



CEO's review

2016 – A strong year with outstanding growth and record profitability

2016 was extraordinary for us in terms of growth and profit improvement. For the full year, net sales grew by 77% over the previous year, and the operating margin reached 20%. Both of our business units, the Medical Business Unit (MBU) and Security and Industrial Business Unit (SBU), performed well and exceeded market growth. SBU had a fantastic year,

and MBU's sales increased considerably during the second half. In total, we had a good year in meeting the increased customer need with our products and services.

The markets that Detection Technology is serving are growing steadily. The global market growth for medical equipment has been stable at 5% for some time. The security market growth intensified and increased to 8%, and the markets using X-ray for other industrial applications grew by 5%.

The biggest growth has come from Asia. The medical market growth is being driven by an aging population as well as the need for the developing world to improve its healthcare services. The ongoing political unrest and the recent terrorist activity have driven the use of preventative security technologies such as X-ray scanning to a wider scale. In addition to airports and different kind of traffic hubs, more and more other critical organizations such as corporate

headquarters and government offices are using X-ray inspection.

In 2016, Detection Technology's customer base continued to consolidate, and we are seeing a record number of mergers and acquisitions in both the medical and security markets.

During the year, Detection Technology won many new customer projects from existing and new customers. The active customer base grew from 164 to 210 in 40 different countries. The company's market share increased, and we estimate our market share to be around 15% for both of our business units in our target markets.

2016 was strong from a technology and product portfolio development point of view. Detection Technology implemented its new digital detector platform to number of its X-Scan and X-Card product families for delivering greater intelligence for next generation security and industrial X-ray imaging solutions.

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Another example of a new growth potential is our growing business with several ongoing projects targeted at the stationary and rotating security CT equipment market.

The year was slightly exceptional in terms of our spending on research, development and engineering, since many projects ended and moved to production as planned. R&D spending grew slightly by 7% to EUR 6.1 million, representing 8% of our revenue. Activities for broadening the technology base and exploring new application opportunities continued, aimed at securing the company's future growth potential. In 2017, we expect relative R&D expenses to increase somewhat.

The new Beijing factory production increased, and improved in terms of quality and productivity. We are planning to increase our capacity further to meet customer demand. The company has reserved more floor space for its Beijing factory from the beginning of 2017.

Detection Technology's work force grew by 70 people, the majority of those in the production. We had 416 employees at our sites in Finland, China and USA at the end of the year.

Detection Technology has an excellent year behind it. We have a solid financial position and a strong will to grow our business and to deliver greater value to our customers. Together with our top-professionals, we are committed to boosting our customers' business in creating foresight capabilities quicker to discover and

prevent threats. We foresee and forewarn to foresave.

I warmly thank our customers and partners for their continuous support and a record year of cooperation. I also want to thank our shareholders for their trust and confidence expressed during the year. My deepest thanks go to the DT team for an outstanding result and commitment in serving our customers, helping and coaching their colleagues and developing our business and deliveries. Thank you all!

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Hannu Martola
President and CEO
Detection Technology Plc