

**Detection Technology**

Financial statements  
and Board of Directors' report

---

**2017**

# Board of Directors' report

## Financial year 2017 in brief

2017 was a year of strong growth and profitability. Detection Technology succeeded in a competitive market, grew significantly and its result exceeded expectations. The global X-ray imaging market grew steadily, and the company's product and service solutions and delivery capacity corresponded well to market demand.

The net sales of Detection Technology grew by 18% to EUR 89 million. The company's growth was a result of strong sales in the medical business unit (MBU) in the first three quarters, and significant growth in sales in the Security and Industrial Business Unit (SBU) in the final quarter of the year. MBU's net sales grew much more quickly than the market at 56% to EUR 31 million. On an annual level, SBU's net sales increased by 4% to EUR 58 million.

The company's business performed better than advance estimates. The operating profit of approximately EUR 20 million for the whole year and the operating profit percentage of 22% were the result not only of growth in sales and successful projects but also efficient operations. Fixed costs were lower than estimated. Research and development costs were 8% of net sales as a result of larger sales, successful projects and the timing of projects.

According to the company's estimates, its market share grew moderately and, to the company's understanding, was approximately 17% in both business units. The company also succeeded well at the customer interface, and during the year won the trust of 30 new customers.

During the financial period, Detection Technology continued its business development in accordance with its strategy. The company unveiled the world's first standard X-ray detector module tileable on all four sides for the most demanding medical computed tomography applications. The company also revamped the standard product portfolio of its industrial segment. Of these, the X-Scan F-series particularly designed for the needs of the recycling, forest and food industries was well received by the market. In 2017, other significant events were the expansion of the Beijing factory and the start of information system development projects. The company's sites in Finland and China were also certified in accordance with the ISO 9000:2015 and ISO 14001:2015 standards.

## Net sales and financial result development

Net sales grew by 17.9% to EUR 89.0 million (75.5). The net sales of the Security and Industrial Business Unit (SBU) grew by 3.8% to EUR 57.9 million (55.8). The net sales of the Medical Business Unit (MBU) were EUR 31.1 million (19.8), which is 57.5% more than in the the previous year. SBU's share of total net sales was 65.0% and MBU's 35.0%.

Geographically, Asia was the largest market area with a 63.4% (71.8%) share in 2017. Europe's share of net sales was 12.1% (13.5%) and Americas' 24.5% (14.8%). The top five customers accounted for 59.5% (69.0%) of net sales in 2017.

January-December 2017 operating profit (EBIT) was EUR 19.9 million (14.8), 22.3% of net sales (19.6%). Financial items totaled EUR -0.5 million (-0.7). January-December income taxes were EUR -4.2 million (-3.2). Profit for the review period was EUR 15.2 million (10.9). Earnings per share were EUR 1.09 (0.81) (EUR 1.13 before the impact of the targeted share issue carried out in December).

### Key figures of financial performance

	<b>Group 2017</b>	Group 2016	Group 2015	<b>Parent Company 2017</b>	Parent Company 2016	Parent Company 2015
Net sales, EUR 1,000	<b>89,003</b>	75,509	42,782	<b>22,453</b>	19,499	16,311
Operating profit, EUR 1,000	<b>19,892</b>	14,808	3,437	<b>4,889</b>	4,166	1,800
Operating profit, %	<b>22.3%</b>	19.6	8.0%	<b>21.8%</b>	21.4%	11.0%
Return on investment (ROI), %	<b>47.0%</b>	38.7%	8.3%	<b>14.2%</b>	12.2%	1.3%
Earnings per share, EUR	<b>1.09</b>	0.81	0.07	-	-	-
Earnings per share diluted, EUR*	<b>1.13</b>	0.84	0.07	-	-	-
Equity ratio with subordinated loans, %	<b>66.8%</b>	57.0%	62.0%	<b>92.5%</b>	86.7%	91.4%
Equity per share, EUR	<b>3.00</b>	2.30	1.63	<b>2.45</b>	2.51	2.37
Equity per share (diluted)*, EUR	<b>3.10</b>	2.39	1.63	<b>2.53</b>	2.61	2.37

\* In the calculation of the diluted earnings per share for 2017, a share number of 13,425,775 has been used, which was the number of shares before the 474,820 shares subscribed to in the share incentive scheme.

## Research and development

During the review period January-December 2017, research and development expenses (R&D) were EUR 7.2 million (6.1), corresponding to 8.0% of net sales (8.0%). In euro terms, R&D costs increased by 17.8% over the previous financial period. All R&D costs were entered as expenses.

## Personnel

At the end of December 2017, the company employed 405 persons (416). Of those, 341 worked in China, 58 in Finland and 6 in the US. Personnel expenses totaled EUR 13.4 million (12.0).

### Headcount, salaries and rewards

	<b>Group 2017</b>	Group 2016	Group 2015	<b>Parent Company 2017</b>	Parent Company 2016	Parent Company 2015
Average headcount	<b>417</b>	389	305	<b>56</b>	48	40
Salaries and rewards (EUR 1,000)	<b>10,522</b>	7,890	6,916	<b>4,146</b>	3,848	2,652

## Board of Directors and management

Heikki Allonen, Petri Niemi, Henrik Roos, Ari Saarenmaa and Andreas Tallberg were elected by the Annual General Meeting (AGM) to the Board of Directors at the meeting held on 23 March 2017. The Board elected Andreas Tallberg to chair the Board.

An extraordinary general meeting held on 20 September 2017 decided to increase the number of Board members to six, and elected Pasi Koota and Hannu Syrjälä as new members. Board member Ari Saarenmaa relinquished his duties on the Board. Andreas Tallberg continued as Chairman of the Board.

The Board of Directors has appointed Remuneration and Auditing Committees from amongst its number. From 23 March until 20 September 2017, the Remuneration Committee comprised Andreas Tallberg, Henrik Roos and Petri Niemi. The Remuneration Committee appointed Andreas Tallberg to chair the committee. On 20 September 2017, the Board of Directors appointed Andreas Tallberg, Henrik Roos, Petri Niemi and Hannu Syrjälä to the committee. Andreas Tallberg continued as chair of the Remuneration Committee. From 23 March until 20 September 2017, Heikki Allonen and Ari Saarenmaa belonged to the Auditing Committee. Heikki Allonen was elected chair of the Auditing Committee. On 20 September 2017, a new Auditing Committee was appointed comprising Heikki Allonen and Pasi Koota. Heikki Allonen continued as chair of the Audit Committee.

Hannu Martola has served as President and CEO. The company's auditor has been Ernst & Young Ltd with Juha Hilmola APA (Authorised Public Accountant) as the auditor in charge.

## Report on the Corporate Governance

A report on the company's Corporate Governance (CG) has been given for the financial year 2017. The report can be found on the company's website.

## Annual General Meeting

Detection Technology Plc's Annual General Meeting was held on 23 March 2017. The meeting handled and decided upon the following matters in addition to those referred to in the Articles of Association:

1) The decision was made to authorize the company's Board of Directors to acquire the company's own shares. This authority covers 675,000 shares, and is valid until the conclusion of the following Annual General Meeting, but no later than 30 June 2018. At the end of the review period, the authority to acquire the shares was completely unused.

2) The Board of Directors was authorized to decide on the issue of 1,345,000 new shares in the company. This authority is valid until the conclusion of the following Annual General Meeting, but no later than 30 June 2018. During the financial period, this authority to issue shares was used to issue shares for the share-based incentive program of company management. A total of 474,820 shares were issued within the framework of this program. At the end of the review period, 870,180 shares had not yet been issued under the authorization.

## Shares and shareholders

At the end of the review period, the number of shareholders totaled 2,241. Approximately 65% of shares were owned by the 10 largest shareholders. On 21 June 2017, AC Invest Seven BV, a wholly-owned subsidiary of Ahlström Capital Oy (AC) bought all the Detection Technology Plc shares owned by Oy G. W. Sohlberg Ab (GWS), equating to about 39% of company shares. As a result of the deal, Ahlström Capital became the company's largest shareholder. The nominee-registered foreign holding of shares in the company was about 13.1% at the end of the review period.

Detection Technology's average share price from January to December 2017 was EUR 17.21. The highest share price in 2017 was EUR 22.50 and the lowest EUR 13.20. At the end of December, the closing price was EUR 17.98 and the company had a market capitalization of EUR 250 million. The number of shares traded between 2 January and 29 December was 7.44 million, which is 53.5% of the total number of shares. This number includes the share transaction between GWS and AC.

On 21 June 2017, the company received a notification from Ahlström Capital Oy of a considerable change in ownership and voting rights. According to the notification, as a result of the share transaction that took place on 21 June 2017, the ownership and voting rights in Detection Technology Plc exceeded 30% of all ownership and voting rights in the company, as referred to in Chapter 9 Section 7 of the Security Market Act. The notification stated that it was just for information purposes, and that the notifying party had no flagging obligation because the company is listed on the First North stock exchange.

On 21 June 2017, the company received a notification from Oy G.W. Sohlberg Ab of a considerable change in ownership voting rights. According to the notification, the ownership and voting rights of GWS had decreased to zero.

On 7 December 2017, the Board of Directors of Detection Technology Plc decided to issue 474,820 new shares in a targeted share issue for individuals entitled to the share incentives based on the authorization granted by the Annual General Meeting held on 27 March 2017. The number of shares outstanding following the share issue and at the end of the review period was 13,900,595.

Detection Technology has one share series and all shares have equal voting rights. The company's shares are listed on the Nasdaq First North Finland under the ticker symbol DETEC.

### The largest, registered shareholders on 31 December 2017

	Shares	%
AC INVEST SEVEN B.V.	5,205,167	37.4%
OP-SUOMI -SJOITUSRAHASTO	651,065	4.7%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	554,000	4.0%
VARMA KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ	515,000	3.7%
SJOITUSRAHASTO AKTIA CAPITAL	484,762	3.5%
FONDITA NORDIC MICRO CAP PLACERINGSF	480,000	3.5%
SJOITUSRAHASTO EVLI SUOMI PIENYHTIÖT	441,181	3.2%
MARTOLA HANNU VEIKKO	322,875	2.3%
SR DANSKE INVEST SUOMEN PIENYHTIÖT	206,954	1.5%
SÄÄSTÖPANKKI KOTIMAA -SJOITUSRAHASTO	200,000	1.4%
SJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	167,170	1.2%
FONDITA EQUITY SPICE PLACERINGSFOND	115,975	0.8%
ERIKOISSJOITUSRAHASTO VISIO ALLOCATOR	93,000	0.7%
SÄÄSTÖPANKKI ITÄMERI -SJOITUSRAHASTO	85,187	0.6%
CHEN WU	70,140	0.5%
DRUMBO OY	70,000	0.5%
KALONIEMI MARKKU PETTERI	60,000	0.4%
OP-SUOMI PIENYHTIÖT	52,527	0.4%
HAGELSTAM LEIF HJALMAR	50,000	0.4%
OY CACAVAL AB	50,000	0.4%
<b>The 20 largest shareholders in total</b>	<b>9,775,003</b>	<b>70.3%</b>
<b>Other shareholders</b>	<b>4,125,592</b>	<b>29.7%</b>
<b>Shares in total</b>	<b>13,900,595</b>	<b>100.0%</b>

**Breakdown of share ownership**

<b>(number of shares)</b>	<b>Owners</b>	<b>%</b>	<b>Shares</b>	<b>%</b>
1 - 100	965	43.0%	49,216	0.4 %
101 - 500	787	35.1%	205,274	1.5%
501 - 1,000	193	8.6%	157,882	1.1%
1,001 - 5,000	198	8.8%	420,238	3.0%
5,001 - 10,000	28	1.2%	198,359	1.4%
10,001 - 50,000	50	2.2%	1,369,946	9.9%
50,001 - 100,000	6	0.3%	430,854	3.1%
100,001 -	14	0.6%	11,068,826	79.6%
	<b>2,241</b>	<b>100.0%</b>	<b>13,900,595</b>	<b>100.0%</b>

**Shareholding of the management on 31 December 2017**

	<b>Shares</b>	<b>%</b>
Members of the Board	26,098	0.19%
CEO	322,875	2.32%
Other members of the management team	220,906	1.59%

In addition to the above-mentioned shareholdings, at the end of the review period Oy Nissala Ab, a corporation controlled by the company's Chair of the Board Andreas Tallberg, owned 17,362 of the company's shares, and a corporation controlled by President and CEO Hannu Martola, Expedir Oy, owned 35,000 shares.

## Share-based incentive programs

The company established share-based incentive programs for the President and CEO in 2008 and for key personnel in 2010. In these programs, shares can be offered for subscription to beneficiaries in three steps. The first step started in December 2016, the second in December 2017 and the third will start in December 2018, if the beneficiary is in an employment relationship with the company and fulfils other terms of the programs.

The Board of Directors accepts the share issue annually by 9 December with an authorization given by the Annual General Meeting. According to these share-based incentive programs, shares offered and allocated are issued without compensation. At the end of the review period, their maximum remaining number was 474,835. During the financial year, within the share-based incentive programs a total of 474,820 new shares were issued. The shares began being traded on 11 December 2017.

## Risks and uncertainties

The management did not identify any fundamental changes to Detection Technology's risks and uncertainties in 2017. The company's most significant short-term risks are associated with uncertainties in the international economies and operating in the emerging markets.

Other risks are related to price competition, a significant share of net sales generated from the top five customers, APAC countries' large share of sales, product quality, SOP (startup of production) of new products, the updating of information systems, customer liquidity, exchange rate fluctuations, an overall rise in costs especially in China, the adequacy and competence of personnel and organizational efficiency.

The company aims to mitigate these risks with normal control and precautionary measures. The Group has not hedged foreign exchange risks. Group loans are not covered by interest rate hedging instruments, and consequently possible interest rate changes can impact the company results. The Group has taken measures to protect against material and immaterial damage by insuring its operations sufficiently.

Products that Group companies manufacture are sensitive X-ray detectors and related quality standards are rigorous. It is possible that, from time to time and despite on-going quality and assurance mechanisms, the quality of the products does not fully meet customer requirements thereby causing additional quality costs. There are several quality assurance and testing methodologies used in production, which are regarded as adequate by corporate management to make sure that, under normal conditions, products meet the requirements. Group companies in China and Finland have obtained ISO 9001:2015 and 14001:2015 certification for their key processes.

Through normal control and precautionary measures, the Company management aims to reduce the impact of risks affecting the company's operational continuity.

## The environment

At Detection Technology, environmental responsibility means offering customers environmentally-friendly solutions and reducing the harmful environmental impact of the company's own operations. The company aims to actively anticipate and reduce the amount of environmental impact caused by its operations in all the company's key processes.

In the review period, the Group reduced its carbon footprint by, among other things, paying particular attention to reducing waste, optimizing the size of its product packaging, minimizing the use of packaging material and recycling. In product development, planning rules (DfE) were further developed taking into account environmental perspectives and objectives.



The key processes of Finnish and Chinese operations were also certified in accordance with the ISO 14001:2015 standard. No significant environmental damage came to the company's notice.

## Events after financial year ended

During the 2018 financial year, business has continued without abnormal events.

## Business outlook

Detection Technology estimates that the global security X-ray equipment market grew by about 7% during the review period, which is in line with the forecasts by market research institutes. Homeland Security Research Corporation (HSRC) estimated the compound annual growth rate (CAGR) of the market to be 6.7% in the period 2017-2021. According to HSRC, growth is a consequence of internationally increasing security risks. HSRC also assessed the growth in the X-ray equipment market, declaring that the rate of renewal of old equipment will accelerate. HSRC has not identified any noteworthy competing technologies for the screening needs of the security market, and considers the price quality relationship for X-ray imaging equipment to be excellent. (Source: HSRC May 2017 edition, X-ray baggage, cargo, people, container & vehicle screening market 2017-2021).

Detection Technology estimates that the annual growth rate in the industrial X-ray imaging equipment market will be approximately 5%. The company expects that the growth in the security and industrial market will continue to be good, and that critical infrastructure, vehicles and the industrial market segment in particular will grow. The European Civil Aviation Conference Standard 3 (ECAC3) that enters into force in 2020 will increase demand for computed tomography (CT) equipment at European airports.

According to industry estimates, the average global medical X-ray imaging market growth will be around 5% per annum. Detection Technology estimates that the medical computed tomography market grew in 2017 by a rate of 3-5% per annum. Market growth was strongest in Asia and demand also developed positively in North America. The company estimates that the global medical X-ray imaging market will develop positively.

## Outlook for 2018

In 2018, the company expects sales to increase slightly in security and industrial applications. In medical applications, the company expects sales to increase in the first half of 2018 and to decrease in the second half when one of the company's key customers discontinues the use of DT products in the manufacture of its equipment. Price competition will intensify in all the company's markets. The company will continue to develop its business by gaining new customers and projects, and considers that the growth prospects for both its business units are good in the long term.

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

## Dividend distribution policy

In accordance with a decision by the Board of Directors, the company aims regularly to distribute funds to shareholders every year, by paying dividends or refunding capital. The amount of funds for distribution and the time of payment are affected by, among other things, the company and Group result, its financial position, the need for capital and other possible factors. The aim is to distribute to shareholders 30-60% of the Group's annual earnings (earnings per share) before non-recurring items.

## Board of Directors' profit distribution proposal

The distributable funds of the parent company Detection Technology Plc are EUR 28,782,655.66, of which EUR 3,611,311.82 represents the net profit for the financial year. The company's distributable funds are EUR 6,329,780.44. Since the end of the financial year, there have not been significant changes in the company's financial situation, nor does the solvency test referred to in Chapter 12, Section 2 of the Limited Companies Act affect the amount of distributable funds.

The Board of Directors proposes to the Annual General Meeting to be held on 27 March 2018 that, based on the balance sheet adopted for 2017, a capital repayment of EUR 0.35 per share be paid. The number of shares giving entitlement to a dividend is 13,900,595, which means that the total amount of dividend would be EUR 4,865,208.25.

## Group income statement

1.1.2017-31.12.2017

	<b>2017</b>	<b>2016</b>
<b>NET SALES</b>	<b>89,003,049.16</b>	<b>75,508,871.74</b>
Change in inventories of finished goods and work in progress	-1,083,105.22	2,223,135.11
Other operating income	142,532.56	74,815.20
Materials and services		
Materials, supplies and goods		
Purchases during financial year	-40,962,943.38	-41,252,828.62
Change in inventories	-944,972.20	1,604,323.31
External services	-495,679.10	-2,750,026.68
Total	-42,403,594.68	-42,398,532.00
Personnel expenses		
Salaries and wages	-10,522,006.63	-7,890,344.11
Indirect personnel expenses		
Pension expenses	-1,535,777.57	-1,114,148.81
Other indirect personnel expenses	-1,354,058.67	-905,978.87
Total	-13,411,842.87	-9,910,471.79
Depreciations and amortisations		
Depreciations according to plan	-2,217,514.65	-2,521,604.79
Amortisations	-8,484.56	0.00
Total	-2,225,999.21	-2,521,604.79
Other operating expenses	-10,128,249.02	-8,167,851.26
<b>OPERATING PROFIT (LOSS)</b>	<b>19,892,790.72</b>	<b>14,808,362.21</b>
Financial income and expenses		
Interest and financial income	1,914,121.08	731,005.17
Interest and financial expenses	-2,438,309.43	-1,416,533.05
Total	-524,188.35	-685,527.88
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	19,368,602.37	14,122,834.33
Income taxes	-4,216,534.09	-3,232,028.40
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>15,152,068.28</b>	<b>10,890,805.93</b>

## Group balance sheet

31.12.2017

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	305,282.17	375,771.28
Other capitalized expenses	903,479.78	1,250,128.35
Prepayments for intangible assets	313,906.83	0.00
Total	1,522,668.78	1,625,899.63
Tangible assets		
Machinery and equipment	4,260,110.48	4,663,810.79
Prepayments for tangible assets	62,696.41	45,296.45
Total	4,322,806.89	4,709,107.24
Investments		
Other shares	10,500.00	10,500.00
Total	10,500.00	10,500.00
TOTAL NON-CURRENT ASSETS	5,855,975.67	6,345,506.87
CURRENT ASSETS		
Inventories		
Materials and supplies	5,628,388.32	6,573,360.52
Work in process	115,774.00	850,182.57
Finished goods	2,823,618.55	3,172,315.20
Total	8,567,780.87	10,595,858.29
Receivables		
Current receivables		
Trade receivables	20,556,649.21	20,351,164.14
Other receivables	364,765.66	731,115.12
Prepaid expenses and accrued income	527,110.41	533,980.71
Total	21,448,525.28	21,616,259.97
Cash and cash equivalents	26,500,016.84	15,662,360.45
TOTAL CURRENT ASSETS	56,516,322.99	47,874,478.71
<b>TOTAL ASSETS</b>	<b>62,372,298.65</b>	<b>54,219,985.58</b>

# Group balance sheet

31.12.2017

<b>EQUITY AND LIABILITIES</b>	<b>2017</b>	<b>2016</b>
<b>EQUITY</b>		
Share capital	80,000.00	80,000.00
Share premium account	5,130,024.55	5,130,024.55
Invested non-restricted equity fund	22,452,875.22	25,809,318.97
Retained earnings (loss)	-1,176,033.10	-10,999,824.39
Profit for financial year (loss)	15,152,068.28	10,890,805.93
<b>TOTAL EQUITY</b>	<b>41,638,934.94</b>	<b>30,910,325.06</b>
<b>LIABILITIES</b>		
Non-current liabilities		
Other loans	0.00	683,445.25
<b>Total</b>	<b>0.00</b>	<b>683,445.25</b>
Current liabilities		
Loans from financial institutions	4,725,668.86	6,640,052.42
Advances received	223,156.65	697,358.47
Trade payables	8,709,739.32	10,251,934.02
Other liabilities	1,077,081.30	1,887,671.30
Accrued liabilities	5,997,717.58	3,149,199.06
<b>Total</b>	<b>20,733,363.71</b>	<b>22,626,215.27</b>
<b>TOTAL LIABILITIES</b>	<b>20,733,363.71</b>	<b>23,309,660.52</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>62,372,298.65</b>	<b>54,219,985.58</b>

## Group cash flow statement

	2017	2016
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit (loss)	19,892,790.72	14,808,362.21
Depreciations	2,225,999.21	2,521,604.80
Change in working capital	1,101,148.15	-10,775,577.10
Change in advances received	-474,201.82	83,994.14
Financial income and expenses	-799,300.65	-2,059.11
Paid income taxes	-3,321,858.87	-1,223,149.96
<b>CASH FLOW FROM OPERATIONS</b>	18,624,576.74	5,413,174.98
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-1,832,647.79	-1,612,094.55
<b>CASH FLOW FROM INVESTMENTS</b>	-1,832,647.79	-1,612,094.55
<b>CASH FLOW FROM FINANCING</b>		
Repayment of non-current loans	-683,445.25	-101,125.00
Withdrawal of current loans	416,726.97	6,378,528.42
Repayment of current loans	-2,331,110.53	-951,335.08
Capital repayment	-3,356,443.75	-906,568.25
<b>CASH FLOW FROM FINANCING</b>	-5,954,272.56	4,419,500.09
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	10,837,656.39	8,220,580.52
Cash and cash equivalents at the beginning of the year	15,662,360.45	7,441,779.93
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	26,500,016.84	15,662,360.45
<b>CHANGE IN WORKING CAPITAL</b>		
Change in current receivables*	-402,844.33	-8,497,854.99
Change in inventories	2,028,077.42	-3,827,458.42
Change in current liabilities	-524,084.95	1,549,736.31
<b>CHANGE IN WORKING CAPITAL</b>	1,101,148.15	-10,775,577.10

\* Deferred conversion differences included into change in working capital, as an increase of current receivables.

# Detection Technology Plc income statement

1.1.2017-31.12.2017

	<b>2017</b>	<b>2016</b>
<b>NET SALES</b>	<b>22,452,945.14</b>	<b>19,498,839.96</b>
Change in inventories of finished goods and work in progress	139,250.06	103,312.20
Other operating income	4,967,468.95	4,050,792.25
Materials and services		
Materials, supplies and goods		
Purchases during financial year	-11,619,548.92	-10,199,903.75
Change in inventories	107,986.66	386,006.67
External services	-210,945.02	-295,038.35
Total	-11,722,507.28	-10,108,935.43
Personnel expenses		
Salaries and wages	-4,145,667.44	-3,848,186.34
Indirect personnel expenses		
Pension expenses	-783,652.21	-656,851.30
Other indirect personnel expenses	-149,532.20	-149,123.49
Total	-5,078,851.85	-4,654,161.13
Depreciations and amortisations		
Depreciations according to plan	-522,250.54	-338,578.30
Total	-522,250.54	-338,578.30
Other operating expenses	-5,346,670.29	-4,384,957.56
<b>OPERATING PROFIT (LOSS)</b>	<b>4,889,384.19</b>	<b>4,166,311.99</b>
Financial income and expenses		
Interest and financial income	706,680.11	963,107.45
Interest and financial expenses	-1,243,179.69	-410,217.32
Total	-536,499.58	552,890.13
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	4,352,884.61	4,719,202.12
Income taxes	-741,572.79	-788,280.68
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>3,611,311.82</b>	<b>3,930,921.44</b>

## Detection Technology Plc balance sheet

31.12.2017

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	234,153.32	266,536.91
Other capitalized expenses	457,983.18	512,438.13
Prepayments for intangible assets	313,906.83	0.00
Total	1,006,043.33	778,975.04
Tangible assets		
Machinery and equipment	967,092.06	507,626.51
Prepayments for tangible assets	62,696.41	45,296.45
Total	1,029,788.47	552,922.96
Investments		
Shares in group companies	2,979,045.23	2,979,045.23
Other shares	10,500.00	10,500.00
Total	2,989,545.23	2,989,545.23
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,025,377.03</b>	<b>4,321,443.23</b>
CURRENT ASSETS		
Inventories		
Materials and supplies	779,424.80	671,438.14
Work in progress	115,773.99	153,437.38
Finished goods	279,771.32	102,857.87
Total	1,174,970.11	927,733.39
Receivables		
Non-current receivables		
Receivables from group companies	5,664,335.42	13,309,022.61
Total	5,664,335.42	13,309,022.61
Current receivables		
Trade receivables	1,635,358.41	2,346,128.97
Receivables from group companies	6,539,720.61	7,428,938.46
Other receivables	360,996.38	251,289.79
Prepaid expenses and accrued income	217,333.86	138,935.19
Total	8,753,409.26	10,165,292.41
Cash and cash equivalents	16,114,495.79	10,191,248.99
<b>TOTAL CURRENT ASSETS</b>	<b>31,707,210.58</b>	<b>34,593,297.40</b>
<b>TOTAL ASSETS</b>	<b>36,732,587.61</b>	<b>38,914,740.63</b>



# Detection Technology Plc balance sheet

31.12.2017

<b>EQUITY AND LIABILITIES</b>	<b>2017</b>	<b>2016</b>
EQUITY		
Share capital	80,000.00	80,000.00
Share premium account	5,130,024.55	5,130,024.55
Invested non-restricted equity fund	22,452,875.22	25,809,318.97
Retained earnings (loss)	2,718,468.62	-1,212,452.82
Profit for financial year (loss)	3,611,311.82	3,930,921.44
<b>TOTAL EQUITY</b>	<b>33,992,680.21</b>	<b>33,737,812.14</b>
LIABILITIES		
Non-current liabilities		
Other loans	0.00	683,445.25
<b>Total</b>	<b>0.00</b>	<b>683,445.25</b>
Current liabilities		
Other loans	0.00	261,524.00
Advances received	40,505.02	617,637.83
Trade payables	831,669.33	864,308.76
Trade payables from group companies	201,594.26	943,686.43
Other liabilities	102,439.51	94,372.26
Accrued liabilities	1,563,699.28	1,711,953.96
<b>Total</b>	<b>2,739,907.40</b>	<b>4,493,483.24</b>
<b>TOTAL LIABILITIES</b>	<b>2,739,907.40</b>	<b>5,176,928.49</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,732,587.61</b>	<b>38,914,740.63</b>

## Detection Technology Plc cash flow statement

	<b>2017</b>	<b>2016</b>
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit (loss)	6,124,833.57	5,696,230.28
Depreciations	522,250.54	338,578.30
Change in working capital	3,309,268.12	3,747,749.60
Change in advances received	-577,132.81	168,571.25
Financial income and expenses	464,366.25	285,654.19
Paid income taxes	-1,296,546.63	-330,524.49
<b>CASH FLOW FROM OPERATIONS</b>	<b>8,547,039.04</b>	<b>9,906,259.13</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-1,065,838.02	-433,698.47
Investments in shares in subsidiaries	0.00	-2,814,720.99
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-1,065,838.02</b>	<b>-3,248,419.46</b>
<b>CASH FLOW FROM FINANCING</b>		
Repayment of non-current loans	-683,445.25	-101,125.00
Non-current loans to group companies	2,743,458.78	213,715.11
Repayment of current loans	-261,524.00	-951,335.08
Capital repayment	-3,356,443.75	-906,568.25
<b>CASH FLOW FROM FINANCING</b>	<b>-1,557,954.22</b>	<b>-1,745,313.22</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>5,923,246.80</b>	<b>4,912,526.45</b>
Cash and cash equivalents at the beginning of the year	10,191,248.99	5,278,722.54
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>16,114,495.79</b>	<b>10,191,248.99</b>
<b>CHANGE IN WORKING CAPITAL</b>		
Change in current receivables	4,681,281.89	2,940,088.32
Change in inventories	-316,857.41	-486,339.32
Change in current liabilities	-1,055,156.36	1,294,000.60
<b>CHANGE IN WORKING CAPITAL</b>	<b>3,309,268.12</b>	<b>3,747,749.60</b>

## Accounting principles for consolidated financial statements

Copies of Detection Technology Plc consolidated financial statement can be obtained from the company's offices in Oulu and Espoo.

### Principles for consolidated financial statements

Consolidated financial statements of Detection Technology Group have been drawn up by using past equity method.

Intercompany transactions, account receivables and account payables as well as group internal shareholdings have been eliminated from consolidated financial statements. The income statements of subsidiaries have been converted to euro by using monthly average exchange rate for the financial period, and balance sheets have been converted by using the official rates at the end of the financial period. Differences arising from the currency conversion as well as the translation of foreign subsidiaries' share capital are included in retained earnings.

Cash flow statements for DT Group and Detection Technology Plc have been prepared in compliance with the cash flow reporting model recommended by Finnish Accounting Board (KILA).

### Company shares

#### Share´s basic information

Trading code	DETEC
ISIN code	FI4000115464
Votes/share	1
Share capital, EUR	80,000.00 €
Share amount	13,900,595 pcs

#### Shares os subsidiaries

	Ownership	Country
DTF (H.K.) Ltd.	100%	Hong Kong
Detection Technology, Inc.	100%	United States
Beijing DT Electronic Technology Co., Ltd.	100%	China
DT Electronic Manufacturing (Beijing) Co., Ltd.	100%	China

**Associated companies**

Company does not have any associated companies.

**Goodwill**

Company does not have any goodwill in its balance sheet as the company has established all subsidiaries.

**Deferred taxes**

All material deferred taxes are accrued to consolidated financial statements.

**Valuation methods and principles**

Inventories have been valued at variable acquisition cost on the basis of Chapter 5 Section 6 of the Finnish Accounting Act that defines the rules for valuation.

The company's fixed assets have been valued at variable acquisition cost.

Planned depreciation periods for different asset types are as follows

Intangible rights	straight-line depreciation 4 years
Other capitalized expenses	straight-line depreciation 4 - 5 years
Machines and equipment	straight-line depreciation 4 - 5 years

**Net sales recognition principles**

Net sales for the products and services produced by the company is recognized based on delivery.

**Conversion of foreign currency items**

Receivables and payables recorded in foreign currencies are converted to euros based on the average rates of the end date of the financial period.

## Notes to group's financial statement

### NOTES TO INCOME STATEMENT

<b>NET SALES</b>	<b>2017</b>	<b>2016</b>
Finland	2,105,479.60	2,044,075.06
Other geographical areas	86,897,569.56	73,464,796.68
<b>Total</b>	<b>89,003,049.16</b>	<b>75,508,871.74</b>
Medical Business Unit (MBU)	31,119,088.50	19,754,992.77
Security and Industrial Business Unit (SBU)	57,883,960.66	55,753,878.97
<b>Total</b>	<b>89,003,049.16</b>	<b>75,508,871.74</b>

Top five customers accounted for 60% of net sales in the review period.

<b>PERSONNEL</b>	<b>2017</b>	<b>2016</b>
Members of the Board of Directors' rewards		
Chairman's rewards	42,000.00	42,000.00
Board members' rewards	90,000.01	84,000.00
<b>Total</b>	<b>132,000.01</b>	<b>126,000.00</b>
CEO's rewards		
Fixed salaries and rewards	358,179.91	325,662.41
Benefits	11,220.00	11,220.00
<b>Total</b>	<b>369,399.91</b>	<b>336,882.41</b>

The Board members and CEO have a voluntary pension scheme provided by the company.

### Management's share-based incentive scheme

The company's management has a share-based incentive scheme that has not been booked to company or consolidated accounts.

### Average number of personnel during the financial year

Officers	160	146
Workers	258	243
<b>Total</b>	<b>417</b>	<b>389</b>

During the financial year, some of the agency workers were hired as the company's own employees.

<b>DEPRECIATIONS</b>	<b>2017</b>	<b>2016</b>
Intangible rights	132,819.61	75,377.82
Other capitalized expenses	665,344.35	849,337.10
Machinery and equipment	1,419,350.69	1,596,889.82
<b>Total</b>	<b>2,217,514.65</b>	<b>2,521,604.74</b>

<b>SPECIFICATION FOR FINANCIAL ITEMS</b>	<b>2017</b>	<b>2016</b>
Financial income from others	10,093.56	5,881.65
Interest expenses	-466,286.69	-271,528.16
Other financial expenses	-23,071.19	-44,166.49
Conversion items	-44,924.03	-375,714.88
<b>Total</b>	<b>-524,188.35</b>	<b>-685,527.88</b>

### NOTES TO BALANCE SHEET

<b>INTANGIBLE ASSETS</b>	<b>2017</b>	<b>2016</b>
Intangible rights		
Carrying amount at 1.1.	375,771.28	147,011.47
Increases	68,172.05	312,573.74
Reclassification	0.00	0.00
Decreases	0.00	0.00
Conversion items	-5,841.55	-1,936.91
Depreciations	-132,819.61	-81,877.02
<b>Carrying amount at 31.12.</b>	<b>305,282.17</b>	<b>375,771.28</b>
Other capitalized expenses		
Carrying amount at 1.1.	1,250,128.35	649,974.26
Increases	354,600.83	1,504,250.65
Reclassification	0.00	0.00
Decreases	0.00	-8,822.73
Conversion items	-35,905.05	-5,346.29
Depreciations	-665,344.35	-889,927.54
<b>Carrying amount at 31.12.</b>	<b>903,479.78</b>	<b>1,250,128.35</b>
Prepayments for intangible assets		
Carrying amount at 1.1.	0.00	0.00
Increases	313,906.83	0.00
Decreases	0.00	0.00
<b>Carrying amount at 31.12.</b>	<b>313,906.83</b>	<b>0.00</b>
<b>INTANGIBLE ASSETS TOTAL</b>	<b>1,522,668.77</b>	<b>1,625,899.63</b>

<b>TANGIBLE ASSETS</b>	<b>2017</b>	<b>2016</b>
Machinery and equipment		
Carrying amount at 1.1.	4,663,810.79	3,337,165.24
Increases	1,193,618.00	2,972,771.70
Reclassification	0.00	0.00
Decreases	-8,484.56	0.00
Conversion items	-169,483.05	-96,325.92
Depreciations	-1,419,350.69	-1,549,800.23
Carrying amount at 31.12.	4,260,110.48	4,663,810.79
Prepayments for tangible assets		
Carrying amount at 1.1.	45,296.45	3,110,366.13
Increases	62,696.41	45,296.45
Decreases	-45,296.45	-3,110,366.13
Carrying amount at 31.12.	62,696.41	45,296.45
<b>TANGIBLE ASSETS TOTAL</b>	<b>4,322,806.89</b>	<b>4,709,107.24</b>
<b>INVESTMENTS</b>	<b>2017</b>	<b>2016</b>
Other shares		
Carrying amount at 1.1.	10,500.00	10,500.00
Increases	0.00	0.00
Decreases	0.00	0.00
Carrying amount at 31.12.	10,500.00	10,500.00
<b>RECEIVABLES</b>	<b>2017</b>	<b>2016</b>
Current receivables		
Trade receivables	20,556,649.21	20,351,164.14
VAT receivables	351,103.25	731,115.12
Other receivables	13,662.41	0.00
Accrued income	527,110.41	533,980.71
Total	21,448,525.28	21,616,259.97
<b>NOTES TO EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>	<b>2017</b>	<b>2016</b>
Share capital 1.1.	80,000.00	80,000.00
Additions	0.00	0.00
Share capital 31.12.	80,000.00	80,000.00
Share premium account 1.1.	5,130,024.55	5,130,024.55
Changes	0.00	0.00
Share premium account 31.12.	5,130,024.55	5,130,024.55

Invested non-restricted equity fund 1.1.	25,809,318.97	26,715,887.22
Additions	0.00	0.00
Repayment	-3,356,443.75	-906,568.25
Invested non-restricted equity fund 31.12.	22,452,875.22	25,809,318.97
Retained earnings 1.1.	-109,018.45	-10,826,858.35
Conversion items	-1,067,014.65	-172,201.86
Items belonging to previous financial years	0.00	-764.18
Profit for financial year	15,152,068.28	10,890,805.93
Retained earnings 31.12.	13,976,035.17	-109,018.46
<b>EQUITY TOTAL</b>	<b>41,638,934.94</b>	<b>30,910,325.06</b>

<b>LIABILITIES</b>	<b>2017</b>	<b>2016</b>
Non-current liabilities		
Other loans	0.00	683,445.25
Total	0.00	683,445.25
Current liabilities		
Loans from financial institutions	4,725,668.86	6,640,052.42
Advances received	223,156.65	697,358.47
Trade payables	8,709,739.32	10,251,934.02
Other liabilities	1,077,081.30	1,887,671.30
Accrued interest payables	5,066.37	19,417.01
Accrued income tax payables	475,421.52	465,438.63
Warranty provision	1,589,366.55	1,136,677.46
Other accrued liabilities	3,927,863.14	1,527,665.96
Total	20,733,363.71	22,626,215.27

Accrued liabilities include warranty provisions estimated by the management. The provision equals to approximately 1.5% of group net sales.

<b>PLEDGES AND COMMITMENTS</b>	<b>2017</b>	<b>2016</b>
Pledged and collateral	10,734,912.84	10,734,912.84
Unused credit overdraft facility	4,680,973.55	3,000,000.00
Other undertakings	47,629.50	47,629.50
Total	15,463,515.89	13,782,542.34
Amounts payable under leasing agreements vat 0 %		
Payable in the following financial year	881,365.40	1,213,671.69
Payable in later years	829,328.57	854,485.67
Total	1,710,693.97	2,068,157.37



## Notes to parent company's financial statement

### NOTES TO INCOME STATEMENT

<b>NET SALES</b>	<b>2017</b>	<b>2016</b>
Finland	2,105,479.60	2,044,075.06
Other geographical areas	20,347,465.54	17,454,764.90
Total	22,452,945.14	19,498,839.96

<b>PERSONNEL</b>	<b>2017</b>	<b>2016</b>
Members of the Board of Directors' rewards		
Chairman's rewards	42,000.00	42,000.00
Board members' rewards	90,000.01	84,000.00
Total	132,000.01	126,000.00

<b>CEO's rewards</b>	<b>2017</b>	<b>2016</b>
Fixed salaries and rewards	358,179.91	325,662.41
Benefits	11,220.00	11,220.00
Total	369,399.91	336,882.41

The Board members and CEO have a voluntary pension scheme provided by the company.

#### Management's share-based incentive scheme

The company's management has a share-based incentive scheme that has not been booked to company or consolidated accounts.

#### Average number of personnel during the financial year

Officers	52	45
Workers	4	3
Total	56	48

<b>DEPRECIATIONS</b>	<b>2017</b>	<b>2016</b>
Intangible rights	86,581.63	45,860.36
Other capitalized expenses	179,606.89	119,004.62
Machinery and equipment	256,062.02	173,713.32
Total	522,250.54	338,578.30

<b>AUDITING SERVICES</b>	<b>2017</b>	<b>2016</b>
Annual audits	68,448.00	37,297.80
Other services	7,315.00	3,000.00
Total	75,763.00	40,297.80

**SPECIFICATION FOR FINANCIAL ITEMS**

	<b>2017</b>	<b>2016</b>
Financial income from group companies	478,661.00	499,740.49
Financial income from others	218.10	177.07
Interest expenses	-55,701.93	-152,406.08
Other financial expenses	-1,475.67	-6,714.80
Conversion items	-958,201.08	212,093.45
<b>Total</b>	<b>-536,499.58</b>	<b>552,890.13</b>

**NOTES TO BALANCE SHEET****INTANGIBLE ASSETS**

	<b>2017</b>	<b>2016</b>
Intangible rights		
Carrying amount at 1.1.	266,536.91	86,624.71
Increases	54,198.04	225,772.56
Reclassification	0.00	0.00
Decreases	0.00	0.00
Depreciations	-86,581.63	-45,860.36
<b>Carrying amount at 31.12.</b>	<b>234,153.32</b>	<b>266,536.91</b>
Other capitalized expenses		
Carrying amount at 1.1.	512,438.13	522,474.70
Increases	125,151.94	117,790.78
Reclassification	0.00	0.00
Decreases	0.00	-8,822.73
Depreciations	-179,606.89	-119,004.62
<b>Carrying amount at 31.12.</b>	<b>457,983.18</b>	<b>512,438.13</b>
Prepayments for intangible assets		
Carrying amount at 1.1.	0.00	0.00
Increases	313,906.83	0.00
Decreases	0.00	0.00
<b>Carrying amount at 31.12.</b>	<b>313,906.83</b>	<b>0.00</b>
<b>INTANGIBLE ASSETS TOTAL</b>	<b>1,006,043.33</b>	<b>778,975.04</b>

**TANGIBLE ASSETS**

	<b>2017</b>	<b>2016</b>
Machinery and equipment		
Carrying amount at 1.1.	507,626.51	548,528.02
Increases	715,527.57	132,811.81
Reclassification	0.00	0.00
Decreases	0.00	0.00
Depreciations	-256,062.02	-173,713.32
<b>Carrying amount at 31.12.</b>	<b>967,092.06</b>	<b>507,626.51</b>

Prepayments for tangible assets		
Carrying amount at 1.1.	45,296.45	0.00
Increases	62,696.41	45,296.45
Decreases	-45,296.45	0.00
Carrying amount at 31.12.	62,696.41	45,296.45
<b>TANGIBLE ASSETS TOTAL</b>	<b>1,029,788.47</b>	<b>552,922.96</b>

<b>INVESTMENTS</b>	<b>2017</b>	<b>2016</b>
Shares in Group companies		
Carrying amount at 1.1.	2,979,045.23	172,452.24
Increases	0.00	2,814,720.99
Decreases	0.00	-8,128.00
Carrying amount at 31.12.	2,979,045.23	2,979,045.23
Other shares		
Carrying amount at 1.1.	10,500.00	10,500.00
Increases	0.00	0.00
Decreases	0.00	0.00
Carrying amount at 31.12.	10,500.00	10,500.00
Shares in subsidiaries and other companies		
Detection Technology. Inc.	861.59	861.59
Virpiniemen Golf Oy	10,500.00	10,500.00
DTF (H.K.) Ltd.	163,462.65	163,462.65
DT Electronic Manufacturing (Beijing) Co., Ltd.	2,814,720.99	2,814,720.99
Total	2,989,545.23	2,989,545.23

<b>RECEIVABLES FROM GROUP COMPANIES</b>	<b>2017</b>	<b>2016</b>
Non-current receivables		
Beijing DT Electronic Technology Co., Ltd.	496,695.96	2,156,369.91
DTF (H.K.) Ltd.	3,500,000.00	8,575,963.62
Detection Technology. Inc.	1,667,639.46	2,576,689.08
Total	5,664,335.42	13,309,022.61
Current receivables		
Trade receivables		
Beijing DT Electronic Technology Co., Ltd.	0.00	2,466,225.89
DTF (H.K.) Ltd.	0.00	1,562,050.57
Detection Technology. Inc.	0.00	332,037.38
DT Electronic Manufacturing (Beijing) Co., Ltd.	5,019.59	60,015.32
Total	5,019.59	4,420,329.16

Other receivables		
Beijing DT Electronic Technology Co., Ltd.	1,463,389.79	2,127,288.13
DTF (H.K.) Ltd.	1,607,355.94	575,511.77
Detection Technology. Inc.	417,401.97	305,809.40
DT Electronic Manufacturing (Beijing) Co., Ltd.	3,046,553.32	0.00
Total	6,534,701.02	3,008,609.30
Total	12,204,056.03	20,737,961.07

<b>RECEIVABLES FROM OTHERS</b>	<b>2017</b>	<b>2016</b>
Current receivables		
Trade receivables	1,635,358.41	2,346,128.97
VAT receivables	351,103.25	251,289.79
Other receivables	9,893.13	0.00
Accrued income	217,333.86	138,935.19
Total	2,213,688.65	2,736,353.95

#### NOTES TO EQUITY AND LIABILITIES

<b>EQUITY</b>	<b>2017</b>	<b>2016</b>
Share capital 1.1.	80,000.00	80,000.00
Additions	0.00	0.00
Share capital 31.12.	80,000.00	80,000.00
Share premium account 1.1.	5,130,024.55	5,130,024.55
Changes	0.00	0.00
Share premium account 31.12.	5,130,024.55	5,130,024.55
Invested non-restricted equity fund 1.1.	25,809,318.97	26,715,887.22
Additions	0.00	0.00
Repayments	-3,356,443.75	-906,568.25
Invested non-restricted equity fund 31.12.	22,452,875.22	25,809,318.97
Retained earnings 1.1.	2,718,468.62	-1,211,688.64
Items belonging to previous financial years	0.00	-764.18
Profit for financial year	3,611,311.82	3,930,921.44
Retained earnings 31.12.	6,329,780.44	2,718,468.62
<b>EQUITY TOTAL</b>	<b>33,992,680.21</b>	<b>33,737,812.14</b>
<b>DISTRIBUTABLE EQUITY AT THE END OF PERIOD</b>	<b>28,782,655.66</b>	<b>28,527,787.59</b>

<b>LIABILITIES TO GROUP COMPANIES</b>	<b>2017</b>	<b>2016</b>
Current liabilities		
Trade payables		
Beijing DT Electronic Technology Co., Ltd.	0.00	405,585.60
DT Electronic Manufacturing (Beijing) Co., Ltd.	201,594.26	538,100.83
<b>Total</b>	<b>201,594.26</b>	<b>943,686.43</b>

<b>LIABILITIES TO OTHERS</b>	<b>2017</b>	<b>2016</b>
Non-current liabilities		
Other loans	0.00	683,445.25
<b>Total</b>	<b>0.00</b>	<b>683,445.25</b>
Current liabilities		
Other loans	0.00	261,524.00
Advances received	40,505.02	617,637.83
Trade payables	831,669.33	864,308.76
Other liabilities	102,439.51	94,372.26
Accrued interest payables	0.00	19,417.01
Accrued salary payables	1,265,564.85	979,994.26
Accrued income tax payables	0.00	503,562.19
Other accrued liabilities	298,134.43	208,980.50
<b>Total</b>	<b>2,538,313.14</b>	<b>3,549,796.81</b>

The parent company's warranty provision is included to accrued liabilities and to other operating costs according to the group policy.

<b>PLEDGES AND COMMITMENTS</b>	<b>2017</b>	<b>2016</b>
Pledged and collateral	10,734,912.84	10,734,912.84
Unused credit overdraft facility	3,000,000.00	3,000,000.00
Commitments for behalf of subsidiaries	6,406,642.41	6,830,414.47
Other undertakings	47,629.50	47,629.50
<b>Total</b>	<b>20,189,184.75</b>	<b>20,612,956.81</b>
Amounts payable under leasing agreements vat 0 %		
Payable in the following financial year	469,949.47	348,771.20
Payable in later years	194,134.53	302,509.10
<b>Total</b>	<b>664,084.00</b>	<b>651,280.30</b>

## List of accounting books

### ACCOUNTING BOOKS

	<b>Archiving method</b>
Balance sheet book	Bound on paper
Specification of balance sheet	On paper
Journal	On CD disc
General ledger	On CD disc
Income statement	On CD disc
Balance sheet	On CD disc

### ACCOUNTING RECORDS

<b>Item</b>	<b>Nr</b>	<b>Archiving method</b>
Purchase and travel invoices	CIF170001	Electronic filing and paper copy
Sales invoices	20170001	Paper copy
Vouchers	MU170101	Paper copy
Payroll vouchers		Electronic filing
Bank journals	NOR17001	Paper copy
Notes		Paper copy

### DETECTION TECHNOLOGY PLC

Elektroniikkatie 10, 90590 OULU

Tel +358 (0) 20 766 9700

Fax +358 (0) 20 766 9709

[www.deetee.com](http://www.deetee.com)

Domicile Espoo

Business registration number 0878389-8

# Signatures for the financial statements and Board of Directors' report

Espoo 28 February 2018

**Andreas Tallberg**

Chairman of the Board

**Heikki Allonen**

The Board Member

**Pasi Koota**

The Board Member

**Petri Niemi**

The Board Member

**Henrik Roos**

The Board Member

**Hannu Syrjälä**

The Board Member

**Hannu Martola**

President and CEO

**The Auditor's note to the financial statements**

Auditor's report has been given on the date of signature

Espoo 28 February 2018

**Juha Hilmola, Authorised Public Accountant**

Ernst & Young Oy, Authorized Public Accountant Firm

# Auditor's report

*(Translation of the Finnish original)*

To the Annual General Meeting of Detection Technology Plc.

## Report on the Audit of Financial Statements

### **Opinion**

We have audited the financial statements of Detection Technology Plc. (business identity code 0878389-8) for the year ended 31 December, 2017. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### **Basis for Opinion**

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.



**Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other reporting requirements

### **Other information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 28.2.2018

Ernst & Young Oy  
Authorized Public Accountant Firm

### **Juha Hilmola**

Authorized Public Accountant



[www.deetee.com](http://www.deetee.com)