



Financial statements and Report of the Board of Directors

2022



Report of the Board of Directors

Financial year 2022 in brief

The year 2022 was exceptional in many ways. Detection Technology navigated ahead in a challenging business environment determinately, yet flexibly. The exceptional year had a positive ending: the company's position is stronger than before and barriers to growth are giving way.

2022 was both politically and financially exceptional, and the continuing COVID-19 pandemic in China added to the challenges. Challenges in the availability of electronic components, COVID-19 lockdowns in China, the indirect impacts of the Russia–Ukraine war, inflation, the energy crisis, interest rate hikes, melting global economic growth and US–China relations created uncertainty. The company's business environment was difficult to predict and challenging for growth.

Demand, however, continued positively in all of the company's main markets. According to Detection Technology, the annual growth of the markets was in line with the experts' estimates, although softening was observed in the medical market toward the end of the year. 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%.

Detection Technology's growth rate exceeded that of the markets. The company's total net sales grew by 10%, totaling EUR 99 million. Demand would have allowed for slightly better growth in the net sales of all the company's businesses if the global component shortage and COVID-19 lockdowns in China had not, either directly or indirectly, impaired the company's ability to deliver. The Russia–Ukraine war did not have a direct impact on the sales outcome.

The company's ability to deliver improved thanks to product modifications containing substitutive components. The company nearly completed product modifications by the end of the year, which have improved its ability and reliability of delivery in all its businesses as of Q4 2022. Due to component shortages, Detection Technology launched a major product modification project at

the beginning of 2022. The project has covered the company's entire product portfolio, including industrial, medical, and security solutions.

Demand in the food segment of the industrial market continued at a good level, and demand increased in mining and non-destructive testing (NDT) applications in particular. Improved ability to deliver and an increase in the number of active customers boosted sales toward the end of the year. Despite challenges in the availability of components, the annual sales of the Industrial Solutions Business unit (IBU) were a record high. IBU sales increased by 26%, totaling EUR 16 million. IBU generated 16% of total net sales.

There were no significant changes in the growth drivers in the medical market. Demand for medical applications was focused mainly on computed tomography (CT) applications both in emerging and developed markets. The net sales of the Medical Business Unit (MBU) decreased by 2%. The direct and indirect impacts of component shortages, one-off technical problems in the supply chain in Q2, and demand softened by COVID-19-related challenges and delayed payments by customers in Q4 had an adverse impact on sales. MBU sales totaled EUR 48 million, which was 49% of total net sales.

Demand in the security markets continued to recover in all applications, including aviation. Aviation standardization projects continued on various continents. However, the market volume has not yet recovered to pre-pandemic levels. In addition to improved demand, the company's increased market share in computed tomography (CT) and higher-end line scanner applications, along with its new customers, had an impact on the Security Business Unit (SBU) sales. SBU net sales increased by 23% despite the component shortage, which curbed growth. SBU generated annual net sales of EUR 34 million, which was 35% 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 the company's largest market area with its circa 72% share. The share of the company's top five customers of the company's total net sales decreased slightly to 51%.

In the review period, the company aimed to improve customer experience and maintain existing customer relationships despite component shortage. Thanks to its customer focus and standard solutions, the company succeeded in winning 19 new customers. The number of active customers increased and totaled 389 at the end of the review period.

The company's operating profit excluding non-recurring items was 6% of net sales. One-off spot purchases, increased logistics costs, and the product modification project required to support the business temporarily eroded profitability. In addition, impairment of trade receivables due to a likely credit loss made in Q3 had an impact on the company's result.

Detection Technology invested heavily in revoking growth barriers, but it also carried out strategically significant moves in line with its Beyond Hardware strategy. The company aims to complement its portfolio with higher-end detector solutions in which software and algorithms play a more significant role, and to productize software and services.

In June, the company launched the myDT+ service portfolio to enhance customer experience

and sustainable development. The company has productized a comprehensive range of services to ensure that its customers get the most out of their investments, and to secure the longevity and reusability of its detector solutions. The company expects the portfolio to have an indirect positive impact on product sales.

As part of the myDT+ service portfolio, the company announced the launch of the Customer Experience Centre (CEC) concept and the opening of the first Customer Experience Center at its Wuxi site in China. CEC will improve finding optimal detector solutions for customer-specific applications and the testing of product concepts. In addition, the CEC is ideal for showcasing new solutions and training both online and on-site.

One strategically significant event in the review period was the strengthening of the company's standard offering in medical CT imaging. The company published the X-ACE 16 HD high-definition detector solution in November. The company is the only detector supplier in the market with a product portfolio that includes standard solutions for all medical CT imaging modalities, from the value to the premium segment.

The exceptional year had a positive ending. Challenges in the availability of components started to ease toward the end of the year, and China started to phase out lockdown restrictions. Barriers to growth are about to disappear and the company's market position is stronger than before. Despite uncertainty in the business environment, Detection Technology expects 2023 to be more favorable to growth.

Net sales and financial result development

The company's net sales for January-December 2022 increased by 9.8% to EUR 98.6 million (89.8). Net sales for Industrial Solutions Business Unit (IBU) increased by 25.8% to EUR 16.1 million (12.8). Net sales for Medical Business Unit (MBU) decreased by -2.0% and totaled EUR 48.1 million (49.1). Net sales for Security Business Unit (SBU) increased by 23.1% to EUR 34.4 million (27.9). MBU's share of total net sales was 48.8% (54.7%), SBU's was 34.9% (31.1%) and IBU's was 16.3% (14.2%).

In January-December, Asia-Pacific's (APAC) share of total net sales was 71.9% (74.2%), Europe, Middle East, Africa's (EMEA) 19.4% (17.8%) and Americas' 8.6% (8.0%). The share of net sales accounted for by the top five customers decreased and was 50.6% (55.7%) in the review period January-December 2022.

The operating profit for the review period January-December 2022 was EUR 5.8 million (10.6), or 5.9% (11.8%) of net sales. Non-recurring items (NRI) were EUR 0.3 million (0.0). EBIT excluding NRI was EUR 6.1 million (10.6), or 6.2% (11.8%) of net sales.

Financial items totaled EUR -0.2 million (0.8), and income taxes were EUR -0.5 million (-2.0). The result for the year 2022 was EUR 5.1 million (9.3). Earnings per share were EUR 0.35 (0.64).

The Chinese subsidiary DT Electronic Manufacturing (Beijing) Co., Ltd. received a Chinese certification for High and New Technology Enterprise (HNTE) in 2020, which temporarily reduced the subsidiary's corporate income tax (CIT) rate from 25% to 15%. The lower rate has also been

applied in FY 2022. In the 2022 financial year, the company recognized deferred income tax receivables of EUR 378,272 due to a customer's insolvency process, which will likely lead to a sales credit loss and the related income tax receivable once the proceedings are confirmed.

The company has made a EUR 1.3 million impairment of trade receivables due to a likely credit loss. A Canadian customer of the company lodged an application for debt restructuring in a local court of law on 12 October 2022. The company has received information that the said customer has later been placed in bankruptcy, and therefore the company does not expect to receive payments to cover its outstanding debt.

The company has entered a total of EUR 335,000 of non-recurring expenses in the company's Q2 2022 accounts. The item is related to a potential arrangement to acquire assets to support the company's strategy.

The parent company has reassessed the operations of its French subsidiary, Detection Technology SAS, during the financial period. As a result, the subsidiary's equity was strengthened and part of the intra-group loans from the parent company were converted into equity investments in the subsidiary by increasing equity. Due to local corporate laws and regulations, the increase in equity has been written down by decreasing loss from previous financial periods, which has generated a one-off loss in the parent company's accounts. This does not have an impact on the Group's financial result. The Group's French subsidiary is a strategic investment in the development of future imaging technologies and supporting algorithms.

Key figures of financial performance

	Group	Group	Group	Parent	Parent	Parent
	2022	2021	2020	company	company	company
				2022	2021	2020
Net sales, EUR 1,000	98,580	89,813	81,561	27,462	23,872	26,241
Operating profit excluding NRI, EUR 1,000	6,135	10,580	8,877	3,217	3,092	4,672
Operating profit excluding NRI,%	6.2%	11.8%	10.9%	11.7%	13.0%	17.8%
Operating profit, EUR 1,000	5,801	10,580	8,714	3,217	3,092	4,672
Operating profit,%	5.9%	11.8%	10.7%	11.7%	13.0%	17.8%
Return on investment (ROI),%	7.5%	15.1%	13.6%	-3.3%	22.1%	24.0%
Earnings per share, EUR*	0.35	0.64	0.47	-	-	-
Earnings per share (diluted), EUR**	0.35	0.63	0.47	-	-	-
Equity ratio,%	79.9%	80.4%	77.3%	90.4%	92.4%	93.3%

* Earnings per share has been calculated based on weighted average number of shares outstanding.

** Earnings per share (diluted) has been calculated based on weighted average number of shares outstanding, diluted.

Financial position

Cash flow from financing activities in the fiscal year 2022 was EUR -4.1 million (-2.4). In accordance with the decision by the Annual General meeting held on 30 March 2022, a total of EUR 5.1 million of dividend was paid during the financial year.

Use of bank limit amounted to EUR -0.9 million (-0.5). Net interest-bearing debt totaled EUR -20.6 million at the end of the year (-27.6). Gearing was -28.4% (-37.6%).

Cash flow from operations in January-December 2022 amounted to EUR -0.3 million (7.1).

Cash and cash equivalents amounted to EUR 23.7 million (29.8) at the end of the year 2022. The company has secured its liquidity by agreeing with banks on lines of credit totaling EUR 16.6 million (16.9). At the end of the review period, the unused line of credit was EUR 13.4 million (14.7).

The company's working capital increased by EUR 8,7 million during the fiscal year. Stocks increased by EUR 3.0 million due to the timing of production and deliveries and provisions made for the shortage of components. Current receivables increased by EUR 5,0 million. This was mainly due to the timing of deliveries and their growth towards the end of the year. Short-term payables decreased EUR 0.6 million. Company has started improvement measures to manage its net working capital.

The loans taken by the company and the parent company's commitments to related entities are presented in the notes to balance sheet.

Number of shares

	2022	2021	2020
Number of shares at the end of the period	14,655,930	14,655,930	14,375,430
Weighted average number of shares outstanding	14,655,930	14,500,514	14,375,430
Weighted average number of shares outstanding, diluted	14,655,930	14,766,934	14,375,430

Research and development

During the financial year January-December 2022, research and development (R&D) expenses were EUR 12.5 million (11.0), corresponding to 12.7% of net sales (12.2%). All R&D costs are recorded as expenses.

Personnel

At the end of December 2022, Detection Technology employed 469 people (451). A total of 343 people worked in China, 103 in Finland, 18 in France and 5 in the US. In January-December 2022, personnel expenses totaled EUR 23.0 million (19.2).

Headcount, salaries and rewards

	Group	Group	Group	Parent	Parent	Parent
	2022	2021	2020	company	company	company
				2022	2021	2020
Average headcount	464	441	471	100	87	86
Salaries and rewards (EUR 1,000)	18,275	15,100	14,306	7,282	6,158	5,858

Personnel by geography

	31.12.2022	31.12.2021	Change, %
APAC	343	336	2.1%
Americas	5	5	0%
EMEA	121	110	10.0%
Total	469	451	4.0%

Board of Directors and management

The Annual General Meeting resolved that the Board of Directors consists of six members (6). Carina Andersson, Richard Ingram, Pasi Koota, Henrik Roos and Hannu Syrjälä were re-elected and Marion Björkstén was elected as a new member. Vera Backström had informed that she 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 Audit Committees from amongst its number. The members of the Remuneration Committee were Hannu Syrjälä, Marion Björkstén and Henrik Roos. The Remuneration Committee appointed Hannu Syrjälä to chair the committee. The members of the Audit Committee were Pasi Koota, Carina Andersson and Richard Ingram. Pasi Koota acted as the chair of the Auditing Committee.

The company's President and CEO was Hannu Martola. The company's auditor was Authorised Public Accounting firm KPMG Oy Ab, and Petri Kettunen, Authorised Public Accountant, acted as the Responsible Auditor.

At the time of writing the financial statements, the management group of Detection Technology consist of President and CEO Hannu Martola, Vice President of Medical Business Unit (MBU) Chen Wu, Vice President of Security Business Unit (SBU) Arve Lukander, Vice President of Industrial Solutions Business Unit (IBU) Juha Talasmäki, Vice President of People and Culture 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 2022. The report in English can be found on the company's website.

Annual General Meeting

Detection Technology Plc's Annual General Meeting (AGM) 2022 was held on 30 March 2022. 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 2023. At the end of FY 2022, 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 2023. At the end of FY 2022, the authorization had not been used.

Shareholders' Nomination Board

Based on the holdings on 1 September 2022, 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 mutual funds, and Director, Sustainability of Aktia Bank Markus Lindqvist representing the Aktia Capital funds. The Chairman of Detection Technology's Board of Directors Hannu Syrjälä has served as an expert member of the Nomination Board.

The proposals of the Nomination Board to the Annual General Meeting were published on 20 December 2022. The proposals and the Charter of the Nomination Board are available on the company's website.

Shares and shareholders

The average share price of Detection Technology was EUR 20.32 in January–December 2022. The highest price for 2022 was EUR 29.30 and the lowest EUR 13.85. The closing price at the end of December was EUR 16.90, and the company had a market capitalization of approximately EUR 248 million.

A total of 1.37 million shares, which is 9.4% of the total number of shares, were traded between 3 January and 30 December. The number of outstanding shares in Detection Technology was 14,655,930 at the end of 2022. The company does not hold its own shares, and the authorization given to the Board of Directors by the Annual General Meeting to acquire the company's own shares has not been used.

The number of shareholders at the end of the review period was 3,478. Approximately 73.5% of the shares were held by the ten largest shareholders. The nominee-registered foreign holding of shares in the company was 14.6% 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 2022

	Shares	%
AHLSTROM CAPITAL BV	5,280,167	36.0%
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) HELSINGIN SIVUKONTTORI	2,061,984	14.1%
OP FINLAND FUND	617,376	4.2%
SJJOITUSRAHASTO AKTIA CAPITAL	548,762	3.7%
KESKINÄINEN TYÖELÄKEVAKUUTUSYHTIÖ VARMA	515,000	3.5%
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ ILMARINEN	435,737	3.0%
MARTOLA HANNU VEIKKO	431,690	2.9%
OP FIN SMALL CAP	401,827	2.7%
SJJOITUSRAHASTO EVLI SUOMI PIENYHTIÖT	244,920	1.7%
SÄÄSTÖPANKKI KOTIMAA -SJJOITUSRAHASTO	240,000	1.6%
PENSIONSFRÖRSÄKRINGSAKTIEBOLAGET VERITAS	218,000	1.5%
NACAWI AB	186,025	1.3%
FONDITA NORDIC MICRO CAP SJJOITUSRAHASTO	186,000	1.3%
SJJOITUSRAHASTO SÄÄSTÖPANKKI PIENYHTIÖT	156,904	1.1%
NORDEA HENKIVAKUUTUS SUOMI OY	153,248	1.0%
ERIKOISSJJOITUSRAHASTO AKTIA MIKRO MARKKA	150,175	1.0%
SJJOITUSRAHASTO AKTIA NORDIC SMALL CAP	125,000	0.9%
CHEN WU	101,875	0.7%
EQ POHJOISMAAT PIENYHTIÖ	93,256	0.6%
KIRKON ELÄKERAHASTO	86,440	0.6%
The 20 largest shareholders in total	12,234,386	83.5%
Other shareholders	2,421,544	16.5%
Shares in total	14,655,930	100.0%

Breakdown of share ownership on 31 December 2022

Number of shares	Owners	%	Shares	%
1-100	2,030	58.4%	82,239	0.6%
101-500	992	28.5%	247,192	1.7%
501-1,000	204	5.9%	157,132	1.1%
1,001-5,000	159	4.6%	340,050	2.3%
5,001-10,000	28	0.8%	205,116	1.4%
10,001-50,000	38	1.1%	946,944	6.5%
50,001-100,000	9	0.3%	622,567	4.2%
100,001-	18	0.5%	12,054,690	82.3%
	3,478	100.0%	14,655,930	100.0%

Shareholding of the management on 31 December 2022

	Shares	%
Members of the Board	22,720	0.2%
CEO	466,690	3.2%
Other members of the management team	258,959	1.8%

Stock option programs

The subscription period of Detection Technology's stock options 2018A1 and 2018A2 ended on 31 May 2022, and the subscription period of stock options 2018B1 and 2018B2 started on 2 May 2022. No subscriptions of stocks were made in either of the programs during the financial year.

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

Share-based long-term incentive scheme

Detection Technology's Board of Directors decided, on 2 August 2022, to establish a new long-term sharebased incentive system for the company's management group and other key personnel. Under the performance share plan (PSP), the company's Board of Directors can annually decide on the initiation of separate stock award plans.

The performance period of the first performance share plan, PSP 2022–2024, started to run from the beginning of August 2022 to the end of 2024. The potential awards under the performance share plan will be paid in H1 of 2025 as listed shares of Detection Technology. The performance criterion is the development of the total shareholder return (TSR) of Detection Technology's share.

If the performance goals set for PSP 2022–2024 are met in full, the total value of the stock awards is a maximum of about 270,000 shares. PSP 2022–2024 is targeted at about 60 key people in the company.

Risks and uncertainties

The most significant direct and indirect short-term risks and uncertainties of the company are the war between Russia and Ukraine and its implications for security and economy in Europe and the rest of the world, as well as for the availability and cost of energy and raw materials, inflation, and, as a result, an increase in political instability in Europe.

In addition, changes in geopolitical situation and the changes in the relationships between the USA and China and the EU and China, in particular, may have a negative impact on the company's business. Challenges in the availability of special materials and electronic components may compromise the company's ability to deliver and generate additional costs. COVID-19 in China may have an impact on the availability of personnel, logistics and materials. Possible increase in the inventories of some of the company's customers and weakening global economic growth may have an adverse impact on the company's sales.

Other risks are related to the company operating in developing markets, changes in the competitive landscape, price competition, a significant share of net sales being generated by the five largest customers, APAC countries' large share of sales, customer liquidity, product quality, the start-up of the production of new products, exchange rate fluctuations, overall cost development particularly in China, the permanence and competence of personnel, 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.

Sustainability

In 2022, Detection Technology continued to evaluate its sustainability agenda, and to further develop its operating model based on the framework of the Responsible Business Alliance (RBA). Detection Technology's corporate social responsibility complies with certified ISO standards, and the company acknowledges and continuously implements the Code of Conduct of RBA.

In the 2022 fiscal year, Detection Technology has received no notifications on any infringements of EU or national laws or the company's Code of Conduct through its whistleblowing or other reporting channels. Neither has the company received information on any environmental infringements.

In 2022, the company's sustainable development goals were mainly the same as in 2021. As new environmental key performance indicators (KPI) for 2022, Detection Technology had set targets for energy and CO₂e (Scope 2) intensity, which have an ever-increasing global importance. In addition, targets in people and business ethics areas were aligned with the company's aim to enhance its feedback culture. In June 2022, Detection Technology launched a whistleblowing channel as an additional feedback mechanism.

Detection Technology achieved all of the sustainable development KPIs set for 2022, including the scrap weight index target that was not met in 2021. The company kept the same scrap weight index KPI for 2022 and took measures to achieve it.

Themes and subitems on the company's sustainability agenda remain mainly unchanged in

2023. The main change has been made to the target setting for CO2 intensity (Scope 2). The company has revised the KPI and set a longer-term target. The company aims to achieve a 50% reduction by 2025 from the 2020 baseline.

To ensure a strong focus in driving transformation and the achievement of sustainable development goals, the sustainability KPIs are included in the company's incentive plans. The short-term incentive (STI) plans involve all DT employees, including the President and CEO, and other management group members. In 2022, the company added sustainability as a metric in its newly established share-based long-term incentive (LTI) scheme. The LTI programs are targets for the company's management group and other key employees.

Detection Technology has described the outcomes of the 2022 sustainable development KPIs and the targets set for 2023 in more detail in the 2022 annual review. In addition, the company has shared some highlights related to its other measures to support corporate social responsibility and described its RBA framework for sustainable development in the said report.

Detection Technology announced its sustainable development goals for the first time in the 2020 annual review, which was published in March 2021. Detection Technology has set metrics to measure continuous improvement in every area of its Code of Conduct, and it monitors development in quarterly reviews.

Events after financial year ended

After FY 2022, the company's business has continued without abnormal events.

Business outlook

According to Detection Technology's view, demand will continue to be strong in security and industrial X-ray imaging solutions and good in medical. The company expects double-digit growth in total net sales in Q1 and H1 of 2023.

The indirect impacts of the war in Ukraine, inflation, energy crisis, U.S.–China relations and the overall geopolitical situation create uncertainty. In addition, some of the company's customers have higher inventories. Direct and indirect risks related to the availability of materials have reduced. The impacts of material and component shortage have been acknowledged as a limiting factor in the outlook, however a further degradation in supply chain might affect business outlook.

Financial targets

Detection Technology aims to increase sales by at least 10% per annum and to achieve a 15% operating margin 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 34,783,791, of which EUR -2,268,101 represents loss for the financial year. The company's funds eligible for dividend distribution total EUR 6,378,706. 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 2023 that, based on the balance sheet adopted for 2022, a dividend of EUR 0.20 per share be paid (0.35). The number of shares entitling to dividend is 14,655,930, which means that the total amount of the dividend would be EUR 2,931,186.

Group income statement

(EUR)

	1.1.-31.12.2022	1.1.-31.12.2021
NET SALES	98,580,270	89,813,298
Change in inventories of finished goods and work in progress	-639,003	1,505,407
Other operating income	337,485	375,587
Materials and services	-52,695,576	-47,574,719
Personnel expenses	-23,049,495	-19,205,469
Depreciations	-3,224,247	-3,279,484
Other operating expenses	-13,508,753	-11,054,985
OPERATING PROFIT	5,800,681	10,579,635
Financial income and expenses	-229,227	770,331
PROFIT BEFORE TAXES	5,571,455	11,349,965
Income taxes	-455,819	-2,041,340
PROFIT FOR THE FINANCIAL YEAR	5,115,635	9,308,625

Group balance sheet

(EUR)

ASSETS	31.12.2022	31.12.2021
NON-CURRENT ASSETS		
Intangible assets	2,164,887	3,246,288
Tangible assets	5,009,666	5,578,440
Investments	10,501	10,501
TOTAL NON-CURRENT ASSETS	7,185,054	8,835,230
CURRENT ASSETS		
Inventories	24,848,728	22,225,085
Non-current receivables	582,199	487,749
Current receivables	35,062,235	30,799,333
Cash and cash equivalents	23,710,094	29,810,150
TOTAL CURRENT ASSETS	84,203,255	83,322,317
TOTAL ASSETS	91,388,309	92,157,547
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Share premium account	5,130,025	5,130,025
Invested non-restricted equity fund	28,405,085	28,405,085
Retained earnings	34,027,361	30,622,963
Profit for the financial period	5,115,635	9,308,625
TOTAL EQUITY	72,758,106	73,546,697
LIABILITIES		
Current liabilities	18,630,203	18,610,849
TOTAL LIABILITIES	18,630,203	18,610,849
TOTAL EQUITY AND LIABILITIES	91,388,309	92,157,547

Group cash flow statement

(EUR)

	1.1.-31.12.2022	1.1.-31.12.2021
CASH FLOW FROM OPERATIONS		
Operating profit	5,800,681	10,579,635
Depreciations	3,224,247	3,279,484
Other non-cash business activities	1,293,484	590,226
Change in working capital	-8,734,322	-6,281,200
Financial income and expenses	26,872	19,514
Income taxes paid	-1,904,903	-1,066,969
CASH FLOW FROM OPERATIONS	-293,940	7,120,690
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-1,627,567	-1,359,290
CASH FLOW FROM INVESTMENTS	-1,627,567	-1,359,290
FREE CASH FLOW	-1,921,507	5,761,400
CASH FLOW FROM FINANCING		
Change in current loans	998,149	-4,314,284
Share issue	0	5,952,210
Dividend paid	-5,129,576	-4,025,120
CASH FLOW FROM FINANCING	-4,131,427	-2,387,195
CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	29,810,150	25,186,729
Foreign exchange rate effect	-47,122	1,249,215
Cash and cash equivalents at the end of the year	23,710,094	29,810,150
CHANGE IN CASH AND CASH EQUIVALENTS	-6,052,934	3,374,206
CHANGE IN WORKING CAPITAL		
Change in current receivables	-5,044,649	-4,539,030
Change in inventories	-3,027,508	-4,964,015
Change in current liabilities	-662,165	3,221,846
CHANGE IN WORKING CAPITAL	-8,734,322	-6,281,200

Detection Technology Plc income statement

(EUR)

	1.1.-31.12.2022	1.1.-31.12.2021
NET SALES	27,462,068	23,871,689
Change in inventories of finished goods and work in progress	-378,658	14,858
Other operating income	7,139,926	6,559,396
Materials and services	-15,008,227	-13,060,036
Personnel expenses	-8,753,486	-7,399,009
Depreciations	-963,562	-1,024,582
Other operating expenses	-6,281,052	-5,869,994
OPERATING PROFIT	3,217,010	3,092,322
Financial income and expenses	-4,830,952	6,070,658
PROFIT BEFORE TAXES	-1,613,942	9,162,981
Income taxes	-654,159	-1,093,407
PROFIT FOR THE FINANCIAL YEAR	-2,268,101	8,069,574

Detection Technology Plc balance sheet

(EUR)

ASSETS	31.12.2022	31.12.2021
NON-CURRENT ASSETS		
Intangible assets	942,228	1,580,339
Tangible assets	833,523	805,549
Investments	6,866,531	6,866,531
TOTAL NON-CURRENT ASSETS	8,642,281	9,252,418
CURRENT ASSETS		
Inventories	2,177,243	2,172,233
Non-current receivables	4,208,024	7,924,350
Current receivables	12,880,918	11,570,642
Cash and cash equivalents	16,331,158	20,388,233
TOTAL CURRENT ASSETS	35,597,343	42,055,458
TOTAL ASSETS	44,239,624	51,307,876
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Share premium account	5,130,025	5,130,025
Invested non-restricted equity fund	28,405,085	28,405,085
Retained earnings	8,646,807	5,706,808
Profit for the financial year	-2,268,101	8,069,574
TOTAL EQUITY	39,993,816	47,391,492
LIABILITIES		
Current liabilities	4,245,808	3,916,384
TOTAL LIABILITIES	4,245,808	3,916,384
TOTAL EQUITY AND LIABILITIES	44,239,624	51,307,876

Detection Technology Plc cash flow statement

(EUR)

	1.1.–31.12.2022	1.1.–31.12.2021
CASH FLOW FROM OPERATIONS		
Operating profit	3,217,010	3,092,322
Depreciations	963,562	1,024,582
Other non-cash business activities	-49,817	371,714
Change in working capital	-2,197,890	-112,155
Financial income and expenses	810,681	5,329,074
Paid income taxes	-1,070,781	-827,501
CASH FLOW FROM OPERATIONS	1,672,765	8,878,036
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets	-353,425	-417,256
Investment in shares in subsidiaries	0	-636,641
CASH FLOW FROM INVESTMENTS	-353,425	-1,053,896
CASH FLOW FROM FINANCING		
Change in non-current loans to group companies	-1,721,349	-844,550
Change in current loans to group companies	1,474,511	-573,680
Share issue	0	5,952,210
Dividend payment	-5,129,576	-4,025,120
CASH FLOW FROM FINANCING	-5,376,414	508,860
CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	20,388,233	12,055,233
Cash and cash equivalents at the end of the year	16,331,158	20,388,233
CHANGE IN CASH AND CASH EQUIVALENTS	-4,057,075	8,333,000
CHANGE IN WORKING CAPITAL		
Change in current receivables	-2,368,165	-819,165
Change in inventories	-21,073	-191,084
Change in current liabilities	191,348	898,094
CHANGE IN WORKING CAPITAL	-2,197,890	-112,155

Accounting principles for consolidated financial statements

Principles for consolidated financial statements

The consolidated financial statements of Detection Technology Group have been prepared in accordance with Finnish Accounting Standards (FAS) and include all Group companies. Intercompany transactions, receivables and liabilities as well as internal shareholding have been eliminated from consolidated financial statements. The income statements of subsidiaries have been converted to euros by using monthly average exchange rates 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' equity are included in retained earnings. Cash flow statements of the Group and Detection Technology Plc have been prepared in compliance with the indirect cash flow reporting method described in the general instructions of the 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	14,655,930 pcs

Group companies

		Ownership	Country
Detection Technology Plc	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

Associated companies

The company does not have any associated companies.

Goodwill

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

Deferred taxes

The company recognizes material and probable deferred income tax receivables and liabilities. According to the precautionary principle, deferred income tax receivables have not been recognized from subsidiaries operating on loss.

Valuation methods and principles

Inventories under current assets have been valued at variable acquisition cost in accordance with principles in Chapter 5, Section 6 of the Finnish Accounting Act.

Depreciation according to plan has been deducted from the acquisition cost of intangible and tangible assets recorded in the balance sheet. The variable costs incurred from the acquisition and commissioning of the asset have been included in the acquisition cost. Planned depreciations have been recorded as straight-line depreciation based on the economic service life of assets.

Planned depreciations:

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

Net sales recognition principles

The sale of products and services is recognized as revenue on delivery.

Conversion of foreign currency items

Foreign currency denominated receivables and liabilities have been converted into euros using the exchange rates on the end date of the financial period.

Detection Technology Plc

A Grid, Otakaari 5A, 02150 Espoo

Tel +358 (0) 20 766 9700

www.deetee.com

Domicile Espoo, Finland

Business ID 0878389-8

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

Notes to group's financial statements

1.1.-31.12.2022 (EUR)

NOTES TO INCOME STATEMENT

NET SALES	2022	2021
Net sales by geography		
Finland	3,327,284	2,832,380
Other EMEA	15,835,360	13,122,414
APAC	70,919,380	66,631,352
Americas	8,498,246	7,227,152
Total	98,580,270	89,813,298
Net sales by business unit		
Industrial Solutions Business Unit (IBU)	16,067,435	12,769,613
Medical Business Unit (MBU)	48,137,088	49,122,924
Security Business Unit (SBU)	34,375,747	27,920,761
Total	98,580,270	89,813,298

Top five customers accounted for 51% (56%) of net sales in the 2022 financial year.

MATERIALS AND SERVICES	2022	2021
Materials, supplies and goods	55,296,058	51,958,345
Change in inventories	-3,262,645	-4,810,315
External services	662,162	426,689
Total	52,695,576	47,574,719

PERSONNEL	2022	2021
Personnel expenses		
Salaries and wages	18,274,503	15,099,751
Pension expenses	2,651,439	2,253,798
Other indirect personnel expenses	2,123,553	1,851,920
Total	23,049,495	19,205,469
Board of Directors' rewards and CEO's salaries and benefits		
Board of Directors' rewards	336,714	273,500
CEO's salaries and benefits	345,042	293,454
Total	681,756	566,954

CEO has a voluntary pension scheme provided by the company.

Key personnel's share-based incentive schemes

The company's key personnel have share-based incentive schemes that have not been recorded in financial statements. Stock options enable a share issue of a maximum of 1,029,300 new shares by the end of 2025. The performance share plan launched in 2022 enables a share issue of a maximum of 270,000 new shares by the end of 2024 if the set goals are achieved. The incentive schemes do not have a material impact on the company's profit or its financial position.

Average number of personnel during the financial year	2022	2021
Officers	254	226
Workers	210	215
Total	464	441

DEPRECIATIONS	2022	2021
Intangible rights	808,872	789,602
Other capitalized expenses	612,154	613,390
Machinery and equipment	1,803,221	1,876,492
Total	3,224,247	3,279,484

OTHER OPERATING EXPENSES

In the 2022 financial year, the company recognized a sales credit loss of EUR 1,304,387, due to an insolvency process of its customer.

AUDITING SERVICES	2022	2021
Annual audits	160,793	184,054
Other services	11,640	4,400
Total	172,433	188,454

FINANCIAL INCOME AND EXPENSES	2022	2021
Financial income	66,907	23,166
Interest expenses	-150,255	-183,874
Other financial expenses	-792	-15,155
Conversion items	-145,087	946,194
Total	-229,227	770,331

In fiscal year 2021, conversion items consisted mainly of realized and unrealized foreign exchange conversion profits related to the parent company's currency position of CNY and USD, the foreign exchange rates of which strengthened against the EUR. The impacts of changes in the said currencies during the 2022 financial year have been insignificant.

INCOME TAXES	2022	2021
Income taxes	455,819	2,041,340
Total	455,819	2,041,340

The Chinese subsidiary DT Electronic Manufacturing (Beijing) Co., Ltd. received a Chinese certification for High and New Technology Enterprise (HNTE) in 2020, which reduced the subsidiary's corporate income tax (CIT) rate from 25% to 15% for period of three years. The lower rate has also been applied in FY 2022. The Chinese subsidiary shall apply for an extension for the HNTE certification for the following three-year period 2023-2025. The French subsidiary Detection Technology S.A.S. was granted a relief of corporate income tax based on its R&D costs, which decreased corporate income taxes by EUR 94,450 (96,708). In the 2022 financial year, the company recognized current taxes with EUR 834,091 (2,041,340) and deferred income tax receivables of EUR 378,272 due to a customer's insolvency process, which will likely lead to a sales credit loss and the related income tax receivable once the proceedings are confirmed.

NOTES TO BALANCE SHEET

INTANGIBLE ASSETS

	2022	2021
Immaterial rights		
Carrying amount at 1.1.	1,707,939	2,407,171
Increases	97,171	42,100
Reclassification	207,492	18,140
Conversion items	-1,985	30,130
Depreciations	-808,872	-789,602
Carrying amount at 31.12.	1,201,746	1,707,939
Other capitalized expenses		
Carrying amount at 1.1.	1,351,204	1,715,267
Increases	66,930	6,000
Reclassification	157,211	110,915
Conversion items	-6,204	132,412
Depreciations	-612,154	-613,390
Carrying amount at 31.12.	956,986	1,351,204
Prepayments for intangible assets		
Carrying amount at 1.1.	187,145	13,500
Increases	181,779	302,700
Reclassification	-362,592	-129,055
Conversion items	-177	0
Carrying amount at 31.12.	6,155	187,145
Total	2,164,887	3,246,288

TANGIBLE ASSETS	2022	2021
Machinery and equipment		
Carrying amount at 1.1.	5,311,931	4,947,314
Increases	98,708	385,614
Reclassification	287,426	1,507,633
Decreases	0	-23,147
Conversion items	-40,915	371,008
Depreciations	-1,803,221	-1,876,492
Carrying amount at 31.12.	3,853,929	5,311,931
Other tangible assets		
Carrying amount at 1.1.	3,000	3,000
Carrying amount at 31.12.	3,000	3,000
Prepayment for tangible assets		
Carrying amount at 1.1.	263,509	1,040,982
Increases	1,182,979	622,875
Reclassification	-289,538	-1,507,633
Conversion items	-4,213	107,286
Carrying amount at 31.12.	1,152,736	263,509
Total	5,009,666	5,578,440
INVESTMENTS	2022	2021
Other shares		
Carrying amount at 1.1.	10,501	10,501
Carrying amount at 31.12.	10,501	10,501
INVENTORIES	2022	2021
Materials and supplies	18,589,999	15,327,354
Work in progress	1,549,566	1,826,650
Finished goods	4,709,162	5,071,081
Total	24,848,728	22,225,085

In the end of FY 2022, materials and supplies include EUR 346,902 (917,378) prepayment for components to be used in future subcontracting activities.

RECEIVABLES	2022	2021
Non-current receivables		
Other receivables	582,199	487,749
Total	582,199	487,749
Current receivables		
Trade receivables	31,918,743	29,045,458
Other receivables	1,159,709	669,528
Accrued income		
Tax receivables	868,752	0
Other accrued income	1,115,030	1,084,348
Accrued income total	1,983,782	1,084,348
Total	35,062,235	30,799,333

Long-term receivables include corporate income tax refund of EUR 582,199 (487,749) that French subsidiary Detection Technology S.A.S. will receive in future years, either as a deduction against payable income tax or as a cash refund on the fourth year from the financial year, on which the tax refund was confirmed. Tax receivables contain current income tax receivables EUR 490,480 and deferred tax receivables EUR 378,272.

NOTES TO EQUITY AND LIABILITIES

EQUITY	2022	2021
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
Total restricted equity	5,210,025	5,210,025
Invested non-restricted equity fund 1.1.	28,405,085	22,452,875
Share issue	0	5,952,210
Invested non-restricted equity fund 31.12.	28,405,085	28,405,085
Retained earnings 1.1.	39,931,588	30,797,069
Conversion items	-774,651	3,851,014
Dividend payment	-5,129,576	-4,025,120
Profit for financial year	5,115,635	9,308,625
Retained earnings 31.12.	39,142,996	39,931,588
Total	72,758,106	73,546,697

LIABILITIES	2022	2021
Current liabilities		
Loans from financial institutions	3,126,451	2,176,668
Advances received	317,188	713,663
Trade payables	10,228,405	10,476,800
Other liabilities	1,455,730	1,066,021
Accrued liabilities		
Accrued salaries	2,207,597	1,962,043
Accrued indirect personnel expenses	470,269	425,169
Accrued tax payables	0	459,212
Warranty provision	487,883	446,298
Other accrued liabilities	336,681	884,976
Accrued liabilities total	3,502,430	4,177,698
Total	18,630,203	18,610,849

Warranty provision equals to approximately 0.5% of the Group's net sales, according to the estimate by the management.

PLEDGES AND COMMITMENTS	2022	2021
Pledges		
Enterprise mortgages provided as collateral	10,734,913	10,734,913
Total	10,734,913	10,734,913
Credit limit		
Credit limit granted	16,590,280	16,899,120
Credit limit in use	3,126,451	2,176,668
Credit limit available	13,463,829	14,722,452
Other commitments		
Bank guarantee	49,143	232,630
Total	49,143	232,630
Lease commitments		
Payable in the following financial year	1,113,111	1,441,557
Payable in later years	321,101	910,402
Total	1,434,212	2,351,959

Credit limit granted contains a credit limit arrangement to Chinese subsidiaries with amount of CNY 100,000,000 and in the end of financial year 2022, the value was EUR 13,590,280 (13,899,120).

Notes to parent company's financial statements

1.1.-31.12.2022 (EUR)

NOTES TO INCOME STATEMENT

NET SALES	2022	2021
Finland	3,327,284	2,832,380
Rest of the world	24,134,784	21,039,309
Total	27,462,068	23,871,689
OTHER OPERATING INCOME	2022	2021
Royalty income from group companies	7,012,785	6,512,034
Other income from group companies	32,929	38,174
Other income	94,213	9,187
Total	7,139,926	6,559,396
MATERIALS AND SERVICES	2022	2021
Materials, supplies and goods	15,188,441	13,060,712
Change in inventories	-383,668	-141,324
External services	203,454	140,648
Total	15,008,227	13,060,036
PERSONNEL	2022	2021
Personnel expenses		
Salaries and wages	7,281,924	6,158,026
Pension expenses	1,169,242	955,502
Other indirect personnel expenses	302,320	285,480
Total	8,753,486	7,399,009
Board of Directors' rewards and CEO's salaries and benefits		
Members of the Board of Directors' rewards	336,714	273,500
CEO's salaries and benefits	345,042	293,454
Total	681,756	566,954

CEO has a voluntary pension scheme provided by the company.

Key personnel's share-based incentive schemes

The company's key personnel have share-based incentive schemes that have not been recorded in financial statements. Stock options enable a share issue of a maximum of 1,029,300 new shares by the end of 2025. The performance share plan launched in 2022 enables a share issue of a maximum of 270,000 new shares by the end of 2024 if the set goals are achieved. The incentive schemes do not have a material impact on the company's profit or its financial position.

Average number of personnel during the financial year	2022	2021
Officers	97	84
Workers	3	3
Total	100	87

DEPRECIATIONS	2022	2021
Intangible rights	681,390	677,455
Other capitalized expenses	40,423	48,300
Machinery and equipment	241,749	298,827
Total	963,562	1,024,582

AUDITING SERVICES	2022	2021
Annual audits	61,000	83,200
Other services	0	4,400
Total	61,000	87,600

FINANCIAL INCOME AND EXPENSES	2022	2021
Dividend income from group companies	0	4,301,075
Financial income from group companies	697,444	637,019
Financial income from others	20,167	128
Interest expenses	-16,500	-16,500
Other financial expenses	-1,363	-15,089
Amortization of investment in group companies	-5,437,676	0
Conversion items	-93,023	1,164,025
Total	-4,830,952	6,070,658

In the 2022, the parent company converted loan receivables into investment and recognized an equivalent amortization of EUR 5,437,676 for the benefit of its French subsidiary Detection Technology S.A.S., in order to meet local statutory requirements regarding equity. In the 2021 financial period, conversion items consisted mainly of realized and unrealized foreign exchange conversion profits related to the currency position of CNY and USD, the foreign exchange rates of which strengthened against EUR. The impacts of changes in the said currencies during the 2022 financial period have been insignificant.

NOTES TO BALANCE SHEET

INTANGIBLE ASSETS

	2022	2021
Intangible rights		
Carrying amount at 1.1.	1,365,202	2,007,017
Increases	6,902	17,500
Reclassification	207,492	18,140
Depreciations	-681,390	-677,455
Carrying amount at 31.12.	898,206	1,365,202
Other capitalized expenses		
Carrying amount at 1.1.	35,973	84,272
Increases	42,317	0
Depreciations	-40,423	-48,300
Carrying amount at 31.12.	37,866	35,973
Prepayments for intangible rights		
Carrying amount at 1.1.	179,164	13,500
Increases	32,371	183,804
Reclassification	-205,380	-18,140
Carrying amount at 31.12.	6,155	179,164
Total	942,228	1,580,339

TANGIBLE ASSETS

	2022	2021
Machinery and equipment		
Carrying amount at 1.1.	728,657	869,747
Increases	28,535	48,377
Reclassification	96,130	132,508
Decreases	0	-23,147
Depreciations	-241,749	-298,827
Carrying amount at 31.12.	611,573	728,657
Other tangible assets		
Carrying amount at 1.1.	3,000	3,000
Carrying amount at 31.12.	3,000	3,000
Prepayments for tangible assets		
Carrying amount at 1.1.	73,891	38,825
Increases	243,300	167,575
Reclassification	-98,242	-132,508
Carrying amount at 31.12.	218,950	73,891
Total	833,523	805,549

INVESTMENTS

Shares in Group companies		
Carrying amount at 1.1.	6,856,031	6,219,390
Increases	5,437,676	636,641
Amortizations	-5,437,676	0
Carrying amount at 31.12.	6,856,031	6,856,031
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.	3,874,485	3,874,485
DTF (H.K.) Ltd.	163,463	163,463
Virpiniemi Golf Oy	10,500	10,500
Total	6,866,531	6,866,531

In the 2022, the parent company converted loan receivables into investment and recognized an equivalent amortization of EUR 5,437,676 for the benefit of its French subsidiary Detection Technology S.A.S., in order to meet local statutory requirements regarding equity.

INVENTORIES

	2022	2021
Materials and supplies	1,172,886	789,218
Work in progress	159,785	48,407
Finished goods	844,572	1,334,609
Total	2,177,243	2,172,233

RECEIVABLES	2022	2021
Non-current receivables from group companies		
Loan receivables	4,208,024	7,924,350
Total	4,208,024	7,924,350
Current receivables from group companies		
Accounts receivable	100,585	28,756
Loan receivables	4,085,130	5,559,640
Other receivables	1,607,635	1,597,679
Accrued income		
Interest receivables	1,016,862	631,839
Accrued income total	1,016,862	631,839
Total	6,810,212	7,817,914
Current receivables from others		
Accounts receivable	4,759,658	2,888,296
Other receivables	116,112	161,717
Accrued income		
Tax receivables	479,839	0
Other accrued income	715,098	702,715
Accrued income total	1,194,937	702,715
Total	6,070,707	3,752,728

In the 2022, the parent company converted loan receivables into investment and recognized an equivalent amortization of EUR 5,437,676 for the benefit of its French subsidiary Detection Technology S.A.S., in order to meet local statutory requirements regarding equity.

NOTES TO EQUITY AND LIABILITIES

EQUITY	2022	2021
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
Total restricted equity	5,210,025	5,210,025
Invested non-restricted equity fund 1.1.	28,405,085	22,452,875
Share issue	0	5,952,210
Invested non-restricted equity fund 31.12.	28,405,085	28,405,085
Retained earnings 1.1.	13,776,382	9,731,928
Dividend payment	-5,129,576	-4,025,120
Profit for financial year	-2,268,101	8,069,574
Retained earnings 31.12.	6,378,706	13,776,382
Total	39,993,816	47,391,492
Distributable equity at the end of the period		
Invested non-restricted equity fund	28,405,085	28,405,085
Retained earnings 1.1.	13,776,382	9,731,928
Dividend payment	-5,129,576	-4,025,120
Profit for financial year	-2,268,101	8,069,574
Distributable equity at the end of the period	34,783,791	42,181,467
LIABILITIES	2022	2021
Current liabilities to others		
Trade payables	1,184,158	356,815
Other payables	681,467	579,415
Accrued liabilities		
Accrued salaries	1,351,945	1,188,245
Accrued indirect personnel expenses	219,701	197,054
Accrued tax payables	0	101,345
Other accrued liabilities	60,562	188,615
Total accrued liabilities	1,632,207	1,675,259
Total	3,497,833	2,611,489
Current liabilities to group companies		
Trade payables	747,976	1,304,895
Total	747,976	1,304,895

PLEDGES AND COMMITMENTS	2022	2021
Pledges		
Enterprise mortgages provided as collateral	10,734,913	10,734,913
Total	10,734,913	10,734,913
Credit limit		
Credit limit granted	3,000,000	3,000,000
Credit limit in use	0	0
Credit limit available	3,000,000	3,000,000
Other commitments		
Collateral on behalf of subsidiaries	13,590,280	13,899,120
Bank guarantee	49,143	232,630
Total	13,639,423	14,131,750
Lease commitments		
Payable in the following financial year	477,707	454,042
Payable in later years	174,565	169,329
Total	652,272	623,371

Collateral on behalf of subsidiaries consists entirely of a credit limit arrangement to Chinese subsidiaries, with the amount of CNY 100,000,000, at the end of both the current and previous financial years.

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

Espoo 1 March 2023

Hannu Syrjälä
Chairman of the Board

Carina Andersson
Member of the Board

Marion Björkstén
Member of the Board

Richard Ingram
Member of the Board

Pasi Koota
Member of the Board

Henrik Roos
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 1 March 2023

Petri Kettunen, Authorized Public Accountant
KPMG Oy Ab
Authorized Public Accountant Firm

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Detection Technology Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Detection Technology Oyj (business identity code 0878389-8) for the year ended 31 December 2022. 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 the 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 a 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 about 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 the 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.

Espoo, 1 March 2023

KPMG OY AB

Petri Kettunen

Authorised Public Accountant, KHT





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