

SSH COMMUNICATIONS SECURITY CORPORATION INTERIM REPORT JANUARY 1 – JUNE 30, 2020

SALES DECREASED BUT EBITDA REMAINED POSITIVE FOR THE QUARTER AND THE FULL PERIOD THANKS TO STRONG COST CONTROL MEASURES

April – June 2020: Net sales decreased 33.5 % compared to previous year. EBITDA remained positive and quarter-end cash position remained strong.

- Net sales totaled EUR 2.6 million (4-6/2019: EUR 4.0 million)
- EBITDA was EUR 0.2 million (EUR 0.9 million)
- Operating loss was EUR -0.4 million (EUR 0.4 million)
- Loss for the period was EUR -0.5 million (EUR 0.2 million)
- Earnings per share was EUR -0.02 (EUR 0.00)

January–June 2020: Net sales decreased 13.6 % compared to the previous year. EBITDA remained on the same level as the previous year and the loss narrowed compared to the previous period.

- Net sales totaled EUR 5.7 million (1-6/2019: EUR 6.6 million).
- EBITDA was EUR 0.1 million (EUR 0.1 million).
- Operating loss was EUR -0.9 million (EUR -0.9 million).
- Loss for the period was EUR -0.9 million (EUR -1.0 million).
- Earnings per share was EUR -0.04 (EUR -0.04).

Operating cash flow was EUR 0.0 million (EUR -0.7 million), and our cash position remained strong. Equity ratio remained good 74.2 % (81.5 %). Liquid assets were EUR 10.2 million (EUR 11.2 million).

KEY FIGURES

EUR million	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	1–12/2019
Net sales	2.6	4.0	-33.5	5.7	6.6	-13.6	14.4
EBITDA	0.2	0.9	-78.1	0.1	0.1	15.8	0.9
% of net sales	7.3	22.1	-67.1	2.3	1.8	34.0	6.0
Operating profit/loss	-0.4	0.4	-196.3	-0.9	-0.9	4.4	-1.2
% of net sales	-13.5	9.3	-244.8	-16.2	-13.4	20.8	-8.4
Profit/loss before taxes	-0.5	0.3	-299.3	-1.0	-1.0	0.4	-1.3
Profit/loss	-0.5	0.2	-323.2	-0.9	-1.0	-3.7	-1.5
Return on equity, %				-8.5	-7.1	-18.7	-11.3
Return on investment, %				-7.8	-6.8	-14.8	-9.8
Liquid assets				10.2	11.2	-8.7	12.0
Gearing (%)				-87.8	-81.6	-7.5	-92.3
Equity ratio (%)				74.2	81.5	-8.9	78.0
Earnings per share, EUR	-0.02	0.00	3 008.4	-0.04	-0.04	-7.9	-0.06
Shareholders' equity per share, EUR	0.26	0.32	-18.2	0.26	0.32	-18.2	0.31

SSH Communications Security provides alternative performance measures, which are not defined by IFRS standards. Alternative performance measures should not be considered as substitutes for performance measures in accordance with the IFRS. From the first quarter of 2020 onwards, SSH Communications Security has introduced the following new alternative performance measures:

EBITDA = Operating profit/loss + depreciation and amortization

CEO REVIEW

Valued shareholders, customers, partners, and co-workers,

The COVID-19 pandemic impacted our business significantly in Q2 2020. Our sales decreased by 34% compared to Q2 2019. However, our employees' well-being was successfully secured: in our offices across four countries, we did not have any confirmed cases.

We stayed in a remote work mode during most of the quarter; in some locations, we started returning to office work towards the end of June. Even with most of the whole organization working remotely, our efficiency and spirits remained high. I would like to thank the entire SSH team for their tenacity during these challenging times.

Despite declined sales, our financial performance remained solid: we successfully controlled our operating expenses and achieved positive EBITDA for Q2 and the full first half-year. Operating cash flow was positive, improving significantly compared to last year.

Financial Performance

Net sales for the second quarter were EUR 2.6 million (EUR 4.0 million), down 34 % compared to Q2 2019. Most of this decrease was due to a decline in license sales as large customers postponed or phased their large investments due to their savings initiatives.

The maintenance renewals business decreased slightly, mainly due to some decreases in UKM maintenance renewals and the continuing end-of-life process of the CryptoAuditor product.

Thanks to our continued careful cost management, the company's operating expenses decreased by 2% compared to Q2 of 2019 and by 8% compared to the previous quarter. Despite the decline in revenue, our EBITDA for Q2 2020 remained positive at EUR 0.2 million (EUR 0.9 million). The EBITDA for the full six-month period was also positive.

Our operating loss for the period was EUR -0.4 million (EUR 0.4 million), and loss for the period was EUR -0.5 million (EUR 0.2 million). The losses included EUR -0.3 million in restructuring costs affecting comparability.

We received limited COVID-19 support funding in the US and Hong Kong and applied for such funding in Finland. We also received a EUR 1.3 million grant for developing quantum-safe crypto technology from Business Finland.

The operating cash flow for the quarter was slightly positive at EUR 0.0 million (-0.7 million). Our balance sheet and cash position remain strong and allow SSH to proceed with the execution of its strategy.

Sales Performance

From a regional perspective, sales in the AMER and EMEA regions decreased roughly 25% compared to Q2 2019, while the APAC region was hit especially hard by the COVID-19 crisis, and sales decreased by 66% compared to Q2 2019.

Sales of all our products except PrivX® declined. The decline was steepest for our SSH key management product, UKM. A large travel technology company did start a UKM phased deployment during the quarter. Still, several other large deals were moved forward, as especially large financial institutions systematically started to postpone their technology investments and difficulties in launching an on-site deployment project due to travel restrictions.

Tectia SSH Client/Server sales were also affected but to a significantly smaller degree. Tectia maintenance renewals remained solid, and the sales decline came mainly from the APAC area, where large banks curtailed their technology investments.

PrivX sales grew significantly compared to the previous year. Large enterprises and mid-market companies increasingly recognize PrivX as a compelling, modern alternative to traditional Privileged Access Management solutions. During the quarter, PrivX was named an "Overall Leader" in the latest iteration of KuppingerCole's prestigious Leadership Compass for Privileged Access Management (PAM) report

During the quarter, we won several significant new customers for PrivX (that had not been previous SSH customers) in the financial, industrial, and government sectors. With these new customers, we recorded a significant milestone in PrivX sales and booked our 50th PrivX customer.

Reshaping the organization

During the quarter, we reshaped the organization and decreased our executive management team's size from seven people to three people. The purpose of this change was to accelerate and clarify our decision-making and improve our management performance. In concert with this change, we also streamlined and flattened our organization and took steps to increase our organization's customer-centricity. The organization changes will improve decision-making and accountability throughout the organization.

Major ownership change and a change in our Board of Directors

During Q2 2020, the investment fund Accendo Capital acquired 29.2% of SSH shares from the company founder Tatu Ylönen. As a result of these transactions, Accendo became the largest shareholder of SSH during the quarter. Tatu Ylönen is now the second-largest shareholder of SSH after the sale with 18.0% of the company.

An extraordinary general meeting was held on June 26, and Accendo representatives Henri Österlund and Kai Tavakka were elected to the Board of Directors of SSH. The new Board elected Mr. Österlund as the Chairman of the Board.

Looking forward and new guidance

While the COVID-19 crisis has stabilized in Finland and parts of Europe and Asia, the situation is still critical globally, with the number of daily new cases growing rapidly. The situation is especially challenging in our largest market, the US. While it is challenging to predict the pandemic's course, it looks inevitable that we will have to deal with adverse effects caused by the pandemic at least for the remainder of 2020.

Our new guidance is:

We expect our revenue to decrease compared to 2019. During the second half of the year we will invest increasingly towards future growth and expect our EBITDA for the full year to be negative.

Our earlier guidance, issued in the Financial Statement Release on 14 February 2020 and withdrawn on 23 March 2020, was:

For the year 2020, we expect revenue growth of 10-15 percent and an improving operating result. The growth rates and profitability vary significantly between our product lines as the products are in different stages of maturity and investment phases. We expect clearly faster growth rates for PrivX® and NQX®, steady growth for UKM® matching the industry growth rate, and modest growth for Tectia®, which is our most mature product. The combined effect of these growth rates will result in moderate short-term growth, which we expect to accelerate over the next several years.

Teemu Tunkelo
Chief Executive Officer

CONSOLIDATED NET SALES

Consolidated net sales for April – June totaled EUR 2.6 million (EUR 4.0 million).

Consolidated net sales for January–June totaled EUR 5.7 million (EUR 6.6 million), decreased by 13.6 %, year on year.

The Americas region accounted for 53.6 % (53.2 %); the Europe, Middle East, and Africa region 25.5 % (26.3 %); and the Asia Pacific region 20.9 % (20.5 %) of reported net sales.

EUR million	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	1–12/2019
BY SEGMENT							
AMERICAS	1.5	2.0	-24.6	3.1	3.5	-12.9	7.8
APAC	0.3	0.9	-66.1	1.2	1.4	-12.1	2.9
EMEA	0.9	1.1	-23.6	1.5	1.7	-16.2	3.6
Total	2.6	4.0	-33.5	5.7	6.6	-13.6	14.4
BY OPERATION							
Software fees	0.6	1.7	-63.1	1.6	2.2	-27.0	5.2
Professional services & other	0.0	0.1	-95.5	0.0	0.2	-81.5	0.6
Recurring revenue	2.0	2.2	-8.0	4.1	4.3	-3.4	8.6
Total	2.6	4.0	-33.5	5.7	6.6	-13.6	14.4

Most of the company's invoicing is U.S. dollar based. With comparable exchange rates, net sales reduction would have been 15.4 % compared with the corresponding period in 2019.

RESULTS AND EXPENSES

Operating loss for April – June was EUR -0.4 million (EUR 0.4 million), with net profit totaling EUR -0.5 million (EUR 0.2 million).

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

Selling, marketing, and customer support expenses for the April – June reporting period amounted to EUR -1.5 million (EUR -1.7 million), while research and development expenses totaled EUR -1.4 million (EUR -1.1 million) and administrative expenses EUR -0.6 million (EUR -0.6 million).

Selling, marketing, and customer support expenses for the January – June reporting period amounted to EUR -3.3 million (EUR -3.7 million), while research and development expenses totaled EUR -2.6 million (EUR -2.3 million) and administrative expenses EUR -1.2 million (EUR -1.3 million). Operating expenses decreased by 1 % 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, 2020, stood at EUR 19.8 million (June 30, 2019: EUR 20.6 million; December 31, 2019: EUR 23.8 million), of which liquid assets accounted for EUR 10.2 million (June 30, 2019: EUR 11.2 million; December 31, 2019: EUR 12.0 million), or 51.6 % of the balance sheet total). Interest-bearing liabilities were EUR 1.3 million (June 30, 2019 EUR 1.0 million, December 31, 2019 EUR 0.9 million). On June 30, 2020, gearing, or the ratio of net liabilities to shareholders' equity, was -87.8 % (June 30, 2019 -81.6 %; December 31, 2019 -92.3 %) and the equity ratio stood at 74.2 % (June 30, 2019 81.5 %; December 31, 2019 78.0 %).

The reported gross capital expenditure for the period totaled EUR 1.1 million (EUR 1.0 million). The reported financial income and expenses amounting in total to EUR -0.0 million (EUR -0.1 million) consisted mainly of exchange rate gains or losses and interest expenses from sales and leasing contracts.

During January – June, SSH Communications Security reported a cash flow of EUR 0.0 million (EUR -0.7 million) from business operations, and investments showed a cash flow of EUR -0.7 million (EUR -1.0 million). Cash flow from investments includes receipt of government grants with EUR 0.3 million. Cash flow from financing totaled EUR -1.1 million (EUR -0.6 million). Cash flow from financing includes the payment of hybrid instrument interest of EUR 0.9 million and the cash payment for the principal portion of the lease liability of EUR 0.2 million. Total cash flow from operations, investments, and financing was negative EUR -1.8 million (EUR -2.3 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 -1.4 million (EUR -1.1 million), the equivalent of 52.2 % of net sales (28.8 %). During April – June, the company has capitalized new product R&D costs EUR 0.3 million (EUR 0.5 million). Capitalized product development expenses were reduced by the amount of EUR 0.2 million received as funding from the EU in 2019 (EUR 0.0 million).

Research and development expenses for January – June totaled EUR -2.6 million (EUR -2.3 million), the equivalent of 45.9 % of net sales (34.5 %). During January – June, the company has capitalized new product R&D costs EUR 0.7 million (EUR 1.0 million). Capitalized product development expenses were reduced by the amount of EUR 0.3 million received as funding from the EU in 2019 (EUR 0.0 million). Depreciation from R&D capitalization assets was EUR -0.7 million (EUR -0.7 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of June, the Group had 92 employees on its payroll (June 30, 2019: 86; December 31, 2019: 90). The number of employees increased by six persons from the previous year and by two persons from the year-end (2.2 %).

At the end of the period, 33.7 % (36.0 %) of the employees worked in sales, marketing and customer services, 48.9 % (50.0 %) in R&D, and 17.4 % (14.0 %) in corporate administration.

BOARD AND AUDITORS

The Annual General Meeting of SSH Communications Security Oyj was held on March 26, 2020. 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, 2019, and December 31, 2019. Tatu Ylönen was re-elected, and Aino-Mari Kiianmies and Sampo Kellomäki were elected as new members of the Board of Directors. Tatu Ylönen was elected as the Chairman of the Board of Directors at the Board's organizing meeting.

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

The Extraordinary General Meeting of SSH Communications Security Oyj was held on June 26, 2020. The Extraordinary General Meeting approved that the members of the Board of Directors is five (5) and elected Tatu Ylönen, Aino-Mari Kiianmies, Sampo Kellomäki, Henri Österlund (new member) and Kai Tavakka (new member) as members of the Board of Directors. Henri Österlund was elected as the Chairman of the Board of Directors at the Board's organizing meeting.

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security shares totaled 16,374,431 shares (valued at EUR 20,520,562). The highest quotation was EUR 1.90 and the lowest EUR 0.65. The trade-weighted average share price for the period was EUR 1.25, and the share closed at EUR 1.60 (June 30, 2020).

Tatu Ylönen sold 6.4 million shares in SSH to investment fund Accendo Capital SICAV, SIF on May 22, 2020 and further 4.93 million shares on June 3, 2020. Accendo Capital became the largest shareholder of SSH, with 29.2 % of the company. Tatu Ylönen is the second-largest shareholder of SSH after the sale with 18.0 %. 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.

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, 2020, 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 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, 2021.

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 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.

A decision concerning the acquiring of own shares cannot be made so that the combined amount of the own shares, which are in 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, 2021.

CHANGES IN GROUP MANAGEMENT TEAM

On May 28, 2020 SSH Communications Security announced new Executive Management Team. The new Executive Management Team is:

Teemu Tunkelo, Chief Executive Officer
Niklas Nordström, Chief Financial Officer
Jussi Mononen, Chief Commercial Officer

RISKS AND UNCERTAINTIES

The ongoing COVID-19 pandemic is a major new macro-level risk that may affect SSH Communications Security. Otherwise, the most substantial risks that might impact the profitability of the company have remained by and large the same as in the previous reporting period and are listed below.

Largest risks:

- uncertainty of the macroeconomic environment, such as the impact of coronavirus disease
- 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
- a large portion of the company revenue is invoiced in USD currency, and possible significant fluctuation in USD currency rates during 2020 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 the company's webpage: 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.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Net sales	2.6	4.0	5.7	6.6	14.4
Cost of sales	-0.1	-0.1	-0.1	-0.3	-0.5
Gross margin	2.6	3.9	5.6	6.4	13.9
Other operating income	0.5	0.0	0.7	0.0	0.1
Selling, marketing and customer support expenses	-1.5	-1.7	-3.3	-3.7	-7.5
Research and development expenses	-1.4	-1.1	-2.6	-2.3	-4.9
Administrative expenses	-0.6	-0.6	-1.2	-1.3	-2.9
Operating profit/loss	-0.4	0.4	-0.9	-0.9	-1.2
Financial income and expenses	-0.2	-0.1	-0.0	-0.1	-0.1
Profit/loss before taxes	-0.5	0.3	-1.0	-1.0	-1.3
Taxes	-0.0	-0.0	0.0	-0.0	-0.1
Profit/loss for the period	-0.5	0.2	-0.9	-1.0	-1.5
Attributable to:					
Owners of the parent company	-0.5	0.3	-0.8	-0.9	-1.3
Non-controlling interests	-0.1	-0.1	-0.1	-0.1	-0.2
	-0.5	0.2	-0.9	-1.0	-1.5
Other comprehensive income					
Items which might be later transferred to profit or loss:					
Foreign subsidiary translation differences	0.1	0.0	-0.0	-0.0	-0.0
Total comprehensive income	-0.5	0.3	-1.0	-1.0	-1.5
Attributable to:					
Owners of the parent company	-0.4	0.3	-0.9	-0.9	-1.3
Non-controlling interest	-0.1	-0.1	-0.1	-0.1	-0.2
	-0.5	0.3	-1.0	-1.0	-1.5
Earnings per share					
Earnings per share (EUR)	-0.02	0.00	-0.04	-0.04	-0.06
Diluted earnings per share (EUR)	-0.02	0.00	-0.04	-0.04	-0.06

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	June 30, 2020	June 30, 2019	Dec 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	0.1	0.1	0.1
Right-of-use assets	0.7	0.4	0.3
Intangible assets	5.4	5.4	5.5
Investments	0.0	0.0	0.0
Total non-current assets	6.2	6.0	5.9
Current assets			
Inventories	0.0	0.0	0.0
Trade and other receivables	3.4	3.4	5.9
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	10.2	11.2	12.0
Total current assets	13.6	14.6	17.9
Total assets	19.8	20.6	23.8
EQUITY AND LIABILITIES			
Equity			
Attributable to parent company's shareholders	9.7	11.7	11.4
Non-controlling interest	0.5	0.7	0.6
Total equity	10.2	12.4	12.0
Non-current liabilities			
Borrowings	0.6	0.6	0.6
Lease liabilities	0.4	0.1	0.1
Advances received and deferred revenue	1.2	0.7	2.4
Total non-current liabilities	2.2	1.4	3.0
Current liabilities			
Trade and other payables	2.3	1.8	2.5
Lease liabilities	0.3	0.3	0.2
Advances received and deferred revenue	4.8	4.6	6.0
Total current liabilities	7.4	6.7	8.7
Total equity and liabilities	19.8	20.6	23.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Hybrid capital securities	Translation difference	Unrestricted invested equity fund	Retained earnings	Total		
Equity Jan 1, 2019	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
Equity June 30, 2019	1.2	12.0	-1.4	22.7	-22.7	11.7	0.7	12.4
Change	-	-	-0.0	-	0.1	0.1	-	0.1
Net profit					-0.4	-0.4	-0.1	-0.5
Equity Dec 31, 2019	1.2	12.0	-1.4	22.7	-23.0	11.4	0.6	12.0
Change	-	-	-0.0	-	-0.9	-0.9	-	-0.9
Net profit					-0.8	-0.8	-0.1	-0.9
Equity June 30, 2020	1.2	12.0	-1.5	22.7	-24.7	9.7	0.5	10.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-6/2020	1-6/2019	1-12/2019
Cash flow from operations	0.0	-0.7	0.3
<i>whereof change in working capital</i>	0.6	-0.8	-0.6
Cash flow from investing activities	-0.7	-1.0	-1.1
Cash flow from financing activities	-1.1	-0.6	-0.8
Increase (+) / decrease (-) in cash	-1.8	-2.3	-1.6
Cash at period start	12.0	13.5	13.5
Effect of exchange rate	0.1	0.0	0.1
Cash at period end	10.2	11.2	12.0

NOTES TO THE INTERIM REPORT

The interim report for the six months reporting period ended June 30, 2020, 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, 2019. The information presented in this interim report is unaudited.

The accounting policies adopted for this interim report are consistent with those applied in 2019 consolidated financial statements except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the SSH Group.

CHANGES IN PROPERTY, PLANT, AND EQUIPMENT

EUR million	30 June 2020	30 June 2019	31 Dec 2019
Carrying amount in the beginning of the period	0.1	0.2	0.2
Increase	0.0	0.0	0.0
Depreciation and impairment	-0.0	-0.0	-0.1
Foreign exchange rate differences	-0.0	0.0	0.0
Carrying amount at the end of the period	0.1	0.1	0.1

CHANGES IN RIGHT-OF-USE ASSETS

EUR million	30 June 2020	30 June 2019	31 Dec 2019
Carrying amount in the beginning of the period	0.3	0.5	0.5
Increase	0.6	0.1	0.1
Decrease	-	-0.0	0.0
Depreciation and impairment	-0.2	-0.2	-0.3
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	0.7	0.4	0.3

Right-of-use assets include leased offices. Helsinki office moved to new premises in April 2020. The new lease contract is for the period of three years and added right-of-use assets and lease liabilities with EUR 0.6 million in April 2020.

CHANGES IN INTANGIBLE ASSETS

EUR million	30 June 2020	30 June 2019	31 Dec 2019
Carrying amount in the beginning of the period	5.5	5.2	5.2
Increase	0.7	1.0	2.0
Amortization and impairment	-0.8	-0.8	-1.7
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	5.4	5.4	5.5

CONTINGENT LIABILITIES

EUR million	30 June 2020	30 June 2019	31 Dec 2019
Interest on hybrid capital securities	0.3	0.2	0.7
Rent security deposits	0.2	0.1	0.1

KEY FIGURES AND RATIOS

SSH Communications Security provides alternative performance measures, which are not defined by IFRS-standards. Alternative performance measures should not be considered as substitutes for performance measures in accordance with the IFRS. From the first quarter of 2020 onwards, SSH Communications Security has introduced the following new alternative performance measures:

EBITDA = Operating profit/loss + depreciation and amortization

EUR million	1-6/2020	1-6/2019	1-12/2019
Net sales	5.7	6.6	14.4
EBITDA	0.1	0.1	0.9
% of net sales	2.3	1.8	6.0
Operating profit/loss	-0.9	-0.9	-1.2
% of net sales	-16.2	-13.4	-8.4
Profit/loss before taxes	-1.0	-1.0	-1.3
% of net sales	-16.7	-14.3	-9.3
Return on equity (%)	-8.5	-7.1	-11.3
Return on investment (%)	-7.8	-6.8	-9.8
Interest-bearing net liabilities	-8.9	-10.2	-11.1
Equity ratio (%)	74.2	81.5	78.0
Gearing (%)	-87.8	-81.6	-92.3
Gross capital expenditure	1.1	1.0	2.0
% of net sales	19.1	15.7	13.9
R&D expenses	-2.6	-2.3	-4.9
% of net sales	45.9	34.5	34.0
Personnel, period average	89	87	88
Personnel, period end	92	86	90

PER SHARE DATA

EUR	1-6/2020	1-6/2019	1-12/2019
Earnings per share undiluted ¹	-0.04	-0.04	-0.06
Earnings per share diluted ¹	-0.04	-0.04	-0.06
Equity per share	0.26	0.32	0.31
No. of shares at period average (thousand)	38 802	38 802	38 802
No. of shares at period end (thousand)	38 802	38 802	38 802
Share performance			
Average price	1.25	1.48	1.34
Low	0.65	1.11	0.97
High	1.90	1.97	1.97
Share price period end	1.60	1.46	1.04
Market capitalization period end (EUR million)	61.9	56.5	40.2
Volume of shares traded (million)	16.4	2.2	5.3
Volume of shares traded as % of total	42.2	5.7	10.2
Value of shares traded (EUR million)	20.5	3.3	4.0
Price per earnings ratio (P/E)	neg.	neg.	neg.
Dividend per share	0.00	0.00	0.00
Dividend per earnings, %	0.00	0.00	0.00
Effective return on dividend, %	0.00	0.00	0.00

¹ Earnings per share is impacted by the unpaid interest of hybrid capital securities

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

The following table presents the reconciliation of EBITDA to the operating profit/loss.

EUR million	1-6/2020	1-6/2019	1-12/2019
EBITDA	0.1	0.1	0.9
Depreciations and amortizations	-1.1	-1.0	-2.1
Operating profit/loss	-0.9	-0.9	-1.2

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SSH Communications Security will release its next interim report for the period January 1 – September 30, 2020, on October 22, 2020.

Helsinki, July 21, 2020

SSH COMMUNICATIONS SECURITY

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