

SSH INTERIM REPORT, JANUARY 1 - JUNE 30, 2009

April-June

- Net sales totaled EUR 1.8 million, down by 28 % year on year (EUR 2.5 million in 4-6/2008).
- Operating loss amounted to EUR -1.3 million, (an operating loss of EUR -0.2 million in 4-6/2008) including EUR 0.6 of non-recurring costs, loss EUR -1.2 million (EUR -0.1 million).

January-June

- Net sales totaled EUR 3.6 million, down by 15.6 % percent year on year (EUR 4.3 million in 1-6/2008).
- Operating loss amounted to EUR -2.0 million (an operating loss of EUR -1.1 million in 1-6/2008) including EUR 0.6 of non-recurring costs, loss EUR -1.8 million (EUR -0.7 million).

The company's financial position remained healthy, with equity ratio 76.4 % (91.0%) and liquid assets at the end of the period EUR 6.2 million (EUR 16.4 million).

KEY FIGURES

	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	Change %	1-12/ 2008
Net sales (MEUR)	1.8	2.5	3.6	4.3	-15.6	8.5
Operating profit/loss (MEUR)	-1.3	-0.2	-2.0	-1.1	-84.8	-2.2
% of net sales	-70.9	-8.9	-55.5	-25.4		-25.9
Profit/loss before taxes (MEUR)	-1.2	-0.1	-1.8	-0.7	-145.3	-1.5
Profit/loss (MEUR)	-1.2	-0.1	-1.8	-0.7	-145.2	-1.8
Return on equity, %			-38.1	-8.1		-10.2
Return on investment, %			-36.2	-7.2		-7.4
Liquid assets			6.2	16.4		16.5
Gearing (%)			-146.5	-105.2		-112.8
Equity ratio (%)			76.4	91.0		91.3
Earnings per share (EUR)			-0.06	-0.03		-0.06
Shareholders' equity per share (EUR)			0.14	0.54		0.51

CEO's BUSINESS REVIEW

During the reporting period, net sales decreased compared to the previous year due to difficult market situation and the postponement of certain US public sector projects to Q3 and Q4. Americas' proportion of net sales decreased while Europe's proportion increased year on year. The sales in the Asia Pacific geographic area remained stable. The company's financial position is good.

SSH initiated several development projects during Q2. The most important of these was the renewal of the customer strategy, which influenced structure and resourcing throughout the company. Development of processes and the executed management audit also influenced the composition of the management team.

In the end of the second quarter, SSH started a cost cutting program, the aim being to save an estimated 15% in expenses during second half of 2009 compared to second half of 2008 and to turn the operations profitable in the second half of 2009. The full positive impact of the cost cutting program during 2010 is estimated at EUR 2.0

million compared to 2008. The company charges all expenses related to the program as costs in the second quarter. These onetime costs amount to EUR 0.6 million.

The company announced several new product and service solutions for improved management of customers' communications security. In accordance with the strategy, SSH expanded to the Managed File Transfer (MFT) market segment, which (according to the market research company Gartner, 2008) has been forecast to grow by 21 percent year-on-year. Additionally, SSH introduced a new enterprise security solution for governance as a part of the new MFT -service offering. The solution was jointly developed with the new strategic technology partner Balabit IT Security. SSH has an exclusive right to sell the product in its main market areas.

The company renewed its marketing communication and will in the future focus on three segments in communications security: secure - automate - govern. The company continued determinedly developing its new market position, in cooperation with an international market analysis company. The efficiency evaluation of the current channel and reseller partner network has proceeded as planned. With selected regional partners, SSH will focus on developing its market position, creating new solutions and strengthening customer relationships. Further, SSH will seek to increase the number of channel partners within markets that have the highest estimated growth potential.

SSH received the Global Product Excellence Award from the Info Security Products Guide -organization and the 2009 Hot Company Award from the Network Products Guide - organization during the reporting period.

SSH's growth drivers include consistent and continuous improvement in operative efficiency, extensive customer and maintenance base, new solutions in products and services for both current and new markets, as well as global development and strengthening of partner network.

SSH estimates its net sales during 2009 to remain on 2008 level, and expects the net result of the year to improve from 2008, but to remain negative.

NET SALES

Consolidated net sales for January-June totaled EUR 3.6 million (EUR 4.3 million), down by 15.6 %, year on year.

The Americas, the 'Europe and Rest of the World' market area and the Asia Pacific region accounted for 66.0 percent (70.3 percent), 25.1 percent (21.7 percent) and 8.9 percent (8.0 percent) of reported net sales, respectively.

SSH NET SALES						
EUR Million	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	Change %	1-12/ 2008
BY SEGMENT						
AMERICAS	1.2	1.8	2.4	3.0	-20.7	5.8
APAC	0.1	0.2	0.3	0.3	-5.6	0.8
EROW	0.5	0.6	0.9	0.9	-3.2	1.9
SSH Group Total	1.8	2.5	3.6	4.3	-15.6	8.5
BY OPERATION						
License sales	0.6	1.5	1.3	2.2	-42.4	4.0
Maintenance	1.2	1.0	2.4	2.1	11.8	4.5
Total	1.8	2.5	3.6	4.3	-15.6	8.5

The majority of SSH's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro strengthened approximately 13.0 percent compared to the same period a year ago. At constant currency, net sales would have decreased 24.0 percent compared to the first half of 2008.

RESULTS AND EXPENSES

Operating loss for January-June amounted to EUR -2.0 million (an operating loss of EUR -1.1 million), with net loss totaling EUR -1.8 million (a loss of EUR -0.7 million).

Research and development expenses for the report period totaled EUR 1.9 million (EUR 2.0 million), while sales and marketing expenses amounted EUR 2.8 million (EUR 2.6 million) and administrative expenses EUR 1.1 million (EUR 0.9 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH remained at a healthy level during the report period, despite the capital returned to shareholders. The consolidated balance sheet total on June 30, 2009 stood at EUR 7.7 million (EUR 19.3 million), of which liquid assets accounted for EUR 6.2 million (EUR 16.4 million), or 80.1 percent of the balance sheet total. The company's interest bearing liabilities, EUR 0.1 million, comprised lease finance commitments. On June 30, 2009, gearing, or the ratio of net liabilities to shareholders' equity, was -146.5 percent (-105.2) and the equity ratio stood at 76.4 percent (91.0).

The reported gross capital expenditure for the period totalled EUR 0.0 million (EUR 0.0 million). The reported financial income consisted mainly of interest on fixed-term deposits. Financial income and expenses totalled EUR 0.2 million (EUR 0.4 million).

During January-June, SSH reported a negative cash flow of EUR -1.8 million (EUR -1.6 million) from business operations, and investments showed a positive cash flow of EUR 10.0 million (EUR 6.1 million). Cash flow from financing totaled EUR -8.5 million (EUR -4.3 million), mainly consisting of capital returned to shareholders. Total cash flow from operations, investments and financing was negative EUR -0.3 million (EUR 0.3 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for January-June totaled EUR 1.9 million (EUR 2.0 million), the equivalent of 52.3 percent of net sales (46.6 percent). During the report period SSH did not capitalize any research and development expenses.

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 63 employees on its payroll, down by 17 from the previous year, a decrease of 21 percent.

At the end of the period, 52 percent of the employees worked in R&D, 27 percent in sales and marketing, and 21 percent in corporate administration.

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 4, 2009 re-elected Tomi Laamanen, Pyyry Lautsuo, Juha Mikkonen and Tatu Ylönen to the Board of Directors. Juho Lipsanen was elected as a new member to the board. He also chairs the board.

The AGM also re-elected PricewaterhouseCoopers Oy, authorized public accountants, as the company's auditor, with Henrik Sormunen, authorized public accountant, acting as the principal auditor.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corp. shares totaled 2 771 784 (valued at EUR 2 320 576). The highest quotation was EUR 1.24 and the lowest EUR 0.65. The trade-weighted average share price for the period was EUR 0.85 and the share closed at EUR 0.67 (June 30, 2009).

During the report period, the ownership structure of the company did not change essentially. Tatu Ylönen holds, directly and through his company, Tatu Ylönen Oy, 51.1 percent of the company's shares, Assetman Oy holds 14.6 percent and Tero Kivinen 5.1 percent. More information about the shareholding can be obtained from the company's web site.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on June 30, 2009 was EUR 863 953.47 consisting of 28 798 449 shares. During the report period, SSH increased its share capital twice, based on subscriptions to the new shares under SSH's stock-option plans. In total, 2,600 new SSH shares were subscribed under the I/1999 stock option plan and 143,581 shares under I/2003 stock option plan respectively. With these subscriptions the Company's share capital was increased by EUR 4,385.43.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of in total 5,500,000 shares in one or more tranches as share issues against payment or by giving stock options or other special rights defined in Chapter 10 Section 1 of the Finnish Companies Act, which entitle to shares either according to the shareholders' pre-emptive right to share subscription or deviating from this right. The authorization will be valid until the next Annual General Meeting, but will expire on June 30th 2010 at the latest.

In addition the Annual General Meeting authorized the Board of Directors to decide upon acquiring a maximum of 2,000,000 of the company's own shares in one or more tranches, which amount corresponds approximately to seven (7) per cent of all shares of the company. The compensation to be paid for the acquired shares shall be determined on the date of acquisition on the basis of a trading rate determined for the company's share in a public trading arranged by NASDAQ OMX Helsinki Ltd. The authorization to acquire the shares shall be valid at most for eighteen (18) months after the decision of the Annual General Meeting.

The Annual General Meeting decided upon the distribution of assets from the invested non-restricted equity fund to the shareholders in such a way that assets shall be distributed 0.30 euro per share. The amount to be distributed is in total 8,595,680.40 euro. The return of equity was paid to the shareholders who on the record date on March 9th 2009 were registered in the shareholders' register of the company held by Euroclear Finland Oy, and the payment date was on March 16th 2009.

Furthermore, the Annual General Meeting decided to lower the subscription price of the shares that can be subscribed based on the option plans released by the company between years 2000-2008, with an amount corresponding to the distribution of assets, i.e. 0.30 euro per option right. The subscription price of the shares shall, however, always have at least the same value as the par value.

CORPORATE GOVERNANCE

The company complies with the corporate governance recommendations for listed companies issued by the NASDAQ OMX Helsinki, the Central Chamber of Commerce of Finland, and the Confederation of Finnish Industry and Employers. More information on corporate governance is available on the company's Web site (www.ssh.com).

This interim report follows IAS 34 (Interim Financial Reporting) accounting standard. The same accounting principles have been used in the financial statements for 2008. These data are based on unaudited figures.

The interim report also complies with the renewed IAS 1 and IAS 8 standards. Based on IAS 1, the exchange differences on translating foreign subsidiaries are presented as a part of the comprehensive income statement. SSH reports Americas, Asia and Pacific and Europe and the rest of the world as its IAS 8 operational segments. In addition licence and maintenance sales are separated from each other.

INCOME STATEMENT

EUR million

	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	1-12/ 2008
Net sales	1.8	2.5	3.6	4.3	8.5
Cost of goods sold	0.0	0.0	0.0	0.0	0.0
Gross profit	1.8	2.5	3.6	4.3	8.5
Other operating income	0.0	0.0	0.1	0.1	0.2
Product development expenses	-1.0	-1.0	-1.9	-2.0	-4.0
Distribution costs	-1.6	-1.3	-2.8	-2.6	-5.0
Administrative expenses	-0.5	-0.4	-1.1	-0.9	-1.9
Operating profit/loss	-1.3	-0.2	-2.0	-1.1	-2.2
Financial income and expenses	0.0	0.2	0.2	0.4	0.7
Profit/loss before taxes	-1.2	-0.1	-1.8	-0.7	-1.5
Taxes	0.0	0.0	0.0	0.0	-0.3
Net profit/loss for the period	-1.2	-0.1	-1.8	-0.7	-1.8
Other profit and loss account items:					
Foreign subsidiary translation differences	0.1	0.0	-0.1	0.0	0.2
Total comprehensive income	-1.1	-0.1	-1.8	-0.7	-1.6

EARNINGS PER SHARE

	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	1-12/ 2008
Earnings per share (EUR)			-0.06	-0.03	-0.06
Earnings per share, diluted (EUR)			-0.06	-0.03	-0.06

BALANCE SHEET

EUR million

	06/30/2009	06/30/2008	12/31/2008
ASSETS			
Non-current assets			
Tangible assets	0.2	0.4	0.3
Intangible assets	0.0	0.0	0.0
Deferred tax assets	0.0	0.2	0.0
Total non-current assets	0.2	0.7	0.3
Current assets			
Trade and other receivables	1.3	2.2	2.3
Short-term financial assets	4.5	14.5	14.5
Cash and cash equivalents	1.7	1.9	2.0
Total current assets	7.5	18.6	18.8
Total assets	7.7	19.3	19.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	4.2	15.4	14.5

Non-current liabilities			
Provisions	0.0	0.2	0.0
Non-current interest-bearing liabilities	0.1	0.2	0.1
Total long-term liabilities	0.1	0.4	0.1
Current liabilities	3.5	3.5	4.5
Total equity and liabilities	7.7	19.3	19.1

CASH FLOW STATEMENT

EUR million

	1-6/2009	1-6/2008	1-12/2008
Cash flow from business operations	-1.8	-1.6	-2.0
Cash flow from investments	10.0	6.1	6.5
Cash flow from financing	-8.5	-4.3	-4.3
Increase(+) / decrease (-) in liquid assets	-0.3	0.3	0.2
Liquid assets at period start	2.0	1.7	1.7
Adjustment for translation difference	0.0	-0.1	0.0
Liquid assets at period end	1.7	1.9	2.0

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY

EUR million	Share Capital	Share Premium	Fair value reserves	Translation diff.	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan, 1. 2008	0.9	11.5	0.1	-1.0	8.9	20.4
Change Net profit	0.0	0.0	0.0	0.0	-4.3 -0.7	
Shareholders' equity June, 30. 2008	0.9	11.5	0.1	-1.0	3.9	15.4
Change Net profit	0.0	-11.5	0.0	0.2	11.5 -1.1	
Shareholders' equity Dec, 31. 2008	0.9	0.0	0.1	-0.9	14.4	14.5
Change Net profit	0.0	0.0	0.0	-0.1	-8.5 -1.8	
Shareholders' equity June, 30. 2009	0.9	0.0	0.2	-0.9	4.1	4.2

NET SALES BY SEGMENT					
EUR million	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	1-12/ 2008
AMER	1.2	1.8	2.4	3.0	5.8
APAC	0.1	0.2	0.3	0.3	0.8
EROW	0.5	0.6	0.9	0.9	1.9
SSH Group total	1.8	2.5	3.6	4.3	8.5

OPERATING PROFIT/LOSS BY SEGMENT					
EUR million	4-6/ 2009	4-6/ 2008	1-6/ 2009	1-6/ 2008	1-12/ 2008
AMER	0.1	1.0	0.5	1.5	2.7
APAC	0.0	0.1	0.2	0.2	0.4
EROW	0.1	0.3	0.2	0.4	1.1
Common Group expenses*	-1.6	-1.5	-2.9	-3.1	-6.4
SSH Group total	-1.3	-0.2	-2.0	-1.1	-2.2

* Common Group expenses include Group administration expenses (e.g. management and finance) and product management and R&D expenses for corporate headquarters.

KEY FIGURES AND RATIOS

EUR million	1-6/2009	1-6/2008	1-12/2008
Net sales	3.6	4.3	8.5
Operating profit/loss	-2.0	-1.1	-2.2
Operating profit/loss, as % of net sales	-55.5	-25.4	-25.9
Profit/loss before extraordinary items and taxes	-1.2	-0.7	-1.2
Profit/loss before extraordinary items and taxes, as % of net sales	-32.2	-16.8	-14.2
Profit/loss before taxes	-1.8	-0.7	-1.5
Profit/loss before taxes, as % of net sales	-48.8	-16.8	-18.0
Return on investment (%)	-36.2	-7.2	-7.4
Return on equity (%)	-38.1	-8.1	-10.2
Interest-bearing net liabilities	-6.1	-16.3	-16.4
Equity ratio (%)	76.4	91.0	91.3
Gearing (%)	-146.5	-105.2	-112.8
Gross capital expenditure	0.0	0.0	0.1
% of net sales	0.0	0.0	1.3
R&D expenses	1.9	2.0	4.0
% of net sales	52.2	46.6	46.6
Personnel, period average	68	80	77
Personnel, period end	63	80	73

PER-SHARE DATA

EUR	1-6/2009	1-6/2008	1-12/2008
Earnings per share, undiluted	-0.06	-0.03	-0.06
Earnings per share, diluted	-0.06	-0.03	-0.06
Equity per share	0.14	0.54	0.51
No. of shares at period end (thousand)	28 798	28 548	28 584
Share performance			
Average price	0.85	1.45	1.48
Low	0.65	1.15	0.66
High	1.24	1.69	1.69
Share price, period end	0.67	1.17	0.70
Market capitalization, period end (EUR million)	19.3	33.4	20.0
Volume of shares traded (million)	2.8	2.3	3.6
Volume of shares traded, as % of total	9.6	8.2	12.5
Value of shares traded (EUR million)	2.3	3.4	4.5
Price-to-earnings ratio (P/E)	-	-	-

CONTINGENT LIABILITIES

EUR million	06/30/2009	06/30/2008	12/31/2008
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.6	0.7	0.7
Maturing between 1 and 5 years	0.3	0.8	0.6

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SSH Communications Security Corp will release its next interim report and financial statements for January 1st - September 30th 2009 on October 21st 2009.

Helsinki, July 22nd 2009

SSH COMMUNICATIONS SECURITY CORP

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