. Borrowings

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Non-current | 48,925 | 99,348 |
| Current | 0 | 74,089 |
| **TOTAL** | **48,925** | **173,437** |

On 22 December 2014, the group signed a new credit facility agreement (the 'new facility'), replacing the previous facility agreement. The agreement is effective up to 31 March 2018 and includes two additional one-year extension options.

The new facility comprises of a revolving credit facility for an amount of €250 million, of which €50 million was drawn at the end of December 2014. Netted with the transaction costs of €1.1 million, the carrying amount of the group's outstanding borrowings at 31 December 2014 was €48.9 million. The interest is in line with market conditions and is based on Euribor plus a margin that depends on certain leverage covenants. The average interest paid on borrowings in 2014 was 1.3% (2013: 1.2%).

At 31 December 2014 the outstanding borrowings are presented as a non-current liability, as management expects to maintain at least a similar level of utilisation in the coming twelve months.

As the contractual interest rate is based on market interest rates plus a certain margin, and the fact that there has been no significant change to the group's credit rating, the fair value of the borrowings at the end of 2014 and 2013 is estimated to approximate their carrying value.

### Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, amounts are stated at amortised cost with the difference being recognised in the income statement over the period of the borrowings using the effective interest rate method.

## 28. Financial risk management

### Financial risk factors

The group's activities result in exposure to a variety of financial risks including credit, foreign currencies, liquidity and interest rate risk. Management policies have been established to identify, analyse and monitor these risks, and to set appropriate risk limits and controls. Financial risk management is carried out in accordance with our Corporate Treasury Policy. The written principles and policies are reviewed periodically to reflect changes in market conditions, the activities of the business, and laws and regulations affecting the group's business.

### Credit

Credit risk arises primarily from cash and cash equivalents held at financial institutions, and, to a certain extent, from trade receivables relating to wholesale customers.

Cash balances are held with counterparties that have a credit risk rating of at least BBB-, as rated by an acknowledged rating agency. Moreover, to avoid significant concentration of exposure to particular financial institutions, it has been ensured that transactions and businesses are properly spread among different counterparties.

The group's exposure to wholesale customers is managed through establishing proper credit limits and continuous credit risk assessments for each individual customer.

Procedures include aligning credit and trading terms and conditions with an assessment of the individual characteristics and risk profile of each customer. This assessment is made based on past experiences and independent ratings from external rating agencies whenever available.

As at 31 December 2014, total bad debt provision represented approximately 0.4% of group revenue (2013: 0.3%).

### Foreign currencies

The group operates internationally and conducts business in multiple currencies. Revenues are earned in euro, pound sterling (GBP), the US dollar (USD) and other currencies, and do not necessarily match cost of sales and other costs which are largely in euro and the US dollar and to a certain extent in other currencies. Foreign currency exposures on commercial transactions relate mainly to estimated purchases and sales transactions that are denominated in currencies other than reporting currency - the euro (€).

The group manages foreign currency transaction risk through options and forward contracts to cover forecasted net exposures. All such transactions are carried out within the guidelines set by Corporate Treasury Policy, which is reviewed annually by the Audit Committee.

A 2.5% strengthening/weakening of the euro as at 31 December 2014 against the currencies listed below would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis as in 2013.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| (€) | Strengthen | Weaken | Strenghten | Weaken |
| GBP | 248,885 | –236,708 | –327,148 | 311,664 |
| USD | –823,283 | 783,392 | –228,989 | 278,258 |

## Liquidity and loan covenant

The approach to managing liquidity is to ensure that sufficient funds are available to meet financial obligations when they fall due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

To ensure there is sufficient cash to meet expected operational expenses, including the servicing of financial obligations, actual and future cash flow requirements are regularly monitored, taking into account the maturity profiles of financial assets and liabilities and the rolling forecast of the group's liquidity reserve, which comprises cash and cash equivalents and an undrawn credit facility of €200 million.

Under the covenants of the facility, the group is required to meet certain performance indicators with regard to its interest cover (4.0) and leverage ratio (3.0), which are tested twice a year. Interest cover is defined as the ratio of the last twelve months (LTM) EBITDA to LTM interest expense for the relevant test period. The leverage ratio is defined as the ratio of total consolidated net debt as at the testing date to the consolidated LTM EBITDA in respect of the relevant period ending on that date. In case of a breach of these covenants, the banks are contractually entitled to request early repayment of the outstanding amount. On 31 December 2014, the group complied with the loan covenants and, based on the group's plan for 2015, management expects to be able to comply with the loan covenants during 2015.

The outstanding borrowings of €50 million from the credit facility has a one-month maturity period from the date of draw down but can continuously be rolled-over up to the end date of the facility agreement at management's discretion. Assuming the amount utilised remains the same until the end of the agreement and the level of market interest as well as the required performance indicators remain constant based on the situation as at 31 December 2014, the annual interest due up to 31 March 2018 would be €0.4 million.

## Interest rates

Interest rate risk arises primarily from the existing long-term borrowings. These borrowings have a floating interest coupon based on Euribor plus a spread that depends on leverage levels. Interest rate risk is hedged with appropriate hedging instruments whenever deemed necessary in accordance with the Corporate Treasury Policy.

Based on the expectation of interest rate movements in the coming period and the acceptability of potential exposure, the current policy is not to hedge the interest rate of current borrowings. Accordingly, changes in Euribor may have an impact on the group's results for the coming year.

Market-related interest income is received on the cash balances. Our intention is to prioritise capital preservation and when possible we invest our surplus cash using approved investment instruments, such as bank deposits and money market fund investments. All transactions and counterparty risk limits are governed by Corporate Treasury Policy.

## Capital risk management

The group's financing policy aims to maintain a capital structure that enables the group to achieve its strategic objectives and daily operational needs, and to safeguard the group's ability to continue as a going concern.

In order to maintain or adjust the capital structure, the group may issue new shares, adjust its dividend policy, return capital to shareholders or sell assets to reduce debt, taking into account relevant interest cover and leverage covenants of external borrowings as disclosed above.

As at 31 December 2014, the group had a net cash position of €103 million (31 December 2013: €83 million).

Further quantitative disclosures are included throughout these consolidated financial statements.

## 29. Financial instruments

The following table presents the group's financial instruments according to the categories as defined in IAS 39:

| (€ in thousands) | Loans and receivables | Assets/liabilities at fair value through profit or loss | Other financial assets/ liabilities at amortised cost | Total |
|---|---|---|---|---|
| **AS AT 31 DECEMBER 2014** | | | | |
| **ASSETS** | | | | |
| Other financial assets | 0 | 1,186 | 0 | 1,186 |
| Trade receivables | 133,266 | 0 | 0 | 133,266 |
| Cash and cash equivalents | 152,949 | 0 | 0 | 152,949 |
| **TOTAL** | **286,215** | **1,186** | **0** | **287,401** |
| **LIABILITIES** | | | | |
| Trade payables | 0 | 0 | 88,218 | 88,218 |
| Other financial liabilities | 0 | 23 | 0 | 23 |
| Borrowings | 0 | 0 | 48,925 | 48,925 |
| **TOTAL** | **0** | **23** | **137,143** | **137,166** |
| **AS AT 31 DECEMBER 2013** | | | | |
| **ASSETS** | | | | |
| Other financial assets | 0 | 376 | 0 | 376 |
| Trade receivables | 115,429 | 0 | 0 | 115,429 |
| Cash and cash equivalents | 257,785 | 0 | 0 | 257,785 |
| **TOTAL** | **373,214** | **376** | **0** | **373,590** |
| **LIABILITIES** | | | | |
| Trade payables | 0 | 0 | 82,337 | 82,337 |
| Other financial liabilities | 0 | 236 | 0 | 236 |
| Borrowings | 0 | 0 | 173,437 | 173,437 |
| **TOTAL** | **0** | **236** | **255,774** | **256,010** |

### Accounting policy

*Financial assets*

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**Financial assets at fair value through profit or loss**

Derivatives are categorised at fair value through profit or loss unless they are designated as hedges. Derivatives are recorded as financial assets when their fair value is a positive number; otherwise the derivative is classified as a financial liability. All derivative financial instruments are classified as current or non-current assets or liabilities based on their maturity dates and are accounted for at trade date.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has substantially transferred all risks and rewards of ownership.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost (if the effect of time value is material) using the effective interest method, less any impairment. The group's financial assets classified in the category 'Loans and receivables' comprise 'Trade receivables' and 'Cash and cash equivalents' in the balance sheet (note 18. Trade receivables and note 21. Cash and cash equivalents).

*Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

*Fair value estimation*

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (for example, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets/liabilities carried at fair value through profit or loss and the derivatives in a hedging relationship is determined using valuation techniques that maximise the use of observable market data where it is available and which rely as little as possible on entity-specific estimates. In accordance with the fair value hierarchy established by IFRS 7, these types of inputs classify as level 2 inputs.

## 30. Financial income and expenses

Financial income and expenses include the following items:

| (€ in thousands) | **2014** | **2013** |
|---|---|---|
| Interest income | 1,161 | 1,114 |
| Interest expense | –4,306 | –4,059 |
| **INTEREST RESULT** | **–3,145** | **–2,945** |
| | | |
| Other financial result | 124 | 714 |
| Foreign exchange result | –3,844 | –2,333 |
| **OTHER FINANCIAL RESULT** | **–3,720** | **–1,619** |

The interest expense relates mainly to interest paid on borrowings and amortised transaction costs (see note 27. Borrowings).

The foreign exchange result includes results related to hedging contracts and balance sheet item revaluations. Hedging contracts are entered into to protect the group from adverse exchange rate fluctuations that may result from USD and GBP exposures.

### Accounting policy

Interest income and expense are recognised using the effective interest method.

## SECTION 6 OTHER DISCLOSURES

*This section includes the notes on provisions, commitments and contingent liabilities, remunerations of Members of the Management Board and the Supervisory Board, related party transactions and Auditor's remuneration.*

### 31. Provisions

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Non-current | 48,496 | 55,857 |
| Current | 34,074 | 23,975 |
| **TOTAL** | **82,570** | **79,832** |

The movements in each category of provisions are as follows:

| (€ in thousands) | Warranty | Claims & litigations | Other | Total |
|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | **35,791** | **36,439** | **9,230** | **81,460** |
| Increases in provisions | 19,022 | 11,105 | 5,320 | 35,447 |
| Utilised | –18,805 | –5,362 | –895 | –25,062 |
| Released | –3,435 | –8,578 | 0 | –12,013 |
| **BALANCE AS AT 31 DECEMBER 2013** | **32,573** | **33,604** | **13,655** | **79,832** |
| Increases in provisions | 20,188 | 13,086 | 6,913 | 40,187 |
| Utilised | –20,266 | –1,721 | –2,418 | –24,405 |
| Released | 206 | –12,998[1] | –252 | –13,044 |
| **BALANCE AS AT 31 DECEMBER 2014** | **32,701** | **31,971** | **17,898** | **82,570** |

[1] In 2014, we recorded a gain of €8.2m as a result of changes in estimates in our claims and litigation provision.

#### Accounting policy

Provisions are recognised when:

- The group has a present obligation as a result of a past event;
- It is probable that the group will be required to settle that obligation; and
- The amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the group's obligation. Warranty costs are recorded within cost of sales.

#### Significant estimates

*Warranty provision*

The group generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as evaluating recent trends that might suggest that past cost information may differ from future claims.

From the total warranty provision of €32.7 million, it is estimated that an amount of €20.1 million will be utilised within 12 months.

*Claims and litigation*

The group made a provision for potential legal, tax and other risks in various jurisdictions. The legal matters consist mainly of intellectual property infringement issues. In the normal course of business, the group receives claims relating to allegations that it has infringed intellectual property assets. In such cases, the companies making the claims seek payments that may take the form of licenses and/or damages. While these claims will be resisted, some are likely to be settled by negotiation and others are expected to result in litigation.

The cases and claims against the group often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction in which each suit is brought, and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to such claims and litigation. The group accrues a liability when it is determined that an adverse outcome is more likely than not, and the amount of the loss can be reasonably estimated. If the likelihood of an adverse outcome is reasonably possible or an estimate is not determinable, the matter is disclosed, provided it is material. Management is of the opinion that the provision is adequate to resolve these claims.

The methodology used to determine the amount of the liability requires significant judgements and estimates regarding the costs of settling asserted claims. Due to the fact that there is limited historical data available, the estimated liability cannot be based upon recent settlement experience for similar types of claims.

Based on the best estimate, the portion of the claims and litigation provision expected to be settled in the coming twelve months amounts to approximately €9.7 million.

*Other provisions*

Other provisions include an amount of €8.4 million (2013: €6.8 million) related to the defined benefit pension plan in Germany as disclosed in note 6. Personnel expenses, and the remainder relates mainly to provisions for expected earn-out payments. The amount of 'Other provisions' estimated to be settled/utilised within the coming twelve months amounted to €4.2 million.

## 32. Commitments, contingent assets and liabilities

The group has a number of long-term financial commitments, which are not shown in the group's balance sheet as at 31 December 2014.

### Operating leases

These are operating leases for buildings, cars and office equipment, which consist of:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Commitments less than 1 year | 15,298 | 13,835 |
| Commitments between 1 - 5 years | 34,380 | 40,442 |
| Commitments longer than 5 years | 974 | 2,198 |
| **TOTAL** | **50,652** | **56,475** |

No discount factor is used in determining the operating lease commitments.

### Purchase commitments

As at 31 December 2014, the group had open purchase commitments with contract manufacturers for certain products and components. Contract manufacturers order the requisite component parts from their suppliers on the basis of forecasts of the number of units required. Manufacturers have commitments on these components. In certain circumstances, the group has a contractual obligation to purchase these components from the manufacturers.

### Other commitments

The group has contracts with third-party suppliers or other business partners that include minimum royalty or revenue share payments over the duration of the contracts that range from 1 to 5 years. The total commitments under these contracts are presented below.

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| Commitments less than 1 year | 9,541 | 7,517 |
| Commitments between 1 - 5 years | 9,430 | 11,333 |
| **TOTAL** | **18,971** | **18,850** |

The group has given a guarantee as described in section 479C of the UK Companies Act to TomTom Software Ltd. Accordingly, TomTom Software Ltd. is exempted from the requirements of the Companies Act 2006 relating to audit by virtue of section 479A.

In addition, a German subsidiary, TomTom Germany GmbH & Co. KG., which is included in these consolidated financial statements, applies the exemption as described in section 264b of the German Commercial Code (HGB) with regard to the publication of the annual financial statements and the drawing up of a management report and the notes to the financial statements.

### Contingencies

Please refer to note 31. Provisions for disclosures on tax and legal contingencies.

In 2014, we won an arbitration award in which the Tribunal ruled that one of our suppliers must repay royalties paid by TomTom in prior periods. TomTom has recently filed a motion in local Court to recognise this award and render it internationally enforceable. Our supplier may choose to oppose our motion and file a separate Court action to overturn the arbitration award. While we believe it is more likely than not that the Court will uphold and recognise the arbitration award, we cannot be certain of such an outcome, and a final judgement in this matter, including the quantum and timing of any final judicial award, remains uncertain. Consequently, we have not recognised the asset, and given that further disclosure could seriously prejudice our position, no further disclosure is provided. If TomTom is ultimately successful and the arbitration award is enforced, the amount awarded will not have a significant impact on TomTom's financial position.

Based on legal advice, there were no other contingencies that management expects to have a material adverse effect on the group's financial position as at 31 December 2014.

## 33. Remunerations of members of the Management Board and the Supervisory Board

### The Remuneration Policy

The Remuneration Policy for members of the Management Board is drawn up by the Supervisory Board and approved by the General Meeting.

The on-target bonus percentage is set at 80% of the base salary for the CEO and at 64% of the base salary for the other members of the Management Board. The maximum annual incentive achievable is 120% of the annual base salary for the CEO and 96% of the annual base salary for the other members of the Management Board. The actual bonus pay-out depends on certain challenging financial targets (gross profit, EBIT and cash flow). The total remuneration paid/payable to or on behalf of the members of the Management Board for the year ended 31 December 2014, amounted to approximately €2.3 million (2013: €2.5 million), of which 38% represented bonus payments (2013: 46%). In 2014, the bonus achievement was 101% of the on-target bonus percentage (2013: 131%).

In accordance with the Code, the remuneration of Supervisory Board members does not depend on the results of the company. The company does not grant either stock options or shares to its Supervisory Board members and the company does not provide loans to them.

## Overview of salaries, performance-related bonuses and other emoluments of the Management Board

The remuneration of the Management Board members comprises of the direct remuneration paid or payable in relation to their employment in the year and other remuneration related expenses that comprise social security contributions and share-based awards. The expenses/ (gains) recognised for share-based awards are determined in accordance with IFRS 2 and do not represent the amounts paid or payable to Management Board members. The expenses for the direct remuneration and other remuneration-related expenses are presented below:

*Direct remuneration*

| (in €) | Short-term benefits | | | Post-employment benefits | Total Direct remuneration |
|---|---|---|---|---|---|
| | Salary | Bonus | Other emoluments | | |
| **2014** | | | | | |
| Harold Goddijn | 450,000 | 363,600 | 0 | 0 | 813,600 |
| Marina Wyatt | 400,000 | 258,560 | 53,716 | 78,087 | 790,363 |
| Alain De Taeye | 375,000 | 242,400 | 21,000 | 37,500 | 675,900 |
| | **1,225,000** | **864,560** | **74,716** | **115,587** | **2,279,863** |
| **2013** | | | | | |
| Harold Goddijn | 450,000 | 471,600 | 0 | 0 | 921,600 |
| Marina Wyatt | 400,000 | 335,360 | 17,811 | 40,000 | 793,171 |
| Alain De Taeye | 375,000 | 314,400 | 21,000 | 37,500 | 747,900 |
| | **1,225,000** | **1,121,360** | **38,811** | **77,500** | **2,462,671** |

*Other remuneration-related expenses*

| (in €) | Share-based[1] expenses | Other short-term[2] expenses | Total including Other and Direct remuneration |
|---|---|---|---|
| **2014** | | | |
| Harold Goddijn | 236,486 | 8,381 | 1,058,467 |
| Marina Wyatt | 167,218 | 26,439 | 984,020 |
| Alain De Taeye | 164,765 | 8,381 | 849,046 |
| | **568,469** | **43,201** | **2,891,533** |
| **2013** | | | |
| Harold Goddijn | –47,138 | 131,389 | 1,005,851 |
| Marina Wyatt | –47,138 | 42,988 | 789,021 |
| Alain De Taeye | –45,474 | 79,824 | 782,250 |
| | **–139,750** | **254,201** | **2,577,122** |

[1] The gain in the share-based expenses in 2013 results from the forfeiture of the 2011 share options. Following this forfeiture the costs incurred in previous periods have been reversed.
[2] Other short-term expenses in 2013 include the expenses incurred in relation to the crisis levy imposed by the Dutch government amounting to €123 thousand for Mr Harold Goddijn, €14 thousand for Mrs Marina Wyatt and €72 thousand for Mr Alain De Taeye. Although these expenses do not represent actual benefits paid to the Management Board, they have been included as the expenses incurred are in relation to their employment.

The share-based awards scheme is set out in the Management Board Stock Option Plan 2009 as amended in the 2011 and 2014 General Meeting. In May 2014, each of the Management Board members were granted new stock options under this plan. The following tables summarise information about outstanding stock options of each member of the Management Board, as well as the movements during the year.

| Board member | Year of grant | Outstanding 1 Jan 2014 | Granted in 2014 | Expired in 2014 | Forfeited in 2014 | Outstanding 31 Dec 2014[1] | Exercise price (€) | Expiry date |
|---|---|---|---|---|---|---|---|---|
| Harold Goddijn | 2009 | 181,500 | | | | 181,500 | 5.71 | 16-06-16 |
| | 2010 | 150,000 | | | | 150,000 | 5.32 | 12-05-17 |
| | 2012 | 175,000 | | | –61,250 | 113,750 | 3.51 | 9-05-19 |
| | 2013 | 155,000 | | | | 155,000 | 3.53 | 8-05-20 |
| | 2014 | | 300,000 | | | 300,000 | 5.28 | 13-05-21 |
| Marina Wyatt | 2009 | 181,500 | | | | 181,500 | 5.71 | 16-06-16 |
| | 2010 | 150,000 | | | | 150,000 | 5.32 | 12-05-17 |
| | 2012 | 175,000 | | | –61,250 | 113,750 | 3.51 | 9-05-19 |
| | 2013 | 155,000 | | | | 155,000 | 3.53 | 8-05-20 |
| | 2014 | | 160,000 | | | 160,000 | 5.28 | 13-05-21 |
| Alain De Taeye | 2009 | 181,500 | | | | 181,500 | 5.71 | 16-06-16 |
| | 2010 | 150,000 | | | | 150,000 | 5.32 | 12-05-17 |
| | 2012 | 175,000 | | | –61,250 | 113,750 | 3.51 | 9-05-19 |

| Board member | Year of grant | Outstanding 1 Jan 2014 | Granted in 2014 | Expired in 2014 | Forfeited in 2014 | Outstanding 31 Dec 2014[1] | Exercise price (€) | Expiry date |
|---|---|---|---|---|---|---|---|---|
| | 2013 | 155,000 | | | | 155,000 | 3.36 | 8-05-20 |
| | 2014 | | 150,000 | | | 150,000 | 4.93 | 13-05-21 |
| **TOTAL** | | **1,984,500** | **610,000** | **0** | **–183,750** | **2,410,750** | | |

[1] The options granted in 2013 are conditional upon fulfilment of certain (performance) vesting conditions hence they are not yet vested. The 2014 options have no performance conditions and will vest in 3 years after the grant date assuming the members of the Management Board are still in service of the company. As the vesting conditions for the options granted in 2012 were not fully met, part of those options were forfeited.

For a description of the stock option plans, reference is made to note 7. Share-based compensation.

## Overview of remuneration of the members of the Supervisory Board

| (€) | 2014 | 2013 |
|---|---|---|
| Peter Wakkie (Chairman)[1] | 56,667 | 48,000 |
| Karel Vuursteen[2] | 20,333 | 61,000 |
| Doug Dunn | 47,000 | 47,000 |
| Guy Demuynck | 51,000 | 51,000 |
| Rob van den Bergh[2] | 15,667 | 47,000 |
| Ben van der Veer | 50,000 | 50,000 |
| Toine van Laack[3] | 47,000 | 31,333 |
| Jacqueline Tammenoms Bakker[4] | 32,000 | 0 |
| Anita Elberse[4] | 31,333 | 0 |
| **TOTAL** | **351,000** | **335,333** |

[1] Peter Wakkie was appointed Chairman as of 1 May 2014.
[2] Karel Vuursteen and Rob van den Bergh resigned on 1 May 2014.
[3] Toine van Laack serves as a member of the Supevisory Board from 23 April 2013.
[4] Jacqueline Tammenoms Bakker and Anita Elberse serve as members of the Supervisory Board from 1 May 2014.

### 34. Related party transactions

The expenses relating to remuneration of key management personnel are presented in the following table:

| (€) | Salary and bonus[1] | Other short-term[2] benefits | Post employment benefits | Share-based expenses | Total remuneration |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Management board and senior management[3] | 2,588,885 | 222,095 | 115,587 | 727,803 | 3,654,370 |
| Supervisory Board | 351,000 | 0 | 0 | 0 | 351,000 |
| **2013** | | | | | |
| Management board and senior management | 4,705,411 | 441,964 | 94,250 | 723,943 | 5,965,568 |
| Supervisory Board | 335,333 | 0 | 0 | 0 | 335,333 |

[1] In 2014, the total bonus expense amounted to €1.0 million versus €2.2 million in 2013.
[2] In 2014, Other short-term benefits of the Management Board and senior management included the employer's portion of social securities of €125 thousand (2013: €96 thousand). The 2013 amount included the crisis levy of €289 thousand. Although the expenses relating to the crisis levy do not represent actual benefits paid to the Management Board and senior management they have been included in the table above as these expenses were incurred in relation to their employment.
[3] The composition of Management Board and senior management changed from 7 to 4 in December 2013.

Certain key management personnel also hold ownership interests in TomTom NV, as disclosed in the Corporate Governance section under Notification of substantial shareholdings and short positions.

In the normal course of business, the group receives map development and support services from its associate Cyient Ltd. Such transactions take place at normal market conditions and the total payments made for these services in 2014 amounted to €18.9 million (2013: €17.5 million). There was no outstanding payable due to Cyient Ltd. as at 31 December 2014 (31 December 2013: €1.9 million). Transactions and balances with other associates are not material and hence are not disclosed.

### 35. Auditor's remuneration

The total remuneration to Deloitte Accountants BV for the statutory audit of 2014 for the group amounted to €445,000 (2013: €445,000). The total service fees paid/payable to the Deloitte network amounted to €763,000 (2013: €935,000). Included in the total remuneration is an amount of €558,000 (2013: €578,000) invoiced by Deloitte Accountants BV, which includes an amount of €73,000 (2013: €73,000) for other statutory audits and €60,000 (2013: €60,000) for audit-related services. The service fees paid to the Deloitte Network included an amount of €117,000 (2013: €289,000) relating to tax services and €68,000 (2013: €68,000) relating to statutory audits. Details of the audit, audit-related and non-audit fees paid to Deloitte can also be found in the Audit Committee Report.

# Company statement of income of TomTom NV

for the year ended 31 December

| (€ in thousands) | Notes | **2014** | **2013** |
|---|---|---|---|
| Result of subsidiaries after taxation | B | 46,405 | 34,923 |
| Other income / (expenses) after tax | C | −23,856 | −15,384 |
| **NET RESULT** | | **22,549** | **19,539** |

The notes on pages 83 to 84 are an integral part of these company financial statements.

# Company balance sheet of TomTom NV

as at 31 December (before proposed appropriation of result)

| (€ in thousands) | Notes | 2014 | 2013 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | B | 2,936,534 | 2,873,122 |
| **TOTAL NON-CURRENT ASSETS** | | **2,936,534** | **2,873,122** |
| **Current assets** | | | |
| Intercompany receivables | | 24,617 | 15,544 |
| Cash and cash equivalents | | 2,183 | 368 |
| **TOTAL CURRENT ASSETS** | | **26,800** | **15,912** |
| **TOTAL ASSETS** | | **2,963,334** | **2,889,034** |
| **Shareholder's equity** | E | | |
| Share capital | | 44,714 | 44,435 |
| Share premium | | 986,683 | 977,087 |
| Other reserves | F | 202,289 | 160,087 |
| Accumulated deficit | | −357,712 | −349,002 |
| Result for the year | | 22,549 | 19,539 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **898,523** | **852,146** |
| **Non-current liabilities** | | | |
| Borrowings | G | 48,925 | 99,348 |
| Intercompany payable | H | 2,013,724 | 1,861,114 |
| Provisions | | 26 | 25 |
| Deferred tax liability | D | 269 | 391 |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,062,944** | **1,960,878** |
| **Current liabilities** | | | |
| Borrowings | G | 0 | 74,089 |
| Other liabilities | | 1,867 | 1,921 |
| **TOTAL CURRENT LIABILITIES** | | **1,867** | **76,010** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,963,334** | **2,889,034** |

The notes on pages 83 to 84 are an integral part of these company financial statements.

# Notes to the company financial statements

## A. Presentation of financial statements and recognition and measurement principles

The description of the activities of TomTom NV (the company) and the company structure, as included in the notes to the consolidated financial statements, also applies to the company financial statements.

The company has prepared its company financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and, specifically, in accordance with section 362.8 of the Dutch Civil Code. In doing so, it has applied the principles of recognition and measurement as adopted in the consolidated financial statements (IFRS). Investments in subsidiaries are accounted for using the equity method. For more information on the accounting policy applied, and on the notes, please refer to the notes to the consolidated financial statements section.

## B. Investments in subsidiaries

The movements in the 'Investments in subsidiaries' were as follows:

| (€ in thousands) | 2014 | 2013 |
|---|---|---|
| **BALANCE AS AT 1 JANUARY** | **2,873,122** | 2,842,149 |
| Result of subsidiaries | 46,405 | 34,923 |
| Transfer to stock compensation reserve | 4,126 | 4,965 |
| Currency translation differences | 13,967 | –8,925 |
| Other direct equity movements | –1,086 | 10 |
| **BALANCE AS AT 31 DECEMBER** | **2,936,534** | **2,873,122** |

A list of subsidiaries and affiliated companies prepared in accordance with the relevant legal requirements (the Dutch Civil Code Book 2, Part 9, sections 379 and 414) is deposited at the office of the Chamber of Commerce in Amsterdam, the Netherlands.

## C. Other income and expenses after tax

The employees of the company comprise only the members of the Management Board.

Other income and expenses consist of the remuneration of the Management Board and the Supervisory Board, the interest expense on the borrowings and the interest income on the company's outstanding cash balances. For the remuneration of the Management Board and Supervisory Board, please refer to note 33. Remunerations of members of the Management Board and the Supervisory Board of the consolidated financial statements.

## D. Deferred taxation

As at 31 December 2014, the company had a deferred tax liability of €0.3 million (2013: €0.4 million). The deferred tax liability results from a temporary difference between the tax treatment and the accounting treatment of the borrowing cost. The movement of the deferred tax positions during the year was the result of changes/reversals of temporary differences and has been charged/released to the income statement.

## E. Shareholders' equity

For the statement of changes in consolidated equity for the year ended 31 December 2014, please refer to Consolidated statement of changes in equity in the consolidated financial statements. Additional information on the shareholders' equity is disclosed in note 24. Shareholder's equity in the consolidated financial statements.

## F. Other reserves

| (€ in thousands) | Legal reserve participations | Cumulative translation adjustment | Total Legal reserve | Stock compensation reserve | Total |
|---|---|---|---|---|---|
| **BALANCE AS AT 31 DECEMBER 2012** | **104,379** | **5,629** | **110,008** | **49,003** | **159,011** |
| Currency translation differences | 0 | –8,925 | –8,925 | 0 | –8,925 |
| Transfer from retained earnings | 29,563 | 0 | 29,563 | 0 | 29,563 |
| Stock compensation related movements | 0 | 0 | 0 | 524 | 524 |
| Release to retained earnings | 0 | 0 | 0 | –20,086 | –20,086 |
| **BALANCE AS AT 31 DECEMBER 2013** | **133,942** | **–3,296** | **130,646** | **29,441** | **160,087** |
| Currency translation differences | 0 | 13,967 | 13,967 | 0 | 13,967 |
| Transfer from retained earnings | 28,271 | 0 | 28,271 | 0 | 28,271 |
| Stock compensation related movements | 0 | 0 | 0 | 1,072 | 1,072 |
| Release to retained earnings | 0 | 0 | 0 | –1,108 | –1,108 |
| **BALANCE AS AT 31 DECEMBER 2014** | **162,213** | **10,671** | **172,884** | **29,405** | **202,289** |

### Legal reserves
Legal reserves are the non-distributable reserves that are recorded for an amount equal to the restricted reserves of the company's subsidiaries and the cumulative translation adjustment reserve.

### Stock compensation reserve
The stock compensation reserve represents the cumulative expense of issued stock options that have been granted but not exercised.

## G. Borrowings
Please refer to note 27. Borrowings in the consolidated financial statements.

## H. Intercompany payable
'Intercompany payable' comprises of loans provided by subsidiaries. The interest rate on the loan during 2014 is based upon LIBOR plus a margin of 1.3% (2013: LIBOR plus a margin of 0.6%). Although no repayment period has been agreed the loan has a long-term nature.

## I. Off-balance sheet commitments
The company has issued several declarations of joint and several liability for various group companies, in compliance with section 403 of Part 9 of Book 2 of the Dutch Civil Code. Besides these declarations, TomTom NV has given a guarantee as described in article 479C of the UK Companies Act for UK subsidiary TomTom Software Ltd.

In addition, a German subsidiary, TomTom Germany GmbH & Co. KG., applies the exemption as described in section 264b of the German Commercial Code (HGB) with regard to the publication of the annual financial statements.

The company forms a fiscal unity for corporate income tax and value added tax (VAT) purposes with several of its Dutch subsidiaries. Each company within the fiscal unity is jointly and severally liable for the fiscal liability of the fiscal unity.

Amsterdam, 12 February 2015

**The Management Board**
Harold Goddijn
Marina Wyatt
Alain De Taeye

Amsterdam, 12 February 2015

**The Supervisory Board**
Peter Wakkie
Doug Dunn
Guy Demuynck
Ben van der Veer
Toine van Laack
Jacqueline Tammenoms Bakker
Anita Elberse

**TomTom NV**
Amsterdam

# Other information

### Statutory provision with respect to appropriation of results

According to the company's Articles of Association, the company's result is freely at the disposal of the shareholders, provided that total shareholders' equity exceeds the called-up and paid-up capital of the company, increased by legal and statutory reserves.

### Subsequent events

There has been no subsequent event from 31 December 2014 to the date of issue of these financial statements.

### Proposed appropriation of result

The Management Board proposes to add the net result in full to the Accumulated deficit.

### Foundation Continuity TomTom

For a description of the Foundation Continuity TomTom, refer to the Corporate Governance section in this annual report.

### Auditor's report

Reference is made to the Independent Auditor's Report section in this annual report.

# Independent Auditor's Report

*To: the Shareholders and Supervisory Board of TomTom NV*

## Report on the audit of the financial statements 2014

### Our Opinion

We have audited the accompanying financial statements 2014 of TomTom NV ('the company'), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of TomTom NV as at 31 December 2014 and of its results and its cash flows for the year 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of TomTom NV as at 31 December 2014 and of its results for the year 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at 31 December 2014;
2. The following statements for 2014: the consolidated statements of income, comprehensive income, changes in equity and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2014;
2. The company statement of income for the year 2014; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for Our Opinion

We conducted our audit in accordance with Dutch law, which also covers Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of TomTom NV in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7,400,000. The materiality is based on various criteria including the levels of profit before tax, revenues and total assets. As profit before tax is volatile, revenues was considered the appropriate primary benchmark. Materiality was calculated using a percentage of 0.8% and an estimated revenue level of EUR 925 million. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 370,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of our group audit

TomTom NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of TomTom NV.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. The criteria used are the size and/or risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial statements or specific items.

Our group audit mainly concentrated on significant group entities TomTom NV, TomTom International BV, TomTom Sales BV, TomTom Global Content BV, TomTom Global Assets BV and TomTom Inc. which are the main operating entities in Europe and the United States of America. We have performed audit procedures ourselves for all significant group entities. We performed review procedures or specific audit procedures for other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated and company financial statements.

## Our Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- **Impairment of non-financial asset**

Assets that have an indefinite useful life, such as goodwill, are tested for impairment at least on an annual basis. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on certain key assumptions, such as cash flow projections covering a five-year period and the perpetual growth rate and discount rate per cash generating unit. These assumptions which are determined by management are judgemental. As a result the valuation of intangible assets including goodwill is significant to our audit.  Our audit procedures included, among others, obtaining an understanding of the valuation model and assumptions used, challenging management's assumptions and involving independent valuation experts to support us in our evaluation of the model. We also focused on the adequacy of disclosures about key assumptions and sensitivity. Management's disclosures on the impairment of non-financial assets are included in note 14 to the consolidated financial statements.

- **Revenue recognition**

The process of revenue recognition, including the appropriate allocation of multiple-element arrangements and the estimation of rebates, involves significant management judgement. As such we have considered revenue recognition significant to our audit, requiring special audit consideration. We performed focused procedures to test the allocation of revenue to separately identifiable components of multiple element arrangements, particularly in relation to transactions that include the delivery of hardware products combined with a service element. This allocation is based on the estimated fair value per deliverable. We also performed substantive testing in relation to deferred revenue balances. Management's disclosures on revenue are included in note 4.

- **Provisions and accruals**

There are several accruals and provisions that are subject to a high level of judgment such as the provision for claims and litigations, tax risks and the warranty provision. Due to the uncertainty involved, this area is significant to our audit. As part of our procedures, we challenged management's rationale for determining the probability of related risks and considered information from both company representatives and external sources to be able to assess the reasonableness of the recorded amounts. Management has included information about these risks in note 31.

## Responsibilities of Management and the Supervisory Board for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

## Our Responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit assignment in a manner that allows sufficient and appropriate audit evidence to be obtained for our final opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may have not have detected all errors and fraud.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures. and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## Report on other legal and regulatory requirements

### Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other data):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required Part 9 of Book 2 of the Dutch Civil Code has been annexed.

We report that the management board report, to the extent we can assess, is consistent with the financial statements.

### Engagement

We were appointed by the General Meeting of TomTom NV on 1 May 2014 to carry out the 2014 audit and have acted as statutory auditor of the company since the year 2004.

Amsterdam, 12 February 2015

**Deloitte Accountants BV**
Signed by: B. E. Savert

## SUPPLEMENTARY INFORMATION





TOMTOM

# Shareholder information

## Investor Relations

TomTom is committed to providing a high degree of transparency and consistency in its reporting. TomTom engages and maintains open dialogue with investors and analysts and has an extensive communication programme, which includes the General Meeting, roadshows, investor conferences, presentations, webcasts and in-house meetings. Related events are reported and regularly updated on the Investor Relations website.

TomTom strictly adheres to applicable rules and legislation on fair disclosure. Its goal is to inform investors about the company and its management, strategy, goals and expectations in a transparent, timely and consistent manner. Investors and analysts are invited to contact TomTom with any information requests they have.

## Closed period

From the first day of the quarter until the publication of the quarterly results, the company is in a closed period. During this time it does not engage in discussions with analysts, investors and financial journalists or make presentations at investor conferences.

## Shares outstanding

TomTom NV had 223,569,822 shares outstanding as at 31 December 2014. The number of options outstanding was 16,461,793. The number of diluted shares outstanding was 225,121,931.

## Shareholder structure

The following table shows the company's ordinary shareholder structure as at 31 December 2014:

| Name | # shares | % of total |
|---|---|---|
| Founder-Harold Goddijn | 26,137,832 | 11.7% |
| Founder-Corinne Vigreux | 26,137,831 | 11.7% |
| Founder-Pieter Geelen | 26,137,831 | 11.7% |
| Founder-Peter-Frans Pauwels | 26,137,832 | 11.7% |
| Flevo Deelnemingen IV BV[1] | 22,633,290 | 10.1% |
| **Total major shareholders** | **127,184,616** | **56.9%** |
| Free float | 96,385,206 | 43.1% |
| **Total shares outstanding** | **223,569,822** | **100.0%** |

[1] Flevo Deelnemingen IV BV is a 100% direct shareholder of Flevo Dasym BV and Flevo Janivo BV.

An overview of the company's shareholders with a holding (voting rights) of 3% or more of the issued capital can be found in the Corporate Governance section.

## Protection mechanism

The Foundation Continuity TomTom, was established in 2005 to act as an instrument that protects the company against hostile takeovers. The purpose of the Foundation is to safeguard the company's interests and those of its subsidiaries, as well as the interests of all stakeholders of the organisation.

The company has granted the Foundation a call option entitling it to subscribe for preferred shares up to 100% of the aggregate outstanding share capital (excluding issued and outstanding preferred shares) of the company at the time of issue. An issue of preferred shares in the manner described would cause substantial dilution of the voting power of any shareholder whose objective was to gain control of the company.

Currently, there are no preferred shares outstanding. More information on the protection mechanism can be found in the Corporate Governance section.

## Dividend policy

TomTom has no current plans to distribute dividends. 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.

The company believes that allocating its cash resources to these priorities, serves shareholders' interests better in the longer term.

## Financial calendar

| Date | Event |
|---|---|
| 21 April 2015 | Publication Q1 2015 results |
| 24 April 2015 | General Meeting |
| 21 July 2015 | Publication Q2 2015 results |
| 20 October 2015 | Publication Q3 2015 results |

## Listing

TomTom NV shares are traded on NYSE Euronext Amsterdam in the Netherlands, where the company is included in the Amsterdam Mid-Cap Index (AMX):

- Euronext Amsterdam symbol: TOM2
- ISIN: NL0000387058
- Common Code: 021984272
- Amsterdam Security Code Number: 38705

Share options of TomTom are traded on the Euronext Amsterdam Derivative Market.

## Key share information

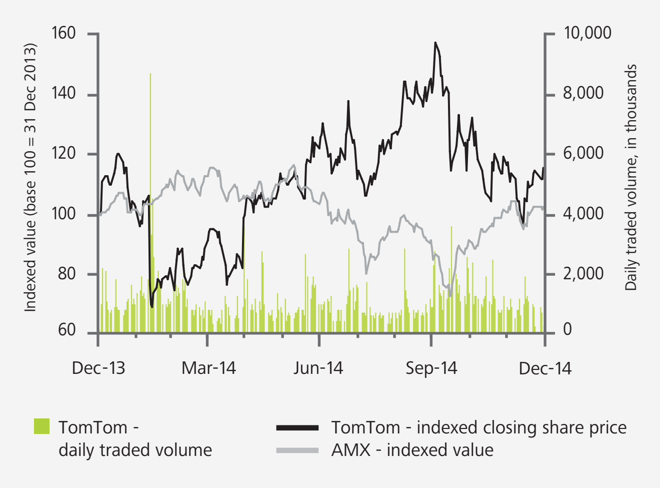
| (in €, unless stated otherwise) | **2014** | **2013** |
|---|---|---|
| Share price at the start of the year | 5.15 | 3.80 |
| Share price at the end of the year | 5.53 | 5.15 |
| Highest share price | 6.62 | 6.10 |
| Lowest share price | 4.34 | 3.11 |
| Market capitalisation at year end (€ in millions) | 1,236 | 1,144 |
| Average daily volume traded (# in thousands) | 1,105 | 1,380 |
| Diluted earnings per share (reported) | 0.10 | 0.09 |
| Diluted earnings per share (adjusted) | 0.27 | 0.26 |
| Diluted free cash flow per share | 0.05 | 0.76 |
| Earnings per share | 0.10 | 0.09 |
| Free cash flow per share | 0.05 | 0.76 |
| Weighted average number of shares outstanding (# in millions) | 222.7 | 222.0 |
| Weighted average number of shares fully diluted (# in millions) | 225.1 | 223.3 |



TOMTOM

## Relative share price performance in 2014

The graph below shows the indexed closing share price development of the company versus the AMX during 2014. Base date equals 31 December 2013 (index value = 100).




*Source: NYSE Euronext*

## Website

The company's Investor Relations website corporate.tomtom.com/investor.cfm contains up-to-date financial information about TomTom.

Investors and analysts are encouraged to visit the Investor Relations website regularly for a detailed and up-to-date coverage of the share price, shareholder meetings, quarterly and annual results, press releases, presentations, webcasts and Investor Relations-related events.

In addition, we recommend that investors and analysts visit TomTom's dedicated corporate website, which includes a wealth of information in relation to:

- Corporate Information:
  corporate.tomtom.com/overview.cfm
- Corporate Governance:
  corporate.tomtom.com/governance.cfm.

## Contact details

The Investor Relations team can be contacted by:

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## Visiting address

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# Key figures overview

| (€ in millions, unless stated otherwise) | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **INCOME AND EXPENSES** | | | | | | | |
| Revenue | 950 | 963 | 1,057 | 1,273 | 1,521 | 1,480 | 1,674 |
| Gross result | 523 | 521 | 555 | 640 | 744 | 731 | 781 |
| Operating result[1] | 21 | 26 | 70 | 102 | 190 | 231 | 264 |
| Net result[2] | 23 | 20 | 129 | 74 | 110 | 94 | 188 |
| **DATA PER SHARE** | | | | | | | |
| Earnings per share (in €) - diluted[3] | 0.10 | 0.09 | 0.58 | −1.97 | 0.49 | 0.47 | 1.17 |
| Adjusted earnings per share (in €) - basic[3,4] | 0.27 | 0.26 | 0.40 | 0.55 | 0.70 | 0.78 | 1.50 |
| **SHARES OUTSTANDING (#)** | | | | | | | |
| Average # basic shares outstanding (in millions)[3] | 223 | 222 | 222 | 222 | 222 | 184 | 148 |
| Average # diluted shares outstanding (in millions)[3] | 225 | 223 | 222 | 222 | 222 | 185 | 149 |
| **REGIONAL REVENUE SPLIT** | | | | | | | |
| Europe | 719 | 710 | 773 | 937 | 1,070 | 1,007 | 1,182 |
| North America | 163 | 178 | 208 | 257 | 380 | 411 | 434 |
| Rest of world | 68 | 76 | 76 | 79 | 70 | 62 | 59 |
| **CASH FLOW** | | | | | | | |
| Cash generated from operations | 135 | 188 | 187 | 195 | 265 | 430 | 463 |
| Cash flows from operating activities | 119 | 260 | 167 | 174 | 210 | 340 | 354 |
| Cash flows from investing activities | −106 | −91 | −51 | −73 | −65 | −90 | −1,903 |
| Cash flows from financing activities | −118 | −74 | −146 | −214 | −209 | −206 | 1,408 |
| Net (decrease) / increase in cash and cash equivalents | −106 | 95 | −30 | −112 | −64 | 45 | −142 |
| **BALANCE SHEET** | | | | | | | |
| Goodwill | 382 | 382 | 382 | 382 | 855 | 855 | 855 |
| Intangible assets | 801 | 804 | 821 | 872 | 946 | 986 | 1,011 |
| Inventories | 47 | 42 | 44 | 66 | 94 | 67 | 145 |
| Trade receivables | 133 | 115 | 150 | 185 | 306 | 294 | 290 |
| Cash and cash equivalents | 153 | 258 | 164 | 194 | 306 | 368 | 321 |
| Provisions | 83 | 80 | 81 | 101 | 109 | 114 | 113 |
| Borrowings | 49 | 173 | 247 | 384 | 588 | 790 | 1,388 |
| Trade payables | 88 | 82 | 84 | 117 | 218 | 201 | 152 |
| Total equity and liabilities | 1,601 | 1,678 | 1,724 | 1,799 | 2,623 | 2,686 | 2,767 |
| Net cash / (Net debt) | 103 | 83 | −86 | −194 | −294 | −442 | −1,109 |
| **KEY RATIOS[5]** | | | | | | | |
| Days sales of Inventory (DSI) | 33 | 31 | 30 | 31 | 31 | 21 | 47 |
| Days sales outstanding (DSO) | 46 | 39 | 47 | 48 | 55 | 51 | 51 |
| Creditor days | 63 | 60 | 57 | 56 | 72 | 64 | 49 |
| **NUMBER OF EMPLOYEES (#)** | | | | | | | |
| At end of period (FTE) | 4,116 | 3,630 | 3,441 | 3,677 | 3,487 | 3,138 | 3,357 |

[1] Operating result excludes the impairment charges (2011: €512 million; 2008: €1,047 million) and restructuring charges (2011: €14.8 million; 2010: €3.3 million; 2009: €10.3 million; 2008: €16.5 million).
[2] Net result excludes the abovementioned impairment and restructuring charges and the related tax effects.
[3] The earnings per share number and the weighted average number of shares outstanding for all years before 2009 have been adjusted to reflect the impact of the right offering that took place in July 2009.
[4] Earnings per share adjusted for acquisition-related amortisation, goodwill impairment and restructuring charges on a post-tax basis, and an €80 million one-off tax gain in 2012.
[5] Calculated based on the sales/cost of sales and the number of days in the last three months of the year.



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# Quarterly summary income statement 2014

| (€ in thousands, unless stated otherwise; quarterly data unaudited) | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | FY 2014 |
|---|---|---|---|---|---|
| **REVENUE** | **205,378** | **251,951** | **234,564** | **258,399** | **950,292** |
| Cost of sales | 88,089 | 112,089 | 101,271 | 125,517 | 426,966 |
| **GROSS RESULT** | **117,289** | **139,862** | **133,293** | **132,882** | **523,326** |
| Research and development expenses | 43,178 | 46,225 | 39,052 | 45,559 | 174,014 |
| Amortisation of technology and databases | 21,182 | 21,114 | 26,227 | 19,578 | 88,100 |
| Marketing expenses | 9,298 | 21,499 | 18,993 | 19,768 | 69,559 |
| Selling, general and administrative expenses | 42,120 | 40,792 | 41,178 | 46,449 | 170,539 |
| **TOTAL OPERATING EXPENSES** | **115,778** | **129,630** | **125,450** | **131,354** | **502,212** |
| **OPERATING RESULT** | **1,511** | **10,232** | **7,843** | **1,528** | **21,114** |
| Interest result | −1,020 | 10 | −1,017 | −1,118 | −3,145 |
| Other financial result | −1,176 | −306 | −657 | −1,581 | −3,720 |
| Result of associates | 136 | −75 | 232 | 81 | 374 |
| **RESULT BEFORE TAX** | **−549** | **9,861** | **6,401** | **−1,090** | **14,623** |
| Income tax gain / (charge) | 8,103 | −1,010 | −619 | 1,558 | 8,032 |
| **NET RESULT** | **7,554** | **8,851** | **5,782** | **468** | **22,655** |
| Attributable to: | | | | | |
| - Equity holders of the parent | 7,492 | 8,850 | 5,741 | 466 | 22,549 |
| - Non-controlling interests | 62 | 1 | 41 | 2 | 106 |
| **NET RESULT** | **7,554** | **8,851** | **5,782** | **468** | **22,655** |
| **MARGINS** | | | | | |
| Gross margin (%) | 57% | 56% | 57% | 51% | 55% |
| Operating margin (%) | 1% | 4% | 3% | 1% | 2% |
| **CALCULATION OF ADJUSTED EARNINGS PER SHARE** | | | | | |
| Net result attributed to equity holders | 7,492 | 8,850 | 5,741 | 466 | 22,549 |
| Amortisation of acquired intangibles | 13,243 | 12,830 | 12,004 | 12,255 | 50,332 |
| Tax effect of adjustments | −3,311 | −3,207 | −3,001 | −3,064 | −12,583 |
| **ADJUSTED NET RESULT** | **17,424** | **18,473** | **14,744** | **9,657** | **60,298** |
| Basic number of shares (in thousands) | 222,191 | 222,238 | 222,740 | 223,540 | 222,689 |
| Diluted number of shares (in thousands) | 224,431 | 224,521 | 225,914 | 226,428 | 225,122 |
| **EARNINGS PER SHARE** | | | | | |
| Basic EPS (in €) | 0.03 | 0.04 | 0.03 | 0.00 | 0.10 |
| Fully diluted Adjusted EPS (in €) | 0.08 | 0.08 | 0.07 | 0.04 | 0.27 |

# Quarterly summary statement of cash flows 2014

| (€ in thousands, quarterly data unaudited) | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | FY 2014 |
|---|---|---|---|---|---|
| Operating result | 1,511 | 10,232 | 7,843 | 1,528 | 21,114 |
| | | | | | |
| Financial gains / (losses) | 380 | –34 | 150 | –2,452 | –1,956 |
| Depreciation and amortisation | 28,184 | 26,673 | 33,158 | 26,696 | 114,711 |
| Change in provisions | 5,599 | –184 | –5,212 | –3,905 | –3,702 |
| Equity-settled stock compensation expense | 938 | 447 | 1,463 | 1,278 | 4,126 |
| Change in working capital: | | | | | |
| Change in inventories | –3,156 | 5,578 | –13,570 | 7,599 | –3,549 |
| Change in receivables and prepayments | 11,192 | –38,045 | 11,687 | 3,574 | –11,592 |
| Change in current liabilities (excluding provisions)[1] | –57,368 | 33,703 | 35,443 | 3,790 | 15,568 |
| **CASH GENERATED FROM OPERATIONS** | **–12,720** | **38,370** | **70,962** | **38,108** | **134,720** |
| | | | | | |
| Interest received | 103 | 1,061 | 145 | 158 | 1,467 |
| Interest paid | –895 | –824 | –628 | –1,470 | –3,817 |
| Corporate income taxes (paid) / received | –1,127 | –5,364 | –2,834 | –4,416 | –13,741 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **–14,639** | **33,243** | **67,645** | **32,380** | **118,629** |
| | | | | | |
| Investing in intangible assets | –20,396 | –16,757 | –17,019 | –18,528 | –72,700 |
| Investments in property, plant and equipment | –3,482 | –3,767 | –4,723 | –4,592 | –16,564 |
| Acquisitions of subsidiaries and other businesses | 0 | –6,504 | 0 | –10,776 | –17,280 |
| Divident received | 0 | 0 | 0 | 58 | 58 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **–23,878** | **–27,028** | **–21,742** | **–33,838** | **–106,486** |
| | | | | | |
| Repayment of borrowings | 0 | 0 | 0 | –175,000 | –175,000 |
| Amount utilised from credit facility | 0 | 0 | 0 | 50,000 | 50,000 |
| Dividends paid | 0 | 0 | 0 | –177 | –177 |
| Proceeds on issue of ordinary shares | 52 | 399 | 5,366 | 977 | 6,794 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **52** | **399** | **5,366** | **–124,200** | **–118,383** |
| | | | | | |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | **–38,465** | **6,614** | **51,269** | **–125,658** | –106,240 |
| Cash and cash equivalents at the beginning of period | 257,785 | 219,279 | 226,324 | 278,621 | 257,785 |
| Effect of exchange rate changes on cash balances held in foreign currencies | –41 | 431 | 1,028 | –14 | 1,404 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | **219,279** | **226,324** | **278,621** | **152,949** | **152,949** |

[1] Includes movements in the non-current portion of deferred revenue presented under Non-current liabilities.

# Definitions and abbreviations

| Term | Definition |
|---|---|
| **ADAS** | Advanced Driver Assistance Systems |
| **AFM** | the Netherlands Authority for Financial Markets |
| **AMX** | the Amsterdam Mid-Cap Index |
| **Apps** | Applications |
| **ARPU** | Average Revenue Per User |
| **ASP** | Average Selling Price |
| **BRICS** | Brazil, Russia, India, China and South Africa |
| **CNS** | Connected Navigation System |
| **Code** | the Dutch Corporate Governance Code |
| **Company** | TomTom NV |
| **CSR** | Corporate Social Responsibility |
| **EBIT** | Earnings Before Interest and Taxes |
| **EBITDA** | Earnings Before Interest, Taxes, Depreciation and Amortisation |
| **EICC** | the Electronic Industry Citizenship Coalition |
| **EMEA17** | AT, CH, DE, BE, NL, FR, IT, GB, ES, PT, TR, CZ, PL, DK, SE, FI, ZA |
| **ETA** | Expected Time of Arrival |
| **ETR** | Effective Tax Rate |
| **Foundation** | Foundation Continuity TomTom |
| **GIS** | Geographical Information System |
| **GPS** | Global Positioning System |
| **Group** | TomTom NV together with its subsidiaries |
| **HAD** | Highly Automated Driving |
| **IFRS** | International Financial Reporting Standards |
| **ISO** | International Standardisation Organisation |
| **KPI** | Key Performance Indicators |
| **LTM** | Last Twelve Months |
| **NavKit** | TomTom navigation technology engine |
| **NDS** | Navigation Data Standard |
| **North America** | The United States and Canada |
| **OBD** | On-board Diagnostic Device |
| **OEM** | Original Equipment Manufacturer |
| **OS** | Operating System |
| **PDA** | Personal Digital Assistant |
| **PND** | Portable Navigation Device |
| **R&D** | Research & Development |
| **SaaS** | Software-as-a-Service |
| **SDK** | Software Development Kit |
| **TMC** | Traffic Messaging Channel |
| **TPEG** | Transport Protocol Experts Group |
| **UI** | User Interface |
| **WEBFLEET** | TomTom Telematics' fleet management platform |

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