

## SUMMARY

Net Sales grew satisfactorily by 14% year on year and company achieved profitability for the fifth consecutive quarter. Operational Cash Flow was very strong (EUR +1.5 million).

## January-March

- Net sales totaled EUR 2.9 million, up by +14.0% year on year (EUR 2.6 million in 1-3/2012).
- Operating profit decreased to EUR 0.1 million (EUR 0.2 million in 1-3/2012). There were no non-recurring items on reporting period (EUR -0.2 million). Profit was EUR 0.1 million (profit EUR 0.3 million)
- Earnings per share were EUR 0.00 (EUR 0.01).

The company's equity ratio further improved to 74.0 % (46.6 % 31.3.2012, 70.0 % 31.12.2012) and liquid assets strengthened to EUR 7.8 million (EUR 2.7 million 31.3.2012, EUR 6.6 million 31.12.2012).

KEY FIGURES	1-3/ 2013	1-3/ 2012	Change %	1-12/ 2012
Net sales (MEUR)	2.9	2.6	14.0	11.9
Operating profit/loss (MEUR)	0.1	0.2	-77.0	1.1
% of net sales	1.9	9.4		9.1
Profit/loss before taxes (MEUR)	0.1	0.3	-68.7	1.1
Profit/loss (MEUR)	0.1	0.3	-69.6	1.1
Return on equity, %	5.2	88.5		30.9
Return on investment, %	7.0	90.7		28.1
Liquid assets	7.8	2.7	188.6	6.6
Gearing (%)	-121.9	-189.0		-105.2
Equity ratio (%)	74.0	46.6		70.0
Earnings per share (EUR)	0.00	0.01	-73.3	0.04
Shareholders' equity per share (EUR)	0.21	0.05	315.1	0.20

## CEO'S REVIEW

The company achieved 14% growth, positive operational cash flow, and fifth consecutive profitable quarter. Highlights for the first quarter include signing a USD1.8m Universal SSH Key Manager(TM) services deal with a major bank; the revenue will be recognized over two quarters. This follows closing Universal SSH Key Manager(TM) deals with a major US logistics company and a major US media house in December.

Simultaneously, the company invested in sales, marketing, and R&D to enable future growth. A number of significant deals with some of the largest enterprises in the world are in the pipeline and expected to close in 2013 and 2014.

Shipments began for new CryptoAuditor(TM) solution for monitoring and controlling encrypted connections (e.g., SSH, RDP, HTTPS) and file transfers (SFTP). SSH Client&Server solutions saw substantial interest driven by high-performance file transfer requirements, point-to-point tunneling, and key management integration. The company's Universal SSH Key Manager(TM) solutions have been well received.

The market is starting to understand the importance of properly managing access to information systems using SSH keys. A draft of open guidelines for managing SSH keys for automated access has been published by the IETF (Internet Engineering Task Force), and several other standards bodies and regulatory bodies are evaluating the guidelines and related issues for inclusion into their IT security standards and regulations. The company's products and the problems they are solving were analyzed in a recent report by IDC and received significant press coverage in the first quarter and April.

In April the company announced the SSH Risk Assessor(TM) product that enables IT security auditors to evaluate SSH key management risks as part of regular audits. This is expected to bring urgency to many organizations for bringing key-based access using SSH under control in their environments.

The SSH protocol is ubiquitous in datacenters and used for managing routers, hardware management ports, hypervisors, Unix/Linux operating systems, and for file transfers and point-to-point tunneling on all operating systems.

Tatu Ylönen  
CEO

## FUTURE OUTLOOK

SSH Communications Security estimates its revenue to grow significantly from 2012 driven by strong need for its products and services. The company continues to invest heavily in products, sales, and marketing, which will impact profitability in the first half. Nevertheless, the company estimates the financial year 2013 to be profitable.

Upside possibilities include patent revenue and better than expected customer demand. Downside risks include delays on product development and closing new business, competition, and macroeconomic challenges.

## NET SALES

Consolidated net sales for January-March totaled EUR 2.9 million (EUR 2.6 million), up by 14.0%, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 44.2% (42.3%), 41.2% (46.6%) and 14.6% (11.2%) of reported net sales, respectively.

SSH NET SALES				
EUR Million	1-3/ 2013	1-3/ 2012	Change %	1-12/ 2012
<b>BY SEGMENT</b>				
AMERICAS	1.3	1.1	19.3	6.0
APAC	0.4	0.3	48.4	1.6
EMEA	1.2	1.2	1.0	4.3
SSH Group Total	2.9	2.6	14.0	11.9
<b>BY OPERATION</b>				
License sales	1.0	1.2	-20.8	5.0
Consulting	0.5	0.0		0.6
Maintenance	1.5	1.4	4.6	6.3
Total	2.9	2.6	14.0	11.9

The majority of company's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate weakened 1% on comparison to euro.

## RESULTS AND EXPENSES

Operating profit for January-March decreased to EUR 0.1 million (EUR 0.2 million), with net profit totaling EUR 0.1 million (EUR 0.3 million). Profitability was influenced by higher share of service sales in addition to investments to sales and product development.

There were no non-recurring items during January-march (EUR -0.2 million).

Sales, marketing and customer support expenses for the January-March reporting period amounted to EUR -1.4 million (EUR -1.2 million), while research and development expenses totaled EUR -0.7 million (EUR -0.6 million) and administrative expenses EUR -0.4 million (EUR -0.5 million).

## BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security remained at a healthy level during the reporting period. The consolidated balance sheet total on March 31, 2013 stood at EUR 12.7 million (31.3.2012 EUR 5.9 million; 31.12.2012 EUR 12.5 million), of which liquid assets accounted for EUR 7.8 million (31.3.2012 EUR 2.7 million; 31.12.2012 EUR 6.6 million, or 61.3% of the balance sheet total). On March 31, 2013, gearing, or the ratio of net liabilities to shareholders' equity, was -121.9% (31.3.2012 -189.0%; 31.12.2012 -105.2%) and the equity ratio stood at 74.0% (31.3.2012 46.6%; 31.12.2012 70.0 %).

The reported gross capital expenditure for the period totaled EUR 0.4 million (EUR 0.3 million). The reported financial income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totaled EUR 0.0 million (EUR 0.0 million).

During January-March, SSH Communications Security reported a positive cash flow of EUR 1.5 million (EUR 0.4 million) from business operations, and investments showed a negative cash flow of EUR -0.4 million (EUR -0.0 million). Cash flow from financing totaled EUR -2.0 million (EUR 0.0 million). Total cash flow from operations, investments and financing was negative EUR -1.0 million (EUR 0.1 million) during the period due to EUR 2.0 million investment made on fixed income fund which are shown in investments.

Group has no financial instruments which are valued at fair value.

## RESEARCH AND DEVELOPMENT

Research and development expenses for January-March totaled EUR -0.7 million (EUR -0.6 million), the equivalent of 22.6% of net sales (21.9%). During January-March, the company has capitalized new product R&D costs EUR 0.4 million (EUR 0.3 million).

## HUMAN RESOURCES AND ORGANIZATION

At the end of March, the Group had 80 employees on its payroll. The amount of employees increased by 27 persons from the previous year (+53.8%) and from year end by 10 persons due to investments in sales and product development.

At the end of the period, 47% of the employees worked in sales, marketing and customer services, 42% in R&D, and 11% in corporate administration.

## BOARD AND AUDITORS

At the Annual General Meeting, March 20, 2013, Sami Ahvenniemi, Päivi Hautamäki and Tatu Ylönen were re-elected as directors of the company. Sami Ahvenniemi was elected as the Chairman of the Board of Directors in the board's organizing meeting.

The Authorized Public Accountants KPMG Oy Ab was re-elected as the auditor of the company with Kirsi Jantunen, KHT, as the accountant with the main responsibility.

## SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security shares totaled 1 657 217 shares (valued at EUR 1 604 533). The highest quotation was EUR 1.11 and the lowest EUR 0.75. The trade-weighted average share price for the period was EUR 0.97 and the share closed at EUR 1.01 (March 28, 2013).

Company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, now 57.7% of the company's shares, Assetman Oy holds 12.0% and SSH Management Investment Corp 4.7%. More information about the shareholding can be obtained from the company's web site.

SSH Management Investment Corp is part of the SSH Communications Security Group consolidated financial statements due to shareholder agreement.

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 March 31, 2013 was EUR 922 416.99 consisting of 30 750 983 shares.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of a maximum of 6 000 000 shares as a share issue against payment or by giving stock options or other special rights entitling to shares, in accordance with Chapter 10 Section 1 of the Finnish Companies Act, either according to the shareholders' pre-emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares which the company possibly has 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 weighty financial reason for the deviation in respect of the share issue against payment.

Furthermore, the authorization includes the Board of Directors' right to decide upon who are 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 upon 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 however expire at the latest on June 30th 2014.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the acquiring of a maximum of 2 000 000 own shares of the company with assets belonging to the company's non-restricted equity. This amount corresponds approximately to 6.50% of all the shares of the company. The shares can also be acquired otherwise than in proportion to the holdings of the existing shareholders (targeted repurchase). The maximum compensation to be paid for the acquired shares shall be the market price at the time of purchase, which is determined in the public trading.

The Board of Directors proposed 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.

Decision concerning the acquiring of own shares cannot be made so that the combined amount of the own shares which are in the possession of, or held as pledges by, the company or its subsidiaries exceeds 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 however expire at the latest on June 30th 2014.

## RISKS AND UNCERTAINTIES

Largest risks that might impact the profitability of the company have remained by and large the same than in previous reporting period and are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future. Largest risks:

- continuing uncertainty of the macroeconomic environment
- delays on product development and closing new business
- competitiveness of the product portfolio including intellectual property (IPR)
- litigation, especially in U.S. market
- competitive dynamics in the industry
- ability of the organization to scale up operations with the growth
- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2013 could have unpredictable effects for profitability that are at the time difficult to estimate. Currently USD currency position is not hedged, and company decides hedging of USD based contracts case by case.

Principles and organization of risk management of SSH Communications Security can be read from company's webpage: [www.ssh.com](http://www.ssh.com).

#### EVENTS AFTER THE BALANCE SHEET DATE

As announced on April 3, 2013, SSH Communications Security has agreed with its old management team members, that SSH Management Investment Ltd., which was established for the share incentive plan of old management team, as announced on October 21, 2009, will be liquidated during year 2013.

The SSH Communications Security's management is not aware of any other transactions that happened after the reporting period.

#### RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security's CEO Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.1 million during January-March 2013. During the reporting period there have not been any other significant related parties.

#### REPORTING

This financial statement release is prepared according to IAS 34. Financial statement release follows the same principles and standards as the previous financial statement release. Additionally the effective changes in IAS/IFRS standards during reporting period have been adopted. These changes have no material impact on the interim report. The information presented in this interim report has not been audited.

#### TABLES

COMPREHENSIVE INCOME STATEMENT			
EUR million	1-3 /2013	1-3 /2012	1-12 /2012
Net sales	2.9	2.6	11.9
Cost of goods sold	-0.4	-0.1	-0.9
Gross profit	2.5	2.5	11.0
Other operating income	0.0	0.0	0.0
Sales, marketing and customer support costs	-1.4	-1.2	-5.9
Product development expenses	-0.7	-0.6	-2.7
Administrative expenses	-0.4	-0.5	-1.4
Operating profit/loss	0.1	0.2	1.1
Financial income and expenses	0.0	0.0	0.0
Profit/loss before taxes	0.1	0.3	1.1
Taxes	0.0	0.0	-0.0
Net profit/loss for the financial period	0.1	0.3	1.1
Minority Interest	0.0	0.0	-0.0
Other profit and loss account items:			
Items which might be later transferred to P/L statement	0.0		
Foreign subsidiary translation differences	0.0	0.0	-0.1
Net change in fair value of available-for-sale financial assets	0.0		
Total comprehensive income	0.1	0.3	1.0

	Net profit/loss attributable to:			
	Owners of the Company	0.1	0.3	1.0
	Non-Controlling interest	0.0	0.0	-0.0
	EARNINGS PER SHARE			
	Earnings per share (EUR)	0.00	0.01	0.04
	Earnings per share. diluted (EUR)	0.00	0.01	0.04

BALANCE SHEET				
EUR million				
		31.3.2013	31.3.2012	31.12.2012
	ASSETS			
	Non-current assets			
	Tangible assets	0.1	0.1	0.1
	Intangible assets	2.3	1.5	2.1
	Investments	0.0	0.0	0.0
	Total non-current assets	2.5	1.7	2.2
	Current assets			
	Trade and other receivables	2.4	1.6	3.7
	Short-term financial assets	2.0	0.0	0.0
	Cash and cash equivalents	5.8	2.7	6.6
	Total current assets	10.2	4.3	10.3
	Total assets	12.7	5.9	12.5
	LIABILITIES AND SHAREHOLDERS' EQUITY			
	Shareholders' equity			
	Equity attributable to the parent company shareholders total	6.1	1.2	6.0
	Non-controlling interest	0.2	0.2	0.2
	Shareholders' equity total	6.4	1.4	6.3
	Non-current liabilities			
	Provisions	0.1	0.1	0.1
	Non-current interest-bearing liabilities	0.0	0.0	0.0
	Total long-term liabilities	0.1	1.4	0.1
	Current liabilities	6.2	4.5	6.1
	Liabilities total	6.4	4.5	6.3
	Total equity and liabilities	12.7	5.9	12.5

CASH FLOW STATEMENT				
EUR million				
		1-3/2013	1-3/2012	1-12/2012
	Cash flow from business operations	1.5	0.4	1.3
	Cash flow from investments	-0.4	-0.3	-1.2
	Cash flow from financing	-2.0	0.0	4.1
	Increase(+) / decrease (-) in cash	-1.0	0.1	4.2

	Cash at period start	6.6	2.4	2.4
	Effect of exchange rate	0.0	0.0	0.0
	Cash at period end	5.7	2.5	6.6

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY								
EUR million	Share Capital	Fair value reserves	Other fund+ other equity fund	Translation difference	Fund for own shares	Non-Controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan , 2012	0.9	0.2	0.1	-1.2	-1.0	0.2	1.9	1.1
Change				0.0				
Net profit							-0.9	-0.9
Shareholders' equity Mar 31, 2012	0.9	0.2	0.1	-1.2	-1.0	0.2	2.2	1.4
Change	0.0	0.1	4.0	-0.1		-0,0		4.0
Net Profit							0.9	0.9
Shareholders' equity Dec 31, 2012	0.9	0.2	4.1	-1.3	-1.0	0.2	3.1	6.3
Change		0.1						0.1
Net profit							0.1	0.1
Shareholders' equity Mar 31, 2013	0.9	0.3	4.1	-1.3	-1.0	0.2	3.2	6.4

NET SALES BY SEGMENT			
EUR million	1-3/ 2013	1-3/ 2012	1-12/ 2012
AMER	1.3	1.1	6.0
APAC	0.4	0.3	1.6
EMEA	1.2	1.2	4.3
SSH Group total	2.9	2.6	11.9

GROSS MARGIN BY SEGMENT			
EUR million	1-3/ 2013	1-3/ 2012	1-12/ 2012
AMER	1.3	1.1	5.9
APAC	0.4	0.3	1.6
EMEA	0.8	1.1	3.5
SSH Group total	2.5	2.5	11.0

OPERATING PROFIT/LOSS BY SEGMENT			
EUR million	1-3/ 2013	1-3/ 2012	1-12/ 2012
AMER	0.3	0.4	2.4
APAC	0.3	0.2	0.8
EMEA	0.8	1.1	3.3
Common Group expenses*	-1.4	-1.4	-5.4
SSH Group total	0.1	0.2	1.1

\* 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	1-3/2013	1-3/2012	1-12/2012
Net sales	2.9	2.6	11.9
Operating profit/loss	0.1	0.2	1.1
Operating profit/loss. as % of net sales	1.9	9.4	9.1
Profit/loss before extraordinary items and taxes	0.1	0.5	1.5
Profit/loss before extraordinary items and taxes. as % of net sales	2.8	19.4	12.8
Profit/loss before taxes	0.1	0.3	1.1
Profit/loss before taxes. as % of net sales	2.8	10.7	9.4
Return on equity (%)	5.2	88.5	30.9
Return on investment (%)	7.0	90.7	28.1
Interest-bearing net liabilities	-7.8	-2.6	-6.6
Equity ratio (%)	74.0	46.6	70.0
Gearing (%)	-121.9	-189.0	-105.2
Gross capital expenditure	0.4	0.3	1.2
% of net sales	14.6	11.5	10.0
R&D expenses	0.7	0.6	2.7
% of net sales	22.6	23.1	22.7
Personnel. period average	75	52	61
Personnel. period end	80	52	70

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

PER-SHARE DATA			
EUR	1-3/2013	1-3/2012	1-12/2012
Earnings per share. Undiluted	0.00	0.01	0.04
Earnings per share. diluted	0.00	0.01	0.04
Equity per share	0.21	0.05	0.20
No. of shares at period average (thousand)	30 751	30 549	30 552
No. of shares at period end (thousand)	30 751	30 549	30 751
Share performance			
Average price	0.97	0.48	0.50
Low	0.75	0.30	0.30
High	1.11	0.59	0.90
Share price. period end	1.01	0.49	0.76
Market capitalization. period end (EUR million)	31.1	14.9	23.4
Volume of shares traded (million)	1.7	2.3	6.6



Volume of shares traded. As % of total	5.3	7.7	20.8
Value of shares traded (EUR million)	1.6	1.1	3.2
Price per earnings ratio (P/E)		-	20.9
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

CONTINGENT LIABILITIES			
EUR million	31.3.2013	31.3.2012	31.12.2012
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.5	0.5	0.5
Maturing between 1 and 5 years	0.1	0.6	0.1

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SSH Communications Security will release its next interim report for period January 1 – June 30, 2013 on July 24th, 2013.

Helsinki, April 25th, 2013

SSH COMMUNICATIONS SECURITY

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