



Review by the President and CEO

COVID-19 challenges but also some growth

Last year, the year of COVID-19, was challenging in terms of demand in the security sector, while sales of medical applications saw double-digit growth. Our financial performance remained at a good level and our competitive position strengthened – growth drivers in the market are also in the right place for future growth.



The COVID-19 pandemic had two kinds of impacts on demand for our products. It negatively affected the demand in security applications, particularly in aviation, but the escalation of the pandemic boosted sales in basic medical CT equipment. The demand for our industrial applications remained stable, but the annual growth of the market lagged behind pre-pandemic figures. The gap in security sales was too wide for medical CT and industrial solutions sales to close. Our total net sales decreased by -20%, being EUR 82 million in FY 2020.

The drastic drop in air transport, restrictions on mass gatherings and uncertainty in the global economy stagnated the security market. In addition, apart from the food and pharmaceutical industries, investments in the industrial segment were postponed. As a result, the net sales of our Security and Industrial Business unit (SBU) decreased by -39%, standing at EUR 42 million.

The net sales of our Medical Business Unit (MBU), however, increased by 17% to EUR 39 million, boosted by demand in CT applications. 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 for our standard X-Tile product also held its ground. Demand in dental applications started to recover toward the end of the year, but it will take time for demand to normalize at the global level.

The distribution of net sales between business units became more even, with SBU being stronger at 52% compared to MBU's 48%. There were no significant changes in the geographical distribution of our sales: Asia was still by far our largest market.

Although our overall net sales decreased significantly year-on-year, our profitability remained at a good level and we were able to achieve a double-digit profit margin during these exceptional times. Operating profit excluding non-recurring items was EUR 8.9 million, which is 11% of net sales.

The number of customers increased by one fifth

We keep our focus strictly on the future. In light of this, it is noteworthy that our competitive position has strengthened. The number of active customers increased by nearly 20% in FY 2020, being 330 at the end of the review period: we acquired new customers in all our businesses. Net growth was strongest in the industrial sector, which holds plenty of potential, although it is more fragmented than the security and medical markets dominated by larger-scale operators.

We also won product projects that are important for our competitive position. We were awarded security and medical CT projects that are important in terms of both strategy and sales, and we also offered solutions for more demanding imaging needs in the industrial segment.

The year also saw a high number of product launches. We launched new products in all our target markets. We were the first in the field to introduce a standard CT detector product family – Aurora CT – for demanding security and industrial imaging systems. Another important event in terms of strategy and sales was the expansion of the X-Panel product family to cover surgical and industrial imaging needs. In addition, we made progress in the commercialization of multi-energy (ME) technology, and we introduced the X-Scan ME product family for demanding industrial environments.

In our view, we are in a good position to benefit from new business opportunities in years to come. Although it is too early to estimate the long-term consequences of COVID-19, growth drivers in all our target markets are in the right place, and we will be able to flexibly meet increasing demand as the security market is revived.

Focus on profitable growth

We seek profitable growth through the development of our business in line with the DT-2025 strategy. The High and New Technology (HNTE) certification granted to our Beijing subsidiary serves as a good example. 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.

We also seek to boost our growth by introducing a new organizational structure. We split SBU into two separate business units at the end of the financial year. The renewed SBU focuses on security application sales and the Industrial Solutions Business Unit (IBU) champions the industrial segment.

In this way, we will be able to improve the scouting of market signals and building a more target market-oriented offering. Our objective is to complement our industrial portfolio with higher-end detector solutions in which software and algorithms play a more significant role. The X-Scan ME series based on multi-energy technology serves as a good example: it received an enthusiastic welcome in the markets. In line with our "Beyond hardware" principle, we are looking for opportunities to commercialize not only hardware but software and services, too.

We launched the small series production on our ME product line at our new site in France on schedule, and we expect to see positive results from this new business in two years' time. In addition to successful product transfers, we invested in the development of added-value production processes at our Wuxi production and service site.

Sustainable growth

We only seek growth in a sustainable way. We believe that sustainability is an integral part of successful business. For us, being sustainability means transparency, honesty, and reliability toward all our stakeholders. We care about our customers, employees, investors, partners, and society, and aim to reduce our impact on the environment.

During 2020, we have continued to implement our Code of Conduct, to work on our sustainability agenda, and to develop our business model on the basis of the guidelines of the Responsible Business Alliance (RBA). For the first time, in this annual review we are publishing the sustainability goals 2020 and information on how we met them, and we also share the goals set for 2021 with you.

We made progress on our journey toward sustainability in 2020. For this, we have received recognition from our customers related to our reliable delivery of critical products under the state of emergency and our sustainable operations. In addition, the local government in China recognized our support during the COVID-19 pandemic.

I would like to warmly thank our customers, shareholders, partners and, in particular, our DT team! 2020 was challenging but I'm sure it also taught us all a lot – and now we are emerging with an even stronger ecosystem. We will continue our work with passion and pride to secure the future, in line with our slogan: Foreknow. Foresave.

Hannu Martola
President and CEO

