

NET SALES INCREASED 103%, EBITDA IMPROVED BY EUR 2.2 MILLION

October–December 2021: Net sales increased 103.1% compared to the previous year. Net sales totaled EUR 6.0 million (10-12/2020: EUR 3.0 million)

- EBITDA was EUR 1.4 million (EUR -0.8 million)
- Operating profit was EUR 0.7 million (EUR -1.3 million)
- Net profit for the period was EUR 0.4 million (EUR -1.6 million)
- Earnings per share were EUR 0.00 (EUR -0.05)

January–December 2021: Net sales increased 41.6% compared to the previous year. EBITDA improved significantly.

- Net sales totaled EUR 15.9 million (1-12/2020: EUR 11.3 million).
- EBITDA was EUR 1.1 million (EUR -0.4 million)
- Operating loss was EUR -1.5 million (EUR -2.5 million).
- Net loss for the year was EUR -2.3 million (EUR -3.1 million).
- Earnings per share were EUR -0.10 (EUR -0.11).

Cash flow from operating activities improved by EUR 3.0 million to EUR 2.8 million (EUR -0.2 million). Equity ratio was 44.6% (69.7%). Liquid assets remained stable at EUR 8.2 million (EUR 8.5 million).

BUSINESS OUTLOOK FOR 2022

We continue our business transition from a license and support to a recurring-revenue model, which we foresee will provide more stable revenue in longer term, while reducing our short-term annual growth rate compared to a perpetual license business model. At the end of 2021, our Annual Recurring Revenue was EUR 15.4 million (EUR 8.0 million), which positions us well for continued growth. We expect net sales to grow during 2022 compared to 2021. We estimate EBITDA and cash flow from operating activities to be positive for 2022.

KEY FIGURES

EUR million	10–12/2021	10–12/2020	Change %	1–12/2021	1–12/2020	Change %
Net sales	6.0	3.0	103.2	15.9	11.3	41.6
EBITDA	1.4	-0.8	285.5	1.1	-0.4	384.8
% of net sales	23.3	-25.5	191.3	7.0	-3.5	301.2
Operating profit/loss	0.7	-1.3	150.5	-1.5	-2.5	38.5
% of net sales	11.0	-44.2	124.9	-9.6	-22.1	56.5
Profit/loss before taxes	0.7	-1.6	143.0	-1.8	-3.1	41.9
Profit/loss	0.4	-1.6	123.7	-2.3	-3.1	24.7
Return on equity, %				-22.6	-30.0	24.6
Return on investment, %				-14.2	-27.3	47.8
Liquid assets				8.2	8.5	-3.6
Gearing (%)				-39.8	-85.3	53.3
Equity ratio (%)				44.6	69.7	-36.0
Earnings per share, EUR	0.00	-0.05	101.9	-0.10	-0.11	15.0
Shareholders' equity per share, EUR	0.31	0.22	40.3	0.31	0.22	40.3
Recurring revenue, ARR				15.4	8.0	94.1
Subscription revenue, ARR				7.3	1.2	521.1

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,

We had an excellent fourth quarter resulting in EUR 6 million reported revenue growing 103% versus the comparison period. Robust customer demand produced significant customer wins, including the largest PrivX subscription contract ever. The biggest contributor to revenue growth was the UKM product family, which had the largest growth rate at 230%, while PrivX sales grew 162% versus the comparison period.

During the quarter, we acquired over 70 new customers ranging from SMEs to Fortune 100 companies. Our Subscription ARR grew 521% ending at EUR 7.3 million. Annual Recurring Revenue grew 94% year-on-year ending at EUR 15.4 million.

All regions increased revenues versus the comparison period - APAC region grew 38%, showing early signs of recovery, EMEA region grew 244%, and AMER region sales grew 26%. During 2021, SSH's domestic business grew as a share of total revenue from ~5% to 25% making us stronger in the Finnish market than ever before.

During the quarter we generated EUR 1.4 million in EBITDA and EUR 4.2 million in cash flow from operations. Annual receipts from customers increased by more than EUR 5 million compared to the year before. We ended the year with a solid cash position of EUR 8.2 million.

Growth Investments

Our continued investment in the development of PrivX, the most versatile and modern privileged access management solution on the market, contributed strongly to SSH's success. With three-digit year-on-year growth every quarter, PrivX continues to be the key growth engine for SSH. During the year, we secured several new PrivX customers and have also increased the average deal size. In the fourth quarter, we won the largest PrivX deal to date with a major governmental institute in Europe. The annual value for this subscription-based deal is EUR 0.9 million.

SSH was among the first to launch commercially a Post Quantum Safe solution with NQX PQC Edition (Post Quantum Cryptography) commercial availability announced in the previous quarter. While quantum computers are not yet widely available, Post Quantum safety concerns have arisen in the market, especially among government customers and security-critical organizations. In addition to NQX, Post Quantum safety will be implemented across SSH products. Tectia Quantum is planned to be commercially available in the first half of 2022. As a token of traction towards Quantum-Safe solutions, in the fourth quarter SSH closed a EUR 1 million three-year Tectia contract with a leading Financial Services Institute in Singapore that allows the customer to migrate to Quantum-Safe server connections through upgrading their traditional Tectia to the Quantum Edition.

New Industry Focused Solutions

We introduced two new industry focused PrivX editions late in the second quarter, PrivX OT (Operational Technology) Edition and PrivX MSP (Managed Service Provider) Edition. PrivX OT Edition was quickly adopted by the market, and we won the first significant customer deal in the third quarter when a large Forbes Global 2000 company chose PrivX OT Edition to secure access to its critical OT plants. In the fourth quarter, we secured another major deal with a large manufacturing company that chose PrivX OT Edition to secure access to their production sites and operations and maintenance systems located in the cloud.

Focus on partner networks upstream and downstream

We are improving our channel partner network to increase our market reach and expand our services to customers. Our business depends on a good partner network to cover all our products in key end-user segments. We have made significant progress in EMEA by attracting new partners and we continue to expand this approach to other regions.

We are building new technology partnerships to offer a wider solution to our key customers to make it easier, faster, and more affordable to build better access control and management solutions for power and privileged users.

SSH Enterprise Key Management

SSH has been a trusted partner in SSH key management with our UKM (Universal SSH Key Manager) solution for many large global financial institutes during the last ten years. We announced a new major customer win with a Fortune 500 financial institution in the fourth quarter for UKM in the USA. We also closed a UKM Zero Trust Edition contract with one of the largest global retail and investment banks in EMEA, with a 12-month contract value exceeding EUR 1.5 million.

Zero Trust Focus

Customers have found Zero Trust design principles valuable. Zero Trust is a core design point in our R&D and marketing. With our patented technologies, we can enable customers with Just-In-Time (JIT) and Just-Enough Access (JEA), meaning, do not implicitly trust and always verify. Furthermore, our Role-based Access Control (RBAC) technology helps customers improve their operational efficiency by reducing manual work and improving quality of their operations.

NQX and encryption business

During 2021, we have enhanced our support services, supply chain, and logistics operations to prepare for higher delivery volumes in 2022. Additionally, we finalized the product certification requirements. We expect the National Cyber Security Agency (Traficom) certification process to be completed during the first quarter of 2022, which is a prerequisite for certain security critical large-scale deployments requiring.

At the end of 2021, the order book for our encryption solutions exceeded EUR 0.5 million with additional offers worth EUR 0.6 million pending receipt of certification. Completion of the certification process is expected to have a positive impact on the ramp-up of the subscription deliveries during 2022.

Deltagon Suite

Deltagon business developed well during the quarter. We accelerated our investments in growth by focusing on a complete solution for secure communications across organizational borders in addition to our flagship product Sec@GW. We increased R&D efforts to ensure our competitiveness in a fast-developing market. We also increased our marketing efforts and integrated them with the rest of the portfolio to better support Deltagon growth through SSH's traditional channels.

Going forward

Our strategic decision some years ago to focus primarily on the subscription business has given us a solid foundation for our long-term growth. We firmly believe that our growth engines PrivX and NQX will continue their excellent growth trajectories and will gain a more significant part in our portfolio already in 2022. New Tectia, UKM, PrivX and NQX Zero Trust and Quantum Safe Editions, and Secure Deltagon Suite, bring us closer to our customers with a wider product offering, differentiating functionality, and a futureproof portfolio.

We achieved strong results during the fourth quarter of 2021. We aim to engage our sales, digital and physical marketing, and technical presales teams so we can continue delivering success in 2022.

Our three focus areas are: 1) move closer to our existing and new customers and partners, 2) profitable growth with products, solutions, and supporting professional services, and 3) further improvements in our product functionalities and our internal processes.

Teemu Tunkelo
CEO

CONSOLIDATED NET SALES

Consolidated net sales for October–December totaled EUR 6.0 million (EUR 3.0 million).

Consolidated net sales for January–December totaled EUR 15.9 million (EUR 11.3 million), increased by 41.6% year-on-year.

The Americas region accounted for 41.4% (52.8%); the Europe, Middle East, and Africa region 48.2% (28.3%); and the Asia Pacific region 10.4% (18.9%) of reported net sales.

EUR million	10–12/2021	10–12/2020	Change %	1–12/2021	1–12/2020	Change %
BY SEGMENT						
AMERICAS	1.8	1.4	25.6	6.6	5.9	10.9
APAC	0.7	0.5	38.5	1.7	2.1	-21.9
EMEA	3.5	1.0	243.5	7.7	3.2	141.3
Total	6.0	3.0	103.2	15.9	11.3	41.6
BY OPERATION						
Subscription sales	1.7	0.2	616.1	4.7	0.8	511.2
License sales	1.7	0.6	198.1	3.1	2.2	37.5
Maintenance sales	2.2	1.7	25.9	7.6	7.8	-3.1
Professional services & others	0.3	0.4	-9.5	0.6	0.4	31.6
Total	6.0	3.0	103.2	15.9	11.3	41.6

The majority of SSH Communications Security's invoicing is US dollar denominated. During the financial year, the average exchange rate of the US dollar against the euro declined by 3.7% compared to 2020. With comparable exchange rates, the net sales increase in 2021 would have been 44.3% compared to 2020.

RESULTS AND EXPENSES

Operating profit for October–December was EUR 0.7 million (EUR -1.3 million), with net profit totaling EUR 0.4 million (EUR -1.6 million).

Operating loss for January–December was EUR -1.5 million (EUR -2.5 million), with net loss totaling EUR -2.3 million (EUR -3.1 million).

Selling, marketing, and customer support expenses for October–December amounted to EUR -2.5 million (EUR -2.2 million), while research and development expenses totaled EUR -1.8 million (EUR -1.3 million) and administrative expenses EUR -1.4 million (EUR -0.8 million).

Selling, marketing, and customer support expenses for January–December amounted to EUR -8.6 million (EUR -6.7 million), while research and development expenses totaled EUR -5.8 million (EUR -5.0 million) and administrative expenses EUR -4.1 million (EUR -2.7 million). Operating expenses increased by 29% 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 December 31, 2021, was EUR 35.9 million (December 31, 2020: EUR 18.6 million), of which liquid assets accounted for EUR 8.2 million (December 31, 2020: EUR 8.5 million), or 22.8% of the balance sheet total. Interest-bearing liabilities were EUR 3.4 million (December 31, 2020: EUR 1.3 million). Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (December 31, 2020: 0.6 million) granted by the non-controlling interest holder State Security Networks

Group Finland, and a premium loan from ELO mutual pension insurance company EUR 2.2 million. On December 31, 2021, gearing, or the ratio of net liabilities to shareholders' equity, was -39.8% (December 31, 2020: -85.3%) and the equity ratio stood at 44.6% (December 31, 2020: 69.7%).

The reported gross capital expenditure for January–December totaled EUR 2.0 million (EUR 2.1 million). The reported financial income and expenses of EUR -0.3 million (EUR -0.6 million) consisted mainly of exchange rate gains or losses, interest expenses, sales and leasing expenses.

During January–December, SSH Communications Security generated cash flow of EUR 2.8 million (EUR -0.2 million) from business operations, and investments generated cash flow of EUR -4.9 million (EUR -1.5 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 1.5 million (EUR -1.3 million). Cash flow from financing includes the payment of hybrid instrument interest of EUR -1.4 million (EUR -0.9 million) and a change in debt EUR 2.2 million. Total cash flow from operations, investments, and financing was EUR -0.6 million (EUR -3.0 million).

There were no short-term investments during the reporting period.

RESEARCH AND DEVELOPMENT

Research and development expenses for October–December totaled EUR -1.8 million (EUR -1.3 million), the equivalent of 29.7% of net sales (44.3%). During October–December, the company has capitalized new product R&D costs EUR 0.5 million (EUR 0.4 million). Capitalized product development expenses were reduced by EUR 0.1 million received as funding from the EU in 2020 (EUR 0.4 million).

Research and development expenses for January–December totaled EUR -5.8 million (EUR -5.0 million), the equivalent of 36.6% of net sales (44.9%). During January–December, the company has capitalized new product R&D costs in the amount of EUR 1.4 million (EUR 1.3 million). Capitalized product development expenses were reduced by EUR 0.4 million received as funding from the EU in 2020 (EUR 0.4 million). Depreciation from R&D capitalization assets was EUR -1.2 million (EUR -1.3 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 123 employees (December 31, 2020: 94). The number of employees increased by 29 persons from the comparison period (31%). The change was mainly driven by the Deltagon acquisition.

At the end of the period, 38.2% (33.0%) of the employees worked in sales, marketing, and customer services, 52.0% (51.1%) in R&D, and 9.8% (16.0%) 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 Erkkä Talvinko, Authorized Public Accountant, will continue as the principal auditor.

GROUP MANAGEMENT TEAM

On December 31, 2021, the Group Management Team consisted of the following members:

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 8,572,278 shares (valued at EUR 21,658,792) during the reporting period. The highest quotation was EUR 3.48 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 3.01 (December 31, 2021).

Accendo Capital is the largest shareholder of SSH, with 28.8% of the company shares and votes. Tatu Ylönen is the second-largest shareholder of SSH with 17.8%, and Juha Mikkonen holds directly 5.1% 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 December 31, 2021, was EUR 1,178,366.97, consisting of 39,278,899 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% 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, 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.

The largest risks are:

- 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 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 transactions.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Net sales	6.0	3.0	15.9	11.3
Cost of sales	0.0	-0.1	0.0	-0.3
Gross margin	6.0	2.9	16.0	11.0
Other operating income	0.3	0.1	1.1	1.0
Selling, marketing and customer support expenses	-2.5	-2.2	-8.6	-6.7
Research and development expenses	-1.8	-1.3	-5.8	-5.0
Administrative expenses	-1.4	-0.8	-4.1	-2.7
Operating profit/loss	0.7	-1.3	-1.5	-2.5
Financial income and expenses	0.0	-0.3	-0.3	-0.6
Profit/loss before taxes	0.7	-1.6	-1.8	-3.1
Taxes	-0.3	0.0	-0.5	0.0
Profit/loss for the period	0.4	-1.6	-2.3	-3.1
Attributable to:				
Owners of the parent company	0.6	-1.5	-2.1	-2.8
Non-controlling interests	-0.2	-0.1	-0.3	-0.2
	0.4	-1.6	-2.3	-3.1
Other comprehensive income				
Items which might be later transferred to profit or loss:				
Foreign subsidiary translation differences	-0.2	0.2	-0.1	0.3
Total comprehensive income	0.2	-1.5	-2.5	-2.8
Attributable to:				
Owners of the parent company	0.4	-1.4	-2.2	-2.6
Non-controlling interest	-0.2	-0.1	-0.3	-0.2
	0.2	-1.5	-2.5	-2.8
Earnings per share				
Earnings per share (EUR)	0.00	-0.05	-0.10	-0.11
Diluted earnings per share (EUR)	0.00	-0.05	-0.10	-0.11

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	Dec 31, 2021	Dec 31, 2020
ASSETS		
Non-current assets		
Property, plant and equipment	0.2	0.1
Right-of-use assets	0.6	0.7
Goodwill and intangible assets	21.9	5.4
Investments	0.0	0.0
Total non-current assets	22.6	6.3
Current assets		
Inventories	0.0	0.0
Trade and other receivables	5.1	3.8
Financial assets	0.0	0.0
Cash and cash equivalents	8.2	8.5
Total current assets	13.3	12.3
Total assets	35.9	18.6
EQUITY AND LIABILITIES		
Equity		
Attributable to parent company's shareholders	6.0	8.1
Non-controlling interest	6.0	0.4
Total equity	12.0	8.5
Non-current liabilities		
Non-current interest-bearing liabilities	2.3	0.6
Lease liabilities	0.2	0.4
Other non-current liabilities	3.9	
Advances received and deferred revenue	1.2	0.8
Deferred tax liabilities	1.6	
Total non-current liabilities	9.2	1.7
Current liabilities		
Trade and other payables	6.0	2.4
Current interest-bearing liabilities	0.5	
Lease liabilities	0.4	0.3
Advances received and deferred revenue	7.8	5.7
Total current liabilities	14.7	8.4
Total equity and liabilities	35.9	18.6

EUR million	Attributable to the owners of the Company							Total equity
	Share capital	Hybrid capital securities	Translation difference	Unrestricted invested equity fund	Retained earnings	Total	Non-controlling interests	
Equity Jan 1, 2020	1,2	12,0	-1,4	22,7	-23,0	11,4	0,6	12,0
Change			0,3		-0,8	-0,5		-0,5
Net profit					-2,8	-2,8	-0,2	-3,1
Equity Dec 31, 2020	1,2	12,0	-1,2	22,7	-26,6	8,1	0,4	8,5
Change	0,0		-0,1	1,0	-0,9	0,0	0,0	0,0
Net profit					-2,1	-2,1	-0,3	-2,3
Acquisition of subsidiary							5,9	5,9
Equity December 31, 2021	1,2	12,0	-1,3	23,7	-29,6	6,0	6,0	12,0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-12/2021	1-12/2020
Cash flow from operations	2.8	-0.2
<i>whereof change in working capital</i>	4.3	1.1
Cash flow from investing activities	-4.9	-1.5
Cash flow from financing activities	1.5	-1.3
Increase (+) / decrease (-) in cash	-0.6	-3.0
Cash at period start	8.5	12.0
Effect of exchange rate	0.3	-0.4
Cash at period end	8.2	8.5

NOTES TO THE FINANCIAL STATEMENT RELEASE

The interim report for the twelve months reporting period ended December 31, 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 consolidated financial statements include the results of Deltagon from the acquisition date April 26 until December 31, 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	0.7
Total purchase consideration	17.4
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	8.6
Purchase consideration transferred	17.4

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 17.4 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 of the present value of three additional installments of EUR 1.67 million paid in the 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 the 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	December 31, 2021	December 31, 2020
Carrying amount in the beginning of the period	0.1	0.1
Increase	0.1	0.1
Depreciation and impairment	-0.1	-0.1
Foreign exchange rate differences	0.0	0.0
Carrying amount at the end of the period	0.2	0.1

CHANGES IN RIGHT-OF-USE ASSETS

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

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

CHANGES IN GOODWILL AND INTANGIBLE ASSETS

EUR million	December 31, 2021	December 31, 2020
Carrying amount in the beginning of the period	5.4	5.5
Increase	1.5	1.6
Acquisition of subsidiary	17.1	
Amortization and impairment	-2.2	-1.6
Foreign exchange rate differences	0.0	0.0
Carrying amount at the end of the period	21.9	5.4

CONTINGENT LIABILITIES

EUR million	December 31, 2021	December 31, 2020
Interest on hybrid capital securities	1.0	1.0
Rent security deposits	0.1	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

EUR million	1–12/2021	1–12/2020
Net sales	15.9	11.3
EBITDA	1.1	-0.4
% of net sales	7.0	-3.5
Operating profit/loss	-1.5	-2.5
% of net sales	-9.6	-22.1
Profit/loss before taxes	-1.8	-3.1
% of net sales	-11.3	-27.5
Return on equity (%)	-22.6	-30.0
Return on investment (%)	-14.2	-27.3
Interest-bearing net liabilities	-4.8	-7.2
Equity ratio (%)	44.6	69.7
Gearing (%)	-39.8	-85.3
Gross capital expenditure	2.0	2.1
% of net sales	12.4	18.8
R&D expenses	-5.8	-5.0
% of net sales	36.6	44.9
Personnel, period average	114	88
Personnel, period end	123	94

PER SHARE DATA

EUR	1–12/2021	1–12/2020
Earnings per share undiluted ¹	-0.10	-0.11
Earnings per share diluted ¹	-0.10	-0.11
Equity per share	0.31	0.22
No. of shares at period average (thousand)	38 927	38 802
No. of shares at period end (thousand)	39 279	38 802
Share performance		
Average price	2.51	1.28

Low	1.60	0.65
High	3.48	1.97
Share price period end	3.01	1.70
Market capitalization period end (EUR million)	118.2	65.8
Volume of shares traded (million)	8.6	19.4
Volume of shares traded as % of total	21.8	50.1
Value of shares traded (EUR million)	21.7	24.9
Price per earnings ratio (P/E)	neg.	neg.
Dividend per share	0.00	0.00
Dividend per earnings, %	0.00	0.00
Effective return on dividend, %	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	1–12/2021	1–12/2020
EBITDA	1.1	-0.4
Depreciations and amortizations	-2.6	-2.1
Operating profit/loss	-1.5	-2.5

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SSH Communications Security will release its Business Review for the first quarter of the year on April 28, 2022.

Helsinki, February 24, 2022

SSH COMMUNICATIONS SECURITY

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