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**FINANCIAL STATEMENTS REVIEW 2015**

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**DETECTION TECHNOLOGY PLC**

## DETECTION TECHNOLOGY PLC'S FINANCIAL STATEMENTS REVIEW JANUARY-DECEMBER 2015

**Detection Technology reports strong net sales and profit growth****Fourth quarter 2015 highlights**

- Net sales increased by 56.4% to EUR 15.21 million (9.73)
- Net sales of Security and Industrial Business Unit (SBU) grew 68.7% and Medical Business Unit (MBU) 37.0%
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 2.43 million (1.08)
- Operating profit margin (EBIT-%) excluding NRI was 16.0% of net sales (11.2%)
- NRI related to DT's new factory was EUR -0.69 million
- R&D costs totaled EUR 1.36 million (1.18), 8.9% of net sales (12.1%)
- Strong and escalating demand from the security imaging market
- Fast ramp up of the new factory enabled high sales volume

**Full-year 2015 highlights**

- Net sales increased by 29.2% to EUR 42.78 million (33.11)
- Net sales of SBU grew 31.0% and MBU 26.4%
- Operating profit (EBIT) excluding NRI amounted to EUR 4.54 million (4.13)
- Operating profit margin (EBIT-%) excluding NRI was 10.6% of net sales (12.5%)
- NRI relating to DT's new factory amounted to EUR -1.10 million
- R&D costs totaled EUR 5.70 million (4.12), 13.3% of net sales (12.4%)
- Capital expenditure was EUR 4.77 million (1.28)
- DT was listed on the NASDAQ First North Finland market place on March 16, 2015

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

**President and CEO, Hannu Martola:**

"Our fourth quarter results were strong. Net sales grew 56.4%, and operating profit totaled 2.43 million euros. The positive growth in sales and production volumes for old and new customers in both of our business units led to exceptional growth. The strong market demand in the Security and Industrial Business Unit (SBU) was mainly driven by increasing security concerns. The growth in our Medical Business Unit (MBU) was an outcome of rising volumes in our newer projects.

Net sales of the SBU grew 68.7 % in the last quarter. We were well positioned to meet the demand through our wide product portfolio and strong presence in Asia. However, high quarterly volatility is typical for our business. The last quarter's sales were a significant achievement, and it will be challenging for us to improve this in 2016.

The production was ramped up faster than expected in our new Beijing factory and enabled us the high delivery output. As the factory is now up and running, the investment is fully supporting our strategic targets.

What comes to the other cornerstones of our strategy, we have strengthened our position in US and broadened the technology and customer bases. Costs related to these had an impact on our profitability, but will support our annual growth target in a mid-term period."

## Key Figures

(EUR 1 000)	Q4 2015	Q4 2014	Change %	2015	2014	Change %
Net sales	15 212	9 725	56.42 %	42 782	33 112	29.2 %
Net sales growth %	56.4 %	10.7 %		29.2 %	9.2 %	
Operating profit (EBIT) excl. NRI*	2 433	1 084	124.3 %	4 534	4 127	9.9 %
Operating profit (EBIT) % excl. NRI	16.0 %	11.2 %		10.6 %	12.5 %	
Non-recurring items (NRI) **	688	398		1 098	1 048	
Operating profit	1 741	686	153.6 %	3 437	3 079	11.6 %
Operating profit margin %	11.44 %	7.1 %		8.0 %	9.3 %	
R&D costs	1 357	1 178	15.2 %	5 696	4 121	38.2%
R&D costs, % of net sales	8.9 %	12.1 %		13.3 %	12.4 %	
Cash flow from operating activities	5 355	2 090	156.2 %	2 622	3 085	-15.0 %
Net interest bearing debt at end of period	-5 444	8 678	-162.7 %	-5 444	8 678	-162.7 %
Capital expenditure	3 450	1 133	204.5 %	4 770	1 280	272.7 %
Gearing, %	-25.8 %	654.0 %		-25.8 %	654.0 %	
Earnings per share, EUR	0.10	0.31	-67.2 %	0.07	1.45	-95.1 %
Earnings per share diluted, EUR ***	0.10	0.05	123.6 %	0.07	0.21	-66.3 %
Number of shares at the end of the period	12 950 975	1 900 195		12 950 975	1 900 195	

\*As of 2015 DT has made a change in the treatment of potential future warranty costs and makes a provision of 1.5% of net sales. The warranty provision affects the January-December 2015 operating profit by EUR 0.60 million.

\*\* In Q4/2014 DT recognized EUR 0.4 million of non-recurring quality and NPI costs. In 2014, DT recognized EUR 1.0 million of non-recurring quality and NPI costs.

\*\*\*The earnings per share information for 2014 figures was computed as if the shares issued in conjunction with the IPO had been outstanding for the entire comparison period.

## Net Sales

Detection Technology's net sales for the fourth quarter totaled EUR 15.21 million (9.73), a growth of 56.4%. At comparable exchange rates growth for the quarter was 48.6%.

The demand was strong in the Security and Industrial Business Unit (SBU) where net sales grew 68.7% to EUR 10.06 million (5.96). The market demand was driven by the increased security concerns, but SBU also gained market share by growing faster than the global security imaging market. DT's wide product portfolio, presence in Asia and ramp up of the new factory faster than expected enabled to succeed in the competitive market. SBU won a number of new projects, including long-term customer projects within security CT.

The sales growth of 37.0% of the Medical Business Unit (MBU) was good in the fourth quarter. The business grew faster than the global medical imaging equipment market. The sales were EUR 5.16 million (3.76). Shipments grew in line with the company's customers' well-received product launches. MBU secured also new projects within its current customers which will lead to volume production in a mid-term period.

Net sales for January-December 2015 grew 29.2% to EUR 42.78 million (33.11). Growth at comparable exchange rates was 25.5%. SBU's net sales increased by 31.0% and totaled EUR 26.65 million (20.34). MBU's net sales totaled EUR 16.13 million (12.76), an increase of 26.4%. Of the total net sales, SBU accounted for 62.3% and MBU for 37.7%.

Geographically Asia was the biggest market with 62.3% of net sales for the full-year. Net sales totaled from Europe 21.0% and from Americas 16.8%. Top five customers accounted for 60% of net sales in the review period.

Quarterly variations in DT's net sales are usual due to the timing of bigger customer deliveries.

### NET SALES BY BUSINESS UNIT

(EUR 1 000)	Q4 2015	Q4 2014	Change%	2015	2014	Change%
Medical Business Unit (MBU)	5 156	3 764	37.0 %	16 130	12 764	26.4 %
Security and Industrial Business Unit (SBU)	10 056	5 961	68.7 %	26 651	20 348	31.0 %
<b>TOTAL</b>	<b>15 212</b>	<b>9 725</b>	<b>56.4 %</b>	<b>42 782</b>	<b>33 112</b>	<b>29.2 %</b>

### NET SALES BY GEOGRAPHY

(EUR 1 000)	Q4 2015	Q4 2014	Change%	2015	2014	Change%
Asia	11 800	5 411	118.1 %	26 639	17 936	48.5 %
Americas	1 065	2 169	-50.9 %	7 168	7 676	-6.6 %
Europe	2 347	2 145	9.4 %	8 975	7 500	19.7 %
<b>TOTAL</b>	<b>15 212</b>	<b>9 725</b>	<b>56.4 %</b>	<b>42 782</b>	<b>33 112</b>	<b>29.2 %</b>

### Operating result and profitability

DT's reported operating profit for the fourth quarter amounted to EUR 1.74 million (0.69), 11.4% of net sales (7.1). Higher sales volume and more favorable product mix improved the profitability while non-recurring items (NRI) had an adverse impact. NRI related to DT's new factory was EUR -0.69 million. Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 2.43 million (1.08).

The operating profit for the review period January–December 2015 amounted to EUR 3.44 million (3.08), 8.0% of net sales (9.3). Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 4.54 million (4.13). NRI relating to the new factory amounted to EUR -1.10 million. As of 2015 DT has made a change to the treatment of potential future warranty costs and makes a provision of 1.5% of net sales. The warranty provision affected the January–December 2015 operating profit by EUR 0.60 million.

January–December 2015 other operating expenses totaled EUR -6.18 million (-4.81). Financial items amounted to EUR -2.38 million (-0.32) including EUR -1.43 million non-recurring financial expenses related to the IPO of the company. Income taxes in January–December were EUR -0.12 million (0.00).

The result for the review period was EUR 0.93 million (2.76). Earnings per share were 0.07 euros (0.21 euros diluted).

### Cash flow and financing

Cash flow from operations for the fourth quarter 2015 totaled EUR 5.36 million (2.09). Operating cash flow for the full-year 2015 amounted to EUR 2.62 million (3.09). Cash flow was impacted by one time cost related to the Beijing factory project and increase in working capital items.

Cash flow from financing activities for the full-year 2015 totaled EUR 6.14 million (-2.79). Cash Flow from financing activities was impacted by non-recurring financial income and expenses related to the IPO of the company.

Cash and cash equivalents amounted to EUR 7.44 million (3.45) at the end of the year.

Net interest bearing debt totaled EUR -5.44 million (8.68). Gearing was -25.8% (654.0%).

### Capital expenditure

DT continued to invest in its production infrastructure. The new factory in Beijing, China was ramped up during the second half of 2015. The new facility supports DT's growth targets, and consequently the need for higher production volumes, as well as the company's efficiency and cost targets. Investments during January-December 2015 totaled EUR 4.77 million (1.28).

### Research and development

The fourth quarter R&D costs totaled EUR 1.36 million (1.18), 8.9% of net sales (12.1). During the review period January-December 2015, DT expensed EUR 5.70 million (4.12) in product development projects, corresponding to 13.3% (12.4) of net sales. R&D costs are not capitalized.

EU regulation relating to aviation security and more specifically EDS (Explosives Detection Systems) is becoming more stringent, which has offered good opportunities for DT. During the year 2015 DT received new customer projects within security CT, the most commonly used technology in EDS. These long-term programs which support DT's mid- and long-term growth and profitability targets have required more product development efforts in the initial phase. Due to these programs and R&D projects related to the broadening of DT's technology base, the R&D costs were unusually high in 2015.

### Personnel

At the end of 2015, DT employed 341 people (294), out of which 293 in China, 44 in Finland and 4 in the US. Personnel expenses amounted to EUR -10.17 million (-7.30). The growth in personnel expenses is mainly due to the exchange rate fluctuations and the addition of headcount.

#### PERSONNEL BY GEOGRAPHY

	31.12.2015	31.12.2014	Change%
Asia	293	253	15.8 %
Americas	4	4	0.0 %
Europe	44	37	18.9 %
<b>TOTAL</b>	<b>341</b>	<b>294</b>	<b>16.0 %</b>

### Strategy implementation

The Beijing factory investment, the key strategic objective for 2015, was completed successfully during the second half of the year. The new factory was ramped up faster than expected, and the factory played a key role in supporting DT's growth, efficiency, quality and cost targets already in the fourth quarter.

Other cornerstones of DT's strategy are proceeding as well. The company has taken significant steps during 2015 by strengthening its position in US and putting efforts on broadening its technology and customer bases. At the end of year 2015 the company had 164 active customers.

Costs related to these large projects had a negative impact on company's profitability but will support the annual growth target of 15% in the mid-term period. DT was listed successfully on the NASDAQ First North Finland market place on March 16<sup>th</sup>, and with the proceeds from the IPO the company has a strong balance sheet and more financial flexibility to proceed in the growth strategy path.

### Shares and shareholders

The trading in Detection Technology Plc's shares started on the 16<sup>th</sup> of March 2015 on the NASDAQ First North Finland market under the trading code DETEC. Detection Technology issued a total of 3,450,000 new shares in its initial public offering and as a result, the number of shares in the company increased to 12,950,975 shares in total. The final subscription price was EUR 5.20 per share in both the institutional offering and the public offering and EUR 4.68 in the personnel offering. DT received EUR 17.9 million in proceeds before taking into account offering related charges, fees and estimated costs to be paid by DT.

Following the offering, Oy G.W.Sohlberg Ab's ownership has decreased from approximately 70% to 40%, still remaining DT's largest shareholder. The total number of shareholders was 763 as of the end of December, 2015. Approximately 72% of the shares are held by the 10 biggest shareholders. DT was not informed of any significant changes among its largest shareholders during the year.

The average share price during the fourth quarter was EUR 4.99 and EUR 5.15 in 2015. The highest price during the fourth quarter was EUR 5.28 and the lowest EUR 4.80. The highest price during the year was EUR 5.83 and the lowest EUR 4.80. At the end of December, the closing price was EUR 4.90 per share and DT had a market capitalization of EUR 66.65 million. The number of shares traded between March 16<sup>th</sup> and December 30<sup>th</sup> was 9.26 million, which is 72% of the total number of shares. When excluding the block sale related to the IPO, 14% of the total number of shares was traded during the year.

DT has one share series and all shares have equal voting rights. Each share is entitled to one vote at the annual general meeting.

### Risks and uncertainties

Significant changes to DT's risks and uncertainties were not identified during the fourth quarter of 2015.

Detection Technology's main short term risks are associated with uncertainties in the global economies and operating in emerging markets. Other risks are related to exchange rate fluctuations, price competition, a significant share of net sales accounted by top five customers and APAC as the biggest market. Detection Technology has taken measures to mitigate these risks.

The prospectus published in relation to Detection Technology's Initial Public Offering contains a more detailed description of the company's risks and risk management.

## Outlook for 2016

### Medical imaging equipment market

Emerging economies, such as China, Brazil, India and Turkey are currently investing in healthcare and medical infrastructure. Aging population is also a growing concern which drives healthcare investments. These factors, in combination with CT equipment adoption especially in emerging countries drive demand for medical imaging equipment.

According to Frost & Sullivan estimates, the global medical imaging equipment market is expected to grow at approximately 5% CAGR. DT management estimates that CT equipment market grew 4-5% in 2015. The market grew fastest in China.

DT is well positioned for gaining higher market share in 2016 with competitive total cost solution, presence in China and the customer intimacy. On short term the biggest potential for DT's medical business growth is driven by customer projects already under development.

### Security and industrial X-ray equipment markets

Homeland Security Research Corporation (HSRC) forecasts the global X-ray security screening market to grow at approximately 7% CAGR from 2013 to 2020. The strongest growth geographically is expected from Asia-Pacific and Latin America, and moderate growth in North America and Europe. DT estimates that the market grew 7% in 2015, along the lines of the HSRC's forecast.

The main drivers for the industrial x-ray equipment market are the need for efficiency and cost as well as an increased need for quality control. Asia-Pacific is the fastest growing market followed by the United States and Europe. The market grew 5% in 2015 based on DT's estimation.

The focus of governments and organizations to increase spending on security will open new opportunities to boost SBU sales also in 2016. During 2015 SBU won a number of new long-term customer projects within security CT. In security CT there is potential to expand the business since security regulations are tightening globally such as the EU aviation regulation by 2021.

### Business outlook

Detection Technology's sales outlook is in accordance with its medium term target to increase sales by at least 15% per annum. DT forecasts its profitability to develop in accordance with its medium term target of operating margin at or above 15%. R&D costs as a percentage of net sales in 2016 are expected to be lower than in 2015. The outlook is based on the current market activity and the company's position in the market.

### Financial reporting schedule in 2016

- Annual General Meeting 2016: March 10, 2016 at 3 pm
- Business Review January-March 2016: April 26, 2016
- Half-yearly Report January-June 2016: July 28, 2016
- Business Review January-September 2016: October 26, 2016

The Financial Statements for 2015 will be published latest on February 18, 2016 on the company's website <http://www.deetee.com/investors/financial-information.html>.

**UNAUDITED FINANCIAL STATEMENTS REVIEW 1.1.-31.12.2015****ACCOUNTING PRINCIPLES**

This unaudited financial statements review for the period 1.1.-31.12.2015 has been prepared according to the Finnish Accounting standards (FAS).

**CONSOLIDATED INCOME STATEMENT (FAS)**

(EUR 1 000)	10-12/2015	10-12/2014	1-12/2015	1-12/2014
<b>Net sales</b>	<b>15 212</b>	<b>9 725</b>	<b>42 782</b>	<b>33 112</b>
Other operating income	20		83	
Materials and services	-8 137	-5 585	-21 860	-17 192
Personnel expenses	-3 302	-2 125	-10 175	-7 298
Depreciation and amortization	-443	-199	-1 211	-722
Other operating expenses	-1 609	-1 130	-6 182	-4 821
<b>Operating profit (-loss)</b>	<b>1 741</b>	<b>686</b>	<b>3 437</b>	<b>3 079</b>
Financial income and expenses	-365	-182	-2 383	-321
<b>Profit (-loss) before taxes</b>	<b>1 376</b>	<b>504</b>	<b>1 054</b>	<b>2 757</b>
Income taxes	-63	83	-124	0
<b>Profit (-loss) for the reporting period</b>	<b>1 313</b>	<b>587</b>	<b>930</b>	<b>2 757</b>



**CONSOLIDATED BALANCE SHEET (FAS)**

(EUR 1 000)	<b>31.12.2015</b>	31.12.2014
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	797	716
Tangible assets	6 448	2 970
Investments	11	11
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7 256</b>	<b>3 696</b>
<b>CURRENT ASSETS</b>		
Inventories	6 768	5 605
Receivables	12 857	6 622
Current receivables	1 058	732
Cash and cash equivalents	7 442	3 449
<b>TOTAL CURRENT ASSETS</b>	<b>28 125</b>	<b>16 409</b>
<b>TOTAL ASSETS</b>	<b>35 381</b>	<b>20 105</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	80	69
Share premium account	5 130	5 130
Other funds	26 716	8 818
Retained earnings (loss)	-11 757	-15 407
Profit for the financial year (loss)	930	2 757
<b>TOTAL EQUITY</b>	<b>21 099</b>	<b>1 367</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Capital loans	0	852
Loans from financial institutions	0	8 517
Other liabilities	785	1 354
Total	<b>785</b>	<b>10 722</b>
<b>Current liabilities</b>		
Loans from financial institutions	1 213	1 404
Advances received	613	623
Trade payables	8 554	5 003
Other liabilities	929	77
Accrued liabilities	2 188	909
Total	<b>13 467</b>	<b>8 015</b>
<b>TOTAL LIABILITIES</b>	<b>14 282</b>	<b>18 737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35 381</b>	<b>20 105</b>

**CONSOLIDATED CASH FLOW STATEMENT (FAS)**

(EUR 1 000)	10-12/2015	10-12/2014	1-12/2015	1-12/2014
<b>Cash flow from operations</b>				
Operating profit/loss	1 741	686	3 437	3 079
Depreciation	443	199	1 211	722
Change in working capital *	1 959	1 394	-1 708	18
Financial income and expenses **	1 275	-272	-162	-734
Taxes	-63	83	-156	
<b>Cash flow from operations</b>	<b>5 355</b>	<b>2 090</b>	<b>2 622</b>	<b>3 085</b>
<b>Cash flow from investments</b>				
Investments in tangible and intangible assets	-3 450	-612	-4 770	-1 280
<b>Cash flow from investments</b>	<b>-3 450</b>	<b>-612</b>	<b>-4 770</b>	<b>-1 280</b>
<b>Free Cash Flow</b>	<b>1 905</b>	<b>1 479</b>	<b>-2 148</b>	<b>1 805</b>
<b>Cash flow from financing</b>				
Withdrawal of non-current loans	0	89	0	312
Repayment of non-current loans	-208	234	-10 128	-3 101
Investment in invested non-restricted equity funds**	-1 640	0	16 262	0
<b>Cash flow from financing</b>	<b>-1 848</b>	<b>323</b>	<b>6 141</b>	<b>-2 789</b>
<b>Change in cash and cash equivalents</b>	<b>57</b>	<b>1 802</b>	<b>3 993</b>	<b>- 984</b>
Cash and cash equiv. at beginning of the period	7 385	1 647	3 449	4 433
Cash and cash equivalents at end of the period	7 442	3 449	7 442	3 449

\* Change in working capital includes translation differences of 892 thousands euros in 2015 and 508 thousands euros in 2014.

\*\* Q4 2015 IPO related cash payments have been restated from financial income and expense to adjustment of IPO proceeds.

**STATEMENT OF EQUITY CHANGES**

EUR 1 000	Share Capital	Share Premium	Invested unrestricted equity fund	Retained earnings	Profit (loss) for the period	Total
<b>Balance at 1.1.2015</b>	<b>69</b>	<b>5 130</b>	<b>8 818</b>	<b>-12 650</b>	<b>0</b>	<b>1 367</b>
Dividends						0
Share issue	11		17 898			17 910
Translation Differences				892		892
Profit (loss) for the period					930	930
<b>Balance at 31.12.2015</b>	<b>80</b>	<b>5 130</b>	<b>26 716</b>	<b>-11 758</b>	<b>930</b>	<b>21 099</b>
<b>Balance at 1.1.2014</b>	<b>69</b>	<b>5 130</b>	<b>8 818</b>	<b>-15 915</b>		<b>-1 898</b>
Dividends						
Share issue						
Translation Differences				508		508
Profit (loss) for the period					2 757	2 757
<b>Balance at 31.12.2014</b>	<b>69</b>	<b>5 130</b>	<b>8 818</b>	<b>-15 407</b>	<b>2 757</b>	<b>1 367</b>

Espoo February 1, 2016

Board of Directors  
Detection Technology Plc

**CALCULATION OF KEY FINANCIAL RATIOS**

Change in net sales, %	=	$\frac{\text{Net sales} - \text{previous financial year's net sales}}{\text{previous financial year's net sales}} \times 100$
Net interest bearing liabilities	=	Interest-bearing liabilities - cash and cash equivalents
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{equity}} \times 100$