



# Q4 2020

January-December

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Financial statements review

## DETECTION TECHNOLOGY PLC FINANCIAL STATEMENTS REVIEW JANUARY-DECEMBER 2020

**Detection Technology Q4 2020: Headwind in security and growth in medical business, competitive position strengthened****October-December 2020 highlights**

- Net sales decreased by -20.4% to EUR 19.9 million (25.0)
- Net sales of Security and Industrial Business Unit (SBU) decreased by -45.5% to EUR 9.0 million (16.4)
- Net sales of Medical Business Unit (MBU) increased by 27.7% to EUR 10.9 million (8.6)
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 2.3 million (3.9)
- Operating margin (EBIT-%) excluding NRI was 11.8% of net sales (15.6%)
- Operating profit (EBIT) was EUR 2.3 million (3.2)
- Operating margin (EBIT-%) was 11.8% of net sales (12.8%)
- Earnings per share were EUR 0.16 (0.12)

**January-December 2020 highlights**

- Net sales decreased by -20.4% to EUR 81.6 million (102.5)
- Net sales of SBU decreased by -38.6% to EUR 42.3 million (68.9)
- Net sales of MBU grew by 16.9% to EUR 39.3 million (33.6)
- Operating profit (EBIT) excluding NRI was EUR 8.9 million (17.7)
- Operating margin (EBIT-%) excluding NRI was 10.9% of net sales (17.3%)
- Operating profit (EBIT) was EUR 8.7 million (17.0)
- Operating margin (EBIT-%) was 10.7% of net sales (16.6%)
- Earnings per share were EUR 0.47 (0.87)
- Dividend EUR 0.28 per share\* (0.38)

(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:**

"COVID-hit 2020 culminated in decreasing sales in security applications partly compensated by growth in all other businesses. Demand increased in medical CT (computed tomography) applications, but the headwind caused by COVID-19 led to a halt in both the mobility of people and investments in security. The gap in security sales was too wide for medical CT sales to close. Thanks to our cost-saving activities and lower employer contribution costs we achieved a double-digit profit margin. The strengthening of our competitive position in all our businesses is worth mentioning.

The number of active customers increased by almost 20% in 2020 to reach 330 at the end of the review period: we won new customers in all our businesses. For this, I express my warm thanks to our team! Net growth was strongest in the industrial sector, which holds plenty of potential, although it is more fragmented than the security and medical markets, which are dominated by larger-scale operators.

We won new customers and projects in the security sector. I'm particularly happy that we were successful in attracting new major security CT projects, which further strengthens our position in the segment. We have also had successful product launches in the security segment, in both CT and line scanner applications, which we



expect to bear fruit in terms of sales as demand normalizes. The dramatic drop in SBU sales was due to the exceptionally low demand attributed to stagnation of investments in the security market.

Demand in the industrial segment increased slightly, despite the persistence of wariness to invest. We have strengthened our competitive position in industrial imaging by expanding our product portfolio to cover more demanding imaging needs and, at the moment, we have the widest offering in the market.

MBU sales grew strongly as demand for medical CT applications remained at a good level, driven by investments in healthcare. After the increase in sales at the beginning of the year characterized by COVID-19, CT sales focused on more advanced devices, and the demand of our standard X-Tile product also held its ground. Demand for dental applications has almost normalized in China, and recovery continued in other parts of the world, too, although the full recovery of global demand will take time. This is also why X-Panel sales have had a slow start. We are in a good position to face 2021 in the medical market, thanks to our increased number of customers and expanding product portfolio.

Our flexible, asset-light business model has helped us to grow, and now to minimize the negative ramifications of the COVID-19 pandemic on our business this year. We believe that our business model will also support our future growth as the markets recover. Growth drivers in all our target markets are at the right place, and we are able to flexibly meet the increasing demand as the security market is revived.

We are seeking profitable growth by actively developing our business in line with the DT-2025 strategy. Our Beijing subsidiary was granted the High and New Technology (HNTE) classification in the review period. The HNTE status will significantly reduce the subsidiary's corporate income tax rate and offers a number of other benefits related to local innovation and our brand value, to name but a few.

We are also looking to boost our growth by means of a new business structure. We split the SBU into two separate business units at the end of the year. The new SBU focusses on security application sales, while the newly-launched Industrial Solutions Business Unit (IBU) champions the industrial segment. We will report on the sales of all three business units separately as of Q1 2021. Industrial sales accounted for over EUR 10 million of SBU sales in 2020.

The organizational changes are aimed at obtaining a more streamlined view of the development and needs of the markets, even better customer service, and market-driven business development. We will profile the development of the IBU as a spearhead in its field. Our objective is to complement our industrial portfolio with higher-end detector solutions, beyond hardware, in which software and algorithms play a more significant role. The X-Scan ME series based on multi-energy technology, which was launched at the beginning of the review period, serves as a good example: it received an enthusiastic welcome from the markets.

We launched small-series production for the ME product line in our new facilities in France on schedule. In addition to the successful product transfers, we invested in the development of added-value production processes at our Wuxi production and service site.

Our business outlook has slightly changed from the previous review period. The medical growth prospect has improved, and return to normal in the security market may be delayed due to the recent change in the COVID-19 pandemic. In our view, demand for our products is strong in the medical segment, and we expect double-digit growth in MBU sales in Q1 and Q2 2021. We do not expect demand in the security market to improve before Q2 2021. SBU sales will decrease in Q1, but is likely to grow in Q2. Demand is still subject to uncertainty, as for example China's critical infrastructure and rail transport recovery projects have progressed slowly. In

turn, we estimate IBU sales to grow in H1. At the Group level, we expect total net sales to decrease in Q1 and grow in H1 of 2021.

Although vaccinations against COVID-19 have made progress and markets have shown positive signals, visibility in the security segment remains limited. Consequently our business has been hit by a high level of uncertainty. We will continue strengthening our competitiveness, and at this point leave our medium-term growth and profitability targets unchanged.”

## Key figures

(EUR 1,000)	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Net sales	19,909	25,021	81,561	102,480
Change in net sales, %	-20.4%	-2.5%	-20.4%	9.1%
Operating profit excluding NRI	2,349	3,912	8,877	17,719
Operating margin excluding NRI, %	11.8%	15.6%	10.9%	17.3%
Non-recurring items (NRI)	0	699	163	699
Operating profit	2,349	3,213	8,714	17,019
Operating margin, %	11.8%	12.8%	10.7%	16.6%
R&D costs	2,239	2,661	9,827	10,706
R&D costs, % of net sales	11.2%	10.6%	12.0%	10.4%
Cash flow from operating activities	3,301	8,360	7,522	11,599
Net interest-bearing debt at end of period	-19,364	-20,385	-19,364	-20,385
Investments	1,494	1,859	3,081	4,041
Return on investment (ROI), %			13.6%	28.5%
Gearing, %	-33.1%	-34.9%	-33.1%	-34.9%
Earnings per share, EUR	0.16	0.12	0.47	0.87
Number of shares at end of period	14,375,430	14,375,430	14,375,430	14,375,430

## Net sales

Demand for medical CT (computed tomography) applications remained strong in Q4, but the ramifications of the COVID-19 pandemic significantly decreased demand for security applications and maintained wariness to invest in the industrial segment. Despite strong growth in medical CT sales, Detection Technology's total net sales decreased by -20.4% (-2.5%) to EUR 19.9 million (25.0).

Demand in medical CT applications was good, particularly in China, and showed signs of recovery in other markets. This resulted in an increase in year-on-year net sales of the Medical Business Unit (MBU) of 27.7% (-15.4%) totaling EUR 10.9 million (8.6). The company's CT sales focused on higher-end devices, and consequently the growth in MBU sales was mainly attributed to new CT products, such as X-Tile standard solution. Demand in the dental market has almost normalized in China, and the market continued to recover elsewhere, too. Global equipment sales have not, however, recovered to the pre-pandemic level, which has slowed down the company's X-Panel sales in the said segment. MBU generated a total of 55.0 % (34.3 %) of the company's net sales.

Stagnation in aviation continued, which resulted in a significant decrease in the demand for X-ray devices in the aviation industry in Q4. In addition, extensive restrictions on mass gatherings as well as the slow progress in recovery projects related to critical infrastructure and rail transport in China negatively affected demand in other security applications. Demand for the company's products was stable in the industrial market, but due to wariness to invest, annual growth in the segment fell short of the typical 5% in the field. Due to exceptionally

low, albeit temporary, demand in security applications in the field of aviation, the net sales of the Security and Industrial Business Unit (SBU) decreased by -45.5% (6.0%) year-on-year, totaling EUR 9.0 million (16.4). SBU generated a total of 45.0 % (65.7 %) of the company's net sales.

Asia-Pacific's (APAC) share of the company's net sales increased by approximately eight percentage points in Q4, and it was geographically the company's largest market with its 73.5% (65.2%) share. Europe, Middle East, Africa's (EMEA) share was 21.0% (17.7%) and Americas' 5.5% (17.0%). Stagnation in the security market in Americas and relocations of medical device manufacturing to Asia affected the geographical distribution of sales. In Q4, the company's top five customers accounted for 56.2% (50.0%) of the company's total net sales.

The company's net sales for the review period January-December 2020 decreased by -20.4% (9.1%) to EUR 81.6 million (102.5). Net sales of SBU decreased by -38.6% (24.0%) to EUR 42.3 million (68.9). Net sales of MBU grew by 16.9% (-12.4%), and totaled EUR 39.3 million (33.6). SBU's share of total net sales was 51.9 % (67.2 %) and MBU's 48.1 % (32.8 %).

In January-December, APAC's share of total net sales was 67.9% (65.1%), EMEA's 22.2% (20.6%) and Americas' 9.9% (14.3%). The company's top five customers accounted for 53.0% (56.3%) of the company's total net sales.

#### NET SALES BY BUSINESS UNITS

(EUR 1,000)	10-12/2020	10-12/2019	Change, %	1-12/2020	1-12/2019	Change, %
MBU	10,949	8,573	27.7%	39,253	33,568	16.9%
SBU	8,960	16,448	-45.5%	42,308	68,912	-38.6%
<b>TOTAL</b>	<b>19,909</b>	<b>25,021</b>	<b>-20.4%</b>	<b>81,561</b>	<b>102,480</b>	<b>-20.4%</b>

#### NET SALES BY GEOGRAPHY

(EUR 1,000)	10-12/2020	10-12/2019	Change, %	1-12/2020	1-12/2019	Change, %
APAC	14,640	16,321	-10.3%	55,361	66,724	-17.0%
Americas	1,093	4,266	-74.4%	8,063	14,645	-44.9%
EMEA	4,176	4,434	-5.8%	18,137	21,111	-14.1%
<b>TOTAL</b>	<b>19,909</b>	<b>25,021</b>	<b>-20.4%</b>	<b>81,561</b>	<b>102,480</b>	<b>-20.4%</b>

### Operating result and profitability

The company's operating profit (EBIT) in Q4 amounted to EUR 2.3 million (3.2), 11.8% (12.8%) of net sales. Non-recurring items (NRI) in the review period were EUR 0.0 million (0.7). EBIT excluding NRI was EUR 2.3 million (3.9), 11.8% (15.6%) of net sales.

The company received a total of about EUR 0.4 million in employer contribution relief from the governments of the countries in which it operates in Q4 2020. The impact of tax relief attributed to the High and New Technology (HNTE) classification granted to Detection Technology's Chinese subsidiary by the Chinese authorities on the company's net result was approximately EUR 0.5 million in Q4.

Q4 fixed costs were EUR 7.6 million (8.4), out of which personnel expenses totaled EUR 4.3 (4.5), depreciation EUR 0.8 (0.7) and other operating expenses EUR 2.5 (3.2) million. Financial items amounted to EUR -0.1 million (-0.2), and income taxes were EUR 0.1 million (-1.3).

The Q4 result was EUR 2.4 million (1.8). Earnings per share were EUR 0.16 (0.12).

In the review period January-December 2020, EBIT excluding NRI was EUR 8.9 million (17.7), 10.9% (17.3%) of net sales. NRI totaling EUR 0.2 million (0.7) were registered related to the reorganization of the Group structure. The operating profit was EUR 8.7 million (17.0), 10.7% (16.6%) of net sales.

The company received a total of EUR 1.2 million in employer contribution relief from the governments of the countries in which it operates in the review period January-December 2020. The impact of tax relief attributed to the HNTE classification granted by the authorities to the company's Chinese subsidiary on the company's net result was approximately EUR 0.5 million.

In January-December 2020, fixed costs totaled EUR 31.3 (33.0) million, out of which personnel expenses totaled EUR 17.4 (18.0), depreciation EUR 3.3 (2.9) and other operating expenses EUR 10.7 (12.1) million. Financial items totaled EUR -0.6 million (-0.1), and income taxes were EUR -1.4 million (-4.4).

The result for the year 2020 was EUR 6.7 million (12.5). Earnings per share were EUR 0.47 (0.87).

### Cash flow and financing

Cash flow from financing activities in Q4 was EUR -0.0 million (0.8). Cash flow from financing activities in January-December 2020 was EUR -5.3 million (-3.9).

Cash flow from operations in Q4 was EUR 3.3 million (8.4). Cash flow from operations in January-December 2020 was EUR 7.5 million (11.6).

The company's net interest-bearing debt totaled EUR -19.4 million (-20.4) at the end of the year 2020. Gearing was -33.1% (-34.9%).

Cash and cash equivalents amounted to EUR 25.2 million (26.0) at the end of the year 2020.

The company has secured its liquidity by agreeing with banks on lines of credit totaling EUR 15.5 million (9.3). At the end of the review period, the unused line of credit was EUR 9.7 million (3.9).

### Investments

Investments totaled EUR 1.5 million (1.9) in Q4. Investments were mainly made in production and measuring equipment at the new Wuxi site, and modifications of premises. Investments in January-December 2020 amounted to EUR 3.1 million (4.0).

### Research and development

Q4 research and development (R&D) costs totaled EUR 2.2 million (2.7), which was 11.2% (10.6%) of net sales. The company's R&D costs in the review period January-December 2020 amounted to EUR 9.8 million (10.7), which was 12.0% (10.4%) of net sales. All R&D costs are recognized as expenses.

### Personnel

At the end of December 2020 Detection Technology employed 444 people (496). The change is attributed to the decrease in the number of production personnel due to reduced production volumes. A total of 340 people worked in China, 83 in Finland, 17 in France and 4 in the US. Q4 personnel expenses amounted to EUR

4.3 million (4.5). In the review period January-December 2020, personnel expenses totaled EUR 17.4 million (18.0).

#### PERSONNEL BY GEOGRAPHY

	31.12.2020	31.12.2019	Change, %
APAC	340	393	-13.5%
Americas	4	5	-20.0%
EMEA	100	98	2.0%
<b>TOTAL</b>	<b>444</b>	496	-10.5%

### Strategy implementation

The company continued developing its business on several fronts in line with the DT-2025 strategy in order to secure its competitiveness. In January–December 2020 the number of active customers increased by 20%, and totaled 330 at the end of review period.

Detection Technology announced at the end of December that it will implement a new business structure as of 1 January 2021. The company's Security and Industrial Business Unit (SBU) was divided into two separate business units. The new business units are called the Security Business Unit (SBU) and the Industrial Solutions Business Unit (IBU). The company's Medical Business Unit (MBU) remains unchanged.

The new organizational structure streamlines the identification of the tacit customer needs, the business development, service in various customer segments and ability to meet customer-specific needs in product development. The company's goal is to introduce an increasing number of detector solutions with higher added value and in which software and algorithms play a more significant role. In addition, the change will increase internal efficiency and enhance the transparency of financial reporting.

The company has decided to change the net sales reporting model used in its financial reporting to match the new business structure. The company will report the development of net sales of the three business units as of Q1 of 2021.

The company completed the High and New Technology (HNTE) certification process started in China at the end of 2018, and the company's Beijing subsidiary was granted the HNTE classification. The HNTE status will reduce the subsidiary's corporate income tax rate. In addition to lower taxation, it will increase innovation at the local level thanks to a simpler patenting process, cooperation with universities and other local operators will become easier, and the company will be able to apply for public funding for its research projects. The status is also considered to have brand value, which will facilitate the making and cementing of customer relationships, strengthening the supplier chain and enhancing the company's attractiveness as an employer. The classification is valid for three years and can be reapplied.

Detection Technology expanded its ME product portfolio and launched the X-Scan ME series. X-Scan ME is the first industrialized multi-energy solution that meets the high requirement level of demanding industrial imaging. The product family is an ideal solution for sorting and grading of materials, quality control, material analysis and optimizing complex manufacturing processes in the recycling, food, mining, and other process industries. The product family received an enthusiastic welcome in the markets.

The company's French operations moved into new premises at the end of the previous review period, and the facilities that will better support product development and small-series production were given the final touch during the review period. Moving to the new premises did not affect the ramp-up of the ME product line, and the company started small-series production in the new premises in accordance with the schedule released earlier. The company expects a positive result from the new business in two years.

Detection Technology completed all product transfers planned for 2020 to the Wuxi production and service site, in addition to which the company has focused on developing added-value production processes in the new site. The Wuxi operations were certified in compliance with the ISO 14001:2015 environmental management system at the end of the year. In addition, an ISO 13485:2016 certification audit was carried out at the unit, which covers the development, manufacture, and distribution of medical X-ray flat panel detectors.

### Sustainability

The company has not received information on any infringements of the Code of Conduct in FY2020. The company will describe its measures to support sustainable development and corporate social responsibility in more detail in its annual review for 2020. The company will also publish its targets for 2021 in the annual review.

Detection Technology's corporate social responsibility complies with certified ISO 9001:2015, ISO 14001:2015 and 13485:2016 standards. The company acknowledges and continuously implements the Code of Conduct of the Responsible Business Alliance (RBA). The company's Code of Conduct consists of the company's quality, environmental, business ethics, labor and health, and safety policies. The company has set metrics to measure continuous improvement in every area, and it monitors development in quarterly reviews. Detection Technology's Code of Conduct is available on the company's website.

### Changes in the management group

The company appointed Juha Talasmäki M.Sc. (Eng.) as Vice President of the Industrial Solutions Business Unit and a member of the management group in December. He started work in his new position on 1 January 2021 and is responsible for the overall development of the unit's business globally.

At the same time, the company announced that Kari Hyvärinen, Vice President of the former Security and Industrial Business Unit (SBU) and a member of the management group, has decided to pursue other opportunities outside of Detection Technology as of 11 April 2021. The company has launched a recruitment process for the position of Vice President of the renewed Security Business Unit.

### Shares and shareholders

Based on the authorization granted by the Annual General Meeting held on 16 April 2020, Detection Technology's Board of Directors decided on 24 August 2020 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 2020A1, 2020A2, 2020B1, and 2020B2. The share subscription period will be for the stock options 2020A1 and 2020A2 from 2 May 2023 until 31 May 2024, and for the stock options 2020B1 and 2020B2 from 2 May 2024 until 31 May 2025.



The combined aggregate number of stock options marked with the symbols 2020A1 and 2020A2 is a maximum of 380,000 and that of stock options marked with the symbols 2020B1 or 2020B2 380,000. Thus, the maximum total number of stock options and shares that may be subscribed with them is 760,000. The maximum number of shares to be subscribed with the stock options is approximately five percent of the company's shares on a fully diluted basis.

At the same time, an allocation round related to stock options 2020A1 and 2020A2 was carried out, resulting in the issuing of a total of 360,000 stock option rights to key personnel. The strike price of stock options 2020A1 and 2020A2 was confirmed to be EUR 18.88. The description and the terms of the stock option program and stock options can be found on the company's website.

The average share price of Detection Technology was EUR 22.00 in Q4 and EUR 20.95 in January–December 2020. The highest share price for Q4 was EUR 24.40 and the lowest EUR 19.00. The highest price for 2020 was EUR 28.90 and the lowest EUR 15.05.

The closing price at the end of December was EUR 23.90, and the company had a market capitalization of approximately EUR 344 million. A total of 2.38 million shares, which is 16.5% of the total number of shares, were traded between 2 January and 30 December. The number of outstanding shares in Detection Technology was 14,375,430 at the end of 2020.

The number of shareholders at the end of the review period was 3,139. Approximately 61.6% of the shares were held by the ten largest shareholders. The nominee-registered foreign holding of shares in the company was 11.4% at the end of the review period.

The company has one share series, and all shares bear equal voting rights. The company's shares are listed on the Nasdaq First North Growth Market Finland marketplace under the ticker symbol DETEC.

### **Risks and uncertainties**

According to the view of Detection Technology's management, the most significant short-term risks and uncertainties of the company are the prolongation of the COVID-19 pandemic due to vaccine availability and viral mutations, the tightening relationship between the United States and China, development of international security, and availability of semiconductor components. Other short-term risks are associated with factors related to political and trade policy uncertainty, and operating in emerging markets.

Other risks are related to price competition, a significant share of net sales being generated by the five largest customers, APAC countries' large share of sales, the commissioning of the new production and service site in Wuxi, product quality, the startup of production of new products, customer liquidity, exchange rate fluctuations, an overall cost development — particularly in China, employee loyalty and organizational efficiency.

The company takes continuous measures to mitigate the aforementioned risks. Other risks related to the company and its business operations will be described in more detail in the company's financial statements for 2020.

## The impacts of the COVID-19 pandemic on business

The impacts of the COVID-19 pandemic on the development of the company's net sales in review period January–December 2020 varied for each market segment. As a consequence of the pandemic demand in security applications decreased, and according the company estimate sales halved in the said segment. Aviation application sales took the hardest hit, but sales also softened in other security applications due to various restrictions. The industrial segment grew, but the growth remained below the typical annual growth rate in the field. The pandemic had two kinds of impacts on medical device sales: on one hand, the escalation of the pandemic resulted in a peak in basic CT equipment sales but on the other hand, sales of dental applications decreased. Overall, around half of the growth in medical application sales was a result of the pandemic. The company estimates that the ramifications of COVID-19 decreased the company's total net sales by about a third in January-December 2020.

Although the company's net sales decreased, the company's profit-making ability remained good in particularly challenging markets, and the company's profit margin was 11%. Cost savings, employment contribution relief and the new High and New Technology (HNTE) classification granted to the company's Chinese subsidiary had a positive impact on profitability. The company received a total of EUR 1.2 million in employer contribution relief from the governments of the countries in which it operates in January–December 2020.

The company managed to minimize the impacts of the pandemic on its supply chain, production, and product development projects. The pandemic has not caused significant problems with the availability of components and materials, and the company's production has continued uninterrupted. Thanks to critical medical CT application shipments, the company was able to keep the Beijing factory up and running throughout the entire review period and to start deliveries from the new Wuxi unit, despite restrictions introduced by the local authorities. The pandemic has not significantly prolonged the company's product development cycle either.

The pandemic did not have any significant impacts on personnel during the review period. The company's primary goal has been to ensure the good health and safety of its employees by promoting remote work, among other measures. There have been a couple of individual infections among personnel, but no mass infections or mass quarantines. In addition, the personnel has managed to avoid the more serious forms of the disease. Cost savings did not have a direct impact on the personnel, and the number of personnel in the review period decreased due to natural turnover and the conclusion of fixed-term employments.

In Detection Technology's view, it is too early to estimate the pandemic effect in longer term. Therefore the company has continued developing its business in line with the DT-2025 strategy in order to secure its competitiveness. The company describes development measures in the Strategy section of this report.

The company works continuously to mitigate the ramifications of the COVID-19 pandemic that may have adverse effects on its business. The impacts of the pandemic on the company's business are described in more detail in the company's 2020 financial statements.

## Board of Directors' profit distribution proposal

The distributable funds of the parent company Detection Technology Plc are EUR 32,184,804, of which EUR 7,544,799 represents the net profit for the financial year. The company's funds eligible for dividend distribution total EUR 9,731,928. 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 30 March 2021 that, based on the balance sheet adopted for 2020, a dividend of EUR 0.28 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 4,025,120.40.

### Business outlook

Prior to the outbreak of the COVID-19 pandemic, industry experts estimated that the global medical X-ray imaging equipment market would grow at an average rate of about 5% per annum, the security segment by 6% and the industrial sector by about 5%. In Detection Technology's view, the medical and industrial markets will grow according to the estimates by the experts, but the market disruption caused by the pandemic will continue in the security market, and the said market will decline in H1 of 2021. The latest estimates in market research indicate that post-pandemic growth will compensate the lower demand during the pandemic and, as a result, the security segment will grow more strongly after the temporary market disruption, and will reach the pre-pandemic market estimate around 2025.

Detection Technology expects growth in IBU sales and double-digit growth in MBU sales in H1 of 2021. Demand in the security market is expected to head for growth in Q2 of 2021 at the earliest. SBU sales will decrease in Q1 year-on-year, but will start to grow in Q2, although demand is still subject to uncertainty. Total net sales is expected to decrease in Q1 and grow in H1 of 2021.

The COVID-19 pandemic creates extraordinary uncertainty for the global economy and the company's business, and the predictability of the company's target markets is still lower than usual. Detection Technology aims to increase sales by at least 10% per annum and to achieve an operating margin at or above 15% in the medium term.

### Financial reporting schedule in 2021

Detection Technology Plc will disclose the following financial releases in 2021:

- Business review January-March 2021: 27 April 2021
- Half-yearly report January-June 2021: 3 August 2021
- Business review January-September 2021: 27 October 2021

The financial statements and annual review for 2020 will be published at the latest on 4 March 2021 on the company's website. The Annual General Meeting is scheduled for 30 March 2021 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.-31.12.2020 has been prepared according to the Finnish Accounting Standards (FAS).

### CONSOLIDATED INCOME STATEMENT (FAS)

(EUR 1,000)	10-12/2020	10-12/2019	01-12/2020	01-12/2019
<b>Net sales</b>	<b>19,909</b>	<b>25,021</b>	<b>81,561</b>	<b>102,480</b>
Other operating income	457	-9	1,017	142
Materials and services	-10,370	-13,367	-42,606	-52,616
Personnel expenses	-4,331	-4,488	-17,352	-18,016
Depreciations	-835	-731	-3,254	-2,881
Other operating expenses	-2,481	-3,212	-10,653	-12,090
<b>Operating profit</b>	<b>2,349</b>	<b>3,213</b>	<b>8,714</b>	<b>17,019</b>
Financial income and expenses	-137	-187	-628	-140
<b>Profit before taxes</b>	<b>2,212</b>	<b>3,026</b>	<b>8,085</b>	<b>16,879</b>
Income taxes	146	-1,254	-1,350	-4,404
<b>Profit for the reporting period</b>	<b>2,358</b>	<b>1,772</b>	<b>6,735</b>	<b>12,475</b>



**CONSOLIDATED BALANCE SHEET (FAS)**

(EUR 1,000)	<b>31.12.2020</b>	31.12.2019
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	4,136	4,548
Tangible assets	5,991	5,714
Investments	11	11
<b>TOTAL NON-CURRENT ASSETS</b>	<b>10,138</b>	<b>10,273</b>
<b>CURRENT ASSETS</b>		
Inventories	15,909	14,121
Other long-term receivables	391	0
Trade receivables	22,017	24,865
Other receivables	819	603
Accrued income	1,338	1,050
Cash and cash equivalents	25,187	26,012
<b>TOTAL CURRENT ASSETS</b>	<b>65,661</b>	<b>66,651</b>
<b>TOTAL ASSETS</b>	<b>75,799</b>	<b>76,923</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	24,062	18,217
Profit for the financial period	6,735	12,475
<b>TOTAL EQUITY</b>	<b>58,460</b>	<b>58,355</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Loans from financial institutions	5,823	5,627
Trade payables	7,386	6,892
Other liabilities	816	1,214
Accrued liabilities	3,314	4,836
Total	17,339	18,569
<b>TOTAL LIABILITIES</b>	<b>17,339</b>	<b>18,569</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>75,799</b>	<b>76,923</b>

**CONSOLIDATED CASH FLOW STATEMENT (FAS)**

(EUR 1,000)	10-12/2020	10-12/2019	01-12/2020	1-12/2019
<b>Cash flow from operations</b>				
Operating profit	2,349	3,213	8,714	17,019
Depreciations	835	731	3,254	2,881
Other non-cash business activities	-839	-706	-1,382	-706
Change in working capital	1,524	7,141	-142	-2,427
Financial income and expenses	60	-174	-394	-128
Income taxes paid	-629	-1,846	-2,528	-4,996
<b>Cash flow from operations</b>	<b>3,301</b>	<b>8,360</b>	<b>7,522</b>	<b>11,599</b>
<b>Cash flow from investments</b>				
Investments in intangible and tangible assets	-1,494	-1,859	-3,081	-4,041
<b>Cash flow from investments</b>	<b>-1,494</b>	<b>-1,859</b>	<b>-3,081</b>	<b>-4,041</b>
<b>Free cash flow</b>	<b>1,807</b>	<b>6,500</b>	<b>4,441</b>	<b>7,558</b>
<b>Cash flow from financing</b>				
Change in current loans	-40	815	196	1,571
Dividend paid	0	0	-5,463	-5,463
<b>Cash flow from financing</b>	<b>-40</b>	<b>815</b>	<b>-5,266</b>	<b>-3,892</b>
<b>Change in cash and cash equivalents</b>	<b>1,768</b>	<b>7,315</b>	<b>-825</b>	<b>3,666</b>
Cash and cash equivalents at beginning of reporting period	23,419	18,697	26,012	22,346
Cash and cash equivalents at end of reporting period	25,187	26,012	25,187	26,012

## STATEMENT OF EQUITY CHANGES

(EUR 1,000)	Share capital	Share premium	Invested unrestricted equity fund	Retained earnings	Profit for the period	Total
<b>Balance on 1.1.2020</b>	<b>80</b>	<b>5,130</b>	<b>22,453</b>	<b>30,692</b>	<b>0</b>	<b>58,355</b>
Dividend paid	0	0	0	-5,463	0	-5,463
Translation differences	0	0	0	-1,167	0	-1,167
Profit for the period	0	0	0	0	6,735	6,735
<b>Balance on 31.12.2020</b>	<b>80</b>	<b>5,130</b>	<b>22,453</b>	<b>24,062</b>	<b>6,735</b>	<b>58,460</b>
<b>Balance on 1.1.2019</b>	<b>80</b>	<b>5,130</b>	<b>22,453</b>	<b>23,721</b>	<b>0</b>	<b>51,384</b>
Dividend paid	0	0	0	-5,463	0	-5,463
Translation differences	0	0	0	-41	0	-41
Profit for the period	0	0	0	0	12,475	12,475
<b>Balance on 31.12.2019</b>	<b>80</b>	<b>5,130</b>	<b>22,453</b>	<b>18,217</b>	<b>12,475</b>	<b>58,355</b>

Espoo 1 February 2021

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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