

SSH COMMUNICATIONS SECURITY CORPORATION INTERIM REPORT RELEASE, JANUARY 1 – SEPTEMBER 30, 2014

July–September 2014: +4.2 % net sales growth, despite losses still continue to invest in sales and products. Cash flow negative, cash position remained satisfactory.

- Net sales totaled EUR 3.2 million, up by 4.2 % year on year (EUR 3.1 million in 7-9/2013).
- Operating loss amounted to EUR -0.5 million (EUR -0.4 million in 7-9/2013). Loss was EUR -0.4 million (EUR -0.4 million)
- Earnings per share EUR -0.02 (EUR -0.01).

January–September 2014: Slight net sales growth, losses due to timing of sizeable deals and investments to future growth. Cash flow negative, cash position remained satisfactory.

- Net sales totaled EUR 9.5 million, up by 2.5 % year on year (EUR 9.2 million in 1-9/2013).
- Operating loss amounted to EUR -2.0 million (EUR -0.4 million in 1-9/2013) including EUR 0.0 of non-recurring costs (EUR 0.0 million). Loss was EUR -2.0 million (EUR -0.4 million)
- Earnings per share EUR -0.07 (EUR -0.02).

Equity share was good 65.9% (76.8%) and liquid assets EUR 3.4 million (EUR 6.5 million).

KEY FIGURES						
	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	Change %	1-12/ 2013
Net sales (MEUR)	3.2	3.1	9.5	9.2	2.5	13.3
Operating profit/loss (MEUR)	-0.5	-0.4	-2.0	-0.4	-377.2	0.2
% of net sales	-16.3	-12.9	-20.8	-4.5	-365.7	1.3
Profit/loss before taxes (MEUR)	-0.4	-0.4	-1.9	-0.4	-349.2	0.2
Profit/loss (MEUR)	-0.4	-0.4	-2.0	-0.4	-349.0	0.2
Return on equity, %			-29.1	-12.7	-128.0	2.2
Return on investment, %			-29.1	-12.4	-134.0	1.9
Liquid assets			3.4	6.5	-48.1	6.0
Gearing (%)			-60.5	-90.4	-33.0	-80.1
Equity ratio (%)			65.9	76.8	-14.2	76.6
Earnings Per Share (EUR)	-0.02	-0.01	-0.07	-0.02	-265.0	-0,00
Shareholders' equity per share (EUR)	0.18	0.23	0.18	0.24	-22.39	0.24

CEO'S REVIEW

The third quarter finished disappointingly. Sales growth remained weak which together with investments in key customer acquisitions, market making and product development kept SSH in losses. Despite sales growth remained unsatisfactory, customer base continued to increase: e.g. a major global financial services provider selected Universal SSH Key Manager for the centralized key management and access control for its business critical infrastructure. One important step during third quarter was that National Institute of Standards and Technology (NIST), an opinion leader

in USA, released Report (IR 7966) providing vital guidance for managing Secure Shell access to sensitive data. SSH CIO Tatu Ylönen co-authored this release which will influence how US Federal space as well as enterprises will manage Secure Shell access. Sales pipeline remained strong and investments in sales and product development will continue.

Ongoing revelations of information system based espionage, continuous flow of publicized cyber security breaches and growing use of internet increases need for our key technologies: encryption, key management and authentication. Cyber security solutions from trusted sources both in the commercial and government sectors are in high need and solutions from SSH are well positioned within this growing market.

After three weeks in SSH, the more I learn, the more I believe in opportunities to grow. The SSH protocol is ubiquitous in large IT environments both in commercial and government sectors, and gives us, as the inventors of the protocol, a unique position. My main focus today is to bring more customer and market focus into all the aspects in SSH which will help SSH to become a bigger player in Cyber security space.

Harri Koponen

CEO

NET SALES

Consolidated net sales for July-September totaled EUR 3.2 million (EUR 3.1 million), up by 4.2 %, year on year.

Consolidated net sales for January-September totaled EUR 9.5 million (EUR 9.2 million), up by 2.5 %, year on year. Long sales cycles with big corporations and complexity of customer needs impacted sales growth.

The Americas, Europe, Middle East and Africa market area and the Asia Pacific region accounted for 59.0 % (42.9 %), 27.6 % (45.9 %) and 13.4 % (11.3 %) of reported net sales, respectively. The change of geographical focus of a significant customer project impacts the changes between relative shares of net sales between regions.

SSH NET SALES						
EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	Change %	1-12/ 2013
BY SEGMENT						
AMERICAS	2.1	1.3	5.6	4.0	40.9	5.3
APAC	0.4	0.3	1.3	1.0	22.4	1.5
EMEA	0.6	1.4	2.6	4.2	-38.4	6.6
SSH Group Total	3.2	3.1	9.5	9.2	2.5	13.3
BY OPERATION						
License sales	0.8	0.7	2.5	2.7	-8.8	4.6
Consulting	0.8	0.9	2.4	2.3	6.6	3.0
Maintenance	1.5	1.4	4.6	4.2	8.3	5.6
Total	3.2	3.1	9.5	9.2	2.5	13.3

The majority of SSH Communications Security's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro weakened approximately -1.8% compared to the same period a year ago. With comparable exchange rates 2014 net sales growth would have been +2.2% compared with 2013 corresponding period.

RESULTS AND EXPENSES

Operating loss for July–September amounted to EUR -0.5 million (loss EUR -0.4 million), with net loss totaling EUR -0.4 million (EUR -0.4 million).

Operating loss for January–September amounted to EUR -2.0 million (EUR -0.4 million), with net loss totaling EUR -2.0 million (EUR -0.4 million). Profitability was influenced by higher share of service sales in addition to investments to sales and product development and delays of closing sizeable deals.

Sales, marketing and customer support expenses for the July–September reporting period amounted EUR -1.8 million (EUR -1.9 million), while research and development expenses totaled EUR -1.1 million (EUR -0.7 million) and administrative expenses EUR -0.3 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the January–September reporting period amounted EUR -5.5 million (EUR -5.1 million), while research and development expenses totaled EUR -3.1 million (EUR -2.1 million) and administrative expenses EUR -1.0 million (EUR -1.1 million).

BALANCE SHEET AND FINANCIAL POSITION

the financial position of SSH Communications Security remained satisfactory during the reporting period. The consolidated balance sheet total on September 30, 2014 stood at EUR 12.3 million (September 30, 2013 EUR 13.6 million; December 31, 2013 EUR 13.5 million), of which liquid assets accounted for EUR 3.4 million (September 30, 2013 EUR 6.5 million; December 31, 2013 EUR 6.0 million), or 27.7 % of the balance sheet total. On September 30, 2014, gearing, or the ratio of net liabilities to shareholders' equity, was -60.5 % (September 30, 2013 -90.4 %; December 31, 2013 -80.1 %) and the equity ratio stood at 65.9 % (September 30, 2013 76.8 %; December 31, 2013 76.6 %).

The reported gross capital expenditure for the period totaled EUR 1.3 million (EUR 1.4 million). The reported financial income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totaled EUR 0.1 million (EUR -0.0 million).

During January–September, SSH Communications Security reported a negative cash flow of EUR -1.2 million (EUR 0.4 million) from business operations, and investments showed a negative cash flow of EUR -1.3 million (EUR -1.4 million). Cash flow from financing totaled EUR 0.1 million (EUR -1.2 million). Total cash flow from operations, investments and financing was negative EUR -2.4 million (EUR -2.2 million).

Fair value of short term investment is determined from quoted prices available from markets. Financial investment belongs to level 1 according to IFRS 7. Market value of financial investment was EUR 1.0 (1.0) million and nominal value EUR 1.0 (1.0) million.

RESEARCH AND DEVELOPMENT

Research and development expenses for July–September totaled EUR -1.1 million (EUR -0.7 million), the equivalent of 33.3 % of net sales (22.0 %). During July–September, the company has capitalized R&D costs EUR 0.4 million (EUR 0.3 million).

Research and development expenses for January–September totaled EUR -3.1 million (EUR -2.1 million), the equivalent of 32.3 % of net sales (22.3 %). In reporting period, R&D cost capitalizations amounted to EUR 1.1 million (EUR 1.1 million).

Depreciation from R&D capitalization assets was EUR -0.6 million (EUR -0.4 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 96 employees on its payroll, up by 2 persons from the previous year, an increase of +2%. Compared with previous quarter, personnel decreased by 3.

At the end of the period, 38 % of the employees worked in sales and marketing, 49 % in R&D, and 13 % in corporate administration.

BOARD AND AUDITORS

at the Annual General Meeting, March 20, 2014 Timo Syrjälä was elected and Päivi Hautamäki and Tatu Ylönen were re-elected to directors of the company. Timo Syrjälä was elected as the Chairman of the Board of Directors in the board's organizing meeting.

The Authorized Public Accountants KPMG Oy Ab was re-elected as the auditor of the company with Kirsi Jantunen, KHT, as the accountant with the main responsibility.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation shares totaled 2,711,537 (valued at EUR 7, 826,967). The highest quotation was EUR 3.74 and the lowest EUR 2.35. The trade-weighted average share price for the period was EUR 2.94 and the share closed at EUR 2.54 (September 30, 2014).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, 57.7 % of the company's shares, Assetman Oy holds 10.8 % and Timo Syrjälä through companies under his control 5.0 %. More information about the shareholding can be obtained from the company's web site.

During reporting period no dividend or return of capital were distributed.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on September 30, 2014 was EUR 927,627.99 consisting of 30,920,923 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. The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015. As announced on September 18, 2014, the Board of Directors decided upon an option plan of maximum 1 000 000 options.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the acquiring of a maximum of 2 000 000 own shares of the company with assets belonging to the company's non-restricted equity. This amount corresponds approximately to 6.50% of all the shares of the company. The shares can also be acquired otherwise than in proportion to the holdings of the existing shareholders (targeted repurchase). 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 authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015.

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:

- continuing uncertainty of the macroeconomic environment
- delays on product development and closing new business
- competitiveness of the product portfolio including intellectual property (IPR)
- litigation, especially in U.S. market
- competitive dynamics in the industry
- ability of the organization to scale up operations with the growth
- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2014 could have unpredictable effects for profitability that are at the time difficult to estimate. Currently USD currency position is not hedged, and company decides 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.

FUTURE OUTLOOK

In 2014, SSH Communications Security estimates its revenue to grow significantly and profitability to improve from 2013.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security Corporation's Chief Innovation Officer Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.3 million during January–September 2014. During the reporting period there have not been any other significant transactions with related parties. Hybrid capital securities (EUR 4.0 million) of the company was subscribed by Chief Innovation Officer Tatu Ylönen.

EVENTS AFTER THE BALANCE SHEET DATE

As announced on October 2, 2014, Harri Koponen was nominated as Chief Executive Officer starting on the same day. Tatu Ylönen continues to work full time in the company as Chief Innovation Officer, and is the Chairman of the Board. Timo Syrjälä continues in the board. SSH Communications Security management is not aware of any other significant transactions after the reporting period.

REPORTING

This financial statement release is prepared according to IAS 34. Financial statement release follows the same principles and standards as the previous financial statement release. Additionally the effective changes in IAS/IFRS

standards during reporting period have been adopted. These changes have no material impact on the interim report. The information presented in this interim report has not been audited.

TABLES

SHORT COMPREHENSIVE INCOME STATEMENT					
EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
Net sales	3.2	3.1	9.5	9.2	13.3
Cost of goods sold	-0.6	-0.5	-1.9	-1.4	-1.9
Gross profit	2.6	2.6	7.6	7.9	11.4
Other operating income	0.0	0.0	0.0	0.1	0.1
Sales, marketing and customer support costs	-1.8	-1.9	-5.5	-5.1	-6.9
Product development expenses	-1.1	-0.7	-3.1	-2.1	-3.0
Administrative expenses	-0.3	-0.4	-1.0	-1.1	-1.5
Operating profit/loss	-0.5	-0.4	-2.0	-0.4	0.2
Financial income and expenses	0.1	0.0	0.2	0.0	-0.0
Profit/loss before taxes	-0.4	-0.4	-1.9	-0.4	0.2
Taxes	-0.1	0.0	-0.0	0.0	-0.0
Net profit/loss for the financial period	-0.4	-0.4	-2.0	-0.4	0.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Other profit and loss account items:					
Items which might be later transferred to P/L statement					
Foreign subsidiary translation differences	-0.2	0.0	-0.3	0.0	-0.0
Net change in fair value of available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	-0.6	-0.4	-2.3	-0.4	0.2

Net profit/loss attributable to:					
Owners of the Company	-0.6	-0.4	-2.3	-0.4	0.2
Non-Controlling interest	0.0	0.0	0.0	0.0	0.0
EARNINGS PER SHARE					
Earnings per share (EUR)	-0.02	-0.01	-0.07	-0.02	-0.00
Earnings per share diluted (EUR)	-0.02	-0.01	-0.06	-0.02	-0.00

BALANCE SHEET			
EUR million			
	30.9.2014	30.9.2013	31.12.2013
ASSETS			
Non-current assets			
Tangible assets	0.2	0.2	0.2
Intangible assets	3.6	2.8	3.1
Investments	0.0	0.0	0.0
Total non-current assets	3.8	3.0	3.4
Current assets			
Trade and other receivables	5.1	4.0	4.1
Short-term financial assets	1.0	2.0	0.0
Cash and cash equivalents	2.4	4.5	6.0
Total current assets	8.5	10.6	10.1
Total assets	12.3	13.6	13.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Equity attributable to the parent company shareholders total	5.6	6.7	7.4
Non-controlling interest	0.0	0.5	0.0
Shareholders' equity total	5.6	7.2	7.4
Non-current liabilities			
Provisions	0.0	0.1	0.1
Non-current interest-bearing liabilities	0.0	0.0	0.0
Total long-term liabilities	0.0	0.1	0.1
Current liabilities			
Liabilities total	6.6	6.4	6.1
Total equity and liabilities	12.3	13.6	13.5

CASH FLOW STATEMENT			
EUR million			
	1-9/2014	1-9/2013	1-12/2013

Cash flow from business operations	-1.2	0.4	0.4
Cash flow from investments	-1.3	-1.4	-2.0
Cash flow from financing	0.1	-1.2	-1.2
Increase(+) / decrease(-) in cash	-2.4	-2.2	-2.8
Cash at period start	3.8	6.6	6.6
Effect of exchange rate	0.0	0.0	0.0
Cash at period end*	2.4	4.4	3.8

* cash at period end does not include investments other than mutual funds of short term interest, thus investment of 1.0 (2.0) million EUR is excluded from cash at period end.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY								
EUR million	Share capital	Fair value reserves	Other fund + other equity fund	Translation difference	Fund for own shares	Non-controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan 1, 2013	0.9	0.2	4.1	-1.3	-1.0	0.2	3.1	6.3
Change		0.2		-0.1	1.0	0.3		1.4
Net profit							-0.4	-0.4
Shareholders' equity Sep 30, 2013	0.9	0.4	4.1	-1.4	0.0	0.5	2.7	7.2
Change			0.0	0.1		-0.5		-0.5
Net profit							0.6	0.6
Shareholders' equity Dec 31, 2013	0.9	0.4	4.1	-1.3	0.0	0.0	3.3	7.4
Change	0.0		0.1	-0.3			0.3	0.1
Net profit							-2.0	-2.0
Shareholders' equity Sep 30, 2014	0.9	0.4	4.2	-1.6	0.0	0.0	1.7	5.6

NET SALES WITH BY SEGMENT					
EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
AMER	2.1	1.3	5.6	4.0	5.3
APAC	0.4	0.3	1.3	1.0	1.5
EMEA	0.6	1.4	2.6	4.2	6.6
SSH Group Total	3.2	3.1	9.5	9.2	13.3

GROSS MARGIN BY SEGMENT					
EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
AMER	1.6	1.3	4.5	4.0	5.3
APAC	0.4	0.3	1.3	1.0	1.5
EMEA	0.6	0.9	1.8	2.9	4.7
SSH Group Total	2.6	2.6	7.6	7.9	11.4

OPERATING PROFIT BY SEGMENT					
EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
AMER	0.7	0.1	1.8	0.6	0.8
APAC	0.3	0.2	0.7	0.6	0.7
EMEA	0.3	0.5	0.7	2.2	4.0
Common Group expenses	-1.8	-1.2	-5.2	-3.9	-5.4
SSH Group Total	-0.5	-0.4	-2.0	-0.4	0.2

* Common Group expenses include Group administration expenses (e.g. management and finance) and product management and R&D expenses for corporate headquarters.

KEY FIGURES AND RATIOS			
EUR million	1-9/ 2014	1-9/ 2013	1-12/ 2013
Net sales	9.5	9.2	13.3
Operating profit/loss	-2.0	-0.4	0.2
Operating profit/loss as % of net sales	-20.8	-4.5	1.3
Profit/loss before extraordinary items and taxes	-1.9	-0.4	0.2
Profit/loss before extraordinary items and taxes as % of net sales	-19.8	-4.2	1.1
Profit/loss before taxes	-1.9	-0.4	0.2
Profit/loss before taxes as % of net sales	-19.8	-4.5	1.2
Return on equity (%)	-29.1	-12.7	2.2
Return on investment (%)	-29.1	-12.4	1.9

Interest-bearing net liabilities	-3.4	-6.5	-6.0
Equity ratio (%)	65.9	76.8	76.6
Gearing (%)	-60.5	-90.4	-80.1
Gross capital expenditure	1.3	1.4	2.0
% of net sales	14.0	15.1	14.7
R&D expenses	3.1	2.1	3.0
% of net sales	32.3	22.3	22.3
Personnel period average	98	82	85
Personnel period end	96	94	99

Calculation for key figures and ratios are presented in 2013 financial statement and annual report. There have not been changes in calculation rules after that.

PER SHARE DATA			
EUR	1-9/ 2014	1-9/ 2013	1-12/ 2013
Earnings per share undiluted*	-0.07	-0.02	-0.00
Earnings per share diluted*	-0.06	-0.02	-0.00
Equity per share	0.18	0.23	0.24
No. of shares at period average (thousand)	30,783	30,751	30,751
No. of shares at period end (thousand)	30,921	30,751	30,751
Share performance			
Average price	2.94	1.93	2.11
Low	2.35	0.75	0.75
High	3.74	4.50	4.50
Share price period end	2.54	3.63	2.91
Market capitalization period end (EUR million)	78.5	111.6	89.5
Volume of shares traded (million)	2.7	8.2	9.9
Volume of shares traded as % of total	8.8	39.7	33.4
Value of shares traded (EUR million)	7.8	15.8	20.8
Price per earnings ratio (P/E)	-	-	-
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

* earnings per share is impacted by unpaid interest of hybrid capital securities

CONTINGENT LIABILITIES			
EUR million	30.9.2014	30.9.2013	31.12.2013
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			

Maturing within 1 year	0.5	0.5	0.5
Maturing between 1 and 5 years	0.4	0.1	0.4

At the time of reporting, unpaid interests of the hybrid loan was EUR 0.5 million.

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SSH Communications Security Corporation will release its annual report for 2014 in February 5 2015.

Helsinki, October 22nd 2014

SSH COMMUNICATIONS SECURITY CORPORATION

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