PHILIPS

Philips Q2 2026 Results

Tuesday, 28th July 2026

Introduction

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Head of Investor Relations, Philips

Good morning, everyone. I am here with our CEO, Roy Jakobs, and our CFO, Charlotte Hanneman. Before we begin, I would like to acknowledge that due to an administrative error, Philips second quarter 2026 results were inadvertently published last evening ahead of our scheduled release. As a result, we brought this webcast forward by two hours. We apologise for any inconvenience this may have caused, and thank you for joining us on short notice.

Our results press release and presentation are available on our Investor Relations website. The replay and full transcript of this webcast will be available on our website after this call concludes. I want to draw your attention to our Safe Harbor statement on the screen and in the presentation.

I will now hand over to Roy.

Overview

Roy Jakobs

CEO, Philips

Key takeaways

Good morning, everyone. Thank you for joining us. I will start with an overview of our Q2 results and outlook for the balance of the year.

We delivered in line with our expectations in a dynamic external environment. We grew comparable sales by 4%, driven by growth across all segments. Adjusted EBITA margin increased to 16.4%, including a tariff refund benefit, which Charlotte will discuss in detail. Excluding that benefit, our underlying margin was 12.2%. This reflects the expected pressure from higher tariffs and cost inflation, with productivity offsetting part of the impact.

Free cash flow was €220 million, including a tariff refund benefit. Against this backdrop, we reiterate our full-year comparable sales growth outlook range of 3% to 4.5%, and our underlying adjusted EBITA margin outlook also remains unchanged. Excluding the tariff refund benefit, we continue to expect a full-year adjusted EBITA margin of 12.5% to 13%.

At the halfway point, we remain solidly on track for the full year. On a rolling 12-month basis, order intake grew 5%, demonstrating the resilience of our commercial momentum. Customer demand for our innovations remains healthy. Europe delivered strong order growth, and North America has a healthy pipeline with large orders already secured in Q3.

Comparable sales grew 4% in the first half. We also improved underlying profitability year-on-year through productivity savings, helping to largely offset tariffs and cost inflation. And we largely completed the US tariff refund process during the quarter, demonstrating the agility of our teams in a changing environment. Together with the continued progress in innovation and execution, this gives us confidence in the balance of the year.

Commercial momentum and a solid order book support acceleration of profitable growth in 2026

Turning to orders in Q2. Order intake declined 1% as certain larger monitoring orders specifically moved to Q3. This followed six consecutive quarters of growth. Importantly, our equipment order book remained at record level, providing good visibility for the period ahead.

In Diagnosis & Treatment, orders grew low single-digit, following double-digit growth last year. Strong performance in North America and Europe was partly offset by continued weakness in China. Within this segment, Image-Guided Therapy delivered another quarter of strong growth in North America. While in the international region, Q2 last year included a multi-year nationwide agreement with Indonesia's Ministry of Health. Precision Diagnosis delivered strong order growth, including double-digit growth outside of China, reflecting broad-based demand and traction from our recently launched innovations.

In Connected Care, Enterprise Informatics delivered solid order growth in Q2, particularly in Europe. Monitoring orders declined, reflecting the timing of certain larger North American orders shifting into Q3. Importantly, this did not reflect a deterioration in underlying demand. Overall trends across our health systems segments support our confidence in the commercial momentum for the balance of the year. With good visibility into our pipeline, we expect solid order growth in Q3.

Diagnosis & Treatment: innovation and strategic partnerships strengthen momentum

Let me now turn in how we are executing our strategy across our segments.

D&T strengthened its leadership position in Q2. In IGT, North America continued to deliver an exceptionally strong win rate, supported by large customer orders. We signed an agreement with a leading US nonprofit healthcare system to equip 14 catheterisation laboratories. We also secured a long-term enterprise partnership covering over 300 health technology projects across 200 hospitals in Poland, spanning IGT, imaging, ultrasound and patient monitoring. This demonstrates the value of our broad portfolio and strong customer relationships.

In Precision Diagnosis, innovations presented at CMD are gaining strong customer traction. Spectral CT Verida, wide-bore CT Rembra, helium-free MRI, and point-of-care ultrasound were key contributors to the order growth in the quarter.

Across D&T, we also expanded strategic collaborations to accelerate innovation. Our alliance with WellSpan Health combines a long-term commercial partnership with the co-development of AI-enabled healthcare technologies. We also announced a joint investment with the Dutch government to accelerate the next-generation of AI and robotics-enabled image-guided therapy.

These collaborations extend our innovation ecosystem and strengthen our long-term competitive position.

Connected Care: Strengthening our position as a strategic partner of choice for healthcare providers

Earlier this month, a leading US health system deepened its relationship with Philips, extending patient monitoring across its large hospital network. This follows strong commercial activity in H1.

Another major health system broadened its Philips patient monitoring footprint across more than 50 hospitals. Several orders, including NYU Langone Health, continue to standardise on Philips patient monitoring across their networks.

We are seeing strong momentum also beyond the hospital walls. In Europe, Karolinska University Hospital selected a Philips-led consortium to support the whole region of Stockholm, first region-wide hospital at-home programme. It will use advanced remote monitoring to extend hospital level care into patients' homes, supporting up to 15,000 patients annually to start.

Together, these examples underscore that customers increasingly recognise the value of patient monitoring as an enterprise platform integrated with software and clinical informatics. They also support extending care beyond the hospital.

A notable Q2 win in Enterprise Informatics was a full cloud conversion under a new 10-year agreement with a leading US health system. Once fully deployed, the platform will support around 1.7 million image studies a year in this health system alone. The scale and duration of this order demonstrate the trust customers place in Philips as they transform their health systems and technology infrastructure.

The enterprise cloud transformations are complex by nature and are implemented in carefully managed phases aligned with customer readiness. Revenue, therefore, builds over time as implementation progresses across sites and clinical teams.

Personal Health: Growth, share gains, and momentum driven by innovation, commercial execution and channel expansion

Turning to Personal Health. The segment delivered another strong quarter. Broad-based momentum across categories was driven by strong commercial execution, innovation, and expanded retail distribution.

We gained market leadership in power toothbrushes in the United States with our newest launched Sonicare platforms. We also strengthened our position in modern childcare with Philips Avent products continuing to gain market share.

In China, we launched the S800 Compact Shaver, powered by our new TurboMax motor. It ranked number one in first-day sales in its category on JD.com.

As part of a technology company, our Personal Health business is uniquely positioned to apply AI across its portfolio, creating smarter, more personalised consumer experiences. We are scaling cry interpretation in Avent baby monitors, AI-guided voice assistant in Lumea hair removal devices, and SenseIQ technology in premium shavers. This demonstrates how we combine health technology expertise with consumer insights to create winning innovations.

Advancing innovation across the portfolio

Turning to innovation across our health systems, we are differentiating our portfolio by improving clinical outcomes and productivity.

In Image-guided therapy, we introduced Smart IQ for our Azurion platform. It advances coronary image quality and dose management using over 50% less X-ray dose than our current low dose settings.

In Ultrasound, we are accelerating innovation and bring our best-in-class technology to general imaging, supported by the FDA clearance of Elevate Plus.

In MR, we introduced the first multi-contrast 4D MR imaging solution for radiotherapy simulation. It allows patients to breathe normally during imaging while helping clinicians to better visualise moving tumours for treatment planning. We also unveiled Titanion, our next-generation, ultra-high gradient 3 Tesla MRI platform. It is designed to provide more precise clinical insights and advanced quantitative imaging.

These innovations strengthen our differentiated portfolio and support our long-term growth.

Continued momentum and disciplined execution despite an uncertain macro-environment

Disciplined execution is how we build a stronger, more resilient business. It starts with patient safety and quality remaining our highest priority. Product non-conformances remain on track for a fourth consecutive year of reduction. Corrective and preventive action performance reaches highest level since 2022.

We are also increasing the speed at which we bring innovations to customers. Building on a strong first quarter, we secured another nine FDA 510(k) clearances and pre-market approvals across key franchises in Q2, bringing the year-to-date total to 29. These include important clearances across ultrasound, CT and hospital patient monitoring.

In China, regulatory approvals for Rembra, Areta and Verida position us to further expand the reach of our next-generation CT portfolio. AI is also helping accelerate our regulatory processes, improving both speed and quality. It enables us to respond more quickly to local market needs.

HealthTrust, one of the largest health group organisations in United States., recognised Philips as its 2026 Capital Supplier of the Year. This award reflects our ability to understand and respond to HealthTrust's specific needs and of which large customers it serves, as well as the value we bring to their health systems.

Global hospital demand and consumer sentiment

Now turning to our regions. Our regional growth profile reflects the priorities we outlined at our Capital Markets Day. North America and Europe continue to drive health systems growth, while consumer sentiment in Personal Health remains broadly unchanged relative to last quarter's trends.

In North America, healthy patient volumes, procedural growth and sustained capital investment by large health systems continue to support demand. Customers increasingly want to standardise care through fewer, deeper strategic partnerships. Our platform-based portfolio, differentiated innovation, and strong customer engagement positions us very well to capture that demand in North America. A healthy order pipeline supports our confidence in the outlook for the region.

Turning to Europe. Europe delivered another quarter of strong and increasing performance, particularly in the D&T and Connected Care segments. European health systems are investing in productivity, digitisation and in modernising care delivery. Our differentiated portfolio and commercial execution continue to resonate with customers. This gives us confidence that Europe will remain an increasingly important contributor to our growth.

In China, market conditions developed broadly in line with our expectations in Q2. Personal Health remained relatively stable, with health systems continued to face a challenging market environment. The expansion of centralised procurement and subdued hospital investment continued to weigh in on the health systems market overall.

For the full year, we now expect China to be broadly stable overall, with strength in Personal Health offsetting continued weakness in health systems. Demand remains, but purchasing behaviour has become more timing driven as hospitals adapt to evolving procurement and funding frameworks.

I will now hand over to Charlotte.

Financial Review

Charlotte Hanneman

CFO, Philips

Diagnosis & Treatment

Thank you, Roy. I will start with segment-level performance. In Diagnosis & Treatment, comparable sales increased by 2.4%. Image-Guided Therapy delivered high-single-digit growth, continuing its strong track record for the 22nd consecutive quarter. Performance was strong in Europe and North America, led by the Azurion platform, Zenition motorised mobile C-arms, higher service revenues, and intravascular ultrasound.

Precision Diagnosis comparable sales declined at a low-single-digit rate, a slight improvement from Q1. Growth in Europe and several international regions markets, particularly India and LATAM, was more than offset by China.

MRI performed strongly, reflecting the strength of our differentiated portfolio, particularly the helium-free BlueSeal MR 5300 and the high-performance 3T MR 7700. Ultrasound performance was supported by momentum in our cardiovascular platforms: Affiniti cardiovascular and Premium EPIQ cardiovascular. The new Flash 5100 also contributed, expanding our presence in point-of-care ultrasound.

Our recently approved CT platform innovations, Rembra RT and Areta RT, also began contributing to revenue.

Adjusted EBITA margin increased by 40 basis points year-over-year to 13.9%, including the impact of the tariff refund, which I will discuss later. Excluding the refund, margin declined by approximately 460 basis points *[corrected by company: margin declined by 420 basis points]* to 9.3% as productivity measures were more than offset by cost inflation, higher tariffs and currency effects.

We expect margin progression towards the end of the year, driven by higher growth, innovation-led gross margin improvement, productivity and inflation mitigation actions, alongside an easier year-on-year tariff comparison.

Connected Care

Moving to Connected Care. Comparable sales increased by 2.2%. Monitoring delivered another quarter of strong mid-single-digit growth, led by North America and supported by Europe. Growth was driven by higher IntelliVue hospital monitors and ambulatory cardiac monitoring sales, continued adoption of PIC iX, and strong performance in Monitoring-as-a-Service, reflecting customer investment across hardware, software, and services.

Sleep & Respiratory Care delivered low double-digit growth, led by Europe and Japan. Enterprise Informatics sales declined mid-single-digit, mainly reflecting the timing of order conversion. Growth in international region was offset by decline in North America.

Connected Care adjusted EBITA margin in Q2 expanded by 740 basis points year-on-year to 17.8%, including a tariff refund. Excluding this benefit, margin expanded by approximately 130 basis points to 11.7% as productivity measures more than offset the higher tariffs and cost inflation.

Personal Health

In Personal Health, comparable sales grew 8.5% in Q2 with all three business contributing. Growth was broad-based, led by North America, while China benefited from an easier comparison base. Demand remained strong for premium shavers, OneBlade replacement blades, and the recently renewed Sonicare 5000 to 7000 series.

In Q2, Personal Health adjusted EBITA margin expanded by approximately 780 basis points to 23%, including the impact of the tariff refund. Excluding this benefit, margin expanded by 280 basis points. Sales growth, productivity measures, and a particularly favourable innovation-led product and market mix supported higher gross margin. These favourable impacts were partially offset by cost inflation.

Finally, sales in segment Other increased by €62 million to €182 million, mainly due to higher royalty income and activities related to a divestment. Adjusted EBITA increased by €11 million to €7 million, driven by higher royalty income.

Solid underlying margin performance despite cost inflation and tariff headwinds

Now turning to the Group results. Comparable sales increased by 4.1% in Q2, with growth across all segments and most regions.

Adjusted EBITA margin for the group increased by 400 basis points year-on-year to 16.4%, including a tariff refund. Excluding this benefit, margin declined as expected by approximately 20 basis points to 12.2%. Sales growth, favourable mix effects, and productivity measures were more than offset by cost inflation and higher tariffs.

In Q2, we received virtually all of the tariff amount claimed. This includes an approximately €25 million impact for annual incentive accruals from the increase in our reported full-year guidance, which includes the tariff refund benefit. Consistent with the treatment of the original tariff cost, the majority of the refund was recognised as a reduction in cost of goods sold and was therefore included in adjusted EBITA.

Productivity initiatives delivered EUR 258 million year-to-date; on track to deliver our EUR 1.5 billion programme 2026-2028

In Q2, we delivered €132 million in productivity savings, bringing year-to-date delivery to €258 million, despite pressure from higher cost inflation. We are on track with good visibility to deliver our €1.5 billion three-year saving commitment. Progress in the quarter was supported by further operating model simplification, procurement and supply chain initiatives, and footprint optimisation.

AI is strengthening these capabilities and helping us scale the benefits.

In Personal Health, our internally developed Illuminate AI platform combines consumer data and signals to generate innovation ideas, making concept development 50% faster.

In engineering, we are scaling AI through initiatives such as NOVA, helping teams develop product requirements with greater precision and more quickly, reducing rework and supporting first-time right development. Drafting time has been reduced by around one-third, with further productivity benefits expected as adoption scales.

Adjusting items were €20 million, significantly below €86 million in the prior year. The reduction was primarily driven by portfolio actions in Enterprise Informatics, including a one-off gain related to the divestment of the electronic medical records business completed in Q2. Given the year-to-date performance, we anticipate a full-year impact of approximately 180 basis points, compared with our previous outlook of approximately 200 basis points.

Free cash flow in Q2 was an inflow of €222 million, broadly in line with last year, as higher working capital outflows were largely offset by the tariff refund.

Moving to the balance sheet. We ended Q2 with €1.8 billion in cash. Net debt was €5.7 billion at the end of Q2. The leverage ratio improved to 1.8 times on a net debt to adjusted EBITDA basis from 2.2 times in Q2 2025, driven by higher earnings and lower debt. Our balance sheet provides resilience in an uncertain environment while giving us the flexibility to invest in long-term value creation.

2026 Outlook

Philips reiterates 2026 comparable sales growth outlook; raises Adj. EBITA margin and Free Cash Flow outlook to reflect US tariff refund

Now turning to our outlook.

Through the first half of the year, we delivered against the priorities and expectations we set out at the beginning of 2026. We delivered against the persistently uncertain macro and geopolitical environment. We remain focused on what we can control and are executing the actions needed to deliver our priorities.

Against this backdrop, we reiterate our full-year comparable sales growth outlook of 3% to 4.5%. For the full year, we continue to expect Connected Care and Personal Health to grow at the upper end of the range, and Diagnosis & Treatment at the lower end. For Q3, we expect comparable sales growth to be at the lower end of our full-year range due to China and ultrasound.

Our full-year outlook for underlying adjusted EBITA margin also remains unchanged. Excluding the tariff refund, we continue to expect a full-year adjusted EBITA margin of between 12.5% and 13%, driven by sales growth, innovation and productivity, partially offset by annualized tariffs and input cost inflation. This corresponds to 13.5% to 14%, including the tariff refund recognised in Q2. For Q3, we expect adjusted EBITA margin to be below the prior year level, primarily reflecting higher cost inflation and an unfavourable mix impact.

In line with our Q1 view, we expect cost inflation to remain elevated, with a greater impact in the second half, as higher costs held in inventory are recognised in the P&L. At the same time, the benefits from our mitigation actions are expected to increase during the second half, together with continued contributions from the productivity programme. We remain on track with good visibility on the actions required to deliver our full year underlying margin outlook.

Consistent with our approach over recent quarters, our outlook incorporates currently known tariffs, including those announced on July 23rd.

We now expect reported free cash flow of between €1.5 billion and €1.7 billion, including the tariff refund. Our underlying free cash flow outlook remains unchanged at between €1.3 billion and €1.5 billion, excluding the tariff refund.

As previously indicated, our outlook excludes ongoing Philips Respironics related proceedings, including the investigation by the US Department of Justice and the State Attorneys General.

With that, I would like to hand it back to Roy for his closing remarks.

Conclusion

Roy Jakobs

CEO, Philips

Roy Jakobs: Thank you, Charlotte. Before we open the line for questions, let me leave you with three key messages. First, we delivered a solid first half in an uncertain environment, demonstrating the resilience of our business and our disciplined execution.

Second, our first half performance, together with the momentum we are seeing across our customer relationships, technology collaborations and government engagements, gives us confidence in the full year. We are therefore reiterating our comparable sales growth outlook and raising our adjusted EBITA margin and free cash flows outlook to reflect the tariff refund.

Finally, we remain fully focused on delivering what we said we would do. Through the execution of our focused segment strategies, continued platform innovation and disciplined operational delivery, we remain on track to achieve the ambitions we set out at our 2026 Capital Markets Day: mid-single digit growth CAGR and mid-teens adjusted EBITA margin by 2028.

With that, operator, please open the line for questions.

Q&A

Operator: Thank you, sir. 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 yourselves 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.

We will now go to the first question. The first question comes from the line of Hassan Al-Wakeel of Barclays. Please state your question.

Hassan Al-Wakeel (Barclays): Good morning, and thank you for taking my questions. I have two, please. Firstly, if you can expand on the D&T margin performance, please, as 9.3% ex-tariff, which is meaningfully below expectations. What's driving this? And how are gross margins in the business trending, given your prior comments on innovation and mix here? Do you expect underlying D&T margins ex-tariff to expand year-over-year in Q3 and Q4? And then what about the full year?

And then secondly, also on D&T, and really your thoughts on centralised procurement in China and the extent to which this is already impacting your margin mix in Q2. Roy, when we met last month, you talked about differentiated offerings such as BlueSeal MR and Spectral CT being insulated from this. Is this still your view, or is it changing? And do you expect further expansion of these initiatives in China? Thank you.

Charlotte Hanneman: Yeah. Thank you, Hassan. Let me take the first question. Thanks for your question. So maybe take you one level back from a margin perspective. So I think it's important to note that overall, we delivered on our margin expectations exactly in line as we said at the beginning of the quarter. And that is actually 10 basis points of margin expansion in the first half of the year, excluding tariffs, in a very dynamic environment. So we're actually pretty pleased with that, and it's exactly in line with our expectations.

If you then unpack that a little bit, it is fair to say that Personal Health did really well from a margin expansion perspective. Connected Care expanded margins, and indeed, as you mentioned, D&T had lower margins.

Now there are a few things that are impacting the D&T margin. As I said, also just previously in my remarks, of course, there was cost inflation, which had a somewhat greater impact in D&T than in the other segments. Then also we saw, as we also called out in the beginning of the quarter, we saw higher tariffs, of course, as Q2 was the last quarter where we didn't see those full tariffs. Also specifically in D&T, we saw a higher currency effect as well. Then, the other driver there is that last year we had a higher contribution from a one-off effect as well.

And the other element, and you already alluded to it in your second question, was China, where we did, and we know PD has a somewhat higher exposure to the market in China, and as a result, that also impacted the margins in Q2 as well.

But if I then take you back, overall, we are exactly in line with where we thought we would be for Q2. We are on track with 10 basis points of margin expansion for the first half, and we are reiterating our full-year margin outlook for the year between 20 basis points and 70 basis points.

Now to follow up on your last question, which is the gross margin from innovations and how that is developing. We do see that continuing to develop in the right direction. I'll give you a couple of examples. For instance, Rembra in CT in our performance segment and also Verida in our premium segment in CT is really driving up gross margins underlying, excluding tariff, excluding cost inflation.

And also in MR, and we spoke about that on the call last quarter, we have a lot of help from our service upgrades. Last quarter, you might remember us talking about SmartHeart and also about Precise, some of the software upgrades that we have. Those are also driving underlying margins up.

So maybe with that, I'm going to hand it over to Roy for the centralised procurement.

Roy Jakobs: Yeah. So on the centralised procurement, you might have seen that now the China government expanded the centralised procurement policy across China. Now what that means is that you will have a further prolonged scope of implementation of a new policy. And as we learned earlier, that creates turmoil in the market because people are learning what this new process is. Of course, they're bringing down technology under that process.

Still, the point being, as we discussed earlier to, Hassan, that unique technology still has a specific way finding a position in that centralised procurement. But the other kind of segments, like more value segments and kind of where you have less undifferentiated technology, you will go more into the procurement process as they have defined. Therefore, as we said, at Philips, we have a very selective go-to-market approach in China, where indeed for MR, we are banking heavily on the helium-free 1.5T, and we are working with the Chinese government also on an accelerated path for a 3T helium-free in China, and that's actually well on track.

Secondly, on CT Spectral, actually, we have seen real good momentum and actually positive orders as well in China. And we got the Rembra and the Verida approved in China, and that will help us also competing with really unique innovation going forward. And then we have kind of the IGT franchise that remains strong in China as well.

And then what we also said, and maybe take you there as well, we have been planning on China that will remain more cautious in terms of our outlook and inclusion. And what was important in combination with that was that we saw North America and Europe strengthening.

Now, we are really pleased with the double-digit order growth in Europe, as I mentioned, because that is actually a good place to compensate next to ongoing momentum in North America. In North America, yes, we had now this slip in CC, but you saw actually that D&T was doing really well. And actually, PD in the second quarter was double-digit growth outside of China, mid-single-digit growth including China. North America, over 12 months period, has double-digit order growth. So we really see Q2 as a slip.

Now, also even the reason for the slip, we are talking about a few orders that fell at the wrong side of the quarter. We knew it was going to be low-single-digit because we were coming off a very strong comparable sales growth – comparable order growth last year with the SIHREN deal, and before that, the Bon Secours Mercy Health deal. And therefore, with a few falling into Q3, that therefore shifted the balance.

But the reason is that especially monitoring these big platform deals are multi-million, long-term, and they are also breaking into new competition. So kind of concluding those also legally and administratively takes certain time, and therefore it's less predictable than a standard renewal. So these are good deals that will come in with good margins, but it's just that the phasing in this point made that fall in into Q3, and therefore Q3 will be stronger than we originally planned for because they will have some of these Q2 orders. And therefore, the combination of North America and China, and even some other markets like India, where we're also doing really well, is compensating also for the full-year outlook on the China pressures, and we have a good visibility of order pipelines for a strong full-year 2026.

Hassan Al-Wakeel: That's really helpful. Thank you. If I could just follow-up, Charlotte, can you quantify the added cost inflation you're seeing or expect this year? And if this stays, how are you thinking about the impact for ’27 and beyond? Or do you think this is well covered in your macro uncertainty buffer in the bridge that you presented at CMD? Thank you.

Charlotte Hanneman: Yeah. Thank you, Hassan. So what we said prior quarter is that we see high-single-digit cost inflation *[corrected by company: high double-digit cost inflation in absolute / EUR mln impact]* for the full-year 2026. Our view on that hasn’t really changed. It has ticked up slightly, but not so much, actually. And as a result, we’re also upping our cost mitigation actions where we have really good line of sight to.

So as I said last quarter as well, actually, our view on that remains unchanged. For 2027, of course, there will be an annualization of the cost inflation, although, of course, depending on how the macro environment will unfold, there will be some puts and takes there. We are taking that into account into our 2027 margin outlook.

And also, as you rightly say, at CMD, we have been very clear about our EBITA margin bridge, where we put in roughly 200 basis points for FX and macro uncertainty. That still very much falls within the bucket. And you heard Roy say also earlier today, we are on track to achieve our ambitions we set out at Capital Markets Day in 2026. And one proof point that you have already there is if you look at the first half productivity that I just pulled out, this is €258 million, and that actually includes, that absorbs some of the additional inflation we’re seeing. So I think those are good proof points to be aware of.

Hassan Al-Wakeel: Perfect. Thank you.

Operator: Thank you. We will now go to the next question. Your next question comes from the line of Richard Felton of Goldman Sachs. Please state your question.

Richard Felton (Goldman Sachs): Thank you very much. Good morning. So two from me, please. The first one, I’d like to follow up on your assessment of global hospital demand. So on slide six of your presentation, you’re characterising both North America and Europe as strong. I think actually on Europe, you’ve become a little bit more positive versus Q1. So two questions on that. One, what is driving the improvement that you’re seeing in Europe? And secondly, when do you expect to see that strong demand translating into better D&T and Connected Care growth rates? That’s the first one.

Second question is on Personal Health. Can you discuss the drivers of the strong performance in Personal Health over the last few quarters outside of the China comps effect? What have you been doing differently in terms of innovation, your go-to-market strategy, and how should we think about the durability of those drivers of better growth going forward? Thank you.

Roy Jakobs: Richard, thank you for your questions. Let me go first to the global hospital demand, and it’s indeed good to take a step back. If we look underlying at the trends, we see North America to continue to be strong. And it’s strong, as I said before, not evenly spread, right? Not every single hospital in North America is in a strong position. But especially the bigger hospitals, academic, but also private, and the ones that are going also in a combination of hospital and ambulatory, they are strengthening. And those are the ones that we really cater for well with our platform-based innovations around Monitoring, IGT, but also Imaging. That’s where we have seen a continued strong pipeline.

As I mentioned, over 12 months period, we have double-digit order growth in North America. Yes, we had now a few slips in Q2, but actually they come back and they are large contributors also to second half. And we have a strong outlook for order intake for full year 2026 in North America. And that also has been translating into strong sales growth, as you know, in North America and a strengthening contribution out of North America for the total Group.

In Europe, we indeed see a step up versus last year, right? We see Europe investing more. That is actually across various parts of Europe. So in Nordics, we closed this great Karolinska deal, which is for me a stellar example of how you see they’re investing in healthcare to take it also into the home. So this is a unique hospital-to-home programme, where we are at the preferred partner to help them manage that system in a full province. And that’s something that we see more broadly across Nordics. Then we also see strengthening in momentum in Central Europe.

Now, we mentioned some UK deals, where we had some big imaging informatic deals. Of course, UK is going through a challenging period from healthcare perspective, but they are clearly having a determination to improve it and turn it around into better service delivery, and they’re investing, especially digitally. So that’s something that actually helps this.

Then also we mentioned that we had the CEE Poland deal, where actually this is a nationwide deal. We are supporting 200 hospitals to really upgrade the full infrastructure. You see that there are in kind of programmes, and even in Germany, I was recently kind of last two weeks, multiple systems we are discussing big projects with, both in terms of heart centres they are building, as well as how they are digitising more. So we see indeed that there’s more money going into the upgrading of the infrastructure to serve patients better, and we are well catered to that. And therefore, the double-digit growth in orders in Q2 is really encouraging, and we also see a strong pipeline for orders in Europe for the full year.

That also then should translate into the CSG. So that’s also where you are right to say in kind of CSG in North America was already strengthening because we saw earlier stronger order pick-up there.

Now, of course, if you look into North America, that’s very strong monitoring in IGT. Europe will have a very positive impact also on D&T PD in particular, because that’s where also there’s more sizable uptick of the imaging one, and therefore, also what we said in the sales phasing, where you saw that in PD, we’re coming from turning this new innovation pipeline that we launched into orders, which we really have been seeing picking up. I mentioned to you the double-digit ex China and the mid-single-digit including China. We will now see that in the second half coming to positive sales growth, and then it goes into strengthening the full D&T because IGT has been remaining strong.

So as we mentioned before, this will phase in. And then also on the margin point earlier, this will phase in at better margins. So this is also therefore, and when you see the back-end loading kind of coming in, that is because you then see the new deals coming in with some better margin improvement. So that’s on the global hospital demand.

Then turning to PH. I think PH is a dual story of structural strengthening. And actually, you have seen now that we have multiple quarters of very strong growth, beating competition, and that is driven by two facts. One, we really are launching innovations that resonate very well. And particularly, we see now a very strong contribution in ’26 from our new Sonicare ranges.

We range – we kind of have been launching the 5000 to 7000 ranges in Sonicare that actually took us back to market leadership in North America. Those had double-digit growth in oral healthcare in the second quarter. So the kind of the personal care franchise was already doing really well. OneBlade was fuelling that, the new shavers. We now have also really the oral care franchise joining that. And this is just launched. So these new ranges have a lot of runway, because one platform is just in the market one year. Another platform just launched this year.

And what the positive innovations also kind of give us is more retail coverage. So we see that customers really want us either online and on the shelf. So we have big wins in North America and big customers like Walmart, Costco. Of course, that gives sustained kind of runway to kind of strengthen your franchise.

We're also expanding very aggressively in pharma – in pharmacies, because in the pharmacies, they kind of see mother and childcare, but also oral care as an important part of contribution. And therefore, you see that the new ranges also drive good margin, right? And if you looked at the Q2 margin increase, of course, that's also really driven and supported by strong innovation contribution of the new ranges.

Richard Felton: Thank you very much.

Operator: Thank you. We will now go to our next question, your next question comes from David Adlington of JP Morgan. Please state your question.

David Adlington (JP Morgan): Morning, guys. A couple from my side. So just to follow up on the cost inflation question. So just wondering, presuming you still have some hedges in place for this year, just wondering, as those roll off the high-single-digit cost inflation you're seeing for this year, just wanted to get early thoughts in terms of where you're seeing cost inflation for next year.

And the second one is just, we've got some conflicting data points around US procedural volumes so far this quarter. Just love to get your thoughts on what you're seeing in the end markets there. Thank you.

Charlotte Hanneman: Yeah. Thank you, David. Let me take the first one. So as I said, on cost inflation, we see high-single-digit million euros *[corrected by company: high double-digit cost inflation in absolute / EUR mln impact]* since Q1, maybe slightly higher than that at this point in time. And as I would break it down into the different components that we are seeing, actually, they're actually three, right?

First of all, they're the e-components that we've seen increase significantly. We don't have hedges in place for that, so that just rolls over into 2027. We have freight costs significantly increasing as a result of the Middle East tensions. And the third component, which is very, very small for us, is energy, where indeed we have hedges in place. So when you think about the hedges we have in energy, actually, we also, when we model that towards 2027, that will not have a significant impact.

So where I – where we stand today, also how we think about it today is, of course, the cost inflation will annualise, assuming that nothing will change in the world, of course. And what we will do, as we have always done, we will mitigate that with our cost actions where we have really good line of sight to go after further bill of material improvements, further AI boosting to also help us find savings on the back of AI, and further also tariff mitigations.

So all of that is – you should think about it as a package. Yes, we see cost inflation potentially annualising, although the year is still long. Our hedges, the way we are hedging actually won't make a big difference, and we have mitigation efforts in place where we have line of sight that that will offset. And as Hassan also asked earlier, when we were at Capital Markets Day, the 200 basis points that we then called out for FX and macro uncertainty, that will cover us also for our mid-term guide. And then Roy?

Roy Jakobs: Yeah. Let me take on the US procedural volume. So, David, we also saw some of that. Let me kind of give our colour. So as I said, North America overall for us is really strong, and we see it continuing to be strong.

We gave – and I gave one example of that. Actually, we have been voted the preferred supplier for HealthTrust. HealthTrust is one of the biggest kind of purchasing groups of very large health systems in North America. We have some of the health systems where indeed they reported that procedural growth was less, but actually their revenue growth has been strong.

And if you look to our, for example, IGT business, that is an excellent proxy for procedural growth. We have now 22 consecutive quarters of growth. So that remains very strong, and especially in North America, that keeps expanding and growing, both in devices as well in systems.

Secondly, also what we see is that we still have ample penetration opportunities. So HealthTrust is a big group with very large kind of especially private hospitals, where we're also dislodging some competition. So that's another source of growth for us because by getting access to those, you can grow in a different way because you were just not there. But even on the procedural side, our IGT kind of is for us the best proxy and the pipeline is actually continuing to be strong kind of going on. And that's also where you see the orders in the kind of D&T mix.

Of course, we talked about strong PD picking up and generating on the back of the latest kind of launches, strong traction. But don't forget IGT, that has been consistently delivering in that mid-single-digit-plus kind of order range. And that is predominantly also driven by a very strong North America.

David Adlington: That's clear. Thank you very much.

Operator: Thank you. We will now go to the next question. Your next question comes from Veronika Dubajova of Citi. Please state your question.

Veronika Dubajova (Citi): Hi, guys. Good morning, and thank you for taking my questions. I'm going to keep it to two as well. I want to start on the full year guidance, Charlotte. Where sort of in the range on margins you feel most comfortable? I mean, if I take your guidance for third quarter, you are going to have to deliver an absolutely massive Q4, especially to come in anywhere but at the lower end. I mean, on my math, we'd be looking at sort of margins in the fourth quarter that be 16% to 17%, maybe even a little bit higher. Your fourth quarter would account for 40% of the full year, which my Philips model goes pretty far back, but I can't find a single year where that was the case.

Can you maybe talk through what gives you the confidence in that fourth quarter margin being as strong as is necessary for you to hit the guidance? And I guess, for all of us sitting and looking at the business from the outside in, having such a back-end loaded year can become a little bit uncomfortable. So just help us understand how much visibility you have on that and what gives you the confidence and maybe comment in particular on D&T.

And then my second question, just to circle back on China, where I know you've addressed it a little bit. But it does seem like there is a more focus from the government on price. I think you have expressed this expectation of China returning to 3% to 5% growth rate in the mid-term, and you may be growing slightly less than that.

In the context of the centralised procurement notice, how do you feel about those expectations that you put out at the CMD? And should we see further downside risks to those maybe, now that we have visibility on that? Thank you, guys.

Charlotte Hanneman: Thank you, Veronika. Let me take the first question. So let me start by saying that we remain, and I remain very confident in our full-year margin outlook. And also to take you through the shape of the year and remind you, we were actually delivering 10 basis points year-over-year improvement in the first half, despite the world we live in, which is very dynamic if we look at higher tariffs, also higher cost inflation, as we just also spoke about.

Indeed, Q3, we expect the adjusted margin to be slightly below the prior year level as a result of inflation that is, of course, still coming through as well as unfavourable mix. And then, exactly like you mentioned, in Q4, we do expect a meaningful step-up with the margin reaching the upper end of the mid-teens range. So I think your model and our models roughly correlate there.

And what is supporting that? I think that's important to understand. So first of all, there's higher volumes, as a result, I think you know this, Veronika, that gives us a ton of operating leverage. Then – and we spoke about it earlier, we have innovation-led gross margin improvement that is coming through, and we just spoke about some of the drivers there, some of the software, some of the CT. Of course, PH is helping us significantly as well.

And then, the stronger contribution from productivity and inflation mitigation actions. We said in May as well, we said this will build up over time. It takes time to find the additional mitigation actions that – to offset the cost inflation. We have really good line of sight of – to those, but we need a bit of time before that actually translates into the P&L.

And then the last thing that I would say that gives me confidence as well is that that sequential margin step-up in Q4 is consistent with the normal seasonality we see. And so, I am fully confident in our Q4 margin acceleration and also the delivery of the full-year outlook. And I will remind you also, of course, a lot of this is volume-related, and we have record order books in some of our high-margin businesses as well, like IGT and Monitoring. And also, as Roy also mentioned, our PD orders, we see a strengthening margin profile as well.

Roy Jakobs: Thank you. Let me then take the China one. So the China centralised procurement expanding, I already mentioned that, right? So – and What does that do? That gives more control and therefore, a kind of also timing-related delays towards the procurement process. We also know, and we said that before, that if it comes under the centralised procurement, there is margin pressure as a result, unless you have specific innovation that can warrant a specific value that people want to continue to pay for. And that's also something that we expect that kind of will continue to drive contribution out of China, including the new innovations that we have launched, that we just mentioned we got also approval for in CT. The MR that is coming. IGT will remain.

As important and probably even as exciting is that actually the North America and Europe trends, also as we had in the plan, are accelerating probably even a bit faster than we expected. So we see that the mitigation from China, even if kind of this would go a bit slower than we all hope for, we see that actually the double-digit in Europe and that will continue with a strong growth also the North America market. But I haven't talked about much yet India, that actually is really picking up a double-digit contribution for us. We have a very strong footprint, and we are really excited and I had the engagement with Prime Minister Modi and his health ministry about how we can really both hospitals but also outside of the hospital support in providing care and better care into India also with AI. That's for me really exciting growth prospect that actually we have only started to untap.

And as you know, India is the strongest GDP market at this point in the world as well. So we see ample opportunity in the globe to capture the kind of opportunities in healthcare, and that could offset if China unfortunately would further prolong. And we have seen that it takes longer, right? So we should also not be kind of too bullish about it. We have been very cautious, and that's also what we remain. And in this year's outlook, we really kind of took that fully into account. And actually, the rest of the geos nicely cover for that.

Veronika Dubajova: Thank you, guys.

Operator: Thank you. Our next question comes from Julien Dormois of Jefferies. Please state your question.

Julien Dormois (Jefferies): Hi. Good morning, Roy. Good morning, Charlotte. Thanks for taking my two questions. So the first one actually relates to the pretty strong order intake that you guys have been delivering in the past six or seven quarters, so maybe with the exception of this quarter, but you had a pretty healthy order book so far. And despite that, we still see limited growth in D&T and CC averaging probably in the low-single-digit region. So still struggling to reconcile how that is. And maybe also wondering when we could see this strong order momentum transforming into sustainable or faster growth. So that would be the first question.

And the second question relates to Enterprise Informatics, which used to be a strong growth driver for the business. We have now two quarters in a row of sales decline. So just wondering whether this is still this transition to more of a SaaS model impacting here, and here again, where we could see better trends in that line of business. Thank you very much.

Roy Jakobs: Yeah. Thank you, Julien. Let me take the bridge from order intake. So indeed, we had the six, seven quarters of strong order intake. Actually, we see that also continuing with Q3 onwards. So we believe we are on a good trajectory for strong demand of our products. And that actually was in CC. And that was also in IGT, and of course, we see now PD strengthening and following in the mix. So that's kind of where you see the different phasing kicking in.

We also have said earlier that indeed from a conversion perspective, we have seen some longer conversion times across modalities, because on one hand you see larger deals, and therefore more complex implementation. You also just see that installation capacity is kind of more constrained in the market, so there is a longer range.

What we have been showing actually is – and that's what you see with the 4% growth in the quarter two. Last year, we had 1% in quarter two growth, right? This year we had 4%. Yes, there's PH contribution, but also in health systems businesses, we have been consistently stepping up. And that's also what we kind of continue to do, and that's also what we have built in our plan. And that's also how we have built the forecast.

So if you look to kind of how we're going through the full-year range, you will see a continuous strong PH contribution. But quarter by quarter, you see also that kind of the contribution of the health systems businesses strengthens.

And then indeed, you see that kind of the Connected Care mix has been and will be out of that. If you look into Enterprise Informatics, that is, indeed, exactly as you say, and we talked about it earlier. As we move into this cloud business, we are winding still down some of the on-prem that is changing. And those are big implementations, so we are in this in-between period where we see actually order momentum picking up, and we have been sharing that since last year that we are winning in orders.

But actually, they come 12 to 18 months later into real revenue. And then also you have your software kind of conversion, right, your SaaS model that is kicking in. So then seeing the dual impact of that. We also will see strengthening of EI, but it is slow. I just want to point that out because we are still in that kind of conversion perspective, but that doesn't hold back on CC.

And on CC, kind of we also guided that it will be kind of at – in the range that we forecasted on sales with IGT and with monitoring very strong all-time high, so that will continue to give. We have SRC that we said was coming back into low-single-digit growth in Q2 as well. So that also contributes in CC growth. And then we will see EI slowly but surely picking up. And that mix actually gives us a nice step up in CC in the quarters to come.

Julien Dormois: Thank you very much.

Roy Jakobs: Back on the full year range, right, for CC was the upper end of the growth range, right? So this is – and that includes the EI part in it.

Julien Dormois: Great, thanks.

Operator: Thank you. We will now go to the next question. The next question comes from Hugo Solvet of BNP Paribas. Please state your question.

Hugo Solvet (BNP Paribas): Hi, guys. Thanks for taking my questions. I have two as well, please. First on D&T underlying, so ex tariff. Charlotte, sorry if I missed that earlier, but can you expand a bit on the composition of the headwind in Q3 between mix, FX and inflation? Thank you.

And second, Roy, you alluded to the strength in India. Do you see increasing competition there from Chinese player in the country and how your positioning and pricing plays out in this market? Thank you.

Charlotte Hanneman: Yeah. Hugo, thanks for your questions. And just to confirm on D&T ex tariff, you mean Q2, not Q3, I guess, right?

Hugo Solvet: Yeah. Q2. Well, if you can give us Q3, that would be great as well.

Charlotte Hanneman: So from a D&T perspective. So first of all, let us take us back to what we said last quarter. We said last quarter we expect overall for Philips a slight decline in margins versus last year, which is exactly where we came in, so we feel good about that. And we have expanded our margins by 10 basis points overall at the Philips level in the first half of the year versus last year.

Now, as I said previously, there's a little bit of a mix effect there. Connected Care did really well, expanded margins, excluding tariffs. Personal Health expanded the margins, excluding tariffs. And D&T, indeed, we saw a decline. So a few different reasons for that. That is, first of all, we had cost inflation, that was hitting us harder in D&T than it was hitting us in other segments.

We, of course, have tariffs hitting us in Q2 for the full quarter. That was also impacting D&T a little bit harder. And then we saw some additional negative currency effect there as well.

And then the other component is that China remained a headwind, and we've spoken about it. It is a bigger headwind in D&T, specifically in PD, with specifically ultrasound being a high-margin modality. And then also good to know, if we look at Q2 of 2025, specifically for D&T, that was the highest margin quarter since 2021. So it was also a very high comparable base.

Roy Jakobs: Let me take India just shortly because I think we also need to get to conclusion. So India is an exciting opportunity. What we do see, and actually that the growth is coming and that's both consumer as well as health systems from the premium segments for us. So, of course, it's a large market and you see kind of that. They're looking for a mix of solutions. How we are winning is with really our quality solutions, our platform-based approach, both in health systems and then very high, and also the innovations that are driving good growth. And therefore, also the margin that comes in is actually contributing to total margin.

So we are seeing a prospect in which we can develop and strengthen a further attractive business for us, both in terms of growth, but also with a margin that actually supports us strengthening in the future.

Operator: All right. Thank you. Our last question today comes from Graham Doyle of UBS. Please state your question.

Graham Doyle (UBS): Yeah. Morning. Thanks, guys. Just a couple of ones for me. Just firstly on the Q3 guidance. Did you always expect margins to be down in Q3? I'm just trying to work out how much extra work has to be done versus the original guidance in order to keep the full margin range for the full year intact.

And then, Roy, just on the second question around order intake. Obviously, you commented around some orders being pushed into Q3. Is it reasonable now to expect orders to be up something like mid-single digits plus as they have been for the last six quarters? Thank you.

Charlotte Hanneman: Yeah. Thanks, Graham. Let me take your first question, and I can be very simple. Yeah, the margin phasing as we see it throughout the year is exactly in line with our underlying plans. So it is exactly in line with how we saw the year play out. So nothing else to see there from that perspective.

Roy Jakobs: And from the order intake, yes, you should expect that we return to this mid-single-digit range in Q3 and beyond.

Graham Doyle: That's super clear. Thanks a lot, guys.

Roy Jakobs: Thank you.

Operator: Thank you all. That was the last question. Mr Jakobs, please continue.

Roy Jakobs: Yeah. Thank you for listening in. As we said at the beginning of the call, three core messages. One is we delivered first half in line with our plan in an uncertain environment, demonstrating growth, orders, sales and a step-up in margin. We are fully in line with our full-year plan, and therefore, we reiterated with confidence our guidance on comparable sales growth range of 3% to 4.5%, and we raised our adjusted EBITA margin and free cash flow outlook to reflect the tariff refund.

So we are excited about the journey. We remain very disciplined and agile to operate in an uncertain environment, and we look forward to see you later on the road and to keep engaging on you on how the world trends. Thank you.

Operator: Thank you. This concludes the Royal Philips' second quarter 2026 results conference call on Tuesday, 28th July 2026. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]