



**Q4** 2018  
January-December

Financial statements review

Detection  
Technology

## DETECTION TECHNOLOGY PLC FINANCIAL STATEMENTS REVIEW JANUARY-DECEMBER 2018

**Detection Technology Q4 2018: Sales driven by medical applications****October-December 2018 highlights**

- Net sales decreased by -6.8% to EUR 25.7 million (27.5)
- Net sales of Security and Industrial Business Unit (SBU) decreased by -19.9% to EUR 15.5 million (19.4)
- Net sales of Medical Business Unit (MBU) increased by 24.3% to EUR 10.1 million (8.2)
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 4.9 million (7.0)
- Operating margin (EBIT-%) excluding NRI was 19.2% of net sales (25.4%)
- Earnings per share were EUR 0.22 (0.38)

**January-December 2018 highlights**

- Net sales increased by 5.5% to EUR 93.9 million (89.0)
- Net sales of SBU decreased by -4.0% to EUR 55.6 million (57.9)
- Net sales of MBU grew by 23.1% to EUR 38.3 million (31.1)
- Operating profit (EBIT) excluding NRI was EUR 19.0 million (19.9)
- Operating margin (EBIT-%) excluding NRI was 20.3% of net sales (22.4%)
- Earnings per share were EUR 1.03 (1.09)
- Dividend EUR 0.38 per share\* (0.35)

(Figures in parentheses refer to the corresponding period of the previous year.) (\*The Board of Directors' proposal to the AGM.)

**President and CEO, Hannu Martola:**

"MBU delivered strong sales in the last quarter of the year. In contrast, the level of SBU sales was disappointing for us, and our net sales decreased. However, demand in the security market picked up at the end of the fourth quarter, and December sales were excellent. The outlook for the beginning of the year is strong in all our main markets.

MBU sales increased by 24% due to well-developed demand from key customers. Growth came mainly from China, where investments in healthcare continued and some CT equipment manufacturers increased their production due to the new US-China customs tariffs. We estimate that our market share of the global medical CT market is now 20%. SBU sales declined by 20% as China put transport infrastructure projects on hold and competition intensified. On the group level, net sales decreased by 7%, and that contributed to working capital growth in the fourth quarter.

Profitability remained good as a whole. Operating profit excluding non-recurring items was EUR 4.9 million for the fourth quarter, representing 19% of net sales. Our profitability was affected by lower sales, price competition and higher R&D costs than in the previous year. Our investment in research and development grew by 33% in relation to last year's comparison period.

We have developed our competitiveness in many ways during the past year. We made a major product launch in September, when we introduced the fully digital Aurora product family. Aurora has been received well in the security segment, and sales of the product family will have an impact on SBU revenue at the end of 2019. Another significant product announcement during the review period was the launch of the X-Panel product

family for the CMOS market. In addition to dental applications, the product family creates growth opportunities in other medical and industrial imaging. We estimate that the total annual market for CMOS X-ray flat panel detectors is over EUR 100 million.

We made a notable long-term decision in December, when we acquired the business of the French company MultiX. The asset purchase deal strengthens our technology base and competitiveness, and increases growth potential in both of our business units. MultiX, which we will refer to as DTX in the future, has spent approximately EUR 20 million in the 2010s to develop direct conversion technology. We were already developing direct conversion technology at DT before the transaction and DTX adds to our expertise, especially in the fields of material knowledge, algorithms and software. In addition, our technology synergies are significant. Our goal is to start commercialization of the technology this year and launch new volume products in 2020. The deal means that a 17-member product development team based in Moirans, Grenoble joined our company. Technology commercialization and other R&D investments will increase the Group's 2019 R&D costs by approximately 30%. We have launched an integration process that will be completed by the end of February. We expect a positive result from DTX in three years, and our expectations are high on new long-term growth opportunities.

Towards the end of the year, we started planning a new production and service site to the Greater Shanghai area. Our goal is to improve customer service in Central and South China, increase end-product manufacturing capacity, and transfer some labor-intensive production processes from the Beijing plant to the new factory. We intend to further develop the Beijing factory as a center for demanding manufacturing processes. The aim is to start production at the new site by the end of the year. We will also transfer part of our production for the US market from China to Europe. However, we expect total 2019 capital expenditure to remain at the 2018 level.

Significant development event during the review period was the deployment of an enterprise resource planning (ERP) system at all our sites in November. The product data management (PDM) and customer relationship management (CRM) system integration with the ERP system was also completed on time. The new overall systems will improve our efficiency in the future. Our team's hard work was evident, and they did a good job in the implementation project.

In our view, global market growth will continue at the same level as last year. DT's outlook for the first half is good. We expect sales to grow in both business units and geographically in all markets, and we believe that the company will achieve double-digit revenue growth. However, the second half of the year will be challenging for MBU sales, because one of our major customers will ramp down manufacturing of a device that uses a DT solution as we have stated earlier.

We will strengthen our competitiveness, and continue to develop the business in line with our strategy to win new projects and customers. Our medium-term growth and profitability targets remain unchanged."

## Key figures

| (EUR 1,000)                                | 10-12/2018 | 10-12/2017 | 1-12/2018  | 1-12/2017  |
|--------------------------------------------|------------|------------|------------|------------|
| Net sales                                  | 25,652     | 27,530     | 93,916     | 89,003     |
| Change in net sales, %                     | -6.8%      | 17.0%      | 5.5%       | 17.9%      |
| Operating profit excluding NRI             | 4,914      | 6,987      | 19,029     | 19,893     |
| Operating margin excluding NRI, %          | 19.2%      | 25.4%      | 20.3%      | 22.4%      |
| Non-recurring items (NRI)                  | 507        | 0          | 507        | 0          |
| Operating profit                           | 4,407      | 6,987      | 18,522     | 19,893     |
| Operating margin, %                        | 17.2%      | 25.4%      | 19.7%      | 22.4%      |
| R&D costs                                  | 2,394      | 1,795      | 8,839      | 7,157      |
| R&D costs, % of net sales                  | 9.3%       | 6.5%       | 9.4%       | 8.0%       |
| Cash flow from operating activities        | 364        | 7,755      | 6,122      | 18,625     |
| Net interest-bearing debt at end of period | -18,290    | -21,774    | -18,290    | -21,774    |
| Capital expenditure                        | 1,146      | 688        | 4,741      | 1,833      |
| Return on investment (ROI), %              |            |            | 36.4%      | 47.0%      |
| Gearing, %                                 | -35.6%     | -52.3%     | -35.6%     | -52.3%     |
| Earnings per share, EUR                    | 0.22       | 0.38       | 1.03       | 1.09       |
| Number of shares at end of period          | 14,375,430 | 13,900,595 | 14,375,430 | 13,900,595 |

## Net sales

Detection Technology's net sales for the fourth quarter were EUR 25.7 million (27.5). Net sales decreased by -6.8% (17.0%).

In the Medical Business Unit (MBU), good demand from key customers continued, especially in computed tomography (CT) applications. This boosted sales to grow significantly more than the market growth in the fourth quarter. Net sales for MBU increased by 24.3% and totaled EUR 10.1 million (8.2). The growth mainly came from China, where investments in healthcare continued and some CT equipment manufacturers increased their production due to the new US-China customs tariffs. MBU's share of total net sales was 39.5 % (29.6 %).

As a result of the stagnation in China's security market and tougher competition, net sales for the Security and Industrial Business Unit (SBU) decreased by -19.9% and were EUR 15.5 million (19.4) in the last quarter. Due to the indirect consequences of protectionist trade policy, infrastructure projects have been suspended in the Chinese security market. SBU's share of total net sales was 60.5 % (70.4 %).

Geographically, Asia's share of the company's net sales decreased during the fourth quarter. However, it continued to be the company's biggest market with its 63.5% (74.8%) share. Americas accounted for 18.5% (17.3%) and Europe for 18.0% (7.9%). In the fourth quarter, the share of net sales accounted for by the top five customers decreased and totaled 59.2% (69.8%).

The company's net sales for January-December 2018 grew by 5.5% to EUR 93.9 million (89.0). Net sales for MBU grew faster than the market, by 23.1%, and totaled EUR 38.3 million (31.1). Net sales for SBU decreased by -4.0% to EUR 55.6 million (57.9). MBU's share of total net sales was 40.8 % (35.0 %) and SBU's was 59.2 % (65.0 %).

In January-December, Asia's share of net sales was 62.2% (63.4%), Americas' 18.9% (24.5%) and Europe's 18.9% (12.1%). The share of net sales accounted for by the top five customers decreased and was 53.6% (59.5%) in

the review period January-December 2018.

#### NET SALES BY BUSINESS UNITS

| (EUR 1,000)  | 10-12/2018    | 10-12/2017    | Change, %    | 1-12/2018     | 1-12/2017     | Change, %   |
|--------------|---------------|---------------|--------------|---------------|---------------|-------------|
| MBU          | 10,132        | 8,150         | 24.3%        | 38,320        | 31,119        | 23.1%       |
| SBU          | 15,521        | 19,380        | -19.9%       | 55,596        | 57,884        | -4.0%       |
| <b>TOTAL</b> | <b>25,652</b> | <b>27,530</b> | <b>-6.8%</b> | <b>93,916</b> | <b>89,003</b> | <b>5.5%</b> |

#### NET SALES BY GEOGRAPHY

| (EUR 1,000)  | 10-12/2018    | 10-12/2017    | Change, %    | 1-12/2018     | 1-12/2017     | Change, %   |
|--------------|---------------|---------------|--------------|---------------|---------------|-------------|
| Asia         | 16,274        | 20,583        | -20.9%       | 58,420        | 56,403        | 3.6%        |
| Americas     | 4,755         | 4,775         | -0.4%        | 17,710        | 21,817        | -18.8%      |
| Europe       | 4,624         | 2,173         | 112.8%       | 17,786        | 10,783        | 64.9%       |
| <b>TOTAL</b> | <b>25,652</b> | <b>27,530</b> | <b>-6.8%</b> | <b>93,916</b> | <b>89,003</b> | <b>5.5%</b> |

### Operating result and profitability

The company's operating profit (EBIT) for the fourth quarter amounted to EUR 4.4 million (7.0), or 17.2% (25.4%) of net sales. Improved productivity and moderate development in fixed costs kept the profitability good despite increased R&D costs. Non-recurring items (NRI) in the review period were EUR 0.5 million (0.0) related to business development projects. EBIT excluding NRI was EUR 4.9 million (7.0), 19.2% (25.4%) of net sales.

Fixed costs for the fourth quarter were EUR 8.2 million (6.9), of which personnel expenses totaled EUR 4.1 (3.2), depreciation EUR 0.6 (0.6) and other operating expenses EUR 3.6 (3.1) million. Financial items amounted to EUR -0.1 million (-0.2), and income taxes were EUR -1.1 million (-1.5).

The result for the fourth quarter totaled EUR 3.2 million (5.3). Earnings per share were EUR 0.22 (0.38).

The operating profit for the review period January-December 2018 was EUR 18.5 million (19.9), or 19.7% (22.4%) of net sales. Non-recurring items (NRI) in the review period were EUR 0.5 million (0.0) related to business development projects. EBIT excluding NRI was EUR 19.0 million (19.9), or 20.3% (22.4%) of net sales.

In January-December 2018, fixed costs totaled EUR 29.0 (25.2) million, of which personnel expenses totaled EUR 15.0 (13.4), depreciation EUR 2.4 (2.2) and other operating expenses EUR 11.7 (9.6) million. Financial items totaled EUR -0.1 million (-0.5), and income taxes were EUR -3.6 million (-4.2).

The result for the year 2018 was EUR 14.9 million (15.2). Earnings per share were EUR 1.03 (1.09).

### Cash flow and financing

Cash flow from financing activities for the fourth quarter of 2018 totaled EUR 4.1 million (-2.8). Cash flow from financing activities for January-December 2018 was EUR -5.5 million (-6.0).

Cash flow from operations for the fourth quarter was EUR 0.4 million (7.8). Cash flow from operations for January-December 2018 amounted to EUR 6.1 million (18.6). Cash flow from operations for the financial year was strained by high inventories that the company used to prepare for a higher end-of-year sale, and the increase in working capital due to the timing of deliveries.

Net interest-bearing debt totaled EUR -18.3 million at the end of the year (-21.8). Gearing was -35.6% (-52.3%).

Cash and cash equivalents amounted to EUR 22.3 million (26.5) at the end of 2018.

### Capital expenditure

Capital expenditure during the fourth quarter amounted to EUR 1.1 million (0.7). Capital expenditure was mainly directed at information and testing systems, as well as production equipment and machines. During January-December 2018, capital expenditure totaled EUR 4.7 million (1.8), of which the ERP and information systems accounted for EUR 1.8 million.

### Research and development

Fourth-quarter research and development (R&D) costs totaled EUR 2.4 million (1.8), or 9.3% of net sales (6.5%). During the review period January-December 2018, R&D expenses were EUR 8.8 million (7.2), corresponding to 9.4% of net sales (8.0%). In 2019, the company expects its R&D expenses to increase by approximately 30%. All R&D costs are written off as expenses.

### Personnel

At the end of December 2018 Detection Technology employed 507 people (405) of whom 414 were in China, 70 in Finland, in 17 France and 6 in the US. Personnel expenses for the fourth quarter amounted to EUR 4.1 million (3.2). In the review period January-December 2018, personnel expenses totaled EUR 15.0 million (13.4).

#### PERSONNEL BY GEOGRAPHY

|              | 31.12.2018 | 31.12.2017 | Change, % |
|--------------|------------|------------|-----------|
| Asia         | 414        | 341        | 21.4%     |
| Americas     | 6          | 6          | 0.0%      |
| Europe       | 87         | 58         | 50.0%     |
| <b>TOTAL</b> | <b>507</b> | 405        | 25.2%     |

### Strategy implementation

In December, Detection Technology made a long-term strategic investment when it acquired the business operations of the French technology company MultiX S.A., which is undergoing reorganization proceedings. The asset purchase deal includes MultiX's licensing agreements and patents, and its fixed and current assets, and the company's personnel joined Detection Technology.

The deal significantly expanded Detection Technology's technology base and patent portfolio, thereby strengthening its position in the security, industrial and medical X-ray imaging market. MultiX's specialties are direct conversion technology and the related algorithm development. The company's direct conversion technology is based on photon counting and has very precise material discrimination capability. Detection Technology estimates that the direct conversion market has just started to develop, and is currently worth some tens of millions of euros. The company believes in the market's growth potential as requirements for X-

ray imaging quality become more stringent in different application areas such as luggage screening, and material sorting and quality control related to industrial applications.

At the end of 2018, Detection Technology began planning a new production and service site and expansion of its production network. The company aims to ramp up production at a new site in the Greater Shanghai area by the end of 2019. The goal is to improve customer service in Central and South China, increase end product manufacturing capacity, and transfer some labor-intensive production processes from the Beijing plant to the Shanghai area. The company will further develop its Beijing factory as a center for demanding manufacturing processes. As a result of protectionist trade policy and to allow further development in production flexibility, the company will also relocate the manufacturing of some products from China to Europe.

Detection Technology made a major product launch in September, when it introduced the Aurora product family to the security and industrial markets. The new generation, fully digital product family consists of a wide range of detector boards and modules, readout electronics, and all the necessary accessories for end-to-end X-ray imaging systems. The company has designed and industrialized an application-specific integrated circuit (ASIC) and significantly simplified the product structure for this product family. This enables faster go-to-market for performance-enhancing and more mechanically robust imaging solutions. The product family has been well received in the security segment, and it will replace the company's analog and first-generation digital product families.

In May, Detection Technology announced the expansion of its product portfolio to include flat panel detectors based on CMOS technology, and introduced a new solution called X-Panel 1511, which is optimized for dental cone beam computed tomography (CBCT) and panoramic X-ray imaging applications. In November, the company rolled out the X-Panel 2311 flat panel detector for cephalometric imaging. A combination of X-Panel 2301 and X-Panel 1511 boosts all mainstream extraoral dental X-ray imaging modalities. In addition to dental applications, the product family is an ideal solution for a variety of other medical and industrial imaging needs. The company estimates that the total annual market for CMOS flat panel detectors is over EUR 100 million.

Another significant event during the review period was the deployment of an enterprise resource planning (ERP) system at all sites in November 2018. The company integrated the product data management (PDM) and customer relationship management (CRM) systems into the ERP system before the end of the year. In addition, the company continued to make significant investments in R&D projects and gaining new customers. At the end of the review period, the company had 240 active customers in over 40 countries.

## Shares and shareholders

Based on the authorization granted by the Annual General Meeting of shareholders held on 27 March 2018, Detection Technology's Board of Directors decided on 27 September 2018 to issue stock options free of charge to the Group's key personnel. The stock options will be issued in separate series, which are marked with the symbols 2018A1, 2018A2, 2018B1 and 2018B2. The combined aggregate number of stock options marked with the symbol 2018A1 or 2018A2 is 380,000 and with the symbol 2018B1 or 2018B2 is 380,000. Thus, the maximum number of shares that may be subscribed with the stock options is 760,000 shares, which is approximately five percent of the company's shares on a fully diluted basis.

At the same time, an allocation round related to the stock options 2018A and 2018B was carried out, resulting in the issuing of a total of 376,000 stock option rights to the key personnel. The share subscription period for the stock options 2018A1 and 2018A2 is from 2 May 2021 until 31 May 2022 and with the period for the stock

options 2018B1 and 2018B2 is from 2 May 2022 until 31 May 2023. The strike price of stock options 2018A1 and 2018A2 is EUR 22.26. The description and terms of the stock option program and stock options can be found on the company's website.

On 3 December 2018, the Board of Detection Technology Plc decided to issue 474,835 new shares in a directed share issue without payment to the individuals entitled to the share incentives based on the authorization granted by the general meeting of shareholders held on 27 March 2018. The number of shares outstanding in Detection Technology following the share issue and at the end of the review period was 14,375,430.

The average share price of Detection Technology was EUR 17.08 in the fourth quarter and EUR 19.19 in January-December 2018. The highest share price during the fourth quarter was EUR 20.10 and the lowest EUR 15.10. The highest price for the year 2018 was EUR 24.00 and the lowest EUR 15.10. At the end of December, the closing price was EUR 16.35 and the company had a market capitalization of around EUR 235 million. The number of shares traded between 2 January and 28 December was 2.41 million, which is 16.7% of the total number of shares.

At the end of the review period, the total number of shareholders was 2,265. Approximately 62.2% of the shares were held by the ten largest shareholders. The nominee-registered foreign holding of shares in the company was 17.0% at the end of the review period.

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 marketplace under the ticker symbol DETEC.

### **Risks and uncertainties**

According to the management view, the company's main short-term risks in 2019 are associated with development of international security, factors related to political and trade policy uncertainty, and operating in the emerging markets.

Other risks are related to price competition, a significant share of net sales being generated from the top five customers, APAC countries' large share of sales, product quality, SOP (startup of production) of new products, renewal 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 by means of normal control and precautionary measures. The risks of the company and its businesses will be described in more detail in the 2018 financial statements.

### **Board of Directors' profit distribution proposal**

The invested unrestricted equity fund of the parent company Detection Technology Plc contains distributable funds totalling EUR 29,369,421, of which EUR 5,451,973 represents the net profit for the financial year. The company's funds eligible for dividend distribution total EUR 6,916,546. After 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 13, Section 2 of the Companies Act affect the amount of distributable funds.



The Board of Directors proposes to the Annual General Meeting to be held on 28 March 2019 that, based on the balance sheet adopted for 2018, a dividend of EUR 0.38 per share be paid. The number of shares entitling to dividend is 14,375,430, which means that the total amount of the dividend would be EUR 5,462,663.40.

### **Business outlook**

According to industry estimates, the average growth rate is around 5% per year in the global medical X-ray imaging market, 7% in the security X-ray equipment market and around 5% in industrial X-ray imaging. Detection Technology estimates that the annual growth rate will remain at this level in all market segments in 2019.

The company estimates that sales will increase in both business units during the first half of 2019, and revenue growth will slow down in the second half of the year. There is uncertainty regarding demand, and the intensification of competition might be reflected in product prices.

Detection Technology's medium-term business outlook is 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.

### **Financial reporting schedule in 2019**

Detection Technology Plc will disclose the following financial releases in 2019:

- Business review January-March 2019: 26 April 2019
- Half-yearly report January-June 2019: 2 August 2019
- Business review January-September 2019: 25 October 2019

The financial statements and annual review for 2018 will be published at the latest on 7 March 2019 on the company's website. The Annual General Meeting is scheduled for 28 March 2019 at 15:00 (EEST). The Board of Directors of the company will convene the meeting. Detection Technology Plc's financial calendar can be found on the company's website.

## SUMMARY OF FINANCIAL STATEMENTS AND APPENDICES

### ACCOUNTING PRINCIPLES

This unaudited financial statements review for the period 1.1.-31.12.2018 has been prepared according to the Finnish Accounting Standards (FAS).

### CONSOLIDATED INCOME STATEMENT (FAS)

| (EUR 1,000)                                    | 10-12/2018    | 10-12/2017    | 01-12/2018    | 01-12/2017    |
|------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Net sales</b>                               | <b>25,652</b> | <b>27,530</b> | <b>93,916</b> | <b>89,003</b> |
| Other operating income                         | 67            | 86            | 719           | 143           |
| Materials and services                         | -13,069       | -13,205       | -47,112       | -43,487       |
| Personnel expenses                             | -4,072        | -3,223        | -14,968       | -13,412       |
| Depreciations and amortization                 | -577          | -567          | -2,351        | -2,226        |
| Other operating expenses                       | -3,595        | -3,634        | -11,682       | -10,128       |
| <b>Operating profit (-loss)</b>                | <b>4,407</b>  | <b>6,987</b>  | <b>18,522</b> | <b>19,893</b> |
| Financial income and expenses                  | -102          | -201          | -77           | -524          |
| <b>Profit (-loss) before taxes</b>             | <b>4,305</b>  | <b>6,785</b>  | <b>18,445</b> | <b>19,368</b> |
| Income taxes                                   | -1,072        | -1,521        | -3,579        | -4,217        |
| <b>Profit (-loss) for the reporting period</b> | <b>3,233</b>  | <b>5,265</b>  | <b>14,866</b> | <b>15,152</b> |

**CONSOLIDATED BALANCE SHEET (FAS)**

| (EUR 1,000)                             | 31.12.2018    | 31.12.2017    |
|-----------------------------------------|---------------|---------------|
| <b>ASSETS</b>                           |               |               |
| <b>NON-CURRENT ASSETS</b>               |               |               |
| Intangible assets                       | 3,469         | 1,523         |
| Tangible assets                         | 5,267         | 4,323         |
| Investments                             | 11            | 11            |
| <b>TOTAL NON-CURRENT ASSETS</b>         | <b>8,747</b>  | <b>5,856</b>  |
| <b>CURRENT ASSETS</b>                   |               |               |
| Inventories                             | 13,289        | 8,568         |
| Receivables                             | 25,003        | 20,557        |
| Current receivables                     | 1,656         | 892           |
| Cash and cash equivalents               | 22,346        | 26,500        |
| <b>TOTAL CURRENT ASSETS</b>             | <b>62,294</b> | <b>56,516</b> |
| <b>TOTAL ASSETS</b>                     | <b>71,040</b> | <b>62,372</b> |
| <b>EQUITY AND LIABILITIES</b>           |               |               |
| <b>EQUITY</b>                           |               |               |
| Share capital                           | 80            | 80            |
| Share premium account                   | 5,130         | 5,130         |
| Other funds                             | 22,453        | 22,453        |
| Retained earnings (-loss)               | 8,854         | -1,176        |
| Profit for the financial period (-loss) | 14,866        | 15,152        |
| <b>TOTAL EQUITY</b>                     | <b>51,384</b> | <b>41,639</b> |
| <b>LIABILITIES</b>                      |               |               |
| <b>Current liabilities</b>              |               |               |
| Loans from financial institutions       | 4,056         | 4,726         |
| Advances received                       | 66            | 223           |
| Trade payables                          | 9,320         | 8,710         |
| Other liabilities                       | 175           | 1,077         |
| Accrued liabilities                     | 6,040         | 5,998         |
| Total                                   | 19,657        | 20,733        |
| <b>TOTAL LIABILITIES</b>                | <b>19,657</b> | <b>20,733</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>71,040</b> | <b>62,372</b> |

**CONSOLIDATED CASH FLOW STATEMENT (FAS)**

| (EUR 1,000)                                                | 10-12/2018    | 10-12/2017    | 01-12/2018    | 1-12/2017     |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Cash flow from operations</b>                           |               |               |               |               |
| Operating profit (-loss)                                   | 4,407         | 6,987         | 18,522        | 19,893        |
| Depreciation                                               | 577           | 567           | 2,351         | 2,226         |
| Change in working capital                                  | -1,944        | 2,884         | -9,593        | 627           |
| Financial income and expenses                              | -466          | -269          | -441          | -799          |
| Taxes                                                      | -2,210        | -2,413        | -4,717        | -3,322        |
| <b>Cash flow from operations</b>                           | <b>364</b>    | <b>7,755</b>  | <b>6,122</b>  | <b>18,625</b> |
| <b>Cash flow from investments</b>                          |               |               |               |               |
| Investments in intangible and tangible assets              | -1,146        | -688          | -4,741        | -1,833        |
| <b>Cash flow from investments</b>                          | <b>-1,146</b> | <b>-688</b>   | <b>-4,741</b> | <b>-1,833</b> |
| <b>Free cash flow</b>                                      | <b>-782</b>   | <b>7,068</b>  | <b>1,381</b>  | <b>16,792</b> |
| <b>Cash flow from financing</b>                            |               |               |               |               |
| Repayment of non-current loans                             | 0             | -421          | 0             | -683          |
| Withdrawal of current loans                                | 4,056         | 0             | 4,056         | 417           |
| Repayment of current loans                                 | 0             | -2,331        | -4,726        | -2,331        |
| Capital repayment                                          | 0             | 0             | -4,865        | -3,356        |
| <b>Cash flow from financing</b>                            | <b>4,056</b>  | <b>-2,753</b> | <b>-5,535</b> | <b>-5,954</b> |
| <b>Change in cash and cash equivalents</b>                 | <b>3,273</b>  | <b>4,315</b>  | <b>-4,154</b> | <b>10,838</b> |
| Cash and cash equivalents at beginning of reporting period | 19,072        | 22,185        | 26,500        | 15,662        |
| Cash and cash equivalents at end of reporting period       | 22,346        | 26,500        | 22,346        | 26,500        |

## STATEMENT OF EQUITY CHANGES

| (EUR 1,000)                                 | Share capital | Share premium | Invested unrestricted equity fund | Retained earnings | Profit (-loss) for the period | Total         |
|---------------------------------------------|---------------|---------------|-----------------------------------|-------------------|-------------------------------|---------------|
| <b>Balance on 1.1.2018</b>                  | <b>80</b>     | <b>5,130</b>  | <b>22,453</b>                     | <b>13,976</b>     | <b>0</b>                      | <b>41,639</b> |
| Dividend                                    | 0             | 0             | 0                                 | -4,865            | 0                             | -4,865        |
| Translation differences                     | 0             | 0             | 0                                 | -257              | 0                             | -257          |
| Items belonging to previous financial years | 0             | 0             | 0                                 | 0                 | 0                             | 0             |
| Profit (-loss) for the period               | 0             | 0             | 0                                 | 0                 | 14,866                        | 14,866        |
| <b>Balance on 31.12.2018</b>                | <b>80</b>     | <b>5,130</b>  | <b>22,453</b>                     | <b>8,854</b>      | <b>14,866</b>                 | <b>51,384</b> |
| <b>Balance on 1.1.2017</b>                  | <b>80</b>     | <b>5,130</b>  | <b>25,809</b>                     | <b>-109</b>       | <b>0</b>                      | <b>30,910</b> |
| Capital repayment                           | 0             | 0             | -3,356                            | 0                 | 0                             | -3,356        |
| Translation differences                     | 0             | 0             | 0                                 | -1,067            | 0                             | -1,067        |
| Items belonging to previous financial years | 0             | 0             | 0                                 | 0                 | 0                             | 0             |
| Profit (-loss) for the period               | 0             | 0             | 0                                 | 0                 | 15,152                        | 15,152        |
| <b>Balance on 31.12.2017</b>                | <b>80</b>     | <b>5,130</b>  | <b>22,453</b>                     | <b>-1,176</b>     | <b>15,152</b>                 | <b>41,639</b> |

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Board of Directors  
Detection Technology Plc

**CALCULATION OF KEY FINANCIAL RATIOS**

Change in net sales, % =  $(\text{Net sales} - \text{previous financial year's net sales}) / \text{previous financial year's net sales} \times 100$

Operating margin, % =  $\text{Operating profit} / \text{net sales} \times 100$

Net interest-bearing debt =  $\text{Interest-bearing loans} - \text{cash and cash equivalents}$

Return on investment (ROI), % =  $((\text{Profit (-loss) before tax} + \text{interest and other financial expenses}) / (\text{total equity and liabilities} + \text{non-interest bearing liabilities average of the financial year})) \times 100$

Gearing, % =  $(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) / \text{equity} \times 100$



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