SSH

Annual Report 2021

Technology and Thought Leadership in cryptography and cybersecurity

Starting with an ingeniously safe internet protocol, SSH continues to help customers, in novel ways like abandoning password rotation or hiding them, to protect the customers from various quantum cybersecurity threats.

THE MOST SENSITIVE COMMODITY OF THE 21ST CENTURY IS DATA- AT REST, IN TRANSIT AND IN USE.

In the early days of internet, a smart open-source cryptography protocol solved a significant void in safeguarding the connections between various applications and their users.

We are very proud of our achievements in cryptography and defensive cybersecurity in the past and committed to offer leading technology solutions for higher cybersafe future. We maintain our pioneering spirit, to the future. We are inventors, implementors and business people serving our customers efficiently through their cybersecurity journey.

We serve our customers with proven-in-use and future-proof technologies that keep global ecosystems safe.

Culture of innovation, accountability and determination are key cornerstones when working for our remarkable customers.

Defensive cyber security technologies are developing towards third and fourth generations of cyber protection away from static passwords and SSH keys towards real time access control.

1. Zero Trust and Quantum Safe solutions are needed

2. Automating user management away from individual based access to role based access is needed

We have them both available today.

SENSITIVE, VALUABLE AND CRITICAL DATA – DO YOU KNOW YOUR CYBERSECURITY MATURITY LEVEL?

Every business should define their cybersecurity maturity level and its ambition level in improving it in the rapidly evolving digitalizing world. First, the maturity starts with classifying their various data sets based on their sensitivity, criticality, and value for the business. Second, one needs to know in which system and country the data is stored. Third, the user groups need to be managed: Who and when can access various data pools on a system or cloud level? Finally, how well do you manage the lifecycle of your invisible digital keys?

Cybercrime is increasing, and the 'new normal' working circumstances have increased remote work, thus increasing the volume of valuable data travelling through the internet.

Sensitive data in wrong hands threatens people, companies and governmental bodies. This all leads to a threat to the civil order of nations.

RECENT CYBERCRIME INCIDENTS

In 2021, the Colonial Pipeline ransomware attack caused fuel shortages in the southern USA. Twitch security breach uncovered their client details to a malicious third party. 500 supermarkets were forced to shut down in Sweden due to a ransomware attack in the USA. The German air conditioning, heating and exhaust system builder Eberspächer fell victim to an organized cyberattack and needed to close their factories and offices. A Finnish private psychotherapy practice Vastaamo patients got blackmailed by organized crime following a data breach in 2018.

All the above could have been avoided with more mature cybersecurity practices and processes based on SSH portfolio of products and solutions.

MODERN CYBERSAFE OPERATIONS NEED ZERO TRUST AND POST QUANTUM CRYPTOGRAPHY TECHNOLOGIES

The maturity of SSH key management, certificate management and data access management and control practices for cybersafe operations in factories, offices and government agencies define the resilience of real-life activities impacted by the increasing digitalization.

We can help with leading-edge technologies to improve your cybersafe posture now and in the future.

Our PrivX and Zero Trust solutions remove the requirement to change your passwords regularly. Super- and power users are managed separately from traditional users due to a higher risk for major data leakages. These users are managed as access groups removing the manual work needed to grant or remove access individually. Inter-application communication and key users' access control happens constantly in real-time and enables automation, auditing and monitoring services.

Zero Trust removes one of the most annoying features of the current cybersecurity practices, static passwords, and their forced periodical change process.

Passwords as we know them are coming to an end. Data and file storage, use and sharing can be safeguarded in a more modern, fast, and yes, safer way. It is like the music world moving from CDs to streaming.

Trust is not supposed to be a business commodity. Trust is not on sale.

Zero Trust means Zero Risk. It gives just the right amount of access (JEA) in a just in time (JIT) fashion. It protects a multitude of various data pools from unwanted visitors. Passwords and keys are transformed into automatically managed certificates that exist on-need-to-know-bases only. It's revolutionary, and it gives trust back to where it belongs, to human life and relationships, away from business and digital security

Data goes from centralization to federation of different data pools on premise and in the cloud.

To manage your data safely we have solutions available today:

1. Connecting factories to cloud (from Factory to Cloud and back)

2. Saving data in proprietary outsourced Data Centers to different clouds (Cloudification) are megatrends hap-pening today.

Deltagon acquisition

1. Enlarged our Nordic footprint

2. Enlarged our portfolio from connections between applications and their users to also communications between users

that will be managed with automation instead of man-ual work.

Quantum computing is starting to fundamentally change the computers as we know them today. They also will change the requirements for data security. It has been predicted that with quantum computing, within 10 years from now, all our current cryptographic algorithms can be cracked in a few seconds. First Quantum Safe Cryptography solutions from SSH are available now. We have released and started to sell Quantum safe products in our NQX and Tectia product families.

Our acquisition of Deltagon in the spring of 2021 and the subsequent development of the Deltagon Suite has brought a new, sleek and powerful set of sensitive data collection, sharing, signing and mailing products into our portfolio. It has also significantly strengthened our position on the SSH home markets with a wider offering to our key markets.

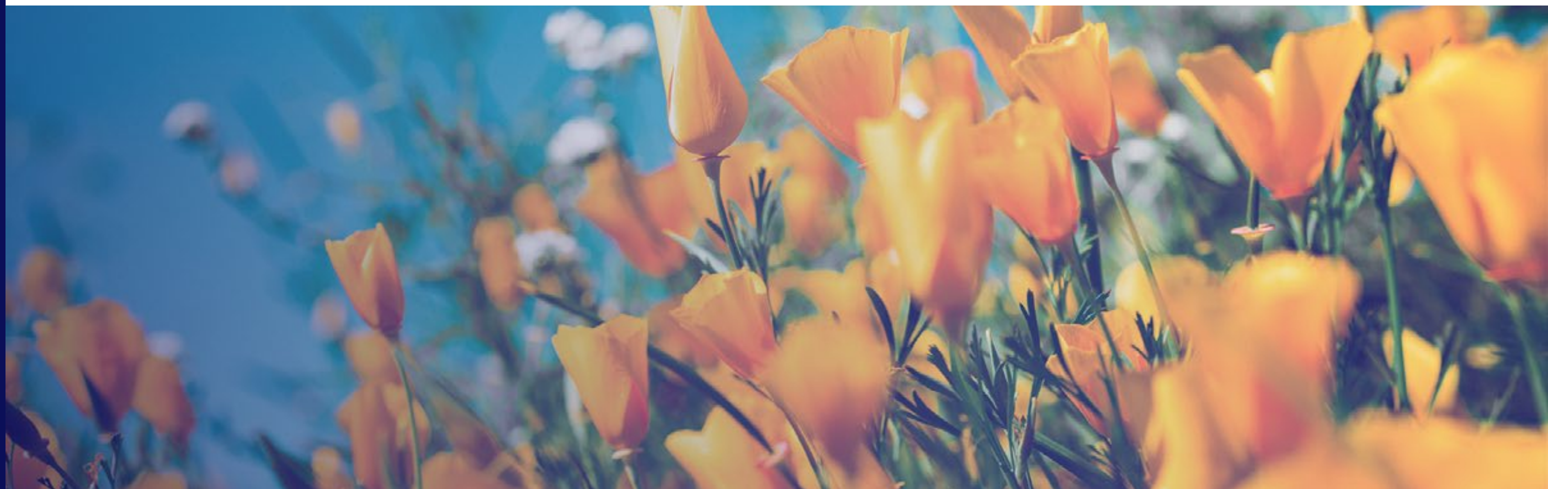
Our flagship product family Tectia, the leading com-mercial secure shell (SSH) product, has already pro-tected for decades millions of users and applications in the world safeguarding yearly hundreds of millions of sensitive digital communications sessions. SSH protocol powers over 95% of servers existing on the internet. SSH makes it possible to build secure channels over unse-cure networks.

Today and tomorrow, the SSH Zero Trust and Quantum safe solutions for our UKM, NQX, Deltagon, PrivX and Tectia products will enable significant improvement of our customers' cybersecurity posture.

GREAT SSH NEWS FROM 2021

2021 was a remarkably good for us. We helped to improve the cybersafety of our customers' systems, applications, and key users. Now we have a solid foun-dation for growth at least for the next 25 years. SSH Communication Security will continue to offer best-of-breed cryptography and cyberssafe solutions for the ever-digitalizing world.

Dear Reader, we hope You do enjoy reading our Annual Report 2021 and like our products and financial results. Let us all bring digitalizing societies and businesses towards a better cybersafe future.



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KEY FIGURES

2021 was an exceptional year for us. We expanded our portfolio, changed our business model to recurring revenue, we expanded from point products to solutions business, we revitalized our regions and professional services offering and thanks to all this we delivered on all of our financial metrics.

2021 was first step in our strategy to focus on leveraging our whole portfolio for profitable growth. We are very satisfied how this year finally showed the results of our efforts.

KEY FIGURES		FY18	FY19	FY20	FY21
Net sales	M€	18.3	14.4	11.3	15.9
EBITDA	M€		0.9	-0.4	1.1
	%		6.0	-3.5	7.0
Operating profit	M€	0.5	-1.2	-2.5	-1.5
	%	3.0	-8.4	-22.1	-9.6
Profit	M€	0.5	-1.5	-3.1	-2.3
Personnel		85	90	94	123

2021 HIGHLIGHTS

2021 Key Event Timeline

2021: A strong foundation built for future growth

Q1

- New PrivX patents granted
- New ERP system online
- USA Region office moved to NYC
- Entensive investment in the regions to Sales and Marketing

Q2

- PrivX OT and MSP Editions released
- Customer account management intensified
- Federated organization consisting of Regions, Products and Share Services implemented

Q3

- Deltagon acquisition completed
- Quantum safe NQX PQC edition released

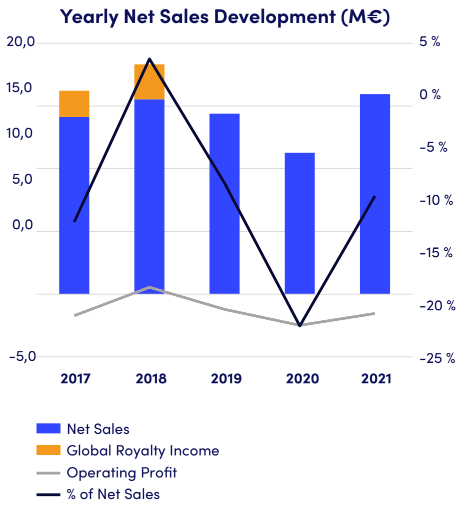
Q4

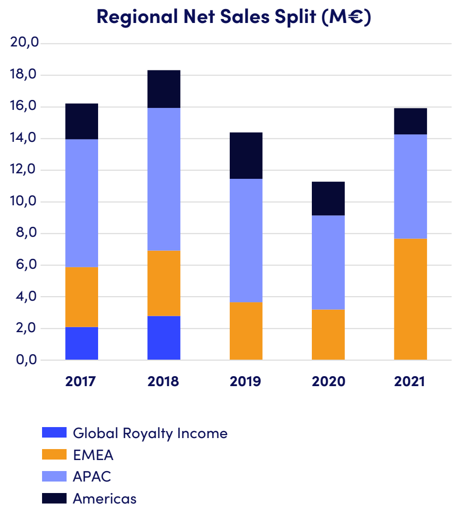
- Largest PrivX deal ever
- New Fortune 500 UKM customer acquired
- First major UKM Zero Trust contract signed
- First Tectia Quantum deal signed
- Deltagon Suite launched
- Major PrivX OT Edition customer wins

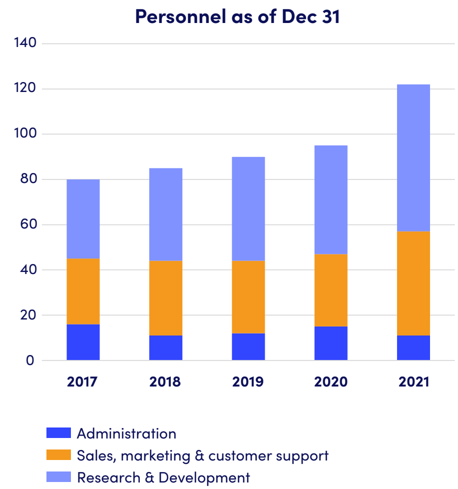
2021 HIGHLIGHTS

FINANCIAL PERFORMANCE

- Net sales totaled EUR 15.9 million (2020: EUR 11.3 million), up 41.6%
- EBITDA was EUR 1.1 million (EUR -0.4 million)
- Operating loss was EUR -1.5 million (EUR -2.5 million)
- Loss for the year was EUR -2.3 million (EUR -3.1 million)
- Operating cash flow for the year was EUR 2.8 million (EUR -0.2 million)
- Earnings per share was EUR -0.10 (EUR -0.11)
- In 2021, sales were geographically divided into:
  AMER 41.4% (52.8%), EMEA 48.2% (28.3%), APAC 10.4% (18.9%)
- Further information on the key financial figures is presented
  in the Financial Statements section of this Annual Report







2021 HIGHLIGHTS

A strong foundation built for future growth

SALES AND MARKETS

Towards the end of 2021 several major contracts were signed taking the full year sales performance to significant growth (41.6%)

Subscription sales grew a staggering 511.2% supported by the Deltagon acquisition

The sales grew in EMEA region by 10.9%, AMER region grew 10.9% and APAC region declining by -21.9 %.

The resulting regional sales split was: AMER 41.4% (52.8 %), EMEA 48.2 % (28.3 %), and APAC 10.4% (18.9%).

TECHNOLOGIES AND PRODUCTS

PrivX development and sales proceeded well. We made 6 major releases during the year and increased the average dealsize significantly supported by the largest PrivX contract ever (0,9M€/a) at the end of the last quarter.

As part of our Strategy 2022, we increased investment in the development and sales of our UKM and Tectia product lines. The acquisition of Deltagon expanded our portfolio from the communication between applications and their users to also now include various communications between users and user groups.

All of our product lines performed well supported by our R&D investments to increase functionality relevant to selected customer groups and including elements of the third and fourth generation of defensive cybersecurity through our Zero Trust and Quantum Safe Editions of our existing products.

Further investment in people: sales, marketing, product management and development

During the year, we strengthened our presence in Europe and USA, opened new offices and brought in new talent in digital marketing and sales in regions closer to our key customers than Finland.

We improved our capability to response faster to customers' rapidly changing requirements to support the change in underlying technologies namely Zero Trust and Quantum safe solution.

We moved from point products to wider solutions serving our customers' needs better.

Thanks to the Deltagon acquisition we had the opportunity to leverage cross- and up-sell opportunities in the Nordic for traditional SSH products and in the rest of the world for the Deltagon products.

The year proved that the new SSH is stronger together and has formed a solid foundation of future growth with a wider portfolio and more extensive market reach. Now 25% of our sales are in the nordic, so we do not anymore need to fly over the ocean to go fishing for more business.

FUTURE-PROOF

SSH'S FUTURE-PROOF PORTFOLIO FOR A MORE CYBERSAFE FUTURE

In the fast-developing world of cryptography and defensive cybersecurity, it is of utmost importance for us to ensure the freshness of our products, solutions, and services portfolio. In this strategic process we look at our portfolio from two angles: 1) New market needs emerging with adequate business potential and 2) Future-proofness of our products, solutions, and services.

EMERGING MARKET NEEDS

Our customers have an evolving need to protect their sensitive and valuable data and critical resources. We have identified three distinct stages in their evolution:

Stage 1: SSH started with users and applications with static passwords and SSH keys. These were needed to help applications to communicate with each other and with users managing them. These are similar to permanent access methods like physical keys to homes, cars, or hotel rooms.

Stage 2: Digitalization kicked in with "keyless" solutions e.g., for cars and as "key cards" in hotels and other facilities in the physical world - done by TSL/SSL certificates in the digital world. These solutions introduced systems that control, manage, and audit the "best-before-date" of those invisible digital keys, happening on a time scale of days, weeks, months or even years – on every website you visit.

Stage 3: Now we are moving to the third generation: control, monitor and audit access in real time with short-lived, so called 'ephemeral certificates' on an authenticated individual level. One doesn't anymore have a key or password, or a personal responsibility to keep it safe. This invisible digital key or password only belongs to a group of users who have predefined roles and accesses – a group member will not even have a password that they would have to remember to perform their duties at work.

Whilst many of our customers are still in stages 1 or 2, we see the industry moving towards stage three and are helping our customers to migrate from one stage to another in their evolution.

FUTURE-PROOF CONCEPT

The future-proof concept has four elements safeguarding the ease-of-use, efficiency, and success of our products in the rapidly changing cybertechnology environment, adapting to various interfacing technologies our customers want us to support.

Leading the adoption of the selected emerging technologies in cryptography and defensive cybersecurity: Currently the key topics for our customers are the Zero Trust concept and upcoming Quantum computing risks. Also the evolving message queue technologies are to replace our bread-and-butter business of secure file transfer between systems to message exchange between applications in the multitude of clouds and various datacenters.

Transition from point products to solutions: We have already launched our Zero Trust and Quantum Safe solutions to better serve specific market segments with adapted functionality and capabilities. We are constantly looking and adjusting our R&D roadmaps both for our individual products and cross-product solutions.

Integration of SSH products with Certificate Authorities (CA) and Identity and Access Management (IAM): SSH Zero Trust products ensure that the users that have wider access to sensitive data – superusers and powerusers – can be controlled, monitored, and audited deeper and more efficiently than standard users, supported by role-based access control.

Increased requirements from regulators and auditors on digitalization and the related risks of inadequate access control: With the support of Universal SSH Key Manager and PrivX products and solutions, our customers can address the questions related to data risks, such as:

- what is your critical data?
- where is your critical data?
- who can access/has accessed your critical data?
- how is your critical data protected?

We are also investigating the possibilities to connect the physical and digital access control by making sure that any user connecting to the network is verifiable through iris- or fingerprint recognition, either with a special smartcard or a mobile phone. With this additional measure, only knowing a PIN code or having a dongle cannot enable unauthorized access to the systems and applications.

During 2021 we revised our product positioning, strategies, and development roadmaps. Understanding the current and future emerging customer needs, as well as keeping the products technically and functionally future-proof, were key elements of that work and will be key elements of the next revisions. This will ensure the long-term market relevance for our products and solutions.

SSH is developing solutions that make the world a safer place for generations to come.

STRATEGY 2022

2020 we created the Strategy 2022 to accelerate our growth. 2021 our focus was on strategy execution, with demonstrated results during Q3-Q4.

We have made good progress in the transition from license and support services sales to a recurring revenue business model.

THE STRATEGY 2022 IMPLEMENTATION ACTIVITIES	ACTIVITIES AND RESULTS
FOCUS ON LIGHTHOUSE CUSTOMERS	Established a capture team process for most important opportunities. Signed several new lighthouse customers.
IMPROVE THE PROCESS FROM RECEIVING CUSTOMER NEEDS TO DELIVERING CUSTOMER VALUE	R&D Feature boards brought focus and better voice-of-the-customer understanding to product development. Launched several industry vertical specific product editions.
STRENGTHEN OUR SALES AND MARKETING	Strengthened sales and marketing in EMEA and Americas.
ENHANCE OUR ONLINE PRESENCE	Launched a new digital face, integrated SSH and Deltagon sites, increased investments in digital marketing.
EMPHASIZE PRODUCT SYNERGIES	Revised product positioning strategies and development roadmaps Q1-Q2, with synergies and holistic solutions as a core element.
CONTINUE SHIFT TO SUBSCRIPTION MODEL	Share of subscription revenue increased from 1.2 to 7.3 M€ (521%).
GROW PROFESSIONAL SERVICES	Established a dedicated Professional Services unit. Refreshed PS portfolio.
OPERATIONAL EXCELLENCE	Launched major new process and IT initiatives (CRM, Customer Support, ERP).

STRATEGY 2022

Zero Trust is rapidly becoming the security model of choice for enterprises and government entities.

In 2021, we have launched our Zero Trust Solution Suite, which was well received by our customers and already resulted in the first significant sales.

ZERO TRUST

SSH Zero Trust Suite for Just-in-Time Access

Frictionless key, password and secure remote access management

Don’t leave any permanent credentials behind

Control privileged passwords and SSH encryption keys with unique just-in-time (JIT) and just enough access (JEA) models – without risky always-on authorization.

Reduce credential management overhead

Radically reduce the number of keys and credentials to manage – along with manual tasks. Sync machine and human IDs with the right roles with least privilege.

Verify, track and audit all access

Audit, track, and log all sessions to any target in the hybrid cloud. Single sign-on (SSO) and multi-factor authentication (MFA) ensure added security.

STRATEGY 2022

We are a part of Finland's post-quantum era preparation

NQX is already PQC ready, Tectia Quantum is available Q2/2022

Externally acknowledged innovations

Certified for high security government use

POST-QUANTUM CRYPTOGRAPHY

Less than 10 years

Until quantum computers are widely available.

Do you have data in your organization that is still relevant after 5 to 10 years?

- All secrets without PQC can be decrypted once quantum computers are available
- Encrypted secrets can be stored and decrypted later
- Organizations need to protect their information for the post-quantum era already now

Less than a year

For a quantum computer to break encryption that is today unbreakable.

EXEMPLARY NOVEL CYBER SOLUTIONS

A MARITIME COMMUNICATIONS SYSTEM OUT AT SEA WITH SATELLITES AND PRIVX OT

A marine vessel customer wanted to enhance their operational profitability. Connectivity from a public cloud environment to the critical fleet remained risky, though.

SSH helped the customer install a satellite communication system equipped with IoT sensors and supported by cloud-based analytics. With on-board computing, the remote access to and between vessels got much more transparent and sessions remarkably more visible. Linking of roles to identities was automatized. SSH's Just-In-Time (JIT) technology optimized how the access rights were granted.

The system in the cloud can be scaled, and therefore, the fleet can be easily expanded.

EXEMPLARY NOVEL CYBER SOLUTIONS

TOWARDS THE KEYLESS FUTURE WITH UKM ZERO TRUST

A manufacturing business was able to identify their own key management problem, even with a PAM solution in place that only covered the problem partly, with only 20% of the keys being managed. They were looking for an enhanced solution, to cover all 100% of the keys.

SSH came in place to offer a double solution. Not only to fill in the customer's sinking PAM solution, but also to offer something better: help the customer with its deep and thorough identification of the problem and its solution – and the conclusion thereafter. SSH was chosen because of its valued position as the inventor of the SSH protocol, and its proactive inventiveness.

The UKM Zero Trust radically reduces the number of SSH keys needing a management, ultimately enabling a keyless solution through ephemeral certificates – and freeing the customer from the troublesome, costly and time-consuming management problem. Today, the customer has fully migrated to a keyless, just-in-time, just-enough-access solution.

Currently, the customer adopted and fully migrated to keyless, just-in-time access. UKM helped the customer to solve their current challenge and, at the same time, it prepared the customer's environment for the keyless approach to SSH access management.

CEO Letter

"SSH reshaped itself to be ready to serve customers better in the future.

World needs better defensive cybersecurity.

We can help with our Zero Trust and Quantum Safe technology based solutions that are proven-in-use and future-proof."

VALUED SHAREHOLDERS, CUSTOMERS, PARTNERS, AND COLLEAGUES,

The year 2021 was a significant step in our evolution to become a more growth focused company with solid performance in the market, with innovation, and financially.

We successfully acquired and integrated Deltagon, SSH's first acquisition ever, increasing our team by over twenty-five percent and accelerating our transition towards subscription-based business model. This acquisition made us stronger in our home market by widening our offerings to customers in Finland and Sweden.

We reorganized our USA operations and strengthened our position in Europe by establishing our presence in the German- and French-speaking countries. We also strengthened our professional services team and further defined its role to support the total lifecycle of all our five product lines. During the year, we acquired over hundred new customers ranging from SMEs to Fortune 500 companies.

Our financial performance improved due to our great performance during the fourth quarter. PrivX continued its strong performance and UKM was successful in selling to existing and new Fortune 500 customers in Europe and USA. We achieved over forty percent growth in revenues and over seven percent EBITDA. Even with the Deltagon acquisition our cash position remained strong.

Our continued R&D investments are bearing fruit in all product lines. New versions of Tectia, UKM and PrivX have been well received by our customers and market analysts. With Deltagon we started to market a platform-based solution for safely sharing confidential information across organizational and country borders. NQX PQC version opens us new growing market with the increasing interest in Quantum Safe cryptography.

We are improving our ecosystem both downstream and upstream. We are energizing our channel partner network to increase our market reach and expand wider services to customers during various product lifecycles.

We are building new technology partnerships to offer a wider solution for our key customers to make it easier, faster, and more affordable to build better solutions for their cybersecurity needs.

Our subscription-based business gives us a solid foundation for long-term growth. We firmly believe that our growth engines PrivX and NQX will continue their excellent growth trajectories and will gain a more significant part in our portfolio in 2022. Our Tectia and UKM, and Secure Deltagon Suite products, bring us closer to our customers with a wider product offering and a new differentiating functionality.

We achieved growth in 2021. We continue to drive for success in 2022 and beyond for our customers, our partners and SSH.

Teemu Tunkelo
CEO

BOARD OF DIRECTORS

In the 2021 Annual General Meeting the following members were elected for the Board of Directors: Henri Österlund, Kai Tavakka, Sampo Kellomäki and Christian Fredrikson as a new member.

At the organizing meeting of the Board of Directors, Henri Österlund was elected as the Chairman of the Board of Directors.

HENRI ÖSTERLUND

Chairman of the Board

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

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

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

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

CHRISTIAN FREDRIKSON

Board Member

Christian Fredrikson is the CEO of Fingerprint Cards, a global leader in biometric solutions. Deep knowledge of global commercialization of advanced technologies.

He has formerly served as the CEO of F-Secure, Head of Asia Pacific Region, and Head of Sales for Nokia Siemens Networks.

He currently also serves as a Board member on Remedy Entertainment, Advisor to Edge Venture Capital, and a member of the foundation for Åbo Akademi.

BOARD OF DIRECTORS continued

SAMPO KELLOMÄKI

Board Member

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

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

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

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

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

KAI TAVAKKA

Board Member

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

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

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

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

Board members Sampo Kellomäki and Christian Fredriksonare deemed to be independent of the company and the significant shareholders of the company.

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

EXECUTIVE MANAGEMENT TEAM December 31, 2021

AS OF DECEMBER 31, 2021

The following people also served in the executive management team during 2021:

Jussi Mononen, Vice President, Business Development, 01-08/2021. He has left the company to pursue outside interests.

TEEMU TUNKELO

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

Teemu 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. He holds an M.Sc. (Eng) in computer science and a Ph.D. in economics.

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

Teemu owns 77,043 SSH shares and has 425,000 option rights.

NIKLAS NORDSTRÖM

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

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

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

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

Niklas owns 4,619 SSH shares and has 279,000 option rights.

RAMI RAULAS

Vice President, EMEA
born 1961
M.Sc. in Strategic Marketing, Business Economics and Computer Science.

Rami is a seasoned sales leader with a background of international leadership positions in sales and business management, marketing, product management and development in global companies.

He has developed and led regional and global sales teams for successful sales growth, and customer satisfaction, and loyalty. He is experienced in go-to-market strategy, implementation, and channel partner management.

He has worked in senior management positions in major companies including Ahlstrom, Aspocomp, ICL, Fujitsu, Fujitsu-Siemens, and Nokia.

Rami does not own any SSH shares but has 50,000 option rights.

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

NET SALES

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

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

PROFIT AND PROFITABILITY TRENDS

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

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

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security was adequate during the financial year. The consolidated balance sheet total on December 31, 2021 stood at EUR 35.9 million (31 Dec 2020: EUR 18.6 million), of which liquid assets accounted for EUR 8.2 million (31 Dec 2020: EUR 8.5 million), or 22.8 % of the balance sheet total. Interest-bearing debts were EUR 3.4 million at the end of the financial year (31 Dec 2020: EUR 1.3 million). Interest-bearing liabilities increased by EUR 2.1 million from December 31, 2020 mainly due to raising a premium loan from ELO mutual pension insurance company. Interest-bearing liabilities include a subordinated loan of EUR 0.6 million (December 31, 2020: 0.6 million) taken out from the non-controlling interest holder, State Security Networks Group Finland, and a premium loan from ELO mutual pension insurance company for EUR 2.2 million. On December 31, 2021, gearing, or the ratio of net liabilities to shareholders' equity, was -39.8 % (31 Dec 2020: -85.3 %) and the equity ratio stood at 44.6 % (31 Dec 2020: 69.7 %).

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

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

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

RESEARCH AND DEVELOPMENT

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

RISKS AND UNCERTAINTIES

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

The largest risks are:

- Uncertainty of the macroeconomic environment, such as the impact of COVID-19 pandemic
- Refinancing risk/liquidity risk such as being unable to pay obligations due to insufficient liquidity or difficulties in raising financing
- Cybercrime, including, e.g., ransomware
- Delays in product development and closing new business as well as phasing of new business cases
- Ability to execute the strategy
- Due to the global shortage in semiconductors hinder supply of hardware components and indirectly initiation of customer IT project
- Ability to retain and recruit key personnel
- Maintaining the ability to innovate and develop the product portfolio including intellectual property rights (IPR)
- IPR litigation and utilization of the patent portfolio
- A large portion of the company revenue is invoiced in USD currency, and possible significant fluctuation in USD currency rates during 2021 could have unpredictable effects on profitability. The company decides on hedging USD-based contracts case by case.

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

HUMAN RESOURCES AND ORGANIZATION

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

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

BOARD OF DIRECTORS AND AUDITORS

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

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

GROUP MANAGEMENT TEAM

At the end of 2021, the Group Management Team consisted of three members:
Teemu Tunkelo, Chief Executive Officer
Niklas Nordström, Chief Financial Officer
Rami Raulas, Head of EMEA Region

PRINCIPAL PROVISIONS OF THE ARTICLES OF ASSOCIATION

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

CORPORATE GOVERNANCE

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

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

RESPONSIBILITY AND BUSINESS ETHICS

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

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

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

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

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

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

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

DISCLOSURE ACCORDING TO THE EU TAXONOMY REGULATION

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

SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

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

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

The company has the following subsidiaries:

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

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

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

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

INFORMATION ON SHAREHOLDERS

DISTRIBUTION OF OWNERSHIP BY SECTOR

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

DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES

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

THE TEN LARGEST SHAREHOLDERS DEC 31, 2021

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

SHARE CAPITAL AND BOARD AUTHORIZATIONS

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

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

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of a maximum of 6,000,000 shares as a share issue against payment or by giving stock options

or other special rights entitling to shares, in accordance with Chapter 10 Section 1 of the Finnish Companies Act, either according to the shareholders' pre-emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares, which the company possibly has in its possession.

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

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

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

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

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

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

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

SHARE-BASED PAYMENTS

The share-based payments of SSH Communications Security are stock options. Stock option programs have been in effect in the reporting period or in the comparison year.

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

Each option gives the right to subscribe to one new share at a price and at a time specified in the terms of the stock option plan. The option rights will be canceled in case the em-ployee 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 share-holder rights commence as soon as the increase in the share capital has been registered in the Trade Register. More information on stock option plans is given in note 19 in the con-solidated financial statements.

RELATED PARTY TRANSACTIONS

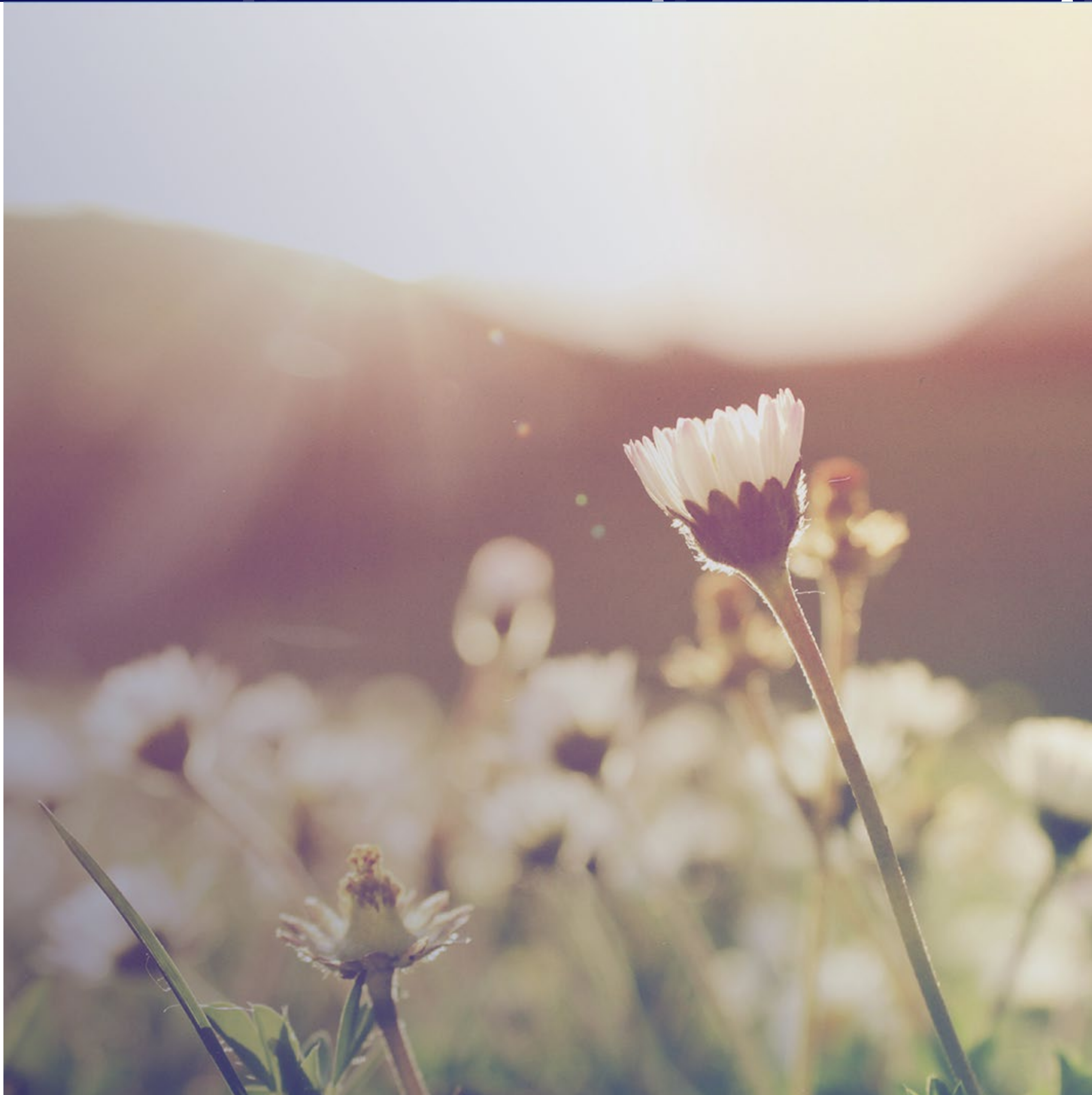
During the reporting period, there have not been any significant transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

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

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

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



FINANCIAL INDICATORS

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

INDICATORS PER SHARE

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

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

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

ALTERNATIVE PERFORMANCE MEASURE

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

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

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

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

CALCULATION OF FINANCIAL RATIOS

Return on Equity, % (ROE)	=	Profit / loss for the financial period / Equity (average during the financial period)	x100
Return on Investment, % (ROI)	=	Profit / loss before taxes + Interest and other financial costs / Balance sheet total - Non-interest bearing debts (average during financial period)	x100
Equity Ratio, %	=	Equity / Balance sheet total - Advance payments received	x100
Earnings Per Share (EPS)	=	Profit / loss for the financial period – Interest on hybrid capital securities / Average number of outstanding shares during the financial period	
Diluted EPS	=	Profit / loss for the financial period – Interest on hybrid capital securities / Adjusted average number of shares considering dilution effect	
Dividend Per Share	=	Dividend / Number of outstanding shares during the financial period	
Dividend Pay-out Ratio, %	=	Dividend per share / Earnings per share	x100
Equity Per Share	=	Equity / Number of outstanding shares on the financial statement date, adjusted for share issue	
Gearing, %	=	Interest bearing debt - Liquid assets / Equity	x100

Consolidated Financial Statements

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR	Note	1 Jan – 31 Dec 2021	1 Jan – 31 Dec 2020
NET SALES	3	**15,929,489**	**11,251,214**
Cost of goods sold		31,325	-283,797
GROSS MARGIN		**15,960,815**	**10,967,417**
Other operating income	4	1,111,266	987,464
Sales and marketing costs	5, 6	-8,644,687	-6,698,629
R&D costs	5, 6	-5,836,431	-5,047,946
Administrative costs	5, 6	-4,121,081	-2,694,526
OPERATING PROFIT/LOSS		**-1,530,119**	**-2,486,221**
Financial income	7	172,611	631
Financial costs	8	-436,856	-604,675
PROFIT/LOSS BEFORE TAXES		**-1,794,364**	**-3,090,264**
Income tax expense	9	-524,030	12,162
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**-2,318,394**	**-3,078,102**
Profit/loss attributable to:			
Owners of the parent company		-2,057,540	-2,834,022
Non-controlling interests		-260,854	-244,081
TOTAL		**-2,318,394**	**-3,078,102**

OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-142,858	266,038
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-2,461,252**	**-2,812,064**
Total Comprehensive income attributable to:			
Owners of the parent company		-2,200,135	-2,567,983
Non-controlling interests		-261,117	-244,081
TOTAL		**-2,461,252**	**-2,812,064**
EARNINGS PER SHARE			
Basic earnings per share (EUR)	10	-0,10	-0,11
Diluted earnings per share (EUR)	10	-0,10	-0,11

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED BALANCE SHEET

EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	17	1,178,367	1,164,067
Translation differences		-1,314,013	-1,171,419
Unrestricted invested equity fund		23,702,088	22,720,156
Hybrid capital securities		12,000,000	12,000,000
Retained earnings		-29,561,871	-26,603,569
Equity attributable to parent company shareholders		**6,004,570**	**8,109,235**
Non-controlling interest		6,021,169	355,791
TOTAL EQUITY		**12,025,739**	**8,465,026**
NON-CURRENT LIABILITIES			
Non-current interest-bearing liabilities	18	2,327,000	582,000
Lease liabilities	18, 22	219,479	385,355
Other non-current liabilities		3,911,513	
Advances received and deferred revenue	14	1,211,205	756,043
Deferred tax liabilities		1,578,841	
TOTAL NON-CURRENT LIABILITIES		**9,248,038**	**1,723,398**
CURRENT LIABILITIES			
Trade and other payables	20	6,009,743	2,377,051
Current interest-bearing liabilities		500,000	
Lease liabilities	18, 22	371,791	329,417
Advances received and deferred revenue	14	7,770,804	5,740,034
TOTAL CURRENT LIABILITIES		**14,652,338**	**8,446,502**
TOTAL LIABILITIES		**23,900,376**	**10,169,900**
TOTAL EQUITY AND LIABILITIES		**35,926,116**	**18,634,926**

CONSOLIDATED CASH FLOW STATEMENT

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

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

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	**17**	**1,164,067**	**12,000,000**	**-1,171,419**	**22,720,156**	**-26,603,569**	**8,109,235**	**355,791**	**8,465,026**
Comprehensive profit/loss									
Profit/loss for the year						-2,057,540	-2,057,540	-260,854	-2,318,394
Other comprehensive items									
Translation differences				-142,594			-142,594	-264	-142,858
Comprehensive profit/loss for financial period, total		**0**	**0**	**-142,594**	**0**	**-2,057,540**	**-2,200,135**	**-261,117**	**-2,461,252**
Hybrid capital securities						-1,380,000	-1,380,000		-1,380,000
Share-based payment plans						479,238	479,238		479,238
Shares subscribed on op-tion 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**

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

The SSH Communications Security Group consists of SSH Communications Security Corporation and its subsidiaries. SSH Communications Security Corporation (corporate id 1035804-9) is domiciled in Helsinki, Finland and is a publicly traded company, whose share is quoted on NASDAQ Helsinki Oy (SSH1V). SSH Communications Security Corporation has its registered office at address Karvaamokuja 2B, 00380 Helsinki, Finland.

The SSH Communications Security Board of Directors approved this financial statement for publication at its meeting on 23 February 2022. Under the Finnish Limited Liability Companies Act, the shareholders can accept or reject the financial statement at the AGM held after its publication. A copy of the financial statements is published as a part of the company's annual report.

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

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

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

2. ACCOUNTING PRINCIPLES

Basis of Preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). The aforementioned standards are the standards and interpretations thereof approved for use in the EU pursuant to Regulation (EC) No. 1606/2002 implemented in the Finnish Accounting Act and legislation based thereon. The notes to the consolidated financial statements are also compliant with Finnish accounting and company legislation.

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

New and amended standards and interpretations

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

Changes that become effective later

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

Subsidiaries

The consolidated accounts include the parent company SSH Communications Security Corporation and all its subsidiaries. Subsidiaries are companies in which the Group has a controlling interest. A controlling interest is created when the Group has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Group's returns. In practice, controlling interest is established when the Group owns more than half of the votes in a company.

Group-internal share ownership is eliminated using the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which that control ceases. All Group-internal transactions, receivables and debts, unrealized profit, and profit distribution have been eliminated.

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

Converting Foreign Currency Transactions

Items of each subsidiary included in the consolidated financial statements are measured using the currency of the operating environment of that subsidiary ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

Transactions in Foreign Currency

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

Translation of Financial Statements of Foreign Subsidiaries

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

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

Revenue Recognition

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

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

Maintenance sales, or revenue from support and maintenance contracts, are recognized evenly on an accrual basis throughout the contract period. Revenues from services are recognized when the service has been delivered and it is probable that the economic benefits associated with the transaction will accrue to the Group. Revenue from subscription contracts is recognized evenly on an accrual basis throughout the contract period.

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

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

Government Grants

Grants received from the government for purchase of tangible assets are entered as a deduction of the book value of the asset when there is reasonable assurance that the company will receive the grant and will comply with the conditions attaching to the grant. Grants are recognized as income over the life of a depreciable asset by way of a reduced depreciation. Government grants that are intended to compensate for costs are recognized as income over the same period as the related costs are recognized. These government grants are presented under other operating income.

Property, Plant, and Equipment

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

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

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

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

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

Intangible Assets

Research and Development Costs

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

Capitalized assets are tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. Capitalized development costs are depreciated on a straight- line basis over their economic lifetime, estimated at 5 years.

Software

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

Other Immaterial Rights

Immaterial rights include obtained technology patents, trademarks, customer registers, and technology rights. These are entered in the balance sheet at cost and depreciated on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The economic lifetime is generally 5 to 10 years.

Goodwill

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

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

Impairment of Tangible and Intangible Assets

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

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

Inventories

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

Financial Assets and Liabilities

Financial Assets

The Group has classified its financial assets into the following categories: financial assets at fair value through profit 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 2021 or 2020.

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

Cash and Cash Equivalents

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

Impairment of Financial Assets

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

The Group assesses at each balance sheet date whether an individual financial asset or group of financial assets is impaired. The Group recognizes an impairment loss on trade receivables when it is expected that the receivable will not be recovered in full. Significant financial difficulties, likelihood of bankruptcy, neglect of payments, or delay of payment by more than 90 days on part of a debtor may be considered to constitute such evidence for an impairment loss on trade receivables.

Financial Liabilities

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

In the SSH Communications Security Group, financial liabilities recognized at fair value through profit/ loss include the derivative instruments which do not fulfill the criteria for hedging accounting, and which are not warrants (currency derivatives). Unrealized and realized gains/losses due to changes in the fair value of these derivatives are recognized in profit/loss in the financial period during which they are generated. The Group did not have any derivative contracts during 2021 or 2020.

Other financial liabilities (financing liabilities recognized at amortized cost) include, most significantly, trade payables. They are initially recognized at fair value. After the original recognition, other financial liabilities are measured at amortized acquisition cost using the effective interest rate method.

Leases

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

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

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

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

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

Earnings per Share

Earnings Per Share

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

Diluted Earnings Per Share

A dilutive effect caused by stock options exists when the subscription price of a share is lower than the fair value of the share. In the calculation of diluted earnings per share, stock options are only considered dilutive when their conversion to ordinary shares would decrease earnings per share or increase the loss per share from continuing operations. In other words, when the Group declares a loss, no dilutive effect will be calculated. Diluted earnings per share is impacted by unpaid interest of hybrid capital securities.

Share Capital

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

Share Issue Costs

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

Own Shares

If SSH Communications Security Corporation or its subsidiaries purchase parent company SSH Communications Security Corporation's shares, the compensation paid, including any related incremental external costs, net of tax, is deducted from total equity as own shares until the shares are canceled or transferred. If own shares are subsequently sold, any compensation received will be recognized under equity. The Group companies held no shares in the parent company on December 31, 2021 or December 31, 2020.

Hybrid capital securities

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

Gross Margin

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

Operating Profit/Loss

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

Income Tax

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

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

Deferred taxes are calculated using the statutory tax bases with confirmed content announced by the closing date or with generally accepted tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable income against which the temporary difference can be applied will materialize in the future.

Employee Benefits

Pensions

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

Share-Based Payments

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

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

Provisions

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

Provisions are measured at the current value of the costs required to discharge the obligation. The discount rate is determined to reflect current market assessments of the time value of money and the risks specific to the obligation.

Use of estimates

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

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

3. NET SALES

EUR	2021	2020
BY OPERATION		
Subscription sales	4,698,933	768,755
License sales	3,089,244	2,245,939
Maintenance sales	7,562,294	7,800,367
Professional services and other	579,018	436,153
Total	**15,929,489**	**11,251,214**

EUR	2021	2020
BY GEOGRAPHICAL SEGMENT		
AMERICAS	6,590,099	5,943,849
APAC	1,659,492	2,124,979
EMEA	7,679,898	3,182,386
Total	**15,929,489**	**11,251,214**

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

4. OTHER OPERATING INCOME

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

5. OTHER OPERATING COSTS

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

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

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

Personnel distribution by function on 31 Dec	2021	2020
Sales, marketing, and customer support	47	31
Research and development	65	48
Administration	11	15
Total	**123**	**94**

Research and development costs, EUR	2021	2020
Total	**-5,836,431**	**-5,047,946**

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

Auditor's fees

Auditor's fees categorized into service groups were:

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

6. DEPRECIATIONS AND IMPAIRMENTS

EUR	2021	2020
By asset category		
Machinery and equipment	81,193	76,136
Right-of-use assets	301,343	393,566
Software & other tech assets	1,039,466	336,704
Capitalized development costs	1,227,450	1,286,832
Total	**2,649,452**	**2,093,238**

By function	2021	2020
Sales and marketing	8,376	12,063
Research and development	1,672,072	1,501,520
Administration	969,005	579,655
Total	**2,649,452**	**2,093,238**

7. FINANCIAL INCOME

EUR	2021	2020
Interest revenue	964	631
Exchange rate gains, loans, and other receivables	171,647	798
Total	**172,611**	**631**

8. FINANCIAL COSTS

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

9. INCOME TAXES

EUR	2021	2020
Income tax	-524,030	12,162
Total	**-524,030**	**12,162**

Reconciliation of income taxes and profit/loss before taxes

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

The amount of Group's unused tax losses, for which no deferred tax asset has been recognized based on the prudence principle, is EUR 8.6 million (2020: EUR 8.1 million). EUR 3.4 million (2020: EUR 2.8 million) of the tax losses are in Finland, and EUR 5.7 million (2020: EUR 5.2 million) in the USA. The tax losses expire in Finland between the years 2022–2030, and in the USA between the years 2022–2035. The amount of unrecognized deferred tax assets from the tax losses is EUR 1.9 million (2020: EUR 1.7 million). The figures include use of losses in 2021 which have not yet been confirmed in taxation.In addition, the parent company has EUR 38.5 million (2020: EUR 36.8 million) research and development expenses and depreciations not deducted in taxation and the amount of unrecognized deferred tax assets resulting from those is EUR 7.7 million (2020: EUR 7.3 million).

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

10. EARNINGS PER SHARE

EUR	2021	2020
Profit/loss attributable to shareholders of the parent company	-2,318,394	-2,834,022
Hybrid loan interest expense	-1,380,000	-1,260,000
Weighted average number of shares in issue, 1,000	38,927	38,802
Earnings per share	-0.10	-0.11
Adjusted average number of shares considering dilution effect, 1,000	40,843	41,529
Earnings per share, diluted	-0.10	-0.11

11. PROPERTY, PLANT AND EQUIPMENT

EUR	2021	2020
Machinery and equipment		
Acquisition cost 1 Jan	2,094,182	2,054,825
Exchange rate effect	20,177	-22,420
Increase	97,414	61,777
Acquisition cost 31 Dec	2,211,773	2,094,182
Accumulated depreciation 1 Jan	1,979,855	1,936,735
Exchange rate effect	19,843	-21,367
Depreciation for the financial period	69,608	64,486
Accumulated depreciation 31 Dec	2,069,306	1,979,855
Book value 31 Dec	142,467	114,327

EUR	2021	2020
Other tangible assets		
Acquisition cost 1 Jan	72,389	52,876
Exchange rate effect	4,039	-4,468
Increase		23,982
Acquisition cost 31 Dec	76,428	72,389
Accumulated depreciation 1 Jan	43,857	35,918
Exchange rate effect	3,798	-3,710
Depreciation for the financial period	11,586	11,650
Accumulated depreciation 31 Dec	59,241	43,857
Book value 31 Dec	17,187	28,532
Book value of tangible assets 31 Dec	**159,654**	**142,859**

12. RIGHT-OF-USE ASSETS

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

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

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

13. INTANGIBLE ASSETS

EUR	2021	2020
Software		
Acquisition cost 1 Jan	2,125,288	2,065,632
Exchange rate effect	15,347	1,401
Increase	2,535	58,255
Acquisition cost 31 Dec	2,143,170	2,125,288
Accumulated depreciation 1 Jan	2,067,033	2,057,842
Exchange rate effect	15,347	1,523
Depreciation for the financial period	9,991	7,667
Accumulated depreciation 31 Dec	2,092,371	2,067,033
Book value 31 Dec	50,799	58,255

EUR	2021	2020
Immaterial rights		
Acquisition cost 1 Jan	16,773,132	15,235,306
Increase	10,042,795	1,537,826
Acquisition cost 31 Dec	26,815,927	16,773,132
Accumulated depreciation and impairment 1 Jan	11,383,387	9,764,636
Depreciation for the financial period	2,205,017	1,618,751
Accumulated depreciation and impairment 31 Dec	13,588,404	11,383,387
Book value 31 Dec	13,227,522	5,389,744
Goodwill	8,594,625	
Book value of intangible assets 31 Dec	**21,872,947**	**5,447,999**

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

Goodwill

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

The key parameters applied in impairment testing are: increase in net sales during the next five years 10 %, steady growth rate in projecting terminal value 2 % and discount rate 19.0 %. The discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company-specific risk premium (small stock premium 11.2 %), industry specific equity beta, cost of debt and debt to equity ratio. Tested assets include goodwill, customer related and technology based intangible assets and net working capital.

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

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

No goodwill impairment losses were recognized during the accounting period.

Intangible assets

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

14. TRADE RECEIVABLES AND CONTRACT LIABILITIES

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

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

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

by age, EUR	2021	2020
Non-matured	3,452,357	1,431,762
Matured		
< 30 days	272,637	1,042,358
31-90 days	457,382	428,128
80-180 days	58,389	105,865
> 181 days	145,195	377,501
Impairment losses	-132,111	-424,364
Total	**4,253,848**	**2,961,250**

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

15. OTHER RECEIVABLES

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

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The book value of trade receivables and trade payables equals their fair value because the impact of discounting is not significant considering the maturity of these items.

17. NOTES TO EQUITY

According to the Articles of Association, SSH Communications Security Corporation has a minimum share capital of EUR 600,000 and a maximum share capital of EUR 2,400,000, within which limits the share capital may be raised or lowered without amending the Articles of Association. The nominal value of one share is EUR 0.03; hence, the minimum number of shares is 20 million and maximum number is 80 million. The company has one series of shares; each share entitles its holder to one vote at the shareholders' meeting. The share capital of the company, registered in the Trade Register and fully paid up as of 31 December 2021 was EUR 1,178,366.97 (2020: EUR 1,164,066.99), and the number of shares was 39,278,899 (2020: 38,802,233).

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

Description of the equity reserves:

Share capital

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

Translation differences

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

Fair value and other reserves

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

Unrestricted invested equity fund

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

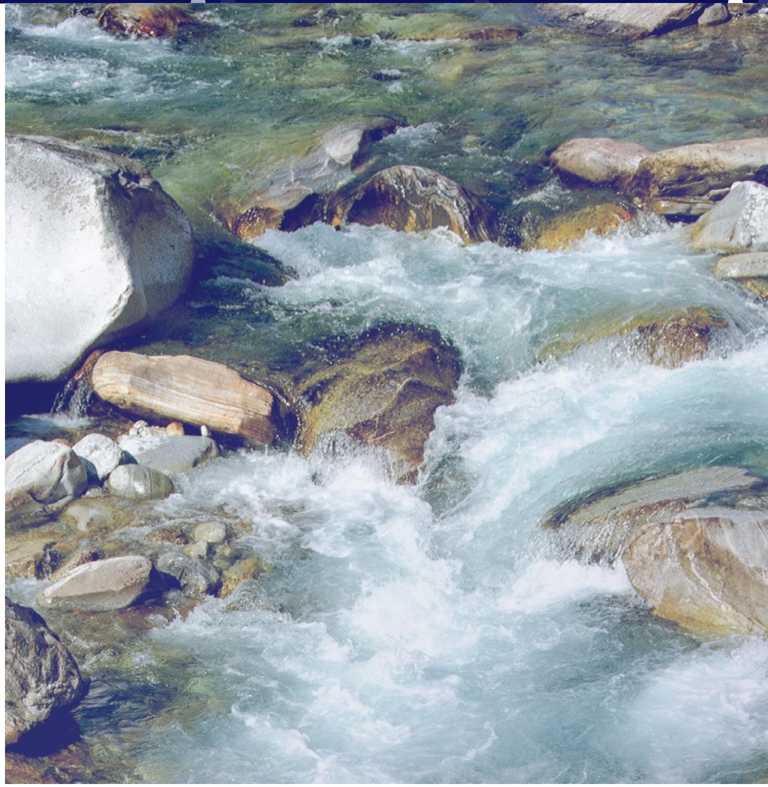
Hybrid capital securities

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

The other equity fund consists of hybrid capital securities of EUR 12 million issued in March 2015, subscribed by institutional investors. The principal owner of the parent company, Mr. Tatu Ylönen, subscribed EUR 500,000 of the hybrid capital securities. The capital securities bear a fixed interest rate of 7.5 per cent until 30 March 2020, after which the interest rate will increase by four percentage points to 11.5 per cent. The capital securities have no maturity date, but the issuer has the right to redeem them after 3 but before 5 years from the issue date, upon certain conditions, or after 5 years from the issue date. The investors had the right to convert the capital loan into the Company's shares at EUR 4.76 per share until 30 March 2020.

18. CAPITAL MANAGEMENT

The objective in managing Group capital is to secure the ability to continue operating. The structure of the capital can be managed through decisions concerning, for instance,



dividends and other distribution of assets, purchase of the company's own shares, and share issues. Capital management concerns equity recognized in the balance sheet. There are no requirements imposed by outside parties on the Group's capital management. In March 2015 the Group issued hybrid capital securities which are included in the Group's equity.

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

Net liabilities		
EUR	**2021**	**2020**
Interest-bearing liabilities	2,827,000	582,000
Lease liabilities	591,270	714,772
Cash and cash equivalents	8,207,229	8,517,698
Net liabilities	**-4,788,959**	**-7,220,926**
Equity total	**12,025,739**	**8,465,026**
Equity ratio	44.63 %	69.70 %
Gearing	-39.82 %	-85.30 %

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

19. SHARE-BASED PAYMENTS

In the company's industry, it is common practice internationally that incentives are provided to employees in the form of equity settled share-based instruments, such as options. Personnel of the company belong to options plans. An employee leaving the company before the vesting of the options forfeits their options.

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

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

INFORMATION ABOUT OPTION PLANS:

Option plan	Option certificate	Release date	Subscription period		Subscription price, EUR	Options not excercized
			Begin	**End**		
2018	2018	22 Feb 2018	1 Dec 2020	31 Mar 2022	2.09	503,334
2019 A	2019 A	18 Dec 2018	1 Dec 2021	31 Mar 2023	1.56	980,000
2020 A	2020 A	13 Feb 2020	1 Dec 2022	31 Mar 2024	0.93	980,000
Total						**2,463,334**

CHANGES IN OUTSTANDING STOCK OPTIONS:

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

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

	2021
Share price at grant, EUR	2.55
Share price at financial period end, EUR	3.01
Exercise price, EUR	1.43
Expected volatility[1]	70.9 %
Maturity, years	1.79
Risk-free rate	-0.71 %
Expected dividends, EUR	0.00
Valuation model	Black-Scholes
Fair value 31 Dec 2021, EUR	285,128

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

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

20. TRADE AND OTHER PAYABLES

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

21. FINANCIAL RISK MANAGEMENT

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

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 prof-it/loss.

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

Interest Rate Risk

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

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

Market Risk Related to Investments

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

Credit Risk

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

Liquidity Risk

The Group's cash and cash equivalents on 31 Dec 2021 were 8,207,229 euros (2020: 8,517,698 euros). The Group has no liquidity risks, since invested funds which are substan-tial compared to the Group's cash flows are available on a one-day notice.

The Group had trade payables and other short-term debts amounting 4,334,743 euros (2020: 2,377,051 euros). The outstanding installments from Deltagon acquisition and payments of premium loan from ELO mutual pension insurance company maturing less than one year amount 2,170,000 euros.

Agreements concerning credit facilities and loan guarantees include a covenant for the adequate liquidity and subordination of the hybrid loan interest payments to the credit facili-ty guarantee. Non-compliance with the covenant would lead to deferral of the hybrid in-terest 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 re-quire material deterioration of the liquidity from the current.

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

31 DEC 2021

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

31 DEC 2020

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

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

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

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

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

22. LEASES

Leases in the balance sheet

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

Right-of-use assets

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

Lease liabilities

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

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

Leases in the income statement

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

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

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

23. GUARANTEES GIVEN AND OTHER COMMITMENTS

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

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

24. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

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

Group companies Dec 31 2021	Domicile	Group holding, %	Votes, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., New York City	USA	100	100
SSH Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	65	65
Deltagon Oy	Finland	100	100
SSH Government Solutions Inc., New York City	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communications Security UK Ltd, London	United Kingdom	100	100

Employee benefits of the management

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

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

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

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

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

Compensation of the key management personnel of the group		
EUR	**2021**	**2020**
Wages and other short-term employee benefits	633,344	1,179,520
Share-based payments	38,280	-

On 31 December 2020, the CEO and members of the Board of Directors of SSH Communications Security owned 18.2 % (2019: 47.2 %) of the shares and votes in the company, either directly or indirectly through companies they own.

Management group members including the CEO directly or indirectly held about 0.1 % (2019: 0 %) of company shares and have a total of 1,150,000 (2019: 225,000) option rights.

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

Related Party Transactions

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

25. BUSINESS COMBINATIONS

2021

On April 26, 2021, the Group's subsidiary Kyberleijona Oy acquired 100% of the voting shares of Deltagon Oy, an unlisted company based in Finland that develops and sells secure messaging and transaction solutions to various industries, including finance and the public sector. A majority of Deltagon's revenue is generated from the secure email messaging so-lution 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**
Wages and other short-term employee benefits	633,344
Share-based payments	38,280
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**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activi-ties)	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 recog-nized 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 ad-justment of EUR 1.5 million was based on the net cash position and net working capital ad-justment on the closing date.

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

Transaction costs were not significant and have been ex-pensed and included in the admin-istrative expenses in profit or loss.

2020

No acquisitions or divestments were closed in 2020.

26. EVENTS AFTER THE BALANCE SHEET DATE

2021

There have been no material events after the balance sheet date

Parent Company Financial Statements

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
NET SALES	1	**9,638,427.83**	**7,006,767.78**
Purchasing and production costs		-2,004.75	-451.33
GROSS MARGIN		**9,636,423.08**	**7,006,316.45**
Other operating income		769,294.68	645,229.02
Research and development costs	2, 3, 6	-5,536,311.17	-5,159,333.65
Sales and marketing costs	2, 3, 6	-3,414,951.56	-2,615,628.82
Administrative costs	2, 3, 6	-2,950,521.47	-2,369,383.91
OPERATING PROFIT/LOSS		**-1,496,066.43**	**-2,492,800.91**
Financial income	7		
Interest income and other financing income		3,787,885.79	548,857.58
Interest costs and other financing costs		-386,444.21	-465,899.39
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**1,905,375.15**	**-2,409,842.72**
Appropriations	8		
Group contribution received		12,028.50	16,864.78
PROFIT/LOSS BEFORE TAXES		**1,917,403.65**	**-2,392,977.94**
Taxes		0.00	0.00
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**1,917,403.65**	**-2,392,977.94**

PARENT COMPANY BALANCE SHEET

ASSETS			
EUR	**Note**	**31 Dec 2021**	**31 Dec 2020**
NON-CURRENT ASSETS			
Intangible assets	9		
Immaterial rights		3,191,018.02	3,162,965.59
Intangible assets, total		**3,191,018.02**	**3,162,965.59**
Tangible assets	9		
Machinery & equipment		107,972.41	116,918.81
Tangible assets, total		**107,972.41**	**116,918.81**
Investments			
Shares in Group companies	9, 19	14,896,037.61	3,889,689.01
Other shares		11,000.00	11,000.00
Investments, total		**14,907,037.61**	**3,900,689.01**
NON-CURRENT ASSETS, TOTAL		**18,206,028.04**	**7,180,573.41**
CURRENT ASSETS			
Current receivables			
Trade receivables		1,958,039.05	488,393.59
Receivables from Group companies	10	5,354,053.47	5,328,229.56
Prepaid expenses and accrued income	11	196,303.32	216,048.95
Other receivables	12	255,515.83	317,283.49
Current receivables, total		**7,763,911.67**	**6,349,955.59**
Cash and cash equivalents		2,369,368.20	2,744,865.26
CURRENT ASSETS, TOTAL		**10,133,279.87**	**9,094,820.85**
ASSETS, TOTAL		**28,339,307.91**	**16,275,394.26**

PARENT COMPANY INCOME STATEMENT

EQUITY AND LIABILITIES			
EUR	**Note**	**31 Dec 2021**	**31 Dec 2020**
EQUITY	13		
Share capital		1,178,366.97	1,164,066.99
Unrestricted invested equity fund		23,702,087.81	22,720,155.85
Hybrid capital securities	14	12,000,000.00	12,000,000.00
Retained profit/loss		-24,183,082.79	-20,410,104.85
Profit/loss for financial period		1,917,403.65	-2,392,977.94
EQUITY, TOTAL		**14,614,775.64**	**13,081,140.05**
LIABILITIES			
NON-CURRENT LIABILITIES			
Pension loan	15	1,745,000.00	
Payables to Group companies	15,16	3,340,000.00	
NON-CURRENT LIABILITIES, TOTAL		**5,085,000.00**	
CURRENT LIABILITIES			
Advances received		2,607,972.72	1,080,577.73
Trade payables		238,786.47	326,744.86
Payables to Group Companies	16	3,234,464.53	398,369.66
Accrued expenses and deferred income	17	1,647,035.42	1,219,070.76
Pension loan		500,000.00	
Other liabilities		411,273.13	169,491.20
CURRENT LIABILITIES, TOTAL		**8,639,532.27**	**3,194,254.21**
LIABILITIES, TOTAL		**13,724,532.27**	**3,194,254.21**
EQUITY AND LIABILITIES, TOTAL		**28,339,307.91**	**16,275,394.26**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020
Cash flow from business operations		
Receipts from customers	9,839,634.26	9,461,880.39
Payments to suppliers and employees	-9,048,311.77	-9,001,780.48
Cash flow from business operations before financial items and taxes	**791,322.49**	**460,099.91**
Interest and other financial costs	-103,151.06	-26,641.36
Interest and other financial revenue	3,207,999.07	507,457.58
Cash flow from business operations	**3,896,170.50**	**940,916.13**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,570,947.88	-1,555,202.07
Investments in subsidiaries	-5,996,348.60	
Receipt of government grants	1,417,532.20	271,188.17
Cash flow from investing activities	**-6,149,764.28**	**-1,284,013.90**
Cash flow from financing activities		
Change of non-current debt	1,745,000.00	
Change in current debt	500,000.00	
Interest on hybrid capital securities	-1,380,000.00	-900,000.00
Proceeds from shares subscribed with option rights	996,231.94	
Group contribution received	16,864.78	8,154.97
Cash flow from financing activities	**1,878,096.72**	**-891,845.03**
Change in liquid assets	**-375,497.06**	**-1,234,942.80**
Liquid assets in the beginning of period	**2,744,865.26**	**3,979,808.06**
Change in liquid assets	-375,497.06	-1,234,942.80
Liquid assets at the end of period	**2,369,368.20**	**2,744,865.26**

Notes to the Parent Company Financial Statements

ACCOUNTING PRINCIPLES

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

Principles of Revenue Recognition

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

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

Revenue from subscription contracts are amortized across the agreement period.

The revenue of royalties from licenses is recognized ac-cording 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 match-ing principle.

Leases

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

Income Tax

The income tax in the income statement comprises direct taxes based on the taxable profit for the financial period and adjustments to taxes on previous financial periods. The parent company does not recognize deferred tax receivables or liabilities in its financial statement. The parent company has confirmed tax losses of EUR 3.2 million (2020: EUR 2.7 million). In addition, the parent company has EUR 38.5 million (2020: EUR 36.8 million) research and development expenses and depreciations not deducted in taxation, whereof no deferred tax asset has been recognized.

Fixed Assets

Fixed assets are recognized in the balance sheet at acqui-sition 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 expen-diture	5 years from year of capi-talization
Leasehold approvements of rental premises	Length of the rental agree-ment, 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 cer-tain criteria have been met. Capitalized development expens-es are depreciated sys-tematically 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 adjust-ment items to materials and services. Exchange rate gains and losses on financing activi-ties 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 recog-nized in the income statement or balance sheet regarding the granting of option rights.

Hybrid capital securities

Hybrid capital securities is an equityrelated 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	2021	2020
Finland	2,065,274.68	2,432,052.63
Rest of Europe	4,491,819.81	1,214,151.04
Other	3,081,333.34	3,360,564.11
Total	**9,638,427.83**	**7,006,767.78**

2. OPERATING COSTS

EUR	2021	2020
Other operating costs		
External services	-2,549,757.72	-1,832,280.68
Depreciation	-1,149,816.48	-1,221,521.35
Other	-1,616,603.36	-1,766,820.27
Total	**-5,316,177.56**	**-4,820,622.30**

Auditor's fees

EUR	2021	2020
Principal auditor (Ernst & Young Oy)		
Statutory auditing	-50,400.00	-65,720.00
Other auditing		-7,305.00
Other services	-19,077.00	-329.00
Total	**-69,477.00**	**-73,354.00**

3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

Personnel costs		
EUR	**2021**	**2020**
Wages and salaries	-6,393,514.17	-5,507,723.65
Pension costs	-969,552.66	-765,499.67
Other ancillary personnel costs	-238,760.99	-184,601.46
Total	**-7,601,827.82**	**-6,457,824.78**

Average number of employees	2021	2020
	76	66

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

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

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

See note 24 in the consolidated financial statements.

6. DEPRECIATION AND IMPAIRMENT

EUR	2021	2020
Immaterial rights	249,395.50	195,229.45
Capitalized development costs	838,300.32	977,883.03
Machinery and equipment	62,120.66	48,408.87
Total	**1,149,816.48**	**1,221,521.35**

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

7. FINANCIAL INCOME AND COSTS

EUR	2021	2020
Interest income	738,420.19	56,284.71
Received payment of impaired internal loan	2,755,580.05	492,572.87
Exchange rate gains and losses (net)	7,905.23	-460,208.29
Interest, expenses and other financial costs	-100,464.16	-5,691.10
Total	**3,401,441.31**	**82,958.19**

8. APPROPRIATIONS

EUR	2021	2020
Group contribution from SSH Technology Oy	12,028.50	16,864.78
Total	**12,028.50**	**16,864.78**

9. INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

EUR	2021	2020
Intangible assets		
Immaterial rights		
Acquisition cost 1 Jan	14,846,432.33	13,806,553.00
Increase	1,115,748.25	1,039,879.33
Acquisition cost 31 Dec	15,962,180.58	14,846,432.33
Accumulated deprecia-tion 1 Jan	11,683,466.74	10,507,472.19
Depreciation for the financial period	1,087,695.82	1,175,994.55
Accumulated deprecia-tion 31 Dec	12,771,162.56	11,683,466.74
Book value 31 Dec	**3,191,018.02**	**3,162,965.59**
Tangible assets		
Machinery and equipment		
Acquisition cost 1 Jan	1,851,053.88	1,769,775.43
Increase	53,174.26	81,278.45
Acquisition cost 31 Dec	1,904,228.14	1,851,053.88
Accumulated deprecia-tion 1 Jan	1,734,135.07	1,685,726.20
Depreciation for the financial period	62,120.66	48,408.87
Accumulated deprecia-tion 31 Dec	1,796,255.73	1,734,135.07
Book value 31 Dec	**107,972.41**	**116,918.81**

Investments		
Book value 1 Jan	3,900,689.01	3,900,689.01
Increase	11,006,348.60	0.00
Book value 31 Dec	**14,907,037.61**	**3,900,689.01**

The parent company has granted a subordinated loan in total of EUR 1,080,000 (2020: EUR 1,080,000) to Kyberleijona Oy. The capital and interest of the subordinated loan can only be re-paid 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 un-restricted 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 finan-cial 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 be-tween SSH and State Security Networks Group Finland, SSH has strengthened the equity of Kyberleijona in 2018 by EUR 2,532,022.86.

10. RECEIVABLES FROM GROUP COMPANIES

EUR	2021	2020
Trade receivables	5,342,024.97	5,362,186.29
Group contribution receivable	12,028.50	16,864.78
Total	**5,354,053.47**	**5,379,051.07**

11. PREPAID EXPENSES AND ACCRUED INCOME

EUR	2021	2020
Prepaid expenses	196,303.32	216,048.95
Total	**196,303.32**	**216,048.95**

12. OTHER RECEIVABLES

EUR	2021	2020
Other receivables	255,515.83	317,283.49
Total	**255,515.83**	**317,283.49**

13. EQUITY

EUR	2021	2020
Share capital 1 Jan	1,164,066.99	1,164,066.99
Increase in share capital	14,299.98	-
Share capital 31 Dec	1,178,366.97	1,164,066.99
Unrestricted invested equity fund	23,702,087.81	22,720,155.85
Hybrid capital securities	12,000,000.00	12,000,000.00
Retained earnings	-24,183,082.79	-20,410,104.85
Profit/loss for the financial period	1,917,403.65	-2,392,977.94
Total	**14,614,775.64**	**13,081,140.05**

Statement on Distributable Funds, EUR	2021	2020
Retained earnings	-24,183,082.79	-20,410,104.85
Profit/Loss for the financial period	1,917,403.65	-2,392,977.94
Unrestricted invested equity fund	23,702,087.81	22,720,155.85
Capitalized development costs	-2,164,941.90	-2,025,684.59
Total	**-728,533.23**	**-2,108,611.53**

14. HYBRID CAPITAL SECURITIES/ SHAREHOLDERS' EQUITY

A hybrid capital security is an instrument that is subordinated to the Company's other debt obligations and It does not have 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 share-holder rights and do not dilute the holdings of the current shareholders.

Hybrid capital securities in the amount of EUR 12 million were issued in March 2015 and subscribed by institutional investors. The capital securities bear a fixed interest rate of 7.5 per cent until 30 March 2020, after which the interest rate will increase by four percentage points. The capital securities have no maturity date, but the issuer has the right to redeem them after 3 but before 5 years from the issue date, upon certain conditions, or after 5 years from the issue date. The investors had the right to convert the capital loan into the Company's shares at EUR 4.76 per share until 30 March 2020.

Paid interest from hybrid capital securities 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 2021 was EUR 1,380,000 (2020: EUR 900,000).

15. NON-CURRENT LIABILITIES

EUR	2021	2020
Pension loans payable		
Between one and five years	1,745,000.00	
Pension loans, total	**1,745,000.00**	**0.00**
Liabilities to subsidiaries		
Between one and five years	3,340,000.00	
Liabilities to subsidiaries, total	**3,340,000.00**	**0.00**
Non-current liabilities, total	**5,085,000.00**	**0.00**

In 2021, 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	2021	2020
Non-current liabilities to subsidiaries		
Other liabilities	3,340,000.00	
Non-current liabilities to subsidiaries, total	**3,340,000.00**	**0.00**
Current liabilities to subsidiaries		
Trade payables	1,545,703.61	398,369.66
Other liabilities	1,688,760.92	
Current liabilities to subsidiaries, total	**3,234,464.53**	**398,369.66**
Liabilities to subsidiaries, total	**6,574,464.53**	**398,369.66**

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

17. ACCRUED LIABILITIES AND DEFERRED INCOME

EUR	2021	2020
Personnel related	1,645,742.29	1,159,848.13
Accruals	1,293.13	59,222.63
Total	**1,647,035.42**	**1,219,070.76**

18. OTHER COMMITMENTS

EUR	2020	2019
Non-cancellable lease agreements for office facilities – future rent payments		
Within one year	246,268.06	203,510.56
Within more than one year but no more than 5 years	137,985.15	264,532.21
Commitments to group companies		
Within one year	1,670,000.00	
Within more than one year but no more than 5 years	3,340,000.00	
Other commitments		
Within one year	70,814.88	58,510.22
Within more than one year but no more than 5 years	46,815.54	97,517.03
Total	**5,511,883.62**	**624,070.02**

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

EUR	2021	2020
Guarantees given and other commitments		
Rental guarantees (pledged)	128,127.90	130,696.90
Hybrid Loan, Interest	1,035,000.00	1,035,000.00

19. GROUP COMPANIES

Parent and subsidiary relationships of the Group 31 December 2021	Domicile	Group Holding, %	Votes, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., New York City	USA	100	100
SSH Operations Oy, Helsinki	Finland	100	100
SSH Communications Security Ltd., Hong Kong	Hong Kong	100	100
Kyberleijona Oy, Helsinki	Finland	65	65
SSH Government Solutions Inc., New York City	USA	100	100
SSH Technology Oy, Helsinki	Finland	100	100
SSH Communications Security UK Ltd, London	United Kingdom	100	100

Dividend Proposal and Signatures

DIVIDEND PROPOSAL

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

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

Helsinki, 23 February 2022

HENRI ÖSTERLUND
Chairman of the Board of Directors

SAMPO KELLOMÄKI
Member of the Board of Directors

CHRISTIAN FREDRIKSON
Member of the Board of Directors

KAI TAVAKKA
Member of the Board of Directors

TEEMU TUNKELO
Chief Executive Officer

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 23 February 2022

Ernst & Young Oy
Authorized Public Accountants

ERKKA TALVINKO
Authorized Public Accountant

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, 2021. 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 the 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
Revenue Recognition *We refer to the group's accounting policies and the notes 2 and 3.* The group has multiple revenue sources including license sales, maintenance and subscription sales, and consulting services. The group's revenue for the financial year 2021 amounted to 15.9 million euros, which mostly comprised of license sales and maintenance and subscription sales. 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. 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).	Our audit procedures to address the risk of material misstatement in respect of revenue recognition included the following procedures: • 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.
Acquisition accounting of Deltagon Oy *We refer to the group's accounting policies and the notes 2 and 25.* The group acquired Deltagon Oy during the financial year 2021 for the purchase price of 17.4 million euros. The acquisition was material from the audit perspective because the valuation processes and methods used in the acquisition accounting required management judgment. The management judgments involved assumptions and estimates on determining the fair value of acquired assets and liabilities, and the allocation of the purchase price into identifiable assets such as customer contracts and technology.	Our audit procedures regarding the accounting and presentation of the acquisition in the financial statements included the following procedures: • We evaluated the compliance of the group's acquisition accounting with the IFRS 3 Business Combinations standard. • We evaluated with the assistance of EY valuation specialists the valuation processes and methods used by the management to determine the fair values of acquired assets and liabilities, and the allocation of the purchase price between identifiable assets and liabilities. • We evaluated the appropriateness and sufficiency of the notes related to the acquisition.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
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Valuation of goodwill
We refer to the group's accounting policies and the notes 2 and 13.

As of balance sheet date 31 December 2021, the value of goodwill amounted to 8.6 million euros. The goodwill balance has been recognized as a result of Deltagon Oy's acquisition.

Valuation of goodwill was a key audit matter because

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.

The value in use of the cash generating unit of the group (Deltagon Oy) 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, EBITDA and the discount rate applied on net cash flows. Any changes in these assumptions may result in an impairment of goodwill.
</td><td>
Our audit procedures included the following procedures:

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, EBITDA-% 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.

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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 6 years.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering 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, 23 February 2022

Ernst & Young Oy
Authorized Public Accountant Firm

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

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

SSH has introduced a Code of Conduct as a generally applied guideline describing the expected conduct at SSH Communications Security. It is created for the benefit of all employees, partners, and other 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 with whom SSH is involved with.

SSH respects the surrounding environment and aims to make sure that all of its offices are green and energy-efficient, and environmental impacts are maintained as low as possible. Most of the environmental impact comes from energy consumption of the offices, which is minimized by reusing supplies and recycling. SSH HQ operates in a modern and energy efficient office space, which has received LEED Platinum certification.

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

SSH is also certified as a Nasdaq ESG Transparency Partner. 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, Corporate Governance as well as Future Sustainability Goals all of which SSH considers in its operation.

SSH is in the process of building a comprehensive ESG and climate strategy performance metrics which will be published in the Annual Report for the fiscal year 2022.

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

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

Employee statistics at the end of 2021:

- 123 employees (incl. Deltagon Ltd.), up by 29 persons from the end of 2020;
- Average age of the employees was 41,2 years (2020: 43 years);
- Women 15.7% (2020: 15.8 %) and 84,3% (2020: 84.2 %) men;
- Sales, marketing, and customer services 38,2% (2020: 33.0 %), research and development 52,0% (2020: 51.1 %) and corporate administration 9.8% (2020: 16.0 %);
- 41,5% (2020: 40,4%) of the employees had been working for SSH less than 2 years, 28,5% (2020: 36,2%) for 2-5 years, 20,1% (2020: 20,2%) for 5-10 years, and 9,8% (2020: 3,2%) for over 10 years.

INFORMATION FOR SHAREHOLDERS

All published investor information, including annual reports, interim reports and stock exchange releases are available on the company's website at www.ssh.com/investors. All investor information is published in English. Stock exchange releases, 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 company refrains from contact with representatives of the capital markets and financial media.

ANNUAL GENERAL MEETING

The company's Annual General Meeting 2022 will be held on Friday 25th of March 2022.

FINANCIAL CALENDAR 2022

The company will publish the following financial reports during 2022:

FY 2021 Financial Statements Bulletin	February 24, 2022
FY 2021 Annual Report	Week 11
Business Review, January–March (Q1)	April 28, 2022
Half-year report, January–June (Q2)	July 21, 2022
Business Review, January–September (Q3)	October 27, 2022

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	39,371,379

INVESTOR RELATIONS CONTACTS

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

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