



ANNUAL REPORT 2020

25 years of thought and technology leadership

**First came the protocol,
then the company.
The rest is history.**



The founder of SSH.COM, Tatu Ylönen, witnessed a hacking incident in the Finnish university network, and that made him wonder. It was 1995, and the internet was becoming a more and more crucial part of every organization's operations, but there still was not a way to use it securely.

Tatu was a university researcher at the time, and didn't know anything about cryptography. But he read some books about it, had some conversations with friends and in three months, he came up with a program called SSH.

Tatu published SSH as open source in the summer of 1995 to fill a significant void in cryptography. With SSH, it was possible to operate network services securely over an unsecured network by building a channel over it. That was a long-awaited solution not only to password sniffing but some other major cybersecurity issues as well.

SSH filled a crucial niche at a time when no one else had anything to offer and it took only few weeks for the protocol to start spreading and soon Tatu started getting around 150 emails a day. Even huge organizations, such as the University of California, were asking for his help to implement SSH.

Towards the end of 1995, the SSH user base was 20,000 users in fifty countries.

By 2000, there were approximately 2,000,000 users of the protocol.

Early Growth

The protocol went viral for a reason: it was easy to use and did not need a centralized infrastructure to work. Funnily enough, it also didn't need passwords. Even though SSH was open source, many organizations approached Tatu with commercial applications in mind. Consequently, Tatu founded SSH Communications Security Corp 31st of December in 1995.

SSH.COM had some large-scale customers since the very beginning, from universities to corporations but success was far from guaranteed. In the third year, the CEO of SSH.COM resigned, predicting that the company would go bankrupt in three months.

Having put his life savings into the company, Tatu decided to roll up his sleeves and became the CEO. He started calling potential customers, and SSH signed companies such as Sun Microsystems, Nokia and Ericsson as customers and grew 350 percent that year.

Towards the end of 1995, the SSH user base was 20,000 users in fifty countries. By 2000, there were approximately 2,000,000 users of the protocol, SSH.COM being the most trusted SSH partner. Today, more than 95%

of the servers used to power the internet have SSH installed. It is safe to say that SSH keeps the world running: retail, cashiers, logistics, supply chain, landholdings, health information, even banks and militaries heavily depend on SSH, and many of them are also clients of SSH.COM.

Enter UKM

SSH made it possible to build secure channels over unsecured networks by using SSH keys. The channels themselves were safe, but a new problem emerged when managing the massive amount of SSH keys the customers had. The keys did not expire, they had no identity associated with them, and they could be freely shared. These were huge issues for companies that had tens of thousands of current and former employees. If someone outside the organization got access to a key, that access could go undetected for months, even years.

Universal SSH Key Manager (UKM) was designed to keep track of SSH keys. It manages SSH key inventories and automates policy enforcement, consolidates visibility, and simplifies compliance, according to enforcement policies.



“We would not be here without our customers who keep our business running, help us develop our products and always push us forward.”



Diversification

For the last 25 years, SSH.COM has provided easy-to-use, best-of-breed cybersafety products for its diverse customer base. Our core idea has remained true all these years: encrypting and managing access to critical IT infrastructures, databases, applications, or network devices.

While our early, trusted products like Tectia and UKM will be equally needed in the future, we have developed new future-proof tools such as PrivX to serve complex cloud environments where permanent digital keys need to be replaced with intelligent policy-based access control.

The future of encryption needs to answer the challenges posed by the rise of quantum computing technology. With NQX, we have introduced a quantum-ready encryption solution for protecting classified data in transit. Since NQX is software-based, it enables easy, fast, and cost-effective future transition to post-quantum algorithms, when they become available.

Looking forward

We at SSH.COM are proud of our history. We’ve also had the pleasure and privilege of working with some of the most demanding customers and technologies in the world for 25 years. That’s not a small feat in a constantly evolving IT world, and it has required a high level of expertise, and a culture of innovation and determination.

We would not be here without our customers who keep our business running, help us develop our products, and always push us forward. We could not have done this without our partners who expand our reach beyond our own capabilities. We would not be the company we are today without the hundreds of fantastic people all over the world who have worked hard towards making the world a safer place.

Here’s to the next 25 years of the SSH protocol, the company behind it, and a safe Internet!

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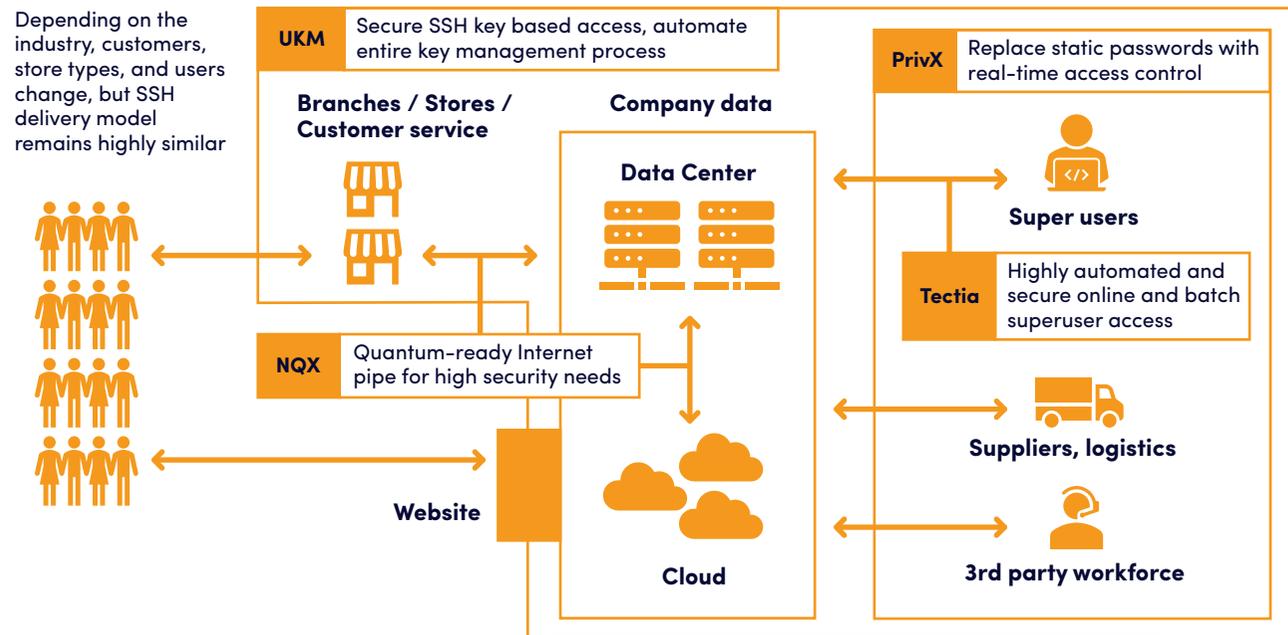
PROTECTING CUSTOMERS' HIGH VALUE DATA

We protect our customers' valuable data in use, in motion, and at rest.

Cybersecurity is often seen as companies protecting 'bad data' (virus, malware, riskware...) from entering their systems. SSH.COM specialize in protecting the lifeblood of modern business: the 'good data' that makes businesses tick and flows between people, machines, applications, and devices.

We think critical data flows have three key stages that are linked to the following key questions of cybersecurity:

- When your valuable data is in motion, can you ensure that your interactive and automated connections are secure and encrypted?
- When your valuable data is in use, do you know who has access to it, when and with what rights and that all your digital keys, passwords and credentials are well managed?
- When your valuable data is at rest, is it safe from internal and external risks and secure from unauthorized access?



We are a small but dedicated cybersecurity shop. We have 25 years of experience in safeguarding mission-critical data in transit, in use, and at rest for leading organizations in the world. We build best-of-breed solutions for interactive and M2M access management, data encryption, mainframe security, and secure, remote file transfers.

Together with our customers, our mission is to secure their digital business on on-premises, cloud, and hybrid ecosystems cost-efficiently, at scale and without disruptions to their operations or business continuity.

Our professional service experts become our customer's trusted advisors and our tech-driven R&D works hard to ensure that our solutions are easy to use, fast to deploy, and worth your investment.

KEY FIGURES

The year 2020 was an exceptional one due to the prevailing economic uncertainty. This had a negative effect on our license sales and our net sales decreased compared to last year.



2020 was very much about re-setting and re-thinking our short-term strategy as well as working closer with our key customers and improving our processes. Our focus was on making investments and taking actions to drive growth going ahead.

KEY FIGURES		FY17	FY18	FY19	FY20
Net Sales	M€	16.2	18.3	14.4	11.3
EBITDA	M€			0.9	-0.4
	%			6.0	-3.5
Operating profit		-1.7	0.5	-1.2	-2.5
	%	-10.5	3.0	-8.4	-22.1
Profit	M€	-2.2	0.5	-1.5	-3.1
Personnel		80	85	90	94

2020 HIGHLIGHTS

2020 Key Event Timeline



- Teemu Tunkelo appointed as CEO
- Aktia Bank chooses PrivX
- Major deal to OCBC Bank
- COVID-19 hits



- Accendo Capital becomes the largest owner of SSH
- Major new EU and Business Finland funding for Post-Quantum Cryptography
- PrivX named an “Overall Leader” in 2020 KuppingerCole Leadership Compass for Privileged Access Management



- SSH moves US headquarters to New York and reorganizes US operations
- Organization streamlined and flattened
- SSH 2022 Strategy launched



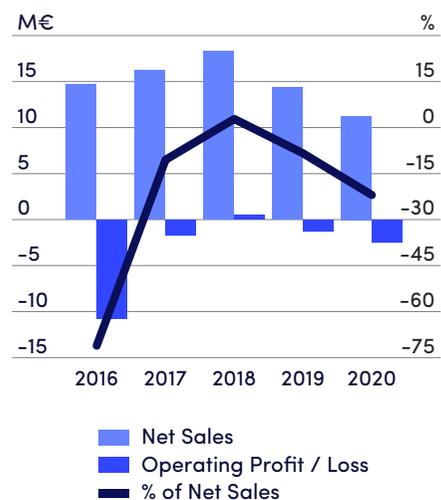
- A major multi-year deal for supplying cryptographic products and services with a value of up to EUR 20 million
- 70th PrivX customer signed
- Several renewal and new Tectia z/OS deals
- A large follow-on UKM license order from a Fortune 200 financial institution

2020 HIGHLIGHTS

Financial Performance

- Net sales totaled EUR 11.3 million (2019: EUR 14.4 million), down 21.7%
- EBITDA was EUR -0.4 million (EUR 0.9 million)
- Operating loss was EUR -2.5 million (EUR -1.2 million)
- Loss for the year was EUR -3.1 million (EUR -1.5 million)
- Operating cash flow for the year was EUR -0.2 million (EUR 0.3 million)
- Earnings per share was EUR -0.11 (EUR -0.06)
- In 2020, sales were geographically divided into:
AMER 52.8 % (54.3 %), EMEA 28.3 % (25.3 %), APAC 18.9 % (20.4 %)
- Further information on the key financial figures is presented in the Financial Statements section of this Annual Report

Yearly Development 2016–2020



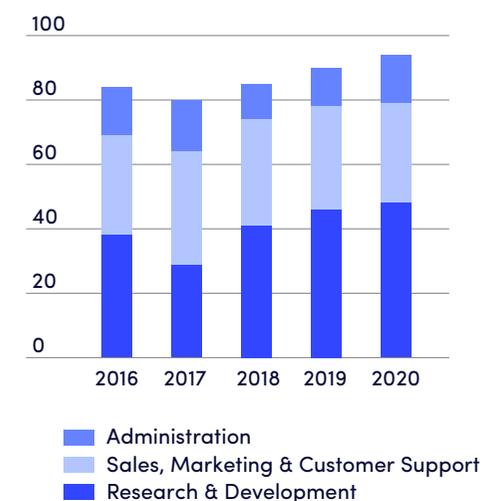
Quarterly Development 2020



Regional Net Sales Split



Personnel (as of 31 Dec)



2020 HIGHLIGHTS

“DECREASE IN LICENSE SALES DUE TO COVID, INCREASE IN SUBSCRIPTIONS”

SALES AND MARKETS

License sales suffered as large customers postponed or phased their IT investments due to, e.g., COVID-related investment freezes and restrictions on on-site work.

Subscription sales grew moderately overall but PrivX subscription sales more than tripled compared to 2019.

The sales decline was reflected throughout the regions with EMEA region declining -12.6 %, AMER region -23.9% and APAC region declining by -27.4 %.

The resulting regional sales split was: AMER 52.8 % (54.3 %), EMEA 28.3 % (25.3 %), and APAC 18.9 % (20.4 %).

TECHNOLOGIES AND PRODUCTS

PrivX development and sales proceeded well with the signing of our 70th PrivX customer during Q4. We continued to see increasing interest in PrivX from large enterprises and made our largest ever PrivX deals during the year.

Our PrivX direction was further validated as the respected analyst firm KuppingerCole named PrivX an “Overall Leader” in the 2020 version of their Leadership Compass for Privileged Access Management (PAM) report.

As part of our renewed Strategy 2022, we increased investment in the development and sales of our UKM and Tectia product lines. While customers’ UKM investments were slow due to COVID-19, Tectia showed increasing strength and we won new major deals in all regions. Demand for especially the Tectia for z/OS mainframe version increased during the year.

In a strong statement of confidence in SSH’s technology and cryptographic expertise, a major customer selected SSH as a supplier for cryptographic products and services in a multi-year agreement worth up to EUR 20 million.

RENEWING AND STRENGTHENING THE ORGANIZATION

During the year, we reshaped the organization and decreased our executive management team’s size from seven people to three people. The purpose of this change was to accelerate and clarify our decision-making and improve our management performance. In concert with this change, we also streamlined and flattened our organization and took steps to increase our organization’s customer-centricity. These changes will improve decision-making and accountability throughout the organization.

We clarified and focused our strategy for 2021-2022 and moved our focus closer to our customers and improved our response to their changing needs driven by the underlying technology changes like introduction of cloud applications. We also increased the role of our three key regions to operate with increased agility.

During the second half of the year, we strengthened our team by hiring new key contributors, especially for sales, professional service, and product management roles across the regions. This hiring increased our costs in 2020 but will contribute to our growth in 2021 and beyond.

LOOKING AHEAD

We expect our net sales to increase significantly during 2021. We are accelerating our transition from license and support services sales to a recurring-revenue business model, which we expect will provide more stable revenue in the long term.

Even though the growth strategy will require operational investments, we estimate EBITDA and cash flow from operations to be positive for 2021.

STRATEGY 2022

The aim of SSH's strategy 2022 is to deliver strong growth based on our core assets by monetizing them more efficiently.

We are also accelerating our transition from license and support services sales to a recurring-revenue business model, which we expect will provide more stable revenue in the long term.

We have strong products and deliver to many demanding customers



Strong products



Demanding customers



Strong and recognized brand in cybersecurity industry



Highly skilled technical workforce

We will be more effective in commercializing the products



Significant room for **improvement in sales execution**



Tectia & UKM have unrealised growth potential



Transform R&D to be more **customer-driven**



Create a **growth-focused mindset**

We have broken down the strategy to executable actions and programs that we are now driving forward.

Main elements of Strategy 2022



Revitalize and nurture Tectia and UKM by investing in sales, support and R&D



Continue strong PrivX growth by investing in direct sales and partnerships supported by own professional services



Initiate commercial deployments for NQX, grow in Nordic governmental sector, strengthen post-quantum leadership and professional services

Implementation actions



Focus on **lighthouse customers**



Improve the process from receiving **customer needs** to delivering **customer value**



Strengthen our **sales and marketing**



Enhance our **online presence**



Emphasize **product synergies**



Continue shift to **subscription model**



Grow **professional services**

The streamlined and flattened organization improves accountability and agility and helps us perform better.

INCREASED FOCUS ON THE CUSTOMER-TO- CUSTOMER LOOP

“SSH MUST BE ABLE TO DETERMINE CUSTOMER NEEDS, HOW OUR SERVICES AND PRODUCTS FULLFIL THEM, AND HOW WE PRODUCE CUSTOMER SATISFACTION”



A key element in realizing our strategic objectives is working even closer with our customers to ensure that we understand the customers’ needs better and create maximum value for the customers with our technologies and solutions.

We are working to shorten the time between receiving customer requirements to delivering solutions, improving customer satisfaction with appropriate products and services, and co-developing solutions together with our customers and partners.

We call this the customer-to-customer loop.

Customer journey understanding is critical

SSH must be able to determine the customer jobs, how our services and products transform them and how to manage the critical to satisfaction items



In the target state, following areas are mastered

Understanding customers:

- Personas, ability to recognize them during sales process and handle them appropriately (ability to sell to CXOs and other levels differently)
- Proactively reacting to changes in customer needs
- Cultural sensitivity - Understanding regional differences in customer buying behavior

C2C loop: reduce throughput time of customer need to solution

Flawless experience across customer journey:

- “Easy to do business with”
- Well defined and active customer expectation management process
- Establish systematic satisfaction measurement methods
- Develop shared processes to react to customer feedback and correct the issues

Product quality:

- Products and service support customer use cases

Operational quality:

- No hick-ups with CTQ items

Partner satisfaction:

- The route to partner channel end-customer satisfaction and sales

Strengthened R&D to boost employee confidence during customer dialogues on their changing needs and feature requests



CEO Letter

“THE YEAR 2020 WAS VERY MUCH ABOUT RE-SETTING AND RE-THINKING OUR SHORT-TERM STRATEGY”

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

During my first nine months steering SSH, all hands of our hundred-strong global team have been on deck building a strong foundation for sustainable growth. I am proud of how the team has persevered during an exceptionally turbulent year.

During the year, our joint focus was on renewing our strategy and making investments and taking actions to drive growth going ahead.

At the center of our plan are new and scalable in-house products like PrivX and NQX, which will expand their roles in our portfolio, and we welcome the additions to the portfolio from the Deltagon acquisition. This enables us to offer comprehensive cybersafety solutions to our customers globally. We will also continue selectively to develop our patent portfolio.

Our focus is on growth during 2021 and 2022 both organically and inorganically. The large cryptography contract announced in December and the Deltagon acquisition announced in January 2021 are the first steps on our journey forward. We are strengthening our position with key customers through a wider portfolio of SSH products and related professional services.

The macro-economic picture is still unsettled due to the continuing impact of COVID-19 but, while there are still short-term challenges and obstacles to overcome, we see far more opportunities than threats ahead.

I am looking forward to working with the entire SSH team and our customers to execute and start reaping the rewards of the new organization and new strategy.

Teemu Tunkelo
CEO

BOARD OF DIRECTORS

The Annual General Meeting held on March 26, 2020 elected Mr. Sampo Kellomäki, Ms. Aino-Mari Kiianmies, and Mr. Tatu Ylönen to the Board of Directors.

An Extraordinary General Meeting held on June 26, 2020 elected Mr. Sampo Kellomäki, Ms. Aino-Mari Kiianmies, Mr. Kai Tavakka, Mr. Tatu Ylönen, and Mr. Henri Österlund to the Board of Directors.

Tatu Ylönen served as the as the Chairman of the Board of Directors from March 26 to June 26. Henri Österlund was elected as the Chairman of the Board of Directors on June 26, 2020.



HENRI ÖSTERLUND

Chairman of the Board

Henri is the founder of Accendo Capital SICAV, which creates shareholder value through active ownership. Previously, Henri has served as a Partner of Conventum Corporate Finance, Partner of Triton Private Equity investment fund in London, and as an Analyst at Doughty Hanson Private Equity fund in Stockholm.

In addition to SSH board, he is a board member at Remedy (publ), Doro AB (publ), member of the board of Managers of Accendo Capital Managers S.ä.r.l., owner of FERDINAND S.ä.r.l. and Ferdinand Holdings S.L.U.

Henri owns holds a Master of Science degree in Economics from the Helsinki School of Economics (currently Aalto University).

Henri owns 61,060 SSH shares. He has no option rights.



SAMPO KELLOMÄKI

Board Member

Sampo has founded two software startups, Symlabs SA (identity management and directory services) and Synergetics SA (privacy and personal data management). He has also been an angel investor and director in other startups.

Sampo has contributed to identity management and identity federation standards and contributed to several cryptographic protocol implementations.

He has acted as Chief Technology Officer (CTO) and leader of architecture and development. He has a strong background in cryptography, credential management, identity management, and privacy, and has contributed to several standards.

Sampo holds a Master of Science degree in Computer Science from Helsinki University of Technology (currently Aalto University).

Sampo neither owns any SSH shares nor has any option rights.



AINO-MARI KIIANMIES

Board Member

Aino-Mari Kiianmies has a multidisciplinary background with a strong focus on leadership. She understands the cruciality of fundamentals and the right mental mindset for every great leader and successful business. Her clients include the largest Finnish corporations and C-level executives.

Aino-Mari holds five bachelor's and three master's degrees in business and law (LLM, M.Sc.(Econ.), M.Soc.Sc.), and she has done doctoral-level studies both in finance and leadership. She has co-founded two startups and acts as an advisor for health and wellness technology firms in several startup accelerators.

Aino-Mari is the Finnish representative at EWLA, European Women Lawyers Association, a chairman of the board at the Finnish Women Lawyers Association, and a member of the Future committee of The Association of Finnish Lawyers.

Aino-Mari neither owns any SSH shares nor has any option rights.

BOARD OF DIRECTORS continued



→ KAI TAVAKKA

Board Member

Kai Tavakka (b. 1986) is a partner in Accendo Capital Managers S.à.r.l. since 2015 after working in the firm since 2012. Kai has a corporate finance background (PCA Corporate Finance, Danske Corporate Finance).

He is a CFA Charterholder, and he holds a Master's degree in Economics from Aalto University.

Kai neither owns any SSH shares nor has any option rights.

TATU YLÖNEN

Board Member

Tatu founded SSH Communications Security in 1995, grew the company to \$20 million in sales and 190 employees in five years, and led the company to a public listing on NASDAQ OMX Nordic in 2000.

Tatu is an experienced entrepreneur and the original inventor of SSH (Secure Shell) and NAT Traversal technologies. He has also co-authored NIST IR 7966, guidelines for managing SSH keys.

Prior to his current role as Board Member, Tatu has held various executive roles in the company throughout the years, including CEO, CTO, and Chief Innovation Officer. He is also the second largest shareholder of the company.

Tatu holds a degree of Licentiate of Technology from the Helsinki University of Technology (now Aalto University) in Finland.

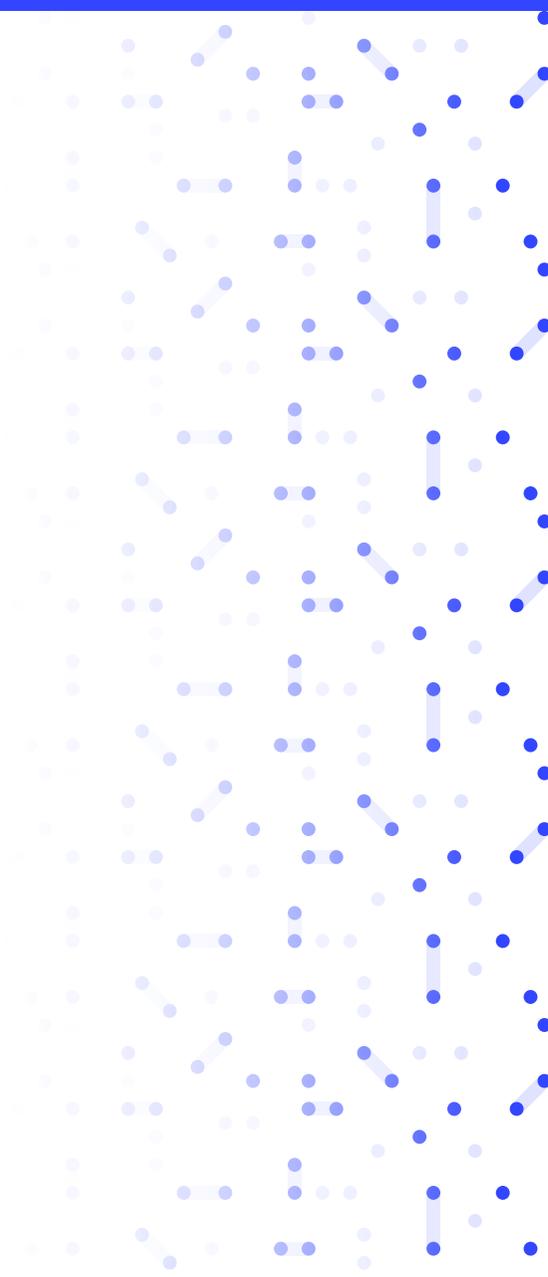
Tatu owns 6,987,123 SSH shares. He has no option rights.

The majority of the Board members are considered independent of the company and two Board members are also independent of the significant shareholders of the company.

Board members Sampo Kellomäki and Aino-Mari Kiiänmies are deemed to be independent of the company and the significant shareholders of the company.

Henri Österlund and Kai Tavakka are deemed independent of the company, but not independent of the significant shareholders of the company due to their role in Accendo Capital, which is the major shareholder of SSH.

Board member Tatu Ylönen is not independent of the company or the significant shareholders of the company. He is the second largest shareholder of the company and owns approximately 18.0 % of SSH Communications Security Corporation's shares.



EXECUTIVE MANAGEMENT TEAM December 31, 2020

The following people also served in the executive management team during 2020:

Kaisa Olkkonen, Chief Executive Officer, 01-03/2020. She has left the company to pursue outside interests.

Simo Karkkulainen, Chief Marketing Officer, 01-02/2020. He has left the company to pursue outside interests.

Timo Lilja, Vice President Engineering, 01-07/2020. He has left the company to pursue outside interests.

Joe Scaff, Chief Sales Officer, 01-07/2020. He has left the company to pursue outside interests.

Markku Rossi, Chief Technology Officer, 01-07/2020. He has left the company to pursue outside interests.

Sami Ahvenniemi, Chief Customer Officer, 01-07/2020. He has left the company to pursue outside interests.



TEEMU TUNKELO

Chief Executive Officer
born 1961
M.Sc. Engineering, PhD in Economics

Teemu Tunkelo is an international business leader who has served major companies, such as Voith, Siemens, ABB, Invensys, and Compaq in global management and technology leadership roles for 25 years in Zurich, London, Munich, Helsinki, and Cleveland (Ohio).

His prior experience also includes being CEO of Enfo (prev. Tietosavo), a software company of 300 people and a board member at Nixu, the largest cybersecurity consulting company in Finland.

At Voith, he created Voith digital solutions, a 2000-person strong business that combines IT, automation, and digital solutions.

Teemu holds a Master of Science degree in Computer Science from the Helsinki University of Technology (currently Aalto University) in Finland and a Doctor of Philosophy degree from the University of Lausanne in Switzerland.

Teemu owns 20,300 SSH shares and has 475,000 option rights.



JUSSI MONONEN

Chief Commercial Officer
born 1964
M.Sc. (Engineering)

Jussi is a seasoned growth company executive who has been CEO and founder of several venture-backed companies. He is responsible for SSH's corporate development and investor communications.

Jussi has nearly 30 years of management and consulting experience from international technology-intensive businesses with a sound understanding of strategy, communications, operations, processes, and critical success factors. He also has a strong track record in fundraising and M&A transactions.

Jussi holds a Master of Science degree in Industrial Engineering and Management from the Helsinki University of Technology (currently Aalto University) in Finland.

Jussi does not own any SSH shares but has 305,000 option rights.



NIKLAS NORDSTRÖM

Chief Financial Officer
born 1979
Master of Laws, Bachelor of Economics

Niklas brings with him over 10 years of cross-industry financial management experience gained from working in demanding senior financial roles in various NASDAQ companies. He is responsible for financial management, treasury, human resources, legal, corporate development, and corporate governance. Niklas is also the director of SSH's cryptographic solutions business.

Prior to joining SSH, Niklas worked as CFO for Biohit Oyj, a Helsinki-based public biotechnology company.

Niklas holds a Master of Laws degree from the University of Kent in Canterbury, UK, and a Bachelor of Economics, Accounting and Finance degree from the Inholland University of Applied Sciences in the Netherlands.

Niklas does not own any SSH shares but has 375,000 option rights.

Financial Statements 2020

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Report of the Board of Directors for 1 Jan – 31 Dec 2020

NET SALES EUR million	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	1-12/ 2020	10-12/ 2019	1-12/ 2019
BY GEOGRAPHICAL SEGMENT							
AMERICAS	1.4	1.4	1.5	1.6	5.9	2.4	7.8
APAC	0.5	0.4	0.3	0.9	2.1	0.5	2.9
EMEA	1.0	0.7	0.9	0.6	3.2	1.2	3.6
Total	3.0	2.6	2.6	3.1	11.3	4.1	14.4
BY OPERATION							
Subscription sales	0.2	0.2	0.2	0.2	0.8	0.2	0.7
License sales	0.6	0.4	0.4	0.8	2.2	1.5	4.5
Maintenance sales	1.7	1.9	2.0	2.1	7.8	2.1	8.6
Professional services & others	0.4	0.0	0.0	0.0	0.4	0.3	0.6
Total	3.0	2.6	2.6	3.1	11.3	4.1	14.4

NET SALES

Consolidated net sales for January–December totaled EUR 11.3 million (2019: EUR 14.4 million), down by 21.7 %, 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 depreciated by 1.9 % compared to 2019. With comparable exchange rates, the software business sales reduction in 2020 would have been 20.8 % compared to 2019.

PROFIT AND PROFITABILITY TRENDS

Operating loss for the financial year amounted to EUR -2.5 million (2019: EUR -1.2 million), with net profit totaling EUR -3.1 million (2019: EUR -1.5 million).

Sales, marketing, and customer support expenses amounted EUR -6.7 million (2019: EUR -7.5 million), while research and development expenses totaled EUR -5.0 million

(2019: EUR -4.9 million) and administrative expenses EUR -2.7 million (2019: EUR -2.9 million). Operating expenses decreased by 5.1 % compared to previous year.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was good during the financial year. The consolidated balance sheet total on December 31, 2020 stood at EUR 18.6 million (31 Dec 2019: EUR 23.8 million), of which liquid assets accounted for EUR 8.5 million (31 Dec 2019: EUR 12.0 million), or 45.7 % of the balance sheet total. Interest-bearing debts were EUR 1.3 million at the end of financial year (31 Dec 2019: EUR 0.9 million). Interest-bearing liabilities increased by EUR 0.4 million from December 31, 2019 due to the new leasing contracts. Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (December 31, 2019: 0.6 million) taken out from the non-controlling interest holder State Security Networks Group Finland. On December 31, 2020, gearing, or

the ratio of net liabilities to shareholders' equity, was -85.3 % (31 Dec 2019: -92.3 %) and the equity ratio stood at 69.7 % (31 Dec 2019: 78.0 %).

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 share-holders' 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 2.1 million (2019: EUR 2.0 million). Financial income and expenses totaled EUR -0.6 million (2019: EUR -0.1 million), which consisted mainly of exchange rate losses and interest expenses from sales and leasing contracts.

The Group had a cash flow of EUR -0.2 million (2019: EUR 0.3 million) from business operations, and investments showed a cash flow of EUR -1.5 million (2019: EUR -1.1 million). Cash flow from investments includes government grants of EUR 0.6 million (2019: EUR 0.9 million). Cash flow from financing totaled EUR -1.3 million (2019: EUR -0.8 million).

RESEARCH AND DEVELOPMENT

Research and development expenses totaled EUR -5.0 million (2019: EUR -4.9 million), the equivalent of 44.9 % of net sales (2019: 34.0 %). During the reporting period, R&D cost capitalizations totaled EUR 1.3 million (2019: EUR 1.6 million). Capitalized product development expenses were reduced by the amount of EUR 0.4 million received as funding from EU (2019: EUR 0.1 million). Depreciation from R&D capitalization assets was EUR -1.3 million (2019: EUR -1.3 million).

RISKS AND UNCERTAINTIES

The ongoing COVID-19 pandemic is a major macro-level risk that, if prolonged, may affect SSH Communications Security through challenges it poses on new license sales. The most significant risks that might impact the profitability of the company have remained by and large the same as in the previous reporting period and are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future.

Largest risks:

- Continuing uncertainty of the macroeconomic environment, such as Covid-19 pandemic
- Cybercrime, including e.g. ransomware
- Delays in product development and closing new business
- Ability to execute our strategy
- Ability to retain and recruit key personnel
- Maintaining our ability to innovate and develop our product portfolio, including intellectual property rights (IPR)
- IPR litigation and the utilization of our patent portfolio
- A significant proportion of the company revenue is invoiced in U.S. dollars, and possible large fluctuation in the U.S. dollar exchange rates during 2021 could have unpredictable effects for profitability that difficult to estimate at this time. The company decides on hedging of USD based contracts on a case-by-case basis.

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 94 (2019: 90) employees at the end of December, up by four persons or 4.4 % from the previous year. The average age of the employees was 43 years (2019: 42.4 years). Approximately 15.8 % (2019: 16.7 %) of the employees were women and 84.2 % (2019: 83.3 %) men. At the end of the period under review,

33.0 % (2019: 35.6 %) of the employees worked in sales, marketing, and customer services, 51.1 % (2019: 51.1 %) in research and development, and 16.0 % (2019: 13.3 %) in corporate administration.

At the end of the financial period, the parent company had 73 (2019: 64) employees on its payroll. On average, the parent company had 66 (2019: 63) employees during the financial period. Parent company salaries, bonuses, and other personnel expenses during the financial period totaled EUR 5.7 million (2019: 5.1 million).

BOARD OF DIRECTORS AND AUDITORS

At the Annual General Meeting held on March 26, 2020 Mr. Tatu Ylönen was re-elected and Ms. Aino-Mari Kiianmies and Mr. Sampo Kellomäki were elected as new members of the Board of Directors. Mr. Tatu Ylönen was elected as the Chairman of the Board of Directors at the Board's organizing meeting.

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

The Extraordinary General Meeting of SSH Communications Security Oyj was held on June 26, 2020. The Extraordinary General Meeting approved that the number of members of the Board of Directors is five (5) and elected Mr. Tatu Ylönen, Ms. Aino-Mari Kiianmies, Mr. Sampo Kellomäki, Mr. Henri Österlund (new member) and Mr. Kai Tavakka (new member) as members of the Board of Directors. Mr. Henri Österlund was elected as the Chairman of the Board of Directors at the Board's organizing meeting.

GROUP MANAGEMENT TEAM

At the end of 2020, the Group Management Team consisted of three members:

Teemu Tunkelo, Chief Executive Officer
Jussi Mononen, Chief Commercial Officer
Niklas Nordström, Chief Financial Officer

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.

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation totaled 19,431,318 shares (valued at EUR 24,937,080). The highest quotation was EUR 1.97 and the lowest EUR 0.65. The trade-weighted average share price for the period was EUR 1.28 and the share closed at EUR 1.70 (December 31, 2020).

Tatu Ylönen sold 6.4 million shares in SSH to investment fund Accendo Capital SICAV, SIF on May 22, 2020 and further 4.93 million shares on June 3, 2020. Accendo Capital came the largest shareholder of SSH, with 29.2 % of the company. Tatu Ylönen is the second-largest shareholder of SSH after the sale with 18.0 % and Juha Mikkonen holds directly 5.2 % 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., and SSH Technology Ltd. in Finland. SSH Operations Ltd. has a branch in Germany.

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.

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	17,806,698	45.89 %
Financial and insurance institutions	14,817,163	38.19 %
Public sector organizations	3,184,157	8.21 %
Companies	2,705,989	6.97 %
Foreign shareholders	285,555	0.74 %
Non-profit organizations	2,671	0.01 %
Total	38,802,233	100.00 %

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

Shares	Number of shareholders	Percentage of shareholders, %	Number of shares	Percentage of shares, %
1-100	1,712	35.73 %	90,848	0.23 %
101-500	1,319	27.53 %	388,524	1.00 %
501-1,000	640	13.36 %	525,552	1.35 %
1,001-5,000	801	16.72 %	1,914,506	4.93 %
5,001-10,000	134	2.80 %	995,601	2.57 %
10,001-50,000	147	3.07 %	3,043,571	7.84 %
50,001-100,000	19	0.40 %	1,221,698	3.15 %
100,001-500,000	11	0.23 %	2,156,629	5.56 %
500,001-999,999,999	9	0.19 %	28,465,304	73.36 %
Total	4,792	100.00 %	38,802,233	100.00 %
of which nominee-registered	9		14,830,115	38.22 %

 THE TEN LARGEST SHAREHOLDERS
 DEC 31, 2020

Excluding Nominee-Registered except Accendo Capital	Percentage of shares, %	Number of Shares
Accendo Capital	29.20 %	11,330,000
Ylönen Tatu	18.01 %	6,987,123
Mikkonen Juha Taneli	5.15 %	2,000,000
Elo Mutual Pension Insurance Company	4.01 %	1,555,258
Gaselli Group Oy	2.70 %	1,047,500
Ilmarinen Mutual Pension Insurance Company	2.25 %	873,599
Varma Mutual Pension Insurance Company	1.95 %	755,300
Syrjälä Timo Kalevi	1.61 %	623,011
Kettunen Risto Juhani	1.09 %	422,000
AC Invest Oy	0.87 %	338,293
Total	66.83 %	25,932,084

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The registered share capital of SSH Communications Security Corporation on December 31, 2020 was EUR 1,164,066.99 consisting of 38,802,233 shares.

Share subscriptions have not been made with the warrants of the stock option programs in the financial years 2020 and 2019.

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, 2021.

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 5.2 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, 2021.

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.

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

On January 29, 2021 SSH Communications Security Corporation's subsidiary Kyberleijona Oy has agreed to acquire all shares of Deltagon Oy from Leijonaverkot Oy, a subsidiary of Suomen Erillisverkot Oy.

Deltagon Oy develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. The acquisition strengthens SSH's position as a provider of secure networking and messaging solutions that safeguard key national cybersecurity interests and offer security-critical networking, encryption, and other solutions to the public sector in a coordinated manner. After closing, Deltagon becomes a subsidiary of Kyberleijona and part of the SSH group. The acquisition is expected to close during the first half of 2021, subject to regulatory approvals and fulfillment of customary closing conditions.

The total acquisition price is approximately EUR 15.4 million. The cash flow impact of the acquisition price to SSH is EUR 10 million over the next four years. The parties have also agreed on an earnout payment of no more than EUR 1.3 million, subject to certain conditions being fulfilled in the three-year period after the acquisition.

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

The parent company's distributable funds are EUR -2,108,611.53, of which the loss for the financial year is EUR -2,392,977.94. The Board of Directors proposes to the Annual General Meeting on March 25, 2021 that no dividend or return of capital shall be distributed. It is proposed that the loss of the financial year shall be entered to the retained earnings in the shareholders' equity.

FINANCIAL INDICATORS

		2020	2019	2018
Net sales	EUR	11,251,214	14,378,011	18,340,371
Operating profit/loss	EUR	-2,486,221	-1,207,515	544,239
% of net sales	%	-22.1	-8.4	3.0
EBITDA	EUR	-392,982	862,821	2,410,340
% of net sales	%	-3.5	6.0	13.1
Profit/loss before taxes	EUR	-3,090,264	-1,339,130	558,577
% of net sales	%	-27.5	-9.3	3.0
Return on equity	%	-30.0	-11.3	3.8
Return on investments	%	-27.3	-9.8	4.1
Net interest-bearing debt	EUR	-7,220,926	-11,112,723	-13,295,691
Gearing	%	-85.3	-92.3	-93.5
Equity ratio	%	69.7	78.0	81.6
Gross investments in tangible and intangible assets	EUR	2,115,884	2,005,264	2,257,099
% of net sales	%	18.8	13.9	12.3
Research and development costs	EUR	-5,047,946	-4,893,415	-5,108,469
% of net sales	%	44.9	34.0	27.9
Average number of personnel		88	88	82
Number of personnel 31 Dec		94	90	85
Salaries and fees	EUR	-8,125,559	-8,315,829	-8,346,214

INDICATORS PER SHARE

		2020	2019	2018
Earnings per share ¹	EUR	-0.11	-0.06	-0.01
Earnings per share, diluted ¹	EUR	-0.11	-0.06	-0.01
Equity per share	EUR	0.22	0.31	0.37
Dividends	EUR	0	0	0
Dividends per share	EUR	0.00	0.00	0.00
Dividend pay-out ratio	%	0	0	0
Effective dividend yield	%	0	0	0
Return of capital	EUR	0	0	0
Return of capital per share	EUR	0	0	0
Adjusted average number of shares during the period	1,000	38,802	38,802	38,578
Adjusted number of shares at the end of the period	1,000	38,802	38,802	38,802
Adjusted number of shares considering dilution effect	1,000	41,529	41,228	40,298
Price per earnings ratio (P/E)		neg.	neg.	neg.
Market capitalization 31 Dec	mEUR	65.8	40.2	65.2

		2020	2019	2018
Share performance at Nasdaq Helsinki				
Average price	EUR	1.28	1.34	2.00
Share price, year end	EUR	1.70	1.04	1.68
Lowest quotation	EUR	0.65	0.97	1.60
Highest quotation	EUR	1.97	1.97	2.27
Volume of shares traded	millions	19.4	5.3	7.8
Volume of shares traded, % of total number	%	50.1	10.2	20.2
Volume of shares traded	mEUR	24.9	4.0	15.6

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	2020	2019
EBITDA	-393	863
Depreciation, amortization, and impairment	-2,093	-2,070
Operating profit/loss	-2,486	-1,208

CALCULATION OF FINANCIAL RATIOS

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

An aerial photograph of a vast, flat landscape, likely a coastal plain or a large field, with a large, rounded hill in the background. The terrain is covered with sparse vegetation, and the sky is clear and blue. The overall scene is captured in a wide-angle, high-altitude perspective.

Consolidated Financial Statements

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
NET SALES	3	11,251,214	14,378,011
Cost of goods sold		-283,797	-451,282
GROSS MARGIN		10,967,417	13,926,729
Other operating income	4	987,464	80,143
Sales and marketing costs	5, 6	-6,698,629	-7,469,757
R&D costs	5, 6	-5,047,946	-4,893,415
Administrative costs	5, 6	-2,694,526	-2,851,216
OPERATING PROFIT/LOSS		-2,486,220	-1,207,515
Financial income	7	631	798
Financial costs	8	-604,675	-132,413
PROFIT/LOSS BEFORE TAXES		-3,090,264	-1,339,130
Income tax expense	9	12,162	-146,600
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-3,078,102	-1,485,730
Profit/loss attributable to:			
Owners of the parent company		-2,834,021	-1,264,498
Non-controlling interests		-244,081	-221,232
TOTAL		-3,078,102	-1,485,730
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		266,038	-31,084
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-2,812,064	-1,516,814
Total Comprehensive income attributable to:			
Owners of the parent company		-2,567,983	-1,295,581
Non-controlling interests		-244,081	-221,232
TOTAL		-2,812,064	-1,516,814
EARNINGS PER SHARE			
Basic earnings per share (EUR)	10	-0.11	-0.06
Diluted earnings per share (EUR)	10	-0.11	-0.06

CONSOLIDATED BALANCE SHEET

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	142,859	135,048
Right-of-use assets	12,22	686,405	262,138
Intangible assets	13	5,447,999	5,478,458
Investments		11,000	11,000
Total non-current assets		6,288,263	5,886,644
CURRENT ASSETS			
Inventories		33,405	31,964
Trade receivables	14,16	2,961,250	5,190,952
Other receivables	15	492,525	422,345
Prepaid expenses and accrued expenses		341,785	269,885
Total		3,828,965	5,915,145
Cash and cash equivalents		8,517,698	11,968,885
TOTAL CURRENT ASSETS		12,346,663	17,884,030
TOTAL ASSETS		18,634,926	23,770,674

CONSOLIDATED BALANCE SHEET

EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	17	1,164,067	1,164,067
Translation differences		-1,171,419	-1,437,458
Unrestricted invested equity fund		22,720,156	22,720,156
Hybrid capital securities		12,000,000	12,000,000
Retained earnings		-26,603,569	-23,000,578
Equity attributable to parent company shareholders		8,109,235	11,446,187
Non-controlling interest		355,791	599,872
TOTAL EQUITY		8,465,026	12,046,059
NON-CURRENT LIABILITIES			
Borrowings	18	582,000	582,000
Lease liabilities	18, 22	385,355	73,237
Advances received and deferred revenue	14	756,043	2,369,020
TOTAL NON-CURRENT LIABILITIES		1,723,398	3,024,257
CURRENT LIABILITIES			
Trade and other payables	14	2,377,051	2,532,325
Lease liabilities	18, 22	329,417	200,925
Advances received and deferred revenue	14	5,740,034	5,967,108
TOTAL CURRENT LIABILITIES		8,446,502	8,700,357
TOTAL LIABILITIES		10,169,900	11,724,614
TOTAL EQUITY AND LIABILITIES		18,634,926	23,770,674

CONSOLIDATED CASH FLOW STATEMENT

EUR	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	3, 14	12,235,754	14,763,043
Payments to suppliers and employees	5, 20	-12,400,181	-14,373,570
Cash flows from operating activities before financial items and taxes		-164,427	389,473
Interest paid and payments on other financial costs		-73,456	-65,074
Interest received and other financial income		631	798
Income taxes paid		9,373	-45,376
Net cash flows from operating activities		-227,878	279,821
<i>whereof change in working capital</i>		<i>1,143,491</i>	<i>-581,604</i>
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	11, 13	-2,115,884	-2,005,264
Receipt of government grants	4	612,255	922,340
Net cash flows from investing activities		-1,503,628	-1,082,923
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from subordinated debt	18	-	420,000
Interest paid on hybrid capital securities		-900,000	-900,000
Principal portion of finance lease payments	21	-374,466	-304,277
Net cash flows from financing activities		-1,274,466	-784,277
Change in cash and cash equivalents		-3,005,973	-1,587,379
Cash and cash equivalents in beginning of period		11,968,885	13,457,691
Exchange rate effect		-445,214	98,573
Change in cash and cash equivalents		-3,005,973	-1,587,379
Cash and cash equivalents at end of period		8,517,698	11,968,885

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR	Note	Attributable to the owners of the Company					Total	Non-controlling interests	Total Equity
		Share capital	Hybrid capital securities	Translation differences	Unrestricted invested equity fund	Retained earnings			
Equity 1 Jan 2019	17	1,164,067	12,000,000	-1,406,374	22,720,156	-21,077,384	13,400,465	821,104	14,221,570
Comprehensive profit/loss									
Profit/loss for the year						-1,264,498	-1,264,498	-221,232	-1,485,730
Other comprehensive items									
Translation differences				-31,084			-31,084		-31,084
Comprehensive profit/loss for financial period, total		0	0	-31,084	0	-1,264,498	-1,295,581	-221,232	-1,516,814
Hybrid capital securities						-900,000	-900,000		-900,000
Share-based payment plans						241,304	,241,304		241,304
Transactions with shareholders		0	0	0	0	-658,696	-658,696	0	-658,696
Equity 31 Dec 2019		1,164,067	12,000,000	-1,437,458	22,720,156	-23,000,578	11,446,187	599,872	12,046,059

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									
Loss for the period						-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

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 17 February 2021. 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.

SSH Communications Security UK Ltd (registration number 09346221) is exempt from the requirements of the UK

Companies Act relating to the audit of accounts under section 479A of the Companies Act 2006.

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

From the beginning of year 2020, the Group has applied the following amended standards:

- Amendments to **IFRS 3 Business combinations**. The amendments help companies to determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.
- Amendments to **IFRS 9, IAS 39 and IFRS 7**. The amendments are related to Interest Rate Benchmark Reform and require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's

hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.

- Amendments to **IAS 1 and IAS 8: Definition of Material**. The amendment clarifies the definition of "material" and align the definition used in the Conceptual Framework and the standard themselves.
- Amendments to **References to the Conceptual Framework in IFRS standards**. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance — particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IFRS standards and the amendments that entered into force in 2020 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 Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB.

The following amendments have been endorsed for use by the European Union:

- Amendment to **IFRS 16 Leases**, Covid-19 -pandemic related rent concessions (effective for financial years beginning on or after June 1, 2020). The amendment provides optional, temporary Covid-19 related operational relief for lessees who benefit from lease payment holidays without compromising the relevance and usefulness of financial information provided by companies.

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

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 main-

tenance 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 subcontracting 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 3–6 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.

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 2020 or 2019.

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 2020 or 2019.

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 sub-

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, 2020 or December 31, 2019.

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 subscrip-

tion 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.

The Group determines the lease term as the non-cancelable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3. NET SALES

EUR	2020	2019
BY OPERATION		
Subscription sales	768,755	711,123
License sales	2,245,939	4,463,337
Maintenance sales	7,800,367	8,627,826
Professional services and other	436,153	575,725
Total	11,251,214	14,378,011

EUR	2020	2019
BY GEOGRAPHICAL SEGMENT		
AMERICAS	5,943,849	7,808,912
APAC	2,124,979	2,928,543
EMEA	3,182,386	3,640,556
Total	11,251,214	14,378,011

Information about major customers

In 2020, no customer's revenue accounted for more than ten percent of the Group's net sales. In 2019, revenue share from one customer was EUR 2.0 million, which was 14 % of the Group's net sales.

4. OTHER OPERATING INCOME

Other operating income includes EUR 1.0 million received government grants (2019: EUR 0.1 million).

5. OTHER OPERATING COSTS

EUR	2020	2019
Employee benefit expenses		
Wages and salaries	-8,387,096	-8,393,843
Pensions, defined contribution plan	-796,193	-912,456
Other social security costs	-449,328	-351,755
Stock options issued	-131,031	-241,304
Total	-9,763,649	-9,899,357

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	2020	2019
Average during the financial period	88	88
At the end of the financial period	94	90

Personnel distribution by function on 31 Dec	2020	2019
Sales, marketing, and customer support	31	32
Research and development	48	46
Administration	15	12
Total	94	90

Research and development costs, EUR	2020	2019
Total	-5,047,946	-4,893,415

Other operating costs, EUR	2020	2019
External services	-3,016,512	-3,767,236
Depreciation	-2,093,238	-2,070,336
Other costs	-1,205,792	-1,060,986
Total	-6,315,542	-6,898,559

Auditor's fees

Auditor's fees categorized into service groups were:

EUR	2020	2019
Principal auditor (Ernst & Young Oy)		
Statutory auditing	-65,720	-44,000
Other auditing	-5,625	-19,100
Other services	-2,009	-1,812
Other auditing firms:		
Statutory auditing	-7,050	-8,091
Other services	-15,158	-14,881
Total	-95,562	-87,884

6. DEPRECIATIONS AND IMPAIRMENTS

EUR	2020	2019
By asset category		
Machinery and equipment	76,136	67,629
Right-of-use assets	393,566	318,951
Software & other tech assets	336,704	395,328
Capitalized development costs	1,286,832	1,288,429
Total	2,093,238	2,070,336

By function	2020	2019
Sales and marketing	12,063	13,782
Research and development	1,501,520	1,543,740
Administration	579,655	512,815
Total	2,093,238	2,070,336

7. FINANCIAL INCOME

EUR	2020	2019
Interest revenue	631	798
Total	631	798

8. FINANCIAL COSTS

EUR	2020	2019
Exchange rate losses, loans and other receivables	-458,289	-33,547
Interest arising from sales contracts	-72,222	-52,904
Interest from leasing contracts	-48,314	-33,232
Other interest costs	-25,850	-12,730
Total	-604,675	-132,413

9. INCOME TAXES

EUR	2020	2019
Income tax	12,162	-146,600
Total	12,162	-146,600

Reconciliation of income taxes and profit/loss before taxes

EUR	2020	2019
Profit/loss before taxes	-3,090,264	-1,339,130
Tax at parent company tax rate (20 %)	618,053	267,826
Effect of foreign subsidiaries' differing tax rates	-7,877	-2,702
Non-deductible expenses	-19,351	-4,322
Tax exempt revenue	72,299	2,041
Tax deductible hybrid loan interest expenses	180,000	180,000
Use of previously unrecognized tax losses	297,264	347,979
Tax assets not recognized for reported losses	-28,247	-125,776
Tax assets not recognized for unused tax depreciations	-1,124,324	-679,566
Income taxes from previous years	25,938	-30,471
Other direct taxes	-1,593	-101,609
Income taxes	12,162	-146,600

The amount of Group's unused tax losses, for which no deferred tax asset has been recognized based on the prudence principle, is EUR 8.1 million (2019: EUR 10.1 million). EUR 2.8 million (2019: EUR 4.4 million) of the tax losses are in Finland, and EUR 5.2 million (2019: EUR 5.7 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 1.7 million (2019: EUR 2.1 million). The figures include use of losses in 2020 which have not yet been confirmed in taxation.

In addition, the parent company has EUR 36.8 million (2019: EUR 31.6 million) research and development expenses and depreciations not deducted in taxation and the amount of unrecognized deferred tax assets resulting from those is EUR 7.3 million (2019: EUR 6.3 million).

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

10. EARNINGS PER SHARE

EUR	2020	2019
Profit/loss attributable to shareholders of the parent company	-2,834,022	-1,264,498
Hybrid loan interest expense	-1,260,000	-900,000
Weighted average number of shares in issue, 1,000	38,802	38,802
Earnings per share	-0.11	-0.06
Adjusted average number of shares considering dilution effect, 1,000	41,529	41,228
Earnings per share, diluted	-0.11	-0.06

11. PROPERTY, PLANT AND EQUIPMENT

EUR	2020	2019
Machinery and equipment		
Acquisition cost 1 Jan	2,054,825	2,002,996
Exchange rate effect	-22,420	5,157
Increase	61,777	46,672
Decrease	-	-
Acquisition cost 31 Dec	2,094,182	2,054,825
Accumulated depreciation 1 Jan	1,936,735	1,874,456
Exchange rate effect	-21,367	-4,026
Depreciation for the financial period	64,486	66,305
Accumulated depreciation on decrease	-	-
Accumulated depreciation 31 Dec	1,979,855	1,936,735
Book value 31 Dec	114,327	118,090
Other tangible assets		
Acquisition cost 1 Jan	52,876	51,878
Exchange rate effect	-4,468	997
Increase	23,982	-
Decrease	-	-
Acquisition cost 31 Dec	72,389	52,876
Accumulated depreciation 1 Jan	35,918	25,620
Exchange rate effect	-3,710	459
Depreciation for the financial period	11,650	9,839
Accumulated depreciation on decrease	-	-
Accumulated depreciation 31 Dec	43,857	35,918
Book value 31 Dec	28,532	16,958
Book value of tangible assets 31 Dec	142,859	135,048

12. RIGHT-OF-USE ASSETS

EUR	2020	2019
Buildings		
Acquisition cost 1 Jan	581,008	-
Adoption of IFRS 16 standard	-	510,004
Exchange rate effect	-34,943	5,600
Increase	829,623	69,233
Decrease	-	-3,829
Acquisition cost 31 Dec	1,375,688	581,008
Accumulated depreciation 1 Jan	318,870	-
Exchange rate effect	-23,153	-81
Depreciation for the financial period	364,343	318,951
Impairment	29,223	-
Accumulated depreciation on decrease	-	-
Accumulated depreciation 31 Dec	689,283	318,870
Book value 31 Dec	686,405	262,138

Right-of-use assets include leased offices and software. The lease for the Helsinki office expired at the end of April 2020 and the company moved to new premises from the beginning of April. The new lease contract is for the period of three years and added right-of-use assets and lease liabilities with EUR 0.6 million in 2020. Subsidiary in the United States moved at the end of 2020 to New York City. Right-of-use assets and lease liabilities of EUR 0.1 million have been recognized for the new office. Lease agreement for the old office expires in September 2021 and an impairment loss of EUR 29.2 thousand was recognized in the financial statements.

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

13. INTANGIBLE ASSETS

EUR	2020	2019
Software		
Acquisition cost 1 Jan	2,065,632	2,061,841
Exchange rate effect	1,401	3,790
Increase	58,255	-
Decrease	-	-
Acquisition cost 31 Dec	2,125,288	2,065,632
Accumulated depreciation 1 Jan	2,057,842	2,052,938
Exchange rate effect	1,523	3,615
Depreciation for the financial period	7,667	1,290
Accumulated depreciation on decrease	-	-
Accumulated depreciation 31 Dec	2,067,033	2,057,842
Book value 31 Dec	58,255	7,789

EUR	2020	2019
Immaterial rights		
Acquisition cost 1 Jan	15,235,306	13,267,829
Increase	1,537,826	1,967,477
Decrease	-	-
Acquisition cost 31 Dec	16,773,132	15,235,306
Accumulated depreciation and impairment 1 Jan	9,764,636	8,082,170
Depreciation for the financial period	1,618,751	1,632,655
Impairment	-	49,811
Accumulated depreciation on decrease	-	-
Accumulated depreciation and impairment 31 Dec	11,383,387	9,764,636
Book value 31 Dec	5,389,744	5,470,669
Book value of intangible assets 31 Dec	5,447,999	5,478,458

Impairment testing

At the end of the year, the company has tested the value of Intangible assets using a moderate growth rate compared to year 2020 net sales and year 2020 cost structure. The cash flow forecasts of new products in the market are based on year 2021 budget. The discount rate used in the testing was 12.4 %. 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	2020	2019
Total trade receivables	2,961,250	5,190,952
Deferred revenue		
Deferred revenue	6,361,348	7,606,049
Government grants received	134,729	730,079
Total advances received and deferred revenue	6,496,077	8,336,128
By currency, EUR		
EUR	417,572	1,136,999
USD	2,293,408	3,767,489
GBP	250,270	-
CHF	-	286,464
Total	2,961,250	5,190,952

by age, EUR	2020	2019
Non-matured	1,431,762	3,744,424
Matured		
< 30 days	1,042,358	214,119
31-90 days	428,128	872,780
80-180 days	105,865	417,685
> 181 days	377,501	35,960
Impairment losses	-424,364	-94,017
Total	2,961,250	5,190,952

During the financial year, the Group has changed the calculation parameters of the bad debt provision calculated based on the age distribution of trade receivables and recorded a single larger impairment loss, taking into account the increased credit risk due to the COVID-19 -pandemic. 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	2020	2019
VAT receivables	150,020	332,396
Deposits	157,669	84,807
Other short-term receivables	184,836	5,142
Total	492,525	422,345

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 2020 was EUR 1,164,066.99 (2019: EUR 1,164,066.99), and the number of shares was 38,802,233 (2019: 38,802,233).

Changes in the share capital:	Number of shares	Share capital, EUR
31 Dec 2019	38,802,233	1,164,067
Subscriptions under stock option plan	-	-
Subscriptions under share issue	-	-
31 Dec 2020	38,802,233	1,164,067

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 2020 and 2019 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	2020	2019
Borrowings	582,000	582,000
Lease liabilities	714,772	274,162
Cash and cash equivalents	8,517,698	11,968,885
Net liabilities	-7,220,926	-11,112,723
Equity total		
	8,492,206	12,046,059
Equity ratio	69,7 %	78,0 %
Gearing	-85,3 %	-92,3 %

The interest-bearing liabilities consist of the subordinated loan which Kyberleijona Oy has taken out from the non-controlling interest holder State Security Networks Group Finland. 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, 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 2,727,000 stock options outstanding (2019:

2,425,575), representing 6.6 % of shares and 6.6 % of votes. The weighted average exercise price of outstanding stock options was EUR 1.9 (2019: EUR 2.29). The weighted average of the remaining subscription period was 2.2 years (2019: 1.0 years). The exercise price varies from EUR 0.93 to EUR 2.09, and the remaining subscription period from 1.2 years to 3.3 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				
I/2015	I/2015 A	4 Feb 2015	15 Mar 2018	30 May 2020	3.45	0		
	I/2015 B	4 Feb 2015	15 Mar 2019	30 May 2020	3.45	0		
	I/2015 C	4 Feb 2015	15 Mar 2020	30 May 2020	3.45	0		
I/2016	I/2016 A	26 May 2016	15 Mar 2017	30 May 2020	3.45	0		
			2018	22 Feb 2018	1 Dec 2020	31 Mar 2022	2.09	980,000
			2019 A	2019 A	18 Dec 2018	1 Dec 2021	31 Mar 2023	1.56
2020 A	2020 A	13 Feb 2020	1 Dec 2022	31 Mar 2024	0.93	980,000		
Total						2,940,000		

CHANGES IN OUTSTANDING STOCK OPTIONS:		
	2020	2019
At the beginning of the financial period	2,425,575	1,496,000
Stock options granted	1,688,000	1,034,000
Stock option forfeited	710,100	104,425
Stock options canceled	676,475	-
Stock options exercised	-	-
At the end of the financial period	2,727,000	2,425,575
Exercisable option rights at the end of the financial period	2,727,000	2,425,575

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 2020 are:

	2020
Share price at grant, EUR	1.25
Share price at financial period end, EUR	1.70
Exercise price, EUR	1.32
Expected volatility ¹	62.0 %
Maturity, years	2.9
Risk-free rate	-0.69 %
Expected dividends, EUR	0.00
Valuation model	Black & Scholes
Fair value 31 Dec 2020, EUR	767,763

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	2020	2019
Share-based payments	131 031	241 304
Liability from share-based payments 31 Dec	-	-

20. TRADE AND OTHER PAYABLES

EUR	2020	2019
Trade payables	398,156	430,047
Personnel related	1,559,165	1,499,585
Accruals	95,733	93,583
VAT liabilities	75,967	246,796
Other liabilities	248,029	262,314
Total	2,377,051	2,532,325

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 2020 would increase the

pre-tax profit of the Group by 68,000 euros. Similarly, a 10 % weakening of the U.S. dollar against the Euro would decrease the pre-tax profit of the Group by 55,000 euros.

Interest Rate Risk

The interest-bearing debt of the Group at the end of the review period was 582,000 euro and it consisted of a subordinated loan taken by a subsidiary company from a non-controlling interest holder. The annual interest of the loan is three per cent (3 %).

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 0.4 million to cover doubtful receivables (2019: EUR 0.1 million). 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 2020 were 8,517,698 euros (2019: 11,968,885 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 2,377,051 euros (2019: 2,532,325 euros).

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

31 DEC 2020				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Borrowings	-	-	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

31 DEC 2019				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Borrowings	-	-	582,000	582,000
Lease liabilities	200,925	73,237	-	274,162
Trade and other payables	2,532,325	-	-	2,532,325
Total	2,733,250	73,237	582,000	3,388,486

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

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

EUR	1 Jan 2019	Cash flows	Foreign exchange movement	New leases	Other	31 Dec 2019
Current lease liabilities	310,508	-304,277	5,667	-	189,027	200,925
Non-current interest-bearing borrowings	162,000	420,000	-	-	-	582,000
Non-current lease liabilities	199,496	-	-	74,255	-200,515	73,237
Total liabilities from financing activities	672,004	115,723	5,667	74,255	-11,488	856,162

Lease liabilities have been recognized on adoption of IFRS 16 on January 1, 2019. 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	2020	2019
Offices	554,973	262,138
Software	131,432	0
Total	686,405	262,138

Lease liabilities

EUR	2020	2019
Current	329,417	200,925
Non-current	385,355	73,237
Total	714,772	274,162

Additions to the right-of-use assets during 2020 were in total EUR 0.8 million (2019: EUR 0.1 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	2020	2019
Depreciation charge of right-of-use assets	-393,566	-318,951
Interest expenses (included in financial costs)	-48,314	-33,232
Expense relating to short-term leases (included in other operating costs)	-59,131	-52,533
Expense relating to leases of low-value assets (included in other operating costs)	-1,791	-1,738

The cash outflow for leases in 2020 was in total EUR 0.4 million (2019: EUR 0.3 million).

23. GUARANTEES GIVEN AND OTHER COMMITMENTS

EUR	2020	2019
Rental guarantees (pledged)	157,669	84,807
Hybrid Loan, Interest	1,035,000	675,000

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 2020	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

Remuneration and fees – CEO

EUR	2020	2019
Salary and other short-term employee benefits	284,978	221,762
Termination benefits	111,451	-
Share-based payment	-	-
Total	396,428	221,762

Fees to Members of the Board of Directors

EUR	2020	2019
Curry Sam (until 26 March 2020)	7,500	32,500
Kellomäki Sampo (as of 26 March 2020)	18,000	-
Kiianmies Aino-Mari (as of 26 March 2020)	18,000	-
Kiuru Sauli (until 26 March 2020)	7,500	22,500
Kuivala Petri (until 26 March 2020)	8,750	35,000
Tavakka Kai (as of 26 June 2020)	12,286	-
Syrjälä Timo (until 26 March 2020)	7,500	30,000
Ylönen Tatu	7,500	30,000
Zettlemoyer Anne Marie (until 26 March 2020)	7,500	32,500
Österlund Henri (as of 26 June 2020, Chairman of the Board)	14,743	-
Total	109,279	182,500

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.

On 31 December 2020, the CEO and members of the Board of Directors of SSH Communications Security owned 18.2 % (2019: 47.2 %) 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 0.1 % (2019: 0 %) of company shares and have a total of 1,150,000 (2019: 225,000) 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.

Share and stock option holdings of Board members	31 Dec 2020 Shares	31 Dec 2020 Options	31 Dec 2019 Shares	31 Dec 2019 Options
Kellomäki Sampo	-	-	-	-
Kiianmies Aino-Mari	-	-	-	-
Tavakka Kai	-	-	-	-
Ylönen Tatu	6,987,123	-	18,317,123	-
Österlund Henri	61,060	-	-	-
Total	7,048,183	-	18,317,123	-

Share and stock option holdings of the key management	31 Dec 2020 Shares	31 Dec 2020 Options	31 Dec 2019 Shares	31 Dec 2019 Options
Tunkelo Teemu (CEO as of 24 March 2020)	20,300	475,000	-	-
Mononen Jussi	-	305,000	-	130,000
Nordström Niklas	-	370,000	-	95,000
Total	20,300	1,150,000	-	225,000

Compensation of the key management personnel of the group

EUR	2020	2019
Wages and other short-term employee benefits	1,179,520	1,446,330
Share-based payments	-	-

25. EVENTS AFTER THE BALANCE SHEET DATE

On January 29, 2021 SSH Communications Security Corporation's subsidiary Kyberleijona Oy has agreed to acquire all shares of Deltagon Oy from Leijonaverkot Oy, a subsidiary of Suomen Erillisverkot Oy.

Deltagon Oy develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. The acquisition strengthens SSH's position as a provider of secure networking and messaging solutions that safeguard key national cybersecurity interests and offer security-critical networking, encryption, and other

solutions to the public sector in a coordinated manner. After closing, Deltagon becomes a subsidiary of Kyberleijona and part of the SSH group. The acquisition is expected to close during the first half of 2021, subject to regulatory approvals and fulfillment of customary closing conditions.

The total acquisition price is approximately EUR 15.4 million. The cash flow impact of the acquisition price to SSH is EUR 10 million over the next four years. The parties have also agreed on an earnout payment of no more than EUR 1.3 million, subject to certain conditions being fulfilled in the three-year period after the acquisition.

Parent Company Financial Statements

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
NET SALES	1	7,006,767.78	9,365,109.50
Purchasing and production costs		-451.33	-32,404.91
GROSS MARGIN		7,006,316.45	9,332,704.59
Other operating income		645,229.02	77,268.32
Research and development costs	2, 3, 6	-5,159,333.65	-5,136,015.12
Sales and marketing costs	2, 3, 6	-2,615,628.82	-2,968,791.29
Administrative costs	2, 3, 6	-2,369,383.91	-2,375,260.97
OPERATING PROFIT/LOSS		-2,492,800.91	-1,070,094.47
Financial income	7		
Interest income and other financing income		548,857.58	529,494.18
Interest costs and other financing costs		-465,899.39	-14,432.45
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-2,409,842.72	-555,032.74
Appropriations	8		
Group contribution received		16,864.78	8,154.97
PROFIT/LOSS BEFORE TAXES		-2,392,977.94	-546,877.77
Taxes		0.00	-100,397.38
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-2,392,977.94	-647,275.15

PARENT COMPANY BALANCE SHEET

ASSETS				
EUR	Note	31 Dec 20	31 Dec 19	
NON-CURRENT ASSETS				
Intangible assets	9			
Immaterial rights		3,162,965.59		3,299,080.81
Intangible assets, total		3,162,965.59		3,299,080.81
Tangible assets	9			
Machinery & equipment		116,918.81		84,049.23
Tangible assets, total		116,918.81		84,049.23
Investments				
Shares in Group companies	9, 17	3,889,689.01		3,889,689.01
Other shares		11,000.00		11,000.00
Investments, total		3,900,689.01		3,900,689.01
NON-CURRENT ASSETS, TOTAL		7,180,573.41		7,283,819.05
CURRENT ASSETS				
Current receivables				
Trade receivables		488,393.59		269,725.43
Receivables from Group companies	10	5,328,229.56		8,124,686.12
Prepaid expenses and accrued income	11	216,048.95		157,808.59
Other receivables	12	317,283.49		56,156.56
Current receivables, total		6,349,955.59		8,608,376.70
Cash and cash equivalents		2,744,865.26		3,979,808.06
CURRENT ASSETS, TOTAL		9,094,820.85		12,588,184.76
ASSETS, TOTAL		16,275,394.26		19,872,003.81

PARENT COMPANY INCOME STATEMENT

EQUITY AND LIABILITIES			
EUR	Note	31 Dec 20	31 Dec 19
EQUITY			
	13		
Share capital		1,164,066.99	1,164,066.99
Unrestricted invested equity fund		22,720,155.85	22,720,155.85
Hybrid capital securities	14	12,000,000.00	12,000,000.00
Retained earnings		-20,410,104.85	-18,862,829.70
Profit/loss for financial period		-2,392,977.94	-647,275.15
EQUITY, TOTAL		13,081,140.05	16,374,117.99
LIABILITIES			
CURRENT LIABILITIES			
Advances received		1,080,577.73	1,266,366.60
Trade payables		326,744.86	278,721.43
Payables to Group Companies		398,369.66	589,223.21
Accrued expenses and deferred income	15	1,219,070.76	1,009,770.73
Other liabilities		169,491.20	353,803.85
CURRENT LIABILITIES, TOTAL		3,194,254.21	3,497,885.82
LIABILITIES, TOTAL		3,194,254.21	3,497,885.82
EQUITY AND LIABILITIES, TOTAL		16,275,394.26	19,872,003.81

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Cash flow from business operations		
Receipts from customers	9,461,880.39	7,582,734.85
Payments to suppliers and employees	-9,001,780.48	-8,960,731.37
Cash flow from business operations before financial items and taxes	460,099.91	-1,377,996.52
Interest and other financial costs	-26,641.36	-71,789.74
Interest and other financial revenue	507,457.58	506,856.44
Income tax paid	0.00	-397.38
Cash flow from business operations	940,916.13	-943,327.20
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,555,202.07	-1,206,587.10
Receipt of government grants	271,188.17	922,340.47
Cash flow from investing activities	-1,284,013.90	-284,246.63
Cash flow from financing activities		
Interest on hybrid capital securities	-900,000.00	-900,000.00
Subordinated loan to related parties	-	-780,000.00
Group contribution received	8,154.97	11,658.14
Cash flow from financing activities	-891,845.03	-1,668,341.86
Change in liquid assets	-1,234,942.80	-2,895,915.69
Liquid assets in the beginning of period	3,979,808.06	6,875,723.75
Change in liquid assets	-1,234,942.80	-2,895,915.69
Liquid assets at the end of period	2,744,865.26	3,979,808.06

Notes to the Parent Company Financial Statements

ACCOUNTING PRINCIPLES

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

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 2.7 million (2019: EUR 4.2 million). In addition, the parent company has EUR 36.8 million (2019: EUR 31.6 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 16. *Other commitments*.

1. NET SALES BY MARKET AREA

EUR	2020	2019
Finland	2,432,052.63	2,742,375.86
Rest of Europe	1,214,151.04	1,596,088.03
Other	3,360,564.11	5,026,645.61
Total	7,006,767.78	9,365,109.50

2. OPERATING COSTS

EUR	2020	2019
Other operating costs		
External services	-1,832,280.68	-2,153,629.70
Depreciation	-1,221,521.35	-1,424,148.88
Other	-1,766,820.27	-1,801,478.13
Total	-4,820,622.30	-5,379,256.71

Auditor's fees

EUR	2020	2019
Principal auditor (Ernst & Young Oy)		
Statutory auditing	-65,720.00	-44,000.00
Other auditing	-7,305.00	-20,719.00
Other services	-329.00	-192.60
Total	-73,354.00	-64,911.60

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

Personnel costs		
EUR	2020	2019
Wages and salaries	-5,507,723.65	-4,865,593.85
Pension costs	-765,499.67	-886,875.37
Other ancillary personnel costs	-184,601.46	-220,415.32
Total	-6,457,824.78	-5,972,884.54

Average number of employees	2020	2019
	66	63

4. PERSONNEL DISTRIBUTION BY FUNCTION AT THE END OF THE FINANCIAL PERIOD

	2020	2019
Research and development	47	43
Sales and marketing	13	11
Administration	13	10
Total	73	64

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	2020	2019
Immaterial rights	195,229.45	260,229.51
Capitalized development costs	977,883.03	1,119,307.90
Machinery and equipment	48,408.87	44,611.47
Total	1,221,521.35	1,424,148.88

In 2019, impairment of immaterial rights related to patents totaled EUR 49,811.32. In 2020, the company did not record any impairments.

7. FINANCIAL INCOME AND COSTS

EUR	2020	2019
Interest income	56,284.71	68,791.00
Received payment of impaired internal loan	492,572.87	468,695.03
Exchange rate gains and losses (net)	-460,208.29	-21,681.83
Interest, expenses and other financial costs	-5,691.10	-742.47
Total	82,958.19	515,061.73

8. APPROPRIATIONS

EUR	2020	2019
Group contribution from SSH Technology Oy	16,864.78	8,154.97
Total	16,864.78	8,154.97

9. INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

EUR	2020	2019
Intangible assets		
Immaterial rights		
Acquisition cost 1 Jan	13,806,553.00	12,631,531.34
Increase	1,039,879.33	1,175,021.66
Decrease	-	-
Acquisition cost 31 Dec	14,846,432.33	13,806,553.00
Accumulated depreciation 1 Jan	10,507,472.19	9,127,934.94
Depreciation for the financial period	1,175,994.55	1,379,537.25
Accumulated depreciation on decreases	-	-
Accumulated depreciation 31 Dec	11,683,466.74	10,507,472.19
Book value 31 Dec	3,162,965.59	3,299,080.81
Tangible assets		
Machinery and equipment		
Acquisition cost 1 Jan	1,769,775.43	1,738,210.15
Increase	81,278.45	31,565.28
Decrease	-	-
Acquisition cost 31 Dec	1,851,053.88	1,769,775.43

Accumulated depreciation 1 Jan	1,685,726.20	1,641,114.73
Depreciation for the financial period	48,408.87	44,611.47
Accumulated depreciation on decreases	-	-
Accumulated depreciation 31 Dec	1,734,135.07	1,685,726.20
Book value 31 Dec	116,918.81	84,049.23

Investments

Book value 1 Jan	3,900,689.01	3,120,689.01
Increase	-	780,000.00
Decrease	-	-
Book value 31 Dec	3,900,689.01	3,900,689.01

The parent company has granted a subordinated loan in total of EUR 1,080,000 (2019: 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 share-holders' 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	2020	2019
Trade receivables	5,311,364.78	8,116,531.15
Group contribution receivable	16,864.78	8,154.97
Total	5,328,229.56	8,124,686.12

11. PREPAID EXPENSES AND ACCRUED INCOME

EUR	2020	2019
Prepaid expenses	216,048.95	157,808.59
Total	216,048.95	157,808.59

12. OTHER RECEIVABLES

EUR	2020	2019
VAT receivable	-	-
Other receivables	317,283.49	56,156.56
Total	317,283.49	56,156.56

13. EQUITY

EUR	2020	2019
Share capital 1 Jan	1,164,066.99	1,164,066.99
Increase in share capital	-	-
Share capital 31 Dec	1,164,066.99	1,164,066.99
Unrestricted invested equity fund	22,720,155.85	22,720,155.85
Hybrid capital securities	12,000,000.00	12,000,000.00
Retained earnings	-20,410,104.85	-18,862,829.70
Profit/loss for the financial period	-2,392,977.94	-647,275.15
Total	13,081,140.05	16,374,117.99

Statement on Distributable Funds	2020	2019
Retained earnings	-20,410,104.85	-18,862,829.70
Profit/Loss for the financial period	-2,392,977.94	-647,275.15
Unrestricted invested equity fund	22,720,155.85	22,720,155.85
Capitalized development costs	-2,025,684.59	-2,288,661.49
Total	-2,108,611.53	921,389.51

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 percent-age 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 reduce the amount of retained earnings. Unpaid interest from hybrid capital securities is presented in note 16. Other commitments. Paid interest in the financial year 2020 was EUR 900,000 (2019: EUR 900,000).

15. ACCRUED LIABILITIES AND DEFERRED INCOME

EUR	2020	2019
Personnel related	1,159,848.13	980,770.73
Accruals	59,222.63	29,000.00
Total	1,219,070.76	1,009,770.73

16. OTHER COMMITMENTS

EUR	2020	2019
Non-cancellable lease agreements for office facilities – future rent payments		
Within one year	262,020.78	243,907.27
Within more than one year but no more than 5 years	362,049.24	543,125.25
Total	624,070.02	787,032.52

EUR	2020	2019
Guarantees given and other commitments		
Rental guarantees (pledged)	130,696.90	55,390.40
Hybrid Loan, Interest	1,035,000.00	675,000.00

17. GROUP COMPANIES

Parent and subsidiary relationships of the Group 31 December 2020	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 -2,108,611.53, of which the loss for the financial year is EUR -2,392,977.94. The Board of Directors proposes to the Annual General Meeting on 25 March 2021 that no dividend or return of capital shall be distributed. It is proposed that the loss 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, 17 February 2021

HENRI ÖSTERLUND
Chairman of the Board of Directors

SAMPO KELLOMÄKI
Member of the Board of Directors

KAI TAVAKKA
Member of the Board of Directors

TEEMU TUNKELO
Chief Executive Officer

AINO-MARI KIIANMIES
Member of the Board of Directors

TATU YLÖNEN
Member of the Board of Directors

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 17 February 2021

Ernst & Young Oy
Authorized Public Accountants

ERKKA TALVINKO
Authorized Public Accountant

Auditor's Report (Translation of the Finnish original)

To the Annual General Meeting of
SSH Communications Security Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of SSH Communications Security Oyj (business identity code 1035804-9) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes. .

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in *the Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in *the Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of proce-

dures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue Recognition <i>We refer to the Group's accounting policies and the notes 2 and 3</i></p> <p>The Group has multiple revenue sources including licenses, maintenance contracts, and consulting services. Since sales contracts include many different terms, there is a risk of incorrect timing of revenue recognition due to fraud or misstatements. Due to this the revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>Our audit procedures to address the risk of material misstatement in respect of revenue recognition included among others:</p> <ul style="list-style-type: none"> • We evaluated the revenue recognition principles applied by the Group towards applicable accounting standards • We evaluated the revenue recognition of different sources of revenue in the relation to the terms of the sales agreements • We tested the timing of the revenue recognition • We evaluated the appropriateness of the notes related to Group's revenue
<p>Valuation of Intangible Assets <i>We refer to the Group's accounting policies and the notes 2 and 13</i></p> <p>Capitalized R&D expenses aggregated to 5.528 k€ representing a material amount of the consolidated assets (23%) and equity (46%). Capitalized expenses are tested annually for impairment. Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others. The Group Management exercises judgment determining the assumptions related to future market conditions and economic trends as the general economic growth and sales and margin trends. Due to this the valuation of intangible assets was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>Our audit procedures to address the risk of material misstatement in respect of valuation of intangible assets included among others:</p> <ul style="list-style-type: none"> • Evaluation of the relevant assumptions used in the impairment testing of the intangible assets, focusing on the reasonableness of the forecasted economic information and the estimation and allocation of the revenue and costs related to each R&D asset • Estimating the accuracy of the management's earlier estimates • Evaluation of the notes representing the impairment test of the intangible assets

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report

to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 20.4.2016, and our appointment represents a total period of uninterrupted engagement of 5 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering wheth-

er the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 17th 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant

CORPORATE GOVERNANCE

SSH Communications Security aims for transparent and responsible corporate governance through compliance with laws, regulations, and best practices as well as high ethical standards applied in its governance and decision-making. SSH Communications Security's corporate governance practices are subject to its articles of association, Finnish Limited Liability Companies Act, securities market legislation, including the market abuse regulation, rules of Nasdaq Helsinki, and Finnish Corporate Governance Code 2020 adopted by the Securities Market Association. The Corporate Governance Code is available at www.cgfinland.fi.

For more information on the governance practices of the company, see our Corporate Governance Statement that is published annually as a separate report and can be found at SSH's website.

SSH implements a one-tier governance model, in which the management of the SSH Group is the responsibility of the General Meeting of shareholders, the Board of Directors, and the CEO assisted by Executive Management Team. Duties are defined by the Finnish Limited Liability Companies Act and the company's articles of association.

SSH Communications Security's highest decision-making body is the General Meeting, which is composed of the company's shareholders. The General Meeting makes decisions on matters falling within its competence as stipulated by the Finnish Limited Liability Companies Act and the company's articles of association.

The Annual General Meeting elects the Board of Directors and auditors. The Board of Directors is responsible for strategic management and decides on the SSH Group's administrative systems and ensures compliance with good governance principles.

A Remuneration Policy was presented in AGM 2020 and is intended to be valid until the AGM 2024. It was supported unanimously in the meeting with advisory resolution. Remuneration Report will be presented to the Annual General Meeting annually starting from AGM 2021.

The board appoints the CEO, who is in charge of the operative, day-to-day management of the company. CEO is assisted in his/her work by the Executive Management Team.

More information can be found from the annual Corporate Governance Statement and from the company website.



BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

SSH operates in a socially and ethically responsible manner, respects the environment and society, promotes internationally proclaimed human rights, and ensures ethical business practices at all times.

SSH has set out a clear Anti-Bribery & Anti-Corruption Policy which prohibits all forms of bribery and corruption. The policy is communicated to all employees during new employee training. Any allegations of bribery or corruption will be investigated thoroughly. The Anti-Bribery & Anti-Corruption Policy is available on our web site.

SSH has a whistle-blower process which is initiated when someone reports suspected internal or external misconduct or violation of law, regulations, human rights, labor practices or similar within the operations of SSH Group or by its personnel.

SSH has introduced a Code of Conduct as a generally applied guideline describing the expected conduct at SSH Communications Security. It is created for the benefit of all employees, partners, and stakeholders to promote a high standard of professional conduct and uniformity within the company. SSH expects professional, honest, and respectful conduct in all business dealings and relationships with colleagues, customers, and any other people.

SSH respects the surrounding environment and aims to make sure that all of its offices are green and energy-efficient, and environmental impacts are maintained as low as possible. Most of the environmental impact comes from energy consumption of the offices, which is minimized by reusing supplies and recycling. SSH HQ moved to a new modern and energy efficient office space during the spring of 2020.

Travel emissions from employee commuting and business travelling are minimized by supporting remote working and online conferencing options. All employees of SSH have the right to a safe and healthy working environment where personal well-being is promoted, and any form of discrimination or harassment is prohibited. Every employee is treated with equal consideration and fairness. All decisions concerning employment are determined by the employee's performance, not on any discriminatory grounds, such as gender, age, nationality, ethnicity, religion, political affiliation, disability, or sexual orientation. All full-time employees are part of a performance management program.

SSH considers diversity as a strength and actively encourages diversity throughout the organization. The principles on diversity are always taken into account when considering nominations to different positions.

Employee statistics at the end of 2020:

- 94 employees, up by 4 persons or 4.4 % from 2019;
- Average age of the employees was 43 years (2019: 42.2 years);
- Women 15.8 % (2019: 16.7 %) and 84.2 % (2019: 83.3 %) men;
- Sales, marketing, and customer services 33.0 % (2019: 35.6 %), research and development 51.1 % (2019: 51.1 %) and corporate administration 16.0 % (2019: 13.3 %);
- 40.4 % working for SSH less than 2 years, 36.2 % for 2-5 years, 20.2 % for 5-10 years, and 3.2 % for over 10 years.

INFORMATION FOR SHAREHOLDERS

All published investor information, including annual reports, interim reports and stock exchange releases are available on the company's website at www.ssh.com/investors. All investor information is published in English. Stock exchange releases and interim reports are also published in Finnish.



Subscriptions to the emailing list for stock exchange releases can be made by sending your contact details to investor-relations@ssh.com.

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

ANNUAL GENERAL MEETING

The company's Annual General Meeting 2021 will be held on Thursday 25th of March 2021 at 12:00 noon, without physical presence of the shareholders.

FINANCIAL CALENDAR 2021

The company will publish the following financial reports during 2021:

FY 2020 Financial Statements Bulletin	February 18, 2021
FY 2020 Annual Report	Week 10
Interim Report, January–March (Q1)	April 27, 2021
Interim Report, January–June (Q2)	July 20, 2021
Interim Report, January–September (Q3)	October 21, 2021

SSH COMMUNICATIONS SECURITY SHARE FACTS

Listing since 2000	Nasdaq Helsinki Ltd.
Trading symbol	SSHIV
Number of shares	38,802,233

INVESTOR RELATIONS CONTACTS

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

CONTACT INFORMATION



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