# Second quarter and first half 2018 results

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

### Financial summary Q2 '18

- Revenue of €231 million (Q2 '17: €253 million)
- Gross margin of 72% (Q2 '17: 64%)
- EBITDA of €63 million (Q2 '17: €50 million)
- Adjusted EPS[1] of €0.05 (Q2 '17: €0.03)
- Net cash position of €155 million (Q2 '17: €82 million)
- Deferred revenue position of €277 million (Q2 '17: €240 million)

### Operational summary Q2 '18

- TomTom EV Service wins TU-Automotive Award and the CLEPA Innovation Award
- Microsoft's Azure Maps, powered by TomTom, are now offered for general availability
- Telematics recognised by Frost & Sullivan as Europe's Fleet Telematics company of the year

### Outlook 2018

Full year outlook increased; We now expect full year revenue of around €825 million and adjusted EPS[1] of at least €0.30.

### Key figures

| (€ in millions, unless stated otherwise) | Q2 '18 | Q2 '17 | y.o.y. change | H1 '18 | H1 '17 | y.o.y. change |
|---|---|---|---|---|---|---|
| Automotive & Enterprise | 92.6 | 87.5 | 6% | 172.4 | 165.0 | 4% |
| Telematics | 43.9 | 41.0 | 7% | 86.7 | 80.9 | 7% |
| Consumer | 94.9 | 124.6 | -24% | 164.1 | 220.2 | -25% |
| REVENUE | 231.4 | 253.0 | -9% | 423.2 | 466.0 | -9% |
| GROSS RESULT | 165.6 | 162.6 | 2% | 299.1 | 296.1 | 1% |
| *Gross margin* | *72%* | 64% | | *71%* | 64% | |
| EBITDA | 63.4 | 50.4 | 26% | 107.6 | 84.4 | 28% |
| *EBITDA margin* | *27%* | 20% | | *25%* | 18% | |
| OPERATING RESULT (EBIT) | 24.9 | -154.5 | | 31.8 | -156.0 | |
| *Operating margin* | *11%* | -61% | | *8%* | -33% | |
| NET RESULT | 19.8 | -156.4 | | 26.2 | -158.5 | |
| ADJUSTED NET RESULT | 11.7 | 7.0 | 67% | 34.3 | 0.2 | |
| EPS, € fully diluted | 0.09 | -0.67 | | 0.11 | -0.68 | |
| Adjusted EPS[1], € fully diluted | 0.05 | 0.03 | 70% | 0.15 | 0.00 | |

*Change percentages and totals calculated before rounding.*

This report includes the following non-GAAP measures: Automotive operational revenue, gross margin, EBIT (margin), EBITDA (margin), adjusted net result, adjusted EPS and net cash, which are further explained on page 27 of this report. Comparative figures have been restated to reflect the adoption of new accounting standards. Refer to page 15 of this report.

[1] Earnings per fully diluted share count adjusted for movement of deferred revenue, unbilled revenue, deferred cost of sales, impairments and material restructuring and disposal costs on a post-tax basis.

## TOMTOM'S CHIEF EXECUTIVE OFFICER, HAROLD GODDIJN

*"Our positive start to 2018 carried through in the second quarter of the year. Automotive continued to grow strongly and our gross margin further strengthened, resulting in year on year gross profit growth.*

*Our map production system has been reinforced through automated multi-source map fusion and machine learning, allowing for faster cycle times and lower operational costs. We are also happy to announce that Microsoft's Azure Maps, powered by TomTom, are now offered for general availability."*

## OUTLOOK 2018

We are increasing our guidance for the year.

Due to higher demand from our Automotive customers, we now expect to deliver full year revenue of around €825 million. Previous full year revenue guidance was around €800 million.

We expect our operational expenditure to show a modest decline compared to 2017, excluding impairment and restructuring.

The above effects will increase the adjusted EPS to at least €0.30.

| **Outlook full year 2018** | **Updated** | **Previous** |
|---|---|---|
| Revenue | ~ €825 million | ~ €800 million |
| Gross margin | At least 70% | Close to 70% |
| OPEX | ~ €550 million | ~ €550 million |
| Adjusted EPS | At least €0.30 | ~ €0.25 |

## FINANCIAL AND BUSINESS REVIEW

Revenue for the second quarter amounted to €231 million, 9% lower compared with the same quarter last year (Q2 '17: €253 million). Automotive showed strong year on year revenue growth of 28% while Telematics grew by 7% year on year. Enterprise revenues declined, partly due to a one-off catch up recorded in the same quarter last year. Consumer revenues declined, yet the cash generation of Consumer was strong. Gross margin increased to 72% (Q2 '17: 64%). The net result adjusted for movement of deferred revenue, unbilled revenue and deferred cost of sales on a post-tax basis was a gain of €12 million, which translates to an adjusted EPS of €0.05 (Q2 '17: €0.03).

### Automotive & Enterprise

| (€ in millions) | **Q2 '18** | **Q2 '17** | **y.o.y. change** | **H1 '18** | **H1 '17** | **y.o.y. change** |
|---|---|---|---|---|---|---|
| Automotive | 62.6 | 49.0 | 28% | 112.3 | 93.7 | 20% |
| Enterprise | 30.0 | 38.4 | -22% | 60.1 | 71.3 | -16% |
| Total Automotive & Enterprise revenue | 92.6 | 87.5 | 6% | 172.4 | 165.0 | 4% |
| Automotive & Enterprise segment EBITDA | | | | 43.2 | 57.1 | -24% |
| *EBITDA margin (%)* | | | | *25%* | *35%* | |
| Automotive & Enterprise segment EBIT | | | | -19.0 | -2.1 | |
| *EBIT margin (%)* | | | | *-11%* | *-1%* | |

*Change percentages and totals calculated before rounding.*

Automotive & Enterprise combined revenue in the quarter was €93 million (Q2 '17: €88 million). Automotive generated revenue of €63 million in the quarter, representing a 28% increase year on year. The year on year improvement was, among others, the result of an increase in the expected total contract value of a customer, resulting in extra revenue recognition.

Enterprise revenue in Q2 '18 was €30 million compared with €38 million in the same quarter last year. In Q2 '17, there was an adjustment for the recognition of revenue earned in previous quarters for which revenue recognition criteria had previously not been met. This was the main driver of the year-on-year decrease in revenue.

Automotive & Enterprise segment EBITDA for the first half of the year showed a year on year decline due to increased expenditure on content and navigation technologies in order to fulfil customer requirements.

In the quarter, TomTom EV Service won the Best eMobility Product/Service award at the TU-Automotive Awards and the Connectivity & Automation award at the CLEPA Innovation Awards. TomTom EV Service has been developed to assist drivers in making informed decisions about when and where to charge their vehicles, covering more than 45,000 charging stations globally, with real-time availability information.

We also announced several collaborations for our connected car services. Together with Toyota, we launched a new navigation app that can be mirrored to its vehicles' in-dash screens in Argentina, Brazil and Paraguay. The app combines offline maps with online services, thus reducing user's smartphone data consumption.

We enhanced TomTom On-Street and Off-Street Parking through a collaboration with ParkWhiz, which will allow TomTom access to one of the largest databases of dedicated public parking facilities in the United States and Canada. We will also provide reservation capability, allowing drivers to view, reserve, and pay for parking from the comfort of their vehicle.

In Enterprise, Microsoft's Azure Maps are now offered for general availability. Powered by our Maps APIs, Microsoft's customers will have access to robust mapping capabilities to integrate into their various applications.

Also in the quarter, we announced that our mapping data was chosen by Alteryx, a data science and analytics company, to be integrated in their newly launched analytics platform. In addition, trivago, a global hotel search platform, selected TomTom Online Search API to improve address geocoding in its accommodation database, creating a better user experience.

### Telematics

| (€ in millions, unless stated otherwise) | Q2 '18 | Q2 '17 | y.o.y. change | H1 '18 | H1 '17 | y.o.y. change |
|---|---|---|---|---|---|---|
| Subscriptions | 33.5 | 31.3 | 7% | 66.7 | 62.0 | 8% |
| Hardware and other services[1] | 10.4 | 9.7 | 7% | 20.0 | 18.9 | 5% |
| Total Telematics revenue | 43.9 | 41.0 | 7% | 86.7 | 80.9 | 7% |
| Telematics segment EBITDA | | | | 33.1 | 29.4 | 13% |
| *EBITDA margin (%)* | | | | 38% | 36% | |
| Telematics segment EBIT | | | | 22.5 | 21.3 | 6% |
| *EBIT margin (%)* | | | | 26% | 26% | |
| Monthly revenue per subscription (€) | 13.3 | 14.0 | -6% | 13.4 | 14.2 | -6% |
| Subscriber installed base (# in thousands) | 848 | 762 | 11% | 848 | 762 | 11% |

*Change percentages and totals calculated before rounding.*

*[1] Other services revenue comprises installation services and separately purchased traffic service and/or map content.*

Telematics revenue for the quarter was €44 million, 7% higher compared with the same quarter last year. The recurring subscription revenue for the quarter increased by 7% year on year to €34 million (Q2 '17: €31 million). Monthly revenue per subscription decreased slightly from Q2 '17, mainly due to the mix effect caused by growing aftermarket connected car volumes, which are priced at lower levels compared with the traditional fleet management services.

Telematics H1 '18 segment EBITDA was €33 million, 13% higher compared with H1 '17.

At the end of Q2 '18, Telematics surpassed 848,000 fleet management and connected car subscriptions. This represents a 11% year on year increase, up from 762,000 subscriptions at the end of Q2 '17.

In June, the global consultancy firm Frost & Sullivan named TomTom Telematics as 2018 European fleet telematics company of the year. In its Best Practices Awards programme, it cited the connected car services solutions for leasing and rental companies and the overhauled WEBFLEET fleet management system as the primary reasons for the award.

### Consumer

| (€ in millions) | Q2 '18 | Q2 '17 | y.o.y. change | H1 '18 | H1 '17 | y.o.y. change |
|---|---|---|---|---|---|---|
| Consumer products | 83.9 | 111.4 | -25% | 140.9 | 194.2 | -27% |
| Automotive hardware | 11.0 | 13.2 | -16% | 23.2 | 25.9 | -11% |
| Total Consumer revenue | 94.9 | 124.6 | -24% | 164.1 | 220.2 | -25% |
| Consumer segment EBITDA | | | | 35.1 | 1.1 | |
| *EBITDA margin (%)* | | | | 21% | 0% | |
| Consumer segment EBIT | | | | 32.0 | -3.3 | |
| *EBIT margin (%)* | | | | 20% | -2% | |

*Change percentages and totals calculated before rounding.*

Total Consumer revenue for the quarter was €95 million, a decline of 24% compared with the same quarter last year (Q2 '17: €125 million), following the decline in the PND market and to a lesser extent a decline in Automotive hardware revenue.

Consumer segment EBITDA for H1 '18 showed a sharp increase as a result of the reorganisation performed in the second half of 2017.

### Gross margin

The gross margin for the quarter was 72%, compared with 64% in Q2 '17, reflecting the shift of revenue mix towards higher margin data, software & services revenue.

### Operating expenses

Total operating expenses for the quarter were €141 million, €7 million lower compared with the same quarter last year (Q2 '17: €148 million; excluding an impairment charge of €169 million). The operating expenses for the Consumer segment showed a sharp decline, offset partly by increased investments in our navigation technologies.

### Depreciation, amortisation and impairment

Total depreciation and amortisation expenses amounted to €39 million in the quarter, 6% higher compared with the same quarter last year, excluding impairment charges (Q2 '17: €36 million). This increase is caused by higher amortisation of technology and databases derived from the capital expenditures of past years, and an increase in the value of leased assets, driven by the commencement of office leases during the quarter.

### FX sensitivity

| (€ in millions, unless stated otherwise) | Q2 '18 *actual* | Q2 '18 recalculated at *Q2 '17 FX rates*[1] | H1 '18 *actual* | H1 '18 recalculated at *H1 '17 FX rates*[1] |
|---|---|---|---|---|
| Revenue | 231.4 | 235.4 | 423.2 | 431.6 |
| Gross result | 165.6 | 165.3 | 299.1 | 297.8 |
| *Gross margin* | *72%* | *70%* | *71%* | *69%* |
| EBIT | 24.9 | 23.0 | 31.8 | 26.2 |
| *EBIT margin* | *11%* | *10%* | *8%* | *6%* |
| **FX RATES (IN €)** | **Q2 '18** | **Q2 '17** | **H1 '18** | **H1 '17** |
| US dollar | 1.20 | 1.09 | 1.21 | 1.08 |
| GB pound | 0.88 | 0.85 | 0.88 | 0.85 |

*[1]The Q2 '18/H1 '18 income and expense in US dollar and GB pound have been converted to euro using Q2 '17 / H1 '17 average exchange rates. All other foreign currencies have not been converted.*

### Financial income and expenses

The other financial result for the quarter was a loss of €1.9 million (Q2 '17: gain of €1.5 million), which consisted primarily of foreign exchange losses from the revaluation of monetary balance sheet items.

### Income tax

The net income tax expense for the quarter was €3.2 million compared with €3.0 million in Q2 '17.

### Adjusted net result and adjusted EPS

| (€ in millions, unless stated otherwise) | Q2 '18 | Q2 '17 | y.o.y. change | H1 '18 | H1 '17 | y.o.y. change |
|---|---|---|---|---|---|---|
| Net result | 19.8 | -156.4 | | 26.2 | -158.5 | |
| Net result attributed to equity holders | 19.9 | -156.2 | | 26.3 | -158.4 | |
| Movement of deferred revenue, unbilled revenue and deferred CoS | -10.7 | -7.0 | 51% | 10.5 | -12.8 | |
| Tax effect on movement | 2.5 | 1.5 | 61% | -2.4 | 2.8 | |
| Impairments | | 168.7 | | | 168.7 | |
| Adjusted net result | 11.7 | 7.0 | 67% | 34.3 | 0.2 | |
| Adjusted EPS, € fully diluted | 0.05 | 0.03 | 70% | 0.15 | 0.00 | |

*Change amounts and totals calculated before rounding.*

The net result for the quarter was a profit of €19.8 million compared with a loss of €156.4 million in Q2 '17. The net result adjusted for movement of deferred revenue, unbilled revenue and deferred cost of sales on a post-tax basis was a profit of €11.7 million compared with a profit of €7.0 million in Q2 '17.

Adjusted EPS for the quarter was €0.05 compared with €0.03 in the same quarter last year.

*Net movement of deferred and unbilled revenues and deferred cost of sales per segment*

| (€ in millions) | Q2 '18 | Q2 '17 | H1 '18 | H1 '17 |
|---|---|---|---|---|
| Automotive | 8.4 | 12.3 | 36.4 | 22.3 |
| Enterprise | -15.0 | -16.0 | -15.7 | -26.9 |
| Telematics | -0.3 | -1.5 | -0.8 | -1.0 |
| Consumer | -3.8 | -1.9 | -9.4 | -7.2 |
| Total | -10.7 | -7.0 | 10.5 | -12.8 |

*Totals calculated before rounding.*

### Balance sheet

Trade receivables were €119 million in Q2 '18 compared with €135 million at the end of Q2 '17. The inventory level at the end of the quarter was €34 million, compared with €54 million at the end of the same quarter last year.

Current liabilities excluding deferred revenue were €237 million compared with €263 million at the end of Q2 '17.

Deferred revenue was €277 million at the end of Q2 '18, compared with €240 million at the end of the same quarter last year. The year on year increase reflects the increased deferred revenue position related to Automotive contracts with upfront payments for multi-year service offerings.

*Deferred revenue balance by segment*

| (€ in millions) | 30 Jun 2018 | 30 Jun 2017 |
|---|---|---|
| Automotive | 136.1 | 71.5 |
| Enterprise | 4.4 | 9.2 |
| Telematics | 29.8 | 32.4 |
| Consumer | 106.8 | 126.5 |
| Total | 277.1 | 239.6 |

*Totals calculated before rounding.*

On 30 June 2018, the group had no outstanding bank borrowings and reported a cash position of €155 million (Q2 '17: net cash of €82 million).

### Cash flow

The cash flow from operating activities for the quarter was €53 million compared with €29 million in Q2 '17. The year on year increase was mainly driven by the higher EBITDA and lower working capital utilisation in Q2 2018.

The cash flow used in investing activities for the quarter was €25 million, with the vast majority of our investments related to map content and various technology platforms needed to support growth in Automotive and Enterprise.

*CAPEX (excluding acquisitions)*

| (€ in millions) | Q2 '18 | Q2 '17 | y.o.y. change | H1 '18 | H1 '17 | y.o.y. change |
|---|---|---|---|---|---|---|
| Map content | 7.1 | 8.6 | -17% | 13.2 | 14.0 | -6% |
| Mapmaking platform | 10.7 | 8.8 | 22% | 20.5 | 16.1 | 27% |
| Telematics | 2.9 | 3.6 | -20% | 4.6 | 7.9 | -42% |
| Other | 3.9 | 8.4 | -54% | 8.7 | 16.2 | -46% |
| Total | 24.6 | 29.4 | -16% | 46.9 | 54.3 | -13% |

*Change percentages and totals calculated before rounding.*

The cash flow used in financing activities for the quarter was an outflow of €2.7 million (Q2 '17: inflow of €2.2 million). In the quarter, 0.4 million options were exercised (Q2 '17: 1.8 million options) related to our long-term employee incentive programmes, resulting in a €2.0 million cash inflow (Q2 '17: €8.8 million).

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# TomTom NV

# Interim Financial Report

## 30 June 2018

## (Unaudited)

**Contents:**

# Semi-annual financial report

## Introduction

TomTom NV (the 'company') and its subsidiaries (together referred to as 'the group') is the world's leading provider of location and navigation solutions. TomTom has more than 4,700 employees (FTE) working in its offices across all continents. The commercial activities of the group are carried out through four segments – Automotive, Enterprise, Telematics and Consumer. Automotive and Enterprise provide maps, traffic information and navigation software to business customers in different market segments. Automotive serves automotive customers (mainly OEMs and Tier1 head unit vendors) while Enterprise serves a wide range of non-Automotive customers. Telematics provides a wide range of telematics services and related products to fleet owners including sale and/or rental of hardware products associated with those services. Consumer generates revenue mainly from the sale of consumer electronics devices, such as PNDs.

## Market and TomTom outlook 2018

Within the Automotive & Enterprise business we aim to grow through technology leadership in mapmaking information systems, traffic and navigation software. To achieve market leadership, we will invest in automation, modularity and industry standard interfaces. We are targeting new growth opportunities in ADAS and Autonomous Driving, investing in our HD map and RoadDNA technologies. Our Telematics business strategy is to continue to profitably grow our fleet management business and to diversify to other Connected Car services such as vehicle leasing. Our Consumer business is aimed at maximising cash flows from our traditional portable navigation category.

We are updating our guidance for the year. Due to higher demand from our Automotive customers, we now expect to deliver full year revenue of around €825 million and an adjusted EPS of at least €0.30.

## Financial review for the six-month period ended 30 June 2018

In the first half of 2018, the group generated revenue of €423 million, which is €43 million less compared with €466 million in the same period of 2017. Our year on year revenue development reflects growth in Automotive and Telematics revenue offset by the revenue decline in Consumer and Enterprise. The group's gross margin for H1 '18 was 71% (H1 '17: 64%). Our operating result for H1 '18 was a gain of €32 million compared with a loss of €156 million in the same period last year as we recorded an impairment charge of €169 million on the goodwill of our Consumer segment.

## Revenue

Automotive & Enterprise generated revenue of €172 million in H1 '18, an increase of 4% compared with €165 million in H1 '17. Automotive generated revenue of €112 million in H1 '18, an increase of 20% compared with €94 million in H1 '17. Enterprise revenue in H1 '18 was €60 million compared with €71 million in H1 '17. This decrease results mainly from the recognition of revenue in H1 '17 as a catch-up of revenue for which the revenue recognition criteria were not yet fulfilled in earlier quarters.

Telematics revenue increased by 7% year on year from €81 million in H1 '17 to €87 million in H1 '18. The increase was mainly driven by growing recurring service revenue.

Consumer revenue for H1 '18 declined year on year by 25% to €164 million, driven by a reduction in the consumer sports business and a declining PND market in line with expectations.

## Gross result

The gross profit for H1 '18 was €299 million, an increase of €3 million compared with the same period last year (H1 '17: €296 million). The gross margin in H1 '18 was 71% compared with

64% in H1 '17, reflecting the shift of our revenue mix towards higher margin data, software & services revenue.

**Operating expenses**

Operating expenses in H1 '18 were €267 million compared with €283 million in H1 '17 (excluding the 2017 impairment charge). Operating expenses decreased by €16 million year on year, mainly due to lower marketing expenses.

**Operating result**

The operating result for H1 '18 was a profit of €32 million compared with a loss of €156 million in H1 '17 as a result of the impairment charge recorded in H1 '17.

**Financial result**

The group recorded €0.4 million net interest expense in H1 '18 compared with €1.0 million in the same period in 2017. The other financial result in H1 '18 was a loss of €0.2 million versus a gain of €1.9 million in H1 '17, mainly driven by a gain on foreign exchange revaluation of our monetary balance sheet items in the prior year.

**Income taxes**

In H1 '18, the group recorded an income tax expense of €5.2 million versus €3.8 million in the same period last year.

**Cash flow**

The cash flow from operating activities was €85 million, an increase of €58 million compared to the same period last year. The increase is mainly due to lower working capital utilisation in H1 '18 and improved results.

Excluding acquisition-related cash flows and dividends received, the cash flow used in investing activities during H1 '18 was €47 million, a decrease of €7 million compared with €54 million in the same period last year.

The cash flow from financing activities includes a cash inflow of €2.7 million from the exercise of 0.5 million options related to our long-term employee incentive programmes during H1 '18.

**Related party transactions**

For related party transactions please refer to note 11 of our interim financial report.

**Principal risks and uncertainties H1 2018**

The group risks mentioned in the group Risk Profile section of TomTom's 2017 Annual Report are still relevant and deemed incorporated and repeated in this report by reference.

**Responsibility statement**

With reference to the statement within the meaning of article 5:25d (2c) of the Financial Supervision Act, the Management Board hereby declares that, to the best of their knowledge:

- the interim financial statements prepared in accordance with IAS 34, "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position, profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the interim Management Board report gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Financial Supervision Act.

Amsterdam, 17 July 2018

**The Management Board**

Harold Goddijn / Chief Executive Officer
Taco Titulaer / Chief Financial Officer
Alain De Taeye / Member

## Consolidated condensed statement of income

| (€ in thousands) | Q2 '18 *Unaudited* | Q2 '17 *Unaudited Restated* | H1 '18 *Unaudited* | H1 '17 *Unaudited Restated* |
|---|---|---|---|---|
| **Revenue** | **231,382** | **253,014** | **423,161** | **466,048** |
| Cost of sales | 65,814 | 90,397 | 124,066 | 169,955 |
| **Gross result** | **165,568** | **162,617** | **299,095** | **296,093** |
| Research and development expenses | 54,909 | 53,539 | 102,859 | 103,765 |
| Amortisation of technology and databases | 26,402 | 24,373 | 50,473 | 46,802 |
| Marketing expenses | 9,430 | 19,523 | 17,610 | 32,299 |
| Selling, general and administrative expenses | 49,937 | 50,956 | 96,377 | 100,527 |
| Impairment charge | 0 | 168,687 | 0 | 168,687 |
| **Total operating expenses** | **140,678** | **317,078** | **267,319** | **452,080** |
| **Operating result** | **24,890** | **-154,461** | **31,776** | **-155,987** |
| Interest result | -27 | -554 | -444 | -983 |
| Other financial result | -1,947 | 1,458 | -227 | 1,856 |
| Result of associates | 111 | 228 | 275 | 353 |
| **Result before tax** | **23,027** | **-153,329** | **31,380** | **-154,761** |
| Income tax (expense) | -3,239 | -3,028 | -5,205 | -3,786 |
| **Net result** | **19,788** | **-156,357** | **26,175** | **-158,547** |
| **Net result attributable to:** | | | | |
| Equity holders of the parent | 19,873 | -156,203 | 26,272 | -158,447 |
| Non-controlling interests | -85 | -154 | -97 | -100 |
| **Net result** | **19,788** | **-156,357** | **26,175** | **-158,547** |
| **Earnings per share (in €):** | | | | |
| EPS, € basic | 0.09 | -0.67 | 0.11 | -0.68 |
| EPS, € diluted[1] | 0.09 | -0.67 | 0.11 | -0.68 |
| Basic number of shares (in thousands) | 230,836 | 234,417 | 230,615 | 233,749 |
| Diluted number of shares (in thousands) | 232,897 | 238,124 | 232,774 | 237,520 |

[1] In 2017, no additional shares from assumed conversion are taken into account as the effect would be anti-dilutive.

## Consolidated condensed statement of comprehensive income

| (€ in thousands) | **Q2 '18** ***Unaudited*** | **Q2 '17** ***Unaudited Restated*** | **H1 '18** ***Unaudited*** | **H1 '17** ***Unaudited Restated*** |
|---|---|---|---|---|
| **Net result** | **19,788** | **-156,357** | **26,175** | **-158,547** |
| **Other comprehensive income:** | | | | |
| *Items that may be subsequently reclassified to profit or loss:* | | | | |
| Currency translation differences | 1,302 | -6,454 | -2,683 | -4,229 |
| **Other comprehensive income for the period** | **1,302** | **-6,454** | **-2,683** | **-4,229** |
| **Total comprehensive income for the period** | **21,090** | **-162,811** | **23,492** | **-162,776** |
| **Attributable to:** | | | | |
| Equity holders of the parent | 21,361 | -162,621 | 23,784 | -162,632 |
| Non-controlling interests | -271 | -190 | -292 | -144 |
| **Total comprehensive income for the period** | **21,090** | **-162,811** | **23,492** | **-162,776** |

*The items in the statement above are presented net of tax.*

## Consolidated condensed balance sheet

| (€ in thousands) | 30 June 2018 *Unaudited* | 31 December 2017[1] *Audited* *Restated* |
|---|---|---|
| Goodwill | 255,451 | 256,319 |
| Other intangible assets | 693,202 | 718,397 |
| Property, plant and equipment | 34,894 | 33,621 |
| Lease assets | 41,402 | 45,689 |
| Contract related assets | 6,317 | 8,657 |
| Deferred tax assets | 6,356 | 7,453 |
| Investments in associates | 4,414 | 4,223 |
| **Total non-current assets** | **1,042,036** | **1,074,359** |
| Inventories | 33,742 | 31,609 |
| Contract related assets | 44,690 | 31,461 |
| Trade receivables | 118,939 | 114,254 |
| Other receivables and prepayments | 26,197 | 26,066 |
| Other financial assets | 966 | 0 |
| Cash and cash equivalents | 155,292 | 120,850 |
| **Total current assets** | **379,826** | **324,240** |
| **Total assets** | **1,421,862** | **1,398,599** |
| Share capital | 47,064 | 47,064 |
| Share premium | 1,066,848 | 1,068,149 |
| Treasury shares | -39,940 | -48,790 |
| Other reserves | 243,034 | 263,164 |
| Accumulated deficit | -568,160 | -609,993 |
| **Equity attributable to equity holders of the parent** | **748,846** | **719,594** |
| Non-controlling interests | 2,027 | 2,308 |
| **Total equity** | **750,873** | **721,902** |
| Lease liability | 31,448 | 33,172 |
| Deferred tax liability | 84,076 | 85,804 |
| Provisions | 41,593 | 43,727 |
| Deferred revenue | 162,076 | 148,058 |
| **Total non-current liabilities** | **319,193** | **310,761** |
| Trade payables | 56,420 | 51,441 |
| Income taxes | 1,425 | 1,702 |
| Other taxes and social security | 10,675 | 7,025 |
| Lease liability | 13,426 | 15,006 |
| Provisions | 34,914 | 37,173 |
| Deferred revenue | 115,031 | 113,246 |
| Other contract related liabilities | 57,845 | 64,380 |
| Accruals and other liabilities | 62,060 | 75,963 |
| **Total current liabilities** | **351,796** | **365,936** |
| **Total equity and liabilities** | **1,421,862** | **1,398,599** |

[1] Certain balance sheet items have been reclassified to conform with current year's presentation.

## Consolidated condensed statements of cash flows

| (€ in thousands) | Q2 '18 *Unaudited* | Q2 '17 *Unaudited Restated* | H1 '18 *Unaudited* | H1 '17 *Unaudited Restated* |
|---|---|---|---|---|
| Operating result | 24,890 | -154,461 | 31,776 | -155,987 |
| Financial (losses) / gains | -1,421 | -1,519 | -1,674 | 397 |
| Depreciation, amortisation and impairment | 38,515 | 204,853 | 75,868 | 240,389 |
| Change in provisions | -4,136 | -2,969 | -8,694 | -8,270 |
| Equity-settled stock compensation expenses | 1,358 | 2,635 | 2,944 | 4,402 |
| Changes in working capital: | | | | |
| Change in inventories | 4,196 | 7,750 | 4,916 | -502 |
| Change in receivables and prepayments | -20,366 | -24,336 | -17,075 | -37,143 |
| Change in liabilities (excluding provisions)[1] | 11,604 | 367 | 2,566 | -10,138 |
| **Cash generated from operations** | **54,640** | **32,320** | **90,627** | **33,148** |
| Interest received | 100 | 44 | 210 | 151 |
| Interest (paid) | -126 | -512 | -570 | -966 |
| Corporate income taxes (paid) | -1,687 | -3,163 | -4,982 | -5,232 |
| **Cash flows from operating activities** | **52,927** | **28,689** | **85,285** | **27,101** |
| Investments in intangible assets | -18,391 | -25,121 | -37,206 | -46,901 |
| Investments in property, plant and equipment | -6,196 | -4,255 | -9,735 | -7,358 |
| Acquisition of subsidiaries and other businesses | 0 | 0 | 0 | -24,493 |
| Dividends received | 0 | 0 | 75 | 0 |
| **Cash flows from investing activities** | **-24,587** | **-29,376** | **-46,866** | **-78,752** |
| Change in utilisation of credit facility | 0 | -2,000 | 0 | -7,000 |
| Repayment of borrowings | 0 | -382 | 0 | -708 |
| Change in lease liability | -4,556 | -4,058 | -7,342 | -8,021 |
| Change in non-controlling interest | -145 | -123 | -145 | -123 |
| Proceeds on issue of ordinary shares | 1,981 | 8,809 | 2,680 | 10,980 |
| **Cash flows from financing activities** | **-2,720** | **2,246** | **-4,807** | **-4,872** |
| **Net increase / (decrease) in cash and cash equivalents** | 25,620 | 1,559 | 33,612 | -56,523 |
| Cash and cash equivalents at beginning of period | 128,537 | 84,427 | 120,850 | 142,527 |
| Exchange rate changes on cash balances held in foreign currencies | 1,135 | -945 | 830 | -963 |
| **Cash and cash equivalents at end of period** | **155,292** | **85,041** | **155,292** | **85,041** |

[1] Includes movements in the non-current portion of deferred revenue presented under non-current liabilities.

# Consolidated condensed statement of changes in equity

| (€ in thousands) | Share capital | Share premium | Treasury shares | Other reserves[1] | Accumulated deficit | Shareholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2017** | **46,577** | **1,051,890** | **0** | **234,502** | **-338,138** | **994,831** | **1,906** | **996,737** |
| Impact of adoption of IFRS 15 and IFRS 16 | 0 | 0 | 0 | 0 | -42,936 | -42,936 | 0 | -42,936 |
| **Balance as at 1 January 2017 restated** | **46,577** | **1,051,890** | **0** | **234,502** | **-381,074** | **951,895** | **1,906** | **953,801** |
| **Comprehensive income** | | | | | | | | |
| Result for the period | 0 | 0 | 0 | 0 | -158,447 | -158,447 | -100 | -158,547 |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | 0 | 0 | 0 | -4,185 | 0 | -4,185 | -44 | -4,229 |
| **Total other comprehensive income** | 0 | 0 | 0 | -4,185 | 0 | -4,185 | -44 | -4,229 |
| **Total comprehensive income** | 0 | 0 | 0 | -4,185 | -158,447 | -162,632 | -144 | -162,776 |
| **Transactions with owners** | | | | | | | | |
| Change in non-controlling interest | 0 | 0 | 0 | 0 | -109 | -109 | -14 | -123 |
| Stock compensation related movements | 450 | 15,387 | 0 | -983 | 524 | 15,378 | 0 | 15,378 |
| **Other movement** | | | | | | | | |
| Transfer to legal reserves | 0 | 0 | 0 | 36,228 | -36,228 | 0 | 0 | 0 |
| **Balance as at 30 June 2017 (*Unaudited Restated*)** | **47,027** | **1,067,277** | **0** | **265,562** | **-575,334** | **804,532** | **1,748** | **806,280** |
| **Balance as at 1 January 2018** | **47,064** | **1,068,149** | **-48,790** | **263,164** | **-609,993** | **719,594** | **2,308** | **721,902** |
| **Comprehensive income** | | | | | | | | |
| Result for the period | 0 | 0 | 0 | 0 | 26,272 | 26,272 | -97 | 26,175 |
| **Other comprehensive income** | | | | | | | | |
| Currency translation differences | 0 | 0 | 0 | -2,488 | 0 | -2,488 | -195 | -2,683 |
| **Total other comprehensive income** | 0 | 0 | 0 | -2,488 | 0 | -2,488 | -195 | -2,683 |
| **Total comprehensive income** | 0 | 0 | 0 | -2,488 | 26,272 | 23,784 | -292 | 23,492 |
| **Transactions with owners** | | | | | | | | |
| Change in non-controlling interest | 0 | 0 | 0 | 0 | -156 | -156 | 11 | -145 |
| Stock compensation related movements | 0 | -1,301 | 8,850 | -1,925 | 0 | 5,624 | 0 | 5,624 |
| **Other movements** | | | | | | | | |
| Transfer to legal reserves | 0 | 0 | 0 | -15,717 | 15,717 | 0 | 0 | 0 |
| **Balance as at 30 June 2018 (*Unaudited*)** | **47,064** | **1,066,848** | **-39,940** | **243,034** | **-568,160** | **748,846** | **2,027** | **750,873** |

[1] Other reserves include Legal reserve and the Stock compensation reserve.

## Notes to the consolidated interim financial statements

### 1. General

TomTom NV ('the company') has its statutory seat and headquarters in Amsterdam, the Netherlands. The consolidated interim financial statements comprise the financial information of the company and its subsidiaries (together referred to as 'the group') and have been prepared by the Management Board and authorised for issue on 17 July 2018.

The consolidated interim financial statements have neither been reviewed nor audited.

### 2. Summary of significant accounting policies

The principal accounting policies and method of computations applied in these consolidated interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2017, except as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### *Basis of preparation*

The consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the EU. As permitted by IAS 34, the consolidated interim financial statements do not include all of the information required for full annual financial statements and the notes to these consolidated interim financial statements are presented in a condensed format. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. The presentation currency of the group is the euro (€).

#### *Other new accounting standards and developments*

Effective from 1 January 2018, the group has adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 16 'Leases', IFRS 9 'Financial Instruments' and to the extent relevant, all other IFRS standards and interpretations including amendments that were in issue and effective from 1 January 2018. IFRS 16 'Leases' is effective for annual periods beginning after 1 January 2019, however the group has early adopted the new standard on 1 January 2018 as permitted by the transitional guidance.

The adoption of IFRS 9 as well as other not specifically mentioned relevant standards, interpretations and amendments had no material impact to the group, while the impact of adopting IFRS 15 and IFRS 16 on the comparative income statement for H1 '17 and balance sheet position at 31 December 2017 are presented below. Other than the reclassification of the principal portion of operating lease payments to financing activities and customer specific investments to operating activities, these standards had no other material impact to the cash flow statement.

The below tables only show the line items affected by the transition to the new accounting standards and include change in presentation of certain balance sheet items from 1 January 2018 onwards.

## Income statement

| (€ in thousands) | H1 '17 *Reported* | IFRS 15 | IFRS 16 | H1 '17 *Restated* |
|---|---|---|---|---|
| **Revenue** | **466,153** | **-105** | **0** | **466,048** |
| Cost of sales | 173,174 | -3,219 | 0 | 169,955 |
| **Gross result** | **292,979** | **3,114** | **0** | **296,093** |
| Marketing expenses | 36,023 | -3,724 | 0 | 32,299 |
| Selling, general and administrative expenses | 102,056 | 0 | -1,529 | 100,527 |
| **Total operating expenses** | **457,333** | **-3,724** | **-1,529** | **452,080** |
| **Operating result (EBIT)** | **-164,354** | **6,838** | **1,529** | **-155,987** |
| **EBITDA** | **73,196** | **2,694** | **8,511** | **84,401** |
| Interest result | -493 | 0 | -490 | -983 |
| **Result before tax** | **-162,638** | **6,838** | **1,039** | **-154,761** |
| Income tax (expense) / gain | -1,974 | -1,573 | -239 | -3,786 |
| **Net result** | **-164,612** | **5,265** | **800** | **-158,547** |

**Earnings per share (in €):**

| | | | | |
|---|---|---|---|---|
| EPS, € basic | -0.70 | 0.02 | 0.00 | -0.68 |
| EPS, € diluted | -0.70 | 0.02 | 0.00 | -0.68 |

**Balance sheet**

| (€ in thousands) | 31 Dec 2017 *Reported* | IFRS 15 | IFRS 16 | 31 Dec 2017 *Restated* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Other intangible assets | 752,952 | -34,555 | 0 | 718,397 |
| Lease assets | 0 | 0 | 45,689 | 45,689 |
| Contract related assets | 0 | 8,657 | 0 | 8,657 |
| **Total non-current assets** | **1,054,568** | **-25,898** | **45,689** | **1,074,359** |
| **Current assets** | | | | |
| Contract related assets | 0 | 31,461 | 0 | 31,461 |
| Other receivables and prepayments | 53,114 | -27,048 | 0 | 26,066 |
| **Total current assets** | **319,827** | **4,413** | **0** | **324,240** |
| **Total assets** | **1,374,395** | **-21,485** | **45,689** | **1,398,599** |
| **Shareholders' equity** | | | | |
| Accumulated deficit | -577,193 | -30,884 | -1,916 | -609,993 |
| **Total equity** | **754,702** | **-30,884** | **-1,916** | **721,902** |
| **Non-current liabilities** | | | | |
| Lease liability | 0 | 0 | 33,172 | 33,172 |
| Deferred tax liability | 95,602 | -9,225 | -573 | 85,804 |
| Deferred revenue | 142,059 | 5,999 | | 148,058 |
| **Total non-current liabilities** | **281,388** | **-3,226** | **32,599** | **310,761** |
| **Current liabilities** | | | | |
| Lease liability | 0 | 0 | 15,006 | 15,006 |
| Deferred revenue | 101,572 | 11,674 | 0 | 113,246 |
| Other contract related liabilities | 0 | 64,380 | 0 | 64,380 |
| Accruals and other liabilities | 139,392 | -63,429 | 0 | 75,963 |
| **Total current-liabilities** | **338,305** | **12,625** | **15,006** | **365,936** |
| **Total equity and liabilities** | **1,374,395** | **-21,485** | **45,689** | **1,398,599** |

### IFRS 15 'Revenue from contracts with customers'

In adopting IFRS 15, the group has applied the fully retrospective transitional approach using the practical expedients allowing the group for not restating contracts that have been fully completed nor restating the impact of modifications of contracts that have taken place before 1 January 2017.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what the group historically referred to respectively as 'unbilled' and 'deferred revenue', however, the Standard does not prohibit an entity from using alternative descriptions. Accordingly, the group will continue to use the terms 'unbilled revenue' and 'deferred revenue' in these statements and the related disclosure notes. The term 'Contract related assets' is used to denote the aggregate balance of unbilled revenue and capitalised contract costs while 'Contract related liabilities' refers to the collective balance of deferred revenue and other contract related liabilities.

The group's accounting policies for its revenue streams as applicable from 1 January 2018 are disclosed in Note 3.

The IFRS 15 impact on the H1 '17 revenue and operating result as well as the balance sheet position at 31 December 2017 for each of the operating segments is explained below.

| (€ in thousands) | **Automotive** | **Enterprise** | **Telematics** | **Consumer** | **Group** |
|---|---|---|---|---|---|
| **Income statement H1 '17** | | | | | |
| Revenue | 4,231 | -347 | 200 | -4,189 | **-105** |
| Operating result and profit before tax | 6,834 | -347 | 742 | -391 | **6,838** |
| Post tax impact | 5,262 | -267 | 571 | -301 | **5,265** |
| **Balance sheet 31 Dec 2017**[1] | | | | | |
| Intangible assets | -21,814 | 0 | 0 | 0 | **-21,814** |
| Other receivables and prepayments | 0 | 0 | 0 | 328 | **328** |
| Equity (after tax impact) | -4,951 | -1,336 | -22,967 | -1,629 | **-30,884** |
| Deferred tax liability | -1,479 | **-399** | -6,860 | -487 | **-9,225** |
| Deferred revenue | -15,383 | 1,735 | 29,826 | 1,494 | **17,673** |
| Accruals and other liabilities | 0 | 0 | 0 | 950 | **950** |

## Automotive

Revenue in Automotive is generated through licensing of software and digital map content as well as through provision of traffic and/or other location-based services. In some arrangements, the customers also pay for the required customisation and/or integration efforts.

IFRS 15 guidance on licenses primarily impacts the accounting for the license of map within Automotive. Depending on the nature and contractual terms, each contract is assessed as to whether it should be treated as one license agreement whereby TomTom must estimate the total consideration or a framework agreement that covers multiple licenses.

For contracts that are treated as one license agreement the estimated transaction price (e.g. sales / usage-based royalties) is recognised based on time as a measure of progress but restricted to the royalties TomTom is entitled to. For contracts with multiple licenses, the payment for each identified license is either recognised immediately if they pertain to a one-time installation of the map or fully spread on a straight-line basis over time if the license includes the right to receive map updates during the agreed license period. To the extent possible, the group makes use of the practical expedient to use right to invoice instead of time as a measure of progress as long as the invoice reflects the benefits to the customers.

Under IAS 18, each individual license of map which includes the right to receive updates was separated as a license for the initial map and a license for the updates. The portion of the payment allocated to initial installation was recognised upfront while the portion allocated to the updates was spread over the update period.

In addition, fixed fee transaction price and associated costs from customisation and/or integration efforts (non-recurring engineering) which is not distinct from software provided under 'right to use' to the customer must be recognised at the moment the control of the software is transferred to the customer restricted by the royalties TomTom is entitled to. Under IAS 18, this revenue was recognised over the contract period. In addition, internal development costs for customer specific projects which were previously capitalised as part of

[1] The balance sheet impact presented does not include the impact of reclassification to conform to current year's presentation.

intangible assets is now presented as capitalised costs under Contract related assets on the balance sheet.

The above changes in accounting for the Automotive segment increased the result for H1 '17 by €5.3 million and decreased the equity at 31 December 2017 by €5.0 million. The impact of these changes on other items in the consolidated statement of financial position is a decrease in deferred revenue as well as intangible assets of €15 million and €22 million respectively.

**Enterprise**

In the Enterprise segment we have assessed all material contracts resulting in the identification of material rights which qualify for separate recognition under IFRS 15. The accounting for these material rights decreased the result H1 '17 and equity at 31 December by respectively €0.3 million and €1.3 million. The impact of these changes on other items in the consolidated statement of financial position is an increase in deferred revenue of €1.7 million.

**Telematics**

In the Telematics segment we sell hardware products (Telematics Control Unit) which enable the end-customer to receive our Webfleet services. Currently, the revenues from the sale of such hardware is recognised when risks and rewards of ownership have passed to the customers. Under IFRS 15 there is enhanced guidance on performance obligations and whether these are distinct. Based upon this guidance we assessed that the delivery of the hardware unit that enables the Webfleet service is not distinct from the delivery of the Webfleet service and should be treated as one performance obligation. Accordingly, the hardware revenue must be recognised over time in line with the revenue from Webfleet service from the moment the service is activated.

The above change in accounting for the Telematics segment will increase the result of H1 '17 by €0.6 million with a total decrease in equity at 31 December 2017 of €23 million. The impact of these changes on the consolidated statement of financial position is an increase in deferred revenue of €30 million. This increase in deferred revenue consists out of a netted position of a contract asset (the hardware) and contract liability (deferred revenue).

**Consumer**

For the Consumer segment we have assessed all material revenue streams. Our revenue recognition principle as applied under IAS 18 was in line with IFRS 15 for most of our revenue streams. The main difference relates to the treatment of customer-related marketing expenses. Given the more detailed guidance under IFRS 15, certain payments that were previously presented as marketing expenses need to be classified as a reduction in revenue. Some smaller differences were noted in the treatment of deferred revenue for niche products. The total difference has limited impact on the result for H1 '17 and equity as at 31 December 2017 (decreases of €0.3 million and €1.6 million respectively). The impact on our revenues and operating expenses for H1 '17 is a decrease of €4.2 million and €3.7 million respectively.

**IFRS 16 'Leases'**

The group has adopted IFRS 16 in accordance with the fully retrospective transitional approach. The group applies the standard only to leases which were previously identified as leases under IAS 17 and IFRIC 4 in accordance with the practical expedient allowed under the standard.

The leases within the group comprises only of buildings and car leases. The adoption of this standard results in almost all leases being recognised on the balance sheet, except for short-term and low-value leases. As at 31 December 2017, the group recognised lease assets of €45.7 million and a corresponding lease liability of €48.2 million which resulted in a decrease in equity of €1.9 million. The impact to the income statement for H1 '17 is a decrease in operating expenses of €1.5 million and increase in finance cost of €0.5 million.

***Use of estimates***

The preparation of these interim financial statements requires management to make certain assumptions, estimates and judgements that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and the future periods if the revision affects both current and future periods. For areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the (interim) financial statements, reference is made to note 3 of the Consolidated financial statements in the 2017 Annual Report.

In addition to those described in the 2017 Annual Report, the adoption of IFRS 15 and IFRS 16 brings additional areas that require use of judgement and estimates that are significant to the (interim) financial statements as described respectively in Note 3 and 7.

## 3. Revenue from contracts with customers

***Accounting policies***

The revenue recognition policy for each type of revenue or their combination is presented below:

***License revenue***

License revenue is generated through licensing of digital map content and/or navigation software to B2B customers of Automotive and Enterprise and through sale of map update services directly to the end-customers.

In the B2B license arrangements, the license of our navigation software is typically granted as ‘right to use’ license while the license of digital map content can either be granted as ‘right to access’ and/or ‘right to use’. Right to access licenses provides the customer the right to access over a certain period of time, TomTom’s proprietary map data that are continuously developed and enhanced during the contract period. Right to use licenses are those that only provides the customer the right to use certain map data or software as they exist at the moment the control passes to the customer without giving the right to receive future updates or upgrades other than those that can be considered as minor enhancements or bug fixing.

Revenue from ‘right to access’ licenses is recognised over the (estimated) period during which TomTom is obliged to provide access to the customers. For royalty-based arrangements, the revenue is either recognised based on (estimated) reported royalties, as typically the royalties reflect the usage and benefits to the customers or based on time as progress measure but restricted to the amount of the (estimated) reported royalties. When restrictions in license terms result in multiple individual licenses in royalty-based arrangements, each reported unit of usage is treated as a separate license and the revenue is recognised on a straight-line basis over the applicable service period.

License revenue for ‘right to use’ licenses is recognised at the moment the control passes to the customer, except for the usage-based royalties, which are recognised when the usage has taken place based on royalties TomTom is entitled to for the period.

When license arrangements include a minimum guarantee, the excess of the reported royalties above the guaranteed amount is only recognised when cumulative reported royalties have exceeded the minimum guarantee, unless if the expected total royalties is estimated to be above the minimum. In this case, the revenue is recognised based on the royalties TomTom is entitled to. When contracts include annual minimum instead of a contract minimum, the excess of royalties above the annual minimum is recognised in the respective period when the royalties exceed the annual minimum.

To the extent possible, the group makes use of the practical expedient to use right to invoice as a measure of progress as long as the invoice reflects the benefits to the customers.

***Service revenue***

Service revenue includes revenue generated from sale of traffic and travel information services to both B2B and/or end-customers, sale of online map and location-based services through hosted API solutions (Online APIs) and providing connected navigation and fleet management services.

The (estimated) revenue relating to the service element is recognised over the agreed or estimated service period on a straight-line basis or based on the invoiced amount if such invoice reflects the benefit of the services to the customer over the service period. The service period for life-time traffic and map update service offering within Consumer is estimated at 4 years.

***Sale of goods***

Revenue from the sale of goods is generated through sale of Consumer navigation and sport devices and related accessories, Automotive hardware products and Telematics devices. Revenue from sale of goods is generally recognised at the moment the control passes to the customers except for the products of which the customers can only benefit in combination with other products and/or services such as Telematics Control Unit (TCU). In this case, the revenue from sale of such products is deferred at the moment of sale and recognised on a straight-line basis over an (estimated) service period of 5 years.

***Bundled goods and services***

When products and services are offered as a bundle under one agreement or under a series of agreements that are commercially linked, the (estimated) total transaction price of the agreement is allocated to each of the identified ‘distinct’ performance obligations based on the relative selling price of each element. Depending on their nature, the revenue from each of the ‘distinct’ performance obligations is recognised based on the applicable revenue recognition policy as described above.

***Contract costs***

Contract costs are capitalised only to the extent they are recoverable. Internal development costs relating to customers specific customisation of software and/or other technology platforms are capitalised as contract costs if they have no alternative use. The group does not capitalise costs to obtain multi-year contracts as they are deemed not significant. Where the amortisation period of an asset recognised for the costs to obtain a contract is one year or less, the practical expedient to expense the costs has been used.

*Contract related assets*

| (€ in millions) | **30 Jun 2018** | **31 Dec 2017** |
|---|---|---|
| **Non-current assets** | | |
| Capitalised contract costs (non-current) | 6.3 | 8.7 |
| **Current assets** | | |
| Unbilled revenue | 30.6 | 25.1 |
| Capitalised contract costs (current) | 12.3 | 4.1 |
| Other deferred cost of sales | 1.8 | 2.2 |
| **Total contract related assets** | **51.0** | **44.7** |

*Contract related liabilities*

| (€ in millions) | 30 Jun 2018 | 31 Dec 2017 |
|---|---|---|
| **Non-current liabilities** | | |
| Deferred revenue | 162.1 | 148.1 |
| **Current liabilities** | | |
| Deferred revenue | 115.0 | 113.2 |
| Other contract related liabilities | 57.8 | 64.4 |
| **Total contract related liabilities** | **334.9** | **325.7** |

Other contract related liabilities comprise of items such as accrued rebates, sales return allowance and stock protection accrual.

***Significant estimate***

*Estimation of total transaction price for contracts with customers*

Under IFRS 15, the (expected) total transaction price of contracts that include variable considerations need to be estimated at the inception of the contract and each future reporting date. Such estimates are in particular relating to expected usage of our licenses and/or services which may be susceptible to factors outside our influence such as the developments in the market and industry in which our customer operates. In making such estimates management makes use of input from different sources such as historical experience, estimated sales volumes of customers as well as other relevant sources. The estimated variable consideration is only taken into account to the extent that management believes that it is highly probable that that it will not be subject to significant reversal in the future.

## 4. Segment reporting

The operating segments are identified and reported on the basis of internal reports about components of the group that are regularly reviewed by the Management Board to assess the performance of the segments.

The group's internal management reporting is structured primarily on the basis of the market segments in which the four operating segments - Automotive, Enterprise, Telematics and Consumer - operate.

Management assesses the performance of segments based on the measures of revenue and operating result (EBIT), whereby the EBIT measure includes allocations of expenses from supporting functions within the group. Such allocations have been determined based on relevant measures that reflect the level of benefits of these functions to each of the operating segments. As the four operating segments serve only external customers, there is no inter-segment revenue. The effects of non-recurring items such as goodwill impairment are excluded from management's measurement basis. Interest income and expenses and tax are not allocated to the segments. There is no measure of segment (non-current) assets and/or liabilities provided to the Management Board. The non-current assets within the group include a significant portion of the carrying value of the step up resulting from a historic acquisition in 2008. As this step-up is not geographically allocated to the respective regions for internal management reporting, we believe that disclosure of geographic allocation would be highly judgemental and would not give a true representation of geographical spread of the group's assets.

| (€ in millions) | H1 '18 *Unaudited* | H1 '17 *Unaudited Restated* |
|---|---|---|
| **Revenue by segment** | **423.2** | **466.0** |
| Automotive & Enterprise | 172.4 | 165.0 |
| - Automotive | 112.3 | 93.7 |
| - *Enterprise* | 60.1 | 71.3 |
| Telematics | 86.7 | 80.9 |
| Consumer | 164.1 | 220.2 |
| **Revenue by nature** | **423.2** | **466.0** |
| License revenue | 155.9 | 163.6 |
| Service revenue | 120.2 | 109.1 |
| Sale of goods revenue | 147.1 | 193.3 |
| **Revenue by timing of revenue recognition** | **423.2** | **466.0** |
| Goods and services transferred at a point in time | 169.4 | 211.2 |
| Goods and services transferred over time | 253.8 | 254.8 |
| **EBIT** | **35.6** | **15.9** |
| Automotive & Enterprise | - 19.0 | - 2.1 |
| - *Automotive* | *- 8.6* | *- 2.6* |
| - *Enterprise* | *- 10.5* | *0.5* |
| Telematics | 22.5 | 21.3 |
| Consumer | 32.0 | - 3.3 |
| **EBITDA** | **111.4** | **87.6** |
| Automotive & Enterprise | 43.2 | 57.1 |
| - *Automotive* | *36.0* | *32.5* |
| - *Enterprise* | *7.2* | *24.6* |
| Telematics | 33.1 | 29.4 |
| Consumer | 35.1 | 1.1 |

The effects of non-recurring items, such as goodwill impairments (if any) are excluded from management's measurement basis. Interest income and expenses, and tax are not allocated to segments.

A reconciliation of the segments' performance measure (EBIT) to the group's result before tax is presented below.

| (in € millions) | H1 '18 *Unaudited* | H1 '17 *Unaudited Restated* |
|---|---|---|
| **Total segment EBIT** | **35.6** | **15.9** |
| Unallocated expenses | -3.8 | -3.3 |
| Impairment charge | 0 | -168.7 |
| Interest result | -0.4 | -1.0 |
| Other finance result | -0.2 | 1.9 |
| Result associates | 0.3 | 0.4 |
| **Result before tax** | **31.4** | **-154.8** |

Measures of (non-current) assets and/or liabilities are not provided internally to the chief operating decision maker and hence, no measure of segment assets and/or liabilities is reported.

## 5. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

| | **H1 '18** ***Unaudited*** | **H1 '17** ***Unaudited Restated*** |
|---|---|---|
| **Earnings** (€ in thousands) | | |
| Earnings (net result attributable to equity holders) | 26,272 | -158,447 |
| **Number of shares** (in thousands) | | |
| Weighted average number of ordinary shares for basic EPS | 230,615 | 233,749 |
| **Effect of dilutive potential ordinary shares** (in thousands) | | |
| Share options and restricted stocks | 2,159 | 3,771 |
| Weighted average number of ordinary shares for diluted EPS | 232,774 | 237,520 |

## 6. Goodwill

The group performs its goodwill impairment test at least annually in December and when circumstances indicate the carrying value may be impaired. The group's impairment test for goodwill is based on fair value less cost of disposal calculations. The key assumptions used to determine the recoverable amount for the different operating segments were disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

In H1 '18 no impairment charge was recorded (H1 '17: €169 million). The impairment in H1 '17 related to the full write-off of the Consumer segment's goodwill triggered by adverse developments in the course of the second quarter of 2017.

## 7. Leases

### *Accounting policy*

At inception of a contract, the group assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease.

The group recognises a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any).

The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognised in profit or loss.

The group has elected not to recognise lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Significant estimate***

*Estimation of lease period*

Some leases of office buildings contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where practicable, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group assesses whether it is reasonably certain to exercise the options at lease commencement and subsequently, if there is a change in circumstances within its control. Such assessment involves management judgement and estimate based on information at the time the assessments are made.

## 8. Shareholders' equity

| | **30 June 2018** | **30 June 2018** (in € thousands) Unaudited | **31 December 2017** | **31 December 2017** (in € thousands) Audited |
|---|---|---|---|---|
| Ordinary shares | 600,000,000 | 120,000 | 600,000,000 | 120,000 |
| Preferred shares | 300,000,000 | 60,000 | 300,000,000 | 60,000 |
| **Total authorised** | **900,000,000** | **180,000** | **900,000,000** | **180,000** |
| **Issued and fully paid** | | | | |
| Ordinary shares | 235,318,516 | 47,064 | 235,318,516 | 47,064 |
| Of which held in Treasury | 4,317,022 | | 5,272,350 | |

All shares have a par value of €0.20 per share.

In H1 '18 955,328 Treasury shares were issued following the vesting of 426,228 restricted stock units and the exercise of 529,100 share options by employees (H1 '17: 2,248,980 ordinary shares issued following the exercise of share options by employees).

## 9. Share-based compensation

Share-based compensation expenses amounted to €4.3 million in H1 '18 versus an expense of €8.0 million in the same period last year.

During H1 '18, the group granted 3,450 restricted stock units and 731,230 stock options under the equity compensation plans of which 424,300 stock options were granted to Management Board members. The purpose of the share-based compensation is to attract and retain management and employees and align the interests of management and eligible employees with those of shareholders, by providing additional incentives to improve the group's performance on a long-term basis.

In addition to the stock option grant, the group also granted phantom shares to certain groups of employees. The phantom share plan is classified as a cash-settled plan. The plan has a three-year service period as the only vesting condition.

For further information on our share-based compensation, reference is made to note 7 and note 33 in our 2017 Annual Report.

**10. Business Combination**
No business combination has taken place in H1 '18. In H1 '17 the group acquired 100% of the shares of Autonomos GmbH.

**11. Related party transactions**
Reference is made to note 9 for stock options granted to the members of the Management Board during H1 '18.

In the normal course of business, the group receives map development and support services from its associate Cyient Ltd. Such transactions take place at the normal market conditions and the total payments made for these services in H1 '18 amounted to €5.1 million (H1 '17: €7.7 million).

Transactions and balances with other associates are not material and hence are not disclosed.

**12. Seasonality**
In previous years the group's sales within the Consumer segment was traditionally higher in the second half of the year. This is no longer observable in recent years and hence revenue is no longer materially impacted by seasonality.

Other operating segments' revenue is generally not materially affected by seasonality.

**13. Commitments and contingent liabilities**
The adoption of IFRS 16 resulted in the recognition of operating lease commitments as liabilities on the balance sheet from the date of adoption. This resulted in a decrease in the value of commitments outstanding as disclosed in the 2017 Annual Report.

Other than the change described above, there were no material changes to the group's commitments and contingent liabilities in the first half of 2018 from those disclosed in note 32 of our 2017 Annual Report.

**14. Fair value and fair value estimation**
The fair values of our monetary assets and liabilities as at 30 June 2018 are estimated to approximate their carrying value. There has been no change in the fair value estimation technique and hierarchy of the input used to measure the financial assets/liabilities carried at fair value through profit or loss compared with the method and hierarchy disclosed in our 2017 Annual Report.

**15. Subsequent events**
There has been no subsequent event from 30 June 2018 to the date of issue that affect the consolidated interim financial statements.

- END -

### Accounting policies - basis of accounting

The condensed consolidated financial information for the three-month and six-month period ended 30 June 2018 with related comparative information has been prepared using accounting policies which are based on International Financial Reporting Standards (IFRS). Accounting policies and methods of computation followed in the condensed consolidated financial information, for the period ended 30 June 2018, are the same as those followed in the Financial Statements for the year ended 31 December 2017, except for three new standards which are effective as of 1 January 2018.

The group has adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 16 'Leases' (early adoption as permitted by the transitional guidance) and IFRS 9 'Financial Instruments'. The impact of these standards is explained in these interim financial statements. Further disclosures as required under IFRS for a complete set of consolidated financial statements are not included in the condensed consolidated financial information. The quarterly and interim condensed consolidated information in this press release is unaudited.

### Non-GAAP measures

The financial information in this report includes measures, which are not defined by generally accepted accounting principles (GAAP) such as IFRS. We believe this information, along with comparable GAAP measurements, gives insight to investors because it provides a basis for evaluating our operational performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures.

**Automotive operational revenue** is IFRS revenue adjusted for the movement of deferred and unbilled revenue

**Gross margin** is calculated as gross result divided by revenue

**EBIT** is equal to our operating result

**EBIT margin** is calculated as operating result divided by revenue

**EBITDA** is equal to our operating result plus depreciation and amortisation charges

**EBITDA margin** is calculated as operating result plus depreciation and amortisation charges divided by revenue

**Adjusted net result** is calculated as net result attributed to equity holders adjusted for movement of deferred revenue, unbilled revenue, deferred cost of sales, impairments and material restructuring and disposal costs on a post-tax basis

**Adjusted EPS** is calculated as adjusted net result divided by the weighted average number of diluted shares over the period

**Net cash** is defined as our cash and cash equivalents minus the nominal value of our outstanding bank borrowings

### For more information

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### Audio webcast second quarter 2018 results

The information for our audio webcast is as follows:
Date and time: 17 July 2018 at 14:00 CET
[corporate.tomtom.com/presentations.cfm](corporate.tomtom.com/presentations.cfm)

TomTom is listed at NYSE Euronext Amsterdam in the Netherlands
ISIN: NL0000387058 / Symbol: TOM2

## About TomTom

TomTom (TOM2) empowers movement. Every day millions of people around the world depend on TomTom to make smarter decisions. We design and develop innovative products that make it easy for people to keep moving towards their goals. Our map-based components include map content, online map-based services, traffic, and navigation software. Our consumer products include PNDs, navigation apps, and sports watches. Our main business products are custom in-dash navigation systems and a fleet management system, which is offered to fleet owners as an online service with integrated in-vehicle cellular devices. Our business consists of four customer facing business units: Automotive, Enterprise, Telematics and Consumer. Founded in 1991 and headquartered in Amsterdam, we have more than 4,800 employees worldwide. For further information, please visit www.tomtom.com.

## Forward-looking statements / Important notice

*This document contains certain forward-looking statements with respect to the financial position and results of TomTom's activities. 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. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements, and you should not place undue reliance on them. Many of these risks and uncertainties relate to factors that are beyond TomTom's ability to control or estimate precisely, such as levels of customer spending in major economies, changes in consumer preferences, the performance of the financial markets, the levels of marketing and promotional expenditures by TomTom and its competitors, costs of raw materials, employee costs, exchange-rate and interest-rate fluctuations, changes in tax rates, changes in law, acquisitions or disposals, the rate of technological changes, political 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.*

*The forward-looking statements contained herein speak only as of the date they are made. We do not assume any obligation to update any public information or forward-looking statement in this document to reflect events or circumstances after the date of this document, except as may be required by applicable laws.*

*This document contains inside information as meant in clause 7 of the Market Abuse Regulation.*