

Q1 2017
January-March

Business review



DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-MARCH 2017

Detection Technology Q1: Excellent operating profit and good growth**January-March 2017 highlights**

- Net sales increased by 22.7% to EUR 18.9 million (15.4)
- Net sales of Security and Industrial Business Unit (SBU) grew 1.7% to EUR 12.1 million (11.9)
- Net sales of Medical Business Unit (MBU) increased by 94.5% to EUR 6.8 million (3.5)
- Operating profit (EBIT) was EUR 3.7 million (2.3)
- Operating margin (EBIT-%) was 19.6% of net sales (14.9%)

(Figures in brackets refer to the corresponding period of the previous year.)

Key figures

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016
Net sales	18,863	15,373	75,509
Net sales growth, %	22.7%	71.3%	76.5%
Operating profit	3,690	2,287	14,808
Operating margin, %	19.6%	14.9%	19.6%
R&D costs	1,529	1,623	6,071
R&D costs, % of net sales	8.1%	10.6%	8.0%
Cash flow from operating activities	1,154	325	5,412
Net interest-bearing debt at end of period	-5,812	-3,987	-8,337
Capital expenditure	324	875	1,612
Gearing, %	-19.1%	-18.9%	-27.0%
Earnings per share, EUR	0.20	0.11	0.81
Number of shares at the end of the period	13,425,775	12,950,975	13,425,775

President and CEO, Hannu Martola:

"The year started well. Net sales increased 23% compared to the first quarter of last year, and the operating profit was excellent, totaling 20% of net sales. Our fixed costs in the first quarter were at the planned level, with the exception of the R&D costs, which were lower than planned due to the seasonal variation.

Sales split by businesses, application areas and geographically continued to balance. Net sales of MBU grew 95% due to good demand for products transferred to production last year. SBU's net sales grew 2% as the demand leveled off when logistics companies reduced their equipment purchases in Asia. SBU's sales were more balanced between different application areas, as the weaker demand of the logistics sector was compensated by other application areas. Americas' share of our sales has continued to grow and it reached 24% in the first quarter.

We believe that the growth for the rest of the year will continue to be more moderate than in the previous year. However, there is uncertainty with the demand as competition tightens and affects the product prices. We continue to develop our business in line with our strategy and keep the company's medium-term financial targets unchanged."

Markets

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. The growth is a result of globally increased security risks. In addition to airports and traffic hubs, the use of X-ray inspection has also increased in other critical infrastructures. For industrial applications, growth has been around 5%.

Net sales of Detection Technology's Security and Industrial Business Unit (SBU) grew 1.7% from the corresponding period, and totaled EUR 12.1 million (11.9) in the first quarter. SBU's share of total net sales was 64% (77%).

Detection Technology estimates that the global computed tomography (CT) market in medical applications grew about 5% in the review period. Net sales of the company's Medical Business Unit (MBU) grew significantly faster than the market, up 94.5% from the previous year, and amounted to EUR 6.8 million (3.5). The demand increased especially in North America. MBU's share of total net sales was 36% (23%).

Net sales split by regions was more balanced than in the review period. Sales grew strongly in the Americas, while the growth in Asia declined. Asia accounted for 57% (76%) of the company's net sales in the first quarter, Europe 19% (13%) and the Americas 24% (12%).

Detection Technology estimates that the annual growth rate will be around 7% in the security and 5% in the industrial X-ray imaging market. The global medical CT equipment market is expected to grow around 5% annually.

Strategy

Implementing the company's strategy has proceeded according to plan. During the review period, the company focused on winning new customers and product projects, to develop new technology, and, in particular, to ensure sufficient shipments and production capacity. The company started the expansion of the Beijing factory at the beginning of the year, and the new facilities will be taken into use in May. The expansion enables the company to increase its production capacity and to meet the medium-term needs.

Business outlook

The company expects growth to continue this year, although there is uncertainty with the demand for the rest of the year. Detection Technology's mid-term business outlook remains unchanged. The company aims to increase sales by at least 15 per cent per annum and to achieve an operating margin at or above 15 per cent during the medium term.

Half-yearly report 2017

Detection Technology will publish a half-yearly report on 26 July 2017.

Espoo 25 April 2017

Board of Directors
Detection Technology Plc



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