

The background of the entire page is a photograph of two hands, one from the left and one from the right, holding a glowing, golden-yellow sphere. The hands are positioned as if they are gently cradling the sphere. The lighting is soft and warm, creating a sense of care and focus. The top half of the image is overlaid with a semi-transparent purple gradient, which serves as a backdrop for the text.

Q1 2018
January–March

Business review

DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-MARCH 2018

Detection Technology Q1: Sales started slowly, good profitability**January-March 2018 highlights**

- Net sales increased by 2.4% to EUR 19.3 million (18.9)
- Net sales of Security and Industrial Business Unit (SBU) decreased by 2.5% to EUR 11.8 million (12.1)
- Net sales of Medical Business Unit (MBU) increased by 11.2% to EUR 7.5 million (6.8)
- Operating profit (EBIT) was EUR 3.7 million (3.7)
- Operating margin (EBIT-%) was 19.4% of net sales (19.6%)

(Figures in brackets refer to the corresponding period of the previous year.)

Key figures

(EUR 1,000)	1-3/2018	1-3/2017	1-12/2017
Net sales	19,318	18,863	89,003
Change in net sales, %	2.4%	22.7%	17.9%
Operating profit	3,741	3,690	19,892
Operating margin, %	19.4%	19.6%	22.3%
R&D costs	1,948	1,529	7,157
R&D costs, % of net sales	10.1%	8.1%	8.0%
Cash flow from operating activities	5,205	1,154	18,625
Net interest-bearing debt at end of period	-26,019	-5,812	-21,774
Capital expenditure	960	324	1,833
Gearing, %	-58.2%	-19.1%	-52.3%
Earnings per share, EUR	0.21	0.20	1.09
Number of shares at the end of the period	13,900,595	13,425,775	13,900,595

President and CEO, Hannu Martola:

"After an excellent 2017 and especially the culmination of the last quarter, sales growth levelled out during the first quarter. Profitability remained good despite increased research and development costs. Operating profit was EUR 3.7 million, which corresponds to 19% of net sales.

In the MBU business, our net sales grew 11% from the comparison period, with growth coming from both North America and China. SBU-sales declined especially in the Chinese market, where the year started slowly. Asia remained the largest market for the company, but the sales split by geography was more even as demand accelerated also in Europe. The share of net sales accounted for by the five largest customers continued to decrease and was about 49%. Product development projects and investments in developing new technologies progressed as planned, and R&D expenses increased from the comparison period totaling 10% of net sales.

The global X-ray imaging market is expected to grow favorably in 2018, and we assume its annual growth rate to be on the same level as last year. In the first half of the year, we expect the company's sales to grow

in both business units, and we believe that we will achieve double-digit growth in net sales. However, we estimate that company growth will slow in the second half of the year, as a key MBU customer in medical applications will stop manufacturing a device that uses one of DT's products.

The ongoing year is therefore demanding in terms of the company's sales growth, and price competition will intensify in all segments. Protectionist trade policies may cause market disturbances, which can quickly affect market dynamics and our business. For example, increases in customs duties that may be imposed by the United States might change customers' purchasing behavior.

We are developing our competitiveness and the business in accordance with our strategy to gain new projects and customers. We will keep the company's targets for medium-term growth and profitability unchanged."

Markets

Detection Technology estimates that the annual growth rate of the market has remained unchanged. The global growth is about 3-5% in the medical computed tomography (CT) market, 7% in security and around 5% in industrial X-ray imaging. During the first quarter, the company's net sales increased 2.4% (22.7%) to EUR 19.3 million (18.9). The operating profit amounted to EUR 3.7 million (3.7), which corresponds to 19.4% of net sales (19.6%).

Net sales of Detection Technology's Medical Business Unit (MBU) grew 11.2% (94.5%) to EUR 7.5 million (6.8). The growth in MBU net sales was due to continued good demand in North America and emerging markets, and successful customer shipments. MBU's share of total net sales was 39.0% (35.9%).

As a result of the timing of deliveries, especially in the Chinese market, net sales for the Security and Industrial Business Unit (SBU) decreased by -2.5% (1.7%) compared to the same period last year, totaling EUR 11.8 million (12.1). SBU's share of total net sales was 61.0% (64.1%).

Asia remained the biggest market with its 50.9% (57.4%) share. Americas was the second largest market, accounting for 26.7% (23.6%) of net sales. Europe's share grew and was 22.4% (19.0%). The share of net sales accounted for by the top five customers decreased and totaled 48.9% (51.7%).

Strategy

The company has made progress in implementing the strategy in accordance with its plan. Product development projects and investments in new technology development as well as new customer acquisitions continued as planned. In addition, the company proceeded to implement the Enterprise Resource Planning System (ERP) and focused on finalizing the Product Data Management System (PDM) during the first quarter.

Business outlook

The company estimates that sales will grow in the first half of 2018, and stays at previous year's level in the second half as a key customer stops manufacturing a device that uses one of DT's products. There is

uncertainty regarding demand, and the intensification of competition might be reflected in product prices. In addition, protectionist trade policies may have an impact on the company's business.

Detection Technology's mid-term business outlook remains unchanged. The company aims to increase sales by at least 15% per annum and to achieve an operating margin at or above 15% during the medium term.

Half-yearly report 2018

Detection Technology will publish the half-yearly report on 20 July 2018.

Espoo 24 April 2018

Board of Directors
Detection Technology Plc



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