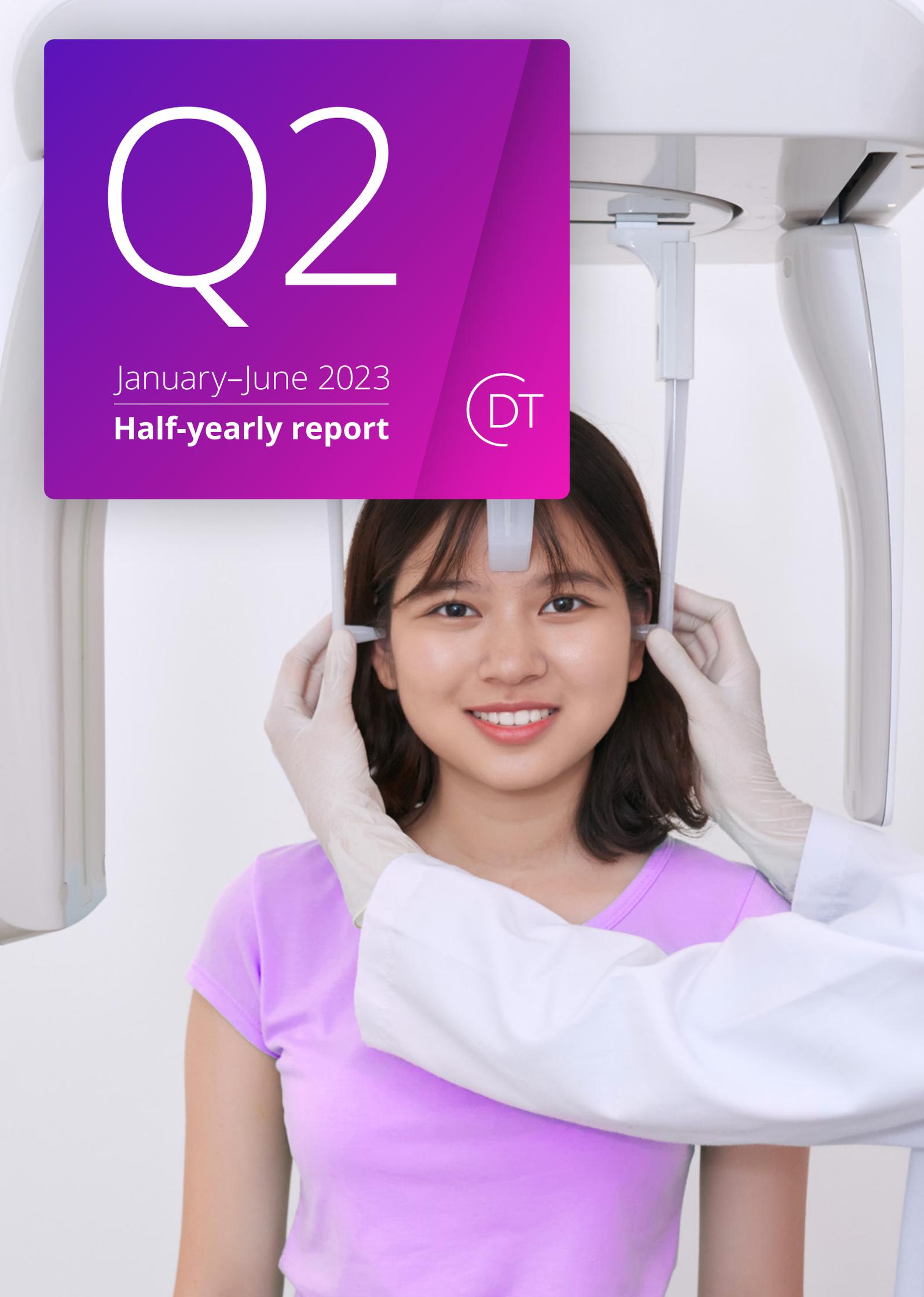


Q2

January–June 2023

Half-yearly report



DETECTION TECHNOLOGY PLC HALF-YEARLY REPORT JANUARY-JUNE 2023

Detection Technology Q2 2023: Double-digit growth, measures in place to improve profitability

April-June 2023 highlights

- Net sales increased by 10.8% to EUR 25.2 million (22.8)
- Net sales of Industrial Solutions Business Unit (IBU) decreased by -6.2% to EUR 3.7 million (4.0)
- Net sales of Medical Business Unit (MBU) increased by 22.3% to EUR 12.4 million (10.1).
- Net sales of Security Business Unit (SBU) increased by 5.0% to EUR 9.1 million (8.6)
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 1.4 million (1.2)
- Operating margin (EBIT-%) excluding NRI was 5.4% of net sales (5.2%)
- Operating profit (EBIT) was EUR 1.4 million (0.9)
- Operating margin (EBIT-%) was 5.4% of net sales (3.8%)

January-June 2023 highlights

- Net sales increased by 11.4% to EUR 48.0 million (43.1)
- Net sales of IBU decreased by -4.7% to EUR 7.2 million (7.5)
- Net sales of MBU increased by 18.4% to EUR 24.5 million (20.7)
- Net sales of SBU increased by 9.7% to EUR 16.3 million (14.9)
- Operating profit (EBIT) excluding non-recurring items (NRI) was EUR 2.8 million (2.7)
- Operating margin (EBIT-%) excluding NRI was 5.9% of net sales (6.3%)
- Operating profit (EBIT) was EUR 2.8 million (2.4)
- Operating margin (EBIT-%) was 5.9% of net sales (5.5%)

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

President and CEO, Hannu Martola:

"Thanks to decent sales in medical and security applications, our net sales experienced double-digit growth despite the softness in our markets. However, our sales lagged behind our expectations in all business segments, and the double-digit growth is attributed to the soft Q2 of 2022. Profitability remained unsatisfactory, and measures are being taken to resolve this.

Sales in industrial applications improved from Q1 but were still lower than expected. Certain key customers continued to reduce their stocks, and demand in China was low, both of which are reflected in sales in Q2 of 2023. Demand normalized at the end of Q2.

Demand drivers in the medical market remained unchanged, but demand softened on all continents. Despite this weakening, our sales grew, driven by computed tomography (CT) applications. The growth rate is mainly explained by the weak comparison period. Increased uncertainty in the markets is expected to continue at least to the end of the year.

Our security application sales grew, but also less than we expected. Lower-than-expected demand was mainly attributed to stagnation in the Chinese market. Although markets in China were slow, it was delightful to see a boost in demand in the Americas and India. In H2, demand will strengthen, especially in China, where we have received new inquiries and orders. Investments in aviation CT equipment are starting in China and will continue

in the United States, where investments by the Transportation Security Administration (TSA) are getting more traction.

Lower-than-expected quarterly sales, sales mix, increase in credit loss provision, and the last spot purchases as remnants of the component shortage impacted our profitability. The development of our profitability has been unsatisfactory. In order to improve our profitability, necessary measures are now being taken.

Regarding our other key figures, it is noteworthy that our cash flow has improved significantly thanks to enhanced trade receivables management. The downside is that it has postponed some sales.

The most significant event in H1 was the acquisition of Haobo Imaging, which we completed right after the end of Q2. This strategically important acquisition enhances customer experience by expanding our offerings to all digital X-ray detector technologies, and supports our long-term growth. Thanks to the acquisition, our product portfolio has expanded significantly, which has been enthusiastically welcomed by the markets, and we expect sales of a couple of million euros in H2 of 2023.

Our decision to invest in new facilities in Oulu, Finland, will also be important in terms of improving our competitiveness and risk management. Our operations in Oulu will move into premises that better support production at the beginning of 2024, and we will have about 30% more net square meters. Thanks to the investment of around one million euros, we are able to offer a wider range of EU-origin products and enhanced customer experience.

There have been positive signals particularly in the security market, but increased uncertainty in the medical market. We expect double-digit growth in the sales of security applications and growth in the sales of industrial applications in Q3. Medical sales, on the other hand, are decreasing. Our total net sales will decline in Q3 and grow in H2 of 2023."

Key figures

(EUR 1,000)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	25,219	22,765	47,972	43,078	98,580
Change in net sales, %	10.8%	-3.3%	11.4%	2.9%	9.8%
Operating profit excluding NRI	1,351	1,195	2,827	2,701	6,135
Operating margin excluding NRI, %	5.4%	5.2%	5.9%	6.3%	6.2%
Non-recurring items (NRI)	0	-335	0	-335	-335
Operating profit	1,351	860	2,827	2,366	5,801
Operating margin, %	5.4%	3.8%	5.9%	5.5%	5.9%
R&D costs	3,079	3,208	6,041	6,277	12,549
R&D costs, % of net sales	12.2%	14.1%	12.6%	14.6%	12.7%
Cash flow from operating activities	2,426	-4,194	1,941	-3,528	-294
Net interest-bearing debt at end of period	-18,530	-18,506	-18,530	-18,506	-20,584
Investments	376	606	828	807	1,628
Return on investment (ROI), %	6.5%	13.4%	6.5%	13.4%	7.5%
Gearing, %	-27.2%	-25.8%	-27.2%	-25.8%	-28.3%
Earnings per share, EUR	0.03	0.05	0.09	0.14	0.35
Earnings per share (diluted), EUR	0.03	0.05	0.09	0.14	0.35
Number of shares at the end of the period	14,655,930	14,655,930	14,655,930	14,655,930	14,655,930
Weighted average number of shares outstanding	14,655,930	14,655,930	14,655,930	14,655,930	14,655,930
Weighted average number of shares outstanding, diluted	14,662,206	14,740,064	14,665,894	14,778,155	14,717,042

Net sales

Detection Technology's total net sales increased 10.8% (-3.3%) in Q2 of 2023 thanks to the sales of medical and security applications, even though demand in X-ray detector solutions lagged behind expectations in all market segments. The growth percentage is therefore attributed mainly to the modest sales in Q2 of 2022. The company's total net sales were EUR 25.2 million (22.8).

The industrial market grew, but Detection Technology's sales in industrial solutions remained below expectations as certain key customers in the foodstuffs industry cleared stocks they had accumulated during the component shortage. On the other hand, demand in industrial applications in China was lower than expected, and some deliveries were postponed due to enhanced trade receivables management. Demand started to normalize toward the end of Q2 but was not sufficient to compensate for the lost sales. As a result, the net sales of the Industrial Solutions Business Unit (IBU) decreased by -6.2% (29.4%), totaling EUR 3.7 million (4.0) for Q2 of 2023. The IBU generated a total of 14.8% (17.5%) of the company's total net sales.

Demand drivers in the medical market remained unchanged, but demand softened in all geographical areas. However, the net sales of the Medical Business Unit (MBU) increased by 22.3% (-25.2%) year-on-year, totaling EUR 12.4 million (10.1) for Q2 of 2023. The growth rate is mainly explained by the weak comparison period, when sales were postponed due to one-off technical problems in our supply chain and component shortage. Demand in medical applications focused mainly on higher-end computed tomography (CT) applications both in emerging and developed markets. The MBU generated a total of 49.2% (44.6%) of the company's total net sales.

Demand in the security market continued to recover in all applications in Q2, but still lagged behind expectations in aviation applications and in China. On one hand, modest demand in China in particular and, on the other hand, high stocks of certain key customers had a negative impact on the actual net sales of the Security Business Unit (SBU). SBU sales grew 5.0% (25.4%) year-on-year but lagged behind expectations. The SBU's net sales for Q2 of 2023 were EUR 9.1 million (8.6). Growth originated mainly from security applications of urban environments and logistics. The SBU generated a total of 35.9% (37.9%) of the company's total net sales.

The Asia-Pacific countries (APAC) accounted for the company's largest geographical market in Q2 with its 67.2% (69.6%) share. Europe, Middle East, Africa's (EMEA) share was 18.6% (20.4%) and Americas' 14.2% (10.0%). In Q2, Detection Technology's top five customers accounted for 52.2% (48.9%) of the company's total net sales.

The company's total net sales for January-June 2023 increased by 11.4% (2.9%) to EUR 48.0 million (43.1). Net sales of IBU decreased by -4.7% (36.3%) to EUR 7.2 million (7.5). Net sales of MBU increased by 18.4% (-12.6%) to EUR 24.5 million (20.7). Net sales of SBU increased by 9.7% (17.2%) to EUR 16.3 million (14.9). IBU's share of total net sales was 14.9% (17.5%), MBU's 51.0% (48.0%) and SBU's 34.1% (34.6%).

In January-June 2023, APAC's share of total net sales was 67.8% (70.3%), EMEA's 19.5% (21.8%) and Americas' 12.7% (7.9%). The share of the five largest customers accounted for 50.2% (51.4%) of total net sales.

NET SALES BY BUSINESS UNITS

(EUR 1,000)	4-6/2023	4-6/2022	Change, %	1-6/2023	1-6/2022	Change, %	1-12/2022
IBU	3,745	3,991	-6.2%	7,166	7,519	-4.7%	16,067
MBU	12,410	10,144	22.3%	24,456	20,658	18.4%	48,137
SBU	9,064	8,630	5.0%	16,350	14,901	9.7%	34,376
TOTAL	25,219	22,765	10.8%	47,972	43,078	11.4%	98,580

NET SALES BY GEOGRAPHY

(EUR 1,000)	4-6/2023	4-6/2022	Change, %	1-6/2023	1-6/2022	Change, %	1-12/2022
APAC	16,937	15,836	6.9%	32,518	30,285	7.4%	70,919
Americas	3,586	2,273	57.7%	6,092	3,414	78.5%	8,498
EMEA	4,696	4,655	0.9%	9,361	9,379	-0.2%	19,163
TOTAL	25,219	22,765	10.8%	47,972	43,078	11.4%	98,580

Operating result and profitability

The company's operating profit (EBIT) in Q2 amounted to EUR 1.4 million (0.9), 5.4% (3.8%) of net sales. Lower-than-expected quarterly sales, sales mix, credit loss provision of EUR 0.3 million and the spot purchases of EUR 0.2 million eroded profitability. In the future, spot purchases are not expected to have material impact on profitability. Non-recurring items (NRI) during the review period were EUR 0.0 million (-0.3). EBIT excluding NRI was EUR 1.4 million (1.2), 5.4% (5.2%) of net sales.

Q2 fixed costs were EUR 10.1 million (9.4), out of which personnel expenses totaled EUR 6.1 (5.7), depreciation EUR 0.8 million (0.8), and other operating expenses EUR 3.3 (2.8) million. Financial items amounted to EUR 0.6 million (-0.2), and income taxes were EUR 0.3 million (0.3).

The Q2 result totaled EUR 0.5 million (0.7). Earnings per share were EUR 0.03 (0.05). Earnings per share (diluted) were EUR 0.03 (0.05).

In the review period January-June 2023 EBIT was EUR 2.8 million (2.4), 5.9% (5.5%) of net sales. Non-recurring items (NRI) during the review period were EUR 0.0 million (-0.3). EBIT excluding NRI was EUR 2.8 million (2.7), 5.9% (6.3%) of net sales.

In January-June 2023, fixed costs totaled EUR 19.4 (18.2) million, out of which personnel expenses totaled EUR 11.9 (11.0), depreciation EUR 1.5 million (1.6) and other operating expenses EUR 6.0 (5.6) million. Financial items totaled EUR 0.9 million (-0.3), and income taxes were EUR 0.7 million (0.7).

The result for H1 of 2023 was EUR 1.3 million (2.0). Earnings per share were EUR 0.09 (0.14). Earnings per share (diluted) were EUR 0.09 (0.14).

Cash flow and financing

Cash flow from operations in Q2 2023 was EUR 2.4 million (-4.2). Cash flow from operations in January-June 2023 amounted to EUR 1.9 million (-3.5).

Cash flow from financing activities in Q2 totaled EUR 2.0 million (-2.4). Cash flow from financing activities in January-June 2023 was EUR 4.8 million (-3.3).

The company's free cash flow has developed favorably during the beginning of the year and was EUR 2.1 million (-4.8) in Q2 and EUR 1.1 million (-4.3) in H1 of 2023. The positive development is mainly attributed to a decrease in working capital during the review period. Thanks to the on-going development measures, both inventories and, in particular, current receivables have decreased year-on-year during the review period.

A dividend of EUR 2.9 million (5.1), resolved at the Annual General Meeting on 30 March 2023, were paid during the review period. Use of bank limit amounted to EUR 0.3 million (2.7). Long-term loans were drawn EUR 4.6 million (0.0).

In addition, at the end of the review period, the company withdrew a loan of EUR 6.0 million from a financial institution to finance the purchase price of shares of the Haobo Imaging acquisition. At the end of Q2, the funds related to the said loan were still in the company's bank account.

At the end of the review period, the company's net interest-bearing debt totaled EUR -18.5 million (-18.5), and gearing was -27.2% (-25.8%). Cash and cash equivalents amounted to EUR 29.2 million (22.6) at the end of the review period.

The company has secured its liquidity by agreeing with banks on lines of credit totaling EUR 17.7 million (17.4) at the closing rate of the review period. At the end of the review period, the unused credit line was EUR 13.0 million (13.3).

The company's net working capital has decreased during Q2 by EUR 1.5 million and increased during H1 by EUR 0.6 million. This was mainly due to the timing of deliveries.

Investments

Investments in Q2 of 2023 amounted to EUR 0.4 million (0.6). Investments were mainly directed at information and testing systems, as well as production equipment and machines. Investments in H1 of 2023 totaled EUR 0.8 million (0.8).

Research and development

Q2 research and development (R&D) costs, including depreciations, totaled EUR 3.1 million (3.2), 12.2% of net sales (14.1%). During the review period January-June 2023, R&D expenses were EUR 6.0 million (6.3), corresponding to 12.6% of net sales (14.6%). All R&D costs are recognized as expenses.

Personnel

At the end of June 2023, Detection Technology employed 479 people (463), 349 of whom were in China, 105 in Finland, 20 in France and 5 in the US. Personnel expenses in Q2 of 2023 amounted to EUR 6.1 million (5.7). In the review period January-June 2023, personnel expenses totaled EUR 11.9 million (11.0).

PERSONNEL BY GEOGRAPHY

	30.6.2023	30.6.2022	Change, %	31.12.2022
APAC	349	341	2.3%	343
Americas	5	4	25.0%	5
EMEA	125	118	5.9%	121
TOTAL	479	463	3.5%	469

Strategy implementation

On 3 July 2023, Detection Technology announced that it had completed the acquisition of X-ray flat panel detector provider Shanghai Haobo Imaging Technology Co., Ltd. In March, Detection Technology announced its plans to acquire Haobo Imaging and invest in thin-film transistor (TFT) technology in order to double its total addressable market. This acquisition enables Detection Technology to enter the TFT flat panel detector market segment, which is estimated to represent over 40% of the total digital X-ray detector market of EUR 3.1 billion by 2025.

Detection Technology considers that this strategically important acquisition will enhance customer experience and support the company's long-term growth. Thanks to the acquisition, Detection Technology's product range covers all digital X-ray imaging detector technologies, and it has comprehensive X-ray flat panel detector competence in both Finland and China after technology transfer.

Detection Technology plans to invest in developing and introducing new TFT flat panel detector solutions to current and new customers. Products will be commercialized progressively over the next three years.

Haobo Imaging, established in 2018, has solid product platforms and strong know-how in static and dynamic TFT flat panel detectors based on a-Si (Amorphous Silicon) and IGZO (Indium Gallium Zinc Oxide) technologies. Its solutions include both hardware and software. The main application for TFT flat panel detectors is in medical

X-ray imaging, and there is also growing demand in industrial and veterinary applications. The company has a well-established customer base, and it employs around 40 professionals in Shanghai, China.

At the end of 2022, the company announced its plans to expand production in Finland in order to be able to offer a wider range of EU-origin products and to enhance customer experience. During H1 2023, the company made a re-evaluation of its plans and decided to move its Oulu operations to facilities designed for production. The facilities located at Technopolis Linnanmaa campus will be renovated to meet the company's specific needs during H2. The investment is estimated to be about EUR 1.0 million. Both the move and start of production in the new site will take place in Q1 2024.

According to the company's view, this strategic investment will strengthen the company's global competitiveness. The Oulu production site will enable faster service and delivery for customers outside Asia, as well as cost savings in US tariffs. It is also important in terms of risk management. Production in Oulu can be flexibly increased to meet demand.

In addition, Detection Technology continued to implement its strategy by expanding its range of line scanner solutions based on TDI (time delay integration) technology and launched a new X-Scan T02 camera family characterized by high resolution and fast scanning speed. The product family is optimized for industrial imaging applications where the accurate detection of even the slightest quality issues, the fast scanning of products, and maximum operating time of production lines are valued. The quality control of electric car batteries at different stages of the production process is one example of target applications.

Sustainability

Detection Technology continued to develop and measure the environmental sustainability of its business in H1 2023. The company promoted environmental awareness by encouraging its employees to participate in global initiatives, such as Earth Hour in March and World Environment Day in June. The company has not received information on any environmental infringements in H1 2023.

The company measured the employee experience on value-based behaviors using its DT Heartbeat pulse survey for the third time, as an important part of its feedback culture. The response rate was 77%. The annual average score was 3.4 (3.2) on a scale of 1–4. The feedback has been analyzed and development measures agreed together with the company's personnel. The company launched the half-yearly feedback survey model in May 2022. The baseline for continuous development has been set on the basis of three survey rounds, and the company will now focus in particular on the implementation of the agreed development measures.

Detection Technology continued to roll out its value-based business model in Q2 2023. A leadership development program called Listen And Speak Up was launched to support value-based behaviors. The themes of the program cover wellbeing at work, the psychological safety of work communities, and giving and receiving feedback, among other things. The program is intended for both line managers and senior specialists.

In February, the company awarded the Values Champion award, launched in 2022, for the second time. The aim of the half-yearly award is to highlight the importance of values and to celebrate daily and visible value-based behaviors that maintain and develop company culture.

The company's production unit in Beijing achieved 2,000 zero accident days in production on 25 June. The new record in operations has required every employee to commit themselves to the development of safe work

condition and zero tolerance, which is an integral part of company culture. The company has not received information on any lost-time injuries at the Group level in the review period January–June 2023.

China Work Safety, the 22nd theme month focusing on occupational safety, was organized in June. The company participated in the national theme month by organizing a number of activities at its units in China. The company also organized safety drills and first aid trainings at its sites in Wuxi, Beijing, Oulu, and Moirans in H1 of 2023. The drills covered fire, evacuation of employees, and chemical spills, among others.

Detection Technology continued its work as a member of the Ahlström Collective Impact (ACI) network during the review period. The ACI network collaborates with UNICEF Finland for children's rights. As a member of the ACI network, the company supported global education work by UNICEF in Q2 of 2023. The company appointed ACI Ambassadors in various sites and teams. The task of ACI Ambassadors is to promote the awareness of children's rights and a sense of community. UNICEF supported this work by launching a series of webinars on business and the rights of the child to network members in Q2 of 2023. Detection Technology became an ACI member in February 2022.

The company has not received any notifications of infringements of EU or national laws or the company's Code of Conduct through its Whistleblowing channel or other reporting channels in H1 2023. The Whistleblowing channel adds to the company's other reporting channels, and it is targeted at both the internal and external interest groups of the company. The system can be used to anonymously report any practices or events that are against the law or are inconsistent with the company's Code of Conduct.

The company's Code of Conduct consists of the company's quality, environmental, business ethics, labor, and occupational health and safety policies. The company's internal and external interest groups are regularly informed of the company's Code of Conduct, which is available on the company's website. Detection Technology's corporate social responsibility complies with the certified ISO 9001:2015, ISO 14001:2015 and ISO 13485:2016 standards. The company acknowledges and complies with the Code of Conduct of the Responsible Business Alliance (RBA).

The company has set metrics to measure continuous improvement in every area of its Code of Conduct, and it monitors development in quarterly reviews. Measures related to sustainability and the materialization of corporate social responsibility have been described in more detail in the company's 2022 annual review. In addition, the company published its sustainability goals for 2023 in the annual review. Detection Technology's annual review is available on the company's website.

Shares and shareholders

The subscription period of Detection Technology's stock options 2018B1 and 2018B2 ended on 31 May 2023, and the subscription period of stock options 2020A1 and 2020A2 started on 2 May 2023. No subscriptions of stocks were made in either of the programs during the review period January–June 2023.

The company has had two 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.

On 1 February, the Board of Directors of Detection Technology Plc decided on the Performance Share Plan 2023–2025 (PSP 2023–2025). The performance period of the PSP 2023–2025 program started at the beginning

of January 2023 and it will expire at the end of 2025. The potential awards under the performance share plan will be paid during H1 2026 as listed shares of Detection Technology.

The primary performance measure on the basis of which the potential share rewards under the PSP 2023–2025 program will be paid is the total shareholder return (absolute TSR) of Detection Technology's share. In addition, performance is evaluated with a sustainability metric, which is connected to the reduction of carbon dioxide emissions.

If all the performance targets set for the PSP 2023–2025 program are fully achieved, the aggregate maximum number of shares to be paid as a reward under the plan is approximately 270,000 (gross earnings before the applicable withholding tax). Approximately 60 people, including the members of Detection Technology's management group, are eligible to participate in the PSP 2023–2025 program.

The PSP 2023–2025 program is part of Detection Technology's share-based long-term incentive scheme established for the company's management and other key employees, which the company announced on 3 August 2022. The performance share plan consists of separate stock award plans, which the company's Board of Directors resolve on each year. The performance period of the first performance share plan, PSP 2022–2024, runs from the beginning of August 2022 to the end of 2024.

The average share price of Detection Technology was EUR 18.39 in Q2 and EUR 18.71 in H1 2023. The highest share price for Q2 was EUR 19.95 and the lowest EUR 14.75. The highest share price for H1 2023 was EUR 20.90 and the lowest EUR 14.75.

The closing price at the end of June was EUR 14.90, and the company had a market capitalization of approximately EUR 218 million. A total of 0.65 million shares, which is 4.4% of the total number of shares, were traded between 2 January and 30 June. The number of shares outstanding in Detection Technology was 14,655,930 at the end of the review period.

The number of shareholders at the end of the review period was 3,478. Approximately 73.1% of the shares were held by the ten largest shareholders. The nominee-registered foreign holding of shares in the company was about 15.7% at the end of the review period.

Detection Technology has one share series, and all shares have equal voting rights. The company's shares are listed on the Nasdaq First North Growth Market Finland marketplace under the ticker symbol DETEC.

Risks and uncertainties

The most significant direct and indirect short-term risks and uncertainties of the company are changes in geopolitical situation and especially the changes in the relationships between the USA and China and the EU and China, weakening global economic growth, inflation, possible increase in the inventories of some of the company's customers, and the war between Russia and Ukraine and its implications for security in Europe and the rest of the world, as well as for the availability and cost of energy and raw materials, and, as a result, an increase in political instability in Europe. In addition, challenges in the availability of special materials and electronic components may have an adverse impact on the company's business.

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 company takes continuous measures to mitigate the aforementioned risks. Other risks related to the company and its business operations has been described in more detail in the company's financial statements for 2022.

Events after the end of the review period

On 15 March 2023, Detection Technology announced its plans to acquire X-ray flat panel detector provider Shanghai Haobo Imaging Technology Co., Ltd. On 3 July 2023, the company announced that it had completed the acquisition.

Detection Technology acquired a total of 89.75% of the shares of Haobo Imaging. The total value of the company's shares in the acquisition was EUR 13.8 million, of which 89.75% is about EUR 12.4 million. The acquisition was financed with cash reserves and a term loan.

The founders and acting management of Haobo Imaging will continue to hold 10,25% of the shares. Detection Technology intends to acquire the remaining shares under the terms and conditions agreed by the parties.

Apart from possible ordinary working capital items, no material assets and liabilities were transferred in the acquisition. The acquired business is estimated to be earnings positive in 2025.

The sales of the acquired business will be reported as part of Detection Technology's existing business units, which means that Detection Technology's reporting structure will remain unchanged. The new business will be organized as part of the company's Medical Business Unit (MBU).

Detection Technology will consolidate the financial information of the acquired business in the Group's financial reporting from the beginning of July 2023. The net sales of the acquired business are expected to be around two million euros in H2 of 2023, and its financial result negative. Consolidation will weaken the Group's profitability (EBITA) by a couple of hundred thousand euros. Consolidation is estimated to generate the consolidated goodwill of EUR 11.8 million, which will be amortized over its useful life, up to a maximum of ten years.

Business outlook

According to Detection Technology's view, demand will be strong in security and good in industrial applications. Demand in medical applications has, however, temporarily softened. The company expects its total net sales to decline in Q3 and to grow in H2 of 2023.

However, the geopolitical situation, U.S.–China relations, global economy, inflation, high inventories of certain customers and indirect impacts of the war in Ukraine create uncertainty.

Detection Technology aims to increase its sales by at least 10% per annum and to achieve an operating margin (EBITA) of 15% in the medium term.

Business review January-September 2023

Detection Technology will publish a business review January-September 2023 on 27 October 2023.

UNAUDITED HALF-YEARLY REPORT 1.1.-30.6.2023

ACCOUNTING PRINCIPLES

This unaudited half-yearly report for the period 1.1.-30.6.2023 has been prepared according to Finnish Accounting Standards (FAS).

CONSOLIDATED INCOME STATEMENT (FAS)

(EUR 1,000)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	25,219	22,765	47,972	43,078	98,580
Other operating income	193	2	315	55	337
Materials and services	-13,943	-12,524	-26,061	-22,530	-53,335
Personnel expenses	-6,095	-5,725	-11,870	-11,019	-23,049
Depreciations	-762	-808	-1,532	-1,619	-3,224
Other operating expenses	-3,262	-2,849	-5,996	-5,599	-13,509
Operating profit	1,351	860	2,827	2,366	5,801
Financial income and expenses	-569	159	-880	326	-229
Profit before taxes	782	1,019	1,947	2,692	5,571
Income taxes	-328	-309	-674	-692	-456
Profit for the reporting period	454	710	1,273	2,000	5,116

CONSOLIDATED BALANCE SHEET (FAS)

(EUR 1,000)	30.6.2023	30.6.2022	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,455	2,817	2,165
Tangible assets	4,673	5,378	5,010
Investments	11	11	11
TOTAL NON-CURRENT ASSETS	6,138	8,206	7,185
CURRENT ASSETS			
Inventories	25,003	25,682	24,849
Non-current receivables	537	547	582
Current receivables	31,285	32,966	35,062
Cash and cash equivalents	29,158	22,605	23,710
TOTAL CURRENT ASSETS	85,983	81,800	84,203
TOTAL ASSETS	92,122	90,006	91,388
EQUITY AND LIABILITIES			
EQUITY			
Share capital	80	80	80
Share premium account	5,130	5,130	5,130
Invested non-restricted equity fund	28,405	28,405	28,405
Retained earnings	33,317	36,215	34,027
Profit for the financial period	1,273	2,000	5,116
TOTAL EQUITY	68,206	71,830	72,758
LIABILITIES			
Non-current liabilities	4,600	0	0
Current liabilities	19,316	18,176	18,630
TOTAL LIABILITIES	23,916	18,176	18,630
TOTAL EQUITY AND LIABILITIES	92,122	90,006	91,388

CONSOLIDATED CASH FLOW STATEMENT (FAS)

(EUR 1,000)	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Cash flow from operations					
Operating profit	1,351	860	2,827	2,366	5,801
Depreciations	762	808	1,532	1,619	3,224
Other non-cash business activities	-292	-590	-298	-589	1,293
Change in working capital	1,505	-4,471	-560	-5,884	-8,734
Financial income and expenses	-192	-139	-503	28	27
Income taxes paid	-708	-663	-1,057	-1,068	-1,905
Cash flow from operations	2,426	-4,194	1,941	-3,528	-294
Cash flow from investments					
Investments in intangible and tangible assets	-376	-606	-828	-807	-1,628
Cash flow from investments	-376	-606	-828	-807	-1,628
Free cash flow	2,050	-4,800	1,113	-4,335	-1,922
Cash flow from financing					
Change in non-current loans	4,600	0	4,600	0	0
Change in current loans	321	2,708	3,114	1,849	998
Dividend paid	-2,931	-5,130	-2,931	-5,130	-5,130
Cash flow from financing	1,990	-2,422	4,783	-3,280	-4,131
Change in cash and cash equivalents					
Cash and cash equivalents at the beginning of the reporting period	25,442	29,613	23,710	29,810	29,810
Foreign exchange rate effect	-325	213	-449	409	-47
Cash and cash equivalents at the end of the reporting period	29,158	22,605	29,158	22,605	23,710
Change in cash and cash equivalents	4,040	-7,222	5,896	-7,615	-6,053
Change in working capital					
Change in current receivables	1,118	1,425	2,414	-701	-5,045
Change in inventories	1,264	-1,591	-1,679	-2,843	-3,028
Change in current liabilities	-877	-4,305	-1,295	-2,339	-662
Change in working capital	1,505	-4,471	-560	-5,884	-8,734

STATEMENT OF EQUITY CHANGES

(EUR 1,000)	Share capital	Share premium	Invested unrestricted equity fund	Retained earnings	Profit for the period	Total
Equity 1.1.2023	80	5,130	28,405	39,143	0	72,758
Dividend paid	0	0	0	-2,931	0	-2,931
Conversion differences	0	0	0	-2,894	0	-2,894
Profit for the period	0	0	0	0	1,273	1,273
Equity 30.6.2023	80	5,130	28,405	33,317	1,273	68,206
Equity 1.1.2022	80	5,130	28,405	39,932	0	73,547
Dividend paid	0	0	0	-5,130	0	-5,130
Conversion differences	0	0	0	1,413	0	1,413
Profit for the period	0	0	0	0	2,000	2,000
Equity 30.6.2022	80	5,130	28,405	36,215	2,000	71,830
Equity 1.1.2022	80	5,130	28,405	39,932	0	73,547
Dividend paid	0	0	0	-5,130	0	-5,130
Conversion differences	0	0	0	-775	0	-775
Profit for the period	0	0	0	0	5,116	5,116
Equity 31.12.2022	80	5,130	28,405	34,027	5,116	72,758

Espoo 2 August 2023

Board of Directors
 Detection Technology Plc

CALCULATION OF KEY FINANCIAL RATIOS

Change in net sales, %	= (Net sales - Previous financial year's net sales) / Previous financial year's net sales x 100
Operating margin, %	= Operating profit (EBIT) / Net sales x 100
EBITA	= Earnings before Interests, taxes, and amortizations
EBITA, %	= EBITA / Net sales x 100
Net interest-bearing debt	= Interest-bearing liabilities - Cash and cash equivalents
Return on investment (ROI), %	= (Net result + Financial expenses + Taxes (12 months)) / (Equity + Interest-bearing liabilities (average 12 months)) x 100
Gearing, %	= (Interest-bearing liabilities - Cash and cash equivalents) / Equity x 100
Earnings per share, EUR	= Profit for the reporting period / Weighted average number of shares outstanding
Earnings per share (diluted), EUR	= Profit for the reporting period / Weighted average number of shares outstanding, diluted



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