

CEO's review

2017 – Success in the company's key areas

In 2017, DT continued strong growth and we achieved an excellent result. The global X-ray imaging market grew favourably, and we succeeded very well in a competitive market. Our result surpassed expectations, we gained new customers and did well in projects. Our turnover increased 18% to about EUR 89 million. Our turnover exceeded our advance estimate, as a result of which our operating profit was EUR 20 million, 22% of our turnover. The company's excellent result was also reflected in a strong cash flow, and our net cash reserves at the end of the year were EUR 21 million. Our success in almost all key areas ensured the continuation of growth and an excellent result after an exceptional year of growth in 2016.

Our product and service solutions and delivery capacity corresponded to the demand of the target markets and both our business units succeeded. In the first half of the year, growth at our Security and Industrial Business Unit (SBU) began to slow down from the peak in demand that had begun in 2016. SBU sales, however, increased significantly in the final quarter of the year, which spurred the unit's turnover on to annual growth of 4%, to stand at about EUR 58 million. Sales at our Medical Business Unit (MBU) increased much

more strongly than the market in the first three quarters and fell slightly in the final quarter. On an annual level, the MBU's turnover increased by 58% to EUR 31 million.

The markets in which we operate have grown steadily for several consecutive years, and it looks like the same rate of growth will continue. The annual growth rate for X-ray imaging equipment in the security sector has been about 7%, and in the industrial sector 5%. We believe that the growth in the security and industrial market will continue to be good, and that critical infrastructure, vehicles and the industrial market segments in particular will grow. According to our estimates, growth in the global medical X-ray imaging market will continue at the previous level. Its average growth rate has been about 5% per year, and in the medical computed tomography segment (CT) 3-5% per year.

“Our result exceeded expectations”

“ We reached significant milestones in the development of our business ”

Geographically, market growth has been strongest in Asia and particularly China. The engines for growth in the medical imaging market are an ageing population and an improvement in health care in developing countries. The security market has grown as a result of increased political instability and terror attacks. Our solutions are used to prevent security threats not only at airports but also increasingly in other critical infrastructure where a large number of people move or congregate, such as at metro and train stations, ports, sporting events, concerts, hotels and offices. The growth drivers of the industrial segments, on the other hand, are quality, efficiency- and cost requirements. Component- and process quality assurance and the sorting of materials using X-ray technology are very topical.

Our market share increased slightly, and we estimate it to be 17% in both our business units. We succeeded well at the customer interface, and during the year we won the trust of 30 new customers. We currently have 240 active customers. Our customer relationships are long, and customer satisfaction has

also remained at a high level for several consecutive years.

We proceeded along a road dictated by our strategy, and during the year we reached several significant milestones in the development of our business. We unveiled the world's first standard X-ray detector module tileable on all four

sides for the most demanding medical computed tomography applications (CT). We also revamped our standard product portfolio in the industrial segment, and unveiled renewed X-Scan P, X-Scan H and X-Scan F-series for product security and quality inspection, material sorting and process control applications. Of these, the X-Scan F-series particularly designed for the needs of the recycling, forest and food industries was enthusiastically received by the market.

Other significant events in 2017 were the expansion of our Beijing factory, and the start of development projects for enterprise resource planning (ERP), product data management (PDM) and production data collection (PDC) systems. Our sites in Finland and China were also certified in accordance with the ISO 9000:2015 and ISO 14001:2015 standards. The environmental certificate of our new China factory is a sign of our constant aim of building our business responsibly and with respect for the environment.

Our work guides not only our profitability but also our commitment to ethical operating principles.

From the point of view of the success of our business, sustainability in all that we do is absolutely essential - it is a question of our relationship to our customers, personnel, investors, subcontractors, and the society and the environment around us. Our vision, mission, strategy and values are the cornerstones of our responsible business. Our international customers also require our operations to be guided by sustainability. For us, sustainability means openness, honesty, reliability and delivering results towards all our stakeholders. We view sustainable business as a continuing journey towards better well-being for all.

The expertise, motivation and commitment of our personnel are important to us, from a perspective of both personal and company development. We invested in the skills development and well-being of our personnel through several different development projects at all our sites. The largest individual project was the company-wide key competence mapping and construction of career paths. As a result of excellent productivity development, the number of our personnel decreased slightly over the year at our Chinese factory. At the end of the year, we employed 405 people working at our sites in Finland, China and the USA.

2017 improved opportunities to develop our business further. The financial position of our company is good, and we have both

the will and expertise to serve our customers better. We constantly take a critical view of our operations and development. We have a strong belief in our ability to produce added value for our customers, owners and personnel in 2018 and in the coming years.

I would like to thank our customers, owners and partners for their faith in us and for their support in 2017. The DT team performed beyond expectations, thank you for your great commitment. Our employees are professionals, who work with all their heart and enthusiasm – it is a privilege to work with you. Thank you all!

Hannu Martola
President and CEO
Detection Technology Plc

“ We are succeeding by working professionally ”