



SSH Communications Security Oyj

Financial Statements and
Report of the Board of Directors

2021

TABLE OF CONTENTS

TABLE OF CONTENTS	2
REPORT OF THE BOARD OF DIRECTORS FOR 1 JAN – 31 DEC 2021	3
CONSOLIDATED FINANCIAL STATEMENTS	15
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT	16
CONSOLIDATED BALANCE SHEET	17
CONSOLIDATED BALANCE SHEET	18
CONSOLIDATED CASH FLOW STATEMENT	19
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	20
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	22
PARENT COMPANY FINANCIAL STATEMENTS	53
PARENT COMPANY INCOME STATEMENT	54
PARENT COMPANY BALANCE SHEET	55
PARENT COMPANY BALANCE SHEET	56
PARENT COMPANY CASH FLOW STATEMENT	57
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS	58
DIVIDEND PROPOSAL AND SIGNATURES	67

Report of the Board of Directors for 1 Jan – 31 Dec 2021

NET SALES							
EUR million	10-12/ 2021	7-9/ 2021	4-6/ 2021	1-3/ 2021	1-12/ 2021	10-12/ 2020	1-12/ 2020
BY GEOGRAPHICAL SEGMENT							
AMERICAS	1.8	1.7	1.3	1.7	6.6	1.4	5.9
APAC	0.7	0.3	0.4	0.3	1.7	0.5	2.1
EMEA	3.5	1.9	1.6	0.6	7.7	1.0	3.2
Total	6.0	3.9	3.3	2.6	15.9	3.0	11.3
BY OPERATION							
Subscription sales	1.7	1.6	1.1	0.2	4.7	0.2	0.8
License sales	1.7	0.4	0.4	0.5	3.1	0.6	2.2
Maintenance sales	2.2	1.8	1.7	1.8	7.6	1.7	7.8
Professional services & others	0.3	0.1	0.1	0.0	0.6	0.4	0.4
Total	6.0	3.9	3.3	2.6	15.9	3.0	11.3

Consolidated net sales for January–December totaled EUR 15.9 million (2020: EUR 11.3 million), an increase of 41.6 %, year on year.

The majority of SSH Communications Security's invoicing is U.S. dollar based. During the financial year, the average exchange rate of the U.S. dollar against the euro declined by 3.7 % compared to 2020. With comparable exchange rates, the net sales increase in 2021 would have been 44.3% compared to 2020.

PROFIT AND PROFITABILITY TRENDS

Operating loss for the financial year amounted to EUR -1.5 million (2020: EUR -2.5 million), with net loss totaling EUR -2.3 million (2020: EUR -3.1 million).

Selling, marketing, and customer support expenses amounted to EUR -8.6 million (2020: EUR -6.7 million), while research and development expenses totaled EUR -5.8 million (2020: EUR -5.0 million) and administrative expenses EUR -4.1 million (2020: EUR -2.7 million). Operating expenses increased by 28.8 % compared to the previous year.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was adequate during the financial year. The consolidated balance sheet total on December 31, 2021 stood at EUR 35.9 million (31 Dec 2020: EUR 18.6 million), of which liquid assets accounted for EUR 8.2 million (31 Dec 2020: EUR 8.5 million), or 22.8 % of the balance sheet total. Interest-bearing debts were EUR 3.4 million at the end of the financial year (31 Dec 2020: EUR 1.3 million). Interest-bearing liabilities increased by EUR 2.1 million from December 31, 2020 mainly due to raising a premium loan from ELO mutual pension insurance company. Interest-bearing liabilities include a subordinated loan of EUR

0.6 million (December 31, 2020: 0.6 million) taken out from the non-controlling interest holder, State Security Networks Group Finland, and a premium loan from ELO mutual pension insurance company for EUR 2.2 million. On December 31, 2021, gearing, or the ratio of net liabilities to shareholders' equity, was -39.8 % (31 Dec 2020: -85.3 %) and the equity ratio stood at 44.6 % (31 Dec 2020: 69.7 %).

The capital and interest of the subordinated loan, which Kyberleijona Oy has taken out from the non-controlling interest holder State Networks Group Finland, can only be repaid in circumstances permitted by Chapter 12 of the Finnish Limited Liability Companies Act. The capital of the subordinated loan can only be repaid to the extent the unrestricted shareholders' equity and the total amount of the subordinated loan, at the time of the repayment, exceeds the loss that is to be confirmed for the company's latest financial year, or is included in the balance sheet of more recent financial statements. The annual interest for the loan, three per cent (3 %), has been recognized as expense.

The reported gross capital expenditure for the period totaled EUR 2.0 million (2020: EUR 2.1 million). Financial income and expenses totaled EUR -0.3 million (2020: EUR -0.6 million), which consisted mainly of exchange rate gains or losses and interest expenses from sales and leasing contracts.

The Group had a cash flow of EUR 2.8 million (2020: EUR -0.2 million) from business operations, and investments showed a cash flow of EUR -4.9 million (2020: EUR -1.5 million). Cash flow from investments include the acquisition of Deltagon Oy for EUR -4.6 million, and government grants of EUR 1.8 million (2020: EUR 0.6 million). Cash flow from financing totaled EUR 1.5 million (2020: EUR -1.3 million). Cash flow from financing includes the payment of the hybrid instrument interest of EUR -1.4 million (EUR -0.9 million) and a change in debt of EUR 2.2 million. Total cash flow from operations, investments, and financing was EUR -0.6 million (EUR -3.0 million).

RESEARCH AND DEVELOPMENT

Research and development expenses totaled EUR -5.8 million (2020: EUR -5.0 million), the equivalent of 36.6 % of net sales (2020: 44.9 %). During the reporting period, R&D cost capitalizations totaled EUR 1.4 million (2020: EUR 1.3 million). Capitalized product development expenses were reduced by the amount of EUR 0.4 million, received as funding from EU (2020: EUR 0.4 million). Depreciation from R&D capitalization assets was EUR -1.2 million (2020: EUR -1.3 million).

RISKS AND UNCERTAINTIES

The ongoing COVID-19 pandemic remains a macro-level risk which, if prolonged, may affect SSH Communications Security through challenges it poses on new license sales. The most substantial risks that might otherwise affect the profitability of the company have remained the same as in the previous reporting period and are listed below.

The largest risks are:

- Uncertainty of the macroeconomic environment, such as the impact of COVID-19 pandemic
- Refinancing risk/liquidity risk such as being unable to pay obligations due to insufficient liquidity or difficulties in raising financing
- Cybercrime, including, e.g., ransomware

- Delays in product development and closing new business as well as phasing of new business cases
- Ability to execute the strategy
- Due to the global shortage in semiconductors hinder supply of hardware components and indirectly initiation of customer IT project
- Ability to retain and recruit key personnel
- Maintaining the ability to innovate and develop the product portfolio including intellectual property rights (IPR)
- IPR litigation and utilization of the patent portfolio
- A large portion of the company revenue is invoiced in USD currency, and possible significant fluctuation in USD currency rates during 2021 could have unpredictable effects on profitability. The company decides on hedging USD-based contracts case by case.

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 123 (2020: 94) employees at the end of December, up by 29 persons or 30.9 % from the previous year. The average age among employees was 41 years (2020: 43 years). Approximately 15.7 % (2020: 15.8 %) of the employees were women and 84.3 % (2020: 84.2 %) men. At the end of the period under review, 38.2 % (2020: 33.0 %) of the employees worked in sales, marketing, and customer services, 52.8 % (2020: 51.1 %) in research and development, and 8.9 % (2020: 16.0 %) in corporate administration.

At the end of the financial period, the parent company had 81 (2020: 73) employees on its payroll. On average, the parent company had 76 (2020: 66) employees during the period under review. Parent company salaries, bonuses, and other personnel expenses during the financial period totaled EUR 6.6 million (2020: 5.7 million).

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting of SSH Communications Security Oyj was held on March 25, 2021. Henri Österlund, Kai Tavakka, Sampo Kellomäki, and Christian Fredrikson (new member) were elected as directors of the company's Board of Directors. At the inaugural meeting of the Board of Directors, Henri Österlund was elected as the Chairman.

Authorized Public Accountants Ernst & Young Oy was re-elected as the auditor of the company with Erkkä Talvinko, authorized public accountant, as principal auditor.

GROUP MANAGEMENT TEAM

At the end of 2021, the Group Management Team consisted of three members:

Teemu Tunkelo, Chief Executive Officer
Niklas Nordström, Chief Financial Officer
Rami Raulas, Head of EMEA Region

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 Corporation 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 abides by its Articles of Association as well as principles of transparent and responsible corporate governance, and high ethical standards in its governance and decision-making. The company complies with the Finnish company and securities market legislation, including the market abuse regulation, rules of Nasdaq Helsinki and Finnish Corporate Governance Code 2020 adopted by the Securities Market Association.

For more information see our Corporate Governance Statement that is published annually as a separate report and can be found at SSH's website.

RESPONSIBILITY AND BUSINESS ETHICS

SSH Communications Security is committed to systematically maintain and develop the responsibility and sustainability of business through its strategy, operations and actions. Company is committed to operate in socially and ethically responsible way.

The company's ethical principles emphasize values that are important to SSH, such as antibribery, position and treatment of employees, and safety and behavioral culture within workplaces.

SSH Communications Security is responsible employer and treats all employees equally. Company does not approve harassment or discrimination in any form and for that the company has created internal guideline and organized training. Company constantly develops the safety and comfort of its workplaces as well as the management of work-related stress and coping with the workload. The company's headquarters in Helsinki moved to new, modern premises during spring 2020. In addition, the company offers its employees physical, cultural and other benefits.

SSH Communications Security regards the diversity of its personnel as essential strength and encourages the appraisal and adoption of diversity throughout the organization including top management.

The company has a separate Anti-Bribery and Anti-Corruption Policy as well as equality plan focusing on equal and fair treatment of its employees.

The company has also a whistleblowing policy in place to ensure that employees and third parties, if they wish, can report anonymously suspected serious deficiencies, abuses and crimes within the SSH Group.

SSH has established a Code of Conduct for responsible and transparent activities, employee satisfaction and ethics for all employees worldwide.

DISCLOSURE ACCORDING TO THE EU TAXONOMY REGULATION

Companies that have less than 500 employees are exempt from the requirements to disclose information according to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the “Taxonomy Regulation”). Therefore, SSH has not disclosed Taxonomy Regulation information in the reports of fiscal year 2021.

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation totaled 8,572,278 shares (valued at EUR 21,658,793). The highest quotation was EUR 3.48 and the lowest EUR 1.60. The trade-weighted average share price for the period was EUR 2.51 and the share closed at EUR 3.01 (December 31, 2021).

Accendo Capital is the largest shareholder of SSH, with 28.8% of the company shares and votes. Tatu Ylönen is the second largest shareholder of SSH with 17.8%, and Juha Mikkonen holds directly 5.1% of the company's shares. More information about the shareholding can be obtained from the company's web site www.ssh.com.

The company has the following subsidiaries:

- SSH Communications Security, Inc. and SSH Government Solutions, Inc. in the USA
- SSH Communications Security Ltd. in Hong Kong,
- SSH Communications Security UK Ltd. in the UK
- SSH Operations Ltd., Kyberleijona Ltd., SSH Technology Ltd., and Deltagon Ltd. in Finland. SSH Operations Ltd. has a branch in Germany. Deltagon Ltd has branches in Sweden and in Norway.

State Security Networks Group Finland (Suomen Erillisverkot Oy) became a non-controlling interest holder of Kyberleijona Oy on August 14, 2018 with 35 % ownership. SSH Communications Security Oyj owns 65 % of the shares in Kyberleijona Oy.

On January 29, 2021, SSH announced the acquisition of Deltagon Oy through its subsidiary Kyberleijona Oy. The transaction was closed on April 26, 2021.

During the review period, no dividend or return of capital have been distributed.

INFORMATION ON SHAREHOLDERS*Distribution of ownership by sector*

Type of sector	Number of shares	Percentage of shares and votes, %
Households and private individuals	18,291,050	46.57 %
Financial and insurance institutions	3,543,795	9.02 %
Public sector organizations	3,184,157	8.11 %
Companies	2,414,267	6.15 %
Foreign shareholders	11,845,530	30.16 %
Non-profit organizations	100	0.00 %
Total	39,278,899	100.00 %

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

Shares	Number of shareholders	Percentage of shareholders, %	Number of shares	Percentage of shares, %
1–100	1,994	38.99 %	99,206	0.25 %
101–500	1,431	27.98 %	415,752	1.06 %
501–1,000	617	12.07 %	498,376	1.27 %
1,001–5,000	763	14.92 %	1,799,402	4.58 %
5,001–10,000	136	2.66 %	1,025,479	2.61 %
10,001–50,000	132	2.58 %	2,877,711	7.33 %
50,001–100,000	20	0.39 %	1,347,532	3.43 %
100,001–500,000	11	0.22 %	2,504,516	6.38 %
500,001–999,999,999	10	0.20 %	28,710,925	73.10 %
Total	5,114	100.00 %	39,278,899	100.00 %
of which nominee-registered	9		15,155,598	38.59 %

*The ten largest shareholders Dec 31, 2021,
excluding nominee-registered except Accendo Capital*

	Percentage of shares, %	Number of shares
Accendo Capital	28.85 %	11,330,000
Ylönen Tatu	17.79 %	6,987,123
Mikkonen Juha Taneli	5.09 %	2,000,000
Elo Mutual Pension Insurance Company	3.96 %	1,555,258
Gaselli Group Oy	2.41 %	948,087
Ilmarinen Mutual Pension Insurance Company	2.22 %	873,599
Varma Mutual Pension Insurance Company	1.92 %	755,300
Syrjälä Timo Kalevi	1.33 %	523,011
Kettunen Risto Juhani	1.19 %	468,000
Syrjänen Eva Annika Elisabeth	0.88 %	347,059
Total	65.64 %	25,787,437

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The registered share capital of SSH Communications Security Corporation on December 31, 2021 was EUR 1,178,366.97 consisting of 39,278,899 shares.

In 2021, share capital increased by EUR 14,300 through subscription of stock options. Stock options were exercised in financial year 2021 with 476,666 shares. In 2020 there were no share subscriptions made with the warrants of the stock option programs.

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

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

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

The authorization will be valid until the next Annual General Meeting but will however expire at the latest on June 30, 2022.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon acquisition of a maximum of 2,000,000 own shares of the company with assets belonging to the company's non-restricted equity, which amounts to approximately 5.1 percent of the company's total shares. The shares can also be acquired otherwise than in proportion to the holdings of the existing shareholders. The maximum compensation to be paid for the acquired shares shall be the market price at the time of purchase, which is determined in the public trading.

The Board of Directors proposes that the authorization for the acquiring of the company's own shares would be used, inter alia, in order to strengthen the company's capital structure, to finance and realize corporate acquisitions and other arrangements, to realize the share-based incentive programs of the company or otherwise to be kept by the company, to be transferred for other purposes or to be cancelled. The acquisition of shares reduces the company's distributable non-restricted equity.

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 30, 2022.

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.

During 2021 no new stock option programs have been decided. The Board of Directors decided on January 20, 2020 on a new stock option program 2020 A. The maximum number of stock options is 980,000. The share subscription period will be from December 1, 2022 to March 31, 2024. The share subscription price for the shares is EUR 0.93.

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

During the reporting period, there have not been any significant transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events after the balance sheet date.

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

The parent company's distributable funds are EUR -728,533.23, of which the profit for the financial year is EUR 1,917,403.65. The Board of Directors proposes to the Annual General Meeting on March 25, 2022 that no dividend or return of capital shall be distributed. It is proposed that the profit of the financial year shall be entered to the retained earnings in the shareholders' equity.

FINANCIAL INDICATORS

		2021	2020	2019
Net sales	EUR	15,929,489	11,251,214	14,378,011
Operating profit/loss	EUR	-1,530,119	-2,486,221	-1,207,515
% of net sales	%	-9.6	-22.1	-8.4
EBITDA	EUR	1,119,334	-392,982	862,821
% of net sales	%	7.0	-3.5	6.0
Profit/loss before taxes	EUR	-1,794,364	-3,090,264	-1,339,130
% of net sales	%	-11.3	-27.5	-9.3
Return on equity	%	-22.6	-30.0	-11.3
Return on investments	%	-14.2	-27.3	-9.8
Net interest-bearing debt	EUR	-4,788,959	-7,220,926	-11,112,723
Gearing	%	-39.8	-85.3	-92.3
Equity ratio	%	44.6	69.7	78.0
Gross investments in tangible and intangible assets	EUR	1,976,713	2,115,884	2,005,264
% of net sales	%	12.4	18.8	13.9
Research and development costs	EUR	-5,836,431	-5,047,946	-4,893,415
% of net sales	%	36.6	44.9	34.0
Average number of personnel		114	88	88
Number of personnel 31 Dec		123	94	90
Salaries and fees	EUR	-10,958,262	-8,125,559	-8,315,829

INDICATORS PER SHARE

		2021	2020	2019
Earnings per share*	EUR	-0.10	-0.11	-0.06
Earnings per share, diluted*	EUR	-0.10	-0.11	-0.06
Equity per share	EUR	0.31	0.22	0.31
Dividends	EUR	0	0	0
Dividends per share	EUR	0.00	0.00	0.00
Dividend payout 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	38,927	38,802	38,802
Adjusted number of shares at the end of the period	1,000	39,279	38,802	38,802
Adjusted average number of shares considering dilution effect	1,000	40,843	41,529	41,228
Price per earnings ratio (P/E)		neg.	neg.	neg.
Market capitalization 31 Dec	mEUR	118.2	65.8	40.2

¹ Earnings per share is impacted by unpaid interest of hybrid capital securities.

Share performance at Nasdaq Helsinki		2021	2020	2019
Average price	EUR	2.51	1.28	1.34
Share price, year end	EUR	3.01	1.70	1.04
Lowest quotation	EUR	1.60	0.65	0.97
Highest quotation	EUR	3.48	1.97	1.97
Volume of shares traded	millions	8.6	19.4	5.3
Volume of shares traded, % of total number	%	21.8	50.1	10.2
Value of shares traded	mEUR	21.7	24.9	4.0

ALTERNATIVE PERFORMANCE MEASURE

SSH Communications Security presents an alternative performance measure, which is not defined by IFRS standards. Alternative performance measure should not be considered as substitute for performance measures in accordance with the IFRS. From the first quarter of 2020 onwards, SSH Communications Security has introduced the following new alternative performance measure:

EBITDA = Operating profit/loss + depreciation, amortization, and impairment

The following table presents the reconciliation of EBITDA to the operating profit/loss.

kEUR	2021	2020
EBITDA	1 119	-393
Depreciation, amortization, and impairment	-2 649	-2 093
Operating profit/loss	-1 530	-2 486

CALCULATION OF FINANCIAL RATIOS

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
NET SALES	3	15 929 489	11 251 214
Cost of goods sold		31 325	-283 797
GROSS MARGIN		15 960 815	10 967 417
Other operating income	4	1 111 266	987 464
Sales and marketing costs	5, 6	-8 644 687	-6 698 629
R&D costs	5, 6	-5 836 431	-5 047 946
Administrative costs	5, 6	-4 121 081	-2 694 526
OPERATING PROFIT/LOSS		-1 530 119	-2 486 221
Finance income	7	172 611	631
Finance costs	8	-436 856	-604 675
PROFIT/LOSS BEFORE TAXES		-1 794 364	-3 090 264
Income tax expense	9	-524 030	12 162
PROFIT/LOSS FOR THE YEAR		-2 318 394	-3 078 102
Profit/loss attributable to:			
Owners of the parent company		-2 057 540	-2 834 022
Non-controlling interests		-260 854	-244 081
TOTAL		-2 318 394	-3 078 102
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-142 858	266 038
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-2 461 252	-2 812 064
Total comprehensive income attributable to:			
Owners of the parent company		-2 200 135	-2 567 983
Non-controlling interests		-261 117	-244 081
TOTAL		-2 461 252	-2 812 064
Earnings per share			
Basic earnings per share (EUR)	10	-0,10	-0,11
Diluted earnings per share (EUR)	10	-0,10	-0,11

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

ASSETS			
EUR	Note	31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS			
Property, plant and equipment	11	159 654	142 859
Right-of-use assets	12, 22	569 349	686 405
Intangible assets	13	21 872 947	5 447 999
Investments		11 000	11 000
Total non-current assets		22 612 950	6 288 263
CURRENT ASSETS			
Inventories		36 196	33 406
Trade receivables	14, 16	4 253 848	2 961 250
Other receivables	15	463 513	492 525
Prepaid expenses and accrued expenses		352 379	341 785
Total current assets		5 105 937	3 828 965
Cash and cash equivalents		8 207 229	8 517 698
TOTAL CURRENT ASSETS		13 313 166	12 346 663
TOTAL ASSETS		35 926 116	18 634 926

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES			
EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS			
Share capital	17	1 178 366	1 164 067
Translation differences		-1 314 013	-1 171 419
Unrestricted invested equity fund		23 702 088	22 720 156
Hybrid capital securities		12 000 000	12 000 000
Retained earnings		-29 561 871	-26 603 569
Equity attributable to the parent company shareholders		6 004 570	8 109 235
Non-controlling interests		6 021 169	355 791
Total equity		12 025 739	8 465 026
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	18	2 327 000	582 000
Lease liabilities	18, 22	219 479	385 355
Other non-current liabilities		3 911 513	
Advances received and deferred revenue	14	1 211 205	756 043
Deferred tax liabilities		1 578 841	
Total non-current liabilities		9 248 038	1 723 398
CURRENT LIABILITIES			
Trade and other payables	20	6 009 743	2 377 051
Current interest-bearing liabilities		500 000	
Lease liabilities	18, 22	371 791	329 417
Advances received and deferred revenue	14	7 770 804	5 740 034
Total current liabilities		14 652 338	8 446 502
TOTAL LIABILITIES		23 900 376	10 169 900
TOTAL EQUITY AND LIABILITIES		35 926 116	18 634 926

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED CASH FLOW STATEMENT

EUR	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Cash flows from operating activities			
Receipts from customers	3, 14	17 307 901	12 235 754
Payments to suppliers and employees	5, 20	-14 135 079	-12 400 181
Cash flows from operating activities before financial items and taxes		3 172 822	-164 427
Interest paid and payments on other financial costs		-86 074	-73 456
Interest received and other financial income		964	631
Income taxes paid		-300 208	9 373
Net cash flows from operating activities		2 787 504	-227 878
<i>whereof change in working capital</i>		<i>4 289 028</i>	<i>1 143 491</i>
Cash flows from investing activities			
Investments in tangible and intangible assets	11, 13	-1 976 713	-2 115 884
Acquisition of a subsidiary, net of cash acquired	25	-4 637 770	
Receipt of government grants	4	1 757 784	612 255
Net cash flows from investing activities		-4 856 698	-1 503 628
Cash flows from financing activities			
Change of non-current debt		1 745 000	
Change in current debt		500 000	
Interest paid on hybrid capital securities		-1 380 000	-900 000
Proceeds from shares subscribed with option rights		996 232	
Principal portion of finance lease payments	21	-386 328	-374 466
Net cash flows from financing activities		1 474 904	-1 274 466
Change in cash and cash equivalents		-594 290	-3 005 973
Cash and cash equivalents in beginning of period		8 517 698	11 968 885
Exchange rate effect		283 821	-445 214
Change in cash and cash equivalents		-594 290	-3 005 973
Cash and cash equivalents at end of period		8 207 229	8 517 698

CONSOLIDATED FINANCIAL STATEMENTS**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

EUR	Note	Attributable to the owners of the Company						Non-controlling interests	Total equity
		Share capital	Hybrid capital securities	Translation differences	Unrestricted invested equity fund	Retained earnings	Total		
Equity 1 Jan 2020	17	1 164 067	12 000 000	-1 437 458	22 720 156	-23 000 578	11 446 187	599 872	12 046 059
Comprehensive profit/loss									
Profit/loss for the year						-2 834 022	-2 834 022	-244 081	-3 078 102
Other comprehensive items									
Translation differences				266 038			266 038		266 038
Comprehensive profit/loss for financial period, total		0	0	266 038	0	-2 834 022	-2 567 983	-244 081	-2 812 064
Hybrid capital securities						-900 000	-900 000		-900 000
Share-based payment plans						131 031	131 031		131 031
Transactions with shareholders		0	0	0	0	-768 969	-768 969	0	-768 969
Equity 31 Dec 2020		1 164 067	12 000 000	-1 171 419	22 720 156	-26 603 569	8 109 235	355 791	8 465 026

Attributable to the owners of the Company									
EUR	Note	Share capital	Hybrid capital securities	Translation differences	Unrestricted invested equity fund	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 Jan 2021	17	1 164 067	12 000 000	-1 171 419	22 720 156	-26 603 569	8 109 235	355 791	8 465 026
Comprehensive profit/loss									
Profit/loss for the year						-2 057 540	-2 057 540	-260 854	-2 318 394
Other comprehensive items									
Translation differences				-142 594			-142 594	-264	-142 858
Comprehensive profit/loss for financial period, total		0	0	-142 594	0	-2 057 540	-2 200 135	-261 117	-2 461 252
Hybrid capital securities						-1 380 000	-1 380 000		-1 380 000
Share-based payment plans						479 238	479 238		479 238
Shares subscribed on option rights		14 300			981 932		996 232		996 232
Acquisition of a subsidiary								5 926 495	5 926 495
Transactions with shareholders		14 300	0	0	981 932	-900 762	95 470	5 926 495	6 021 965
Equity 31 Dec 2021		1 178 367	12 000 000	-1 314 013	23 702 088	-29 561 871	6 004 570	6 021 169	12 025 739

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SSH Communications Security Corporation helps organizations access, secure and control their digital core – their critical data, applications and services. In the rapidly growing global data economy, secure access that enables digital transformation at business velocity is the new competitive advantage.

Our thousands of customers include Fortune 500 companies, the world's largest financial institutions, and major organizations in all verticals. Our solutions guard against the rapidly changing threat landscape that includes both internal and external actors.

We generate shareholder value from a combination of our world-leading expertise, proven enterprise-class solutions, professional services, support offering, and from our strong IP portfolio and well-established licensing operations.

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 on NASDAQ Helsinki Oy (SSH1V). SSH Communications Security Corporation has its registered office at address Karvaamokuja 2B, 00380 Helsinki, Finland.

The SSH Communications Security Board of Directors approved this financial statement for publication at its meeting on 23 February 2022. Under the Finnish Limited Liability Companies Act, the shareholders can accept or reject the financial statement at the AGM held after its publication. 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.

The iXBRL tagging of ESEF consolidated financial statements have not been audited.

SSH Communications Security Corporation has one reportable segment, the software business.

2. ACCOUNTING PRINCIPLES

Basis of Preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). 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.

New and amended standards and interpretations

The Group has adopted the new standards and interpretations that took effect during the accounting period and are relevant to its operations. The IFRS standards and the amendments that entered into force in 2021 had no impact on the Group's result, the financial position, or the presentation of the financial statements.

Changes that become effective later

The Group will adopt new and amended standards and interpretations 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. The changes are not expected to have a material impact on SSH Communications Security's consolidated financial statements.

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.

The share of the non-controlling interests of the subsidiaries' profits and equity is presented as a separate item in the consolidated income statement, comprehensive income statement, statement of changes in equity, and in the balance sheet.

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 differences are recorded in

the income statement. 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 and subscriptions, related support and maintenance fees, and consulting 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. Control is transferred to the buyer at the point of time.

Maintenance sales, or revenue from support and maintenance contracts, 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. Revenue from subscription contracts is recognized evenly on an accrual basis throughout the contract period.

The revenue of royalties from licenses is recognized according to the actual content of the contract at the point of time.

The Group customarily receives short-term advance payments from customers, but also from time to time substantial long-term advance payments for subscription or support and maintenance fees. In these cases, the financing component is accounted for and interest expenses are recorded for the duration of the advance payment.

Government Grants

Grants received from the government for 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 for 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 later 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: 3-5 years from month of acquisition.
- Leasehold improvements of rental premises: According to the lease term, 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) from incomplete projects are recognized as intangible assets if capitalization criteria are fulfilled, to the extent of their probable economic benefits 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.

Capitalized 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 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 is generally 5 to 10 years.

Goodwill

Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies. Goodwill is stated at historical cost less any accumulated impairment losses. Goodwill represents the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition. The carrying amount of goodwill is not amortized, but is tested for impairment annually or more frequently if any indication of impairment exists.

The Group assesses the carrying amount of goodwill annually or more frequently if any indication of impairment exists. Goodwill is allocated to the cash generating units (CGUs) of the Group, which are identified according to the country of operation and business unit at the level at which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value. Cash flow estimates are based on operative managerial estimates. The discount rate is the weighted average cost of capital (WACC) for the main currency area in the location of the CGU (country or business area), which reflects the market assessment of the time value of money and the risks specific in SSH Communications Security's business. Any impairment loss of goodwill is recognized immediately as an expense and is not subsequently reversed.

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 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 period 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.

Inventories

Inventories are valued at cost or at a net realizable value, whichever is lower. Inventories comprise finished goods for sale or for use in producing a service.

Financial Assets and Liabilities

Financial assets

The Group has classified its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income statement, and financial assets at amortized value.

The assets are classified at initial recognition; the classification is based on the business model used in managing the financial assets and contractual terms of the cash flows. 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 through profit or loss. Financial assets are written off from the balance sheet when the contractual right to cash flows from an asset included in financial assets ends or when the significant risks and rewards related to the asset are transferred outside the Group. All asset purchases and sales are recognized on the date of the transaction.

Financial assets through profit or loss include derivatives unless they are designated as effective hedging instruments or warrants such as currency derivatives, and fund investments. Changes in fair values of derivative financial instruments and realized and unrealized gains and losses are recognized in the income statement during the period when they incur. The Group did not have any derivatives during 2021 or 2020.

Loans and receivables are valued at cost at the time of acquisition and they are measured at amortized acquisition cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits at banks, and other short-term liquid investments. Assets classified as cash and cash equivalents have a maturity of three months or less at the time of acquisition.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Credit losses are recognized in the income statement in other operating expenses.

The Group assesses at each balance sheet date whether an individual financial asset or group of financial assets is impaired. The Group recognizes an impairment loss on trade receivables when it is expected that the receivable will not be recovered in full. 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.

Financial liabilities

The Group's financial liabilities are classified into financing liabilities recognized at fair value through profit/loss or 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 through profit/loss include the derivative instruments which do not fulfill the criteria for hedging accounting, and which are not warrants (currency derivatives). Unrealized and realized gains/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. The Group did not have any derivative contracts during 2021 or 2020.

Other financial liabilities (financing liabilities recognized at amortized cost) include, most significantly, trade payables. 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.

Leases

The Group leases mainly offices. Rental contracts are typically made for fixed periods from two to three years but may have extension options. Extension options have not been included in the lease liability, because the Group could replace the asset without significant cost or business disruption. The lease term is reassessed if the option is exercised.

Leases are recognized in the balance sheet as a right-of-use asset and a corresponding financial liability at the date at which the lease asset is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the income statement over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use assets are also subject to impairment.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Lease liabilities are included in interest-bearing loans and borrowings.

The Group applies the short-term lease recognition exemption to the leases of 12 months or less and the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Earnings per share*Earnings per share*

Earnings per share is calculated by dividing the net profit/ loss for the financial year attributable to the owners by the weighted average number of ordinary shares outstanding during the financial year. Earnings per share is impacted by unpaid interest of hybrid capital securities.

Diluted earnings per share

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. Diluted earnings per share is impacted by unpaid interest of hybrid capital securities.

Share capital

Share capital consists of ordinary shares of the parent company classified as equity. 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.

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. The Group companies held no shares in the parent company on December 31, 2021 or December 31, 2020.

Hybrid capital securities

Hybrid capital securities is an instrument that is subordinated to the Company's other debt obligations and is treated as equity in the Group balance sheet. Unpaid interest is cumulated but presented in the financial statements only after Board of Directors' interest payment decision.

Gross Margin

Gross margin is equal to net sales less the acquisition costs of directly related 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 (and tax laws) effective in each country, adjusted for any tax from previous periods.

Deferred taxes are calculated on temporary differences between the book value and taxable value. The largest temporary differences arise from unused tax losses which are deductible later.

Deferred taxes are calculated using the statutory tax bases with confirmed content announced by the closing date or with generally accepted tax bases. 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.

Employee Benefits

Pensions

The Group's pension schemes comply with the relevant regulations and practices in each relevant country. Pension security for the 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 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 considered 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 unrestricted invested equity fund.

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.

Use of estimates

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, which form the basis of making the judgments about carrying values. These estimates and assumptions are reviewed on an ongoing basis and possible effects of changes in estimates and assumptions are recognized during the period they are changed.

The estimates and assumptions that have a significant risk of causing adjustment to the carrying value of assets within next financial year relate to restructuring plans, impairment testing, claims, onerous contracts, pending patent litigations, and the probability of deferred tax assets being recovered against future taxable profits.

3. NET SALES

EUR	2021	2020
BY OPERATION		
Subscription sales	4 698 933	768 755
License sales	3 089 244	2 245 939
Maintenance sales	7 562 294	7 800 367
Professional services & others	579 018	436 153
Total	15 929 489	11 251 214
BY GEOGRAPHICAL SEGMENT		
AMERICAS	6 590 099	5 943 849
APAC	1 659 492	2 124 979
EMEA	7 679 898	3 182 386
Total	15 929 489	11 251 214

Information about major customers

In 2021 or 2020, no customer's revenue accounted for more than ten percent of the Group's net sales.

4. OTHER OPERATING INCOME

Other operating income includes EUR 1.1 million received government grants (2020: EUR 1.0 million).

5. OTHER OPERATING COSTS

EUR	2021	2020
Employee benefit expenses		
Wages and salaries	-10 542 722	-8 387 096
Pensions, defined contribution plan	-1 156 592	-796 193
Other social security costs	-525 221	-449 328
Stock options issued	-479 238	-131 031
Total	-12 703 773	-9 763 649

Information about remuneration of the key management personnel is presented in note 24. *Related party transactions* and information on the options granted is presented in the note 19. *Share-based payments*.

Number of personnel	2021	2020
Average during the financial period	114	88
At the end of the financial period	123	94

Personnel distribution by function on 31 Dec

Sales, marketing, and customer support	47	31
Research and development	65	48
Administration	11	15
Total	123	94

Research and development costs recognized as costs

EUR	2021	2020
Total	-5 836 431	-5 047 946

Other operating costs

EUR	2021	2020
External services	-3 983 055	-3 016 512
Depreciation	-2 649 452	-2 093 238
Other costs	-1 002 783	-1 205 792
Total	-7 635 290	-6 315 542

Auditor's fees

Auditor's fees categorized into service groups were:

EUR	2021	2020
Principal auditor Ernst & Young Oy		
Statutory auditing	-63 425	-65 720
Other auditing	-16 725	-5 625
Other services	-2 352	-2 009
Other auditing firms:		
Statutory auditing	-11 068	-7 050
Tax guidance	-6 464	-15 158
Total	-100 034	-95 562

6. DEPRECIATIONS AND IMPAIRMENTS

EUR	2021	2020
BY ASSET CATEGORY		
Machinery and equipment	81 193	76 136
Right-of-use assets	301 343	393 566
Software & other intangible assets	1 039 466	336 704
Capitalized development costs	1 227 450	1 286 832
Total	2 649 452	2 093 238
BY FUNCTION		
Sales and marketing	8 376	12 063
Research and development	1 672 072	1 501 520
Administration	969 005	579 655
Total	2 649 452	2 093 238

7. FINANCIAL INCOME

EUR	2021	2020
Interest revenue	964	631
Exchange rate gains, loans, and other receivables	171 647	
Total	172 611	631

8. FINANCIAL COSTS

EUR	2021	2020
Exchange rate losses, loans and other receivables	-133 940	-458 289
Interest arising from revenue contracts	-40 842	-72 222
Interest on lease liabilities	-61 385	-48 314
Other financial costs	-200 689	-25 850
Total	-436 857	-604 675

9. INCOME TAXES

EUR	2021	2020
Income taxes	-524 030	12 162
Total	-524 030	12 162

Reconciliation of income taxes and profit/loss before taxes

EUR	2021	2020
Profit/loss before taxes	-1 794 364	-3 090 264
Tax at parent company tax rate (20%)	358 873	618 053
Effect of foreign subsidiaries' differing tax rates	4 966	-7 877
Effect of deferred taxes	120 871	
Non-deductible expenses	-209 878	-19 351
Tax exempt revenue	18 031	72 299
Tax deductible hybrid loan interest expenses	276 000	180 000
Use of previously unrecognized tax losses	279 302	297 264
Tax assets not recognized for reported losses	-177 333	-28 247
Tax assets not recognized for unused tax depreciations	-824 839	-1 124 324
Income taxes from previous years	-3 144	25 938
Other direct taxes	-366 878	-1 593
Income taxes	-524 030	12 162

The amount of Group's unused tax losses, for which no deferred tax asset has been recognized based on the prudence principle, is EUR 8.6 million (2020: EUR 8.1 million). EUR 3.4 million (2020: EUR 2.8 million) of the tax losses are in Finland, and EUR 5.7 million (2020: EUR 5.2 million) in the USA. The tax losses expire in Finland between the years 2022–2030, and in the USA between the years 2022–2035. The amount of unrecognized deferred tax assets from the tax losses is EUR 1.9 million (2020: EUR 1.7 million). The figures include use of losses in 2021 which have not yet been confirmed in taxation.

In addition, the parent company has EUR 38.5 million (2020: EUR 36.8 million) research and development expenses and depreciations not deducted in taxation and the amount of unrecognized deferred tax assets resulting from those is EUR 7.7 million (2020: EUR 7.3 million).

The Group's subsidiaries do not have earnings that would cause tax consequences when repatriated.

10. EARNINGS PER SHARE

EUR	2021	2020
Profit/loss attributable to shareholders of the parent company	-2 318 394	-2 834 022
Hybrid loan interest expense	-1 380 000	-1 260 000
Weighted average number of shares in issue, 1,000	38 927	38 802
Earnings per share	-0,10	-0,11
Adjusted average number of shares considering dilution effect, 1,000	40 843	41 529
Earnings per share, diluted	-0,10	-0,11

11. PROPERTY, PLANT AND EQUIPMENT

EUR	2021	2020
Machinery and equipment		
Acquisition cost 1 Jan	2 094 182	2 054 825
Exchange rate effect	20 177	-22 420
Increase	97 414	61 777
Acquisition cost 31 Dec	2 211 773	2 094 182
Accumulated depreciation 1 Jan	1 979 855	1 936 735
Exchange rate effect	19 843	-21 367
Depreciation for the financial period	69 608	64 486
Accumulated depreciation 31 Dec	2 069 306	1 979 855
Book value 31 Dec	142 467	114 327
Other tangible assets		
Acquisition cost 1 Jan	72 389	52 876
Exchange rate effect	4 039	-4 468
Increase		23 982
Acquisition cost 31 Dec	76 428	72 389
Accumulated depreciation 1 Jan	43 857	35 918
Exchange rate effect	3 798	-3 710
Depreciation for the financial period	11 586	11 650
Accumulated depreciation 31 Dec	59 241	43 857
Book value 31 Dec	17 187	28 532
Book value of tangible assets 31 Dec	159 654	142 859

12. RIGHT-OF-USE ASSETS

EUR	2021	2020
Acquisition cost 1 Jan	1 375 688	581 008
Exchange rate effect	31 823	-34 943
Increase	255 189	829 623
Decrease	-25 004	
Acquisition cost 31 Dec	1 637 695	1 375 688
Accumulated depreciation 1 Jan	689 283	318 870
Exchange rate effect	25 813	-23 153
Depreciation for the financial period	353 250	364 343
Impairment		29 223
Accumulated depreciation 31 Dec	1 068 347	689 283
Book value 31 Dec	569 349	686 405

Right-of-use assets include mainly leased offices and software. From the beginning of September 2021 the company leased new office space to accommodate increase in headcount due to acquisition of Deltagon. The new lease contract is for the period of three years and added right-of-use assets and lease liabilities with EUR 0.1 million in 2021.

More information on leases is presented in the note 22. *Leases*.

13. INTANGIBLE ASSETS

EUR	2021	2020
Software		
Acquisition cost 1 Jan	2 125 288	2 065 632
Exchange rate effect	15 347	1 401
Increase	2 535	58 255
Acquisition cost 31 Dec	2 143 170	2 125 288
Accumulated depreciation 1 Jan	2 067 033	2 057 842
Exchange rate effect	15 347	1 523
Depreciation for the financial period	9 991	7 667
Accumulated depreciation 31 Dec	2 092 371	2 067 033
Book value 31 Dec	50 799	58 255
Immaterial rights		
Acquisition cost 1 Jan	16 773 132	15 235 306
Increase	10 042 795	1 537 826
Acquisition cost 31 Dec	26 815 927	16 773 132
Accumulated depreciation 1 Jan	11 383 387	9 764 636
Depreciation for the financial period	2 205 017	1 618 751
Accumulated depreciation 31 Dec	13 588 404	11 383 387
Book value 31 Dec	13 227 522	5 389 744
Goodwill	8 594 625	
Book value of intangible assets 31 Dec	21 872 947	5 447 999

On April 26, 2021, the group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy. The acquisition increased the group's customer related and technology based intangible assets EUR 8.5 million and goodwill arising on acquisition EUR 8.6 million, the total increase as a result of the acquisition on the intangible assets being EUR 17.1 million. Customer related and technology based intangible assets are amortized over time, whereas goodwill has indefinite useful life. The estimated remaining useful life of customer related intangible assets is 10 years and technology based intangible assets five years.

Goodwill

Goodwill is not amortized but is tested at least annually for impairment. The group's goodwill from acquisition is allocated to one the cash generating unit (CGU) which is Deltagon. The recoverable amount from CGU is determined with a value in use method, using five-year cash flow projections, based on financial estimates prepared by the management. Cash flows for the period extending over the five-year planning period are calculated using the terminal value method.

The key parameters applied in impairment testing are: increase in net sales during the next five years 10 %, steady growth rate in projecting terminal value 2 % and discount rate 19.0 %. The

discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company-specific risk premium (small stock premium 11.2 %), industry specific equity beta, cost of debt and debt to equity ratio. Tested assets include goodwill, customer related and technology based intangible assets and net working capital.

An asset is impaired when its carrying amount exceeds its recoverable amount. On the basis of the impairment calculations made, there has been no need for impairment for the CGU for the period ended December 31, 2021.

Sensitivity analyses of goodwill have been carried out for the valuation of CGU by making downside scenarios for key parameters. If other parameters remain unchanged, increase in discount rate over 4.0 %, or 7.5 % decrease in growth assumptions would result in impairment.

No goodwill impairment losses were recognized during the accounting period.

Intangible assets

At the end of the year, the company has tested the value of intangible assets using a moderate growth rate compared to year 2021 net sales and year 2021 cost structure. The cash flow forecasts of new products in the market are based on year 2022 budget. The discount rate used in the testing was 13 %. As a result of the testing, no impairment risk was detected. According to the sensitivity analyses carried out, even a significant change in key variables (net sales, profitability and discount rate) would not create a situation where the carrying value of an asset would exceed its recoverable amount.

14. TRADE RECEIVABLES AND CONTRACT LIABILITIES

EUR	2021	2020
Total trade receivables	4 253 848	2 961 250

EUR	2021	2020
Deferred revenue	8 659 315	6 361 348
Government grants received	322 693	134 729
Total advances received and deferred revenue	8 982 009	6 496 077

By currency

EUR	2021	2020
EUR	2 876 388	417 572
USD	714 341	2 293 408
GBP	273 690	250 270
CHF	256 170	
SEK	133 259	
Total	4 253 848	2 961 250

By age

EUR	2021	2020
Non-matured	3 452 357	1 431 762
Matured		
< 30 days	272 637	1 042 358
31–90 days	457 382	428 128
91-180 days	58 389	105 865
> 181 days	145 195	377 501
Impairment losses	-132 111	-424 364
Total	4 253 848	2 961 250

The Group does not fully record impairment losses on receivables older than 90 days, as historically credit losses have been very small.

15. OTHER RECEIVABLES

EUR	2021	2020
VAT receivables	132 632	150 020
Deposits	147 949	157 669
Other current receivables	182 932	184 836
Total	463 513	492 525

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The book value of trade receivables and trade payables 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 in the Trade Register and fully paid up as of 31 December 2021 was EUR 1,178,366.97 (2020: EUR 1,164,066.99), and the number of shares was 39,278,899 (2020: 38,802,233).

Changes in the share capital	Number of shares	Share capital, EUR
31 Dec 2020	38 802 233	1 164 067
Subscriptions under stock option plan	476 666	14 300
Subscriptions under share issue		
31 Dec 2021	39 278 899	1 178 367

DESCRIPTION OF THE EQUITY RESERVES:

Share capital

The share capital includes the share subscription prices from share issues and share subscriptions through options unless the conditions of the share issue stipulate that the subscription price shall be registered in the unrestricted invested equity fund. Expenses related to share issue are deducted from retained earnings.

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 two different funds: a fair value reserve for available-for-sale investments and a hedging reserve for changes in the fair value of cash flow hedging instruments. In the 2021 and 2020 financial periods, SSH Communications Security had no available-for-sale financial assets and did not apply hedge accounting.

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 based on a specific decision.

Hybrid capital securities

Hybrid capital securities is an instrument that is subordinated to the Company's other debt obligations and does not have maturity date (i.e. it is perpetual). It is treated as equity in the IFRS financial statements. Hybrid capital securities do not confer to their holders any rights of shareholders and do not dilute the holdings of the current shareholders.

The other equity fund consists of hybrid capital securities of EUR 12 million issued in March 2015, subscribed by institutional investors. The principal owner of the parent company, Mr. 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 to 11.5 per cent. 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 had the right to convert the capital loan into the Company's shares at EUR 4.76 per share until 30 March 2020.

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 through decisions concerning, for instance, 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. In March 2015 the Group issued hybrid capital securities which are included in the Group's equity.

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

Net liabilities		
EUR	2021	2020
Interest-bearing liabilities	2 827 000	582 000
Lease liabilities	591 270	714 772
Cash and cash equivalents	8 207 229	8 517 698
Net liabilities	-4 788 959	-7 220 926
Equity total		
	12 025 739	8 465 026
Equity ratio	44,63 %	69,70 %
Gearing	-39,82 %	-85,30 %

The interest-bearing liabilities consist of the subordinated loan EUR 0.6 million which Kyberleijona Oy has taken out from the non-controlling interest holder State Security Networks Group Finland, and a premium loan received from ELO mutual pension insurance company EUR 2.2 million. The capital and interest of the subordinated loan can only be repaid in circumstances permitted by Chapter 12 of the Finnish Limited Liability Companies Act. The capital of the subordinated loan can only be repaid to the extent the unrestricted shareholders' equity and the total amount of the subordinated loan at the time of the repayment exceeds the loss that is to be confirmed for the company's latest financial year or is included in the balance sheet of more recent financial statements. The annual interest for the subordinated loan, three per cent (3 %), has been recognized as expense.

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, such as options. Personnel of the company belong to options plans. An employee leaving the company before the vesting of the options forfeits their options.

On the balance sheet date, SSH Communications Security had 1,915,334 stock options outstanding (2020: 2,727,000), representing 4.6 % of shares and 4.6 % of votes. The weighted average exercise price of outstanding stock options was EUR 1.4 (2020: EUR 1.9). The weighted average of the remaining subscription period was 1.2 years (2020: 2.2 years). The exercise price varies from EUR 0.93 to EUR 2.09, and the remaining subscription period from 0.2 years to 2.3 years.

A person holding option rights is entitled to subscribe shares if employed by SSH at the beginning of the subscription period.

Information about option plans:

Option plan	Option certificate	Release date	Subscription period		Subscription price, EUR	Options not exercised
			Begin	End		
2018	2018	22 Feb 2018	1 Dec 2020	31 Mar 2022	2,09	503 334
2019 A	2019 A	18 Dec 2018	1 Dec 2021	31 Mar 2023	1,56	980 000
2020 A	2020 A	13 Feb 2020	1 Dec 2022	31 Mar 2024	0,93	980 000
Total						2 463 334

Changes in outstanding stock options:

	2021	2020
At the beginning of the financial period	2 727 000	2 425 575
Stock options granted	218 000	1 688 000
Stock option forfeited	553 000	710 100
Stock options expired		676 475
Stock options exercised	476 666	
At the end of the financial period	1 915 334	2 727 000
Exercisable option rights at the end of the financial period	1 915 334	2 727 000

The fair value of option programs is determined at the time the options are granted and is recorded as an expense in the profit/loss during the period of inception. The fair value is determined using the Black-Scholes pricing model. The parameters for options granted in 2021 are:

	2021
Share price at grant, EUR	2,55
Share price at financial period end, EUR	3,01
Exercise price, EUR	1,43
Expected volatility ¹	70,9 %
Maturity, years	1,79
Risk-free rate	-0,71 %
Expected dividends, EUR	0,00
Valuation model	Black-Scholes
Fair value 31 Dec 2021, EUR	285 128

¹ The expected volatility has been determined by calculating the historical volatility of the company's shares using monthly observations over corresponding maturity.

Share-based payments recognized as an expense, EUR	2021	2020
Share-based payments, equity-settled	479 238	131 031
Liability from share-based payments 31 Dec	0	0

20. TRADE AND OTHER PAYABLES

EUR	2021	2020
Trade payables	567 519	398 156
Personnel related	2 808 350	1 559 165
Accruals	55 426	95 733
VAT liabilities	373 317	75 967
Other liabilities	2 205 131	248 029
Total	6 009 743	2 377 051

21. 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 based on net position, using foreign exchange forwards or options. Currently the net position is not hedged. The company decides on

the hedging on case by case basis. Currently the Group is not using hedging accounting. Any gains or losses realized through hedging actions are thus recognized in profit/loss.

A 10 % strengthening of the U.S. dollar against the Euro using with net position on 31 Dec 2021 would increase the pre-tax profit of the Group by 9,000 euros. Similarly, a 10 % weakening of the U.S. dollar against the Euro would decrease the pre-tax profit of the Group by 7,000 euros.

Interest Rate Risk

The interest-bearing debt of the Group at the end of the review period was EUR 2,827,000 and it consisted of a subordinated loan EUR 582,000 taken by a subsidiary company from a non-controlling interest holder, and a premium loan taken from ELO mutual pension insurance company EUR 2,245,000. The annual interest of the subordinated loan is three per cent (3 %). The interest rate of the premium loan consists of reference interest rate and added margin 0,50 %. 21.6.2021 when loan was drawn the calculated annual rate of premium loan was 0,80 %

The money market investments of the Group expose the cash flow to interest rate risk, but their impact is not material.

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, all the assets are invested in cash in financial institutions with high credit ratings.

Credit Risk

The Group has no significant concentrations of credit risk. At the end of the financial year, the Group recorded impairment losses of EUR 0.1 million to cover doubtful receivables. The aging distribution of trade receivables is presented in note 14. *Trade receivables*.

Liquidity Risk

The Group's cash and cash equivalents on 31 Dec 2021 were 8,207,229 euros (2020: 8,517,698 euros). 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 had trade payables and other short-term debts amounting 4,334,743 euros (2020: 2,377,051 euros). The outstanding installments from Deltagon acquisition and payments of premium loan from ELO mutual pension insurance company maturing less than one year amount 2,170,000 euros.

Agreements concerning credit facilities and loan guarantees include a covenant for the adequate liquidity and subordination of the hybrid loan interest payments to the credit facility guarantee. Non-compliance with the covenant would lead to deferral of the hybrid interest payment until such time the terms and conditions of the covenant would not restrict payment of the interest or when the credit facility is repaid. Breach of covenant would require material deterioration of the liquidity from the current.

The tables below present the Group's maturity of the financial liabilities:

31 Dec 2021				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	500 000	1 745 000	582 000	2 827 000
Outstanding installments from Deltagon acquisition	1 670 000	3 166 096	-	4 836 096
Lease liabilities	371 791	219 479	-	591 270
Trade and other payables	4 334 743	-	-	4 334 743
Total	6 876 534	5 130 575	582 000	12 589 109

31 Dec 2020				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	-	-	582 000	582 000
Lease liabilities	329 417	385 355	-	714 772
Trade and other payables	2 377 051	-	-	2 377 051
Total	2 706 468	385 355	582 000	3 673 823

The tables below present changes in liabilities arising from financing activities:

EUR	1 Jan 2021	Cash flows	Foreign exchange movement	New leases	Other	31 Dec 2021
Current lease liabilities	329 417	-386 328	9 742	92 248	326 711	371 791
Current interest-bearing borrowings		500 000				500 000
Other current liabilities					1 670 000	1 670 000
Non-current interest-bearing borrowings	582 000	1 745 000				2 327 000
Non-current lease liabilities	385 355		5 735	155 101	-326 711	219 480
Other non-current liabilities					3 166 096	3 166 096
Total liabilities from financing activities	1 296 772	1 858 672	15 477	247 349	4 836 096	8 254 366

EUR	1 Jan 2020	Cash flows	Foreign exchange movement	New leases	Other	31 Dec 2020
Current lease liabilities	200 925	-374 466	-9 977	297 180	215 756	329 417
Non-current interest-bearing borrowings	582 000	-	-	-	-	582 000
Non-current lease liabilities	73 237		-4 569	532 443	-215 756	385 355
Total liabilities from financing activities	856 162	-374 466	-14 546	829 623	0	1 296 772

The column "Other" includes non-cash movements, such as reclassification from non-current to current.

22. LEASES

Leases in the balance sheet

The Group has recognized the following amounts related to the leases in the balance sheet:

Right-of-use assets

EUR	2021	2020
Offices	429 062	554 973
Software	99 703	131 432
Other	40 583	
Total	569 349	686 405

Lease liabilities

EUR	2021	2020
Current	371 791	329 417
Non-current	219 479	385 355
Total	591 270	714 772

Additions to the right-of-use assets during 2021 were in total EUR 0.3 million (2020: EUR 0.8 million). Changes in right-of-use assets have been presented in note 12. *Right-of-use assets*.

Leases in the income statement

The Group has recognized the following amounts related to the leases in the income statement:

EUR	2021	2020
Depreciation charge of right-of-use assets	-379 064	-393 566
Interest expenses (included in financial costs)	-61 385	-48 314
Expense relating to short-term leases (included in other operating costs)	-30 386	-59 131
Expense relating to leases of low-value assets (included in other operating costs)	-7 886	-1 791

The cash outflow for leases in 2021 was in total EUR 0.4 million (2020: EUR 0.4 million).

23. GUARANTEES GIVEN AND OTHER COMMITMENTS

EUR	2021	2020
Rental guarantees (pledged)	147 949	157 669
Hybrid Loan, Interest	1 035 000	1 035 000

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland. The purchase price consideration of Deltagon Oy includes an earn-out consideration. The earn-out consideration is payable as one lump-sum payment at the latest on 10th business day after the financial statements for the accounting period ending on 31.12.2023 have been adopted by the Annual General Meeting of Kyberleijona Oy. Total amount of earn-out consideration will not exceed EUR 1,300,000. On 31 December 2021, the estimated earn out consideration of Deltagon acquisition is EUR 650,000. More information about Deltagon acquisition can be found on note 25.

24. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

SSH Communications Security Corporation, its subsidiaries, its CEO, and its Board members and companies controlled by them belong to related party of the Group. The Group management team is not considered as part of related party as they do not have direct decision-making authority.

Group companies Dec 31 2021

Group company	Domicile	Group holding, %	Votes, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., New York City	USA	100	100
SSH Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	65	65
Deltagon Oy	Finland	100	100
SSH Government Solutions Inc., New York City	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communications Security UK Ltd, London	United Kingdom	100	100

Employee benefits of the management

The key management personnel of the Group are defined consisting of the CEO of the parent company. The employee benefits of the CEO are presented in the table below. The sums of employee benefits are shown on an accrual basis. The CEO of SSH Communications Security Corporation has been Mr. Teemu Tunkelo as of 24 March 2020.

Remuneration and fees - CEO

EUR	2021	2020
Salary and other short-term employee benefits	262,703	284,978
Termination benefits		111,451
Total	262,703	396,429

Fees to Members of the Board of Directors

EUR	2021	2020
Curry Sam (until 26 March 2020)		7 500
Fredrikson Christian (as of 25 March 2021)	18 435	
Kellomäki Sampo (as of 26 March 2020)	24 000	18 000
Kiianmies Aino-Mari (until 25 March 2021)	6 000	18 000
Kiuru Sauli (until 26 March 2020)		7 500
Kuivala Petri (until 26 March 2020)		8 750
Tavakka Kai (as of 26 June 2020)	24 000	12 286
Syrjälä Timo (until 26 March 2020)		7 500
Ylönen Tatu (until 25 March 2021)		7 500
Zettlemoyer Anne Marie (until 26 March 2020)		7 500
Österlund Henri (as of 26 June 2020, Chairman of the Board)	28 800	14 743
Total	101 235	109 279

Share and stock option holdings of of Board members	31 Dec 2021		31 Dec 2020	
	Shares	Options	Shares	Options
Fredrikson Christian				
Kellomäki Sampo				
Tavakka Kai	5 480			
Österlund Henri	119 627		61 060	
Total	125 107	-	61 060	-

Share and stock option holdings of the key management	31 Dec 2021		31 Dec 2020	
	Shares	Options	Shares	Options
Tunkelo Teemu (CEO as of 24 March 2020)	77 043	425 000	20 300	475 000
Nordström Niklas	4 619	279 000		370 000
Raulas Rami		50 000		
Total	81 662	754 000	20 300	845 000

Compensation of the key management personnel of the group

EUR	2021	2020
Wages and other short-term employee benefits	633 344	1 179 520
Share-based payments	38 280	-

On 31 December 2021, the CEO and members of the Board of Directors of SSH Communications Security owned 0.5 % (2020: 18.2 %) 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 0.2 % (2020: 0.1 %) of company shares and have a total of 754,000 (2020: 1,150,000) option rights.

The key conditions of the option right arrangements are described in note 19. *Share-based payments*.

Related party transactions

During the reporting period, there have not been any significant transactions with related parties.

25. BUSINESS COMBINATIONS

2021

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland that develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. A majority of Deltagon's revenue is generated from the secure email messaging solution Sec@GW that has been certified by the National Cyber Security Authority at the Finnish Transport and

Communications Agency (NCSA-FI) for protecting classified information according to the Finnish national (FI) ST III and ST IV security requirements. The Group has acquired Deltagon because it complements SSH's product and services portfolio and creates synergies in product development, developing future quantum resistance, and leveraging international sales and marketing channels. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Deltagon from the acquisition date April 26 until December 31, 2021.

Details of purchase consideration, the net assets acquired, and goodwill are as follows:

EUR	
Purchase consideration	
Cash paid	5 000 000
Deferred purchase price	4 853 477
Considerations shares	5 390 000
Closing adjustments	1 532 844
Earnout consideration	650 000
Total purchase consideration	17 426 321
Assets	Fair value recognised on acquisition
Intangible assets	
Customer related intangible assets	8 138 079
Technology related intangible assets	360 485
Trade and other receivables	2 002 741
Cash	1 358 579
	11 859 884
Liabilities	
Trade and other payables	-1 328 476
Deferred tax liability	-1 699 713
	-3 028 189
Total identifiable net assets at fair value	8 831 696
Goodwill arising on acquisition	8 594 625
Purchase consideration transferred	17 426 321
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	1 358 579
Cash paid	-5 996 349
Net cash flow on acquisition	-4 637 770

The total purchase price was EUR 17.4 million. Cash component of EUR 5.0 million was paid at closing, EUR 1.0 million in July and EUR 5.4 million of consideration shares were recognized in equity. Deferred purchase price EUR 4.9 million consists of the present value of three additional installments of EUR 1.67 million paid in the years 2022, 2023, and 2024. The installments have been discounted at the estimated cost of debt (2.1%). A closing adjustment of EUR 1.5 million was based on the net cash position and net working capital adjustment on the closing date.

The goodwill recognized is attributed to the Deltagon's profitably growing business with a strong position in the domestic messaging security market, new international business, and a wide customer base.

Transaction costs were not significant and have been expensed and included in the administrative expenses in profit or loss.

2020

No acquisitions or divestments were closed in 2020.

26. EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events after the balance sheet date.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS**PARENT COMPANY INCOME STATEMENT**

EUR	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
NET SALES	1	9 638 427,83	7 006 767,78
Purchasing and production costs		-2 004,75	-451,33
GROSS MARGIN		9 636 423,08	7 006 316,45
Other operating income		769 294,68	645 229,02
Research and development costs	2, 3, 6	-5 536 311,17	-5 159 333,65
Sales and marketing costs	2, 3, 6	-3 414 951,56	-2 615 628,82
Administrative costs	2, 3, 6	-2 950 521,47	-2 369 383,91
OPERATING PROFIT/LOSS		-1 496 066,43	-2 492 800,91
Financial income	7		
Interest revenue and other financing income		3 787 885,79	548 857,58
Interest costs and other financing costs		-386 444,21	-465 899,39
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		1 905 375,15	-2 409 842,72
Appropriations	8		
Group contribution received		12 028,50	16 864,78
PROFIT/LOSS BEFORE TAXES		1 917 403,65	-2 392 977,94
Taxes		0,00	0,00
PROFIT/LOSS FOR THE FINANCIAL PERIOD		1 917 403,65	-2 392 977,94

PARENT COMPANY FINANCIAL STATEMENTS**PARENT COMPANY BALANCE SHEET****ASSETS**

EUR	Note	31 Dec 2021	31 Dec 2020
NON-CURRENT ASSETS			
Intangible assets	9		
Immaterial rights		3 191 018,02	3 162 965,59
Intangible assets, total		3 191 018,02	3 162 965,59
Tangible assets	9		
Machinery & equipment		107 972,41	116 918,81
Tangible assets, total		107 972,41	116 918,81
Investments			
Shares in Group companies	9,19	14 896 037,61	3 889 689,01
Other shares		11 000,00	11 000,00
Investments, total		14 907 037,61	3 900 689,01
NON-CURRENT ASSETS, TOTAL		18 206 028,04	7 180 573,41
CURRENT ASSETS			
Current receivables			
Trade receivables		1 958 039,05	488 393,59
Receivables from Group companies	10	5 354 053,47	5 328 229,56
Prepaid expenses and accrued income	11	196 303,32	216 048,95
Other receivables	12	255 515,83	317 283,49
Current receivables, total		7 763 911,67	6 349 955,59
Cash and cash equivalents		2 369 368,20	2 744 865,26
CURRENT ASSETS, TOTAL		10 133 279,87	9 094 820,85
ASSETS, TOTAL		28 339 307,91	16 275 394,26

PARENT COMPANY FINANCIAL STATEMENTS**PARENT COMPANY BALANCE SHEET****EQUITY AND LIABILITIES**

EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY	13		
Share capital		1 178 366,97	1 164 066,99
Unrestricted invested equity fund		23 702 087,81	22 720 155,85
Hybrid capital securities	14	12 000 000,00	12 000 000,00
Retained profit/loss		-24 183 082,79	-20 410 104,85
Profit/loss for financial period		1 917 403,65	-2 392 977,94
EQUITY, TOTAL		14 614 775,64	13 081 140,05

LIABILITIES**NON-CURRENT LIABILITIES**

Pension loan	15	1 745 000,00	
Payables to Group companies	15,16	3 340 000,00	
NON-CURRENT LIABILITIES, TOTAL		5 085 000,00	

CURRENT LIABILITIES

Advances received		2 607 972,72	1 080 577,73
Trade payables		238 786,47	326 744,86
Payables to Group Companies	16	3 234 464,53	398 369,66
Accrued expenses and deferred income	17	1 647 035,42	1 219 070,76
Pension loan		500 000,00	
Other liabilities		411 273,13	169 491,20
CURRENT LIABILITIES, TOTAL		8 639 532,27	3 194 254,21
LIABILITIES, TOTAL		13 724 532,27	3 194 254,21

EQUITY AND LIABILITIES, TOTAL		28 339 307,91	16 275 394,26
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PARENT COMPANY FINANCIAL STATEMENTS**PARENT COMPANY CASH FLOW STATEMENT**

EUR	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Cash flow from business operations		
Receipts from customers	9 839 634,26	9 461 880,39
Payments to suppliers and employees	-9 048 311,77	-9 001 780,48
Cash flow from business operations before financial items and taxes	791 322,49	460 099,91
Interest and other financial costs	-103 151,06	-26 641,36
Interest and other financial revenue	3 207 999,07	507 457,58
Cash flow from business operations	3 896 170,50	940 916,13
Cash flow from investing activities		
Investments in tangible and intangible assets	-1 570 947,88	-1 555 202,07
Investments in subsidiaries	-5 996 348,60	
Receipt of government grants	1 417 532,20	271 188,17
Cash flow from investing activities	-6 149 764,28	-1 284 013,90
Cash flow from financing activities		
Change of non-current debt	1 745 000,00	
Change in current debt	500 000,00	
Interest on hybrid capital securities	-1 380 000,00	-900 000,00
Proceeds from shares subscribed with option rights	996 231,94	
Group contribution received	16 864,78	8 154,97
Cash flow from financing activities	1 878 096,72	-891 845,03
Change in liquid assets	-375 497,06	-1 234 942,80
Liquid assets in the beginning of period	2 744 865,26	3 979 808,06
Change in liquid assets	-375 497,06	-1 234 942,80
Liquid assets at the end of period	2 369 368,20	2 744 865,26

PARENT COMPANY FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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 (Note 21. *Financial Risk Management*).

Principles of revenue recognition

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. Control is transferred to the buyer at the point of time.

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

Revenue from subscription contracts are amortized across the agreement period.

The revenue of royalties from licenses is recognized according to the actual content of the contract at the point of time.

Apportioning of costs to functions

Costs are apportioned to functions according to the matching principle.

Leases

The parent company has rental agreement for office premises at Karvaamokuja 2B, Helsinki and minor other assets. Leasing payments paid pursuant to these agreements are recognized as costs over the rental or leasing period under agreements.

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 tax losses of EUR 3.2 million (2020: EUR 2.7 million). In addition, the parent company has EUR 38.5 million (2020: EUR 36.8 million) research and development expenses and depreciations not deducted in taxation, whereof no deferred tax asset has been recognized.

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 month of acquisition
Development costs	5 years from month of capitalization
Other capitalized expenditure	5 years from year of capitalization
Leasehold improvements 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 under financing income and costs.

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.

Hybrid capital securities

Hybrid capital securities is an equity-related instrument that is presented as a separate item in equity. Interest payments on hybrid capital securities are decided by the Board. Unpaid interest accumulated at the balance sheet date is presented in note 18. *Other commitments.*

NOTES TO THE INCOME STATEMENT

1. NET SALES BY MARKET AREA

EUR	2021	2020
Finland	2 065 274,68	2 432 052,63
Rest of Europe	4 491 819,81	1 214 151,04
Other	3 081 333,34	3 360 564,11
Total	9 638 427,83	7 006 767,78

2. OPERATING COSTS

EUR	2021	2020
Other operating costs		
External services	-2 549 757,72	-1 832 280,68
Depreciation	-1 149 816,48	-1 221 521,35
Other	-1 616 603,36	-1 766 820,27
Total	-5 316 177,56	-4 820 622,30

Auditor's fees

EUR	2021	2020
Principal auditor (Ernst & Young Oy)		
Statutory auditing	-50 400,00	-65 720,00
Other auditing		-7 305,00
Other services	-19 077,00	-329,00
Total	-69 477,00	-73 354,00

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

EUR	2021	2020
Wages and salaries	-6 393 514,17	-5 507 723,65
Pension costs	-969 552,66	-765 499,67
Other ancillary personnel costs	-238 760,99	-184 601,46
Total	-7 601 827,82	-6 457 824,78

Average number of employees

	2021	2020
	76	66

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

	2021	2020
Research and development	54	47
Sales and marketing	16	13
Administration	11	13
Total	81	73

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

See note 24 in the consolidated financial statements.

6. DEPRECIATION AND IMPAIRMENT

EUR	2021	2020
Immaterial rights	249 395,50	195 229,45
Capitalized development costs	838 300,32	977 883,03
Machinery and equipment	62 120,66	48 408,87
Total	1 149 816,48	1 221 521,35

In 2021 or in 2020, the company did not record any impairments.

7. FINANCIAL INCOME AND COSTS

EUR	2021	2020
Interest revenue	738 420,19	56 284,71
Received payments of impaired internal loan	2 755 580,05	492 572,87
Exchange rate gains and losses (net)	7 905,23	-460 208,29
Interest and other financial costs	-100 464,16	-5 691,10
Total	3 401 441,31	82 958,19

In 2021, the company received a payment of an impaired internal loan EUR 2,755,580.05 from a group company. Interest income of the internal loan was EUR 697,087.59 and currency exchange loss EUR 285,980.05. In 2020, the company received payments of the impaired internal loan total EUR 492,572.86, interest income EUR 14,882.92 and recorded currency exchange loss EUR 27,714.26.

8. APPROPRIATIONS

EUR	2021	2020
Group contribution from SSH Technology Oy	12 028,50	16 864,78
Total	12 028,50	16 864,78

NOTES TO THE BALANCE SHEET

9. INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

EUR	2021	2020
Immaterial rights		
Acquisition cost 1 Jan	14 846 432,33	13 806 553,00
Increase	1 115 748,25	1 039 879,33
Acquisition cost 31 Dec	15 962 180,58	14 846 432,33
Accumulated depreciation 1 Jan	11 683 466,74	10 507 472,19
Depreciation for the financial period	1 087 695,82	1 175 994,55
Accumulated depreciation 31 Dec	12 771 162,56	11 683 466,74
Book value 31 Dec	3 191 018,02	3 162 965,59
Machinery and equipment		
Acquisition cost 1 Jan	1 851 053,88	1 769 775,43
Increase	53 174,26	81 278,45
Acquisition cost 31 Dec	1 904 228,14	1 851 053,88
Accumulated depreciation 1 Jan	1 734 135,07	1 685 726,20
Depreciation for the financial period	62 120,66	48 408,87
Accumulated depreciation 31 Dec	1 796 255,73	1 734 135,07
Book value 31 Dec	107 972,41	116 918,81
Investments		
Book value 1 Jan	3 900 689,01	3 900 689,01
Increase	11 006 348,60	0,00
Book value 31 Dec	14 907 037,61	3 900 689,01

The parent company has granted a subordinated loan in total of EUR 1,080,000 (2020: EUR 1,080,000) to Kyberleijona Oy. The capital and interest of the subordinated loan can only be repaid in circumstances permitted by Chapter 12 of the Finnish Limited Liability Companies Act. The capital of the subordinated loan can only be repaid to the extent the unrestricted shareholders' equity and the total amount of the subordinated loan at the time of the repayment exceeds the loss that is to be confirmed for the company's latest financial year or is included in the balance sheet of more recent financial statements. The annual interest for the loan is three per cent (3 %). As part of the cooperation agreement between SSH and State Security Networks Group Finland, SSH has strengthened the equity of Kyberleijona in 2018 by EUR 2,532,022.86.

10. RECEIVABLES FROM GROUP COMPANIES

EUR	2021	2020
Trade receivables	5 342 024,97	5 362 186,29
Group contribution receivable	12 028,50	16 864,78
Total	5 354 053,47	5 379 051,07

11. PREPAID EXPENSES AND ACCRUED INCOME

EUR	2021	2020
Prepaid expenses	196 303,32	216 048,95
Total	196 303,32	216 048,95

12. OTHER RECEIVABLES

EUR	2021	2020
Other receivables	255 515,83	317 283,49
Total	255 515,83	317 283,49

13. EQUITY

EUR	2021	2020
Share capital 1 Jan	1 164 066,99	1 164 066,99
Increase in share capital	14 299,98	-
Share capital 31 Dec	1 178 366,97	1 164 066,99
Unrestricted invested equity fund	23 702 087,81	22 720 155,85
Hybrid capital securities	12 000 000,00	12 000 000,00
Retained earnings	-24 183 082,79	-20 410 104,85
Profit/loss for the financial period	1 917 403,65	-2 392 977,94
Total	14 614 775,64	13 081 140,05

Statement on Distributable Funds, EUR	2021	2020
Retained earnings	-24 183 082,79	-20 410 104,85
Profit/loss for the financial period	1 917 403,65	-2 392 977,94
Unrestricted invested equity fund	23 702 087,81	22 720 155,85
Capitalised development costs	-2 164 941,90	-2 025 684,59
Total	-728 533,23	-2 108 611,53

14. HYBRID CAPITAL SECURITIES/SHAREHOLDERS' EQUITY

A hybrid capital security is an instrument that is subordinated to the Company's other debt obligations and it does not have a maturity date (i.e. it is perpetual). It is treated as equity in the financial statements. Hybrid capital securities do not confer to their holders any shareholder rights and do not dilute the holdings of the current shareholders.

Hybrid capital securities in the amount of EUR 12 million were issued in March 2015 and subscribed by institutional investors. 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 had the right to convert the capital loan into the Company's shares at EUR 4.76 per share until 30 March 2020.

Paid interest from hybrid capital securities reduces the amount of retained earnings. Unpaid interest from hybrid capital securities is presented in note 18. *Other commitments*. Paid interest in the financial year 2021 was EUR 1,380,000 (2020: EUR 900,000).

15. NON-CURRENT LIABILITIES

EUR	2021	2020
Pension loans payable		
Between one and five years	1 745 000,00	
Pension loans, total	1 745 000,00	0,00
Liabilities to subsidiaries		
Between one and five years	3 340 000,00	
Liabilities to subsidiaries, total	3 340 000,00	0,00
Non-current liabilities, total	5 085 000,00	0,00

In 2021, the company received a premium loan from ELO mutual pension insurance company. Total amount of the loan on 31 December, 2021 is EUR 2,450,000 of which 1,745,000 is non-current. Non-current liabilities to subsidiaries consist of the company's commitment to invest in Kyberleijona Oy the outstanding installments of Deltagon acquisition.

16. LIABILITIES TO SUBSIDIARIES

EUR	2021	2020
Non-current liabilities to subsidiaries		
Other liabilities	3 340 000,00	
Non-current liabilities to subsidiaries, total	3 340 000,00	

Current liabilities to subsidiaries		
Trade payables	1 545 703,61	398 369,66
Other liabilities	1 688 760,92	
Current liabilities to subsidiaries, total	3 234 464,53	398 369,66
Liabilities to subsidiaries, total	6 574 464,53	398 369,66

Non-current other liabilities to subsidiaries consist of the company's commitment to invest to Kyberleijona Oy the outstanding installments of Deltagon acquisition EUR 3,340,000. Current other liabilities to subsidiaries include current portion of outstanding installment of Deltagon acquisition EUR 1,670,000.

17. ACCRUED LIABILITIES AND DEFERRED INCOME

EUR	2021	2020
Personnel related	1 645 742,29	1 159 848,13
Accruals	1 293,13	59 222,63
Total	1 647 035,42	1 219 070,76

18. OTHER COMMITMENTS

EUR	2021	2020
Non-cancellable lease agreements for office facilities - future rent payments		
Within one year	246 268,06	203 510,56
Within more than one year but no more than 5 years	137 985,15	264 532,21
Commitments to group companies		
Within one year	1 670 000,00	
Within more than one year but no more than 5 years	3 340 000,00	
Other commitments		
Within one year	70 814,88	58 510,22
Within more than one year but no more than 5 years	46 815,54	97 517,03
Total	5 511 883,62	624 070,02

Commitments to group companies consist of the company's commitment to invest to Kyberleijona Oy the outstanding installments of Deltagon acquisition.

Guarantees given and other commitments

EUR	2021	2020
Rental guarantees (pledged)	128 127,90	130 696,90
Hybrid Loan, Interest	1 035 000,00	1 035 000,00

19. GROUP COMPANIES

Parent and subsidiary relationships of the Group 31 December 2021

Group companies	Domicile	Group holding, %	Votes, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., New York City	USA	100	100
SSH Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	65	65
SSH Government Solutions Inc., New York City	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communications Security UK Ltd, London	United Kingdom	100	100

DIVIDEND PROPOSAL AND SIGNATURES

DIVIDEND PROPOSAL

The parent company's distributable funds are EUR -728,533.23, of which the profit for the financial year is EUR 1,917,403.65. The Board of Directors proposes to the Annual General Meeting on 25 March, 2022 that no dividend or return of capital shall be distributed. It is proposed that the profit of the financial year shall be entered to the retained earnings in the shareholders' equity.

SIGNATURES FOR THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

Helsinki, 23 February 2022

Henri Österlund
Chairman of the Board of Directors

Sampo Kellomäki
Member of the Board of Directors

Christian Fredrikson
Member of the Board of Directors

Kai Tavakka
Member of the Board of Directors

Teemu Tunkelo
Chief Executive Officer

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 23 February 2022

Ernst & Young Oy
Authorized Public Accountants

Erkka Talvinko
Authorized Public Accountant