

### **ANNUAL SALES DECREASED, QUARTERLY OPERATING CASH FLOW NEUTRAL**

**October–December 2020:** Net sales decreased 28.4 % compared to the previous year. Planned growth investments impacted the EBITDA negatively. The loss for the period was also impacted by exchange rate fluctuations and write-downs of bad debts.

- Net sales totaled EUR 3.0 million (10–12/2019: EUR 4.1 million)
- EBITDA was EUR -0.8 million (EUR 0.4 million)
- Operating loss was EUR -1.3 million (EUR -0.1 million)
- Loss for the period was EUR -1.6 million (EUR -0.5 million)
- Earnings per share was EUR -0.05 (EUR -0.02)

**January–December 2020:** Net sales decreased 21.7 % compared to the previous year.

- Net sales totaled EUR 11.3 million (1–12/2019: EUR 14.4 million)
- EBITDA was EUR -0.4 million (EUR 0.9 million).
- Operating loss was EUR -2.5 million (EUR -1.2 million)
- Loss for the year was EUR -3.1 million (EUR -1.5 million)
- Earnings per share was EUR -0.11 (EUR -0.06)

Operating cash flow was EUR -0.2 million (EUR 0.3 million), and our cash position remained strong. Equity ratio remained good at 69.7 % (78.0 %). Liquid assets at year-end were EUR 8.5 million (EUR 12.0 million). Operating loss included EUR -0.3 million of restructuring expenses.

### **BUSINESS OUTLOOK FOR 2021**

We expect our net sales to increase significantly during 2021. We are accelerating our transition from license and support services sales to a recurring-revenue business model, which we expect will provide more stable revenue in the long term.

Even though the growth strategy will require operational investments, we estimate EBITDA and cash flow from operations to be positive for 2021.

## KEY FIGURES

EUR million	10-12/2020	10-12/2019	Change %	1-12/2020	1-12/2019	Change %
Net sales	<b>3.0</b>	4.1	-28.4	<b>11.3</b>	14.4	-21.7
EBITDA	<b>-0.8</b>	0.4	-276.4	<b>-0.4</b>	0.9	-145.5
% of net sales	<b>-25.5</b>	10.4	-346.4	<b>-3.5</b>	6.0	-158.2
Operating profit/loss	<b>-1.3</b>	-0.1	885.6	<b>-2.5</b>	-1.2	105.9
% of net sales	<b>-44.2</b>	-3.2	1 276.4	<b>-22.1</b>	-8.4	163.1
Profit/loss before taxes	<b>-1.6</b>	-0.4	327.0	<b>-3.1</b>	-1.3	130.8
Profit/loss	<b>-1.6</b>	-0.5	223.8	<b>-3.1</b>	-1.5	107.2
Return on equity, %				<b>-30.0</b>	-11.3	-165.3
Return on investment, %				<b>-27.3</b>	-9.8	-177.8
Liquid assets				<b>8.5</b>	12.0	-28.8
Gearing (%)				<b>-85.3</b>	-92.3	7.5
Equity ratio (%)				<b>69.7</b>	78.0	-10.6
Earnings per share, EUR	<b>-0.05</b>	-0.02	-170.9	<b>-0.11</b>	-0.06	-81.8
Shareholders' equity per share, EUR	<b>0.22</b>	0.31	-29.7	<b>0.22</b>	0.31	-29.7

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 year 2020 was an exceptional one due to the prevailing economic uncertainty. This had a negative effect on our license sales and our net sales decreased compared to last year. However, during the fourth quarter, we started to see positive developments and revenue growth compared to the previous quarter.

2020 was very much about re-setting and re-thinking our short-term strategy as well as working closer with our key customers and improving our processes. Our focus was on making investments and taking actions to drive growth going ahead.

Our strategy gained traction during the fourth quarter resulting in several business highlights:

- Won a major multi-year deal for supplying cryptographic products and services with a value of up to EUR 20 million
- Signed our 70<sup>th</sup> PrivX customer
- Made our first NQX deployment to a private sector customer
- Secured several renewal and new Tectia z/OS deals
- Received a large follow-on UKM license order from a Fortune 200 financial institution

Q4 net sales were EUR 3.0 million (EUR 4.1 million), down 28 %. The decline was mainly due to a decrease in license and professional service sales. Subscription sales grew both quarter-on-quarter and year-on-year. While the overall growth of the subscription revenue category was relatively small due to expired UKM subscriptions, we saw PrivX subscription sales triple compared to 2019.

We were able to restructure our US operations effectively and without disruption to operations making it possible to start 2021 with a ready and able organization. We continued recruitment and our investment program in inbound and outbound marketing during the quarter.

Operating loss for the quarter was EUR -1.3 million (EUR -0.1 million) and the loss for the quarter was EUR -1.6 million (EUR -0.5 million). The loss was impacted by nearly EUR -0.8 million in bad debts and exchange rate losses.

Quarterly cash flow from operations was EUR -0.0 million (EUR 0.2 million). Our balance sheet and cash position remain strong and allow us to proceed with the execution of our strategy.

In regional terms, software sales in the APAC region grew 4.5% year-on-year, showing signs of recovery. The EMEA region declined by 17.1%, and the AMER region sales were down by 40.5%. AMER remained our largest region with 49% of sales. EMEA grew to 35% and APAC was third at 16% of total sales.

### **Deltagon acquisition**

We announced the acquisition of Deltagon Oy, a leading provider of secure messaging and transaction solutions. With the acquisition, SSH gains a new, profitably growing subscription-based business, a strong position in the Nordic security messaging market, and a solid customer base.

The acquisition strengthens our position as a provider of secure networking and messaging solutions that safeguard our customers' key cybersecurity interests and offer security-critical networking, encryption, and other solutions to the private and public sector in a coordinated manner. The acquisition also supports our aim to build a core national cybersecurity and cryptography competence center around our NQX business.

The acquisition of Deltagon delivers on our strategy of moving towards a subscription-based business model. This makes the business more predictable as the relative importance of the more volatile license sales decreases. After the transaction, approximately 70 percent of our sales will come from recurring maintenance and subscription revenue.

We will fully consolidate Deltagon after the expected closing of the transaction during the first half of 2021. The acquisition is estimated to accelerate our revenue growth and improve our operating profit and cashflow from operations.

### **A fresh restart**

During my first nine months steering SSH, all hands of our hundred-strong global team have been on deck building a strong foundation for sustainable growth.

We have clarified and focused our strategy for 2021-2022. We have flattened and streamlined our organization for faster execution and improved accountability. We have moved our focus closer to our customers and improved our response to their changing needs driven by the underlying technology changes like introduction of cloud applications. Today we operate through three regions with increased agility. We have recruited more sales personnel, product managers and engineers. We are strengthening our professional services business to better support license and subscription sales at our key customers. We have increased our investment into our traditional products Tectia and UKM.

We have a new board and a new largest owner who are supporting our growth strategy.

### **Looking ahead**

At the center of our plan are new and scalable in-house products PrivX and NQX, which will expand their roles in our portfolio, and we welcome the additions to the portfolio from the Deltagon acquisition. This enables us to offer comprehensive cybersafety solutions to our customers globally. We will continue selectively to develop our patent portfolio.

Our focus is on growth during 2021 and 2022 both organically and inorganically. The large cryptography contract announced in December and the Deltagon acquisition announced in January are the first steps on our journey forward. We are strengthening our position with key customers through a wider portfolio of SSH products and related professional services.

Teemu Tunkelo  
CEO

## CONSOLIDATED NET SALES

Consolidated net sales for October–December totaled EUR 3.0 million (EUR 4.1 million).

Consolidated net sales for January–December totaled EUR 11.3 million (EUR 14.4 million), a decrease of 21.7 %, year on year.

The Americas region accounted for 52.8 % (54.3 %); the Europe, Middle East, and Africa region 28.3 % (25.3 %); and the Asia Pacific region 18.9 % (20.4 %) of reported net sales.

EUR million	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
<b>BY SEGMENT</b>						
AMERICAS	<b>1.4</b>	2.4	-40.5	<b>5.9</b>	7.8	-23.9
APAC	<b>0.5</b>	0.5	4.5	<b>2.1</b>	2.9	-27.4
EMEA	<b>1.0</b>	1.2	-17.1	<b>3.2</b>	3.6	-12.6
Total	<b>3.0</b>	4.1	-28.4	<b>11.3</b>	14.4	-21.7
<b>BY OPERATION</b>						
Subscription sales	<b>0.2</b>	0.2	15.2	<b>0.8</b>	0.7	8.1
License sales	<b>0.6</b>	1.5	-62.3	<b>2.2</b>	4.5	-49.7
Maintenance sales	<b>1.7</b>	2.1	-17.2	<b>7.8</b>	8.6	-9.6
Professional services & others	<b>0.4</b>	0.3	47.8	<b>0.4</b>	0.6	-24.2
Total	<b>3.0</b>	4.1	-28.4	<b>11.3</b>	14.4	-21.7

The majority of SSH Communications Security's invoicing is US dollar denominated. During the financial year, the average exchange rate of the US dollar against the euro declined by 1.9 % compared to 2019. With comparable exchange rates, the net sales reduction in 2020 would have been 20.8 % compared to 2019.

## RESULTS AND EXPENSES

Operating loss for October–December was EUR -1.3 million (EUR -0.1 million), with net loss totaling EUR -1.6 million (EUR -0.5 million).

Operating loss for January–December was EUR -2.5 million (EUR -1.2 million), with net loss totaling EUR -3.1 million (EUR -1.5 million).

Sales, marketing, and customer support expenses for October–December amounted to EUR -2.2 million (EUR -2.1 million), while research and development expenses totaled EUR -1.3 million (EUR -1.4 million) and administrative expenses EUR -0.8 million (EUR -0.8 million).

Sales, marketing, and customer support expenses for January–December amounted to EUR -6.7 million (EUR -7.5 million), while research and development expenses totaled EUR -5.0 million (EUR -4.9 million) and administrative expenses EUR -2.7 million (EUR -2.9 million). Operating expenses decreased by 5.1 % compared to the previous year.

## BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was stable during the financial year. The consolidated balance sheet total on December 31, 2020, was EUR 18.6 million (December 31, 2019: EUR 23.8 million), of which liquid assets accounted for EUR 8.5 million (December 31, 2019: EUR 12.0 million), or 45.7 % of the balance sheet total. Interest-bearing liabilities increased to EUR 1.3 million (December 31, 2019: EUR 0.9 million) due to new rental contracts. Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (December 31, 2019: 0.6 million) taken out from the non-controlling interest holder State Security Networks Group Finland. On December 31, 2020, gearing, or the ratio of net liabilities to shareholders' equity, was -85.3 % (December 31, 2019: -92.3 %) and the equity ratio stood at 69.7 % (December 31, 2019: 78.0 %).

The reported gross capital expenditure for January–December totaled EUR 2.1 million (EUR 2.0 million). The reported financial income and expenses in total to EUR -0.6 million (EUR -0.1 million) consisted mainly of exchange rate gains or losses and interest expenses sales and leasing contracts.

During January–December, SSH Communications Security generated a cash flow of EUR -0.2 million (EUR 0.3 million) from business operations, and investments showed a cash flow of EUR -1.5 million (EUR -1.1 million). Cash flow from investments includes government grants of EUR 0.6 million (EUR 0.9 million). Cash flow from financing totaled EUR -1.3 million (EUR -0.8 million).

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

## **RESEARCH AND DEVELOPMENT**

Research and development expenses for October–December totaled EUR -1.3 million (EUR -1.4 million), the equivalent of 44.3 % of net sales (33.1 %). During October–December, the company capitalized development costs in the amount of EUR 0.4 million (EUR 0.4 million).

Research and development expenses for January–December totaled EUR -5.0 million (EUR -4.9 million), the equivalent of 44.9 % of net sales (34.0 %). During January–December, the company capitalized development costs in the amount of EUR 1.3 million (EUR 1.6 million). Capitalized product development costs were reduced by the amount of EUR 0.4 million received as funding from the EU (2019: EUR 0.1 million). The depreciation of R&D capitalization assets was EUR -1.3 million (EUR -1.3 million).

## **HUMAN RESOURCES AND ORGANIZATION**

At the end of December, the Group had 94 employees on its payroll (December 31, 2019: 90). The number of employees increased by four persons from the previous year (4.4 %).

At the end of the period, 33.0 % (35.6 %) of the employees worked in sales, marketing, and customer services, 51.1 % (51.1 %) in R&D, and 16.0 % (13.3 %) 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 accounting period between January 1, 2019, and December 31, 2019. Tatu Ylönen was re-elected, and Aino-Mari Kiiänmies 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 Erkkä 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 number of members of the Board of Directors is five (5) and elected Tatu Ylönen, Aino-Mari Kiiänmies, 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 19,431,318 shares (valued at EUR 24,937,080) during the year. The highest quotation was EUR 1.97 and the lowest EUR 0.65. The trade-weighted average share price for the period was EUR 1.28, and the share closed at EUR 1.70 (December 31, 2020).

Tatu Ylönen sold 6.4 million shares in SSH to the investment fund Accendo Capital on May 22, 2020, and a 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](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 December 31, 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 cancelled. 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 2021 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 web page: [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**

On January 29, 2021, SSH Communications Security Corporation's subsidiary, Kyberleijona Oy agreed to acquire all shares of Deltagon Oy from Leijonaverkot Oy, a subsidiary of Suomen Erillisverkot Oy.

Deltagon Oy develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. The acquisition strengthens SSH's position as a provider of secure networking and messaging solutions that safeguard key national cybersecurity interests and offer security-critical networking, encryption, and other solutions to the public sector in a coordinated manner. After closing, Deltagon becomes a subsidiary of Kyberleijona and part of the SSH group. The acquisition is expected to close during the first half of 2021, subject to regulatory approvals and fulfillment of customary closing conditions.

The total acquisition price is approximately EUR 15.4 million. The cash flow impact of the acquisition price to SSH is EUR 10 million over the next four years. The parties have also agreed on an earnout payment of no more than EUR 1.3 million, subject to certain conditions being fulfilled in the three-year period after the acquisition.



## CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Net sales	3.0	4.1	11.3	14.4
Cost of sales	-0.1	-0.1	-0.3	-0.5
Gross margin	2.9	4.1	11.0	13.9
Other operating income	0.1	0.1	1.0	0.1
Selling, marketing, and customer support expenses	-2.2	-2.1	-6.7	-7.5
Research and development expenses	-1.3	-1.4	-5.0	-4.9
Administrative expenses	-0.8	-0.8	-2.7	-2.9
Operating profit/loss	-1.3	-0.1	-2.5	-1.2
Financial income and expenses	-0.3	-0.2	-0.6	-0.1
Profit/loss before taxes	-1.6	-0.4	-3.1	-1.3
Taxes	0.0	-0.1	0.0	-0.1
<b>Profit/loss for the period</b>	<b>-1.6</b>	<b>-0.5</b>	<b>-3.1</b>	<b>-1.5</b>
<b>Attributable to:</b>				
Owners of the parent company	-1.5	-0.4	-2.8	-1.3
Non-controlling interests	-0.1	-0.1	-0.2	-0.2
	<b>-1.6</b>	<b>-0.5</b>	<b>-3.1</b>	<b>-1.5</b>
<b>Other comprehensive income</b>				
Items which might be later transferred to profit or loss:				
Foreign subsidiary translation differences	0.2	0.1	0.3	-0.0
<b>Total comprehensive income</b>	<b>-1.5</b>	<b>-0.4</b>	<b>-2.8</b>	<b>-1.5</b>
<b>Attributable to:</b>				
Owners of the parent company	-1.4	-0.3	-2.6	-1.3
Non-controlling interest	-0.1	-0.1	-0.2	-0.2
	<b>-1.5</b>	<b>-0.4</b>	<b>-2.8</b>	<b>-1.5</b>
<b>Earnings per share</b>				
Earnings per share (EUR)	-0.05	-0.02	-0.11	-0.06
Diluted earnings per share (EUR)	-0.05	-0.02	-0.11	-0.06

## CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant, and equipment	0.1	0.1
Right-of-use assets	0.7	0.3
Intangible assets	5.4	5.5
Investments	0.0	0.0
<b>Total non-current assets</b>	<b>6.3</b>	5.9
<b>Current assets</b>		
Inventories	0.0	0.0
Trade and other receivables	3.8	5.9
Financial assets	0.0	0.0
Cash and cash equivalents	8.5	12.0
<b>Total current assets</b>	<b>12.3</b>	17.9
<b>Total assets</b>	<b>18.6</b>	23.8
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Attributable to parent company's shareholders	8.1	11.4
Non-controlling interest	0.4	0.6
<b>Total equity</b>	<b>8.5</b>	12.0
<b>Non-current liabilities</b>		
Borrowings	0.6	0.6
Lease liabilities	0.4	0.1
Advances received and deferred revenue	0.8	2.4
<b>Total non-current liabilities</b>	<b>1.7</b>	3.0
<b>Current liabilities</b>		
Trade and other payables	2.4	2.5
Lease liabilities	0.3	0.2
Advances received and deferred revenue	5.7	6.0
<b>Total current liabilities</b>	<b>8.4</b>	8.7
<b>Total equity and liabilities</b>	<b>18.6</b>	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 Jan 1, 2019	1.2	12.0	-1.4	22.7	-21.1	13.4	0.8	14.2	
Change	-	-	0.0	-	-0.7	-0.7	-	-0.7	
Net profit					-1.3	-1.3	-0.2	-1.5	
Equity December 31, 2019	1.2	12.0	-1.4	22.7	-23.0	11.4	0.6	12.0	
Change	-	-	0.3	-	-0.8	-0.5	-	-0.5	
Net profit					-2.8	-2.8	-0.2	-3.1	
<b>Equity December 31, 2020</b>	<b>1.2</b>	<b>12.0</b>	<b>-1.2</b>	<b>22.7</b>	<b>-26.6</b>	<b>8.1</b>	<b>0.4</b>	<b>8.5</b>	

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1–12/2020	1–12/2019
Cash flow from operations	<b>-0.2</b>	0.3
<i>whereof change in working capital</i>	<b>1.1</b>	-0.6
Cash flow from investing activities	<b>-1.5</b>	-1.1
Cash flow from financing activities	<b>-1.3</b>	-0.8
Increase (+) / decrease (-) in cash	<b>-3.0</b>	-1.6
Cash at period start	<b>12.0</b>	13.5
Effect of exchange rate	<b>-0.4</b>	0.1
Cash at period end	<b>8.5</b>	12.0

## NOTES TO THE FINANCIAL STATEMENT RELEASE

This Financial Statement Release has been prepared in accordance with *IAS 34 Interim Financial Reporting*. The Financial Statement Release does not include all the information and disclosures required in the Annual Financial Statements. This Financial Statement Release has not been audited.

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	December 31, 2020	December 31, 2019
Carrying amount in the beginning of the period	0.1	0.2
Increase	0.1	0.0
Depreciation and impairment	-0.1	-0.1
Foreign exchange rate differences	-0.0	0.0
Carrying amount at the end of the period	0.1	0.1

### CHANGES IN RIGHT-OF-USE ASSETS

EUR million	December 31, 2020	December 31, 2019
Carrying amount in the beginning of the period	0.3	0.5
Increase	0.8	0.1
Decrease	-	-0.0
Depreciation and impairment	-0.4	-0.3
Foreign exchange rate differences	-0.0	0.0
Carrying amount at the end of the period	0.7	0.3

Right-of-use assets include leased offices and software. 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 2020. The subsidiary in the United States moved to New York City at the end of 2020. Right-of-use assets and lease liabilities of EUR 0.1 million have been recognized for the new office. The lease agreement of the old office expires in September 2021 and an impairment loss of EUR 29.2 thousand was recognized in the financial statements.

### CHANGES IN INTANGIBLE ASSETS

EUR million	December 31, 2020	December 31, 2019
Carrying amount in the beginning of the period	5.5	5.2
Increase	1.6	2.0
Amortization and impairment	-1.6	-1.7
Foreign exchange rate differences	0.0	0.0
Carrying amount at the end of the period	5.4	5.5

### CONTINGENT LIABILITIES

EUR million	December 31, 2020	December 31, 2019
Interest on hybrid capital securities	1.0	0.7
Rent security deposits	0.2	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 impairment

## KEY FIGURES AND RATIOS

EUR million	1-12/2020	1-12/2019
Net sales	<b>11.3</b>	14.4
EBITDA	<b>-0.4</b>	0.9
% of net sales	<b>-3.5</b>	6.0
Operating profit/loss	<b>-2.5</b>	-1.2
% of net sales	<b>-22.1</b>	-8.4
Profit/loss before taxes	<b>-3.1</b>	-1.3
% of net sales	<b>-27.5</b>	-9.3
Return on equity (%)	<b>-30.0</b>	-11.3
Return on investment (%)	<b>-27.3</b>	-9.8
Interest-bearing net liabilities	<b>-7.2</b>	-11.1
Equity ratio (%)	<b>69.7</b>	78.0
Gearing (%)	<b>-85.3</b>	-92.3
Gross capital expenditure	<b>2.1</b>	2.0
% of net sales	<b>18.8</b>	13.9
R&D expenses	<b>-5.0</b>	-4.9
% of net sales	<b>44.9</b>	34.0
Personnel, period average	<b>88</b>	88
Personnel, period end	<b>94</b>	90

## PER SHARE DATA

EUR	1-12/2020	1-12/2019
Earnings per share undiluted <sup>1</sup>	<b>-0.11</b>	-0.06
Earnings per share diluted <sup>1</sup>	<b>-0.11</b>	-0.06
Equity per share	<b>0.22</b>	0.31
No. of shares at period average (thousand)	<b>38 802</b>	38 802
No. of shares at period end (thousand)	<b>38 802</b>	38 802
Share performance		
Average price	<b>1.28</b>	1.34
Low	<b>0.65</b>	0.97
High	<b>1.97</b>	1.97
Share price period end	<b>1.70</b>	1.04
Market capitalization period end (EUR million)	<b>65.8</b>	40.2
Volume of shares traded (million)	<b>19.4</b>	5.3
Volume of shares traded as % of total	<b>50.1</b>	10.2
Value of shares traded (EUR million)	<b>24.9</b>	4.0
Price per earnings ratio (P/E)	<b>neg.</b>	neg.
Dividend per share	<b>0.00</b>	0.00
Dividend per earnings, %	<b>0.00</b>	0.00
Effective return on dividend, %	<b>0.00</b>	0.00

<sup>1</sup> Earnings per share is affected by 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	1-12/2020	1-12/2019
<b>EBITDA</b>	<b>-0.4</b>	0.9
Depreciation and impairment	<b>-2.1</b>	-2.1
<b>Operating profit/loss</b>	<b>-2.5</b>	-1.2

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SSH Communications Security will release its Interim Report for the first quarter of the year on April 27, 2021.

Helsinki, February 18, 2021

SSH COMMUNICATIONS SECURITY

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NASDAQ Helsinki Ltd.  
Major media  
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