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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to our conference call, during which we will discuss our financial results for the first quarter of 2013. With me today are Harold Goddijn, our CEO, and Marina Wyatt, our CFO. This call is being broadcast live on our website and a recording of the call will be available shortly afterwards. As usually, I would like to point out that Safe Harbor applies.

We would like to start with Harold, who will discuss the operational developments, followed by a more detailed look at the quarterly financial results from Marina. We will then take your questions and the call will finish no later than three o’clock. And with that, Harold, I would like to hand over to you.

Harold Goddijn  TomTom NV - CEO

Yes, thank you very much, Richard. Welcome, ladies and gentlemen. Thank you for joining us today. I would like to start with a summary of last quarter’s financial results.

The results that we delivered were in line with our expectations. The revenue of the Group came in at EUR202m and compares to EUR233m in the same quarter last year. The gross margin was strong, at 56%, which is at a similar level as the underlying gross margin of last year when adjusted for the one-off charge for the GPS chips issue. The adjusted earnings per share was EUR0.03 and compares to EUR0.04 in the same quarter last year.
Net debt at the end of the quarter was EUR14m, a significant reduction from the EUR86m at the start of the year and is largely explained by the receipt of EUR70m of the EUR80m one-off tax refund. Based on these results and our expectations for the remainder of the year we maintain our guidance for the full-year revenue of between EUR900m and EUR950m and adjusted earnings per share of around EUR0.20.

Next I would like to discuss the operational highlights. Last week we launched a range of new products. Our new TomTom-branded fitness products will strengthen our position in the fast-growing sports watch product. The new products have excellent GPS performance, are extremely lightweight, super easy to use and, of course, are aimed at fitness and health enthusiasts who are non-technical and want to check progress and stay motivated.

We also launched a complete new range of PNDs. As you know, we have developed a technology to create our own traffic information, and it gets better every day, because every day more people are using it. And on the new PNDs that we launched traffic information comes as standard and much of the user experience evolves around traffic and other dynamic information.

This new PND is better suited for everyday use also when you know your destination. We have improved on graphics and ease of use and the product lineup has been simplified so it’s easier to choose a product within the TomTom range. With the new range we target both the replacement market and first-time buyers, and the new PNDs will start shipping later in Q2.

The new PNDs are also the first product based on a redesigned and modernized software stack. We have designed that software with the requirements for other applications firmly in mind and we will use the same stack to build leading products for automotive and mobile phone markets.

In the past quarter we announced that starting this summer Daimler will equip its upcoming Mercedes Benz vehicles with our traffic services in 12 European countries. Also, Toyota Motor in Europe will roll out [AG] traffic from early 2014 as a standard product in all vehicles equipped with its new navigation and infotainment systems. Automotive will continue its partnership with Fiat as a supplier of navigation solutions for the new built-in Uconnect infotainment system, initially available in the Fiat 500.

Licensing signed a worldwide agreement with Telmap, an Intel company, to supply maps and related content. We announced the extension of our partnership with MiTAC who will develop location products for all its PND brands. And at the start of the quarter we also signed a partnership with Telenav to deliver TomTom traffic content to Telenav’s mobile navigation customers in the US.

Business Solutions surpassed the 250,000 WEBFLEET subscriber milestone and delivered growth of 30% year on year. To help companies manage their fuel operations more efficiently Business Solutions has extended the integration possibilities of the fleet management solution. Third-party developers are now able to create a broader range of applications for WEBFLEET.

Before I hand over to Marina I would like to summarize that we had a quarter in line with our expectation. We see our traffic product gaining traction in the US motor space, with a couple of important contracts being announced in the quarter. Products based on our new technologies will start to enter the market and our new navigation engine is a major milestone.

This concludes my part of the presentation and I’d like to hand over to Marina now.

Marina Wyatt - TomTom NV - CFO

Thank you, Harold. On the fourth slide we present our revenue analysis for the quarter. Group revenue in the quarter was EUR202m, which is down 13% compared to the same quarter last year. Consumer revenue decreased by 19% year on year, to EUR101m, and the year-on-year decrease is the result of the declining PND market size, which was partially compensated by significant increase in market share in Europe, and, to a lesser extent, by an increase in Fitness revenue.

The contribution of Consumer to Group revenue reduced from 54% to 50%. Automotive revenue decreased by 13% year on year, to EUR51m, and that is because of the continued weak demand for new cars in Europe. The Automotive contribution to Group revenue was 25%, which is at the same level as in the first quarter of 2012.
Licensing revenue declined by 8% year on year, to EUR30m, which is mainly due to the decrease in sales to third-party PND manufacturers. Licensing’s contribution to the Group increased slightly, to 15%. Business Solutions revenue increased by 21% year on year, to EUR19m. The number of WEBFLEET subscribers increased year over year by 30%, to 252,000, up from 194,000 at the end of the first quarter of 2012. The contribution of Business Solutions to Group revenue increased from 7% last year to 10% this year.

Content and Services revenue was EUR91m for the quarter, compared to EUR98m in the same quarter of 2012, a decrease of 7%. The lower Content and Services revenue in the quarter is explained by the decline in the PND market, which is also impacting sales of connected devices and, hence, related Content and Services sales, and a decline of Licensing revenue also in the quarter. The contribution of Content and Services to Group revenue increased to 45%, however, compared to 42% in the prior year.

We continue on slide five with the earnings overview for the Group. The gross margin for the Group was 56% compared to 49% in the same quarter of last year. The gross margin in the first quarter of 2012 was impacted by the EUR13.5m one-off charge related to the GPS chip issue. Excluding this charge the gross margin in the first quarter of 2012 would have been 55%. Foreign currency -- foreign exchange currency movements did not have a significant impact on the gross margin comparison.

Total operating expenses for the quarter amounted to EUR112m, a decrease of EUR2m, or 2%, compared to the same quarter in the prior year. The decrease was mainly the result of lower amortization charges for technology and databases, as well as lower marketing spend, offset, in part, by an increase in SG&A.

The lower amortization of technology and databases for the quarter was due to some acquired intangibles which were fully written off during the second quarter of 2012. Marketing expenses were lower, in line with the trend of consumer revenue, while SG&A expenses increased because of lower personnel-related variable expenses in the first quarter of 2012.

Total interest expense in the quarter was EUR1.1m, compared with EUR3.5m in the first quarter of 2012, and the decrease is mainly due to the reduction of gross debt. The net result was a loss of EUR2.3m, compared with EUR1.5m loss in the prior year, which represents adjusted earnings per share of EUR0.03 and EUR0.04, respectively.

On slide six you'll find the cash flow overview. During the quarter we generated cash from operations of EUR27m, which compares to EUR16m in the same quarter last year. We received EUR70m of the EUR80m one-off tax settlement, which we announced earlier in the year.

Our CapEx increased to EUR21m, from EUR13m last year, and the majority of the investments were related to the map production platform, the navigation engine and customer-specific investments in Automotive. Cash used in financing was EUR75m, as we repaid the first tranche of our outstanding borrowings ahead of its due date of year end in order to reduce interest charges.

We'll now turn to the balance sheet. At the end of the quarter accounts receivable plus other receivables totaled EUR174m. This is an increase of EUR16m year on year and a decrease of EUR96m sequentially, which mainly follows from the tax gain -- the settlement mentioned earlier.

Inventory decreased by EUR2m year on year and increased by EUR9m sequentially, to EUR53m. The sequential increase is really a comparison to an exceptionally low level of inventory at the end of 2012. Cash and cash equivalents at the end of the quarter totaled EUR161m.

Current liabilities were EUR381m, compared to EUR475m in the previous quarter and EUR733m in the same quarter of last year. Sequentially, the decrease was caused by the reduction in current borrowings to nil, as we’ve repaid our contractual redemption amount for 2013, and the rest of the outstanding borrowings are included in non-current liabilities. Net debt decreased to EUR14m from EUR192m at the end of the first quarter of 2012 and EUR86m at the end of the previous quarter.

This concludes my part of the presentation. Operator, please open the lines for the Q&A session.
QUESTIONS AND ANSWERS

Operator
Thank you. (Operator Instructions). The first question comes from Andrew Gardiner of Barclays. Please go ahead.

Andrew Gardiner - Barclays Capital - Analyst
Good afternoon, thank you for taking the question. I had a question regarding the PND market. Just looking at the information you've given about where the market is in the first quarter, it looks as though the year-on-year declines are lessening slightly. I was just wondering whether you feel we're now nearing, perhaps, a more sustainable level of unit sales, or at least a decrease in the level of -- well, sorry, a decrease in the level of the declines that we were seeing. Just any further color on what you're seeing in the market would be helpful.

Harold Goddijn - TomTom NV - CEO
Yes, Andrew, this is Harold. Yes, thank you. I think what we're seeing is more or less in line with what we -- with what our view was when we gave our guidance at the end of last year. We don't see a material difference. What we do see is some regional differences. So it's noticeable that in Southern European countries and also in the Netherlands, funnily enough, as a result of low consumer confidence decline is bigger than in, let's say, countries like Germany or the UK.

So it is clear that there is a -- it's discretionary spend and in those southern -- in countries where consumer confidence is low we notice that directly in the revenue. So it's difficult to strip those different effects out. I think the overall trend is still going down for the PND market as a whole, but it feels that the decline is a little bit softer now than it has been in previous years.

Andrew Gardiner - Barclays Capital - Analyst
Understood. And in terms of the market share gains that you've made in the quarter, what do you attribute those to? Is it better products? Have you been more aggressive in terms of promotions? Have you seen less competitive activity from others in the market?

Harold Goddijn - TomTom NV - CEO
Well, we have -- of course, we have a brilliant sales force and they're working very hard to maintain share and build it where possible. We made good progress in Germany in Q1, which is a sizable part of our European revenue, so that was an important achievement of the team there. This was all done on the back of existing products, so no improvement there, and a slightly higher ASP, also as a result of bundling more lifetime map products with the new PNDs, so that had an effect as well.

Marina Wyatt - TomTom NV - CFO
So we were bundling lifetime maps with existing products and that clearly helped to drive that position.

Andrew Gardiner - Barclays Capital - Analyst
Thanks very much.

Operator
The next question comes from Brad Erickson of Pacific Crest Securities. Please go ahead.
Brad Erickson - Pacific Crest Securities - Analyst

Hi, thanks for taking my questions, a couple from me. First, on the recently-launched fitness products that are not co-branded with Nike, should we take this to mean that your collaboration with Nike on fitness products may be winding down? And, if so, can you talk about what went into that decision to go it alone, essentially, and how big you think that fitness opportunity could be for TomTom?

Harold Goddijn - TomTom NV - CEO

So the -- nothing has changed in the Nike relationship. I think it's working well for both Nike and for us and we would like to continue that partnership going forward. And we are in this game for different reasons. It's important to remember that, of course, for Nike to build a relationship with their customers.

They have a broad range of devices and ways to get onto their portal with your -- that's the main -- [so] to file your training and your fuel band results and your calorie burn and all that is all part of a broader initiative from Nike to stay close to their customers. They do it for that reason. We have a slightly different motivation, of course, and that is to sell through our existing distribution channel, making -- capitalize on the brand, strengthen the brand, GPS capabilities, and more what's about creating easy-to-use products and so on and so forth.

So we think we have something to add to this market. We're not the first one, as you know, but what we're doing is quite innovative in that category. The devices are super easy to use, very slim, very long battery life, and we think we can attract a category of users that are less technical but who do want to stay motivated and healthy.

Brad Erickson - Pacific Crest Securities - Analyst

Great, that's helpful. And then could you give us any sense of how big you think the fitness opportunity could be for TomTom?

Harold Goddijn - TomTom NV - CEO

It's early days. So we were successful with Nike, especially in the North American market, where we gained a material size, but that was, of course, also thanks to the strong brand of Nike. It was a good product, but also a strong brand and well promoted. Our technology is good, our products are good, but we are new to the party. It will take some time to build up credibility, so it's a bit early for us to put a stick in the ground and say this is where we want to be in 12 months from now.

But what we do know is that it's a sizable market. It's not as big as the PND market, obviously, but, still, it's a sizable market. It's growing very quickly and the ASPs and the margin profiles are also attractive. So it's an important initiative, capitalizing on our brand values and our brand assets, but a bit early to say how big that market is going to be for TomTom in the next 12 months or 24 months.

Brad Erickson - Pacific Crest Securities - Analyst

Great, that's very helpful. And then one follow-up on the market share gains in Europe. You already touched on what the drivers were in Q1. Can you talk about if that continued -- if that can continue and how you might be able to achieve that in your going forward?

Harold Goddijn - TomTom NV - CEO

No, it's -- I can't. There is a hope. So if you look at how navigation is consumed these days by consumers, there are three main ways to find your destination and get the information you need; that is with in-built systems, that is with mobile phones and PNDs. And about 40% of users don't
use navigation at all. 60% do, and within that 60% about 10% is now coming from mobile phones, about 13%, 14% from in-built systems, and the rest is from PNDs.

And there is -- on top of that there is a very large installed base. One of the reasons why the market -- the PND market has declined is because there are so many out there. It's still the predominant form factor for finding your destination, getting information about traffic congestion and what have you. The hope, of course, for us and what we have tried to do is make something that is sufficiently different shaded from our old products to give an impulse to the large installed base and for those customers to upgrade.

There is a good reason now to upgrade to the new products; they're better, traffic information is coming for free; the user interface is completely redesigned with the traffic information and other dynamic information in mind they are better suited for everyday use also where you don't need them. Also, when you go to your work, it's still a helpful addition. So we're targeting our new products also on the existing customer base. How that will work out is too early to say, but I think there is a bit of potential there.

Brad Erickson - Pacific Crest Securities - Analyst

Great, that's very helpful. Thank you.

Operator

The next question comes from Stuart Jeffrey of Nomura. Please go ahead.

Stuart Jeffrey - Nomura - Analyst

Hi, there. Thanks, everyone. Two questions, if possible. One is on Content and Services. We've had two tough quarters in terms of year-on-year growth and, obviously, we'd hope this would return to growth at some point. Maybe you can just give us an overview of what the drivers would be that return Content and Services back to growth and, hopefully, perhaps some timing as to when that might be possible.

And, secondly, a more generic question. Smartphones are growing really fast in emerging markets and I know you're focused more on automotive navigation in terms of building maps, and so I was wondering how you're pursuing that opportunity. Are you continuing to focus principally on car-based, navigation-based mapping, or are you now starting to work a bit harder at building maps for smartphones in emerging markets, where, perhaps, the Automotive revenue opportunity is still a little bit low? Thanks.

Marina Wyatt - TomTom NV - CFO

Let me answer the first question on Content and Services. So, as I said in the voiceover, the reason why Content and Services is down is because with the decline in the PND market what we're also seeing is that means that, in absolute terms, we're selling less connected devices. And as a result of that there is a follow-on impact on map sales and -- sorry, not map sales, on live sales. That's one impact.

Clearly, with the trend towards built-in and bundled-in maps and traffic, that will -- that presents challenges in the future for the -- that particular segment of Licensing. But if we look towards the other Licensing activities, particularly Automotive Licensing opportunities and Licensing outside the Automotive segment, those areas are areas that can drive growth again in the future. And I think over time in consumer also we will see other Content and Services revenue streams coming through. But that is the short-term trend that we see just now.

Stuart Jeffrey - Nomura - Analyst

But can I just clarify on that, Nokia here announced growth, I think, in Automotive revenue, and you're, I think, talking about declines. So is that a temporary thing, or do you think you're losing some market share in that space?
Marina Wyatt - TomTom NV - CFO

No, it’s not -- it’s purely a matter that at the moment the car market and sales of cars are down, and they’re down between 10% and 15% year on year, and that affects unit sales out of TomTom.

Stuart Jeffrey - Nomura - Analyst

Thanks. And on smartphones?

Harold Goddijn - TomTom NV - CEO

Stuart, on smartphones, yes, so you know we have a presence on smartphones in different ways. We have our own applications for Android. We have applications for iOS that we license under our brand. But we’re also providing content to a very large proportion of the mobile phone population. The new software will make it much easier to address the mobile phone markets, also to add user interfaces that are more tailored to local use in foreign languages and in Chinese and what have you.

So there are opportunities opening up now we have modernized that software. It’s state of the art again. We gained a little flexibility and we’ll be able to address opportunities quicker and better than in the past. That’s true for the Automotive industry where [we] now have a global offering. And we will develop also our own TomTom branded [navigational smartphones] in that direction.

Stuart Jeffrey - Nomura - Analyst

But just -- I perhaps wasn’t clear enough. Now if I think pedestrian navigation as being important for smartphone navigation [plan] --

Harold Goddijn - TomTom NV - CEO

Yes.

Stuart Jeffrey - Nomura - Analyst

And I know that obviously others have been investing heavily in pedestrian navigation mapping. So does the TeleAtlas Map database, does it -- is it able to do that in emerging markets, or do you have to increase investments to get there?

Harold Goddijn - TomTom NV - CEO

Well, there are -- you can make our maps suitable for pedestrian navigation. We’re not doing that actively. We think the business case for pedestrian navigation like mapping specific pedestrian routes and footpaths, and urban areas is not a strong business case for TomTom, so we’re not investing massively in there.

We do -- we make our maps more suitable for pedestrian navigation by doing clever stuff with software, but we’re not on a large-scale content creation program especially aimed at pedestrian navigation. I don’t think the business case is there.

Stuart Jeffrey - Nomura - Analyst

Thank you.
Operator, please ask for the next question.

Operator

Thank you. The next question comes from Wim Gille of ABN Amro. Please go ahead, sir.

Wim Gille - ABN Amro - Analyst

Yes, hi, can you hear me?

Harold Goddijn - TomTom NV - CEO

We can hear you loud and clear, Wim.

Wim Gille - ABN Amro - Analyst

Very good. Good afternoon. First of all, a question on the new fitness products. Can you give me a little bit more insight in what TomTom's experience so far has been distributing the existing GPS watches without the help and the distribution channels of Nike, i.e., through your own channels? And can you give us a bit more feeling on how long you expect it will take before you can build up and expand on that -- well, basically, the distribution side of things?

And then, secondly, I have a question on Automotive. Your revenues are down in line with the end markets, with the Automotive end markets, which gives me a bit of the impression that the take rates are still hovering about 20% for new cars. Can you give us a bit more feeling on what you actually see happening with intake rates and what it would take for take rates to go up to more meaningful levels?

Harold Goddijn - TomTom NV - CEO

Yes. So, first, on distribution, so the -- we have some experience with distributing sport watches ourselves both in North America and Europe. There is some overlap with distribution channels that take our navigation devices, but it's not a complete overlap. We also need to talk to new partners.

When we launched the product we had a lot of new potential partners in the room. I think we're starting to develop those relationships. Initial feedback is positive. People are excited about us entering that market with the clearly customer-centric, non-technical devices. The feedback we have is that there is a place for us under the sun in this category.

Wim Gille - ABN Amro - Analyst

And how long do you think it will take?

Harold Goddijn - TomTom NV - CEO

Well, I think you're never ready with distribution. It's always you're never ready. But I would expect that by the end of this year we have a fairly broad coverage in the key territories where we're active, so that's in Europe and North America.
And don’t forget that a lot of this stuff is now also happening online, so there you – the time to get into that type of distribution is obviously shorter. So by the end of this year we should be – you should be able to find us where you would normally shop for a product like this.

Wim Gille - ABN Amro - Analyst
Okay.

Harold Goddijn - TomTom NV - CEO
Take rates in Automotive; the industry average is creeping up a little. I think if you look at the industry as a whole now it’s going up to a percentage of, let’s say, 25%, 30%, so there’s clearly an upward trend from where we were a couple of years ago. It’s still not 100% or anything close to 100%, so there’s still a lot to be done to get a better user experience for a more affordable price in the car industry.

I think the car industry is aware of that. Their issues of bringing good user experience into the dashboard is not getting any easier; connectivity is adding complexity; global footprint is adding complexity; same systems that need to work across different models -- ranges is adding complexity. So we see a lot of initiatives by the car industry to crack the code to bring the type of user experience into the dashboard that people are now used to on either a PND or [in] a mobile phone. And there is some movement there. I think that is a good development for us. But there’s still an awful lot of work to be done.

Wim Gille - ABN Amro - Analyst
All right, then, a follow-up question on the balance sheet. Quite obviously you’re getting close to being cash positive. Can you share us a bit of vision on how you personally look at the balance sheet? What kind of buffer would you need, or do you need, as a Company like TomTom? And what do you think is an optimal use of the balance sheet, i.e., are you going to distribute dividends in the near future?

Marina Wyatt - TomTom NV - CFO
Yes, it’s a bit early to answer all those questions, Wim. But just to give a flavor of the priorities, clearly we continue -- we’ve got EUR175m of term loans that we need to pay down over the next period between now and the end of the first-quarter 2016, so we need to make sure we’ve got sufficient cash for that. And then for the operational working capital of the Company as well that’s roughly in the region of around EUR100m. And then I think in addition to that we need to be able to make small bolt-on acquisitions from time to time, but not very frequently.

So that’s the sort of order of -- we need to build ourselves up to that sort of level and then get ourselves into a situation where we have sustainably surplus cash. We’re a little ways off that, but clearly the day when we get to a net cash position is getting closer now.

Wim Gille - ABN Amro - Analyst
Okay, thanks.

Operator
Thank you. The next question comes from Andrew Humphrey of Morgan Stanley. Please go ahead, sir.
Andrew Humphrey - Morgan Stanley - Analyst

Hi, thank you for taking my question. Just one follow-up on Licensing, if I may? You indicated this quarter that the year-on-year decline in Licensing comes from, I guess, a decline of revenue reported on PND products. Last quarter I think you said there was also an impact from a decline in other Licensing partners, particularly Google, and you were expecting that to drop off more from the middle of this year after June.

Can you talk a bit about how comfortable you are that some of the deals you signed over recent weeks and months offset that decline you should see in the second half? And maybe give us a bit more of an idea of the shape through the year of revenue in Licensing?

Marina Wyatt - TomTom NV - CFO

Yes, sure. Yes, basically, the contract with Google will come to a close at midway through this year. And in terms of looking at the development overall of the contracts, as we've indicated before, we have contracts signed that we have confidence will come through to replace the lion's share of that revenue that is going from that contract, which has been in decline for some time now.

And in terms of the developed Licensing income as we go through the year, relatively steady, although there is a little bit of a seasonal uplift towards the second half of the year. So that's broadly the trend that we'll see there.

Andrew Humphrey - Morgan Stanley - Analyst

Okay, thank you.

Operator

The next question comes from Peter Olofsen of Kepler Capital Markets. Please go ahead, sir.

Peter Olofsen - Kepler Capital Markets - Analyst

Yes, good afternoon. I had a question regarding the slide 13 in the presentation on the deferred revenue. With the Map and Traffic intro-related revenues being deferred, in the short-term your ASPs will be mainly driven by the hardware components. And if I then look at the hardware, what you say there, it seems to suggest a double-digit ASP decline. Is that, then, what we should expect at least short term? Or how should we read this slide?

Marina Wyatt - TomTom NV - CFO

No, this slide is an illustrative slide and -- just trying to explain that we obviously recognize revenue when we sell a piece of hardware, but when it has bundled lifetime maps and lifetime traffic in it that we need to defer a portion of that revenue. And that revenue that is deferred gets released over a four-year period. So that's what that's showing.

But this is not showing that for every product this is the percentage that gets deferred, just to be very clear about that. It depends on the model and it depends on exactly what is bundled into that sale. So you need to look -- think about a range with a bundled product of deferrals of anywhere between 10% of revenue, up to probably a maximum of around 35%, so that's really the way to think about it.

As we sell the new products the pricing of those products will also be at a premium to reflect the fact that it's got these services bundled into them. So what we're not saying is that this is going to cause our ASPs to take a dramatic tumble, nothing like that. We've given clear guidance, I think, for this year for what we expect.
Peter Olofsen - Kepler Capital Markets - Analyst
Okay, that's clear then. And I think with the Q4 results you indicated that you were expecting some EUR20m, EUR25m in sales to be deferred? At that time you had indicated that you would start selling products with lifetime map updates. Now with the new Go range also having a lifetime traffic info does the EUR20m to EUR25m still stand, or has that number moved up?

Marina Wyatt - TomTom NV - CFO
No, it still stands. I think that was a broad-brush estimate at something that is -- you can't pin down too much. But just to be very clear about it, that is the delta, so the increase in the deferral compared with last year's deferral of revenue caused by the bundling of lifetime maps and lifetime traffic. So it's not the absolute amount of the deferral. It is the change caused by the increase in the bundling. So I think the 20% to 25% comparison holds still with lifetime traffic coming in as well, so no change in that.

Peter Olofsen - Kepler Capital Markets - Analyst
Okay, that's clear. And then, going back on Wim's question regarding the balance sheet and the cash position, you mentioned potential bolt-on acquisitions. Well, you have not done anything in recent years. What kind of targets should we think of in case of any bolt-on acquisitions?

Marina Wyatt - TomTom NV - CFO
There is nothing specifically planned at present, just to be very clear. But I just wanted to give guidance about how I felt about the balance sheet, okay? So it's small -- these are small levels just to typically accelerate our position in particular areas, but small, and nothing specifically planned at present.

Peter Olofsen - Kepler Capital Markets - Analyst
Okay, thank you.

Marina Wyatt - TomTom NV - CFO
Thank you.

Operator
The next question comes from Johannes Schaller of Deutsche Bank. Please go ahead.

Johannes Schaller - Deutsche Bank - Analyst
Yes, hi there, thank you for taking my question. I had a few quick ones on the Automotive segment really. I think over the last quarters you've been probably a bit unfortunate to be maybe not exactly with the right customers, which put a bit of pressure on your revenue line there. But now you're winning Mercedes it looks quite encouraging to me. It looks like the high-end market is more opening up for your solutions here.

Then on the other hand I see it's also -- I think it's also sourcing some stuff from Garmin now. How do you think about the high-end potential in general? And is this something that could really help the Automotive segment to turn around in the near term? Or how should we think about that revenue line for the coming quarters? Thank you.
Harold Goddijn - TomTom NV - CEO

Yes, so I think the -- traditionally the high-end navigation systems or mid-range navigation systems, or I should really say infotainment systems, are very difficult and complex to build. But we see a shift now in the industry where specialists in their field are coming together to build, collectively, a system that is more configurable based on best-of-breed components brought to the party. In that context it’s going to be easier for us to expand our reach across entry-level cars, mid-range cars, but also high-end cars. That’s firmly our aim.

Does it make any difference? The routing -- for instance, the routing engine we’re very good at that. That same routing engine could work in a volume car, but also in a high-end car. So our aim is really to license the components that make it easy for system integrators to build class-leading infotainment systems. And we are specializing on the navigation side and traffic and the routing side, obviously. It looks to us that that strategy is resonating both with tier ones and the OEs, so I think we’re laying again good foundations for growth in that segment in the mid term.

Johannes Schaller - Deutsche Bank - Analyst

Thank you.

Operator

The next question comes from Hans Slob of Rabobank. Please go ahead.

Hans Slob - Rabobank - Analyst

Yes, good afternoon, a question on the cost line. What really explains the EUR3m year-on-year increase for your SG&A line? And do you expect OpEx also to be down for the remainder of the year? That’s my first question.

And have we seen the full impact now on the gross margin from the sale of PNDs with lifetime map updates, or is that more pronounced maybe in Q2 or in Q3?

Marina Wyatt - TomTom NV - CFO

Okay, firstly, on the operating expenses the outlook hasn’t changed from what we said at the time of our full-year results. So I’m expecting that our operating costs for the full-year will be down a little bit on last year in overall terms. Specifically SG&A in this quarter, we had a lower level of variable personnel expenses in the first quarter of last year compared to this year, and that’s the main cause of that delta. But overall operating expenses are fully on track with where we indicated and where we expect them to be.

Turning to your question on the gross margin, the gross margin in Q1 is particularly high, and that is -- if you look at the mix overall it’s a proportionally smaller quarter for consumer than the other quarters in the year. So as we go on into Q2 and Q3 you’ll see more consumer products in the mix. And overall that will result in a gross margin that is not as high as what we see in the first quarter, and that’s the kind of trend that we’ve seen in previous years. So don’t expect anything different on that.

Lifetime maps, lifetime traffic, that will grow in importance as we go through the year. But overall the level of deferral -- year-on-year increase in deferred revenue that we indicated at the time of the full-year results, we’re roughly on track for that.

Hans Slob - Rabobank - Analyst

So we should -- still should expect a 100 to 200 basis points’ margin drag from the introduction of lifetime map updates?
Marina Wyatt - TomTom NV - CFO
Yes, it has an overall impact on the earnings per share of about EUR0.05, so, calculating that through, yes.

Hans Slob - Rabobank - Analyst
Okay, thanks.

Operator
The next question comes from Anuj Krishan of UBS. Please go ahead.

Anuj Krishan - UBS - Analyst
Yes, thanks a lot. Thanks for taking mine. I was just hoping if you could comment a bit on the ASP trends in the PND business? Are you still seeing the low single-digit, year-over-year percentage declines that you mentioned in the past? Or is there any sense that as the market is becoming smaller and smaller and, perhaps, a lot more of the replacement market that people are tending to trade up a bit towards the higher-end models?

Marina Wyatt - TomTom NV - CFO
Yes, overall the picture we're seeing is pretty flat on ASPs. We need to see how the year develops with the new products, but in general we've got two effects as we go forward. A higher price is being charged because of more bundling in, but, on the other hand, a deferral, so the impact of both of those. But for the last few quarters what we have seen is a pretty flat picture, subject to a little bit of seasonal variation, but it's generally pretty flat.

Anuj Krishan - UBS - Analyst
Okay, that's helpful. And then just on the -- staying on the PND market, it appears that there was a significant amount of de-stocking in the channel in Q1 based on the market estimates that you've given. Is that something that you would think is one-off at the start of the year as the distributors and retailers align their inventories and, therefore, should not really carry on? And if you could just comment, perhaps, on the overall situation in the supply chain that you're seeing.

Marina Wyatt - TomTom NV - CFO
Yes, overall in the supply chain we have seen a continued trend, particularly, actually, in the US, for retailers to be carrying less weeks of inventory. It's been going on for a couple of years now, but it's still going on and the level of de-stocking that we've seen continues to be a factor. And you're absolutely right, when you put together the size of the market and our market share it doesn't tally up with what we're reporting, and that is exactly because of de-stocking. So it is ongoing and continuing.

You also tend to get de-stocking in the first quarter of the year, in particular, following year ends, and also the fact that we are coming in with a major set of new products will also have an impact on that. So, no, you're right to make that observation.

Anuj Krishan - UBS - Analyst
Okay, that's very clear. Thank you very much.
Operator
(Operator Instructions). Thank you, gentlemen, we have no further questions at this time. Please continue.

Harold Goddijn - TomTom NV - CEO
Okay, then, I want to thank you all for joining us this afternoon for the first-quarter results call. If you have any follow-up questions at a later time please don't hesitate to give us a call. So, operator, thank you very much, you can close the call.

Operator
Thank you. Ladies and gentlemen, this concludes the TomTom first-quarter 2013 earnings conference call. Thank you for participating. You may now disconnect.