

# PHILIPS

## **Show and Tell**

Tuesday, 17<sup>th</sup> September 2024

## Welcome

Leandro

*Philips*

I hope you enjoyed the dinner last night at the nice location, but more important time with the Phillips team. They did enjoy. We already had that discussion, so that's good news. And a very warm welcome to the ones who flew in this morning or drove this morning. I think five or six of you. Yes. So we have quite an exciting agenda today. We will start – Well, before I go to the agenda, we'll have a plenary session here. Two presentations, then we'll move to the customer experience centre. I will explain that later. Before I go to the detail agenda, of course, take a look at the safe harbour statement. It's also available in the website. So, like I said, we'll start with the a presentation by our CEO, Roy Jacobs, to talk about our plan to create value with sustainable impact. That will be followed by Shez Partovi Chief Innovation and Strategy Officer, to talk about innovation, enterprise informatics and artificial intelligence. Then we'll have Q&A with both Roy and Shez on this stage. Again, after that, we will move to the Customer Experience Centre. It's a five-minute walk from here. We will break out in groups and go through the reviews with the businesses and showcases and demos. But again, I will give more information on that later on logistics. I think – oh last one, you see the QR codes on your desks. So there you find also a copy of the agenda. So you can follow that throughout the day. The presentations of the day are also posted there in the bios of the presenters or the people you will meet throughout the day. So everything available in the QR code. Now with that, we'll see a quick video and then I'll welcome Roy to the stage.

**Video:** Care. A small word, but when it's needed most, it means the world. And at some point, we all need to be cared for. At Phillips, we care about care. Better care. It's been at the heart of our innovations from the beginning, and it's how we've stood the test of time as an innovation powerhouse. Today, as a health technology leader, we're fully focused on delivering better care for more people. We design care experiences that put people first with patient safety and quality at the centre of everything we do. We create solutions that have more impact on lives and less on the planet; connecting data, technology and people. Moving care forward with the power of AI, we're converting patient data into clearer insights, helping clinicians act smarter and faster, finding the flow in hospital workflows, turning consumer insights into better experiences, and improving everyday self-care routines. Together, through meaningful innovation, we've come so far connecting care from the home to the hospital and beyond, developing monitors that help clinicians focus on what matters most, setting the standard in helium-free MR operations, designing imaging solutions that speed up quality diagnostics, innovating medical procedures through minimally invasive treatments, and applying AI to improve the experience of everyday care. Every day we aim to take care even further for the young, the old and everyone in between. Together we deliver better care for more people. Phillips.

## Welcome

Roy Jacobs

*CEO, Philips*

Good morning. Great to have you all here. As Leandro said, really happy to host you yesterday evening for the majority of you in the PSV stadium, to get to know the team, to get to know Philips better. And today we can deepen that. And as we said, we are truly excited to have you because it's a while ago, and of course, a lot happened in between. And that was an era in which we had to deal with challenges. We had to bring Philips back to where we want to take it, and also bring the narrative back on what we're here for. We are an innovation company, and we want to talk about innovations and the businesses that we have to deliver these innovations to the consumers and customers that we serve and the value that we create through that. We brought you today to Best. So just to orient you, Best is a site on of Eindhoven. This is site where we have around 3500 people. We innovate here, so we have a big R&D centre, we manufacture here. We have circular revenue site here because we bring refurbished equipment in here. So this is an ecosystem that also closely collaborates with our innovation site in Eindhoven. A lot of what we do in IGT and in imaging innovation comes from this site. You are at the heart of D&T (Diagnosis and Treatment). So actually I would call it this the house of Bert (Bert Van Meurs), because this is where he resides with many of his teams and where we deliver so many of the exciting innovations from that space towards the world.

This is also a site that's very much appreciated by customers. We will go later to the Customer Experience Centre to showcase our innovation. That's also what we do with customers, and they really, truly appreciate that because it's about showcasing instead about talkin. It's then about talking and discussing how we can co-create, how we can solve their daily challenges in a better and more meaningful way. So this is something that we do a lot with customers to bring them to this site.

I hope you also like the video because I do, and it actually is very much about what we are about and what we will talk about today. You saw a lot of people. Those are the ones that we serve and extremely passionate to deliver better care towards. And you saw a lot about innovation. That's the way how we deliver value to them. So we'll go deep into that today. I will start in giving you an update on the plan. As you know, when I started, I came out with a plan to create value with sustainable impact for Philips. And by now we have made a lot of progress. But we also still have room to further act and create value from that plan.

So today we will not talk about a new plan. It's about the existing plan that we have, and two major drivers of progress in that plan; innovation and the team that actually delivers that. So that's why I also really wanted to have you here engage with my management team, many of the presenters, because of course Phillips is the people, the people are who give Phillips a heart. At the end of the day, I hope that you will leave with a clear view on the businesses that we run, the leading positions that we have, the exciting innovation roadmap that we have, and the best people actually in the industry to deliver that.

It all starts from our purpose, and we are very passionate about that purpose, because we think it's more meaningful and relevant than ever to create innovation that has an impact on

improving lives, especially as we have oriented and reoriented the company on true delivery of innovation towards sick care and self-care. This mission is more relevant than ever, and we translated it one level deeper to the state of affairs that we currently see in the world, where there is a huge need for not only better care, but in particular for more people. We see a growing need and a growing gap between the supply and demand in healthcare, and that's something that we act upon with our innovations.

So if you look how we are positioned and how we said that we want to go after the opportunities for Philips with the assets and capabilities that we have, we said we are going for this addressable market of around 90 billion that has been growing mid-single digit. That growth depends on the state of economy and economic affairs, as well as on the drivers in healthcare. Now, the drivers in healthcare in particular, are extremely strong. And actually, when I talk to many of the government officials, they say they are scary strong because in essence, when you talk about health care, it's an unlimited demand market. People just want better care every day. They want more of it. They want it longer. They want to have preventative care. So there is this pressure and this tension between what care can be provided for and what the demand is. So you know the stats. We have more aging population. We have more patients. On top of that, we have more chronic diseases and we get more complex cases. And as we can treat them better, actually also the care pathways become longer. At the same time, we see also this increasing interest and spend on self-care, where people are becoming more aware of their health and also want to do something about it. But one of the most pressing themes of the recent years, and the one that I think will be dominant in this, is the line of staff shortages and rising costs. And particularly the staff shortages cause a massive issue because there's just not enough people to take care of the people that need it. And therefore technology has to come to play to actually help close some of that gap.

And when we talk about productivity, it's therefore not taking people out with AI. It's actually enhancing the capacity of the system. And that's a big role that we have to play and that we will go after so that we can expand access to care. And this is actually what drives our innovation machine every day, what we are focused on to deliver because we see a future of better care for more people. I described that there is a system that's under huge pressure, but we are also optimistic that actually we can really enhance and strengthen that system. We can actually make prevention more important and give people the tools to actually make them aware of where their health situation is and what they can do about it. We can help health systems run more smoothly, more efficiently, creating more capacity for them. And on top of that, also do it more sustainably. We can make them better connected and accessible with the digital revolution that is happening.

And AI can be the next game changer in technology to really open new venues, to deliver new value to them. And we are truly excited about what it can do for the workflow improvements in healthcare. And we will show you throughout the day how it is already making a difference today. AI in healthcare is not something that's being talked about. It's here to serve. Customers are already using it. It's already delivering value.

And for many customers, we are the preferred innovation partner. As you know, we have a brand that stands for innovation for more than 133 years. We have deep relationships with many clinical key opinion leaders, and that's how you innovate the healthcare practice. You need to be in the practice to change the practice. It's not a practice that changes easily. So

you really need to be with them to actually have them convinced that they can provide better care by using some of the latest technologies. Now, as you know, we do this from strong and leading positions with unique capabilities in our fields of play. Let me take you through it.

First diagnosis and treatment. The business that Bert leads. Is 50% of our sales. 3.5 billion in IGT systems and devices, where we are clearly an undisputed number one. And we have the unique position of having systems and devices. Nobody else has that. We are number one in ultrasound, particularly in the cardiac area. And we are in top three in diagnostic imaging depending on the country where you are in the world, we are number one or you're number three, depends on the position. Then connected care, 30% of our sales, big trust in there as well. We are the undisputed leader in monitoring in the hospital and in the home. And that's a growing segment. We are also the number one in health informatics from a clinical perspective. We are the number one in PACs. We're the number one in interoperability solutions. And in sleep and respiratory care, yes, a business that has been going through significant challenges, we are still the number two in the market. And personal health, 20% of our sales. We're number one in grooming. We're number two in oral health care. And we're number two in mother & childcare. So strong leading positions to build from.

Then if you look at a glance where this translates into the assets that we build from. What is it that we offer to the people that we engage with? A few building blocks that I want to bring forward. We are the only medtech player that is in the hospital and the home, and that is important because whilst it's going slower than we all expected, care has to move out of the hospital. We have to bring more to ambulatory settings, we have to bring more to home settings. So this will come. And if you have to go there, you need specific capabilities. Because delivering care in a home is a very different experience that you need to offer than when you do it in a hospital. I always compare it between if you're in a captive setting, which is a hospital where you're under a regime that tells you what to do every day, it's a very different way of delivering care than when you're in a free setting, like at home, and you see the challenges that there is to get people to adhere to medicine, to kind of therapies when they're in a free setting. So that's hospital and home.

Secondly, we have four distinct strong platforms that we build from. The first is addressing self-care. So how do you help people changing their routines for the better; that's what we do with personal health. The second platform is dealing with the growing need to know how patients or people are doing; measurement and insight, something that got propelled during Covid because we got critically aware how important it is to know exactly what state people are in.

Thirdly, it's about diagnosis. There's a growing need to do even more precise diagnosis. That's where imaging plays into. And then you have the fourth one where a lot of the above comes together. And that's in treatment where we have the interventional platform where actually you use your insights on the vitals of the patient, combined with imaging with the latest technology and how you can innovate the procedure. So those are the core platforms.

And then we have this unique and differentiating asset in our informatics capabilities that actually is a tie throughout this, but also as a business in itself and an opportunity in itself. And that's enterprise informatics, the services and AI that go with it.

It's great if you have positions, it's great if you have capabilities. But the only way how you can make this meaningful and bring this forward with a value creation path, if you have the right culture and if you have the right people. So I've spent a lot of time, and my team spends a lot of time on this, bringing a new culture to Phillips that is summarized in two words, impact and care. All we do needs to deliver impact; impact for the various stakeholders that we serve. And what we do, we need to do it with care; and with care means we need to do it the right way, with patient safety and quality integrity at the heart. When we think about the people that we serve, the people that invest in us, the planet that we operate in. But a culture is how we work, and we need to become more effective in how we turn this machine to deliver the most value. But then you need also to have the best and the right talent. So I've also been very active with my team to make sure that we upgrade our talent base. That means that we can promote from within, we hire from outside, and we create an environment in which people want to propel, in which they want to grow, in which they want to perform and deliver.

So by now, I have renewed 50% of my executive team. From the top 300, we also changed more than 50%, and of those, 75% have specific health tech or clinical expertise that we brought into the company. Also AI expertise. And whilst we are going through a significant transformation at Philips, in the last 12 months, our engagement score went up from 70% to 78%, where 80% is the high performing norm. So yes, we took 9000 people out and that's extremely painful, but people see that we are doing it for the betterment of Phillips, for the opportunities that they have. We see growing belief and growing confidence in where Phillips is going. So this is something that we closely track and which we also very much care about.

Let me then go back to the plan, and I hope by now you know the pillars; three that are our compass. The first is a strategy which focuses the growth in the areas that we want to play in. Being clear about what we want to do and double down in and what we have to stop and we stop things. Secondly, it centres strongly around our innovation capability, where we are turning people and patient-centric, getting closer to where the consumer insights are, closer to the healthcare workflow, and to do that brought majority of our innovation power into the businesses, including research up to delivery, and also taking the lens of what we are good at is scaling innovation. So we're putting in thresholds in the areas that we play on how we want to play there. And we also realized that an innovation company, your job doesn't stop when you created that new standard or invention, but actually it starts because then you need to scale it and land it in the practice. That's when you get the return. And to be honest, we have not always been that good and that focused on that last part. So there's value capture a lot in driving better execution to extract the maximum return from the innovations that we deliver.

Let me go a bit deeper on these three pillars. The first one, strategy. And this is the simplest way I can describe it to you; we are going after our strategy in a differentiated manner. 70% of our businesses are in higher growth and higher margin segments. We focus these businesses on growing faster. Those businesses are image-guided therapy, ultrasound, monitoring, and personal health. On average, they are mid-teens plus margins. They should be in mid-single digit or higher growth territory, depending on where the market and the macro economy is, and therefore we are focused on growing our leadership.

Then we have the second part of our chart, which is 30%, where we have distinct margin opportunities. And we have an innovation strategy that focuses on how can we generate more and better margin out of these businesses. Three distinct different parts of that. First

enterprise informatics; area we are truly excited about because it's a big strategic differentiator, has a lot of future potential, but we also know we need to scale it to get the return on investments that we have been putting into it. Something that Shez will talk about more. Secondly, diagnostic imaging, an area where we have gotten behind versus competition and we are catching up. Now we refocus our strategy, clearly going after the performance and premium segment that wants this capacity enhancement, the productivity play, doing it in a focused manner, but for sure very much driving better operational excellence. As you will see later, we have standard setting innovations in diagnostic imaging. It's for a reason that our friends from Germany said they are also going now to become helium-free in their whole MR portfolio. We did that five years ago. So we created that category. We need to scale that category. We are leading, but we were in our own way. Quality supply chain operating model. And then we have sleep and respiratory care. Of course, a business that was deeply challenged with recall. As you know, we have put a lot of work into solving and addressing the recall. And we made a lot of progress, including addressing some of the legal challenges that go with it. But this remains a very attractive space.

Sleep is a growing need for patients. And even now, with the latest Apple sleep kind of diagnostic tool that was released, it will be even more leads coming into that market because the majority, 80% is undiagnosed. And the CPAP and BiPAP solution is still the gold standard. GLP-1 will be flanking kind of method to help some of these patients, but many are not obese. We are the number one in sleep in Japan and these people are the fittest amongst the world. So this is our strategy.

Then the piece which we are all here for today. The piece that we are so truly excited about. This is what we do for a living. We innovate. This is the exciting piece of being at Philips. This is what people join us for because here you can truly make a difference, solve the most pressing needs, go after the biggest challenges, and because we know technology, find the solutions to address them. What is key for us in driving innovation is these three themes. And this is how innovation is also different from how we did it before. Why is it different? Because we now really focused on self and sick care. And that's a segment that requires a different way than innovating, as when you innovate for the chip industry, which we were doing, for example, before. There, you don't need to be close to the workflow as such. It's really technology breakthrough only. Here we need to have technology breakthrough, but very much tailored from what is the need that you need to solve. So people and patient-centric. So we're going deeper into workflows. We work with our key opinion leaders, with the nurses and what their daily problems are. When I go to hospitals, I see with my own eyes where the pressing pain points are, and you don't need to walk far. And I know from personal experience you have seen this every day when you work in a hospital environment.

And in order to do that from closer to customers, we said we need to bring it who is the closest to the customer, which is the business. And not only do we need to bring it there, we need to make it end to end because we also want to innovate with quality at heart. So it's not a sequential process where different functions contribute to. It's actually an integral design process where from the first minute you know what the use case is that you innovate for, you have the different teams rallying around it, and you move along the way in agile manner. Especially with the dialling up of software and AI, you get much more rapid iteration than we traditionally were used to in MedTech. We had innovation cycles in hardware that were 5 to 7

years on average, to come out with a new master or a new CT. If you talk about the next release of an AR module, it can be three months, it can be six months. So you need to have a different pace. That is the pace that is closest to market.

Then the last point very important is you need to put clear thresholds in. If you want to make return on innovation, you need to also stop the machine at creativity at a certain point and say, okay, 'but what's this going to deliver?' So very much look at what is the scale that we can achieve, what are the margin that we can kind of deliver through the innovations that we have. And that doesn't mean that we will not try, but ultimately, we'll need to see where this can lead to. And that's the scalable lens. That also meant that we had to stop quite a few of the innovation projects that we were in, because they were not delivering the returns.

Third element of the plan, as you know, razor focused on execution. A lot to do here, a lot that we have been doing and working on, but also still more to do. I've been talking from day one on patient safety and quality as the first priority, on making our supply chain reliable and on simplifying the operating model. And in simplifying the operating model, there are a few thrusts; one, clear accountability; second, more competitive and leaner; third, more agile.

Let me go a bit deeper. If you think about what we have been doing in patient safety, and quality, and many people ask me where are we in this, we made a lot of progress, but there's also still more to do. What have we been focusing on? First, you need to squarely embed it as part of your culture. That is the first priority. So that's what we have been working on. This is not an S&RC thing. This is for the whole company. Every single business is razor-focused on quality. And quality has two parts. One is backward-looking and one is forward-looking. We have many innovations that we created in the past, because the average lifetime in healthcare of a product is eight to ten years. So we are going through our back kind of backward-looking view and say, okay, what is it that we have out there, what is it that we can retire, prune, stop, what is it that actually we need to strengthen, address, fix; if we see problems act faster so that actually don't let it grow into a bigger problem. There are challenges. Every company has that. The question is how fast do you act, how do you deal with it so that you contain it and you can move on. And then secondly, forward-looking how you do things different that actually from day one have quality top of mind when you innovate.

So that's where I moved from quality as being a functional responsibility to this is a square business function responsibility. So when I look at quality I don't look to Steve, yes, he's the expert on patient safety and quality and guides us and helps us with this team, but I look to Mark and Bert and Julie and say you are responsible for quality, nobody else. So if there's an issue, I go to them. And yes, then Steve will come to the rescue, but that's not kind of the primary contact.

So I talked about innovation and the integral design process that we have started to follow. We've also been investing deeply on people clinical expertise to actually guide us in the process to say, okay, do you truly understand the risk benefit, do you make the right trade-offs, do you go to that norm that you want to adhere to. And that is also making sure that you have processes and systems that support you in it. And I think it was fair to say that we went in process overdrive in quality, because when we had earlier challenges, one of the comments of the FDA was you need to adhere to your process better. And what sometimes happens if you have these challenges, you go to the extreme other end. So we started to make a process framework called 7 Levels Deep for the whole company, which made it very hard to adhere to



it for every different business because businesses are different. A quality management system for oral health care is different than for IGT devices, and rightfully so, because you're embodying devices, you're kind of having a different proposition in oral healthcare. So that's something where we also have gone into simplification of the processes, the QMSs. When we started, we had 130, last year 60, now 30. We will not go to one because we believe that actually around the business, you need to have your QMSs and we have a frame and the guardrails above. And that's also what Steve is looking at.

Then secondly, the supply chain. When we started, very fragile; of course, on the back of Covid disrupted many supply chains, but we were even more disrupted. So we had to address it fast. First priority what Wim did was going after the components. If you don't have components, you cannot complete products. So in 2023 we addressed all high-risk components, got them back in play so we could finish products. Secondly is then getting back to market lead times, which we just finished now in July. We are now for all of our products back in market lead times, which is very important, of course, if you also think about serving your customers in the right way. And then it's about supplier reliability in the long run, because in a world that is actually deglobalizing, you need to make sure that you can supply the different countries and the different customers from kind of supply bases that actually can do that in the most efficient way. So that means de-risking some of what we do in China for the US. Or if you had the US going – products going to China, vice versa as well. So that's something that we are working through now making sure we have the adequate base. So in China 90% is already localized to play in China. But we see the similar requirements coming up in India, in Indonesia, of course US. So we need to address that across the globe.

And then the last piece simplified operating model. As I said, very important component. First was to turn to say in the triple matrix, there's one axis that is clearly accountable. That's the business. So we put most of the core activities in that business area. You still have enabling functions like HR and finance and patient safety and quality. They support the businesses; as well if you have regional access, because you still have certain customers that want to deal with total Philips and not every single business. So you have thin layers around it. And then actually that's how you drive and lead. You also need then to get the right people in place to lead that, because that's a different way of running a business.

So that's where I talked about the upgrade of talent. And the good news is that what we have seen is actually we have become a good talent destination. In terms of attraction, we are getting great talent from all competition, whether it's the traditional MedTech, whether it's adjacencies or big tech, because they are compelled by our purpose, but in particular also our software and AI capabilities, because that combination of serving healthcare also in a more digital way is something that really appeals in combination with sustainability. We are clearly the leader in sustainability in MedTech. And for next gen, that is very, very important. It matters to us. It matters to many, but it matters even more to them. So also attracting new talent, that is really something that matters.

And then is about that culture. Are you landing in a place that actually effectively works together, bringing people back to the office, making sure that actually the team is focused on impact, doing it together. Clear accountabilities, ability to grow and succeed, make an impact in Philips outside of Philips. So that's what we have been doing with the plan. And that's what I said is anchored in a strong ESG frame, both in terms of what we do with our purpose as well

as the strategy execution. And we truly see this as something that we are going after. This is our compass, but it's also something that matters a lot to our customers that we serve and the people that are with us. And as you know, we have been carbon neutral since 2020. We are fully committed to science-based targets for scope one, two, three. We're not only making sure that we are sustainable, but we, even more importantly, work to make healthcare more sustainable. Healthcare has a carbon footprint of 4.4%. That's as big as the aviation industry. It's not often talked about. Aviation industry gets much more flack for being a polluter, but actually healthcare is as much pollutive. Yes, maybe healthcare is perceived to do well because we are improving people's lives, but that doesn't mean that you also don't have a responsibility towards the climate and towards the planet, because there's a direct correlation between worsening climate conditions and actually increasing health problems. So actually we better help ourselves in the system. So that's something that is coming more and more to the forefront also in discussions with customers, because they also struggle with talent acquisition, for example.

Then we are clear on social perspective that we want to have big impact. So we are going after 2.5 billion people where we want to improve lives and also have a specific goal for the underserved. So that is that delivering better care for more people. That's something that we are razor-focused on, and doing that by having the best talent in the industry. Of course, we need to do it in the right way. That's where governance compliance comes in. But also, we are leading in reporting, and that's not easy in the current frame and world where actually very different reporting standards come into play, but we have been always at the forefront. We want to be transparent on that.

So in summary, we are on a mission, as I said, when we started to bring Philips back where it belongs, delivering massive impact from the innovations that we drive. We have made significant progress in executing our plan, and you have seen that also translated in delivering on financials and ESG commitments that we have made along the way. We remain laser focused on that. But today in particular, we also want to talk about what is there even further and beyond, because as we turn fully back to what is the innovation powerhouse able to do, we are very excited about the potential that we hold in the businesses, the positions and the people that actually can deliver much more value even in a world that is in dire need of solutions to keep healthcare going. So we as a team are very excited about the future in healthcare for Philips and with you together. Now we hope to share more of that today. And to start on that, I will want to give the floor to Shez who will take you through the exciting area of innovation, enterprise informatics and AI.

## **Welcome**

Shez Partovi

*Chief Innovation and Strategy Officer, Philips*

Thanks so much, Roy. Thank you. Good morning. My name is Shez Partovi. I am the Chief Innovation and Strategy Officer here. I also have the pleasure of leading the enterprise informatics business globally. Now, I had a chance to meet some of you yesterday, so it was terrific. And for those of you, I didn't get a chance to meet, my background, I have training in both medicine and computer science. I practiced for over a decade as a radiologist.

Subsequently was at Amazon Web Services, where I led the digital transformation. I was the global head of Healthcare Life Sciences at AWS for a few years, and was working with health systems, with tech companies, with pharma to transform them, to bring cloud transformation, as well as artificial intelligence and machine learning to all those practices. That's a bit about me.

And as Roy said, what we're going to do today is talk about three things. I'm going to take about 30 minutes and talk about these three things with you. I'm going to spend the first ten minutes or so talking about innovation, how we innovate here at Philips, and then we'll turn our attention and dive into enterprise informatics. I know that many of you have questions about that. And then I have a section on artificial intelligence. Now I'll talk about AI sort of throughout the sections, but I also felt it was valuable to have a section dedicated on how we deliver value to customers through artificial intelligence, but also how we monetize it. So let's go through these and let's begin with innovation.

So for over 133 years, Philips has a history of creating value for stakeholders through high impact innovations. Now when you look at our innovation investments, in 2023, we invested approximately €1.7 billion on innovation, on R&D. That's about over 9% of sales and higher than our peers. And in fact, this really reaffirms our commitment to innovation. And Roy said that we're an innovation powerhouse where we show that through our investments. Now, when you look at the impact of that innovation, you see that about over half of the sales come from innovations, new propositions and upgrades that have been released over the past three years. What that really tells you, if you think about it for a second, that means that half of what customers and consumers buy weren't even on the market three years ago. And finally, as Roy mentioned, there are some parts of the innovation life cycle that are moving faster. We see incredible movement in software, and there's incredible advances happening in data and AI. And so that's an important part of the talent pool that we have. And we focus on that. And over half of our innovators, our R&D teams across the world are focused on software, data and AI.

Now, so as Roy said, our purpose at Philips is to improve the health and well-being of individuals through meaningful innovation. And we want to do that in a sustainable way because you can't have healthy people without a healthy planet. And equally critical is with innovating with quality as top of mind. So how do we innovate? And you saw Roy present the three pillars of how we innovate. I'm going to tell you about them just briefly here and then dive deep into each one. So let's start together.

We innovate in a people-and-patient-centric manner. That means we look at the health care use cases and innovate based on those. We look at the consumer insights and we innovate based on those. We don't go technology forward. We go customer backward. We innovate on behalf and with our customers. In healthcare, that's the only way. Second, innovation isn't something that happens in a corporate function and then it's transferred to the business to see how they can sort of develop it and monetize it. As Roy said, we've moved innovation directly into the heart of the business closest to the customer and the consumer. So innovations are business-led, and we'll talk about that a bit more.

And finally, innovations are intended to scale. They have to have high impact. It's about making choices; fewer, better resourced initiatives that deliver highest impact and returns, best

outcomes for the customer, highest financial returns for Philips. And so the scalability of innovation is critical. Let's dive into each of these in turn.

What does it mean to say it's people-and-patient-centric? What that means is that we embed ourselves in our lighthouse clinical partners throughout the world. These are just some icons. This large ecosystem of clinical partners is a strong competitive differentiator for Philips, because we can embed our innovators with our customers, understand the workflows and the problems they have, and then work back from those to see how we can innovate to solve those problems. We invest in customer problems. We don't invest in our ideas. By investing in those problems, then you can work back and identify. But the best way I can explain that to you is to give you an example. So let's look at an example. Leiden University, Dr van Buchem a terrific clinical partner, a key opinion leader who said to Philips I have a problem, I need to deliver better care to more people, I have a backlog in my MRI department, I need to be able to have better throughput; and so yes, I want beautiful pixels, but I want also more productivity, don't just give me pixels, give me productivity, I want my cake and I want to eat it too. And so we worked together and built a neural network that in the current hardware that they already have, when you add this software, it allows them to scan three times faster or higher resolution. That means is that without needing a forklift upgrade of the hardware, they can just add the software and suddenly they – imagine if you could just add software to your iPhone and you could just take high resolution pictures. So again, this is an example of what it means when you embed yourself and listen to their partners and innovate on their behalf. So that AI algorithm, that neural network is in a software and still a picture is worth a thousand words. So I'm going to show you what that looks like.

Let's see if we can go to the screen where we have the display. All right. And the lights down. You're looking at an image of a heart. And you'll see this later today in the customer experience centre, we'll dive into this a bit more. But this is a beating heart – that's not beating, but this is a heart. But I want you to focus on this, and I'm going to do it before and after the neural network. Remember, it's the same MRI scanner, the same hardware. Focus on the graininess. Gone. Grainy. Gone. This is with the neural network; without the neural network. So a customer of ours that has our hardware and our install base, we can now give them a piece of software. They can purchase a piece of software, that means they can get high resolution images. This is what it means to co-create with a customer. This is what it means to create algorithms that have value. This is what it means to monetize. So this is an example of embedding yourself in a clinical partner, listening to the problem, co-creating the solution, putting it in a software package. And then the entire install base can subscribe to it and monetizing it.

Now, Phillips, in addition to embedding ourselves with our customers, another key differentiator is that we also have technology partners like AWS, because they are a fast pace of movement in cloud and AI and their fundamental core things that we know the hyperscalers can develop and we want to use and deliver value. So we, on the one hand, have the front end working closely with our customers. On the back end, we work closely with hyperscalers like AWS. Let's listen to the Chief medical officer of AWS on Philips.

**Video:** I think organizations such as Philips will play an absolutely key role in the dissemination of AI in the future. Patients and organizations trust technology providers with whom they have

a relationship. It'll be organizations such as Philips that provide the platforms that actually deliver it to end users.

So on the one hand, customers deeply embedded ecosystem competitive advantage. On the other hand, technology partners supplying fast paced technology, competitive advantage in the middle, Phillips is an innovation, clinical innovation powerhouse. Now the second part of this, that's what it means to be patient-and-customer-centric. The second part of this and Roy talked about it, said that we put businesses – we put innovation in the heart of the business.

Let's talk about that. What does that mean? Well, what that means is you move your product management, product engineering. You have the quality teams regulatory, you have sales, marketing, design, sustainability teams all embedded together. This integral approach to innovation is what allows fast paced innovation at the highest quality. This integral approach is key to the way in which we innovate. Businesses are accountable end to end from creation of idea, exploratory, development, how do you manufacture it, how do you deliver it, how do you service it and how do you deliver value. End to end is within the heart of the business closest to the customer. And in fact, what we did is not only moved it into the business close to the customer, but also changed the amount of investment. In the past, about 70% of our R&D investments were within the business, and now 90% of the R&D investments are in the business where the teams integrally work together to innovate to deliver highest quality innovations. Now you can do the math. You say, 'Well, where's the other 10%?' Let me just touch on that for a second before it comes to Q&A.

We still do enterprise level, top level innovations, breakthrough innovations that might shift an entire industry. These are longer horizon initiatives that might three, five, seven years – these are ones in which you're looking around the corner what might be coming and you're creating tectonic shifts like helium-free. So we still do that, but businesses 90% of the resources accountable end to end. And so when you look externally and say, well, is this working, don't take my word for it. Let's look at some external signals. Clarivate. We're in the top 100 MedTech innovator, global innovator, and last year the only MedTech company in the top 100. Top five patent filings in the European Patent Office. 53 design awards just in 2024. And the prestigious Red Dot Award. Best of the best. Not just the best. Best of the best. Number one award for LumiGuide. Top 100 for sustainable innovation and, of course, recognized for our carbon leadership, as Roy pointed out. So we have external signals that say what you're doing is working.

Finally, let's come to the last section. So we said business are in the lead end to end. They're accountable. They work very closely with the customer to listen and to work backwards from use cases, from consumer insights. But the point is it's to invest in initiatives that have the opportunity and the potential to scale, to deliver maximal impact that actually set the standard in a segment, that set the standard in the segment. So that's what it means to be scalable for us, to maximally impact customers, maximal potential for financial returns for Philips.

So let's look again at some examples. And you will see these later in the customer experience centre. So I'm going to tell you just a bit about them. But we will go deeper into these when we go across to the customer experience centre as we go through the businesses. Let's start with this beautiful BlueSeal MRI that really changed the entire way in which the industry works. So Blue Seal MR helium-free. So what? Why is it important to have helium-free? Well, what that means is, see, the problem with MRI is extremely heavy, and it needs this big ventilation

pipe where helium can be released. And so you can only put it in certain parts of a building. You can't put it anywhere. But by going helium-free, you made it lighter. We made it lighter and didn't need the ventilation. And so now you can put this MRI scanner anywhere within a hospital closer to where the patient action is, or anywhere outside in the community, closer to where patients are. In a truck. And you'll see that later today, I encourage you to go to the mobile MRI to a truck that we are going to have around lunchtime to actually see this magnet, this MRI. 1400 installs globally. This is mean – what it means to be at scale, while others are talking about it just to start, as Roy said, we've been innovating this space and have this released over four years ago and we are operating at scale.

Image guided therapy. Let's give an example there. The Asurion platform, practically the de facto standard in which cardiac procedures, interventional procedures are done. And this technology focuses on automating the procedure in the angiography suite. And this is really significant. Look, when I used to do angios, I'd do 3 to 4 cases a day. To do one more angio a day is incredibly powerful in improving the flow of patients, better care for more people, improving access and the productivity of the angiographer.

Let's look at our monitoring platforms. Our – and you'll see this platform later, Julia will cover this for you as well. The ability to monitor patients any care setting. Over 1600 patients can be monitored through a central station where nurses can monitor the well-being of individuals throughout a hospital, in transit, you name it. This is such an enabler of nursing care that one in two hospitals in the United States have this platform. This is what it means when we say scalable innovations that set the standard. And, of course, one blade in our personal health business literally invented a new category of hybrid shaving of blade and shave and shaver, literally to find a way the generation – a young generation shaves. Hundreds – over 100 million blades, sold 50 million handles and 90% market share.

So when you look at these and you will see these and you will see other ones this afternoon Soon as you go from sort of centre business to business. When we talk about innovations that scale, we talk about this sort of standard setting innovations, ones in which a firm, the technology powerhouse that Philips is in innovation.

So when we bring it all together, I said I'd start with innovation. How do we innovate? This is your takeaway. As Roy said, the three pillars. We embed ourselves in our customers. We listen to their pain points. We work back from their problems. In healthcare, this is the only way. This is the only way they will adopt. And we also have technology partners that allow us to move at a faster pace like AWS. Second; businesses are accountable end to end, from creation to delivery. The whole value. All the teams come together, integrally together within the business, delivering highest quality innovations that are moving to the market in order to deliver scalable impact, focusing on the fewer, better initiatives, resourcing them so that you set the standard in that segment. This is the way Philips innovates.

Shift gears. I want to go ahead and talk about enterprise informatics. About a year ago we announced the vertical business enterprise informatics. It's a €1.2 billion business, and it's growing at about twice the pace of Philips and is a key differentiator for us, as Roy pointed out. Let me just take a moment and tell you what it is. I had a chance to speak to a few of you last night, and the question is, well, what's in it? So let's start there.

Enterprise Informatics, think of it in three portfolio sections. So in a hospital you have doctors that look at images to make diagnoses. And MR scanner creates an image. CT ultrasound creates an image. A cardiac angiography piece of equipment creates an image. A pathology slide is an image. And these doctors look at these images to render a diagnosis. This portfolio is the software they use to diagnose conditions using these images. I did this all the time. This was me. So I used PACs systems and radiology informatics all the time. So our portfolio number one in radiology, number one in cardiology, number three in pathology, provides software that delivers – allows these physicians to deliver care. Then outside of imaging there is other data points that are created in hospital. There's waveform data on monitors. There is digital readouts on IV poles, on infusion pumps, on ventilators, and physicians and nurses need all this data to also come together so that they can have analytics up front and then deliver care to patients. This section of the portfolio can bring data from over 1200 different medical devices together, integrate them, and bring it forward to a clinician so they can make the right decision for patient care. We're number one in the US with our acquisition of Capsule, and that is this section of the portfolio.

Philips has had a long heritage of excellence in remote care. In fact, for over 20 years, our tele-ICU platform has helped thousands of beds in the intensive care units be monitored remotely, where you have physicians in one location monitoring because there are no intensivists available in other communities. And we have technologies in this section of the portfolio that are focused on enabling care at a distance so that you can deliver better care to more people wherever they are, and improve access to care. And so that's one section. Our eICU, our tele-ICU platform is number one as well.

So this is what is in the portfolio of enterprise informatics. And you can actually maybe already see the beautiful alignment with our imaging platform, the beautiful alignment with our monitoring platform, and of course in enabling our mission of enabling better care to more people. Now when we talk about growing enterprise informatics to scale it and grow it profitably, there are three growth levers that we will use. When we listen to our customers, they tell us 'We don't want any more servers in our data centres.' Software is typically put on a server, put in a data centre. No more servers and data centres. Our physicians are often working remotely from different locations. We just need everything to be always available in the cloud, delivered to our physicians wherever they are. And by the way, just take care of cyber security. So this demand from customers is beautifully aligned with a growth lever of migrating to the cloud, because this allows not only for us to deliver the benefit to the customer, but also allows us to optimize the way in which we deliver the product to the customer. Our delivery through the cloud become – is a simpler delivery. It's – the cost to serve goes down and improves our margins.

The second thing that customers ask us is, and I wish I had this when I was using the software, which is automate things for me. Just make things easier. Apply AI where you need to make the right thing, the easy thing. And so they're asking for better workflows, better experience. And for us, what we do is we embed all sorts of AI enablement so that it makes things automated. I will give you demonstrations of those in a moment. In fact, I will walk through an entire example of looking at the chest x ray and a chest lesion, and where AI gives value to customers, to physicians and how we monetize it. And so this embedding of AI allows us to have a competitive advantage because we have a large install base, which wants AI and they

stay with us and we have customers, new customers that want AI tools and are looking at the solutions that we've built and are interested in those and allows us to gain market share. And so we solve customer problems. They deliver better care to more patients, they have better experience, and its impact on Philips is better margins and higher market share.

And finally, the IT landscape of customers is diverse. And so they tell us 'You need to be able to work with whatever we have in our IT environment. You need to be open. You need to be vendor-neutral so that when you bring your software, it can land anywhere and work with our heterogeneous IT environment.' And we are open, we are vendor-neutral and we will remain. So we continue to invest in that because that means for us in enterprise informatics, our addressable market is not just the Philips install base. We can sell to anyone in the health systems. And so this allows us to actually have a broader set of market, which is an advantage to Philips. It allows us to go in accounts that we might not have even any hardware. And as we embed ourselves in those accounts, it actually offers an opportunity for them to become acquainted with the value that Philips delivers. And as they come to their refresh cycle, it allows our teams in our imaging platform, our monitoring platform to have an entry, because embedding yourself in the IT environment is incredibly sticky. The switching costs as you deploy software is incredibly sticky. So these are the levers we use.

Now you might ask, well, you could have done this, you still didn't need to bring all the software together, wherever they are, you could have done these things. And Roy talked about our simplified operating model. See, the thing is, software is different. The pace of innovation in software is faster. And Roy talked about that as well. The arc of innovation and hardware 2 to 5 years. Software is 2 to 5 months. And so you have this faster pace of innovation, faster release of product. That means your sales team has to be faster acquainted with new features. Your marketing team is constantly being updating the artifacts, your IT backbone because you're doing subscription versus like hardware and maintenance, our IT backbone needs to accommodate differently the way we sell software. Then you're delivering through the cloud. You're not doing construction. Then you're actually touching the customer often, because the more software versions release, the engagement of the customer is different. It's high touch, constant go back. Here are the new features. Learn to use them. This is how you get value. And our delivery in software often is with partners for third party sales, channel sales as well as channel delivery. This entire operating model is different for software than hardware. So by bringing all the software teams together, creating a vertical software business, it allows for tailored operating model so that we can move at pace. This is why it was critical to bring the software teams together. This was why it was critical to build a vertical software business unit so that we can deliver the huge advantage that we can to Philips and the value to our customers.

So what I want to do now is actually sort of stitch some of this all together for you and walk through the story of artificial intelligence. And in that regard, what I'll do is I'll touch on both how our software brings AI and gives value to our physicians and how they can deliver better care to more people, but also how it actually interlocks with our imaging platforms as well, like CT and Azurion, the whole story together.

So let's start with a patient that may have come for a chest x ray, and radiologists sitting and looking at the chest x ray, and the radiologist would have a list like this. This is an actual screen. And when the radiologist said – and I used to sit like this, you have these red dots. I wish I had these red dots. But now when they use our software, they have these red dots.



What these red dots says is I've used an AI algorithm and there's something not quite right in this study, you might want to look at it first. This orchestrator allows physicians to be able to have AI algorithm help them deliver the fastest care to the right individual. So in this chest x ray, do you see that lung tumour? I don't either, but let's go ahead and apply the AI algorithm. And it says you should look here. There is a solitary lung nodule. And believe me, that was hard to see. I may have been able to see it.

And so now of course we have to – The system automatically starts to create a report for you. It's an automated. Again, we use AI in the voice recognition automation. And then the physician has a choice, right clicks on that. If you saw that it said I accept, that is a lung nodule. So we automatically found a nodule, put a flag on it, but gave the physician the choice and said do you agree or not. Physician right click, says I agree, and automatically it updated the entire note and put in the note that there's a lung nodule. This automation is what physicians are asking for so that they can be more productive, and they can reduce the backlog and deliver better care to more people. Now then subsequently, that patient is going to go ahead and have a CT scan. Now our CT 5300, which you will see – Yes, it is there. I was just saying – you will see has AI embedded in it more than you can imagine. So one of the features of the CT 5300 is that it actually helps position patients faster, up to 23% faster. Another feature of that is that it actually enables the entire scanning of a cancer patient screening for lung cancer to be done 50% faster, so twice as fast the entire workflow of scanning for a chest CT for screening. Now here is that lesion, that little dot. And that's not normal. And that was sort of the lesion that in the chest x ray the system said you might want to look here.

So the CT scan shows that. But the story with AI is not over. AI can be applied to this scan as well. And when you apply AI to this scan and it's doing this automatically, it actually looks through that. As a radiologist, I used to scroll and try to make sure there's nothing else in this lung. This is a this is a lung area. But the AI algorithm has found something elsewhere. That's not the dot. And there's another lesion that is screened and found and again directs the physician and says you might want to look here. And the measures that it has on the right-hand side are all kinds of measures that explains the risks around this lesion, again embedded directly in workflow. So now what is my job as a radiologist? I have to pull up other studies of this patient from the past. I have to read all the reports of the past and see has this lesion gotten bigger. After all, that's what I'm what I want to say I found a lesion, it's gotten bigger, it's gotten smaller. Again, a perfect job for AI. Applies to current study and prior study and says 6.3% increase in size. This is the power of computing algorithm. This is what it does easily and fast. This is what I as a radiologist wanted. It's getting bigger. So if you get bigger, you're going to need a biopsy.

And so I had him over to our beautiful Azurion platform to do an image guided biopsy. And later today when you're at the Azurion station, you will see all the AI that's embedded in the visualization to get heads up display of where devices are in the body. You're going to see a beautiful demonstration there. And so watch for that. So biopsy is done. Story is not over. What do you need after biopsy? You need to look at the tissue. That's where our digital pathology software comes in. So now here's the slide. And the pathologist – These are cells and the pathologist has to literally look at every millimetre of that slide. And by the way, the fact that it's digital gives them 25% more productivity. They have to look at every part of that slide. But when you apply AI algorithms, it can say here's the tumour burden. And that flew

by. But that image was the tumour burden. And not only can you apply algorithms and see the tumour burden, you can actually – we have an open model where we have third-party algorithms. And here's the pathology slide again. And the areas that the algorithm has identified are areas that you need to focus on because there are anomalies there. And you can pick from different algorithms. Some are not even from Philips. They're from third parties because our AI managers open. Remember what customers told us, open. So not only do we build algorithms that guides the pathologist to where they should look, but they can, like an app store, pull down algorithms from the AI manager, from a third party that's been cleared and use it to deliver care.

So this entire story of going from the chest x ray, the AI that screened it, AI embedded in the CT scan to optimize the way in which the CT screening was done, to the CT scan, finding additional lesions, doing comparisons to priors, showing trends of tumour change, image guided AI heads up, heads up display to AI to be able to do your procedure with visualization, to pathology biopsy, AI on top, look over here, here's an abnormality, this is why informatics and our other platforms beautifully stitched together the same story for monitoring. But we did it for imaging today.

So what does the future of AI hold? I can tell you one thing. Wherever it goes, we'll be there. Maybe the future is an avatar. And we have – we build physician avatars that that really are working together. Hi, Abby[?]. But wherever it goes, for 133 years, we've been an innovation powerhouse, we will be for another 133 years. We will lean into this wherever it goes. Thanks. It's good to work together. Are you going to give me a little fist bump? No, the fist bump is gone.

Now we're going to go ahead and turn to Q&A. I'm going to ask Leandro to come back, and we will take any questions that you might have.

## Q&A

**Speaker:** Thank you guys for the presentation. Very entertaining and quite promising. Just to focus on enterprise informatics. I'm curious to see how you price it with your customers. Is it something that comes atop of the hardware piece and how to come to a price, because you're bringing them a lot of benefits in terms of scalability and so on. So how do you think about pricing in this specific section?

And related to this, I think the margin in enterprise informatics currently is maybe, I don't know, low single digit, mid-single digit, whatever. You said that there is a key focus on your side to bring it higher. And you mentioned scalability or let's say scale in that business as a key driver. What is, in your view, a level at which you will be at scale in terms of delivering the maximum margin in this in this business, because 1.2 billion is already quite a sizable business at the end of the day.

**Speaker:** So the pricing model is diverse, but the majority is a subscription model. And so it's based on usage. For example, in our – in radiology informatics, in our PACs business, when the pricing is, if you will, you subscribe and per study that's performed, we have a fee. And so it's a subscription model and per study. So that's sort of the most common pricing model that's actually accepted in the industry as well.

**Speaker:** And maybe just to clarify. So these are separate offerings. So this is not what you get with a CT or MRI, right? A PACs is a real separate product offering where actually we do not compete with the traditional GE. Seems they don't have that really. So you are in a different competitors band. Digital pathology is a separate product in its own right. So people will buy the product if they see the value in it. And then indeed it's a subscription model that actually is the monetization approach.

**Leandro:** Yeah, I think Hugo was next. Then Hassan.

**Hugo:** Hi. Thank you. Just a quick follow up on that. How do you see the balance between rolling out new software AI applications, and do you think that it as a results and given it rejuvenates some of the existing install base, some customers can probably hold back on buying new instrument? That will be the first question.

And second, maybe for you. You talked about cost efficiency. It feels that with all of the workflow automation and supply chain improvement that you're doing, you're just scratching the surface here. So do you think that there is potential to achieve incremental savings?

**Speaker:** So I'm not sure I understood the question. Could you clarify the part around –

**Hugo:** Just the balance between rolling out new AI for existing install base and the trade off in between?

**Speaker:** Actually our customers are looking for automation in a big way, as I shared. And so the AI enablement actually allows them to stay with us and actually occasionally upgrade to new features. And so from an install base point of view, they're looking for this automation. They're looking for the cloud changes. And so our install base actually is looking to us to bring that to them quickly. And we are. And so for us, we actually want to engage them, want to have them go from being on premise to being – moving to the cloud from, if you will, having no AI features to having AI features. So it's aligned. What they want with what we want is completely aligned.

**Speaker:** But also you have – if you look into the enterprise informatics portfolio, you have different types of businesses. So the PACs business is relatively mature business, right. So traditionally has been slower growth. But actually with going to the cloud now, actually you have an acceleration in growth opportunity because actually that's a full install base that needs to move to the cloud. So actually you have a real additional growth opportunity. So instead of kind of growing it in order and kind of competitive sides, you actually can grow it in competitive size as well as kind of bringing your own install base to the cloud, which is a massive undertaking with customers that you kind of can draw real new value and growth from where digital pathology is, for example, a new solution, right? It's all about penetration because many don't have it. Want to go digital. So that's a different kind of play versus PACs, which in essence kind of was institutionalized ten years ago, right? And actually many have either homegrown PACs solutions or kind of a PAC solutions from the industry. And there you now see next wave coming, because actually they see the upgrade opportunities both with cloud and AI. And so that gives opportunities to kind of revitalize that base that you have.

Then on the cost side, on productivity, so I think when we outlined the plan, we said we have 2 billion of productivity as part of the plan and we now achieve more than 1 billion. We also

are ahead of it. We are ahead of the reduction in roles. We also set in the phasing of the plan we will be front loaded with contribution of cost savings out of the people reduction. And then actually it will go more towards how can we actually optimize also our products, and the supply chain cost. So there is room in that, that we go after as we speak. That's also why we are kind of seeing, I think, a continuous drive to support our margin through that. I also think, to be honest, in a world that is struggling more for growth as we see around us, it's important to keep that cost track very sharply in sync with what we can control ourselves. And that's something that we can further lean out. So we, of course, will go first after delivering the 2 billion, but we will definitely not stop there. And as you have seen, kind of we are taking currently a part that is ahead of that run rate that we initially thought we had in the first period.

**Speaker:** Thank you. Three please. Maybe a couple for Roy and then one for Shez. Roy, you talked a lot today and in the past about product innovation and quality being a focus for you. Clearly quality has been a challenge in the past. How can you give us confidence on the outside that company culture is changing and you're excellent innovation shouldn't be constrained by further quality issues in the future?

And secondly, on the topic of innovation and helium-free. I was in Forchheim last week seeing their helium-free product. This is a product you have a lead on. How much of an innovation gap do you think you have, and how should we think about your pipeline into RS&A later this year and beyond?

And then finally, Shez, you talked about growing AI to 1.5 billion by 2025 in the past. I don't see that in the slides today. Not sure if I should read anything into this, but when do you expect to get to that level and are you seeing any acceleration in PACs replacement driven by the move to the cloud? Thank you.

**Roy Jacobs:** Thank you Hassan. So on the first on quality, I think there's a lot happening as I mentioned. I think there are a few signals that you can look at. So of course you can look at okay, what are the people and the culture that we drive and how does quality feature in that. Because that actually is the platform that actually needs to drive this in the longer term. Secondly, what are interventions that you see kind of that give evidence that we are acting faster. Now, I think you have still seen us coming out with field safety notices and actually is something we are driving hard because actually we are acting early. And actually what you see in the most recent ones, those are the ones that we initiate, we find and we address. We are going through the businesses. We will continue to do so. We already have done that, but we'll kind of continue to work on how we make sure that install base that we have is future fit. And as I said, we have a big effort there which we call Project Synchronized, which looks at, okay, what is the platform that we take into the future, which are the ones that we need to retire, the ones that we keep, how do we make sure that they're as robust as possible. And then of course, it's for the new products that that come out, what are kind of the approvals rate that we see coming back also from an FDA, for example, when we put them in. So I think those are a few.

Then there are more the systemic ones. How do you optimize your processes, how are you with your QMSs, how are you with the kind of the system that you operate to also control and act on quality, which we have, of course, taken very significant measures on, and we also report on. And then maybe last point. We also have seen clear indications when we take the indicators on the company dashboard. So we have a company dashboard. We reduce our KPIs to 12.

Three are quality. First is kind of external findings. So we see that kind of the external findings rate has gone down significantly whilst we actually internally have dialled up. And actually that's how we also find and address. Secondly, complaint rates. We have been going very aggressively after bringing the complaints backlog down. And that's something that is visible and also measurable. And then it's also the CAPA closure because actually we have initiated a lot of CAPAs; but then also we are much more stringent on the closure within time and doing it appropriately. So those are the indicators that you could track to see how this is progressing.

Most importantly, I think ultimately this and that's where I think doing it in a different way and embedding it truly at the heart of innovation needs to ensure that kind of moving forward we get it right. And that's also the businesses that are accountable for it. And one other kind of example that I can give, where we in essence, split the review cycle, where initially we had one review cycle per business where we would address financials, quality, innovation, all; we have now split them in having dedicated quality reviews. So actually we have an easy line up where we identify, discuss and also kind of then act fast on it. So I think that is on the quality item.

Then on helium-free. Now, I think you could probably see for yourself that our friends are going there. I think we really welcome that they acknowledge that this is the new standard of care in MR. We also see that kind of they struggle to get to the innovation, especially the technology around getting to an MR that is fully helium-free, especially also at the bore size, that you need to have it globally accessible, right? You've probably seen that they have a smaller bore size. Now that limits them truly in the application because if you would go to customers, they would say, especially in the US, if you don't have 70cm, you're not an option for us because we cannot just serve our patients.

Secondly, of course, we are going through the three T as the next frontier to crack. That's also a good technology challenge. We are already on that and we are planning to release that. We will not give you a date now, but we are working very hard and I'm sure that we will be the first to market. If we have those two, you cover 80% of the MR market with helium-free, and that should be with a with a range of foreseeable time. So I'm pretty excited about what we can do there.

Secondly, what you see is when we explain the helium-free, it's not only about helium-free. For me, there are two really critical importance for MR, and both we are acting on. One is we need to set it free from location, because then you can actually can really bring it to where the practice is, make it – what are the scanning needs to be outside of the hospital. What are inside in the hospital, you want to bring it close to the cardiology unit. But secondly, MR is the best scanning method. For complex tissue scanning, there is no – this is the gold standard. If radiologists could do anything on the MR, they would do that. But the problem in MR is it takes a lot of time. So the scan time on average is double or triple for example from CT. So our big innovation challenge next to making it helium free is to actually reduce the scan time. So when you look at smart speed, that's exactly going after it. So that actually could do examinations. Complex heart normally takes 60 minutes. We can now do it in 30 minutes. We need to bring it to 15. If we are at 15 actually you can do MR instead of CT. Then it becomes really interesting. You can complement, and actually you have the gold standard that you can apply on many more cases. So that's why actually it's so exciting to go there, both in terms of making helium-free as well as reducing that time. And there the power of software and AI can really bring the next leap, because we have been pushing the boundaries of physics in imaging for

100 years. And you can further push it. And that's what we are all trying to a certain extent. But actually the bigger leap now is coming from what can you do with new tools. And that's something that we're very passionate about.

**Shez Partovi:** On the question of the – so when enterprise informatics came together, one of the things that we did is also looked at the portfolio to see if everything belongs in the portfolio or not. The same pruning exercise that we applied across the company was also applied to enterprise informatics. And there were solutions in there that I have divested of over the past year. So that's also the change that you're starting to see is that we have fewer, more focused on the products and propositions that we believe that we have a right to play in, can play to win, and can scale. So that is part of the reason you're seeing the difference is the focus on and divestment of some of the propositions.

**Speaker:** First of all, a follow up on the software side. Huge potential, Shez. But as we all know, hospitals are recalcitrant buyers. And if they see additional services that they can perhaps have packaged with their additional current services, they quite like that. And we've seen this many times over the years with services in healthcare. So how – can you talk a bit more to how you are convincing them, or to effectively take up the separate paid enterprise informatics?

And then Roy, to really sort of put this on the point, how quickly can we get to a regular software margin in this business? Is this a 2 to 3-year thing, or is it actually a longer term train that we need to see it?

**Speaker:** There are in a hospital there – the requirement for PACs, for example, is really not optional. It's a core part of the way in which one of the main three products that a hospital runs. So it's not a question of having to convince them, if you will, but rather really providing the value they need in order to continue to upgrade for us in our case. So it's not so much that we're trying to convince them to buy PACs. And for example, when you look at pathology, they improve productivity of 25% is very little convincing needed. So at this point, it's really around packaging it in a way that – with the features they want, the cloud enablement to bring it with the AI enabled so that they can get the outcomes that they want. So that's – and that's the way in which we're going to market. It's really around featuring the improvement of the workflow that they have, the improvement of access that they get, the AI automation. And that's the sort of the key message.

Now there's one other piece. So we don't – it's not a – the question earlier was is this just that on top of, it's not. However, there are co-sell opportunities for sure. So for example, in many parts of the world where when a CT is bought, they are looking for advanced visualization as well. That's on a separate workstation. So in those cases, we do co-sell. So we'll sell a CT and the advanced visualization workstation is something that they need and they want, and they'll purchase it as well. In some markets, we have attachment rates of up to 90% where it's co-sold together. So there is an inherent need when a piece of hardware for example bought for some software and we do co-sell that; but also at the same time, pathology, radiology, cardiology, these are non-negotiable requirements for a hospital that they really need. And so we are really just continuing to engage them to meet their need for them.

**Speaker:** And I think the point of the multi-vendor is really important. Some solutions really need to go across all fleets. They need to pull all data. They need solutions for that. Now they

can take ours or somebody else's, but some of our traditional peers just don't have those solutions. They don't have platforms that go across. We can put our software solutions across every brand that is out there. We can pull the data monitoring from every corner, from the 1200 devices that we have the drivers for. There's nobody else that has 1200 drivers. The second best is Cerner with their own device engine. They have half of it. So that's kind of how you can – And of course then the convincing is do you need this solution, can you work with the data, is this adding the value, digital pathology is a new tool, can you still invest in it; that is more the kind of discussion to be had versus this is on top of your service bundle because traditional service bundle or CT or MR, the break fix one is a very different one to say, hey, I need to have fleet management, I need to have radiology operations command centre because I need to actually give access to the radiologist on distance, I need to coach the new junior scanner that actually is in a different system somewhere else because these are my network of 50 hospitals, the monitoring platform that we have that needs to go ambulatory. So that's different discussions that we have. So therefore I think that's the clear distinction that I see with enterprise informatics.

Now what is also true, and that goes also to your margin question, is that the average buying cycles of software are long. Because the moment you invest in something, it's very hard to get out. That's the typical infrastructure play in informatics. Why is it attractive? Because once you're in, it's very hard to be replaced. So normally if you think a PACs decision can take 2 to 3 years before people make that decision. Now, with cloud there's more pressure. So they move a bit faster. But it takes a bit longer. The moment they move, then they move at scale. And then actually you get your bump up. So if you think about your path in terms of where margins can go, I think you have your shorter term window to get to the double digit. That is a very clear target that we that we have set. Then you need to take your next leap, which will take a bit longer, because also just of the decision making cycles of software.

**Edward:** So just a quick follow up question to that. In terms of you talked about on the hardware side, how you're addressing your MRI share and looking to take share in that space. I mean, CT, as we all know, is the area where perhaps you've struggled the most competitively in recent years. To what extent can being an open vendor and leveraging your software close the gap, given that your closest competitor likes a closed system?

**Roy Jacobs:** Yeah, I think the – So there's indeed two ways. One is indeed, like Shez said, we of course are in customers that actually have competitive [inaudible] where you can kind of get your way in through a different entry point. Secondly, and that's I think where you see very good uptake and we see a lot of customer resonance, is on the latest innovations that we have in CT. So actually, yes, we had a lot of challenges in CT quality-wise and supply-wise. But actually if you look where we are currently with the portfolio that we have with both the five 300, which is a massive workhorse, it's the best productivity engine that you can have, as well as the spectral, which is the best quality which you can deploy at mass. Actually, we have the portfolio to actually be winning in that market, and we're getting very good customers. And you will see later some examples of it, including leading key opinion leaders that actually really clearly voice that they're very happy with the solution. But it is true that we need to catch up in CT, right? That's where we're kind of coming from behind. But I believe that with the portfolio in hand now getting also the operational excellence in place, we will be able to kind of go in strong. And then we have the flanking support of informatics that really makes us actually

move faster, because the AI addition to what a CT can do and what especially the whole imaging workflow can do, that's where the magic happens, right? Future of imaging is not in pure modality optimization, because then you just do yourself short in terms of what you need to do. It starts from the scheduling of the patient, positioning of the patient, then the scanning itself, then the prioritization after, then the dissemination to the radiologist wherever he is, whether you can help in doing the definitive diagnosis. Those are five points where you can actually optimize the workflow that we can do with that part of our software. And that's actually where we will see the opportunity to kind of also get fully back in imaging, looking at it as a platform and not as a product play.

**Falco (Deutsche Bank):** Thank you. It's Falco from Deutsche Bank. Firstly, in order to keep your global leadership in IGT, how important is it to catch up a little bit more on the diagnostic imaging side? Or putting it differently, if you don't catch up more on the diagnostic imaging side, is there a risk that at some point your competitor that is very good in diagnostic imaging might also overtake you on the IGT side, because they simply have a better bundle – bundled offering there?

And then secondly, on enterprise informatics are there customers of yours that don't use a single Philips device but use your enterprise solutions? Is that something that that happens out there?

**Speaker:** That's an easy answer, yes.

**Speaker:** But let me go. At the first. I think facts speak for himself. We were having challenges in DI in recent years. I think we actually are ahead of those. And in these years we have been taking share in IGT every year from our friends. We don't need Diagnostic Imaging to be fully flourishing to win in the in IGT. IGT is a business in its own. Actually, what we have which is truly unique is the deep clinical insight and the system and the device which our friends don't have. Next we are the number one in cardiac. We're coming now after Neuro. I am not concerned at all about that. I think I rather look at how we can accelerate the adoption of new procedures and how you can innovate in that and drive towards kind of faster further penetration in IGT, how we can actually develop new solutions in devices. I think that's a great opportunity for us to expand our leadership. And actually you can reverse it. Actually, given our leadership in IGT and the expansion that we have had, we have also a great combination where we can actually strike back in the DI. So I'm very positive on that one.

**David:** Thanks. Two questions please. So firstly, just wondering if you thought you were at a strategic disadvantage from not having a radio therapy offering, given the trend to increasingly integrated adaptive therapy?

And then secondly, just coming back to the CT side again. Obviously a lot of your peers are now developing photon counting CT. You stepped back a little bit from your development there. Do you think you're at risk of losing out on that trend towards photon counting?

**Speaker:** Photon counting is an area that we know it's coming. And the question is of timing. So our spectral CT is providing the value that's needed today. It provides multiple energy, two energy beams. It provides the detail. You'll see it later today. And it's something that customers can actually use now. It's workflow enabled. It's faster scanning. Photon counting



– current technology for photon counting, the challenge is the amount of time it takes for the scan, the post-processing the scan, the expense to the scan, which is practically as expensive as an MRI scanner, to Roy's earlier comment, we just feel that the market isn't ready for what – the cost and the slowness of the throughput means that the value to the customer isn't aligned with where we think Philips should lean in just yet. So, we continue to investigate. In it, we continue to know that this is something that's coming. We have plans, but for – at this point in time, we don't feel that there is the right timing to really put photon counting out right now. Now spectral we believe today meets the needs. Customers tell us they love it. It provides the multiple energy. You'll see the colour schemes and the energy beam images later today. And if you talk to our customers that use spectral, they say that not sure why we need photon because it does the job. So from our perspective we actually feel that we have what the market needs today. And – but we continue to look at photon as ultimately the future. In the fullness of time, we'll have that too, at the right time.

**Speaker:** And I think, as I said, I think it's– looking at modality and technology is really thinking way to kind of I think – too narrow minded versus what the real challenge in imaging is about. If we need to address the real imaging need, kind of the growing need in imaging, we need to rethink how we do it. And that's not just pure product play and pushing the technology to the max. We need to think workflow and platform and in that offer the best choice. As I mentioned before, MR is the gold standard. If they can actually get a much cheaper MR which is doing better scanning than a photon counting does for complex tissue, they will go to the 3D MR and they will have a helium-free, and they can do it at the same time. That is the race that is on in terms of how we develop the most productive solution for a full imaging workflow that people are after. So I think, yes, we need to push the technologies and we all do that in our own rights, we are after it. We have been the one in helium-free. They are leading now in photon. Perfectly fine, but actually the real value creation for our customers, that's what they're asking us. It's not come with your kind of next Ferrari in in CT or – no. They ask us how can you help me scan 1000 more patients, one million more patients in big systems that we are dealing with, because that is where they actually see the value creation for care delivery. So I think that's also a different framing and philosophy that we have in terms of how we address the market needs towards the future, which is the difference between a product race and a platform approach where you think about real holistically workflow and productivity improvement.

**Speaker:** So, on the oncology side. So I think as I said, we need to make choices. We cannot do it all. So what we then do is either flank of the partnerships. So we have partnerships actually that we use if people want part of that portfolio. And as you know, we're an open system, so we can work with that. So we are not concerned that actually we are not having every single technology piece that is out there in a portfolio. If you look to our portfolio, we have quite distinct and differentiated portfolio that can offer in the core platforms a lot. Now, if then in certain technology parts we need to partner, we will do so. And actually we have been catering for that.

**Speaker:** One very simple one for Roy, followed by a maybe slightly more complicated one for Shez. And so in terms of your addressable market, you have 90 billion in your previous presentations in the past; you had like numbers like 150. You had a small domestic appliances divestment, you had some portfolio pruning in connected care. But I'm still very interested to

find out what the breakdown in terms of your different segments is and what the major changes from that point are.

And for Shez, my questions will be you have a lot of innovation on the radiology and informatics side, any like, thing on robotics? Is there any overlap with robotics or is that an area that you see like premature to invest into? And in terms of your penetration, what you see, your penetration, what like ratio of your sales are like go to Philips users and what ratio goes to outside?

**Roy Jacobs:** So the first one. So indeed we kind of looked at – and when we had the earlier definition, we had more adjacency as part of that, including some adjacencies that we were kind of pivoting to with some of the innovations that we stopped. So that's actually where we resize the market addressable to the 90 billion that you currently see. So that's kind of how we looked at the and Leandro has the –

**Leandro:** You will see the breakdown business by business when they present –

**Roy Jacobs:** So you will kind of be able to reconcile it from that. But that's the big difference in the market sizing that we had.

**Shez Partovi:** So robotics, when we look at – the short answer is we look at all things that can improve the experience and productivity of physicians. And so we have explorations and we do explorations in different kinds of things that might do it, everything from robotics to other things. And so these are explorations that we do. So I certainly would not say that we have not done explorations. We continue to do explorations because at the end of the day, this allows for automation. And that also involves a large amount of value that can be delivered to clinicians, for example, let's say in an angio suite. So we experiment and we explore these things and other things all the time. That's a great example of, for example, those enterprise level innovation explorations that we do and we've done in the past.

With respect to the overlap, it's about 30-40% of Philips customers also have our software tools. And globally there are – different countries have different rates, which actually points to a really large opportunity for upside. As we look at going deeper into our current accounts, and we have alignment between the sales teams to look at how we can go back to the accounts where we already have footprint, to see if there are other challenges they have that we could address. So we do it both ways where informatics might be in a business that has no presence of Philips yet, that provides an opportunity to bring in our hardware platforms and where we have currently platforms where we don't have informatics yet, it provides an upside where those accounts become a warm handoff and introduction. So we use it both ways.

**Speaker:** And pricing is exactly the same between the two?

**Shez Partovi:** These are absolutely because the value is the value you provide. As you know, you sell on the value that you deliver. So now when we sometimes have enterprise level, ten year, sorry, organization level, ten year partnerships, we do different kinds of things. But really it's not – as Roy said, it's not like a plus one of you bought a seat, let me throw you in. That's not it. It has value on its own. And the value it merits its own –

**Roy Jacobs:** One of the reasons, actually, to put it separate as a business was also that. I was very clear that we need to extract the value that this has. There is a risk that if you put

software in hardware units that actually they like the big size tickets of the hardware unit, and you get this nice package on the side, yeah, we'll deal about the price, it's one price, which actually doesn't do value to what actually you're delivering to your customers. So therefore actually that's what we also said in terms of we have co-selling and bundles as well. But we are clearly have our own price boundaries to actually sell both parts at the value that they deliver to customers. And I think that's a way to really sustainably invest in it, because let's also be fair; informatics is an high investment area. R&D levels are higher. So you need to get also your return. And that's the way how to get it as well to not mix it with kind of your hardware sales. Actually it has a true value in itself. It needs to be able to stand on its own feet and to be sold and acquired for the value delivers.

**Leandro:** Yeah. So we'll go for two final questions. Robert and Oliver. Roy and Shez will be with you throughout the day so you can ask more about it.

**Robert (Morgan Stanley):** Robert from Morgan Stanley. My first one was just around independent software providers. So how do you see the kind of competitive threat of somebody like a Microsoft turning up and deciding to take your data and using their software to process the imaging? Not just them, I guess sort of small independent startups must be trying to do the same thing as well. So just be interested in your view on that.

The second one was just on the mix of your business, the 70/30 split between the sort of high growth, high margin business and the rest of it. How big of a differential do you think that's going to make to the overall group performance if you get all of those businesses where you want them to be?

And then the last one was just around the slide you put up around the R&D spend; I think 90% of it now going into businesses versus 10% into long term projects. Is that because you've shut down long term projects, or is that actually a true redirection of spending to the businesses? Thank you.

**Speaker:** Maybe I'll start with the back end hyperscalers like Microsoft, Amazon Web Services. These organizations are terrific partners to Philips because they actually – when you think of the stack from sort of cloud bare metal, AI, these are undifferentiated – Microsoft, Google, AWS, these are undifferentiated layers that they actually do not want to crawl up the stack to the bedside. They want to stay low down and be a undifferentiated technology provider. So we actually find great partnerships. We have partnerships with a number of them. And we talked about AWS today. And so we actually – and I used to work at one. So I also know the culture which is stay undifferentiated, have the broadest industry footprint possible and have your partners, in this case Philips, move up to the bedside. So that's the model they use. From a perspective of data, you ask just as an asterisk there, data belongs to the health system. It actually doesn't even belong to us. So our customers own their data. We partner together with customers in a co-creation. The example I gave for building that neural network for MRI Smart Speed, was a great example where we partnered, looked at the data of the customer, we signed an agreement, de-identified the data, and then built that neural network together with Lynn University and a few other partners. And so the data always stays with the customer. It belongs to the customer. We have agreements, we de-identify, we build algorithms. So your question of whether a hyperscaler like Microsoft could get access to it, they couldn't get access even if they wanted to because it's not their data. It's not even our data. It's the customer's data.

**Speaker:** Well, maybe to add, I think we are also technology agnostic. So we work with Google Cloud, Azure with AWS. So and those are important partners. Customers use different kind of solutions. So we work with the different solutions in the market. We also work closely with admin teams of making sure it's interoperable. So it seamlessly flow into the cloud. It seamlessly to flow into the EMR. It seamlessly to flow into other solutions. That's where the real value add is kind of from an integrated data play where everybody had different roles, and we focus on clinical informatics or the operational side of clinical informatics. That's our sweet spot because we have that deep and in-depth knowledge to kind of really, really play there. And then the other side is startups, because of course, there's a massive amount of startups now out there with all kind of algorithms, etc. They are starving for scale, right? So what you see with them is actually they of course are looking for partnerships with partners like us where they have open platforms that they can be part of. Of course, then first they need to have proven customer value. They need to of course to be approved. Then they might qualify also to be part of our platforms. We are open, but we also are selective. We don't just take any kind of AI algorithm out there. It needs to have really proven value for customers. So I think that's the two. How you see the ecosystem evolving, you see many. And the one big ask also we are getting from our customers because they are overthrown with all these kind of small startups, they cannot deal with the complexity, already have kind of a couple of hundred suppliers in hospital. They don't want more, actually they want less. They are selecting down on fewer partners that then actually can take off the complexity for them. And that's why it's so important to have some of these platforms that we have where actually you can land orders, algorithms, because then at least you have one interface. You have one user kind of view of how you can integrate that in your workflow. So that's the way how we can make it easy. And that's how we can also work with startups, because we also like to be in the startup community to see what's out there, where it can enhance ourselves, or where it can be of real value to our customers.

**Leandro:** And last question.

**Oliver (Kepler Cheuvreux):** Thanks very much. I try to squeeze in three questions. Oliver [Inaudible] from Kepler Cheuvreux. So the first one I guess is big potential efficiency opportunity in this kind of industry is to get – reduce the need for radiologists. I guess there's a kind of political and also sales strategy perspective to it, but to what extent or where is AI currently not capable of doing the kind of full image interpretation when it comes to DI?

Secondly, when it comes to this image interpretation, where exactly does it sit? Does it sit in the kind of software with the hardware? And to what extent is it also embedded in the kind of PACs systems? Because I guess in PACs you have a kind of stronger market share.

And then thirdly, I guess this kind of whole innovation also increases significantly the kind of efficiency of the kind of hardware. You talked about this kind of smart speed. So if you just take it on a like for like basis, to what extent is this kind of increased efficiency of hardware eating into the growth of the kind of overall industry? I mean, this is 1, 2 or 3 percentage points on a fully like for like basis?

**Speaker:** So maybe I'll start and we can go. So algorithms – artificial intelligence algorithms solve – well – are used to address specific problems. So for example find me a lung nodule, find me a punctured lung. Find – So they're very tailored to a disease condition. And so they become a tool for the radiologist. And if it's a neuro algorithm, look, find me a stroke, find me

a blood clot. The training models are used to find a specific problem. And so therefore there is not a general algorithm that solves – that becomes a radiologist. They are tailored to a specific condition and in order to be cleared in a regulatory way, how specific are you, how accurate are you. So therefore – And that's why we have AI manager as an as an open architecture because we build algorithms. But we also know that other startups who build algorithms. And so the physician, the radiologist, and you're right, they wanted in their PACs system, which is where we have it, in their workflow as they're viewing – all these screens I showed you were all the PACs system. I should have said that. So in the PACs system, the AI manager, you can pull an algorithm help me find a stroke, put an algorithm down help me find a lung nodule. And so this is how the architecture is open. Our algorithms, third party algorithms directly in the PACs, directly in workflow, optimizing their performance, providing automation and delivering better care to more people. So that's – you described it to T how it's done. And it's done by a multiplicity of algorithms. It's not just one.

**Speaker:** And again, our view on AI is we are not – we don't see AI taking over the role of nurses, doctors, kind of technicians. This is capacity enhancement. This is actually taking routine stuff out of the way. This is helping them to make better decisions. That's where the real added value is. But the ultimate decision still will have to be with the radiologist or with the with the physician. We also believe this is an excellent way to give more time, because there's an urgent need to spend more time with patients on the bed. Why are nurses running out of the hospital? They don't want to do their job anymore because they're doing half their job as admin and said 'I'm not signing up for that anymore. I want to spend time with patients. If I cannot, I do something else where I can spend it with people.' So if we can automate that part of their job – because on average, 20 minutes of an hour of a nurse is spent just on pure admin keying in data from systems, making reports, we can help a lot with that, right? And the same is with radiologists. 80% of our routine scans, they don't want to waste their time on routine scans within brackets. They want to have that done so that they can really focus on the complex cases. So I think this is really value enhancing. And also when people say this is kind of the battle of AI versus – no, it's not. Actually the gap in the healthcare system is so big. We need every single radiologist, physician that we can get in the next ten years because we cannot take care of the patients, but to actually help them doing that because we will not be able to find them, we need to have AI really filling in a huge capacity need.

And then in terms of the growth, I think it's hard to quantify what exactly that means because per customer is different what decision criteria they have, I think it gives them options, more options than they had in the past to kind of flexibly address expansion needs. And actually, you could see that sometimes it kind of expands lifetime. Sometimes it gives them an opportunity to actually make more use of an equipment because the hospitals are already full, they cannot put an additional part of equipment in, but they actually can do more patients, so they will happily expand in an opex model where they can pay you in a different. So it helps you to expand the market. I think time will tell how exactly this will play out, but we are quite excited about what this can do to also lower growth markets, to kind of give it a bit more fuel for growth. But ultimately, we also need to be mindful that there is a certain amount of spend in healthcare which is under pressure, right? And therefore actually giving them more value for what they can get, even if it's similar kind of spend will already be hugely differentiating and appreciated by the customers.

**Leandro:** Thank you Roy. Thank you Shez.

[END OF TRANSCRIPT]