



Annual Report **2014**

A green-tinted photograph of a document with a table and a pen. The document features a table with multiple columns and rows, and several small rectangular boxes, some containing the text 'Yes No'. A pen is visible in the upper right corner. The text 'the' and 'debu' is partially visible on the right side of the document.

Ensuring **confidence**
in **critical** information flow.

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SSH Communications Security In Brief

As the inventor of the SSH protocol, SSH Communications Security has a twenty-year history of leading the market in developing advanced security solutions that enable, monitor, and manage encrypted networks. Over 3,000 customers across the globe trust the company's encryption, access control and encrypted channel monitoring solutions to meet complex compliance requirements, improve their security posture and save on operational costs. A global organization, the company has offices in Helsinki, Finland; Boston, USA; Frankfurt, Germany; and Hong Kong with staff representing over 20 nationalities. The company shares are quoted on the NASDAQ OMX Helsinki under the ticker symbol SSH1V.

KEY FIGURES		2014	2013
Net sales	KEUR	16,209	13,343
Operating profit/loss	KEUR	204	172
% of net sales	%	1.3	1.3
Profit/loss before taxes	KEUR	405	155
Earnings per share	EUR	-0.00	-0.00
Gearing	%	-77.3	-80.1
Equity ratio	%	63.3	76.6
Personnel (year end)		95	99



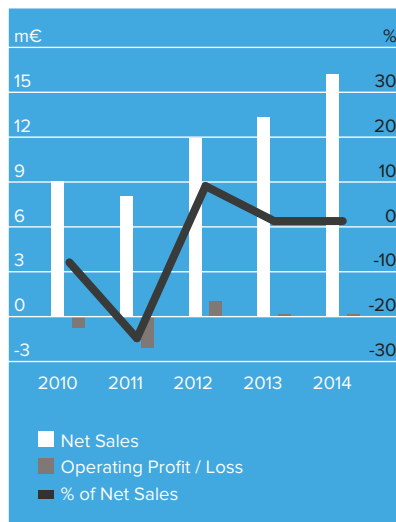
Year 2014 in Brief

SSH Communications Security gained share in the **surging** cybersecurity market through our heightened focus on **channel extension** and **enhanced product and services** offering.

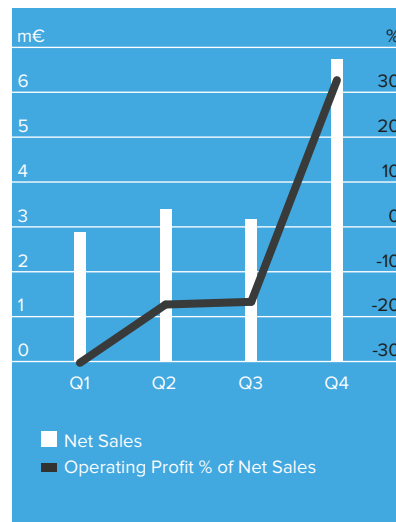


- Substantial escalation in cybersecurity trend.
- Significant sales growth; FY2014 +21.5 %, Q4 +64.7 %.
- Positive EBIT and net profit; full year EBIT 1.3 % and net profit 2.5 %, Q4 EBIT 32.7 %.
- Positive cash flow from operations.
- Service capability creation and extension of channel through joint venture with ROKITT Inc.
- Growth of sales and profitability third year in a row.

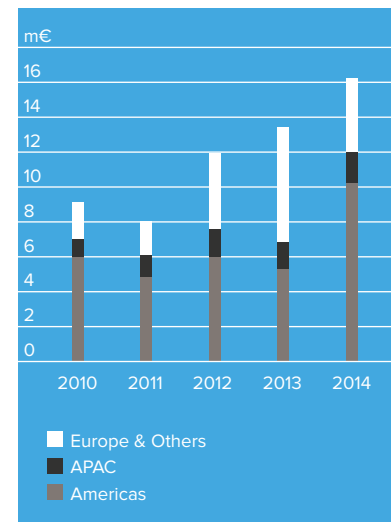
Yearly Development 2010–2014



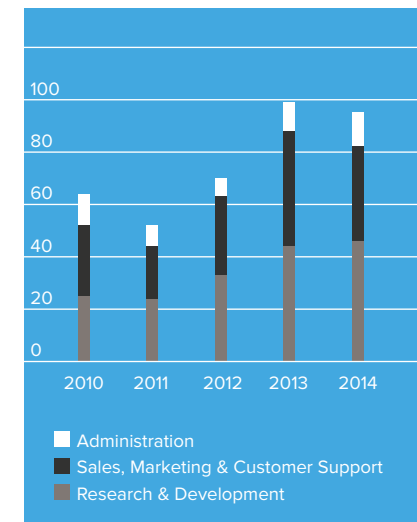
Quarterly Development 2014



Regional Net Sales Split



Personnel 2014 (as of 31 Dec)



“Risks and compliance drivers became more visible to customers and drove purchasing decisions.”



FINANCIAL PERFORMANCE

- Year 2014 was a year of further building levers for future growth, with significant sales growth. The company's annual revenue was in total EUR 16.2 million (EUR 13.3 million) representing a growth of 21.5 %. EBIT was EUR 0.2 million (EUR 0.2 million), 1 % of revenues (1 %).
- Earnings per share was EUR -0.00 (EUR -0.00). Cash flow from operations was EUR 1.8 million positive (EUR 0.4 million).
- Total operating expenses were EUR 12.7 million (EUR 11.4 million), an increase of EUR 1.3 million due to further investing in future growth.
- In 2014, the sales were geographically divided as follows: Americas 63.2 % (39.6 %), EMEA 25.7 % (49.5 %), and APAC 11.2 % (10.9 %).
- Further information on the key financial figures is presented in the Financial Statements section of this Annual Report.

SALES AND MARKETS

In 2014, sales grew by 21.5 % as risks and compliance drivers related to Secure Shell access became more visible to customers and drove more purchasing decisions. The end of the year finished particularly strong with over 64.7 % year-over-year growth. We continued to focus our efforts toward

major financial institutions for the sales of the Universal SSH Key Manager, and were able to increase license sales significantly. Service-based revenues remained healthy in 2014 as remediation projects continued with existing customers. CryptoAuditor sales increased in 2014 as we achieved a larger penetration and acceptance by the market. In contrast to 2013, which was driven by fewer larger deals, in 2014 we acquired more market share with more consistent average selling prices. Initial indicators suggest possibilities to increase CryptoAuditor sales significantly as we accelerate our transition into a channel-based sales model.

During the year, we saw the first wave of compliance effects around PCI-DSS version 3 and Monetary Authority of Singapore, which began to drive customers into budgeting for Secure Shell access remediation projects. With the publication of NIST-IR 7066, "Security of Automated Access Using Secure Shell", we were able to create a further major compliance push, which will build higher awareness and action around the issue in both the public and commercial sectors. Complementary to this, we continued to foster close relationships with some of the world's largest auditing and consulting companies to develop SSH risk and assessment practices, bringing further awareness of the risks to C-level executives and acquiring access to a wider market.

CryptoAuditor continued to gain strong interest in 2014 and the pipeline is growing at a healthy rate. With the continuing and evolving migration to cloud based platforms in both the public and commercial sectors, CryptoAuditor is ideally positioned to support the challenges of privileged access management and monitoring in this space. The majority of new CryptoAuditor customers acquired in 2013 and 2014 required support for cloud access elements for either interactive or automated connections.

The company operates globally with regional headquarters based in Helsinki, Finland (EMEA); Boston, MA (AMER); and Hong Kong (APAC) and supports an additional regional office for EMEA in Frankfurt, Germany. AMER grew the strongest of all regions in 2014, cumulatively at a rate of 94 % due to strong Universal SSH Key Manager and CryptoAuditor sales. APAC growth continued at a steady rate of 25 %, with Singapore and Japan being the leading countries of revenue generation. Continued rollouts of core technology to major financials as well as a good initial launch of CryptoAuditor in Japan have laid the foundation for further growth going into 2015. EMEA sales were down by 37 % in 2014, due partially to overall suboptimal economic conditions and a change in geographical focus of a significant customer project.

“We are **uniquely positioned** to provide the market with **full life-cycle solutions** that allow our customers to meet and exceed their **security, compliance, and business objectives.**”



In Q4, we launched a joint venture SSH ROKITT Services and Solutions Ltd. (UK) with service provider ROKITT Inc., based out of New York, USA. Driven by technology executives with decades of Wall Street experience, SSH ROKITT Services and Solutions Ltd. provides us with an experienced service arm in the technical access remediation space with direct experience in our key vertical focus, the financial sector.

The company operates in a mixed sales model in AMER, while EMEA and APAC are predominantly channel driven. As our solutions continue to mature and the market space evolves, we shall proceed on a path into a fully channel-oriented company. We continue to evaluate various OEM partnership models for both Universal SSH Key Manager and CryptoAuditor, where a more rapid growth curve may be achieved. In addition to this, key technology partnerships in Data Loss Prevention, Intrusion Detection, Anti-virus and Security Analytics shall provide various footholds into new channels which can provide opportunities to fuel further growth.

TECHNOLOGIES AND PRODUCTS

In 2014, the key focus on Research and Development was to further develop and improve our spearhead products, Universal SSH Key Manager and CryptoAuditor, and provide close support and assistance to our enterprise customers on their deployment and remediation projects. Several new customer acquisitions and successful deployments during 2014 have proven that new products reached their enterprise maturity and acceptance.

A new service offering, Secure Shell HealthCheck, was launched during the autumn. The service is a combination of zero impact SSH environment discovery and visualization tools, customer interviews, data analysis, and service deliverables. By providing our customers with concrete facts, risk and compliance analysis and recommendations for their SSH environment, we can help them identify and assess the risks, as well as prioritize and engage the required corrective actions.

As the inventor of the Secure Shell protocol, we are uniquely positioned to provide the market with full life-cycle solutions that allow our customers to meet and exceed their security, compliance, and business objectives.

MARKET VIEW

With the increasing trend in cyber attacks and more stringent security and compliance directives, the market space for Secure Shell access management and monitoring and controlling encrypted communications continued to develop well in 2014. Security executives are beginning to clearly understand the operational and brand reputation risks related to the lack of access controls around SSH key-based and encrypted session access. Several well-established security vendors joined the space with offerings related to SSH user key management from various perspectives, further suggesting that SSH Communications Security is well positioned to maintain its growth path into 2015. Commercial and public sector enterprises continue to accelerate infrastructure transformations into cloud-based environments and SSH's technology offering is evolving quickly in tandem with the market direction. Highly regulated industries such as financial services, telecommunications, energy, high-tech information technology, and public sector will continue to experience the highest pressure to address these issues in the short and medium term. Inbound queries related to Secure Shell access management continue to flow steadily. SSH Communications Security remains the primary thought leader in this space and enjoys healthy credibility as an advisor and trusted vendor to the largest enterprises in the world.

CEO Letter

from **Harri Koponen**
the New CEO since October 2014

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

It is customary to thank everyone for your part in making the previous year a success. I want to, however, also extend my congratulations to you all on your contribution to increasing security and stability in your respective roles.

The continued success of SSH Communications Security rests on the shoulders of many. Hard work, innovative thinking and resolute actions have brought us success, while the surrounding conditions have supported our efforts as well. Mounting compliance demands continue to help escalate our sales, cooperation with auditing and consulting companies provides significant new opportunities, our joint venture with ROKITT has rounded our life-cycle offering with the popularity of the Secure Shell HealthCheck, raising interest in all markets. Meanwhile, the accelerating migration to cloud based environments opens a vista of opportunities for us. An issue of its own is our increased emphasis on the active and firm administration of our substantial patent portfolio.

A significant factor in driving the growth of SSH Communications Security as well as the whole industry is the influx and reverberations of malicious cyber activity. As the attention and discussion moves from the IT community into coffee rooms and boardrooms across the globe, our competence and offering take a larger stage.



Despite the heated dialogue around the topic, numerous issues are far from settled. With all the attention and action taken over the past few years, we have barely revealed the tip of the iceberg. Public and private organizations need to resolve security concerns that originate deep in their structures and extend throughout their operations. Uncompromised security is evolving from precautionary action to becoming the expected norm.

As SSH Communications Security in 2015 celebrates 20 years of success as the inventor of the SSH protocol and frontrunner in its development and instigation, we recognize our responsibility to reaffirm our leadership position.

This means committing ourselves even more resolutely to advancing the adoption of secure solutions and practices in the public and private sector, as well as devoting significant resources to innovation and product development. An indication of our growing commitment is the assignment of our founder Tatu Ylönen as the Chief Innovation Officer of SSH Communications Security. His vision, experience and leadership qualities provide us with a unique opportunity to apply scientific discovery and inquiry for the everyday benefit of our customers and society in general.

In summary, I have great confidence in and expectations for the year ahead. May it prove inspiring, secure and prosperous for us all.

Harri Koponen
CEO

**“ UNCOMPROMISED
SECURITY IS
EVOLVING
FROM
PRECAUTIONARY
ACTION TO
BECOMING THE
EXPECTED NORM. ”**

Board of Directors

The Annual General Meeting held on March 20, 2014 elected Tatu Ylönen, Timo Syrjälä, and Päivi Hautamäki as members of the Board of Directors. At the meeting of the Board of Directors on October 2, 2014, Tatu Ylönen was elected as the Chairman of the Board of Directors.

The majority of the Board members are considered independent of the company. Päivi Hautamäki and Timo Syrjälä are deemed to be independent Board members. Board member Tatu Ylönen is not independent of the company. Tatu Ylönen is the CIO and the largest shareholder, who owns directly and through his holdings about 57.2 % of SSH Communications Security shares.

Tatu Ylönen

 born 1968 / Lic.Sc. (Technology)

- Board member since 1995
- Major shareholder
- Founder and Chief Innovation Officer of SSH Communications Security

Tatu Ylönen developed the Secure Shell technology for remote access and founded SSH Communications Security in 1995. He is an internationally respected network security expert and has founded many other companies. He is a member of the IEEE (Institute of Electrical and Electronics Engineers), ACM (Association for Computing Machinery), the AFCEA (Armed Forces Communications and Electronics Association), and ACL (Association for Computational Linguistics). He has authored several articles in national and international journals and periodicals. Mr. Ylönen owns 17,653,498 SSH shares directly and through his company Clausal Computing Ltd.

Timo Syrjälä

 born 1958 / M.Sc. (Economics)

- Board member since 2014
- Chairman of the Board 2014
- Chairman of the Board Majjos Oy

Timo Syrjälä has more than 30 years of experience in capital markets and has spent the last 10 years as a private investor and a non-executive director in several firms. Prior to joining the Board of SSH Communications Security, he served on the Boards of several leading technology firms including Stonesoft and Efore. Earlier in his career, Mr. Syrjälä held executive and managerial positions in management consulting, asset management and investment banking in Finland. Mr. Syrjälä owns 1,538,615 SSH shares through his company Majjos Oy and Ekobrokers Oy.

Päivi Hautamäki

 born 1964 / LL.M.

- Board member since 2012
- Chairman of the Board 2012-2013
- General Counsel at Eltel Group

Päivi Hautamäki has extensive experience in the energy, IT, and industrial fields. She is the General Counsel at Eltel Group. Prior to joining the company in 2012, she was the General Counsel at Winwind Ltd, a wind turbine manufacturer, the General Counsel at F-Secure Corporation, an anti-virus and computer security and software company, and the Legal Counsel at Fortum Oyj, a Finnish energy company. Ms. Hautamäki does not own any SSH shares.



Executive Management Team



Harri Koponen

Chief Executive Officer (CEO)

born 1962 / eMBA, Ph.D.h.c. (Economics)

Prior to joining the company in October 2014, Harri Koponen was the CEO of NPTV, a cloud based interactive TV software company, board member at Stonesoft (acquired by McAfee), and the COO of Rovio Entertainment, creating the global merchandising and licensing business of their Angry Birds brand. He has also been President and CEO of three major telecommunications companies, Sonera (Finland), Wataniya (Kuwait), and Tele2 (Sweden), and lived in the United States for several years serving as Managing Director of Sony Ericsson (North and Central America) and Head of Ericsson Consumer Products Division for North America. Prior to that, he worked as the global account executive for AirTouch, Vodafone, and Sonera at Ericsson, and in the early 1990s ran HP's telecom global sales for Sonera. Mr. Koponen does not own any SSH shares, but has 300,000 option rights.



Jyrki Lalla

Chief Financial Officer (CFO)

born 1964 / M.Sc. (Economics)

Jyrki Lalla is responsible for financial management, treasury, human resources, corporate development, and corporate governance. He also acts as Secretary to the Board of Directors. Prior to joining the company in 2012, Mr. Lalla held several senior financial management positions at Nokia Corporation and Nokia Siemens Networks in Finland, Italy, Great Britain, and Germany. Mr. Lalla owns 133,000 SSH shares and has 117,000 option rights.



Matthew McKenna

Chief Commercial Officer (CCO)

born 1973 / B.A., MBA

Matthew McKenna is responsible for sales globally. Prior to joining the company in 2010, Mr. McKenna served as a member of the executive management team of ADP Dealer Services Nordic and Automaster Oy, where he was responsible for international channel operations and manufacturer relations. In addition, he was responsible for key accounts including Mercedes Benz, General Motors, and Scania CV. Mr. McKenna owns 54,600 SSH shares and has 420,000 option rights.



Antti Huima

Chief Technology Officer (CTO)

born 1975 / M.Sc. (Technology)

Antti Huima is responsible for the company's global R&D and directs the company's technology strategy. Prior to joining the company in 2013, he served as CEO at Conformiq, a Silicon Valley based software test design automation company. Before joining Conformiq, Mr. Huima was the Research Manager at SSH Communications Security leading the contribution to the software architecture. He has lectured on cryptography, computer security, and theory of testing at the university level and has served on several academic program committees. Mr. Huima does not own any SSH shares, but has 70,000 option rights.



 **Financial Statements** 2014

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REPORT OF THE BOARD OF DIRECTORS FOR 1 JAN–31 DEC 2014

NET SALES EUR million	10–12/ 2014	7–9/ 2014	4–6/ 2014	1–3/ 2014	1–12/ 2014	10–12/ 2013	1–12/ 2013
GEOGRAPHICAL SEGMENT							
Americas (AMER)	4.6	2.1	2.3	1.3	10.2	1.3	5.3
Asia and the Pacific (APAC)	0.5	0.4	0.5	0.4	1.8	0.4	1.5
Europe and the rest of the world (EROW)	1.7	0.6	0.6	1.3	4.2	2.4	6.6
SSH Communications Security Group total	6.7	3.2	3.4	2.9	16.2	4.1	13.3
BY OPERATION							
License sales	3.4	0.8	1.0	0.7	5.9	1.9	4.6
Consulting	1.7	0.8	0.8	0.8	4.1	0.8	3.0
Maintenance	1.6	1.5	1.6	1.4	6.2	1.4	5.6
Total	6.7	3.2	3.4	2.9	16.2	4.1	13.3

FUTURE OUTLOOK

SSH Communications Security estimates its revenue to grow significantly.

NET SALES

Consolidated net sales for January–December totaled EUR 16.2 million (EUR 13.3 million), up by +21.5 %, year on year. The growth of net sales was due to strong license sales during the last quarter, and also overall growth in consulting and maintenance. Long sales cycles with large corporations and complexity of customer needs are typical in this industry. The majority of SSH Communications Security's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro was flat compared to the same period a year ago. With comparable exchange rates 2014, net sales growth would have been the same 21.5 % compared with 2013 corresponding period.

PROFIT AND PROFITABILITY TRENDS

Operating profit for January–December amounted to EUR 0.2

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

Sales, marketing and customer support expenses for the January–December reporting period amounted to EUR -7.3 million (EUR -6.9 million), while research and development expenses totaled EUR -4.0 million (EUR -3.0 million) and administrative expenses EUR -1.3 million (EUR -1.5 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security remained strong during the reporting period. The consolidated balance sheet total on December 31, 2014 stood at EUR 17.5 million (EUR 13.5 million; December 31, 2013), of which liquid assets accounted for EUR 6.1 million (EUR 6.0 million), or 34.8 % of the balance sheet total. On December 31, 2014, gearing, or the ratio of net liabilities to shareholders' equity, was -77.3 % (-80.1 %) and the equity ratio stood at 63.3 % (76.6 %).

The reported gross capital expenditure for the period

totaled EUR 1.9 million (EUR 2.0 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 0.2 million (EUR -0.0 million).

During January–December, SSH Communications Security reported a cash flow of EUR 1.8 million (EUR 0.4 million) from business operations, and investments showed a negative cash flow of EUR -1.8 million (EUR -2.0 million). Cash flow from financing totaled EUR 2.1 million (EUR -1.2 million). Total cash flow from operations, investments and financing was positive EUR 2.1 million (EUR -2.8 million). At the end of the corresponding period, Company had 2.0 million investment made on fixed income fund, which is now matured.

RESEARCH AND DEVELOPMENT

Research and development expenses for January–December totaled EUR -4.0 million (EUR -3.0 million), the equivalent of 25.0 percent of net sales (22.3 percent). During the reporting period, R&D cost capitalizations amounted to EUR 1.4 million (EUR 1.6 million). Depreciation from R&D capitalization assets was EUR -0.8 million (EUR -0.5 million).

RISKS AND UNCERTAINTIES

The largest risks that might impact the profitability of the company are listed below. Other risks, which are currently either unknown or considered immaterial to the company may, however, become material in the future. The 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 the 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 the U.S. dollar so possible large fluctuation in the U.S. dollar rates during 2015 could have unpredictable effects for profitability

that are at the time difficult to estimate. Currently the U.S. dollar position is not hedged, and the company decides hedging of the U.S. dollar based contracts case by case.

Utilization of the company's patent portfolio may have significant positive and/or negative impacts.

Principles and organization of risk management of SSH Communications Security can be read from the company's website: www.ssh.com.

HUMAN RESOURCES AND ORGANIZATION

The group had 95 (99) employees as at the end of December, down by 4 persons or 4 % on the previous year. Of the employees, 65 were based in Finland, 4 in Germany, 21 in the USA, and 5 in Hong Kong.

The average age of the employees was 39.6 years. 17 % of the employees were women and 83 % men. At the end of the period under review, 48 % of the employees worked in research and development, 38 % in sales, marketing, and customer support, and 14 % in corporate administration.

As announced on October 2, 2014, Harri Koponen started as Chief Executive Officer. Tatu Ylönen continues to work full time in the company as Chief Innovation Officer.

At the end of the reporting period, the parent company had 65 (61) employees on its payroll, on average 63 (53) employees during the period under review. Parent company salaries, bonuses, and other personnel expenses during the financial period totaled EUR 4.0 million (3.1 million).

BOARD AND AUDITORS

At the Annual General Meeting (AGM) on March 20, 2014, Timo Syrjälä was elected and Päivi Hautamäki and Tatu Ylönen were re-elected to directors of the company. Timo Syrjälä was elected as the Chairman of the Board of Directors in the board's organizing meeting. On October 2, 2014, Harri Koponen started as Chief Executive Officer. Tatu Ylönen continues to work full time in the company as Chief Innovation Officer, and is the Chairman of the Board. Timo Syrjälä continues in the

board. The Authorized Public Accountants KPMG Oy Ab was re-elected as the auditor of the company, with Kirsi Jantunen, authorized public accountant, as the principal auditor.

PRINCIPAL PROVISIONS OF THE ARTICLES OF ASSOCIATION

According to the Articles of Association, the highest decision-making power in the company is wielded by the shareholders at the shareholders' meeting. The Annual General Meeting is held within six months of the completion of the company's financial period, at a time decided by the Board. The AGM decides the number of members of the Board of Directors and elects them. Additionally, under the Finnish Limited Liability Companies Act, the AGM has the authority to amend the company's Articles of Association, adopt the financial statements, approve the amount of dividend, and select the company's auditors. Each SSH Communications Security share conveys one vote at the shareholder's meeting. Under the Articles of Association, the CEO is appointed by the Board of Directors.

CORPORATE GOVERNANCE

SSH Communications Security complies with NASDAQ OMX Helsinki Ltd, and the joint recommendations of the NASDAQ OMX Helsinki Ltd, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries regarding corporate governance of publicly listed companies.

More information on corporate governance is available on the company website at www.ssh.com, together with a description of the corporate governance system.

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation shares totaled 3,613,851 (valued at EUR 10,310,921). The highest quotation was EUR 3.74 and the lowest EUR 2.31.

The trade-weighted average share price for the period was EUR 2.85 and the share closed at EUR 2.51 (30 December 2014).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Ltd., 57.2 % of the company's shares, Assetman Oy holds 10.2 % and Timo Syrjälä directly and through companies under his control 5.0 %. More information about the shareholding can be obtained from the company's web site.

In the financial year 2014, two new subsidiaries SSH Government Solutions, Inc. (USA) and SSH ROKITT Services and Solutions Ltd. (UK) were founded. SSH owns 100 % of SSH Government Solutions, Inc. and 50 % of SSH ROKITT Services and Solutions Ltd.

In addition to the above new subsidiaries, the company has also the following subsidiaries: SSH Communications Security, Inc. in the USA, SSH Communications Security Ltd. in Hong Kong, and SSH Operations Ltd. and SSH Solutions Ltd. in Finland. SSH Operations Ltd. has a branch in Germany.

INFORMATION ON SHAREHOLDERS
DISTRIBUTION OF OWNERSHIP BY SECTOR

Type of sector	No. of shares	Percentage of shares and votes, %
Companies	10,793,158	34.85
Financial and insurance institutions	225,721	0.73
Households and private individuals	19,814,240	63.97
Non-profit organizations	80,500	0.26
Foreign shareholders	60,414	0.20
Total	30,974,033	100.00

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

Shares	No. of shareholders	Percentage of shareholders, %	Total no. of shares	Percentage of shares, %
1-100	1,447	39.54	80,814	0.26
101-500	973	26.58	297,530	0.96
501-1,000	454	12.40	382,126	1.23
1,001-5,000	563	15.38	1,359,596	4.39
5,001-10,000	109	2.98	827,687	2.67
10,001-50,000	87	2.38	1,856,185	5.99
50,001-100,000	12	0.33	802,340	2.59
100,001-500,000	10	0.27	2,261,037	7.30
500,001-999,999,999	5	0.14	23,106,718	74.60
Total	3,660	100.00	30,974,033	100.00
of which nominee-registered	6		130,497	0.42

THE TEN LARGEST SHAREHOLDERS

as of 31 December 2014, Excluding Nominee-Registered	%	Shares
Ylönen Tatu	44.94	13,919,048
Clausal Computing Oy	12.30	3,808,650
Assetman Oy	10.17	3,150,000
Maijos Oy	4.07	1,261,720
Gaselli Capital Oy	3.36	1,041,500
Taaleritehdas Mikro Markka Fund	1.45	449,858
AC Invest Oy	1.13	350,000
Pulli Anita Irmeli	0.78	241,076
Syrjälä Timo Kalevi	0.74	230,000
Siltanet Oy	0.70	216,000
Total	79.6	24,667,852
Nominee-registered	0.38	130,497
Total number of shares		30,974,033

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The registered share capital of SSH Communications Security Corporation as of 31 December 2014 was EUR 929,220.99 consisting of 30,974,033 shares.

Share Subscriptions Using Option Certificates from the Company Stock Option Plans in 2014 and 2013 (no. of shares):	2014	2013
I/1999 option plan class H option certificates	1,550	
I/2012 option plan class A option certificates	221,500	
I/2012 option plan class B option certificates		
I/2012 option plan class C option certificates		
Total	223,050	0

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. The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015. As announced on September 18, 2014, the Board of Directors decided upon an option plan of maximum 1,000,000 options.

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 authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015.

SHARE-BASED PAYMENTS

The share-based payments of SSH Communications Security are stock options. Stock option programs have been in effect in the reporting period or in the comparison year from the years 1999, 2002, 2012, 2013 and 2014.

Each option gives the right to subscribe to one new share at a price and at a time specified in the terms of the stock option plan. The option rights will be canceled in case the employee leaves the company before the subscription time has begun. There are no other conditions to the beginning of the option rights.

The shares subscribed with the granted option rights include the rights to any dividend payable for the reporting period during which the shares were subscribed. Other shareholder rights commence as soon as the increase in the share capital has been registered in the Trade Register.

More information on stock option plans is given in note 20 in the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Clausal Computing Ltd., a wholly-owned company of SSH Communications Security Corporation's Chief Innovation Officer Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.4 million during January–December 2014. On 31 December 2014, the accumulated unpaid interest from hybrid loan was EUR 560,000, which is recognized in other liabilities of the group. During the reporting period, there have not been any other significant transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

As announced on February 5, 2015, the Board of Directors decided upon an option plan of maximum 2,000,000 options. The SSH Communications Security management is not aware of any other significant transactions after the reporting period

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

The SSH Communications Security's Board of Directors will propose to the Annual General Meeting on 25th of March 2015 that no dividend or return of capital be distributed. It is proposed that the profit of the financial year shall be entered to the shareholders equity in the profit/loss account.

FINANCIAL INDICATORS

	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013	1 Jan 2012– 31 Dec 2012
Net sales, EUR	16,209,456	13,343,060	11,919,987
Operating profit/loss, EUR	204,161	172,187	1,083,333
% of net sales	1.3	1.3	9.1
Profit/loss before taxes, EUR	404,889	155,193	1,130,209
% of net sales	2.5	1.2	9.5
Return on equity, %	4.3	2.2	30.9
Return on investments, %	2.7	1.9	28.1
Net interest-bearing debt, EUR	-6,100,142	-5,959,951	-6,577,651
Gearing, %	-77.3	-80.1	-105.2
Equity ratio, %	63.3	76.6	70.0
Gross investments in tangible and intangible assets, EUR	1,856,892	2,031,791	1,185,655
% of net sales	11.5	15.2	9.9
Research and development costs, EUR	4,045,449	2,970,651	2,703,540
% of net sales	25.0	22.3	22.7
Research and development costs without investments, EUR	4,714,749	4,029,998	3,646,148
% of net sales	29.0	30.2	30.6
Personnel on average	97	85	61
Personnel at the end of the period	95	99	70
Salaries and fees, EUR	7,447,053	6,652,704	4,338,157

INDICATORS PER SHARE

	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013	1 Jan 2012– 31 Dec 2012
Earnings per share, EUR	-0.00	-0.00	0.04
Earnings per share, considering dilution effect, EUR	-0.00	-0.00	0.04
Equity per share, EUR	0.25	0.24	0.20
Dividends, EUR	0	0	0
Dividends per share, EUR	0.00	0.00	0.00
Dividend pay-out ratio, %	0	0	0
Effective dividend yield, %	0	0	0
Return of capital, EUR	0	0	0
Return of capital per share, EUR	0	0	0
Adjusted average number of shares during the period 1,000	30,817	30,751	30,552
Adjusted average number of shares at the end of the period 1,000	30,974	30,751	30,751
Adjusted average number of shares considering dilution effect 1,000	34,564	33,946	30,754
Price per earnings ratio (P/E)	neg.	neg.	19.5
Market capitalization at the end of the period, EUR million	77.8	89.5	23.4

	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013	1 Jan 2012– 31 Dec 2012
Share performance on the Helsinki Stock Exchange, EUR			
Average price	2.85	2.11	0.50
Share price, year end	2.51	2.91	0.76
Lowest quotation	2.31	0.75	0.30
Highest quotation	3.74	4.50	0.90
Volume of shares traded, millions	3.6	9.9	6.4
Volume of shares traded, % of total number	11.7	33.4	20.7
Volume of shares traded, EUR million	10.3	20.8	3.2

*equity per share is impacted by unpaid interest of hybrid capital securities

CALCULATION OF FINANCIAL RATIOS

Return on Equity, % (ROE)	=	$\frac{\text{Profit / loss for the financial period}}{\text{Equity (average during the financial period)}} \times 100$
Return on Investment, % (ROI)	=	$\frac{\text{Profit / loss before taxes + Interest and other financial costs}}{\text{Balance sheet total - Non-interest bearing debts (average during financial period)}} \times 100$
Equity Ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - Advance payments received}} \times 100$
Earnings Per Share (EPS)	=	$\frac{\text{Profit / loss for the financial period}}{\text{Average number of outstanding shares during the financial period}}$
Diluted EPS	=	$\frac{\text{Profit / loss for the financial period - Interest from hybrid capital securities}}{\text{Adjusted average number of shares considering dilution effect}}$
Dividend Per Share	=	$\frac{\text{Dividend}}{\text{Number of outstanding shares during the financial period}}$
Dividend Pay-out Ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Equity Per Share	=	$\frac{\text{Equity}}{\text{Number of outstanding shares on the financial statement date, adjusted for share issue}}$
Gearing, %	=	$\frac{\text{Interest bearing debt - Liquid assets}}{\text{Equity}} \times 100$



ssh[®] Consolidated Financial Statements

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	note*	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013
NET SALES	3, 4	16,209,456	13,343,060
Cost of goods sold		3,341,757	1,910,755
GROSS MARGIN		12,867,699	11,432,305
Other operating income	5	0	95,811
Sales and marketing costs	6, 7	7,332,954	6,878,392
R&D costs	6, 7	4,045,449	2,970,651
Administrative costs	6, 7	1,285,135	1,506,886
OPERATING PROFIT/LOSS		204,161	172,187
Financial income	8	201,884	90,549
Financial costs	9	1,156	107,543
PROFIT/LOSS BEFORE TAXES		404,889	155,193
Income tax	10	77,292	4,346
PROFIT/LOSS FOR THE FINANCIAL PERIOD		327,597	150,848

OTHER COMPREHENSIVE INCOME/COSTS			
Translation differences		-381,192	1,562
COMPREHENSIVE PROFIT/LOSS FOR THE FINANCIAL PERIOD		-53,595	152,410
Profit/loss for the financial period attributable to:			
equity holders of the parent company		327,597	150,848
non-controlling interest		0	0
Comprehensive profit/loss for the financial period attributable to:			
equity holders of the parent company		-53,595	152,410
non-controlling interest		0	0
Earnings per share (undiluted)	11	-0.00	-0.00
Earnings per share (diluted)	11	-0.00	-0.00

*The notes constitute an essential part of the financial statement.

CONSOLIDATED BALANCE SHEET

EUR	note*	31 Dec 2014	31 Dec 2013
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	12		
Machinery & equipment		175,128	223,079
Other tangible assets			9,622
Tangible assets, total		175,128	232,701
Intangible assets	13		
Immaterial rights		3,784,750	3,122,958
Intangible assets, total		3,784,750	3,122,958
Investments			
Other shares		11,000	11,000
Investments, total		11,000	11,000
NON-CURRENT ASSETS, TOTAL		3,970,878	3,366,659
CURRENT ASSETS			
Short-term receivables			
Accounts receivables	14	6,612,712	3,703,591
Other receivables	15	457,835	460,390
Prepaid expenses and accrued income	16	407,724	109,505
Current receivables, total		7,478,270	4,273,486
Cash and cash equivalents	17	6,100,142	5,832,207
CURRENT ASSETS, TOTAL		13,578,413	10,105,693
ASSETS, TOTAL		17,549,291	13,472,352

*The notes constitute an essential part of the financial statement.

CONSOLIDATED BALANCE SHEET

EUR	note*	31 Dec 2014	31 Dec 2013
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS			
Share capital		929,221	922,529
Fair value and other reserves		921,180	486,865
Translation differences		-1,693,684	-1,313,177
Unrestricted invested equity fund		4,723,993	4,561,663
Other fund			85,000
Other equity fund		3,974,347	3,974,347
Fund for own shares			0
Retained earnings		-963,244	-1,290,841
		7,891,813	7,426,386
NON-CONTROLLING INTEREST			
Non-controlling interest		0	0
EQUITY, TOTAL	18	7,891,813	7,426,386
NON-CURRENT LIABILITIES			
Financial liabilities	21	0	63,341
NON-CURRENT LIABILITIES, TOTAL		0	63,341
CURRENT LIABILITIES			
Capital loan		0	4,000
Advances received	22	5,077,920	3,814,938
Accounts payable	23	1,381,584	732,260
Accrued expenses	24	2,497,402	1,119,936
Tax liabilities	24	0	2,607
Other liabilities	25	700,572	308,884
CURRENT LIABILITIES, TOTAL	17	9,657,478	5,982,625
LIABILITIES, TOTAL		9,657,478	6,045,966
EQUITY AND LIABILITIES, TOTAL		17,549,291	13,472,352

*The notes constitute an essential part of the financial statement.

CONSOLIDATED CASH FLOW STATEMENT

EUR	note*	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013
CASH FLOW FROM BUSINESS OPERATIONS			
Sales revenue	4, 14, 22	14,151,719	13,006,397
Revenue from other business operations		0	0
Costs of business operations	6, 7, 23, 24, 25	-12,437,096	-12,634,926
Interest and payments on other financial costs of business operations		-22,341	-106,637
Interest and other financial revenue from business operations		223,069	90,461
Taxes paid		-79,900	0
Cash flow from business operations		1,835,452	355,296
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	12, 13	-1,824,853	-1,953,885
Cash flow from investing activities		-1,824,853	-1,953,885
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term financial investments		2,000,897	-2,000,897
Paid liabilities			
* SMI Shares selling price		0	1,385,000
* SMI prepayment for shareholders		0	-459,000
Loan payment		-4,000	-32,091
Proceeds from issuance of share capital		144,022	0
Personnel share issue	20		
Cash flow from financing activities		2,140,918	-1,106,988
CHANGE IN LIQUID ASSETS		2,151,517	-2,705,577
Liquid assets at beginning of period	19	3,831,309	6,613,741
Exchange rate adjustments		117,315	-76,854
Change in liquid assets		2,151,517	-2,705,577
Liquid assets at end of period	19	6,100,142	3,831,309

* The notes constitute an essential part of the financial statement.

* During 2013, SSH Management Investment Ltd., which was established for the share incentive plan of previous management team, has been liquidated (Extraordinary General Meeting 23 December 2013). SSH Management Investment sold all of its shares (4.7 %) of SSH Communications Security, paid back its loan, and is no longer consolidated to SSH Communications Security.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR	note*	Share capital	Fair value and other reserves	Other fund	Other equity fund	Translation differences	Unrestricted invested equity fund	Fund for own shares	Retained earnings	Non-controlling interest	Equity total
Equity 1 Jan 2013		922,529	225,058	85,000	3,974,346	-1,314,739	4,561,663	-980,240	-1,441,690	221,738	6,253,665
Comprehensive profit/loss											
Profit/loss for the period									150,848		150,848
Other comprehensive items											
Translation differences						1,562					1,562
Comprehensive profit/loss for financial period, total		0	0	0		1,562	0	0	150,848	0	152,410
Hybrid capital securities											
Shares subscribed on option rights	20		261,807								261,807
Share issue											
SSH Management Investment Oy								980,240		-221,738	758,502
Transactions with shareholders		0	261,807		0		0	980,240		-221,738	1,020,309
Equity 31 Dec 2013		922,529	486,865	85,000	3,974,347	-1,313,177	4,561,663	0	-1,290,841	0	7,426,386
Equity 1 Jan 2014		922,529	486,865	85,000	3,974,347	-1,313,177	4,561,663	0	-1,290,841	0	7,426,386
Comprehensive profit/loss											
Profit/loss for the period									327,597		327,597
Other comprehensive items				-85,000							-85,000
Translation differences						-381,192					-381,192
Comprehensive profit/loss for financial period, total		0	0	-85,000		-381,192	0	0	327,597	0	-138,595
Hybrid capital securities											0
Shares subscribed on option rights	20	6,692	434,315				163,015				604,022
Share issue											0
SSH Management Investment Oy											0
Transactions with shareholders		6,692	434,315	0	0		163,015	0		0	604,022
Equity 31 Dec 2014		929,221	921,180	0	3,974,346	-1,694,369	4,724,678	0	-963,244	0	7,891,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

As the inventor of the SSH protocol, SSH Communications Security has a twenty-year history of leading the market in developing advanced security solutions that enable, monitor, and manage encrypted networks. Over 3,000 customers across the globe trust the company's encryption, access control and encrypted channel monitoring solutions to meet complex compliance requirements, improve their security posture and save on operational costs. SSH Communications Security solutions are sold as licensed software with maintenance and support agreements.

The SSH Communications Security Group consists of SSH Communications Security Corporation and its wholly-owned subsidiaries. SSH Communications Security Corporation is domiciled in Helsinki, Finland and is a publicly traded company, whose share is quoted in NASDAQ OMX Helsinki Oy (SSH1V). The subsidiaries of SSH Communications Security Corporation are: SSH Communications Security, Inc. (USA), SSH Communications Security Ltd. (Hong Kong), SSH Solutions Ltd. (Finland), SSH Government Solutions, Inc. (USA), SSH ROKITT Services and Solutions Ltd. (UK) and SSH Operations Ltd., which has operations in Finland and Germany. SSH Communications Security Corporation has its registered office at address Takomotie 8, 00380 Helsinki, Finland.

The SSH Communications Security Board of Directors approved this financial statement for publication at its meeting on 5 February 2015. Under the Finnish Limited Liability Companies Act, the shareholders can accept or reject the financial statement at the AGM held after its publication. The AGM is also entitled to alter the financial statement. A copy of the financial statements is published as a part of the company's annual report. The annual report is available on the company website at www.ssh.com, or at the head office of SSH Communications Security Corporation. All stock exchange bulletins are available on the company website.

2. ACCOUNTING PRINCIPLES

Basis of Preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) including the International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS) as well as the interpretations by Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) in force as of 31 December 2014. The aforementioned standards are the standards and interpretations thereof approved for use in the EU pursuant to Regulation (EC) No. 1606/2002 implemented in the Finnish Accounting Act and legislation based thereon. The notes to the consolidated financial statements are also compliant with Finnish accounting and company legislation.

The consolidated financial statements are based on original acquisition costs unless otherwise noted in the accounting principles. The consolidated financial statements are presented in full euros unless otherwise stated.

Subsidiaries

The consolidated accounts include the parent company SSH Communications Security Corporation and all its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when the Group owns more than half of the votes in a company or the Group otherwise exercises control over a company. Potential voting powers are also taken into account when evaluating a controlling interest if the instruments in which the potential voting powers are vested are realizable at the time of analysis. A controlling interest means having the right to issue orders concerning a company's finances and business principles in order to benefit from its operations.

Group-internal share ownership is eliminated using the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which that control ceases. All

Group-internal transactions, receivables and debts, unrealized profit, and profit distribution have been eliminated.

Converting Foreign Currency Transactions

Items of each subsidiary included in the consolidated financial statements are measured using the currency of the operating environment of that subsidiary ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company. All operational subsidiaries are wholly owned by SSH Communications Security Corporation. There have been no operations in joint ventures during 2014.

Transactions in Foreign Currency

Foreign currency denominated transactions are recognized at the exchange rate of the functional currency on the transaction date. In practice, the exchange rate used is approximately the rate of the transaction date. Outstanding receivables and liabilities in foreign currencies are measured using the exchange rates on the balance sheet date. Exchange rate gains and losses on financing are included in financing income and costs.

Translation of Financial Statements of Foreign Subsidiaries

The comprehensive income statements and cash flow statements of subsidiaries whose functional currency is other than EUR are translated into euros using the exchange rate of the transaction dates. In practice, the translations are done once a month using the monthly average exchange rate. Balance sheet items are translated into euros with the exchange rate of the balance sheet date. The translation of the comprehensive profit/loss for the financial period using different exchange rates in the comprehensive income statement on the one hand and in the balance sheet on the other causes a translation difference recognized under Group equity under other comprehensive profit/loss items.

Translation differences generated through elimination of the acquisition costs of foreign subsidiaries and translation of

equity items accrued after acquisition are recognized under other comprehensive profit/loss items. When a subsidiary is sold, accumulated translation differences are recognized in the income statement as part of the gain or loss on the sale.

Revenue Recognition

SSH Communications Security net sales derive mainly from software license sales, consulting sales, and maintenance fees. Net sales comprise the invoiced value for the sale of goods and services adjusted with any discounts given, sales taxes, and exchange rate differences.

The revenue from product sales is recognized at the time when significant risks and rewards of the product or the right of use of the product have been transferred to the buyer and there is a binding contract between the parties, the delivery has taken place in accordance with the contract, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will accrue to the company.

Maintenance agreements are recognized evenly on an accrual basis throughout the contract period. Revenues from services are recognized when the service has been delivered and it is probable that the economic benefits associated with the transaction will accrue to the company.

Government Grants

Government grants, for example, grants received from the government for a purchase of tangible assets, are entered as a deduction of the book value of the asset when there is reasonable assurance that the company will receive the grant and will comply with the conditions attaching to the grant. Grants are recognized as income over the life of a depreciable asset by way of a reduced depreciation. Government grants that are intended to compensate costs are recognized as income over the same period as the related costs are recognized. These government grants are presented under other operating income. The company had an R&D capital loan from TEKES (the Finnish Funding Agency for Technology and Innovation) which

was transferred as part of the Siltanet business operations transaction in 2010. This loan is not of a significant magnitude.

Property, Plant, and Equipment

The property, plant, and equipment of Group companies are measured in the balance sheet at cost less accumulated straight-line depreciation and eventual impairment losses. When a part of a current assets item is treated as a separate asset, expenses related to its replacement are capitalized and any remaining book value is written off. Expenses incurring at a later date are included in the class of property, plant, and equipment only if it is probable that the property will provide future economic benefits to the Group and that the acquisition cost can be reliably determined. Other repair and maintenance expenses are recognized in profit/loss as and when incurred.

Depreciation is calculated on a straight-line basis to reduce the purchase value of each asset item to its residual value over its estimated useful life.

- Machinery and equipment: 5 years from month of acquisition.
- Computer hardware: 3 years from month of acquisition.
- Leased assets based on finance leasing agreements: 3–5 years from month of acquisition, depending on the depreciation period for corresponding items.
- Major renovations of rental premises: According to length of the rental agreement, though no more than 7 years from year of acquisition.

The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits.

The depreciation on property, plant, and equipment is ceased when the asset is classified as held for sale in accordance with standard IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Capital gains and losses are determined by comparing proceeds received with the book value of sold assets. Impairment losses incurred through transfer are recognized under other operating costs.

Intangible Assets

Research and Development Costs

Research costs are recognized as costs in the income statement. Development costs (related to the design and testing of new or improved products) are recognized as intangible assets if capitalization criteria are fulfilled and if it is probable that their economic benefits will accrue to the company. The most significant development costs to be capitalized constitute R&D personnel costs and sub-contracting costs. Other development costs are recognized directly as costs. Development costs once recognized as costs are not capitalized in subsequent financial periods.

Depreciation begins when an asset is ready for use. Incomplete assets are tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. Capitalized development costs are depreciated on a straight-line basis over their economic lifetime, estimated at 3–5 years.

Software

Software includes acquired software licenses. These assets are entered in the balance sheet at cost and depreciated on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The economic lifetime does not generally exceed 5 years. The depreciation period for software acquired for internal use is 3–5 years.

Other Immaterial Rights

Immaterial rights include obtained technology patents, trademarks, customer registers, and technology rights. These are entered in the balance sheet at cost and depreciated on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The economic lifetime does not generally exceed 5 years.

Impairment of Tangible and Intangible Assets

The Group will review on each balance sheet date whether there is any indication of an impaired asset. Whenever indicators of impairment exist, the book value of such an asset is compared with its recoverable amount. The recoverable amount is the fair value of the asset less the costs of its sale, or its value in use, whichever is the higher. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The discount rate used to calculate the above is pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Whenever the book value of an asset exceeds its recoverable amount, an impairment loss will be recognized for that asset. The impairment loss is recognized immediately in the income statement. After the recognition of an impairment loss, the economic lifetime of an asset subject to depreciation is re-evaluated. An impairment loss recognized in prior periods for an asset other than goodwill will be reversed if there is a change in the estimates that have been used in assessing the recoverable amount of that asset.

Financial Assets and Liabilities

Financial Assets

The Group has classified its financial assets into the following categories: investments held to maturity, and loans and receivables. The assets are classified when originally acquired. The assets are initially recognized at fair value. Transaction costs are included in the original book value of an asset if the asset is not to be recognized at fair value in profit/loss. Financial assets are written off from the balance sheet when the contractual right to cash flows from an asset included in financial assets ends or when the significant risks and rewards related to the asset are transferred outside the Group. All asset purchases and sales are recognized on the date of the transaction.

Investments held to maturity are financial assets other than derivative assets whose payments are made according to a fixed plan, which mature on a defined date and which the

Group can and intends to keep until they mature. These are measured at amortized acquisition cost and recognized under current assets. The Group did not have any investments held to maturity during 2013 or 2014. Loans and other receivables are assets other than derivative assets and with a fixed or definite series of payments. These assets are unlisted and not held for trading. They are measured at amortized acquisition cost. They are recognized under current or non-current financial assets in the balance sheet depending on their nature: assets expiring in more than 12 months are recognized under non-current assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, short-term deposits with banks, and other short-term liquid investments with maturity up to 3 months at the time of acquisition.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is, the impairment will immediately be entered in the income statement. If an impairment on an interest instrument is later reversed, this will be recognized in profit/loss.

The Group recognizes an impairment loss on trade receivables when there is objective evidence that a receivable is not fully collectible. Significant financial difficulties, likelihood of bankruptcy, neglect of payments or delay of payment by more than 90 days on part of a debtor may be considered to constitute such evidence for an impairment loss on trade receivables. The impairment loss recognized in the income statement is the difference between the book value and current value of estimated future cash flows of a receivable discounted at the effective interest rate. If impairment loss is decreased during any later period and the basis for this can objectively be related to an event occurred after the original impairment, the reversal will be recognized in profit/loss in the income statement.

Financial Liabilities

The Group's financial liabilities are classified into financing liabilities recognized at fair value in profit/loss and other financial liabilities (financing liabilities recognized at amortized acquisition cost). A financial liability is classified as current if the Group does not have the absolute right to postpone repayment to at least 12 months from the end of the period under review. A financial liability (or part thereof) will not be written off the balance sheet until it has ceased to exist, i.e., when the obligation specified in the agreement has been discharged or reversed and its period of validity has expired.

In the SSH Communications Security Group, financial liabilities recognized at fair value in profit/loss includes the derivative instruments which do not fulfill the criteria for hedging accounting and which are not warrants (currency derivatives). Unrealized and realized profits/losses due to changes in the fair value of these derivatives are recognized in profit/loss in the financial period during which they are generated.

Other financial liabilities (financing liabilities recognized at amortized cost) include, most significantly, the Group's finance leasing liabilities and accounts payable. They are initially recognized at fair value. After the original recognition, other financial liabilities are measured at amortized acquisition cost using the effective interest rate method. During 2014, the Group did not have any derivative contracts.

Leases

Lease liabilities on tangible assets which expose the Group to significant risks and rewards inherent in holding such assets are classified as finance leases. Finance leasing agreements are capitalized at the beginning of the lease at the fair value of the leased asset or the current value of the minimum lease payments, whichever is lower. An asset based on a finance leasing agreement will be depreciated over its useful life or within the lease term, whichever is shorter. Lease payments are apportioned between the finance charge and repayment on the outstanding liability over the lease period so as to produce a constant periodic rate of interest on the remaining balance of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the liability. Rental obligations are included in interestbearing liabilities.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as other operating leases. Payments made under operating leases, included in other operating expenses, are recognized in the income statement on a straight-line basis over the period of the lease.

Earnings per Share

The undiluted earnings per share is calculated by dividing the net profit/loss for the financial year by the weighted average number of ordinary shares outstanding during the financial year. Treasury shares held by the Group are not included in the number of outstanding shares. A dilutive effect caused by stock options exists when the subscription price of a share is lower than the fair value of the share. In the calculation of diluted earnings per share, stock options are only considered dilutive when their conversion to ordinary shares would decrease earnings per share or increase the loss per share from continuing operations. In other words, when the Group declares a loss, no dilutive effect will be calculated.

Share Capital

Ordinary shares of the parent company are presented as share capital. Dividends paid on ordinary shares are deducted from equity in the period during which the decision to distribute dividends is made in the Annual General Meeting.

Share Issue Costs

Costs directly related to an issue of new shares, other than costs attributable to a business combination, are deducted, net of tax, from the proceeds recognized under equity. Share issue costs directly attributable to business combinations are included in acquisition costs.

Own Shares

If SSH Communications Security Corporation or its subsidiaries

purchase SSH shares, the compensation paid, including any related incremental external costs, net of tax, is deducted from total equity as own shares until the shares are canceled or transferred. If own shares are subsequently sold, any compensation received will be recognized under equity.

Gross Margin

Gross margin is equal to net sales less the acquisition costs of materials and services.

Operating Profit/Loss

IAS 1 *Presentation of Financial Statements* does not define operating profit/loss. The group uses the following definition: operating profit/loss is equal to earnings before interest and taxes.

Income Tax

Tax expenses in the income statement comprise tax based on taxable income for the period and deferred tax. Income tax is recognized in the income statement except for taxes related to items recognized under comprehensive profit/loss or directly under equity, in which case the tax impact will be incorporated in the aforementioned items. Tax based on taxable income for the period is calculated using the corporate income tax rate effective in each country, adjusted for any tax from previous periods.

Deferred taxes are calculated on all temporary differences between the book value and taxable value. The largest temporary differences arise from the financial leasing agreements and unused tax losses which are deductible at a later date. Company didn't have significant financial leasing agreements in 2014 and 2013.

Deferred taxes are calculated using the statutory tax bases or the tax bases whose confirmed content has been announced by the closing date. Deferred tax assets are recognized to the extent that it is probable that taxable income against which the temporary difference can be applied will materialize in the future. Deferred tax liabilities are recognized at full value in the

balance sheet.

Employee Benefits

Pensions

The Group's pension schemes comply with the relevant regulations and practices in each relevant country. Pension security for Group personnel is handled through external pension insurance companies. The Group applies defined-contribution pension plans, in which the Group pays fixed contributions to an outside unit. The Group has no obligation to make additional payments in case the recipient of the aforementioned contributions cannot discharge its pension payment obligations. Contributions under the defined-contribution plan are recognized in the income statement for the financial period during which the contributions were made.

Share-Based Payments

Option rights have been issued to the Group management and personnel. Option rights are issued with a fixed subscription price determined in the terms and conditions of the option plan.

Option rights are measured at fair value on their date of issue and recognized as a cost in the income statement on a straight-line basis over the vesting period. The expense determined at the time of issuing the stock options is based on the Group's estimate of the number of stock options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of stock options that are assumed to vest at the end of the vesting period. On the date of each financial statement, the Group updates its estimate of the final amount of the stock options that will vest, and changes in this estimate are recognized in the income statement. When the option rights are exercised, the proceeds received, net of any transaction costs, are recognized under share capital and the share premium account.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that expenditure will be required to settle the obligation, and when a reliable estimate of the amount can be made. If the Group expects an obligation to be partly reimbursed by a third party, the reimbursement is recognized as a separate asset but only when the reimbursement is certain in practical terms. The Group recognizes a provision on loss-making agreements when the expected benefits of an agreement are less than the unavoidable costs of meeting the obligations under the agreement. Provisions are measured at the current value of the costs required to discharge the obligation. The discount rate is determined to reflect current market assessments of the time value of money and the risks specific to the obligation.

New and amended standards applied in 2014 ended

SSH Communications Security has applied as from 1 January 2014 the following new and amended standards that have come into effect. These had no significant impact on the consolidated financial statements for the financial year 2014.

- IFRS 11 *Joint Arrangements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. Since joint arrangements had no operations in 2014, the new standard had no impact on SSH Communications Security's consolidated financial statements.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes

the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities.

- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard had no significant impact on SSH Communications Security's consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on SSH Communications Security's consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on SSH Communications Security's consolidated financial statements.
- IFRIC 21 *Levies* (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other

standards. The interpretation had no significant impact on SSH Communications Security's consolidated financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

SSH Communications Security has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2014.

- *Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle, December 2013)* (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative** (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation had no significant impact on SSH Communication Security's consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and*

*its Associate or Joint Venture** (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on SSH Communications Security's consolidated financial statements.

- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations** (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on SSH Communications Security's consolidated financial statements.
- *Annual Improvements to IFRSs, 2012–2014 cycle** (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.
- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled

in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

- New IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

3. SEGMENT INFORMATION

The Group has three segments which are reported as operating segments. These segments are defined as geographical areas. They are based on the Group's internal structure and internal financial reporting. The company's highest operative executive is the CEO. Assessing the profitability of these segments is mainly based on operating profit/loss and gross margin. The nature of the market and its risks are different in each segment.

Segment assets are items which are used by the segment in its business or which can be allocated to the segment. Unallocated items include items shared by the Group. Net sales and equity of segments are based on location of customers and operations.

The Group's operating segments are:

- North and South America (AMERICAS)
- Europe and Rest of World (EROW), and
- Asia and the Pacific (APAC)

The Group operates globally with the same operating model, so that products and services are delivered the same way in all operating segments.

GEOGRAPHICAL DISTRIBUTION OF NET SALES

Segment	2014	2013
Finland	1,754,121	1,384,716
EROW (excl. Finland)	2,402,328	5,215,633
AMERICAS	10,236,189	5,281,948
APAC	1,816,818	1,460,762
Total	16,209,456	13,343,060

SEGMENT INFORMATION — INCOME STATEMENT

EUR	EROW	AMERICAS	APAC	Unallocated costs	Group total
2014					
NET SALES	4,156,449	10,236,189	1,816,818		16,209,456
Cost of goods sold	-745,189	-2,596,568	0		-3,341,757
GROSS MARGIN	3,411,260	7,639,621	1,816,818		12,867,699
Other operating income					0
Segment costs and depreciations	-2,460,183	-4,028,548	-832,618	-5,342,189	-12,663,538
OPERATING PROFIT/LOSS	951,077	3,611,073	984,200	-5,342,189	204,161
Financial income					201,884
Financial costs					-1,156
PROFIT/LOSS BEFORE TAXES					404,889
Income tax					-77,292
PROFIT/LOSS FOR THE FINANCIAL PERIOD					327,597
Segment assets	3,841,933	5,374,979	819,851	7,512,528	17,549,291
2013					
NET SALES	6,586,182	5,281,948	1,474,929		13,343,060
Cost of goods sold	-1,883,957	-26,798			-1,910,755
GROSS MARGIN	4,702,225	5,255,150	1,474,929		11,432,305
Other operating income	95,811				95,811
Segment costs and depreciations	-711,220	-4,504,400	-751,754	-5,388,556	-11,355,929
OPERATING PROFIT/LOSS	4,086,817	750,750	723,175	-5,388,556	172,187
Financial income					90,549
Financial costs					-107,543
PROFIT/LOSS BEFORE TAXES					155,193
Income tax					-4,346
PROFIT/LOSS FOR THE FINANCIAL PERIOD					150,847
Segment assets	2,949,400	4,126,298	629,388	5,767,265	13,472,352

In the financial year 2014, revenue share from one customer was EUR 3.7 million, which was 23 % of the net sales of the group. These sales are reported in EROW.

* Group-level costs consist mainly of Group R&D and Group administration costs.

4. NET SALES, EUR

	2014	2013
Income from licence sales	5,936,995	4,648,399
Income from maintenance	6,186,922	5,643,581
Consulting and other income	4,085,539	3,051,080
Total	16,209,456	13,343,060

5. OTHER OPERATING INCOME, EUR

	2014	2013
Sales of fixed assets	0	95,811
Total	0	95,811

6. OTHER OPERATING COSTS, EUR

Employee benefits, EUR	2014	2013
Wages and salaries	6,806,787	6,452,994
Pensions, defined-contribution plan	768,838	547,033
Other ancillary personnel costs	438,987	444,222
Stock options issued	434,315	261,806
Total	8,448,927	7,706,055

Personnel	2014	2013
Average during the financial period	97	85
At the end of the financial period	95	99

Personnel distribution by business area on 31 Dec	2014	2013
Sales, marketing and customer support	36	42
Research and development	46	44
Administration	13	13
Total	95	99

Research and development costs recognized as costs, EUR	2014	2013
Total	4,045,449	2,970,651

Other operating costs, EUR	2014	2013
External services	2,752,632	2,736,951
Depreciation	1,211,011	781,393
Other costs	1,252,842	1,185,437
Total	5,216,485	4,703,781

Auditor's fees

Auditor's fees by service category were as follows:

- Audit: KPMG EUR 21,500 (EUR 20,000), other KPMG EUR 11,440, others EUR 7,983 (EUR 8,395)
- Tax guidance: KPMG EUR 2,875 (EUR 9,827)
- Other services: KPMG EUR 3,499 (EUR 3,299)

7. DEPRECIATIONS, EUR

By asset category	2014	2013
On machinery and equipment	110,676	56,908
On other tangible assets	0	1,564
On software & other tech assets	265,560	197,857
On capitalized development costs	834,775	525,063
Total	1,211,011	781,393

By function	2014	2013
Sales and marketing costs	142,970	110,221
Research and development costs	1,015,368	637,848
Administrative costs	52,673	33,324
Total	1,211,011	781,393

8. FINANCIAL INCOME, EUR

	2014	2013
Interest revenue	49,013	39,754
Exchange rate gains, loans and other receivables	152,871	50,794
Total	201,884	90,549

9. FINANCIAL COSTS, EUR

	2014	2013
Exchange rate losses, loans and other receivables	0	106,637
Other interest costs	1,156	906
Total	1,156	107,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TAXES, EUR

The Group's unrecognized tax losses on deferred tax assets are EUR 18.0 million (EUR 21.7 million). EUR 2.9 million (EUR 6.1 million) of the tax losses are in Finland, and EUR 15.1 million (EUR 15.6 million) in the USA. The tax losses expire in Finland between the years 2015–2018, and in the USA between the years 2022–2031. The amount of unrecognized deferred tax assets from the tax losses is EUR 4.4 million (EUR 4.7 million). The Group's subsidiaries do not have earnings that would cause tax consequences when repatriated.

Comparison of taxes based on the valid tax rate in Finland (2014: 20 %; 2013 24.5 %) with those recognized in the income statement:

	2014	2013
Income tax	77,292	4,346
Total	77,292	4,346

	2014	2013
Profit/income before taxes	404,889	155,193
Tax at 20 %	-80,978	-38,022
Effect of foreign subsidiaries' differing tax rates	32,196	-10,778
Expenses not deductible for tax purposes	8,041	71,411
Tax-free revenue	0	0
Use of previously unrecognized tax losses	340,857	213,583
Tax assets not recognized for reported losses	0	0
Other taxes	0	3,768
Tax in income statement	77,292	4,346

11. EARNINGS PER SHARE, EUR

	2014	2013
Profit/loss attributable to shareholders of the parent company	327,597	150,848
Interest from hybrid loan	-360,000	-200,000
Weighted average number of shares in issue (1,000)	30,817	30,751
Earnings per share (undiluted) (EUR per share)	-0.00	-0.00
Adjusted average number of shares considering dilution effect (1,000)	34,564	33,946
Earnings per share (diluted) (EUR per share)	-0.00	-0.00

12. TANGIBLE ASSETS, EUR

Machinery and equipment	2014	2013
Acquisition cost 1 Jan	1,494,007	1,341,945
Translation difference	2,847	4,260
Increase	73,300	146,711
Decrease	23,494	1,091
Acquisition cost 31 Dec	1,546,661	1,494,007
Accumulated depreciation 1 Jan	1,270,710	1,213,481
Translation difference	0	0
Depreciation for the financial period	97,888	57,229
Translation difference on depreciation for the financial period	11,428	0
Accumulated depreciation on decrease	0	0
Accumulated depreciation 31 Dec	1,380,026	1,270,710
Book value 31 Dec	166,635	223,297

Other tangible assets	2014	2013
Acquisition cost 1 Jan	14,934	4,405
Translation difference	2,030	0
Increase	0	10,529
Decrease	0	0
Acquisition cost 31 Dec	16,964	14,934
Accumulated depreciation 1 Jan	5,531	4,252
Translation difference	503	0
Depreciation for the financial period	2,435	1,279
Accumulated depreciation on decrease	0	0
Accumulated depreciation 31 Dec	8,469	5,531
Book value 31 Dec	8,494	9,403
Balance sheet value of tangible assets 31 Dec	175,129	232,701

13. INTANGIBLE ASSETS, EUR

Software	2014	2013
Acquisition cost 1 Jan	1,922,863	1,852,070
Translation difference	438	21,080
Increase	96,502	49,713
Acquisition cost 31 Dec	2,019,803	1,922,863
Accumulated depreciation 1 Jan	1,865,493	1,830,929
Translation difference	0	21,553
Depreciation for the financial period	44,670	13,011
Accumulated depreciation on decrease	0	0
Accumulated depreciation 31 Dec	1,910,162	1,865,493
Book value 31 Dec	109,640	57,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Immaterial rights	2014	2013
Acquisition cost 1 Jan	4,395,993	2,653,903
Increase	1,659,628	1,742,090
Acquisition cost 31 Dec	6,055,621	4,395,993
Accumulated depreciation 1 Jan	1,330,406	620,497
Depreciation for the financial period	1,050,106	709,909
Translation difference	0	0
Accumulated depreciation 31 Dec	2,380,512	1,330,406
Book value 31 Dec	3,675,109	3,065,587
Balance sheet value of intangible assets 31 Dec	3,784,750	3,122,958

14. ACCOUNTS RECEIVABLES, EUR

	2014	2013
Accounts receivable	6,612,712	3,703,591

Accounts receivable by currency	2014	2013
EUR	1,259,703	799,802
USD	4,581,844	2,548,278
HKD	0	0
GBP	643,645	193,451
CHF	127,520	162,060
Total (EUR)	6,612,712	3,703,591

Accounts receivable by age, EUR	2014	Impairment losses	Net value 2014	2013	Impairment losses	Net value 2013
Non-matured	4,387,293		4,387,293	1,879,096		1,879,096
Matured						
< 30 days	866,627		866,627	1,338,005		1,338,005
30-60 days	488,072		488,072	210,711		210,711
> 60 days	870,719		870,719	275,779		275,779
Total	6,612,712	0	6,612,712	3,703,591	0	3,703,591

15. OTHER RECEIVABLES, EUR

	2014	2013
Advances paid	25,941	339,143
VAT receivables	0	-86,968
Other current receivables	431,894	208,215
Total	457,835	460,390

16. PREPAID EXPENSES AND ACCRUED INCOME, EUR

	2014	2013
Personnel-related	10,939	77,192
Other prepaid expenses and accrued income	396,785	32,313
Total	407,724	109,505

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES, EUR

The book value of accounts receivable and accounts payable equals their fair value because the impact of discounting is not significant considering the maturity of these items.

18. NOTES TO EQUITY

According to the Articles of Association, SSH Communications Security Corporation has a minimum share capital of EUR 600,000 and a maximum share capital of EUR 2,400,000, within which limits the share capital may be raised or lowered without amending the Articles of Association. The nominal value of one share is EUR 0.03; hence, the minimum number of shares is 20 million and maximum number is 80 million. The company has one series of shares; each share entitles its holder to one vote at the shareholders' meeting. The share capital of the company, registered with the Trade Register and fully paid up as of 31 December 2014 was EUR 929,220.99 (EUR 922,529), and the number of shares was 30,974,033 (30,750,983). Balance sheet was strengthened by hybrid capital securities in December as announced on 21 December 2012.

Changes in the share capital:	Number of shares	Share capital
31 Dec 2013	30,750,983	922,529
Subscriptions under stock option plan	223,050	6,692
Subscriptions under share issue	0	0
31 Dec 2014	30,974,033	929,221

Description of the equity reserves:

Share capital

The share capital includes the share subscription prices unless registered as unrestricted invested equity fund decided by conditions of share issues.

Translation differences

The translation differences fund comprises the exchange rate differences arising from the translation of the financial statements of the foreign subsidiaries.

Fair value and other reserves

The item 'Fair value and other reserves' consists of three different funds: a fair value reserve for available-for-sale investments, a hedging reserve for changes in the fair value of cash flow hedging instruments, and a reserve for the costs of granted stock option rights. In the 2014 and 2013 financial periods, SSH Communications Security had no saleable financial assets and did not apply hedging.

Unrestricted invested equity fund

The unrestricted equity fund consists of the dissolved share premium fund formed by share subscriptions under option rights and includes share subscription prices insofar as not registered as share capital.

Other fund

The item 'Other fund' is the conditional purchase price liability for the Siltanet acquisition realized in 2010. Additional purchase price treated as equity has now been completely dissolved since the requirements for additional purchase price were not fulfilled.

Other equity fund

Other equity fund comprises hybrid capital securities of EUR 4 million issued by SSH Communications Security Corporation. The principal owner and Chief Innovation Officer of the parent company, Tatu Ylönen, wholly subscribed the hybrid capital securities.

Hybrid capital securities is an instrument that is subordinated to the Company's other debt obligations and that is treated as equity in the IFRS financial statements. Hybrid capital securities do not confer to their holders the right to vote at shareholders' meetings and do not dilute the holdings of the current shareholders.

The coupon rate of the capital securities is fixed for the first three years (5 % until 28 December 2013, 9 % until 28 December 2014 and 13 % until 28 December 2015) and floating thereafter. The capital securities have no maturity but the company may exercise an early redemption option on each interest payment date. Unpaid interest from hybrid capital security at year end was EUR -560,000 (EUR -200,000).

19. CAPITAL MANAGEMENT

The objective in managing Group capital is to secure the ability to continue operating. The structure of the capital can be managed, for instance, through decisions concerning dividends and other distribution of assets, purchase of the company's own shares and share issues.

Capital management concerns equity recognized in the balance sheet. There are no requirements imposed by outside parties on the Group's capital management.

The indicators depicting the capital structure are the equity ratio and gearing.

Balance sheet was strengthened by hybrid capital securities in December 2012.

Gearing, EUR	2014	2013
Interest-bearing financial liabilities	0	4,000
Interest-bearing receivables	0	131,744
Cash and cash equivalents	6,100,142	5,832,207
Net liabilities	-6,100,142	-5,959,951
Equity total	7,891,813	7,426,386
Equity ratio	63.3 %	76.6 %
Gearing	-77.3 %	-80.1 %

20. SHARE-BASED PAYMENTS

In the company's industry it is common practice internationally that incentives are provided to employees in the form of equity-settled share-based instruments, like options. Personnel of the company belong to options plans. If not working any more for the company, one loses one's options.

On the balance sheet date, SSH Communications Security had 3,746,600 stock options outstanding (3,271,750),

representing 10.8 % of shares and 10.8 % of votes. The weighted average exercise price of outstanding stock options was EUR 1.56 (EUR 1.16). The weighted average of the remaining subscription period was 3.4 years (3.1). The exercise price varies from EUR 0.65 to EUR 2.55, and the remaining subscription period from 2.7 years months to 3.9 years.

SSH COMMUNICATIONS SECURITY SHARE-BASED PAYMENTS CONSIST OF THE FOLLOWING OPTION PLANS:

Option plan	Option certificate	Release date	Subscription period		Subscription price, EUR	Options not exercised
			Begin	End		
I/2012	I/2012 A	27 Jul 2012	1 Jun 2014	1 Sep 2017	0.65	303,500
	I/2012 B	27 Jul 2012	1 Jun 2016	1 Sep 2017	0.65	471,900
	I/2012 C	27 Jul 2012	1 Jun 2017	1 Sep 2017	0.65	486,200
						1,261,600
I/2013	I/2013 A	4 Jun 2013	1 Jun 2015	1 Sep 2018	1.66	466,950
	I/2013 B	4 Jun 2013	1 Jun 2017	1 Sep 2018	1.66	466,950
	I/2013 C	4 Jun 2013	1 Jun 2018	1 Sep 2018	1.66	481,100
	I/2013 D	4 Jun 2013	15 Feb 2015	1 Sep 2018	1.66	35,000
	I/2013 E	4 Jun 2013	15 Feb 2016	1 Sep 2018	1.66	21,000
	I/2013 F	4 Jun 2013	15 Feb 2017	1 Sep 2018	1.66	14,000
						1,485,000
I/2014	I/2014 A	17 Sep 2014	17 Sep 2016	1 Dec 2018	2.55	316,800
	I/2014 B	17 Sep 2014	17 Sep 2017	1 Dec 2018	2.55	316,800
	I/2014 C	17 Sep 2014	17 Sep 2018	1 Dec 2018	2.55	326,400
	I/2014 D	17 Sep 2014	1 Jan 2016	1 Dec 2018	2.55	40,000
						1,000,000

CHANGES IN OUTSTANDING STOCK OPTIONS AND IN WEIGHTED AVERAGE SUBSCRIPTION PRICE:

	2014		2013	
	Weighted average exercise price EUR	Number of stock options	Weighted average exercise price EUR	Number of stock options
At the beginning of the financial period	1.16	3,271,750	0.67	2,007,126
Stock options granted	2.55	1,000,000	1.66	1,555,000
Stock option forfeited	13.87	1,750	0.00	0
Stock options canceled	1.13	300,350	0.49	290,376
Stock options exercised	0.65	223,050	0.00	0
At the end of the financial period	1.56	3,746,600	1.16	3,271,750
Exercisable option rights at the end of the financial period	1.56	3,746,600	1.16	3,271,750

The weighted average price of SSH Communications Security shares in 2014 was EUR 2.85 (EUR 2.11).

21. FINANCIAL LIABILITIES, EUR

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22. ADVANCES RECEIVED, EUR

	2014	2013
	5,077,920	3,814,938

23. ACCOUNTS PAYABLE, EUR

	2014	2013
	1,381,584	732,260

24. ACCRUED LIABILITIES AND DEFERRED INCOME, EUR

	2014	2013
Personnel related	1,242,520	982,262
Restructuring provisions	0	0
Accruals	745,089	126,631
Other accrued liabilities and deferred income	509,792	11,043
Deferred rental expense benefit	0	0
Total	2,497,402	1,119,936

25. OTHER LIABILITIES, EUR

	Note	2014	2013
Personnel related		157,981	93,667
Finance leasing liabilities		0	0
VAT liabilities	21	0	0
Other current liabilities		542,591	215,217
Total		700,572	308,884

26. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks in its normal business. The purpose of the Group's risk management is to minimize negative impacts of changes on financial markets to Group income.

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk, the most significant currency being U.S. dollar. The company reduces risk by using net position when feasible. Currently U.S. dollar currency position is not hedged, and company decides hedging of U.S. dollar based contracts case by case. At the moment, the Group is not using hedging accounting. Any gains or losses realized through hedging actions are thus recognized in profit/loss.

Impact of U.S. dollar change on profits: +10 % = +350/-350 EUR in thousands.

Interest Rate Risk

The Group has no interest-bearing debt from financial institutions and therefore no need for debt protection. The Group's money market investments expose its cash flow to interest-rate risks, but the exposure is not significant as a whole.

Market Risk Related to Investments

The Group's cash reserves have been invested in accordance with the policy approved by the Board of Directors. At the end of the financial reporting period, almost all the assets are invested in fixed income funds and cash in financial institutions with high credit ratings.

Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Liquidity Risk

The Group has no liquidity risks, since invested funds which are substantial compared to the Group's cash flows are available on a one-day notice.

The Group has accounts payables and other liabilities on 31 December 2014 totaling to EUR 2,082,156 with following maturity structure:

< 1 month :	1,561,617
< 3 month :	312,323
< 6 month :	208,216

27. OTHER RENTAL AGREEMENTS, EUR

The item 'Other rental agreements' includes lease agreements not classified as finance leasing agreements. SSH Communications Security Group acts as lessee, but is currently sub-letting its office facilities in Pasila.

THE GROUP AS LESSEE

Non-terminable rental agreements for office facilities – minimum rents, EUR	2014	2013
Within one year	434,156	485,987
Within more than one year but no more than 5 years	808,069	371,799
Total	1,242,225	857,786

Non-terminable rental agreements for IT services – minimum rents, EUR	2014	2013
Within one year	0	9,451
Within more than one year but no more than 5 years	0	0
Total	0	9,451

Non-terminable rental agreements for vehicles – minimum rents, EUR	2014	2013
Within one year	0	0
Within more than one year but no more than 5 years	0	0
Total	0	0

The Group rents the office facilities it uses. The duration of the rental agreements is usually 3 to 5 years, and normally the agreements include options to renew past the original termination date. The index, renewal, and other terms and conditions differ from agreement to agreement. The income statement for 2014 includes rents based on rental agreements totaling EUR 387,801 (EUR 393,919). The Group sub-let part of its office facilities in the 2014 financial period.

In keeping with the Group's IT policy, the Group rents out network connections, virtual machines, hard-drive capacity, software, and support and maintenance services.

The Group also rents out vehicles. Rents are at fixed rates, and the agreement period generally 3 to 4 years. The income statement for 2014 includes vehicle leasing costs totaling EUR 9,559.82 (EUR 18,379).

28. GUARANTEES GIVEN AND OTHER COMMITMENTS, EUR

	2014	2013
Rental guarantees (pledged)	136,249	131,744
Hybrid Loan, Interest	560,000	200,000

29. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

Board and CEO belongs to related party of the company. Group management team is not considered as part of related party as they do not have direct decision making authority.

As of 31 December 2014, the CEO and members of the Board of Directors of SSH Communications Security owned 62.2 % (57.7 %) of the shares and votes in the company, either directly or indirectly through companies they own. CEO has 300,000 option rights. Board members have no option rights. The company does not have any specific pension arrangements for CEO or any other group management members. Management group members including the CEO directly or indirectly held about 0.6 % (0.4 %) of company shares and have a total of 907,000 (1,030,000) option rights.

Salaries and fees paid to the management are also discussed in this annual report.

Related Party Transactions

Clausal Computing Ltd., a company wholly-owned by Tatu Ylönen, Chief Innovation Officer and the Chairman of the Board of SSH Communications Security Corporation, supplied SSH Communications Security Corporation with R&D services worth EUR 0.4 million (EUR 0.4 million) in the course of the year 2014. There were no other essential related party transactions during the period under review. Hybrid capital securities (EUR 4.0 million) of the company was subscribed by Chief Innovation Officer Tatu Ylönen in 2012.

Dividend and Other Distribution of Assets

The SSH Communications Security Board of Directors will propose to the AGM that no dividend or return of capital be distributed. It is proposed that the profit for the financial period shall be entered under equity in the balance sheet.

Group companies	Domicile	Group holding, %	Votes, %
SSH Communications Security Corporation, Helsinki	Finland		
SSH Communications Security, Inc., Waltham	USA	100	100
SSH Operations Ltd., Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
SSH Solutions Ltd., Helsinki	Finland	100	100
SSH Government Solutions, Inc., Waltham	USA	100	100
SSH ROKITT Services and Solutions Ltd., London	United Kingdom	50	50

Remuneration and fees – CEO, EUR	2014	2013
Salary and other short term employee benefits	64,658	174,000
Share-based payment	0	0
Total	64,658	174,000

Salaries and Fees Paid to Members of the Board of Directors, EUR	2014	2013
Chairman of the Board / Tatu Ylönen (as of 2 Oct 2014)	0	0
Chairman of the Board / Timo Syrjälä (as of 20 Mar 2014, until 2 Oct 2014)	16,533	0
Chairman of the Board / Päivi Hautamäki (until 20 Mar 2014)	19,500	22,000
Board / Sami Ahvenniemi (until 20 Mar 2014)	0	12,500
Total	36,033	34,500

30. EVENTS AFTER THE BALANCE SHEET DATE

The company management does not know of any essential events after the balance sheet date that would have affected the financial situation of the company.

Share and stock option holdings of Board members	31 Dec 2014 Shares	31 Dec 2014 Options	31 Dec 2013 Shares	31 Dec 2013 Options
Sami Ahvenniemi	0	0	0	250,000
Päivi Hautamäki	0	0	0	0
Timo Syrjälä	1,538,615	0	0	0
Tatu Ylönen	17,727,698	0	17,727,698	0
Total	19,266,313	0	17,727,698	250,000

Share and stock option holdings of the management group	31 Dec 2014 Shares	31 Dec 2014 Options	31 Dec 2013 Shares	31 Dec 2013 Options
Harri Koponen (CEO)	0	300,000	0	0
Matthew McKenna	54,600	420,000	25,000	300,000
Jyrki Lalla	133,000	117,000	100,000	150,000
Antti Huima	0	70,000	0	30,000
Total	187,600	907,000	125,000	480,000

Compensation of the key management personnel of the group, EUR 1000	2014	2013
Wages and other short term employee benefits	874	651
Share-based payments	0	0



ssh[®]

Parent Company

Financial Statement

PARENT COMPANY INCOME STATEMENT

EUR	note*	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013
NET SALES	1	9,880,979.74	6,973,618.10
Purchasing and production costs		1,586,721.36	2,278,271.52
GROSS MARGIN		8,294,258.38	4,695,346.58
Research and development costs	2, 3, 6	4,045,449.00	2,970,651.00
Sales and marketing costs	2, 3, 6	1,565,902.87	745,079.04
Administrative costs	2, 3, 6	1,285,135.00	379,460.10
Other operating income and costs	7	0.00	-40,726.66
OPERATING PROFIT/LOSS		1,397,771.51	640,883.10
Financial income	8		
Interest revenue and other financing income		207,160.37	300,383.87
Interest costs and other financing costs		361,140.63	291,379.58
Financial income and costs, total		-153,980.26	9,004.29
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		1,243,791.25	649,887.39
Extraordinary items			
Extraordinary income	9	295,000.00	0.00
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		1,538,791.25	649,887.39
PROFIT/LOSS BEFORE TAXES		1,538,791.25	649,887.39
PROFIT/LOSS FOR THE FINANCIAL PERIOD		1,538,791.25	649,887.39

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Immaterial rights		3,715,523.40	3,119,732.83
Intangible assets, total		3,715,523.40	3,119,732.83
Tangible assets	10		
Machinery & equipment		132,292.94	159,621.94
Tangible assets, total		132,292.94	159,621.94
Investments			
Shares in Group companies	10	103,106.32	104,309.32
Other shares		11,000.00	11,000.00
Investments, total		114,106.32	115,309.32
Non-current receivables			
Receivables from Group companies	11	0.00	0.00
Non-current receivables, total		0.00	0.00
NON-CURRENT ASSETS, TOTAL		3,961,922.66	3,394,664.09
Current receivables			
Accounts receivable		1,653,983.19	1,322,380.43
Receivables from Group companies	11	6,707,232.03	1,956,255.35
Prepaid expenses and accrued income	12	206,970.37	13,468.20
Other receivables	13	133,031.62	186,059.84
Current receivables, total		8,701,217.21	3,478,163.82
Financial instruments		2,915,448.69	4,553,242.57
CURRENT ASSETS, TOTAL		11,616,665.90	8,031,406.39
ASSETS, TOTAL		15,578,588.56	11,426,070.48

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
EQUITY	14		
Share capital		929,220.99	922,529.49
Unrestricted invested equity fund		6,341,993.35	6,204,663.35
Retained profit/loss		-1,738,214.03	-2,387,992.84
Profit/loss for financial period		1,538,791.25	649,887.39
EQUITY, TOTAL		7,071,791.56	5,389,087.39
LIABILITIES			
Long-term liabilities			
Other liabilities		4,000,000.00	4,000,000.00
Current liabilities			
Subordinated loans	15	0.00	4,000.00
Advances received		496,921.13	102,798.52
Accounts payable		340,403.32	684,775.88
Payables to Group Companies		797,262.99	0.00
Accrued expenses and deferred income	16	2,312,048.20	812,529.04
Other liabilities	17	560,161.36	432,879.65
Current liabilities, total		4,506,797.00	2,036,983.09
LIABILITIES, TOTAL		8,506,797.00	6,036,983.09
EQUITY AND LIABILITIES, TOTAL		15,578,588.56	11,426,070.48

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan 2014– 31 Dec 2014	1 Jan 2013– 31 Dec 2013
CASH FLOW FROM BUSINESS OPERATIONS		
Sales revenue	5,673,204.25	5,355,748.05
Revenue from other business operations	0.00	0.00
Costs of business operations	-6,130,684.07	-5,704,290.21
Cash flow from business operations before financial items and taxes	-457,479.82	-348,542.16
Interest and payments on other financial costs of business operations	151,535.79	-94,486.89
Interest and other financial revenue from business operations	46,624.58	39,286.62
Cash flow from business operations	-259,319.45	-403,742.43
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,724,998.35	-1,906,069.47
Repayment on loan receivables		
Other investments	1,503.00	
Cash flow from investing activities	-1,723,495.35	-1,906,069.47
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans raised		
Proceeds from short-term financial investments	2,000,896.75	-2,000,897.00
Capital loan paid back		690,000.00
Capital Loan interest income		95,756.00
R&D Development loan	-4,000.00	-32,091.00
Capital loan repayment		
Share subscriptions	144,021.50	0.00
Group contribution received	205,000.00	0.00
Payments received from share issue		0.00
Cash flow from financing activities	2,345,918.25	-1,247,232.00
CHANGE IN LIQUID ASSETS	363,103.45	-3,557,043.90
Liquid assets at beginning of period	2,552,345.24	6,109,389.14
Change in liquid assets	363,103.45	-3,557,043.90
Liquid assets at end of period	2,915,448.69	2,552,345.24

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The financial statement of the parent company, SSH Communications Security Corporation, is drawn up in accordance with the Finnish Accounting Standards. Figures are given to an accuracy of one cent (EUR 0.01). All items in the balance sheet are recognized at original acquisition cost. Information on financial risk management is presented in the consolidated financial statements.

Principles of Revenue Recognition

Revenue is principally recognized in net sales once delivery has occurred or services have been rendered, an agreement has been signed with the customer or the customer has submitted a written order, and it has been assured that the customer is solvent.

Revenue from services rendered under maintenance agreements are amortized across the agreement period.

Apportioning of Costs to Functions

Costs are apportioned to functions according to the matching principle.

Rental and Leasing Agreements

The parent company has rental and leasing agreements principally concerning IT services, vehicles, and other assets. Rents and leasing payments paid pursuant to these agreements are recognized as costs over the rental or leasing period under agreements and liabilities derived from these are not recognized in the parent company balance sheet.

Income Tax

The income tax in the income statement comprises direct taxes based on the taxable profit for the financial period and adjustments to taxes on previous financial periods. The parent company does not recognize deferred tax receivables or liabilities in its financial statement. The parent company has confirmed losses of EUR 2.9 million (8.1 million) that have not been recognized as deferred tax receivables.

Fixed Assets

Fixed assets are recognized in the balance sheet at acquisition cost less planned depreciation and any impairments. Planned depreciations are calculated on a straight-line basis according to the economic life of each asset category.

THE ASSET CATEGORIES AND THEIR DEPRECIATION PERIODS ARE:

Machinery and equipment	5 years from month of acquisition
Computer hardware	3 years from month of acquisition
Immaterial rights	5 years from year of acquisition
Research and development expenses	5 years from year of capitalization
Other capitalized expenditure	5 years from year of capitalization
Major renovations of rental premises	Length of the rental agreement, though no more than 7 years, from year of capitalization

Research and Development Costs

Research and development costs are recognized as costs in the financial period in which they occurred except for those product development costs which are capitalized once certain criteria have been met. Capitalized development expenses are depreciated systematically over their useful lives.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recognized at the exchange rate on the transaction date. Outstanding receivables and liabilities in foreign currencies are recognized using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are considered sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing activities are recognized offset under income from and/or costs of financing activities.

Option Rights

Employees of the parent company and its subsidiaries have been granted option rights. The option rights entitle their holders to subscribe shares in the parent company at a fixed subscription price specified in the terms of the option plan. No costs are recognized in the income statement or balance sheet regarding the granting of option rights.

1. NET SALES BY MARKET AREA, EUR

	2014	2013
Finland	1,754,121	1,384,716
Rest of Europe	4,853,428	4,499,987
North America	2,332,790	501,957
Other	940,641	586,959
Total	9,880,980	6,973,618

2. OPERATING COSTS, EUR

Other operating costs	2014	2013
External services	1,456,359.07	1,472,668.40
Bad debt release	-193,839.35	-1,256,374.69
Depreciation	1,156,536.76	754,193.23
Other	497,525.31	10,488.71
Total	2,916,581.79	980,975.65

Auditor's fees

Auditor's fees by service category were as follows:

- Audit: KPMG EUR 21,500 (EUR 20,000);
other KPMG EUR 11,440
- Tax guidance: KPMG EUR 2,875 (EUR 9,827)
- Other services: KPMG EUR 3,499 (EUR 3,299)

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

Personnel costs, EUR	2014	2013
Wages and salaries	3,991,901.44	3,421,435.82
Pension costs	768,837.88	544,442.79
Other ancillary personnel costs	221,039.44	217,450.90
Total	4,981,778.76	4,183,329.51

4. PERSONNEL DISTRIBUTION BY BUSINESS AREA AT THE END OF THE FINANCIAL PERIOD

	2014	2013
Research and development	42	41
Sales and marketing	11	11
Administration	12	9
Total	65	61

5. SALARIES AND FEES PAID TO MANAGEMENT AND MEMBERS OF THE BOARD OF DIRECTORS, EUR

See note 29 in the consolidated financial statements.

6. DEPRECIATION AND IMPAIRMENT, EUR

	2014	2013
On immaterial rights	229,063.09	195,997.73
On research and development costs	834,774.65	525,063.16
On machinery and equipment	92,699.04	33,132.34
Total	1,156,536.78	754,193.23

In the financial year 2014, SSH has recognized a write-off of EUR 23,494.09 from office furniture. No impairments were recognized in 2013.

7. OTHER OPERATING INCOME AND COSTS, EUR

Other operating income for 2014 comprises an income item of EUR 0 (EUR 40,727).

Other operating costs for 2014 included written-off bad debts from wholly-owned subsidiaries to a total of EUR -193,839.35 (EUR 1,256,374.69).

8. FINANCING INCOME AND COSTS, EUR

	2014	2013
Interest revenue	9,793.70	266,229.90
Revenue from financial securities	45,830.88	38,232.59
Exchange rate gains and losses (net)	151,535.79	-94,486.98
Interest costs	-361,140.63	-200,971.22
Total	-153,980.26	9,004.29

9. EXTRAORDINARY INCOME, EUR

	2014	2013
Group contribution, SSH Communications Security Operations Oy	210,000	0
Siltanet reserve removed	85,000	0
Total	295,000	0

10. NON-CURRENT ASSETS AND OTHER LONG-TERM INVESTMENTS, EUR

	2014	2013
Immaterial rights		
Acquisition cost 1 Jan	6,366,258	4,574,456
Increase	1,659,628	1,791,802
Decrease	0	0
Acquisition cost 31 Dec	8,025,887	6,366,258

Accumulated depreciation 1 Jan	3,246,526	2,525,465
Depreciation for the financial period	1,063,838	721,061
Accumulated depreciation 31 Dec	4,310,364	3,246,526
Book value 31 Dec	3,715,523	3,119,733

	2014	2013
Machinery and equipment		
Acquisition cost 1 Jan	1,297,271	1,183,005
Increase	65,370	114,266
Decrease	23,494	
Acquisition cost 31 Dec	1,339,147	1,297,271

Accumulated depreciation 1 Jan	1,137,649	1,104,517
Depreciation for the financial period	69,205	33,132
Accumulated depreciation 31 Dec	1,206,854	1,137,649
Book value 31 Dec	132,293	159,622

	2014	2013
Investments		
Book value 1 Jan	115,309	115,309
Increase	0	0
Decrease	1,203	0
Book value 31 Dec	114,106	115,309

11. RECEIVABLES FROM GROUP COMPANIES, EUR

	2014	2013
Accounts receivable	6,707,232.03	1,956,255.35
Loan receivables	0.00	0.00
Total	6,707,232.03	1,956,255.35

12. PREPAID EXPENSES AND ACCRUED INCOME, EUR

	2014	2013
Interest receivables	0.00	11,276.52
Personnel related	10,939.10	2,191.68
Other	196,031.27	0.00
Total	206,970.37	13,468.20

13. OTHER RECEIVABLES, EUR

	2014	2013
Advances paid	25,941.00	61,067.92
Other current receivables	107,090.62	124,991.92
Total	133,031.62	186,059.84

14. EQUITY, EUR

	2014	2013
Share capital 1 Jan	922,529	922,529
Increase in share capital	6,692	0
Share capital 31 Dec	929,221	922,529

Unrestricted invested equity fund 1 Jan	6,341,993	6,203,663
Subscription from personnel share issue	0	0
Unrestricted invested equity fund 31 Dec	6,341,993	6,203,663

Retained earnings	-1,738,214	-2,387,140
Profit/loss for the financial period	1,538,791	649,887
Total	7,071,792	5,388,939

Statement on Distributable Funds	2014	2013
Retained earnings	-1,738,214	-2,387,140
Profit/loss for the financial period	1,538,791	649,887
Unrestricted invested equity fund 31 Dec	6,341,993	6,203,663
Total	6,142,571	4,466,410

15. LONG-TERM LIABILITIES, EUR

Hybrid capital securities (EUR 4.0 million) of the company were subscribed by Chief Innovation Officer Tatu Ylönen as announced on 21 December 2012.

The coupon rate of the capital securities is fixed for the first three years (5 % until 28 December 2013, 9 % until 28 December 2014 and 13 % until 28 December 2015) and floating thereafter.

The capital securities have no maturity but the company may exercise an early redemption option on each interest payment date. Unpaid interest from hybrid capital security at year end was EUR -560,000 (EUR -200,000).

16. ACCRUED LIABILITIES AND DEFERRED INCOME, EUR

	2014	2013
Personnel related	1,242,520.24	668,086.98
Accruals	0	0
Other accrued liabilities and deferred income	1,069,527.96	144,442.06
Total	2,312,048.20	812,529.04

17. OTHER LIABILITIES, EUR

	2014	2013
Personnel related	0	84,617
Hybrid loan interest	560,000	200,000
VAT liabilities	0	148,262
Other	161	0
Total	560,161	432,880

18. OTHER COMMITMENTS, EUR

Non-terminable rental agreements for office facilities – future rent payments	2014	2013
Within one year	241,236.00	308,030.00
Within more than one year but no more than 5 years	482,472.00	0.00
Total	723,708.00	308,030.00

Non-terminable rental agreements for IT services – future rent payments	2014	2013
Within one year	0.00	9,451.81
Within more than one year but no more than 5 years	0.00	0.00
Total	0.00	9,451.81

Non-terminable rental agreements for vehicles – future rent payments	2014	2013
Within one year	0.00	0.00
Within more than one year but no more than 5 years	0.00	0.00
Total	0.00	0.00

Non-terminable rental agreements for other assets – future rent payments	2014	2013
Within one year	0.00	0.00
Within more than one year but no more than 5 years	0.00	0.00
Total	0.00	0.00

Guarantees given	2014	2013
Rental guarantees (pledged)	103,768.83	105,278.91


Hybrid loan	2014	2013
Interest liabilities from hybrid loan	560,000.00	200,000.00

19. GROUP COMPANIES

Group companies	Domicile	Group holding, %	Votes, %
SSH Communications Security Corporation, Helsinki	Finland		
SSH Communications Security, Inc., Waltham	USA	100	100
SSH Operations Ltd., Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
SSH Solutions Ltd., Helsinki	Finland	100	100
SSH Government Solutions, Inc., Waltham	USA	100	100
SSH ROKITT Services and Solutions Ltd., London	United Kingdom	50	50

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND FINANCIAL STATEMENTS

HELSINKI, 5 FEBRUARY 2015



TATU YLÖNEN
Chairman of the Board of Directors



PÄIVI HAUTAMÄKI
Member of the Board of Directors



TIMO SYRJÄLÄ
Member of the Board of Directors



HARRI KOPONEN
CEO

AUDITOR'S NOTE

We have today issued an auditors' report based on our audit.
Helsinki, 25 February 2015

KPMG Oy Ab

KIRSI JANTUNEN
APA

List of accounting books and voucher types and method of storage

- Balance sheet book, separately bound
- Journals and general ledger, electronic archive
- Specification of accounts payable and receivable, electronic archive
- Purchasing invoices, paper documents
- Sales invoices, paper documents
- Memorandum vouchers, paper documents

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF SSH COMMUNICATIONS SECURITY CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SSH Communications Security Corporation for the year ended December 31, 2014. The financial statements comprise the consolidated balance sheet, comprehensive income statement, statement of changes in equity and cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 25 February 2015

KPMG OY AB

KIRSI JANTUNEN

Authorized Public Accountant

Corporate Governance

SSH Communications Security abides by its Articles of Association, as well as principles of sound corporate governance and high ethical standards in its governance and decision-making. The company complies with the Finnish Companies Act and securities market legislation, the rules of NASDAQ OMX Helsinki, and the joint recommendations of NASDAQ OMX Helsinki, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries regarding Corporate Governance of publicly listed companies (Finnish Corporate Governance Code 2010). The Code entered in force on 1 October 2010 and is available at <http://cgfinland.fi/en/>

More information on governance practices of the company is available at <http://www.ssh.com/investors/corporate-governance/governance-statements>. Corporate Governance Statement 2015 is also published in the same page. The tasks of the Annual General Meeting and the Board of Directors are governed by the Finnish Companies Act, the Articles of Association of the Company, decisions of the General Meetings of Shareholders, legislation regarding accounting rules and IFRS as well as the Securities Market, and the rules of the NASDAQ OMX Helsinki Ltd., and other regulations.

Information for Shareholders

All published investor information including annual reports, interim reports, as well as stock exchange releases are available on the company's website www.ssh.com → Investors. All investor information is published in English. Subscriptions to the emailing list for stock exchange releases can be made by sending your contact details to investor-relations@ssh.com. The company observes silent period from the end of the quarter until the quarterly report is published.

ANNUAL GENERAL MEETING

The company's Annual General Meeting will be held at Valimotie 8, Helsinki, Finland, on Wednesday, 25 March 2015 at 10:00 a.m. More information on how to attend as well as the documents for the meeting are available from March 3, 2015 on the company's website www.ssh.com → Investors → Annual General Meeting.

2015 FINANCIAL CALENDAR

The company will publish the following financial reports during 2015:

Financial Statements Bulletin for 2014	5 February
Annual Report 2014	During week 9
Interim Report 1 January to 31 March 2015	21 April
Interim Report 1 January to 30 June 2015	23 July
Interim Report 1 January to 30 September 2015	22 October

SSH COMMUNICATIONS SECURITY SHARE FACTS

Listing since 2000 NASDAQ OMX Helsinki Ltd.

Trading symbol SSH1V

Number of shares 30,974,033

INVESTOR RELATIONS CONTACTS

For any inquiries, please contact: investor-relations@ssh.com



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