Philips Q4 & FY 2025 Results

Tuesday, 10th February 2026

Introduction

Durga Doraisamy

Head of Investor Relations, Philips

Welcome

Good morning from London, everyone. Today, we will start by reviewing our fourth quarter and full-year 2025 results, followed by a short Q&A session. Then at 11:00, our Capital Markets Day webcast will begin and run until 16:00. You will hear from Roy, Charlotte, and our chief business leaders as they share how we're driving profitable growth to deliver sustainable value.

Agenda

The programme continues with a North America-based Philips customer panel, providing real-world customer insights. Roy will wrap up the day with closing remarks and key takeaways. The press release for both events was published on our website this morning. The replay and full transcript of the webcast, along with the presentations and transcripts for our Capital Markets Day, will be posted within the next 24 hours.

As always, I want to draw your attention to our safe harbour statement on-screen.

With that, over to you, Roy.

Fourth Quarter & FY 2025 Performance

Roy Jakobs

CEO, Philips

Fully delivered on 2025 outlook; well-positioned for accelerating profitable growth in 2026

Thanks, Durga, and good morning, everyone. Thank you for joining us today. We have consistently delivered on our commitment in every quarter this year, including a strong fourth quarter, and we are entering 2026 with momentum. This reflects the impact we are making for our customers and consumers, delivered through disciplined execution by our passionate teams.

Key takeaways

I want to start with the key highlights for Q4. Order intake was strong, up 7%, reflecting sustained improvement over the past year, as we continue to expand and grow our order book, strengthening visibility into 2026 and beyond.

Comparable sales growth of 7% year-on-year, that was broad-based across all businesses and geographies, and strong contributions from Personal Health and Connected Care businesses continued.

Adjusted EBITA margin improved by 160 basis points to 15.1% despite the impact of tariffs. For the full year, we delivered strong order intake of 6%. Comparable sales growth as per outlook and adjusted EBITA margin 12.3%, exceeding our outlook, and that despite the impact of incremental tariffs. These results reflect margin-accretive innovation, productivity gains, and disciplined execution, translating into strong operational performance and cash generation, delivered through performance culture and highly engaged teams.

As we enter 2026, we are moving from a strengthened foundation and margin improvement focus into the next phase of progress, one of profitable growth acceleration, with a clear path to mid-single-digit sales CAGR and mid-teens margins by 2028.

Now, let's look at our fourth quarter and full-year 2025 performance in more detail.

Sustained order intake growth and a robust order book support profitable growth acceleration in 2026

Starting with orders. Equipment order intake grew 7%, reflecting sustained momentum over past year. Growth was broad-based across D&T and Connected Care, driven by sustained double-digit growth in North America.

We achieved a solid full-year performance with D&T order intake up 5% and Connected Care up 7%. Order book grew 5% year-on-year, with inherent quarterly unevenness.

Within D&T, Image-Guided Therapy achieved strong order intake growth, and Precision Diagnosis returned back to growth. Results were driven by strong demand for a high-end Azurion 7 interventional platform, the EPIQ CVx ultrasound for cardiovascular imaging, and continued successful ramp-up of our CT 5300.

Continued demand momentum in North America driven by multi-year partnership across Diagnostics & Treatment and Connected Care

In Image-Guided Therapy, we expanded our relationship with Bon Secours Mercy Health, one of the largest US health systems, into a 10-year collaboration, spanning 80-plus interventional labs and reinforcing our role as a long-term partner in cardiac care delivery. You will hear more about this during our North America customer panel discussion at our CMD this afternoon.

Turning to Connected Care, demand for Monitoring and Enterprise Informatics solutions was strong. North America remained our strongest growth driver. Integrated delivery networks and large health systems continued to invest in enterprise, patient intelligence, and cybersecurity, increasingly, through our Enterprise Monitoring-as-a-Service model, in order to improve the clinical, operational, and economic outcomes.

During the quarter, we signed multiple strategic partnerships with leading US health systems, including AdventHealth and UNC REX. In Enterprise Informatics, we secured a landmark radiology partnership with a large health system in the US, standardising our cloud-based imaging informatics platform hosted on Amazon Web Services across 27 hospitals. This will support more than four million imaging studies annually and enable scalable, efficient diagnostic workflows.

Turning to Personal Health. We delivered another quarter of sustained broad-based growth across geographies and businesses. Importantly, this growth was driven by healthy sell-out trends across markets, supported by underlying category growth, resulting in continued market share gains.

Demand was particularly strong for our OneBlade shavers and premium portfolio, including high-end shavers and IPL hair-removal devices in Grooming and Beauty, as well as the DiamondClean series in Oral Healthcare.

Industry-leading, margin-accretive innovations unveiled at RSNA 2025, supporting our growth pipeline into 2026 and beyond

In 2025, we accelerated execution of a multi-year roadmap centred on AI-enabled, patient-centric, and scalable platforms across our portfolio. In Q4, this momentum was reflected in the unveiling of three world-first innovations at RSNA. In December, we launched the world's helium-free 3T MRI, Verida, the world's first AI detector-based always-on spectral CT system, and LumiGuide the first real-time, AI-enabled, light-based 3D navigation solution integrated with Azurion.

These innovations are expected to support demand, improve mix, and contribute to gross margin expansion over time.

In Image-Guided Therapy, we closed the acquisition of SpectraWAVE in January, and I want to welcome the SpectraWAVE team to Philips. Their expertise and leadership in high-definition intravascular imaging and angio-based physiological assessment strengthens our innovation leadership in cardiology interventions, the largest value pool in interventional procedures.

For our consumers, at the China International Import Expo, Philips debuted new oral care, grooming, and healthcare innovations, including the Sonicare Prestige 9900 and Norelco i9000 Prestige, reinforcing our commitment to meaningful, locally relevant innovation in China.

As a result, we enter 2026 well-positioned with strong innovations to drive profitable growth over the next three years, supported by a stronger pipeline and innovation platforms designed for scale.

We will go into more detail during today's Capital Markets Day.

Execution as key value driver

This year, we continued to make a lot of progress also on our execution priorities, enhancing patient impact and quality, strengthening supply chain resilience, and simplifying our operations.

Patient impact and quality remains our highest priority, embedded across our businesses, innovation, and culture. We delivered tangible improvements in quality performance, including CAPA timelines, significant progress in managing corrections and removals, and we continued year-on-year reductions in non-conformances, complaints, and field call rates.

We also continue to address the consequences of the Respironics recall, and relentlessly work to its resolution of the FDA warning letter issued last October. We integrally design new innovations and act fast and comprehensively when improvement opportunities arise.

At the same time, we advanced innovation through close regulatory engagement, more than doubling our 510(K) clearances over the past two years. Together, this reflects a simpler, more standardised quality system that embeds patient impact and quality at design stage, enabling high-quality innovation to support patients at scale.

Turning to our supply chain, we delivered a step change in execution in 2025, building on a stability achieved over the last two years. Service levels are at all-time highs, and lead times are back to competitive levels despite a significantly more complex global trade environment. Through decisive, disciplined actions, our teams more than offset the impact of incremental tariffs by leveraging productivity improvements, cost discipline, and active mitigation measures in the supply chain.

With cross-functional teams fully engaged, we continue to strengthen our footprint in North America, our supplier network, but also drive productivity and pricing initiatives as we look ahead to 2026.

We are focused on driving disciplined commercial execution with a strong innovation portfolio increasingly oriented towards attractive performance and premium segments, strengthening the order book and accelerating growth over time.

Global hospital demand and consumer sentiment

Turning to the regions. We continue to see healthy, supportive fundamentals across the markets we serve, particularly in North America, where hospital demand remains strong but the landscape increasingly is segmented.

Rising costs and workforce shortages are reinforcing consolidation among larger health systems. This, in turn, is driving the demand for secure, productivity-enhancing platforms as hospitals face constraints on people and costs, rising data volumes, and increasing care complexity.

This positions Philips well to continue to capture growth, reflected in sustained double-digit order intake growth in 2025, following double-digit growth in 2024, and we expect North America to remain a key growth engine in 2026 and into the mid-term.

In China, tender activity gradually increased throughout the last year, albeit from a low base, supported by stimulus measures. At the same time, the continued expansion of centralised procurement has led to longer processing times and tougher competition, negatively impacting the translation of higher bidding activity into meaningful market growth.

As a result, we remain cautious on the near-term outlook for China, while continuing to see attractive long-term growth potential. Also in innovation and in sourcing.

Going to Europe. In Europe, capital spending remains stable, while select international regions continue to increase investment in healthcare and digitalisation, as reflected in strong wins in Indonesia and India.

In Personal Health, sell-out dynamics in 2025 remained strong across Europe and most growth geographies. Demand in the US proved resilient. In China, cautious consumer sentiment persisted and demand was subdued, although slightly improved from the prior year.

As we move into 2026, we will continue to closely monitor consumer sentiment and market conditions across all regions. Overall, we expect comparable sales growth between the 3% to 4.5% range in 2026, led by North America and International regions. China sales growth is expected to be stable.

Charlotte will now discuss our fourth quarter performance in more detail and also our outlook for 2026.

Financial Review

Charlotte Hanneman

CFO, Philips

Diagnosis & Treatment

Thank you, Roy. I will start with segment-level performance.

In Diagnosis & Treatment, comparable sales improved sequentially in line with our expected phasing, increasing 4% year-on-year in the fourth quarter and remaining flat for the year.

Within the segment, Image-Guided Therapy continued to perform particularly well, delivering double-digit growth in the quarter. Performance was driven by continued momentum in our flagship Azurion platform and strength in coronary intravascular ultrasound.

Precision Diagnosis sales were stable. Adjusted EBITA margin in Diagnosis and Treatment declined by 30 basis points to 11.8% in the fourth quarter. This reflects incremental headwinds from tariffs, which were partly offset by improved gross margin from innovation and productivity measures.

For the full year, adjusted EBITA margin increased by 10 basis points to 11.7%, reflecting solid margin performance despite the impact of tariffs, supported by improved gross margin from innovation and productivity measures.

Connected Care

Connected Care closed the year with strong momentum, delivering comparable sales growth of 7% in the fourth quarter and 3% for the full year. Fourth quarter performance was driven by double-digit growth in Monitoring and mid-single-digit growth in Enterprise Informatics, driven by robust order book conversion in North America.

Adjusted EBITA margin in Connected Care expanded 150 basis points to 16.5% in the fourth quarter, driven by operating leverage, improved gross margin and productivity measures, partly offset by higher tariffs.

For the full year, adjusted EBITA margin increased by 110 basis points, crossing the double-digit mark to 10.7%. As part of our ongoing portfolio simplification and focus on scalable, higher-margin platforms, we completed the sale of the Emergency Care business in Q4, in line with the timeline previously communicated.

Personal Health

In Personal Health, comparable sales growth improved sequentially, growing 14% in the fourth quarter and 8% for the full year, with all three businesses contributing. Growth was broad-based across geographies.

China benefitted from an easier comparison base, following the impact of inventory destocking last year, which concluded in the second quarter of 2025, with channel inventory at appropriate levels at the end of 2025.

Adjusted EBITA margin in Personal Health improved 500 basis points to 23% in the fourth quarter, driven by sales growth and productivity measures, partially offset by tariffs and cost inflation. For the full year, adjusted EBITA margin increased by 130 basis points to 18.0%.

Now, turning to our Group results.

Delivered order intake and sales growth acceleration, strong margin expansion and free cash flow in Q4 2025

Comparable sales growth accelerated to 7% in the fourth quarter, with broad-based growth across business segments and geographies, led by strong performance from North America. For the full year, comparable sales growth of 2.3% was in line with our outlook.

Adjusted EBITA improvement driven by sales and productivity, partly offset by higher tariffs after substantial mitigation

In the fourth quarter, adjusted EBITA margin expanded 160 basis points year-on-year to 15.1%, and for the full year increased 80 basis points to 12.3%. We are particularly pleased with the continued strength of our margin performance this year, driven by sales growth, gross margin improvement from innovation, favourable mix effects, and productivity. This performance more than offset incremental tariff headwinds, which came in slightly better than our expected €150 million to €200 million range after substantial mitigation.

As planned, our proactive and extensive mitigation actions delivered results, with measures such as inventory management, specialty programmes, supplier network optimisation and selective regionalisation efforts, reducing the tariff impact. We continue to actively work on further mitigating measures including further targeted localisation and we are confident in our ability to fully mitigate these headwinds through disciplined execution by 2028.

Successfully delivered on three-year, EUR 2.5 billion productivity programme, including EUR 0.8 billion of productivity savings in 2025

In Q4, we delivered €248 million in productivity savings, bringing total savings to €815 million for the year, in line with our outlook. Since 2023, our cost management and productivity initiatives delivered more than €2.5 billion, exceeding our original outlook of €2 billion by the end of 2025.There is more we can and will go after.

Delivered order intake and sales growth acceleration, strong margin expansion and free cash flow in Q4 2025

Adjusting items were €179 million in the quarter, compared with €286 million in Q4 last year and €531 million for the full year, in line with our 300 basis points outlook. This compares to approximately 640 basis points last year, or 410 basis points excluding litigation provision net of insurance income, reflecting our strong commitment to reducing adjusting items over time.

Income tax expense declined by €376 million in the quarter, mainly driven by the comparative impact of the de-recognition of deferred tax assets in the US in Q4 2024 and the recognition of deferred tax assets in other jurisdictions in Q4 2025, partly offset by higher income before tax in Q4 2025.

Net income increased to €397 million in the quarter, primarily reflecting improved income from operations and lower tax charges.

Adjusted diluted earnings per share from continuing operations were €0.60 in the quarter, representing a year-over-year increase of 20%, and up 15% for the full year.

Despite significant volatility in major currencies, particularly the US dollar, the impact on our adjusted EBITA margin and EPS was flat, reflecting disciplined hedging, an optimised currency footprint and targeted commercial actions in markets most exposed to currency fluctuations.

We generated €1.2 billion in free cash flow this quarter. This was €85 million lower year-over-year, reflecting a tougher comparison base, as Q4 2024 included a €367 million Respironics insurance receipt.

For the full year, free cash flow was ahead of our outlook, driven by higher earnings, reaching €512 million, after the payment of approximately €1 billion in cash related to US medical monitoring and personal injury settlements in the first quarter of 2025.

We maintained a disciplined focus on working capital, delivering a strong year-over-year improvement in inventory as a percentage of sales, despite ongoing tariff mitigation initiatives.

Moving to the balance sheet, we ended the quarter with approximately €2.8 billion in cash and net debt of approximately €5.3 billion. Our leverage ratio improved to 1.7 times on a net debt-to-adjusted EBITDA basis, from 2.2 times in Q3 and 1.8 times in Q4 2024, driven by higher earnings and stronger cash balances.

We remain firmly committed to maintaining a strong investment-grade credit rating. Our balance sheet remains strong, and we are pleased to offer shareholders the option to receive dividends in shares or cash while continuing to invest in profitable growth.

2026 outlook: accelerating profitable growth

Now turning to the outlook. We enter 2026 from a position of strength. With sustained order intake momentum, improved execution, and structural margin, cash and balance sheet improvements, we are well-positioned to accelerate profitable growth in 2026 and beyond.

We expect comparable sales growth to accelerate to 3% to 4.5%, driven by order intake momentum, innovation and improved commercial execution, with all businesses contributing to 2026 growth.

Adjusted EBITA margin is expected to improve to 12.5% to 13.0%, despite the impact from currently known tariffs, and building on the strong margin expansion delivered in 2025. The margin improvement will be driven by growth, continued operational improvements and further productivity, partially offset by the incremental impact of tariffs.

In 2026, tariff costs will be fully annualised, resulting in a net impact of €250 million to €300 million net of substantial mitigations. This assumes that the current tariff levels remain in place throughout 2026.

On quarterly phasing, we expect a relatively balanced growth profile in 2026. As a result, all four quarters are expected to be within our full-year comparable sales growth range of 3% to 4.5%, with Q1 at the lower end, consistent with normal seasonality and following a very strong finish to 2025.

Adjusted EBITA margin is expected to slightly decline in Q1 2026 as operational improvements are more than offset by the incremental tariff headwinds, which were not in effect in the first quarter of the prior year.

2026-2028: Additional productivity savings expected to complement growth-led margin expansion

Building on the €2.5 billion productivity programme successfully delivered in the last three years and continuing to focus on what we can control, we are launching an additional €1.5 billion productivity programme for the 2026–2028 period.

Restructuring, acquisition-related charges and other items

Adjusting items are expected to be around 200 basis points in 2026, down from 300 basis points in 2025, and we remain committed to further reducing them over time.

Restructuring costs are expected to be roughly 80 basis points and relate to initiatives to drive cost competitiveness, unlock R&D capacity, enhance supply chain agility, and enable central functions to operate at best-in-class cost benchmarks. Other charges, estimated at around 120 basis points, mainly relate to the Respironics consent decree, field actions, other quality-related and acquisition-related charges.

2026 outlook: accelerating profitable growth

We expect free cash flow in the range of €1.3 billion to €1.5 billion, driven by higher earnings and lower adjusting items. This is expected to be partly offset by a disciplined increase in capital expenditure, supporting growth and regionalisation and higher income tax payments associated with improved profitability.

This outlook reflects an uncertain macro environment and incorporates currently known tariffs. It excludes any effects of the ongoing Philips Respironics-related proceedings, including the investigation by the US Department of Justice.

Now, over to Durga.

Durga Doraisamy: Thank you, Charlotte. Before we move to a brief Q&A session, just a quick request. Please keep questions focused on our Q4 and full year 2025 results and our 2026 outlook. We will be discussing our mid-term plan and outlook in more detail at our Capital Markets Day later today.

Operator, we are now ready for questions.

Q&A

Operator: Thank you, madam. If any participant would like to ask a question, please press the star followed by two times one on your telephone. Due to the time, please limit yourself to one question and one follow-up. This will give more people the opportunity to ask questions. There will be a short pause while participants register for a question. Thank you. We will now go to our first question. Our first question today comes from the line of Hassan Al-Wakeel from Barclays. Please go ahead.

Hassan Al-Wakeel (Barclays): Morning, and thank you for taking my questions. I have a couple, please. So firstly, Charlotte, for the last couple of quarters, you've been vocal on the gross margin improvement in the business and specifically D&T, owing to a better mix in the order book converting. Can you help us understand how this unfolded in Q4, and how much of a driver you view the mix benefit as a tailwind to your 2026 margin profile?

Secondly, order intake for the full year for D&T was 5%. It'd be great if you can help us understand how this differs by modality in Q4, and how you can reconcile this with the expected slower revenue performance for 2026, and whether this could be an element of conservatism in your guide? Thank you.

Charlotte Hanneman: Thank you, Hassan. Let me take your first question on our gross margin improvement. We are indeed, and I indeed have been vocal about that for many quarters. We are very happy with the way our gross margin is developing across Philips. We really see an increase across the board, driven also by innovations and productivity as well. And let's keep in mind that gross margin, of course, that's also where our tariffs hit, so that is impacting that as well. So we have been very disciplined in executing across the board.

So if I look at 2026, what I think will – what we see from a 2026 perspective, also in D&T, we see continued margin expansion despite the tariff impact. So that gives you a good sense of that. We also think that underlying gross margin strength will continue to be strong.

So there are a few factors in the bridge for 2026 to think about. First of all, of course, we have the annualising tariffs. That's a headwind. Then we have continued productivity, and I will talk more about that later. And then the third component, as you say, is also the gross margin of innovation impact. So all three factors contribute.

And for the second, question, maybe over to Roy.

Roy Jakobs: So if you look to the D&T profile, Hassan, and of course, we were happy with the 5% order intake and the acceleration that we saw towards that 5%. We also see actually order intake momentum continuing. As we said, that's on the back of a very strong North American market that is actually continuing to grow for us double-digit in orders.

Then we see that if you look to underlying which are the contributors, of course, we have very strong IGT contribution in that mix. We see an acceleration in MR, and also ultrasound was a good contributor because we have launched some great new innovations there that have really started to yield very well, including in China.

So if you look at the kind of the contribution, you have IGT double-digit, then you have the PD business, we saw the acceleration as well but at a lower pace. Now, that's something that then also when you look into the sales, contributes into your sales conversion.

Now, as we know, of course, these are businesses with a bit longer conversion cycles than some of the orders that we have in connected care, which were also very strong, but you have more book and build in that business. So that's kind of where you see that phasing coming into sales a bit slower. Now that builds into 2026. We will continue to see strong order momentum, and that will also underpin the build of sales into the year.

So we'll see – that's what guided – what Charlotte guided for. It will start a bit at the lower end of the range and we see that strengthening due course of the year as the order intake momentum that we have also been building up to 2025 really lands well into the rest of the year.

Hassan Al-Wakeel: Very helpful. If I can just follow up on the 2026 guide, but also beyond. Roy, looking back to 2023, your '25 range was conservative and wide, and you've clearly landed at the top end of this and meaningfully outperformed this year's guidance. What buffers have you built into the guide for '26, and also beyond that, particularly on the margin, given the journey from here is going to be a lot harder than the journey from 7.5% in 2022?

Roy Jakobs: Yeah, so two-part of answer, Hassan. Of course, we will go in full detail, right, at the CMD into kind of our plan underpinning '26 to '28. So you'll have extensive views on that later today.

The short answer for today is what we learned in the first plan was that, indeed, we are living in dynamic world. So the dynamic world requires that you need to be, on one hand, very diligent in executing your own plan, focus on what you can control, therefore, productivity is a more important contributor. But as we really started to drive innovation and we have that strong foundation now that we can build on, growth will be a big contributor as well to margin, bigger than in the first period.

So actually, that will start to kind of really kick in, and then we keep an eye on an uncertain or dynamic environment, where tariffs, for example, in '26, is something that, A, we still will have the full year impact of what's currently known, but you also don't know what could happen next, right? But we have adopted and adapted our organisation to a much more agile and leaner one, where kind of we are building resilience. We adopt fast or we adapt fast if we see something happening, and that's also on the growth side, right?

When we see growth happening in a certain part of the world, we can faster route to that piece so that we capture that opportunity, and if we see actually an event popping up somewhere, we can also address that faster.

So I think that is where we kind of will share a bit more later today and this afternoon. But we are kind of taking an outlook that takes the world into account.

Hassan Al-Wakeel: Perfect. Thank you.

Operator: Thank you. Your next question today comes from the line of Richard Felton from Goldman Sachs. Please go ahead.

Richard Felton (Goldman Sachs): Thanks. Good morning. Thanks for taking the question. Two please. The first one, within D&T, I think Precision Diagnosis was flat in the quarter. I suppose given better order intake across MRI and CT earlier this year, I was surprised it was a little bit stronger than that. So any colour on Precision Diagnosis in the quarter, and how to think about momentum into 2026, especially as you're bringing new products and new innovation to market?

And then the second one, you referenced that Q1 is going to be at the lower end of the full year '26 growth guidance range. I suppose despite the easier comp, any sort of other phasing or things to be aware of on that Q1 comment specifically? Thank you.

Charlotte Hanneman: Hi, Richard. Good morning, and thanks for your question. So first on the – your PD question within D&T. So what we've seen play out in Q4 was in line with expectations. Orders returned to growth in Precision Diagnosis. And then from a sales perspective, we improved sequentially. Let's not forget, of course, from a sales perspective, we have a higher exposure to China, which is also impacting the sales in the fourth quarter.

And if I then take a step back from a PD perspective, as you know, we have really rebuilt the foundation from a quality, from a leadership perspective. We reduced SKUs. You will hear from Jie, our business leader, later today on well what we've done and also, very importantly, the plan going forward.

So then from a PD perspective, from a margin perspective, you will have seen progression. We went from mid-single digits to high single-digit, and later today, we'll explain that there's much more to come. And also the innovation that we spoke about and that Hassan asked about earlier is accretive and now turning into a tailwind, particularly related to the RSNA innovations that Roy mentioned on the call earlier.

That, in combination with stronger commercial and service execution, makes us feel very good about the – about 2026, and will also drive a stronger funnel and order intake in 2026. So that is on your first question.

Your second question was on the Q1 phasing that you asked if there were any impacts there.

So as I said in my prepared remarks, our growth phasing is much, much more balanced than in 2025. We have a very balanced progression in 2025, and actually all quarters are in the 3% to 4.5% range, which is a significant improvement from where we were last year. So we're pleased about that.

Now, Q1, indeed, as you said, starts at the lower end. A couple of reasons, nothing out of the ordinary there. On the one hand, it's just seasonality. Q1 is typically our lowest quarter, as you know, and then, of course, we had a strong finish in Q4 as well. So that's from a sales perspective.

From a margin perspective, as I also said in the prepared remarks, look, the tariffs continues to be a significant headwind, and that is particularly impacting us in Q1, because the operating leverage from stronger sales really only kicks in at the end of the year, primarily. So Q1, from that perspective, is a little bit lighter, and that's where our tariff kicks in strongly.

But as I said on the prepared remarks as well, we are very committed to margin expansion. Our guide also includes a margin expansion of 20 to 70 basis points, so we go very hard at driving that.

Richard Felton: Thank you very much, and look forward to hearing more this afternoon.

Operator: Thank you. Your next question today comes from the line of Julien Dormois from Jefferies. Please go ahead.

Julien Dormois (Jefferies): Yes. Hi. Good morning, Roy. Good morning, Charlotte. Congratulations on a strong quarter and a very nice plunge into '28. I have two questions, if I may, as well. The first one relates to Personal Health, which obviously was super strong in Q4 and accelerating sequentially. And this is despite tough comps in the quarter. So just curious whether there is any kind of stocking effect into that, or is it just the very strong demand you highlighted for Europe and elsewhere?

And the second question is more broad. It's just whether you have an update and a stance on the Section 232 investigation that's been running by the US government. Any thoughts you might want to share on that side, please, would be helpful. Thank you.

Charlotte Hanneman: Thank you very much, Julien. And let me take your first question on Personal Health. We were indeed very pleased with our strong Personal Health performance in the quarter, 14% in Q4. Actually, not on a very tough comp, though.

So what has been driving this strong growth? A few different things. First of all, we saw market share gains really across all businesses. Second of all, and this is very pleasing to see, we see very healthy sell-out trends across most geographies, and also a very resilient launch in North America. And that is where the combination of our innovations, that Roy also mentioned, combined with our strong commercial execution, really saw great momentum in Q4.

Then particularly on your stocking question, I also said it in the prepared remarks. We have, as we promised we would do, de-risked the China trade inventory, and it is now roughly at three months, whereas a year ago it was at six months. So that means we're now in line with market averages on that, so nothing further to add there.

Roy Jakobs: Let me take the second question on 232. So actually, 232 investigation has not been concluded, nor any outcome shared. How we look at it is that in essence, it's equal to tariffs, but a different way of going after it, right? So I think this is a potential measure that could replace tariffs. So we don't think this will worsen the situation. It could potentially actually improve the situation, but we don't speculate on that.

How we look at it is that, in essence, that it's high court who's going to take a different tariff stand. They have a different mean of kind of still securing or putting on some tariffs on imports into the US. So we are, of course, actively engaged.

We also are part of the discussion. We also know they are looking into measures that potentially could be beneficial, but as I said, we don't want to speculate on any outcome.

Julien Dormois: All right. Thank you very much.

Operator: Thank you. Your next question today comes from the line of Veronika Dubajova from Citi. Please go ahead.

Veronika Dubajova (Citi): Excellent. Good morning, and thank you for taking my questions. I'll keep it to two, and also short term. First, I just want to get your flavour for China. Obviously, we've had you guide to flat China in 2026. Healthineers has done the same. GE HealthCare, arguably whose mix is closer to yours, have expressed some more cautious as they expect China revenues to decline in '26. So just if you can more build – talk to a little bit to the building blocks of that assumption and what you're seeing in that market at the moment, that would be my first one.

And then, Charlotte, if I can come back on that PH margin in the fourth quarter. So I've followed your stock for a very long time. I went back through the history, and I think the best margin you ever achieved in PH in the fourth quarter was 21%. So the 23%, especially with tariffs, is highly unusual. Can you maybe talk to some of the structural changes that have happened in the business that are enabling you to drive this substantially better margin dynamic that we have seen in PH versus what we have seen in PH in the past? Thank you guys so much.

Roy Jakobs: Thank you, Veronika. Let me take the first one on China. So in China, so we see the following, as I also highlighted in my remarks. So actually we see China stabilising in 2026. So, of course, it was a headwind in the last plan period and also in 2025, with stabilising. So actually we expect contribution from China but we are remaining cautious on it.

We see two different trends, one in PH, where actually we have seen step by step some improvement in the sell-out, and we expect that will also kind of result in improvement in sell-in and therefore sales in the China market.

Now, on the health system side, we remain more cautious because the outlook on tenders and how they convert into real orders is still less predictable, and therefore, kind of re-accounting for a growth especially on the health system side, much more on a very strong North America and also the other parts of the world. So that's kind of where we remain cautious overall.

We still remain committed to it. We see a slightly differentiated picture between PH and D&T, but we do see the kind of China contributing to growth, although to a lesser extent than any other region.

Charlotte Hanneman: Yeah. Thanks, Veronika. Let me take your second question on the PH margin in Q4. Of course, we are very pleased with that strong margin, and in Q4, particularly also driven by the operating leverage on the back of 14% sales. But if you think about the more structural drivers, I would call out a few, and also Deeptha will explain more later today. So that is something to look forward to as well.

But the key drivers, first of all, innovation. I mean, Roy spoke about the innovations we have, for instance, the new platform for Sonicare. We have OneBlade that is doing extremely well. Those innovations, they come at a higher margin, and they also drive premiumisation, which also helps to drive higher margin and also drives higher prices.

The second component is really around commercial execution, which has been very, very strong in Personal Health. We, of course, win, win with the winners, the Amazons of the world and the JDs of the world, and that continues to be a very strong force for us as well.

And then thirdly, and this goes for all of Philips, we really focus on productivity, on disciplined execution, on controlling the controllables. And all those three factors really, really helped us also in Q4 2025. And as I said, Deeptha will explain later how we are confident that we will also further improve over the next three years.

Veronika Dubajova: That's very helpful, Charlotte. And if I can maybe just quickly follow-up. I think originally at the third quarter, you talked about sort of high single-digit growth in PH. It's obviously come in almost at twice the pace that I think many of us expected. Anything you'd call out, is there a specific region or a specific category that helped drive this meaningful surprise on the revenues?

Charlotte Hanneman: Yeah. Thank you, Veronica. I would say it's pretty broad-based overall, both from a business and a geographical perspective. We just saw very good momentum across the board, as there's really a lot of demand for our products. So we saw a really good performance in grooming, where - and I spoke about the OneBlade platform just now. We see very, very good traction across the board.

And just as a reminder, in Q4, we, of course, benefited from the lower comparable due to China, because last year we were still in full destocking mode. So that has helped absolutely as well. So – but also, excluding China, the numbers are still very, very strong. Thanks, Veronica.

Veronika Dubajova: Got it. Thank you, guys. See you later.

Charlotte Hanneman: See you.

Operator: Thank you. We will now take our final question for today, and the final question comes from the line of Hugo Solvet from BNP Paribas. Please go ahead.

Hugo Solvet (Exane BNP Paribas): Hi guys. Thanks for taking my questions and congrats on the prints. Two, please. First, on the drivers for D&T and CC, Connected Care demand, patient volumes in the US was not mentioned in the Q3 slide deck, so just wondering what magnitude of pickups you're seeing and how sustainable do you think it is? And on the Q1 margin comment, you expect to decline slightly. Is the decline that we've seen is in Q1 2025 would be a good proxy for Q1 2026? Just trying to think about where we should land. Thank you.

Roy Jakobs: Yeah. Thank you. Let me take the first one in terms of strong demand in terms of the US. We see a few drivers, especially big investment in infrastructure, in healthcare systems in the US is driving significant uptake and demand for our platforms.

So if you look, some of the CAPEX spend, and even if you look kind of the demand forecast on CAPEX really highlights that they're strengthening monitoring, they're strengthening cybersecurity as a big priority, which, of course, also plays to our informatics business, both in imaging and again in monitoring. And therefore, we have seen significant kind of momentum in North America on the Connected Care side. We expect that also to continue into 2025.

Now that, of course, is also driven by strengthening of the financial health of the healthcare systems in the US. Not all, as we know. So the stronger systems are getting stronger, they are consolidating and actually absorbing some of the smaller systems. But again, that then plays to our platform play, because that actually is why they like us, because we can provide the core infrastructure for interventional, for cardiac, for monitoring. So those are really key drivers for us that actually have been helping us in 2025, and actually we see prolonged strong demand on that in '26 and beyond.

And actually, I think what will be very helpful today is the customer panel as well, because they will talk exactly about their needs to drive more reliability in their operations.

So they're pretty investing behind that, because with the staff shortages, they need to make sure that they have actually systems that support the staff in the best possible way, so that they can deal with patients. Because patient volume is actually strong and good. Also, procedures are expanding, what we did also with SpectraWAVE, bolstering our cardiology play is because we see that procedural momentum in cardiology and the patient volume in cardiology, especially continuing to grow. That's actually where we are very well positioned to capture that across our portfolio with also the imaging part, the monitoring part, and the interventional suite.

Charlotte Hanneman: Thank you, Roy. Let me take your second question on the Q1 margin, Hugo. I would say, it's not a bad proxy to say – to take the decline that we saw in Q1 2025. So that's roughly right. Thank you.

Hugo Solvet: Super helpful. Thank you.

Operator: Thank you. Well, that was the last question. Mr. Jakobs, please continue.

Roy Jakobs: Yeah, thank you, all. Let me close. We delivered our outlook in 2025 consistently across all four quarters. Order intake was healthy, sales growth improved sequentially, margins expanded, and cash generation was strong despite ongoing tariffs. These results demonstrate our strengthened foundation, improved resilience and disciplined execution in a challenging macro environment. This is how we deliver our innovations to consumers and customers across the globe, where we see demand for them strengthening.

Above all, I also really want to thank all our employees globally for very hard work, delivering these strong results whilst making a meaningful difference through our impact with care culture, and delivering better care for more people.

With sustained order momentum, a robust innovation pipeline, clear focus on accelerating profitable growth, and the continued dedication of our teams worldwide, Philips is well positioned to meet our outlook for 2026 and beyond.

We look forward to sharing many more details at today's Capital Markets Day, starting at 11:00am. I really invite you to be there. Thank you so much. Looking forward.

Operator: Thank you. This concludes the Royal Philips fourth quarter and full year 2025 results conference call on Tuesday, 10th February 2026. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]