



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.

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.