



Q1 INTERIM REPORT JANUARY-MARCH 2015

DETECTION TECHNOLOGY PLC

www.deetee.com

DETECTION TECHNOLOGY: STRONG START TO THE YEAR – NET SALES GREW 29%**FIRST QUARTER 1.1.–31.3.2015 HIGHLIGHTS**

- Net sales grew 29% to EUR 8.97 million (6.93)
- Operating profit (EBIT) amounted to EUR 0.74 million (0.37)
- Operating margin (EBIT%) totaled 8.3% of net sales (5.3%)
- 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 1.38 million related to the IPO
- Earnings per share were -0.03 euros (0.04)

PRESIDENT AND CEO, HANNU MARTOLA:

“We had a good start to the year and both our net sales and profitability improved. Our net sales grew 29% to EUR 8.97 million. I am also pleased with how our profitability improved and that our operating profit, amounting to EUR 0.74 million, doubled compared to last year. This shows that we are on the right track and gives us confidence to continue the strategic growth path that we have chosen.

During the first quarter we became a listed company and the trading of our shares started on the Nasdaq First North Finland market place on March 16th. We received EUR 17.9 million in the IPO before taking into account offering related charges and costs. Through the proceeds received in the IPO we have a strong balance sheet and more financial flexibility. We will be able to strengthen our technology base, continue to pursue our international expansion and invest in production capacity.

We have already started setting up the new factory in Beijing and production will be ramped-up during the autumn of 2015. The new facility supports our growth targets as well as our efficiency, quality and cost targets.”

KEY FIGURES

(EUR 1 000)	1-3/2015	1-3/2014	Change%	1-12/2014
Net sales	8 973	6 931	29	33 112
Net sales growth %	29.0	4.6		9.2
Operating profit (EBIT) excl. NRI	741	370	100	4 127
Operating margin (EBIT%) excl. NRI	8.3	5.3		12.5
Operating profit	741*	370	100	3 079**
Operating margin %	8.3	5.3		9.3
Cash flow from operating activities	570	-612		3 085
Net interest bearing debt at end of period	-9 256	11 450	-181	8 678
Capital expenditure	547	147	272	1 280
Gearing, %	-46.9	-566,6		634,8
Earnings per share, EUR	-0.03	0.04	-178.7	1.45
Earnings per share diluted***, EUR	-0.03	0.01		0.21
Number of shares at the end of the period	12 950 975	1 900 195		1 900 195

* In 2015 DT has made a change to its accounting policies relating to the treatment of potential future warranty costs and makes a provision of 1.5% of net sales. The warranty provision affects the January-March 2015 operating profit by EUR 0.1 million.

**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.

MARKET OVERVIEW

Medical X-ray imaging equipment market

Medical X-ray imaging equipment is used to diagnose, monitor and treat medical conditions and injuries. The main types of medical imaging equipment relevant to DT are Radiography, Computed Tomography (CT), mammography and general X-ray imaging. The main end use for Detection Technology's products is computed tomography.

Currently the largest markets for medical X-ray imaging equipment are the United States, China, Europe and Japan, where the majority of the customers are also located. DT estimates that it is the second biggest supplier of CT detector components for medical CT applications globally.

Security and Industrial X-ray imaging markets

Security screening products and applications help protect people and property at places, such as airports, railways, stadiums, public places, border checkpoints, and places of private sector. Security screening products and applications also help prevent unethical and unlawful practices. Security screening products relevant to DT are X-ray scanners.

The security markets are typically local as the regulations vary from country to country. Key markets are the United States, Europe and China. The security X-ray equipment market is relatively fragmented and original equipment suppliers are the customers of Detection Technology. The United States and China together make up for more than 50% of the global markets.

The digital industrial X-ray imaging market is a relatively young market. As X-ray imaging equipment has developed and end use application areas have widened, X-ray imaging has also become a useful tool in the industrial markets. Ability of X-ray equipment to detect contaminants, defects and inconsistencies in products has led to wide usage across various industries, mainly for quality control purposes. Industrial X-ray imaging applications are typically used for finding defects in products in industries requiring precise measurements, such as food manufacturing, electronics, automotive, aerospace and oil and gas. The technology used in industrial imaging is the same as in medical and security imaging. Sorting is one of the increasing sectors in the field of industry X-ray imaging.

NET SALES

Detection Technology's net sales for the review period January-March 2015 totaled EUR 8.97 million (6.93), a growth of 29%. The Security and Industrial Business (SBU) grew strongly by 55% to EUR 5.50 million (3.55). SBU's net sales for the corresponding period in 2014 were weaker mainly due to lower sales in Asia. During the review period SBU got several new customers.

The Medical Business (MBU) net sales grew 3% and amounted to EUR 3.48 million (3.38). Net sales in the corresponding period 2014 were strong.

Quarterly variations in DT's net sales are usual due to the timing of bigger customer deliveries. Geographically demand was high in Asia with a growth of 50% compared to the corresponding period last year. Of the total net sales, MBU accounted for 39% and SBU for 61%.

NET SALES BY BUSINESS UNIT

(EUR 1 000)	1-3/2015	1-3/2014	Change%	1-12/2014
Medical Business Unit (MBU)	3 475	3 382	3.0	12 764
Security and Industrial Business Unit (SBU)	5 498	3 549	55.0	20 348
TOTAL	8 973	6 931	29.0	33 112

NET SALES BY GEOGRAPHY

(EUR 1 000)	1-3/2015	1-3/2014	Change%	1-12/2014
Asia	4 787	3 182	50.0	17 936
North America	2 063	2 158	-4.0	7 676
Europe	2 124	1 591	33.0	7 500
TOTAL	8 973	6 931	29.0	33 112

OPERATING RESULT AND PROFITABILITY

The January-March 2015 operating profit developed favorably and amounted to EUR 0.74 million (0.37), 8.3% of net sales (5.3). The improvement was mainly attributable to higher sales volumes and sales mix. In 2015 DT has made a change to its accounting policies relating to the treatment of potential future warranty costs and makes a provision of 1.5% of net sales. The warranty provision affects the January-March 2015 operating profit by EUR 0.1 million.

Financial items amounted to EUR -1.15 million (-0.29) including -1.37 million non-recurring financial expenses related to the Initial Public Offering. The result for the reporting period was EUR -0.45 million. Earnings per share were -0.03 (0.04).

CASH FLOW AND FINANCING

Cash flow from operating activities for the first quarter 2015 was good and totaled EUR 0.57 million (-0.61). Cash flow from financing amounted to EUR 14.5 million (-2.87). DT received EUR 17.9 million in its Initial Public Offering. Cash and cash equivalents amounted to EUR 18.0 million (0.80) at the end of the review period. Net interest bearing debt totaled EUR -9.26 million (11.5).

CAPITAL EXPENDITURE

DT is investing in its production infrastructure. DT is currently investing in a new factory in Beijing, China and it 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-March 2015 totaled EUR 0.55 million (0.15) mainly related maintenance.

R&D AND PRODUCT DEVELOPMENT

R&D and product development costs are not capitalized. During the review period January-March 2015, DT expensed EUR 1.2 million (1.0) in product development projects, corresponding to 13.1% (14.8) of net sales.

PERSONNEL

At the end of the review period January-March 2015, DT employed 282 people (279), out of which 239 in China, 39 in Finland and 4 in the US.

PERSONNEL BY GEOGRAPHY

	31.3.2015	31.3.2014	Change%	31.12.2014
Asia	239	240	-0.4	242
Americas	4	4	0.0	4
Europe	39	35	11.4	37
TOTAL	282	279	1.1	283

STRATEGY

Detection Technology aims to become the leading provider of digital X-ray solutions. 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 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.

RISKS AND UNCERTAINTIES

Detection Technology's main short term risk is associated with 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.

Detection Technology's risks and uncertainties have been described in the prospectus published in relation to the Initial Public Offering of the company. During the first quarter, there have been no major changes in the risks referred to in the prospectus. Risk management processes are described on the company webpage www.deetee.com.

MARKET OUTLOOK

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

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.-31.3.2015**ACCOUNTING PRINCIPLES**

This unaudited interim report for the period 1.1.-31.3.2015 has been prepared according to the Finnish Accounting standards (FAS).

CONSOLIDATED INCOME STATEMENT (FAS)

(EUR 1 000)	1-3/2015	1-3/2014	1-12/2014
Net sales	8 973	6 931	33 112
Other operating income			5
Materials and services	-4 499	-3 491	-18 373
Personnel expenses	-2 084	-1 749	-7 298
Depreciation and amortization	-240	-174	-722
Other operating expenses	-1 409	-1 147	-3 643
Operating profit (-loss)	741	370	3 081
Financial income and expenses	-1 153	-286	-321
Profit (-loss) extra-ordinary items	-412	84	2 757
Extra ordinary items	0	0	0
Profit (-loss) before taxes	-412	84	2 757
Income taxes	-39	0	0
Profit (-loss) for the reporting period	-451	84	2 757

CONSOLIDATED BALANCE SHEET (FAS)

EUR 1 000	31.3.2015	31.3.2014	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	502	196	716
Tangible assets	3 792	2 597	2 970
Investments	11	11	11
TOTAL NON-CURRENT ASSETS	4 305	2 804	3 696
CURRENT ASSETS			
Inventories	6 647	5 365	5 605
Receivables	7 553	6 888	6 622
Current receivables	916	643	732
Cash and cash equivalents	17 976	802	3 449
TOTAL CURRENT ASSETS	33 092	13 697	16 409
TOTAL ASSETS	37 397	16 501	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)	-11 750	-16 122	-15 407
Profit for the financial year (loss)	-451	84	2 757
TOTAL EQUITY	19 725	-2 021	1 367
LIABILITIES			
Non-current liabilities			
Capital loans	852	852	852
Loans from financial institutions	5 111	6 796	8 517
Other liabilities	1 354	1 466	1 354
Total	7 317	9 114	10 722
Current liabilities			
Loans from financial institutions	1 404	3 139	1 404
Advances received	422	545	623
Trade payables	7 134	5 098	5 003
Other liabilities	80	91	77
Accrued liabilities	1 314	536	909
Total	10 355	9 409	8 015
TOTAL LIABILITIES	17 672	18 522	18 737
TOTAL EQUITY AND LIABILITIES	37 396	16 501	20 105

CONSOLIDATED CASH FLOW STATEMENT (FAS)

EUR 1 000	1-3/2015	1-3/2014	1-12/2014
Cash flow from operations			
Operating profit/loss	741	370	3 079
Depreciation	240	174	722
Change in working capital	1 109	-863	18
Financial income and expenses	-1 480	-293	-734
Taxes	-39		
Cash flow from operations	570	-612	3 085
Cash flow from investments			
Investments in tangible and intangible assets	-547	-147	-1 280
Cash flow from investments	-547	-147	-1 280
Free Cash Flow	23	-759	1 805
Cash flow from financing			
Withdrawal of non-current loans			312
Repayment of non-current loans	-3 405	-2 872	-3 101
Investment in invested non-restricted equity funds	17 909		0
Cash flow from financing	14 504	-2 872	-2 789
Change in cash and cash equivalents	14 527	-3 631	-984
Cash and cash equivalents at beginning of the review period	3 449	4 433	4 433
Cash and cash equivalents at end of the review period	17 976	802	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				899		899
Profit (loss) for the period					-451	-451
Balance at 31.3.2015	80	5 130	26 716	-11 751	-451	19 725
Balance at 1.1.2014	69	5 130	8 818	-15 915		-1 898
Dividends						0
Share issue						0
Translation Differences				-207		-207
Profit (loss) for the period					84	84
Balance at 31.3.2014	69	5 130	8 818	-16 122	84	-2 021
Balance at 1.1.2014	69	5 130	8 818	-15 915		-1 898
Dividends						0
Share issue						0
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

	1-3/2015	1-3/2014	1-12/2014
Gearing%	-46.9	-566.6	634.8
R&D costs	1 179	1 028	4 121
R&D costs, % of net sales	13.1	14.8	12.4
Personnel at the end of the period	282	279	283

CALCULATION OF KEY FINANCIAL RATIOS

Change in net sales, per cent = $\frac{\text{Net sales} - \text{previous financial year's net sales}}{\text{previous financial year's net sales}} \times 100$

Net interest bearing liabilities = Interest-bearing liabilities - cash and cash equivalents

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

26.4.2015

Detection Technology Plc
Board of Directors