Philips (Q1 2025 Results)
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Corporate Speakers

- Durga Doraisamy; Philips; Head of Investor Relations
- Roy Jakobs; Philips; Chief Executive Officer
- Charlotte Hanneman; Philips; Chief Financial Officer

Participants

- Richard Felton; Goldman Sachs; Analyst
- David Adlington; JP Morgan; Analyst
- Veronika Dubajova; Citi; Managing Director
- Hassan Al-Wakeel; Barclays; Director, European MedTech & Services Research
- Graham Doyle; UBS; Analyst
- Lisa Clive; AB Bernstein; Senior Research Analyst
- Julien Dormois; Jefferies; Analyst
- Robert Davies; Morgan Stanley; Analyst
- Hugo Solvet; BNP Paribas Exane; Research Analyst
- Wim Gille; ABN ODDO; Head of Equity Research
- Julien Ouaddour; Bank of America; Analyst
- Sezgi Oezener; HSBC; Analyst
- Falko Friedrichs; Deutsche Bank; Analyst

PRESENTATION

Operator^ Welcome to the Royal Philips' First Quarter 2025 Results Conference Call on Tuesday, May 6, 2025. During the call hosted by Mr. Roy Jakobs CEO; and Ms. Charlotte Hanneman, CFO. (Operator Instructions)

Please note that this call will be recorded, and a replay will be available on the Investor Relations website of Royal Philips. I will now hand the conference over to Ms. Durga Doraisamy, Head of Investor Relations. Thank you. Please go ahead, ma'am.

Durga Doraisamy^ Hello, everyone. Welcome to Philips results webcast for the first quarter of 2025. I'm here with our CEO, Roy Jakobs; and our CFO, Charlotte Hanneman. The press release and the investor presentation were published on our Investor Relations website this morning. The replay and full transcript of this webcast will be made available on the website after this call.

Before we start, I want to draw your attention to our safe harbor statement on the screen. You will also find the statement in the presentation published on our Investor Relations website. I will now hand it over to Roy.

Roy Jakobs^ Good morning, everyone. Thank you for joining our results call for the first quarter of 2025. I will walk you through our Q1 performance and the macro trends shaping our 2025 outlook. I know tariffs are top of mind, and we will address them shortly. Our CFO, Charlotte Hanneman, will then provide more detail on the quarter and full year guidance, and we will close with Q&A.

I want to start with the key highlights of this morning's press release. Order intake grew despite double-digit decline in China driven by double-digit order intake growth in North America, and strength in Diagnosis & Treatment. We exited the quarter with momentum even against the backdrop of increasing macro uncertainty.

Sales performance exceeded the outlook we provided in February, driven by Personal Health growth and royalty phasing. Our innovations and productivity measures drove a step-up in gross margin and adjusted EBITA margin delivery was resilient despite lower sales. The Respironics U.S. settlement around EUR 1 billion was paid, which completes the U.S. personal injury and medical monitoring settlement.

I would now like to discuss our full year outlook for 2025. It incorporates our encouraging Q1 performance and the impact of announced tariffs, net of the comprehensive and significant mitigation actions we are deploying.

Our sales outlook for 2025 remains the same, comparable growth between 1% and 3%. Adjusted EBITA margin is now expected to range between 10.8% and 11.3%, 100 bps adjustment, reflecting the impact of tariffs, net of substantial mitigations, and free cash flow is projected to be slightly positive. Let's now look at the operational and strategic drivers behind our Q1 performance. Let's dive into orders first.

Strong customer demand for our innovations, along with improved operational execution, sustained the momentum we built last year through Q1 as we enter Q2. Excluding a double-digit decline in China, comparable order intake increased by 4% in Q1 with strong growth in Diagnosis & Treatment.

Like last year, we saw continued double-digit order intake growth in North America. This number excludes service order intake, which was also positive, very positive in the quarter. At the group level, Diagnosis & Treatment orders grew mid-single digits globally, with order intake growth in both Image-Guided Therapy and Precision Diagnosis.

In Image-Guided Therapy, we continue to see strong demand for our competitive Azurion platform, which now also has the AI-driven neuro solution. In Precision Diagnosis, we saw strong order growth in commuted tomography, driven by CT-5300, our productivity workhorse with AI-enabled workflow and our clinically practical Spectral CT7500 systems.

We also saw good momentum in MRI, driven by our industry-first helium-free system, which is supported by our AI engines, increasing access to MR technology. We expect this positive order intake momentum in Diagnosis & Treatment to continue into Q2.

In Connected Care, hospital patient monitoring delivered solid growth, particularly in North America, fueled by customer partnerships and our strong PIC iX platform offering including cybersecurity and interoperability.

Enterprise Informatics Order Funnel remained healthy, underpinned by partnerships including AWS, which we expect to drive strong order intake growth in the second half of the year. Orders and order book account for around 40% of our revenue.

Importantly, our order book has steadily increased with an improved margin profile in recent quarters. Innovation is a key driver as reflected in the significant gross margin improvement we delivered in Q1, building on the 2024 step-up. Our customers rely on our innovations as critical enabler of their ability to drive efficiency and productivity.

Today more than 50% of our sales are fueled by AI-driven innovations from new and upgraded products launched in the last three years. This progress showcases the power of our innovation strategy and our partnerships. A great example is our work with AWS.

We are bringing cutting-edge generative AI into our HealthSuite Imaging Platform. Our future AI innovations will automatically summarize prior studies, autogenerate conclusions and even perform real-time quality checks. By automating these tasks, we enable radiologists to focus on strengthening care quality and improving throughput, which ultimately drives sustainable growth for Philips.

To further strengthen AI leadership in MRI, in February, we announced the launch of Smart Speed Precise with dual AI engines, which advances image quality while accelerating scan time at the same time.

It also extends AI-driven efficiency across the entire Philips MR portfolio. This includes our full portfolio of helium-free MRI scanners, both installed base and new systems, so all customers can benefit from the speed and improved image quality next to the access and total cost of ownership advantages that it brings. These are just two further examples of how our innovation pipeline is working and building a stronger, more competitive future for both our business and our customers.

In parallel, we're making strong progress on our execution priorities with continued progress in patient safety and quality, supply chain resilience and simplification across our operating model and portfolio. Here are a few highlights. Through simplification, we are on track to reduce the number of quality management systems by 70% this year.

Supply chain lead times and service levels continue to improve, and we are now at par with industry standards, while we are, at the same time adjusting in real time to new tariff realities unfolding, which I will touch upon shortly. We are simplifying our platforms and number of SKUs across our businesses, now focusing on hospital patient monitoring and CT after strong results in Image-Guided Therapy, ultrasound and MR.

Finally, we continue to remove complexity and build a lean organization through our simplified operating model. Together with our strength in performance management, this is driving accountability, agility and enhanced focus on growth, and it delivered EUR 42 million of productivity in Q1. We are well positioned to adapt decisively as the macro environment evolves, ensuring we stay ahead and deliver with focus.

I'm deeply proud of our teams around the world who are driving to advance our operational priorities and the result it delivers by focusing on what we can control amid such a dynamic environment.

Looking ahead, the fundamentals of the markets we serve remain strong, but the dynamics are different by region. Starting with North America. Similar to last year, we are still seeing steady fundamental hospital demand. We are well positioned as seen in the strong double-digit order intake and have not observed major shifts in CapEx plans. That said, we are closely monitoring the environment.

In China, while stimulus activity is picking up and our funnel is progressing, we have not yet seen a trigger that would significantly change the market dynamics, in line with our expectations going into the year.

Generally, hospital CapEx remains solid across the rest of the world with also increasing demand in Europe. Personal Health delivered strong growth across Europe and other growth markets, excluding China in Q1, and momentum continued in those markets as we exited the quarter.

In China, the consumer environment remains subdued as we anticipated. We are closely monitoring consumer dynamics and sentiment globally, particularly in the U.S., where they currently remain stable.

Looking to the rest of 2025, we remain vigilant about the macro environment we operate in and the progress we have made on our execution priorities puts us in a strong position to navigate change with speed and agility.

For several years now we have taken proactive steps to build a more resilient supply chain including diversifying and regionalizing key operations, especially in China, well ahead of recent developments. You have seen this in our improved supply chain metrics and our performance in recent periods.

In the current environment, we are further accelerating those efforts, especially towards the U.S. Also we are going beyond shifting geographies. Our mitigation actions include supply network and manufacturing optimization, holding the right levels of inventory, pursuing exemptions, selective pricing and building greater operational agility and resilience.

We view these as necessary to maintain our competitiveness, protect margins and secure long-term growth. We have cross-functional teams actively working across our supply chain and business to further mitigate impact of tariffs, both in the near term but also looking ahead to 2026.

In parallel, we are razor-focused on what we can control, applying strong cost discipline as we tightly manage discretionary and overhead spending while staying committed to our long-term innovation priorities.

Our focus remains on the levers within our control to protect margins and cash flow. On a net basis, we expect the impact of tariffs as announced and net of substantial mitigations to range between EUR 250 million to EUR 300 million.

We are also intensifying our engagement with governments and regulatory bodies worldwide, advocating for open markets and the free flow of medical goods and manufacturing essentials to ensure patient access to critical medtech supplies and our innovations. Charlotte will now discuss our first quarter performance and outlook for 2025.

Charlotte Hanneman^ Thanks, Roy. In Diagnosis & Treatment, comparable sales decreased 4% in the quarter, reflecting a double-digit decline in China as expected and on the back of a high 2-year comparison base.

Image-Guided therapy continued its strong performance, reinforcing its leadership position in minimally invasive therapy. Precision Diagnosis declined mainly due to China and a particularly high comparison base in magnetic resonance, which had benefited from prior year supply chain improvements.

Adjusted EBITA margin improved by 30 basis points to 9.5% despite lower sales driven by productivity measures, favorable mix effects and innovation. Improvement was partially offset by lower fixed cost absorption given lower sales.

Moving to Connected Care. Comparable sales were broadly flat across businesses. Hospital patient monitoring sales increased, driven by higher installations in both North America and Europe. We continue to see healthy demand in this business, driven by the ongoing shift toward an as-a-service model and large standardized monitoring partnerships with integrated delivery networks and health systems.

Adjusted EBITA margin declined to 3.5%, mainly due to the impact of unfavorable mix and cost phasing, partially offset by productivity measures and innovation. We were very pleased to see Personal Health sales return to growth in Q1 with 1% on a comparable basis. We saw double-

digit growth across Europe and growth markets, excluding China and slight growth in the U.S. This was largely offset by a double-digit decline in China as expected.

Consumer sentiment remains strong across Europe and growth markets, China excluded, with robust sell-out trends. China remained subdued as anticipated. Adjusted EBITA margin was in line with the prior year at 15.2%.

Sales in segment Other totaled EUR 140 million, which was EUR 17 million lower than the first quarter of 2024. This was above our Q1 outlook range of EUR 100 million to EUR 120 million due to royalty phasing effects.

Turning to our group results and operating highlights in the quarter. Sales performance exceeded our expectation of mid-single-digit decline, mostly driven by the strong performance of Personal Health and further supported by royalty phasing in segment Other. Group comparable sales decreased 2%, reflecting double-digit declines across all our segments in China and on the back of a high two-year comparison base in Diagnosis & Treatment globally. Comparable sales increased slightly outside of China, mainly driven by the strength of Personal Health across the International region.

Adjusted EBITA margin decreased 80 basis points to 8.6%, remaining resilient despite the decline in sales. This was partially offset by higher gross margin from innovation value and productivity measures.

We have been very disciplined in cost management and productivity initiatives, which delivered savings of EUR 147 million in the quarter. We are on track to deliver on EUR 800 million productivity savings in 2025, with the bulk of savings from the programs underway expected in the latter half of the year.

Restructuring, acquisition-related and other items totaled EUR 143 million, in line with our expectations. Net income increased by EUR 1.1 billion in the quarter to EUR 72 million. As mentioned, Q1 2024 included EUR 982 million for the Respironics litigation provision.

Income tax expense decreased by EUR 78 million compared to Q1 2024, mainly due to the tax effect on the Respironics litigation provision in Q1 2024, partially offset by the tax impact of higher income in this quarter. Financial income and expenses decreased by EUR 22 million. This was mainly driven by higher interest income on cash balances and lower losses on non-current financial assets.

Our full year outlook is now expected to be EUR 260 million compared to EUR 275 million as communicated in February. Adjusted diluted EPS from continuing operations was .25 cents and remained in line with last year despite lower sales.

Moving to cash flow and balance sheet. Free cash flow was an outflow of EUR 1.1 billion, primarily due to a EUR 1 billion payment related to the Respironics recall-related settlements in

the U.S. Excluding this payment, the free cash flow increased by EUR 270 million year-on-year, primarily driven by higher earnings and lower working capital outflows. The payment was fully funded by cash-on-hand, and our leverage ratio remained in line with Q1 2024 at 2.2x on a net debt-to-adjusted EBITA basis, reflecting our continued focus on deleveraging.

Now turning to the outlook. Our full year 2025 outlook factors in Q1 performance relative to our expectations and the impact of tariffs as announced and net of substantial mitigation actions. Our comparable sales growth outlook remains unchanged at 1% to 3%, back-end loaded as we previously expected.

Adjusted EBITA margin percentage with the impact of the announced tariffs, net of mitigations is expected to be 10.8% to 11.3%, a 100 basis points adjustment compared to our previous outlook of 11.8% to 12.3%. Our free cash flow is expected to be slightly positive and includes a EUR 1 billion outflow related to Respironics settlement, which was paid in Q1.

Our approach to estimating the impact of tariffs is based on the announced measures including the bilateral U.S.-China tariffs, Rest of World tariffs and the resumption of the post U.S. tariffs on July 9. We estimate an annual net cost impact of EUR 250 million to EUR 300 million after substantial mitigation. U.S. and China tariffs account for most of the impact, reflecting the elevated levels applied in those markets.

We anticipate that tariffs will have a more pronounced effect in the second half of the year, reflecting the natural lag between inventory cost increases and their recognition in the profit and loss statement.

As Roy mentioned, we have significant actions underway including optimizing network flexibility, effective inventory management, pursuing exceptions, selective pricing and leverage our disciplined cost management and productivity program. We continue to monitor the tariff situation closely and will update the market as developments unfold.

In line with the outlook we provided in February, we continue to expect sales and adjusted EBITA in Q2 to modestly improve compared to Q1. This is due to a double-digit sales decline in China, mainly driven by Personal Health as the impact of inventory destocking we previously highlighted concludes in the quarter.

Our Q2 and full year 2025 outlook excludes potential wider economic impacts and the ongoing Philips Respironics related proceedings including the investigation by the Department of Justice. With that, I would like to hand it back to Roy for his closing remarks.

Roy Jakobs^ In an uncertain macro environment that has intensified due to the potential impact of tariffs, we are driving profitable growth, and we are focusing on what we can control. Our proven ability to navigate change, disruption and uncertainty underscores our capacity to lead decisively, adapt rapidly and perform effectively under pressure.

We are taking decisive cost actions and improving our supply chain agility to serve our customers and consumers across the globe. We delivered a better-than-expected start to the year, driven by strong execution, growing demand for our hospital solutions and Personal Health returning to growth. Our innovation is helping hospitals solve staffing shortages, boost productivity and improve outcomes. And sustained order growth shows that we are making real impact.

As our order -- as our teams deliver against robust order book, they are also expanding margins to fuel long-term sustainable growth and enable better care for more people now and into the future. The strength of our business fundamentals, our innovation capability, combined with our customer-first mindset gives us confidence in our ability to navigate change and deliver on long-term value. Let me open for Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) The first question comes from Mr. Richard Felton from Goldman Sachs. Please state your question.

Richard Felton^ Thanks very much. Just two questions from me, please. The first one is on the tariff mitigation efforts. Can you perhaps elaborate a little more on what you're trying to do with your supply chain as it relates to network optimization? I'd be very interested to know what you're trying to move and to where? And then within your guidance, how quickly do you assume that you're able to execute on those plans?

That's the first question. The second one is on China, and it's specifically on ultrasound. During the quarter, we've heard a few reports about VBP being implemented by certain provinces. Have you seen any impact on that on your business during this quarter? Or any thoughts to contextualize that as a factor going forward? Thank you.

Roy Jakobs^ Thank you Richard. Let me start with the first one. So in terms of the network mitigation, this actually builds on the program that we are running for the last two years where we are further regionalizing our footprint. You have heard me speak since 2022 that in building supply chain resilience we are strengthening our footprints in Asia for Asia, China for China, in particular, where we are 90% now localized, Europe for Europe and Americas for America.

But the current situation asks for is that we accelerate, in particular the localization into U.S., which builds on an already strong footprint that we have. We have 46 locations in the U.S. We have billions of spend into U.S. every year, and we produce, as you know part of our ultrasound and monitoring and also our imaging equipment in the U.S. but we plan to bring more of that.

We also already announced multimillion investment in Minnesota for cardiac devices, and we also leverage existing footprint to expand. So regarding your time there are already actions that we are implementing as we speak.

Now we also know that if you want to add more structurally strengthening, this will take some time. So this will be a phased-in advantage that will come to bear in terms of our current footprint strengthening, but it builds on what we have already been doing. Then on China VBP, let me --

Charlotte Hanneman^ Maybe I just had a comment on the first one, Richard. Maybe in addition, if you think about our mitigation actions, and it's worth several hundreds of million euros. And if I then just give you a sense of what it really includes, roughly half of that is really related to inventory management that we're doing and also the exemptions we are pursuing including the Nairobi protocol and including duty drawback. So that gives you a sense of how we're thinking about the mitigation actions in 2025.

Roy Jakobs^ Yes. And then, maybe going to the China VBP. So I was again in China a month ago, spoke to government customers and also indeed engage around what we see happening around the procurement environment. And if you talk about the VBP, we actually see it more as a centralized procurement initiative than a pure value-based procurement that is heading more towards kind of standardized high-volume purchases and a lot of pricing pressure.

As we have been sharing, we have seen China moving towards the central procurement offices for some time. And the procurement model is evolving towards a more balanced consideration between price and quality. Actually, if you zoom in on ultrasound, we were actually happy to see that ultrasound in Q1 did actually well in China in orders. That also was built on the new innovation that we launched with the new VM platform, where the AI solution is really getting traction and build on our global leadership position in the cardiovascular ultrasound space, where it's much more difficult to standardize compared to general imaging.

If you then look at also what happened in the quarter, the Chinese government issued a 2025 action plan to stabilize foreign investment. And also when I was speaking to them, they clearly affirm that, a., they want to have foreign investment continue to flow into the company. They want us to continue to operate in China, and they will also support in fighting kind of unfair practices in procurement. So that actually was encouraging from what I heard from Vice President, Han, personally.

Of course, we will continue to work on our innovations to be as relevant as possible in China to support a strong market, which we know fundamentally has a huge patient demand, and we also expect to strengthen over time. And we also found it reassuring that the first quarter came in, in line with our expectation. And it's now the second quarter that actually it has been predictable and delivering in line with our plan and also in line with expectations. So that's something that also strengthens our confidence in the rest of year outlook for China, which we expect to unfold in line with what we earlier guided towards.

Operator^ Our next question comes from the line of Mr. David Adlington from JPMorgan.

David Adlington^ So the first one is, again, just on tariffs. The EUR 250 million to 300 million impact for this year, I'm just wondering how we should be thinking about that as an annualized

impact (…not audible…) on inventory. And I was wondering if you saw any restocking of inventory ahead of the tariffs coming in, in the first quarter. Thirdly, Personal Health Care, you talked about modest growth in North.

I just wonder what the trends were like through the quarter, they deteriorated towards the end of the quarter. And then finally, just also on Personal Health-- I just wonder how much price contributed to that?

Charlotte Hanneman^ David, it's very hard to hear you. You're breaking up.

Roy Jakobs^ Your questions didn't come through. So maybe try to repeat the question so that we fully understand what you were asking.

David Adlington^ Yes. Sorry, is that better?

Roy Jakobs^ Yes. Slightly better. Yes.

David Adlington^ Right. Okay. But the first one, I'm afraid on tariffs again. The EUR 250 million to EUR 300 million impact for this year, I just wondered what we should -- how we should be thinking about the annualized impact in 2026? And then secondly, I'll just give it to -- did you see any prepurchasing of inventory in the first quarter ahead of the tariffs coming in? Thank you

Charlotte Hanneman^ Yes. Thanks, David. I think we got your questions now. So first of all, on the tariff impact and the net impact. So what I would say is actually two things. Maybe start with our assumptions again, what we assumed.

So we assume that our bilateral U.S. and China impact of 145% and 125%, we assume that to remain that in at current levels. The U.S. and the rest of world at 10%, and then we revert to the pre-pause levels after 90 days.

And we have significant mitigations in place, several hundreds of millions. We're continuing to work on those mitigations as we speak. And we also expect that going forward, those mitigation actions will increase in size. So again, drilling down on the type of mitigation actions that we're looking at, some are related to inventory management, as I referred to earlier.

Quite a big chunk is related to duty drawbacks and things like the Nairobi protocol, which is particularly relevant for S&RC business. And then we continue also with our very disciplined cost management and productivity actions and are also looking into selective pricing actions, obviously taking the competitive environment into account there.

Roy Jakobs^ And maybe on your inventory question, David. So maybe a few comments. So one, we did see some orders coming in on the back end of Q1, where I do think that kind of people are preempting some of potential pricing impact.

At the same time actually, if you see our sellout momentum, you see actually that we are really strong in Personal Health and because this was in Personal Health, where we have very strong double-digit momentum in the global markets that actually supports this outlook for the full year where we actually feel that the Personal Health coming back to growth and building up momentum is really strong.

And as we also mentioned, actually in China, on the other end of the spectrum, we finalized the impact of destocking of inventory that was, of course, significantly having an impact into our results.

So as we see Personal Health going into the year, we are very happy to see them coming back into growth, and we believe that's fundamental because the growth momentum also exiting the quarter into the second is strong. Of course, we keep remaining monitoring the wider macroeconomic environment as well. But what we see in terms of demand for our innovations, actually, we are very encouraged what we saw happening in Personal Health in Q1.

Charlotte Hanneman^ Yes. And then maybe, David, adding to that a little bit on inventory just in general. In Q1, our inventory versus last year Q1 actually went down. So we continue to go after inventory reductions as part of our very stringent working capital planning that we have. Of course, versus Q4, it went up a little bit, but this is just a normal course of business.

We -- as I said, we do have some inventory management in our planning as part of our mitigation strategies. but it is not overly significant as we are still fully focused on underlying reducing our inventory levels over time.

Operator^ Your next question comes from the line of Ms. Veronika Dubajova from Citi.

Veronika Dubajova^ Hi good morning, Charlotte and thank you for taking my question. I hope you can hear me okay. I'll keep it to two, please. My first one is on the tariff guidance that you've given today. And I'd love to understand what the gross versus the net numbers that you have in mind, just how much work you guys are putting in to offset this? And related to that, if you can give us a little bit of color here in terms of the geographies that are driving that EUR 250 million to EUR 300 million.

I'm asking this just in case we end up in a situation where the world looks a little bit different, and we don't have 145% tariff on China or we don't go back to the liberation day tariffs. If you can give us a little bit of a roadmap for how to think about Europe versus China and what's driving that impact. So that's my first question.

My second question is just on the competitive dynamics that you're seeing in your hospital CapEx businesses. Looking at the order growth, obviously you've called out really strong performance in the U.S. But if I look at the kind of comparative growth for you versus your peers, you are still underperforming overall in order growth.

So just curious, what are the areas of softness that you're seeing in competitive pressures, obviously China aside that are leaving you still at a gap versus what we might see from some of your peers?

Charlotte Hanneman^ Thank you, Veronika. And maybe I'll start with your question on the tariff guidance. So I'd say a few things. So if we think about our 2025 net cost impact, it's around EUR 250 million to EUR 300 million. And the majority of that impact comes from our U.S.-China flows.

So maybe I'll unpack that a little bit more, because over the last few years, we've done a lot to derisk our U.S. and China flows, but there are still flows. There's still component flows. There's still other flows.

Now given the very high level of tariffs, 125% and 145%, that just increases that impact tremendously. And that's what we're seeing, and that's what we're seeing that the majority of that net EUR 250 million to EUR 300 million impact is actually coming from the U.S. and China flows.

Of course, Europe is also a relevant factor in it, but it's because the tariffs are so much lower, that impact is less relevant for us at this point in time based on our current assumptions. And then, if you ask us to break it down a little bit more on gross versus net, I would say that we have hundreds of millions of mitigations including in this net number of EUR 250 million to EUR 300 million. Again, a large part is the inventory management, also the duty drawbacks, the Nairobi protocol.

In addition to that, we continue to look at selective pricing actions and also productivity, which we already started and are continuing to do. And a lot of these mitigation actions are already in effect and are already ongoing, and we're executing on those very successfully.

Roy Jakobs^ And then maybe on the competitive situation and maybe some compare. So as you felt kind of we are very encouraged and you heard kind of very encouraged by what we see happening both in the first quarter as order momentum. But also what we see as order funnel and order gone up trajectory into the year.

Now what does that build upon? And I think, that's just to give a few data points. We shared that we have double-digit growth in North America. That follows the double-digit growth that we had in 2024. So North America remains very strong.

We had mid-single-digit D&T order intake growth. And this excludes because different companies have different ways how they calculate their orders. We exclude service orders that were also double digit for us in the quarter. So I would say on a competitive direct compare, we feel that actually we have good momentum. We also saw that in some preliminary market share numbers for Q1.

So actually, we are driving the innovations that we have been launching hard. We see this 50% of our sales now coming from new innovations really also showing the uptake of our latest launches. We shared that kind of CT is doing really well based upon the latest launch, which also is clearly playing to the current need for productivity, because I've been also in the U.S. talking to customers.

Of course, they are looking for productivity measures to offset what they also expect as inflationary impact that will hit their hospital. So we are with our kind of monitoring platform, with our imaging platform and interventional platform, really looking at kind of how we can help them do more procedures, but also work at the cost and making it efficient.

So that's what kind of gives us also kind of a real good look into the year that, therefore, led to this reconfirmation of our sales outlook, because that's where kind of ultimately this will result into.

Operator^ The next question comes from Mr. Hassan Al-Wakeel from Barclays.

Hassan Al-Wakeel^ Hi, good morning thanks for taking my questions. I have three, please. So following up on tariffs. Can you help us understand how the net impact splits by business division, please? Is the bulk in Personal Health? And what are you embedding in for exemptions?

And what is the percentage of U.S. Personal Health sales derived from China? Secondly, you talked about modest improvement in Q2 relative to Q1. Is flat growth a realistic assumption for the second quarter? And if not, have your assumptions changed meaningfully around business performance for Q2 since full year results?

And then finally, on PH specifically, are you seeing any pull forward of sales because of tariffs? And how are you thinking about price as part of mitigation? Just really trying to understand your confidence in the PH improvement over the course of the year, particularly given the intensifying macro uncertainty.

Charlotte Hanneman^ Let me start with the net impact split by business. So overall, if you look at the net cost impact of EUR 250 million to EUR 300 million and if you think about how that splits out at the business segment level, what I would tell you is that Diagnosis & Treatment as well as PH are most affected given -- again, given this higher U.S.-China trade between them.

Connected Care, as a result, is a little less affected because there's less trade between U.S. and China. And as you remember, probably our Connected Care business is less exposed to China, just to begin with. So that's a little bit the way you should look at it from a business level.

So if you then think -- your second question around Q2 and the modest improvement, I would say nothing has really changed versus when we started the year and gave guidance in February. We're still seeing everything played out as we expected apart from obviously the tariffs, but everything

else is on track and on plan. So nothing else to call out there at this point. And then, your third question around the Personal Health, any pull forward.

So if you unpack our Personal Health business in a little bit more detail, you see that a lot of the strength comes from our international regions, excluding China. And excluding China, we saw high single-digit growth in Personal Health in Q1. And if you look back at last year and look at those regions, so all the international regions, excluding China, we saw great momentum in those markets already in Q3 and in Q4.

Now that is continuing into Q1. And the only thing that has changed in Personal Health is that, that big impact from China in Personal Health has reduced as we're getting towards the end of our destocking in PH, as Roy already mentioned as well. So at this point in time we don't see any big pull-in. So we're obviously closely monitoring the economic situation as it stands today.

Roy Jakobs^ Maybe on the pricing, Hassan. So of course, we watch what this is right to do. At the moment, we are actually more inclined to spend more in A&P because we see the demand increasing and therefore, the activation of successful innovations is a priority versus kind of clawing it back through price, because we want to remain competitive and also we see kind of margin resilience.

So in that sense, kind of that's how we play it out. But of course, we also look at pricing as a measure where it makes sense. But that said, we prioritize currently how we drive growth, still profitable growth. And you have seen that the PH margin has shown very strong resilience at the same time. So we know how to play that game. And especially if growth comes in, that will be a big support for the whole group.

Operator^ Your next question comes from Mr. Graham Doyle from UBS.

Graham Doyle^ Just one question on tariffs again and one on Personal Health. Just on tariffs, if we just take the EUR 250 million to EUR 300 million, that's for '25. In case I've missed it, just for '26, do we just annualize that up? Or do we assume that the mitigation efforts basically mean we just take the EUR 250 million to EUR 300 million and assume that for 2026 earnings?

And then on Personal Health, would you be able to give us a little bit more color on the China destock? So how soon do you think you are to seeing that basically complete within Q2 and therefore obviously see a return to growth? That would be super helpful.

Charlotte Hanneman^ Yes. Thank you, Graham. And first, on the 2026 tariff impact. What I'd tell you is that I think you should expect the benefit from mitigations to increase over time. We just went through the whole list of mitigations that we're working on. It's a comprehensive set of mitigations we're looking at.

At this point, it's early to provide an outlook for 2026, because we are laser-focused on delivering the mitigations that we just spoke about. And then, on your second question around destocking in PH. So we expect the impact of the destocking in PH to be finalized at the end of Q2.

So in other words, we still expect a decline in PH in China in Q2 as we're finalizing the impact of that destocking. And then, in the second half of the year, also because the comparable becomes much easier, you will see a mechanical -- almost mechanical uplift in sales in China in Personal Health. Just to be clear, if you think about the consumer sentiment in China, it hasn't changed versus our expectations. It remains rather subdued and no real change. It's playing exactly out as we had expected.

Operator^ The next question comes from the line of Ms. Lisa Clive from Bernstein.

Lisa Clive^ Just a question on China profitability. My understanding is that it's a fairly high-margin market for you, for D&T. Is this due to business mix, perhaps more ultrasound and IGT? I'm just wondering what the levers are there and also the fact that profitability has held up nicely despite China declining. And then second question, there's a lot of disruption at the FDA going on right now. Just wondering if that's had any effect on your interactions with them relating to the Respironics consent decree? Thanks.

Charlotte Hanneman^ Yes. Thanks, Lisa. Let me take your first question on the China profitability. And you're absolutely right. China has been and is a profitable market for us. We've seen some good margins over time and also some -- a very profitable mix indeed, as you mentioned, in the products we sell both in Diagnosis & Treatment, but also very much in Personal Health as well.

What we really see in China is that there's a willingness from Chinese consumers and customers and health systems to pay for good innovation. And if you think about the innovations we brought to the China market, there are some really good ones including ultrasound that Roy already talked about, the VM11 and VM12 platforms and some other innovations as well including the MR BlueSeal and the CT platforms, where we've seen a good uptick in China, particularly in Q1 as well.

Roy Jakobs^ And maybe let me then take the FDA one. So FDA is indeed having, as we all read and also we have in constant engagement with them there quite some impact as well from what's happening. Actually, we don't see that yet impacting our engagement on the consent decree.

What we are more concerned about would be longer-term approval cycles that could prolong on new innovations. So that's also what we stay tight on with them to see kind of that we keep them abreast of what we're developing.

But on the consent decree mitigation, we are very active dialogue. As we shared earlier, we are making good progress. We are fully in line with what we said we would do until now and that has

continued including a very frequent engagement with the FDA on this as well as with the third party that's engaged.

Operator^ Your next question comes from Mr. Julien Dormois from Jefferies.

Julien Dormois^ The first one relates is actually a follow-up to Hassan's question on the modest improvement of Q2 versus Q1. Just curious whether we should still expect organic sales growth to be in negative territory in the second quarter and maybe margin being flat to slightly declining. Is that a fair assumption just to be sure that we're aligned with you in terms of what we expect in the second quarter?

And the second question relates to D&T. Obviously you had a 4% organic sales decline in the first quarter, but you mentioned that IGT grew in the quarter. So is it fair to assume that the rest of the business, mainly Imaging went down by high single digit, low double digits? And happy to understand what are the reasons behind this market fall mainly beyond China?

Charlotte Hanneman^ Yes. Thank you, Julien, for your questions. Let me take them. So I think your qualification of Q2 for Q1 is appropriate. We see a modest improvement. This is exactly the way we saw it play out in beginning of the year. And also, as we said, we see our sales outlook being back-end loaded.

In Q1, we exceeded our expectations. So we're working on improving that phasing. And for what we see in Q2 is a modest sequential improvement versus Q1. So I think you're in the ballpark there with your assumptions.

Then taking your next question on the minus 4% in D&T and the impact that we then see in Precision Diagnosis. And again, this played out exactly in line with our expectations. We expected a decline in Precision Diagnosis because of -- first of all, because of China, where we've obviously had some challenges.

And then the other big driver is this high comparison in MR, which was double digit up in Q1 2024 as our supply chain started to unlock, and we saw a significant improvement as a result there. So there's nothing else I would say today than what I told you in February. It's playing out as intended.

In fact, what we're seeing is that there's a further pull from innovation, and that's what we see play out in our order intake and our mid-single-digit growth in orders. And then that relates to our gross margin and also from a D&T perspective, what we really see is, we see an increase in EBITA margin, 30 basis points improvement. And that really shows that our fundamental progress on execution that we've been talking about a lot is sustainable and really playing out, particularly driven again by the step-up in gross margin.

We see the innovation value. Roy spoke about the CT5300, the Spectral CT, MR BlueSeal and also the Azurion Biplane. We see that all play out as well as continuous operational improvements as well as productivity.

Operator^ The next question comes from Mr. Robert Davies from Morgan Stanley.

Robert Davies^ I have three. One was just on the outlook for the U.S. hospital CapEx environment. Maybe I know you sort of called out ongoing strength, but just be curious in terms of what the customers are saying to you in terms of the current environment. Are there any indications of anything moving around on consumables or sort of spending intentions, ordering activity? That was my first question.

The second was just on -- I think, one of your slides, you called out the order book growth in the quarter. Just how to think about the phasing through the rest of the year, particularly we've obviously started with a minus 2% growth in the quarter and you're expecting positive over the year. How back-end loaded is -- are you expecting a particularly heavy fourth quarter weighting?

And then my final one was just on increasing the sort of level of production manufacturing in the U.S. Is that any new sites that you're going to plan to open or start construction on? Or is that more kind of boosting production through existing facilities?

Roy Jakobs^ Davies, let me start with the hospital CapEx. So -- and I was also in the U.S. actually a few weeks ago with a round of customers. So what I'm hearing is that actually underlying demand is still very strong, right? So the patient kind of volumes are strong.

Procedures are still increasing. There's still wait lines. So that's also what you see reflected in the order intake in the U.S., right? So people are investing to keep up with the demand. As we also mentioned, they're, of course, monitoring the environment as they should to see kind of what could happen.

But they are, first and foremost, focused on how they can fulfill the current demand and how they can expand with that. And that's where we are very well positioned, because also they're really looking, as I mentioned earlier, for productivity partners.

So our innovations across the platforms that actually support them in a standardized way of providing care that is more efficient really is getting momentum. And that's kind of what we see reflected.

And that's probably the best I can qualify it as we speak. And North America started strong. We expect to be strong. And of course, we keep a close pulse on it. And the order growth in the quarter?

Charlotte Hanneman^ Yes. I'll take that question. Thank you. So if we think about the phasing of our order intake growth, we feel very good about our order intake and the momentum that we're

seeing. If you think about Q2, two things I'd call out. We expect momentum to continue into Q2. We see strong growth in our D&T segment.

Our Connected Care business, we feel good about the momentum, but it's impacted by a very high comparison base in Q2 2024, because we saw a very big order that we included at that point in time. But otherwise, we see strong momentum, and we expect that momentum to continue in Q3 and Q4 as well.

Operator^ The next question comes from the line of --

Roy Jakobs^ Sorry, maybe just one -- there was also a follow-up question on the manufacturing side in the U.S. So maybe I can still answer that one.

So on the new sites, so indeed, Julia [Robert], kind of we are leveraging our current footprint to expand. That's also the fastest way how we can mitigate given the approval cycles and the regulatory processes, because you have then the quality management systems in place that you can use.

So that's kind of what we already did immediately. But also, as I mentioned, we are investing in some other kind of expansion facilities. So Minnesota is also an example of that. So yes, there will be a mix, but we have a strong footprint that we will leverage for the MAX to kind of ensure we can do it with speed and also with lower cost and lower capital requirements. So that's exactly the way how we go about it.

Operator^ Your next question comes from the line of Mr. Hugo Solvet from BNP Paribas Exane.

Hugo Solvet^ I have three, please. First on tariff or second derivative of tariff. Can you please discuss the sourcing of rare earth and minerals and your exposure to China, please, and how that impacts your supply chain?

Second, obviously with tariff and volatility and consumer trend, you're pulling forward a lot of the efficiency measures. Can you help us understand how we should think about margin expansion going forward and excluding any operating leverage, what's left to extract?

And lastly, on hospital CapEx, I think, Roy, you called out slight improvement in Europe. Can you maybe discuss the modalities and the countries driving this trend?

Roy Jakobs^ Okay. Let me start -- thank you for the questions, Hugo. Let me start with rare earth export restrictions. So there has been a stance taken by the Chinese government, but they also kind of have been talking about where they want to exclude the impact. When we have been looking at the newly implemented export controls, we understand -- and we are working to understand better what it exactly means.

Currently, we don't have an impact or we don't see disruptions to our supply chain. And also, we engage with our suppliers, and they are well kind of sourced for any need that would kind of potentially have an impact on our production or products. So for the moment, we have no impact from rare earth metal export restrictions.

Charlotte Hanneman^ Yes. And then on your second question, if you go on the margin expansion going forward in the context of tariffs. I think what I'd say there is that fundamentally, there continues to be a margin improvement opportunity.

So that has not changed. The fundamentals haven't changed. And then the way we go after that are a few different things. We continue to go after those mitigations that we spoke about earlier today. So some of it is short term, some of it is a little bit more long term, if you also think about supplier footprint.

And then thirdly, the productivity component is going to be there. You remember in February, we increased our three-year productivity plan from EUR 2 billion to EUR 2.5 billion as we are confident that there's more to go after, more simplification to go after and more just operational leverage to go after that we will continue to double down on. We've done so in Q1. There are a lot of programs in place that will deliver in the remainder of the year.

And then last, of course, as I said earlier as well innovation will continue to be a big contributor to margin expansion as well as we're seeing that the innovations that we've recently launched are already contributing to our gross margin and our gross margin expansion.

Roy Jakobs^ And maybe the last point there to add. As you know we are driving our strategy of the 70-30. We have 70% of our businesses that are already in higher margin territory there.

We're driving both their growth up as well as the margin expansion that it drives for the group. And we have specific areas where we are driving also margin expansion accelerated rate of the group.

For example, SOC, we have called out before, of course, dipped significantly in margin. We already got back into profitability last year. We continue to expand that margin to actually bring it back to where we have seen it before.

So actually, we see both the underlying improvement happening in the year as we speak, but also we see the leeway ahead of us that was earlier tied to what we also put out as a longer-term perspective for Philips.

And we haven't seen that change through some of the dynamics that currently are ongoing in the market because the fundamentals of the demand as well as how we are kind of supplying our innovations actually show that we can robustly perform in there.

Operator^ The next question comes from Mr. Wim Gille from ABN ODDO.

Wim Gille^ This is Wim Gille from ABN ODDO. I've got two questions. The first one is for Charlotte. You basically said during one of the questions that nothing changed compared to the February call. And I'd like to challenge that.

So if I look at the impact of the tariffs, the net impact of EUR 250 million to EUR 300 million, this is a range of 1.3% to 1.5% of sales, where you are lowering the guidance by 1% only. So that means that there's an underlying increase of 40 basis points.

In addition to that, if I look at your February comments on PH, look at the results in PH and the comments that you make today, I cannot help but basically argue that, that PH is actually doing much better than what you anticipated in February. And also your order intake momentum is clearly gaining strength and you have good margins in the order book.

So is it fair to say that you're actually getting more bullish as we progress throughout the year if we exclude any impacts from the tariffs? The second question is related to the PH business. Can you give us a bit of a feeling on where the exit rates were per region at the end of Q4 and at the end of Q1? And if you can quantify the impact of any forward buying that might have happened at the end of Q1? Thanks.

Charlotte Hanneman^ Thank you, Wim. And I'll take your first question on nothing changed versus the February call. So if you look at our guidance, and as I also called out in my prepared remarks, there are really two drivers of our changed guidance.

One is tariffs, which is the EUR 250 million to EUR 300 million net impact that we discussed. The other one is our Q1 performance versus our expectations. Those are the two drivers that drive the change in our guidance. So that is what I would say about that.

So if you talk about PH and saying it's better than anticipated, we are very pleased with our Q1 in Personal Health. That's absolutely true. We saw double-digit growth across the international region. We had great results in Europe, in Latin America, in India. We saw the momentum really pick up.

For instance, in some parts of the world, we have put in new innovations to market. We did more on A&P and more influencers that we hired, which has been working well. Having said all of that, it is early days. It's only at the end of Q1. We're only at the end of Q1. So it's really difficult to, at this point in time look forward and take that as sustainable momentum.

So that's what I would say around your questions there. And then you had a second question on the exit rates for Personal Health. Q4 versus Q1. So again, maybe a few things I'd say there. In China, no real change in consumer demand. Consumer demand remains subdued.

I was also in China a month or so ago, and we see no meaningful change to what we were expecting or what we have been seeing. And we expect that momentum in China between Q1 and Q2 to remain fairly similar.

Also the momentum in international region outside of China, as I just discussed, is very, very strong. And then in the U.S., we've seen some slight growth in the U.S. We see so far that consumer sentiment is stable, but we're obviously monitoring that very, very closely. But just to be very explicit on that, that has not been the major growth driver for us. That has really been the international regions.

Operator^ Your next question comes from Mr. Julien Ouaddour from Bank of America.

Julien Ouaddour^ So I'm slightly going in the opposite direction of the previous question, and just sorry to pressing on that point, but it's clear that you need a pretty strong acceleration in sales and profit in 2H just to make even the lower end of the guidance.

Could you just remind me what are the main drivers? What gives you confidence in such very uncertain macro situation, especially given, I think, you talked about being vigilant during the opening remarks. And I mean you mentioned slight improvement to date quite early. So that's the first question.

The second one, it seems that -- you're also cutting the free cash flow guidance by more or less EUR 400 million for this year. Can you just tell me what part of the cut is tariff? I mean is it 100%? And is it differ from the P&L impact of the EUR 250 million to EUR 300 million?

Charlotte Hanneman^ Yes. Thank you, Julien, for your questions. First of all, on the acceleration of the year and the back-end loaded outlook and maybe take you back to what happened in Q3 2024.

What we saw was obviously some challenges in China. And if you now think about the phasing in this year, in the second half of the year, the comparable becomes much easier, both in Personal Health in China as well as in health systems in China.

So that's almost mechanical that we get an uplift in sales growth. Roy already said it, we are taking a cautious view of the market environment in China. We've taken that in our previous outlook. We're confirming that today. So we don't see any change there, but we will just because of the comparables, see an uplift in our numbers in the second half of the year.

Roy Jakobs^ Maybe to add to, how I summarize it. So if you look kind of through the year, and that's also when we kind of where we -- the year is actually in the fundamentals really playing out as we predicted in terms of how we came into Q1, actually slightly better. Then we have a better filled order book.

I think, that is fair to say. And that momentum, we also feel continues. So that actually kind of gives reassurance also for second half, still also building on the comment that it's still early days, but that gives us, of course, an early indicator that actually we have the underpinning coming next to PH, where also we, of course, are happy with the growth coming back into the business, but we also still know that there, it's early days.

And we know that we have the second half mechanical effect that will kind of kick in to kind of support that. But that's in line with the plan. So I think, therefore, also you've seen us sticking to our sales guidance, because that is really where we believe we have firm underpinning for at what we currently know.

We have then also taken the tariffs on what we currently know also acknowledging that this is still fluid, so it can change, but we have taken very substantial measures on the kind of announced tariffs on the 2nd of April.

And kind of we will work hard to kind of have those also kind of kicking in as soon as possible, and that will kind of dial up throughout the year. And that's then also the kind of totality of how we look into the year unfolding.

So it's the two stories of the fundamentals are really playing out well both in terms of market as well as how we deliver on that with great innovations and also our cost productivity measures to kind of manage the year what is in our own control, whilst we need to remain vigilant on the things that are beyond our control, where we need to just take the realities as known into account, which are tariffs and then we need to monitor the wider economy closely as we keep doing.

Charlotte Hanneman^ Yes. And then, I'll -- Julien, I'll take your free cash flow question. So our updated outlook has free cash flow as slightly positive after the EUR 1 billion Respironics settlement that we've just completed in Q1 versus previously the lower end of the EUR 0.4 billion to EUR 0.6 billion. The impact versus our previous outlook is entirely driven by tariffs. And the way we see the tariffs play out is it essentially hits our cash flow before it hits our P&L.

That's the way to think about it really, because the duty payments, we pay them upfront. Some of the mitigation is timing in the year. And also we capitalize some of these duties and then release them in the P&L over inventory turns. So there's a little bit of a time delay there as well.

I think, it's important to mention that we're fully focused on continued working capital management. We've seen inventory reduce year-over-year significantly. We continue to focus on other elements of working capital as well see overdues reduce.

And we've now with the Respironics settlement removed an important overhang. And then, just maybe as a reminder, you know we're offering dividends in either cash or shares up to 50% cap for cash, which brings us back to at least partially a cash dividend, which we're very pleased by, because it just signals the return to normality and also our strong fundamentals that underpin this.

Operator^ Your next question comes from the line of Ms. Seki Osmar from HSBC.

Sezgi Oezener^ I will have three, please. First of all, on the 70%, 30% division, how would that division look if we consider the Health Systems segment, so if you left out Personal Health? And second question, you mentioned the gross impact -- the net impact of tariffs, thanks very much, EUR 250 million to EUR 300 million. How would the gross impact look? And what should we expect if these tariffs, the China tariffs, for example, were to be reverted -- were to be taken back?

And then lastly, on your presentation, thanks for giving us guidance on what the restructuring costs and other items for Q2 might be. Can you give us some color on what -- especially like Connected Care restructuring costs, which are higher bordering EUR 95 million, EUR 100 million are like concretely driven from? And can we start expecting a decline in these restructuring and other costs in the second half of the year?

Roy Jakobs^ Yes. Let me take the first one. So Personal Health is 20% of our business, right? So that's, in essence, kind of what you have to take out. So you get to around 60-40 in terms of the percentage of mix in terms of how that translates.

Then on the gross impact on tariffs, if they would reverse, yes, you can imagine that this would be beneficial. That kind of -- it's also where we have been taking current realities into account. We know that negotiations are ongoing, but it's just very hard to predict how they will kind of conclude.

So therefore, we took what we know. The majority of impact, as you also heard earlier said by us is from U.S.-China. So those are important tariffs to continue to watch how they evolve and the impact they have, but also rest of world.

I think we took the prudent approach by actually acting now fast on what we know are the 2nd of April tariffs. And then, we kind of will adapt as we go, both in terms of what that could mean up or down as we evolve into the year. So we'll keep you updated later on.

Charlotte Hanneman^ Yes. And then on your last question on the adjusted items for Q2, particularly related to Connected Care. And that the majority of the costs there are related to our consent decree, and we're working through our consent decree and the costs related to that. That is the main driver that we have there. Just as a reminder, we signed the consent decree in April of 2024, and we're still working through it. We're pleased with the progress.

We're working through all the different steps, but it's too early to conclude on when it will finalize. And just as a reminder, Q1 restructuring costs were in line with the guidance and in line with our expectations. And last remark I'd make is just in the Connected Care line, we are very focused on making sure we do the right thing from a patient safety and quality perspective and as a result, working diligently through all the steps of -- under consent decree.

Roy Jakobs^ And I think it's also -- we heard you, I think, already and we said it earlier, loud and clear that incidentals are at elevated levels for a big part and the majority of this SOC impact. We are actually improving over time. That's also what we are going after in the fullest across all businesses. And of course, we also had restructuring costs that we're featuring. We have been working through the majority of that.

So on the -- excluding content cost, we have razor focus to kind of make sure that, that goes down over time whilst at the same time we keep also going after the cost and the productivity measures as we have been kind of informing you about -- and this EUR 1.9 billion to date is a big contributor, and we will continue to expand that productivity lever as well.

Operator^ The last question comes from the line of Falko Friedrichs from Deutsche Bank.

Falko Friedrichs^ I have a few quick ones left. Firstly, you mentioned that you saw preliminary Q1 market share data. Can you confirm that you didn't lose any share in medical imaging, so excluding IGT? Secondly, what's your updated thinking on growth in China for the full year? And has that thinking changed after Q1?

And then last but not least, can you be a little bit more specific in terms of which products and components are flowing between China and the U.S.? Thank you.

Roy Jakobs^ Thank you, Falko. So on the first, I can confirm that what we have seen actually is that, we would be up in Medical Imaging share. We were referring to the strong momentum that we see in ultrasound, but also in particular CT and NMR.

So actually, I think that was -- and you also saw that in the quarter underpinning we spoke about mid-single-digit growth including China, where there's still significant China in there. So we're very encouraged by the market share momentum we have seen in Medical Imaging.

Charlotte Hanneman^ Yes. And then your question on growth in China for the full year, nothing has really changed versus February. So we continue to expect a mid-single-digit to high single-digit decline primarily due to the double-digit decline in the first half of the year. And that is, again, driven by Personal Health, where we have both the subdued consumer demand as well as the destocking that will -- and the impact of that will finalize at the end of Q2.

So just to be clear, we're not betting on a rebound in China in the second half at all. We take a cautious view of the market environment in China for the remainder of the year. But just almost mathematically, we will see a pickup in growth rate just because the comparison basis is going down.

And then, your last question on the products and the flows between China and U.S. And as I mentioned earlier as well the two segments that we see are most impacted by tariffs in general is both our Personal Health segment as well as our Diagnosis & Treatment segment, primarily because the U.S.-China flows in those segments.

So you need to -- in your modeling, that's something that you need to take into account for those two businesses. And again, just taking you back, we've derisked our China U.S. flows a lot over time also since the first tariff war. But given the tariffs are so elevated, 125% and 145%, that just becomes a very big number as a result of that.

Operator^ That was the last question. Mr. Jakobs, please continue with any points you would like to raise.

Roy Jakobs^ Yes. Thank you for your questions. As you heard us say, in an uncertain macroeconomic environment that has intensified due to the potential impact of tariffs, we continue to drive profitable growth, focusing on what we can control. And for that part, we really feel strong for the year, and we reiterated our sales guidance to 1% to 3% based upon strong order book momentum as well as Personal Health coming back to growth. We are taking the current realities of tariffs into account, driving substantial mitigation and we'll continue to do so for the rest of the year.

But most importantly, we remain razor-focused on supporting our patients, our customers and consumers because actually, the situation in healthcare has not changed and has not improved. The pressure is still very high on the healthcare system itself, and we need to support with our innovations. And we see also consumers really kind of appreciating our innovations. So we remain focused on driving impactful innovations to deliver better and more care to the people worldwide. Thank you so much. Talk soon.

Operator^ This concludes the Royal Philips' first quarter 2025 results conference call on Tuesday, May 6, 2025. Thank you for participating. You may now disconnect.