

Q3 2017
January–September

Business review



DETECTION TECHNOLOGY PLC BUSINESS REVIEW JANUARY-SEPTEMBER 2017

Detection Technology Q3: Medical applications driving strong growth**July-September 2017 highlights**

- Net sales increased by 16.1% to EUR 22.2 million (19.2)
- Net sales of Security and Industrial Business Unit (SBU) decreased by 5.2% to EUR 13.3 million (14.1)
- Net sales of Medical Business Unit (MBU) increased by 74.8% to EUR 8.9 million (5.1)
- Operating profit (EBIT) was EUR 5.1 million (4.1)
- Operating margin (EBIT-%) was 22.9% of net sales (21.4%)

January-September 2017 highlights

- Net sales increased by 18.3% to EUR 61.5 million (52.0)
- Net sales of Security and Industrial Business Unit (SBU) decreased by 5.9% to EUR 38.5 million (40.9)
- Net sales of Medical Business Unit (MBU) increased by 107.8% to EUR 23.0 million (11.1)
- Operating profit (EBIT) was EUR 12.9 million (9.6)
- Operating margin (EBIT-%) was 21.0% of net sales (18.4%)

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

Key figures

(EUR 1,000)	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Net sales	22,234	19,159	61,473	51,982	75,509
Net sales growth, %	16.1%	105.9%	18.3%	88.5%	76.5%
Operating profit	5,084	4,096	12,905	9,571	14,808
Operating margin, %	22.9%	21.4%	21.0%	18.4%	19.6%
R&D costs	1,977	1,034	5,362	3,812	6,071
R&D costs, % of net sales	8.9%	5.4%	8.7%	7.3%	8.0%
Cash flow from operating activities	5,378	1,624	10,869	424	5,412
Net interest-bearing debt at end of period	-15 166	-3,732	-15 166	-3,732	-8,337
Capital expenditure	0	232	1,145	1,240	1,612
Gearing, %	-41.8 %	-14.2%	-41.8 %	-14.2%	-27.0%
Earnings per share, EUR	0.29	0.22	0.74	0.51	0.81
Number of shares at the end of the period	13,425,775	12,950,975	13,425,775	12,950,975	13,425,775

President and CEO, Hannu Martola:

"The global X-ray imaging market grew favourably in the third quarter, and we strengthened our position in a competitive market. Our business scaled up better than we estimated. Net sales grew 16% from the comparison period, and our company's operating profit totaled EUR 5 million for the third quarter, corresponding to 23% of net sales.

Sales split between businesses and application areas continued to balance during July-September. Excellent demand continued in MBU, where net sales grew 75% from the corresponding period due to continued strong demand. SBU sales decreased 5% from the comparison period after the exceptional demand peak for logistics

segment levelled off in China, and net sales of the business unit were more evenly distributed between application areas than in the comparison period.

We have managed to keep our fixed costs under control. We expect especially R&D costs to increase at the end of the year, and the continuation of company growth requires additional investment in R&D.

We forecast growth to be moderate until the end of 2017, and at the beginning of next year. So far, we have succeeded in the market better than expected. Intensified competition has not yet reflected on our earnings power. We will further develop our competitiveness, and continue to develop our business based on our strategy. In our view, the medium-term outlook remains unchanged."

Markets

The company estimates that, in the review period, the global computed tomography (CT) market in medical applications grew by about 3-5%, security by 7% and industrial X-ray imaging market by about 5%. Detection Technology's net sales increased 16.1% (105.9%) to EUR 22.2 million (19.2). The operating profit amounted to EUR 5.1 million (4.1), corresponding to 22.9% of net sales (21.4%).

Net sales of the company's Medical Business Unit (MBU) grew significantly faster than the market, 74.8% (53.5%) from the comparison period, and were EUR 8.9 million (5.1). The growth in MBU net sales was due to continued good demand in North America, successful customer shipments, and increasing demand also in emerging markets, especially in China. MBU's share of total net sales was 40.0% (26.6%).

As the exceptional demand peak for logistics segment levelled off in China, net sales for the Security and Industrial Business Unit (SBU) decreased by 5.2% (134.9%) compared to the same period last year, totalling EUR 13.3 million (14.1). Net sales of the business unit were more evenly distributed between security and industrial application areas than in the comparison period. Demand has gained momentum, especially in critical infrastructure such as railway stations, metro stations and light vehicle X-ray imaging applications. SBU's share of total net sales was 60.0% (73.4%).

Sales split by geography was more balanced than in the corresponding period. Asia remained the biggest market with its 60.9% (68.7%) share. The Americas' share of net sales grew strongly and was 29.1% (16.4%). Europe's share was 10.0% (14.8%). The top five customers accounted for 62.0% (65.1%) of net sales in the review period.

In January-September 2017, the company's net sales grew by 18.3% to EUR 61.5 million (52.0). Operating profit was EUR 12.9 million (9.6), corresponding to 21.0% of net sales (18.4%).

Net sales of MBU grew 107.8% to EUR 23.0 million (11.1). Net sales of SBU were EUR 38.5 million (40.9), which is 5.9% less than in the corresponding period. MBU's share of total net sales was 37.4% (21.3%), and SBU's 62.6% (78.7%).

In the review period January-September 2017, Asia's share of total net sales was 58.3% (73.6%), the Americas' 27.7% (12.3%) and Europe's 14.0% (13.8%). Over the period January-September 2017, the top five customers accounted for 55.6% (63.8%) of net sales.

Strategy

The company has made progress in implementing its strategy. R&D projects and investments in developing new technologies progressed as planned. During the review period, Detection Technology focused on developing its information systems to support more effectively the business growth targets of the company, and kicked off projects for the renewal of enterprise resource planning (ERP), product information (PDM) and production data (MES / PDC) management systems.

Business outlook

The company expects growth to be moderate during the last quarter of 2017 and in the first quarter of 2018. There is uncertainty in demand, and the intensification of competition might be reflected in product prices. Detection Technology's mid-term business outlook remains unchanged. The company aims to increase sales by at least 15% per annum and to achieve an operating margin at or above 15% during the medium term.

Financial statements review 2017

Detection Technology will publish its financial statements review for 2017 on Friday 2 February 2018.

Espoo 24 October 2017

Board of Directors
Detection Technology Plc



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