

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

PERIOD SALES DECLINED DUE TO CLIENTS POSTPONING THEIR UKM-RELATED INVESTMENTS BUT EBITDA REMAINED POSITIVE

July – September 2020: Net sales decreased 29.1 % compared to previous year. EBITDA remained positive and quarter-end cash position remained strong.

- Net sales totaled EUR 2.6 million (7-9/2019: EUR 3.6 million)
- EBITDA was EUR 0.2 million (EUR 0.3 million)
- Operating loss was EUR -0.3 million (EUR -0.2 million)
- Loss for the period was EUR -0.5 million (EUR -0.0 million)
- Earnings per share was EUR -0.02 (EUR -0.01)

January–September 2020: Net sales decreased 19.1 % compared to the previous year.

- Net sales totaled EUR 8.3 million (1-9/2019: EUR 10.3 million).
- EBITDA was EUR 0.4 million (EUR 0.4 million).
- Operating loss was EUR -1.2 million (EUR -1.1 million).
- Loss for the period was EUR -1.5 million (EUR -1.0 million).
- Earnings per share was EUR -0.06 (EUR -0.04).

Operating cash flow was EUR -0.2 million (EUR 0.1 million), and our cash position remained strong. Equity ratio remained good 76.2 % (81.1 %). Liquid assets were EUR 9.4 million (EUR 11.6 million).

KEY FIGURES

EUR million	7–9/2020	7–9/2019	Change %	1–9/2020	1–9/2019	Change %	1–12/2019
Net sales	2.6	3.6	-29.1	8.3	10.3	-19.1	14.4
EBITDA	0.2	0.3	-29.2	0.4	0.4	-17.2	0.9
% of net sales	8.8	8.8	-0.1	4.3	4.2	2.3	6.0
Operating profit/loss	-0.3	-0.2	-36.4	-1.2	-1.1	-9.9	-1.2
% of net sales	-9.8	-5.1	-92.5	-14.2	-10.5	-35.8	-8.4
Profit/loss before taxes	-0.5	-0.0	-6 370.0	-1.5	-1.0	-52.9	-1.3
Profit/loss	-0.5	-0.0	-5 950.3	-1.5	-1.0	-48.1	-1.5
Return on equity, %				-13.3	-7.4	-79.9	-11.3
Return on investment, %				-12.2	-6.9	-76.0	-9.8
Liquid assets				9.4	11.6	-18.5	12.0
Gearing (%)				-82.2	-85.7	4.1	-92.3
Equity ratio (%)				76.2	81.1	-6.0	78.0
Earnings per share, EUR	-0.02	-0.01	-270,0	-0.06	-0.04	-43.0	-0.06
Shareholders' equity per share, EUR	0.25	0.32	-20,4	0.25	0.32	-20.4	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 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 challenges posed by the COVID-19 pandemic on UKM project deployments continued to have a significant impact on our sales which decreased 29 % compared to Q3 2019.

Even though our sales declined, our financial performance remained stable: we controlled operating expenses and showed a positive EBITDA for both Q3 and the nine-month period. Operating cash flow was also positive for the nine-month period.

Financial Performance

Net sales for the third quarter were EUR 2.6 million (EUR 3.6 million), down 29 % compared to Q3 2019. Most of the decrease was due to a decline in UKM license sales as large customers postponed or phased their investments due to, e.g., restrictions on on-site work and performing the work remotely.

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

The subscription business decreased slightly due to a decrease in UKM subscriptions. PrivX subscription revenue grew sharply.

Thanks to our continued cost management, the company's operating expenses decreased 21 % compared to Q3 of 2019 and by 15 % compared to the previous quarter. Despite the decline in revenue, our EBITDA was EUR 0.2 million (EUR 0.3 million). The EBITDA for the full nine-month period was also positive.

Our operating loss for the period was EUR -0.3 million (EUR -0.2 million) and the net loss for the period was EUR -0.5 million (EUR -0.0 million).

Operating cash flow for the nine-month period was EUR -0.2 million (EUR 0.1 million). Our balance sheet and cash position remain stable and enable SSH to execute its strategy.

Sales Performance

Sales in the EMEA region increased 5 % compared to Q3 2019. The Americas region's sales decreased 23 % and APAC sales decreased 60 % compared to Q3 2019. The Americas decline was mainly due to the postponement of large orders by customers and the APAC decrease follows a large UKM and Tectia order booked in Q3 of 2019.

Sales of all products except PrivX and NQX declined during the quarter.

The decline was steepest for our SSH key management product, UKM. Several large deals were moved forward, as especially large financial institutions continued to postpone their technology investments. Travel restrictions and the inability to perform onsite work at customer sites affected sales.

The comparative decrease in Tectia SSH Client/Server license sales follows a large enterprise deal booked in Q3 2019 in the APAC region. Tectia license sales outside the APAC region grew slightly compared to Q3 2019.

PrivX sales continued growth including strong quarter-on-quarter performance. We saw increasing demand for PrivX from the enterprise segment. We closed several new deals, and several more opportunities in our sales pipeline are nearing closing. We booked our largest PrivX order to date from a large US-based technology company with 10,000 hosts under management. We also continued the conversion of existing CryptoAuditor customers to use PrivX.

The NQX product version 2.2 is in its final stages of development, and it will be the primary release used in commercial deployments and will be certified with the Finnish authorities. This latest version includes key features required for large environment deployments. We have identified an increasing need for certified secure connections, and we have several ongoing commercial negotiations regarding deployments as well as a submission for an ongoing tender offer process. Furthermore, we have successfully started the Post Quantum Cryptography development project which aims to create industrial cryptographic standards for the post-quantum era and future proof critical infrastructure connectivity. NQX sales

were still negligible during Q3 but we expect sales to start increasing in Q4 2020. We see NQX as an important short to medium-term growth driver for SSH.

Continuing the organizational change

We continued the organizational reshaping we started in Q2 2020. We started the relocation of our US headquarters from Boston to New York City to be closer to our customers and we strengthened and unified our customer support function.

We have started recruitment to increase our sales and marketing power both in Europe and in the US. We have also started a significant investment program in inbound and outbound marketing to increase our visibility and accelerate the generation of new sales opportunities.

We expect these initiatives to bear fruit in the coming quarters and have a significant positive effect on our performance in 2021.

Looking forward

As I stated in our previous quarterly report, we expect the adverse effects of the pandemic to continue at least for the remainder of 2020. However, we expect our business environment to start normalizing and our performance improving during the next several quarters based on the visibility into our pipeline. We see that customers cannot postpone their critical infrastructure projects indefinitely.

We have announced that we will organize a capital markets day (CMD) for analysts, investors, and shareholders of SSH on October 28, 2020. In the CMD we will present the new SSH strategy for 2020 – 2022 as well as the key strategic initiatives planned to reach these targets. We welcome you warmly to the CMD online facility found at ssh.com/investors.

Teemu Tunkelo
Chief Executive Officer

CONSOLIDATED NET SALES

Consolidated net sales for July – September totaled EUR 2.6 million (EUR 3.6 million).

Consolidated net sales for January – September totaled EUR 8.3 million (EUR 10.3 million), a decrease of 19.1 %, year on year.

The Americas region accounted for 54.2 % (52.5 %); the Europe, Middle East, and Africa region 26.0 % (23.5 %); and the Asia Pacific region 19.7 % (24.0 %) of reported net sales.

EUR million	7–9/2020	7–9/2019	Change %	1–9/2020	1–9/2019	Change %	1–12/2019
BY SEGMENT							
AMERICAS	1.4	1.9	-23.2	4.5	5.4	-16.4	7.8
APAC	0.4	1.1	-59.9	1.6	2.5	-33.5	2.9
EMEA	0.7	0.7	5.5	2.2	2.4	-10.3	3.6
Total	2.6	3.6	-29.1	8.3	10.3	-19.1	14.4
BY OPERATION							
Software fees	0.6	1.3	-51.2	2.2	3.4	-35.9	5.2
Professional services & other	0.0	0.1	-87.0	0.1	0.3	-83.4	0.6
Recurring revenue	1.9	2.3	-14.1	6.1	6.5	-7.1	8.6
Total	2.6	3.6	-29.1	8.3	10.3	-19.1	14.4

Most of the company's invoicing is US dollar denominated. With comparable exchange rates, the net sales reduction would have been 19.2 % compared with the corresponding period in 2019.

RESULTS AND EXPENSES

Operating loss for July – September was EUR -0.3 million (EUR -0.2 million), with net loss totaling EUR -0.5 million (EUR -0.0 million).

Operating loss for January – September was EUR -1.2 million (EUR -1.1 million), with net loss totaling EUR -1.5 million (EUR -1.0 million).

Selling, marketing, and customer support expenses for the July – September reporting period amounted to EUR -1.2 million (EUR -1.7 million), while research and development expenses totaled EUR -1.1 million (EUR -1.2 million) and administrative expenses EUR -0.6 million (EUR -0.8 million).

Selling, marketing, and customer support expenses for the January – September reporting period amounted to EUR -4.5 million (EUR -5.4 million), while research and development expenses totaled EUR -3.7 million (EUR -3.5 million) and administrative expenses EUR -1.9 million (EUR -2.0 million). Operating expenses decreased by 7.6 % compared to the previous year.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was stable during the reporting period. The consolidated balance sheet total on September 30, 2020 was EUR 18.1 million (September 30, 2019: EUR 21.3 million; December 31, 2019: EUR 23.8 million), of which liquid assets accounted for EUR 9.4 million (September 30, 2019: EUR 11.6 million; December 31, 2019: EUR 12.0 million), or 52.1 % of the balance sheet total). Interest-bearing liabilities were EUR 1.3 million (September 30, 2019: EUR 0.9 million, December 31, 2019 EUR 0.9 million). On September 30, 2020, gearing, or the ratio of net liabilities to shareholders' equity, was -82.2 % (September 30, 2019: -85.7 %; December 31, 2019 -92.3 %) and the equity ratio stood at 76.2 % (September 30, 2019: 81.1 %; December 31, 2019 78.0 %).

The reported gross capital expenditure for the period totaled EUR 1.5 million (EUR 1.5 million). The reported financial income and expenses amounting in total to EUR -0.3 million (EUR 0.2 million) consisted mainly of exchange rate losses and interest expenses from sales and leasing contracts.

During January – September, SSH Communications Security generated a cash flow of EUR -0.2 million (EUR 0.1 million) from business operations, and investments showed a cash flow of EUR -1.0 million (EUR -1.5 million). Cash flow from investments includes receipt of government grants with EUR 0.6 million. Cash flow from financing totaled EUR -1.2 million (EUR -0.7 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 0.3 million. Total cash flow from operations, investments, and financing was negative EUR -2.4 million (EUR -2.2 million).

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

RESEARCH AND DEVELOPMENT

Research and development expenses for July – September totaled EUR -1.1 million (EUR -1.2 million), the equivalent of 43.2 % of net sales (34.2 %). During July – September, the company capitalized new product R&D costs in the amount of EUR 0.3 million (EUR 0.5 million). Capitalized product development expenses were reduced by the amount of EUR 0.1 million received as funding from the EU (EUR 0.0 million).

Research and development expenses for January – September totaled EUR -3.7 million (EUR -3.5 million), the equivalent of 45.1 % of net sales (34.4 %). During January – September, the company has capitalized new product R&D costs in the amount of EUR 1.0 million (EUR 1.5 million). Capitalized product development expenses were reduced by the amount of EUR 0.4 million received as funding from the EU (EUR 0.0 million). Depreciation from R&D capitalization assets was EUR -0.9 million (EUR -1.1 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 82 employees on its payroll (September 30, 2019: 86; December 31, 2019: 90). The number of employees decreased by four persons from the previous year and by eight persons from the year-end (8.9 %).

At the end of the period, 29.3 % (36.0 %) of the employees worked in sales, marketing and customer services, 53.7 % (50.0 %) in R&D, and 17.1 % (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 consolidated financial statements and discharged from liability the Board members and CEO who have been active during the 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 were re-elected as the auditor of the company. Ernst & Young Oy informed that Erkka Talvinko, Authorized Public Accountant, will continue to act as the principal auditor.

An Extraordinary General Meeting of SSH Communications Security Oyj was held on June 26, 2020. The Extraordinary General Meeting approved that the number of 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 17,705,585 shares (valued at EUR 22,362,088) during January – September 2020. The highest quotation was EUR 1.90 and the lowest EUR 0.65. The trade-weighted average share price for the period was EUR 1.26, and the share closed at EUR 1.45 (September 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 shares and votes. Tatu Ylönen is the second-largest shareholder of SSH after the sale with 18.0 % 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 September 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 may have 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 compelling financial reason for the deviation with respect to the share issue against payment.

Furthermore, the authorization includes the Board of Directors' right to decide upon who is 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 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 other 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 by 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 canceled. The acquisition of shares reduces the company's distributable non-restricted equity.

A decision concerning the acquisition of own shares must 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 does not exceed 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 expire at the latest on June 30, 2021.

RISKS AND UNCERTAINTIES

The ongoing COVID-19 pandemic is a major new macro-level risk that may affect SSH Communications Security through challenges it poses to new license sales. The most substantial risks that might otherwise affect the profitability of the company have remained the same as in the previous reporting period and are listed below.

Largest risks:

- uncertainty of the macroeconomic environment, such as the impact of COVID-19
- 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 on profitability. The company decides on hedging of USD based contracts case by case.

Principles and organization of risk management of SSH Communications Security are available on 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	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Net sales	2.6	3.6	8.3	10.3	14.4
Cost of sales	-0.1	-0.1	-0.2	-0.4	-0.5
Gross margin	2.5	3.5	8.1	9.9	13.9
Other operating income	0.2	0.0	0.8	0.0	0.1
Selling, marketing and customer support expenses	-1.2	-1.7	-4.5	-5.4	-7.5
Research and development expenses	-1.1	-1.2	-3.7	-3.5	-4.9
Administrative expenses	-0.6	-0.8	-1.9	-2.0	-2.9
Operating profit/loss	-0.3	-0.2	-1.2	-1.1	-1.2
Financial income and expenses	-0.3	0.2	-0.3	0.1	-0.1
Profit/loss before taxes	-0.5	-0.0	-1.5	-1.0	-1.3
Taxes	-0.0	-0.0	0.0	-0.0	-0.1
Profit/loss for the period	-0.5	-0.0	-1.5	-1.0	-1.5
Attributable to:					
Owners of the parent company	-0.5	0.0	-1.3	-0.8	-1.3
Non-controlling interests	-0.1	-0.1	-0.2	-0.2	-0.2
	-0.5	-0.0	-1.5	-1.0	-1.5
Other comprehensive income					
Items which might be later transferred to profit or loss:					
Foreign subsidiary translation differences	0.1	-0.1	0.1	-0.1	-0.0
Total comprehensive income	-0.4	-0.1	-1.4	-1.1	-1.5
Attributable to:					
Owners of the parent company	-0.3	-0.1	-1.2	-1.0	-1.3
Non-controlling interest	-0.1	-0.1	-0.2	-0.2	-0.2
	-0.4	-0.1	-1.4	-1.1	-1.5
Earnings per share					
Earnings per share (EUR)	-0.02	-0.01	-0.06	-0.04	-0.06
Diluted earnings per share (EUR)	-0.02	-0.01	-0.06	-0.04	-0.06

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	September 30, 2020	September 30, 2019	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	0.1	0.1	0.1
Right-of-use assets	0.7	0.3	0.3
Intangible assets	5.3	5.5	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	2.4	3.8	5.9
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	9.4	11.6	12.0
Total current assets	11.9	15.4	17.9
Total assets	18.1	21.3	23.8
EQUITY AND LIABILITIES			
Equity			
Attributable to parent company's shareholders	9.4	11.7	11.4
Non-controlling interest	0.4	0.7	0.6
Total equity	9.9	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	0.7	0.6	2.4
Total non-current liabilities	1.7	1.3	3.0
Current liabilities			
Trade and other payables	1.8	2.0	2.5
Lease liabilities	0.3	0.2	0.2
Advances received and deferred revenue	4.4	5.5	6.0
Total current liabilities	6.5	7.7	8.7
Total equity and liabilities	18.1	21.3	23.8

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 January 1, 2019	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
Change	-	-	0.1	-	0.1	0.2	-	0.2
Net profit					-0.4	-0.4	-0.1	-0.5
Equity December 31, 2019	1.2	12.0	-1.4	22.7	-23.0	11.4	0.6	12.0
Change	-	-	0.1	-	-0.8	-0.7	-	-0.7
Net profit					-1.3	-1.3	-0.2	-1.5
Equity September 30, 2020	1.2	12.0	-1.3	22.7	-25.1	9.4	0.4	9.9

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-9/2020	1-9/2019	1-12/2019
Cash flow from operations	-0.2	0.1	0.3
<i>whereof change in working capital</i>	0.3	-0.4	-0.6
Cash flow from investing activities	-1.0	-1.5	-1.1
Cash flow from financing activities	-1.2	-0.7	-0.8
Increase (+) / decrease (-) in cash	-2.4	-2.2	-1.6
Cash at period start	12.0	13.5	13.5
Effect of exchange rate	-0.2	0.3	0.1
Cash at period end	9.4	11.6	12.0

NOTES TO THE INTERIM REPORT

The interim report for the nine months reporting period ended September 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 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	September 30, 2020	September 30, 2019	December 31, 2019
Carrying amount in the beginning of the period	0.1	0.2	0.2
Increase	0.1	0.0	0.0
Depreciation and impairment	-0.1	-0.1	-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	September 30, 2020	September 30, 2019	December 31, 2019
Carrying amount in the beginning of the period	0.3	0.5	0.5
Increase	0.7	0.1	0.1
Decrease	-	-0.0	0.0
Depreciation and impairment	-0.3	-0.2	-0.3
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	0.7	0.3	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	September 30, 2020	September 30, 2019	December 31, 2019
Carrying amount in the beginning of the period	5.5	5.2	5.2
Increase	1.0	1.5	2.0
Amortization and impairment	-1.2	-1.2	-1.7
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	5.3	5.5	5.5

CONTINGENT LIABILITIES

EUR million	September 30, 2020	September 30, 2019	December 31, 2019
Interest on hybrid capital securities	0.9	0.5	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 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	1-9/2020	1-9/2019	1-12/2019
Net sales	8.3	10.3	14.4
EBITDA	0.4	0.4	0.9
% of net sales	4.3	4.2	6.0
Operating profit/loss	-1.2	-1.1	-1.2
% of net sales	-14.2	-10.5	-8.4
Profit/loss before taxes	-1.5	-1.0	-1.3
% of net sales	-17.7	-9.4	-9.3
Return on equity (%)	-13.3	-7.4	-11.3
Return on investment (%)	-12.2	-6.9	-9.8
Interest-bearing net liabilities	-8.1	-10.6	-11.1
Equity ratio (%)	76.2	81.1	78.0
Gearing (%)	-82.2	-85.7	-92.3
Gross capital expenditure	1.5	1.5	2.0
% of net sales	18.6	14.8	13.9
R&D expenses	-3.7	-3.5	-4.9
% of net sales	45.1	34.4	34.0
Personnel, period average	88	87	88
Personnel, period end	82	86	90

PER SHARE DATA

EUR	1-9/2020	1-9/2019	1-12/2019
Earnings per share undiluted ¹	-0.06	-0.04	-0.06
Earnings per share diluted ¹	-0.06	-0.04	-0.06
Equity per share	0.25	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	1.26	1.47	1.34
Low	0.65	1.11	0.97
High	1.90	1.97	1.97
Share price period end	1.45	1.36	1.04
Market capitalization period end (EUR million)	56.1	52.6	40.2
Volume of shares traded (million)	17.7	2.5	5.3
Volume of shares traded as % of total	45.6	6.6	10.2
Value of shares traded (EUR million)	22.4	3.7	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 affected 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	1-9/2020	1-9/2019	1-12/2019
EBITDA	0.4	0.4	0.9
Depreciations and amortizations	-1.5	-1.5	-2.1
Operating profit/loss	-1.2	-1.1	-1.2

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SSH Communications Security will release its financial reporting calendar for 2021 later during the year.

Helsinki, October 22, 2020

SSH COMMUNICATIONS SECURITY

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