



```
onse array.");  
(++)
```

```
R;
```

```
ETHOD_RESULT_NONE_YET)
```

```
ULL);
```

```
ULL_FNPTR);  
NULL);
```

```
ver_kbd_int_policy);
```

```
ETHOD_RESULT_SUCCESS &&
```

```
submethod_index state
```

```
/* Create actual INFO structure */  
ssh_buffer_clearstate
```

```
name = ssh_server_ssh_c  
(&state = method = submethod  
/* XXX lang_tag!  
lang_tag = "en"
```

```
ret = ssh_encode_buffer  
SSH_FORMAT
```

```
QUEST;  
SSH_FORMAT  
SSH_FORMAT  
strlen(state->cur_re  
SSH_FORMAT  
SSH_FORMAT
```

```
SSH_VERIFY(ret);  
for (i = 0; i < state->cur_re
```

```
if (strlen(state->cur_re  
ssh_warning("auth-kbd-int: un  
"%s", which is not allowed  
"submethod"
```

```
state = method = submethod  
SSH_FSM_SET_NEXT
```

```
return
```



ANNUAL REPORT 2015

909

Host

USA

1700

40

866

**“ WE KEEP THE WORLD
RUNNING.”**

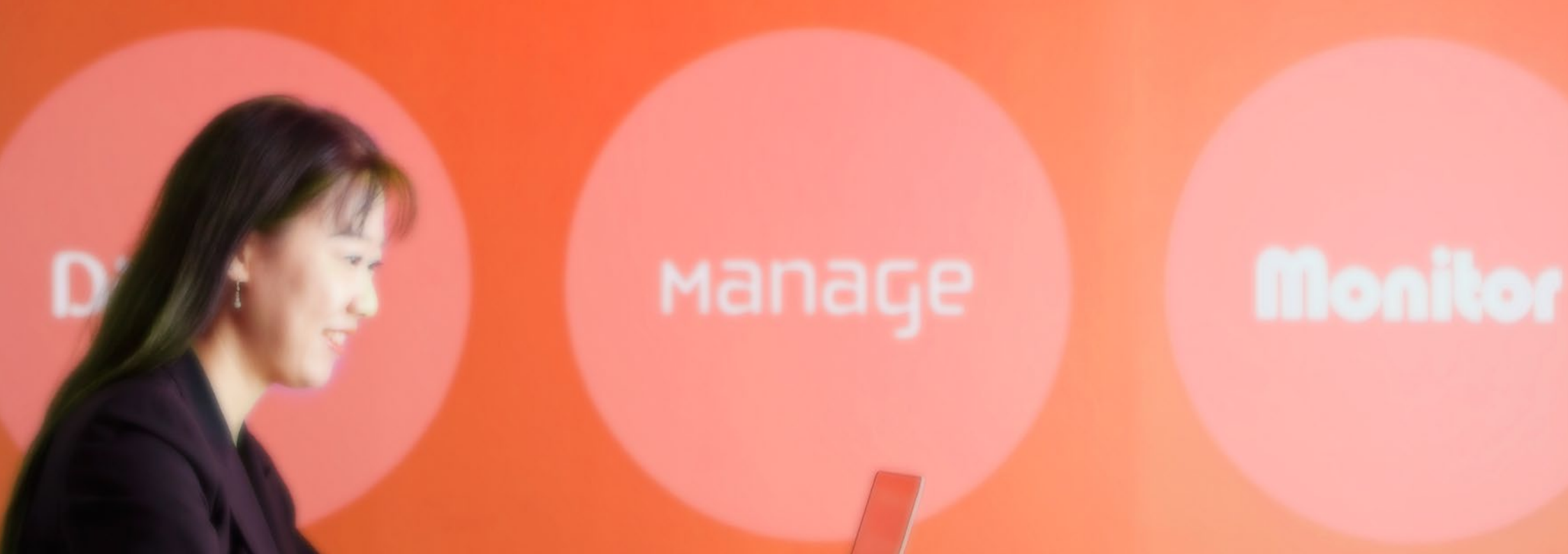


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SSH COMMUNICATIONS SECURITY IN BRIEF

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 Finland, USA, Germany, Japan, Singapore, and Hong Kong with staff representing over 20 nationalities. The company shares are quoted on the NASDAQ OMX Helsinki under the ticker symbol SSH1V.

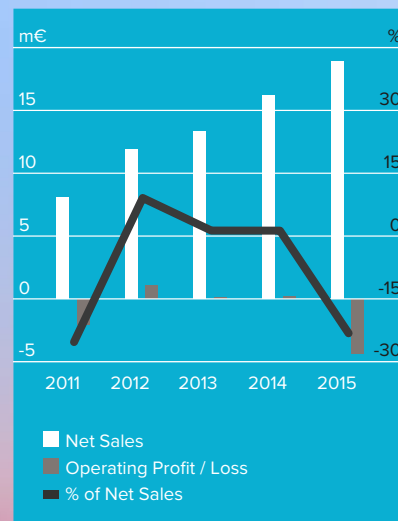
KEY FIGURES		2015	2014
Net sales	KEUR	18,867	16,209
Operating profit/loss	KEUR	-4,373	204
% of net sales	%	-23.2	1.3
Profit/loss before taxes	KEUR	-3,855	405
Earnings per share	EUR	-0.15	-0.00
Gearing	%	-98.8	-77.3
Equity ratio	%	66.8	63.3
Personnel (year end)		109	95

SALES GROWTH
2015
+16.4%

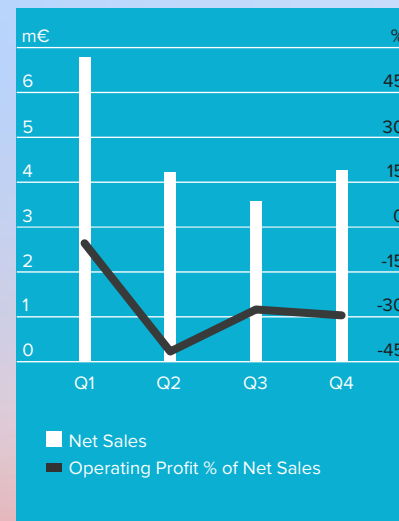
DURING 2015, SSH COMMUNICATIONS SECURITY BUILT FURTHER LEVERS FOR FUTURE GROWTH IN CYBERSECURITY, BOTH IN THE ENTERPRISE IDENTITY AND ACCESS MANAGEMENT (IAM) MARKET AND IN THE GOVERNMENTAL INFORMATION SECURITY MARKET.

- Cybersecurity became an integral and unavoidable part of daily life
- Sales growth: FY2015 +16.4 %, Q4 -36.8 %
- Negative EBIT and net profit; full year EBIT -23.2 % and net profit -20,4 %, Q4 EBIT -29.5 %
- Positive cash flow from operations
- Continue to invest both in creation of sales channels and solutions for securing critical information flow
- Fourth consecutive year of sales growth

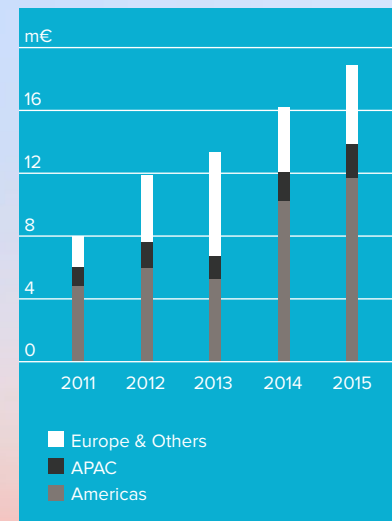
Yearly Development 2011–2015



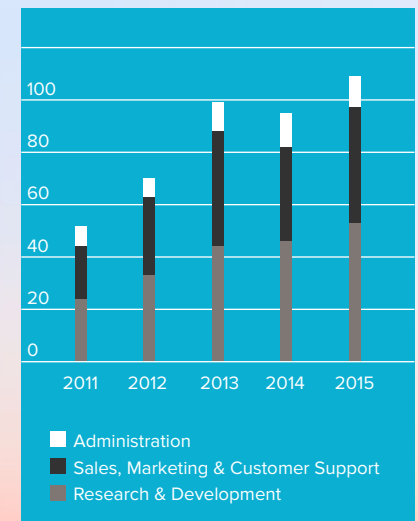
Quarterly Development 2015



Regional Net Sales Split



Personnel 2015 (as of 31 Dec)



“WE FINISHED OFF OUR **FOURTH** CONSECUTIVE YEAR OF **DOUBLE-DIGIT SALES GROWTH.**”

FINANCIAL PERFORMANCE

- Year 2015 saw moderate sales growth but was also a year of disappointment with significant losses. The company's annual revenue was in total EUR 18.9 million (EUR 16.2 million) representing a growth of 16.4 %. EBIT was EUR -4.4 million (EUR 0.2 million), -23.2 % of revenues (1.3 %).
- Earnings per share was at EUR -0.15 (EUR -0.00). Cash flow from operations was EUR 0.3 million positive (EUR 1.8 million).
- Total operating expenses were EUR 16.7 million (EUR 12.7 million), an increase of EUR 4.0 million due to further investment in future growth.
- In 2015, sales were geographically divided into: Americas 62.1 % (63.2 %), EMEA 26.7 % (25.7 %), and APAC 11.2 % (11.2 %).
- Further information on the key financial figures is presented in the Financial Statements section of this Annual Report.

SALES AND MARKETS

We finished off our fourth consecutive year of double-digit growth with an overall sales increase of 16.4%. Fueled by regulatory pressures and increased awareness around the risks related to weak SSH user key and encrypted session access controls, we were able to close several major deals in 2015. Our primary focus for key management solutions remains with the financial sector and major enterprises. Services revenues grew in 2015, and we successfully finalized a significant global remediation project for SSH user key management for a major international financial institution.

Although CryptoAuditor sales growth remained flat in 2015, we continued to receive positive feedback from customers and prospects in respect to our non-disruptive approach to encrypted session monitoring and control. We are seeing growth in our sales pipeline and are in the early phases of building out key partnerships, both of which should accelerate growth going forward. A clear majority of new CryptoAuditor customers are seeking to gain control of third-party privileged users accessing critical infrastructure – both on-premise and in the cloud - without needing to re-engineer existing processes.

We achieved several key partnerships and certifications in 2015, which should open new opportunities for revenue growth. These certifications of CryptoAuditor include recog-

nitition with companies such as McAfee, RSA, Amazon, VCE's Vblock, and F5. A partnership with U.S.-based Conjur will enable us to extend our privileged access management offering for the cloud and DevOps space. Furthermore, partnering with Finland-based Cinia will open up growth opportunities in securing critical infrastructure and networks in the DACH region.

The company operates globally with regional headquarters in Helsinki (for EMEA) and Boston (for Americas). For EMEA, there is a support office in Frankfurt. In the APAC region, company has offices in Hong Kong, Singapore, and Tokyo. AMER total revenue growth in 2015 was flat. APAC growth was 16.6% in 2015. Singapore and Japan continue as the leading countries of revenue generation. Continued rollouts of core technology to major financials as well as the initial launch of CryptoAuditor in Japan have laid a good foundation for 2016. We opened a new office in Japan to support this accelerated growth and local partners and distributor operations. EMEA sales grew by 21% in 2015.

The company continues to work in a mixed sales model in AMER, while EMEA and APAC are predominantly channel driven. SSH Communications Security continues to evaluate and move forward with various OEM partnership models for both Universal SSH Key Manager and CryptoAuditor where a more rapid growth curve may be achieved.

“REGULATORY PRESSURE AND INCREASED CYBERSECURITY AWARENESS ALLOWED US TO CLOSE MAJOR DEALS IN 2015.”

TECHNOLOGIES AND PRODUCTS

In 2015, the key focus of Research and Development was customer-driven product development of the Universal SSH Key Manager and CryptoAuditor products. Expanding product deployments in enterprise customers' environments triggered new requirements regarding scalability and workflow. These customer requests were successfully addressed, and results productized and deployed in customers' production environments.

The customers are expanding their deployment environments into private, hybrid, and public cloud platforms. Product Development has actively researched cloud technologies and is updating the products to meet the new cloud-related requirements. There are several cloud-driven CryptoAuditor customer opportunities and its 1.5 release added native support for the Amazon cloud platform with AMI support.

Compliance, including NISTIR 7966 (“Security of Interactive and Automated Access Management Using Secure Shell (SSH)”), is a major driver for several customer cases and projects. The Secure Shell HealthCheck and Universal SSH Key Manager products provide a turn-key solution for the SSH key management compliance audit and remediation processes. Research and Development will continue to support the audit and remediation processes by further enhancing the compli-

ance reporting and remediation work flows in Universal SSH Key Manager.

MARKET VIEW

The Identity and Access Management (IAM) and overall information security space continue to transform rapidly with the continuous adoption of cloud-based technologies and an ever-increasing number of Internet-connected devices. With the adoption of these new technologies and more savvy malicious actors comes an array of new security challenges. At the same time, we are experiencing a shift in the market dynamics where traditional approaches to known security challenges are becoming less effective and new innovative technologies are emerging.

SSH Communications Security continues its evolution as a disruptive player in the overall identity access management landscape with its Universal SSH Key Manager and CryptoAuditor solutions. At the same time, auditors, security executives and C-levels are starting to clearly understand the operational and brand reputation risks related to a lack of access controls around SSH key based and encrypted session access.

With the adoption of NIST IR 7966 (“Security of Interactive and automated Access Management Using Secure Shell

(SSH)”), co-authored by Tatu Ylönen, there are now clear recommendations and best practices associated with the use of Secure Shell solutions for enterprises. NIST (National Institute of Standards and Technology), which is a non-regulatory federal agency under the US Department of Commerce, works with the industry to adapt innovative standards for technology. These standards are very frequently adopted by the commercial sector as best practice guidelines for their internal security controls.

Large enterprises in highly regulated industries such as financial services, telecommunications, energy, high-tech information technology, and public sector will continue to have the highest pressure to address these issues in the short and medium term. SSH Communications Security continues as the primary thought leader in this space and enjoys a healthy credibility as an advisor and trusted vendor to the largest enterprises in the world.

Going forward, we continue to see favorable opportunities where we can continue to build on our strengths around SSH user key management and encrypted session monitoring for on-premise, cloud, and network device based scenarios. Furthermore, we will continue to explore and exploit approaches that disrupt the market space and continue to solidify our unique positioning in this segment of the Identity and Access Management landscape.

“WE MUST EXECUTE ON OUR OPPORTUNITIES AND SCALE OUR OPERATIONS.”

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

SSH Communications Security continued to grow in 2015, despite not closing certain expected deals in the fourth quarter. Positive cash flow from operations and a strong cash position allow the company to build for growth.

We successfully completed a major, multi-year SSH key management project at one of the world's largest banks. We are now in the early stages of similar projects with several other major global financial institutions.

We continue to be the leader in SSH key management. The market is evolving but still at an early stage. There are thousands of companies with SSH key management challenges and typical deal sizes range from the low hundreds of thousands to several million euros. It is a huge opportunity.

The United States National Institute for Standards and Technology (NIST) recently published guidelines, co-authored by us, on managing SSH keys (NIST IR 7966). This has a significant impact on what is viewed as the industry best practice and we expect it to speed up the emergence of the SSH key management market.



**“ WE HAVE THE WORLD’S
BEST
CYBERSECURITY
TECHNOLOGY
AND THE
BEST
CUSTOMERS
ONE COULD HOPE FOR. ”**

SSH is uniquely positioned at the intersection of identity and access management, encryption/PKI (Public Key Infrastructure), and configuration management. We protect the business-critical information systems and data at some of the world’s largest organizations.

The world as we know it would not function without modern information systems. Retail, finance, logistics, refineries, energy, government, military — all are highly computerized. These systems are mostly managed using the SSH protocol, which we invented. We help keep these systems running. We make our world safer.

Cybersecurity is more than ever a high-level strategic topic for countries and enterprises. Competitiveness in an information society comes from proprietary information, skills, and intellectual property. A cyber-attack can be just as effective in bringing a country down as traditional warfare. There is more need for our solutions than ever.

We also announced a firewall solution that will complement our offering. This is a technology field we know well, having provided encryption and packet processing technology for dozens of firewall vendors in the past. We are hitting a dual technological transformation in firewall technology at the forefront. I see major opportunities in telecommunications, government, and critical infrastructure.

Finally, we are progressing in enforcing our patents on technology we developed and see significant opportunities.

It is now up to us to grow. We have some of the world’s best cybersecurity technology. We have the best customers one could hope for. More than 90% of our sales go to the global markets. We must execute on our opportunities and scale our operations.

Tatu Ylönen
CEO

BOARD OF DIRECTORS

The Annual General Meeting held in March 2015 elected **Timo Syrjälä, Tatu Ylönen, Päivi Hautamäki and Jukka Manner** as members of the Board of Directors. **Timo Syrjälä** was elected as the **Chairman of the Board of Directors**.

The majority of the Board members are considered independent of the company. Päivi Hautamäki, Jukka Manner, and Timo Syrjälä are deemed to be independent Board members. Board member Tatu Ylönen is not independent of the company. Tatu Ylönen is the CEO and the largest shareholder, who owns directly and through his holdings about 55.13 % of SSH Communications Security shares.



From left to right in the photo: Tatu Ylönen / Timo Syrjälä / Päivi Hautamäki / Jukka Manner

Tatu Ylönen born 1968 / Lic.Sc. (Technology)

Board member since 1995 / Major shareholder / Founder and Chief Executive Officer of SSH Communications Security

After founding SSH Communications Security in 1995, he grew the company to \$20 million in sales and 190 employees in five years, and led the company to a public listing on NASDAQ OMX Nordic in 2000. He is an experienced entrepreneur with significant technical achievements:

- Developed the SSH (Secure Shell) protocol for secure remote access and SFTP for file transfers.
- Implemented the original free SSH client and server, which later became OpenSSH.
- Developed patented NAT Traversal technology, which is now included in most major smartphones, computers, and 3G/4G telecom equipment.

Mr. Ylönen has authored several IETF standards and NIST IR 7966, and is the inventor in 30+ US and international patents, including several essential patents on major telecommunications standards. Mr. Ylönen owns 17,295,437 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 2014–2015

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 2 096 731 SSH shares directly and through his companies.

Päivi Hautamäki born 1964 / LL.M.

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

Päivi Hautamäki has extensive experience in the energy, IT, and industrial fields. She is the General Counsel at Eitel 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.

Jukka Manner born 1972 / Ph.D. (Technology)

Board member since 2015 / Professor of Networking Technology, Aalto University / Co-Founder, CTO and Chairman of the Board, Kaista Networks Ltd. / Co-Founder and Chairman of the Board, Viesti Networks Ltd.

Jukka Manner has more than 15 years of experience in networking, software engineering and distributed systems. He has contributed to standardization of Internet technologies in the Internet Engineering Task Force (IETF) since 1999. He has been the principle investigator and project manager for over 25 national and international research projects and has authored over 100 publications, including eleven IETF standards. Prior to joining the Board of SSH Communications Security, he served on the Board of Stonesoft. He has been nominated by Tietoviikko magazine among the 100 most influential people in ICT in Finland yearly since 2010. Mr. Manner owns 12,000 SSH shares.

EXECUTIVE MANAGEMENT TEAM 2015



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 149,500 SSH shares and has 100,500 option rights.



Tatu Ylönen

Chief Operating Officer (COO)

born 1968 / Lic.Sc. (Technology)

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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 does not own any SSH shares, but has 351,000 option rights



Markku Rossi

Chief Technology Officer (CTO)

born 1970 / M.Sc. (Technology)

Markku Rossi is responsible for the company's global R&D and directs the company's technology strategy. Mr. Rossi has extensive knowledge and experience with SSH Communications Security products, having served the company from 1998 through 2005 as a Chief Engineer, leading the contribution to the SSH software architecture. Prior to re-joining the company in 2015, Markku founded several companies such as Codento and ShopAdvisor, served as CTO at Navicore, Chief Architect at Nokia, and is currently member of the board at Codento and partner at Prominda Revolution. Mr. Rossi does not own any SSH shares, but has 50,000 option rights.

CURRENT EXECUTIVE MANAGEMENT TEAM



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(CEO)

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Matthew McKenna

Chief Strategy Officer and
VP of Key Accounts

born 1973
B.A., MBA

Matthew brings over 15 years of high technology sales, marketing and management experience to SSH Communications Security and drives strategy, key account sales, and evangelism. His expertise in strategically delivering technology solutions that anticipate the marketplace has helped the company become a market leader. 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 does not own any SSH shares, but has 351,000 option rights.

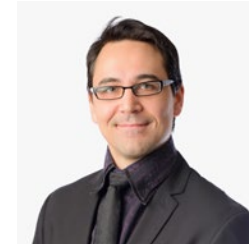


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Kalle Jääskeläinen

VP, Enterprise Key
Management

born 1977
B.A. (Science)

Kalle has over fifteen years of experience in information security services, R&D, and product management. As the VP, Enterprise Key Management, Kalle is responsible for delivering customer-driven and high performance security solutions and services that protect our customers' critical data and infrastructures. Kalle's combination of extensive customer-facing experience and technical background is ideal for understanding the market and customers' challenges, and how those can be resolved in enterprise environments.

Kalle received his Bachelor of Science from the Vantaa Institute of Technology, Finland where he specialized in Telecommunication and Computer networks. Kalle carries a CISSP certification.



Petri Helenius

VP, Network Protection

born 1970

Petri has over 20 years of software engineering experience in networking technologies. At SSH Communications Security, he is responsible for the development of our next generation critical infrastructure protection firewall. While engineer by heart, Petri has also successfully managed businesses – for example, at ROMmon, he guided the company from founding to acquisition. He has worked closely with companies such as Cisco Systems and Juniper Networks, and enjoys pushing emerging technologies into the mainstream.

Petri has held various positions at EUnet, Santa Monica Software, KPNQwest and F-Secure. He is a member of the board and investor in sustainable urban planning startup Skenariolabs.



Ed Jackowiak

VP, North America
Operations & Sales

born 1963 / B.S. (Finance, Management, and Administration)

Ed is responsible for sales and operations for the Americas. He has a long and distinguished career in information security with a successful track record of revenue growth and executive leadership. Most recently, Ed was the Executive Vice President of Sales at Aurionpro Solutions, a 130M USD company. Prior to Aurionpro, Ed was the key driver in the successful sales of Vordel to Axway and Bridgestream to Oracle. Ed has also held various executive roles at Kavado, Netegrity, and Segue Software.

Ed has built out an extensive partnership network with major consulting and implementation firms (such as Deloitte and Accenture) and worked closely with many IAM technology vendors (such as ForgeRock, Ping, and Sailpoint).

Ed holds a Bachelor of Science degree (in Finance, Management, and Administration) from Indiana University, Bloomington, IN.

FINANCIAL STATEMENTS 2015

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REPORT OF THE BOARD OF DIRECTORS FOR 1 JAN–31 DEC 2015

NET SALES EUR million	10–12/ 2015	7–9/ 2015	4–6/ 2015	1–3/ 2015	1–12/ 2015	10–12/ 2014	1–12/ 2014
BY GEOGRAPHICAL SEGMENT							
AMERICAS	2.1	2.5	2.9	4.1	11.7	4.6	10.2
APAC	0.9	0.5	0.5	0.3	2.1	0.5	1.8
EMEA	1.3	0.5	0.8	2.3	5.0	1.7	4.2
Total	4.3	3.6	4.2	6.8	18.9	6.7	16.2
BY OPERATION							
Software fees	1.6	1.0	0.6	1.8	5.1	3.4	5.9
Professional services and other	0.6	0.7	1.8	3.1	6.1	1.7	4.1
Recurring revenue	2.0	1.9	1.8	1.9	7.6	1.6	6.2
Total	4.3	3.6	4.2	6.8	18.9	6.7	16.2

FUTURE OUTLOOK

SSH Communications Security estimates its revenue to grow significantly.

NET SALES

Consolidated net sales for January–December totaled EUR 18.9 million (EUR 16.2 million), up by +16.4 %, year on year.

The majority of SSH Communications Security's invoicing is U.S. dollar-based. During the reporting period, the U.S. dollar's average exchange rate to euro strengthened 16.5 % compared to the same period a year ago. With exchange rates comparable to those of 2014, net sales growth would have been 4.3 % compared with the 2014 corresponding period.

Net sales grew in all regions. Recurring revenue and especially professional services grew strongly. Due to delays in closing software deals, software fees declined. Share of service business was exceptionally high.

PROFIT AND PROFITABILITY TRENDS

Operating loss for January–December amounted to EUR -4.4

million (EUR 0.2 million), with net loss totaling EUR -3.9 million (EUR 0.3 million). Continued investments to sales and product development and delays in closing sizeable deals influenced profitability in addition to the high share of professional service sales.

Sales, marketing and customer support expenses amounted to EUR -10.0 million (EUR -7.3 million), while research and development expenses totaled EUR -5.1 million (EUR -4.0 million) and administrative expenses EUR -1.6 million (EUR -1.3 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, 2015 stood at EUR 21.8 million (EUR 17.5 million; December 31, 2014), of which liquid assets accounted for EUR 11.3 million (EUR 6.1 million), or 51.6 % of the balance sheet total. On December 31, 2015, gearing, or the ratio of net liabilities to shareholders' equity, was -98.8 % (-77.3 %) and the equity ratio stood at 66.8 % (63.3 %). The cap-

ital securities of EUR 4 million issued in December 2012 and interests were paid in April. During March, convertible capital securities of EUR 12 million were issued.

The reported gross capital expenditure for the period totaled EUR 2.6 million (EUR 1.9 million). The reported financial income and expenses consisted mainly of exchange rate gains or losses. Financial income and expenses totaled EUR 0.5 million (EUR 0.2 million).

During January–December, SSH Communications Security reported positive cash flow of EUR 0.3 million (EUR 1.8 million) from business operations, and investments showed a negative cash flow of EUR -2.6 million (EUR -1.8 million). Cash flow from financing totaled EUR 7.4 million (EUR 2.1 million). Total cash flow from operations, investments and financing was positive EUR 5.1 million (EUR 2.1 million).

RESEARCH AND DEVELOPMENT

Research and development expenses totaled EUR -5.1 million (EUR -4.0 million), the equivalent of 26.9 % of net sales (25.0 %). During the reporting period, R&D cost capitalizations amounted to EUR 2.1 million (EUR 1.4 million). Depreciation from R&D capitalization assets was EUR -1.2 million (EUR -0.8 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 in 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 U.S. dollar so possible large fluctuation in the U.S. dollar rates

during 2016 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 on the hedging of the U.S. dollar-based contracts case by case. During 2015, the U.S. dollar positions have not been hedged.

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

The 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

SSH Communications Security Group had 109 (95) employees at the end of December, up by 14 persons or 15 % from the previous year. Of the employees, 80 (65) were based in Finland, 4 (4) in Germany, 20 (21) in the USA, 3 (5) in Hong Kong and 2 (0) in Japan.

The average age of the employees was 40.9 years (39.6 years). 13.8 % (17.0 %) of the employees were women and 86.2 % (83.0 %) men. At the end of the period under review, 48.6 % (48.4 %) of the employees worked in research and development, 40.4 % (37.9 %) in sales, marketing, and customer support, and 11.0 % (13.7 %) in corporate administration.

At the end of the reporting period, the parent company had 80 (65) employees on its payroll, on average 73 (63) employees during the period under review. Parent company salaries, bonuses, and other personnel expenses during the financial period totaled EUR 5.2 million (4.0 million).

BOARD AND AUDITORS

At the Annual General Meeting on March 25, 2015, Jukka Manner was elected and Päivi Hautamäki, Timo Syrjälä and Tatu Ylönen were re-elected to directors of the company. Timo Syrjälä was elected as the Chairman of the Board of Directors on the board's organizing meeting.

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 (AGM) 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 8,389,611 (valued at EUR 37,714,802). The highest quotation was EUR 6.32 and the lowest EUR 2.52. The trade-weighted average share price for the period was EUR 4.50 and the share closed at EUR 3.02 (December 30, 2015).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, 55.1 % of the company's shares, Juha Mikkonen holds directly and through his company under his control, Assetman Oy, 7.8 % and Timo Syrjälä holds directly or through his companies 6.7 %. More information about the shareholding can be obtained from the company's web site.

In the financial year 2015, two new legal units, SSH Communications Security K.K. (Japan) and SSH Technology Ltd. (Finland), were founded. SSH owns 100 % of SSH Communications Security K.K. and SSH Technology Ltd.

In addition to the above new subsidiaries, the company has also the following subsidiaries: SSH Communications Security, Inc. and SSH Government Solutions, Inc. in the USA, SSH Communications Security Ltd. in Hong Kong, SSH ROKITT Services and Solutions Ltd. in the UK and SSH Operations Ltd. and Kyberleijona Ltd. (formerly SSH Solutions Ltd.) in Finland. SSH Operations Ltd. has a branch in Germany.

INFORMATION ON SHAREHOLDERS

DISTRIBUTION OF OWNERSHIP BY SECTOR

Type of sector	Number of shares	Percentage of shares and votes, %
Companies	6,197,613	19.76
Financial and insurance institution	1,773,082	5.65
Households and private individuals	23,248,153	74.11
Non-profit organizations	80,500	0.26
Foreign shareholders	70,935	0.23
Total	31,370,283	100.00

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

Shares	Number of shareholders	Percentage of shareholders, %	Number of shares	Percentage of shares, %
1-100	1,486	36.84	82,421	0.26
101-500	1,147	28.43	347,889	1.11
501-1,000	526	13.04	434,510	1.39
1,001-5,000	626	15.52	1,468,995	4.68
5,001-10,000	113	2.80	846,065	2.70
10,001-50,000	106	2.63	2,073,444	6.61
50,001-100,000	13	0.32	882,165	2.81
100,001-500,000	11	0.27	2,335,223	7.44
500,001-999,999,999	6	0.15	22,899,571	73.00
Total	4,034	100.00	31,370,283	100.00
of which nominee-registered	9		1,451,347	4.63

THE TEN LARGEST SHAREHOLDERS

as of 31 December 2015, Excluding Nominee- Registered	Percentage of shares, %	Shares
Ylönen Tatu	43.91 %	13,775,773
Clausal Computing Oy	11.22 %	3,519,664
Mikkonen Juha Taneli	7.71 %	2,420,000
Gaselli Capital Oy	3.25 %	1,020,000
Syrjälä Timo Kalevi	2.66 %	835,011
Taaleritehdas Mikro Markka Fund	1.59 %	500,000
AC Invest Oy	1.12 %	350,000
Evli Pankki Oyj	0.87 %	273,875
Pulli Anita Irmeli	0.64 %	201,076
Poutanen Jukka Tapani	0.57 %	180,000
Total	73.6 %	23,075,399

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The registered share capital of SSH Communications Security Corporation as of December 31, 2015 was EUR 941,108.49 consisting of 31,370,283 shares.

SHARE SUBSCRIPTIONS WITH OPTION CERTIFICATES FROM THE COMPANY'S OPTION PLANS		
Number of shares	2015	2014
1/1999 option plan class H option certificates		1,550
1/2012 option plan class A option certificates	166,400	221,500
1/2012 option plan class B option certificates		
1/2012 option plan class C option certificates		
1/2013 option plan class A option certificates	229,850	
1/2013 option plan class B option certificates		
1/2013 option plan class C option certificates		
Total	396,250	223,050

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 4,000,000 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 Limited Liability Companies Act, either according to the shareholders' pre-emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares which the company possibly has in its possession. Based on the authorization, the Board of Directors shall have the same rights as the

Annual General Meeting to decide upon the issuing of shares against payment and special rights (including stock options) in accordance with Chapter 10 Section 1 of the Finnish Limited Liability Companies Act. Thereby, the authorization to be given to the Board of Directors includes, inter alia, the right to deviate from the shareholders' pre-emptive rights with directed issues providing that the company has a weighty financial reason for the deviation in respect of the share issue against payment.

Furthermore, the authorization includes the Board of Directors' right to decide upon who are entitled to the shares and/or stock options or special rights in accordance with Chapter 10 Section 1 of the Finnish Limited Liability Companies Act as well as upon the related compensation, subscription and payment periods and upon the registering of the subscription price into the share capital or invested non-restricted equity fund within the limits of the Finnish Limited Liability Companies Act.

The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30th, 2016.

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 6.5 % 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 for the acquiring of the company's own shares will be used, inter alia, to strengthen the company's capital structure, to finance and realize corporate acquisitions and other arrangements, to realize the share-based incentive programs of the company or otherwise to be kept by the company, to be transferred for other purposes or to be cancelled. The acquisition of shares reduces the company's

distributable non-restricted equity.

Decision concerning the acquiring of own shares cannot be made so that the combined amount of the own shares which are in the possession of, or held as pledges by, the company or its subsidiaries exceeds one-tenth of all shares. The Board of Directors shall decide upon all other matters related to the acquisition of shares.

The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30th, 2016.

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, 2014 and 2015.

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 19 in the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Clausal Computing Ltd., a company wholly-owned by Tatu Ylönen, CEO of SSH Communications Security Corporation from 18 February 2016 onwards, and SSH Communications Security Corporation are parties to agreements under which Clausal Computing Oy provides certain R&D and other services to SSH Communications Security Corporation and has agreed to assign certain intellectual property rights

related to inventions made in the field of computer security to SSH Communications Security Corporation. Under the agreements, SSH Communications Security Corporation pays a compensation for the R&D services as well as a royalty fee calculated on the patent revenue that SSH Communications Security Corporation may in the future receive related to the IP rights (if any). In 2015, the aggregate consideration paid by SSH Communications Security Corporation to Clausal Computing Oy was EUR 0.4 million. Tatu Ylönen subscribed EUR 0.5 million of the hybrid capital securities issued by the company on March 30th. The interests and capital securities of EUR 4 million issued in December 2012 and subscribed by Tatu Ylönen, were paid in April. During the reporting period, there have not been any other significant transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

As announced on January 4, 2016, SSH Communications Security signed a frame agreement with CINIA and introduced its new firewall solution. As announced on February 18, 2016, Tatu Ylönen was nominated as Chief Executive Officer starting on February 17, 2016. Harri Koponen continues to work in the company as a Senior Advisor. As announced on February 25, 2016, Executive Management Team is Tatu Ylönen, CEO; Ed Jackowiak, VP, North America Operations & Sales; Matthew McKenna, Chief Strategy Officer and VP of Key Accounts; Markku Rossi, Chief Technology Officer; Kalle Jääskeläinen, VP, Enterprise Key Management; Petri Helenius, VP, Network Protection; Jyrki Lalla, CFO. 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 20th of April 2016 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

		2015	2014	2013
Net sales	EUR	18,867,166	16,209,456	13,343,060
Operating profit/loss	EUR	-4,372,562	204,161	172,187
% of net sales	%	-23.2	1.3	1.3
Profit/loss before taxes	EUR	-3,854,905	404,889	155,193
% of net sales	%	-20.4	2.5	1.2
Return on equity	%	-40.4	4.3	2.2
Return on investments	%	-39.9	2.7	1.9
Net interest-bearing debt	EUR	-11,302,677	-6,100,142	-5,959,951
Gearing	%	-98.8	-77.3	-80.1
Equity ratio	%	66.8	63.3	76.6
Gross investments in tangible and intangible assets	EUR	2,589,673	1,856,892	2,031,791
% of net sales	%	13.7	11.5	15.2
Research and development costs	EUR	5,068,848	4,045,449	2,970,651
% of net sales	%	26.9	25.0	22.3
Research and development costs without investments	EUR	6,247,275	4,714,749	4,029,998
% of net sales	%	33.1	29.0	30.2
Average number of personnel		102	97	85
Number of personnel 31 Dec		109	95	99
Salaries and fees	EUR	9,132,955	7,447,053	6,652,704

INDICATORS PER SHARE

		2015	2014	2013
Earnings per share*	EUR	-0.15	-0,00	-0,00
Earnings per share, diluted*	EUR	-0.15	-0,00	-0,00
Equity per share	EUR	0.36	0.25	0.24
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	31,068	30,817	30,751
Adjusted average number of shares at the end of the period	1,000	31,370	30,974	30,751
Adjusted average number of shares considering dilution effect	1,000	36,419	34,564	33,946
Price per earnings ratio (P/E)		neg.	neg.	neg.
Market capitalization 31 Dec	EURm	94.7	77.8	89.5

		2015	2014	2013
Share performance on the Helsinki Stock Exchange				
Average price	EUR	4.50	2.85	2.11
Share price, year end	EUR	3.02	2.51	2.91
Lowest quotation	EUR	2.52	2.31	0.75
Highest quotation	EUR	6.32	3.74	4.50
Volume of shares traded	millions	8.4	3.6	9.9
Volume of shares traded, % of total number	%	27.0	11.7	33.4
Volume of shares traded	EURm	37.7	10.3	20.8

*Earnings 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, %	=	$\frac{\text{Interest bearing debt - Liquid assets}}{\text{Equity}} \times 100$

CONSOLIDATED FINANCIAL STATEMENTS

TRUST

Discovery



CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	note*	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
NET SALES	3	18,867,166	16,209,456
Cost of goods sold		6,493,055	3,341,757
GROSS MARGIN		12,374,111	12,867,699
Other operating income	4	0	0
Sales and marketing costs	5, 6	10,029,213	7,332,954
R&D costs	5, 6	5,068,848	4,045,449
Administrative costs	5, 6	1,648,612	1,285,135
OPERATING PROFIT/LOSS		-4,372,562	204,161
Financial income	7	523,082	201,884
Financial costs	8	5,425	1,156
PROFIT/LOSS BEFORE TAXES		-3,854,905	404,889
Income taxes	9	55,794	77,292
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-3,910,699	327,597
OTHER COMPREHENSIVE INCOME/COSTS			
Items, that may be reclassified subsequently to profit or loss:			
Translation differences		-415,221	-381,192
COMPREHENSIVE PROFIT/LOSS FOR THE FINANCIAL PERIOD		-4,325,920	-53,595
Profit/loss for the financial period attributable to:			
equity holders of the parent company		-3,910,699	327,597
non-controlling interest		0	0
Comprehensive profit/loss for the financial period attributable to:			
equity holders of the parent company		-4,325,920	-53,595
non-controlling interest		0	0
Earnings per share	10	-0.15	-0.00
Earnings per share, diluted	10	-0.15	-0.00

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

CONSOLIDATED BALANCE SHEET

EUR	Note*	31 Dec 2015	31 Dec 2014
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	11		
Machinery & equipment		300,769	175,128
Tangible assets, total		300,769	175,128
Intangible assets	12		
Immaterial rights		4,628,606	3,784,750
Intangible assets, total		4,628,606	3,784,750
Investments			
Other shares		11,000	11,000
Investments, total		11,000	11,000
NON-CURRENT ASSETS, TOTAL		4,940,375	3,970,878
CURRENT ASSETS			
Short-term receivables			
Accounts receivable	13, 16	4,394,693	6,612,712
Other receivables	14	757,920	457,835
Prepaid expenses and accrued expenses	15	359,775	407,724
Current receivables, total		5,512,388	7,478,270
Cash and cash equivalents	18	11,302,677	6,100,142
CURRENT ASSETS, TOTAL		16,815,065	13,578,413
ASSETS, TOTAL		21,755,440	17,549,291

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

CONSOLIDATED BALANCE SHEET

EUR	Note*	31 Dec 2015	31 Dec 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS			
Share capital		941,108	929,221
Fair value and other reserves		1,440,693	921,180
Translation differences		-2,108,905	-1,693,684
Unrestricted invested equity fund		5,198,286	4,723,993
Other equity fund		11,673,731	3,974,347
Retained earnings		-5,699,359	-963,244
		11,445,554	7,891,813
NON-CONTROLLING INTEREST			
Non-controlling interest		0	0
EQUITY, TOTAL	17	11,445,554	7,891,813
NON-CURRENT LIABILITIES			
NON-CURRENT LIABILITIES, TOTAL		0	0
CURRENT LIABILITIES			
Advances received		4,628,793	5,077,920
Accounts payable	16	2,827,583	1,381,584
Accrued expenses	20	2,245,339	2,497,402
Tax liabilities	20	0	0
Other liabilities	21	608,171	700,572
CURRENT LIABILITIES, TOTAL		10,309,886	9,657,478
LIABILITIES, TOTAL		10,309,886	9,657,478
EQUITY AND LIABILITIES, TOTAL		21,755,440	17,549,291

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

CONSOLIDATED CASH FLOW STATEMENT

EUR	Note*	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
CASH FLOW FROM BUSINESS OPERATIONS			
Sales revenue	3, 13	20,301,541	14,151,719
Costs of business operations	5, 20, 21	-20,449,950	-12,437,096
Interest and payments on other financial costs		-5,425	-22,341
Interest and other financial revenue		523,082	223,069
Taxes paid		-83,146	-79,900
Cash flow from business operations		286,102	1,835,452
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	11, 12	-2,589,673	-1,824,853
Cash flow from investing activities		-2,589,673	-1,824,853
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term financial investments		0	2,000,897
Hybrid Loan 2012 paid back		-4,000,000	0
Hybrid Loan 2012 interest expenses		-730,091	0
New Hybrid Loan		11,673,731	0
Proceeds from issuance of share capital		478,755	144,022
Cash flow from financing activities		7,422,395	2,144,918
CHANGE IN LIQUID ASSETS		5,118,824	2,155,517
Liquid assets at beginning of period	18	6,104,142	3,831,309
Exchange rate effect		79,711	117,315
Change in liquid assets		5,118,824	2,155,517
Liquid assets at end of period	18	11,302,677	6,104,142

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

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 2014		922,529	486,865	85,000	3,974,346	-1,313,177	4,561,663	0	-1,290,841	0	7,426,386
Comprehensive profit/loss											0
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	0	-381,192	0	0	327,597	0	-138,595
Hybrid capital securities											
Shares subscribed on option rights	19	6,692	434,315				163,015				604,022
Transactions with shareholders		6,692	434,315	0	0	0	163,015	0	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
Equity 1 Jan 2015		929,221	921,180	0	3,974,346	-1,694,369	4,724,678	0	-963,244	0	7,891,813
Comprehensive profit/loss											
Profit/loss for the period									-3,910,699		-3,910,699
Other comprehensive items											0
Translation differences						-415,221					-415,221
Comprehensive profit/loss for financial period, total		0	0	0	0	-415,221	0	0	-3,910,699	0	-4,325,920
Hybrid capital securities					7,698,654		-831,372				6,867,282
Shares subscribed on option rights	19	11,888	519,513				480,978				1,012,379
Transactions with shareholders		11,888	519,513	0	7,698,654	0	-350,394	0	0	0	7,879,661
Equity 31 Dec 2015		941,108	1,440,694	0	11,673,000	-2,109,590	4,374,284	0	-4,873,943	0	11,445,554

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

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 subsidiaries. SSH Communications Security Corporation (corporate id 1035804-9) is domiciled in Helsinki, Finland and is a publicly traded company, whose share is quoted in NASDAQ OMX Helsinki Oy (SSH1V). SSH Communications Security Corporation has its registered office at address Kornetintie 3, 00380 Helsinki, Finland.

The SSH Communications Security Board of Directors approved this financial statement for publication at its meeting on 9 February 2016. 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 www.ssh.com.

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 2015. 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.

Changes in reporting in 2015

SSH Communications Security has redefined sales reporting by operations in the second quarter of 2015. New reporting is Software (previous license sales excluding monthly subscription fees), Professional Services & Other (previous consulting & other) and Recurring Revenue (previous maintenance and monthly subscription fees). The impact for comparison figures of 2014 and first quarter 2015 interim report is insignificant.

SSH Communications Security has changed the operational mode into global operational mode and ceased to report regional segments during 2015.

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 has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Group's returns. In practice, controlling interest is established when the Group owns more than half of the votes in a company.

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.

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 Group.

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 Group.

Government Grants

Government grants, such as 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.

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 contractu-

al 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 2014 or 2015. 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 2015, 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 the liability. Rental obligations are included in interest-bearing 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 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. Earnings per share is impacted by unpaid interest of hybrid capital securities.

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 parent company SSH Communications Security Corporation's 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. The company did not have significant financial leasing agreements in 2015 or 2014.

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 of 1 January 2015 the following new and amended standards that have come into effect.

- Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or

third parties towards the cost of benefits. The amendments are not assessed to have an impact on the Group's consolidated financial statements.

- *Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle)* (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.
- 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 recognized 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 the Group's consolidated financial statements.

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

The Group 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 2015.

- 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 judgment in determining

what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgment when determining where and in what order information is presented in the financial disclosures. The interpretation had no significant impact on the Group's consolidated financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no significant impact on the Group'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 significant impact on the Group'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 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 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. 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 recognize 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.

Other new and amended standards are not expected to have any impact on the Group's consolidated financial statements.

3. NET SALES, EUR

	2015	2014
BY OPERATION		
Software fees	5,117,242	5,936,995
Professional services and other	6,147,224	6,186,922
Recurring revenue	7,602,700	4,085,539
Total	18,867,166	16,209,456

	2015	2014
BY GEOGRAPHICAL SEGMENT		
AMERICAS	11,702,928	10,236,189
APAC	2,117,669	1,816,818
EMEA	5,046,569	4,156,449
Total	18,867,166	16,209,456

In the financial year 2015, revenue share from the largest customer was EUR 4.2 million, which was 23 % of the net sales of the group and revenue share from the second-largest customer was EUR 1.9 million, which was 10 % of the net sales of the group.

4. OTHER OPERATING INCOME, EUR

	2015	2014
Sales of fixed assets	0	0
Total	0	0

5. OTHER OPERATING COSTS, EUR

Employee benefits	2015	2014
Wages and salaries	8,579,437	6,806,787
Pensions, defined-contribution plan	957,056	768,838
Other ancillary personnel costs	382,477	438,987
Stock options issued	548,529	434,315
Total	10,467,499	8,448,927

Number of personnel	2015	2014
Average during the financial period	102	97
At the end of the financial period	109	95

Personnel distribution by function on 31 Dec	2015	2014
Sales, marketing, and customer support	44	36
Research and development	53	46
Administration	12	13
Total	109	95

Research and development costs recognized as costs, EUR	2015	2014
Total	5,068,848	4,045,449

Other operating costs, EUR	2015	2014
External services	4,070,240	3,621,569
Depreciation	1,620,176	1,211,011
Other costs	1,923,302	383,905
Total	7,613,717	5,216,485

Auditor's fees

Auditor's fees by service category were as follows:

- Audit: KPMG EUR 24,450 (EUR 21,500), other KPMG EUR 11,093 (11,440), others EUR 7,724 (EUR 7,983)
- Tax guidance: KPMG EUR 3,275 (EUR 2,875)
- Other services: KPMG EUR 8,226 (EUR 3,499)

6. DEPRECIATIONS, EUR

By asset category	2015	2014
Machinery and equipment	121,258	110,676
Software & other tech assets	320,490	265,560
Capitalized development costs	1,178,427	834,775
Total	1,620,176	1,211,011

By function	2015	2014
Sales and marketing costs	178,466	142,970
Research and development costs	1,393,222	1,015,368
Administrative costs	48,487	52,673
Total	1,620,176	1,211,011

7. FINANCIAL INCOME, EUR

	2015	2014
Interest revenue	6,577	49,013
Exchange rate gains, loans and other receivables	516,505	152,871
Total	523,082	201,884

8. FINANCIAL COSTS, EUR

	2015	2014
Exchange rate losses, loans and other receivables	0	0
Other interest costs	5,425	1,156
Total	5,425	1,156

9. TAXES, EUR

The Group's unrecognized tax losses on deferred tax assets, which have not been booked based on the principle of prudence, are EUR 13.8 million (EUR 18.0 million). EUR 1.9 million (EUR 2.9 million) of the tax losses are in Finland, and EUR 11.9 million (EUR 15.1 million) in the USA. The tax losses expire in Finland between the years 2016–2018, and in the USA between the years 2022–2031. The amount of unrecognized deferred tax assets from the tax losses is EUR 5.3 million (EUR 4.4 million). The Group's subsidiaries do not have earnings that would cause tax consequences when repatriated:

	2015	2014
Income tax	55,794	77,292
Total	55,794	77,292

Reconciliation of taxes	2015	2014
Profit/income before taxes	-3,854,905	404,889
Tax at Finnish tax rate 20 %	770,981	-80,978
Effect of foreign subsidiaries' differing tax rates	19,845	32,196
Non-deductible expenses	12,158	8,041
Tax-free revenue	0	0
Use of previously unrecognized tax losses	-935,542	340,857
Tax assets not recognized for reported losses	0	0
Other taxes	0	0
Tax in income statement	55,794	77,292

10. EARNINGS PER SHARE, EUR

	2015	2014
Profit/loss attributable to shareholders of the parent company	-3,910,699	327,597
Hybrid loan interest expense	-825,479	-360,000
Weighted average number of shares in issue, 1,000	31,068	30,817
Earnings per share	-0.15	-0.00
Adjusted average number of shares considering dilution effect, 1,000	36,419	34,564
Earnings per share, diluted	-0.15	-0.00

11. TANGIBLE ASSETS, EUR

Machinery and equipment	2015	2014
Acquisition cost 1 Jan	1,546,661	1,494,007
Exchange rate effect	24,056	2,847
Increase	254,252	73,300
Decrease	-35,603	-23,494
Acquisition cost 31 Dec	1,789,365	1,546,661
Accumulated depreciation 1 Jan	1,380,026	1,270,710
Exchange rate effect	20,093	11,428
Depreciation for the financial period	119,195	97,888
Accumulated depreciation on decrease	-23,736	0
Accumulated depreciation 31 Dec	1,495,579	1,380,026
Book value 31 Dec	293,786	166,635
Other tangible assets	2015	2014
Acquisition cost 1 Jan	16,964	14,934
Exchange rate effect	1,954	2,030
Increase	0	0
Decrease	0	0
Acquisition cost 31 Dec	18,917	16,964
Accumulated depreciation 1 Jan	8,469	5,531
Exchange rate effect	975	503
Depreciation for the financial period	2,489	2,435
Accumulated depreciation on decrease	0	0
Accumulated depreciation 31 Dec	11,934	8,469
Book value 31 Dec	6,983	8,494
Balance sheet value of tangible assets 31 Dec	300,769	175,129

12. INTANGIBLE ASSETS, EUR

Software	2015	2014
Acquisition cost 1 Jan	2,019,803	1,922,863
Exchange rate effect	12,483	438
Increase	54,509	96,502
Decrease	-46,713	0
Acquisition cost 31 Dec	2,040,082	2,019,803
Accumulated depreciation 1 Jan	1,910,162	1,865,493
Exchange rate effect	4,510	0
Depreciation for the financial period	60,170	44,670
Accumulated depreciation on decreases	-18,685	0
Accumulated depreciation 31 Dec	1,956,156	1,910,162
Book value 31 Dec	83,926	109,640
Immaterial rights	2015	2014
Acquisition cost 1 Jan	6,055,621	4,395,993
Increase	2,309,237	1,659,628
Acquisition cost 31 Dec	8,364,858	6,055,621
Accumulated depreciation 1 Jan	2,380,512	1,330,406
Exchange rate effect	0	0
Depreciation for the financial period	1,439,666	1,050,106
Accumulated depreciation 31 Dec	3,820,178	2,380,512
Book value 31 Dec	4,544,680	3,675,109
Balance sheet value of intangible assets 31 Dec	4,628,606	3,784,750

13. ACCOUNTS RECEIVABLE, EUR

	2015	2014
Accounts receivable	4,394,693	6,612,712
Accounts receivable by currency	2015	2014
EUR	695,384	1,259,703
USD	1,741,057	4,581,844
HKD	0	0
GBP	1,958,252	643,645
CHF	0	127,520
Total (EUR)	4,394,693	6,612,712

Accounts receivable by age, EUR	2015	Impairment losses	Net value 2015	2014	Impairment losses	Net value 2014
Non-matured	3,154,969		3,154,969	4,387,293		4,387,293
Matured						
< 30 days	641,025		641,025	866,627		866,627
30-60 days	243,285		243,285	488,072		488,072
> 60 days	355,414		355,414	870,719		870,719
Total	4,394,693	0	4,394,693	6,612,712	0	6,612,712

14. OTHER RECEIVABLES, EUR

	2015	2014
Advances paid	0	25,941
Other current receivables	757,920	431,894
Total	757,920	457,835

15. PREPAID EXPENSES AND ACCRUED INCOME, EUR

	2015	2014
Personnel-related	0	10,939
Other prepaid expenses and accrued income	359,775	396,785
Total	359,775	407,724

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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.

17. 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 2015 was EUR 941,108.49 (EUR 929,220.99), and the number of shares was 31,370,283 (30,974,033).

Changes in the share capital:	Number of shares	Share capital, EUR
31 Dec 2014	30,974,033	929,221
Subscriptions under stock option plan	396,250	11,888
Subscriptions under share issue	0	0
31 Dec 2015	31,370,283	941,108

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 2015 and 2014 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

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 hybrid capital securities of EUR 4 million issued in December 2012 were wholly subscribed by the principal owner and the Chief Executive Officer of the parent company, Tatu Ylönen. 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. The capital securities and interests were paid back in April 2015.

Other equity fund comprises hybrid capital securities of EUR 12 million issued in March 2015, subscribed by institutional investors. The principal owner and the Chief Executive Officer of the parent company, Tatu Ylönen, subscribed EUR 500,000 of the hybrid capital securities. The capital securities bear a fixed interest rate of 7.5 per cent until 30 March 2020, after which the interest rate will increase by four percentage points. The capital securities have no maturity date, but the issuer has the right to redeem them after 3 but before 5 years from the issue date, upon certain conditions, or after 5 years from the issue date. The investors have the right to convert the capital loan into the Company's shares at EUR 4.76 per share of the issue date.

Unpaid interest from hybrid capital securities at year end was EUR -675,000 (EUR -560,000),

18. 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 March 2015.

Gearing, EUR	2015	2014
Interest-bearing financial liabilities	0	0
Interest-bearing receivables	0	0
Cash and cash equivalents	11,302,677	6,100,142
Net liabilities	-11,302,677	-6,100,142
Equity total	11,445,554	7,891,813
Equity ratio	66.8 %	63.3 %
Gearing	-98.8 %	-77.3 %

19. 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 no longer working for the company, one loses one's options.

On the balance sheet date, SSH Communications Security had 5,350,350 stock options outstanding (3,746,600), representing 14.6 % of shares and 14.6 % of votes. The weighted average exercise price of outstanding stock options was EUR 2.29 (EUR 1.56). The weighted average of the remaining subscription period was 3.2 years (3.4). The exercise price varies from EUR 0.65 to EUR 3.45, and the remaining subscription period from 1.7 years to 4.4 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	137,100
	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
						1,095,200
I/2013	I/2013 A	4 Jun 2013	1 Jun 2015	1 Sep 2018	1.66	237,100
	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
						1,255,150
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
I/2015	I/2015 A	4 Feb 2015	15 Mar 2018	30 May 2020	3.45	660,000
	I/2015 B	4 Feb 2015	15 Mar 2019	30 May 2020	3.45	660,000
	I/2015 C	4 Feb 2015	15 Mar 2020	30 May 2020	3.45	680,000
						2,000,000

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

	2015		2014	
	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	1.56	3,746,600	1.16	3,271,750
Stock options granted	3.45	2,000,000	2.55	1,000,000
Stock option forfeited	0.00	0	13.87	1,750
Stock options canceled	0.00	0	1.13	300,350
Stock options exercised	1.24	396,250	0.65	223,050
At the end of the financial period	2.29	5,350,350	1.56	3,746,600
Exercisable option rights at the end of the financial period	2.29	5,350,350	1.56	3,746,600

The trade-weighted average share price of SSH Communications Security for the period was EUR 4.50 (EUR 2.80).

20. ACCRUED LIABILITIES AND DEFERRED INCOME, EUR

	2015	2014
Personnel related	873,115	1,242,520
Accruals	412,456	745,089
Other accrued liabilities and deferred income	959,768	509,792
Total	2,245,339	2,497,402

21. OTHER LIABILITIES, EUR

	2015	2014
Personnel related	182,646	157,981
VAT liabilities	135,061	0
Other current liabilities	290,464	542,591
Total	608,171	700,572

22. 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 the U.S. dollar. The company reduces risk by using net position when feasible. Currently the U.S. dollar position is not hedged, and the company decides on the hedging of the 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 the 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 2015 totaling to EUR 3,435,754 with following maturity structure:

< 1 month :	2,576,816
< 3 month :	515,362
< 6 month :	343,576

23. 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.

THE GROUP AS LESSEE

Non-terminable rental agreements for office facilities – minimum rents, EUR	2015	2014
Within one year	493,959	434,156
Within more than one year but no more than 5 years	491,074	808,069
Total	985,033	1,242,225

Non-terminable rental agreements for IT services – minimum rents, EUR	2015	2014
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 2015 includes rents based on rental agreements totaling EUR 523,033 (EUR 387,801).

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 2015 includes vehicle leasing costs totaling EUR 14.692 (EUR 9,560).

24. GUARANTEES GIVEN AND OTHER COMMITMENTS, EUR

	2015	2014
Rental guarantees (pledged)	102,388	136,249
Hybrid Loan, Interest	675,000	560,000

25. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

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

As of 31 December 2015, the CEO and members of the Board of Directors of SSH Communications Security owned 62.9 % (62.2 %) of the shares and votes in the company, either directly or indirectly through companies they own. Management group members including the CEO directly or

indirectly held about 55.6 % (0.6 %) of company shares and have a total of 801,500 (837,000) option rights.

The general conditions of the option right arrangements are described in note 19, "Share-based payments".

Related Party Transactions

Clausal Computing Ltd., a company wholly-owned by Tatu Ylönen, CEO of SSH Communications Security Corporation from 18 February 2016 onwards, and SSH Communications Security Corporation are parties to agreements under which Clausal Computing Oy provides certain R&D and other services to SSH Communications Security Corporation and has agreed to assign certain intellectual property rights related to inventions made in the field of computer security to SSH Communications Security Corporation. Under the agreements, SSH Communications Security Corporation pays a compensation for the R&D services as well as a royalty fee calculated on the patent revenue that SSH Communications Security Corporation may in the future receive related to the IP rights (if any). In 2015, the aggregate consideration paid by SSH Communications Security Corporation to Clausal Computing Oy was EUR 0.4 million. Tatu Ylönen subscribed EUR 0.5 million of the hybrid capital securities issued by the company on March 30th. The interests and capital securities of EUR 4 million issued in December 2012 and subscribed by Tatu Ylönen, were paid in April. During the reporting period, there have not been any other significant transactions with related parties.

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 Communications Security Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd, Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	100	100
SSH Government Solutions Inc., Waltham	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communication Security K.K., Tokyo	Japan	100	100
SSH ROKITT Services and Solutions Ltd, London	United Kingdom	50	50

Remuneration and fees – CEO, EUR	2015	2014
Salary and other short-term employee benefits	276,032	64,658
Share-based payment	0	0
Total	276,032	64,658

Salaries and Fees Paid to Members of the Board of Directors, EUR	2015	2014
Chairman of the Board / Timo Syrjälä (as of 20 Mar 2014, until 2 Oct 2014; as of 25 Mar 2015)	22,500	16,533
Chairman of the Board / Tatu Ylönen (as of 2 Oct 2014, until 25 Mar 2015)	13,500	0
Chairman of the Board / Päivi Hautamäki (until 20 Mar 2014)	18,000	19,500
Board / Jukka Manner (as of 25 Mar 2015)	13,500	0
Total	67,500	36,033

Share and stock option holdings of Board members	31 Dec 2015 Shares	31 Dec 2015 Options	31 Dec 2014 Shares	31 Dec 2014 Options
Päivi Hautamäki	0	0	0	0
Timo Syrjälä	2,096,731	0	1,538,615	0
Jukka Manner	12,000	0	0	0
Tatu Ylönen	17,295,437	0	17,727,698	0
Total	19,404,168	0	19,266,313	0

Share and stock option holdings of the management group	31 Dec 2015 Shares	31 Dec 2015 Options	31 Dec 2014 Shares	31 Dec 2014 Options
Harri Koponen (CEO)	0	200,000	0	300,000
Matthew McKenna	7,000	351,000	54,600	420,000
Jyrki Lalla	149,500	100,500	133,000	117,000
Markku Rossi	0	50,000	0	0
Tatu Ylönen	17,295,437	0	17,727,698	0
Total	17,451,937	701,500	17,915,298	837,000

Compensation of the key management personnel of the group, EUR	2015	2014
Wages and other short-term employee benefits	506,478	874,000
Share-based payments	0	0

26. EVENTS AFTER THE BALANCE SHEET DATE

As announced on January 4, 2016, SSH Communications Security signed a frame agreement with CINIA and introduced its new firewall solution. As announced on February 18, 2016, Tatu Ylönen was nominated as Chief Executive Officer starting on February 17, 2016. Harri Koponen continues to work in the company as a Senior Advisor. As announced on February 25, 2016, Executive Management Team is Tatu Ylönen, CEO; Ed Jackowiak, VP, North America Operations & Sales; Matthew McKenna, Chief Strategy Officer and VP of Key Accounts; Markku Rossi, Chief Technology Officer; Kalle Jääskeläinen, VP, Enterprise Key Management; Petri Helenius, VP, Network Protection; Jyrki Lalla, CFO. The SSH Communications Security management is not aware of any other significant transactions after the reporting period.

PARENT COMPANY FINANCIAL STATEMENTS



Control

Enable

PARENT COMPANY INCOME STATEMENT

EUR	note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
NET SALES	1	8,570,600.63	9,880,979.74
Purchasing and production costs		2,655,963.25	1,586,721.36
GROSS MARGIN		5,914,637.38	8,294,258.38
Research and development costs	2, 3, 6	5,068,847.53	4,045,449.00
Sales and marketing costs	2, 3, 6	3,274,888.71	1,565,902.87
Administrative costs	2, 3, 6	1,648,611.92	1,285,135.00
OPERATING PROFIT/LOSS		-4,077,710.79	1,397,771.51
Financial income	7		
Interest revenue and other financing income		534,498.72	207,160.37
Interest costs and other financing costs		1,184,498.97	361,140.63
Financial income and costs, total		-650,000.25	-153,980.26
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		-4,727,711.04	1,243,791.25
Extraordinary income	8	50,000.00	295,000.00
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-4,677,711.04	1,538,791.25
PROFIT/LOSS BEFORE TAXES		-4,677,711.04	1,538,791.25
Taxes		-3,321.79	0.00
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-4,681,032.83	1,538,791.25

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Immaterial rights		4,545,869.24	3,715,523.40
Intangible assets, total		4,545,869.24	3,715,523.40
Tangible assets	9		
Machinery & equipment		275,649.32	132,292.94
Tangible assets, total		275,649.32	132,292.94
Investments			
Shares in Group companies	9	190,326.22	103,106.32
Other shares		11,000.00	11,000.00
Investments, total		201,326.22	114,106.32
NON-CURRENT ASSETS, TOTAL		5,022,844.78	3,961,922.66
CURRENT ASSETS			
Current receivables			
Accounts receivable		2,072,914.21	1,653,983.19
Receivables from Group companies	10	4,159,798.21	6,707,232.03
Prepaid expenses and accrued income	11	186,771.46	206,970.37
Other receivables	12	594,113.43	133,031.62
Current receivables, total		7,013,597.31	8,701,217.21
Financial instruments		8,014,803.93	2,915,448.69
CURRENT ASSETS, TOTAL		15,028,401.24	11,616,665.90
ASSETS, TOTAL		20,051,246.02	15,578,588.56

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
EQUITY			
	13		
Share capital		941,108.49	929,220.99
Unrestricted invested equity fund		6,819,834.35	6,341,993.35
Retained profit/loss		-199,422.78	-1,738,214.03
Profit/loss for financial period		-4,681,032.83	1,538,791.25
EQUITY, TOTAL		2,880,487.23	7,071,791.56
LIABILITIES			
NON-CURRENT LIABILITIES			
Other liabilities	14	12,000,000.00	4,000,000.00
NON-CURRENT LIABILITIES, TOTAL		12,000,000.00	4,000,000.00
CURRENT LIABILITIES			
Advances received		262,023.95	496,921.13
Accounts payable		1,273,550.60	340,403.32
Payables to Group Companies		1,024,243.21	797,262.99
Accrued expenses and deferred income	15	1,935,779.67	2,312,048.20
Other liabilities	16	675,161.36	560,161.36
CURRENT LIABILITIES, TOTAL		5,170,758.79	4,506,797.00
LIABILITIES, TOTAL		17,170,758.79	8,506,797.00
EQUITY AND LIABILITIES, TOTAL		20,051,246.02	15,578,588.56

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flow from business operations		
Sales revenue	9,921,657.46	5,673,204.25
Revenue from other business operations	0.00	0.00
Costs of business operations	-10,158,756.11	-6,130,684.07
Cash flow from business operations before financial items and taxes	-237,098.65	-457,479.82
Interest and other financial costs	519,374.98	151,535.79
Interest and other financial revenue	5,497.05	46,624.58
Cash flow from business operations	287,773.38	-259,319.45
Cash flow from investing activities		
Investments in tangible and intangible assets	-2,523,593.24	-1,724,998.35
Other investments	-87,219.90	1,503.00
Cash flow from investing activities	-2,610,813.14	-1,723,495.35
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term financial investments	0.00	2,000,896.75
Hybrid Loan paid back	-4,000,000.00	0.00
Hybrid Loan interest expenses	-730,091.00	0.00
New Hybrid Loan	11,673,731.00	0.00
R&D Development Loan	0.00	-4,000.00
Proceeds from issuance of share capital	478,755.00	144,021.50
Group contribution received	0.00	205,000.00
Cash flow from financing activities	7,422,395.00	2,345,918.25
CHANGE IN LIQUID ASSETS	5,099,355.24	363,103.45
Liquid assets at beginning of period	2,915,448.69	2,552,345.24
Change in liquid assets	5,099,355.24	363,103.45
Liquid assets at end of period	8,014,803.93	2,915,448.69

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 1.9 million (2.9 million).

Fixed Assets

Fixed assets are recognized in the balance sheet at acquisition cost less planned depreciation and any impairment. 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

	2015	2014
Finland	480,422	1,754,121
Rest of Europe	6,287,922	4,853,428
North America	1,802,257	2,332,790
Other	0	940,641
Total	8,570,601	9,880,980

2. OPERATING COSTS, EUR

Other operating costs	2015	2014
External services	2,209,280.59	1,456,359.07
Depreciation	1,549,891.02	1,156,536.76
Bad debt release	0.00	-193,839.35
Other	1,027,777.49	497,525.31
Total	4,786,949.10	2,916,581.79

Auditor's fees

Auditor's fees by service category were as follows:

- Audit: KPMG EUR 24,450 (EUR 21,500)
- Tax guidance: KPMG EUR 3,275 (EUR 2,875)
- Other services: KPMG EUR 8,226 (EUR 3,499)

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

Personnel costs, EUR	2015	2014
Wages and salaries	5,200,410.20	3,991,901.44
Pension costs	957,055.68	768,837.88
Other ancillary personnel costs	382,477.05	221,039.44
Total	6,539,942.93	4,981,778.76

Average number of employees	2015	2014
	73	63

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

	2015	2014
Research and development	53	42
Sales and marketing	15	11
Administration	12	12
Total	80	65

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

See note 25 in the consolidated financial statements.

6. DEPRECIATION AND IMPAIRMENT, EUR

	2015	2014
Immaterial rights	272,436.21	229,063.09
Research and development costs	1,178,427.29	834,774.65
Machinery and equipment	99,027.52	92,699.04
Total	1,549,891.02	1,156,536.78

In the financial year 2015, SSH Communications Security has recognized a write-off of EUR 46,713.44 from software and EUR 35,603.36 from office furniture. In the financial year 2014, SSH Communications Security has recognized a write-off of EUR 23,494.09 from office furniture.

7. FINANCING INCOME AND COSTS, EUR

	2015	2014
Interest revenue	15,123.74	9,793.70
Revenue from financial securities	0.00	45,830.88
Exchange rate gains and losses (net)	519,374.98	151,535.79
Interest costs	-1,184,498.97	-361,140.63
Total	-650,000.25	-153,980.26

8. EXTRAORDINARY INCOME, EUR

	2015	2014
Group contribution from SSH Operations Oy	50,000	210,000
Siltanet provision removed	0	85,000
Total	50,000	295,000

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

Immaterial rights	2015	2014
Acquisition cost 1 Jan	8,025,887	6,366,258
Increase	2,309,237	1,659,628
Decrease	-46,713	0
Acquisition cost 31 Dec	10,288,411	8,025,887

Accumulated depreciation 1 Jan	4,310,364	3,246,526
Depreciation for the financial period	1,450,863	1,063,838
Accumulated depreciation on decreases	-18,685	0
Accumulated depreciation 31 Dec	5,742,541	4,310,364
Book value 31 Dec	4,545,869	3,715,523

Machinery and equipment	2015	2014
Acquisition cost 1 Jan	1,339,147	1,297,271
Increase	254,252	65,370
Decrease	-35,603	-23,494
Acquisition cost 31 Dec	1,557,795	1,339,147

Accumulated depreciation 1 Jan	1,206,854	1,137,649
Depreciation for the financial period	99,028	69,205
Accumulated depreciation on decreases	-23,736	0
Accumulated depreciation 31 Dec	1,282,146	1,206,854
Book value 31 Dec	275,649	132,293

Investments	2015	2014
Book value 1 Jan	114,106	115,309
Increase	87,220	0
Decrease	0	-1,203
Book value 31 Dec	201,326	114,106

10. RECEIVABLES FROM GROUP COMPANIES, EUR

	2015	2014
Accounts receivable	4,159,798.21	6,707,232.03
Loan receivables	0.00	0.00
Total	4,159,798.21	6,707,232.03

11. PREPAID EXPENSES AND ACCRUED INCOME, EUR

	2015	2014
Interest receivables	0.00	0.00
Personnel related	0.00	10,939.10
Other	186,771.46	196,031.27
Total	186,771.46	206,970.37

12. OTHER RECEIVABLES, EUR

	2015	2014
Advances paid	2,500.00	25,941.00
Other current receivables	591,613.43	107,090.62
Total	594,113.43	133,031.62

13. EQUITY, EUR

	2015	2014
Share capital 1 Jan	929,221	922,529
Increase in share capital	11,887	6,692
Share capital 31 Dec	941,108	929,221

Unrestricted invested equity fund	6,819,834	6,341,993
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Retained earnings	-199,423	-1,738,214
Profit/loss for the financial period	-4,681,033	1,538,791
Total	2,880,487	7,071,792

Statement on Distributable Funds	2015	2014
Retained earnings	-199,423	-1,738,214
Profit/loss for the financial period	-4,681,033	1,538,791
Unrestricted invested equity fund	6,819,834	6,341,993
Total	1,939,379	6,142,571

14. LONG-TERM LIABILITIES, EUR

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 hybrid capital securities of EUR 4 million issued in December 2012 were wholly subscribed by the principal owner and the Chief Executive Officer of the parent company, Tatu Ylönen. 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. The capital securities and interests were paid back in April 2015.

Other equity fund comprises hybrid capital securities of EUR 12 million issued in March 2015, subscribed by institutional investors. The principal owner and the Chief Executive Officer of the parent company, Tatu Ylönen, subscribed EUR 500,000 of the hybrid capital securities. The capital securities bear a fixed interest rate of 7.5 per cent until 30 March 2020, after which the interest rate will increase by four percentage points. The capital securities have no maturity date, but the issuer has the right to redeem them after 3 but before 5 years from the issue date, upon certain conditions, or after 5 years from the issue date. The investors have the right to convert the capital loan into the Company's shares at EUR 4.76 per share of the issue date.

Unpaid interest from hybrid capital securities at year end was EUR -675,000 (EUR -560,000).

15. ACCRUED LIABILITIES AND DEFERRED INCOME, EUR

	2015	2014
Personnel related	873,114.86	1,242,520.24
Accruals	0.00	0.00
Other accrued liabilities and deferred income	1,062,664.81	1,069,527.96
Total	1,935,779.67	2,312,048.20

16. OTHER LIABILITIES, EUR

	2015	2014
Personnel related	0.00	0.00
Hybrid loan interest	675,000.00	560,000.00
VAT liabilities	0.00	0.00
Other	161.36	161.36
Total	675,161.36	560,161.36

17. OTHER COMMITMENTS, EUR

Non-terminable rental agreements for office facilities – future rent payments	2015	2014
Within one year	273,143.64	241,236.00
Within more than one year but no more than 5 years	273,143.64	482,472.00
Total	546,287.28	723,708.00

Guarantees given		
Rental guarantees (pledged)	75,010.08	103,768.83

18. GROUP COMPANIES

Group companies	Domicile	Holding, %	Votes, %
Parent company			
SSH Communications Security Oyj, Helsinki	Finland		
Subsidiaries			
SSH Communications Security Inc., Waltham	USA	100	100
SSH Communications Security Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd, Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	100	100
SSH Government Solutions Inc., Waltham	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communication Security K.K., Tokyo	Japan	100	100
SSH ROkITT Services and Solutions Ltd, London	United Kingdom	50	50

SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND FINANCIAL STATEMENTS

HELSINKI, 9 FEBRUARY 2016



TIMO SYRJÄLÄ
Chairman of the Board of Directors



PÄIVI HAUTAMÄKI
Member of the Board of Directors



JUKKA MANNER
Member of the Board of Directors



TATU YLÖNEN
CEO

AUDITOR'S NOTE

We have today issued an auditors' report based on our audit.
Helsinki, 21 March 2016

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, electronic archive
- 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, 2015. 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, 21 March 2016

KPMG OY AB

KIRSI JANTUNEN
Authorized Public Accountant

CORPORATE GOVERNANCE

SSH Communications Security aims for transparent and responsible corporate governance through compliance with laws, regulations and best practices as well as high ethical standards in its governance and decision-making. SSH Communications Security's corporate governance practices are subject to its Articles of Association, the Limited Liability Companies Act and securities market legislation, the rules and regulations of NASDAQ OMX Helsinki, and the Finnish Corporate Governance Code 2015 issued by the Finnish Securities Market Association. The Code entered in force on January 1st 2016 and is available at www.cgfinland.fi.

More information on the governance practices of the company is available at <http://www.ssh.com/investors/corporate-governance>. Corporate Governance Statement 2016, prepared in accordance with the Finnish Corporate Governance Code, is also published on the same page.

SSH Communications Security implements a one-tier governance model, where the management of the SSH Communications Security Group is a responsibility of the General Meeting of shareholders, the Board of Directors, and the President and CEO. Duties are defined by the Limited Liability Companies Act and company's Articles of Association.

SSH Communications Security's highest decision-making body is the Annual General Meeting, which is composed of the company's shareholders. The Annual General Meeting takes decisions on matters falling within its competence by virtue of the Limited Liability Companies Act and the Articles of Association. The Annual General Meeting elects the Board of Directors and auditors. The Board of Directors is responsible for the strategic management of the company. The Board appoints the CEO, who is in charge of the operative, day-to-day management of the company. CEO is assisted in his/her work by the Executive Management Team.



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. 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 a silent period starting 30 days before the publication of its financial reports, during which the company refrains from contact with representatives of the capital markets and financial media.

ANNUAL GENERAL MEETING

The company's Annual General Meeting will be held at Taitotalon Kongressikeskus, Helsinki, Finland, on Wednesday, 20 April 2016 at 17:00.

2016 FINANCIAL CALENDAR

The company will publish the following financial reports during 2016:

Financial Statements Bulletin for 2015	9 February
Annual Report 2015	During week 12
Interim Report 1 January to 31 March 2016	21 April
Interim Report 1 January to 30 June 2016	21 July
Interim Report 1 January to 30 September 2016	20 October

SSH COMMUNICATIONS SECURITY SHARE FACTS

Listing since 2000	NASDAQ OMX Helsinki Ltd.
Trading symbol	SSH1V
Number of shares	31,370,283

INVESTOR RELATIONS CONTACTS

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



CONTACT INFORMATION

Corporate Headquarters / Finland

SSH Communications Security Corporation
Kornetintie 3
00380 Helsinki, Finland
Tel: +358 20 500 7000
Email: info.fi@ssh.com

www.ssh.com



USA

SSH Communications Security Inc.
460 Totten Pond Road, Suite 460
Waltham, MA 02451, USA
Tel: +1 781 247 2100
Fax: +1 781 431 0864
Email: info.us@ssh.com

Hong Kong

SSH Communications Security Ltd.
51/F Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: +852 3602 3072
Fax: +852 3602 3052
Email: info.hk@ssh.com

Germany

SSH Communications Security Ltd.
The Squire 12
Am Flughafen
60549 Frankfurt am Main, Germany
Tel: +49 69-95932-5225
Fax: +49 69 95932 5200
Email: info.de@ssh.com

Japan

SSH Communications Security K.K.
Yamato Building 8F
5-27-3 Sendagaya, Shibuya, Japan
Tokyo 151-0051
Tel: +81 (3)6865-6629
Fax: +81 3 6865 6566
Email: info.jp@ssh.com

Singapore

SSH Communications Security (S) Pte. Ltd.
Level 15, 137 Market Street
048943 Singapore
Tel: +65 6809 3826
Fax: +65 6809 3701
Email: info.sg@ssh.com

