

SSH COMMUNICATIONS SECURITY FINANCIAL STATEMENT RELEASE, JANUARY 1 – DECEMBER 31, 2014

October–December 2014: Excellent sales growth (+64.7 %) and profitability.

- Net sales totaled EUR 6.7 million, up by +64.7 % year on year (EUR 4.1 million in 10–12/2013).
- Operating profit amounted to EUR 2.2 million (EUR 0.6 million in 10–12/2013). Profit was EUR 2.3 million (EUR 0.6 million)
- Earnings per share EUR 0.07 (EUR 0.02).

January–December 2014: Significant sales growth (+21.5 %), investments in future growth impacted profitability, strong cash position.

- Net sales totaled EUR 16.2 million, up by +21.5 % year on year (EUR 13.3 million in 1–12/2013). With comparable exchange rates, net sales growth was the same.
- Operating profit amounted to EUR 0.2 million (EUR 0.2 million in 1–12/2013). Profit was EUR 0.3 million (EUR 0.2 million)
- Earnings per share were EUR -0.00 (-0.00).
- Cash flow from operations was EUR 1.8 million (EUR 0.4 million), total cash flow was positive EUR 2.1 million (EUR -2.8 million).

Equity ratio was good, being 63.3 % (76.6 %). Liquid assets were EUR 6.1 million (EUR 6.0 million).

In 2015, SSH Communications Security estimates its revenue to grow significantly compared to 2014.

KEY FIGURES					
	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013	Change %
Net sales (MEUR)	6.7	4.1	16.2	13.3	21.5
Operating profit/loss (MEUR)	2.2	0.6	0.2	0.2	18.5
% of net sales	32.7	14.0	1.3	1.3	-2.5
Profit/loss before taxes (MEUR)	2.3	0.6	0.4	0.2	161.0
Profit/loss (MEUR)	2.3	0.6	0.3	0.2	117.4
Return on equity, %			4.3	2.2	94.1
Return on investment, %			2.7	1.9	36.9
Liquid assets			6.1	6.0	2.3
Gearing (%)			-77.3	-80.1	-3.5
Equity ratio (%)			63.3	76.6	-17.4
Earnings Per Share (EUR)	0.07	0.02	-0,00	-0,00	34.2
Shareholders' equity per share (EUR)	0.25	0.24	0.25	0.24	6.4

CEO'S BUSINESS REVIEW

Valued customers, partners, coworkers, and shareholders,

It is customary to thank everyone for your part in making the previous year a success. I want to, however, also extend my congratulations to you all on your contribution to increasing security and stability in your respective roles.

The continued success of SSH Communications Security rests on the shoulders of many. Hard work, innovative thinking and resolute actions have brought us success, while the surrounding conditions have supported our efforts as well. Mounting compliance demands continue to help escalate our sales, cooperation with auditing and consulting companies provides significant new opportunities, our joint venture with ROKiTT has rounded our life cycle offering with the popularity of the Secure Shell HealthCheck raising interest in all markets. Meanwhile the accelerating migration to cloud based environments opens a vista of opportunities for us. An issue of its own is our increased emphasis on the active and firm administration of our substantial immaterial rights portfolio.

A significant factor in driving the growth of SSH as well as the whole industry is the influx and reverberations of malicious cyber activity. As the attention and discussion moves from the IT community into coffee rooms and boardrooms across the globe our competence and offering take a larger stage.

Despite the heated dialogue around the topic, numerous issues are far from settled. With all the attention and action taken over the past few years, we have barely revealed the tip of the iceberg. Public and private organizations need to resolve security concerns that originate deep in their structures and extend throughout their operations. Uncompromised security is evolving from precautionary action to becoming the expected norm.

As SSH Communications Security in 2015 celebrates 20 years of success as the inventor of the SSH protocol and frontrunner in its development and instigation, we recognize our responsibility to reaffirm our leadership position.

This means committing ourselves even more resolutely to advancing the adoption of secure solutions and practices in the public and private sector, as well as devoting significant resources to innovation and product development. An indication of our growing commitment is the assignment of our founder Tatu Ylönen as the Chief Innovation Officer of SSH. His vision, experience and leadership qualities provide us with a unique opportunity to apply scientific discovery and inquiry for the everyday benefit of our customers and society in general.

In summary, I have great confidence in and expectations for the year ahead. May it prove inspiring, secure and prosperous for us all.

Harri Koponen

CEO

NET SALES

Consolidated net sales for October–December totaled EUR 6.7 million (EUR 4.1 million), up by +64.7 %, year on year. The growth of net sales was due to significant growth of consulting and license sales especially in USA.

Consolidated net sales for January–December totaled EUR 16.2 million (EUR 13.3 million), up by +21.5 %, year on year. The growth of net sales was due to strong license sales during the last quarter, and also overall growth in consulting and maintenance. Long sales cycles with big corporations and complexity of customer needs are typical in this industry.

The Americas; Europe, Middle East and Africa; and the Asia Pacific region accounted for 63.2 % (39.6 %), 25.7 % (49.5

) and 11.2 % (10.9 %) of reported net sales, respectively. The change of geographical focus of a significant customer project impacts strongly the net sales of Europe.

KEY FIGURES					
EUR million	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013	Change %
BY SEGMENT					
AMERICAS	4.6	1.3	10.2	5.3	93.8
APAC	0.5	0.4	1.8	1.5	24.4
EMEA	1.7	2.4	4.2	6.6	-36.8
SSH Group Total	6.7	4.1	16.2	13.3	21.5
BY OPERATION					
License sales	3.4	1.9	5.9	4.6	27.7
Consulting	1.7	0.8	4.1	3.0	36.4
Maintenance	1.6	1.4	6.2	5.6	9.6
Total	6.7	4.1	16.2	13.3	21.5

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 was flat compared to the same period a year ago. With comparable exchange rates 2014, net sales growth would have been same 21.5 % compared with 2013 corresponding period.

RESULTS AND EXPENSES

Operating profit for October–December amounted to EUR 2.2 million (EUR 0.6 million), with net profit totaling EUR 2.3 million (EUR 0.6 million). Very good profitability is due to high license revenue.

Operating profit for January–December amounted to EUR 0.2 million (EUR 0.2 million), with net profit totaling EUR 0.3 million (EUR 0.2 million). Non-recurring items during January–December were EUR 0.0 million (EUR 0.0 million). Profitability was influenced by higher share of service sales in addition to investments to sales and product development.

Sales, marketing and customer support expenses for the October–December reporting period amounted EUR -1.8 million (EUR -1.7 million), while research and development expenses totaled EUR -1.0 million (EUR -0.9 million) and administrative expenses EUR -0.3 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the January–December reporting period amounted EUR -7.3 million (EUR -6.9 million), while research and development expenses totaled EUR -4.0 million (EUR -3.0 million) and administrative expenses EUR -1.3 million (EUR -1.5 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security remained strong during the reporting period. The consolidated balance sheet total on December 31, 2014 stood at EUR 17.5 million (EUR 13.5 million; December 31, 2013), of which liquid assets accounted for EUR 6.1 million (EUR 6.0 million), or 34.8 % of the balance sheet total. On December 31, 2014, gearing, or the ratio of net liabilities to shareholders' equity, was -77.3 % (-80.1 %) and the equity ratio stood at 63.3 % (76.6 %).

The reported gross capital expenditure for the period totaled EUR 1.9 million (EUR 2.0 million). The reported financial

income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totaled EUR 0.2 million (EUR -0.0 million).

During January–December, SSH Communications Security reported a cash flow of EUR 1.8 million (EUR 0.4 million) from business operations, and investments showed a negative cash flow of EUR -1.8 million (EUR -2.0 million). Cash flow from financing totaled EUR 2.1 million (EUR -1.2 million). Total cash flow from operations, investments and financing was positive EUR 2.1 million (EUR -2.8 million). At the end of the corresponding period, Company had 2.0 million investment made on fixed income fund, which is now matured.

Fair value of short term investment is determined from quoted prices available from markets. Financial investment belongs to level 1 according to IFRS 7. Market value of financial investment was EUR 0.0 million (EUR 2.0 million) and nominal value EUR 0.0 million (EUR 2.0 million).

RESEARCH AND DEVELOPMENT

Research and development expenses for October–December totaled EUR -1.0 million (EUR -0.9 million), the equivalent of 20.5 percent of net sales (22.2 percent). During October–December company has capitalized R&D costs EUR 0.4 million (EUR 0.4 million).

Research and development expenses for January–December totaled EUR -4.0 million (EUR -3.0 million), the equivalent of 25.0 percent of net sales (22.3 percent). During the reporting period R&D cost capitalizations amounted to EUR 1.4 million (EUR 1.6 million). Depreciation from R&D capitalization assets was EUR -0.8 million (EUR -0.5 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 95 employees on its payroll, down by 4 persons from the previous year, a decrease of 4 %.

At the end of the period, 38 % of the employees worked in sales, marketing and customer services, 48 % in R&D, and 14 % in corporate administration.

As announced on October 2, 2014, Harri Koponen started as Chief Executive Officer. Tatu Ylönen continues to work full time in the company as Chief Innovation Officer.

BOARD AND AUDITORS

At the Annual General Meeting, March 20, 2014 Timo Syrjälä was elected and Päivi Hautamäki and Tatu Ylönen were re-elected to directors of the company. Timo Syrjälä was elected as the Chairman of the Board of Directors in the board's organizing meeting. As announced on October 2, 2014, Harri Koponen started as Chief Executive Officer. Tatu Ylönen continues to work full time in the company as Chief Innovation Officer, and is the Chairman of the Board. Timo Syrjälä continues in the board.

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 3,613,851 (valued at EUR 10,310,921). The highest quotation was EUR 3.74 and the lowest EUR 2.31. The trade-weighted average share price for the period was EUR 2.85 and the share closed at EUR 2.51 (December 30, 2014).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, 57.2 % of the company's shares, Assetman Oy holds 10.2 % and Timo Syrjälä through companies under his control 5.0 %. More information about the shareholding can be obtained from the company's web site.

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, 2014 was EUR 929,220.99 consisting of 30,974,033 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. The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015. As announced on September 18, 2014, the Board of Directors decided upon an option plan of maximum 1,000,000 options.

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 own shares of the company with assets belonging to the company's non-restricted equity. This amount corresponds approximately to 6.50% of all the shares of the company. The shares can also be acquired otherwise than in proportion to the holdings of the existing shareholders (targeted repurchase). The maximum compensation to be paid for the acquired shares shall be the market price at the time of purchase, which is determined in the public trading. The authorization will be valid until the next Annual General Meeting, but will however expire at the latest on June 30, 2015.

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

SSH Communications Security's Board of Directors will propose to the Annual General Meeting 25th of March 2015 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 have remained by and large the same than in previous reporting period and are listed below. Other risks, which are currently either unknown or considered immaterial to SSH Communications Security may, however, become material in the future.

Largest risks:

- continuing uncertainty of the macroeconomic environment
- 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 2015 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. During 2014 USD currency positions have not been hedged.

Utilization of the company's patent portfolio may have significant positive and/or negative impacts.

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

FUTURE OUTLOOK

In 2015, SSH Communications Security estimates its revenue to grow significantly from 2014.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security Corporation's Chief Innovation Officer Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.4 million during January–December 2014. During the reporting period there have not been any other significant transactions with related parties. Hybrid capital securities (EUR 4.0 million) of the company were subscribed by Chief Innovation Officer Tatu Ylönen.

EVENTS AFTER THE BALANCE SHEET DATE

As announced on February 5, 2015, the Board of Directors decided upon an option plan of maximum 2,000,000 options. The SSH Communications Security management is not aware of any other significant transactions after the reporting period.

REPORTING

This financial statement release 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 reporting period have been adopted. These changes have no material impact on the financial statement. The information presented in this financial statement has not been audited.

SSH Communications Security has changed the operational mode into global operational mode and thus ceasing to report regional segments during 2015.

TABLES

COMPREHENSIVE INCOME STATEMENT				
EUR million	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
Net sales	6.7	4.1	16.2	13.3
Cost of goods sold	-1.5	-0.5	-3.3	-1.9
Gross profit	5.3	3.5	12.9	11.4
Other operating income	0.0	0.0	0.0	0.1
Sales, marketing and customer support costs	-1.8	-1.7	-7.3	-6.9
Product development expenses	-1.0	-0.9	-4.0	-3.0
Administrative expenses	-0.3	-0.4	-1.3	-1.5
Operating profit/loss	2.2	0.6	0.2	0.2
Financial income and expenses	0.1	-0,0	0.2	-0,0
Profit/loss before taxes	2.3	0.6	0.4	0.2
Taxes	0.0	-0,0	-0.1	-0,0
Net profit/loss for the financial period	2.3	0.6	0.3	0.2
Non-controlling interest	0.0	0.0	0.0	0.0
Other profit and loss account items:				
Items which might be later transferred to P/L statement				
Foreign subsidiary translation differences	-0.4	-0,0	-0.4	-0,0
Net change in fair value of available-for-sale financial assets	0.0	0.0	0.0	0.0
Total comprehensive income	1.9	0.6	-0.1	0.2
Net profit/loss attributable to:				
Owners of the Company	1.9	0.6	-0.1	0.2
Non-controlling interest	0.0	0.0	0.0	0.0
EARNINGS PER SHARE				
Earnings per share (EUR)	0.07	0.02	-0,00	-0,00
Earnings per share diluted (EUR)	0.06	0.02	-0,00	-0,00

BALANCE SHEET		
EUR million		
	31.12.2014	31.12.2013
ASSETS		
Non-current assets		
Tangible assets	0.2	0.2
Intangible assets	3.8	3.1
Investments	0.0	0.0
Total non-current assets	4.0	3.4
Current assets		
Trade and other receivables	7.5	4.1
Short-term financial assets	0.0	0.0
Cash and cash equivalents	6.1	6.0
Total current assets	13.6	10.1
Total assets	17.5	13.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Equity attributable to the parent company shareholders total	7.9	7.4
Non-controlling interest	0.0	0.0
Shareholders' equity total	7.9	7.4
Non-current liabilities		
Provisions	0.0	0.1
Non-current interest-bearing liabilities	0.0	0.0
Total long-term liabilities	0.0	0.1
Current liabilities	9.7	6.0
Liabilities total	9.7	6.1
Total equity and liabilities	17.5	13.5

CASH FLOW STATEMENT		
EUR million	1-12/2014	1-12/2013
Cash flow from business operations	1.8	0.4
Cash flow from investments	-1.8	-2.0
Cash flow from financing	2.1	-1.2
Increase(+) / decrease(-) in cash	2.1	-2.8
Cash at period start	3.8	6.6
Effect of exchange rate	0.1	0.0
Cash at period end*	6.1	3.8

* cash at period end does not include investments other than mutual funds of short term interest, thus investment of 2.0 million EUR is excluded from cash at period end in corresponding reporting period.

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY								
EUR million	Share capital	Fair value reserves	Other fund + other equity fund	Translation difference	Fund for own shares	Non-controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan 1, 2013	0.9	0.2	4.1	-1.3	-1.0	0.2	3.1	6.3
Change		0.2	0.0	-0,0	1.0	-0.2		1.0
Net profit							0.2	0.2
Shareholders' equity Dec 31, 2013	0.9	0.4	4.1	-1.3	0.0	0.0	3.3	7.4
Change	0.0	0.4	0.0	-0.4				0.1
Net profit							0.3	0.3
Shareholders' equity Dec 31, 2014	0.9	0.9	4.1	-1.7	0.0	0.0	3.6	7.9

NET SALES BY SEGMENT				
EUR million	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
AMER	4.6	1.3	10.2	5.3
APAC	0.5	0.4	1.8	1.5
EMEA	1.7	2.4	4.2	6.6
SSH Group Total	6.7	4.1	16.2	13.3

GROSS MARGIN BY SEGMENT				
EUR million	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
AMER	3.1	1.3	7.6	5.3
APAC	0.5	0.4	1.8	1.5
EMEA	1.7	1.8	3.4	4.7
SSH Group Total	5.3	3.5	12.9	11.4

OPERATING PROFIT AND LOSS BY SEGMENT				
EUR million	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
AMER	1.6	0.2	3.4	0.8
APAC	0.2	0.1	1.0	0.7
EMEA	0.5	1.8	1.2	4.0
Common Group expenses*	-0.1	-1.5	-5.3	-5.4
SSH Group Total	2.2	0.6	0.2	0.2

* 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/ 2014	1-12/ 2013
Net sales	16.2	13.3
Operating profit/loss	0.2	0.2
Operating profit/loss as % of net sales	1.3	1.3
Profit/loss before extraordinary items and taxes	0.4	0.2
Profit/loss before extraordinary items and taxes as % of net sales	2.5	1.1
Profit/loss before taxes	0.4	0.2
Profit/loss before taxes as % of net sales	2.5	1.2
Return on equity (%)	4.3	2.2
Return on investment (%)	2.7	1.9

Interest-bearing net liabilities	-6.1	-6.0
Equity ratio (%)	63.3	76.6
Gearing (%)	-77.3	-80.1
Gross capital expenditure	1.9	2.0
% of net sales	11.5	14.7
R&D expenses	4.0	3.0
% of net sales	25.0	22.3
Personnel period average	97	85
Personnel period end	95	99

Calculation for key figures and ratios are presented in 2013 financial statement and annual report. There are no changes in calculation rules.

PER SHARE DATA		
EUR	1-12/ 2014	1-12/ 2013
Earnings per share undiluted*	-0,00	-0,00
Earnings per share diluted*	-0,00	-0,00
Equity per share	0.25	0.24
No. of shares at period average (thousand)	30,817	30,751
No. of shares at period end (thousand)	30,974	30,751
Share performance		
Average price	2.85	2.11
Low	2.31	0.75
High	3.74	4.50
Share price period end	2.51	2.91
Market capitalization period end (EUR million)	77.8	89.5
Volume of shares traded (million)	3.6	9.9
Volume of shares traded as % of total	11.7	33.4
Value of shares traded (EUR million)	10.3	20.8
Price per earnings ratio (P/E)	neg.	neg.
Dividend per share	0.00	0.00
Dividend per earnings, %	0.00	0.00
Effective return on dividend, %	0.00	0.00

* equity per share is impacted by unpaid interest of hybrid capital securities

CONTINGENT LIABILITIES		
EUR million	31.12. 2014	31.12. 2013
Hybrid Loan , Interest	0.6	0.2
Rent security deposits	0.1	0.1
Leasing commitments outside the balance sheet		

Maturing within 1 year	0.4	0.5
Maturing between 1 and 5 years	0.8	0.4

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SSH Communications Security Corporation will release its interim report of the first quarter of the year in April 21st, 2015.

Helsinki, February 5th 2015

SSH COMMUNICATIONS SECURITY CORPORATION

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Harri Koponen
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