

## SSH COMMUNICATIONS SECURITY CORPORATION FINANCIAL STATEMENT RELEASE, JANUARY 1 – MARCH 31, 2015

January–March 2015: Significant net sales growth, losses due to high share of low margin service business and investments to future growth. Cash flow from operations positive and cash position strengthened strongly due to Convertible capital securities.

- Net sales totaled EUR 6.8 million, up by 135.1 % year on year (EUR 2.9 million in 1–3/2014).
- Operating loss was EUR -0.4 million (EUR -0.9 million in 1–3/2014). There were no non-recurring items on reporting period. Loss was EUR -0.4 million (EUR -0.9 million)
- Earnings per share EUR -0.02 (EUR -0.03).

Equity ratio remained good 69.7 % (75.5 %) and liquid assets increased strongly to EUR 18.9 million (EUR 5.8 million).

In 2015, SSH Communications Security estimates its revenue to grow significantly from 2014.

KEY FIGURES				
EUR million	1-3/ 2015	1-3/ 2014	Change %	1-12/ 2014
Net sales (MEUR)	6.8	2.9	135.1	16.2
Operating profit/loss (MEUR)	-0.4	-0.9	58.9	0.2
% of net sales	-5.4	-31.1	82.5	1.3
Profit/loss before taxes (MEUR)	-0.3	-0.9	62.5	0.4
Profit/loss (MEUR)	-0.4	-0.9	62.0	0.3
Return on equity, %	-2.7	-13.5	80.2	4.3
Return on investment, %	-2.7	-13.0	78.9	2.7
Liquid assets	18.9	5.8	224.3	6.1
Gearing (%)	-99.6	-89.2	-11.6	-77.3
Equity ratio (%)	69.7	75.5	-7.7	63.3
Earnings Per Share (EUR)	-0.02	-0.03	46.7	-0.00
Shareholders' equity per share (EUR)	0.61	0.21	189.0	0.25

## CEO'S REVIEW

Valued customers, partners, coworkers, and shareholders,

The first quarter of 2015 coincided with the twentieth anniversary of the invention of the SSH protocol and the establishment of SSH Communications Security. Contemplating on the past is useful at times and it is remarkable to notice how while the world has changed, the issues that were key to the invention and the establishment of the company are even more topical today.

Cyber insecurity is a growing concern and needs to be tackled, but the more it becomes the norm rather than an anomaly, the less it should affect the everyday flow of events. Information flow can not be disrupted, work flow can not become more complex, the effortless flow of business must prevail.

The embracing of this flow thinking is the key driver in taking SSH Communications Security into the future. We realize, that as our products and services gain an ever more central role in the daily operations of governments and enterprise, they need to maintain and improve fluidity and efficiency, not increase complexity. This is the common base in the ongoing streamlining and updating of our product portfolio and our product development projects will lead the way to the evolution and redefining of the convenience and efficiency of access management.

2015 has kicked off with major revenue growth and advances. Closing a substantial deal with a major UK based financial institution, as well as signing a significant service contract with a global bank provided for the bulk of new business. The announcement of cloud functionality for the CryptoAuditor product proved a major success, with immediate deployments and new partner contracts, particularly in the APAC region.

Our heightened emphasis on solidifying our immaterial rights portfolio management has led to ongoing major negotiations with key global players and will be pursued further with increasing vigor. And the extension of our government specific offering has gained substantial ground as well and is broadening our view of the market. Our announcement of a joint secure phone project with Finnish mobile operating system developer Jolla created substantial buzz at the Mobile World Congress and numerous enquiries from all over the world.

On the finance front the company's €12 million issue of convertible capital securities was oversubscribed, leading to the repayment of a previous issue, substantially strengthening the company's cash position, allowing growth investment and supporting the defending and monetizing of intellectual property rights.

As SSH Communications Security welcomed Markku Rossi to the position of Chief Technology Officer as well as Timi Petersen as Chief Marketing Officer the organizational restructuring was finalized to better reflect current strategic initiatives. Product line structure has now been implemented and functions as a key element in adding capability to absorb and incorporate customer feedback and insight more inherently into operations.

In retrospect, the first quarter of 2015 saw the setting in place of many of the key elements for driving long-term success for SSH Communications Security. We are now well positioned to face the escalation of cybersecurity challenges and contribute our extensive know-how and experience for the benefit of our customers and partners.

Harri Koponen  
CEO

#### NET SALES

Consolidated net sales for January–March totaled EUR 6.8 million (EUR 2.9 million), up by 135.1 %, year on year. Net sales grew significantly in Americas and EMEA, and by all revenue types.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 60.4 % (43.2 %), 35.9 % (43.8 %) and 3.7 % (13.0 %) of reported net sales, respectively.

SSH NET SALES				
EUR million	1-3/ 2015	1-3/ 2014	Change %	1-12/ 2014
<b>BY REGION</b>				
AMERICAS	4.1	1.3	228.2	10.2
APAC	0.3	0.4	-32.0	1.8
EMEA	2.4	1.3	92.6	4.2
SSH Group Total	6.8	2.9	135.1	16.2
<b>BY TYPES</b>				
License sales	1.9	0.7	173.6	5.9
Consulting	3.1	0.8	285.5	4.1

Maintenance	1.9	1.4	32.6	6.2
Total	6.8	2.9	135.1	16.2

The majority of company's invoicing is U.S. dollar based. With comparable exchange rates, net sales growth would have been 113.2 % compared with 2014 corresponding period

## RESULTS AND EXPENSES

Operating loss for January–March was EUR -0.4 million (EUR -0.9 million), with net loss totaling EUR -0.4 million (EUR -0.9 million). Profitability was influenced by higher share of service sales in addition to investments to sales and product development.

There were no non-recurring items during January–March.

Sales, marketing and customer support expenses for the January–March reporting period amounted to EUR -2.1 million (EUR -1.8 million), while research and development expenses totaled EUR -1.2 million (EUR -0.9 million) and administrative expenses EUR -0.4 million (EUR -0.5 million).

## BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security strengthened strongly during the reporting period. The consolidated balance sheet total on March 31, 2015 stood at EUR 32.0 million (31.3.2014 EUR 12.2 million; 31.12.2014 EUR 17.5 million), of which liquid assets accounted for EUR 18.9 million (31.3.2014 EUR 5.8 million; 31.12.2014 EUR 6.1 million, or 59.0 % of the balance sheet total). During March, convertible capital securities of EUR 12 million were issued. The capital securities of EUR 4 million issued in December 2012 and interests were repaid in April. On March 31, 2015, gearing, or the ratio of net liabilities to shareholders' equity, was -99.6 % (31.3.2014 -89.2 %; 31.12.2014 -77.3 %) and the equity ratio stood at 69.7 % (31.3.2014 75.5 %; 31.12.2014 63.3 %).

The reported gross capital expenditure for the period totaled EUR 0.5 million (EUR 0.5 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 0.0 million (EUR 0.0 million).

During January–March, SSH Communications Security reported a positive cash flow of EUR 1.7 million (EUR 0.4 million) from business operations, and investments showed a negative cash flow of EUR -0.5 million (EUR -0.5 million). Cash flow from financing totaled EUR 11.7 million (EUR 0.0 million).

Total cash flow from operations, investments and financing was positive EUR 12.8 million (EUR -0.1 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 0.0million (EUR 2.0 million) and nominal value EUR 0.0 million (EUR 2.0 million).

## RESEARCH AND DEVELOPMENT

Research and development expenses for January–March totaled EUR -1.2 million (EUR -0.9 million), the equivalent of 18.2 % of net sales (31.3 %). During January–March, the company has capitalized new product R&D costs EUR 0.4 million (EUR 0.5 million).

## HUMAN RESOURCES AND ORGANIZATION

At the end of March, the Group had 95 employees on its payroll. The number of employees decreased by 6 persons from the previous year (-5.9 %). Compared to year end, the number of employees stayed the same.

At the end of the period, 47.9 % of the employees worked in sales, marketing and customer services, 37.2 % in R&D, and 14.9 % in corporate administration.

## BOARD AND AUDITORS

At the Annual General Meeting, March 25, 2015, Jukka Manner was elected and Päivi Hautamäki, Timo Syrjälä 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 shares totaled 1,386,093 shares (valued at EUR 5,142,854). The highest quotation was EUR 4.73 and the lowest EUR 2.52. The trade-weighted average share price for the period was EUR 3.71 and the share closed at EUR 4.73 (March 31, 2015).

Company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, 56.9 % of the company's shares, Assetman Oy holds 10.3 % and Gaselli Capital Oy holds 3.3 %. More information about the shareholding can be obtained from the company's web site.

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 March 31, 2015 was EUR 929,220.99 consisting of 30,974,033 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 4,000,000 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 Limited Liability 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 Limited Liability 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 Limited Liability 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 Limited Liability Companies Act.

The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30th 2016.

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 6.5 % 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 for the acquiring of the company's own shares will be used, inter alia, 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 30th 2016.

## 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 2015 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.

Utilization of the company's patent portfolio may have significant positive and/or negative impacts.

Principles and organization of risk management of SSH Communications Security can be read from company's webpage: [www.ssh.com](http://www.ssh.com).

## FUTURE OUTLOOK

In 2015, SSH Communications Security estimates its revenue to grow significantly from 2014.

## RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security's Chief Innovation Officer Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.1 million during January–March 2015. During the reporting period, there have not been any other significant transactions with related parties. Chief Innovation Officer Tatu Ylönen subscribed EUR 0.5 million of the hybrid capital securities issued by the company on March 30th. In December 2012 issued hybrid capital securities (EUR 4.0 million) were subscribed by Chief Innovation Officer Tatu Ylönen.

## EVENTS AFTER THE BALANCE SHEET DATE

As announced on April 13, 2015, SSH Communications Security partners with Fujitsu in Japan. In April, hybrid capital securities (EUR 4 million) issued in December 2012 was repaid. The 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 the 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.

SSH Communications Security has changed the operational mode into global operational mode and thus ceasing to report regional segments during 2015.

TABLES

SHORT COMPREHENSIVE INCOME STATEMENT			
EUR million	1-3/ 2015	1-3/ 2014	1-12/ 2014
Net sales	6.8	2.9	16.2
Cost of goods sold	-3.3	-0.6	-3.3
Gross profit	3.4	2.3	12.9
Other operating income	0.0	0.0	0.0
Sales, marketing and customer support costs	-2.1	-1.8	-7.3
Product development expenses	-1.2	-0.9	-4.0
Administrative expenses	-0.4	-0.5	-1.3
Operating profit/loss	-0.4	-0.9	0.2
Financial income and expenses	0.0	0.0	0.2
Profit/loss before taxes	-0.3	-0.9	0.4
Taxes	0.0	-0.1	-0.1
Net profit/loss for the financial period	-0.4	-0.9	0.3
Non-controlling interest	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	-0.4	0.0	-0.4
Net change in fair value of available-for-sale financial assets	0.0	0.0	0.0
Total comprehensive income	-0.7	-0.9	-0.1
Net profit/loss attributable to:			
Owners of the Company	-0.7	-0.9	-0.1
Non-controlling interest	0.0	0.0	0.0
EARNINGS PER SHARE			
Earnings per share (EUR)	-0.02	-0.03	-0.00
Earnings per share diluted (EUR)	-0.01	-0.03	-0.00

BALANCE SHEET			
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EUR million				
		31.3.2015	31.3.2014	31.12.2014
ASSETS				
Non-current assets				
Tangible assets		0.2	0.2	0.2
Intangible assets		3.9	3.3	3.8
Investments		0.0	0.0	0.0
Total non-current assets		4.2	3.5	4.0
Current assets				
Trade and other receivables		8.9	2.9	7.5
Short-term financial assets		0.0	0.0	0.0
Cash and cash equivalents		18.9	5.8	6.1
Total current assets		27.8	8.7	13.6
Total assets		32.0	12.2	17.5
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Equity attributable to the parent company shareholders total		19.0	6.5	7.9
Non-controlling interest		0.0	0.0	0.0
Shareholders' equity total		19.0	6.5	7.9
Non-current liabilities				
Provisions		0.0	0.0	0.0
Non-current interest-bearing liabilities		0.0	0.0	0.0
Total long-term liabilities		0.0	0.0	0.0
Current liabilities		13.0	5.7	9.7
Liabilities total		13.0	5.7	9.7
Total equity and liabilities		32.0	12.2	17.5

CASH FLOW STATEMENT				
EUR million		1-3/2015	1-3/2014	1-12/2014
Cash flow from business operations		1.7	0.4	1.8
Cash flow from investments		-0.5	-0.5	-1.8
Cash flow from financing		11.7	0.0	2.1
Increase(+) / decrease(-) in cash		12.8	-0.1	2.1

Cash at period start	6.1	3.8	3.8
Effect of exchange rate	0.2	0.0	0.1
Cash at period end*	18.9	3.7*	6.1

\* cash at period end does not include investments other than mutual funds of short term interest, thus investment of 2.0 million EUR is excluded from cash at period end in corresponding reporting period.

STATEMENT ON 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 01, 2014	0.9	0.4	4.1	-1.3	0.0	0.0	3.3	7.4
Change		0.0		0.0				0.0
Net profit							-0.9	-0.9
Shareholders' equity Mar 31, 2014	0.9	0.4	4.1	-1.3	0.0	0.0	2.4	6.5
Change	0.0	0.4	0.0	-0.4				0.1
Net profit							1.2	1.2
Shareholders' equity Jan 01, 2015	0.9	0.9	4.1	-1.7	0.0	0.0	3.6	7.9
Change		0.1	11.7	-0.4				11.5
Net profit							-0.4	-0.4
Shareholders' equity Mar 31, 2015	0.9	1.0	15.8	-2.0	0.0	0.0	3.3	19.0

KEY FIGURES AND RATIOS			
EUR million	1-3/ 2015	1-3/ 2014	1-12/ 2014
Net sales	6.8	2.9	16.2



Operating profit/loss	-0.4	-0.9	0.2
Operating profit/loss, as % of net sales	-5.4	-31.1	1.3
Profit/loss before extraordinary items and taxes	-0.3	-0.9	0.4
Profit/loss before extraordinary items and taxes, as % of net sales	-4.9	-30.7	2.5
Profit/loss before taxes	-0.3	-0.9	0.4
Profit/loss before taxes, as % of net sales	-4.9	-30.7	2.5
Return on equity (%)	-2.7	-13.5	4.3
Return on investment (%)	-2.7	-13.0	2.7
Interest-bearing net liabilities	-18.9	-5.8	-6.1
Equity ratio (%)	69.7	75.5	63.3
Gearing (%)	-99.6	-89.2	-77.3
Gross capital expenditure	0.5	0.5	1.9
% of net sales	8.1	15.7	11.5
R&D expenses	1.2	0.9	4.0
% of net sales	18.2	31.3	25.0
Personnel period average	95	100	97
Personnel period end	95	101	95

Calculation for key figures and ratios are presented in 2014 financial statement and annual report. There have not been changes in calculation rules after that.

PER SHARE DATA			
EUR	1-3/ 2015	1-3/ 2014	1-12/ 2014
Earnings per share undiluted	-0.02	-0.03	-0,00
Earnings per share diluted	-0.01	-0.03	-0,00
Equity per share	0.61	0.21	0.25
No. of shares at period average (thousand)	30,974	30,751	30,817
No. of shares at period end (thousand)	30,974	30,751	30,974
Share performance			
Average price	3.71	3.05	2.85
Low	2.52	2.71	2.31
High	4.73	3.74	3.74
Share price period end	4.73	3.20	2.51
Market capitalization period end (EUR million)	146.5	98.4	77.8
Volume of shares traded (million)	1.4	1.2	3.6
Volume of shares traded, as % of total number	4.5	3.9	11.7
Value of shares traded (EUR million)	5.1	3.8	10.3
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

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

CONTINGENT LIABILITIES			
EUR million	31.3.2015	31.3.2014	31.12.2014
Hybrid Loan, Interest	0.7	0.3	0.6
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.4	0.5	0.4
Maturing between 1 and 5 years	0.8	0.4	0.8

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SSH Communications Security will release its next interim report for period January 1 – June 30, 2015 on July 23rd, 2015.

Helsinki, April 21st, 2015

SSH COMMUNICATIONS SECURITY

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