

Q1

Detection Technology Plc
BUSINESS REVIEW
January-March **2016**

DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-MARCH 2016

Detection Technology Q1: Net sales grew significantly, result at target level**First quarter 2016 highlights**

- Net sales increased by 71.3 % (29.5 %) to EUR 15.4 million (9.0)
- Net sales of Security and Industrial Business Unit (SBU) grew 116.3 % (55.0 %) to EUR 11.9 million (5.5) and Medical Business Unit (MBU) 0.2 % (3.0 %) to EUR 3.5 million (3.5)
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 2.3 million (1.1)
- Operating margin (EBIT-%) excluding NRI was 14.9 % of net sales (12.7 %)
- Net sales and profitability targets are unchanged in the medium term

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

Key Figures

(EUR 1 000)	Q1 2016	Q1 2015	Change %	2015
Net sales	15 373	8 973	71.3 %	42 782
Net sales growth %	71.3 %	29.5 %		29.2 %
Operating profit (EBIT) excl. NRI	2 287	1 139	100.8 %	4 534
Operating margin (EBIT-%) excl. NRI	14.9 %	12.7 %		10.6 %
NRI costs	0	398		1 098
Operating profit (EBIT)	2 287	741	208.6 %	3 437
Operating margin (EBIT-%)	14.9 %	8.3 %		8.0 %
R&D costs	1 623	1 178	37.8 %	5 696
R&D costs, % of net sales	10.6 %	13.1 %		13.3 %
Cash flow from operating activities	325	570	-43.0 %	2 622
Net interest bearing debt at end of period	-3 987	-9 256	-56.9 %	-5 444
Capital expenditure	875	547	60.0 %	4 770
Gearing, %	-18.9 %	-46.9 %		-25.8 %
Earnings per share, EUR	0.11	-0.03		0.07
Number of shares at the end of the period	12 950 975	12 950 975		12 950 975

President and CEO, Hannu Martola:

"The first quarter of 2016 was a strong start to the new year. Detection Technology's net sales grew 71 %, and operating profit totaled 2.3 million euros, 15 % of net sales. However, high quarterly volatility is typical for our business.

The growth was driven by strong demand for our security products in Asia. Especially in China the increased need to scan a variety of parcels has temporarily boosted our customers' equipment sales faster than forecasted. SBU's net sales grew 116 % from the last year due to the increased demand.

MBU's net sales increased only 0.2 %. The new customer projects of MBU still proceeded according to the plan and some of them will be transferred into production at end of the year.

The exceptional demand for security X-ray imaging systems, which started at the end of last year, continued in the beginning of the year. We expect that the demand will return to normal during the rest of the year.

We continue to invest based on our strategy and the results generated will be seen in our other businesses both geographically and by product groups in the medium term."

Markets

Detection Technology estimates that during the first quarter the global security X-ray market grew slightly more than the annual growth estimation (5-7 %) of Homeland Security Research Corporation as a result of the demand in Asia. In the industrial applications the growth rate was 5 %. Net sales of Security and Industrial Business Unit (SBU) grew significantly faster than the market in the first quarter, 116 % from the corresponding period (55 %) and totaled EUR 11.9 million (5.5). SBU's share of total net sales was 77 % (61 %).

The company estimates that the global computed tomography (CT) market in the medical segment grew 2-3 % in the review period, slower than Frost & Sullivan's annual growth estimation of 5 %. Medical Business Unit's (MBU) net sales grew from the corresponding period 0 % (3 %) totaling EUR 3.5 million (3.5). MBU's share of total net sales was 23 % (39 %).

Geographically Asia's share of net sales increased to 76 % (53 %) in the first quarter. Net sales totaled from Europe 13 % (24 %) and from Americas 12 % (23 %).

The company estimates that the annual growth rate will be around 7 % in the security and 5 % in the industrial X-ray imaging market. The global medical CT equipment market is expected to grow at approximately 5 % annually.

Strategy implementation

Detection Technology's strategy implementation is proceeding as planned. The company has continued to broaden its technology and customer bases during the first quarter of 2016.

Business outlook

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

Espoo April 25, 2016

Board of Directors
Detection Technology Plc



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