

**OVER 8 % SALES GROWTH, POSITIVE OPERATING PROFIT IN SECOND QUARTER**

April-June 2019: Net sales increased 8.5 % compared to previous year. Quarter end cash position was strong.

- Net sales totaled EUR 4.0 million (EUR 4–6/2018: 3.7 million)
- Operating profit was EUR 0.4 million (EUR -0.1 million)
- Profit for the period was EUR 0.2 million (EUR 0.0 million)
- Earnings per share was EUR 0.00 (EUR -0.01)

January–June 2019: Net sales decreased 21.9 % compared to previous year. Operating cash flow was slightly negative and cash position remained strong at the end of the period.

- Net sales totaled EUR 6.6 million (EUR 1–6/2018: 8.5 million)
- Operating loss was EUR -0.9 million (EUR 0.0 million)
- Loss for the period was EUR -1.0 million (EUR 0.0 million)
- Earnings per share was EUR -0.04 (EUR -0.01)

Equity ratio remained good at 81.5 % (June 30, 2018: 89.0 %) and liquid assets were EUR 11.2 million (EUR 11.7 million).

**KEY FIGURES**

EUR million	4–6/2019	4–6/2018	1–6/2019	1–6/2018	Change %	1–12/2018
Net sales	<b>4.0</b>	3.7	<b>6.6</b>	8.5	-21.9	18.3
Operating profit/loss	<b>0.4</b>	-0.1	<b>-0.9</b>	0.0	-4 536.1	0.5
% of net sales	<b>9.3</b>	-2.5	<b>-13.4</b>	0.2	-5 779.0	3.0
Profit/loss before taxes	<b>0.3</b>	0.0	<b>-1.0</b>	0.0	-2 376.6	0.6
Profit/loss	<b>0.2</b>	0.0	<b>-1.0</b>	0.0	-13 679.5	0.5
Return on equity, %			<b>-7.1</b>	0.1	-12 537.0	3.8
Return on investment, %			<b>-6.8</b>	0.3	-2 153.7	4.1
Liquid assets			<b>11.2</b>	11.7	-4.5	13.5
Gearing (%)			<b>-81.6</b>	-95.7	14.7	-93.5
Equity ratio (%)			<b>81.5</b>	89.0	-8.5	81.6
Earnings per share, EUR	<b>0.00</b>	-0.01	<b>-0.04</b>	-0.01	-213.7	-0.01
Shareholders' equity per share, EUR	<b>0.32</b>	0.32	<b>0.32</b>	0.32	1.1	0.37

## **CEO'S REVIEW**

Valued shareholders customers, partners, and co-workers,

We had a positive second quarter with growing sales and a return to profitability.

### **Financial Performance**

Q2 sales were EUR 4.0 million with 8.5 % year-on-year growth and 48.0 % growth over the previous quarter. While the performance was a clear improvement, the strong quarterly variation is a reminder of the volatility we will keep experiencing during our ongoing transition period from perpetual licensing to a subscription-based sales model. Continuous cost-control measures help stabilize this volatility and we remain well positioned to go in to the second half of the year, which typically represents a stronger sales cycle in our business.

Operating profit for the quarter was EUR 0.4 million, showing a clear improvement both year-on-year (EUR -0.1 million) and quarter-on-quarter (EUR -1.3 million). We continued the careful management of administrative costs during the quarter and also achieved savings in our IPR asset management.

Due to the successful savings in administration and IPR asset management, we were able to increase our operational R&D spending while keeping the overall costs on a lower level than earlier.

Our profit for the quarter was EUR 0.2 million, compared to EUR 0.0 million in Q2/2018 and EUR -1.2 million in Q1/2019. Quarterly cash flow from operations was supported by the strong performance of maintenance renewals but was slightly negative due to growth in receivables as several large deals we closed towards the end of the quarter. Our balance sheet and cash position remain strong and allow us to proceed with the execution of our strategy.

### **Sales performance**

On regional terms, sales in the APAC region grew by over 70 % compared to the same quarter in 2018. The EMEA region sales were up by 4 % and Americas sales were down by 5 %. Americas remained the largest region with a 49 % share of the total revenue. EMEA accounted for 29 % and APAC for 22 % of the total revenue.

Recurring revenue invoicing grew noticeably from the comparison period indicating that our recurring revenue is on solid ground. The healthy renewal rate and our ability to increase recurring revenue from several key customers show the continued faith of our customers and our importance to their mission critical infrastructure. This also maintains our source of investment capability to realize our SSH200 growth vision.

During the quarter, we entered into several new partnerships including a global partnership with Tech Mahindra that covers both PrivX® and Universal SSH Key Manager® (UKM). We also made deliveries of both UKM and PrivX with partners that we signed in late 2018 and early 2019 and continued supporting our new partners in several opportunities active in their pipelines.

We increasingly emphasize partnerships in our go-to-market planning, and we have shifted our focus from simply signing up partners to building successful and value-creating long-lasting partnerships. Tech Mahindra is a perfect example of the direction we want to go in with our partnering efforts: a value-added relationship with a trusted partner for enterprise customers.

We received several significant orders for the UKM product from Fortune 500 companies and continued to see increasing interest in the product, especially on the US market. A major technology company also started their step-by-step deployment of UKM during the quarter.

Our Tectia® product line continued to perform well in both license sales and maintenance renewals. We received a large Tectia enterprise license order from a major Asian bank during the quarter.

### **PrivX Business**

PrivX customer base grew during the quarter and we started seeing increasing traction from large enterprises during the quarter. We signed several new deals, including a delivery to Western Union, the global leader in cross-border, cross-currency money movement. PrivX was also taken into use for example by a large manufacturing company in Europe, by

several digital growth companies in Europe and the US, and by mid-sized financing sector players globally. These customers are forward-looking innovators who are starting to embrace SSH.COM's new Zero Trust driven Privileged Access Management paradigm and are among the first to take advantage of the improved security, faster deployment, and increased productivity offered by PrivX.

We launched a free version of PrivX aimed primarily at start-ups in early June. The strong demand for the free version during the first four weeks after the launch, demonstrates growing interest and demand for a modern cloud access management tool such as PrivX.

Due to our strategic decision to focus on the subscription-based sales model, the revenue impact of PrivX was still relatively modest, but these sales build a growing base of stable recurring revenue.

## **NQX® Business**

We produced new versions of the NQX appliance with major new features, including certificate support, centralized management, high availability, and support for new hardware platforms. We also expanded the product selection with a smaller and more affordable appliance meant for less demanding use cases.

The Finnish Transport and Communications Agency (Traficom) certified version 1.1.0 of NQX firewall and VPN appliance with several of the new features as a cryptographic product for protecting classified information according to Finnish national (FI) confidential security requirements.

## **Operational milestones**

During Q2 we continued the roll-out of the new customer-focused organization we announced in December 2018. We increased both organizational ability and worked systematically to increase our customer intimacy and understanding.

Operationally, we reached several milestones during the second quarter:

- Release of the free version of PrivX in early June
- Releases of new versions of NQX, UKM, Tectia, and PrivX products
- Start of NPS (Net Promoter Score) measurements of our customers with good to excellent scores and no detractors
- We continued to refine our lead generation and inside sales models to boost lead generation and speed up sales in future quarters

We continued adopting faster, more agile R&D processes developed at the PrivX business program in other areas of R&D. The first results are encouraging as we have been able to shorten the development cycles for e.g. UKM.

## **The SSH200 Growth Vision and Our Mission and Purpose**

As announced on June 4<sup>th</sup>, SSH's Board of Directors has approved a new growth vision called SSH200. The vision describes our long-term growth ambition to grow to over 200 million euro in annual revenue in the identity and access management market during the 2020s.

The vision is based on deep, research-based insight into technology and market developments and consequent customer needs. We believe Intelligent Access Control will be a key focus area in enterprise security in the coming years. This is the segment where we concentrate on and where we aim to grow with new generations of our key products such as PrivX.

During the formulation of the growth vision, we also examined and updated our company purpose and company mission statement. These statements stem from our corporate DNA, our capabilities, values, and where we want to take the company.

SSH's updated company purpose is **"We make digital safer"**. This purpose reflects both our historical roots and future ambition and is a direct extension of the original spirit SSH was founded upon in 1995.

SSH's updated mission statement is **"We craft proactive, foundational security solutions that power intelligent access"**. This statement reflects our pride in our work, the foundational nature of SSH's products past, present, and future, and our belief that intelligent access will be a crucially and increasingly important segment of the growing cybersecurity market in the cloud era.

## **Outlook for the Year**

The outlook in the cybersecurity segment remains good. We are seeing increased awareness of SSH Key Management related risks especially in the US which heightens our prospects' and customers' interest in UKM and related services.

The business fundamentals for PrivX also keep improving. Analysts such as Gartner and IDC have identified Privileged Access Management as a key priority in enterprise cyber security and the fast-growing Zero Trust security trend supports our PrivX messaging.

While our ambition level is high and the market situation is positive for us, we are still expecting significant quarterly volatility due to the timing of large deals and our ongoing transition towards subscription-based sales. As we announced in connection with the SSH200 Growth Vision, the vision does not affect our published guidance, which remains unchanged:

For the year 2019, we expect double digit percentage growth from our software business (software fees, professional services, and recurring revenue) at comparable exchange rates, exceeding the projected annual cyber security market growth of approximately 10 %. In the medium term, we expect similar or faster growth and will also explore avenues for accelerated growth through inorganic growth opportunities. Possible significant quarterly variation in revenue growth is still to be expected due to timing of larger deals over the financial year.

Kaisa Olkkonen  
CEO

## NET SALES

Consolidated net sales for April–June totaled EUR 4.0 million (EUR 3.7 million).

Consolidated net sales for January–June totaled EUR 6.6 million (EUR 8.5 million), down by 21.9 %, year on year.

The Americas accounted for 53.2 % (45.0 %), the Europe, Middle East and Africa region (EMEA) 26.3 % (29.8 %), and the Asia Pacific region 20.5 % (13.5 %) of reported consolidated net sales. Global royalty income accounted for 0.0 % (11.8 %) of reported net sales.

### CONSOLIDATED NET SALES

EUR million	4–6/2019	4–6/2018	1–6/2019	1–6/2018	Change %	1–12/2018
BY GEOGRAPHICAL AREA						
AMERICAS	2.0	2.1	3.5	3.8	-7.7	9.0
APAC	0.9	0.5	1.4	1.1	18.7	2.4
EMEA	1.1	1.1	1.7	2.5	-30.8	4.2
Global royalty income	0.0	0.0	0.0	1.0	-100.0	2.7
Total	4.0	3.7	6.6	8.5	-21.9	18.3
BY OPERATION						
Software fees	1.7	0.7	2.2	2.5	-12.4	5.6
Professional services & other	0.1	0.9	0.2	1.9	-89.0	4.3
Recurring revenue	2.2	2.1	4.3	4.1	3.3	8.5
Total	4.0	3.7	6.6	8.5	-21.9	18.3

The majority of the company's invoicing is U.S. dollar based. With comparable exchange rates, net sales reduction would have been -25.7 % compared with 2018 corresponding period.

## RESULTS AND EXPENSES

Operating profit for April–June was EUR 0.4 million (EUR -0.1 million), with net profit totaling EUR 0.2 million (EUR 0.0 million).

Operating loss for January–June was EUR -0.9 million (EUR 0.0 million), with net profit totaling EUR -1.0 million (EUR 0.0 million).

Sales, marketing and customer support expenses for April–June amounted to EUR -1.7 million (EUR -2.0 million), while research and development expenses totaled EUR -1.1 million (EUR -1.1 million) and administrative expenses EUR -0.6 million (EUR -0.5 million). Compared to April–June 2018 operating expenses decreased by 1 %.

Sales, marketing and customer support expenses for January–June amounted to EUR -3.7 million (EUR -4.1 million), while research and development expenses totaled EUR -2.3 million (EUR -2.4 million) and administrative expenses EUR -1.3 million (EUR -1.4 million). Operating expenses decreased by 8 % compared to previous year.

## BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was good during the reporting period. The consolidated balance sheet total on June 30, 2019 stood at EUR 20.6 million (June 30, 2018 EUR 19.4 million; December 31, 2018 EUR 24.2 million), of which liquid assets accounted for EUR 11.2 million (June 30, 2018 EUR 11.7 million; December 31, 2018 EUR 13.5 million), or 54.3 % of the balance sheet total. Interest-bearing liabilities were EUR 1.0 million (June 30, 2018 EUR 0.0 million, December 31, 2018 EUR 0.2 million). Interest-bearing liabilities increased by EUR 0.4 million from December 31, 2018 due to the application of IFRS 16 Leases -standard and increase in lease liability. In June 2019 subordinated loan which Kyberleijona Oy

has taken out from the non-controlling interest holder State Security Networks Group Finland was increased by EUR 0.4 million from EUR 0.2 million to EUR 0.6 million. On June 30, 2019, gearing, or the ratio of net liabilities to shareholders' equity, was -81.6 % (June 30, 2018 -95.7 %; December 31, 2018 -93.5 %) and the equity ratio stood at 81.5 % (June 30, 2018 89.0 %; December 31, 2018 81.6 %).

The reported gross capital expenditure for January-June totaled EUR 1.0 million (EUR 0.9 million). The reported financial income and expenses amounting in total to EUR -0.1 million (EUR 0.0 million) consisted of exchange rate gains and losses, interest expenses on advances from customers with a significant financing component and interest expenses on lease liability.

During January-June, SSH Communications Security reported a cash flow of EUR -0.7 million (EUR -0.2 million) from business operations, and investments showed a cash flow of EUR -1.0 million (EUR -0.9 million). Cash flow from financing totaled EUR -0.6 million (EUR -0.7 million). Total cash flow from operations, investments and financing was negative EUR -2.3 million (EUR -1.9 million).

There were no short-term investments at the end of the reporting period.

## **RESEARCH AND DEVELOPMENT**

Research and development expenses for April-June totaled EUR -1.1 million (EUR -1.1 million), the equivalent of 28.8 % of net sales (31.4 %). During April-June, the company has capitalized R&D costs EUR 0.5 million (EUR 0.4 million).

Research and development expenses for January-June totaled EUR -2.3 million (EUR -2.4 million), the equivalent of 34.5 % of net sales (28.5 %). During January-June, the company has capitalized new product R&D costs EUR 1.0 million (EUR 0.9 million). Depreciation from R&D capitalization assets was EUR -0.7 million (EUR -0.9 million).

## **HUMAN RESOURCES AND ORGANIZATION**

At the end of June, the Group had 86 employees on its payroll (June 30, 2018: 85; December 31, 2018: 85). The number of employees increased by one person from the previous year and from the year end (1.2 %).

At the end of the period, 36.0 % (40.0 %) of the employees worked in sales, marketing and customer services, 50.0 % (43.5 %) in R&D, and 14.0 % (16.5 %) in corporate administration.

## **BOARD AND AUDITORS**

The Annual General Meeting of SSH Communications Oyj was held on March 26, 2019. The Annual General Meeting unanimously adopted the financial statement and consolidated financial statement and granted discharge from liability to the Board members and CEO who have been active during the accounting period between January 1, 2018 and December 31, 2018. In the meeting it was decided that the Board of Directors would consist of six members. Petri Kuivala, Tatu Ylönen, Timo Syrjälä, Anne Marie Zettlemyer and Sam Curry were re-elected and Sauli Kiuru was elected as a new member of the Board of Directors. Petri Kuivala was elected as the Chairman of the Board of Directors at the Board's organizing meeting and Sauli Kiuru was elected as the Vice Chairman of the Board of Directors.

The Authorized Public Accountants Ernst & Young Oy was re-elected as the auditor of the company. Ernst & Young Oy has informed that Erkkä Talvinko, Authorized Public Accountant, will continue to act as the principle auditor.

## **SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE**

The reported trading volume of SSH Communications Security shares totaled 2,220,063 shares (valued at EUR 3,289,064). The highest quotation was EUR 1.97 and the lowest EUR 1.11. The trade-weighted average share price for the period was EUR 1.48 and the share closed at EUR 1.46 (June 28, 2019).

The company's principal owner Tatu Ylönen holds directly 47.2 %, Timo Syrjälä holds directly and through his company Acme Investments SPF S.a.r.l. 9.2 % and Juha Mikkonen holds directly 5.2 % of the company's shares. More information about the shareholding can be obtained from the company's web site [www.ssh.com](http://www.ssh.com).

No dividend or return of capital has been distributed during the reporting period.

## **SHARE CAPITAL AND BOARD AUTHORIZATIONS**

The company's registered share capital on June 30, 2019 was EUR 1,164,066.99 consisting of 38,802,233 shares.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of a maximum of 6,000,000 shares as a share issue against payment or by giving stock options or other special rights entitling to shares, in accordance with Chapter 10 Section 1 of the Finnish Companies Act, either according to the shareholders' pre-emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares, which the company possibly has in its possession.

Based on the authorization, the Board of Directors shall have the same rights as the Annual General Meeting to decide upon the issuing of shares against payment and special rights (including stock options) in accordance with Chapter 10 Section 1 of the Finnish Companies Act. Thereby, the authorization to be given to the Board of Directors includes, inter alia, the right to deviate from the shareholders' pre-emptive rights with directed issues providing that the company has a weighty financial reason for the deviation in respect of the share issue against payment.

Furthermore, the authorization includes the Board of Directors' right to decide upon who are entitled to the shares and/or stock options or special rights in accordance with Chapter 10 Section 1 of the Finnish Companies Act as well as upon the related compensation, subscription and payment periods and upon the registering of the subscription price into the share capital or invested non-restricted equity fund within the limits of the Finnish Companies Act.

The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2020.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon acquisition of a maximum of 2,000,000 own shares of the company with assets belonging to the company's non-restricted equity, which amounts to approximately 5.2 percent of the company's total shares. The shares can also be acquired otherwise than in proportion to the holdings of the existing shareholders. The maximum compensation to be paid for the acquired shares shall be the market price at the time of purchase, which is determined in the public trading.

The Board of Directors proposes that the authorization for the acquiring of the company's own shares would be used, inter alia, in order to strengthen the company's capital structure, to finance and realize corporate acquisitions and other arrangements, to realize the share-based incentive programs of the company or otherwise to be kept by the company, to be transferred for other purposes or to be cancelled. The acquisition of shares reduces the company's distributable non-restricted equity.

Decision concerning the acquiring of own shares cannot be made so that the combined amount of the own shares, which are in the possession of, or held as pledges by, the company or its subsidiaries exceeds one-tenth of all shares. The Board of Directors shall decide upon all other matters related to the acquisition of shares.

The authorization will be valid until the next Annual General Meeting but will however expire at the latest on June 30, 2020.

## **RISKS AND UNCERTAINTIES**

Largest risks that might impact the profitability of the company have remained by and large the same than in previous reporting period and are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future.

Largest risks:

- uncertainty of the macroeconomic environment
- cybercrime, including e.g. ransomware

- delays in product development and closing new business as well as phasing of new business cases
- ability to execute the strategy
- ability to retain and recruit key personnel
- maintaining the ability to innovate and develop the product portfolio including intellectual property rights (IPR)
- IPR litigation and utilization of the patent portfolio
- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2019 could have unpredictable effects for profitability that are at the time difficult to estimate. The company decides on hedging of USD based contracts case by case.

Principles and organization of risk management of SSH Communications Security can be read from company's webpage: [www.ssh.com](http://www.ssh.com).

#### **RELATED PARTY TRANSACTIONS**

During the reporting period, there have not been any significant transactions with related parties.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

After the balance sheet date, there have not been any significant transactions.



## REPORTING

The interim report for the six months reporting period ended June 30, 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. This interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018. The information presented in this interim report is unaudited.

The accounting policies adopted for this interim report are consistent with those applied in 2018 consolidated financial statements except for the adoption of new standards effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### New and amended standards adopted

A few new standards and amendments to standards are effective for the annual period beginning on January 1, 2019 and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 *Leases*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other changes in standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

### Changes in accounting policies

The Group has adopted new IFRS 16 standard using modified retrospective approach and the comparative information has not been restated. The reclassifications and adjustments arising from the new accounting rules have been recognized in the opening balance sheet on January 1, 2019.

The Group leases mainly offices. Rental contracts are typically made for fixed periods from two to three years but may have extension options. The Group continues to treat leases of 12 months or less and leases of low-value assets as other leases.

Until year 2018 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were recognized in the income statement on a straight-line basis over the period of the lease.

From January 1, 2019 according to the new IFRS 16 Leases -standard, leases are recognized in the balance sheet as a right-of-use asset and a corresponding financial liability at the date at which the lease asset is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the income statement over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease liabilities were discounted at the borrowing rate as at January 1, 2019. The weighted average discount rate was 7.5 %.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use asset – increase by EUR 0.5 million
- non-current liabilities – increase by EUR 0.2 million
- current liabilities - increase by EUR 0.3 million

The recognized leases in the balance sheet as at June 30, 2019 and in the income statement for the first two quarters of the year are as follows:

### LEASES IN THE BALANCE SHEET

EUR million	30 June 2019
<b>ASSETS</b>	
<b>Non-current assets</b>	
Right-of-use assets - property	<b>0.4</b>
<b>Total</b>	<b>0.4</b>
<b>EQUITY AND LIABILITIES</b>	
Lease liabilities, non-current	<b>0.1</b>

Lease liabilities, current	<b>0.3</b>
<b>Total</b>	<b>0.4</b>

#### **LEASES IN THE INCOME STATEMENT**

EUR million	4-6/2019	1-6/2019
Other lease expenses	-0.0	-0.0
Depreciation of right-of-use assets	-0.1	-0.2
Interest expense on lease liabilities	-0.0	-0.0
<b>Total amounts recognized in the income statement</b>	<b>-0.1</b>	<b>-0.2</b>

## TABLES

### CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Net sales	4.0	3.7	6.6	8.5	18.3
Cost of sales	-0.1	-0.2	-0.3	-0.6	-1.4
Gross margin	3.9	3.5	6.4	7.9	16.9
Other operating income	0.0	0.0	0.0	0.0	0.0
Selling, marketing and customer support expenses	-1.7	-2.0	-3.7	-4.1	-8.5
Research and development expenses	-1.1	-1.1	-2.3	-2.4	-5.1
Administrative expenses	-0.6	-0.5	-1.3	-1.4	-2.7
Operating profit/loss	0.4	-0.1	-0.9	0.0	0.5
Financial income and expenses	-0.1	0.1	-0.1	0.0	0.0
Profit/loss before taxes	0.3	0.0	-1.0	0.0	0.6
Taxes	-0.0	-0.0	-0.0	-0.0	-0.0
<b>Profit/loss for the period</b>	<b>0.2</b>	<b>0.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.5</b>
<b>Attributable to:</b>					
Owners of the parent company	0.3	0.0	-0.9	0.0	0.8
Non-controlling interests	-0.1	0.0	-0.1	0.0	-0.3
	<b>0.2</b>	<b>0.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.5</b>
<b>Other comprehensive income</b>					
Items which might be later transferred to profit or loss:					
Foreign subsidiary translation differences	0.0	-0.1	-0.0	-0.1	-0.1
<b>Total comprehensive income</b>	<b>0.3</b>	<b>-0.1</b>	<b>-1.0</b>	<b>-0.1</b>	<b>0.4</b>
<b>Attributable to:</b>					
Owners of the parent company	0.3	-0.1	-0.9	-0.1	0.7
Non-controlling interest	-0.1	0.0	-0.1	0.0	-0.3
	<b>0.3</b>	<b>-0.1</b>	<b>-1.0</b>	<b>-0.1</b>	<b>0.4</b>
<b>Earnings per share</b>					
Earnings per share (EUR)	0.00	-0.01	-0.04	-0.01	-0.01
Diluted earnings per share (EUR)	0.00	-0.01	-0.04	-0.01	-0.01

### CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	June 30, 2019	June 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	0.1	0.1	0.2
Right-of-use assets	0.4	-	-
Intangible assets	5.4	4.8	5.2
Investments	0.0	0.0	0.0
<b>Total non-current assets</b>	<b>6.0</b>	<b>4.9</b>	<b>5.4</b>

<b>Current assets</b>			
Inventories	0.0	0.0	0.0
Trade and other receivables	3.4	2.8	5.4
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	11.2	11.7	13.5
<b>Total current assets</b>	<b>14.6</b>	<b>14.5</b>	<b>18.9</b>
<b>Total assets</b>	<b>20.6</b>	<b>19.4</b>	<b>24.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Attributable to parent company's shareholders	11.7	12.2	13.4
Non-controlling interest	0.7	0.0	0.8
<b>Total equity</b>	<b>12.4</b>	<b>12.2</b>	<b>14.2</b>
<b>Non-current liabilities</b>			
Borrowings	0.6	0.0	0.2
Other non-current liabilities	0.1	-	-
<b>Total non-current liabilities</b>	<b>0.7</b>	<b>0.0</b>	<b>0.2</b>
<b>Current liabilities</b>			
Current liabilities	7.4	7.2	9.8
<b>Total current liabilities</b>	<b>7.4</b>	<b>7.2</b>	<b>9.8</b>
<b>Total equity and liabilities</b>	<b>20.6</b>	<b>19.4</b>	<b>24.2</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Hybrid capital securities	Translation difference	Unrestricted invested equity fund	Retained earnings				
Equity Jan 1, 2018	1.2	12.0	-1.3	22.1	-21.2	12.8	-	12.8	
Change	0.0		-0.1	0.2	-0.8	-0.6	-	-0.6	
Net profit					0.0	0.0	-	0.0	
Equity June 30, 2018	1.2	12.0	-1.4	22.3	-21.9	12.2	0.0	12.2	
Change	0.0	0.0	0.0	0.4	0.2	0.5		0.5	
Change in Group structure <sup>1</sup>					-0.1	-0.1	1.1	1.0	
Net profit					0.8	0.8	-0.3	0.5	
Equity Dec 31, 2018	1.2	12.0	-1.4	22.7	-21.1	13.4	0.8	14.2	
Change			0.0		-0.8	-0.8		-0.8	
Net profit					-0.9	-0.9	-0.1	-1.0	
<b>Equity June 30, 2019</b>	<b>1.2</b>	<b>12.0</b>	<b>-1.4</b>	<b>22.7</b>	<b>-22.7</b>	<b>11.7</b>	<b>0.7</b>	<b>12.4</b>	

<sup>1</sup> State Security Networks Group Finland became a non-controlling interest holder of Kyberleijona Oy with 35 % ownership. The amount of investment was EUR 1.0 million and additionally, State Security Networks Group Finland has issued a subordinated loan of EUR 0.2 million to Kyberleijona Oy.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1–6/2019	1–6/2018	1–12/2018
Cash flow from operations	-0.7	-0.2	1.2
<i>whereof change in working capital</i>	-0.8	-1.2	-1.2
Cash flow from investing activities	-1.0	-0.9	-2.3
Cash flow from financing activities	-0.6	-0.7	0.9
Increase(+) / decrease(-) in cash	-2.3	-1.9	-0.2
Cash at period start	13.5	13.5	13.5
Effect of exchange rate	0.0	0.1	0.2
Cash at period end	11.2	11.7	13.5

## CONTINGENT LIABILITIES

EUR million	30 June 2019	30 June 2018	31 Dec 2018
Interest on hybrid capital securities	0.2	0.2	0.7
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.0	0.3	0.3
Maturing between 1 and 5 years	0.0	0.4	0.2

## KEY FIGURES AND RATIOS

EUR million	1-6/2019	1-6/2018	1-12/2018
Net sales	<b>6.6</b>	8.5	18.3
Operating profit/loss	<b>-0.9</b>	0.0	0.5
% of net sales	<b>-13.4</b>	0.2	3.0
Profit/loss before taxes	<b>-1.0</b>	0.0	0.6
% of net sales	<b>-14.3</b>	0.5	3.0
Return on equity (%)	<b>-7.1</b>	0.1	3.8
Return on investment (%)	<b>-6.6</b>	0.3	4.1
Interest-bearing net liabilities	<b>-10.2</b>	-11.7	-13.3
Equity ratio (%)	<b>81.5</b>	89.0	81.6
Gearing (%)	<b>-81.6</b>	-95.7	-93.5
Gross capital expenditure	<b>1.0</b>	0.9	2.3
% of net sales	<b>15.7</b>	11.1	12.3
R&D expenses	<b>-2.3</b>	-2.4	-5.1
% of net sales	<b>34.5</b>	28.5	27.9
Personnel, period average	<b>87</b>	83	82
Personnel, period end	<b>86</b>	85	85

## PER SHARE DATA

EUR	1-6/2019	1-6/2018	1-12/2018
Earnings per share undiluted <sup>2</sup>	<b>-0.04</b>	-0.01	-0.01
Earnings per share diluted <sup>2</sup>	<b>-0.04</b>	-0.01	-0.01
Equity per share	<b>0.32</b>	0.32	0.37
No. of shares at period average (thousand)	<b>38 802</b>	38 467	38 578
No. of shares at period end (thousand)	<b>38 802</b>	38 510	38 802
Share performance			
Average price	<b>1.48</b>	2.04	2.00
Low	<b>1.11</b>	1.72	1.60
High	<b>1.97</b>	2.27	2.27
Share price period end	<b>1.46</b>	2.15	1.68
Market capitalization period end (EUR million)	<b>56.5</b>	82.8	65.2
Volume of shares traded (million)	<b>2.2</b>	6.2	7.8
Volume of shares traded as % of total	<b>5.7</b>	16.2	20.2
Value of shares traded (EUR million)	<b>3.3</b>	12.7	15.6
Price per earnings ratio (P/E)	<b>neg.</b>	neg.	neg.
Dividend per share	<b>0.00</b>	0.00	0.00
Dividend per earnings, %	<b>0.00</b>	0.00	0.00
Effective return on dividend, %	<b>0.00</b>	0.00	0.00

<sup>2</sup> Earnings per share is impacted by unpaid interest of hybrid capital securities

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SSH Communications Security will release its next interim report for the period January 1 – September 30, 2019 on October 23, 2019.

Helsinki, July 17, 2019

SSH COMMUNICATIONS SECURITY

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