

SUMMARY Q3

Net sales continued to grow moderately (+8%), results negative due to strong investments on future growth and timing of new deals.

July-September

- Net sales totaled EUR 3.1 million, up by 8.4% year on year (EUR 2.8 million in 7-9/2012).
- Operating loss amounted to EUR -0.4 million (profit EUR 0.4 million in 7-9/2012). Net loss EUR -0.4 million (profit EUR 0.4 million)
- Earnings per share EUR -0.01 (EUR 0.01).

January-September

- Net sales totaled EUR 9.2 million, up by +11.4% year on year (EUR 8.3 million in 1-9/2012).
- Operating loss amounted to EUR- 0.4 million (profit EUR 0.8 million in 1-9/2012) including EUR 0.0 of non-recurring costs (EUR -0.4 million). Net loss EUR -0.4 million (profit EUR 0.8 million)
- Earnings per share EUR -0.02 (EUR 0.03).
- Operative cash flow positive EUR 0.4 million (EUR 0.1 million). Total Cash Flow was EUR -2.2 million negative (EUR - 0,7 million) largely due to EUR 2.0 million investment made on fixed income fund, which are shown in investments.

The company's financial position is very good, with equity ratio 77.2% (50.9%) and liquid assets at the end of period EUR 6.5 million (EUR 1.8 million).

	7-9/ 2013	7-9/ 2012	1-9/ 2013	1-9/ 2012	Change %	1-12/ 2012
Net sales (MEUR)	3.1	2.8	9.2	8.3	11.4	11.9
Operating profit/loss (MEUR)	-0.4	0.4	-0.4	0.8	-151.0	1.1
% of net sales	-12.9	13.9	-4.5	9.7		9.1
Profit/loss before taxes (MEUR)	-0.4	0.4	-0.4	0.9	-148.8	1.1
Profit/loss (MEUR)	-0.4	0.4	-0.4	0.8	-151.2	1.1
Return on equity, %			- 12.7	60.4		30.9
Return on investment, %			-12.4	50.1		28.1
Liquid assets			6.5	1.8	256.9	6.6
Gearing (%)			-90.4	-94.6		-105.2
Equity ratio (%)			76.8	50.9		70.0
Earnings Per Share (EUR)	-0.01	0.01	-0.02	0.03	-168.4	0.04
Shareholders' equity per share (EUR)	0.23	0.06	0.23	0.06	266.9	0.20

CEO's BUSINESS REVIEW

Several major customers are in the process of evaluating and purchasing Universal SSH Key Manager(TM) and/or CryptoAuditor(TM) products. However, no major deal was closed in the third quarter and a number of customers have postponed their purchases to 2014, often for budget reasons. The US government shutdown has further impacted certain sales cases and awareness creation activities. Consequently, the company has lowered its 2013 growth estimate but remains optimistic about growth going forward.

The company signed important deals in the identity and access management area with a major telecommunications vendor and a major integrator for a European government during the quarter.

Secure access and management of large IT environments are clear growth areas for the company. The Universal SSH Key Manager product manages machine-to-machine access in large IT environments. The CryptoAuditor product for monitoring encrypted connections and privileged access within an organization continues to impress customers by its unique functionality.

The company is also working towards capitalizing on its patent portfolio, which appears to include several essential patents on technologies used in leading smartphones, tablets, state-of-the-art telephony and video conferencing systems, game consoles, and operating systems. The total sales of products using technologies patented by the company may exceed USD 100 billion annually. The patent portfolio may generate significant revenue in the future either in the form of revenue from sale of the patents or royalties.

Sami Ahvenniemi started as President of SSH Communications Security, Inc., with responsibility for the group's US operations. He has most recently been a Founding Partner at Conor Venture Partners. In 1998, he started SSH's US operations and grew SSH's US sales to about USD 10 million by 2001.

Mika Lauhde started as VP Government Relations and Business Development. Prior to joining SSH Communications Security, he headed Business Security and Continuity at Nokia, where he was accountable of Government Relations in the Cybersecurity area, Criminal compliancy and Forensics, Nokia crisis management and terminal and manufacturing related security tool manufacturing. He is a member of ENISA (European Network and Information Security Agency) Permanent Stakeholder Group, member of European Cyber Security Research Center, and Member of Finnish Government Cyber Security Working Group.

The PCI Council has released PCI DSS 3.0 requirements draft for securing credit card information processing. SSH and automated access between servers is highly relevant for compliance with the requirements, and the company believes the new requirements will help grow its sales. IDC recently highlighted the SSH key management problem in its research report.

The SSH protocol is ubiquitous in datacenters and used for managing routers, hardware management ports, virtualized instances, hypervisors, Unix/Linux operating systems, and for file transfers and point-to-point tunneling on all operating systems. As the inventors of the protocol, the company is uniquely positioned to provide solutions in this space.

Tatu Ylönen
CEO

FUTURE OUTLOOK

SSH Communications Security estimates its revenue in 2013 to grow 10% to 20% from the previous year. The lower revenue growth will impact profitability in 2013, but the full year still seems more likely to be profitable than not.

Upside possibilities for 2013 include faster than expected closing of new deals. Downside risks include delays in closing new business, product development delays, and macroeconomic challenges. Particularly US government sales may be impacted by the recent government shutdown.

NET SALES

Consolidated net sales for July-September totaled EUR 3.1 million (EUR 2.8 million), up by 8.4%, year on year.

Consolidated net sales for January-September totaled EUR 9.2 million (EUR 8.3 million), up by 11.4%, year on year.

The Americas, Europe, Middle East and Africa market area and the Asia Pacific region accounted for 42.9% (50.8%), 45.9% (34.4%) and 11.3% (14.8%) of reported net sales, respectively.

SSH NET SALES						
EUR million	7-9/ 2013	7-9/ 2012	1-9/ 2013	1-9/ 2012	Change %	1-12/ 2012
BY SEGMENT						
AMERICAS	1.3	1.6	4.0	4.2	-6.0	6.0
APAC	0.3	0.5	1.0	1.2	-15.0	1.6
EMEA	1.4	0.8	4.2	2.9	48.4	4.3
SSH Group Total	3.1	2.8	9.2	8.3	11.4	11.9
BY OPERATION						
License sales	0.7	1.2	2.7	3.8	-26.8	5.0
Consulting	0.9		2.3			0.6
Maintenance	1.4	1.7	4.2	4.5	-6.6	6.3
Total	3.1	2.8	9.2	8.3	11.4	11.9

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 -2.3% compared to the same period a year ago. With comparable exchange rates 2013 net sales growth would have been +12.0% compared with 2012 corresponding period.

RESULTS AND EXPENSES

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

Operating loss for January–September amounted to EUR -0.4 million (profit EUR 0.8 million), with net loss totaling EUR -0.4 million (profit EUR 0.8 million). Non-recurring items during January-September were EUR 0.0 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the July-September reporting period amounted EUR -1.9 million (EUR -1.5 million), while research and development expenses totaled EUR -0.7 million (EUR -0.6 million) and administrative expenses EUR -0.4 million (EUR -0.3 million).

Sales, marketing and customer support expenses for the January-September reporting period amounted EUR -5.1 million (EUR -4.1 million), while research and development expenses totaled EUR -2.1 million (EUR -2.0 million) and administrative expenses EUR -1.1 million (EUR -1.0 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security remained good during the reporting period. The consolidated balance sheet total on September 30, 2013 stood at EUR 13.6 million (September 30, 2012 EUR 7.5 million; December 31, 2012 EUR 12.5 million), of which liquid assets accounted for EUR 6.5 million (September 30, 2012 EUR 1.8 million; December 31, 2012 EUR 6.6 million), or 48.1% of the balance sheet total. On September 30, 2013, gearing, or the ratio of net liabilities to shareholders' equity, was -90.4% (September 30, 2012 -94.6%; December 31, 2012 -105,2%) and the equity ratio stood at 76.8% (September 30, 2012 50.9%; December 31, 2012 70.0%). Equity is impacted by assets of SSH Management Investments (EUR 0.5 million) which will be removed when SSH Management Investment will be liquidated during 2013.

The reported gross capital expenditure for the period totaled EUR 1.4 million (EUR 0.7 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-September, SSH Communications Security reported a positive cash flow of EUR 0.4 million (EUR 0.1 million) from business operations, and investments showed a negative cash flow of EUR -1.4 million (EUR -0.8 million). Cash flow from financing totaled EUR -1.2 million (EUR -0.1 million). Total cash flow was EUR -2.2 million largely due to EUR 2.0 million investment made on fixed income fund, which are shown in investments.

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 2.0 million and nominal value EUR 2.0 million.

RESEARCH AND DEVELOPMENT

Research and development expenses for July-September totaled EUR -0.7 million (EUR -0.6 million), the equivalent of 22.0% of net sales (21.0 %). During July-September company has capitalized R&D costs EUR 0.3 million (EUR 0.2 million).

Research and development expenses for January-September totaled EUR -2.1 million (EUR -2.0 million), the equivalent of 22.3% of net sales (24.1%).

The company has continued R&D capitalizations during the reporting period related to Universal SSH Key Manager and Crypto Auditor according to IAS 38 standard. In reporting period R&D cost capitalizations amount to EUR 1.1 million (EUR 0.7 million). Depreciation from R&D capitalization assets was EUR -0.4 million.

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 94 employees on its payroll, up by 35 persons from the previous year, an increase of +59%. Compared with previous quarter personnel increased by 8.

At the end of the period, 45% of the employees worked in sales and marketing, 44% in R&D, and 11% in corporate administration.

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 20, 2013 elected Päivi Hautamäki, Sami Ahvenniemi and Tatu Ylönen as the directors of the company. Sami Ahvenniemi was elected the Chairman of the Board of Directors in the board's organizing meeting. As announced on July 5, 2013 SSH Communications Security has appointed MSc (Eng.) Sami Ahvenniemi to a member of the Group Management Team responsible for operations in the North and South America from August 12, 2013. Ahvenniemi will continue as a member of the Board. The Chairman of the Board of Directors of SSH Communications Security Oyj is Päivi Hautamäki from August 1, 2013 onwards.

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 8 193 905 (valued at EUR 15 826 135). The highest quotation was EUR 4.12 and the lowest EUR 0.75. The trade-weighted average share price for the period was EUR 1.93 and the share closed at EUR 3.63 (September 30, 2013).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, now 57.7% of the company's shares, Assetman Oy holds 11.3% and Gaselli Capital 4.1%. SSH Management Investment sold all shares (4.7%) of the company during reporting period. Due to the transaction, SSH communications Security has recorded EUR 0.1 million gain during the second quarter of 2013. 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, 2013 was EUR 922 416.99 consisting of 30 750 983 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, 2014. As announced on June 5, 2013, the Board of Directors decided upon an option plan of maximum 1 700 000 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, 2014.

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
- litigation, especially in the 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 2013 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.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security Corporation's CEO Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.3 million during January-September 2013. 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 CEO Tatu Ylönen.

EVENTS AFTER THE BALANCE SHEET DATE

The SSH Communications Security management is not aware of any 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 /2012	1-9/ 2013	1-9/ 2012	1-12/ 2011
	Net sales	3.1	2.8	9.2	8.3	11.9
	Cost of goods sold	-0.5	-0.1	-1.4	-0.4	-0.9
	Gross profit	2.6	2.8	7.9	7.9	11.0
	Other operating income	0.0	0.0	0.1	0.0	0.0
	Sales, marketing and customer support costs	-1.9	-1.5	-5.1	-4.1	-5.9
	Product development expenses	-0.7	-0.6	-2.1	-2.0	-2.7

Administrative expenses	-0.4	-0.3	-1.1	-1.0	-1.4
Operating profit/loss	-0.4	0.4	-0.4	0.8	1.1
Financial income and expenses	0.0	0.1	-0.0	0.0	0.0
Profit/loss before taxes	-0.4	0.4	-0.4	0.9	1.1
Taxes	0.0	0.0	0.0	0.0	0.0
Net profit/loss for the financial period	-0.4	0.4	-0.4	0.8	1.1
Minority Interest	0.0	0.0	0.0	0.0	0.0
Other profit and loss account items:					
Foreign subsidiary translation differences	-0.0	0.0	-0.0	0.0	-0.1
Net change in fair value of available-for-sale financial assets	0.0		0.0		
Total comprehensive income	-0.4	0.4	-0.4	0.8	1.0

Net profit/loss attributable to:					
Owners of the Company	-0.4	0.4	-0.4	0.8	1.0
Non-Controlling interest	0.0	0.0	0.0	0.0	0.0
EARNINGS PER SHARE					
Earnings per share (EUR)	-0.01	0.01	-0.02	0.03	0.04
Earnings per share, diluted (EUR)	-0.01	0.00	-0.02	0.03	0.04

BALANCE SHEET			
EUR million			
	30/09/2013	30/09/2012	31/12/2012
ASSETS			
Non-current assets			
Tangible assets	0.2	0.1	0.1
Intangible assets	2.8	1.7	2.1
Investments	0.0	0.0	0.0
Total non-current assets	3.0	1.9	2.2
Current assets			
Trade and other receivables	4.0	3.8	3.7
Short-term financial assets	2.0	0.0	0.0
Cash and cash equivalents	4.5	1.8	6.6
Total current assets	10.6	5.7	10.3
Total assets	13.6	7.5	12.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Equity attributable to the parent company shareholders total	6.7	1.7	6.0

	Non-controlling interest	0.5	0.2	0.2
	Shareholders' equity total	7.2	1.9	6.3
	Non-current liabilities			
	Provisions	0.1	0.1	0.1
	Non-current interest-bearing liabilities	0.0	0.0	0.0
	Total long-term liabilities	0.1	0.1	0.1
	Current liabilities	6.3	5.6	6.1
	Liabilities total	6.4	5.7	6.3
	Total equity and liabilities	13.6	7.5	12.5

CASH FLOW STATEMENT				
EUR million	1-9/2013	1-9/2012	1-12/2012	
	Cash flow from business operations	0.4	0.1	1.3
	Cash flow from investments	-1.4	-0.8	-1.2
	Cash flow from financing	-1,2	-0.1	4.1
	Increase(+) / decrease(-) in cash	-2.2	-0.7	4.2
	Cash at period start	6.6	2.4	2.4
	Effect of exchange rate	0.0	0.0	0.0
	Cash at period end	4.4	1.7	6.6

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, 2012	0.9	0.2	0.1	-1.2	-1.0	0.2	1.9	1.1
Change		0.0		-0.0				
Net profit							0.8	0.8
Shareholders'	0.9	0.2	0.1	-1.2	-1.0	0.2	2.7	1.9

equity sep 30, 2012								
Change	0.0		4.0	-0.1		0.0		4.0
Net profit							0.4	0.4
Shareholders' equity Jan 01, 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

NET SALES BY SEGMENT					
EUR million	7-9/ 2013	7-9/ 2012	1-9/ 2013	1-9/ 2012	1-12/ 2012
AMER	1.3	1.6	4.0	4.2	6.0
APAC	0.3	0.5	1.0	1.2	1.6
EMEA	1.4	0.8	4.2	2.9	4.3
SSH Group Total	3.1	2.8	9.2	8.3	11.9

GROSS MARGIN BY SEGMENT					
EUR million	7-9/ 2013	7-9/ 2012	1-9/ 2013	1-9/ 2012	1-12/ 2012
AMER	1.3	1.6	4.0	4.2	5.9
APAC	0.3	0.5	1.0	1.2	1.6
EMEA	0.9	0.6	2.9	2.4	3.5
SSH Group Total	2.6	2.8	7.9	7.8	11.0

OPERATING PROFIT AND LOSS BY SEGMENT					
EUR million	7-9/ 2013	7-9/ 2012	1-9/ 2013	1-9/ 2012	1-12/ 2012
AMER	0.1	0.8	0.6	1.9	2.4
APAC	0.2	0.3	0.6	0.7	0.8
EMEA	0.5	0.5	2.2	2.2	3.3
Common Group expenses	-1.2	-1.3	-3.9	-4.1	-5.4

SSH Group Total	-0.4	0.4	-0.4	0.8	1.1
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* 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	1-9/2013	1-9/2012	1-12/2012
Net sales	9.2	8.3	11.9
Operating profit/loss	-0.4	0.8	1.1
Operating profit/loss. as % of net sales	-4.5	9.7	9.1
Profit/loss before extraordinary items and taxes	-0.4	1.2	1.5
Profit/loss before extraordinary items and taxes. as % of net sales	-4.2	14.5	12.8
Profit/loss before taxes	-0.4	0.9	1.1
Profit/loss before taxes. as % of net sales	-4.5	10.3	9.4
Return on equity (%)	-12.7	60.4	30.9
Return on investment (%)	-12.4	50.1	28.1
Interest-bearing net liabilities	-6.5	-1.8	-6.6
Equity ratio (%)	76.8	50.9	70.0
Gearing (%)	-90.4	-94.6	-105.2
Gross capital expenditure	1.4	0.7	1.2
% of net sales	15.1	8.4	10.0
R&D expenses	2.1	2.0	2.7
% of net sales	22.3	24.1	22.7
Personnel. period average	82	54	61
Personnel. period end	94	59	70

Calculation for key figures and ratios are presented in 2012 financial statement and annual report. There have not been changes in calculation rules after that.

PER-SHARE DATA			
EUR	1-9/2013	1-9/2012	1-12/2012
Earnings per share. Undiluted	-0.02	0.03	0.04
Earnings per share. diluted	-0.02	0.03	0.04
Equity per share	0.23	0.06	0.20
No. of shares at period average (thousand)	30 751	30 553	30 553
No. of shares at period end (thousand)	30 751	30 553	30 751
Share performance			
Average price	1.93	0.51	0.50
Low	0.75	0.30	0.30
High	4.50	0.90	0.90
Share price. period end	3.63	0.85	0.76
Market capitalization. period end (EUR million)	111.6	26.0	23.4
Volume of shares traded (million)	8.2	6.2	6.6
Volume of shares traded. As % of total	39.7	24.1	20.8

Value of shares traded (EUR million)	15.8	3.1	3.2
Price per earnings ratio (P/E)	-	-	20.9
Dividend per share	0.0	0.0	0.0
Dividend per earnings, %	0.0	0.0	0.0
Effective return on dividend, %	0.0	0.0	0.0

CONTINGENT LIABILITIES			
EUR million	30.9.2013	30.9.2012	31.12.2012
Rent security deposits	0.1	0.1	0.1
Interest commitments of hybrid capital loan outside balance sheet	0.2	0.0	0.0
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.5	0.5	0.5
Maturing between 1 and 5 years	0.1	0.6	0.1

DISCLAIMER

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SSH Communications Security Corporation will release its annual report for 2013 in February 6th 2014.

Helsinki, October 23rd 2013

SSH COMMUNICATIONS SECURITY CORPORATION

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