



# **SSH Communications Security Oyj**

Financial Statements and  
Report of the Board of Directors

**2022**

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

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

Consolidated net sales for January–December totaled EUR 19.3 million (2021: EUR 15.9 million), an increase of 21.1%, year on year.

The majority of SSH Communications Security’s invoicing is U.S. dollar based. During the financial year, the average exchange rate of the U.S. dollar against the euro strengthened by 11.0% compared to 2021. With comparable exchange rates, the net sales increase in 2022 would have been 15.5% compared to 2021.

### PROFIT AND PROFITABILITY TRENDS

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

Sales, marketing, and customer support expenses amounted to EUR -8.8 million (2021: EUR -8.6 million), while research and development expenses totaled EUR -7.2 million (2021: EUR -5.8 million) and administrative expenses EUR -5.1 million (2021: EUR -4.1 million). Operating expenses increased by 14% compared to the previous year.

### BALANCE SHEET AND FINANCIAL POSITION

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

1.7 million. On December 31, 2022, gearing, or the ratio of net liabilities to shareholders' equity, was -27.9% (December 31, 2021: -39.8%) and the equity ratio stood at 46.1% (December 31, 2021: 44.6%).

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

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

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

## RESEARCH AND DEVELOPMENT

Research and development expenses for January–December totaled EUR -7.2 million (EUR -5.8 million), the equivalent of 37.4% of net sales (36.6%). During January–December, the company has capitalized new product R&D costs in the amount of EUR 1.9 million (EUR 1.4 million). Capitalized product development expenses were reduced by EUR 0.1 million received as funding from the EU in 2022 (EUR 0.4 million). Depreciation from R&D capitalization assets was EUR -1.4 million (EUR -1.2 million).

## RISKS AND UNCERTAINTIES

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

The largest risks are:

- Refinancing risk/liquidity risk such as being unable to pay obligations due to insufficient liquidity or difficulties in raising financing.
- Cybercrime, including, e.g., ransomware
- Delays in product development and closing new business as well as phasing of new business cases
- Ability to execute the strategy
- Ability to retain and recruit key personnel

- Maintaining the ability to innovate and develop the product portfolio including intellectual property rights (IPR)
- IPR litigation and utilization of the patent portfolio
- A large portion of the company revenue is invoiced in USD currency, and possible significant fluctuation in USD currency rates during the year could have unpredictable effects on profitability. The company decides on hedging of USD-based contracts case by case.
- Uncertainty of the macroeconomic environment, such as the COVID-19 pandemic and war in Ukraine
- Impact of higher inflation and increasing market interest rates which may have an effect on increasing operational and financial costs

The principles and organization of risk management of SSH Communications Security can be read from the company's website [www.ssh.com](http://www.ssh.com).

## HUMAN RESOURCES AND ORGANIZATION

SSH Communications Security Group had 144 (2021: 122) employees at the end of December, up by 21 persons or 18% from the previous year. The average age among employees was 40 years (2021: 41 years). Approximately 16.9% (2021: 15.7%) of the employees were women and 83.1% (2021: 84.3%) men. At the end of the period, 36.8% (38.2%) of the employees worked in sales, marketing, and customer services, 51.4% (52.8%) in R&D, and 11.8% (8.9%) in corporate administration.

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

## BOARD OF DIRECTORS AND AUDITORS

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

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

## GROUP MANAGEMENT TEAM

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

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

## PRINCIPAL PROVISIONS OF THE ARTICLES OF ASSOCIATION

According to the Articles of Association, the highest decision-making power in the company is wielded by the shareholders at the shareholders' meeting. The Annual General Meeting (AGM) is

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

## **CORPORATE GOVERNANCE**

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

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

## **RESPONSIBILITY AND BUSINESS ETHICS**

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

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

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

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

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

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

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

## DISCLOSURE ACCORDING TO THE EU TAXONOMY REGULATION

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

## SHARES, SHAREHOLDING, AND CHANGES IN GROUP STRUCTURE

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

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

The company has the following subsidiaries:

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

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

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

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

## INFORMATION ON SHAREHOLDERS

### *Distribution of ownership by sector*

<b>Type of sector</b>	Number of shares	Percentage of shares and votes, %
Households and private individuals	19,500,044	49.16%
Financial and insurance institutions	920,825	2.32%
Public sector organizations	3,323,406	8.38%
Companies	1,612,691	4.07%
Foreign shareholders	14,306,040	36.07%
Non-profit organizations	100	0.00%
<b>Total</b>	<b>39,663,106</b>	<b>100.00%</b>

**DISTRIBUTION OF HOLDINGS BY NUMBER OF SHARES**

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

*The ten largest shareholders Dec 31, 2022**Excluding nominee-registered except Accendo Capital*

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

**SHARE CAPITAL AND BOARD AUTHORIZATIONS**

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

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

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



emptive right to share subscription or deviating from this right, in one or more tranches. Based on the authorization, it can be either issuing of new shares or transfer of own shares, which the company may have in its possession.

Based on the authorization, the Board of Directors shall have the same rights as the Annual General Meeting to decide upon the issuing of shares against payment and special rights (including stock options) in accordance with Chapter 10 Section 1 of the Finnish Companies Act. Thereby, the authorization to be given to the Board of Directors includes, inter alia, the right to deviate from the shareholders' pre-emptive rights with directed issues providing that the company has a compelling financial reason for the deviation with respect to the share issue against payment. Furthermore, the authorization includes the Board of Directors' right to decide upon who is entitled to the shares and/or stock options or special rights in accordance with Chapter 10 Section 1 of the Finnish Companies Act as well as upon the related compensation, subscription, and payment periods and the registering of the subscription price into the share capital or invested non-restricted equity fund within the limits of the Finnish Companies Act.

The authorization will be valid until the next Annual General Meeting but will expire at the latest on June 30, 2023.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon acquisition of a maximum of 2,000,000 own shares of the company with assets belonging to the company's non-restricted equity, which amounts to approximately 5.2 percent of the company's total shares. The shares can also be acquired other than in proportion to the holdings of the existing shareholders. The maximum compensation to be paid for the acquired shares shall be the market price at the time of purchase, which is determined by public trading.

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

A decision concerning the acquisition of own shares must be made so that the combined amount of the own shares, which are in possession of, or held as pledges by, the company or its subsidiaries does not exceed one tenth of all shares. The Board of Directors shall decide upon all other matters related to the acquisition of shares.

The authorization will be valid until the next Annual General Meeting but will expire at the latest on June 30, 2023.

## **SHARE-BASED PAYMENTS**

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

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

During 2021 no new stock option programs had been decided.

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

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

#### **RELATED PARTY TRANSACTIONS**

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

#### **EVENTS AFTER THE BALANCE SHEET DATE**

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

#### **BUSINESS OUTLOOK FOR 2023**

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

#### **DIVIDEND AND OTHER DISTRIBUTION OF ASSETS**

The parent company's distributable funds are EUR -2,252,652.86, of which the loss for the financial year is EUR -399,993.75. The Board of Directors proposes to the Annual General Meeting on March 24, 2023 that no dividend or return of capital shall be distributed. It is proposed that the loss of the financial year shall be entered to the retained earnings in the shareholders' equity.

**FINANCIAL INDICATORS**

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

**INDICATORS PER SHARE**

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

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

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

**ALTERNATIVE PERFORMANCE MEASURE**

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

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

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

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

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

**CALCULATION OF FINANCIAL RATIOS**

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

EUR	Note	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
NET SALES	3	19,284,167	15,929,489
Cost of goods sold		-115,109	31,325
<b>GROSS MARGIN</b>		<b>19,169,058</b>	<b>15,960,815</b>
Other operating income	4	1,518,146	1,111,266
Sales and marketing costs	5, 6	-8,841,883	-8,644,687
R&D costs	5, 6	-7,204,987	-5,836,431
Administrative costs	5, 6	-5,083,252	-4,121,081
<b>OPERATING PROFIT/LOSS</b>		<b>-442,918</b>	<b>-1,530,119</b>
Finance income	7	323,549	172,611
Finance costs	8	-562,278	-436,856
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>-681,647</b>	<b>-1,794,364</b>
Income tax expense	9	86,137	-524,030
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>-595,510</b>	<b>-2,318,394</b>
<b>Profit/loss attributable to:</b>			
Owners of the parent company		-533,579	-2,057,540
Non-controlling interests		-61,932	-260,854
<b>TOTAL</b>		<b>-595,510</b>	<b>-2,318,394</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		-404,653	-142,858
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-1,000,164</b>	<b>-2,461,252</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		-938,980	-2,200,135
Non-controlling interests		-61,184	-261,117
<b>TOTAL</b>		<b>-1,000,164</b>	<b>-2,461,252</b>
<b>Earnings per share attributable to the owners of the parent company</b>			
Basic earnings per share (EUR)	10	-0,05	-0,10
Diluted earnings per share (EUR)	10	-0,05	-0,10



**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEET**

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEET**

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CONSOLIDATED CASH FLOW STATEMENT**

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

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

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

## **CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **1. GENERAL ACCOUNTING PRINCIPLES**

##### **Basic information about the Group**

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

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

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

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

The SSH Communications Security Board of Directors approved this financial statement for publication at its meeting on 22 February 2023. Under the Finnish Limited Liability Companies Act, the shareholders can accept or reject the financial statement at the AGM held after its publication. A copy of the financial statements is published as a part of the company's annual report.

The annual report is available on the company website at [www.ssh.com](http://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](http://www.ssh.com).

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

##### **Basis of preparation of financial statements**

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

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

### **Converting Foreign Currency Transactions**

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

#### *Transactions in Foreign Currency*

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

#### *Translation of Financial Statements of Foreign Subsidiaries*

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

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

### **Use of estimates**

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

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

### **New and amended standards and interpretations**

The Group has adopted the new standards and interpretations that took effect during the accounting period and are relevant to its operations. The IFRS standards and the amendments that

entered into force in 2022 had no impact on the Group's result, the financial position, or the presentation of the financial statements.

**Changes that become effective later**

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



## 2. SEGMENT INFORMATION

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

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

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

## 3. NET SALES

### Accounting principles

#### Revenue Recognition

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

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

Maintenance sales, or revenue from support and maintenance contracts, are recognized evenly on an accrual basis throughout the contract period. Revenues from services are recognized when the service has been delivered and it is probable that the economic benefits associated with the transaction will accrue to the Group. Revenues from subscription contracts are recognized evenly on an accrual basis throughout the contract period. Revenues from hardware sales are recognized at the time when control of the hardware is transferred to the buyer. In case the hardware component is not determined to be distinct from the other performance obligations in the contract, revenue from hardware is recognized over time throughout the contract and classified as revenue from subscription contracts.

The revenue of royalties from licenses is recognized at the time of payment. Revenue from royalties is not material to the Group.

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

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

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

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

**Incremental costs of obtaining a contract**

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

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

EUR	2022	2021
<b>BY OPERATION</b>		
Subscription sales	8,737,206	4,698,933
License sales	1,916,559	3,089,244
Maintenance sales	8,214,059	7,562,294
Professional services & others	419,148	579,018
<b>Total</b>	<b>19,286,972</b>	<b>15,929,489</b>
<b>BY GEOGRAPHICAL AREA</b>		
AMERICAS	6,985,617	6,590,099
APAC	1,502,815	1,659,492
EMEA	10,798,540	7,679,898
<b>Total</b>	<b>19,286,972</b>	<b>15,929,489</b>

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

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

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

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

**2022**

EUR	Finland	Rest of Europe	US	Other countries	Group total
Revenue	7,180,048	3,618,492	6,336,074	2,152,359	19,286,972
Non-current assets	22,414,146		233,849	27,350	22,675,345

**2021**

EUR	Finland	Rest of Europe	US	Other countries	Group total
Revenue	1,781,607	5,898,291	6,148,205	2,101,386	15,929,489
Non-current assets	22,528,099		41,891	42,960	22,612,950

**4. OTHER OPERATING INCOME****Accounting principles****Government Grants**

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

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

**5. OTHER OPERATING COSTS**

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

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

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

**Personnel distribution by function on 31 Dec**

Sales, marketing, and customer support	53	46
Research and development	74	65
Administration	17	11
<b>Total</b>	<b>144</b>	<b>122</b>

**Research and development costs recognized as costs**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
<b>Total</b>	<b>-7,204,987</b>	<b>-5,836,431</b>

**Other operating costs**

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

**Auditor's fees**

Auditor's fees categorized into service groups were:

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

## 6. DEPRECIATIONS AND IMPAIRMENTS

EUR	2022	2021
<b>BY ASSET CATEGORY</b>		
Machinery and equipment	95,288	81,193
Right-of-use assets	414,738	301,343
Software & other intangible assets	1,248,270	1,039,466
Capitalized development costs	1,356,448	1,227,450
<b>Total</b>	<b>3,114,745</b>	<b>2,649,452</b>
<b>BY FUNCTION</b>		
Sales and marketing	14,779	8,376
Research and development	1,787,598	1,672,072
Administration	1,312,367	969,005
<b>Total</b>	<b>3,114,745</b>	<b>2,649,452</b>

## 7. FINANCIAL INCOME

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

## 8. FINANCIAL COSTS

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

## 9. INCOME TAXES

### Accounting principles

#### Income tax

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

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

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

EUR	2022	2021
Income taxes	86,137	-524,030
<b>Total</b>	<b>86,137</b>	<b>-524,030</b>

#### Reconciliation of income taxes and profit/loss before taxes

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

The amount of Group's unused tax losses, for which no deferred tax asset has been recognized based on the prudence principle, is EUR 8.7 million (2021: EUR 8.6 million). EUR 1.8 million (2021: EUR 3.4 million) of the tax losses are in Finland, and EUR 6.9 million (2021: EUR 5.7 million) in the USA. The tax losses expire in Finland between the years 2023–2031, and in the USA between the years 2023–2036. The amount of unrecognized deferred tax assets from the tax

losses is EUR 1.8 million (2021: EUR 1.9 million). The figures include use of losses in 2022 which have not yet been confirmed in taxation.

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

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

## 10. EARNINGS PER SHARE

### Accounting principles

#### Earnings per share

##### *Earnings per share*

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

##### *Diluted earnings per share*

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

### 10. Earnings Per Share

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

### Accounting principles

#### Property, Plant, and Equipment

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

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

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

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

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

EUR	2022	2021
<b>Machinery and equipment</b>		
Acquisition cost 1 Jan	2,211,773	2,094,182
Exchange rate effect	16,414	20,177
Increase	204,383	97,414
Acquisition cost 31 Dec	2,432,571	2,211,773
Accumulated depreciation 1 Jan	2,069,306	1,979,855
Exchange rate effect	11,734	19,843
Depreciation for the financial period	95,288	69,608
Accumulated depreciation 31 Dec	2,176,328	2,069,306
Book value 31 Dec	256,243	142,467



EUR	2022	2021
<b>Other tangible assets</b>		
Acquisition cost 1 Jan	76,428	72,389
Exchange rate effect	3,245	4,039
Acquisition cost 31 Dec	79,673	76,428
Accumulated depreciation 1 Jan	59,241	43,857
Exchange rate effect	3,245	3,798
Depreciation for the financial period	4,796	11,586
Accumulated depreciation 31 Dec	67,283	59,241
Book value 31 Dec	12,391	17,187
<b>Book value of tangible assets 31 Dec</b>	<b>268,634</b>	<b>159,654</b>

## 12. RIGHT-OF-USE ASSETS

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

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

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

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

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

## 13. INTANGIBLE ASSETS

### Accounting principles

#### Intangible Assets

##### *Research and Development Costs*

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

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

##### *Software*

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

##### *Other Immaterial Rights*

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

#### **Impairment of Tangible and Intangible Assets**

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

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

**Goodwill**

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

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

<b>EUR</b>	<b>2022</b>	<b>2021</b>
<b>Software</b>		
Acquisition cost 1 Jan	2,143,170	2,125,288
Exchange rate effect	12,122	15,347
Increase	7,710	2,535
Acquisition cost 31 Dec	2,163,002	2,143,170
Accumulated depreciation 1 Jan	2,092,371	2,067,033
Exchange rate effect	12,332	15,347
Depreciation for the financial period	10,236	9,991
Accumulated depreciation 31 Dec	2,114,939	2,092,371
Book value 31 Dec	48,064	50,799
<b>Immaterial rights</b>		
Acquisition cost 1 Jan	26,815,927	16,773,132
Increase	2,243,560	10,042,795
Acquisition cost 31 Dec	29,059,487	26,815,927
Accumulated depreciation 1 Jan	13,588,404	11,383,387
Depreciation for the financial period	2,554,085	2,205,017
Impairment	40,500	
Accumulated depreciation 31 Dec	16,182,990	13,588,404
Book value 31 Dec	12,876,497	13,227,522
Goodwill	8,594,625	8,594,625
<b>Book value of intangible assets 31 Dec</b>	<b>21,519,186</b>	<b>21,872,947</b>

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

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

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

No goodwill impairment losses were recognized during the accounting period.

### **Intangible assets**

At the end of the year, the company has tested the value of intangible assets using a moderate growth rate compared to year 2022 net sales and year 2022 cost structure. The cash flow forecasts of new products in the market are based on year 2023 budget. The discount rate used in the testing was 11.6 %. As a result of the testing, no impairment risk was detected. According to the sensitivity analyses carried out, even a significant change in key variables (net sales, profitability and discount rate) would not create a situation where the carrying value of an asset would exceed its recoverable amount.

## 14. INVENTORIES

### Accounting principles

#### Inventories

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

EUR	2022	2021
Finished goods	327,149	36,196
<b>Total inventories</b>	<b>327,149</b>	<b>36,196</b>

## 15. TRADE RECEIVABLES AND CONTRACT LIABILITIES

### Accounting principles

#### *Financial assets*

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

The assets are classified at initial recognition; the classification is based on the business model used in managing the financial assets and contractual terms of the cash flows. The assets are initially recognized at fair value. Transaction costs are included in the original book value of an asset if the asset is not to be recognized at fair value through profit or loss. Financial assets are written off from the balance sheet when the contractual right to cash flows from an asset included in financial assets ends or when the significant risks and rewards related to the asset are transferred outside the Group. All asset purchases and sales are recognized on the date of the transaction.

Financial assets through profit or loss include derivatives unless they are designated as effective hedging instruments or warrants such as currency derivatives, and fund investments. Changes in fair values of derivative financial instruments and realized and unrealized gains and losses are recognized in the income statement during the period when they incur. The Group did not have any derivatives during 2022 or 2021.

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

#### *Impairment of financial assets*

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

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

### Trade receivables

EUR	2022	2021
<b>Total trade receivables</b>	<b>8,100,578</b>	<b>4,253,848</b>

### By currency

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

### By age

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

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

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

### Contract liabilities

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

## 16. CASH AND CASH EQUIVALENTS

### Accounting principles

#### Cash and cash equivalents

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

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

## 17. OTHER RECEIVABLES

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

#### Prepaid assets

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

Sales incentive commissions that are incremental costs of obtaining a contract with a customer are recognized as an asset when the contract period is 12 months or longer, and costs to fulfil the contract are material, and revenue from contract is recognized over time.

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

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

## 18. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

## 19. NOTES TO EQUITY

### Accounting principles

#### Share capital

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

#### Share issue 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, 2022 or December 31, 2021.

According to the Articles of Association, SSH Communications Security Corporation has a minimum share capital of EUR 600,000 and a maximum share capital of EUR 2,400,000, within which limits the share capital may be raised or lowered without amending the Articles of Association. The nominal value of one share is EUR 0.03; hence, the minimum number of shares is 20 million and maximum number is 80 million. The company has one series of shares; each share entitles its holder to one vote at the shareholders' meeting. The share capital of the company, registered in the Trade Register and fully paid up as of 31 December 2022 was EUR 1,189,893.18 (2021: EUR 1,178,366.97), and the number of shares was 39,663,106 (2021: 39,278,899).

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



**DESCRIPTION OF THE EQUITY RESERVES:****Share capital**

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

**Translation differences**

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

**Unrestricted invested equity fund**

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

**Hybrid capital securities**

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

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

**20. CAPITAL MANAGEMENT**

The objective in managing Group capital is to secure the ability to continue operating. The structure of the capital can be managed through decisions concerning, for instance, dividends and other distribution of assets, purchase of the company's own shares, and share issues. Capital management concerns equity recognized in the balance sheet. There are no requirements imposed by outside parties on the Group's capital management. In March 2015 the Group issued hybrid capital securities which are included in the Group's equity.

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

**Net liabilities**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Interest-bearing liabilities	1,745,000	2,827,000

Lease liabilities	877,942	591,270
Cash and cash equivalents	5,719,583	8,207,229
<b>Net liabilities</b>	<b>-3,096,641</b>	<b>-4,788,959</b>
<b>Equity total</b>	<b>10,467,741</b>	<b>12,025,739</b>
Equity ratio	46,07 %	44,63 %
Gearing	-27,93 %	-39,82 %

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

In 2022 Kyberleijona Oy repaid subordinated loan capital EUR 0.6 million to the non-controlling interest holder State Security Networks Group Finland. In the end of 2022 Kyberleijona had no longer subordinated loan in its balance sheet. The capital and interest of the subordinated loan can only be repaid in circumstances permitted by Chapter 12 of the Finnish Limited Liability Companies Act. The capital of the subordinated loan can only be repaid to the extent the unrestricted shareholders' equity and the total amount of the subordinated loan at the time of the repayment exceeds the loss that is to be confirmed for the company's latest financial year or is included in the balance sheet of more recent financial statements. The annual interest for the subordinated loan, three per cent (3 %), has been recognized as expense.

## 21. SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS

### Accounting principles

#### Employee Benefits

##### *Pensions*

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

##### *Share-based payments*

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

Option rights are measured at fair value on their date of issue and recognized as a cost in the income statement on a straight-line basis over the vesting period. The expense determined at the time of issuing the stock options is based on the Group's estimate of the number of stock options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. The non-market criteria are not included in the

fair value of the option but considered in the number of stock options that are assumed to vest at the end of the vesting period. On the date of each financial statement, the Group updates its estimate of the final amount of the stock options that will vest, and changes in this estimate are recognized in the income statement. When the option rights are exercised, the proceeds received, net of any transaction costs, are recognized under share capital and unrestricted invested equity fund.

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

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

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

*Information about option plans:*

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

*Changes in outstanding stock options:*

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

The fair value of option programs is determined at the time the options are granted and is recorded as an expense in the profit/loss during the period of inception. The fair value is determined using the Black-Scholes pricing model. The parameters for options granted in 2022 are:

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

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

<b>Share-based payments recognized as an expense, EUR</b>	<b>2022</b>	<b>2021</b>
Share-based payments, equity-settled	721,609	479,238

## 22. TRADE AND OTHER PAYABLES

### Accounting principles

#### *Financial liabilities*

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

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

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

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

## 23. FINANCIAL RISK MANAGEMENT

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

### Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk, the most significant currency being the U.S. dollar. The company reduces risk based on net position, using foreign exchange forwards or options. Currently the net position is not hedged. The company decides on the hedging on case by case basis. Currently the Group is not using hedging accounting. Any gains or losses realized through hedging actions are thus recognized in profit/loss.

A 10 % strengthening of the U.S. dollar against the Euro using with net position on 31 Dec 2022 would increase the pre-tax profit of the Group by 12,000 euros. Similarly, a 10 % weakening of the U.S. dollar against the Euro would decrease the pre-tax profit of the Group by 15,000 euros.

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

### Interest Rate Risk

The interest-bearing debt of the Group at the end of the review period was EUR 1,745,000 and it consisted of a premium loan taken from ELO mutual pension insurance company EUR 1,745,000. The interest rate of the premium loan consists of reference interest rate and added margin 0,50 %. During 2022 the calculated annual rate of premium loan was 0,80 %.

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

### Market Risk Related to Investments

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

### Credit Risk

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

### Liquidity Risk

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

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

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

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

### 31 Dec 2022

EUR	Less than 1 year	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	500,000	1,245,000		<b>1,745,000</b>
Outstanding installments from Deltagon acquisition	1,670,000	1,666,796		<b>3,336,796</b>
Lease liabilities	380,447	497,495		<b>877,942</b>
Trade and other payables	5,618,510			<b>5,618,510</b>
<b>Total</b>	<b>8,168,957</b>	<b>3,409,291</b>		<b>11,578,248</b>

### 31 Dec 2021

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

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

EUR	1 Jan 2022	Cash flows	Foreign ex- change movement	New leases	Other	31 Dec 2022
Current lease liabilities	371,791	-431,423	3,402	91,543	345,135	380,447
Current interest-bearing borrowings	500,000	-500,000			500,000	500,000
Other current liabilities	1,670,000	-1,670,000			1,020,000	1,020,000
Non-current interest-bearing borrowings	2,327,000	-582,000			-500,000	1,245,000
Non-current lease liabilities	219,480			124,066	-124,066	219,480
Other non-current liabilities	3,166,096				-1,529,732	1,636,364
<b>Total liabilities from financing activities</b>	<b>6,758,270</b>	<b>-3,183,423</b>	<b>3,402</b>	<b>215,608</b>	<b>-288,663</b>	<b>5,001,291</b>

<b>EUR</b>	<b>1 Jan 2021</b>	<b>Cash flows</b>	<b>Foreign ex- change movement</b>	<b>New leases</b>	<b>Other</b>	<b>31 Dec 2021</b>
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
<b>Total liabilities from financing activities</b>	<b>1,296,772</b>	<b>1,858,672</b>	<b>15,477</b>	<b>247,349</b>	<b>4,836,096</b>	<b>8,254,366</b>

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

## 24. LEASES

### Accounting principles

#### Leases

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

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

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

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

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

**Leases in the balance sheet**

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

**Right-of-use assets**

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

**Lease liabilities**

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

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

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

**Leases in the income statement**

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

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

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



## 25. GUARANTEES GIVEN AND OTHER COMMITMENTS

### Accounting principles

#### Hybrid capital securities

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

#### Provisions

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

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

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

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

## 26. GROUP COMPANIES AND RELATED PARTY TRANSACTIONS

### Accounting principles

#### Subsidiaries

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

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

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

#### Group companies Dec 31 2022

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

#### Partly owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

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

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

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

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

**Summarised statement of consolidated key figures before group intercompany eliminations:**

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

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

## 27. RELATED PARTY TRANSACTIONS

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

### Employee benefits of the management

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

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

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

**Fees to Members of the Board of Directors**

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

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

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

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

**Compensation of the key management personnel of the group**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Wages and other short-term employee benefits	791,229	633,344
Share-based payments		38,280

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

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

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

**Related party transactions**

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

**28. BUSINESS COMBINATIONS****2022**

No acquisitions or divestments were closed in 2022.

**2021**

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

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

<b>EUR</b>	
<b>Purchase consideration</b>	
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
<b>Total purchase consideration</b>	<b>17,426,321</b>
<b>Assets</b>	
<b>Fair value recognised on acquisition</b>	
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
	<b>11,859,884</b>
<b>Liabilities</b>	
Trade and other payables	-1,328,476
Deferred tax liability	-1,699,713
	<b>-3,028,189</b>

<b>Total identifiable net assets at fair value</b>	<b>8,831,696</b>
Goodwill arising on acquisition	8,594,625
<b>Purchase consideration transferred</b>	<b>17,426,321</b>
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	1,358,579
Cash paid	-5,996,349
<b>Net cash flow on acquisition</b>	<b>-4,637,770</b>

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

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

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

## 29. EVENTS AFTER THE BALANCE SHEET DATE

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

## **PARENT COMPANY FINANCIAL STATEMENTS**

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

<b>EUR</b>	<b>Note</b>	<b>1 Jan-31 Dec 2022</b>	<b>1 Jan-31 Dec 2021</b>
<b>NET SALES</b>	1	<b>12 510 576,00</b>	<b>9 638 427,83</b>
Purchasing and production costs			-2 004,75
<b>GROSS MARGIN</b>		<b>12 510 576,00</b>	<b>9 636 423,08</b>
Other operating income		811 259,00	769 294,68
Research and development costs	2, 3, 6	-6 435 389,63	-5 536 311,17
Sales and marketing costs	2, 3, 6	-3 921 581,99	-3 414 951,56
Administrative costs	2, 3, 6	-3 388 027,33	-2 950 521,47
<b>OPERATING PROFIT/LOSS</b>		<b>-423 163,96</b>	<b>-1 496 066,43</b>
Financial income	7		
Interest revenue and other financing income		338 967,46	3 787 885,79
Interest costs and other financing costs		-324 494,18	-386 444,21
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>		<b>-408 690,68</b>	<b>1 905 375,15</b>
Appropriations	8		
Group contribution received		8 696,93	12 028,50
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>-399 993,75</b>	<b>1 917 403,65</b>
Taxes		0,00	0,00
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>		<b>-399 993,75</b>	<b>1 917 403,65</b>



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

EUR	Note	31 Dec 2022	31 Dec 2021
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9		
Immaterial rights		3 498 145,60	3 191 018,02
<b>Intangible assets, total</b>		<b>3 498 145,60</b>	<b>3 191 018,02</b>
Tangible assets	9		
Machinery & equipment		202 824,74	107 972,41
<b>Tangible assets, total</b>		<b>202 824,74</b>	<b>107 972,41</b>
Investments			
Shares in Group companies	9,19	13 816 037,61	14 896 037,61
Other shares		11 000,00	11 000,00
<b>Investments, total</b>		<b>13 827 037,61</b>	<b>14 907 037,61</b>
<b>NON-CURRENT ASSETS, TOTAL</b>		<b>17 528 007,95</b>	<b>18 206 028,04</b>
<b>CURRENT ASSETS</b>			
Current receivables			
Trade receivables		3 862 583,83	1 958 039,05
Receivables from Group companies	10	5 045 813,30	5 354 053,47
Prepaid expenses and accrued income	11	311 743,14	196 303,32
Other receivables	12	337 459,26	255 515,83
<b>Current receivables, total</b>		<b>9 557 599,53</b>	<b>7 763 911,67</b>
Cash and cash equivalents		388 083,35	2 369 368,20
<b>CURRENT ASSETS, TOTAL</b>		<b>9 945 682,88</b>	<b>10 133 279,87</b>
<b>ASSETS, TOTAL</b>		<b>27 473 690,83</b>	<b>28 339 307,91</b>

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

EUR	Note	31 Dec 2022	31 Dec 2021
<b>EQUITY</b>	13		
Share capital		1 189 893,18	1 178 366,97
Unrestricted invested equity fund		24 410 411,54	23 702 087,81
Hybrid capital securities	14	12 000 000,00	12 000 000,00
Retained profit/loss		-23 645 679,14	-24 183 082,79
Profit/loss for financial period		-399 993,75	1 917 403,65
<b>EQUITY, TOTAL</b>		<b>13 554 631,83</b>	<b>14 614 775,64</b>

**LIABILITIES**

<b>NON-CURRENT LIABILITIES</b>			
Pension loan	15	1 245 000,00	1 745 000,00
Payables to Group companies	15,16	1 670 000,00	3 340 000,00
<b>NON-CURRENT LIABILITIES, TOTAL</b>		<b>2 915 000,00</b>	<b>5 085 000,00</b>

**CURRENT LIABILITIES**

Advances received and deferred revenue		2 870 692,78	2 607 972,72
Trade payables		512 860,81	238 786,47
Payables to Group Companies	16	3 576 038,58	3 234 464,53
Accrued expenses and deferred income	17	2 776 499,76	1 647 035,42
Pension loan		500 000,00	500 000,00
Other liabilities		767 967,07	411 273,13
<b>CURRENT LIABILITIES, TOTAL</b>		<b>11 004 059,00</b>	<b>8 639 532,27</b>
<b>LIABILITIES, TOTAL</b>		<b>13 919 059,00</b>	<b>13 724 532,27</b>

<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>27 473 690,83</b>	<b>28 339 307,91</b>
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**PARENT COMPANY FINANCIAL STATEMENTS****PARENT COMPANY CASH FLOW STATEMENT**

EUR	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021
<b>Cash flow from business operations</b>		
Receipts from customers	13 196 277,07	9 839 634,26
Payments to suppliers and employees	-12 321 537,05	-9 048 311,77
<b>Cash flow from business operations before financial items and taxes</b>	<b>-152 978,61</b>	<b>791 322,49</b>
Interest and other financial costs	111,81	-103 151,06
Interest and other financial revenue		3 207 999,07
<b>Cash flow from business operations</b>	<b>721 873,22</b>	<b>3 896 170,50</b>
<b>Cash flow from investing activities</b>		
Investments in tangible and intangible assets	-1 682 290,88	-1 570 947,88
Investments in subsidiaries	-1 670 000,00	-5 996 348,60
Receipt of government grants	729 282,87	271 188,17
<b>Cash flow from investing activities</b>	<b>-2 623 008,01</b>	<b>-6 149 764,28</b>
<b>Cash flow from financing activities</b>		
Change of non-current debt		1 745 000,00
Change in current debt	-500 000,00	500 000,00
Interest on hybrid capital securities	-1 380 000,00	-1 380 000,00
Subordinated loan return	1 080 000,00	
Proceeds from shares subscribed with option rights	719 849,94	996 231,94
Group contribution received		16 864,78
<b>Cash flow from financing activities</b>	<b>-80 150,06</b>	<b>1 878 096,72</b>
<b>Change in liquid assets</b>	<b>-1 981 284,85</b>	<b>-375 497,06</b>
<b>Liquid assets in the beginning of period</b>	<b>2 369 368,20</b>	<b>2 744 865,26</b>
Change in liquid assets	-1 981 284,85	-1 234 942,80
<b>Liquid assets at the end of period</b>	<b>388 083,35</b>	<b>2 369 368,20</b>

## PARENT COMPANY FINANCIAL STATEMENTS

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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

#### Principles of revenue recognition

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

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

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

#### Apportioning of costs to functions

Costs are apportioned to functions according to the matching principle.

#### Leases

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

#### Income tax

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

#### Fixed assets

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

The asset categories and their depreciation periods are:

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

### **Research and Development Costs**

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

### **Foreign currency transactions**

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

### **Option rights**

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

### **Hybrid capital securities**

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

## NOTES TO THE INCOME STATEMENT

## 1. NET SALES BY MARKET AREA

EUR	2022	2021
Finland	5 200 067,23	2 065 274,68
Rest of Europe	2 074 356,10	4 491 819,81
Other	5 236 152,76	3 081 333,34
<b>Total</b>	<b>12 510 576,09</b>	<b>9 638 427,83</b>

## 2. OPERATING COSTS

EUR	2022	2021
<b>Other operating costs</b>		
External services	-2 834 933,50	-2 549 757,72
Depreciation	-1 181 529,42	-1 149 816,48
Other	-2 094 113,19	-1 616 603,36
<b>Total</b>	<b>-6 110 576,11</b>	<b>-5 316 177,56</b>

## Auditor's fees

EUR	2022	2021
<b>Principal auditor (Ernst &amp; Young Oy)</b>		
Statutory auditing	-54 308,00	-58 956,00
Other auditing		
Other services	-21 400,00	-14 362,50
<b>Total</b>	<b>-75 708,00</b>	<b>-73 318,50</b>

## 3. PERSONNEL COSTS AND AVERAGE NUMBER OF EMPLOYEES

EUR	2022	2021
Wages and salaries	-7 464 535,90	-6 393 514,17
Pension costs	-1 128 844,19	-969 552,66
Other ancillary personnel costs	-466 432,63	-238 760,99
<b>Total</b>	<b>-9 059 812,72</b>	<b>-7 601 827,82</b>

## Average number of employees

	2022	2021
	90	76

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

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

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

See note 24 in the consolidated financial statements.

#### 6. DEPRECIATION AND IMPAIRMENT

EUR	2022	2021
Immaterial rights	228 557,36	249 395,50
Capitalized development costs	876 100,71	838 300,32
Machinery and equipment	76 871,35	62 120,66
<b>Total</b>	<b>1 181 529,42</b>	<b>1 149 816,48</b>

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

#### 7. FINANCIAL INCOME AND COSTS

EUR	2022	2021
Interest revenue	25 488,86	738 420,19
Received payments of impaired internal loan		2 755 580,05
Exchange rate gains and losses (net)	141 963,03	7 905,23
Interest and other financial costs	-152 978,61	-100 464,16
<b>Total</b>	<b>14 473,28</b>	<b>3 401 441,31</b>

In 2021, the company received a payment of an impaired internal loan EUR 2,755,580.05 from a group company. Interest income of the internal loan was EUR 697,087.59 and currency exchange loss EUR 285,980.05.

#### 8. APPROPRIATIONS

EUR	2022	2021
Group contribution from SSH Operations Oy	6 503,99	
Group contribution from SSH Technology Oy	2 192,94	12 028,50
<b>Total</b>	<b>8 696,93</b>	<b>12 028,50</b>

## NOTES TO THE BALANCE SHEET

## 9. INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

EUR	2022	2021
<b>Immaterial rights</b>		
Acquisition cost 1 Jan	15 962 180,58	14 846 432,33
Increase	1 411 785,65	1 115 748,25
Acquisition cost 31 Dec	17 373 966,23	15 962 180,58
Accumulated depreciation 1 Jan	12 771 162,56	11 683 466,74
Depreciation for the financial period	1 104 658,07	1 087 695,82
Accumulated depreciation 31 Dec	13 875 820,63	12 771 162,56
<b>Book value 31 Dec</b>	<b>3 498 145,60</b>	<b>3 191 018,02</b>
<b>Machinery and equipment</b>		
Acquisition cost 1 Jan	1 904 228,14	1 851 053,88
Increase	171 723,69	53 174,26
Acquisition cost 31 Dec	2 075 951,83	1 904 228,14
Accumulated depreciation 1 Jan	1 796 255,73	1 734 135,07
Depreciation for the financial period	76 871,36	62 120,66
Accumulated depreciation 31 Dec	1 873 127,09	1 796 255,73
<b>Book value 31 Dec</b>	<b>202 824,74</b>	<b>107 972,41</b>
<b>Investments</b>		
Book value 1 Jan	14 907 037,61	3 900 689,01
Increase		11 006 348,60
Decrease	-1 080 000,00	
<b>Book value 31 Dec</b>	<b>13 827 037,61</b>	<b>14 907 037,61</b>

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



**10. RECEIVABLES FROM GROUP COMPANIES**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Trade receivables	5 037 116,37	5 342 024,97
Group contribution receivable	8 696,93	12 028,50
<b>Total</b>	<b>5 045 813,30</b>	<b>5 354 053,47</b>

**11. PREPAID EXPENSES AND ACCRUED INCOME**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Prepaid expenses	311 743,14	196 303,32
<b>Total</b>	<b>311 743,14</b>	<b>196 303,32</b>

**12. OTHER RECEIVABLES**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Other receivables	337 459,26	255 515,83
<b>Total</b>	<b>337 459,26</b>	<b>255 515,83</b>

**13. EQUITY**

<b>EUR</b>	<b>2022</b>	<b>2021</b>
Share capital 1 Jan	1 178 366,97	1 164 066,99
Increase in share capital	11 526,21	14 299,98
Share capital 31 Dec	1 189 893,18	1 178 366,97
Unrestricted invested equity fund	24 410 411,54	23 702 087,81
Hybrid capital securities	12 000 000,00	12 000 000,00
Retained earnings	-23 645 679,14	-24 183 082,79
Profit/loss for the financial period	-399 993,75	1 917 403,65
<b>Total</b>	<b>13 554 631,83</b>	<b>14 614 775,64</b>

<b>Statement on Distributable Funds, EUR</b>	<b>2022</b>	<b>2021</b>
Retained earnings	-23 645 679,14	-24 183 082,79
Profit/loss for the financial period	-399 993,75	1 917 403,65
Unrestricted invested equity fund	24 410 411,54	23 702 087,81
Capitalised development costs	-2 617 391,51	-2 164 941,90
<b>Total</b>	<b>-2 252 652,86</b>	<b>-728 533,23</b>

## 14. HYBRID CAPITAL SECURITIES/SHAREHOLDERS' EQUITY

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

Hybrid capital securities in the amount of EUR 12 million were issued in March 2015 and subscribed by institutional investors. The capital securities bear a fixed interest rate of 11.5 per cent. The capital securities have no maturity date, but the issuer has the right to redeem them after 3 but before 5 years from the issue date, upon certain conditions, or after 5 years from the issue date. The investors had the right to convert the capital loan into the Company's shares at EUR 4.76 per share until 30 March 2020.

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

## 15. NON-CURRENT LIABILITIES

EUR	2022	2021
<b>Pension loans payable</b>		
Between one and five years	1 245 000,00	1 745 000,00
Pension loans, total	1 245 000,00	1 745 000,00
<b>Liabilities to subsidiaries</b>		
Between one and five years	1 670 000,00	3 340 000,00
Liabilities to subsidiaries, total	1 670 000,00	3 340 000,00
<b>Non-current liabilities, total</b>	<b>2 915 000,00</b>	<b>5 085 000,00</b>

In 2021, company received a premium loan from ELO mutual pension insurance company. Total amount of the loan on 31 December, 2022 is EUR 1,745,000 (2021: EUR 2,450,000) of which 1,245,000 is non-current (2021: EUR 1,745,000). Non-current liabilities to subsidiaries consist of the company's commitment to invest to Kyberleijona Oy the outstanding installments of Deltagon acquisition.

## 16. LIABILITIES TO SUBSIDIARIES

EUR	2022	2021
<b>Non-current liabilities to subsidiaries</b>		
Other liabilities	1 670 000,00	3 340 000,00
Non-current liabilities to subsidiaries, total	1 670 000,00	3 340 000,00

<b>Current liabilities to subsidiaries</b>		
Trade payables	1 885 500,66	1 545 703,61
Other liabilities	1 690 537,92	1 688 760,92
Current liabilities to subsidiaries, total	3 576 038,58	3 234 464,53
<b>Liabilities to subsidiaries, total</b>	<b>5 246 038,58</b>	<b>6 574 464,53</b>

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

## 17. ACCRUED LIABILITIES AND DEFERRED INCOME

EUR	2022	2021
Personnel related	2 776 499,76	1 645 742,29
Accruals		1 293,13
<b>Total</b>	<b>2 776 499,76</b>	<b>1 647 035,42</b>

## 18. OTHER COMMITMENTS

EUR	2022	2021
<b>Non-cancellable lease agreements for office facilities - future rent payments</b>		
Within one year	339 629,34	246 268,06
Within more than one year but no more than 5 years	49 071,44	137 985,15
<b>Commitments to group companies</b>		
Within one year	1 670 000,00	1 670 000,00
Within more than one year but no more than 5 years	1 670 000,00	3 340 000,00
<b>Other commitments</b>		
Within one year	47 209,92	70 814,88
Within more than one year but no more than 5 years		46 815,54
<b>Total</b>	<b>3 775 910,70</b>	<b>5 511 883,62</b>

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

### Guarantees given and other commitments

EUR	2022	2021
Rental guarantees (pledged)	128 127,90	128 127,90
Hybrid Loan, Interest	1 380 000,00	1 380 000,00

## 19. GROUP COMPANIES

### Parent and subsidiary relationships of the Group 31 December 2022

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

## DIVIDEND PROPOSAL AND SIGNATURES

### DIVIDEND PROPOSAL

The parent company's distributable funds are EUR -2,252,652.86, of which the loss for the financial year is EUR -399,993.75. The Board of Directors proposes to the Annual General Meeting on 24 March, 2023 that no dividend or return of capital shall be distributed. It is proposed that the loss of the financial year shall be entered to the retained earnings in the shareholders' equity.

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

Helsinki, 22 February 2023

Henri Österlund  
Chairman of the Board of Directors

Sampo Kellomäki  
Member of the Board of Directors

Christian Fredrikson  
Member of the Board of Directors

Kai Tavakka  
Member of the Board of Directors

Catharina Candolin  
Member of the Board of Directors

Teemu Tunkelo  
Chief Executive Officer

### AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 22 February 2023

Ernst & Young Oy  
Authorized Public Accountant Firm

Maria Onniselkä  
Authorized Public Accountant