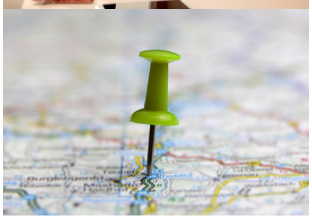
ANNUAL REPORT 2014



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.

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.