

SSH COMMUNICATIONS SECURITY FINANCIAL STATEMENT RELEASE, JANUARY 1 – DECEMBER 31, 2012

SUMMARY

SSH Communications Security achieved record results in 2012. Revenue growth accelerated to 81% in Q4, 48% for the full year with 9% profit margin, positive operative cash flow, and 31% return on equity for the year.

October-December

- Net sales totaled EUR 3.6 million, up by +81.3% year on year (EUR 2.0 million in 10-12/2011).
- Operating profit amounted to EUR 0.3 million (EUR -0.0 million) not including significant non-recurring costs (EUR 0.0 million). Net profit EUR 0.3 million (loss EUR -0.1 million)
- Earnings per share EUR 0.01 (EUR -0.00).

January-December

- Net sales totaled EUR 11.9 million, up by +47.9% year on year (EUR 8.1 million).
- Operating profit amounted to EUR 1.1 million (EUR -2.0 million) including non-recurring costs of EUR -0,4 million (EUR -1.1 million). Net profit EUR 1.1 million (loss EUR -2.2 million)
- Earnings per share EUR 0.04 (EUR -0.07).
- Operative cash flow positive EUR 1.3 million (EUR -0.8 million). Total cash flow was EUR 4.2 million (EUR 0.9 million).

The company's equity ratio improved significantly to 70.0% (36.2%) and liquid assets strengthened to EUR 6.6 million (EUR 2.4 million).

KEY FIGURES					
EUR millions	10-12/ 2012	10-12/ 2011	1-12/2012	1-12/2011	Change %
Sales	3.6	2.0	11.9	8.1	47.9
Operating profit/loss	0.3	-0.0	1.1	-2.0	154.5
% of sales	7.8	-0.6	9.1	-25.3	
Profit/loss before taxes	0.3	-0.0	1.1	-2.2	151.3
Net profit	0.3	-0.1	1.1	-2.2	151.0
ROE, %	13.0		30.9	-110.0	
ROI, %	7.3		28.1	-99.6	
Liquid assets			6.6	2.4	169.6
Gearing, %			-105.2	-230,0	
Equity ratio, %			70.0	36,2	
Earnings per share, EUR	0.01	-0.00	0.04	-0.07	152.5
Equity/share, EUR	0.20	0.03	0.20	0.03	583.6

CEO'S BUSINESS REVIEW

The company achieved 81% growth rate in the fourth quarter and has now been profitable for four consecutive quarters. EBIT in the fourth quarter was burdened by investments in growth, particularly expansion of US operations, but was still a decent 7,8%. Full year EBIT margin was 9.1%.

The company closed a EUR 2 million (USD 2.5 million) deal with a global top 10 financial institution for the new Universal SSH Key Manager product in September, and successfully completed the first phase of their SSH key remediation project in December, achieving all stated objectives. The company signed additional Universal SSH Key Manager deals in the fourth quarter and closed significant SSH client/server deals with two of the top ten insurance companies in the US.

Additionally, the company has seen strong interest in its SSH client and server products and the new CryptoAuditor product for monitoring and controlling encrypted communications and data transfers.

The company filed new patent applications in December in the US and internationally around SSH key management and management of automated access generally, most of the applications obtaining priority from 2011. In January the company filed six more patent applications around its new products, again mostly obtaining priority from 2011 or January 2012.

The company took EUR 4 million (USD 5.2 million) of additional equity capital in December to support growth and ability to defend its intellectual property. Operational cash flow was also positive for both the fourth quarter and the full year.

The SSH protocol is used for automating operations in large IT environments. Certain authentication keys used by the protocol are not being properly managed in most organizations. Mismanaged, these keys provide a way for viruses to spread quickly throughout an organization's server infrastructure and provide a way for rogue administrators and rootkits to leave backdoors into production servers, bypassing normal privileged access management and auditing systems. Many large organizations appear to be non-compliant with Sarbanes-Oxley, PCI, FISMA, and/or HIPAA security standards and laws for failing to properly control who can access their servers using SSH keys and failing to ensure termination of key-based access when an employee leaves or changes roles.

The Universal SSH Key Manager helps solve these SSH and OpenSSH management issues. The company's SSH key management solutions are being used by several of the world's largest banks, retail chains, logistics companies, and government agencies. The solution automates new key setups, removal of unused keys, key rotation, and prevents unauthorized backdoor creation. This brings substantial cost savings, improved security, and enables regulatory compliance.

The company's second new solution, CryptoAuditor, enables auditing and control of the contents of encrypted SSH and RDP (Windows Remote Desktop) connections, including SFTP file transfers, providing policy control, session recording, and data loss prevention (DLP) for encrypted traffic. The product is synergistic with the company's key management strategy and Universal SSH Key Manager solution.

Going forward, the company continues to invest heavily in growth. This will have a negative impact on short-term profitability, but will help the company capture a significant market share in SSH key management, where the company clearly leads the competition. The company is also investing in R&D and patenting.

Tatu Ylönen

CEO

FUTURE OUTLOOK

SSH Communications Security estimates its revenue to grow significantly from 2012 driven by strong need for its products and services. The company continues to invest heavily in products, sales, and marketing, which will impact profitability in the first half. Nevertheless, the company estimates the year to be profitable.

Upside possibilities include patent revenue and better than expected customer demand. Downside risks include delays on product development and closing new business, competition, and macroeconomic challenges.

NET SALES

Consolidated net sales for October-December totaled EUR 3.6 million (EUR 2.0 million), up by 81.3%, year on year.

Consolidated net sales for January-December totaled EUR 11.9 million (EUR 8.1 million), up by 47.9%, year on year.

Strong sales growth over the year was due to solid demand across company's whole product range including almost tripling of revenues in two-factor-authentication. Company's new products were well received on the market with licenses and services sold to large international financial institutions.

The Americas, Europe, Middle East and Africa and the Asia Pacific region accounted for 50.6% (59.7%), 36.1% (24.3%) and 13.2% (16.0%) of reported net sales, respectively, with each area revenue growing year-on-year.

NET SALES					
EUR Million	10-12/ 2012	10-12/ 2011	1-12/ 2012	1-12/ 2011	Change %
BY SEGMENT					
Americas	1.8	1.1	6.0	4.8	25.4
APAC	0.4	0.4	1.6	1.3	22.3
EMEA	1.5	0.4	4.3	1.9	120.2
Total	3.6	2.0	11.9	8.1	47.9
BY OPERATION					
Licence sales	1.4	0.7	5.0	2.8	78,6
Consultancy sales	0,6		0,6		
Maintenance	1.6	1.3	6.3	5.3	18,9
Total	3.6	2.0	11.9	8.1	47,9

The majority of SSH Communications Security's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro strengthened approximately +4.1% compared to the same period a year ago. With comparable exchange rates 2012 net sales growth would have been +42.1% compared with 2011 corresponding period.

RESULTS AND EXPENSES

Operating profit for October–December amounted to EUR 0.3 million (EUR -0.0 million) including EUR 0.0 million non-recurring costs (EUR 0.0 million), with net profit totaling EUR 0.3 million (EUR -0.1 million).

Operating profit for January–December amounted to EUR 1.1 million (EUR -2.0 million), with net profit totaling EUR 1.1 million (EUR -2.2 million).

Non-recurring items during January-December were EUR -0.4 million (EUR -1.1 million) due to moving the office in Helsinki, costs caused to the company due to the public tender offer of all SSH Communications Security Oyj shares and due to the personnel related changes.

Sales, marketing and customer support expenses for the October-December reporting period amounted EUR -1.8 million (EUR -1.3 million), while research and development expenses totaled EUR -0.7 million (EUR -0.5 million) and administrative expenses EUR -0.4 million (EUR -0.3 million).

Sales, marketing and customer support expenses for the January-December reporting period amounted EUR -5.9 million (EUR -5.4 million), while research and development expenses totaled EUR -2.7 million (EUR -2.5 million) and administrative expenses EUR -1.4 million (EUR -2.0 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security improved clearly during the reporting period. The consolidated balance sheet total on December 31, 2012 stood at EUR 12.5 million (EUR 6.4 million; December 31, 2011), of which liquid assets accounted for EUR 6.6 million (EUR 2.4 million), or 52.9% of the balance sheet total. On December 31, 2012, gearing, or the ratio of net liabilities to shareholders' equity, was -105.2% (-230,0%) and the equity ratio stood at 70.0% (36,2%). Balance sheet was strengthened by EUR 4.0 million of hybrid capital securities in December as announced December 21, 2012.

The reported gross capital expenditure for the period totaled EUR 1.2 million (EUR 0.7 million). The reported financial income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totalled EUR +0.0 million (EUR -0.1 million).

During January-December, SSH Communications Security reported a positive cash flow of EUR 1.3 million (EUR -0.8 million) from business operations, and investments showed a negative cash flow of EUR -1.2 million (EUR -0.7 million). Cash flow from financing totaled EUR +4.1 million (EUR 2.5 million). Total cash flow from operations, investments and financing was EUR +4.2 million (EUR 0.9 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for October-December totaled EUR -0.7 million (EUR -0.5 million), the equivalent of 19.4 percent of net sales (25.2 percent). During October-December company has capitalized R&D costs EUR -0.4 million (EUR -0.3 million).

Research and development expenses for January-December totaled EUR -2.7 million (EUR -2.5 million), the equivalent of 22.7 percent of net sales (31.3 percent).

The company has continued R&D capitalizations during the reporting period related to Universal SSH Key Manager and Crypto Auditor according to IAS 38 standard. In reporting period R&D cost capitalizations amount to EUR 1.1 million (EUR 0.6 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 70 employees on its payroll, up by 18 persons from the previous year, an increase of +34.6%. Compared with previous quarter, personnel increased with 11.

At the end of the period, 41% of the employees worked in sales, marketing and customer services, 46% in R&D, and 13% in corporate administration.

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 28, 2012 elected Päivi Hautamäki, Sami Ahvenniemi and Tatu Ylönen as the directors of the company. Päivi Hautamäki was elected as the Chairman of the Board of Directors in the board's organizing meeting.

The Authorized Public Accountants KPMG Oy Ab was re-elected as the auditor of the company, with Kirsi Jantunen, KHT as the accountant with the main responsibility.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation shares totaled 6 366 775 (valued at EUR 3 202 446). The highest quotation was EUR 0.90 and the lowest EUR 0.30. The trade-weighted average share price for the period was EUR 0.50 and the share closed at EUR 0.76 (December 28, 2012).

As announced May 4, 2012 Tatu Ylönen's Clausal Computing Oy acquired with public tender offer about 10.3% of all shares & votes.

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, now 57.7% of the company's shares, Assetman Oy holds 13.0% and SSH Management Investment Corp 4.7%. More information about the shareholding can be obtained from the company's web site.

SSH Management Investment Corp is part of the SSH Communications Security Group consolidated financial statements according to its shareholder agreement.

During reporting period no dividend or return of capital were distributed.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on December 31, 2012 was EUR 922 529 consisting of 30 750 983 shares. During reporting period 4 475 shares were subscribed with options increasing share capital with EUR 134.25 and an increase of EUR 5 919 to share capital was from 197 300 shares subscribed from corporate share issues directed to personnel.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of in total 5 500 000 shares, in one or more tranches, as share issues against payment or by giving stock options or other special rights entitling to shares, as defined in Chapter 10 Section 1 of the Finnish Companies Act, either in accordance with the shareholders' pre-emptive right to share subscription or deviating from this right. The authorization will be valid until the next Annual General Meeting, but will expire on June 30, 2013 at the latest. As announced on July 27, 2012, the Board of Directors decided an option plan of maximum 2 000 000 options. Board of Directors decided on December 4, 2012 share issue directed to personnel, from which 197 300 shares were subscribed increasing shareholder's equity with EUR 5 919.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the acquiring of a maximum of 2 000 000 of the company's own shares, in one or more tranches, with assets belonging to the company's non-restricted equity. This amount corresponds approximately to 6.55 per cent of all shares of the company. The compensation to be paid for the acquired shares shall be determined on the date of acquisition on the basis of the trading rate determined for the company's share in the public trading arranged by NASDAQ OMX Helsinki Ltd. The authorization to acquire the shares will be valid at most for eighteen (18) months after the decision of the Annual General Meeting.

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

SSH Communications Security's Board of Directors will propose to the Annual General Meeting 20th of March 2013 that no dividend or return of capital be distributed. It is proposed that the profit of the financial year shall be entered to the shareholders equity in the profit/loss account.

RISKS AND UNCERTAINTIES

Largest risks that might impact the profitability of the company are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future. Largest risks:

- continuing uncertainty of the macroeconomic environment
- delays on product development and closing new business
- competitiveness of the product portfolio including intellectual property (IPR)
- litigation, especially in U.S. market
- competitive dynamics in the industry
- ability of the organization to scale up operations with the growth
- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2013 could have unpredictable effects for profitability that are at the time difficult to estimate. Currently USD currency position is not hedged, and company decides hedging of USD based contracts case by case.

Principles and organization of risk management of SSH Communications Security can be read from company's webpage: www.ssh.com.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security Corporation's CEO Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.4 million during January-December 2012. As announced December 21, 2012, hybrid capital securities were subscribed by Tatu Ylönen. During the reporting period there have not been any other significant transactions with related parties.

CEO remuneration is paid in accordance with company annual report 2011.

EVENTS AFTER THE BALANCE SHEET DATE

The SSH Communications Security management is not aware of any significant transactions after the reporting period.

REPORTING

This financial statement releases is prepared according to IAS 34. Financial statement release follows the same principles and standards as the previous financial statement release. Additionally the effective changes in IAS/IFRS standards during 2012 have been adopted. These changes have no material impact on the interim report. The information presented in this interim report has not been audited.

TABLES

SHORT COMPREHENSIVE INCOME STATEMENT				
EUR million				
	10-12 /2012	10-12 /2011	1-12/ 2012	1-12/ 2011
Net sales	3.6	2.0	11.9	8.1
Cost of goods sold	-0.5	-0.0	-0.9	-0,1
Gross profit	3.1	2.0	11.0	7.9
Other operating income	0.0	0.0	0.0	0.0
Sales, marketing and customer support costs	-1.8	-1.3	-5.9	-5.4
Product development expenses	-0.7	-0.5	-2.7	-2.5
Administrative expenses	-0.4	-0.3	-1.4	-2.0
Operating profit/loss	0.3	-0.0	1.1	-2.0
Financial income and expenses	0.0	0.0	0.0	-0.1
Profit/loss before taxes	0.3	-0.0	1.1	-2.2
Taxes	0.0	0.0	0.0	0.0
Net profit/loss for the financial period	0.3	-0.1	1.1	-2.2
Minority Interest	-0.0	-0.0	-0.0	-0.0
Other profit and loss account items:				
Foreign subsidiary translation differences	-0.1	-0.1	-0.1	0.1
Total comprehensive income	0.2	-0.1	1.0	-2.1

Net profit/loss attributable to:				
Owners of the Company	0,2	-0.1	1,0	-2,1
Non-Controlling interest	-0.0	-0.0	-0.0	-0.0
EARNINGS PER SHARE				
Earnings per share (EUR)	0.01	-0.00	0.04	-0.07
Earnings per share, diluted (EUR)	0.01	-0.00	0.04	-0.07

BALANCE SHEET			
EUR million			
		31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Tangible assets		0.1	0.1

	Intangible assets	2.1	1.3
	Investments	0.0	0.0
	Total non-current assets	2.2	1.5
	Current assets		
	Trade and other receivables	3.7	2.4
	Cash and cash equivalents	6.6	2.4
	Total current assets	10.3	4.9
	Total assets	12.5	6.4
	LIABILITIES AND SHAREHOLDERS' EQUITY		
	Shareholders' equity		
	Equity attributable to the parent company shareholders total	6.0	0.8
	Non-controlling interest	0.2	0.2
	Shareholders' equity total	6.3	1.1
	Non-current liabilities		
	Provisions	0.1	0.1
	Non-current interest-bearing liabilities	0.0	0.0
	Total long-term liabilities	0.1	0.1
	Current liabilities	6.1	5.2
	Liabilities total	6.3	5.3
	Total equity and liabilities	12.5	6.4

SHORT CASH FLOW STATEMENT			
EUR million	1-12/2012	1-12/2011	
	Cash flow from business operations	1.3	-0.8
	Cash flow from investments	-1.2	-0.7
	Cash flow from financing	4.1	2.5
	Increase(+) / decrease (-) in cash	4.2	0.9
	Cash at period start	2.4	1.5
	Effect of exchange rate	0.0	0.0
	Cash at period end	6.6	2.4

STATEMENT ON CHANGES IN							
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SHAREHOLDERS' EQUITY								
EUR million	Share Capital	Fair value reserves	Other Equity Fund	Translation diff	Fund for own shares	Non-Controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity 1.1.2011	0.9	0.1	0.1	-1.3	-1.0	0.3	4.0	3.2
Change			0.1	0.1		-0.1		0.1
Net profit							-2.1	-2.1
Shareholders' equity 31.12.2011	0.9	0.1	0.2	-1.2	-1.0	0.2	1.9	1.1
Change	0.0	0.1	4.0	-0.1		-0.0		4.0
Net Profit							1.1	1.1
Shareholders' equity 31.12.2012	0.9	0.2	4.1	-1.3	-1.0	0.2	3.1	6.3

NET SALES BY SEGMENT				
EUR million	10-12/2012	10-12/2011	1-12/2012	1-12/2011
AMER	1.8	1.1	6.0	4.8
APAC	0.4	0.4	1.6	1.3
EMEA	1.5	0.4	4.3	1.9
SSH Group total	3.6	2.0	11.9	8.1

GROSS MARGIN BY SEGMENT				
EUR million	10-12/2012	10-12/2011	1-12/2012	1-12/2011
AMER	1.7	1.1	5.9	4.8
APAC	0.4	0.4	1.6	1.3
EMEA	0.9	0.4	3.5	1,8
SSH Group total	3.1	1.9	11.0	7,9

OPERATING PROFIT/LOSS BY SEGMENT				
EUR million	10-12/2012	10-12/2011	1-12/2012	1-12/2011
AMER	0.6	0.3	2.4	2.0
APAC	0.1	0.3	0.8	0.8
EMEA	1.1	0.4	3.3	1.0

Common Group expenses*	-1.4	-1.0	-5.4	-5.8
SSH Group total	0.3	-0.0	1.1	-2.0

* Common Group expenses include product management and R&D expenses and Group administration expenses (e.g. management and finance).

KEY FIGURES AND RATIOS		
EUR million	1-12/2012	1-12/2011
Net sales	11.9	8.1
Operating profit/loss	1.1	-2.0
Operating profit/loss. as % of net sales	9.1	-25.3
Profit/loss before extraordinary items and taxes	1.5	-1.1
Profit/loss before extraordinary items and taxes. as % of net sales	12.8	-13.3
Profit/loss before taxes	1.1	-2.2
Profit/loss before taxes. as % of net sales	9.4	-27.0
Return on equity (%)	30.9	-110.0
Return on investment (%)	28.1	-99.6
Interest-bearing net liabilities	-6.6	-2.5
Equity ratio (%)	70.0	36.2
Gearing (%)	-105.2	-230.0
Gross capital expenditure	1.2	0.8
% of net sales	10,0	9.9
R&D expenses	2.7	2.5
% of net sales	22.7	31.3
Personnel. period average	61	61
Personnel. period end	70	52

Calculation for key figures and ratios are presented in 2011 financial statement and annual report. There are no changes in calculation rules.

PER-SHARE DATA		
EUR	1-12/2012	1-12/2011
Earnings per share. Undiluted	0.04	-0.07
Earnings per share. diluted	0.04	-0.07
Equity per share	0.20	0.03
No. of shares at period average (thousand)	30 552	30 549
No. of shares at period end (thousand)	30 751	30 549
Share performance		
Average price	0.50	0.51
Low	0.30	0.29
High	0.90	0.89
Share price. period end	0.76	0.30
Market capitalization. period end (EUR million)	23.4	9.2

Volume of shares traded (million)	6.6	2.3
Volume of shares traded. As % of total	20.8	7.5
Value of shares traded (EUR million)	3.2	1.2
Price per earnings ratio (P/E)	20.9	-
Dividend per share	0.0	0.0
Dividend per earnings, %	0.0	0.0
Effective return on dividend, %	0.0	0.0

CONTINGENT LIABILITIES		
EUR million	31.12.2012	31.12.2011
Rent security deposits	0.1	0.1
Leasing commitments outside the balance sheet		
Maturing within 1 year	0.5	0.5
Maturing between 1 and 5 years	0.1	0.4

DISCLAIMER

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SSH Communications Security Corporation will release its next interim report for for period January 1 – March 31, 2013 in April 25th.

Helsinki, February 14th 2013

SSH COMMUNICATIONS SECURITY CORPORATION

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