



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.

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.

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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	Revenue	Net result	Interest held
			(€ in thousands)			(%)
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.