

SSH COMMUNICATIONS SECURITY CORPORATION INTERIM REPORT JULY 1 – SEPTEMBER 30, 2021

NET SALES INCREASED 54%, EBITDA POSITIVE

July–September 2021: Net sales increased 53.8% compared to the previous year. EBITDA was positive for the quarter.

- Net sales totaled EUR 3.9 million (7-9/2020: EUR 2.6 million)
- EBITDA was EUR 0.6 million (EUR 0.2 million)
- Operating loss was EUR -0.3 million (EUR -0.3 million)
- Net loss for the period was EUR -0.3 million (EUR -0.5 million)
- Earnings per share was EUR -0.02 (EUR -0.02)

January–September 2021: Net sales increased 19.7% compared to the previous year. EBITDA was negative due to growth investments.

- Net sales totaled EUR 9.9 million (1-9/2020: EUR 8.3 million).
- EBITDA was EUR -0.3 million (EUR 0.4 million).
- Operating loss was EUR -2.2 million (EUR -1.2 million).
- Net loss for the period was EUR -2.7 million (EUR -1.5 million).
- Earnings per share was EUR -0.10 (EUR -0.06).

Operating cash flow was EUR -1.5 million (EUR -0.2 million). Equity ratio was 46.3% (76.2%). Liquid assets were EUR 4.2 million (EUR 9.4 million).

KEY FIGURES

EUR million	7–9/2021	7–9/2020	Change %	1–9/2021	1–9/2020	Change %	1–12/2020
Net sales	3.9	2.6	53.8	9.9	8.3	19.7	11.3
EBITDA	0.6	0.2	143.8	-0.3	0.4	-177.3	-0.4
% of net sales	14.0	8.8	58.5	-2.8	4.3	-164.6	-3.5
Operating profit/loss	-0.3	-0.3	-30.6	-2.2	-1.2	-85.0	-2.5
% of net sales	-8.3	-9.8	-15.1	-22.0	-14.2	54.6	-22.1
Profit/loss before taxes	-0.4	-0.5	-24.7	-2.5	-1.5	69.7	-3.1
Profit/loss	-0.3	-0.5	-40.7	-2.7	-1.5	84.6	-3.1
Return on equity, %				-27.0	-13.3	-102.6	-30.0
Return on investment, %				-18.0	-12.2	-47.4	-27.3
Liquid assets				4.2	9.4	-55.9	8.5
Gearing (%)				-25.8	-82.2	68.6	-85.3
Equity ratio (%)				46.3	76.2	-39.3	69.7
Earnings per share, EUR	-0.02	-0.02	24.5	-0.10	-0.06	-57.0	-0.11
Shareholders' equity per share, EUR	0.30	0.25	16.5	0.30	0.25	16.5	0.22
Annual Recurring revenue				14.5	8.6	69.7	8.0
Subscription revenue, ARR				6.3	0.8	697.4	1.2

*Subscription revenue ARR reported previously for Q2 2021 was EUR 6.9 million. During Deltagon's integration process in Q3 2021, it was discovered that June 2021 contained recognized revenue belonging to previous months. Because ARR is calculated by multiplying the period end figure, the Q2 2021 Subscription revenue ARR was previously overstated, and it has grown during Q3 2021 compared to Q2 2021.

SSH Communications Security provides alternative performance measures, which are not defined by IFRS standards. Alternative performance measures should not be considered substitutes for performance measures in accordance with the IFRS. The alternative performance measures are:

EBITDA: Operating profit/loss + depreciation and amortization

Subscription ARR (Annual Recurring Revenue): Subscription revenue in the last month of a reported quarter multiplied by 12.
Annual Recurring Revenue: Subscription + maintenance revenue at the end of the last month of the reported quarter multiplied by 12.

CEO REVIEW

Valued shareholders, customers, partners, and colleagues,

In the third quarter we saw a clear pick-up in the cybersecurity market and increased demand for our solutions. We acquired several new customers in addition to closing large renewals and generating new sales with existing customers.

We have continued our investments in growth and R&D to capitalize on the increased interest in our products from potential customers.

During the past two years, we have seen customers moving increasingly toward a “land and expand” purchasing pattern where customers start small and expand the use of the solutions in a stepwise manner. There is also a trend towards subscription-based software purchasing, especially in the US and Europe.

Our installed base continues to grow, and we have accelerated our growth rate compared to the comparison period as well as compared to the previous two quarters.

Third quarter highlights:

- Revenue growth of +54%
- Annual Recurring Revenue (ARR) reached EUR 14.5 million at the end of Q3
- We continued our investments in growth and R&D, with 35% of revenue invested in R&D during the period
- We broadened our market reach by expanding our portfolio of solutions with PrivX technology
 - PrivX OT (Operational Technology) Edition for factories, harbors, and marine vessel operators
 - PrivX MSP (Managed Service Provider) Edition for Outsourcers and SaaS software companies
 - UKM Zero Trust Edition makes digital key management more flexible and cost-effective, especially in large and dynamic customer environments
 - Tectia Zero Trust Edition provides JIT (Just-In-Time) and JEA (Just-Enough-Access) connections to servers in hybrid, cloud and multi-cloud environments
- NQX PQC Edition, our first Post Quantum Cryptography product was introduced
- We introduced the SSH Secure e-communication Suite of products, which comprises of the products acquired through the Deltagon acquisition

A subscription-based business model generates slower initial revenue growth compared to a perpetual license model. However, increasing customer demand and an increasing share of subscription revenues resulted in a good third quarter overall. The postponement of cybersecurity investments, common during the pandemic so far, appears to be diminishing. Our customers are starting to invest in a more cybersecure future due to the increased digitalization of their businesses, increased remote work and growing cybercrime and ransomware risks. We are executing on our growth strategy and enter the fourth quarter with enthusiasm and momentum.

Financial Performance

- Net sales for the third quarter were EUR 3.9 million (EUR 2.6 million), an increase of 54% compared to Q3 2020.
- EBITDA for Q3 2021 was EUR 0.6 million (EUR 0.2 million), a second consecutive positive quarter.
- Operating loss was EUR -0.3 million (EUR -0.3 million), and the net loss for the period was EUR -0.3 million (EUR -0.5 million).
- The operating cash flow for the quarter was EUR 0.4 million (-0.2 million).

Sales Performance

Sales in the EMEA region increased 172% compared to Q3 2020. APAC region sales decreased by 30% compared to Q3 2020, and AMER region sales increased by 22%.

Subscription revenue grew 765% compared to Q3 2020. PrivX subscription revenue grew by 170%. The majority of the subscription revenue growth was driven by the acquisition of Deltagon's Secure e-communication Suite.

During the quarter, both license revenue and recurring revenue (subscriptions and maintenance) increased.

PrivX gives customers Just In Time Zero Trust access control

During the quarter, we reached several important milestones with our Privileged Access Management solution PrivX and its industry focused PrivX OT and PrivX MSP Editions. We won several new PrivX enterprise customers. We have secured PrivX OT Edition and PrivX MSP Edition projects expanding our addressable market outside the traditional enterprise IT market.

We announced PrivX, UKM and Tectia Zero Trust Editions, which help customers remove static credentials by enabling PrivX with JIT (Just In Time) and JEA (Just Enough Access) Zero Trust technologies. Access is granted only when needed in real time and the use of the access is monitored and logged to enable auditing of system level access activities. Our JIT Zero Trust technology is especially important in the US market and differentiates our products from the competition. We have accomplished this through our leading-edge microservices architecture, which is based on technology superior to that of our competitors.

According to Allied Market Research (7/2021) the global container and Kubernetes security market was USD 714 million in 2020, and is expected to grow to USD 8 billion by 2030, growing at a CAGR of 27% over the period. PrivX now supports container deployment model. PrivX supports wide range of cloud, hybrid and SaaS deployment models. First customer installations of container enabled PrivX version have been successful.

At CAGR of 8%, the Managed Security Services market hits USD 51 billion by 2027 says Brandessence Market Research (9/2021). PrivX MSP Edition has been well received by our existing and new customers and offers us a market expansion opportunity to medium size managed services providers especially in Europe and US.

According to Kenneth Research (8/2021) the Global Operational Technology (OT) Security market was at USD 200 million in 2018 and is expected to grow at CAGR of 42% during the forecast period and reach USD 3.5 billion by 2025. New PrivX OT Edition contracts are being finalized with several major European customers and we estimate new projects to start during the last quarter of the year.

NQX, Quantum Safe security, cryptographic products and services

NQX is gaining traction with security-critical customers. At the end of the third quarter, we had secured in excess of EUR 0.3 million in customer subscription orders. We have a good visibility towards larger expected orders as customers' test environments progress into deployments.

The major contract for the delivery of cryptographic products and services announced in 12/2020 is now moving into production deployment. The progress into deployment phase has been slower than anticipated and that has reflected negatively on revenue generation this year. We see development being positive for next year. However, delays have been encountered in supply of hardware components due to the global shortage in semiconductors, which may affect our lead times in delivering devices for customer orders.

During the quarter, we released the Quantum Safe solution for Data-in-Transit by bringing NQX PQC Edition to the market. NQX PQC is our first commercially available Post Quantum safe solution.

Next steps are to expand the use of PQC technologies in the rest of our portfolio.

Secure e-communication Suite

The Secure e-communication Suite gives customers secure digital communication. The suite consists of Secured Email, Secure Workspace, Secure Signature and Secure Forms. The Secure e-communication Suite contributes to SSH's subscription revenue growth, and we signed over thirty new customers during the quarter.

JIT (Just in Time) Zero Trust

SSH is a leading company in providing JIT Zero Trust privileged access, digital key management, secure data-in-transit and communication solutions. We have expanded our portfolio with two new Zero Trust Editions. UKM Zero Trust and Tectia Zero Trust based on PrivX technology enable our customers with controlled key management and secure server connections in dynamic cloud and hybrid infrastructures and help customers to make a smooth and safe transition to the cloud era with increased amount of remote work and 3rd party suppliers.

Continuing with the recurring revenue transition

Recurring revenue accounted for 87% of total revenue, increasing its share from the previous quarter and giving SSH a solid base for further growth.

To complement the Subscription ARR metric, we publish a broader metric, Annual Recurring Revenue. This metric is a snapshot of the last month of the reporting period multiplied by 12, presenting an annualized revenue figure for SSH's recurring revenue base. Our Annual Recurring Revenue at the end of Q3 reached EUR 14.5 million.

Outlook

Our 2021 guidance remains unchanged:

We expect net sales to increase significantly during 2021. We are accelerating our transition from license and support service 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.

CONSOLIDATED NET SALES

Consolidated net sales for July – September totaled EUR 3.9 million (EUR 2.6 million).

Consolidated net sales for January – September totaled EUR 9.9 million (EUR 8.3 million).

The Americas region accounted for 48.1% (54.1%); the Europe, Middle East, and Africa region 42.0% (26.1%); and the Asia Pacific region 9.9% (19.8%) of reported net sales.

CONSOLIDATED NET SALES

EUR million	7–9/2021	7–9/2020	Change %	1–9/2021	1–9/2020	Change %	1–12/2020
BY SEGMENT							
AMERICAS	1.7	1.4	21.9	4.8	4.5	6.1	5.9
APAC	0.3	0.4	-30.3	1.0	1.6	-40.3	2.1
EMEA	1.9	0.7	172.1	4.2	2.2	92.3	3.2
Total	3.9	2.6	53.8	9.9	8.3	19.7	11.3
BY OPERATION							
Subscription sales	1.6	0.2	765.4	3.0	0.5	463.8	0.8
License sales	0.4	0.4	1.3	1.4	1.7	-18.7	2.2
Maintenance sales	1.8	1.9	-7.1	5.4	6.1	-11.4	7.8
Professional services & others	0.1	0.0	349.8	0.2	0.1	209.6	0.4
Total	3.9	2.6	53.8	9.9	8.3	19.7	11.3

The majority of SSH Communications Security's invoicing is US dollar-denominated. During the financial year to-date, the average exchange rate of the US dollar against the euro declined by 6.5% compared to the January-September 2020 period. With comparable exchange rates, the net sales increase in 2021 YTD would have been 24.2% compared to 2020 YTD, instead of reported 19.3%.

RESULT AND EXPENSES

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

Operating loss for January – September was EUR -2.2 million (EUR -1.2 million), with net loss totaling EUR -2.7 million (EUR -1.5 million).

Selling, marketing, and customer support expenses for July – September amounted to EUR -2.0 million (EUR -1.2 million), while research and development expenses totaled EUR -1.4 million (EUR -1.1 million) and administrative expenses EUR -1.1 million (EUR -0.6 million).

Selling, marketing, and customer support expenses for January – September amounted to EUR -6.1 million (EUR -4.5 million), while research and development expenses totaled EUR -4.1 million (EUR -3.7 million) and administrative expenses EUR -2.8 million (EUR -1.9 million). Operating expenses increased by 28% compared to the previous year.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was satisfactory during the reporting period. The consolidated balance sheet total on September 30, 2021, was EUR 32.0 million (September 30, 2020: EUR 18.1 million; December 31, 2020: EUR 18.6 million), of which liquid assets accounted for EUR 4.2 million (September 30, 2020: EUR 9.4 million; December 31, 2020: EUR 8.5 million), or 13.0 % of the balance sheet total. Interest-bearing liabilities were EUR 1.2 million (September 30, 2020:

1.3 million; December 31, 2020: EUR 1.3 million). Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (September 30, 2020: 0.6 million; December 31, 2020: 0.6 million) granted by the non-controlling interest holder State Security Networks Group Finland. On September 30, 2021 gearing, or the ratio of net liabilities to shareholders' equity, was -25.8% (September 30, 2020: -82.2%; December 31, 2020: -85.3%) and the equity ratio stood at 46.3% (September 30, 2020: 76.2%; December 31, 2020: 69.7%).

The reported gross capital expenditure for January – September totaled EUR 1.8 million (EUR 1.5 million). The reported financial income and expenses of EUR -0.3 million (EUR -0.3 million) consisted mainly of exchange rate gains or losses, interest expenses, sales and leasing expenses.

During January – September, SSH Communications Security generated cash flow of EUR -1.5 million (EUR -0.2 million) from business operations, and investments generated cash flow of EUR -4.7 million (EUR -1.0 million). Cash flow from investments includes the acquisition of Deltagon Oy for EUR -4.6 million and received government grants of EUR 1.8 million (EUR 0.6 million). Cash flow from financing totaled EUR 1.7 million (EUR -1.2 million). Cash flow from financing includes the payment of hybrid instrument interest of EUR -1.4 million (EUR -0.9 million), and a received loan 2.5 million. Total cash flow from operations, investments, and financing was EUR -4.5 million (EUR -2.4 million).

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

RESEARCH AND DEVELOPMENT

Research and development expenses for July – September totaled EUR -1.4 million (EUR -1.1 million), the equivalent of 34.9 % of net sales (43.2 %). During July – September, the company has capitalized new product R&D costs in the amount of EUR 0.4 million (EUR 0.3 million). Capitalized product development expenses were reduced by EUR 0.1 million received as funding from the EU in 2020 (EUR 0.1 million).

Research and development expenses for January – September totaled EUR -4.1 million (EUR -3.7 million), the equivalent of 40.8% of net sales (45.1%). During January – September, the company has capitalized new product R&D costs in the amount of EUR 0.9 million (EUR 1.0 million). Capitalized product development expenses were reduced by EUR 0.3 million received as funding from the EU in 2020 (EUR 0.4 million). Depreciation expense from capitalized R&D assets was EUR -0.9 million (EUR -0.9 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 123 employees (September 30, 2020: 82; December 31, 2020: 94). The number of employees increased by 41 persons from the comparison period and by 29 persons from the year-end 2020 (3 %). The change was mainly driven by the Deltagon acquisition.

At the end of the period, 39.0% (29.3%) of the employees worked in sales, marketing and customer service, 51.2% (53.7%) in R&D, and 9.8% (17.1%) in corporate administration.

BOARD AND AUDITORS

The Annual General Meeting of SSH Communications Security Oyj was held on March 25, 2021. 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, 2020, and December 31, 2020. Henri Österlund, Kai Tavakka, Sampo Kellomäki, and Christian Fredrikson (new member) were elected as directors of the company's Board of Directors. At the inaugural meeting of the Board of Directors, Henri Österlund was elected Chairman.

The Authorized Public Accountants Ernst & Young Oy were re-elected as the auditor of the company. Ernst & Young Oy informed the company that Erka Talvinko, Authorized Public Accountant, will continue as the principal auditor.

GROUP MANAGEMENT TEAM

On September 30, 2021, the Group Management Team comprised:
Teemu Tunkelo, Chief Executive Officer
Niklas Nordström, Chief Financial Officer
Rami Raulas, Head of EMEA Region

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security shares totaled 7,076,597 shares (valued at EUR 18,022,658) during the reporting period. The highest quotation was EUR 3.26 and the lowest EUR 1.60. The trade-weighted average share price for the period was EUR 2.51, and the share closed at EUR 2.35 (September 30, 2021).

Accendo Capital is the largest shareholder of SSH, with 29.2% of the company shares and votes. Tatu Ylönen is the second-largest shareholder of SSH 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

On January 29, 2021, SSH announced the acquisition of Deltagon Oy through its subsidiary Kyberleijona Oy. The transaction was closed on April 26, 2021.

No dividend or return of capital has been distributed during the reporting period.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on September 30, 2021, was EUR 1,176,206.99, consisting of 38,826,233 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, 2022.

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, 2022.

RISKS AND UNCERTAINTIES

The ongoing COVID-19 pandemic remains a macro-level risk which, if prolonged, may affect SSH Communications Security through challenges it poses on 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 pandemic
- Refinancing risk/liquidity risk such as being unable to pay obligations due to insufficient liquidity or difficulties in raising financing.
- 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
- Due to the global shortage in semiconductors hinder supply of hardware components and indirectly initiation of customer IT project
- 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.

RELATED PARTY TRANSACTIONS

During the reporting period, there have not been any significant transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there have not been any significant events.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	7-9/2021	7-9/2020	1-9/2021	1-9/2020	1-12/2020
Net sales	3.9	2.6	9.9	8.3	11.3
Cost of sales	0.0	-0.1	0.1	-0.2	-0.3
Gross margin	4.0	2.5	10.0	8.1	11.0
Other operating income	0.2	0.2	0.8	0.8	1.0
Selling, marketing and customer support expenses	-2.0	-1.2	-6.1	-4.5	-6.7
Research and development expenses	-1.4	-1.1	-4.1	-3.7	-5.0
Administrative expenses	-1.1	-0.6	-2.8	-1.9	-2.7
Operating profit/loss	-0.3	-0.3	-2.2	-1.2	-2.5
Financial income and expenses	-0.1	-0.3	-0.3	-0.3	-0.6
Profit/loss before taxes	-0.4	-0.5	-2.5	-1.5	-3.1
Taxes	0.1	0.0	-0.2	0.0	0.0
Profit/loss for the period	-0.3	-0.5	-2.7	-1.5	-3.1
Attributable to:					
Owners of the parent company	-0.4	-0.5	-2.7	-1.3	-2.8
Non-controlling interests	0.1	-0.1	0.0	-0.2	-0.2
	-0.3	-0.5	-2.7	-1.5	-3.1
Other comprehensive income					
Items which might be later transferred to profit or loss:					
Foreign subsidiary translation differences	-0.1	0.1	0.0	0.1	0.3
Total comprehensive income	-0.4	-0.4	-2.7	-1.4	-2.8
Attributable to:					
Owners of the parent company	-0.5	-0.3	-2.6	-1.2	-2.6
Non-controlling interest	0.1	-0.1	0.0	-0.2	-0.2
	-0.4	-0.4	-2.7	-1.4	-2.8
Earnings per share					
Earnings per share (EUR)	-0.02	-0.02	-0.10	-0.06	-0.11
Diluted earnings per share (EUR)	-0.02	-0.02	-0.10	-0.06	-0.11

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Sep 30. 2021	Sep 30. 2020	Dec 31. 2020
ASSETS			
Non-current assets			
Property, plant and equipment	0.1	0.1	0.1
Right-of-use assets	0.6	0.7	0.7
Goodwill and intangible assets	21.7	5.3	5.4
Investments	0.0	0.0	0.0
Total non-current assets	22.4	6.2	6.3
Current assets			
Inventories	0.0	0.0	0.0
Trade and other receivables	5.3	2.4	3.8
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	4.2	9.4	8.5
Total current assets	9.5	11.9	12.3
Total assets	32.0	18.1	18.6
EQUITY AND LIABILITIES			
Equity			
Attributable to parent company's shareholders	5.2	9.4	8.1
Non-controlling interest	6.2	0.4	0.4
Total equity	11.5	9.9	8.5
Non-current liabilities			
Borrowings	0.6	0.6	0.6
Lease liabilities	0.3	0.4	0.4
Other non-current liabilities	3.6		
Advances received and deferred revenue	1.0	0.7	0.8
Deferred tax liabilities	1.6		
Total non-current liabilities	7.1	1.7	1.7
Current liabilities			
Trade and other payables	6.9	1.8	2.4
Lease liabilities	0.3	0.3	0.3
Advances received and deferred revenue	6.1	4.4	5.7
Total current liabilities	13.3	6.5	8.4
Total equity and liabilities	32.0	18.1	18.6

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, 2020	1.2	12.0	-1.4	22.7	-23.0	11.4	0.6	12.0
Change			0.1		-0.8	-0.7		-0.7
Net profit					-1.3	-1.3	-0.2	-1.5
Equity Sep 30, 2020	1.2	12.0	-1.3	22.7	-25.1	9.4	0.4	9.9
Change	0.0	0.0	0.2	0.0	-1.5	-1.3		-1.3
Net profit					0.0	0.0	-0.1	0.0
Equity Dec 31, 2020	1.2	12.0	-1.2	22.7	-26.6	8.1	0.4	8.5
Change	0.0		0.0	0.8	-1.1	-0.2		-0.2
Net profit					-2.7	-2.7	0.0	-2.7
Acquisition of subsidiary							5.9	5.9
Equity September 30, 2021	1.2	12.0	-1.1	23.6	-30.3	5.2	6.2	11.5

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-9/2021	1-9/2020	1-12/2020
Cash flow from operations	-1.5	-0.2	-0.2
<i>whereof change in working capital</i>	2.5	0.3	1.1
Cash flow from investing activities	-4.7	-1.0	-1.5
Cash flow from financing activities	1.7	-1.2	-1.3
Increase (+) / decrease (-) in cash	-4.5	-2.4	-3.0
Cash at period start	8.5	12.0	12.0
Effect of exchange rate	0.1	-0.2	-0.4
Cash at period end	4.2	9.4	8.5

NOTES TO THE FINANCIAL STATEMENT RELEASE

The interim report for the nine months reporting period ended September 30, 2021 has been prepared in accordance with *IAS 34 Interim Financial Reporting*. This interim report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020. The information presented in this interim report is unaudited.

The accounting policies adopted for this interim report are consistent with those applied in 2020 consolidated financial statements except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. The new standards and amendments had no impact on the interim condensed consolidated financial statements of the SSH Group.

BUSINESS COMBINATIONS

Acquisition of Deltagon Oy

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland that develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. A majority of Deltagon's revenue is generated from the secure email messaging solution Sec@GW that has been certified by the National Cyber Security Authority at the Finnish Transport and Communications Agency (NCSA-FI) for protecting classified information according to the Finnish national (FI) ST III and ST IV security requirements. The Group has acquired Deltagon because it complements SSH's product and services portfolio and creates synergies in product development, developing future quantum resistance, and leveraging international sales and marketing channels. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Deltagon from the acquisition date April 26 until September 30, 2021.

Details of purchase consideration, the net assets acquired, and goodwill are as follows:

	EUR million
Purchase consideration	
Cash paid	5.0
Deferred purchase price	4.9
Considerations shares	5.4
Closing adjustments	1.5
Earnout consideration	0.4
Total purchase consideration	17.1
Assets	Fair value recognised on acquisition
Intangible assets	
Customer related intangible assets	8.1
Technology related intangible assets	0.4
Trade and other receivables	2.0
Cash	1.4
	11.9
Liabilities	
Trade and other payables	-1.3
Deferred tax liability	-1.7
	-3.0
Total identifiable net assets at fair value	8.8
Goodwill arising on acquisition	8.3
Purchase consideration transferred	17.1

Analysis of cash flows on acquisition:

Net cash acquired with the subsidiary (included in cash flows from investing activities)	1.4
Cash paid	-6.0
Net cash flow on acquisition	-4.6

The total purchase price was EUR 17.1 million. Cash component of EUR 5.0 million was paid at closing, EUR 1.0 million in July and EUR 5.4 million of consideration shares were recognized in equity. Deferred purchase price EUR 4.9 million consists out of the present value of three additional installments of EUR 1.67 million paid in years 2022, 2023 and 2024. The installments have been discounted at the estimated cost of debt (2.1%). A closing adjustment of EUR 1.5 million was based on the net cash position and net working capital adjustment on the closing date.

The goodwill recognized is attributed to Deltagon's profitably growing business with a strong position in the domestic messaging security market, new international business, and a wide customer base.

Transaction costs were not significant and have been expensed and included in the administrative expenses in profit or loss.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	September 30, 2021	September 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	0.1	0.1	0.1
Increase	0.1	0.1	0.1
Depreciation and impairment	-0.1	-0.1	-0.1
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	0.1	0.1	0.1

CHANGES IN RIGHT-OF-USE ASSETS

EUR million	September 30, 2021	September 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	0.7	0.3	0.3
Increase	0.2	0.7	0.8
Decrease	-0.0		
Depreciation and impairment	-0.3	-0.3	-0.4
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	0.6	0.7	0.7

Right-of-use assets include leased offices and software.

CHANGES IN GOODWILL AND INTANGIBLE ASSETS

EUR million	September 30, 2021	September 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	5.4	5.5	5.5
Increase	1.1	1.0	1.6
Acquisition of subsidiary	16.8		
Amortization and impairment	-1.6	-1.2	-1.6
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	21.7	5.3	5.4

CONTINGENT LIABILITIES

EUR million	September 30, 2021	September 30, 2020	December 31, 2020
Interest on hybrid capital securities	0.7	0.9	1.0
Rent security deposits	0.1	0.2	0.2

KEY FIGURES AND RATIOS

SSH Communications Security provides an alternative performance measure EBITDA, which is not defined by IFRS standards. Alternative performance measures should not be considered as substitutes for performance measures in accordance with IFRS.

EBITDA = Operating profit/loss + depreciation and impairment

KEY FIGURES AND RATIOS

EUR million	1-9/2021	1-9/2020	1-12/2020
Net sales	9.9	8.3	11.3
EBITDA	-0.3	0.4	-0.4
% of net sales	-2.8	4.3	-3.5
Operating profit/loss	-2.2	-1.2	-2.5
% of net sales	-22.0	-14.2	-22.1
Profit/loss before taxes	-2.5	-1.5	-3.1
% of net sales	-25.1	-17.7	-27.5
Return on equity (%)	-27.0	-13.3	-30.0
Return on investment (%)	-18.0	-12.2	-27.3
Interest-bearing net liabilities	-3.0	-8.1	-7.2
Equity ratio (%)	46.3	76.2	69.7
Gearing (%)	-25.8	-82.2	-85.3
Gross capital expenditure	1.8	1.5	2.1
% of net sales	17.7	18.6	18.8
R&D expenses	-4.1	-3.7	-5.0
% of net sales	40.8	45.1	44.9
Personnel, period average	111	88	88
Personnel, period end	123	82	94

PER SHARE DATA

EUR	1-9/2021	1-9/2020	1-12/2020
Earnings per share undiluted ¹	-0.10	-0.06	-0.11
Earnings per share diluted ¹	-0.10	-0.06	-0.11
Equity per share	0.30	0.25	0.22
No. of shares at period average (thousand)	38,810	38,802	38,802
No. of shares at period end (thousand)	38,826	38,802	38,802
Share performance			
Average price	2.51	1.26	1.28
Low	1.60	0.65	0.65
High	3.26	1.90	1.97
Share price period end	2.35	1.45	1.70
Market capitalization period end (EUR million)	91.2	56.1	65.8
Volume of shares traded (million)	7.2	17.7	19.4

Volume of shares traded as % of total	18.5	45.6	50.1
Value of shares traded (EUR million)	18.0	22.4	24.9
Price per earnings ratio (P/E)	neg.	neg.	neg.
Dividend per share	0.00	0.00	0.00
Dividend per earnings, %	0.00	0.00	0.00
Effective return on dividend, %	0.00	0.00	0.00

¹ Earnings per share is impacted 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	1–9/2021	1–9/2020	1–12/2020
EBITDA	-0.3	0.4	-0.4
Depreciations and amortizations	-1.9	-1.5	-2.1
Operating profit/loss	-2.2	-1.2	-2.5

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SSH Communications Security will release its financial reporting calendar for 2022 later during the year.

Helsinki, October 21, 2021

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