

Q3

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

DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-SEPTEMBER 2016

Detection Technology Q3: Net sales doubled**July-September 2016 highlights**

- Net sales increased by 105.9% to EUR 19.2 million (9.3)
- Net sales of Security and Industrial Business Unit (SBU) grew 134.9% to EUR 14.1 million (6.0)
- Net sales of Medical Business Unit (MBU) increased by 53.5% to EUR 5.1 million (3.3)
- Operating profit (EBIT) was EUR 4.1 million (0.4)
- Operating margin (EBIT-%) was 21.4% of net sales (4.2%)

January-September 2016 highlights

- Net sales increased by 88.5% to EUR 52.0 million (27.6)
- Net sales of SBU grew 146.6% to EUR 40.9 million (16.6)
- Net sales of MBU increased by 0.7% to EUR 11.1 million (11.0)
- Operating profit (EBIT) was EUR 9.6 million (1.7)
- Operating margin (EBIT-%) was 18.4% of net sales (6.2%)

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

Key figures

(EUR 1,000)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Net sales	19,159	9,305	51,982	27,570	42,782
Net sales growth, %	105.9%	6.8%	88.5%	17.9%	29.2%
Operating result (EBIT) excl. NRI	4,096	799	9,571	2,101	4,534
Operating result (EBIT) excl. NRI, %	21.4%	8.6%	18.4%	7.6%	10.6%
Non-recurring items (NRI)	0	-410	0	-410	-1,098
Operating profit	4,096	394	9,571	1,696	3,437
Operating margin, %	21.4%	4.2%	18.4%	6.2%	8.0%
R&D costs	1,034	1,681	3,812	4,339	5,696
R&D costs, % of net sales	5.4%	18.1%	7.3%	15.7%	13.3%
Cash flow from operating activities	1,624	-663	424	-2,722	2,622
Net interest bearing debt at end of period	-3,732	-5,187	-3,732	-5,187	-5,444
Capital expenditure	232	463	1,240	1,302	4,770
Gearing, %	-14.2%	-27.0%	-14.2%	-27.0%	-25.8%
Earnings per share, EUR	0.22	0.02	0.51	-0.03	0.07
Number of shares at the end of the period	12,950,975	12,950,975	12,950,975	12,950,975	12,950,975

President and CEO, Hannu Martola:

"The third quarter was excellent as both net sales and operating profit continued to grow strongly. Net sales grew 106%, and operating profit margin was 21%.

X-ray market continued to grow in all our main market areas. On top, we outperformed the market by focusing on higher growth segments and expanding our customer base.

Our R&D projects and new product launches were successful. R&D costs in the third quarter were lower than in the first half of the year due to seasonal fluctuations. Net sales increased in both business units as SBU sales grew 135% and MBU sales grew 54 % in the third quarter.

In DT's biggest market area, China, demand continued to be strong due to scanning requirements in customs, construction and renewal of airports, and X-ray imaging needs in logistics.

New customer projects in MBU were successfully transferred into production and customer shipments started as planned.

We believe our sales will be good for the rest of the year, and 2016 seems to be exceptional. After a strong year of growth, we expect that sales will level off and competition to tighten in 2017."

Markets

Detection Technology estimates that the global security X-ray market grew about 8% in the third quarter. Also the latest market studies forecast 8% growth in 2016 and some 7% in 2017-2018. This is due to increased security threats globally and increasing air traffic especially in developing markets. Average growth in industrial applications has been about 5%. China, Europe and North America are growing faster than other market areas.

In China, the increased demand has been driven mainly by increased use of scanning technologies in customs, building and renewal of airports, as well as scanning of parcels. Price competition has also tightened.

Detection Technology's Security and Industrial Business Unit's (SBU) net sales grew 135% in the third quarter compared to previous year, being EUR 14.1 million (6.0). SBU's share of total net sales was 73% (64%).

Detection Technology estimates the global computed tomography (CT) market grew 5% in the third quarter. Demand is increasing in China, where health care equipment is being modernized. Also in North America the demand is picking up.

Medical Business Unit's (MBU) net sales grew 54% from the corresponding period totaling EUR 5.1 million (3.3). MBU's share of total net sales was 27% (36%).

Asia's share of net sales was 69% (61%) in the third quarter. Net sales in Europe represented 15% (18%) of total net sales and the Americas 16% (21%). Net sales grew in all market areas.

Strategy

In the reporting period, the company focused on starting the production of the new MBU products and securing sufficient capacity according to its strategy. The company has also continued to expand its technology and customer bases.

Business outlook

Detection Technology estimates the full year 2016 net sales growth and profitability to be exceptionally strong. The new factory in Beijing, which was ramped up in the end of 2015, has enabled the significant increase in shipments in 2016. After a strong year of growth, we expect that sales will level off and competition to tighten in 2017.

Detection Technology's mid-term outlook remains unchanged. Detection Technology 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.

Financial statements review 2016

Detection Technology will publish financial statements review for year 2016 on 3 February 2017.

Espoo 25 October 2016

Board of Directors
Detection Technology Plc



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