



Q2 INTERIM REPORT JANUARY-JUNE 2015

DETECTION TECHNOLOGY PLC

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DETECTION TECHNOLOGY: GOOD GROWTH CONTINUED - INVESTMENTS IN R&D AND PRODUCTION SUPPORT FUTURE GROWTH

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

SECOND QUARTER 2015 HIGHLIGHTS

- Net sales amounted to EUR 9.29 million (7.75), a growth of 20% (8% at comparable exchange rates)
- Operating profit (EBIT) amounted to EUR 0.56 million (0.89)
- Operating margin (EBIT%) 6.0% of net sales (11.5%)
- Earnings per share were 0.02 euros (0.06)

HIGHLIGHTS OF THE REVIEW PERIOD JANUARY-JUNE 2015

- Net sales amounted to EUR 18.3 million (14.7), a growth of 24% (12% at comparable exchange rates)
- Operating profit (EBIT) amounted to EUR 1.30 million (1.26)
- Operating margin (EBIT%) 7.1% of net sales (8.6%)
- DT was listed on the Nasdaq First North Finland market place on March 16th
- The result for the period was affected by non-recurring financial expenses of EUR 1.43 million related to the IPO
- Earnings per share were -0.01 euros (0.07)

PRESIDENT AND CEO, HANNU MARTOLA:

"The second quarter development was good and our net sales grew 20%. During the quarter new business with new and existing customers developed favorably and we continue to see good growth opportunities in both our businesses.

We are currently investing in the new factory in Beijing, in product development and R&D as well as putting efforts in our customer relations. Costs related to these large projects had an impact on our profitability but support our continued future growth. Quarterly variations in DT's net sales and profitability are also common due to the timing of bigger customer deliveries and variations in manufacturing volumes.

The setting up of our new factory in Beijing is proceeding according to plan and production will be ramped-up during the autumn of 2015."

KEY FIGURES

(EUR 1 000)	4-6/2015	4-6/2014	Change	1-6/2015	1-6/2014	Change	1-12/2014
Net sales	9 292	7 746	20%	18 265	14 677	24%	33 112
Net sales growth %	20	-10		24	-4		9
Operating profit*	561	891**	-37%	1 302	1 261**	3%	3 079***
Operating margin*	6.0%	11.5%		7.1%	8.6%		9.3%
Operating profit (EBIT) excl. NRI	561	1 191	-53%	1 302	1 561	-17%	4 127
Operating margin (EBIT) excl. NRI	6.0%	15.4%		7.1%	10.6%		12.5%
Cash flow from operating activities	-2 629	1 047	-351%	-2 059	435	-573%	3 085
Net interest bearing debt at end of period	-7 166	9 542	-175%	-7 166	9 542	-175%	8 678
Capital expenditure	310	199	56%	857	346	148%	1 280
Gearing, %				-37	-1 103		634.8
Earnings per share, EUR	0.02	0.59	-96%	-0.01	0.64	-102%	1.45
Earnings per share diluted, EUR	0.02	0.06	-69%	-0.01	0.07	-114%	0.21
Number of shares at the end of the period	12 950 975	1 900 195		12 950 975	1 900 195		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-June 2015 operating profit by EUR 0.23 million.

** In Q2/2014 DT recognized EUR 0.3 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 second quarter totaled EUR 9.29 million (7.75), a growth of 20%. At comparable exchange rates growth for the second quarter was 8%. Demand was good, especially in the Medical Business Unit (MBU) where net sales grew 38% to EUR 4.19 million (3.02). The Security and Industrial Business Unit (SBU) second quarter net sales grew 8% and totaled EUR 5.11 million (4.72).

Net sales for January-June 2015 grew 24% to EUR 18.3 million (14.7). Growth at comparable exchange rates was 12%. MBU net sales totaled EUR 7.66 million (6.41), an increase of 20%. SBU's net sales increased by 28% and totaled EUR 10.6 million (8.27). Of the total net sales, MBU accounted for 42% and SBU for 58%. Geographically demand was high in Europe with a growth of 43% compared to the corresponding period last year. Asia was DT's biggest geographical market with 50% of net sales for the review period January-June 2015. Net sales from Europe totaled 27% and from North America 23% of total net sales.

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)	4-6/2015	4-6/2014	Change	1-6/2015	1-6/2014	Change	1-12/2014
Medical Business Unit (MBU)	4 186	3 023	38%	7 661	6 405	20%	12 764
Security and Industrial Business Unit (SBU)	5 106	4 723	8%	10 604	8 272	28%	20 348
TOTAL	9 292	7 746	20%	18 265	14 677	24%	33 112

NET SALES BY GEOGRAPHY

(EUR 1 000)	4-6/2015	4-6/2014	Change	1-6/2015	1-6/2014	Change	1-12/2014
Asia	4 355	4 429	-2%	9 142	7 611	20%	17 936
North America	2 101	1 434	47%	4 164	3 592	16%	7 676
Europe	2 835	1 883	51%	4 959	3 474	43%	7 500
TOTAL	9 292	7 746	20%	18 265	14 677	24%	33 112

OPERATING RESULT AND PROFITABILITY

DT's operating profit for the second quarter amounted to EUR 0.56 million (0.89), 6.0% of net sales (11.5). DT is currently investing in the new factory and in its product portfolio in order to support its growth targets. The second quarter profitability was impacted by large product development and R&D projects, increased personnel expenses as well as cost related to building the new factory in Beijing. In addition, profitability was impacted by variations in production volumes, sales mix, as well as exchange rates.

The operating profit for the review period January–June 2015 amounted to EUR 1.30 million (1.26), 7.1% of net sales (8.6). 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 affects the January-June 2015 operating profit by EUR 0.23 million.

January-June 2015 other operating expenses totaled EUR -2.78 million (-2.65). Financial items amounted to EUR -1.38 million (-0.35) including EUR -1.43 million non-recurring financial expenses related to the Initial Public Offering of the company. Income taxes in January–June were EUR -0.08 million (-0.00). DT's effective tax rate for 2015 is expected to be 15-20 percent.

The result for the review period was EUR -0.16 million (0.91). Earnings per share were -0.01 (0.07).

CASH FLOW AND FINANCING

Cash flow from operations for the second quarter 2015 totaled EUR -2.64 million (1.05). Cash flow was impacted by prepayments related to the new factory and its equipment, the build-up of inventory buffers as well as other costs related to the factory set-up. Operating cash flow for the review period January-June 2015 amounted to EUR -2.06 million (0.43).

Second quarter cash flow from financing activities totaled EUR -6.5 million (0.47). DT paid back loans to the amount of EUR -9.9 million (-2.6) during the period January-June. The company received EUR 17.9 million in its Initial Public Offering conducted during the first quarter. Cash flow from financing activities for the January-June 2015 period totaled EUR 8.0 million (-2.4).

Cash and cash equivalents amounted to EUR 8.51 million (2.12) at the end of the review period.

Net interest bearing debt totaled EUR -7.17 million (9.54).

CAPITAL EXPENDITURE

DT is investing in its production infrastructure. DT is currently investing in the new factory in Beijing, China and production will be ramped up during 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. DT estimates that the total amount of investments will amount to EUR 4.5-5.0 million in 2015. Capital expenditure for the review period January-June

2015 totaled EUR 0.86 million (0.35). In addition, DT has made prepayments related to the new factory and its equipment.

R&D AND PRODUCT DEVELOPMENT

R&D and product development costs are not capitalized. The second quarter R&D costs totaled EUR 1.48 million (1.03), 15.9% of net sales (13.3). During the review period January-June 2015, DT expensed EUR 2.66 million (2.18) in product development projects, corresponding to 14.6% (11.9) of net sales.

PERSONNEL

At the end of the review period January-June 2015, DT employed 321 people (282), out of which 275 in China, 42 in Finland and 4 in the US. Personnel expenses amounted to EUR 4.31 million (3.33). The growth in personnel expenses is mainly due to the addition of headcount, especially in China.

PERSONNEL BY GEOGRAPHY

	30.6.2015	30.6.2014	Change	31.12.2014
Asia	275	240	15%	242
Americas	4	4	-	4
Europe	42	38	11%	37
TOTAL	321	282	14%	283

STRATEGY

Our goal is to be the leader in Computed Tomography and Line-Scan X-ray detectors and solutions; and a significant player in other technologies where we see good business opportunities. The corner stones of our strategy are: focus on X-ray technology, customer and equipment specific tailoring, investments in research and product development and geographical reach. Our business model enables growth as we focus on producing only the core components and purchase other components from our suppliers. This business model is asset light and allows flexibility in production and delivery of the products.

FINANCIAL TARGETS

DT has set the following targets with a goal of achieving them during the medium term:

- To increase sales by at least 15 per cent per annum
- To achieve an operating margin at or above 15 per cent

SHARES AND SHAREHOLDERS

The trading in Detection Technology Plc's shares started on the 16th of March 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%. GWS remains DT's largest shareholder. Approximately 80% of the shares are held by the 20 biggest shareholders.

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

GOVERNANCE

Detection Technology's Board of Directors has five members: Heikki Allonen, Henrik Roos, Petri Niemi, Ari Saarenmaa and Chairman of the Board Andreas Tallberg. The Board has an Audit Committee and a Remuneration Committee. The Board has appointed the following members to its Committees:

Audit Committee: Chairman Heikki Allonen, other members Ari Saarenmaa

Remuneration Committee: Chairman Andreas Tallberg, other members Henrik Roos and Petri Niemi

RISKS AND UNCERTAINTIES

During the second quarter no significant changes to DT's risks and uncertainties occurred.

Detection Technology's main short term risks are associated with operating in emerging markets, setting up the new factory in Beijing and the ramp-up of production in the new facilities during 2015. Other risks are related to exchange rate fluctuations and cost pressure which could have an impact on the competitiveness of the company's products. 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.

MARKET OUTLOOK

No significant changes to the market outlook have occurred during the second quarter of 2015 and the medium-term outlook stated in DT's January-March 2015 review is reiterated:

Medical imaging equipment markets

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 in 2012-2017. The CT equipment market is expected to grow at a higher CAGR than other types due to its early adoption phase in emerging markets. Detection Technology is well positioned in the emerging markets and especially China. On short term the biggest potential for DT's current and potential medical applications comes from the Chinese market.

Security and Industrial x-ray equipment markets

Increased security concerns have resulted in increased spending on security. 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, the largest market for security screening, and Latin America, clearly the smallest market at the moment. Moderate growth is expected in both North America and Europe.

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.

DETECTION TECHNOLOGY'S PROSPECTS FOR 2015 UNCHANGED

Detection Technology's sales outlook for 2015 is in accordance with its medium term target to increase sales by at least 15% per annum. DT's profitability is developing according to plan. DT's net sales and profitability can vary considerably between the quarters due to the timing of projects and customer deliveries.

The total capital expenditure related to the new factory in Beijing, China and other investments are estimated to amount to EUR 4.5-5.0 million in 2015.

UNAUDITED INTERIM REPORT 1.1.-30.6.2015**ACCOUNTING PRINCIPLES**

This unaudited interim report for the period 1.1.-30.6.2015 has been prepared according to the Finnish Accounting standards (FAS).

CONSOLIDATED INCOME STATEMENT (FAS)

(EUR 1 000)	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Net sales	9 292	7 746	18 265	14 677	33 112
Materials and services	-4 893	-3 607	-9 392	-7 098	-18 368
Personnel expenses	-2 227	-1 579	-4 311	-3 328	-7 298
Depreciation and amortization	-245	-164	-485	-338	-722
Other operating expenses	-1 366	-1 505	-2 775	-2 652	-3 643
Operating profit (-loss)	561	891	1 302	1 261	3 079
Financial income and expenses	-230	-66	-1 383	-352	-321
Profit (-loss) before taxes	331	825	-81	909	2 757
Income taxes	-39	0	-78	0	0
Profit (-loss) for the reporting period	292	825	-159	909	2 757

CONSOLIDATED BALANCE SHEET (FAS)

(EUR 1 000)	30.6.2015	30.6.2014	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	500	188	716
Tangible assets	3 742	2 631	2 970
Investments	11	11	11
TOTAL NON-CURRENT ASSETS	4 253	2 830	3 696
CURRENT ASSETS			
Inventories	6 846	5 417	5 605
Receivables	7 203	6 819	6 622
Current receivables	1 530	382	732
Cash and cash equivalents	8 511	2 115	3 449
TOTAL CURRENT ASSETS	24 091	14 733	16 409
TOTAL ASSETS	28 344	17 563	20 105
EQUITY AND LIABILITIES			
EQUITY			
Share capital	80	69	69
Share premium account	5 130	5 130	5 130
Other funds	26 716	8 818	8 818
Retained earnings (loss)	-12 181	-16 091	-15 407
Profit for the financial year (loss)	-159	909	2 757
TOTAL EQUITY	19 586	-1 165	1 367
LIABILITIES			
Non-current liabilities			
Capital loans	852	852	852
Loans from financial institutions	0	6 208	8 517
Other liabilities	1 145	1 466	1 354
Total	1 997	8 526	10 722
Current liabilities			
Loans from financial institutions	200	3 983	1 404
Advances received	511	446	623
Trade payables	4 910	4 660	5 003
Other liabilities	667	96	77
Accrued liabilities	473	1 017	909
Total	6 761	10 202	8 015
TOTAL LIABILITIES	8 748	18 728	18 737
TOTAL EQUITY AND LIABILITIES	28 344	17 563	20 105

CONSOLIDATED CASH FLOW STATEMENT (FAS)

(EUR 1 000)

4-6/2015 4-6/2014 1-6/2015 1-6/2014 1-12/2014

Cash flow from operations

Operating profit/loss	561	1 191	1 302	1 561	3 079
Depreciation	245	164	485	338	722
Change in working capital	-3 505	-250	-2 385	-1 113	18
Financial income and expenses	97	-59	-1 383	-352	-734
Taxes	-39	0	-78		
Cash flow from operations	-2 640	1 047	-2 059	435	3 085

Cash flow from investments

Investments in tangible and intangible assets	-310	-199	-857	-346	-1 280
Cash flow from investments	-310	-199	-857	-346	-1 280

Free Cash Flow

-2 950	847	-2 916	88	1 805
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Cash flow from financing

Withdrawal of non-current loans	0	223	0	223	312
Repayment of non-current loans	-6 515	243	-9 920	-2 629	-3 101
Investment in invested non-restricted equity funds	0	0	17 898	0	0
Cash flow from financing	-6 515	466	7 978	-2 406	-2 789

Change in cash and cash equivalents

-9 465	1 313	5 062	-2 318	-984
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Cash and cash equivalents at beginning of the period	17 976	802	3 449	4 433	4 433
Cash and cash equivalents at end of the period	8 511	2 115	8 511	2 115	3 449

STATEMENT OF EQUITY CHANGES

(EUR 1 000)	Share Capital	Share Premium	Invested unrestricted equity fund	Retained earnings	Profit (loss) for the period	Total
Balance at 1.1.2015	69	5 130	8 818	-12 650	0	1 367
Dividends						0
Share issue	11		17 898			17 909
Translation Differences				469		469
Profit (loss) for the period					-159	-159
Balance at 30.6.2015	80	5 130	26 716	-12 182	-159	19 586
Balance at 1.1.2014	69	5 130	8 818	-15 915	0	-1 898
Dividends						
Share issue						
Translation Differences				-176		-176
Profit (loss) for the period					909	909
Balance at 30.6.2014	69	5 130	8 818	-16 091	909	-1 165
Balance at 1.1.2014	69	5 130	8 818	-15 915		-1 898
Dividends						
Share issue						
Translation Differences				508		508
Profit (loss) for the period					2 757	2 757
Balance at 31.12.2014	69	5 130	8 818	-15 407	2 757	1 367

FINANCIAL RATIOS

	1-6/2015	1-6/2014	1-12/2014
Gearing %	-37%	-1 103%	634.8%
R&D costs	2 658	2 181	4 121
R&D costs, % of net sales	14.6%	11.9%	12.4%
Personnel at the end of the period	321	282	283

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, % = $\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{equity}} \times 100$

29.7.2015

Board of Directors
Detection Technology Plc