



Annual Report 2022

SSH Communications Security —

Passwordless. Keyless. Defensive Cybersecurity with Quantum-Safe Encryption.



Starting with an ingeniously safe internet protocol SSH, we continue to help customers improve their security, automate processes, and ensure compliance in novel ways, like moving away from static perimeter-based cyber defense to a Zero Trust model, where there are no passwords or keys nor implicitly trusted users, connections, applications, servers, or devices.

We help our customers secure their businesses in the age of hybrid cloud and distributed IT and OT infrastructures.

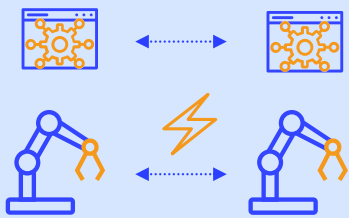
Our passwordless and keyless Zero Trust solutions reduce costs and complexity while quantum-safe encryption keeps critical connections future-proof.

The culture of innovation, accountability and determination are cornerstones of working for and with our remarkable customers.

Passwordless. Keyless. Defensive Cybersecurity.

We safeguard communications and access between systems, automated applications, and people.

Secure communications for:



- Machine to machine (M2M)
- System to system (S2S)
- Application to application (A2A)

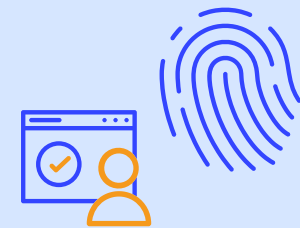


Sensitive information sharing between people (H2H)



- Network backbone traffic connections
- Data center to data center
- Site-to-site
- Cloud & hybrid

Digital gatekeeper for access management:



- Admin, maintenance, development access to systems, networks & data
- Passwordless and keyless secrets management
- Monitoring, recording and auditing sessions



Wrapped up in post-quantum-safe encrypted tunnels for future-proofing

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2022 KEY FIGURES

2022 was a year of stable growth for us. We continued a successful journey of selling innovative and future-proof technologies to major global corporations, increasingly through a subscription model.

Deferred Revenue increased strongly by 57% to EUR 14.1 million, driven by several major multi-year subscription and maintenance contracts.

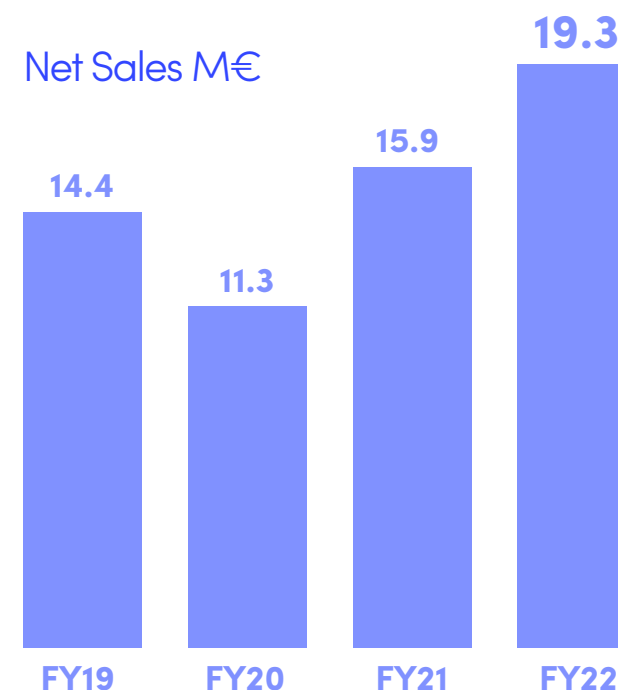
Subscription Annual Recurring Revenue grew by 36% to EUR 9.9 million, while Total Annual Recurring Revenue, also including maintenance revenues, grew by 19%, reaching EUR 18.4 million.

We have expanded from point products to solutions business and are solidifying our marketing and sales processes to serve our customers' needs even better.

Net Sales
+21%

EBITDA
+139%

[Total] ARR
+36%



KEY FIGURES		FY19	FY20	FY21	FY22
Net sales	M€	14.4	11.3	15.9	19.3
EBITDA	M€	0.9	-0.4	1.1	2.7
	%	6.0%	-3.5%	7.0%	13.9%
Operating profit	M€	-1.2	-2.5	-1.5	-0.4
	%	-8.4%	-22.1%	-9.6%	-2.3%
Profit	M€	-1.5	-3.1	-2.3	-0.6
Personnel		90	94	122	144

2022 HIGHLIGHTS



2022: All-hands-on-deck - great base to build upon in 2023

Q1



- SSH certified as a Nasdaq ESG Transparency Partner
- The US Patent Office granted SSH a further patent for PrivX® technology
- SSH announced SSH Deltagon Suite for Secure Information Sharing (SIS)

Q2



- The largest single subscription order in our history (EUR 2.1 million)
- Partnership with Israeli and Ukrainian cybersecurity companies
- NQX certified by NCSA-FI for security level TL III

Q3



- PrivX achieved significant analyst recognition for the third time
- Universal SSH Key Manager (UKM) was upgraded with discovery and reporting related to quantum preparedness
- NIST-selected algorithm for standardization, which SSH's Tectia Quantum-Safe Edition is built upon

Q4



- PrivX gained multiple Managed Service Providers (MSPs) and Operational Technology (OT) customers
- A major Fortune 500 global financial services institution expanded the use of Universal SSH Key Manager to cover its entire corporate network
- The world's first quantum-safe data communications software for mainframes

CEO Letter



“Our commitment to providing winning solutions for digital communications between systems, applications, and the people operating them with simultaneously maintaining the corporation’s operational performance.”

**DEAR VALUED CUSTOMERS, SHAREHOLDERS,
PARTNERS, AND COLLEAGUES,**

During 2022, we observed war-related incidents in Europe causing a dramatic increase in cyber-attacks impacting critical physical infrastructure in multiple countries worldwide. Moreover, the prevalence of cyber-attacks has escalated significantly, with criminals being private and state-level actors. This poses a significant risk to several organizations, including government agencies, critical industries and infrastructure, financial institutions, authorities, health institutions, and individual citizens. As a result, interest in our solutions to safeguard access to operational data and technology within factories, energy generation, airports, and harbors is growing fast.

During the year, we obtained several new customers ranging from small and medium-sized enterprises (SMEs) to Fortune 500 companies. We gained multiple Managed Service Providers (MSPs) and Operational Technology (OT) customers, and our products for safeguarding governmental and security agencies’ critical communications, data, and applications were well received, especially in the EMEA region. Because of technical excellence as well as an outstanding service level in our professional services and support, we also received some significant order extensions and additional sales from existing customers. This all is in line with our land-and-expand approach, which we see as a growing purchase pattern in our target markets.

We also saw a significant acceptance of the Zero Trust model on the market. We have been developing Zero Trust solutions for Privileged Access Management (PAM) and securing OT since 2017. Our investment in the development of PrivX during 2022 – a lean cloud-native solution

for Just-In-Time (JIT) and Just-Enough Access (JEA) with Role-Based Access Controls (RBAC) – was the largest in us, supported by EU-funded and Business Finland-funded R&D projects. PrivX technology integration into our existing products ensures safe migration to passwordless and keyless operations for our total installed base. Already during 2022, we saw interest in biometric identification to replace MFA based on SMS, PIN codes, and emails.

The demand for Post-Quantum Cryptography (PQC) surged globally in 2022 even more. Thanks to our resolute investments, we were the first to launch the world’s first quantum-safe data communications software for mainframes. Moreover, our PQC development team has become one of the strongest in Europe today.

The cybersecurity landscape is undergoing three significant megatrends – Zero Trust (ZT), Operational Technology (OT), and Quantum-Safe (QS). In the past year, we have concentrated on enhancing and deepening our customer relations and transitioning from point products to value-adding solutions. Our portfolio of proven-in-use products and future-proof technologies in cryptography and privileged access management provides a solid foundation for our future growth.





I want to thank all members of SSH and partners for contributing to our all-hands-on-deck approach, delivering outstanding achievements in 2022, and establishing a great base to build upon in 2023.

Teemu Tunkelo, CEO

THE STRATEGY 2022

In 2022, our strategic direction was validated by the successes we achieved during the past years. We sold our new Zero Trust Suite to significant new customers, including the operational technology segment, which focuses on a holistic solutions approach offered with our land-and-expand approach. Our transition to a subscription-based model has been successful, safeguarding our long-term growth trajectory.

We made improvements to our internal processes, including the modernization of our customer support portal and other internal tools. These efforts have placed us in a solid position to continue delivering high-quality services to our customers. Overall, 2022 was a very successful year for us in executing our strategy and delivering value to our customers and channel partners.

IMPLEMENTATION ACTIVITIES	ACTIVITIES AND RESULTS
 FOCUS ON LIGHTHOUSE CUSTOMERS	Improvement of the capture team process and closer to the customer -approach. Signed several new lighthouse customers.
 IMPROVE THE PROCESS FROM RECEIVING CUSTOMERS NEEDS TO DELIVER CUSTOMER VALUE	R&D Feature boards continue work of better understanding customer needs and coo-innovating better products with customers. Several new industry-specific product editions.
 STRENGTHEN OUR SALES AND MARKETING	New human resources to sales and marketing and a more strategic communications and customer relations approach.
 ENHANCE OUR ONLINE PRESENCE	Clear improvement of the company's digital face. Modification of the marketing funnel and a more visual and engaging approach to social media. Improvement of achieved media visibility.
 EMPHASIZE PRODUCT SYNERGIES	Combining PrivX and UKM into a comprehensive total solution Zero Trust Access Management solution. First significant deliveries of the solution to customers.
 CONTINUE SHIFT TO SUBSCRIPTION MODEL	The share of subscription revenue increased from 7.3 to 9.9 M€ (36%).
 GROW PROFESSIONAL SERVICES	Modernization of our customer support portal and internal process.

SSH Communications Security Defensive Cybersecurity

PROVEN IN-USE AND FUTURE-PROOF

Mission

We secure communications between systems, automated applications, and people.

Guiding principles

1. Closer to customers
2. Profitable growth
3. Operational excellence

Vision

We strive to build future-proof and safe communications for businesses and organizations to grow in the digital world.

Values



Customer orientation



Speed & Agility



Growth



Accountability



Cooperation

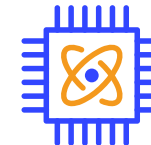
Solutions



Passwordless and keyless Zero Trust Security (ZT) solutions



Access Management for Operational Technology (OT)



Quantum-Safe Encryption (QS)

BOARD OF DIRECTORS

In the 2022 Annual General Meeting, the following members were elected for the Board of Directors: Henri Österlund, Kai Tavakka, Sampo Kellomäki, Christian Fredrikson, and as a new member Catharina Candolin.

At the organizing meeting of the Board of Directors after the Annual General Meeting, Henri Österlund was elected as the Chairman of the Board of Directors.

Fredrikson, Kellomäki, and Candolin are deemed to be independent of the company and of the significant shareholders of the company.

Österlund and Tavakka are deemed independent of the company.

The company's CFO acts as secretary to the Board Due to the election of the Board of Directors as described in above, the majority of the Board members are considered independent of the company.



HENRI ÖSTERLUND

b. 1971, M.Sc. Economics
Chairman of the Board

Henri Österlund is an expert of international investing and funding. He is the founder of Accendo Capital fund and a partner of the managing company. Accendo Capital creates shareholder value through active ownership. Previously, Österlund has served as a Partner of Conventum Corporate Finance, a 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) and Doro AB (publ).

Henri owns 148,595 SSH shares (including the controlled companies). He has no option rights.



KAI TAVAKKA

b. 1986, M.Sc. Economics, CFA
Board Member

Kai Tavakka is a partner at Accendo Capital Management which manages the Accendo Capital fund. He has been working in the firm since 2012. Kai has a strong background and knowledge on corporate finance, for example from PCA Corporate Finance and Danske Corporate Finance. In addition, Tavakka is a member of the Board of Directors at Careium AB.

Kai owns 5,480 SSH shares (including the controlled companies). No option rights.



SAMPO KELLOMÄKI

b. 1967, M.Sc (Computer Science)
Board Member

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

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



CHRISTIAN FREDRIKSON

b. 1964, M.Sc Technology
Board Member

Christian is a long-term investor and board professional. He has wide and diverse experience on internationalizing sales of developed technologies (mobile networks and fixed networks, cybersecurity cloud services, companies' cloud services, and biometrics) as well as growing companies. Christian has previously worked as CEO at Fingerprint Cards and F-Secure and in many managerial roles at Nokia Networks and Nokia Siemens Networks, where he worked, for example, as Head of the Asia Pacific Region, Head of Switching Business Unit, and Head of Sales, and also lived in Asia for over 10 years. Additionally, he is a board member of Remedy Entertainment and an advisor at Edge Venture Capital.

Christian owns 10,000 SSH shares. No option rights.



CATHARINA CANDOLIN

b. 1977, PhD Technology
Board Member

Catharina is a cyber security and defence expert currently working at OP Group. Previously, she has worked at the Finnish Defence Forces in different positions, for example, as Section Chief of the Cyber Defence Section. Additionally, she has worked as a Policy Advisor at NATO HQ in Brussels. Catharina has been awarded with the Medal for Military Merits in 2015 and The Knight First Class of the Order of the Lion of Finland in 2020. Prior to that, Catharina has worked in academia and in private sector companies. She is an active public speaker. She holds a Doctorate Degree (PhD) from Helsinki University of Technology (currently Aalto University). She studied her minor at the National Defence University of Finland.

Catharina owns 144 SSH shares. No option rights.

EXECUTIVE MANAGEMENT TEAM December 31, 2022



TEEMU TUNKELO

b. 1961, M.Sc. Engineering,
PhD in Economics

Chief Executive Officer

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

Teemu owns 177,043 SSH shares and has 435,000 option rights.



NIKLAS NORDSTRÖM

b. 1979, LL.M., BEc

Chief Financial Officer

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 the company, he worked as CFO for Biohit Oyj, a Helsinki-based public biotechnology company. He 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 owns 4,619 SSH shares and has 349,000 option rights.



RAMI RAULAS

b. 1961, M.Sc. Economics

Vice President, Sales

Rami is an experienced sales professional who has had multiple managerial roles in sales, marketing, and product control in international companies. He has successfully developed and led many regional and international sales teams for different companies, resulting in significant growth in sales and increased customer satisfaction. He has strong experience from go-to-market strategies and execution, as well as controlling channel sales. Rami has been in managerial positions at Nokia, ICL, Fujitsu, and Ahlström. Rami has a Master's degree in Economics from Aalto University.

Rami does not own SSH shares but has 180,000 option rights.

Niklas left SSH and the Executive Management Team on January 4th, 2023. Michael Kommonen was appointed to replace him as the CFO and as a member of the Executive Management Team starting on March 1st, 2023.

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Report of the Board of Directors for 1 Jan – 31 Dec 2022

NET SALES EUR million	10-12/ 2022	7-9/ 2022	4-6/ 2022	1-3/ 2022	1-12/ 2022	10-12/ 2021	1-12/ 2021
BY GEOGRAPHICAL SEGMENT							
AMERICAS	1.8	1.8	1.7	1.7	7.0	1.8	6.6
APAC	0.3	0.4	0.4	0.4	1.5	0.7	1.7
EMEA	3.7	2.4	2.3	2.3	10.8	3.5	7.7
Total	5.8	4.6	4.5	4.4	19.3	6.0	15.9
BY OPERATION							
Subscription sales	2.5	2.2	2.0	2.0	8.7	1.7	4.7
License sales	1.1	0.2	0.3	0.3	1.9	1.7	3.1
Maintenance sales	2.1	2.1	2.1	1.9	8.2	2.2	7.6
Professional services & others	0.1	0.1	0.1	0.1	0.4	0.3	0.6
Total	5.8	4.6	4.5	4.4	19.3	6.0	15.9

NET SALES

Consolidated net sales for January–December totaled EUR 19.3 million (2021: EUR 15.9 million), an increase of 21.1%, 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 strengthened by 11.0% compared to 2021. With comparable exchange rates, the net sales increase in 2022 would have been 15.5% compared to 2021.

PROFIT AND PROFITABILITY TRENDS

Operating loss for the financial year amounted to EUR -0.4 million (2021: EUR -1.5 million), with net loss totaling EUR -0.6 million (2021: EUR -2.3 million).

Sales, marketing, and customer support expenses amounted to EUR -8.8 million (2021: EUR -8.6 million), while research and development expenses totaled EUR -7.2 million (2021: EUR -5.8 million) and administrative expenses

EUR -5.1 million (2021: EUR -4.1 million). Operating expenses increased by 14% compared to the previous year.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was adequate during the financial year. The consolidated balance sheet total on December 31, 2022 stood at EUR 38.1 million (31 Dec 2021: EUR 35.9 million), of which liquid assets accounted for EUR 5.7 million (31 Dec 2021: EUR 8.2 million), or 15.0% of the balance sheet total. Interest-bearing debts were EUR 1.7 million at the end of the financial year (31 Dec 2021: EUR 3.4 million). Interest-bearing liabilities decreased by EUR -1.1 million from December 31, 2021 mainly due to repayment of a subordinated loan and repayments of the premium loan raised from ELO mutual pension insurance company. Interest-bearing liabilities include a premium loan from ELO mutual pension insurance company for EUR 1.7 million. On December 31, 2022, gearing, or the ratio of net liabilities to shareholders' equity, was -27.9%

(December 31, 2021: -39.8%) and the equity ratio stood at 46.1% (December 31, 2021: 44.6%).

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

The reported gross capital expenditure for the period totaled EUR 2.5 million (2021: EUR 2.0 million). Financial income and expenses totaled EUR -0.2 million (2021: EUR -0.3 million), which consisted mainly of exchange rate gains or losses and interest expenses from sales and leasing contracts.

The Group had a cash flow of EUR 3.0 million (2021: EUR 2.8 million) from business operations, and investments showed a cash flow of EUR -3.5 million (2021: EUR -4.9 million). Cash flow from investments includes the deferred purchase price of acquisition of Deltagon Oy EUR -1.7 million and received government grants of EUR 0.7 million (EUR 1.8 million). Cash flow from financing totaled EUR -2.2 million (2021: EUR 1.5 million). Cash flow from financing includes the payment of the hybrid instrument interest of EUR -1.4 million (EUR -1.4 million) and change in debt of EUR -0.5 million (EUR 2.2 million) and repayment of the subordinated loan -0.6 million. Total cash flow from operations, investments, and financing was EUR -2.6 million (EUR -0.6 million).

RESEARCH AND DEVELOPMENT

Research and development expenses for January–December totaled EUR -7.2 million (EUR -5.8 million), the equiva-

lent of 37.4% of net sales (36.6%). During January–December, the company has capitalized new product R&D costs in the amount of EUR 1.9 million (EUR 1.4 million). Capitalized product development expenses were reduced by EUR 0.1 million received as funding from the EU in 2022 (EUR 0.4 million). Depreciation from R&D capitalization assets was EUR -1.4 million (EUR -1.2 million).

RISKS AND UNCERTAINTIES

Substantial risks that might affect the profitability of the company have been reviewed and updated to reflect the current macroeconomic environment.

The largest risks are:

- Refinancing risk/liquidity risk such as being unable to pay obligations due to insufficient liquidity or difficulties in raising financing.
- Cybercrime, including, e.g., ransomware
- Delays in product development and closing new business as well as phasing of new business cases
- Ability to execute the strategy
- Ability to retain and recruit key personnel
- Maintaining the ability to innovate and develop the product portfolio including intellectual property rights (IPR)
- IPR litigation and utilization of the patent portfolio
- A large portion of the company revenue is invoiced in USD currency, and possible significant fluctuation in USD currency rates during the year could have unpredictable effects on profitability. The company decides on hedging of USD-based contracts case by case.
- Uncertainty of the macroeconomic environment, such as the COVID-19 pandemic and war in Ukraine
- Impact of higher inflation and increasing market interest rates which may have an effect on increasing operational and financial costs

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 144 (2021: 122) employees at the end of December, up by 22 persons or 18% from the previous year. The average age among employees was 40 years (2021: 41 years). Approximately 16.9% (2021: 15.7%) of the employees were women and 83.1% (2021: 84.3%) men. At the end of the period, 36.8% (38.2%) of the employees worked in sales, marketing, and customer services, 51.4% (52.8%) in R&D, and 11.8% (8.9%) in corporate administration.

At the end of the financial period, the parent company had 96 (2021: 81) employees on its payroll. On average, the parent company had 90 (2021: 76) employees during the period under review. Parent company salaries, bonuses, and other personnel expenses during the financial period totaled EUR 9.1 million (2021: 7.6 million).

BOARD OF DIRECTORS AND AUDITORS

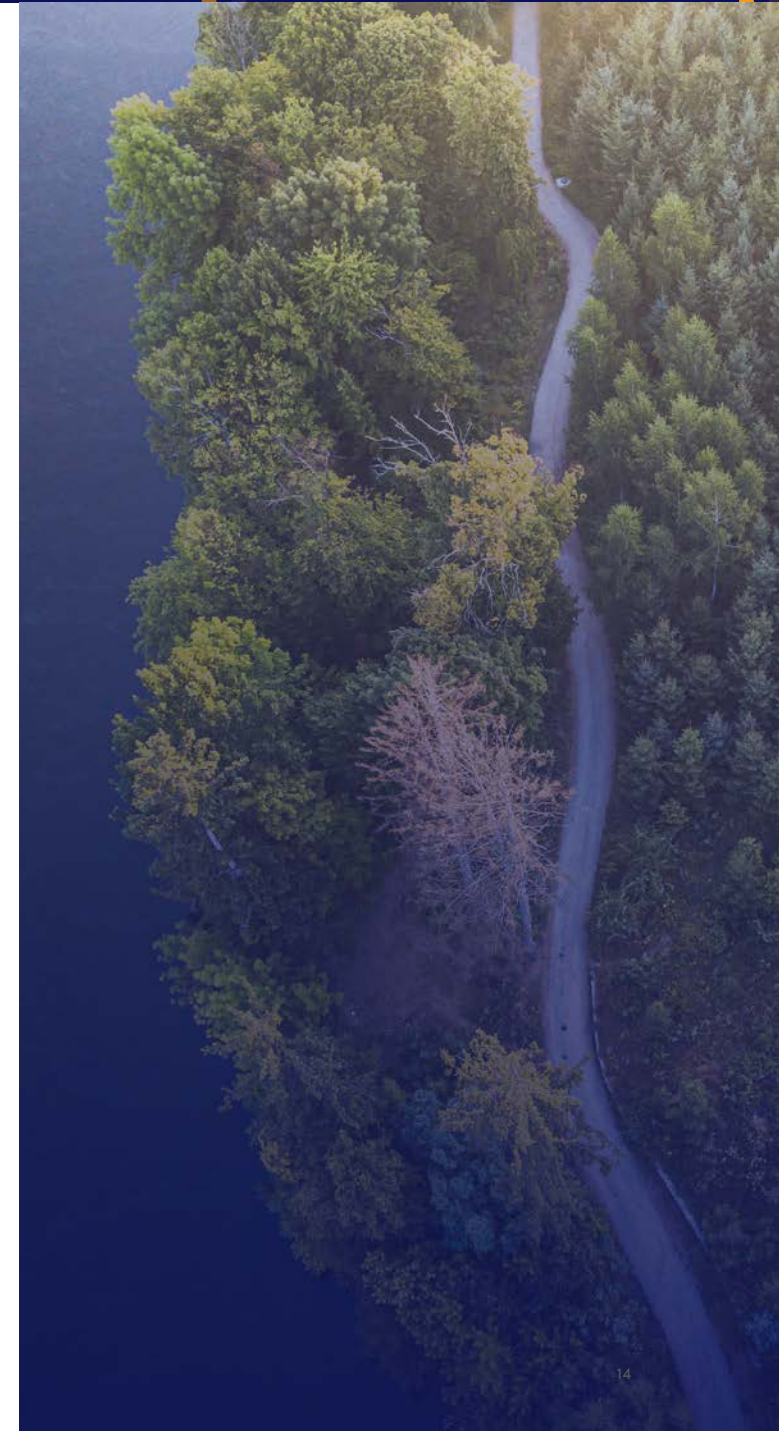
The Annual General Meeting of SSH Communications Security Oyj was held on March 25, 2022. Henri Österlund, Kai Tavakka, Sampo Kellomäki, Christian Fredrikson and Catharina Candolin (new member) were elected as directors of the company's Board of Directors. At the inaugural meeting of the Board of Directors, Henri Österlund was elected as the Chairman.

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

GROUP MANAGEMENT TEAM

At the end of 2022, the Group Management Team consisted of three members:

Teemu Tunkelo, Chief Executive Officer
Niklas Nordström, Chief Financial Officer (until 4.1.2023)
Rami Raulas, Head of EMEA Region



PRINCIPAL PROVISIONS OF THE ARTICLES OF ASSOCIATION

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

CORPORATE GOVERNANCE

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

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

RESPONSIBILITY AND BUSINESS ETHICS

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

The company's ethical principles emphasize values

that are important to SSH, such as antibribery, position and treatment of employees, and safety and behavioral culture within workplaces.

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

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

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

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

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

DISCLOSURE ACCORDING TO THE EU TAXONOMY REGULATION

Companies that have less than 500 employees are exempt from the requirements to disclose information according to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation"). Therefore, SSH has not disclosed Taxonomy Regulation information in the reports of fiscal year 2022.

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation totaled 7,229,826 shares (valued at EUR 17,317,925). The highest quotation was EUR 3.30 and the lowest EUR 1.66. The trade-weighted average share price for the period was EUR 2.40 and the share closed at EUR 2.30 (December 31, 2022).

Accendo Capital is the largest shareholder of SSH, with 28.6% of the company shares and votes. Tatu Ylönen is the second largest shareholder of SSH with 17.6%, and Juha Mikkonen holds 5.0% of the company's shares. More information about the shareholding can be obtained from the company's web site www.ssh.com.

The company has the following subsidiaries:

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

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

On January 29, 2021, SSH announced the acquisition of Deltagon Oy through its subsidiary Kyberleijona Oy. The transaction was closed on April 26, 2021 and since has been consolidated to Group's reported figures.

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	19,500,044	49.16%
Financial and insurance institutions	920,825	2.32%
Public sector organizations	3,323,406	8.38%
Companies	1,612,691	4.07%
Foreign shareholders	14,306,040	36.07%
Non-profit organizations	100	0.00%
Total	39,663,106	100.00%

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

Shares	Number of shareholders	Percentage of shareholders, %	Number of shares	Percentage of shares, %
1-100	2,033	38.48	98,813	0.25%
101-500	1,455	27.54	421,951	1.06%
501-1,000	612	11.58	501,230	1.26%
1,001-5,000	827	15.65	1,944,434	4.90%
5,001-10,000	152	2.88	1,143,696	2.88%
10,001-50,000	163	3.09	3,470,361	8.75%
50,001-100,000	21	0.40	1,409,186	3.55%
100,001-500,000	12	0.23	2,998,168	7.56%
500,001-999,999,999	8	0.15	27,675,267	69.78%
Total	5,283	100.00%	39,663,106	100.00%
of which nominee-registered	8		14,964,461	37.73%

THE TEN LARGEST SHAREHOLDERS DEC 31, 2022

Excluding Nominee-Registered except Accendo Capital	Percentage of shares, %	Number of Shares
Accendo Capital	28.57%	11,330,000
Ylönen Tatu Juhani	17.62%	6,987,123
Mikkonen Juha Taneli	5.04%	2,000,000
Elo Mutual Pension Insurance Company	3.85%	1,526,507
Ilmarinen Mutual Pension Insurance Company	2.63%	1,041,599
Varma Mutual Pension Insurance Company	1.90%	755,300
Syrjälä Timo Kalevi	1.31%	518,011
Syrjänen Eva Annika Elisabeth	1.23%	487,095
Kettunen Risto Juhani	1.21%	481,000
AC Invest Oy	0.85%	338,293
Total	64.20%	25,464,928

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on December 31, 2022, was EUR 1,189,893.18, consisting of 39,663,106 shares.

In 2022, share capital increased by EUR 11,526 through subscription of stock options. Stock options were exercised in financial year 2022 with 384,207 shares.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of a maximum of 6,000,000 shares as a share issue against payment or by giving stock options or other special rights entitling to shares, in accordance with Chapter 10 Section 1 of the Finnish Companies Act, either

according to the shareholders' pre-emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares, which the company may have 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 compelling financial reason for the deviation with respect to the share issue against payment.

Furthermore, the authorization includes the Board of Directors' right to decide upon who is 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 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 expire at the latest on June 30, 2023.

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 other 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 by 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 canceled. The acquisition of shares reduces the company's distributable non-restricted equity.

A decision concerning the acquisition of own shares must be made so that the combined amount of the own shares, which are in possession of, or held as pledges by, the company or its subsidiaries does not exceed 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 expire at the latest on June 30, 2023.

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 February 23, 2022 on a new stock option program 2022A. The maximum number of stock options is 980,000. The share subscription period will be from February 23, 2024 to March 31, 2026. The share subscription price for the shares is EUR 2.98.

During 2021 no new stock option programs had been decided.

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

The shares subscribed with the granted option rights include the rights to any dividend payable for the reporting period during which the shares were subscribed. Other shareholder rights commence as soon as the increase in the share capital has been registered in the Trade Register. More information on stock option plans is given in note 20 in the consolidated financial statements.

RELATED PARTY TRANSACTIONS

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

EVENTS AFTER THE BALANCE SHEET DATE

Michael Kommonen has been appointed as the new CFO of SSH Communications Security and a member of the Executive Management Team. Mr. Kommonen will take up his new position on March 1st, 2023, at the latest.

BUSINESS OUTLOOK FOR 2023

Our business transition from license and support to a recurring-revenue model has continued providing a more stable revenue base. At the end of 2022, our Annual Recurring Revenue was EUR 18.4 million (EUR 15.4 million in 2021). Our net sales grew by 21% to EUR 19.3 million in 2022. Going into 2023, we will continue to focus on increasing the average deal size. We expect net sales to grow during 2023 compared to 2022. We estimate EBITDA and cash flow from operating activities to be positive for 2023.

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

The parent company's distributable funds are EUR -2,252,652.86, of which the loss for the financial year is EUR -399,993.75. The Board of Directors proposes to the Annual General Meeting on March 24, 2023 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

		2022	2021	2020
Net sales	EUR	19,284,167	15,929,489	11,251,214
Operating profit/loss	EUR	-442,918	-1,530,119	-2,486,221
% of net sales	%	-2.3	-9.6	-22.1
EBITDA	EUR	2,671,827	1,119,334	-392,982
% of net sales	%	13.9	7.0	-3.5
Profit/loss before taxes	EUR	-681,647	-1,794,364	-3,090,264
% of net sales	%	-3.5	-11.3	-27.5
Return on equity	%	-5.2	-22.6	-30.0
Return on investments	%	-4.7	-14.2	-27.3
Net interest-bearing debt	EUR	-3,096,641	-4,788,959	-7,220,926
Gearing	%	-27.9	-39.8	-85.3
Equity ratio	%	46.1	44.6	69.7
Gross investments in tangible and intangible assets	EUR	2,535,450	1,976,713	2,115,884
% of net sales	%	13.1	12.4	18.8
Research and development costs	EUR	-7,204,987	-5,836,431	-5,047,946
% of net sales	%	37.4	36.6	44.9
Average number of personnel		132	114	88
Number of personnel 31 Dec		144	122	94
Salaries and fees	EUR	-12,502,599	-10,958,262	-8,125,559

INDICATORS PER SHARE

		2022	2021	2020
Earnings per share *	EUR	-0.05	-0.10	-0.11
Earnings per share, diluted ¹	EUR	-0.05	-0.10	-0.11
Equity per share	EUR	0.28	0.31	0.22
Dividends	EUR	0	0	0
Dividends per share	EUR	0.00	0.00	0.00
Dividend payout ratio	%	0	0	0
Effective dividend yield	%	0	0	0
Return of capital	EUR	0	0	0
Return of capital per share	EUR	0	0	0
Adjusted average number of shares during the period	1,000	39,407	38,927	38,802
Adjusted number of shares at the end of the period	1,000	39,663	39,279	38,802
Adjusted number of shares considering dilution effect*	1,000	39,407	38,927	38,802
Price per earnings ratio (P/E)		neg.	neg.	neg.
Market capitalization 31 Dec	mEUR	91.2	118.2	65.8

* Earnings per share is impacted by unpaid interest of hybrid capital securities. Stock options are excluded from the EPS diluted when the result is negative.

		2022	2021	2020
Share performance at Nasdaq Helsinki				
Average price	EUR	2.40	2.51	1.28
Share price, year end	EUR	2.30	3.01	1.70
Lowest quotation	EUR	1.66	1.60	0.65
Highest quotation	EUR	3.3	3.48	1.97
Volume of shares traded	millions	7.2	8.6	19.4
Volume of shares traded, % of total number	%	18.2	21.8	50.1
Volume of shares traded	mEUR	17.3	21.7	24.9

ALTERNATIVE PERFORMANCE MEASURE

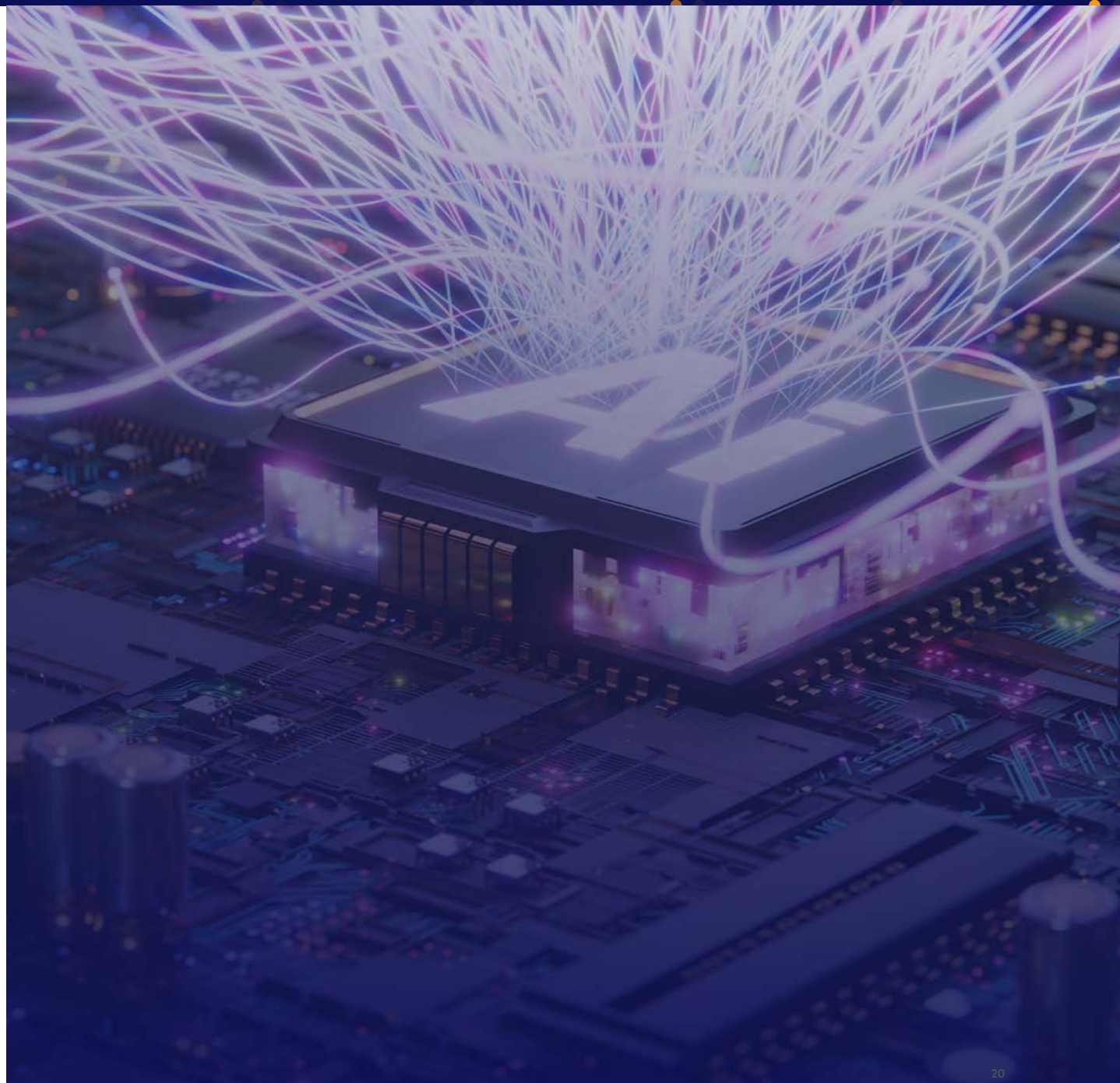
SSH Communications Security presents an alternative performance measure, which is not defined by IFRS standards. Alternative performance measure should not be considered as substitute for performance measures in accordance with the IFRS.

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

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

kEUR	2022	2021
EBITDA	2,672	1,119
Depreciation, amortization, and impairment	-3,115	-2,649
Operating profit/loss	-443	-1,530

Operating profit = profit/loss for the period + income taxes + financial income and expenses



CALCULATION OF FINANCIAL RATIOS

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



Consolidated Financial Statements

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
NET SALES	3	19,284,167	15,929,489
Cost of goods sold		-115,109	31,325
GROSS MARGIN		19,169,058	15,960,815
Other operating income	4	1,518,146	1,111,266
Sales and marketing costs	5, 6	-8,841,883	-8,644,687
R&D costs	5, 6	-7,204,987	-5,836,431
Administrative costs	5, 6	-5,083,252	-4,121,081
OPERATING PROFIT/LOSS		-442,918	-1,530,119
Finance income	7	323,549	172,611
Finance costs	8	-562,278	-436,856
PROFIT/LOSS BEFORE TAXES		-681,647	-1,794,364
Income tax expense	9	86,137	-524,030
PROFIT/LOSS FOR THE YEAR		-595,510	-2,318,394
Profit/loss attributable to:			
Owners of the parent company		-533,579	-2,057,540
Non-controlling interests		-61,932	-260,854
TOTAL		-595,510	-2,318,394
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-404,653	-142,858
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-1,000,164	-2,461,252
Total Comprehensive income attributable to:			
Owners of the parent company		-938,980	-2,200,135
Non-controlling interests		-61,184	-261,117
TOTAL		-1,000,164	-2,461,252
Earnings per share attributable to the owners of the parent company			
Basic earnings per share (EUR)	10	-0.05	-0.10
Diluted earnings per share (EUR)	10	-0.05	-0.10

CONSOLIDATED BALANCE SHEET

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	268,633	159,654
Right-of-use assets	12, 24	876,526	569,349
Intangible assets	13	21,519,186	21,872,947
Investments		11,000	11,000
Total non-current assets		22,675,345	22,612,950
CURRENT ASSETS			
Inventories	14	327,149	36,196
Trade receivables	15, 18	8,100,578	4,253,848
Other receivables	17	600,848	463,513
Prepaid expenses and accrued expenses		383,801	352,379
Income tax receivables	9	333,821	
Total current assets		9,746,198	5,105,937
Cash and cash equivalents	16	5,719,583	8,207,229
TOTAL CURRENT ASSETS		15,465,781	13,313,166
TOTAL ASSETS		38,141,126	35,926,116

CONSOLIDATED BALANCE SHEET

EUR	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	19	1,189,893	1,178,367
Translation differences		-1,719,414	-1,314,013
Unrestricted invested equity fund		24,410,412	23,702,088
Hybrid capital securities		12,000,000	12,000,000
Retained earnings		-30,753,841	-29,561,871
Equity attributable to the parent company shareholders		5,127,051	6,004,570
Non-controlling interests		5,959,985	6,021,169
TOTAL EQUITY		11,087,036	12,025,739
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	20	1,245,000	2,327,000
Lease liabilities	20,24	497,495	219,479
Other non-current liabilities		1,666,796	3,911,513
Advances received and deferred revenue	15	3,535,860	1,211,205
Deferred tax liabilities		1,401,661	1,578,841
TOTAL NON-CURRENT LIABILITIES		8,346,811	9,248,038
CURRENT LIABILITIES			
Trade and other payables	22	7,288,510	6,009,743
Current interest-bearing liabilities		500,000	500,000
Lease liabilities	20,24	380,447	371,791
Advances received and deferred revenue	15	10,538,322	7,770,804
TOTAL CURRENT LIABILITIES		18,707,279	14,652,338
TOTAL LIABILITIES		27,054,091	23,900,376
TOTAL EQUITY AND LIABILITIES		38,141,126	35,926,116

CONSOLIDATED CASH FLOW STATEMENT

EUR	Note	1 Jan – 31 Dec 2022	1 Jan – 31 Dec 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	3, 15	20,476,460	17,307,901
Payments to suppliers and employees	5, 22	-16,554,195	-14,135,079
Cash flows from operating activities before financial items and taxes		3,922,265	3,172,822
Interest paid and payments on other financial costs		-169,029	-86,074
Interest received and other financial income		6,980	964
Income taxes paid		-746,511	-300,208
Net cash flows from operating activities		3,013,704	2 787,504
<i>whereof change in working capital</i>		<i>1,708,556</i>	<i>4,289,028</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	11, 13	-2,535,450	-1,976,713
Acquisition of a subsidiary, net of cash acquired		-1,670,000	-4,637,770
Receipt of government grants	4	738,009	1,757,784
Net cash flows from investing activities		-3,467,441	-4,856,698
CASH FLOWS FROM FINANCING ACTIVITIES			
Change of non-current debt			1,745,000
Change in current debt		-500,000	500,000
Repayments of subordinated debt		-582,000	
Interest paid on hybrid capital securities		-1,380,000	-1,380,000
Proceeds from shares subscribed with option rights		719,851	996,232
Payment of lease liabilities	24	-431,423	-386,328
Net cash flows from financing activities		-2,173,572	1,474,904
Change in cash and cash equivalents		-2,627,309	-594,290
Cash and cash equivalents in beginning of period		8,207,229	8,517,698
Exchange rate effect		139,663	283,821
Change in cash and cash equivalents		-2,627,309	-594,290
Cash and cash equivalents at end of period		5,719,583	8,207,229

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Attributable to the owners of the Company									
EUR	Note	Share capital	Hybrid capital securities	Translation differences	Unrestricted invested equity fund	Retained earnings	Total	Non-controlling interests	Total Equity
Equity 1 Jan 2021	19	1,164,067	12,000,000	-1,171,419	22,720,156	-26,603,569	8,109,235	355,791	8,465,026
Comprehensive profit/loss									
Profit/loss for the period						-2,057,540	-2,057,540	-260,854	-2,318,394
Other comprehensive items									
Translation differences				-14,594			-142,594	-264	-142,858
Comprehensive profit/loss for financial period, total		0	0	-142,594	0	-2,057,540	-2,200,135	-261,117	-2,461,252
Hybrid capital securities						-1,380,000	-1,380,000		-1,380,000
Share-based payment plans						479,238	479,238		479,238
Shares subscribed on option rights		14,300			981,932		996,232		996,232
Acquisition of a subsidiary								5,926,495	5,926,495
Transactions with shareholders		14,300	0	0	981,932	-900,762	95,470	5,926,495	6,021,965
Equity 31 Dec 2021		1,178,367	12,000,000	-1,314,013	23,702,088	-29,561,871	6,004,570	6,021,169	12,025,739

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Attributable to the owners of the Company									
EUR	Note	Share capital	Hybrid capital securities	Translation differences	Unrestricted invested equity fund	Retained earnings	Total	Non-controlling interests	Total Equity
Equity 1 Jan 2022	19	1,178,367	12,000,000	-1,314,013	23,702,088	-29,561,871	6,004,570	6,021,169	12,025,739
Comprehensive profit/loss									
Profit/loss for the year						-533,579	-533,579	-61,932	-595 510
Other comprehensive items									
Translation differences				-405,401			-405,401	747	-404 653
Comprehensive profit/loss for financial period, total		0	0	-405,401	0	-533,579	-938,979	-61,184	-1,000,164
Hybrid capital securities						-1,380,000	-1,380,000		-1 380 000
Share-based payment plans						721,609	721,609		721,609
Shares subscribed on option rights		11,526			708,324		719,851		719,851
Transactions with shareholders		11,526	0	0	708,324	-658,391	61,460	0	61,460
Equity 31 Dec 2022		1,189,893	12,000,000	-1,719,413	24,410,412	-30,753,841	5,127,051	5,959,985	11,087,035

Notes to the Consolidated Financial Statements

1. GENERAL ACCOUNTING PRINCIPLES

Basic information about the Group

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 22 February 2023. Under the Finnish Limited Liability Companies Act, the shareholders can accept or reject the financial statement at the AGM held after its publication. A copy of the financial statements is published as a part of the company's annual report.

The annual report is available on the company website at www.ssh.com, or at the head office of SSH Communications Security Corporation. All stock exchange bulletins are available on the company website www.ssh.com.

The iXBRL ESEF report is unaudited. The PDF version of the Financial Statements and report of the Board of Directors report is a voluntary publication

Basis of preparation of financial statements

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

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.

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, im-

pairment testing, claims, onerous contracts, pending patent litigations, and the probability of deferred tax assets being recovered against future taxable profits.

New and amended standards and interpretations

The Group has adopted the new standards and interpretations that took effect during the accounting period and are relevant to its operations. The IFRS standards and the amendments that entered into force in 2022 had no impact on the Group's result, the financial position, or the presentation of the financial statements.

Changes that become effective later

The Group will adopt new and amended standards and interpretations as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. The changes are not expected to have a material impact on SSH Communications Security's consolidated financial statements.

2. SEGMENT INFORMATION

SSH Communications Security Oyj has one reportable segment; the software business, due to business model, the nature of its operations and its governance structure.

SSH's operations have similar financial characteristic and are similar in terms of the nature of product and service production processes, types of customers, geographical characteristics, methods used in product or service distribution or service provision.

Segment reporting is consistent with the internal reporting submitted to the chief operating decision-maker. The Executive Management Team has been appointed as the chief operating decision-maker, responsible for allocating resources and assessing performance as well as making strategic decisions.

3. NET SALES

Accounting principles

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. Revenues from subscription contracts are recognized evenly on an accrual basis throughout the contract period. Revenues from hardware sales are recognized at the time when control of the hardware is transferred to the buyer. In case the hardware component is not determined to be distinct from the other performance obligations in the contract, revenue from hardware is recognized over time throughout the contract and classified as revenue from subscription contracts.

The revenue of royalties from licenses is recognized

at the time of payment. Revenue from royalties is not material to the Group.

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.

Assets recognized from the costs to fulfil a contract with a customer

The Group recognizes the costs to fulfil a contract with a customer as an asset when expecting to recover the costs, the costs relate directly to a contract that can be identified, and the costs generate resources that are used to satisfy a performance obligation.

Costs recognized as an asset are costs of hardware that relate directly to a contract that is subscription based. Amortization of costs is calculated on a straight-line basis over the period of a contract to which the assets recognized from the costs relates to. Amortized costs are recognized as costs of goods sold.

Incremental costs of obtaining a contract

The Group recognizes the incremental costs of obtaining a contract as an asset when expecting to recover the costs, the costs relate directly to a contract that can be identified, and the costs generate resources that are used to satisfy a performance obligation.

Incremental costs recognized as an asset are sales incentive commissions paid to an employee, that relate directly to a contract that is subscription based. Amortization of costs is calculated on a straight-line basis over the period of a contract to which the assets recognized from the costs relates to. Amortized costs are recognized as commission costs in salaries and staff related costs.

EUR	2022	2021
BY OPERATION		
Subscription sales	8,737,206	4,698,933
License sales	1,916,559	3,089,244
Maintenance sales	8,214,059	7,562,294
Professional services and other	419,148	579,018
Total	19,286,972	15,929,489

EUR	2022	2021
BY GEOGRAPHICAL AREA		
AMERICAS	6,985,617	6,590,099
APAC	1,502,815	1,659,492
EMEA	10,798,540	7,679,898
Total	19,286,972	15,929,489

In 2022 or 2021, no customer's revenue accounted for more than ten percent of the Group's net sales.

Obligations for returns is defined to cover the value of hardware purchase price when the company is not able to provide hardware return service based on agreed service level. The return value excludes the value of licenses and other services sold.

The warranty for hardware items is limited to 12 months. Warranty may be extended up to five years by purchasing the warranty service.

Revenues presented based on the basis of customer location and non-current assets pre-sented on the basis of their location:

2022					
EUR	Finland	Rest of Europe	US	Other countries	Group total
Revenue	7,180,048	3,618,492	6,336,074	2,152,359	19,286,972
Non-current assets	22,414,146		233,849	27,350	22,675,345
2021					
EUR	Finland	Rest of Europe	US	Other countries	Group total
Revenue	1,781,607	5,898,291	6,148,205	2,101,386	15,929,489
Non-current assets	22,528,099		41,891	42,960	22,612,950

4. OTHER OPERATING INCOME

Accounting principles

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.

Other operating income includes EUR 0.8 million received government grants (2021: EUR 1.1 million) and EUR 0.7 million resulting from reversal of the earn-out consideration reserve related to the acquisition of Deltagon in 2021.

5. OTHER OPERATING COSTS

EUR	2022	2021
Employee benefit expenses		
Wages and salaries	-11,617,635	-10,542,722
Pensions, defined contribution plan	-1,395,149	-1,156,592
Other social security costs	-815,652	-525,221
Stock options issued	-721,609	-479,238
Total	-14,550,044	-12,703,773

Information about remuneration of the key management personnel is presented in note 27. *Related party transactions* and information on the options granted is presented in the note 21. *Share-based payments*.

Number of personnel	2022	2021
Average during the financial period	132	114
At the end of the financial period	144	122

Personnel distribution by function on 31 Dec	2022	2021
Sales, marketing, and customer support	53	46
Research and development	74	65
Administration	17	11
Total	144	122

Research and development costs recognized as costs, EUR	2022	2021
Total	-7,204,987	-5,836,431

Other operating costs, EUR	2022	2021
External services	-4,389,755	-3,983,055
Depreciation	-3,114,745	-2,649,452
Other costs	-1,123,023	-1,002,783
Total	-8,627,522	-7,635,290

Auditor's fees

Auditor's fees categorized into service groups were:

EUR	2022	2021
Principal auditor Ernst & Young Oy		
Statutory auditing	-94,158	-84,844
Other auditing services	-21,400	-14,363
Other auditing firms:		
Statutory auditing	-11,436	-11,068
Other services	-7,274	-6,464
Total	-134,267	-116,738

6. DEPRECIATIONS AND IMPAIRMENTS

EUR	2022	2021
By asset category		
Machinery and equipment	95,288	81,193
Right-of-use assets	414,738	301,343
Software & other intangible assets	1,248,270	1,039,466
Capitalized development costs	1,356,448	1,227,450
Total	3,114,745	2,649,452

By function	2022	2021
Sales and marketing	14,779	8,376
Research and development	1,787,598	1,672,072
Administration	1,312,367	969,005
Total	3,114,745	2,649,452

7. FINANCIAL INCOME

EUR	2022	2021
Interest revenue	6,980	964
Exchange rate gains, loans, and other receivables	316,570	171,647
Total	323,549	172,611

8. FINANCIAL COSTS

EUR	2022	2021
Exchange rate losses, loans and other receivables	-148,658	-133,940
Interest arising from revenue contracts	-142,675	-40,842
Interest on lease liabilities	-24,046	-61,385
Other interest costs	-246,899	-200,689
Total	-562,278	-436,857

9. INCOME TAXES

Accounting principles
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.

EUR	2022	2021
Income tax	86,137	-524,030
Total	86,137	-524,030

Reconciliation of income taxes and profit/loss before taxes

EUR	2022	2021
Profit/loss before taxes	-681,647	-1,794,365
Tax at parent company tax rate (20%)	136,329	358,873
Effect of foreign subsidiaries' differing tax rates	3,233	4,966
Effect of deferred taxes	177,181	120,871
Non-deductible expenses	-7,099	-209,878
Tax exempt revenue	8,382	18,031
Tax deductible hybrid loan interest expenses	276,000	276,000
Use of previously unrecognized tax losses	325,088	279,302
Tax assets not recognized for reported losses	-236,881	-177,333
Tax assets not recognized for unused tax depreciations	-550,320	-824,839
Income taxes from previous years	-44,529	-3,144
Other direct taxes	-1,247	-366,879
Income taxes	86,137	-524,030

The amount of Group's unused tax losses, for which no deferred tax asset has been recognized based on the prudence principle, is EUR 8.7 million (2021: EUR 8.6 million). EUR 1.8 million (2021: EUR 3.4 million) of the tax losses are in Finland, and EUR 6.9 million (2021: EUR 5.7 million) in the USA. The tax losses expire in Finland between the years 2023–2031, and in the USA between the years 2023–2036. The amount of unrecognized deferred tax assets from the tax losses is EUR 1.8 million (2021: EUR 1.9 million). The figures include use of losses in 2022 which have not yet been confirmed in taxation.

In addition, the parent company has EUR 43.4 million (2021: EUR 38.5 million) research and development expenses and depreciations not deducted in taxation and the amount of unrecognized deferred tax assets resulting from those is EUR 8.7 million (2021: EUR 7.7 million).

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

10. EARNINGS PER SHARE

Accounting principles
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.

EUR	2022	2021
Profit/loss attributable to shareholders of the parent company	-533,579	-2,057,540
Hybrid loan interest expense	-1,380,000	-1,380,000
Profit/loss considering dilution effect	-1,913,597	-3,437,540
Weighted average number of shares in issue, 1,000	39,407	38,927
Average number of shares outstanding	39,407,304	38,927,400
Earnings per share	-0.05	-0.10
Adjusted average number of shares considering dilution effect, 1,000	39,407	38,927
Av. nr. of shares considering dilution effect*	39,407,304	38,927,400
Earnings per share, diluted	-0.05	-0.10

*Stock options are excluded when calculating the diluted earnings per share when the result is loss and EPS is negative

11. PROPERTY, PLANT AND EQUIPMENT

Accounting principles

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 non-current assets item is treated as a separate asset, expenses related to its replacement are capitalized and any remaining book value is written off. Expenses incurring later are included in the class of property, plant, and equipment only if it is probable that the property will provide future economic benefits to the Group and that the acquisition cost can be reliably determined. Other repair and maintenance expenses are recognized in profit/loss as and when incurred.

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

- Machinery and equipment: 5 years from month of acquisition.
- Computer hardware: 3-5 years from month of acquisition.
- Leasehold improvements of rental premises: According to the lease term, though no more than 7 years from year of acquisition.

The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The depreciation on property, plant, and equipment is ceased when the asset is classified as held for sale in accordance with standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

EUR	2022	2021
Machinery and equipment		
Acquisition cost 1 Jan	2,211,773	2,094,182
Exchange rate effect	16,414	20,177
Increase	204,383	97,414
Acquisition cost 31 Dec	2,432,571	2,211,773
Accumulated depreciation 1 Jan	2,069,306	1,979,855
Exchange rate effect	11,734	19,843
Depreciation for the financial period	95,288	69,608
Accumulated depreciation 31 Dec	2,176,328	2,069,306
Book value 31 Dec	256,243	142,467
Other tangible assets		
Acquisition cost 1 Jan	76,428	72,389
Exchange rate effect	3,245	4,039
Acquisition cost 31 Dec	79,673	76,428
Accumulated depreciation 1 Jan	59,241	43,857
Exchange rate effect	3,245	3,798
Depreciation for the financial period	4,796	11,586
Accumulated depreciation 31 Dec	67,283	59,241
Book value 31 Dec	12,391	17,187
Book value of tangible assets 31 Dec	268,634	159,654

12. RIGHT-OF-USE ASSETS

EUR	2022	2021
Buildings		
Acquisition cost 1 Jan	1,637,695	1,375,688
Exchange rate effect	22,778	31,823
Increase	909,903	255,189
Decrease	-189,928	-25,004
Acquisition cost 31 Dec	2,380,447	1,637,695
Accumulated depreciation 1 Jan	1,068,347	689,283
Exchange rate effect	20,837	25,813
Depreciation for the financial period	414,738	353,250
Accumulated depreciation 31 Dec	1,503,922	1,068,347
Book value of right-of-use assets 31 Dec	876,526	569,349

Right-of-use assets include mainly leased offices and software.

The increase of right-of-use assets in 2022 is mainly due to change in accounting estimate of lease liabilities. The management of SSH evaluates lease terms of the agreements that have no fixed expiration date or notice period less than 12 months.

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

More information on leases is presented in the note 24. *Leases*.

13. INTANGIBLE ASSETS

Accounting principles

Intangible Assets

Research and Development Costs

Research and development costs are expensed as they are incurred, except for those development costs that are capitalized if the criteria in IAS 38 are met. The most significant development costs to be capitalized constitute R&D personnel costs and sub-contracting costs. Development costs once recognized as costs are not capitalized in subsequent financial periods.

Intangible assets not yet available for use are tested annually for impairment. Subsequently capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their useful lives, estimated 5 years.

Software

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

Other Immaterial Rights

Immaterial rights include obtained technology patents, trademarks, customer registers, and technology rights. These are entered in the balance sheet at cost and depreciated on a straight-line basis over their economic

lifetime. The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The economic lifetime is generally 5 to 10 years.

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.

Goodwill

Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies. Goodwill is stated

at historical cost less any accumulated impairment losses. Goodwill represents the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition. The carrying amount of goodwill is not amortized, but is tested for impairment annually or more frequently if any indication of impairment exists.

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

EUR	2022	2021
Software		
Acquisition cost 1 Jan	2,143,170	2,125,288
Exchange rate effect	12,122	15,347
Increase	7,710	2,535
Acquisition cost 31 Dec	2,163,002	2,143,170
Accumulated depreciation 1 Jan	2,092,371	2,067,033
Exchange rate effect	12,332	15,347
Depreciation for the financial period	10,236	9,991
Accumulated depreciation 31 Dec	2,114,939	2,092,371
Book value 31 Dec	48,064	50,799

EUR	2022	2021
Immaterial rights		
Acquisition cost 1 Jan	26,815,927	16,773,132
Increase	2,243,560	10,042,795
Acquisition cost 31 Dec	29,059,487	26,815,927
Accumulated depreciation 1 Jan	13,588,404	11,383,387
Depreciation for the financial period	2,554,085	2,205,017
Impairment	40,500	
Accumulated depreciation 31 Dec	16,182,990	13,588,404
Book value 31 Dec	12,876,497	13,227,522
Goodwill	8,594,625	8,594,625
Book value of intangible assets 31 Dec	21,519,186	21,872,947

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

Goodwill

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

The key parameters applied in impairment testing are: increase in net sales during the next year 8% and the following four years 5%, steady growth rate in projecting terminal value 1% and discount rate 18.1%. The key parameters were determined based on the growth expectations and also the historical growth of the CGU. The discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company-specific risk premium (small stock premium 6.0%), industry specific equity beta, cost of debt and debt to equity ratio. Tested assets include goodwill, customer related and technology based intangible assets, capitalized R&D costs and net working capital.

An asset is impaired when its carrying amount exceeds its recoverable amount. On the basis of the impairment calculations made, there has been no need for impairment for the CGU for the period ended December 31, 2022. The value-in-use amount of Deltagon CGU exceeded the book value by EUR 4.5 million.

Sensitivity analyses of goodwill have been carried out for the valuation of CGU by making downside scenarios for key parameters. If other parameters remain unchanged, increase in discount rate over 5.68%, or zero growth for the first year and more than 1.5% decrease in growth assumptions for the next four years would result in impairment.

No goodwill impairment losses were recognized during the accounting period.

Intangible assets

At the end of the year, the company has tested the value of intangible assets using a moderate growth rate compared to year 2022 net sales and year 2022 cost structure. The cash flow forecasts of new products in the market are based on year 2023 budget. The discount rate used in the testing was 11.6%. 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. INVENTORIES

Accounting principles

Inventories

Inventories are valued at cost or at a net realizable value, whichever is lower. Inventories comprise finished goods for sale. Cost is determined using the weighted average method. Inventories are presented net of write-down recognized for obsolete inventories.

EUR	2022	2021
Finished goods	327,149	36,196
Total inventories	327,149	36,196

15. TRADE RECEIVABLES AND CONTRACT LIABILITIES

Accounting principles

Intangible Assets

Financial assets

The Group has classified its financial assets into the following categories: financial assets at fair value through profit of 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 2022 or 2021.

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.

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.

Trade receivables

EUR	2022	2021
Total trade receivables	8,100,578	4,253,848

By currency, EUR	2022	2021
EUR	4,724,338	2,876,388
USD	3,028,880	714,341
GBP		273,690
CHF	281,679	256,170
SEK	65,681	133,259
Total	8,100,578	4,253,848

by age, EUR	ECL rate	2022	2021
Non-matured	0.5%	7,592,107	3,452,357
Matured			
< 30 days	2.0%	405,965	272,637
31-60 days	3.0%	24,215	214,316
61-90 days	10.0%	101,258	245,705
91-120 days	20.0%	184	13,295
121-180 days	30.0%		38,911
> 181 days	100.0%	61,409	148,738
Impairment		-84,560	-132,111
Total		8,100,578	4,253,848

Trade receivables' payment terms vary. Majority of trade receivables are sold with payment terms 30 days net.

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

Contract liabilities

EUR	2022	2021
Deferred revenue	14,058,833	8,659,315
Government grants received	15,348	322,693
Total advances received and deferred revenue	14,074,182	8,982,008

16. CASH AND CASH EQUIVALENTS

Accounting principles

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.

EUR	2022	2021
Cash and short-term deposits	5,719,583	8,207,229

17. OTHER RECEIVABLES

EUR	2022	2021
VAT receivables	84,190	132,632
Deposits	149,175	147,949
Prepaid assets	356,614	
Other current receivables	10,868	182,932
Total	600,848	463,513

Prepaid assets

The Group's prepaid assets consist of costs of goods sold and sales commissions. In 2021 costs were recorded through profit and loss because of their immaterial impact. Costs of goods sold that are costs to fulfil a contract with a customer are recognized as an asset when the contract period is 12 months or longer, costs are material, and revenue from contract is recognized over time.

Sales incentive commissions that are incremental costs of obtaining a contract with a customer are recognized as

an asset when the contract period is 12 months or longer, and costs to fulfil the contract are material, and revenue from contract is recognized over time.

Assets are amortized over time during the contract period in proportion to the revenue from the contract.

The amortized amount of prepaid assets in 2022 is EUR 57,734. No impairment of prepaid assets was recorded in 2022.

18. 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.

19. NOTES TO EQUITY

Accounting principles

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 cost

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

Own shares

If SSH Communications Security Corporation or its subsidiaries purchase parent company SSH Commu-

nications 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, 2022 or December 31, 2021.

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 2022 was EUR 1,189,893.18 (2021: EUR 1,178,366.97), and the number of shares was 39,663,106 (2021: 39,278,899).

Changes in the share capital:	Number of shares	Share capital, EUR
31 Dec 2021	39,278,899	1,178,367
Subscriptions under stock option plan	384,207	11,526
31 Dec 2022	39,663,106	1,189,893

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.

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.



20. 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.

EUR	2022	2021
Net liabilities		
Interest-bearing liabilities	1,745,000	2,827,000
Lease liabilities	877,942	591,270
Cash and cash equivalents	5,719,583	8,207,229
Net liabilities	-3,096,641	-4,788,959
Equity total	10,467,741	12,025,739
Equity ratio	46.07%	44.63%
Gearing	-27.93%	-39.82%

The interest-bearing liabilities consist of a premium loan received from ELO mutual pension insurance company EUR 1.7 million.

In 2022 Kyberleijona Oy repaid subordinated loan capital EUR 0.6 million to the non-controlling interest holder State Security Networks Group Finland. In the end of 2022 Kyberleijona had no longer subordinated loan in its balance

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

21. SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS

Accounting principles

Employee Benefits

Pensions

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

Share-based payments

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

conditions of the option plan.

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

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 2,302,127 stock options outstanding (2021: 1,915,334), representing 5.8% of shares and 5.8% of votes. The weighted average exercise price of outstanding stock options was EUR 1.0 (2021: EUR 1.4). The weighted average of the remaining subscription period was 1.2 years (2021: 1.2 years). The exercise price varies from EUR 0.93 to EUR 2.98, and the remaining subscription period from 0.2 years to 3.2 years.

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

INFORMATION ABOUT OPTION PLANS:

Option plan	Option certificate	Release date	Subscription period		Subscription price, EUR	Options not exercised
			Begin	End		
2018	2018	22 Feb 2018	1 Dec 2020	31 Mar 2022	2.09	0
2019 A	2019 A	18 Dec 2018	1 Dec 2021	31 Mar 2023	1.56	823,127
2020 A	2020 A	13 Feb 2020	1 Dec 2022	31 Mar 2024	0.93	980,000
2022 A	2022 A	23 Feb 2022	22 Feb 2024	31 Mar 2026	2.98	980,000
Total						1,803,127

CHANGES IN OUTSTANDING STOCK OPTIONS:

	2022	2021
At the beginning of the financial period	1,915,334	2,727,000
Stock options granted	914,000	218,000
Stock option forfeited	93,000	553,000
Stock options expired	50,000	
Stock options exercised	384,207	476,666
At the end of the financial period	2,302,127	1,915,334
Exercisable option rights at the end of the financial period	2,302,127	1 915 334

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 2022 are:

	2022
Share price at grant, EUR	2.28
Share price at financial period end, EUR	2.30
Exercise price, EUR	2.42
Expected volatility ¹	53.2%
Maturity, years	3.01
Risk-free rate	1.15%
Expected dividends, EUR	0.00
Valuation model	Black-Scholes
Fair value 31 Dec 2022, EUR	761,115

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	2022	2021
Share-based payments, equity-settled	721,609	479,238

22. TRADE AND OTHER PAYABLES
Accounting principles
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.

The Group did not have any derivative contracts during 2022 or 2021.

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.

EUR	2022	2021
Trade payables	680,205	567,519
Personnel related	3,911,966	2,808,350
Accruals	46,404	55,426
VAT liabilities	801,895	373,317
Other liabilities	1,848,040	2,205,131
Total	7,288,510	6,009,743

23. 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 2022 would increase the pre-tax profit of the Group by 12,000 euros. Similarly, a 10% weakening of the U.S. dollar against the Euro would decrease the pre-tax profit of the Group by 15,000 euros.

A 10% strengthening of the U.S. dollar against the Euro using with net position on 31 Dec 2022 would increase revenue of the Group by 630,000 euros. Similarly, a 10% weakening of the U.S. dollar against the Euro would decrease the revenue of the Group by 770,000 euros.

Interest Rate Risk

The interest-bearing debt of the Group at the end of the review period was EUR 1,745,000 and it consisted of a premium loan taken from ELO mutual pension insurance company EUR 1,745,000. The interest rate of the premium loan consists of reference interest rate and added margin 0.50%. During 2022 the calculated annual rate of premium loan was 0.80%.

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

Market Risk Related to Investments

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

Credit Risk

The Group has no significant concentrations of credit risk. At the end of the financial year, the Group recorded impairment losses of EUR 0.1 million to cover doubtful receivables. During 2022 the Group recorded credit losses of EUR 48,985. 2021 there were no recorded credit losses. The aging distribution of trade receivables is presented in note 15. *Trade receivables*.

Liquidity Risk

The Group's cash and cash equivalents on 31 Dec 2022 were 5,719,583 euros (2021: 8,207,229 euros).

The Group had trade payables and other short-term debts amounting 5,618,510 euros (2021: 4,334,743 euros). The outstanding installments from Deltagon acquisition and payments of premium loan from ELO mutual pension insurance company maturing less than one year amount 2,170,000 euros.

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

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

31 DEC 2022				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	500,000	1,245,000		1,745,000
Outstanding installments from Deltagon acquisition	1,670,000	1,666,796		3,336,796
Lease liabilities	380,447	497,495		877,942
Trade and other payables	5,618,510			5,618,510
Total	8,168,957	3,409,291		11,578,248
31 DEC 2021				
EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	500,000	1,745,000	582,000	2,827,000
Outstanding installments from Deltagon acquisition	1,670,000	3,166,096		4,836,096
Lease liabilities	371,791	219,479		591,270
Trade and other payables	4,334,743			4,334,743
Total	6,876,534	5,130,575	582,000	12,589,109

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

EUR	1 Jan 2022	Cash flows	Foreign exchange movement	New leases	Other	31 Dec 2022
Current lease liabilities	329,417	-386,328	9,742	92,248	326,711	371,791
Current interest-bearing borrowings		500,000				500,000
Other current liabilities					1,670,000	1,670,000
Non-current interest-bearing borrowings	582,000	1,745,000				2,327,000
Non-current lease liabilities	385,355		5,735	155,101	-326,711	219,480
Other non-current liabilities					3,166,096	3,166,096
Total liabilities from financing activities	1,296,772	1,858,672	15,477	247,349	4,836,096	8,254,366

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

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

24. LEASES

Accounting principles

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.

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	2022	2021
Offices	721,261	429,062
Software	125,986	99,703
Other	29,278	40,583
Total	876,526	569,349

Lease liabilities

EUR	2022	2021
Current	380,447	371,791
Non-current	497,495	219,479
Total	877,942	591,270

Additions to the right-of-use assets during 2022 were in total EUR 0.9 million (2021: EUR 0.3 million). Changes in right-of-use assets have been presented in note 12. *Right-of-use assets*.

The increase of lease liabilities is mainly due to change in accounting estimate. The management of SSH evaluates lease terms of the agreements that have no fixed expiration date or notice period less than 12 months.

Leases in the income statement

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

EUR	2022	2021
Depreciation charge of right-of-use assets	-414,738	-379,064
Interest expenses (included in financial costs)	-24,046	-61,385
Expense relating to short-term leases (included in other operating costs)	-691	-30,386
Expense relating to leases of low-value assets (included in other operating costs)	-36,256	-7,886

The cash outflow for leases in 2022 was in total EUR 0.4 million (2021: EUR 0.4 million).

25. GUARANTEES GIVEN AND OTHER COMMITMENTS

Accounting principles

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.

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.

EUR	2022	2021
Rental guarantees (pledged)	149,175	147,949
Hybrid Loan, Interest	1,380,000	1,380,000

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland. The purchase price consideration of Deltagon Oy includes an earn-out consideration. The earn-out consideration is payable as one lump-sum payment at the latest on 10th business day after the financial statements for the accounting period ending on 31.12.2023 have been adopted by the Annual General Meeting of Kyberleijona Oy. Total amount of earn-out consideration will not exceed EUR 1,300,000. On 31 December 2022, management estimated that that no earn-out consideration of Deltagon acquisition is to be paid. The earn-out consideration liability of EUR 650,000 was reversed and recognized in the income statement. More information about Deltagon acquisition can be found on note 28.

26. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

Accounting principles

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.

Group companies Dec 31 2022	Domicile	Group holding, %	Votes, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., New York City	USA	100	100
SSH Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	65	65
Deltagon Oy	Finland	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

Partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2022	2021
Kyberleijona Oy	Finland	35%	35%
Deltagon Oy	Finland	35%	35%

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

On January 29, 2021, SSH announced the acquisition of Deltagon Oy through its subsidiary Kyberleijona Oy. The transaction was closed on April 26, 2021 and since has been consolidated to Group's reported figures.

The following key figures presented include Kyberleijona Oy, Deltagon Oy and Deltagon branches in Sweden and in Norway. Intercompany items between the presented entities have been eliminated.

Summarised statement of consolidated key figures before group intercompany eliminations:

EUR	2022	2021
Net sales	6,188,134	5,019,007
Operating profit/loss	692,315	1,044,119
Profit/loss for the year	644,153	366,279
Total assets	30,720,930	28,608,558
Equity	20,502,817	21,523,661
Net cash flow	337,904	2,196,037

No dividend has been distributed to non-controlling interest during 2022 or 2021.

27. 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.

Employee benefits of the management

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

Remuneration and fees – CEO		
EUR	2022	2021
Salary and other short-term employee benefits	325,816	262,703
Total	325,816	262,703

Salary and other short-term employee benefits of the CEO are presented as payment based.

Fees to Members of the Board of Directors		
EUR	2022	2021
Candolin Catharina (as of March 2022)	18,000	
Fredrikson Christian (as of 25 March 2021)	24,000	18,435
Kellomäki Sampo (as of 26 March 2020)	24,000	24,000
Kiianmies Aino-Mari (until 25 March 2021)		6,000
Tavakka Kai (as of 26 June 2020)	24,000	24,000
Ylönen Tatu (until 25 March 2021)		
Österlund Henri (as of 26 June 2020, Chairman of the Board)	28,800	
Total	90,000	101,235

Share and stock option holdings of Board members	31 Dec 2022 Shares	31 Dec 2022 Options	31 Dec 2021 Shares	31 Dec 2021 Options
Candolin Catharina	144			
Fredrikson Christian	10,000			
Kellomäki Sampo				
Tavakka Kai	5,480		5,480	
Österlund Henri	148,595		119,627	
Total	164,219		125,107	

Share and stock option holdings of the key management	31 Dec 2022 Shares	31 Dec 2022 Options	31 Dec 2021 Shares	31 Dec 2021 Options
Tunkelo Teemu	177,043	435,000*	77,043	425,000
Nordström Niklas (until 4.1.2023)	4,619	349,000	4,619	279,000
Raulas Rami		180,000		50,000
Total	181,662	964,000	81,662	754,000

*Teemu Tunkelo's options include 50,000 unsubscribed options and 385,000 subscribed options

Compensation of the key management personnel of the group		
EUR	2022	2021
Wages and other short-term employee benefits	791,229	633,344
Share-based payments		38,280

On 31 December 2022, the CEO and members of the Board of Directors of SSH Communications Security owned 29.4% (2021: 18.2%) of the shares and votes in the company, either directly or indirectly through companies they own.

Management group members including the CEO directly or indirectly held about 0.5% (2021: 0.1%) of company shares and have a total of 964,000 (2021: 754,000) option rights.

The key conditions of the option right arrangements are described in note 21. *Share-based payments*.

Related party transactions

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



28. BUSINESS COMBINATIONS

2022

No acquisitions or divestments were closed in 2022.

2021

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland that develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. A majority of Deltagon's revenue is generated from the secure email messaging solution Sec@GW that has been certified by the National Cyber Security Authority at the Finnish Transport and Communications Agency (NCSA-FI) for protecting classified information according to the Finnish national (FI) ST III and ST IV security requirements. The Group has acquired Deltagon because it complements SSH's product and services portfolio and creates synergies in product development, developing future quantum resistance, and leveraging international sales and marketing channels. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Deltagon from the acquisition date April 26 until December 31, 2021.

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

EUR	
Purchase consideration	2021
Cash paid	5,000,000
Deferred purchase price	4,853,477
Considerations shares	5,390,000
Closing adjustments	1,532,844
Earnout consideration	650,000
Total purchase consideration	17,426,321

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

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

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

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

29. EVENTS AFTER THE BALANCE SHEET DATE

Michael Kommonen has been appointed as the new CFO of SSH Communications Security and a member of the Executive Management Team. Mr. Kommonen will take up his new position on March 1st, 2023, at the latest.



Parent Company Financial Statements

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
NET SALES	1	12,510,576.00	9,638,427.83
Purchasing and production costs			-2,004.75
GROSS MARGIN		12,510,576.00	9,636,423.08
Other operating income		811,259.00	769,294.68
Research and development costs	2, 3, 6	-6,435,389.63	-5,536,311.17
Sales and marketing costs	2, 3, 6	-3,921,581.99	-3,414,951.56
Administrative costs	2, 3, 6	-3,388,027.33	-2,950,521.47
OPERATING PROFIT/LOSS		-423,163.96	-1,496,066.43
Financial income	7		
Interest income and other financing income		338,967.46	3,787,885.79
Interest costs and other financing costs		-324,494.18	-386,444.21
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		-408,690.68	1,905,375.15
Appropriations	8		
Group contribution received		8,696.93	12,028.50
PROFIT/LOSS BEFORE TAXES		-399,993.75	1,917,403.65
Taxes		0.00	0.00
PROFIT/LOSS FOR THE FINANCIAL PERIOD		-399,993.75	1,917,403.65

PARENT COMPANY BALANCE SHEET

ASSETS			
EUR	Note	31 Dec 2022	31 Dec 2021
NON-CURRENT ASSETS			
Intangible assets	9		
Immaterial rights		3,498,145.60	3,191,018.02
Intangible assets, total		3,498,145.60	3,191,018.02
Tangible assets	9		
Machinery & equipment		202,824.74	107,972.41
Tangible assets, total		202,824.74	107,972.41
Investments			
Shares in Group companies	9, 19	13,816,037.61	14,896,037.61
Other shares		11,000.00	11,000.00
Investments, total		13,827,037.61	14,907,037.61
NON-CURRENT ASSETS, TOTAL		17,528,007.95	18,206,028.04
CURRENT ASSETS			
Current receivables			
Trade receivables		3,862,583.83	1,958,039.05
Receivables from Group companies	10	5,045,813.30	5,354,053.47
Prepaid expenses and accrued income	11	311,743.14	196,303.32
Other receivables	12	337,459.26	255,515.83
Current receivables, total		9,557,599.53	7,763,911.67
Cash and cash equivalents		388,083.35	2,369,368.20
CURRENT ASSETS, TOTAL		9,945,682.88	10,133,279.87
ASSETS, TOTAL		27,473,690.83	28,339,307.91

PARENT COMPANY INCOME STATEMENT

EQUITY AND LIABILITIES			
EUR	Note	31 Dec 2022	31 Dec 2021
EQUITY			
	13		
Share capital		1,189,893.18	1,178,366.97
Unrestricted invested equity fund		24,410,411.54	23,702,087.81
Hybrid capital securities	14	12,000,000.00	12,000,000.00
Retained profit/loss		-23,645,679.14	-24,183,082.79
Profit/loss for financial period		-399,993.75	1,917,403.65
EQUITY, TOTAL		13,554,631.83	14,614,775.64
LIABILITIES			
NON-CURRENT LIABILITIES			
Pension loan	15	1,245,000.00	1,745,000.00
Payables to Group companies	15,16	1,670,000.00	3,340,000.00
NON-CURRENT LIABILITIES, TOTAL		2,915,000.00	5,085,000.00
CURRENT LIABILITIES			
Advances received		2,870,692.78	2,607,972.72
Trade payables		512,860.81	238,786.47
Payables to Group Companies	16	3,576,038.58	3,234,464.53
Accrued expenses and deferred income	17	2,776,499.76	1,647,035.42
Pension loan		500,000.00	500,000.00
Other liabilities		767,967.07	411,273.13
CURRENT LIABILITIES, TOTAL		11,004,059.00	8,639,532.27
LIABILITIES, TOTAL		13,919,059.00	13,724,532.27
EQUITY AND LIABILITIES, TOTAL		27,473,690.83	28,339,307.91

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
Cash flow from business operations		
Receipts from customers	13,196,277.07	9,839,634.26
Payments to suppliers and employees	-12,321,537.05	-9,048,311.77
Cash flow from business operations before financial items and taxes	-152,978.61	791,322.49
Interest and other financial costs	111.81	-103,151.06
Interest and other financial revenue		3,207,999.07
Cash flow from business operations	721,873.22	3,896,170.50
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,682,290.88	-1,570,947.88
Investments in subsidiaries	-1,670,000.00	-5,996,348.60
Receipt of government grants	729,282.87	271,188.17
Cash flow from investing activities	-2,623,008.01	-6,149,764.28
Cash flow from financing activities		
Change of non-current debt		1,745,000.00
Change in current debt	-500,000.00	500,000.00
Interest on hybrid capital securities	-1,380,000.00	-1,380,000.00
Subordinated loan return	1,080,000.00	
Proceeds from shares subscribed with option rights	719,849.94	996,231.94
Group contribution received		16,864.78
Cash flow from financing activities	-80,150.06	1,878,096.72
Change in liquid assets	-1,981,284.85	-375,497.06
Liquid assets in the beginning of period	2,369,368.20	2,744,865.26
Change in liquid assets	-1,981,284.85	-1,234,942.80
Liquid assets at the end of period	388,083.35	2,369,368.20

Notes to the Parent Company Financial Statements

The financial statement of the parent company, SSH Communications Security Corporation, is drawn up in accordance with the Finnish Accounting Standards. Figures are given to an accuracy of one cent (EUR 0.01). All items in the balance sheet are recognized at original acquisition cost. Information on financial risk management is presented in the consolidated financial statements (Note 21. *Financial Risk Management*)

Principles of Revenue Recognition

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

Revenue from services rendered under maintenance agreements is amortized across the agreement period. Revenues from services are recognized when the service has been delivered and it is probable that the economic benefits associated with the transaction will accrue to the Group. Revenue from subscription contracts is amortized across the agreement period.

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

Apportioning of Costs to Functions

Costs are apportioned to functions according to the matching principle.

Leases

The parent company has rental agreement for office premises at Karvaamokuja 2B, Helsinki and minor

other assets. Leasing payments paid pursuant to these agreements are recognized as costs over the rental or leasing period under agreements.

Income Tax

The income tax in the income statement comprises direct taxes based on the taxable profit for the financial period and adjustments to taxes on previous financial periods. The parent company does not recognize deferred tax receivables or liabilities in its financial statement. The parent company has confirmed tax losses of EUR 1.9 million (2021: EUR 3.2 million). In addition, the parent company has EUR 41.2 million (2021: EUR 38.5 million) research and development expenses and depreciations not deducted in taxation, whereof no deferred tax asset has been recognized.

Fixed Assets

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

The asset categories and their depreciation periods are:

Machinery and equipment	5 years from month of acquisition
Computer hardware	3 years from month of acquisition
Immaterial rights	5 years from month of acquisition
Development costs	5 years from month of capitalization
Other capitalized expenditure	5 years from year of capitalization
Leasehold improvements of rental premises	Length of the rental agreement, though no more than 7 years, from year of capitalization

Research and Development Costs

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

Foreign Currency Transactions

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

Option Rights

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

Hybrid capital securities

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

1. NET SALES BY MARKET AREA

EUR	2022	2021
Finland	5,200,067.23	2,065,274.68
Rest of Europe	2,074,356.10	4,491,819.81
Other	5,236,152.76	3,081,333.34
Total	12,510,576.09	9,638,427.83

2. OPERATING COSTS

EUR	2022	2021
Other operating costs		
External services	-2,834,933.50	-2,549,757.72
Depreciation	-1,181,529.42	-1,149,816.48
Other	-2,094,113.19	-1,616,603.36
Total	-6,110,576.11	-5,316,177.56

Auditor's fees

EUR	2022	2021
Principal auditor (Ernst & Young Oy)		
Statutory auditing	-54,308.00	-58,956.00
Other auditing		
Other services	-21,400.00	-14,362.50
Total	-75,708.00	-73,318.50

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

Personnel costs		
EUR	2022	2021
Wages and salaries	-7 464 535.90	-6 393 514.17
Pension costs	-1 128 844.19	-969 552.66
Other ancillary personnel costs	-466 432.63	-238 760.99
Total	-9 059 812.72	-7 601 827.82

Average number of employees	2021	2020
	90	76

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

	2022	2021
Research and development	60	54
Sales and marketing	21	16
Administration	15	11
Total	96	81

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	2022	2021
Immaterial rights	228,557.36	249,395.50
Capitalized development costs	876,100.71	838,300.32
Machinery and equipment	76,871.35	62,120.66
Total	1,181,529.42	1,149,816.48

In 2022 the company recorded an impairment of intangible assets EUR 408.58. In 2021, the company did not record any impairments.

7. FINANCIAL INCOME AND COSTS

EUR	2022	2021
Interest income	25,488.86	738,420.19
Received payment of impaired internal loan		2,755,580.05
Exchange rate gains and losses (net)	141,963.03	7,905.23
Interest, expenses and other financial costs	-152,978.61	-100,464.16
Total	14,473.28	3,401,441.31

8. APPROPRIATIONS

EUR	2022	2021
Group contribution from SSH Operations Oy	6,503.99	
Group contribution from SSH Technology Oy	2,192.94	12,028.50
Total	8,696.93	12,028.50

9. INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

EUR	2022	2021
Immaterial rights		
Acquisition cost 1 Jan	15,962,180.58	14,846,432.33
Increase	1,411,785.65	1,115,748.25
Acquisition cost 31 Dec	17,373,966.23	15,962,180.58
Accumulated depreciation 1 Jan	12,771,162.56	11,683,466.74
Depreciation for the financial period	1,104,658.07	1,087,695.82
Accumulated depreciation 31 Dec	13,875,820.63	12,771,162.56
Book value 31 Dec	3,498,145.60	3,191,018.02
Machinery and equipment		
Acquisition cost 1 Jan	1,904,228.14	1,851,053.88
Increase	171,723.69	53,174.26
Acquisition cost 31 Dec	2,075,951.83	1,904,228.14
Accumulated depreciation 1 Jan	1,796,255.73	1,734,135.07
Depreciation for the financial period	76,871.36	62,120.66
Accumulated depreciation 31 Dec	1,873,127.09	1,796,255.73
Book value 31 Dec	202,824.74	107,972.41
Investments		
Book value 1 Jan	14,907,037.61	3,900,689.01
Increase		11,006,348.60
Decrease	-1,080,000.00	
Book value 31 Dec	13,827,037.61	14,907,037.61

In 2022 Kyberleijona Oy has repaid a subordinated loan capital EUR 1,080,000.00 and interest EUR 16,377.05 to the parent company. The capital and interest of the subordinated loan can only be repaid in circumstances permitted by Chapter 12 of the Finnish Limited Liability Companies Act. The capital of the subordinated loan can only be repaid to the extent the unrestricted shareholders' equity and the total amount of the subordinated loan at the time of the repayment exceeds the loss that is to be confirmed for the company's latest financial year or is included in the balance sheet of more recent financial statements. The annual interest for the loan is three per cent (3%). As part of the cooperation agreement between SSH and State Security Networks Group Finland, SSH has strengthened the equity of Kyberleijona in 2018 by EUR 2,532,022.86.

10. RECEIVABLES FROM GROUP COMPANIES

EUR	2022	2021
Trade receivables	5,037,116.37	5,342,024.97
Group contribution receivable	8,696.93	12,028.50
Total	5,045,813.30	5,354,053.47

11. PREPAID EXPENSES AND ACCRUED INCOME

EUR	2022	2021
Prepaid expenses	311,743.14	196,303.32
Total	311,743.14	196,303.32

12. OTHER RECEIVABLES

EUR	2022	2021
Other receivables	337,459.26	255,515.83
Total	337,459.26	255,515.83

13. EQUITY

EUR	2022	2021
Share capital 1 Jan	1,178,366.97	1,164,066.99
Increase in share capital	11,526.21	14,299.98
Share capital 31 Dec	1,189,893.18	1,178,366.97
Unrestricted invested equity fund	24,410,411.54	23,702,087.81
Hybrid capital securities	12,000,000.00	12,000,000.00
Retained earnings	-23,645,679.14	-24,183,082.79
Profit/loss for the financial period	-399,993.75	1,917,403.65
Total	13,554,631.83	14,614,775.64

Statement on Distributable Funds, EUR	2022	2021
Retained earnings	-23,645,679.14	-24,183,082.79
Profit/Loss for the financial period	-399,993.75	1,917,403.65
Unrestricted invested equity fund	24,410,411.54	23,702,087.81
Capitalized development costs	-2,617,391.51	-2,164,941.90
Total	-2,252,652.86	-728,533.23

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 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 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.

Paid interest from hybrid capital securities reduce the amount of retained earnings. Unpaid interest from hybrid capital securities is presented in note 18. Other commitments. Paid interest in the financial year 2022 was EUR 1,380,000 (2021: EUR 1,380,000).

15. NON-CURRENT LIABILITIES

EUR	2022	2021
Pension loans payable		
Between one and five years	1,245,000.00	1,745,000.00
Pension loans, total	1,245,000.00	1,745,000.00
Liabilities to subsidiaries		
Between one and five years	1,670,000.00	3,340,000.00
Liabilities to subsidiaries, total	1,670,000.00	3,340,000.00
Non-current liabilities, total	2,915,000.00	5,085,000.00

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

16. LIABILITIES TO SUBSIDIARIES

EUR	2022	2021
Non-current liabilities to subsidiaries		
Other liabilities	1,670,000.00	3,340,000.00
Non-current liabilities to subsidiaries, total	1,670,000.00	3,340,000.00
Current liabilities to subsidiaries		
Trade payables	1,885,500.66	1,545,703.61
Other liabilities	1,690,537.92	1,688,760.92
Current liabilities to subsidiaries, total	3,576,038.58	3,234,464.53
Liabilities to subsidiaries, total	5,246,038.58	6,574,464.53

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

17. ACCRUED LIABILITIES AND DEFERRED INCOME

EUR	2022	2021
Personnel related	2,776,499.76	1,645,742.29
Accruals		1,293.13
Total	2,776,499.76	1,647,035.42

18. OTHER COMMITMENTS

EUR	2022	2021
Non-cancellable lease agreements for office facilities – future rent payments		
Within one year	339,629.34	246,268.06
Within more than one year but no more than 5 years	49,071.44	137,985.15
Commitments to group companies		
Within one year	1,670,000.00	1,670,000.00
Within more than one year but no more than 5 years	1,670,000.00	3,340,000.00
Other commitments		
Within one year	47,209.92	70,814.88
Within more than one year but no more than 5 years		46,815.54
Total	3,775,910.70	5,511,883.62

19. GROUP COMPANIES

Parent and subsidiary relationships of the Group 31 December 2022	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

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

EUR	2022	2021
Guarantees given and other commitments		
Rental guarantees (pledged)	128,127.90	128,127.90
Hybrid Loan, Interest	1,380,000.00	1,380,000.00

Dividend Proposal and Signatures

DIVIDEND PROPOSAL

The parent company's distributable funds are EUR -2,252,652.86, of which the loss for the financial year is EUR -399,993.75. The Board of Directors proposes to the Annual General Meeting on 24 March, 2023 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, 22 February 2023

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

CHRISTIAN FREDRIKSON
Member of the Board of Directors

CATHARINA CANDOLIN
Member of the Board of Directors

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 22 February 2023

Ernst & Young Oy
Authorized Public Accountants

MARIA ONNISELKÄ
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, 2022. The financial statements comprise the consolidated balance sheet, income statement, 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 procedures 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 notes 2 and 3.</i></p> <p>The group has multiple revenue sources including maintenance and subscription sales, license sales and consulting services. The group's revenue for the financial year 2022 amounted to 19,3 million euros, which mostly comprised of maintenance and subscription sales and license sales.</p> <p>According to the group's accounting policies, maintenance and subscription sales are recognized evenly on an accrual basis throughout the contract period, and license sales are recognized when the right of use of the product is granted to the buyer. Consulting sales are recognized as the related consulting work is performed for the client.</p> <p>There is a risk of incorrect timing of revenue recognition due to the various different terms and conditions included in the group's sales contracts. 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 the following procedures:</p> <ul style="list-style-type: none"> • We evaluated the revenue recognition principles applied by the group from the perspective of the applicable accounting standards. • We evaluated the revenue recognition of different sources of revenue in relation to the terms and conditions of the sales contracts. • We tested the correctness of the timing of revenue recognition. • We evaluated the appropriateness and sufficiency of the notes related to the group's revenue.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of goodwill <i>We refer to the note 13.</i></p> <p>As of balance sheet date 31 December 2022, the value of goodwill amounted to 8,6 million euros. Goodwill is allocated on one cash generating unit of the Group (Deltagon Oy).</p> <p>Valuation of goodwill was a key audit matter because</p> <ul style="list-style-type: none"> • the annual impairment testing process involves management judgment, the assessment process is complex, and it includes estimates and assumptions, • impairment testing is based on assumptions relating to market and economic conditions, and • goodwill is significant to the financial statements. <p>The value in use of the cash generating unit of the group is estimated based on a discounted cash flow calculation, and the outcome can vary significantly when the underlying assumptions used in the calculation change. There are number of underlying assumptions used to determine the value in use, such as revenue growth rate, EBIT and the discount rate applied on net cash flows. Any changes in these assumptions may result in an impairment of goodwill.</p>	<p>Our audit procedures included the following procedures:</p> <ul style="list-style-type: none"> • We evaluated with the assistance of EY valuation specialists the underlying assumptions and methods applied by the management in the impairment testing, with regards to the following assumptions: the revenue growth rate, EBIT-% and the weighted average cost of capital (WACC) applied on discounted cash flows. • We evaluated with the assistance of EY valuation specialists the appropriateness of the sensitivity analysis, and whether a reasonably possible change in an underlying assumption could cause the book value of the unit to exceed the value in use. • We compared future estimates to the budget approved by the Board of Directors and to the available historical information, and we tested the mathematical accuracy of the impairment calculation. • We read the note 13 related to the impairment testing and assessed whether the disclosure appropriately and sufficiently meets the requirements of the applicable accounting standards.

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 7 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 state-

ments 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 whether 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, 22 February 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Maria Onniselkä
Authorized Public Accountant

CORPORATE GOVERNANCE

SSH Communications Security is committed to transparent and responsible corporate governance through the 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. 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 where the management and supervision 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 the auditors. The Board of Directors is responsible for strategic management and decides on the SSH Group's administrative systems and ensures compliance with applicable legislation and good governance principles.

A Remuneration Policy was presented in AGM 2020 and is intended to be valid until the AGM 2024. Remuneration Report will be presented to the Annual General Meeting annually.

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 in a new employee training. Any allegations of bribery or corruption will be investigated thoroughly. The Anti-Bribery & Anti-Corruption Policy is available at www.ssh.com.

SSH has also established 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 its offices are green and energy-efficient and that environmental impacts are maintained as low as possible. Most of the environmental impact comes from the energy consumption of the offices, which is minimized by reusing supplies and recycling. Travel emissions from employee commuting and business travel are minimized by supporting remote working and online conferencing options.

SSH has been certified as a Nasdaq ESG Transparency Partner in 2022. This certification is used by Nasdaq to signal engagement in market transparency and in raising environmental standards.

The Nasdaq ESG Matrix includes data points from Environmental, Social, and Corporate Governance as well as Future Sustainability Goals, all of which SSH considers in its operations.

In 2023, SSH will continue reporting in accordance with the requirements of the Nasdaq ESG Transparency Partner certificate. In addition to the above-listed, SSH has defined its own ESG and climate strategy performance indicators. These key indicators include the environmental impact of equipment and offices, ethical business practices, cybersecurity, the diversity and well-being of the employees, and good people management. SSH will systemize its reporting regarding these indicators and the following of the ESG and environmental standards.

SSH is a responsible employer and ensures that all employees of SSH have the right to a safe and healthy working environment. SSH has zero tolerance for any form of discrimination or harassment. SSH has internal policies for non-discrimination and harassment, and it provides training on these issues to all employees worldwide. 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 had individual development discussions and were part of the performance management program. Every employee is treated with equality and fairness, and all decisions regarding the employees or employment will be made solely based on the performance of the employee in question. All full-time employees are under a performance pay policy and participate in individual development discussions. SSH considers diversity as a strength and actively encourages diversity throughout the organization, including top management and the Board of Directors. The principles on diversity are

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

always taken into account when considering nominations to the Board of Directors. SSH aims to have board members representing both genders as well as different professional and educational backgrounds.

At the end of 2022, SSH Communications Security Group had 144 employees (including Deltagon Ltd.), which increased by 22 employees from the end of 2021.

- Approximately 16,9% (2021: 15,7%) of the personnel were female, and 83,1% (2021: 84,3%) were male.

- The average age of all employees was 40 years (2021: 41 years). 36,8% (2021: 38,2%) of employees worked in sales, marketing, and customer services, 51,4% (2021: 52,8%) in R&D, and 11,8% (2021: 8,9%) in administration.
- Approximately 51,4% (2021: 41,5%) of the employees had been working at SSH for less than 2 years, 23,6% (2021: 28,5%) for 2-5 years, 16,7% (2021: 20,1%) for 5-10 years, and 7,6% (2021: 9,8%) 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, annual general meeting material, 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 the company refrains from contact with representatives of the capital markets and financial media.

ANNUAL GENERAL MEETING

SSH Communications Security Corporation's Annual General Meeting is planned for Thursday, March 24, 2023, in Helsinki, Finland.

FINANCIAL CALENDAR 2023

The company will publish the following financial reports during 2023:

FY 2022 Financial Statements Bulletin	February 23, 2023
FY 2021 Annual Report	released during Week 11
Business Review, January–March (Q1)	April 26, 2023
Half-year report, January–June (Q2)	July 20, 2023
Business Review, January–September (Q3)	October 25, 2023

In its Business Reviews, SSH will publish a summarized report of key financials as well as CEO review.

SSH COMMUNICATIONS SECURITY SHARE FACTS

Listing since 2000	Nasdaq Helsinki Ltd.
Trading symbol	SSH1V
Number of shares	39,663,106

INVESTOR RELATIONS CONTACTS

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