

5.7 % SALES GROWTH, OPERATING PROFIT SLIGHTLY NEGATIVE IN THIRD QUARTER

July–September 2019: Net sales increased 5.7 % compared to previous year. Operating result was slightly negative. Quarter end cash position remained strong.

- Net sales totaled EUR 3.6 million (EUR 7–9/2018: 3.4 million)
- Operating loss was EUR -0.2 million (EUR -0.8 million)
- Loss for the period was EUR -0.0 million (EUR -0.8 million)
- Earnings per share was EUR -0.01 (EUR -0.03)

January–September 2019: Net sales decreased 14.0 % compared to previous year. Operating cash flow was slightly positive and cash position remained strong at the end of the period.

- Net sales totaled EUR 10.3 million (EUR 1–9/2018: 11.9 million)
- Operating loss was EUR -1.1 million (EUR -0.7 million)
- Loss for the period was EUR -1.0 million (EUR -0.8 million)
- Earnings per share was EUR -0.04 (EUR -0.04)

Equity ratio remained good at 81.1 % (September 30, 2018: 87.7 %) and liquid assets were EUR 11.6 million (EUR 11.5 million).

KEY FIGURES

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	Change %	1–12/2018
Net sales	3.6	3.4	10.3	11.9	-14.0	18.3
Operating profit/loss	-0.2	-0.8	-1.1	-0.7	44.4	0.5
% of net sales	-5.1	-22.3	-10.5	-6.2	67.9	3.0
Profit/loss before taxes	-0.0	-0.8	-1.0	-0.8	27.5	0.6
Profit/loss for the period	-0.0	-0.8	-1.0	-0.8	25.2	0.5
Return on equity, %			-7.4	-6.1	21.3	3.8
Return on investment, %			-6.9	-5.8	19.3	4.1
Liquid assets			11.6	11.5	0.8	13.5
Gearing (%)			-85.7	-87.7	2.3	-93.5
Equity ratio (%)			81.1	86.4	-6.2	81.6
Earnings per share, EUR	-0.01	-0.03	-0.04	-0.04	-12.7	-0.01
Shareholders' equity per share, EUR	0.32	0.33	0.32	0.33	-3.8	0.37

CEO'S REVIEW

Valued shareholders customers, partners, and co-workers,

Our software business during the third quarter of 2019 grew compared to the previous year but we incurred a slight operating loss.

Financial Performance

Q3 sales were EUR 3.6 million (EUR 3.4 million) with 5.7 % year-on-year growth. While we continued the careful management of costs during the quarter, the slight increase of EUR 0.2 million in administrative costs was due to costs affecting comparability, such as consulting costs related to the successful EU funding application. Operating loss for the quarter was EUR -0.2 million, showing a clear year-on-year (EUR -0.8 million) improvement.

Our result for the quarter was EUR -0.0 million, showing a clear improvement compared to the same quarter last year (EUR -0.8 million).

Quarterly cash flow from operations was positive. Our balance sheet and cash position remain strong and allow us to proceed with the execution of our strategy.

Sales Performance

On regional teams, APAC region continued its excellent performance: sales in the APAC region grew by 47.4 % compared to the same quarter in 2018. The EMEA region sales were up by 1.9 % and Americas sales were down by 8.5 %. Americas remained the largest region with a 51.3 % share of the total revenue. EMEA accounted for 18.2 % and APAC for 30.5 % of the total revenue.

Our software fees grew 25.0 % compared to the same quarter in 2018. Our recurring revenue also grew 3.6 % compared to the same quarter in 2018. These results prove that our software business is on solid ground as we continue developing it in accordance with our growth vision.

The slight decrease in the Professional Services and other segment was mainly due to changes in starting and delivering customer projects. Furthermore, our customers' tendency to initially start with smaller deployment projects had a small effect on the professional services revenue.

In Q3, we booked new Universal SSH Key Manager® (UKM) license orders from global enterprise customers, including a major Asian finance sector player and a North American Fortune 500 financial institution. We also received additional orders from existing customers.

The license and maintenance sales of our Tectia® product family remains strong and gives us the ability to execute our growth vision. We booked a major enterprise license deal with one of the largest banks in South-East Asia and won a significant Tectia SSH Server for IBM z/OS license order from a major European automotive manufacturer.

Our maintenance business remains robust. During Q3, we booked the largest maintenance renewal in the company history and made several other significant maintenance renewals, as well.

PrivX Business

During the third quarter our PrivX Free program was well received in our chosen target group and we gained more than 2000 registrations. We also gained several new paying customers for PrivX during the quarter and started proof of concept projects with several new customers.

One indicator of the increasing demand for PrivX is the 142% growth in PrivX-related visitors on our website compared to the same period last year. The value of our PrivX sales pipeline also nearly doubled compared to last year.

We keep getting very positive feedback from our customers and new users of PrivX about the ease of deployment and use of the product. We are constantly gaining new, valuable information about our customers' future needs and wishes.

In their recent report called “Remove Standing Privileges Through a Just-in-Time PAM Approach”, Gartner named PrivX as a trailblazing product that eliminates the risks of static credentials from access management. The report was published in late September and it has been widely noticed – during the short time the report has been available on our website, it has had more than 30000 impressions.

We continue working with leading cybersecurity industry analysts. Our aim is to increasingly educate the markets about the importance of our Zero Trust based access control approach. We also aim to communicate more forcefully about our capability to solve the customers’ cybersecurity challenges with modern technology that provides improved security, faster deployment, and increased productivity.

Since we have made a strategic decision to sell PrivX with a subscription-based business model, the impact of the product to our revenue during the quarter was still relatively small. Our enhanced lead generation and inside sales processes contribute to the growth of the opportunity pipeline of PrivX – as well as our other products – and support the generation of recurring revenue.

NQX® Business

The technical development of NQX products proceeds well and we have demonstrated the latest versions to key customers during the third quarter.

During the quarter, we have participated in a Request for Information (RFI) issued by the Finnish Defence Forces Logistics Command for STIII-level security requirements compliant VPN devices. This is a major step towards commercial cooperation and demonstrates the customer need for next-generation VPN devices. Due to the long duration of public tendering processes, however, we do not expect significant revenue from the NQX products in 2019.

EU Funding

During the third quarter, the European Commission awarded us Horizon 2020 SME grant of just over €2M for development, marketing, and go-to-market activities of the PrivX product over the next 24 months. The official Grant Agreement related to the award was signed at the end of September.

This funding was not yet recognized during Q3.

This funding enables us to significantly accelerate PrivX development and allows us to increase our go-to-market resources. The awarding of this hard-to-win funding to us is a clear validation that PrivX is a major European cybersecurity innovation with significant growth potential. This funding is also one of the first concrete steps on our road to secure the funding and necessary resources to fulfill our SSH200 growth vision.

We have started recruitments needed to execute the EU-funded project and several new team members have already joined the company. The recruitment drive continues in the fourth quarter.

Outlook for the Year

The outlook in the cybersecurity segment remains good. We are seeing increased awareness of SSH Key Management related risks which heightens our prospects’ and customers’ interest in UKM and related services. However, our customers are increasingly starting large deployment projects in a gradual manner which means customer wins are reflected in our revenue in a likewise gradual way. This results in more stable revenue development as opposed to large one-off deals, which we welcome.

The business fundamentals for PrivX also keep improving. Leading analysts such as Gartner and KuppingerCole identify the use of static credentials as one of the biggest cybersecurity risks which supports our PrivX messaging. At the same time, the constant news flow about increasing cybersecurity risks and severe breaches increase C-level awareness of this challenge and the importance of finding solutions. We believe this will result in continuous, robust market growth.

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.

Entering the fourth quarter, our sales pipeline is strong, and we maintain our guidance despite the slightly slower than planned growth in the first nine months of the year. Achieving our full year target, however, requires some key customer wins during Q4.

Kaisa Olkkonen
CEO

NET SALES

Consolidated net sales for July–September totaled EUR 3.6 million (EUR 3.4 million).

Consolidated net sales for January–September totaled EUR 10.3 million (EUR 11.9 million), down by 14.0 %, year on year.

The Americas accounted for 52.5 % (49.1 %), the Europe, Middle East and Africa region (EMEA) 23.5 % (26.6 %), and the Asia Pacific region 24.0 % (15.9 %) of reported consolidated net sales. Global royalty income accounted for 0.0 % (8.4 %) of reported net sales.

CONSOLIDATED NET SALES

EUR million	7–9/2019	7–9/2018	1–9/2019	1–9/2018	Change %	1–12/2018
BY SEGMENT						
AMERICAS	1.9	2.0	5.4	5.8	-8.0	9.0
APAC	1.1	0.7	2.5	1.9	30.0	2.4
EMEA	0.7	0.6	2.4	3.2	-24.2	4.2
Global royalty income	0.0	0.0	0.0	1.0	-100.0	2.7
Total	3.6	3.4	10.3	11.9	-14.0	18.3
BY OPERATION						
Software fees	1.3	1.0	3.4	3.5	-1.6	5.6
Professional services & other	0.1	0.2	0.3	2.1	-85.2	4.3
Recurring revenue	2.3	2.2	6.5	6.3	3.4	8.5
Total	3.6	3.4	10.3	11.9	-14.0	18.3

Most of the company's invoicing is U.S. dollar based. With comparable exchange rates, the net sales reduction in January – September would have been -17.9 % compared with the corresponding period in 2018.

RESULTS AND EXPENSES

Operating loss for July–September was EUR -0.2 million (EUR -0.8 million), with net profit totaling EUR -0.0 million (EUR -0.8 million).

Operating loss for January–September was EUR -1.1 million (EUR -0.7 million), with net profit totaling EUR -1.0 million (EUR -0.8 million).

Sales, marketing and customer support expenses for July–September amounted to EUR -1.7 million (EUR -2.3 million), while research and development expenses totaled EUR -1.2 million (EUR -1.2 million) and administrative expenses EUR -0.8 million (EUR -0.6 million). Compared to July–September 2018 operating expenses decreased by 10.1 %.

Sales, marketing and customer support expenses for January–September amounted to EUR -5.4 million (EUR -6.6 million), while research and development expenses totaled EUR -3.5 million (EUR -3.6 million) and administrative expenses EUR -2.0 million (EUR -1.8 million). Operating expenses decreased by 8.6 % 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 September 30, 2019 stood at EUR 21.3 million (September 30, 2018: EUR 21.0 million; December 31, 2018: EUR 24.2 million), of which liquid assets accounted for EUR 11.6 million (September 30, 2018: EUR 11.5 million; December 31, 2018: EUR 13.5 million), or 54.1 % of the balance sheet total. Interest-bearing liabilities were EUR 0.9 million (September 30, 2018: EUR 0.2 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 September 30, 2019, gearing, or the ratio of net liabilities to shareholders' equity, was -85.7 % (September 30, 2018: -87.7 %; December 31, 2018: -93.5 %) and the equity ratio stood at 81.1 % (September 30, 2018: 86.4 %; December 31, 2018: 81.6 %).

The reported gross capital expenditure for January–September totaled EUR 1.5 million (EUR 1.5 million). The reported financial income and expenses in total to EUR 0.2 million (EUR -0.0 million) consisted of exchange rate gains or losses, interest expenses on advances from customers with significant financing component and interest expenses on lease liability.

During January–September, SSH Communications Security reported a cash flow of EUR 0.1 million (EUR -1.5 million) from business operations, and investments showed a cash flow of EUR -1.5 million (EUR -1.5 million). Cash flow from financing totaled EUR -0.7 million (EUR 0.9 million). Total cash flow from operations, investments and financing was negative EUR -2.2 million (EUR -2.1 million).

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

RESEARCH AND DEVELOPMENT

Research and development expenses for July–September totaled EUR -1.2 million (EUR -1.2 million), the equivalent of 34.2 % of net sales (33.9 %). During July–September, the company has capitalized R&D costs EUR 0.5 million (EUR 0.5 million).

Research and development expenses for January–September totaled EUR -3.5 million (EUR -3.6 million), the equivalent of 34.4 % of net sales (30.1 %). During January – September, the company has capitalized R&D costs EUR 1.5 million (EUR 1.4 million). Depreciation of R&D capitalization assets was EUR -1.1 million (EUR -1.3 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 86 employees on its payroll (September 30, 2018: 80; December 31, 2018: 85). The number of employees increased by six persons from the previous year and by one person from the year end (1.2 %).

At the end of the period 36.0 % (38.8 %) of the employees worked in sales, marketing and customer services, 50.0 % (46.3 %) in R&D, and 14.0 % (15.0 %) 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 Zettlemoyer 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 Erkka 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 2,542,028 shares (valued at EUR 3,745,681). The highest quotation was EUR 1.97 and the lowest EUR 1.11. The trade-weighted average share price for the period was EUR 1.47 and the share closed at EUR 1.36 (September 30, 2019).

The company's principal owner Mr. Tatu Ylönen holds directly 47.2 %, Mr. Timo Syrjälä holds directly and through his company Acme Investments SPF S.a.r.l. 9.2 %, and Mr. 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 <https://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 September 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.

RELATED PARTY TRANSACTIONS

During the reporting period July–September 2019, 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 nine months reporting period ended September 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 September 30, 2019 and in the income statement for the first three quarters of the year are as follows:

LEASES IN THE BALANCE SHEET

EUR million	30 September 2019
ASSETS	
Non-current assets	
Right-of-use assets - property	0.3
Total	0.3
EQUITY AND LIABILITIES	
Lease liabilities, non-current	0.1

Lease liabilities, current	0.2
Total	0.4

LEASES IN THE INCOME STATEMENT

EUR million	7-9/2019	1-9/2019
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
Total amounts recognized in the income statement	-0.1	-0.3

TABLES

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Net sales	3.6	3.4	10.3	11.9	18.3
Cost of sales	-0.1	-0.1	-0.4	-0.7	-1.4
Gross margin	3.5	3.3	9.9	11.2	16.9
Other operating income	0.0	0.0	0.0	0.0	0.0
Selling, marketing and customer support expenses	-1.7	-2.3	-5.4	-6.6	-8.5
Research and development expenses	-1.2	-1.2	-3.5	-3.6	-5.1
Administrative expenses	-0.8	-0.6	-2.0	-1.8	-2.7
Operating profit/loss	-0.2	-0.8	-1.1	-0.7	0.5
Financial income and expenses	0.2	-0.0	0.1	-0.0	0.0
Profit/loss before taxes	-0.0	-0.8	-1.0	-0.8	0.6
Taxes	-0.0	-0.0	-0.0	-0.0	-0.0
Profit/loss for the period	-0.0	-0.8	-1.0	-0.8	0.5
Attributable to:					
Owners of the parent company	0.0	-0.8	-0.8	-0.8	0.8
Non-controlling interest	-0.1	-0.0	-0.2	-0.0	-0.3
	-0.0	-0.8	-1.0	-0.8	0.5
Other comprehensive income					
Items which may be reclassified to profit or loss:					
Foreign subsidiary translation differences	-0.1	-0.0	-0.1	-0.1	-0.1
Total comprehensive income	-0.1	-0.8	-1.1	-0.9	0.4
Attributable to:					
Owners of the parent company	-0.1	-0.8	-1.0	-0.8	0.7
Non-controlling interest	-0.1	-0.0	-0.2	-0.0	-0.3
	-0.1	-0.8	-1.1	-0.9	0.4
Earnings per share					
Basic earnings per share (EUR)	-0.01	-0.03	-0.04	-0.04	-0.01
Diluted earnings per share (EUR)	-0.01	-0.03	-0.04	-0.04	-0.01

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	September 30, 2019	September 30, 2018	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	0.1	0.1	0.2
Right-of-use assets	0.3	-	-
Intangible assets	5.5	4.9	5.2
Investments	0.0	0.0	0.0
Total non-current assets	6.0	5.0	5.4
Current assets			
Inventories	0.0	0.0	0.0
Trade and other receivables	3.8	4.5	5.4
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	11.6	11.5	13.5
Total current assets	15.4	16.0	18.9
Total assets	21.3	21.0	24.2
EQUITY AND LIABILITIES			
Equity			
Attributable to parent company's shareholders	11.7	11.8	13.4
Non-controlling interest	0.7	1.1	0.8
Total equity	12.4	12.9	14.2
Non-current liabilities			
Borrowings	0.6	0.2	0.2
Other non-current liabilities	0.1	0.0	0.0
Total non-current liabilities	0.7	0.2	0.2
Current liabilities			
Current liabilities	8.3	7.9	9.8
Total current liabilities	8.3	7.9	9.8
Total equity and liabilities	21.3	21.0	24.2

EUR million	Attributable to the owners of the Company							Total equity
	Share capital	Hybrid capital securities	Translation difference	Unrestricted invested equity fund	Retained earnings	Total	Non-controlling interests	
Equity January 1, 2018	1.2	12.0	-1.3	22.1	-21.2	12.8	-	12.8
Change	0.0		-0.1	0.6	-0.7	-0.2	-	-0.2
Change in Group structure ¹					-0.1	-0.1	1.1	1.0
Net profit					-0.8	-0.8	0.0	-0.8
Equity September 30, 2018	1.2	12.0	-1.4	22.7	-22.7	11.8	1.1	12.9
Change	0.0	0.0	0.0	0.0	0.1	0.0	-	0.0
Net profit					1.6	1.6	-0.3	1.3
Equity December 31, 2018	1.2	12.0	-1.4	22.7	-21.1	13.4	0.8	14.2
Change			-0.1		-0.7	-0.9	-	-0.9
Net profit					-0.8	-0.8	-0.2	-1.0
Equity September 30, 2019	1.2	12.0	-1.5	22.7	-22.6	11.7	0.7	12.4

¹ 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 0.6 million to Kyberleijona Oy.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1–9/2019	1–9/2018	1–12/2018
Cash flow from operations	0.1	-1.5	1.2
<i>whereof change in working capital</i>	-0.4	-2.2	-1.2
Cash flow from investing activities	-1.5	-1.5	-2.3
Cash flow from financing activities	-0.7	0.9	0.9
Increase (+) / decrease (-) in cash	-2.2	-2.1	-0.2
Cash at period start	13.5	13.5	13.5
Effect of exchange rate	0.3	0.1	0.2
Cash at period end	11.6	11.5	13.5

CONTINGENT LIABILITIES

EUR million	September 30, 2019	September 30, 2018	December 31, 2018
Interest on hybrid capital securities	0.5	0.5	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	0.3	0.2

KEY FIGURES AND RATIOS

EUR million	1-9/2019	1-9/2018	1-12/2018
Net sales	10.3	11.9	18.3
Operating profit/loss	-1.1	-0.7	0.5
% of net sales	-10.5	-6.2	3.0
Profit/loss before taxes	-1.0	-0.8	0.6
% of net sales	-9.4	-6.3	3.0
Return on equity (%)	-7.4	-6.1	3.8
Return on investment (%)	-6.9	-5.8	4.1
Interest-bearing net liabilities	-10.6	-11.3	-13.3
Equity ratio (%)	81.1	86.4	81.6
Gearing (%)	-85.7	-87.7	-93.5
Gross capital expenditure	1.5	1.5	2.3
% of net sales	14.8	12.5	12.3
R&D expenses	-3.5	-3.6	-5.1
% of net sales	34.4	30.1	27.9
Personnel, period average	87	82	82
Personnel, period end	86	80	85

PER SHARE DATA

EUR	1-9/2019	1-9/2018	1-12/2018
Earnings per share undiluted ²	-0.04	-0.04	-0.01
Earnings per share diluted ²	-0.04	-0.04	-0.01
Equity per share	0.32	0.33	0.37
No. of shares at period average (thousand)	38 802	38 506	38 578
No. of shares at period end (thousand)	38 802	38 802	38 802
Share performance			
Average price	1.47	2.03	2.00
Low	1.11	1.72	1.60
High	1.97	2.27	2.27
Share price period end	1.36	1.87	1.68
Market capitalization period end (EUR million)	52.6	72.6	65.2
Volume of shares traded (million)	2.5	11.1	7.8
Volume of shares traded as % of total	6.6	28.9	20.2
Value of shares traded (EUR million)	3.7	22.6	15.6
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

² Earnings per share is impacted by unpaid interest of hybrid capital securities.

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SSH Communications Security will release its financial reporting calendar for 2020 later during the year.

Helsinki, October 23, 2019

SSH COMMUNICATIONS SECURITY

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