



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.

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.