PHILIPS

Philips Q1 2026 Results

Wednesday, 6th May 2026

Operator: Welcome to the Philips First Quarter 2026 Results Conference Call on Wednesday, 6th of May 2026. During the call hosted by Mr Roy Jakobs, CEO, and Mrs Charlotte Hanneman, CFO, all participants will be in listen only mode. After the introduction, there will be an opportunity to ask questions. Please note that this call will be recorded and replay will be available on the Investor Relations website of Royal Philips. I'll now hand the conference over to Miss Durga Doraisamy, head of investor relations. Please go-ahead, ma'am.

Introduction

Durga Doraisamy

Head of Investor Relations, Philips

Hello, everyone, and welcome to Philips First Quarter 2026 Results Webcast. I'm here with our CEO, Roy Jakobs, and our CFO, Charlotte Hanneman. 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 Harbour statement on the screen and in the presentation. I will now hand over to Roy.

Q1 Overview

Roy Jakobs

CEO, Philips

Thanks, Durga. Good morning, everyone. Thank you for joining us today. I will start with an overview of our Q1 results and our outlook for the balance of the year. Charlotte will take you through the quarter and our guidance in more detail. We started 2026 with a clear proof that our strategy is delivering growth, margin expansion and strong order momentum despite a volatile environment. At the same time, we remain closely connected to our customers and employees. This includes those impacted by the situation in the Middle East. We continue to prioritise their safety, support and continuity of care. Against this current backdrop, we reiterate our full year guidance.

Looking at Q1, order intake grew 6%, reflecting continued momentum. Comparable sales increased 4% with growth across all business segments led by Personal Health. We also expanded margins. Adjusted EBITA margin improved by 40 basis points to 9% despite higher tariffs. This marks our sixth consecutive quarter of delivering on our commitments, even as we operate in an uncertain and dynamic environment. Disciplined execution and focus on what we can control underpins our progress. We are on track to deliver the full year outlook we set in February, which includes currently known information within an uncertain macro environment.

Our strategy remains anchored in three pillars: focused value creation, innovation driven growth and disciplined execution. Let me take you through the first quarter in that context, starting with our first pillar focussed value creation. We execute specific strategies by segment and we invest with discipline, focusing on interventional monitoring to drive growth. We also drive growth geographically with North America as the key engine. You can also see this in our Q1 results. Equipment order intake grew 6% with solid growth across D&T and Connected Care.

North America led the growth building on strong prior year comparison. Europe also performed strongly across several modalities.

Looking at D&T, order intake increased in the mid-single digits. Growth was driven by sustained momentum and image guided therapy as our market leading Azurion platform continues to drive strong demand. Precision Diagnosis delivered solid order growth outside China. Globally, MR order intake was solid with increasing interest in our helium-free systems. Last year, 75% of our MR systems shipped were helium-free. For our customers, resilience in MRI is being tested more than ever. Helium supplies tightening. Geopolitical developments in the Middle East are adding further pressure to that. Costs continue to rise.

As a result, health systems are seeking uninterrupted imaging and reliable service in everyday clinical practice. Philips is leading the shift to helium-free imaging with our high-performance BlueSeal technology. We are setting the new industry standard in MRI resilience, enabling uninterrupted operations and reducing dependence on scarce helium. We have installed more than 2,200 systems globally, saving over 6 million litres of helium. Building on this, we also unveiled the industry's first helium-free 3.0T MR system. We expect regulatory clearance in 2027, positioning us to transition to a fully helium-free MR portfolio and extend our lead over competitors.

In CT, we are seeing a strong funnel for spectral technology. In the quarter, Verida, the industry's first AI enabled detector based spectral CT, gained traction following its launch at RSNA last December, with initial orders secured in Europe. The first system installed in Q1 is already delivering results. At Nuestra Señora del Rosario University Hospital in Madrid, it is demonstrating seamless workflow integration and clinically relevant insights, and importantly, without added operational complexity.

Turning to Connected Care. Order intake grew in high single digits, mainly driven by monitoring and supported by enterprise informatics. Demand was broad based across all regions with particular strength in North America and Europe, building on a strong prior year comparison. We continue to expand enterprise partnerships with large integrated delivery networks. These customers are investing in enterprise patient intelligence, medical device integration, and cybersecurity. They are increasingly adopting our enterprise monitoring as a service model to improve clinical, operational, and economic outcomes. This reinforces our position as a partner of choice for enterprise-wide data driven care delivery.

Moving to Personal Health. This segment delivered another quarter of broad-based growth, driven by strong consumer sell-out and continued market share gains. We drove this through active expansion and diversification of our channel footprint, adding more than 3,000 distribution points in Europe. At the same time, we strengthened our presence with key global retail partners through increased listings and expanded placement. This included IPL expansion, broader distribution of Interdental products and more than doubling OneBlade distribution in the US.

Our second pillar, innovation, is another key driver of both momentum and growth across modalities and products. We are accelerating innovation towards scalable, AI enabled hardware and software platforms, and that is already translating into stronger regulatory momentum for approvals of new product introductions. In Q1, we received 25 10-K clearances and pre-market approvals, more than doubling year on year. In MRI, we received FDA clearance for SmartHeart, our AI powered cardiac MRI solution. Just like SmartSpeed, is a clinical application that extends software and AI led innovation across the installed base. SmartHeart automates complex planning workflows in one click and does that under 30 seconds, simplifying operations and boosting productivity. It also reduces patient breath holds by up to 75%, improving patient experience in a big way.

In CT, we received FDA 510(k) clearance for both Spectral CT Verida and our Rembra wide bore CT. Launched at the 2026 European Congress of Radiology, this platform features an industry leading 85 centimetre bore. It is designed for high throughput environment with an AI enabled workflow and improved diagnostic confidence. In Image Guided Therapy, we received clearance for DeviceGuide, an AI driven solution fully integrated with our Azurion platform. It enables real time automated detection and visualisation of mitral valve repair devices during minimally invasive procedures. We also launched IntraSight Plus, integrating intravascular imaging and physiology into a single system to simplify workflows and improve efficiency in the cath lab.

Looking beyond product innovations to our future transformative interventional platform introduced at our CMD in February. We made progress in advancing clinical validation. Building on our ecosystem of more than 100 clinical partnerships, we added the SHERPA Research Consortium in Q1. Seven clinical studies are now underway to demonstrate the benefits of AI and robotics assisted workflows, and minimally invasive treatments for brain aneurysms and liver tumours.

In Personal Health, AI is embedded in our propositions. For example, the Philips high end shaver i9000 Prestige Ultra. It uses intelligent sensing and AI driven adaptation to respond to each user's skin and hair type, delivering a more personalised shave every time. This innovative proposition not only won the Times Invention of the Year for its groundbreaking features, but also significantly increased sales and margin, demonstrating our leadership in this domain. Since creating the hybrid shaving category, we have sold more than 50 million OneBlade handles and 100 million blades. This growing installed base supports profitable recurring revenue from consumables with strong replacement blade performance in the quarter.

In Oral Healthcare, we unveiled new Philips Sonicare 5700 to 7300 series models in the US, featuring next generation Sonicare technology. In China, we launched Sonicare 7000 at the South China Dental Show, reinforcing our position as a professional oral care leader and strengthening momentum with the dental community. Across Philips, innovation continues at scale throughout our portfolio. We remain the largest medtech applicant at the European Patent Office in 2025, a strong proof point of the depth of our innovation engine. And this is not just about today. This leadership is fuelling the next generation of innovations coming through our pipeline and positioning us well to drive accelerated growth.

In our third pillar, disciplined execution, it all starts with patient safety and quality, our top priority. It ensures we bring innovation to market with the highest standards of patient safety and well-being. We're making strong and steady progress building on the improvements delivered over the past three years. And importantly, we are now benefiting from the work we have done to make Philips simpler, leaner and more agile, strengthening the foundation of our execution. Field actions were reduced by about 20% year to date. This is on top of a reduction of around 40% in 2025, reflecting increased discipline and process effectiveness. Importantly, these improvements in our quality processes are also enabling the innovation momentum I highlighted earlier.

We also maintain close and constructive engagement with global regulatory authorities, including ongoing leadership level dialogues with FDA and other regulatory bodies worldwide. This underscores our commitment to quality, compliance and continuous improvement in serving our customers. It carries through to our supply chain a critical enabler of execution. Over the past three years, we have simplified, regionalised and localised our operations to be closer to our customers. Our focus is clear, deliver on consistently superior customer experience through a high performing supply chain, day in, day out.

During the quarter, developments in the Middle East increased volatility across logistics and input costs, including materials and components. Through active management of our logistics network, we maintained stable supply chain operations while stepping up cost mitigation activities, which Charlotte will further discuss. Importantly, customer service levels remain strong and in line with previous quarter, and we remain vigilant in managing ongoing developments in supply and cost. And as we look ahead, we will continue to deepen the simplicity, agility and resilience as these are critical capabilities for navigating the increasingly turbulent environment.

Turning to commercial and service excellence. In Connected Care, we saw further traction in our Enterprise-Monitoring-as-a-service. As health systems adopt enterprise monitoring, demand for Enterprise Informatics solutions is also increasing. These solutions now represent a growing share of both our order book and sales across various periods. In the quarter, we saw strong demand for capsule device integration and clinical surveillance across care settings, driven by effective cross-selling across our enterprise informatics and monitoring platforms.

In Diagnostic Imaging, we expanded our partnership with AdventHealth through a five-year enterprise service agreement. It enables our full-service model across modalities, while supporting a long-term imaging infrastructure focussed on quality and performance.

Turning to the regions. Fundamentals remain supportive across our markets, particularly in North America, where demand remains strong and the landscape continues to segment. We continue to see stable activity levels across hospital systems with no signs of disruption among larger systems. Cost pressures and workforce shortages persist, driving further consolidation among larger health systems.

Demand for secure productivity and cyber secure enhancing platforms is increasing. This reinforces our expectation that North America will remain a key growth engine in 2026 and over the medium term. In Europe, capital spending remained broadly stable, with an improvement in some markets during the quarter. Demand conditions remained stable, supporting our execution in the region. Select International regions continue to increase investments in healthcare and digitalisation as reflected with strong wins in India and Brazil. In China, centralised procurement continued to increase in Q1, particularly in modalities such as Ultrasound and CT, which have shorter lead times. This is driving longer decision cycles and a more price focused environment.

As a result, we are seeing lower order conversion consistent with recent trends. These dynamics continued in the quarter, contributing to ongoing pressure on equipment demand. At the same time, underlying healthcare demand remains intact, particularly in procedure driven segments. We remain focused on maintaining competitiveness, selectively driving our portfolio and executing with discipline in this more price sensitive environment.

In Personal Health, consumer demand remains healthy in North America and momentum continues across several markets globally, even as geopolitical developments create uncertainty. We are managing these dynamics with agility while maintaining a strong focus on execution. Charlotte will now discuss our first quarter performance in more detail and our outlook for 2026.

Segment performance and 2026 Outlook

Charlotte Hanneman

CFO, Philips

Thank you, Roy. I will start with segment level performance. In Diagnosis and Treatment, comparable sales increased by 2%. Image-guided therapy delivered high single digit growth, continuing its multi-year momentum and building on a strong prior year comparison performance was broad based across all regions with particular strength in North America, led by the premium configurations of our Azurion platform, higher service revenues and coronary intravascular ultrasound. We are reinforcing this momentum by leveraging AI to automate product testing, reduce release cycle times by 25%, and accelerating time to market for new innovations.

Precision Diagnosis sales declined in the low single digits in Q1 as expected, mainly due to order book rebuilding and the segment's higher exposure to China. Innovations including EPIQ CV, Point of Care Ultrasound, BlueSeal MR, and CT 5300 continue to drive growth with solid uptake in markets such as Western Europe and Latin America reflecting their scalability. Adjusted EBITA margin rose 30 basis points year on year to 9.8%, driven by sales growth, underlying gross margin from recently launched innovations, productivity measures, and favourable mix effects. These favourable impacts were partially offset by higher tariffs, cost inflation, and currency effects.

Now moving to Connected Care. Comparable sales increased by 3%. Monitoring delivered mid-single digit growth with particular strength in North America and Europe. Growth was driven by higher installations of Intellivue patient monitors and continued traction in Enterprise Monitoring-as-a-Service. Sleep and Respiratory Care grew in the low single digits, with the obstructive sleep apnoea portfolio delivering strong double-digit growth. Outside the US, led by particular strength in Japan, our second largest market. Enterprise Informatics sales declined slightly, reflecting inherent quarterly unevenness and longer implementation and deployment cycles. Adjusted EBITA margin declined by 60 basis points to 2.9% as sales growth and productivity measures were more than offset by higher tariffs, cost inflation, lower cost absorption, and currency effects.

In Personal Health, comparable sales increased by 9% in Q1, with all three businesses contributing. Growth was broad based, led by double digit growth in North America and a strong contribution from International regions. China contributed modestly, benefiting from an easier comparison base. Sell-out remained strong globally, with channel inventory maintained at appropriate levels. This momentum was supported by strong demand for recently launched innovations, including the high end i9000 shaver with AI powered SenseIQ technology and the Sonicare 5000 to 7000 series. Adjusted EBITA margin expanded by 60 basis points to 15.8%

as growth and productivity measures more than offset the higher tariffs, cost inflation and currency effect.

Advertising and promotion spend increased year on year, consistent with our commitment to continue investing in the business to drive consumer recruitment and sustain long term demand for our recently launched innovations. We are also leveraging AI to strengthen consumer engagement, embedding it across 94% of digital assets and generating over 27.8 billion searchable data points, 100 times increase. This enables more personalised consumer interactions, improves content re-use efficiency and enhances our ability to drive future sales through more targeted and effective marketing.

Finally, sales in segment Other of €177 million increased by €37 million compared with the first quarter of 2025, mainly reflecting activities related to a divestment. These activities are excluded from comparable sales growth and contribute only an insignificant amount to Adjusted EBITA. Adjusted EBITA for the segment increased by €7 million to €11 million, mainly driven by lower costs.

Now turning to group results. Comparable sales increased by 3.7% in the first quarter, with growth across all segments and regions led by North America and Western Europe. Adjusted EBITA margin increased by 40 basis points year on year to 9%. Margin expansion was driven by sales growth, favourable mix effects, and productivity measures, partially offset by higher tariffs and cost inflation. Product productivity delivery in 2026 is off to a solid start, with Q1 delivery of €126 million on track to deliver our €1.5 billion three-year savings commitment. Execution is progressing at pace, underpinned by plans already in place.

Actions in Q1 were led by operating model simplification, including streamlining central functions and reducing organisational layers, as well as procurement initiatives such as SKU rationalisation and supplier consolidation. We are also seeing early contributions from footprint optimisation and AI enabled efficiencies. Service productivity was another contributor, including through more remote troubleshooting and fewer on-site visits, with benefits most visible in IGT and across Europe.

In parallel, we continue to execute tariff mitigation actions. Overall, we remain on track with good visibility to deliver our 2026 productivity objectives against the backdrop of rising input cost inflation. We are accelerating mitigation actions, further sharpening our focus on productivity cost, discipline and structural efficiencies.

Adjusting items came in at €61 million, less than half of last year's €143 million. This significant improvement reflects our continued focus on structurally reducing adjusting items, a one-off gain in Diagnosis and Treatment from the reversal of an acquisition related provision and cost phasing also contributed to the year over year reduction.

Income tax expense increased by €17 million in the quarter, primarily due to higher income before tax. Financial income and expenses were €47 million, broadly in line with the prior year, and net income rose to €146 million, primarily due to higher earnings. Adjusted diluted earnings per share from continuing operations were €23 cents in the quarter, compared with €25 cents last year, primarily reflecting the adverse currency effect on nominal earnings and a higher diluted share count. Free cash flow in Q1 was an inflow of €28 million. Excluding the impact of the prior year US Respironics settlement payout, free cash flow improved by €94 million year on year. This improvement was driven by higher earnings, improved working capital and lower adjusted items.

Moving to the balance sheet, we ended the first quarter with €2.6 billion in cash after a $265 million payment for the SpectraWAVE acquisition announced late last year. This acquisition reflects the disciplined, value focussd M&A strategy we outlined at our CMD, including a disproportionate resource allocation to our interventional platform to reinforce our coronary leadership. Integration is progressing well, with the core foundations in place and commercial momentum building as planned, positioning the business to scale and capture growth in coronary interventions. Net debt was €5.5 billion at the end of Q1. The leverage ratio improved to 1.8 times on a net debt to adjusted EBITDA basis, from 2.2 times in Q1 2025, driven by higher earnings and reflecting our disciplined capital allocation.

Now, turning to our outlook. Amid continued macro uncertainty, we remain focused on disciplined execution of our plan. Based on the current status, developments in the Middle East are expected to impact sales in the remainder of 2026, though not materially at the group level. At the same time, supply chain and logistics constraints are expected to drive cost inflation. Against this backdrop, and based on our Q1 performance, our outlook for the full year remains unchanged. We expect comparable sales growth of 3% to 4.5%, with growth in each quarter within this range, led by North America and the international region. We continue to expect comparable sales in China to be stable this year, with growth in Personal Health offsetting a slight decline in Health systems against the backdrop of subdued near-term market conditions.

Across segments for the full year, we continue to expect growth within this range, with Connected Care and Personal Health at the upper end and Diagnosis and Treatment at the lower end. We are encouraged by the better-than-expected adjusted EBITA margin performance in Q1, driven by innovation, productivity and cost discipline, with some benefit from lower than anticipated tariff impact. Consistent with last year's approach, our full year 2026 outlook includes currently known tariffs, which are marginally more favourable than assumed in our February outlook. However, uncertainty remains.

Also, while we are pursuing tariff refunds related to the International Emergency Economic Powers Act, our 2026 outlook does not include any potential benefit from these refunds. We are also seeing input cost headwinds, including freight, electronic components and plastics, as well as other inputs affected by higher energy costs. We are actively mitigating these pressures. Over the course of the year, we expect to offset these pressures through supply chain optimisation, productivity and selective pricing actions. At the same time, we continue to closely monitor cost developments across our supply chain.

For the balance of 2026, we expect some near-term pressure on margins consistent with our plan reflecting the annualised impact of tariffs, higher inflation and foreign exchange. As a reminder, last year, the higher tariffs did not impact our Adjusted EBITA meaningfully until Q3 due to the natural lag between inventory and the flow through to the P&L. Accordingly, we reiterate our full year Adjusted EBITA margin guidance range of between 12.5% and 13%. Our full year free cash flow outlook also remains unchanged at between €1.3 and €1.5 billion. As previously indicated, our outlook excludes the ongoing Philips Respironics related proceedings, including the Department of Justice investigation. With that, I would like to hand it back to Roy for his closing remarks.

Closing Remarks

Roy Jakobs

CEO, Philips

Thanks, Charlotte. To close, we delivered a solid start to the year, and order intake momentum continues. In April, we signed a long-term strategic partnership with WellSpan Health in the US. It expands our role as the preferred provider across all imaging modalities and advances a system wide approach to imaging and diagnostic technologies. Importantly, this partnership is also strong validation of our innovation and platform strategy, bringing together our capabilities to deliver integrated long-term value for customers. It underscores strong customer trust and our value proposition and long-term partnerships. These relationships matter even more in the current operating environment.

Our strategy is clear and we remain focused on advancing our strategic priorities, driving innovation and strengthening our differentiation and competitiveness. At the same time, we are executing with discipline, staying focused on what we can control and closely monitor the evolving macro environment. Against this backdrop, we reiterate our full year outlook, which includes currently known information but an uncertain macro environment. Thank you. And we will now open the line for questions.

Q&A

Operator: Thank you, sir. We will now open the line for questions. 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. We will now go to the first question. Your first question comes from Hassan Al-Wakeel of Barclays. Please state your question.

Hassan Al-Wakeel (Barclays): Good morning, Roy, Charlotte. Thank you for taking my questions. A couple please. Firstly, if you could please talk to the building blocks of the mid-single digit order growth in D&T for the quarter, the sustainability of US market strength based on your customer conversations as well as the softness in China Precision Diagnosis given centralised procurement and how your share is progressing here across the different modalities. And related to this, I wonder if you're thinking has evolved for China order and revenue stability this year across D&T.

And then secondly, Charlotte, another strong quarter on margins. And you've been consistently talking about gross margin benefits from innovations. It'd be great if you could help break up the quarter's EBITA performance across productivity mix and innovation and how sustainable you think each of these are. And also, what you're seeing from cost inflation, specifically around freight and memory chips and what's assumed in guidance. Thank you.

Roy Jakobs: Thank you, Hassan. Let me go to the first one, the mid-single digit D&T growth. So if you look to the buildup of that, actually that is a continued very strong order intake in IGT, which actually is trending at high single digit and above. So very, very strong. And that, of course, over multiple quarters. Then you see that we also had mid-single digit PD order intake outside of China. But then of course, China is affecting the PD order book as well. But we see a very strong overall mix, and we see increased demand in particular also for MR. We called out, of course the helium-free, but also, we have seen just the broad-based interest in the MR solution really growing also as a modality in itself. And that also gives us confidence for the further conversion in due course of the year into the latter part of the year from a sales perspective.

Then US is a strong contributor to that. Has remained very strong. And actually, we also from our customer dialogues, see that strength continuing. Actually, we see a very healthy market where patient volume is strong. The procedures are growing. But as you also said before, it's not evenly spread across all health systems. So the bigger systems are winning more. And that's also we are well positioned with our platform-based solutions. So that's actually where we see that we kind of are continuing to close these long-term partnerships. You also saw that in the quarter with Advent, with WellSpan, so we had more. So that's really working out and we see that US actually will continue to be a strong contributor for us.

Then Europe actually was also strong. So I think we want to call that out that Europe was doing well and is picking up. But then China, at the other hand, is showing continued cautious development. Q1 was in line with our performance expectations. So it's not that it's unexpected, that it's not performing that strongly. We do see differentiated performance by modality. So IGT and MR are solid. CT and Ultrasound are the most exposed to centralised procurement, and therefore, they have the biggest impact.

And then on the consumer side, you saw that actually PH grew, but it was on easier comps. But we do see some sales sell-out momentum in PH. And that's also what we expect for the rest of the year, in essence a similar trend of subdued kind of medtech portfolio, then PH contributing. And therefore, actually the full year China sales are expected to be stable. And that's also as we have planned it. So in that sense, kind of this is tracking alongside what we planned for that where the biggest growth has to come from North America, Europe and international region. China is contributing as the market gives the opportunity. So we are not relying on China recovery in the rest of the year. We are actually counting on strong momentum in North America and Europe in particular to do that.

And in that perspective, actually, we see that where we have been focusing on our strategy, it's really coming also to fruition because North America IGT, extreme stronghold monitoring is doing really well as well there. We see the Ultrasound momentum going up. So I think we're well positioned to execute our plan as we have built it for the year on the growth side. And maybe that's a nice bridge to Charlotte to then also talk to the margins. As of course we have evolving developments there.

Charlotte Hanneman: Yeah. Thank you very much, Roy. And hello, Hassan. So indeed, as you said, we were pleased with how the margin has developed with the 40 bips expansion in Q1 despite the impact of tariffs. So if I break that down for you in a little bit more detail. Yes, we saw a positive impact coming from volume from the business mix. But indeed, as you mentioned, also from higher gross margin from innovations. So CT 5300, I called it out before, is helping us from a gross margin perspective. We also see point of care Ultrasound, which we recently launched also at a higher gross margin, also helped lift our margin. And then we see the continued momentum also from our MR BlueSeal at a higher margin as well. So that is certainly helping us.

Of course, we continue to do our productivity work. We are pleased with our €126 million of productivity in Q1. You've seen it last year, we finalised our €2.5 billion program last year. It's a real strong muscle we have built and that we're now expanding, spending on, which is really creating self-help in what is a turbulent situation. So with this productivity, we're nicely on track there. Of course, offsetting that is tariff and also a little bit of input cost inflation. One thing that's good to mention is that the tariff impact was a little bit lower than anticipated initially. Also after, of course, the Supreme Court struck some of the tariffs off.

So if I then look forward, Hassan, based on your question on what does that mean for the outlook. So a few different components here. Of course, we started well in Q1, which is which is helping us. We are seeing inflation. And to your point, also in freight in components and in plastics. But offsetting that is us really leaning into mitigating that with supercharging AI, further reducing our bill of material costs and also doing selective pricing. And then the other component is also tariffs being a very modest tailwind for us versus our expectations as well for 2026.

Hassan Al-Wakeel: Perfect. Very helpful. Thank you.

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

Richard Felton (Goldman Sachs): Thank you very much. Good morning. Two questions from me, please. First one is on China. You called out central procurement for Ultrasound and CT. How much exposure does Philips have to those modalities in China now? And what level of price adjustments are you seeing? And perhaps linked to that, how much of the low single digit decline that you called out in Precision Diagnostics was due to China? That's the first one. Second question is sort of slightly sort of longer-term question, I suppose, on the sleep business ex-US. In kind of broad terms, how has performance been as Philips has returned to the market OUS in terms of growth market share? And could you perhaps talk a little bit about your innovation strategy in sleep? Thank you.

Roy Jakobs: Yeah. Thank you, Richard. So on China, we have seen indeed that kind of the centralised procurement is being applied mostly on Ultrasound and CT. That is because the specifications are being seen as more generic. And therefore, they put them under centralised procurement to a bigger extent. We have seen that that also has significant margin implications in terms of the pricing pressure that you see in those segments. So volumes are actually holding, but you see that the value is decreasing and that is putting the downward pressure. Actually, in our IGT and MR business, we see that there are for biggest majority outside of centralised procurement because they are so specific and also don't have the alternatives that they don't put them into the centralised procurement. So that's something in the centralised procurement approach in China that we see currently as they expand that across the country.

In terms of the devices, kind of you see that it's very small part of it. So actually, there's not a big hit, but the biggest hit is indeed in PD with the Ultrasound and CT one. So that's kind of also therefore hitting the performance in the first quarter. And we can expect that also to pressure the rest of the year, which means that actually the dialling up in the other parts of the world will be really crucial. And as you know, that's also working.

If you look to the DI China part, as we said earlier, kind of that is around 15% of global. And in the mix, you see that kind of MR is 50% of that, so that's better protected. The bigger pressure is indeed on the CT and the Ultrasound part. And then you have IGT percentage in China is slightly bigger than the 15%. But it has of course a strong contribution also from the other parts and it's better protected from centralised procurement. So that's a bit of what I can say about the mix.

And maybe lastly, it also really calls that we have the right strategy chosen for China because we said we want to compete and segments that we find we can differentiate. And still where we find we can differentiate is the MR BlueSeal for sure. And we see also that actually they are kept that out of the CP for biggest part is our IGT franchise, which is really differentiating. There's no kind of alternative in the market. We see Ultrasound cardiac actually also being better performing. But of course, that's the smaller part of the cardiac of the upsell market in China. That's why you see that in the Ultrasound part there's bigger pressure.

Then on Sleep, I think if you look at Sleep outside of US, we see strong double-digit growth. That's led by Japan, but also is coming from the markets where we are coming back. That's offset by the ongoing Respiratory pruning effect. So that's kind of where you see the mix effect coming in where the comparison is normalising towards end of year. So that also should improve towards the end of the year. And from an innovation perspective, actually, we have seen good resonance also driving that double digit growth by the new masks portfolio that we have been introducing together with the device. The software upgrades we are dialling in.

And that actually the ecosystem is still very strong. Actually, people are still waiting also in certain markets, really for us to get back and to get back on our platform, because they really appreciate the patient interface that we have built. And that's giving us also a strong way back into the market. Maybe the other part on SR&C, of course, we are working strongly on the mitigation of the regulatory path. So that's something that we're also making good progress on. We said kind of, we cannot comment on what it will exactly mean, but we are still hitting every single mark in terms of milestone with the FDA. And that's actually forging ahead also as planned.

Richard Felton: Thank you, Roy.

Operator: Thank you. We will now go to the next question. Your next question comes from David Adlington of J.P. Morgan. Please state your question.

David Adlington (J.P. Morgan): Hey, guys. Thanks for the question. And apologies, it's a very busy day, so I've been on another call. So maybe first on cost, I think you may address some of this, but obviously, GE pulled out cost inflation, most notably on memory chips. I just wondered if you could just sort of help give some further colour there and maybe quantify the exposure. And then secondly, obviously another great quarter for Personal healthcare in terms of growth. I'm not sure if you quantified the contribution of price or not, but that would be useful. And as we get into the second half and more difficult comps, how you're thinking about the growth profile in PH. Thanks.

Charlotte Hanneman: Yes. Hi, David. Good morning. Let me take the first one. So from a cost inflation perspective, and maybe a few things. So as I said earlier, we do see cost inflation impacts. We do see that and we've taken that into account in our guidance. And we - the expectation we have is that the elevated levels that we see today in freight, electronic components, plastic, we will see that come through for the remainder of the year. But at the same time, we've included mitigation actions that we are taking, including, for instance, reducing our bill of material costs even further, going hard after AI enabled savings and also selectively increasing our prices. And we have a lot of confidence based on the muscle we've been building over the past few years. And also, what we're seeing again, transpire in Q1 from a productivity perspective. On top of that, some of the tariff tailwinds that we're seeing after February are also helping us. So there's a little bit on that.

And then your second question on Personal Health and the effect of pricing. So we had another stellar quarter in Personal Health in Q1 with particularly North America doing very well with double digit growth in North America. Of course, we were a bit helped by China, but only relatively little. Pricing - from a pricing perspective, it is relatively flat. We saw a slightly positive pricing, which is probably mostly attributable to the innovations that we've been seeing, like the i9000 shaver, like the new Sonicare range that we've introduced. So that has helped pricing a little bit.

If I look to the remainder of the year or the full year, I should say, so we have reiterated our guidance from 3% to 4.5%. And we've also said that PH will be at the higher end of the guidance. And we're reiterating that today because, as you said, the comps are getting a little bit more difficult as we get through the remainder of the year. At the same time, we see very good momentum in Personal Health as well.

Roy Jakobs: And maybe one addition. What is also helping it, David, is that we have been really expanding our retail distribution. So actually, we have been getting listings and placements in the wet shelf in particularly big retailers. And that actually really gives us additional sustainable growth opportunity for the quarters to come. So it's the combination of really great innovation, but also now having a better access even to the consumers. That actually gives us confidence that this is a sustained growth path and that we are on in line with the guidance that Charlotte just provided.

David Adlington: Great. Thanks, guys.

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. Good morning, and thank you for taking my questions. I will keep it to two, please. One is kind of bigger picture question on patient monitoring. Obviously, one of your sort of competitors/suppliers is changing ownership. I'm just curious how you're thinking about what impact that might have on your business and whether this is strategically a positive, a negative, or net neutral. Is this an asset that would have made sense in the context of Philips? If you can kind of share your thoughts on that, that would be super, super helpful.

And then my second question is just circling back to some of the inflation commentary. Maybe, Charlotte, can you give us a little bit of flavour for why you think you are in a better position to mitigate some of the headwinds than GE Healthcare? We just love to understand what you think you have in your back pocket that's obviously enabling you to maintain your margin. And if you very briefly could comment on your Q2 margin expectations, that might also be helpful. Thank you so much.

Roy Jakobs: Yeah. Thank you, Veronika. Let me take the first one. So on the patient monitoring, so you saw that actually the strong momentum continues, strong order intake. Actually, we are playing a platform play there that actually really resonates well with our customers. And as part of that, actually we have strong partnerships. Masimo is part of that. We don't think that actually there will be any change. There's also not what kind of has been signalled because we have the biggest access to customers globally in terms of monitoring base. So there's a real intrinsic interest to actually connect with us to the customer. And there's mutually an interest from us to actually be providing in a vendor neutral way consumable solutions that are out there in the market.

And that has been benefiting the partnership with Masimo in past years. And we believe that will be also going forward. So we see it as at least net neutral. And I think we are excited to work also with any new owner there to kind of grow the franchise and make it work for our customers and to differentiate also versus competition, because this is one of the strongholds, the combination that we have very strong cybersecurity platform with the broadest data reach with the medical device integration and the consumables actually makes it very appealing in a very complex environment for our customers to do business with us. And that has been driving all these long-term partnerships and also the share gains and monitoring along the way.

Charlotte Hanneman: Yeah. Thank you, Roy. Let me take your second question. Veronika, on inflation. And if I think about where we are in the year, let's first start with in Q1, we had a very solid Q1 with margin expansion ahead of our expectations. So that gives us confidence that, again, we are able to not only compensate some of the headwinds we're seeing, but even expanding our margins despite that. Then, of course, we're seeing cost inflation, we're seeing in freight, and we see it in electronic components and in plastics. But we have already started taking mitigation and mitigation actions. Those will - we've started building them. Those are a little bit back end loaded. And they will start coming in the second half of the year.

And to take you through what we're doing, first of all, we're doubling down on bill of material productivity. We've also, we've always said there's more to go after. And we're now doing that with increased speed. We're going after our AI enabled efficiencies where we've seen some early progress already in Q1. And we continue to see that as well. And then as well, we're doing selective pricing as well. So the other element is really the tariff tailwind that we're seeing a little bit that we're seeing also in Q1. And we'll see that versus our expectations being a little bit better going forward.

Now, you also know that we've been a little bit prudent in the way we've put our full year guidance out as well. So that, of course, has given us a little bit of buffer as well. So now to your question on Q2 specifically. So if we think about Q2, a couple of things that I think are important to realise. Of course, Q2 is the last quarter where we still didn't have the full impact of our tariffs in 2025. So, and you know we've spoken about it a lot of times the way the tariff impact flows into our P&L, it first goes into inventory and then it flows into our P&L. So we have again, a tough comparable from a tariff perspective. And then also, we see the cost inflation, of course, starting to hit us. We have already taken the mitigation actions, but it will take a little bit of time before that starts positively impacting our P&L. So we therefore expect our mitigation impacts to be a little bit more back end loaded.

Veronika Dubajova: Thank you.

Operator: Thank you. We will now go to the next question. Your next question comes from Julien Dormois of Jefferies. Please state your question.

Julien Dormois (Jefferies): Good morning, Roy. Good morning, Charlotte. Thanks for taking my two questions. The first one relates to the mitigation initiatives that you are taking. And you mentioned selective pricing initiatives. So could you just walk us through what are the segments where you have the more leeway and at what speed we could see those pricing initiatives contribute to margin?

And the second question is more specific on Enterprise Informatics. You indicated that sales were down low single digits in Q1. And you mentioned the usual unevenness in revenue generation. But if you could shed more light on why that happened specifically and what we should expect for the remainder of the year, and maybe also in the mid-term, that would be helpful. Thank you.

Charlotte Hanneman: Thanks, Julien. Let me take your first question on pricing. So yeah, we've called out also last year you might remember selective pricing as well. And we've already put some of that in place last year. We of course focus there where we have leading positions and that's where we increase our prices. So I'll give you a few examples. We've increasing our prices in Image Guided Therapy. We're doing that in Hospital Patient Monitoring. We're doing that in some of our service contracts. And we're doing that in some of our time and materials. So we have a very granular plan in place to increase prices where we can.

As you rightfully mentioned, some of that will flow through in 2026. And some of that will take a little bit longer as it needs some time to flow through the order book and will then benefit us in 2027. But I think it's fair to say that we've learned from Covid, and also there, we've been able to build up a much stronger muscle when it comes to price increases and price discipline, which is now helping us implementing that with a little bit more speed.

Roy Jakobs: Thank you. Let me then go to EI. So in EI, we see a couple of trends, as we also alluded to when we had the Capital Markets Day. One is actually we see continued order uptake. We saw that picking up strongly in the second half of last year. We also saw it again in the first quarter. And we have a very good funnel. So we see that there's healthy demand, that's also on the back of the cloud migration and the cloud offering that we have, but also the integrated diagnostics trend that we see coming out in the market is really generating increased interest.

Now if we then look at the sales trend, that's indeed more patchy. Sales drills orders quite a bit in EI. Furthermore, you see that if customers migrate in or out, those give quite big hiccups because actually that's the lumpiness that's kind of inherent to that business. The other part is that you also see that the orders that we are taking now more and more also go into a SaaS model where you see that kind of the revenue flows in over a longer period of time. And that actually gives you more recurring, attractive revenue stream for the longer run. But of course, it gives a bit of a hiccup in these quarters.

So we see positive interest. We see the integrated diagnostics story really picking up with customers and of course fuelled by AI and the data play. And we are really working how we can we can tap into that and we see the funnel growing also supported with what we're doing with Amazon. And then lastly, you also saw that kind of on the Monitoring side, the capsule and HPM combination is already working. So you see also this kind of combination play really driving impact. So we are kind of positive on that notion as well and that that will come through in due course of the year.

Julien Dormois: Thank you very much.

Operator: Thank you. We will now go to the next question. Your 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 quick ones on margin. First, short term, Charlotte, on the Q2 margin. Could you maybe just clarify your earlier comment? Is there a scenario where margin in Q2 be within the full year guidance range? And second, a bit more long term, when we think about the full year 2028 targets all in, you have around 600 to 700 bps of buffer for wage input, cost, tariff, macro, and so on. What's the level of confidence that this buffer can accommodate for higher input costs given where they are at the moment? Thank you.

Charlotte Hanneman: Yes. Thank you very much, Hugo. So let me start with your first question on Q2 margin. So based on what I just said, first of all, the incremental tariffs weren't in effect in Q2 2025, as well as the cost inflation that we're seeing with the mitigation timing being back end loaded. I expect the Q2 margins to be lower year on year in Q2. I also feel very confident that in the back end of the year, we will be able to get those mitigation factors in because we have very, very strong plans in place and very granular plans in place to start offsetting that. But Q2 in that sense will be a little bit of a lower quarter from a margin perspective.

Now, to your second question on the longer-term margin outlook. As we said in February, we of course, as we stood there in February, we knew that the world was a turbulent place. We didn't quite know how turbulent it would get, but we absolutely did take into account that there would be something that we would be seeing. So as a result, and we were also very transparent about the buffer that we took at that point in time, especially given the ability we have to also step up from a mitigation perspective. I feel equally confident as I was in February that we'll be able to get to the mid-teens adjusted EBITA margin by the end of 2028 based on what we know today.

Hugo Solvet: Thank you very much and congrats on the print.

Operator: Thank you. We will now go to the next question. And your next question comes from Aisyah Noor of Morgan Stanley. Please state your question.

Aisyah Noor (Morgan Stanley): Hi. Thanks so much for fitting me at the end. My question is just on D&T and your competitive outlook in Europe following the launch of an Ultrasound by United Imaging in this space, and as well on the recent launch of Verida. For you, just how that's progressing and how we should be thinking about the sales contribution for 2026. Thank you.

Roy Jakobs: Yeah. Thank you, Aisyah, and I already called out Europe actually picking up and performing well in Q1. And that's also in particularly for D&T where we see actually that and then within D&T, also PD actually is doing really well in Europe. So we see a few trends. One, MR already was picking up strong. So we see that continued. And also, if you look to the BlueSeal penetration now, actually, that's really kind of going well and we see a good funnel on the MR side. Then also with the new Verida launch, actually we see very strong interest in Spectral and how that now with a better workflow, is really helping to support high volume throughput at high quality imaging. We've secured the first order already. We have an installation ongoing. So actually, very good reference as well. Very strong clinical support. So actually, we have kind of good expectation that Verida will be doing really well in Europe. And we see the first proof points of that coming through.

And then lastly, Ultrasound. Ultrasound actually is also doing well. Indeed, we had some competitors as well in this space, but actually, ultrasound in Europe has been already starting last year, picking up very strongly. After we kind of came out with our latest EPIQ launch and also the Flash, we have good order momentum of Ultrasound in Europe, strong positioning. So actually, we are quite excited about the momentum in Europe, how that is increasing, and especially also how our AI base but also, I would say high productivity and performance solutions really hit the mark in a market that needs to be also kind of conscious of the spend in an environment that we're in, but that seems to work well.

Aisyah Noor: Thank you very much.

Operator: Thank you. Due to the time, the last question today comes from Graham Doyle of UBS. Please state your question.

Graham Doyle (UBS): Morning, guys. Thanks for taking questions. Just two please. Charlotte, just the first one just on inflation again. Just to get some context on this, obviously you guided in February and there's been obviously volatility. But is there any - how meaningful is the incremental headwind? So is it something that was comfortably within your buffer or are you doing other things to sort of mitigate? And then, Roy, just on China, you've mentioned a few times at the CMD and then today about kind of playing to win in certain segments. Is there any way within reason that you kind of identified to us the areas where you understand that perhaps you can't win and therefore you built it into your guidance that you kind of know that there's areas where you're probably deprioritizing? Is that possible to maybe contextualise that for us? Thank you.

Charlotte Hanneman: Yeah. Hi, Graham. Thanks. Let me take your first question on the inflation. So indeed, we guided in February only three months ago, although a lot has happened. So as I said before, we are seeing an incremental headwind in plastics, in also freight. It's good to know as well that that energy we have hedged for 2026. So we will not see any impact from higher energy, direct higher energy prices. And there are a few components here, right. It's first of all, we did already better in Q1 than we thought. So we are a little bit ahead of where we thought we would be, which is giving us confidence.

The second component is we are, after the Supreme Court struck some of the tariffs in February, we're seeing some tailwinds as a result of that, that we are taking into account as well, which is offsetting some of the inflation. And then the third component is we have launched already additional mitigation activities, including bill of material price reductions, including also optimised the way we look at freight and where we use airfreight versus boat in order to also optimise the spend there. And also leaning in even harder in what we know and do very, very well, which is driving further cost discipline. We've also, we've always said there's more to go after. So we're doing that now with double speed as well. And putting that also in the context of what I said earlier, that we have put a prudent guide out. All of that actually comes to a place where we can reiterate our guidance of 12.5% to 13% for the full year.

Roy Jakobs: Thank you, Graham. And then on China. Indeed, I think the differentiated play is becoming more important. And to give you some examples where we see that actually we have really a right to play and to win, is, I call out MR. Actually, we have one of the biggest install base of the helium-free already in China. And we just got also the notion that we have a green path support from the regulatory body and PMA to kind of get an accelerated approval for the treaty because they're so excited about the new innovation that this will bring to China. So that's a good example on MR.

IGT is also really doing well. And we have a kind of good momentum, and we see that also well in demand in the market. And Ultrasound, I called out, there's different dynamics. You see that the cardiovascular we are still unique, but it's of course a smaller segment in totality. And you see quite brutal competition on GI. The same with CT. CT Spectral, actually, we have again, one of the stronger install bases of CT Spectral is in China. But if you look to the more generic CT, that's really very strong competition. So that's kind of where we said that's not our game play. And then we exited DXR because we said that's so commoditized, that's not our game in China. We also exited the value play in China, which is the lowest price segment, because that will be very strongly locally favoured and also at price points that are not attractive to us.

So, we made distinct choices. Actually, within those segments, we also see that we are really trending with market or even kind of doing well within the market momentum. But yeah, there is just a subdued overall market environment that we have to operate in. But I think we have been making the right choices. We're sticking to that. It's also in line with the plan. And also, as we showed in the results, it's also in line with the results that we have in Q1 and also for the full year expectations. So in that sense, I think we de-risked China in our plan. We're playing there to tap the opportunity that we have.

And last but not least, China is not only a demand market, of course, there's also innovation happening in China that we want to stay close to, including AI innovation that's going very rapid. Robotics is developing very rapidly in China. And then of course, there's also still components and sourcing that we get from China. So that China for us is a wider market than demand only. And that's why we kind of keep a strong footprint there. But in line with demand, we have kind of opted for a more selective go to market.

Graham Doyle: Okay, awesome. Thanks a lot, guys. I really appreciate those answers.

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

Roy Jakobs: Yeah. Thank you all for attending the call. As you saw, we have a strong start to the year with growth orders and sales and margin expansion despite a very turbulent environment we operate in. We have, with confidence, reiterated our full year guidance. Of course, a lot of work to be done, but we have the actions in place, the plan in place and the team that is working it. So thank you for your attention again. Have a further great day.

[END OF TRANSCRIPT]