



Detection Technology

Financial statements
and Report of the Board of Directors

2020

Report of the Board of Directors

Financial year 2020 in brief

Due to COVID-19, the financial year 2020 saw weakened demand and profitability on one hand, but on the other Detection Technology managed under the circumstances to minimize the negative impact of the pandemic to its business in an exceptionally challenging market situation. The company's financial performance stayed at a good level with a double-digit operating margin. It is noteworthy, from the perspective of future growth, that the company's competitive position strengthened in all its businesses: the number of active customers increased by nearly 20%, the company won new CT (computed tomography) product projects that are important for its competitive position, and its product portfolio strengthened in all market segments.

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%. Due to the market disturbance caused by the pandemic, the annual growth rate remained below the aforementioned estimates in all segments apart from medical CT imaging in 2020.

The consequences of the pandemic reflected demand in the company's main markets in two ways: the escalation of the pandemic resulted in an increase in basic CT equipment demand, but the demand for security applications plummeted, particularly in the aviation industry. Demand in industrial solutions remained stable, although growth lagged behind the typical annual growth rate of the segment due to wariness to invest. The gap in security sales was too wide for medical CT and industrial solutions sales to close. The total net sales of the company decreased by -20% being EUR 82 million in FY 2020.

The COVID-19 pandemic cut both air and land transport from 30 to 90%, depending on the segment. Regulations by the authorities regarding mass gatherings and the overall uncertainty in the global economy adversely affected demand at traffic hubs as well as in other critical infrastructure. In addition, some investments in industrial imaging, with the exception of the food and pharmaceutical industries, were postponed. As a result, the net sales of the company's Security and Industrial Business unit (SBU) decreased by -39% to EUR 42 million in FY 2020. SBU generated 52% of total net sales.

Radiology plays an important part in the diagnosis and treatment of COVID-19, and the escalation of the pandemic therefore created a peak in the demand for basic CT products in H1 of 2020. The CT demand by product category normalized in H2 of 2020, and the growth in the sales of the company's Medical Business Unit (MBU) was mainly attributed to more advanced CT products, such as X-Tile, at the end of the year. Demand in dental solutions decreased at the beginning of the pandemic, but normalized in China in H2 2020, and the market also showed signs of recovery elsewhere. Global equipment sales have not, however, recovered to pre-pandemic levels, which slowed down the company's X-Panel sales in that segment. MBU's net sales increased by 17% totaling EUR 39 million in FY 2020. MBU generated 48% of total net sales.

There were no significant changes in the geographical distribution of the company's net sales. The Asian and Pacific countries (APAC) were still the company's largest market area with its circa 68% share.

The company's investments in the commercialization of the multi-energy (ME) technology, the new facility in France and the commissioning of the production and service site in Wuxi, China, negatively affected profitability. However, decreased personnel expenses, decreased traveling, other cost-saving measures, employer's contribution relief and the decrease in corporate income tax related the High and New Technology Enterprise (HNTE) status of the company's Chinese subsidiary improved the result. Despite the significant decrease in the company's net sales, profitability remained at a good level in a particularly challenging market situation. Operating profit excluding non-recurring items (NRI) was EUR 8.9 million, which is 11% of net sales.

The pandemic did not essentially lengthen the company's product development cycle, and 2020 saw a high number of product launches. The company launched new products in all target markets: the X-Scan C product family for demanding industrial environments, the first standardized CT detector system in its field for security applications, the X-Panel 1615 product family for surgical and dental imaging, the X-Panel 1412 series for industrial and dental applications, and the X-Scan ME product family for simplifying multi-energy imaging in demanding industrial environments.

Despite the pandemic, the availability of materials and components was good and production was uninterrupted. Thanks to critical medical CT application deliveries, the company was able to keep its Beijing factory up and running during the entire review period and start deliveries from the new Wuxi site, despite the restrictions set by the authorities.

At the end of September, the company's French operations moved into new site, which better support product development and small-series production. Move of the site did not affect the ramp-up of the ME product line, and the company started small-series production in the new facility according to plan.

Another significant event in the review period was the HNTE certification granted by the authorities to the company's Beijing subsidiary. In addition to tax relief, the HNTE status will

increase local innovation, and the status is also considered to have brand value in both the customer and supplier interface as well as in the recruitment market.

Detection Technology announced at the end of December that it will implement a new business structure as of January 1, 2021. The company divided the SBU into two separate business units. The renewed SBU focusses in security application sales, whereas the Industrial Solutions Business Unit (IBU) champions the industrial segment, in addition to which it will introduce higher-end detector solutions in which software and algorithms play a more significant role to target markets. The company will report the development of net sales of the three business units – the Medical Business Unit (MBU), the Security Business Unit (SBU) and the Industrial Solutions Business Unit (IBU) – as of Q1 of 2021.

Although it is still too early to forecast the long-term impacts of the COVID-19 pandemic on the global economy and the company's business, Detection Technology considers that the fundamental growth drivers in all its target markets have remained unchanged. Despite the challenges posed by COVID-19, the company has strengthened its market position, and it is ready to flexibly meet increasing demand as the security markets recover.

Net sales and financial result development

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

In January-December, Asia-Pacific's (APAC) share of total net sales was 67.9% (65.1%), Europe, Middle East, Africa's (EMEA) 22.2% (20.6%) and Americas' 9.9% (14.3%). Stagnation in the security market in Americas and relocations of medical device manufacturing to Asia affected the geographical distribution of sales. The share of net sales accounted for by the top five customers decreased slightly and was 53.0% (56.3%) in the review period January-December 2020.

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

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).

Key figures of financial performance

	Group	Group	Group	Parent	Parent	Parent
	2020	2019	2018	Company	Company	Company
				2020	2019	2018
Net sales, EUR 1,000	81,561	102,480	93,916	26,241	28,963	24,873
Operating profit excluding NRI, EUR 1,000	8,877	17,719	19,029	4,672	4,487	5,844
Operating profit excluding NRI,%	10.9%	17.3%	20.3%	17.8%	15.5%	23.5%
Operating profit, EUR 1,000	8,714	17,019	18,522	4,672	4,487	5,844
Operating profit,%	10.7%	16.6%	19.7%	17.8%	15.5%	23.5%
Return on investment (ROI),%	13.6%	28.5%	36.4%	12.9%	12.8%	17.0%
Earnings per share, EUR	0.47	0.87	1.03	-	-	-
Earnings per share (diluted), EUR*	0.47	0.87	1.07	-	-	-
Equity ratio,%	77.3%	76.5%	72.3%	93.3%	90.6%	90.1%
Equity per share, EUR	4.07	4.06	3.57	2.60	2.46	2.41
Equity per share (diluted), EUR*	4.07	4.06	3.70	2.60	2.46	2.49

* The number of shares (14,375,430) has been used in the calculation for diluted earnings per share for 2020.

Research and development

During the financial year January-December 2020, R&D expenses were EUR 9.8 million (10.7), corresponding to 12.0% of net sales (10.4%). All R&D costs are written off 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. In January-December 2020, personnel expenses totaled EUR 17.4 million (18.0).

Headcount, salaries and rewards

	Group	Group	Group	Parent	Parent	Parent
	2020	2019	2018	Company	Company	Company
				2020	2019	2018
Average headcount	471	487	447	86	76	65
Salaries and rewards (EUR 1,000)	14,306	14,026	11,740	5,858	5,274	4,798

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%
Total	444	496	-10.5%

Board of Directors and management

The Annual General Meeting resolved that the Board of Directors consists of seven members (7). Heikki Allonen, Carina Andersson, Vera Backström, Pasi Koota, Henrik Roos and Hannu Syrjälä were re-elected, and Richard Ingram was elected as a new member to the Board of Directors. Petri Niemi had informed that he is not available for re-election to the Board of Directors. In its organizing meeting, the Board of Directors elected Hannu Syrjälä as Chairman of the Board until the next Annual General Meeting in accordance with the recommendation of the Shareholders' Nomination Board.

The Board of Directors has appointed Remuneration and Auditing Committees from amongst its number. The members of the Remuneration Committee were Hannu Syrjälä, Vera Backström, Henrik Roos and Richard Ingram. The Remuneration Committee appointed Hannu Syrjälä to chair the committee. The members of the Auditing Committee were Pasi Koota, Heikki Allonen and Carina Andersson. Pasi Koota acted as the chair of the Auditing Committee.

The company's President and CEO was Hannu Martola. The company's auditor was Ernst & Young Ltd with Juha Hilmola APA (Authorized Public Accountant) as the auditor in charge.

Sari Näkki, Vice President of Human Resources and a member of the management group at Detection Technology, left her position at the Group as of 30 April 2020. The company announced in August, that Sari Holopainen (M.Ed.) has been appointed Vice President, Human Resources and a member of the management group at Detection Technology, and she is responsible for the Group's HR management and development globally. Sari Holopainen started in the position on 30 September 2020.

The company appointed Juha Talasmäki M.Sc. (Eng.) as Vice President of the new 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, will leave the company as of 11 April 2021. The company has launched a recruitment process for the position of Vice President of the renewed Security Business Unit.

At the time of writing the financial statements, the management group consist of President and CEO Hannu Martola, Vice President of Medical Business Unit (MBU) Chen Wu, Vice President of Security Business Unit (SBU) Kari Hyvärinen, Vice President of Industrial Solutions Business Unit Juha Talasmäki, Vice President of Human Resources Sari Holopainen, CFO Petri Hiljanen, CTO Jyrki Still, and Vice President of Operations Kai Utela.

Report on the Corporate Governance

A report on the company's Corporate Governance (CG) has been given for FY 2020. The report can be found on the company's website.

Annual General Meeting

Detection Technology Plc's Annual General Meeting (AGM) 2020 was held on 16 April 2020. The following matters were handled and resolved in the AGM, in addition to the matters referred to in the company's Articles of Association:

1. The company's Board of Directors was authorized to acquire the company's own shares. This authorization amounts to 718,750 shares, and is valid until the conclusion of the following Annual General Meeting, but no later than 30 June 2021. At the end of FY 2020, the authorization had not been used.
2. The company's Board of Directors was authorized to issue a total of 1,437,500 new shares in the company. This authorization is valid until the conclusion of the following Annual General Meeting, but no later than 30 June 2021. The Board of Directors launched stock option programs 2020A and 2020B during the financial year, under which 760,000 stock options were granted, entitling to subscribe for a total of 760,000 shares under the terms of the stock option terms and conditions. At the end of the review period, 657,500 shares had not yet been issued under the authorization.

Shareholders' Nomination Board

Based on the holdings on 1 September 2020, the Nomination Board has consisted of the Chairman of the Nomination Board CEO of Ahlström Capital Lasse Heinonen as the representative of Ahlstrom Capital BV; and Board Member of OP Fund Management Company Kalle Saariaho, representing OP-Finland Mutual Fund, and Senior Vice President Pekka Pajamo of Varma Mutual Pension Insurance Company as Members. The Chairman of Detection Technology's Board of Directors Hannu Syrjälä serves as an expert of the Nomination Board.

The proposals of the Nomination Board to the Annual General Meeting were published on 21 January 2021 and can be found on the company's website. The Charter of the Nomination Board is also available on the company's website.

Shares and shareholders

The average share price of Detection Technology was EUR 20.95 in January–December 2020. 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 3,140. Approximately 69.4% 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.

The largest registered shareholders on 31 December 2020

	Shares	%
AHLSTROM CAPITAL BV	5,280,167	36.73%
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) HELSINGIN SIVUKONTTORI	986,498	8.94%
OP-SUOMI -SIIJOITUSRAHASTO	635,876	4.42%
NORDEA BANK ABP	574,130	6.98%
KESKINÄINEN TYÖELÄKEVAKUUTUSYHTIÖ VARMA	515,000	3.58%
SIIJOITUSRAHASTO AKTIA CAPITAL	465,762	3.37%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	435,737	3.03%
MARTOLA HANNU VEIKKO	431,690	3.00%
EVLI FINNISH SMALL CAP FUND	400,000	2.65%
SEB FINLAND SMALL CAP	256,000	1.39%
NACAWI AB	229,797	1.13%
OP-SUOMI MIKROYHTIÖT -ERIKOISSIIJOITUSRAHASTO	204,118	1.33%
SÄÄSTÖPANKKI KOTIMAA -SIIJOITUSRAHASTO	200,000	1.24%
ERIKOISSIIJOITUSRAHASTO TAALERI MIKRO MARKKA OSAKE	190,000	0.96%
OP-SUOMI PIENYHTIÖT	183,192	0.95%
FONDITA NORDIC MICRO CAP SIIJOITUSRAHASTO	165,000	0.95%
NORDEA HENKIVAKUUTUS SUOMI OY	157,150	0.71%
SIIJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	136,904	0.65%
SIIJOITUSRAHASTO AKTIA NORDIC SMALL CAP	125,000	0.63%
DANSKE INVEST FINNISH EQUITY FUND	120,000	0.52%
The 20 largest shareholders in total	11,692,021	81.33%
Other shareholders	2,683,409	18.67%
Shares in total	14,375,430	100.00%

Breakdown of share ownership on 31 December 2020

Number of shares	Owners	%	Shares	%
1-100	1,736	55.3%	73,936	0.5%
101-500	959	30.5%	242,302	1.7%
501-1,000	209	6.7%	163,035	1.1%
1,001-5,000	140	4.5%	283,589	2.0%
5,001-10,000	28	0.9%	206,885	1.4%
10,001-50,000	39	1.2%	988,022	6.9%
50,001-100,000	5	0.2%	291,049	2.0%
100,001-	24	0.8%	12,126,612	84.4%
	2 518	100.0%	14,375,430	100.0%

Shareholding by the management and the entities they control on 31 December 2020

	Shares	%
Members of the Board	28,728	0.2%
President and CEO	466,690	3.2%
Other members of the management team	300,694	2.1%

Stock options 2020

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 company has two existing stock option programs: stock option program 2018 and stock option program 2020 established during the financial year. The description and terms of the stock option programs and stock options can be found on the company's website.

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 stability, 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 Group has not hedged foreign exchange risks because the Group's sales in various currency areas are sufficiently balanced by purchases in the same areas. Group loans are not covered by interest rate hedging instruments, and consequently possible interest rate changes may impact the company results. The Group has taken measures to protect against material and immaterial damage by obtaining sufficient insurance coverage for its operations.

The Group manufactures high-tech X-ray detectors that meet rigorous quality standards and that are used for the critical applications of the medical and the security industry, in particular. It is possible that, despite on-going quality and assurance mechanisms, errors may occur in the company's design, manufacture and testing process, due to which the quality of the products may not fully meet customer requirements and thereby cause additional quality costs for the company. Every product is tested in production, in addition to which statistical design and manufacturing process monitoring systems along with various quality assurance and testing methods are used in both production and product development. The company's management regard these to be adequate to ensure the good quality of products under normal conditions. The Group's key processes in China and Finland are certified to comply with ISO 9001:2015, 14001:2015 and 13485:2016.

The company takes continuous measures to manage the aforementioned risks. Through normal control and precautionary measures, the Company management aims to reduce the impact of risks affecting the company's operational continuity.

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 Enterprise (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 under the circumstances 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. According to the current management's view, the COVID-19 pandemic has not endangered the continuity of the company's business nor will it do so provided the business environment does not materially change. Therefore the company has continued developing its business in line with the DT-2025 strategy in order to secure its competitiveness. The company works continuously to mitigate the ramifications of the COVID-19 pandemic that may have adverse effects on its business.

Sustainability

The company has not received information on any infringements of the Code of Conduct

in FY 2020. The company describes its measures to support sustainable development and corporate social responsibility in more detail in the annual review for 2020. In addition, the targets set for 2021 can be found in the annual report.

Detection Technology's corporate social responsibility complies with certified ISO 9001:2015, ISO 14001:2015 and ISO 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.

These policies ensure that working conditions are safe, employees are treated with respect and dignity, and business operations are environmentally responsible and conducted ethically. The principles of the company's Code of Conduct guide the everyday work of the company's management and employees, and the company expects its suppliers and other partners to comply with the same principles and standards. Detection Technology's Code of Conduct is available on the company's website.

At Detection Technology, environmental responsibility means offering customers environmentally friendly product and production solutions and reducing the environmental impacts of the company's own operations. The company constantly assesses the environmental impacts of its functions and products, improves production processes and product structures with consideration for environmental aspects, minimizes the use of materials that are harmful to the environment, wastage and the amount of waste, and develops environmental awareness within the organization. The company is not aware of any environmental damage in FY 2020.

Events after financial year ended

After FY 2020, the company's business has continued without abnormal events.

Outlook for 2021

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 targets

At the beginning of the financial year, the Board of Directors of Detection Technology updated the company's medium-term financial targets, and the new guidance was announced in the financial statements review January-December 2019. The company adjusted its annual growth target to correspond to the market situation and kept its profitability target and dividend distribution policy unchanged.

New targets as of 10 February 2020: 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. The company aims to distribute approximately 30–60% of the Group's annual result (earnings per share) to shareholders either in the form of dividend or returned capital.

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.

Group income statement

1.1.2020–31.12.2020 (EUR)

	2020	2019
NET SALES	81,561,340	102,480,113
Change in inventories of finished goods and work in progress	388,797	341,177
Other operating income	1,017,284	142,314
Materials and services	-42,994,757	-52,957,041
Personnel expenses	-17,351,795	-18,016,128
Depreciations	-3,254,281	-2,881,070
Other operating expenses	-10,652,727	-12,089,878
OPERATING PROFIT	8,713,861	17,019,488
Financial income and expenses	-628,428	-140,401
PROFIT BEFORE TAXES	8,085,433	16,879,087
Income taxes	-1,350,379	-4,404,033
PROFIT FOR THE FINANCIAL YEAR	6,735,055	12,475,054

Group balance sheet

31.12.2020 (EUR)

ASSETS	2020	2019
NON-CURRENT ASSETS		
Intangible assets	4,135,938	4,547,990
Tangible assets	5,991,295	5,714,013
Investments	10,501	10,500
TOTAL NON-CURRENT ASSETS	10,137,734	10,272,503
CURRENT ASSETS		
Inventories	15,909,363	14,121,326
Non-current receivables	391,042	0
Current receivables	24,173,716	26,517,354
Cash and cash equivalents	25,186,729	26,011,935
TOTAL CURRENT ASSETS	65,660,849	66,650,615
TOTAL ASSETS	75,798,584	76,923,118
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Share premium account	5,130,025	5,130,025
Invested non-restricted equity fund	22,452,875	22,452,875
Retained earnings	24,062,014	18,216,601
Profit for the financial period	6,735,055	12,475,054
TOTAL EQUITY	58,459,969	58,354,555
LIABILITIES		
Current liabilities	17,338,615	18,568,563
TOTAL LIABILITIES	17,338,615	18,568,563
TOTAL EQUITY AND LIABILITIES	75,798,584	76,923,118

Group cash flow statement

(EUR)

	2020	2019
CASH FLOW FROM OPERATIONS		
Operating profit	8,713,861	17,019,488
Depreciations	3,254,281	2,881,070
Other non-cash business activities	-1,382,314	-705,682
Change in working capital	-142,079	-2,471,806
Financial income and expenses	-394,449	-127,894
Income taxes paid	-2,527,559	-4,995,878
CASH FLOW FROM OPERATIONS	7,521,741	11,599,298
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-3,080,551	-4,041,434
CASH FLOW FROM INVESTMENTS	-3,080,551	-4,041,434
FREE CASH FLOW	4,441,190	7,557,863
CASH FLOW FROM FINANCING		
Change in current loans	196,268	1,571,102
Dividend paid	-5,462,663	-5,462,663
CASH FLOW FROM FINANCING	-5,266,395	-3,891,562
CHANGE IN CASH AND CASH EQUIVALENTS	-825,206	3,666,302
Cash and cash equivalents at the beginning of the year	26,011,935	22,345,633
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25,186,729	26,011,935
CHANGE IN WORKING CAPITAL		
Change in current receivables	1,530,399	-172,224
Change in inventories	-1,814,107	-1,224,419
Change in current liabilities	141,628	-1,075,164
CHANGE IN WORKING CAPITAL	-142,079	-2,471,806

* Deferred conversion differences are included into change in working capital, as a change of current receivables.

Detection Technology Plc income statement

1.1.2020–31.12.2020 (EUR)

	2020	2019
NET SALES	26,241,022	28,962,606
Change in inventories of finished goods and work in progress	277,932	3,622
Other operating income	5,572,686	6,716,201
Materials and services	-14,233,354	-17,122,805
Personnel expenses	-7,012,771	-6,446,788
Depreciations	-1,104,081	-1,130,334
Other operating expenses	-5,069,027	-6,495,625
OPERATING PROFIT	4,672,405	4,486,877
Financial income and expenses	3,806,304	2,722,918
PROFIT BEFORE TAXES	8,478,710	7,209,795
Income taxes	-933,911	-1,013,885
PROFIT FOR THE FINANCIAL YEAR	7,544,799	6,195,910

Detection Technology Plc balance sheet

31.12.2020 (EUR)

ASSETS	2020	2019
NON-CURRENT ASSETS		
Intangible assets	2,104,789	2,769,413
Tangible assets	911,571	1,055,878
Investments	6,229,890	5,598,146
TOTAL NON-CURRENT ASSETS	9,246,250	9,423,437
CURRENT ASSETS		
Inventories	2,016,051	1,717,886
Non-current receivables	7,079,801	4,377,950
Current receivables	9,699,510	12,363,379
Cash and cash equivalents	12,055,233	11,098,555
TOTAL CURRENT ASSETS	30,850,595	29,557,770
TOTAL ASSETS	40,096,845	38,981,207
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Share premium account	5,130,025	5,130,025
Invested non-restricted equity fund	22,452,875	22,452,875
Retained earnings	2,187,129	1,453,882
Profit for the financial year	7,544,799	6,195,910
TOTAL EQUITY	37,394,828	35,312,692
LIABILITIES		
Current liabilities	2,702,017	3,668,515
TOTAL LIABILITIES	2,702,017	3,668,515
TOTAL EQUITY AND LIABILITIES	40,096,845	38,981,207

Detection Technology Plc cash flow statement

(EUR)

	2020	2019
CASH FLOW FROM OPERATIONS		
Operating profit	4,672,405	4,486,877
Depreciations	1,104,081	1,130,334
Other non-cash business activities	-228,554	-110,671
Change in working capital	3,643,473	1,368,177
Financial income and expenses	4,050,955	341,011
Income taxes paid	-765,695	-1,370,774
CASH FLOW FROM OPERATIONS	12,476,666	5,844,953
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-295,150	-1,074,879
Investment in shares in subsidiaries	-631,744	-2,608,601
CASH FLOW FROM INVESTMENTS	-926,894	-3,683,479
FREE CASH FLOW	11,549,772	2,161,473
CASH FLOW FROM FINANCING		
Change in non-current loans to group companies	-2,701,850	-2,412,885
Change in current loans to group companies	-2,428,580	-17,730
Dividend paid	-5,462,663	-5,462,663
CASH FLOW FROM FINANCING	-10,593,094	-7,893,278
CHANGE IN CASH AND CASH EQUIVALENTS	956,678	-5,731,804
Cash and cash equivalents at the beginning of the year	11,098,555	16,830,359
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12,055,233	11,098,555
CHANGE IN WORKING CAPITAL		
Change in current receivables	4,642,358	1,267,603
Change in inventories	-245,442	-555,986
Change in current liabilities	-753,443	656,559
CHANGE IN WORKING CAPITAL	3,643,473	1,368,177

Accounting principles for consolidated financial statements

Copies of Detection Technology Plc consolidated financial statement can be obtained from company's offices in Espoo and Oulu.

Principles for consolidated financial statement

The consolidated financial statements of Detection Technology Group have been prepared in accordance with Finnish Accounting Standards (FAS). Intercompany transactions, account receivables and account payables as well as group internal shareholdings have been eliminated from consolidated financial statements. The income statements of subsidiaries have been converted to euro by using monthly average exchange rate for the financial period, and balance sheets have been converted by using the official rates at the end of the financial period. Differences arising from the currency conversion as well as the translation of foreign subsidiaries' share capitals are included in retained earnings. Cash flow statements for DT Group and Detection Technology Plc have been prepared in compliance with the cash flow reporting model recommended by Finnish Accounting Board (KILA).

Company shares

Share's basic information

Trading code	DETEC
ISIN -code	FI4000115464
Votes/share	1 pcs
Share capital, EUR	80,000 €
Share amount	14,375,430 pcs

Group companies

		Ownership	Country
Detection Technology Oyj	Parent company		Finland
DTF (H.K.) Ltd.	Subsidiary	100%	Hong Kong
Detection Technology, Inc.	Subsidiary	100%	United States
DT Electronic Manufacturing (Beijing) Co., Ltd.	Subsidiary	100%	China
DT Electronic Technology (Wuxi) Co., Ltd.	Subsidiary	100%	China
Detection Technology S.A.S.	Subsidiary	100%	France

Chinese subsidiary Beijing DT Electronic Technology Co., Ltd. was de-registered during 2020. The activities had been transferred over to DT Electronic Manufacturing (Beijing) Co., Ltd. already earlier and hence, there were no essential non-recurring costs occurring during the financial year 2020.

Associated companies

Company does not have any associated companies.

Goodwill

Company does not have any goodwill in its balance sheet as the company has established all subsidiaries.

Deferred taxes

Company accrues material receivables or liabilities from deferred income taxes, but not from subsidiaries that are operating on a loss.

Valuation methods and principles

Inventories have been valued at variable acquisition cost on basis of Chapter 5 Section 6 of the Finnish Accounting Act that defines the rules for valuation.

The company's fixed assets have been valued at variable acquisition cost.

Planned depreciation periods for different asset types are as follows:

Intangible rights	straight-line depreciation 3-10 years
Other capitalized expenses	straight-line depreciation 3-5 years
Machines and equipment	straight-line depreciation 3-10 years

Net sales recognition principles

Net sales for the products and services produced by the company is recognized based on delivery.

Conversion of foreign currency items

Receivables and payables recorded in foreign currencies are converted to euro based on the average rates of the end date of the financial period.

Notes to group's financial statement

NOTES TO INCOME STATEMENT

NET SALES	2020	2019
Net sales by geography		
Finland	1,763,030	2,728,855
Other EMEA	16,373,751	18,382,096
APAC	55,361,375	66,723,728
Americas	8,063,183	14,645,435
Total	81,561,340	102,480,113
Net sales by business unit		
Medical Business Unit (MBU)	39,252,904	33,568,291
Security and Industrial Business Unit (SBU)	42,308,436	68,911,823
Total	81,561,340	102,480,113

Top five customers accounted for 53% of net sales in the review period.

MATERIALS AND SERVICES	2020	2019
Materials, supplies and goods	44,114,784	52,955,819
Change in inventories	-1,399,239	-491,362
External services	279,212	492,584
Total	42,994,757	52,957,041

PERSONNEL	2020	2019
Personnel expenses		
Salaries and wages	14,306,333	14,025,738
Pension expenses	1,351,865	2,176,403
Other indirect personnel expenses	1,693,598	1,813,986
Total	17,351,795	18,016,128
Board of Directors' rewards and CEO's salaries and benefits		
Board of Directors' rewards	362,083	274,039
CEO's salaries and benefits	329,139	419,047
Total	691,222	693,086

CEO has a voluntary pension scheme provided by the company.

COVID-19 pandemic effect on personnel expenses

During financial year 2020, group companies received in total 1,173,139 EUR country-specific reliefs for personnel pension and other indirect personnel expenses, due to COVID-19 pandemic.

Key personnel's share-based incentive scheme

Company's key personnel has a share-based incentive scheme that has not been recorded in financial statement.

Average number of personnel during the financial year	2020	2019
Officers	223	208
Workers	248	279
Total	471	487

DEPRECIATIONS	2020	2019
Depreciations according to plan		
Intangible rights	748,311	646,950
Other capitalized expenses	479,494	238,564
Machinery and equipment	2,026,476	1,995,557
Total	3,254,281	2,881,070

AUDITING SERVICES	2020	2019
Annual audits	118,744	175,277
Other services	22,030	10,795
Total	140,774	186,072

FINANCIAL INCOME AND EXPENSES	2020	2019
Financial income	37,656	32,139
Interest expenses	-236,489	-230,918
Other financial expenses	-6,240	-5,286
Conversion items	-423,354	63,664
Total	-628,428	-140,401

INCOME TAXES	2020	2019
Income taxes	1,350,379	4,404,033
Total	1,350,379	4,404,033

Chinese subsidiary DT Electronic Manufacturing (Beijing) Co., Ltd. received a certification for High and New Technology Enterprise (HNTE) classification. The HNTE status reduced the subsidiary's corporate income tax (CIT) rate for 2020 from 25% to 15%. French subsidiary Detection Technology S.A.S. had been granted a relief of corporate income tax, based on its development expenses, which decreased corporate income taxes by 391,042 EUR.

NOTES TO BALANCE SHEET

INTANGIBLE ASSETS	2020	2019
Immaterial rights		
Carrying amount at 1.1.	2,555,032	404,156
Increases	24,499	563,050
Reclassification	577,133	2,231,185
Conversion items	-1,183	3,591
Depreciations	-748,311	-646,950
Carrying amount at 31.12.	2,407,171	2,555,032
Other capitalized expenses		
Carrying amount at 1.1.	1,566,446	834,054
Increases	267,081	1,336,340
Reclassification	388,201	-351,233
Decreases	0	-18,513
Conversion items	-26,967	4,361
Depreciations	-479,494	-238,564
Carrying amount at 31.12.	1,715,267	1,566,446
Prepayments for intangible assets		
Carrying amount at 1.1.	426,512	2,231,185
Increases	557,695	426,512
Reclassification	-965,335	-2,231,185
Conversion items	-5,373	0
Carrying amount at 31.12.	13,500	426,512
Total	4,135,938	4,547,990

TANGIBLE ASSETS

Machinery and equipment

	2020	2019
Carrying amount at 1.1.	5,181,758	5,191,596
Increases	244,611	1,649,414
Reclassification	1,620,134	289,361
Decreases	0	-22,269
Conversion items	-72,712	69,212
Depreciations	-2,026,476	-1,995,557
Carrying amount at 31.12.	4,947,314	5,181,758

Other tangible assets

Carrying amount at 1.1.	3,000	0
Increases	0	3,000
Carrying amount at 31.12.	3,000	3,000

Prepayment for tangible assets

Carrying amount at 1.1.	529,256	75,135
Increases	2,144,551	467,384
Reclassification	-1,620,135	61,872
Decreases	0	-75,135
Conversion items	-12,691	0
Carrying amount at 31.12.	1,040,982	529,256

Total

5,991,295	5,714,013
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INVESTMENTS

Other shares

	2020	2019
Carrying amount at 1.1.	10,500	10,500
Increases	1	0
Carrying amount at 31.12.	10501	10500

INVENTORIES

Materials and supplies

	2020	2019
Materials and supplies	10,517,038	9,117,799
Work in progress	1,088,815	1,550,192
Finished goods	4,303,509	3,453,335
Total	15,909,363	14,121,326

RECEIVABLES	2020	2019
Non-current receivables		
Other receivables	391,042	0
Total	391,042	0
Current receivables		
Trade receivables	22,016,984	24,865,170
Other receivables	819,212	602,638
Accrued income	1,337,520	1,049,546
Total	24,173,716	26,517,354

Long-term receivables include corporate income tax refund of 391,042 EUR that French subsidiary Detection Technology S.A.S. will receive in future years.

NOTES TO EQUITY AND LIABILITIES

EQUITY	2020	2019
Share capital 1.1.	80,000	80,000
Share capital 31.12.	80,000	80,000
Share premium account 1.1.	5,130,025	5,130,025
Share premium account 31.12.	5,130,025	5,130,025
Invested non-restricted equity fund 1.1.	22,452,875	22,452,875
Invested non-restricted equity fund 31.12.	22,452,875	22,452,875
Retained earnings 1.1.	30,691,655	23,720,672
Conversion items	-1,166,977	-41,408
Dividend payment	-5,462,663	-5,462,663
Profit for financial year	6,735,055	12,475,054
Retained earnings 31.12.	30,797,069	30,691,655
Total	58,459,969	58,354,555

LIABILITIES	2020	2019
Current liabilities		
Loans from financial institutions	5,822,959	5,626,691
Advances received	153,476	649,287
Trade payables	7,385,790	6,891,817
Other liabilities	662,288	564,721
Accrued income tax payables	152,410	558,655
Warranty provision	885,613	1,024,767
Accrued salaries	1,519,996	1,855,774
Other accrued liabilities	756,083	1,396,851
Total	17,338,615	18,568,563

Accrued liabilities include warranty provision estimated by the management. The provision equals to approximately 1.0% of group net sales.

PLEDGES AND COMMITMENTS	2020	2019
Pledges		
Unclaimed enterprise mortgages	7,734,913	7,734,913
Enterprise mortgages for un-utilized check account	3,000,000	3,000,000
Total	10,734,913	10,734,913
Lease commitments		
Payable in the following financial year	1,273,874	995,023
Payable in later years	1,486,487	629,436
Total	2,760,361	1,624,459

Notes to parent company's financial statement

NOTES TO INCOME STATEMENT

NET SALES	2020	2019
Finland	1,763,030	2,728,855
Rest of the world	24,477,991	26,233,751
Total	26,241,022	28,962,606

MATERIALS AND SERVICES	2020	2019
Materials, supplies and goods	14,184,415	17,350,116
Change in inventories	-20,233	-361,363
External services	69,172	134,052
Total	14,233,354	17,122,805

PERSONNEL	2020	2019
Personnel expenses		
Salaries and wages	5,858,333	5,273,639
Pension expenses	887,160	999,658
Other indirect personnel expenses	267,279	173,490
Total	7,012,771	6,446,788
Board of Directors' rewards and CEO's salaries and benefits		
Members of the Board of Directors' rewards	362,083	274,039
CEO's salaries and benefits	329,139	419,047
Total	691,222	693,086

CEO has a voluntary pension scheme provided by the company.

COVID-19 pandemic effects on personnel expenses

Pension expenses decreased by 96,104 EUR, due to relief related to COVID-19 pandemic.

Key personnel's share-based incentive scheme

The company's key personnel has a share-based incentive scheme that has not been recorded in financial statement.

Average number of personnel during the financial year	2020	2019
Officers	83	73
Workers	3	3
Total	86	76

DEPRECIATIONS	2020	2019
Depreciations		
Intangible rights	654,564	592,256
Other capitalized expenses	87,615	70,367
Machinery and equipment	361,902	467,711
Total	1,104,081	1,130,334

AUDITING SERVICES	2020	2019
Annual audits	63,185	114,133
Other services	22,030	10,795
Total	85,215	124,928

FINANCIAL INCOME AND EXPENSES	2020	2019
Dividend income from group companies	4,206,617	2,396,693
Financial income from group companies	445,998	290,039
Financial income from others	5,713	9,108
Interest expenses	-16,506	-16,500
Other financial expenses	-5,549	-9,424
Conversion items	-829,969	53,002
Total	3,806,304	2,722,918

NOTES TO BALANCE SHEET

INTANGIBLE ASSETS

	2020	2019
Intangible rights		
Carrying amount at 1.1.	2,384,393	277,268
Increases	15,539	468,195
Reclassification	261,648	2,231,185
Depreciations	-654,564	-592,256
Carrying amount at 31.12.	2,007,017	2,384,393
Other capitalized expenses		
Carrying amount at 1.1.	171,888	481,314
Increases	0	130,688
Reclassification	0	-351,233
Decreases	0	-18,513
Depreciations	-87,615	-70,368
Carrying amount at 31.12.	84,272	171,888
Prepayments for intangible rights		
Carrying amount at 1.1.	213,133	2,231,185
Increases	62,015	213,133
Reclassification	-261,648	-2,231,185
Carrying amount at 31.12.	13,500	213,133
Total	2,104,789	2,769,413

TANGIBLE ASSETS

	2020	2019
Machinery and equipment		
Carrying amount at 1.1.	1,027,640	864,400
Increases	106,833	279,717
Reclassification	97,176	351,233
Depreciations	-361,902	-467,710
Carrying amount at 31.12.	869,747	1,027,640
Other tangible assets		
Carrying amount at 1.1.	3,000	0
Increases	0	3,000
Carrying amount at 31.12.	3,000	3,000
Prepayments for tangible assets		
Carrying amount at 1.1.	25,238	75,135
Increases	110,763	25,238
Reclassification	-97,176	0
Decreases	0	-75,135
Carrying amount at 31.12.	38,825	25,238
Total	911,571	1,055,878

INVESTMENTS

	2020	2019
Shares in Group companies		
Carrying amount at 1.1.	5,587,646	2,979,045
Increases	631,744	2,608,601
Carrying amount at 31.12.	6,219,390	5,587,646
Other shares		
Carrying amount at 1.1.	10,500	10,500
Carrying amount at 31.12.	10,500	10,500
Shares in subsidiaries and other companies:		
Detection Technology, Inc.	862	862
Detection Technology S.A.S.	2,500	2,500
DT Electronic Manufacturing (Beijing) Co., Ltd.	2,814,721	2,814,721
DT Electronic Technology (Wuxi) Co., Ltd.	3,237,844	2,606,101
DTF (H.K.) Ltd.	163,463	163,463
Virpiniemi Golf Oy	10,500	10,500
Total	6,229,890	5,598,147

INVENTORIES	2020	2019
Materials and supplies	647,894	627,661
Work in progress	37,264	70,266
Finished goods	1,330,893	1,019,959
Total	2,016,051	1,717,886

RECEIVABLES	2020	2019
Non-current receivables from group companies		
Loan receivables	7,079,801	4,377,950
Total	7,079,801	4,377,950

Current receivables from group companies		
Accounts receivable	30,773	52,729
Loan receivables	4,985,960	2,557,380
Other receivables	1,134,696	4,204,219
Accrued income	331,668	116,552
Total	6,483,098	6,930,880

Current receivables from others		
Accounts receivable	2,611,169	4,223,525
Other receivables	93,843	172,547
Accrued income	511,400	1,036,426
Total	3,216,412	5,432,499

NOTES TO EQUITY AND LIABILITIES

EQUITY

	2020	2019
Share capital 1.1.	80,000	80,000
Share capital 31.12.	80,000	80,000
Share premium account 1.1.	5,130,025	5,130,025
Share premium account 31.12.	5,130,025	5,130,025
Invested non-restricted equity fund 1.1.	22,452,875	22,452,875
Invested non-restricted equity fund 31.12.	22,452,875	22,452,875
Retained earnings 1.1.	7,649,793	6,916,546
Dividend payment	-5,462,663	-5,462,663
Profit for financial year	7,544,799	6,195,910
Retained earnings 31.12.	9,731,928	7,649,793
Total	37,394,828	35,312,692
Distributable equity at the end of period	32,184,804	30,102,668

LIABILITIES

	2020	2019
Current liabilities to others		
Trade payables	296,177	571,492
Other payables	190,789	177,736
Accrued salary payables	917,112	1,077,636
Other accrued liabilities	306,613	351,419
Total	1,710,691	2,178,283
Current liabilities to group companies		
Trade payables	991,326	1,490,231
Total	991,326	1,490,231

PLEDGES AND COMMITMENTS

Pledges

Unclaimed enterprise mortgages

7,734,913

7,734,913

Enterprise mortgages for un-utilized check account

3,000,000

3,000,000

Collateral on behalf of subsidiaries

12,464,942

6,393,453

Total**23,199,855****17,128,366**

Lease commitments

Payable in the following financial year

426,167

437,868

Payable in later years

240,737

235,944

Total**666,904****673,813**

List of accounting books

ACCOUNTING BOOKS

	Archiving method
Financial statement	Stapled hardcopy
Specification of balance sheet	Stapled hardcopy
Journal	Electronic filing
General ledger	Electronic filing
Income statement	Electronic filing
Balance sheet	Electronic filing

ACCOUNTING RECORDS

Item	Series	Archiving method
Purchase and travel invoices	INP, PUI, PUX	Electronic filing
Sales invoices	600, 900	Electronic filing
Vouchers	GLM, GLR	Electronic filing
Payroll vouchers		Electronic filing
Bank journals	100-105	Electronic filing
Notes	LT	Paper copy

DETECTION TECHNOLOGY OYJ

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Domicile Espoo

Trade Register number 0878389-8

Signatures for the financial statements and the report of the Board of Directors

Espoo 3 March 2021

Hannu Syrjälä

Chairman of the Board

Richard Ingram

Member of the Board

Heikki Allonen

Member of the Board

Pasi Koota

Member of the Board

Carina Andersson

Member of the Board

Henrik Roos

Member of the Board

Vera Backström

Member of the Board

Hannu Martola

President and CEO

The Auditor's note to the financial statements

Auditor's report has been given on the date of signature

Espoo 3 March 2021

Juha Hilmola, Authorized Public Accountant

Ernst & Young Oy

Authorized Public Accountant Firm

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of Detection Technology Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Detection Technology Plc (business identity code 0878389-8) for the year ended 31 December, 2020. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 3.3.2021

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola

KHT





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