



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 6 OTHER DISCLOSURES

This section includes the notes on provisions, commitments and contingent liabilities, remunerations of Members of the Management Board and the Supervisory Board, related party transactions and Auditor's remuneration.

31. Provisions

(€ in thousands)	2014	2013
Non-current	48,496	55,857
Current	34,074	23,975
TOTAL	82,570	79,832

The movements in each category of provisions are as follows:

(€ in thousands)	Warranty	Claims & litigations	Other	Total
BALANCE AS AT 31 DECEMBER 2012	35,791	36,439	9,230	81,460
Increases in provisions	19,022	11,105	5,320	35,447
Utilised	-18,805	-5,362	-895	-25,062
Released	-3,435	-8,578	0	-12,013
BALANCE AS AT 31 DECEMBER 2013	32,573	33,604	13,655	79,832
Increases in provisions	20,188	13,086	6,913	40,187
Utilised	-20,266	-1,721	-2,418	-24,405
Released	206	-12,998 ¹	-252	-13,044
BALANCE AS AT 31 DECEMBER 2014	32,701	31,971	17,898	82,570

¹ In 2014, we recorded a gain of €8.2m as a result of changes in estimates in our claims and litigation provision.

Accounting policy

Provisions are recognised when:

- The group has a present obligation as a result of a past event;
- It is probable that the group will be required to settle that obligation; and
- The amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the group's obligation. Warranty costs are recorded within cost of sales.

Significant estimates

Warranty provision

The group generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as evaluating recent trends that might suggest that past cost information may differ from future claims.

From the total warranty provision of €32.7 million, it is estimated that an amount of €20.1 million will be utilised within 12 months.

Claims and litigation

The group made a provision for potential legal, tax and other risks in various jurisdictions. The legal matters consist mainly of intellectual property infringement issues. In the normal course of business, the group receives claims relating to allegations that it has infringed intellectual property assets. In such cases, the companies making the claims seek payments that may take the form of licenses and/or damages. While these claims will be resisted, some are likely to be settled by negotiation and others are expected to result in litigation.

The cases and claims against the group often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction in which each suit is brought, and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to such claims and litigation. The group accrues a liability when it is determined that an adverse outcome is more likely than not, and the amount of the loss can be reasonably estimated. If the likelihood of an adverse outcome is reasonably possible or an estimate is not determinable, the matter is disclosed, provided it is material. Management is of the opinion that the provision is adequate to resolve these claims.

The methodology used to determine the amount of the liability requires significant judgements and estimates regarding the costs of settling asserted claims. Due to the fact that there is limited historical data available, the estimated liability cannot be based upon recent settlement experience for similar types of claims.

Based on the best estimate, the portion of the claims and litigation provision expected to be settled in the coming twelve months amounts to approximately €9.7 million.

Other provisions

Other provisions include an amount of €8.4 million (2013: €6.8 million) related to the defined benefit pension plan in Germany as disclosed in [note 6. Personnel expenses](#), and the remainder relates mainly to provisions for expected earn-out payments. The amount of 'Other provisions' estimated to be settled/utilised within the coming twelve months amounted to €4.2 million.

32. Commitments, contingent assets and liabilities

The group has a number of long-term financial commitments, which are not shown in the group's balance sheet as at 31 December 2014.

Operating leases

These are operating leases for buildings, cars and office equipment, which consist of:

(€ in thousands)	2014	2013
Commitments less than 1 year	15,298	13,835
Commitments between 1 - 5 years	34,380	40,442
Commitments longer than 5 years	974	2,198
TOTAL	50,652	56,475

No discount factor is used in determining the operating lease commitments.

Purchase commitments

As at 31 December 2014, the group had open purchase commitments with contract manufacturers for certain products and components. Contract manufacturers order the requisite component parts from their suppliers on the basis of forecasts of the number of units required. Manufacturers have commitments on these components. In certain circumstances, the group has a contractual obligation to purchase these components from the manufacturers.

Other commitments

The group has contracts with third-party suppliers or other business partners that include minimum royalty or revenue share payments over the duration of the contracts that range from 1 to 5 years. The total commitments under these contracts are presented below.

(€ in thousands)	2014	2013
Commitments less than 1 year	9,541	7,517
Commitments between 1 - 5 years	9,430	11,333
TOTAL	18,971	18,850

The group has given a guarantee as described in section 479C of the UK Companies Act to TomTom Software Ltd. Accordingly, TomTom Software Ltd. is exempted from the requirements of the Companies Act 2006 relating to audit by virtue of section 479A.

In addition, a German subsidiary, TomTom Germany GmbH & Co. KG., which is included in these consolidated financial statements, applies the exemption as described in section 264b of the German Commercial Code (HGB) with regard to the publication of the annual financial statements and the drawing up of a management report and the notes to the financial statements.

Contingencies

Please refer to [note 31. Provisions](#) for disclosures on tax and legal contingencies.

In 2014, we won an arbitration award in which the Tribunal ruled that one of our suppliers must repay royalties paid by TomTom in prior periods. TomTom has recently filed a motion in local Court to recognise this award and render it internationally enforceable. Our supplier may choose to oppose our motion and file a separate Court action to overturn the arbitration award. While we believe it is more likely than not that the Court will uphold and recognise the arbitration award, we cannot be certain of such an outcome, and a final judgement in this matter, including the quantum and timing of any final judicial award, remains uncertain. Consequently, we have not recognised the asset, and given that further disclosure could seriously prejudice our position, no further disclosure is provided. If TomTom is ultimately successful and the arbitration award is enforced, the amount awarded will not have a significant impact on TomTom's financial position.

Based on legal advice, there were no other contingencies that management expects to have a material adverse effect on the group's financial position as at 31 December 2014.

33. Remunerations of members of the Management Board and the Supervisory Board

The Remuneration Policy

The Remuneration Policy for members of the Management Board is drawn up by the Supervisory Board and approved by the General Meeting.

The on-target bonus percentage is set at 80% of the base salary for the CEO and at 64% of the base salary for the other members of the Management Board. The maximum annual incentive achievable is 120% of the annual base salary for the CEO and 96% of the annual base salary for the other members of the Management Board. The actual bonus pay-out depends on certain challenging financial targets (gross profit, EBIT and cash flow). The total remuneration paid/payable to or on behalf of the members of the Management Board for the year ended 31 December 2014, amounted to approximately €2.3 million (2013: €2.5 million), of which 38% represented bonus payments (2013: 46%). In 2014, the bonus achievement was 101% of the on-target bonus percentage (2013: 131%).