

NET SALES INCREASED 27 %, EBITDA POSITIVE

April–June 2021: Net sales increased 26.6 % compared to the previous year mainly driven by the Deltagon acquisition. Subscription revenue increased by 512 % compared to the previous year.

- Net sales totaled EUR 3.3 million (4-6/2020: EUR 2.6 million)
- EBITDA was EUR 0.1 million (EUR 0.2 million)
- Operating loss was EUR -0.4 million (EUR -0.4 million)
- Loss for the period was EUR -0.9 million (EUR -0.5 million)
- Earnings per share was EUR -0.03 (EUR -0.02)

January–June 2021: Net sales increased 4.4 % compared to the previous year. EBITDA was negative due to growth investments.

- Net sales totaled EUR 6.0 million (1-6/2020: EUR 5.7 million).
- EBITDA was EUR -0.8 million (EUR 0.1 million).
- Operating loss was EUR -1.9 million (EUR -0.9 million).
- Loss for the period was EUR -2.4 million (EUR -0.9 million).
- Earnings per share was EUR -0.08 (EUR -0.04).

Operating cash flow was EUR -1.9 million (EUR 0.0 million). Equity ratio was 46.8 % (74.2 %). Liquid assets were EUR 2.1 million (EUR 10.2 million).

KEY FIGURES

EUR million	4–6/2021	4–6/2020	Change %	1–6/2021	1–6/2020	Change %	1–12/2020
Net sales	3.3	2.6	26.6	6.0	5.7	4.4	11.3
EBITDA	0.1	0.2	-65.1	-0.8	0.1	-716.2	-0.4
% of net sales	2.0	7.3	-72.5	-13.9	2.3	-690.3	-3.5
Operating profit/loss	-0.4	-0.4	23.5	-1.9	-0.9	99.7	-2.5
% of net sales	-13.2	-13.5	-2.5	-31.0	-16.2	91.3	-22.1
Profit/loss before taxes	-0.6	-0.5	21.7	-2.1	-1.0	120.3	-3.1
Profit/loss	-0.9	-0.5	76.3	-2.4	-0.9	153.8	-3.1
Return on equity, %				-24.5	-8.5	-189.8	-30.0
Return on investment, %				-15.5	-7.8	-97.1	-27.3
Liquid assets				2.1	10.2	-79.6	8.5
Gearing (%)				-8.3	-87.8	90.5	-85.3
Equity ratio (%)				46.8	74.2	-37.0	69.7
Earnings per share, EUR	-0.03	-0.02	-45.5	-0.08	-0.04	-103.7	-0.11
Shareholders' equity per share, EUR	0.28	0.26	8.0	0.28	0.26	8.0	0.22
Subscription ARR				6,9	0,7	934	1.2

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.

CEO REVIEW

Valued shareholders, customers, partners, and co-workers,

The second quarter of 2021 saw significant progress in the renewal of SSH:

- We reached a significant strategic milestone in revenue development - at the end of the second quarter growing subscription revenue surpassed maintenance revenue driven by consolidation of Deltagon figures.
- We consolidated Deltagon results into the Group results from late April.
- We gained a new significant PrivX customer with a US Fortune 500 technology company.
- We launched new industry-focused Editions of PrivX for the rapidly expanding OT (Operational Technology) and MSPs (Managed Service Providers) markets.
- We started product and services deliveries under the large cryptography contract announced in Q4 of 2020.
- We delivered NQX to demanding public sector customers.
- We expanded the use of Zero Trust design principles to all of our products.
- We have won further favorable analyst recognition for our products and business moving forward.

All this translated into a solid growth quarter. With new major customer wins, increasing demand especially in Europe, Deltagon getting access to global markets, and new PrivX Editions already selling, we foresee a strong H2.

Financial Performance

Net sales for the second quarter were EUR 3.3 million (EUR 2.6 million), an increase of 27 % compared to Q2 2020.

EBITDA for Q2 2021 was EUR 0.1 million (EUR 0.2 million), positive again after two quarters characterized by investments.

Our operating loss was EUR -0.4 million (EUR -0.4 million), and the loss for the period was EUR -0.9 million (EUR -0.5 million).

The operating cash flow for the quarter was EUR -1.9 million (0.0 million).

Sales Performance

Sales in the EMEA region increased by 89 % compared to Q2 2020. APAC region sales grew by 23 % compared to Q2 2020, and AMER region sales decreased by 9 % compared to Q2 2020. However, the AMER region received new PrivX subscription orders that will deliver growth in the future.

Our subscription revenue grew by 512 % compared to Q2 2020. PrivX subscription revenue grew by 168 %, and Tectia subscription revenue also grew significantly compared to Q2 2020.

During the quarter, recurring revenue (subscriptions and maintenance) accounted for over 85 % of total revenue, giving SSH a solid base to build further growth.

Deltagon

We closed the Deltagon acquisition in late April, and we consolidated the accounts into the Group numbers for the last nine weeks of the quarter. Their product portfolio fits well into the SSH offering, and we have an investment plan in place to drive further growth for Deltagon products as part of SSH.

The Deltagon acquisition was made with our existing balance sheet to drive profitable growth.

PrivX expands in the global stage

We reached several important milestones with our Privileged Access Management solution PrivX during the quarter.

We won a highly competitive bid and delivered PrivX to a US Fortune 500 technology company, proving the scalability and reliability of PrivX and our ability to beat large competitors with established products and high brand recognition.

We also announced two new industry-focused PrivX editions during the quarter: PrivX MSP (Managed Service Providers) and PrivX OT (Operational Technology). These vertical Editions in the PrivX portfolio allow new customer segments to secure privileged access and other related secrets by enabling customers to align processes with JIT (just-in-time) and Zero Trust access control frameworks. In many cases, customers can eliminate static credentials from their environment and migrate to the era where access is only granted when needed, not through static passwords.

PrivX MSP Edition helps Managed Service Providers to improve security and operational scalability by providing privileged access management in their cross-functional data center and hybrid cloud ecosystems that consist of application owners, infrastructure administrators, SW developers, DevOps engineers, and third-party experts. PrivX can also provide them new revenue streams through PAMaaS offerings.

PrivX OT Edition provides on- and off-site operators, administrators, maintenance staff, and 3rd party vendors a secure and fast, one-click access to OT targets from a centrally managed system, connecting industrial operations to cloud. This enables customers to meet their critical IEC62443 and ISO27001 certification goals.

PrivX MSP and PrivX OT Editions provide SSH with a potential growth market that is significantly larger than the traditional Enterprise IT PAM market alone.

We received the first orders for both editions during the quarter.

NQX enters operational phase

We started the first system and professional services deliveries against the previously announced major multi-year agreement for cryptographic products and services. Revenue for the first deliveries in Q2 was not yet significant.

We received new orders and started deliveries of NQX to security-critical customers in non-certified environments.

Expanding Zero Trust

PrivX supports Zero Trust by design, and we are now architecting our whole portfolio in the same fashion. Zero Trust is based on dynamic, real-time verification instead of traditional static credentials. This improves our customers' security posture and better fulfills the needs of the cloud and digital era.

We are launching Zero Trust Editions for the whole SSH portfolio. For instance, UKM Zero Trust enables our customers to transition from their traditional on-premise infrastructure to cloud infrastructure securely.

Continuing with the recurring revenue transition

We have been shifting our business from license sales to recurring revenue, achieving significant steps during the quarter. Recurring revenue comprises the vast majority (over 85 %) of our business. A significant milestone was reached in the final month of the second quarter when subscription revenue surpassed maintenance revenue.

To measure the development of our transition towards a recurring revenue-based business model, we publish a new alternative performance measure: Subscription ARR. This metric is a snapshot of the last month of the reporting period multiplied by 12, presenting an annualized revenue figure. This metric offers insight into the up-to-date development of our subscription revenue.

Our Q2 2021 Subscription ARR (Subscription revenue in the last month of the quarter multiplied by 12) was EUR 6.9 million, showing 934 % growth over Q2 2020.

New Analyst Recognition

The leading European market analyst firm KuppingerCole placed PrivX in the Leader Category for the second year in a row, this time in their Privileged Account Management for DevOps Leadership Compass. The report gave SSH particularly high marks for the innovativeness of PrivX.

Outlook

Our current year 2021 guidance remains unchanged:

We expect our net sales to increase significantly during 2021. We are accelerating our transition from license and support services 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 April – June totaled EUR 3.3 million (EUR 2.6 million).

Consolidated net sales for January – June totaled EUR 6.0 million (EUR 5.7 million), increased by 4.4 % year on year.

The Americas region accounted for 50.8 % (53.6 %); the Europe, Middle East, and Africa region 38.0 % (25.5 %); and the Asia Pacific region 11.2 % (20.9 %) of reported net sales.

CONSOLIDATED NET SALES

EUR million	4–6/2021	4–6/2020	Change %	1–6/2021	1–6/2020	Change %	1–12/2020
BY SEGMENT							
AMERICAS	1.3	1.5	-9.0	3.0	3.1	-1.2	5.9
APAC	0.4	0.3	22.6	0.7	1.2	-43.7	2.1
EMEA	1.6	0.9	88.7	2.3	1.5	55.3	3.2
Total	3.3	2.6	26.6	6.0	5.7	4.4	11.3
BY OPERATION							
Subscription sales	1.1	0.2	512.0	1.4	0.3	298.0	0.8
License sales	0.4	0.4	-15.7	0.9	1.2	-25.6	2.2
Maintenance sales	1.7	2.0	-12.9	3.6	4.1	-13.4	7.8
Professional services & others	0.1	0.0	2 620.6	0.1	0.0	267.2	0.4
Total	3.3	2.6	26.6	6.0	5.7	4.4	11.3

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 9.5 % compared to 2020. With comparable exchange rates, the net sales increase in 2021 would have been 10.5 % compared to 2020.

RESULT AND EXPENSES

Operating loss for April – June was EUR -0.4 million (EUR -0.4 million), with net profit totaling EUR -0.9 million (EUR -0.5 million).

Operating loss for January – June was EUR -1.9 million (EUR -0.9 million), with net loss totaling EUR -2.4 million (EUR -0.9 million).

Selling, marketing, and customer support expenses for April – June amounted to EUR -2.1 million (EUR -1.5 million), while research and development expenses totaled EUR -1.2 million (EUR -1.4 million) and administrative expenses EUR -0.8 million (EUR -0.6 million).

Selling, marketing, and customer support expenses for January – June amounted to EUR -4.1 million (EUR -3.3 million), while research and development expenses totaled EUR -2.7 million (EUR -2.6 million) and administrative expenses EUR -1.7 million (EUR -1.2 million). Operating expenses increased by 18 % 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 June 30, 2021, was EUR 29.0 million (June 30, 2020: EUR 19.8 million; December 31, 2020: EUR 18.6 million), of which liquid assets accounted for EUR 2.1 million (June 30, 2020: EUR 10.2 million; December 31, 2020: EUR 8.5 million), or 7.2 % of the balance sheet total. Interest-bearing liabilities were EUR 1.2 million (June 30, 2020: 1.3 million; December 31, 2020: EUR 1.3 million). Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (June 30, 2020: 0.6 million; December 31, 2020: 0.6 million) granted by the non-controlling interest holder State Security Networks Group Finland. On

June 30, 2021 gearing, or the ratio of net liabilities to shareholders' equity, was -8.3 % (June 30, 2020: -87.8 %; December 31, 2020: -85.3 %) and the equity ratio stood at 46.8 % (June 30, 2020: 74.2 %; December 31, 2020: 69.7 %).

The reported gross capital expenditure for January–June totaled EUR 0.9 million (EUR 1.1 million). The reported financial income and expenses of EUR -0.2 million (EUR -0.0 million) consisted mainly of exchange rate gains or losses, interest expenses, sales and leasing expenses.

During January – June, SSH Communications Security generated cash flow of EUR -1.9 million (EUR 0.0 million) from business operations, and investments generated cash flow of EUR -3.1 million (EUR -0.7 million). Cash flow from investments includes the acquisition of Deltagon Oy for EUR -3.6 million and received government grants of EUR 1.5 million (EUR 0.3 million). Cash flow from financing totaled EUR -1.5 million (EUR -1.1 million). Cash flow from financing includes the payment of hybrid instrument interest of EUR 1.4 million (EUR 0.9 million). Total cash flow from operations, investments, and financing was EUR -6.5 million (EUR -1.8 million).

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

RESEARCH AND DEVELOPMENT

Research and development expenses for April – June totaled EUR -1.2 million (EUR -1.4 million), the equivalent of 37.0 % of net sales (52.2 %). During April – June, the company has capitalized new product R&D costs EUR 0.2 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 0.2 million).

Research and development expenses for January – June totaled EUR -2.7 million (EUR -2.6 million), the equivalent of 44.7 % of net sales (45.9 %). During January – June, the company has capitalized new product R&D costs in the amount of EUR 0.4 million (EUR 0.7 million). Capitalized product development expenses were reduced by EUR 0.3 million received as funding from the EU in 2020 (EUR 0.3 million). Depreciation from R&D capitalization assets was EUR -0.4 million (EUR -0.7 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of June, the Group had 123 employees (June 30, 2020: 92; December 31, 2020: 94). The number of employees increased by 31 persons from the previous year and by 29 persons from the year-end (31 %). The number of employees increased by 27 persons because of the Deltagon acquisition.

At the end of the period, 43.1 % (33.7 %) of the employees worked in sales, marketing and customer services, 43.9 % (48.9 %) in R&D, and 13.0 % (17.4 %) 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 June 30, 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 5,796,857 shares (valued at EUR 14,470,471) 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 2.50, and the share closed at EUR 2.61 (June 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 June 30, 2021, was EUR 1,164,066.99, consisting of 38,802,233 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 major 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
- 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 transactions.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR million	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Net sales	3.3	2.6	6.0	5.7	11.3
Cost of sales	0.0	-0.1	0.0	-0.1	-0.3
Gross margin	3.3	2.6	6.0	5.6	11.0
Other operating income	0.4	0.5	0.6	0.7	1.0
Selling, marketing and customer support expenses	-2.1	-1.5	-4.1	-3.3	-6.7
Research and development expenses	-1.2	-1.4	-2.7	-2.6	-5.0
Administrative expenses	-0.8	-0.6	-1.7	-1.2	-2.7
Operating profit/loss	-0.4	-0.4	-1.9	-0.9	-2.5
Financial income and expenses	-0.2	-0.2	-0.2	0.0	-0.6
Profit/loss before taxes	-0.6	-0.5	-2.1	-1.0	-3.1
Taxes	-0.3	0.0	-0.3	0.0	0.0
Profit/loss for the period	-0.9	-0.5	-2.4	-0.9	-3.1
Attributable to:					
Owners of the parent company	-0.8	-0.5	-2.3	-0.8	-2.8
Non-controlling interests	-0.1	-0.1	-0.1	-0.1	-0.2
	-0.9	-0.5	-2.4	-0.9	-3.1
Other comprehensive income					
Items which might be later transferred to profit or loss:					
Foreign subsidiary translation differences	0.1	0.1	0.1	0.0	0.3
Total comprehensive income	-0.8	-0.5	-2.2	-1.0	-2.8
Attributable to:					
Owners of the parent company	-0.7	-0.4	-2.1	-0.9	-2.6
Non-controlling interest	-0.1	-0.1	-0.1	-0.1	-0.2
	-0.8	-0.5	-2.2	-1.0	-2.8
Earnings per share					
Earnings per share (EUR)	-0.03	-0.02	-0.08	-0.04	-0.11
Diluted earnings per share (EUR)	-0.03	-0.02	-0.08	-0.04	-0.11

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	June 30, 2021	June 30, 2020	Dec 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	0.1	0.1	0.1
Right-of-use assets	0.5	0.7	0.7
Goodwill and intangible assets	22.1	5.4	5.4
Investments	0.0	0.0	0.0
Total non-current assets	22.7	6.2	6.3
Current assets			
Inventories	0.0	0.0	0.0
Trade and other receivables	4.1	3.4	3.8
Financial assets	0.0	0.0	0.0
Cash and cash equivalents	2.1	10.2	8.5
Total current assets	6.3	13.6	12.3
Total assets	29.0	19.8	18.6
EQUITY AND LIABILITIES			
Equity			
Attributable to parent company's shareholders	4.8	9.7	8.1
Non-controlling interest	6.2	0.5	0.4
Total equity	11.0	10.2	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	0.7	1.2	0.8
Deferred tax liabilities	1.7	-	-
Total non-current liabilities	6.9	2.2	1.7
Current liabilities			
Trade and other payables	6.1	2.3	2.4
Lease liabilities	0.3	0.3	0.3
Advances received and deferred revenue	4.7	4.8	5.7
Total current liabilities	11.1	7.4	8.4
Total equity and liabilities	29.0	19.8	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			0.0		-0.9	-0.9		-0.9
Net profit					-0.8	-0.8	-0.1	-0.9
Equity June 30, 2020	1.2	12.0	-1.5	22.7	-24.7	9.7	0.5	10.2
Change	0.0	0.0	0.3	0.0	-1.5	-1.2		-1.2
Net profit					-0.4	-0.4	-0.1	-0.5
Equity Dec 31, 2020	1.2	12.0	-1.2	22.7	-26.6	8.1	0.4	8.5
Change			0.1		-1.1	-1.0		-1.0
Net profit					-2.3	-2.3	-0.1	-2.4
Acquisition of subsidiary						0.0	5.9	5.9
Equity June 30, 2021	1.2	12.0	-1.0	22.7	-30.0	4.8	6.2	11.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	1-6/2021	1-6/2020	1-12/2020
Cash flow from operations	-1.9	0.0	-0.2
<i>whereof change in working capital</i>	-0.7	0.6	1.1
Cash flow from investing activities	-3.1	-0.7	-1.5
Cash flow from financing activities	-1.5	-1.1	-1.3
Increase (+) / decrease (-) in cash	-6.5	-1.8	-3.0
Cash at period start	8.5	12.0	12.0
Effect of exchange rate	0.1	0.1	-0.4
Cash at period end	2.1	10.2	8.5

NOTES TO THE FINANCIAL STATEMENT RELEASE

The interim report for the six months reporting period ended June 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 June 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	-5.0
Net cash flow on acquisition	-3.6

The total purchase price was EUR 17.1 million. Cash component of EUR 5.0 million was paid at closing 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 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	June 30, 2021	June 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	0.1	0.1	0.1
Increase	0.0	0.0	0.1
Depreciation and impairment	-0.0	0.0	-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	June 30, 2021	June 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	0.7	0.3	0.3
Increase	0.0	0.6	0.8
Decrease	-0.0	-	-
Depreciation and impairment	-0.2	-0.2	-0.4
Foreign exchange rate differences	0.0	0.0	-0.0
Carrying amount at the end of the period	0.5	0.7	0.7

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

CHANGES IN GOODWILL AND INTANGIBLE ASSETS

EUR million	June 30, 2021	June 30, 2020	December 31, 2020
Carrying amount in the beginning of the period	5.4	5.5	5.5
Increase	0.6	0.7	1.6
Acquisition of subsidiary	16.8	-	-
Amortization and impairment	-0.8	-0.8	-1.6
Foreign exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	22.1	5.4	5.4

CONTINGENT LIABILITIES

EUR million	June 30, 2021	June 30, 2020	December 31, 2020
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Interest on hybrid capital securities	0.3	0.3	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	1-6/2021	1-6/2020	1-12/2020
Net sales	6.0	5.7	11.3
EBITDA	-0.8	0.1	-0.4
% of net sales	-13.9	2.3	-3.5
Operating profit/loss	-1.9	-0.9	-2.5
% of net sales	-31.0	-16.2	-22.1
Profit/loss before taxes	-2.1	-1.0	-3.1
% of net sales	-35.1	-16.7	-27.5
Return on equity (%)	-24.5	-8.5	-30.0
Return on investment (%)	-15.5	-7.8	-27.3
Interest-bearing net liabilities	-0.9	-8.9	-7.2
Equity ratio (%)	46.8	74.2	69.7
Gearing (%)	-8.3	-87.8	-85.3
Gross capital expenditure	0.9	1.1	2.1
% of net sales	15.5	19.1	18.8
R&D expenses	-2.7	-2.6	-5.0
% of net sales	44.7	45.9	44.9
Personnel, period average	106	89	88
Personnel, period end	123	92	94

PER SHARE DATA

EUR	1-6/2021	1-6/2020	1-12/2020
Earnings per share undiluted ¹	-0.08	-0.04	-0.11
Earnings per share diluted ¹	-0.08	-0.04	-0.11
Equity per share	0.28	0.26	0.22
No. of shares at period average (thousand)	38 802	38 802	38 802
No. of shares at period end (thousand)	38 802	38 802	38 802
Share performance			
Average price	2.50	1.25	1.28
Low	1.60	0.65	0.65
High	3.26	1.90	1.97
Share price period end	2.61	1.60	1.70
Market capitalization period end (EUR million)	101.3	61.9	65.8
Volume of shares traded (million)	5.8	16.4	19.4
Volume of shares traded as % of total	14.9	42.2	50.1
Value of shares traded (EUR million)	14.5	20.5	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	1-6/2021	1-6/2020	1-12/2020
EBITDA	-0.8	0.1	-0.4
Depreciations and amortizations	-1.0	-1.1	-2.1
Operating profit/loss	-1.9	-0.9	-2.5

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SSH Communications Security will release its Interim Report for the third quarter of the year on October 21, 2021.

Helsinki, July 20, 2021

SSH COMMUNICATIONS SECURITY

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