



# ANNUAL REPORT 2014



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## 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

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## 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.

## 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](http://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 predetermined 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.