Securing Communications

SSH Communications Security
Annual Report 2008

Contents

Mark Boudreau says smile!

Click - a day in a life of SSH

The small photos appearing through this report were taken by SSH personnel, and reflect our daily activities. Photos included here were taken by Mark Boudreau, Ann Hunt, Joyce Wan, Kristiina Jyrkkänen, Tomi Salo, Katri Broman, and Jussi Valkiainen.

SSH in Brief

SSH is a security software vendor, providing end-to-end communications security solutions for large organizations to help them secure data-in-transit across complex network environments. The tightening regulatory requirements and growing security challenges are faced by enterprises ranging from the finance and banking, retail, automotive, and healthcare industries to federal government and public administration agencies. The SSH Tectia security suite is widely deployed by the world's largest organizations in these sectors.

SSH has a respected background in network and data security, and has built on its strong technological foundation to develop a robust enterprise-class security platform that has been deployed globally by many of the world's leading enterprises. The versatile SSH Tectia platform and the extensive customer base will provide a solid basis for the next phase in expanding the business of SSH into new markets.

In 2008, the revenue of the SSH group was EUR 8,5 million and by the end of the fiscal year the group employed 73 people. The SSH headquarters are located in Helsinki, Finland, and the company has sales and support offices in the USA, Germany and Great Britain.

SSH manages its business by geographical segments in line with the international financial reporting standards, IFRS. The segments are the Americas, Asia Pacific, and Europe together with the rest of the world. However, since the business operations are very similar in each of the segments, this Annual Report discusses all of SSH business operations together.

Annual General Meeting

SSH Communications Security Corp's Annual General Meeting (AGM) will be held in the 2nd floor Auditorium at SSH Communications Security Corp, Valimotie 17–19, Helsinki, Finland on Wednesday March 4, 2009 at 10:00 am.

Shareholders registered by Sunday February 22, 2009 in the shareholders' register maintained by Euroclear Finland Ltd (prev. Finnish Central Securities Depository Ltd), and who by 4:00 pm Finnish time on Friday February 27, 2009 have notified the company of their intention to attend the meeting are eligible to attend the AGM.

Shareholders wishing to attend the AGM can register either by
a) e-mail to erja.salo@ssh.com,
b) fax to +358 20 500 7011 or
c) mail to SSH Communications Security Oyj, AGM,
Valimotie 17–19, FI-00380 Helsinki, Finland

Any proxy, entitling the holder to exercise a shareholder's voting right at the AGM must be submitted to SSH by 4:00 pm on Friday, February 27, 2009.

Company Information

SSH publishes all stock announcements and maintains shareholder information on the company website. You can also submit questions to SSH about its operations to ir-team@ssh.com.

Investor relations:
CFO Mika Peuranen
Tel: +358 20 500 7419, e-mail: mika.peuranen@ssh.com

Financial Reporting in 2009

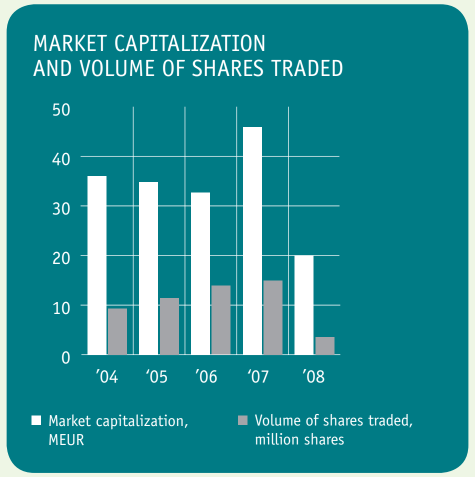
SSH Communications Security Corp will publish the following financial reports during 2009:

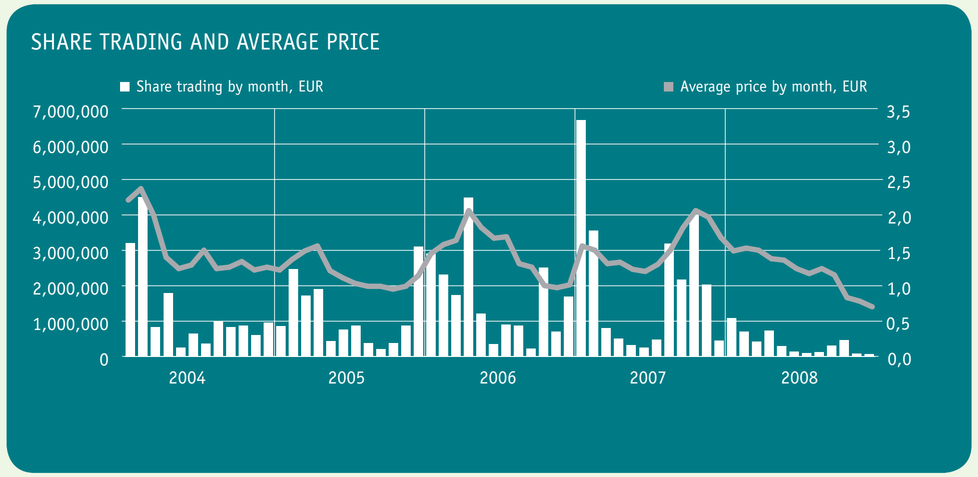
Financial statements bulletin for 2008	February 4, 2009
Annual Report 2008	Week 9
Interim Report January 1 to March 31, 2009	April 22, 2009
Interim Report January 1 to June 30, 2009	July 22, 2009
Interim Report January 1 to September 30, 2009	October 21, 2009

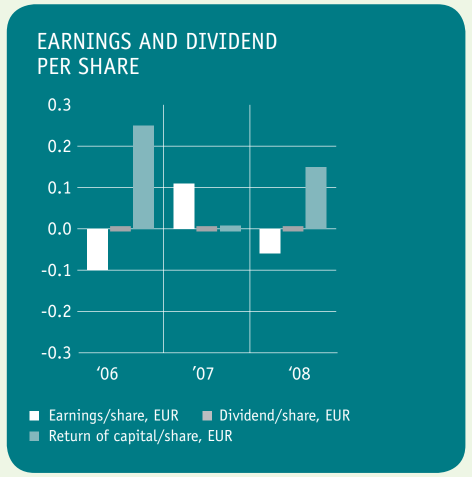
All financial reports are published in Finnish and English as stock exchange releases and on the SSH website at www.ssh.com. The Annual Report is available in English as an electronic file on the SSH website at www.ssh.com.

The Ten Largest Shareholders on December 31, 2008

	%	Shares
1. Ylönen Tatu Juhani	51.52	14,727,649
2. Assetman Oy	14.69	4,200,000
3. Kivinen Tero Tapani	5.19	1,484,100
4. Ilmarinen Mutual Pension Incurance Company	1.69	483,450
5. Tatu Ylönen Oy	1.31	375,071
6. Alfred Berg Small Cap Investment Fund	0.95	271,964
7. Laakkonen Mikko Kalervo	0.78	222,187
8. Lahtinen Pekka Antero	0.44	125,000
9. Poutanen Jukka Tapani	0.41	116,000
10. Motane Oy	0.35	100,000
Total	77.33	22,105,421
Nominee-registered holdings	1.56	444,903







SSH Overview

Trade shows are a key source of customer and industry contacts

SSH Tectia Enterprise Security Newsletter

SSH for Investors

Over the years, SSH has worked systematically to build its current position as a respected security software vendor with a solid customer base and product offering. These form the foundation from which SSH can grow profitably and develop the competitive position of the company towards an expanded market including Managed File Transfers (MFT), the PCI compliance security market, and the multi-enterprise business process security market.

Building SSH brands

The strong corporate brand of SSH reflects its position and background as a leading security technology developer. SSH markets and sells all its enterprise products and services under the SSH Tectia brand. The SSH Tectia solution includes software products and technical consultation services related to the installation, deployment and maintenance of the products, and the planning and design of these operations.

SSH Tectia helps customers to execute data-in-transit securely, easily and quickly even in large and complex network environments. The main application areas of the products are secure file transfer, secure system administration, and secure application connectivity. Managed file transfer capabilities will be a natural expansion to the SSH Tectia solution offering in 2009.

Customers

The customer base of SSH consists of some of the world's largest organizations in their respective vertical segments: finance and banking, insurance, credit card authorities, retail, automotive industry, healthcare, federal government and public administration. The network environments of these enterprises are complex and in many cases global, consisting of a heterogeneous collection of a great variety of hardware and operating system platforms. SSH Tectia has been deployed at the very core of the critical business processes that these networks execute on a 24/7 basis.

Customers in both the public and private sector face a very challenging environment in 2009, with budget constraints and resource reductions, while being expected to comply with the ever tightening regulatory and industrial security mandates. The many mergers and acquisitions are forcing network and system integration with demanding deadlines, while a global trend of server consolidation and virtualization requires further flexibility and adaptability from existing IT infrastructures. The versatility, adaptability, and transparency of the SSH Tectia solution present an attractive platform for implementing these changes, while the ubiquitous reach of the Secure Shell technology provides a cost-effective framework to extend, adapt and integrate secure business processes.

In 2008, SSH's existing customer base has expanded its deployment of SSH Tectia both to new networks and to new application areas. As these customer organizations complete their efforts of securing current file transfers and other data-in-transit operations to close their initial audit and compliance gaps, they find themselves with a deployed, versatile platform that can grow to meet their expanding business needs for increased maintainability, visibility, manageability and cost-effectiveness.

The highly adaptable methods offered by the SSH Tectia solution for enabling organizations to implement and secure their business processes without costly changes to their existing operational environment have introduced completely new customers to the SSH Tectia platform. In 2008, one of the largest U.S. public sector agencies implemented one of its most critical and extensive data transfer processes using SSH Tectia ConnectSecure. With assistance from SSH professional services, the implementation was tested and ready for deployment under a very challenging project schedule. Such close interaction with customers has ensured the success of the SSH Tectia solution as the core engine powering some of the world's most demanding data transfer processes. At the same time, SSH actively markets its products and services, and works continuously with its global partners, to acquire new customers to expand its worldwide customer base.

Business Partners

The SSH Tectia solution is a highly adaptable platform that integrates seamlessly with a wide range of security technologies. SSH works closely with other major security technology vendors to ensure seamless integration in customer environments, and to build joint solutions to provide high value in demanding customer environments.

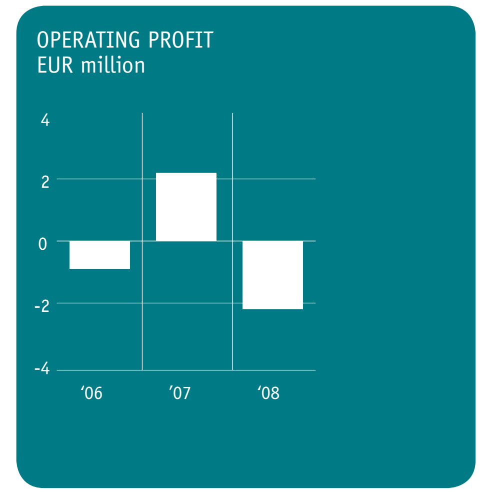
SSH also actively develops its regional sales channels and marketing coverage by working with resellers and leading system integrators in target vertical markets.

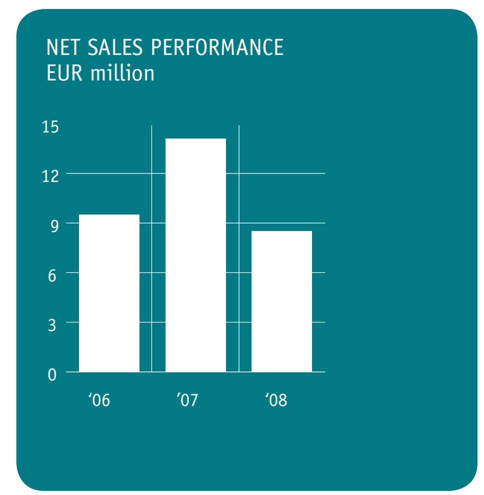
In 2008, SSH and SDS announced joint secure file transfer and FTP management solutions for IBM z/OS environments, and SSH Tectia was certified in the RSA Secured Partner Program. SSH also joined the American Bankers Association as an Industry Supplier member and entered the Latin American market by signing a reseller program with Inffinix Conectividad in Mexico.

In 2009, SSH will actively expand its business ecosystem of partner networks by partnering with key technology providers and regional resellers to help drive the next phase of the company's growth.

Research & Development

Over the past year, SSH has systematically built its offering from a baseline protocol implementation to a robust and versatile enterprise platform, integrating multiple technologies, and security services ranging from encryption and authentication to policy enforcement and auditing. The technology transition to the SSH G3™ architecture, introduced on the distributed platforms in SSH Tectia version 5.0 for enterprise-class performance and scalability, now extends to the IBM mainframes in SSH Tectia Server for IBM z/OS version 6.0. The new architecture has enabled SSH to effi-





Helping customers solve problems


Meetings can sometimes also be fun!

ciently develop new capabilities and introduce products such as SSH Tectia ConnectSecure 6.0, that spearhead the expansion of SSH Tectia deployment into completely new customers and environments. The new SSH Tectia Server for Linux on IBM System z enables customers to deploy cost-effective virtual Linux servers on the IBM z/OS mainframe platform, with end-to-end communications security.

SSH now has the technical foundation in place to leverage the SSH Tectia platform and roadmap to enter larger and faster growing markets, while staying true to its primary core competencies in developing end-to-end communications security solutions for large and complex IT infrastructures. Carefully selected technical partnerships will support and build upon the core solution offering based on these strengths.

The company owns the IPR rights of the SSH Tectia software and holds 14 patents at the end of 2008.

Technical Support and Professional Services

The SSH Tectia solution is deployed in some of the world's most critical network environments and serves as a core component of the business processes these infrastructures have been built to execute. SSH's customers rely on the availability and skill set of the highly professional technical services teams that support these deployments on a global basis. SSH offers a range of support services products that fit a range of customer needs, scaling up to 24/7 phone support.

As the technologies provided by the SSH Tectia solution have evolved from point solutions and administration tools to an enterprise platform powering critical business processes with interfaces to a wide range of systems, entities and technologies, the needs of enterprise customers have expanded well beyond standard product support. In 2008, SSH expanded its service offering by launching consulting and professional services to support the customers' security planning and deployment operations. The extensive know-how of SSH employees on various security technologies, and how these tie together to form a maintainable and secure business environment, is a core offering and a key component of the total SSH Tectia solution as a strategic enterprise platform. This valuable skill set will be continuously developed to expand the value-adding service offering supporting the company's new growth strategy.

Sales

The main market areas for the SSH Tectia products are the USA, United Kingdom, Germany, Switzerland, Austria, Asia Pacific and the Nordic countries. SSH has local sales and support organizations in these regions serving the customers and partners in line with the company strategy. The majority of 2008 sales were secured in North America, which has long been the largest single market for SSH.

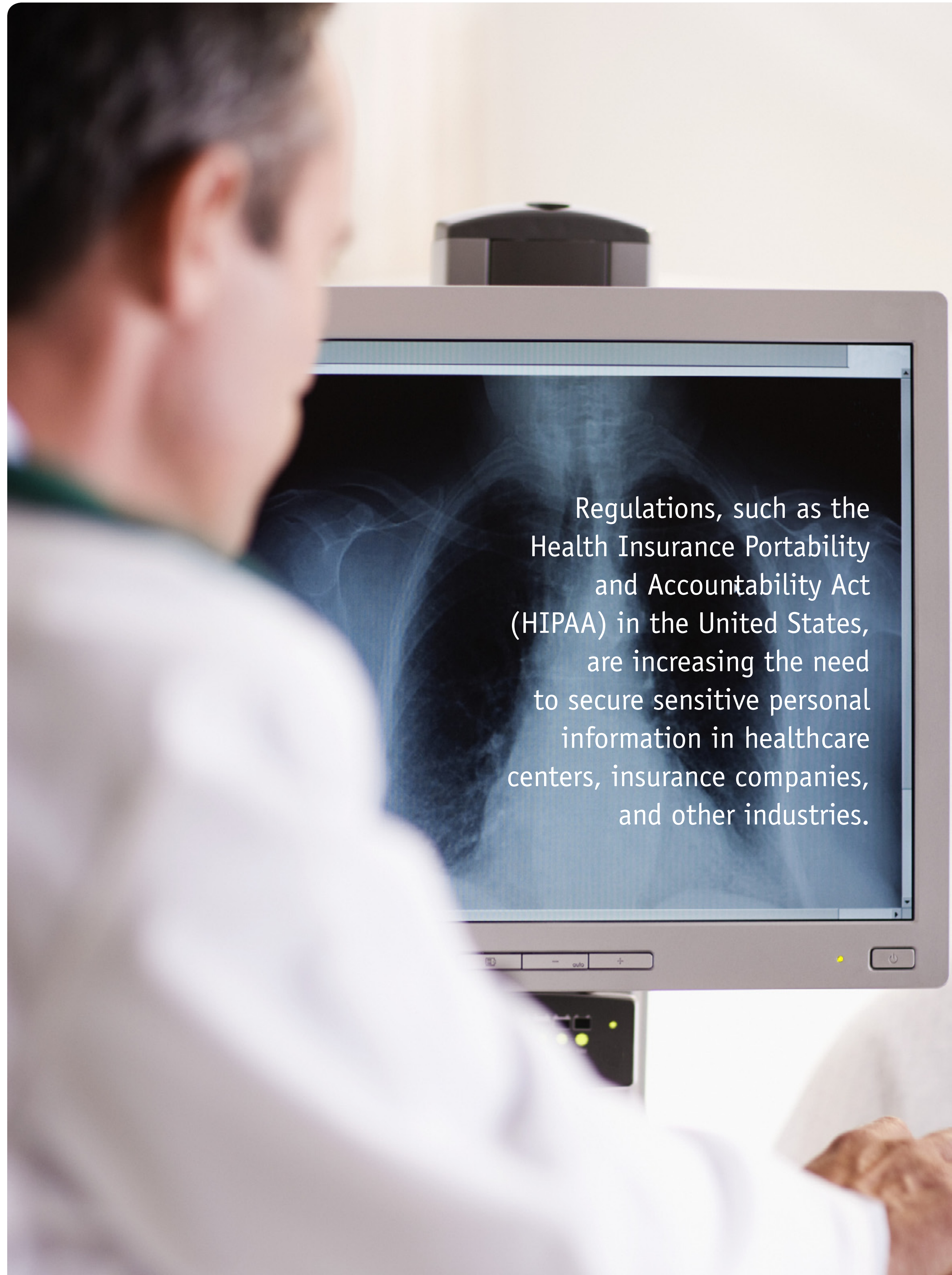
Outside the main market areas, SSH works with a number of value-adding resellers and distributors who market and sell the SSH Tectia products. Specific baseline SSH Tectia products are also available for purchase at the SSH online store.

SSH will actively pursue expanded partnering with select channel partners to support its growth strategy in 2009.

Market Position

SSH is a respected provider of software solutions for securing data-in-transit, and the worldwide market leader in software based on the Secure Shell technology. We have a solid and growing customer base, including 60% of the Fortune Global 100 companies and more than half of the fifty largest banks in the world. The SSH Tectia solution is currently used to secure file transfers, system administration and application connectivity in these large enterprises. Continuously growing regulatory and industrial mandates continue to expand the need for deployment of SSH Tectia in these environments. The fast-to-deploy nature and enterprise-class feature set of the solution help to bring new customers onboard, as more and more organizations are affected by the growing demands on enterprise IT security.

The solution offering and customer base of SSH provide a solid foundation for expanding the SSH business also into new market segments. The growing managed file transfer market is a natural growth path for SSH, and the current economic climate, the dynamic nature of the relatively young market, and the various consolidation and restructuring movements in this competitive space provide an attractive opportunity for SSH in 2009. The product development, business expansion, and partnering strategies of SSH are aligned to move into this market area, to bring further business value to the SSH Tectia customers, beyond baseline enterprise security software.



2008 in Brief

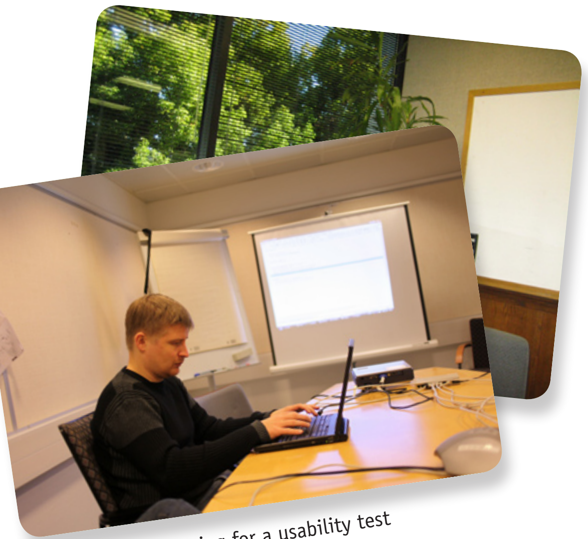
Customers

- In line with established practices within the IT-security industry, most of our customers have asked us not to publish their names publicly or details about their use of SSH Tectia and IT security systems. However, a list of current public reference customers can be found at www.ssh.com.

- In 2008, large organizations continued and increased their efforts to achieve compliancy with key regulations and security standards, such as the US SOX, the credit card industry PCI DSS, the health care industry HIPAA, as well as with national data security legislation and regulations. As a result, existing customers expanded their use of SSH Tectia while many new customers deployed the software for the first time.

- In June 2008, one of the largest U.S. governmental entities implemented a file transfer solution based on SSH Tectia ConnectSecure to power and secure one of its most critical business processes.

- Current customers of all sizes continued to renew their annual Support and Maintenance Services Agreements with SSH in 2008. The number and the average installed base of the supported customer base continued to grow during the year.



Preparing for a usability test

Partners

- Throughout 2008, SSH continued build its base of partners across the globe.

- SSH partners in the United States with resellers such as Lyme, Patriot, and iGov to sell SSH Tectia products to the US Government agencies. The company is also working closely with leading system integrators such as ACS, HP/EDS, IBM, and Lockheed Martin.

- In other regions, SSH Tectia products are actively being sold by resellers such as BSI in the United Kingdom, Quantiq in Southeast Asia, and DIT in Japan. In 2008, adding Inffinix Conectividad in Mexico as a reseller partner opened access to the growing Latin American market.

- SSH has continued to work actively with partners and customers in deploying key security standards such as the Payment Card Industry Data Security Standard. This was one of the key compliance drivers of 2008. The PCI DSS standard will continue to evolve, and to influence the development of the standard, SSH is a member in the PCI Security Standards Council. Version 1.2 of the standard introduced some additions to the requirements, for which SSH Tectia provides an effective solution. The mission of the Council is to enhance the payment account data security by fostering broad adoption of the PCI Security Standards.

- In March 2008, Symark selected SSH Tectia Server as a key component in its PowerKeeper privileged password management security appliance

- In April 2008, SSH joined the American Bankers Association as an Industry Supplier member

- In June 2008, SSH and SDS announced delivery of secure file transfer and FTP management solutions for IBM z/OS environments

- In September 2008, SSH Tectia software was certified in the RSA Secured Partner Program, and tested for seamless integration with RSA SecurID and RSA Certificate Manager authentication solutions.

Team brain-storming sessions yield new product ideas

Products

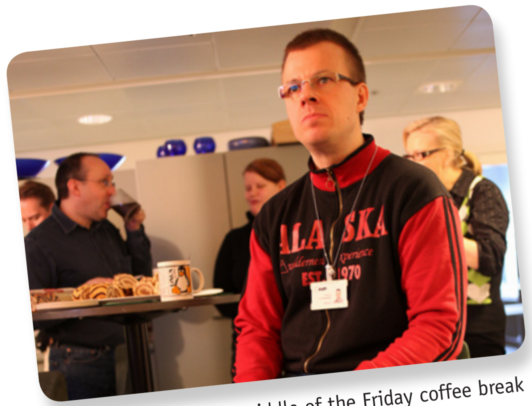
- In March 2008, SSH released the new SSH Tectia version 6.0, which introduces a number of new features that help drastically reduce the time and effort to secure FTP file transfers and data-in-transit. This version contains major updates of all SSH Tectia products. SSH Tectia 6.0 features the new SSH Tectia ConnectSecure, which builds upon and extends SSH Tectia file transfer capabilities in enterprise environments. This major new family member significantly expands the range of system platforms that can easily leverage the secure file transfer and secure data-in-transit benefits of the SSH Tectia architecture, and opens up connectivity from all value-adding SSH Tectia components to the OpenSSH install base, enabling customers to fully realize the value of their existing security infrastructure. Version 6.0 presents a mature enterprise security platform, upon which new solutions and product offerings can be effectively designed and built.

- SSH streamlined its product offering on the distributed platforms to clarify product positioning, to ease customer solution design, to shorten the evaluation and sales cycles, and to rationalize R&D and support processes. All solution functionality offered by the SSH Tectia platform was retained, while reducing the number of client-side components from three to two, and server-side components from three to one.

- SSH continued to strengthen its position as a world-leading supplier of secure file transfer and data-in-transit products for the IBM mainframe environment. During 2008, we introduced significant new features for SSH Tectia Server for IBM z/OS, such as the enhanced G3 client architecture for better scalability and performance, transparent FTP to SFTP conversion for quick and easy FTP replacement, and new file transfer and MVS access parameters for a more seamless integration into customer environments.

- SSH introduced SSH Tectia Server for Linux on IBM System z, to support the global trend of server consolidation and host virtualization. As a fully software-based end-to-end security solution, SSH Tectia is a natural fit to the dynamic and fast-to-deploy virtual environments.

Shared goals and values drive daily work across global boundaries



An idea strikes in the middle of the Friday coffee break

SSH office in Los Altos

CEO's Business Review

Key Milestone Achieved – Shifting for the Future

SSH Communications Security Corp (SSH) revenues for 2008 fell short of budgeted levels, and EBIT development was not satisfactory partly due to the weakened economical climate worldwide. Even though SSH's overall financial results were not satisfactory, we were able to strengthen our strategic position, to win more enterprise-class customers, and to continue serving existing customers with our qualified service and support personnel.

As a key milestone, SSH earned a respected position as a vital security software vendor for increasing numbers of enterprise-class customers, including worldwide recognized blue chip companies from the finance and banking, insurance, credit card processing, retail, automotive, and healthcare industries, as well as many federal government and public administration agencies. The number of SSH Tectia customers is constantly increasing and many have completed the first phase of their implementation of the SSH Tectia solution, opening us opportunities to further deepen joint business partnerships with them.

SSH's customers operate large and complex computer networks, most of which have been in use for several years without a robust security framework. Several publicly recognized data breaches at large companies and government agencies, with tightening regulations and required security architectures, have further increased the demand for business security solutions. IBM z/OS mainframes have been a key platform for our customers in securing file transfers. Major deployments were also made on the Unix, Linux, and Windows platforms to extend the SSH Tectia security platform throughout many enterprise IT infrastructures.

SSH is listed on the NASDAQ OMX Exchange

In product development, SSH launched new products including SSH Tectia Server 6.0 for IBM z/OS, SSH Tectia ConnectSecure 6.0 for the fast and transparent securing of FTP transfers, support for Sun Solaris 10 and Solaris Zones virtualization technology, as well as an end-to-end enterprise security solution for Linux on IBM System z. The SSH Tectia platform, as an easy to deploy end-to-end software security solution, forms an effective fit to the challenges that the expanding push for virtualization, server consolidation, and tightening audit deadlines pose for corporate IT security. SSH Tectia ConnectSecure also received the Network Products Guide 2008 Product Innovation Award and SSH received a patent on PKI Certificate Technology.

In partnerships, Symark selected SSH Tectia Server for its PowerKeeper privileged password management security appliance, SSH and SDS announced that they will start delivering secure file transfer and FTP management solutions for IBM z/OS environments, and SSH Tectia was certified in the RSA Secured Partner Program. SSH also joined the American Bankers Association as an Industry Supplier member.

As part of our expanding global offering development, SSH launched professional Consulting Services to support customers' security planning and deployment operations. SSH also widened its sales coverage by adding a reseller program in Mexico with Inffinix Conectividad.

Global data security legislation, the emergence of managed file transfers in intra- and extranets, and the implementation of the PCI DSS standard proceed as anticipated creating new opportunities for SSH globally and allowing the company to shift to the next step.

SSH Group Objectives for 2009

The first objective is to target a new strategic milestone and develop the competitive position of the company towards an expanded market including managed file transfers (MFT), the PCI compliance security market and the multi-enterprise business process and security market.

The second objective is to align and execute SSH's global offering and roadmaps according to the new strategic targets for the SSH Group by creating and launching business value increasing elements for customers in both SSH products and services.

SSH was honored to ring the closing bell at NASDAQ in New York City. From left to right: Addy Tam-Lam, Jouni Leinonen, George Adams, Jari Mielonen, Pekka Rauhala, and Byron Rashed.

The third objective is to develop a value network of strategic partnerships and new business models to deploy the complete products and services offering on a wider scale globally, including new growth markets and regions.

The fourth objective is to develop our Group-internal capabilities, processes and culture to respond to the growth challenge facing the company based on its new strategy, while providing SSH personnel opportunities for life-long learning as part of the company's development.

The Future - Your Trusted Business Security Partner

SSH's vision is to be our customers' trusted business security partner with profitable growth. The company has set its strategic objectives to have global presence, in-depth customer intimacy, as well as innovative and high-quality security software and services. We are a business-value-driven security software company and preferred security partner in mission-critical enterprise networks for our customers.

Several factors cause companies to re-examine how they manage the movement of data from system to system, partner to partner, and person to person. Some existing security technologies are not viable options to provide the insight, security, performance and the risk mitigation necessary to responsibly conduct business in multi-enterprise business environments.

The managed file transfer (MFT) market is driven by the enterprise integration, security, applications, and networking groups. Knowledge workers need to send files to support collaboration and governance. Service-oriented architectures (SOA) and integration tasks will increasingly require MFT features as part of their middleware solution portfolios. MFT suites, that support integration for managing and securing business processes according to the business needs, are emerging.

SSH is a company that began building its world-leading reputation more than a decade ago by being one of the most innovative security technology vendors globally. We plan to further strengthen that unique competence by increasing business value to our customers and creating a dynamic and innovative workplace for our highly experienced and motivated personnel.

I would like to extend my sincere thanks to our highly-valued customers for their trust in SSH and to the excellent SSH personnel for their commitment in 2008.

Jari Mielonen
President and CEO

SSH Tectia Business

SSH has developed the SSH Tectia solution in close cooperation with its major enterprise customers, to build a solid and manageable security platform for the most demanding and complex business environments. By the end of 2008, SSH has solidly established the SSH Tectia solution in large organizations for use in three main application areas: secure file transfers, secure system administration, and secure application connections. Now the stage is set for the next phase in the company's growth strategy and expansion into the large and fast growing managed file transfer market.

Secure System Administration

Tatu Ylönen developed the Secure Shell protocol in 1995 to secure remote terminal connections for system administration, remote command execution and other host access, and it has since grown into an industry standard for that purpose. This application area remains a cornerstone of the secure services offered by the SSH Tectia solution. The centralized management capabilities provided by SSH Tectia Manager enable enterprises to implement a controlled, locked down, and auditable system administration environment for large enterprises.

As an open standard, the Secure Shell technology provides a ubiquitous security framework that is available out of the box across a variety of Unix and Linux platforms. SSH Tectia integrates smoothly with the OpenSSH environment, enabling enterprises to cost-effectively leverage the existing security environments already deployed within their environments. The value-adding capabilities of SSH Tectia enable the customer organizations to further lower risks, increase the manageability of their environment, to comply with the current laws and regulations, and to reduce the total cost of ownership (TCO) of their systems.

Secure Application Connections

The versatility of the SSH Tectia solution offers a multitude of security services that extend beyond secure terminal access, remote command execution, and file transfer. SSH Tectia can be used to easily and effectively secure the TCP/IP client/server connections of any legacy business application without the need to re-engineer the applications on either the client-side workstation or server, or the business application server. This enables the customers to cost-effectively close the audit gaps posed by legacy applications that handle sensitive business data, with no changes to the core business applications or the end-user experience. This reduces the costs of deploying security dramatically by minimizing the engineering and retraining required. As the customers have deployed SSH Tectia to secure their system administration or file transfer operations, they can cost-effectively utilize the security foundation they have laid out to bring additional business operations onto a unified security service platform.

SSH Tectia Solution as a Strategic Security Platform

The SSH Tectia security solution offers a versatile range of data-in-transit security services. Traditionally, initial deployments have utilized SSH Tectia to initially secure the system administration access, followed by securing file transfers in the subsequent phases. In the recent years, SSH has seen an increasing number of major deployments focus initially on securing file transfers, where the value-adding capabilities of SSH Tectia present the most direct advantages over competing solutions.


Unveiling of the "SSH Information Radiator"


Understanding of customer environments is key to succesful security

Part of our team in Los Altos, California

The SSH Tectia solution offers core components not only to secure, but to execute, monitor and audit critical business processes.

Once deployed, the SSH Tectia solution presents a robust security platform, upon which new security services can be built cost-effectively, with only minor configuration changes. Utilizing a unified configuration, authentication, and management framework, SSH Tectia enables customers to secure not only file transfers, but administration access, remote command execution, and TCP/IP connections of critical business processes, without adding new software components or increasing infrastructure complexity.

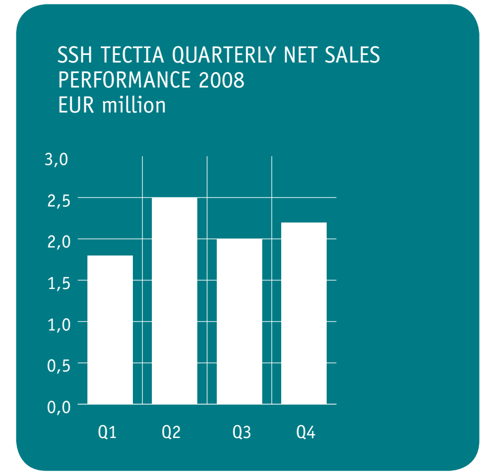
The SSH Tectia solution offers core components not only to secure, but to execute, monitor and audit critical business processes. It also enables customers to fully leverage their existing OpenSSH security environments without necessarily deploying new components throughout their environment. In the current economic climate, such versatility is a unique differentiator between ever accumulating point solutions and a true strategic business platform.

Managed Secure File Transfers

Most business processes today involve the exchange of data in one form or another, and are often executed by transferring large amounts of files on a daily basis. Many of these critical processes have been traditionally implemented using the legacy File Transfer Protocol (FTP), which had not been originally designed to provide any strong form of security for confidentiality or integrity. The Secure Shell, and the related Secure File Transfer (SFTP) protocols have since grown into a de facto standard for secure file transfers, and have also been standardized by the IETF. The SSH Tectia solution takes these technologies far beyond a point protocol implementation, for effective deployment and manageability in enterprise environments.

In March 2008, SSH released SSH Tectia version 6.0, which introduced the new product component, SSH Tectia ConnectSecure. The transparent data capture and conversion technology offered by SSH Tectia ConnectSecure is now in use by a number of large retail and manufacturing enterprises, and has enabled them to meet their compliance and audit deadlines effectively and securely in very large deployments.

SSH Tectia Server for IBM z/OS extends the SSH Tectia solution into the heart of the critical business processes, while providing a cost-effective and seamless interface for the mainframe to integrate into the distributed business environment.



Enterprises and public sector organizations will continue their efforts to secure their file transfer environments in 2009. As baseline security is laid out to ensure the confidentiality and integrity of these critical file transfers, the customers will continue their efforts to increase the cost-effectiveness, reliability, manageability and visibility of these environments.

The introduction of SSH Tectia ConnectSecure, and the continued strong development of SSH Tectia Server for IBM z/OS has positioned SSH as a player in the secure file transfer market.

"If you are considering SSH technology to facilitate secure communication for file transfer functions, then consider technologies that will also enable you to manage all aspects of the file transfer, not just the security piece." [1] [2]

Further development of SSH Tectia products and services in 2009 will strengthen the position of SSH in the secure file transfer market, as well as to move SSH into the growing managed file transfer market. The main competitors of SSH Tectia in the managed file transfer market are the US-based companies Sterling Commerce and Tumbleweed (recently acquired by Axway).

[1] The Gartner Report, October 2008 page 3. L.Frank Kenney, Q&A for FTP Replacement and Enhancement.

[2] Disclaimer: The Gartner Report(s) described herein, (the "Gartner Report(s)")represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Personnel

"Select, Solve, Honour"

International Working Environment

By the end of 2008, SSH had 73 employees. 49 were working at the company head office in Helsinki, Finland, 4 were working in the other SSH offices in Europe and 20 in the offices in the US. The employees represent 14 nationalities.

There were 40 employees working in R&D, 25 in sales and marketing, and 8 in administration.

Values Lead the Way

SSH's business operations are guided by a common set of values developed by the employees of SSH. These values are: Select, Solve and Honor. SSH focuses on serving its selected customer segments by solving their data security problems within selected solution areas. SSH aims at developing and sustaining long-term cooperation with customers based on mutual respect and honoring commitments to customers. The company values lead the way and guide the SSH employees in daily decisions and operations.

Development Opportunities and Wellbeing

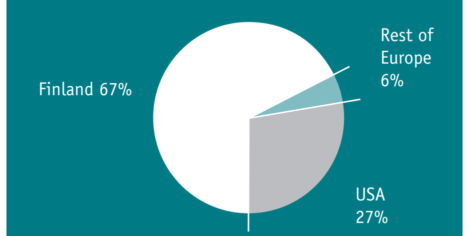
One of the most important success factors of SSH, and one of the true core competencies of the company, is the capability to innovate and to develop effective technical solutions to the customers' data communications security problems. Most of the jobs require higher education, and 87 percent of the SSH employees have a university degree. Innovative solutions to customers' real-life critical problems are of utmost importance to SSH. The company endeavors to increase and maintain its innovation capability by investing in employee wellbeing and continuous personal development. Twice a year, everyone has development discussions with the immediate superior. In these discussions, the personal objectives and development plans are composed for every employee. SSH uses job rotation, internal training and external courses, as well as enhancements to the job definitions as means of maintaining and developing employee competencies.

Satisfied Employees Ready to Grow

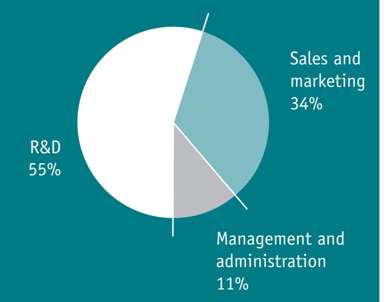
In October 2008, SSH carried out its annual personnel satisfaction survey. The purpose of the survey was to map the level of occupational wellbeing of SSH's personnel. The target was to determine the strengths of the organization, as well as the development needs for improving job satisfaction on personal and on company level. The employees' response rate was around 70 % and feedback to this web-based questionnaire indicated a high overall job satisfaction. As the most positive aspects the employees named SSH's management quality, physical wellbeing, and work atmosphere and social support. Areas that could benefit from further development included how to increase the internal communication and how to deal more efficiently with the flood of day-to-day information and adaptation to changes. The survey results were analyzed and development areas and actions were defined for 2009 accordingly.

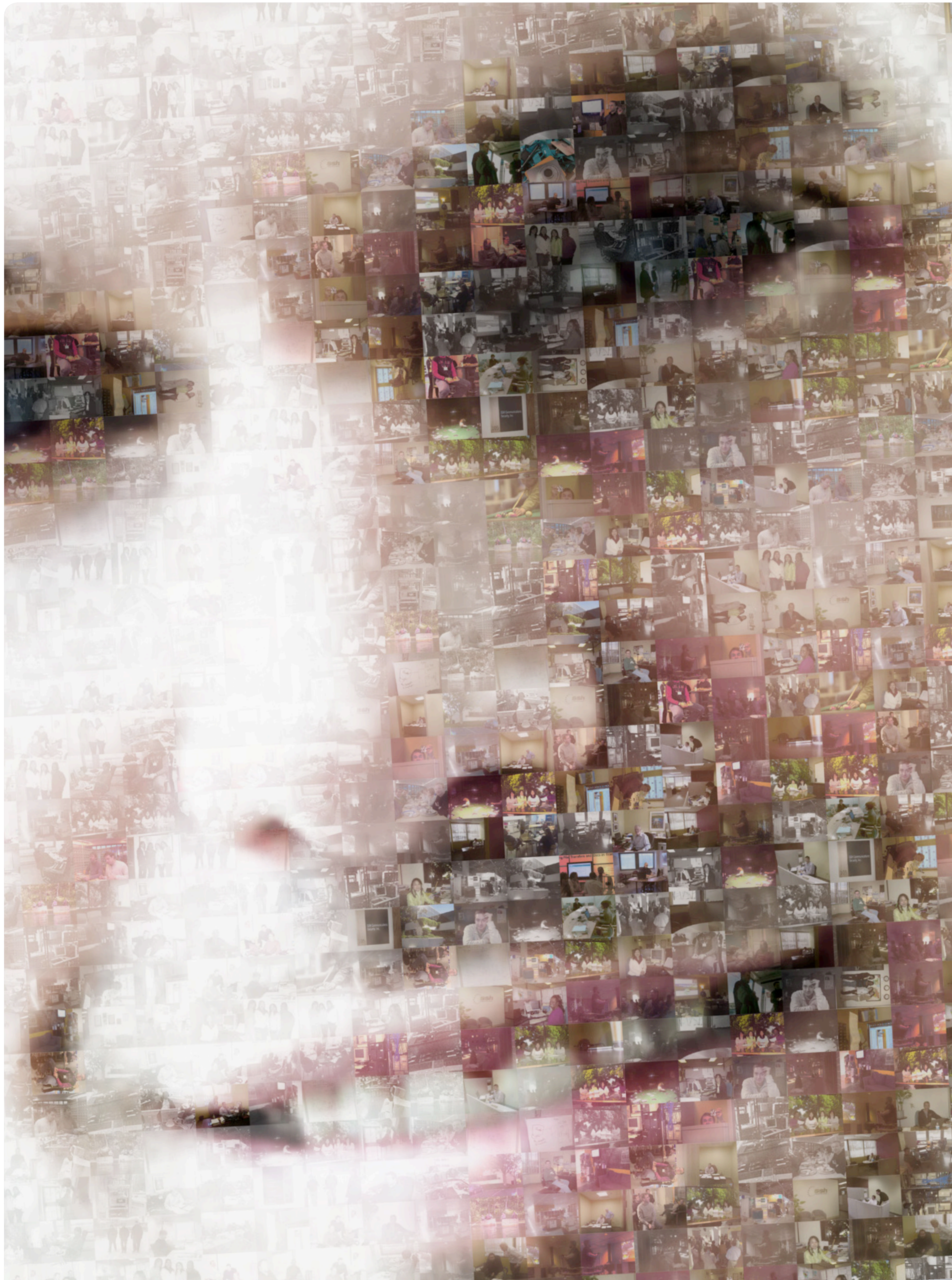

Tommi Lampila, Joe Scaff and Steve Vaz.

EMPLOYEE DISTRIBUTION BY GEOGRAPHICAL AREA



EMPLOYEE DISTRIBUTION BY BUSINESS AREA





Corporate Governance

The SSH Group comprises SSH Communications Security Corp (SSH) and its subsidiaries. SSH Communications Security Corp is registered in Helsinki, Finland and is a publicly listed company. Its subsidiaries are SSH Communications Security, Inc. (US) and SSH Operations Ltd that operates in Finland, UK, and Germany. SSH abides by its Articles of Association as well as principles of sound corporate governance, and high ethical standards in its governance and decision-making. The company complies with the Finnish Companies Act and securities market legislation, the rules of the NASDAQ OMX Helsinki Ltd, and the joint recommendations of the NASDAQ OMX Helsinki Ltd, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries regarding corporate governance of publicly listed companies.

Shareholders' Meeting

The ultimate decision-making power at SSH is vested in the shareholders' meeting. The Annual General Meeting is held within six months of the completion of the company's fiscal year, at a time decided by the Board. The shareholder's meeting decides the number of members of the Board of Directors, and appoints the members. Additionally, under the Finnish Companies Act, the Annual General Meeting has the authority to amend the company's Articles of Association, adopt the financial statements, approve the amount of dividend, and to select the company's auditors. Each SSH share conveys one vote at the shareholder's meeting.

Board of Directors

In accordance with the company's Articles of Association, the Annual General Meeting appoints three to eight members to the Board of Directors. Their term of office ends with the closing of the next Annual General Meeting following their appointment. The Board has a quorum when more than half of its members are present. The company's Articles of Association do not restrict the members' terms in office or present any specific selection criteria for the members. The Board elects a chairperson from among its members.

SSH's Board of Directors is responsible for the company's strategic policies, and the appropriate organization of business operations and administration. The Board of Directors acts in the company's interests at all times. In addition to the tasks and responsibilities provided by the Finnish Companies Act and the company's Articles of Association, in accordance with its agenda, SSH's Board of Directors:

- confirms the company's long-term goals and strategy
- approves the company's action plan, budget and financial plan, as well as monitors their implementation
- decides on large, single investments of strategic importance such as company and business acquisitions and divestments
- approves proposed strategically important product development projects
- appoints the CEO and determines his or her remuneration
- decides on bonus and incentive schemes for Group Management Team
- confirms the company's risk management and reporting procedures
- determines the company's dividend policy and is responsible for the development of shareholder value
- confirms the company's values.

Board of Directors – Members

The Annual General Meeting held on 27 March 2008 elected Tomi Laamanen (chairman), Pyry Lautsuo, Juha Mikkonen, Timo Ritakallio and Tatu Ylönen as members of the Board of Directors.

Tomi Laamanen, born 1968, D (Eng.),
PhD (Economics & Business Administration)
Board member since 2001, Chairman of the Board since September 21, 2001

Tomi Laamanen is Professor at the Institute of Strategy and International Business at the Helsinki University of Technology. He has been a Board member or Advisory Board member of several Finnish technology companies and professional associations. In addition to SSH, he is Chairman of the Board of SystemsGarden Oy, Stratwin Oy and a member of the Board of Halton Oy, Helsingin Osuuspankki Oy, Honkarakenne Oy, HPY Research Foundation and the Strategic Management Society of Finland. Owns 22,000 SSH shares and 4,000 stock options.

Pyry Lautsuo, born 1946, MSc (Technology)
Board member since 2008
IBM Country General Manager in Finland between years 1997-2006

Pyry Lautsuo has 30 years of experience with versatile international tasks in technology industries. In addition, he holds board memberships in Finnish and international companies and in business and industries organizations. Does not own any SSH's shares or options.

Board of Directors: Tomi Laamanen, Pyry Lautsuo, Juha Mikkonen, Timo Ritakallio, and Tatu Ylönen.

Juha Mikkonen, born 1962, MSc (Economics)
Board member since 2008
Chairman of Board of Vicus Limited, a real estate development and investment company

Juha Mikkonen has over 20 years of experience in stock market and in investments banking. He is the chairman in the board of directors at investment company Assetman Limited, that owns 4,200,000 SSH shares, Mr Mikkonen does not have direct ownership to SSH shares or options.

Timo Ritakallio, born 1962, LLM, MBA
Board member since 2003
Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company

Timo Ritakallio has 20 years of wide experience in management and board of directors' positions in the financial and banking sector. He is the Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company. In addition, he is a member of the Board of Directors in OMX Nordic Exchanges Group Ltd. Owns 8,000 SSH shares, no stock options.

Tatu Ylönen, born 1968, LicSc (Tech)
Board member since 1995
Major shareholder, CTO until September 30, 2004

Tatu Ylönen developed the Secure Shell technology for remote access and founded SSH Communications Security Corp. He is an internationally respected network security expert, and plays an active role in the field of data security standardization. He owns directly 14,727,649 SSH shares and 375,071 shares indirectly through Tatu Ylönen Oy.

The majority of the Board members have no dependence on the company. Tomi Laamanen, Pyry Lautsuo and Timo Ritakallio are deemed to be independent Board members. Not independent of the company are the Board members Juha Mikkonen and Tatu Ylönen. Juha Mikkonen is the Chairman of the board of directors of Assetman Oy, an investment firm that holds more than 10 percent of the total number of the SSH shares. Tatu Ylönen owns directly and indirectly through his company Tatu Ylönen Oy more than 50 percent of the total number of SSH shares.

Board Responsibilities

The Board works to a predetermined agenda. The themes to be considered in future meetings, and the Board's agenda, are planned at the start of each new term of office. During the spring, the agenda is focused on outlining strategic policies and updating the corporate strategy. In the autumn, the focus is on tactical matters, and in November the budget for the following year is approved. Meetings in the early spring focus on preparations for the Annual General Meeting.

The members of the Board receive regular updates on the company's business and financial performance. In the Board meetings, the CEO, the Chairman of the Board or another person appointed by the CEO, presents business to be considered to the Board. Each Board meeting considers a progress report provided by the CEO in line with the standard agenda. All Board meetings also monitor sales performance, market development and the company's financial performance. The company's General Counsel acts as secretary to the Board.

The SSH Board of Directors convened 16 times in 2008. The average attendance rate of Board members was 99 percent.

The Board evaluates its operations and processes to increase efficiency and quality. An internal self-evaluation is conducted once a year.

Committees of the Board of Directors

In a corporation, the proper functioning of the administrative and control systems requires that the work of the Board of Directors be organized as effectively as possible. The preparation of matters for which the Board of Directors is responsible can be made more effective through setting up committees comprising Board members. The Board of Directors will then make its final decisions based on the recommendations of the committees. SSH's Board of Directors has appointed an Audit Committee and a Remuneration Committee.

Tomi Laamanen acts as the Chairman of the Audit Committee. As the CEO, the CFO and the auditor participate in the committee meetings, the Board has deemed one Board member to be sufficient in the Committee. The Committee convenes a minimum of twice a year, and the Board has confirmed the principal responsibilities of the Audit Committee to be as follows:

- monitoring the financial performance of the company
- monitoring the financial reporting (financial statements, interim reports)
- assessing the sufficiency and due form of internal administration and risk management
- ensuring compliance with laws and regulations
- preparing the appointment of an auditor
- communicating with the auditor, studying the auditing plan and the auditor's report.

The Remuneration Committee plans compensation and reward schemes for the management and employees. Tomi Laamanen and Tatu Ylönen have formed the Remuneration Committee.

CEO

SSH's Board of Directors appoints and releases the CEO and decides the terms of his or her service contract. The CEO is in charge of the company's operative management in accordance with the Finnish Companies Act and the instructions and authority provided by the Board of Directors.

Arto Vainio, BSc (Econ), born 1950 served as the CEO of the company from July 2, 2002 until October 22, 2008. Thereafter Mika Peuranen, CFO, acted as an interim CEO until Jari Mielonen MSc (Econ), born 1960 started as the President and CEO of SSH on November 17, 2008. Mr. Mielonen joined SSH from Sanako Corporation, a global educational technology company; prior to that, he was e.g. CEO of SysOpen Digia Plc (Digia Plc), taking the software and mobile technology company from a startup phase to a public company with sales of 100 million euros. Earlier, he was CTO of Sonera Telecommunications (TeliaSonera), being responsible for its technology development and participating in new business development, and Director of Software Technology at ICL Data (Fujitsu), with responsibilities including e.g. software development processes. Mr. Mielonen owns 500,000 SSH's stock options and 68,493 SSH's shares.

The CEO's retirement age and determination of pension comply with standard rules under the Employees' Pension Act. The period of notice for the CEO is six months. Severance payment is equivalent to twelve months' salary.

Operative Management

SSH has re-organized its operations in December 2008 and adjusted the line-up of its operative management accordingly. The current operative management of SSH consists of Group Management Team and Business Executives. The Group Management Team supports the CEO in managing and developing SSH Group, and the members of the Group Management Team report to the CEO. The Group Management Team meets regularly and the meetings are chaired by the CEO. The Business Executives reporting to the Executive Vice President of Global Sales and Marketing are responsible for the sales of SSH Tectia products and services in their respective regions.

Members of the Group Management Team

George F. Adams, born 1948,
MBA, BSEE
Executive Vice President,
Global Sales and Marketing and
President, SSH Inc.

George F. Adams is President of SSH Communications Security, Inc. (the US subsidiary of SSH) and responsible for developing and executing strategies to build SSH's market position and financial results in the Americas. As Executive Vice President of Global Sales and Marketing, he is also responsible for developing and executing SSH's worldwide sales and marketing strategies and market development. Before joining SSH, Mr. Adams was Vice President of Business Development at Phoenix Technologies Ltd. Mr. Adams had previously held management positions in Sun Microsystems, Intel, Analog Devices, and Motorola. Does not own any shares or options.

Tero Harjula, born 1963,
BBA (International Business)
Vice President, Strategic Partnerships and New Ventures

Tero Harjula is responsible for initiating and developing strategic alliances, product partnerships, and new product and solution concepts within SSH's target market segments. Prior to joining SSH, Mr. Harjula held the position of Director of Financial Institutions at Sonera SmartTrust, and he has held several managerial positions in leading international financial institutions. During 1993-2000 he was working in Luxembourg as Vice President, Applications and Services Development at Citibank, and as Manager, Business and Systems Development at Dailchi Kangyo Bank, where he was in key roles in large IT projects, application implementation, and operations development. Does not own any shares or options.

Petri Lillberg, born 1974,
MSc (Econ)
Executive Vice President,
Products

Petri Lillberg is responsible for managing the research and development of SSH's award-winning security solutions as well as the company's product strategy, product roadmaps and product management activities. Mr. Lillberg joined SSH in 1998 and has previously held the positions of Director of Product Management, Sales Director for Europe and Asia, Country Director, and Director of business unit. Does not own any shares or options.

Mika Peuranen, born 1964,
MSc (Tech)
Executive Vice President, Chief Financial Officer (CFO)

Mika Peuranen is responsible for SSH's global financial management and investor relations. Mr. Peuranen is also the deputy of the CEO. Prior to joining SSH, Mr. Peuranen was Managing Director of the Austrian branch of Finnforest, and was also responsible for Finnforest's financial and administrative activities in the Czech and Slovak Republics, Hungary, and Romania. Previously, Mr. Peuranen held various key positions in accounting and finance at KONE Corporation in Finland and in the Netherlands. Does not own any shares or options.

Pekka Rauhala, born 1960,
LLM, MBA
Executive Vice President,
General Counsel and Chief
Administrative Officer

Pekka Rauhala is responsible for facilities, human resources and legal affairs including worldwide responsibility to oversee for contracts, corporate secretarial, IPR and licensing activities at SSH. He also acts as the secretary to SSH's Board of Directors. Prior to joining SSH in 2000, Mr. Rauhala served Tellabs Inc., Jaakko Pöyry Group and Helsinki Chamber of Commerce in several key in-house counsel positions during 1998-2000, including Director and Regional Counsel Tellabs EMEA, Legal Counsel and Project Finance Manager JP-International and Legal and Tax Counsel of Helsinki Chamber of Commerce. Owns 20,000 SSH shares and 22,500 stock options.

Timo J. Rinne, born 1969,
MSc (Tech)
Chief Technology Officer (CTO)

Timo Rinne is responsible for research, technology strategy, intellectual property rigths management, and standardization. Since 1998, Mr. Rinne has held key roles in the development of all products and technologies produced by SSH. Mr. Rinne has assumed various management positions at SSH including Vice President of Engineering. Prior to joining SSH, Mr. Rinne held research and development positions at the Nokia Research Center. Owns 10,000 SSH shares and 0 stock options.

Jukka Tuomas, born 1967,
MSc (Tech)
Executive Vice President,
Services

Jukka Tuomas is responsible for service business, sales support, technical services and ICT infrastructure worldwide at SSH. Prior to joining SSH in 2004, Mr. Tuomas held marketing, sales, and research and development positions at Tellabs. Mr. Tuomas had a key role in planning, customer cooperation and launching of Tellabs's next-generation edge router products. Owns 10,050 SSH shares and 0 SSH stock options.

Jari Mielonen, born 1960,
MSc (Econ)
President

Jari Mielonen serves as the Chairman of the Boards of Directors for the Group's subsidiaries. The other members of these boards are Mika Peuranen, CFO, Pekka Rauhala, General Counsel, and the CEO of the subsidiary in question. Shareholding information as shown above.

Business Executives

Jeff DeLisio, born 1963,
BS, RCDD
Senior Vice President
of Americas Sales

Jeff DeLisio is responsible for leading SSH's sales organization for the Americas. He is based in New York, USA. Prior to joining SSH in 2002, Mr. DeLisio was Director of North American Sales for Avaya's Converged Data Products. From 1999 to 2001, he was Director of North American Sales for VPNet, a leading developer of VPN products. VPNet was acquired by Avaya in 2001. Mr. Delisio brings more than 20 years of enterprise networking industry sales management experience to SSH, with the past 10 years focused on Enterprise Security.

Jouni Leinonen, born 1965,
DSc (Econ) candidate
Vice President of Europe, APAC
and ROW Sales

Jouni Leinonen is responsible for leading SSH's sales organization for Europe, APAC and ROW. He is based in Helsinki, Finland. Prior to joining SSH in 2009, Mr Leinonen was General Manager and VP of Operations at PacketVideo Corporation. In the past, he has worked for several IT and software companies in Finland, the UK and Japan. Mr Leinonen brings more than 20 years of relevant industry experience to SSH, while working the past 10 years in various sales, marketing, and management roles.

Salaries and Remuneration

The shareholders' meeting confirms annually in advance the emoluments payable to the members of the Board of Directors. The Board of Directors confirms the salary and other benefits of the CEO, and also determines the salaries and benefits payable to members of Group Management Team.

Forms of remuneration for the Group Management Team and the CEO involve a performance-related bonus and stock option schemes. The company has no other remuneration practices, nor does it have any differing pension arrangements for the CEO or other senior management.

The bonus scheme for the CEO and the Group Management Team is based on the company's net sales and EBIT, and on personal qualitative and quantitative targets. The weighting of the said corporate financial indicators represents 70 percent of the overall targets. The targets for the company's senior management are fixed for one year at a time.

The Board of Directors
Tomi Laamanen EUR 1,400/month
Pyry Lautsuo EUR 1,400/month
Juha Mikkonen EUR 1,400/month
Timo Ritakallio EUR 1,400/month
Tatu Ylönen (no salary or remuneration)

CEO
CEO's salary and other benefits in 2008 were EUR 367,220 (Arto Vainio until October 22, 2008 and Jari Mielonen from November 1, 2008).

The Board decided on 16 December, 2008 to direct CEO Jari Mielonen a new chargeable share issue, in total 68,493 shares, and to issue 500,000 option rights which entitle him to subscribe to a maximum of 500,000 new shares of SSH by virtue of an authorization received by the Board from the Annual General Meeting on 27 March 2008. The number of shares and stock options held by the members of the Board of Directors, CEO and members of the Group Management Team are included in their personal profiles.

Insiders

SSH has established its own insider guidelines that comply with the Guidelines of Insiders approved for public companies by the NASDAQ OMX Helsinki Ltd. The company maintains a public insider register of the public permanent insiders and the persons closely associated with the said permanent insiders' share and stock option holdings in the SIRE system of the Euroclear Finland Ltd (prev. Finnish Central Securities Depository Ltd). The public insider register and the principles regulating trading by insiders are available at the company's website and the company's headquarters.

The public permanent insiders of the company are members of the Board, CEO, members of the Group Management Team, and the auditors. The number of public permanent insiders is currently 14.

The company maintains also a company-specific insider register of persons who by virtue of their position regularly receive insider information or could have an opportunity to gain access to insider information through the nature of their work and who are not in the public insider Register. These persons include the Business Executives, the assistants to the Group Management Team, product management, financial administration, and management of information services. In addition, any external legal consultants used by SSH belong to the company-specific insider register.

Insiders belonging to the public or company-specific insider register are not allowed to trade in securities issued by the company for a period of 21 days prior to the announcement of an interim report and the financial statement bulletin (closed window).

The said permanent insiders are allowed to trade in securities issued by the company without a prior approval of the company's General Counsel only for a period of 21 days after the announcement of the interim report and the financial statement bulletin of the company (open window).

Under circumstances where the company is preparing an event that may have a significant impact on the stock price, a project-specific insider register is established. Also the project-specific insider register will be based on the insider guidelines of the NASDAQ OMX Helsinki Ltd. Company's General Counsel is responsible for guidance and supervision of the insider matters.

Internal Administration

The aim of internal administration and risk management is to ensure efficient, appropriate operations, dependable financial information and compliance with regulations and internal processes. SSH's Board of Directors ensures that the company has defined principles of internal administration, and that the company monitors the effectiveness of the administration. The ultimate responsibility for the company's accounting and supervision lies with SSH's Board of Directors. The Board also approves SSH's risk management and reporting procedures and monitors the adequacy, appropriateness and efficiency of the company's administrative processes.

The CEO, assisted by other operative management, is responsible for the practical arrangements for accounting and administration mechanisms and for compliance with laws, regulations, company processes, and the Board's decisions. To support its operations, the company has a number of rules and guidelines. Process and quality work ensures that there is a description of all processes, and that the various process interfaces are properly defined and documented. Processes are also intended to ensure that everyone in the organization knows how the company works, and how the work of each individual is integrated into the company's operations. Supervisory actions ensure compliance with rules, guidelines, and processes.

The company sets annual financial targets in connection with the budget and constantly tracks target achievement. The company's organizational structure supports efficient planning, implementation, and monitoring of business operations.

Risk Management

Risk management is a part of SSH's internal administration. It aims to ensure that major risks affecting the company's business and operating environment are identified and monitored. Since the United States is the main market area, any risks including currency risks associated with that country are considered to be significant. Other major risks are related to product technology, competitor activities and profitability. Property, business interruption and liability risks are covered by insurance.

SSH's main market area is the United States. To reduce this market dependency risk, the company is actively seeking to expand operations in Europe. Sales operations are supported by the company's own legal unit, which, through continuous management of contracts, seeks to reduce the risks related to the company's business operations. SSH protects its copyrights and trademarks through sales agreements. The company has also an active patent policy to protect its technology. SSH encourages its employees to make and protect inventions.

SSH has a process in place whereby any network security risks found in the company's products are promptly reported to senior management. Corrections are made immediately and updates are supplied to customers without delay. The company's critical information systems are secured and operations can continue, even in the event of an external catastrophe. SSH actively uses its own products to protect the information system architecture. Encryption and strong authentication protect the company's confidential data communications from both internal and external threats.

Financial risk management is described separately in the financial statements section of the company's annual report. SSH provides no financing for its customers other than by granting normal payment periods. The company has a strong balance sheet and no significant long-term liabilities. Asset managers invest the company's cash reserves in accordance with a policy approved by the Board of Directors: almost all the assets under management are invested in fixed income funds. Since most of SSH's invoicing takes place in US dollars, the company is hedged against exchange rate risks.

Internal Auditing

Because of the relatively small size of the company, SSH has no separate internal audit organization. The continuous monitoring by the auditors in conjunction with the interim reports also aims to assess and develop the effectiveness of risk management, monitoring and administration processes, and to support the Board with its monitoring responsibility.

Auditors

The company's auditors provide shareholders with a report, as required by law, in conjunction with the annual financial statements. The principal aim of the statutory audit is to verify that the financial statements give a true and fair view of the company's financial performance and situation for each fiscal year. In addition to the Auditor's report provided with the annual financial statements, the auditors report on their findings to the company's Board of Directors in connection with the interim reports.

In accordance with the Company's Articles of Associations, SSH has one Principal Auditor authorized by the Chamber of Commerce, and one Deputy Auditor. If a firm of Authorized Public Accountants is appointed as the principal auditor, there is no need to appoint a deputy auditor. The auditors are appointed at the Annual General Meeting. SSH's auditor is PricewaterhouseCoopers Oy with Henrik Sormunen APA as principal auditor.

In 2008, the auditor's fees were EUR 33,890 in the Group and EUR 33,390 in the parent company. Other fees charged by the firm of auditors were EUR 84,101 in the Group and EUR 29,304 in the parent company. Other fees were mostly related to tax advice.

Public Communications

SSH aims to give the markets a clear view of the company's operations and financial performance in accordance with the regulations on the disclosure obligation for publicly listed companies. The company prefers electronic forms of communication. All stock market releases, other investor information, and the latest company information are available at the SSH website, www.ssh.com.

Financial Statements

1 Report of the Board of Directors for 1 Jan–31 Dec 2008

SSH Communication Security Corp is a provider of easy-to-use and centrally manageable data security solutions. SSH Tectia security solutions address the most critical needs of international enterprises including banking and finance, credit card companies, retailers, automotive industry, healthcare as well as public institutions and government agencies. The company operates in the Americas, Europe and the Asia Pacific region.

The focus market of SSH in 2008 was corporate-internal secure file transfer and related products, and the size of this market is evaluated to be ca USD 100 million (IDC market analysis, 2008).

Especially in the second half of the reporting period, the weakened global economy temporarily affected the demand of SSH offering and transferred customers' investment decisions to year 2009. However, SSH managed to keep the prospective sales cases at the planned level, it being more than twice of actualized net sales. SSH did not lose any essential customer cases to the competitors. The operative efficiency of SSH will require consistent improvements to increase profitability.

In 2008, the Americas accounted for 68.5% (81.5%) of the Company's net sales; the EROW segment accounted for 22.5% (12.8%) and APAC for 9.0% (5.7%).

During the reporting period, SSH concluded 7 new license agreements larger than EUR 100,000 each. The ten largest customers accounted for 34 percent of the reported net sales, with the largest single customer accounting for approximately 7 percent.

During the reporting period, we focused on developing the SSH Tectia products for large enterprises, financial institutions, and government agencies in the USA, Europe, and Asia, in line with the long-term strategy of the Company. We also continued developing our partner networks in the target markets.

The main marketing focus was on promoting our data security products for the IBM mainframe environment, and on our products for securing file transfers and data-in-transit within corporate networks. Productization developments aimed at improving the SSH Tectia solution in order to increase the value of the products, to provide new features to our users, and to expand the possible use cases for the products. The overall goal is to make the products more attractive to customers as well as easier to sell.

Future Outlook

SSH's vision is to be our customers' trusted business data security partner. We have set the strategic objectives of the Company to enable profitable growth, to strengthen global presence through partner networks, and to base our customer-focused solution offering on new high-quality data security software and service products.

As part of our strategy renewal, we have expanded the Company target market from corporate-internal secure file transfers to managed file transfers including also secure data transfers between enterprises. The managed file transfer (MFT) market is estimated to be ca. 450 Million USD at the moment and it is expected to grow more than 21 percent per annum (Gartner market analysis, 2008).

The demand of our customers to develop and invest into corporate data security continues at a strong level despite of the interim pressure to investment decisions caused by the economical downturn. The wide customer and maintenance base of the Company enables us to strengthen our market position by launching new products to an ever wider audience. SSH estimates that the net sales will increase in 2009, and expects the year to be profitable.

Net Sales

The consolidated net sales for 2008 totaled EUR 8.5 million (EUR 14.2 million in 2007), down by 40.0 percent, year on year. The 2007 net sales included two very large deliveries.

The majority of SSH's invoicing is based on the US dollar. During the reporting period, the US dollar's average exchange rate was approximately 7.3 percent weaker than during the same period for 2007. Without considering the change in the exchange rate, the 2008 net sales would be down by 37 percent, year on year.

Results and Expenses

Operating loss for 2008 amounted to EUR -2.2 million (2007: a profit of EUR 2.2 million) with net loss totaling EUR -1.8 million (2007: a profit of EUR 3.1 million).

Research and development expenses for the reporting period totaled EUR 4.0 million (EUR 3.7 million). Sales and marketing expenses were EUR 5.0 million (EUR 6.5 million). Administration expenses were EUR 1.9 million (EUR 1.9 million).

The result of the reporting period is influenced by a EUR 0.2 million write-off of a deferred tax asset. In addition, reorganization in management and sales resulted in EUR 0.3 million one-off costs.

During the reporting period, SSH Communications Security KK, fully owned subsidiary of SSH in Japan, was liquidated. The procedure incurred no material expenses as the charges were covered by a restructuring provision recognized the previous financial year.

The parent company has returned EUR 0.6 million worth of write-downs of receivables from the subsidiaries. In 2007, the parent company recorded an increase of EUR 0.1 million to the write-downs of receivables from the subsidiaries. The write-downs do not have an impact on the group's result.

Balance Sheet and Financial Position

The financial position of SSH remained good during the reporting period also after considering the EUR 4.3 million return of capital paid to the shareholders. The consolidated balance sheet total on 31 December 2008 stood at EUR 19.1 million (EUR 25.5 million in 2007), of which liquid assets accounted for EUR 16.5 million (EUR 22.0 million), or 86.2 percent of the balance sheet total. The company's interest bearing liabilities, EUR 0.2 million, comprised lease finance commitments. On 31 December 2008, gearing, or the ratio of net liabilities to shareholders' equity, was –112.8 percent (-107.8) and the equity ratio stood at 91.3 percent (91.3).

In August, the share premium fund was decreased by transferring all funds recorded there to the invested non-restricted equity fund, as was decided by the Annual General Meeting held on 27 March 2008.

The reported gross capital expenditure on tangible and intangible assets during the period totaled EUR 0.1 million (EUR 0.1 million), plus lease financed commitments worth EUR 0.2 million (EUR 0.0). The reported financial income consisted mainly of interest on fixed-term deposits. Financial income and expenses totaled EUR 0.7 million (EUR 0.9 million).

During January-December 2008, SSH reported a negative cash flow of EUR –2.0 million (EUR 4.8 million) from business operations, and investments showed a positive cash flow of EUR +6.5 million (EUR -4.8 million). Cash flow from financing totaled EUR –4.3 million (EUR 0.0), mainly consisting of capital returned to shareholders. Cash flow from operations, investments and financing resulted in the company showing a positive total cash flow of EUR 0.2 million (EUR 0.1 million) during the period.

Research and Development

Research and development expenses for 2008 totaled EUR 4.0 million (EUR 3.7 million), the equivalent of 46.6 percent of net sales (25.9 percent). The company has not capitalized any research and development expenses during the reporting period.

Business Risks

Risk management is part of SSH's control system. The purpose of risk management is to recognize and monitor significant risks

Sales Performance

NET SALES

EUR million	10–12/2008	7–9/2008	4–6/2008	1–3/2008	1–12/2008	10–12/2007	1–12/2007
GEOGRAPHICAL SEGMENT							
Americas (AMER)	1.6	1.2	1.8	1.3	5.8	1.4	11.6
Asia Pacific (APAC)	0.2	0.2	0.2	0.2	0.8	0.2	0.8
Europe and the rest of the world (EROW)	0.4	0.6	0.6	0.4	1.9	0.6	1.8
SSH Group total	2.2	2.0	2.5	1.8	8.5	2.3	14.2
BY OPERATION							
License Sales	1.0	0.8	1.5	0.7	4.0	1.1	10.1
Maintenance	1.2	1.1	1.0	1.1	4.5	1.1	4.1
Total	2.2	2.0	2.5	1.8	8.5	2.3	14.2

relating to the company's operations and business environment. The company operates in the fast-evolving data security software market. Changes in the overall IT-market and especially in the data security software market directly affect the Company's business risks. The main market area is the USA, whose market and currency risks are significant. Other significant risks relate to product technology, competitors' activities and profitability.

SSH sales operations are supported by the Company's own legal unit, who seek to reduce the risks related to the Company's business operations through continuous management of contracts. SSH protects its copyrights and trademarks through sales agreements. The Company has an active patent policy to protect its technology, and the Company encourages its employees to make and protect inventions. Risks regarding property, operation interruptions and liability are protected through insurance.

SSH has a process in place whereby any security risks found in the Company's products are promptly reported to the senior management. Repairs are carried out immediately and updates are supplied to customers without delay. The Company's own critical information systems are secured and backed up. SSH actively uses its own products to protect its own information system infrastructure. Strong encryption and authentication protect the Company's confidential data communications.

The Company does not provide financing for its customers other than by granting normal payment periods. The consolidated balance sheet is strong and has no significant long-term liabilities recorded. The Company's cash reserves have been invested in accordance with a policy approved by the Board of Directors. Most of SSH's invoicing takes place in US dollars. At the end of the reporting period, the Company had no hedges against exchange rate risks.

Environment

SSH bears responsibility for the environment. SSH's environmental policy seeks to ensure the company meets statutory obligations, promotes recycling and reduces overall waste. The company sorts and recycles all recyclable material.

Human Resources and Organization

At the end of December 2008, the Group had 73 employees on its payroll, down by 10 from the previous year, a decrease of 12.0 percent. Of the employees, 49 were based in Finland, 4 elsewhere in Europe and 20 in the USA. On average, SSH had 77 (81) employees on its payroll. Salaries and remunerations, including all other personnel expenses, totaled EUR 6.5 million (EUR 7.7 million).

The average age of the employees was 39 years. 87 percent have an academic degree. 21 percent of the employees were women and 79 percent men. At the end of the reporting period, 55 percent of the employees worked in R&D, 34 percent in sales and marketing, and 11 percent in corporate administration.

The CEO of the Company was Arto Vainio until 22 October 2008, and after that SSH CFO Mika Peuranen acted as a temporary CEO until the current CEO Jari Mielonen started in the office 17 November 2008.

At the end of the reporting period, the parent company had 49 (56) employees on its payroll, on average 52 (57) employees during the period. In 2008, salaries and bonuses, and other personnel expenses, totaled EUR 4.2 million (EUR 4.2 million).

Board and Auditors

The Annual General Meeting (AGM) on 27 March 2008, re-elected Tomi Laamanen, Timo Ritakallio and Tatu Ylönen to SSH Communications Security Corp's Board of Directors, with Tomi Laamanen re-elected as chairman. Pyry Lautsuo and Juha Mikkonen were elected as new members to the Board of Directors.

The AGM re-elected PricewaterhouseCoopers Oy, authorized public accountants, as the company's auditor, with authorized public accountant Henrik Sormunen acting as the principal auditor.

Articles of Association Regulate Operations

According to the Articles of Association, the highest decision power in the Company is used by the shareholders in the shareholders' meeting. The Annual General Meeting is held every year within six months after the end of the reporting period on a date decided by the Board of Directors. The Annual General Meeting decides on the number of members in the Board of Directors, and the Meeting also elects the members. As defined in Chapter 10 Section 1 of the Finnish Companies Act, the AGM also decides about amendments to the Company's Articles of Association, approval of the financial statements, determining the dividends, and the election of the auditor. Each SSH share bears one vote in the Annual General Meeting. The Company CEO is nominated by the Board of Directors.

Corporate Governance

SSH follows the recommendations and regulations for corporate governance given by NASDAQ OMX Helsinki, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries. More detailed information on the SSH corporate governance is available on the Company website at www.ssh.com.

Shares, Shareholding and Changes in the Group Structure

The reported trading volume of SSH Communications Security Corp shares totaled 3,578,738 (valued at EUR 4,544,992). The highest quotation was EUR 1.69 and the lowest EUR 0.66. The trade-weighted average share price for the period was EUR 1.48, and the share closed at EUR 0.70 on 30 December 2008.

There were no substantial changes in SSH Communications Security Corp's shareholding during the reporting period. Mr. Tatu Ylönen holds, directly and through his company, Tatu Ylönen Oy, 52.8 percent of the company's shares; Assetman Oy holds 14.7 percent and Tero Kivinen holds 5.2 percent. More information about the shareholding can be obtained from Note 35 of the Consolidated Financial Statements, and from the company's web site.

The company has subsidiaries outside Finland; SSH Communications Security, Inc. in the USA and SSH Operations Ltd, operating in Finland, UK and Germany. During the reporting period, SSH Communications Security KK, fully owned subsidiary of SSH in Japan, was voluntarily liquidated as a part of the restructuring of the SSH sales organization in Asia.

No other changes occurred in the SSH Group structure during the reporting period.

Share Capital and Board Authorizations

The company's registered share capital on 31 December 2008 was EUR 857,513.25, consisting of 28,583,775 shares. During the reporting period, SSH increased its share capital four times as new shares were subscribed with the Company's option rights. In total, 750 new SSH shares were subscribed under the I/1999 stock-option plan, 35,413 shares under the I/2003 stock-option plan, and 11,500 shares under the II/2003 stock-option plan. With these subscriptions the company's share capital was increased by EUR 1,429.89.

The SSH Annual General Meeting of 27 March 2008 authorized the Board of Directors to decide upon issuing a maximum of 5,500,000 shares in one or more tranches against payment or by giving stock options or other special rights, defined in the Finnish Companies Act Chapter 10 Section 1 of the Finnish Companies Act, which authorize to shares either according to the shareholders' pre-emptive right to share subscription or deviating from this right. The authorization will be effective until the next Annual General Meeting, but will expire on 30 June 2009. According to the authorization, the Board of SSH decided upon a chargeable share issue directed to the CEO on 16 December 2008. The said share issue deviated from the shareholders' pre-emptive right and offered to Jari Mielonen, CEO of the company, a subscription of in total 68,493 new shares. The subscription price was in total EUR 50,000, i.e. approximately 73 cents (0.73000 euro) per share.

According to the said Board decision, CEO Mielonen was also granted 500,000 option rights which entitle him to subscribe to a maximum of 500,000 new SSH shares. The share subscription price is defined for the option rights so that it increases gradually from 1.35 euro to 1.56 euro, as defined in detail in the option plan terms. Respectively, the subscription periods of the shares to be subscribed by virtue of the option rights begin in stages on 16 December 2009, on 16 December 2010, on 16 December 2011 and on 16 December 2012, and terminate for all option rights on 16 December 2013. Additional information on the share issue and the granted option rights are available in Notes 21 and 33 of the Consolidated Financial Statements.

The Annual General Meeting also authorized the Board of Directors to decide on dividend distribution and/or on distribution of assets from the invested unrestricted equity fund. By virtue of the authorization, the distributed assets can be a maximum of 0.15 euro per share and EUR 4,350,000 in total. The authorization is valid until 31 December 2008. Further, the Board of Directors was authorized to lower the subscription price of shares that can be subscribed on the grounds of the stock option plans released by the Company between years 2000 and 2003, at an amount which equates the distribution of assets. On 2 April 2008, the Board of Directors decided to distribute 0.15 euro per share from the invested unrestricted equity fund to the shareholders, and to lower the subscription price of the 2000 - 2003 stock option plans by the same amount. The date of payment was 15 April 2008.

The Board of Directors holds no authorization for acquiring or distributing the Company's own shares.

Share-based Payments

The share-based payments of SSH Group are stock options granted to the management and employees, as decided by Annual General Meetings in 1998, 1999, 2000, 2001, 2002, 2003 and 2008.

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 cancelled 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. Option rights of plan I/1999 series C, D, E, F, G and H are in public trading at NASDAQ OMX Helsinki.

The Board of Directors decided on 16 December 2008, according to an authorization given to the Board by the Annual General Meeting 27 March 2008, to grant 500,000 option rights to CEO Jari Mielonen. The fair value of the options was determined using the Black-Scholes pricing model with 50 percent volatility expectation, 3 percent as the non-risk interest rate and 0 percent as the dividend estimate. No other option rights were granted during the reporting period. The previous year, 5000 new option rights were granted. Their fair value was determined using the Black-Scholes pricing model with 50 percent volatility expectation, 4 percent as the non-risk interest rate and 0 percent as the dividend estimate.

The subscription time of all other SSH option plans, except the CEO incentive plan granted in December 2008, had began by the end of 2008.

The stock options are freely transferable when the share subscription period has commenced, except for stock option plans II/2002, III/2002 and II/2004 offered to employees in the USA. Subscription of new shares under these three stock option plans must furthermore be done within three months after termination of the employment relationship.

More information on the option plans is available in Note 23 of the Consolidated Financial Statements.

Events After The Balance Sheet Date

The SSH management is not aware of any transactions that happened after the reporting period that would have impacted the presented financial statement.

Dividend and Other Distribution of the Assets

The Board of Directors of the Company shall propose to the Annual General Meeting that no dividend shall be distributed, but the loss of the financial year shall be recognized in the profit/loss account in the shareholders' equity. Further, the Board of Directors shall propose to the Annual General Meeting that assets from the invested non-restricted equity fund shall be distributed to the shareholders.

Key Financial Indicators

	1 Jan 2008-31 Dec 2008	**1 Jan 2007-31 Dec 2007**	**1 Jan 2006-31 Dec 2006**
	IFRS	**IFRS**	**IFRS**
Net sales, €	8,521,902	14,193,302	9,450,867
Operating profit/loss, €	-2,205,918	2,222,705	-890,719
% of net sales	-25.9	15.7	-9.4
Result before extraordinary items, appropriations and taxes, €	-1,210,187	3,105,166	-197,671
% of net sales	-14.2	21.9	-2.1
Result before taxes, €	-1,532 328	3,105,166	-197,671
Result before taxes, % of net sales	-18.0	21.9	-2.1
Return on equity, %	-10.2	16.3	-1.0
Return on investments, %	-7.4	16.9	-0.5
Net interest-bearing debt, € 1,000	-16,368	-22,005	-16,698
Gearing, %	-112.8	-107.8	-95.5
Equity-to-assets ratio, %	91.3	91.3	92.3
Capital expenditure, €	0	106,105	115,186
% of net sales	0.0	0.7	1.3
Research and development expenditure, €	3,973,307	3,679,305	3,356,617
% of net sales	46.6	25.9	37.4
% of net sales (without investments)	46.6	25.9	37.4
Personnel, average	77	81	81
Personnel at the end of the period	73	83	80

Per Share Data

	1 Jan 2008-31 Dec 2008	1 Jan 2007-31 Dec 2007	1 Jan 2006-31 Dec 2006
	IFRS	IFRS	IFRS
Earnings per share (Group), €	-0.06	0.11	-0.01
Earnings per share (Group), considering dilution effect, €	-0.06	0.11	-0.01
Shareholders' equity per share (Group), €	0.51	0.72	0.62
Dividends, €	0	0	0
Dividends per share, €	0.00	0.00	0.00
Dividend pay-out ratio, %	-	-	-
Effective dividend yield, %	0.0	0.0	0.0
Return of capital, €	4,280,742	-	7,073,287
Return of capital per share, €	0.15	-	0.25
Adjusted average number of shares during the period, thousands	28,545	28,460	28,310
Adjusted average number of shares at the end of period, thousands	28,584	28,536	28,424
Adjusted average number of shares considering dilution effect, thousands	28,913	28,720	28,787
Price per earnings ratio (P/E)	-	14.8	-
Market capitalization, million €	20.0	45.9	32.7
Share performance in Helsinki Exchanges, €			
Average price	1.48	1.63	1.43
Share price, year-end	0.70	1.61	1.15
Lowest	0.66	1.12	0.88
Highest	1.69	2.39	2.40
Volume of shares traded, millions	3.6	15.0	13.9
Volume of shares traded, % of total number	12.5	52.6	48.76
Volume of shares traded, million €	4.5	24.5	19.91

Calculation of Financial Ratios

Return on Equity, % (ROE)

$$\frac{\text{Profit}}{\text{Shareholders' equity (average for the year)}} \times 100$$

Return on investment, % (ROI)

$$\frac{\text{Profit before extraordinary items and taxes + interest and other financial expenses}}{\text{Total assets - non-interest bearing debt (average for the year)}} \times 100$$

Equity-to-assets ratio, %

$$\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$$

Earnings per share (EPS)

$$\frac{\text{Profit}}{\text{Share issue adjusted average number of shares during the financial period}}$$

Dividend per share

$$\frac{\text{Dividend}}{\text{Share issue adjusted number of shares at the end of accounting period}}$$

Dividend pay-out ratio, %

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at the end of accounting period}}$$

Gearing %

$$\frac{\text{Interest - bearing debt - cash and cash equivalents}}{\text{Shareholders' equity + minority interest}} \times 100$$

2 Consolidated Financial Statements

2.1 Income Statement

€	Note*	Jan–31 Dec 2008	Jan–31 Dec 2007
NET SALES	4	**8,521,902**	**14,193,302**
Purchasing and production costs		22,008	34,600
GROSS MARGIN		**8,499,894**	**14,158,702**
Other operating income	5	155,824	148,374
Product development costs		3,973,307	3,679,305
Sales and marketing costs		5,011,923	6,477,592
Administration costs		1,876,406	1,927,474
OPERATING PROFIT/LOSS		**-2,205,918**	**2,222,705**
Financial income	8	890,686	1,014,918
Financial expenses	9	217,096	132,458
PROFIT/LOSS BEFORE TAXES		**-1,532,328**	**3,105,166**
Taxes	10	253,515	8,094
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**-1,785,843**	**3,097,071**
Attributable to:			
Equity holders of parent company		-1,785,843	3,097,071
Minority interest		-	-
Earnings per share for profit/loss attributable to the equity holders of the parent company:			
Basic earnings per share (€ per share)	11	-0.06	0.11
Diluted earnings per share (€ per share)	11	-0.06	0.11

* The notes are an integral part of these financial statements.

2.2 Balance Sheet

ASSETS

€	Note *	31 Dec 2008	31 Dec 2007
FIXED AND NON-CURRENT ASSETS			
Tangible assets	12		
Machinery and equipment		318,995	146,849
Other fixed assets		3,550	0
Tangible assets, total		**322,545**	**146,849**
Intangible assets	13		
Intangible rights		8,574	74,919
R&D expenses		0	12,186
Intangible assets, total		**8,574**	**87,105**
Deferred tax assets	14	0	244,960
FIXED AND NON-CURRENT ASSETS, TOTAL		**331,119**	**478,915**
INVENTORIES AND CURRENT ASSETS			
Short-term receivables			
Trade receivables	15	1,983,447	2,636,382
Other receivables	16	288,814	321,633
Prepaid expenses and accrued income	17	35,448	77,032
Current receivables, total		**2,307,709**	**3,035,046**
Short-term investments			
Available-for-sale assets	18	0	0
Investments held to maturity	19	14,500,000	20,302,557
Short-term investments, total		**14,500,000**	**20,302,557**
Cash and cash equivalents		**1,978,620**	**1,714,708**
INVENTORIES AND CURRENT ASSETS, TOTAL		**18,786,328**	**25,052,312**
ASSETS, TOTAL		**19,117,447**	**25,531,227**

* The notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY

€	Note *	31 Dec 2008	31 Dec 2007
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS			
Share capital		857,513	856,083
Share premium fund		0	11,529,315
Translation differences		-889,036	-1,042,322
Fair value reserve		127,671	125,574
Unrestricted equity fund		13,182,542	5,926,714
Retained profit/loss		1,234,916	3,020,760
SHAREHOLDERS' EQUITY, TOTAL	21	**14,513,606**	**20,416,124**
LONG-TERM LIABILITIES			
Deferred tax liabilities	14	0	386
Provisions	24	0	220,625
Long-term financial liabilities	25	110,973	12,479
LONG-TERM LIABILITIES, TOTAL		**110,973**	**233,490**
SHORT-TERM LIABILITIES			
Advances received	26	3,218,981	3,169,368
Trade payables	27	123,214	182,254
Accrued expenses and deferred income	28	770,887	1,238,033
Other liabilities	29	379,786	291,958
SHORT-TERM LIABILITIES, TOTAL		**4,492,868**	**4,881,613**
LIABILITIES, TOTAL		**4,603,841**	**5,115,10**
SHAREHOLDERS' EQUITY AND LIABILITIES		**19,117,447**	**25,531,227**

* The notes are an integral part of these financial statements

2.3 Cash Flow Statement

€	1 Jan–31 Dec 2008	Jan–31 Dec 2007
Cash flow from operating activities		
Cash receipts from customers	9,160,456	15,704,247
Cash receipts from other operating income	155,824	215,282
Cash paid to suppliers and employees	-11,359,681	-11,278,583
Interest paid	-119,467	-167,814
Interest received and other financial income from operating activities	199,737	372,191
Income taxes paid	0	-15,153
Cash flow from operating activities, total	**-1,963,131**	**4,830,169**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-90,669	-88,728
Proceeds from sale of investments	5,802,172	-4,927,225
Interest received	772,732	219,826
Cash flow from investing activities, total	**6,484,235**	**-4,796,127**
Cash flow from financing activities		
Proceeds from issuance of share capital	8,685	35,967
Return of capital	-4,280,742	0
Cash flow from financing activities, total	**-4,272,057**	**35,967**
Net increase in cash and cash equivalents	**249,047**	**70,008**
Cash and cash equivalents at beginning of period	1,714,708	1,721,100
Adjusted translation difference	14,865	-76,400
Net increase in cash and cash equivalents	249,047	70,008
Cash and cash equivalents at end of period	1,978,620	1,714,708

2.4 Statement of Changes in Shareholders' Equity, Group

2007, €	Share capital	Share premium fund	Fair value and other reserves	Translation differences	Unrestricted equity fund	Retained earnings	Total[1]
Shareholders' equity 1 Jan	**852,717**	**11,496,715**	**126,183**	**-844,152**	**5,926,714**	**-76,311**	**17,481,865**
Translation differences	0	0	0	-198,170	0	0	-198,170
Available-for-sale assets:							
gain/loss measured at fair value	0	0	-5,271	0	0	0	-5,271
Net income/expenses recognized							
under shareholders' equity	0	0	-5,271	-198,170	0	0	-203,441
Net profit/loss for the period	**0**	**0**	**0**	**0**	**0**	**3,097,071**	**3,097,071**
Income and expenses recognized							
for the period, total	0	0	-5,271	-198,170	0	3,097,071	2,893,630
Subscribed shares based on stock options	3,367	32,600	0	0	0	0	35,967
Granted stock option rights	0	0	4,662	0	0	0	4,662
Shareholders' equity 31 Dec	**856,083**	**11,529,315**	**125,574**	**-1,042,322**	**5,926,714**	**3,020,760**	**20,416,124**

2008, €	Share capital	Share premium fund	Fair value and other reserves	Translation differences	Unrestricted equity fund	Retained earnings	Total[1]
Shareholders' equity 1 Jan	**856,083**	**11,529,315**	**125,574**	**-1,042,322**	**5,926,714**	**3,020,760**	**20,416,124**
Translation differences	0	0	0	153,286	0	0	153,286
Net income/expenses recognized							
under shareholders' equity	0	0	0	153,286	0	0	153,286
Net profit/loss for the period	**0**	**0**	**0**	**0**	**0**	**-1,785,843**	**-1,785,843**
Income and expenses recognized							
for the period, total	0	0	0	153,286	0	-1,785,843	-1,632,557
Subscribed shares based on stock options	1,430	425	0	0	6,830	0	8,685
Transfer to other shareholders' equity item	0	-11,529,740	0	0	11,529,740	0	0
Return of capital	0	0	0	0	-4,280,742	0	-4,280,742
Granted stock option rights	0	0	2,097	0	0	0	2,097
Shareholders' equity 31 Dec	**857,513**	**0**	**127,671**	**-889,036**	**13,182,542**	**1,234,916**	**14,513,606**

[1]Attributable to equity holders of the parent

2.5 Notes to the Consolidated Financial Statements

1 General information

SSH Group provides enterprise security solutions and end-to-end communications security, and is the original developer of the Secure Shell protocol. SSH sells licenses to its software and provides its customers with maintenance and support services.

The SSH Group consists of SSH Communications Security Corp and its fully owned subsidiaries. SSH Communications Security Corp is domiciled in Helsinki, Finland and is a publicly traded company. The subsidiaries of SSH are SSH Communications Security Inc. (USA) and SSH Operations Ltd, which has operations in Finland, Germany and Great Britain. SSH Communications Security Corp has its registered office at address Valimotie 17, 00380 Helsinki, Finland.

During the reporting period, SSH Communications Security KK, fully owned subsidiary of SSH in Japan, was liquidated. The procedure incurred no material expenses as the charges were covered by a restructuring cost recorded in the previous financial year.

The Board of Directors of SSH Communications Security Corp has accepted the publication of these financial statements in its meeting on 3 February 2009. According to the Finnish Companies Act, the shareholders have the right to approve or reject, or to amend the financial statements in the Annual General Meeting held after publishing the financial statements. 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's web pages at www.ssh.com or at the head office of SSH Communications Security Corp. All stock announcements can be obtained from the company's web pages.

2 Accounting principles

Basis of preparation

The consolidated financial statements have been prepared in compliance with the Finnish Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the EU (EC regulation No 1606/2002) observing the International Accounting Standard (IAS) and the interpretations by Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) effective on 31 December 2008. The notes to the consolidated financial statements are also in compliance with Finnish Accounting Standards and Companies Act.

The amounts in the consolidated financial statements are based on the original acquisition cost with the exception of assets available-for-sale and derivative financial instruments which are stated at fair value. The consolidated financial statements are presented in full euros unless otherwise stated.

Subsidiaries

The consolidated accounts include the parent company SSH Communications Security Corp and all its subsidiaries. Subsidiaries include those companies over which the Group has a control. A control is established if the parent company holds, directly or indirectly, more than 50 percent of the voting power or controls through management agreements with majority shareholders. In addition to these holdings, the consolidated accounts include possible holdings that are of a controlling-right nature. A control is defined as a power to govern the financial and operating policies of a company to receive economic benefits from its operations.

Intra-group shareholdings have been eliminated by 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. Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated.

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 recorded at the exchange rate of the functional currency on the transaction date. In practice the used exchange rate is approximately the rate of the transaction date. Outstanding receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as adjustment items of sales costs or purchase and production costs above the operating profit. Exchange rate gains and losses on financing are included in financial income and expenses.

Translation of financial statements of foreign subsidiaries

The income statements of subsidiaries whose functional currency is other than euro 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. Translation differences are recorded in equity. When a subsidiary is sold, accumulated translation differences are recognized in the income statement as part of the gain or loss on the sale.

Revenue recognition

SSH's net sales derive mainly from software license sales and maintenance 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 flow to the company.

Maintenance agreements are recognized evenly throughout the contract period. Revenues from services are recognized when the service has been delivered.

The accounting practice for recording of maintenance sales revenue was restated in September 2008, with all maintenance sales revenue being now carried over the duration of the maintenance period. Earlier, only significant sales items (exceeding EUR 5 000) were amortized over the lifetime of the maintenance period. The new practice is in accordance with IAS 8.

The change did not have any material impact on net sales in January-September 2008 or in other periods. The change, however, reduces share capital and increases short-term liabilities. For consistency, comparison data has been restated as well.

Government grants

Government grants, for example grants received from the government for a purchase of tangible assets, are recorded as a deduction of the carrying amount of the asset when there is reasonable assurance that the company will receive the grant and will comply with the conditions attached to the grant. The grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

Government grants that are intended to compensate costs, are recognized as income over the same period as the related costs are recognized. These government grants are presented in other operating income.

Property, plant and equipment

Group companies' property, plant and equipment is measured at cost less accumulated planned straight-line depreciation and any impairment losses. When a part of a property is treated as a separate asset, expenses related to its replacement are capitalized. Expenses incurring at a later date 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 measured reliably. Other repair and maintenance expenses are recognized as incurred.

Depreciation is calculated on a straight-line basis to reduce the asset's carrying value to its residual value over its estimated useful life.

- Machinery and equipment: 5 years from month of acquisition.
- Computer hardware: 3 years from month of acquisition.
- Leased assets based on finance lease: 3–5 years from month of acquisition, depending on the depreciation period of a corresponding item.
- Major renovations on rental premises: According to the length of the rental agreement, but not exceeding 7 years from year of acquisition.

An asset's residual value and useful life are reviewed for all financial statements and, if necessary, adjusted to indicate changes expected in the asset's 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 carrying amounts of sold assets. Capital gains and losses are included in operating profit.

Intangible assets

The cost of asset is amortized on a straight-line method to reduce its carrying value to its residual value over its estimated useful life.

Research and development expenditure

Research costs are expensed as incurred. Development costs (related to the design and testing of new or improved products) are recognized as intangible assets if it is probable that their economic benefits will flow to the company. Other development costs are expensed as incurred. Previously expensed development costs are not recognized as an asset for a subsequent period.

Amortization begins when the asset is ready to be used. Incomplete assets are tested annually for impairment. After measurement at recognition, the capitalized development costs are valued at the original acquisition cost less depreciation and impairment. Capitalized development costs are amortized on a straight-line basis over their economic lifetime, which is estimated to be from three to five years.

Other intangible assets

Other intangible assets include patents, trademarks and software licenses. Patents, trademarks and licenses are entered in the balance sheet and expensed in the income statement on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for all financial statements and, if necessary, adjusted to indicate changes expected in the asset's economic benefits. The economic lifetime does not generally exceed five years. Software programs acquired for internal use are expensed in a period from three to five years.

Impairments of long-lived 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 asset's carrying value is compared with its recoverable amount. The recoverable amount is the asset's fair value less the selling expenses or its value in use, if this value exceeds the fair value. 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 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 asset's carrying amount exceeds its recoverable amount, it will be impaired, and the resulting impairment loss will be recognized in the income statement. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for the future periods by estimating the economic lifetime of the asset. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there is a change in the estimates that have been used in assessing the recoverable amount of that asset.

Financial assets and liabilities

Financial assets

The Group has classified its financial assets into the following categories in accordance with IAS 39: financial assets recorded at fair value through profit or loss, investments held to maturity, loans and receivables, and financial assets available for sale. The assets are classified on initial recognition. The assets are initially recognized at fair value. Transaction costs are included in the original carrying amount of an asset other than assets held for sale. Financial assets are derecognized 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 purchases and sales of financial assets are recognized on the date of the transaction.

An asset is classified as *financial asset recorded at fair value through profit or loss* when the asset is acquired to be held for trading purposes or the asset is classified as financial asset recorded at fair value through profit or loss at initial recognition. Derivative instruments on which hedge accounting is not applied (according to IAS 39), are classified as assets available for sale. Derivative instruments available for sale and all financial assets with maturities under twelve months are included in current assets in the balance sheet. These assets are stated at fair value. Any change in fair value and a profit or a loss, realized or unrealized, is recognized in the income statement in the period it is incurred.

Investments held to maturity are financial assets other than derivative assets and their payments are made according to a fixed plan, they mature on a defined date and the Group is capable of and intends to keep the assets until they mature. The held-to-maturity investments are measured at amortized cost and they are recorded in the current assets.

Loans and other receivables are assets other than derivative assets and with a fixed or definite series of payments. These assets are unlisted and not held for trading. They are valued at amortized cost. Loans and other receivables are presented as current or non-current financial assets depending on their nature. The assets expiring after twelve months are presented in non-current assets.

Available-for-sale financial assets are non-derivative assets which are either determined to be available-for-sale assets or for which other classification is not applicable. These assets are included in non-current assets unless the intention is to hold the investment for less than 12 months from the balance sheet date. Available-for-sale financial assets can include shares, investments on interest bearing instruments and participations of investment funds. These assets are measured at fair value or at cost if the fair value cannot be measured reliably. The change in fair value is recognized in the fair value reserve in shareholders' equity net of tax. When an asset is sold or it is impaired (the fair value is lower than the carrying amount of asset), the change in fair value is derecognized from shareholders' equity and recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash balances, short-term deposits with banks and other short-term liquid investments with maturity up to three months at the time of acquisition.

Impairments of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Significant and long-term decrease in the value of a share, when the fair value falls below the acquisition cost, may be an indication of an impairment of available-for-sale share. If any such evidence exists, the loss accumulated in the fair value reserve shall be unrecognized and recognized in the income statement. Impairment loss on available-for-sale financial assets categorized as equity instruments are not reversed through the income statement. A reversal of impairment loss for financial assets other than the equity instrument is recognized in the income statement.

The group recognizes an impairment loss on trade receivables, when there is objective evidence that a receivable is not fully collectible. Borrower's financial difficulties, probability of bankruptcy or delays exceeding 90 days in payment are evidence of impairment loss for a receivable. The impairment loss recognized in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of the receivable. If impairment loss is decreased during any later period and the basis for this can objectively be related to an event occurred after the original impairment, the reversal is recognized in the income statement.

Financial liabilities

Financial liabilities are originally recognized at their fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Non-current financial liabilities are later valued at amortized cost using the effective interest rate method. Any differences between the liability after considering the transaction costs and the payback amount are recognized in the income statement before the maturity of the liability.

Derivative contracts and hedge accounting

All derivative contracts are initially measured at cost, which is their fair value on the transaction date, and they are later measured at fair value. Gains and losses arising from measurement at fair value are treated in accounting depending on whether hedging is applied to the derivate or whether it is held for trading.

The Group has classified all derivative contracts as held for trading and does not apply hedge accounting according to the requirements of IAS 39, although the derivatives fulfill the terms of economic hedge set in the Group policies. Derivative contracts are stated at fair value and any changes in the fair value are recognized in the income statement.

Derivative contracts are presented incurrent assets and current liabilities.

Determination of fair value

The fair values of publicly quoted derivative contracts and financial assets classified as held for trading or available for sale, are based on the quoted prices on balance sheet date. In the determination of fair value of financial instruments that are not publicly quoted in active market, the Group uses different valuation techniques and makes assumptions that are based on data from observable markets on balance sheet date.

Leases

Lease liabilities on tangible assets that expose the Group to significant risks and rewards inherent in holding such assets, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. An asset based on a finance lease will be depreciated over its useful life or within the shorter lease term. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so that the finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. Rental obligations are included in interest-bearing liabilities.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as other operating leases. Payments made under operating leases, included in other operating expenses, are charged to the income statement on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs are recognized as an accrual-based expense.

Earnings per share

The undiluted earnings per share is calculated by dividing the net result for the financial year by the weighted average number of ordinary shares outstanding during the financial year. The amount of treasury shares held by the Group are not included in the amount of outstanding shares. A dilutive effect caused by stock options exists when the subscription price of share is lower than the fair value the share. In the calculation of diluted earnings per share the potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. When the result of the Group is negative, no dilutive effect will be calculated.

Share capital

Ordinary shares are presented as share capital. Dividends paid to the ordinary shares are deducted from shareholders' equity in the period during which the decision to distribute dividends is made.

Share issue costs

Costs directly related to share issue, other than costs attributable to a business combination, are deducted, net of tax, from the proceeds recorded to shareholders' equity. Share issue costs directly attributable to business combinations are included in acquisition cost.

Treasury shares

If SSH Security Corp or its subsidiaries purchase SSH shares, the consideration paid including any related incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until the shares are cancelled. If treasury shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Income taxes

Tax expenses in the income statement comprise tax based on taxable income for the period and deferred tax. Income tax is recorded in the income statement, except for taxes related to items recorded directly to the shareholders' equity. These items are recorded net of tax. Tax based on taxable income for the period is calculated using the corporate income tax rate effective in each country, adjusted to any taxes from previous periods.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. The largest temporary differences arise from the depreciation differences of property, plant and equipment, revaluation of certain assets and derivative contracts, provisions deductible at a later date, unused tax losses and measurement at fair value in connection with acquisitions.

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

Employee benefits

Pensions

The Group's pension plans comply with each country's rules and regulations. Pension expenses for the Group's personnel are managed in external insurance companies. The Group applies defined contribution pension plans, as classified under IAS 19 (Employee Benefits). Contributions under the defined contribution plan will be recognized in the income statement for the accounting period during which such contributions were made.

Benefits affecting shareholders' equity

The Group has granted stock options to its management and employees at a fixed subscription price specified in the terms of the stock option plan. The Group has applied IFRS 2 Share-based Payment to all stock option plans in which options have been granted after 7 November 2002, and to which rights have not vested before 1 January 2005. No expenses on prior stock option plans have been presented in the income statement.

The fair value of stock options is determined as at the time granted and expensed in even installments in the income statement over the vesting period of the rights. The expense determined at the time of granting the option is based on the Group's estimate of the number of 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 taken into account in the number of options that are assumed to vest at the end of the vesting period. The Group updates at each closing the estimate of the final amount of the options that will vest. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and invested unrestricted equity fund.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the Group expects a provision to be reimbursed, for example, by a third party, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are stated at a present value of 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.

New or amended IFRS standards

The following interpretation that became effective in 2008 does not have effects on the Company's financial statements:

- IAS 39 and IFRS 7 (amendments), Reclassification of Financial Assets

IASB has published the following standards and interpretations the application of which is obligatory in 2009 or later. The Company has decided not to apply these standards earlier, but will start following them in the future reporting periods. The following interpretations becoming effective in 2009 are estimated to have the following effects on the Company's financial statements:

- IAS 1 (amended) Presentation of Financial Statements – the Group considers presenting both the income statement and the statement of comprehensive income
- IFRS 8 Operating Segments – minimal changes to the current reporting methods

The following interpretations becoming effective in 2009 are estimated to have no essential effects on the Company's financial statements:

- IAS 23 (amendment) Borrowing Costs
- IAS 32 (amendment) Financial Instruments: Presentation, and IAS 1 (amended) Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRS 2 Share-based Payment – Amendment
- IFRIC 11, IFRS 2 Group and Treasury Share Transactions-based Payment
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14, IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15 Agreements for the Construction of Real Estate*
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

IASB published amendments to 34 standards in the annual Improvements to IFRSs in May 2008. The Group estimates that the amendments will not have essential effects on the Group's Financial Statements.

The Group will start using the following IASB standards and interpretations in 2010. Their effects on the financial statements are being studied:

- IFRS 3 Business Combinations – Renewal*
- IAS 27 Consolidated and Separate Financial Statements – Renewal*
- IAS 39 (amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items*
- IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations (and the related amendment in IFRS 1 " First-time Adoption of IFRS Standards")*
- IFRIC 17, Distributions of Non-cash Assets to Owners*

The following interpretations becoming effective in 2010 are estimated to have no essential effects on the Company's financial statements:

- IFRIC 12, Service Concession Arrangements*

*This standard or interpretation has not yet been approved for application within EU.

Management judgment in applying the most significant accounting policies and other key sources of estimation uncertainty

When preparing the financial statements, the Group's management has to make estimates and assumptions influencing the content of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ from the estimates. The management must also exercise its judgment regarding the application of accounting policies. Possible effects of changes in estimates and assumptions are recorded in the income statement and balance sheet in the period during which estimates and assumptions are adjusted, and also in all the following periods.

The most important of these estimates and assumptions are related to the credit risk of trade receivables and the utilization of deferred tax assets.

3 Segment information

The Group's segment information is presented according to business and geographical segments. The Group's primary reporting format is based on geographical segments, based on the Group's internal organizational structure and financial reporting. The nature of markets and risks differ from segment to segment.

Segment assets and liabilities are items which are used by the segment in its business or which can be allocated to the segment. Unallocated items include items shared by the Group. Capital expenditure comprises additions to tangible assets used during several periods. Market pricing is used for intra-segment transactions.

Geographical segments:

The Group's geographical segments are as follows:

- North and South America (Americas)
- Europe and Rest of the World (EROW)
- Asia and the Pacific area (APAC)

The geographical segments are presented according to the location of the assets.

Business segments:

The Group is organized into one business segment.

Income Statement

2007	**EROW**	**Americas**	**APAC**	**Unallocated costs**	**Eliminations**	**Group total**
NET SALES	1,823,775	11,566,611	802,917	0	0	14,193,304
Purchasing and production costs	-31,700	-2,899	0	0	0	-34,600
GROSS MARGIN	1,792,075	11,563,712	802,917	0	0	14,158,704
Other income	0	0	0	148,374	0	148,374
Segment costs and depreciations	-1 278 423	-3,841,191	-689,862	-6,274 894	0	-12,084,371
OPERATING PROFIT/LOSS	**513,652**	**7,722,521**	**113,054**	**-6,126,520**	**0**	**2,222,705**
Financial income						1,014,918
Financial expenses						-132,458
PROFIT BEFORE TAXES						**3,105,166**
Taxes						-8,094
PROFIT FOR THE FINANCIAL PERIOD						**3,097,071**
Segment assets	1,029,481	2,219,237	601,336	21,681,173	0	25,531,227
Segment liabilities	2,141,758	9,089,867	690,708	-260,904	-6,546,326	5,115,103
Capital expenditure	101,269	4,836				106,105
Depreciations	272,846	9,550				282,396

Income Statement

2008	**EROW**	**Americas**	**APAC**	**Unallocated costs**	**Eliminations**	**Group total**
€NET SALES	1,932,823	5,834,425	754,655	0	0	8,521,902
Purchasing and production costs	-18,453	-389	-3,062	-104	0	-22,008
GROSS MARGIN	1,914,370	5,834,036	751,593	-104	0	8,499,894
Other income	0	18,210	110	137,504	0	155,824
Segment costs and depreciations	-804,277	-3,165,270	-316,635	-6,575,455	0	-10,861,636
OPERATING PROFIT/LOSS	**1,110,093**	**2,686,975**	**435,068**	**-6,438,055**	**0**	**-2,205,918**
Financial income						890,686
Financial expenses						-217,097
LOSS BEFORE TAXES						**-1,532,328**
Taxes						-253,515
LOSS FOR THE FINANCIAL PERIOD						**-1,785,843**
Segment assets	1,001,644	1,832,369	154,395	16,129,040	0	19,117,447
Segment liabilities	2,278,329	8,679,194	154,395	-601,868	-5,906,209	4,603,841
Capital expenditure	94,914	14,545				109,458
Depreciations	193,190	11,016				204,206

Group-level costs mainly comprise group-level R&D and administration expenses.

4 Net Sales,€	2008	2007
Income from license sales	3,996,501	10,026,792
Income from maintenance	4,479,701	4,052,992
Other Income	45,701	13,519
Total	8,521,902	14,193,302

5 Other operating income, €	2008	2007
Rental income	128,283	108,624
National Technology Agency of Finland, granted development contributions		39,750
Other	27,541	
Total	155,824	148,374

6 Employee benefit expenses, €	2008	2007
Wages and salaries	5,671,063	6,673,692
Pensions, defined contribution plan	625,419	539,805
Other personnel expenses	153,997	446,393
Granted stock option rights	0	4,662
Total	6,450,478	7,664,552

The Group applies defined contribution pension plans. Note 33 comprises information on management benefits and option plans.

Personnel	2008	2007
On average	77	81
At period-end	73	83

Personnel distribution by business area on 31 Dec	2008	2007
R&D	40	43
Sales and marketing	25	31
Administration	8	9
Total	73	83

7 Depreciations by assets, €	2008	2007
On machinery and equipment	78,146	58,008
On financial leases	44,054	33,981
On other tangible assets	600	0
On software	69,219	164,875
On capitalized development expenses	12,186	25,531
Total	204,206	282,396

Depreciations by activity, €	2008	2007
On R&D expenses	130,768	135,441
On sales and marketing expenses	22,435	89,799
On administration expenses	51,003	57,156
Total	204,206	282,396

8 Financial income, €	2008	2007
Interest income	42,784	50,778
Gains on available-for-sale assets	0	410,820
Gains on held-to-maturity investments	772,732	233,057
Gains on derivative contracts	0	297,246
Gains on exchange rate differences	75,170	23,017
Total	890,686	1,014,918

9 Financial expenses, €	2008	2007
Losses on available-for-sale assets	0	18,021
Losses on derivative contracts	0	19,634
Interest on financial leases	5,214	672
Losses on exchange rate differences , loans and other receivables	-211,816	93,966
Other interest expenses	66	164
Total	-217,096	132,458

10 Taxes, €	2008	2007
Deferred tax	244,574	-1,421
Other direct taxes	8,941	9,515
Total	253,515	8,094

During the reporting period, restatements resulted in recognizing EUR 0.2 million of deferred tax assets as expenses.

Comparison of taxes based on the valid tax rate in Finland with those stated in the income statement	2008	2007
Profit/Loss before taxes	-1,532,328	3,105,166
Tax at 26%	-398,405	807,343
Effect of foreign subsidiaries' differing tax rates	72,267	-30,117
Expenses not deductible for tax purposes	153,620	58,845
Use of previously unrecognized tax losses	-207,041	-867,358
Tax assets not recognized for reported losses	387,530	40,802
Use of previously recognized tax assets	244,574	0
Deferred taxes	0	-1 421
Taxes from earlier reporting periods	970	0
Tax charge in income statement	253,515	8,094

11 Earnings per share, €	2008	2007
Profit/loss attributable to the equity holders of the parent company	-1,785,843	3,097,071
Weighted average number of shares in issue (thousands)	28,545	28,460
Earnings per share (basic) (€ per share)	-0.06	0.11
Adjusted average number of shares considering dilution effect (thousands)	28,913	28,720
Earnings per share (diluted) (€ per share)	-0.06	0.11

12 Tangible assets

Machinery & equipment, €	2008	2007
Acquisition cost 1 Jan	1,102,664	1,079,395
Conversion difference	7,615	-20,513
Increase	82,605	90,996
Decrease	0	-47,214
Acquisition cost 31 Dec	1,192,883	1,102,664
Accumulated depreciation 1 Jan	977,707	985,511
Conversion difference	6,797	-18,143
Depreciation for the period	75,326	58,210
Conversion difference of depreciation	523	-657
Accumulated depreciation on decrease	0	-47,214
Accumulated depreciation 31 Dec	1,060,353	977,707
Book value 31 Dec	132,530	124,956

Leased assets based on finance leases, €	2008	2007
Acquisition cost 1 Jan	195,109	182,912
Increase	226,307	12,197
Decrease	-9,758	0
Acquisition cost 31 Dec	411,658	195,109
Accumulated depreciation 1 Jan	173,418	139,437
Depreciation for the period	51,775	33,981
Accumulated depreciation 31 Dec	225,193	173,418
Book value 31 Dec	186,465	21,690
Book value of machinery and equipment, 31 Dec, total €	318,995	146,849

Other tangible assets, €	2008	2007
Acquisition cost 1 Jan	16,594	18,548
Conversion difference	959	-1,954
Increase	4,176	0
Acquisition cost 31 Dec	21,729	16,594
Accumulated depreciation 1 Jan	16,594	18,548
Conversion difference	985	-1,954
Depreciation for the period	600	0
Accumulated depreciation 31 Dec	18,179	16,594
Book value 31 Dec	3,550	0
Balance sheet value of tangible assets, 31 Dec, €	322,545	146,849

13 Intangible assets

Software, €	2008	2007
Acquisition cost 1 Jan	1,798,655	1,799,609
Conversion difference	684	-1,654
Increase	2,874	2,912
Reduction	0	-2,212
Acquisition cost 31 Dec	1,802,212	1,798,655
Accumulated depreciation 1 Jan	1,723,736	1,562,727
Conversion difference	684	-1,654
Depreciation for the period	69,219	164,875
Conversion difference of depreciation	0	0
Accumulated depreciation on decrease	0	-2,212
Accumulated depreciation 31 Dec	1,793,638	1,723,736
Book value 31 Dec	8,574	74,919

Development expenses, €	2008	2007
Acquisition cost 1 Jan	315,905	315,905
Acquisition cost 31 Dec	315,905	315,905
Accumulated depreciation 1 Jan	303,719	278,188
Depreciation for the period	12,186	25,531
Accumulated depreciation 31 Dec	315,905	303,719
Book value 31 Dec	0	12,186
Balance sheet value of intangible assets, 31 Dec, €	8,574	87,105

14 Deferred tax receivables and liabilities, €

Deferred tax receivables	1 Jan 2007	Charged in income statement	Charged in equity	31 Dec 2007
From losses	244,960	0	0	244,960
Deferred tax liabilities				
Fair valuation of available-for-sale investments	1,852	0	-1,852	0
Other	1,806	-1,421	0	386
Total	3,658	-1,421	-1,852	386

Deferred tax receivables	1 Jan 2008	Charged in income statement	Charged in equity	31 Dec 2008
From losses	244,960	-244,960	0	0
Deferred tax liabilities				
Fair valuation of available-for-sale investments	0	0	0	0
Other	386	-386	0	0
Total	386	-386	0	0

Confirmed losses from earlier years that are not recognized as deferred tax assets by the Group, amount to EUR 20.8 million. Of these, EUR 14.0 million are domestic in Finland and EUR 6.8 million in the USA. The domestic confirmed losses will begin to expire from 2012 onwards and the confirmed losses in the USA from 2020 onwards.

15 Trade receivables, €

	2008	2007
	1,983,447	2,636,382

Trade receivables by age, €	2008	Impairment losses	Net value 2008	2007	Impairment losses	Net value 2007
Non-matured	1,641,575		1,641,575	2,408,179		2,408,179
Matured						
Less than 30 days	170,192		170,192	72,398		72,398
30–50 days	52,213		52,213	16,288		16,288
Over 50 days	119,548	-81	119,467	185,696	-46,179	139,517
Total	1,983,528	-81	1,983,447	2,682,561	-46,179	2,636,382

Trade receivables by currency, €	2008	2007
Euro	216,872	180,351
USD	1,519,547	1,828,450
JPY	0	30,105
GBP	152,814	515,889
CHF	94,215	81,586
Total	1,983,447	2,636,382

16 Other receivables, €

16 Other receivables, €	2008	2007
Prepayments	103,011	225,249
VAT receivables	181,352	95,418
Other current receivables	4,450	966
Total	288,814	321,633

17 Prepaid expenses and accrued income, €

17 Prepaid expenses and accrued income, €	2008	2007
Personnel related	2,341	7,966
Other	33,107	69,066
Total	35,448	77,032

18 Available-for-sale investments, €

18 Available-for-sale investments, €	2008	2007
Fair value 1 Jan	0	14,989,656
Additions	0	69,294,501
Reductions	0	-84,277,034
Change in fair value	0	-7,123
Fair value 31 Dec	0	0
Current	0	0

19 Held-to-maturity investments, €

19 Held-to-maturity investments, €	2008	2007
Nominal value 1 Jan	20,302,557	0
Additions	54,200,033	41,102,557
Reductions	-60,002,590	-20,800,000
Fair value Dec 31	14,500,000	20,302,557
Current	14,500,000	20,302,557

Realized capital gains and losses on available-for-sale investments and fixed-term deposits are presented in notes 8 and 9. Changes in the fair value reserves are presented in “Fair value and other reserves” in the Group’s Statement of changes in shareholders’ equity.

20 Financial assets and liabilities by measurement categories

Balance sheet item 31 Dec 2007, €	Loans and receivables	Investments held to maturity	Financial liabilities measured at amortized cost	Total	Note
Current financial assets:					
Trade and other receivables	2,958,015	0	0	2,958,015	15,16
Investments available for sale	0	20,302,557	0	20,302,557	19
Cash and cash equivalents	1,714,708	0	0	1,714,708	
Current financial assets, total:	**4,672,723**	**20,302,557**	**0**	**24,975,280**	
Long-term financial liabilities:					
Financial lease liabilities	0	0	12,479	12,479	25
Current financial liabilities:					
Trade and other payables	0	0	474,212	474,212	27, 29
Financial liabilities, total:	**0**	**0**	**486,691**	**486,691**	

Balance sheet item 31 Dec 2008, €	Loans and receivables	Investments held to maturity	Financial liabilities measured at amortized cost	Total	Note
Current financial assets:					
Trade and other receivables	2,272,261	0	0	2,272,261	15, 16
Investments held to maturity	0	14,500,000	0	14,500,000	19
Cash and cash equivalents	1,978,620	0	0	1,978,620	
Current financial assets total:	**4,250,881**	**14,500,000**	**0**	**18,750,881**	
Long-term financial liabilities:					
Financial lease liabilities	0	0	110,973	110,973	25
Current financial liabilities:					
Trade and other payables	0	0	503,000	503,000	27, 29
Financial liabilities, total:	**0**	**0**	**613,973**	**613,973**	

21 Notes to shareholders' equity

According to the Articles of Association, SSH Communications Security Corp's share capital is a minimum of EUR 600,000 and a maximum of EUR 2,400,000, within which limits it can be increased or reduced without altering the Articles of Association. The nominal share value is EUR 0.03, hence the minimum number of shares is 20 million and the maximum number of shares 80 million. SSH has one class of shares. Each share entitles its holder to one vote at the shareholders' meeting. The company's registered and fully paid share capital 31 December 2008 amounted to EUR 857,513, and the number of shares was 28,583,775.

The Annual General Meeting 27 March 2008 decided, in accordance with the proposal made by the Board of Directors, to authorize the Board of Directors to decide on issuing the maximum of 5,500,000 shares in one or more tranches or on issuing special rights to share subscription as defined in the Finnish Companies Act Chapter 10, section 1, with or without subscription rights to shareholders. This authorization is effective until the next Annual General Meeting, but will expire 30 June 2009, at the latest. According to the authorization, the Board of Directors decided upon a chargeable share issue and an option plan directed to the Company's new CEO on 16 December 2008, as defined in Note 33.

The Annual General Meeting 27 March 2008 decided to cancel the share premium reserve and to transfer all funds to the invested unrestricted equity fund.

The Annual General Meeting also authorized the Board of Directors to decide on dividend distribution and/or on distribution of assets from the invested unrestricted equity fund. The Board used this authorization on 15 April 2008 and distributed assets worth 0.15 euro per share and EUR 4,280,742 in total from the invested unrestricted equity fund.

Changes in the share capital and in the share premium fund

	Number of shares	Share capital	Share premium fund	Total
31 Dec 2006	**28,423,895**	**852,717**	**11,496,715**	**12,349,432**
Subscriptions under stock option plan I/1999	3,550	107	0	107
Subscriptions under stock option plan I/2003	100,667	3,020	0	3,020
Subscriptions under stock option plan I/2004	8,000	240	32,600	32,840
31 Dec 2007	**28,536,112**	**856,083**	**11,529,315**	**12,385,398**
Transfer to the other shareholders' equity item	0	0	-11,529,740	-11,529,740
Subscriptions under stock option plan I/1999	750	23	0	23
Subscriptions under stock option plan I/2003	35,413	1,062	424	1,486
Subscriptions under stock option plan I I /2003	11,500	345	0	345
31 Dec 2008	**28,583,775**	**857,513**	**0**	**857,513**

Description of the equity reserves

Translation differences

The translation differences comprise the foreign exchange differences arising from the translation of the financial statements of the foreign subsidiaries.

Fair value and other reserves

Fair value and other reserves consist of three different funds: fair value reserve for available-for-sale investments, a hedging reserve for changes in the fair value of cash flow hedging instruments, and a reserve for the costs of granted stock option rights.

Unrestricted equity funds

Unrestricted equity funds comprise the parent company's unrestricted invested equity fund.

22 Capital management

The Company's objective when managing capital is to secure the ability to continue operating. The structure of the capital can be managed through decisions concerning, for instance, dividend and other distribution of assets, purchase of the company's own shares and share issues. The indicators depicting the capital structure are the equity-to-assets ratio and gearing.

23 Share-based payments

SSH's share-based payments consist of the following stock option plans.

Stock option plans – data

Stock Option plan	Warrant	Date of issue	Subscription period Start	End	Share subscription price,€	Unexercised option rights
I/1999	I/1999C	5 Aug 1999	1 May 2001	1 May 2011	0.03	375
	I/1999D	5 Aug 1999	1 Nov 2001	1 Nov 2011	0.03	375
	I/1999E	5 Aug 1999	1 May 2002	1 May 2012	0.03	6,112
	I/1999F	5 Aug 1999	1 Nov 2002	1 Nov 2012	0.03	4,862
	I/1999G	5 Aug 1999	1 May 2003	1 May 2013	0.03	4,239
	I/1999H	5 Aug 1999	1 Nov 2003	1 Nov 2013	0.03	3,612
						19,575
10.7.2000		10 Jul 2000	1 Nov 2000	1 Nov 2010	5.81	32,000
I/2000	I/2000A	10 Jul 2000	1 May 2001	1 May 2011	5.81	41,900
	I/2000B	13 Sep 2000	1 Nov 2001	1 Nov 2011	5.81	67,004
	I/2000C	22 Mar 2001	1 May 2002	1 May 2012	5.81	40,248
						149,152
II/2000	II/2000A	22 Mar 2001	1 Nov 2001	1 Nov 2011	14.31	3,250
	II/2000B	22 Mar 2001	1 May 2002	1 May 2012	14.31	1,625
	II/2000C	22 Mar 2001	1 Nov 2002	1 Nov 2012	14.31	875
	II/2000D	22 Mar 2001	1 May 2003	1 May 2013	14.31	875
	II/2000E	22 Mar 2001	1 Nov 2003	1 Nov 2013	14.31	875
	II/2000F	22 Mar 2001	1 May 2004	1 May 2014	14.31	875
	II/2000G	22 Mar 2001	1 Nov 2004	1 Nov 2014	14.31	875
						9,250
II/2002	II/2002A	11 Apr 2002	6 Jun 2002	11 Apr 2012	1.31	1,375
	II/2002B	11 Apr 2002	6 May 2003	11 Apr 2012	1.31	250
	II/2002C	11 Apr 2002	6 May 2004	11 Apr 2012	1.31	1,500
	II/2002D	11 Apr 2002	6 May 2005	11 Apr 2012	1.31	1,500
						4,625
III/2002	III/2002A	26 Jun 2002	6 May 2003	26 Jun 2012	1.21	6,124
	III/2002B	26 Jun 2002	6 May 2004	26 Jun 2012	1.21	6,125
	III/2002C	26 Jun 2002	6 May 2005	26 Jun 2012	1.21	6,625
	III/2002D	26 Jun 2002	6 May 2006	26 Jun 2012	1.21	6,62
						25,499
I/2003	I/2003A	29 Apr 2003	1 May 2004	1 May 2009	0.18	59,820
	I/2003B	29 Apr 2003	1 May 2005	1 May 2009	0.18	47,600
	I/2003C	29 Apr 2003	1 May 2006	1 May 2009	0.18	41,827
						149,247
II/2003	II/2003A	29 Apr 2003	1 May 2004	29 Apr 2013	0.18	1,124
	II/2003B	29 Apr 2003	1 May 2005	29 Apr 2013	0.18	626
	II/2003C	29 Apr 2003	1 May 2006	29 Apr 2013	0.18	1,124
	II/2003D	29 Apr 2003	1 May 2007	29 Apr 2013	0.18	1,126
						4,000
I/2008	I/2008A	16 Dec 2008	16 Dec 2009	16 Dec 2013	1.35	125,000
	I/2008B	16 Dec 2008	16 Dec 2010	16 Dec 2013	1.42	125,000
	I/2008C	16 Dec 2008	16 Dec 2011	16 Dec 2013	1.49	125,000
	I/2008D	16 Dec 2008	16 Dec 2012	16 Dec 2013	1.56	125,000
						500,000

On the balance sheet date, SSH had 893,348 (2007: 1,052,760) stock options outstanding. Stock options entitle to 0.03 % share ownership and represent 0.03 % of votes. The weighted average exercise price of the remaining stock options was EUR 2.21 (2007: EUR 2.98). The weighted average of the remaining subscription period was 1.9 years (2007: 1.4 years). The exercise price varies from EUR 0.03 to EUR 14.31 and the remaining subscription period from 4 months to 5.8 years.

Changes in outstanding stock options and in weighted average subscription price

	2008		2007	
	Weighted average exercise price, €	Number of stock options	Weighted average exercise price, €	Number of stock options
At the beginning of period	2.98	1,052,760	2.74	1,197,184
Granted stock options	1.46	500,000	0.33	5,000
Forfeited stock options	2.96	611,749	1.62	37,207
Exercised stock options	0.33	47,663	0.32	112,217
At the end of period	2.21	893,348	2.98	1,052,760
Exercisable stock option rights at the end of period	3.18	393,348	2.98	1,052,760

SSH's weighted average share price was EUR 1.48 in 2008 and EUR 1.63 in 2007.

24 Provisions, €	Restructuring provisions	Onerous contracts
31 Dec 2006	0	37,846
Increases in provisions	220,625	0
Decreases in provisions	0	-35,022
Exchange differences	0	-2,824
31 Dec 2007	220,625	0
Utilized during year	-220,625	0
31 Dec 2008	0	0

SSH Communications Security Inc. (a subsidiary fully owned by SSH Communications Security Corp) subleased its office in USA 2004 at a loss. Since the resulting rental income from the office does not fully cover rental expenses, the company recorded an expense provision equivalent to the resulting net loss. The contract expired in 2007.

In 2007, a new restructuring provision of EUR 220,625 was recorded to cover the costs of the reorganization of the Asian sales. The provision was used in 2008 as the reorganization took place.

25 Finance lease liabilities

Finance lease liabilities – minimum lease payments, €	2008	2007
Not later than 1 year	80,784	11,325
1–5 years	110,676	13,015
Total	191,460	24,340

Finance lease liabilities – the present value of minimum lease payments, €	2008	2007
Not later than 1 year	77,607	10,773
1–5 years	110,973	12,479
Total	188,580	23,252
Future finance charges, €	10,512	1,088

Total finance lease liabilities, €	2008	2007
Short-term	77,607	10,773
Long-term	110,973	12,479

The Group has leased office and IT equipment under long-term agreements. The lease agreements for IT equipment contain renewal options and purchase options at market price. The other lease agreements do not contain renewal nor purchase options. All rents are fixed. The duration of the agreements is usually 3–5 years, and the liabilities as of 31 December 2007, are due 30 June 2011.

26 Advance payments, €	2008	2007
	3,218,981	3,169,368

27 Trade payables, €	2008	2007
	123,214	182,254

28 Accrued expenses, €	2008	2007
Personnel related	762,725	1,229,798
Tax payables	8,162	7,769
Other accrued expenses and deferred income	0	467
Total	770,887	1,238,033

29 Other liabilities, €	2008	2007
Personnel related	195,006	121,790
Finance lease liabilities	77,607	10,773
VAT liabilities	0	44,781
Other current liabilities	107,174	114,613
Total	379,786	291,958

30 Financial risk management

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, with the most significant currency being USD. Transaction risks are managed based on the net position using, when required, forward contracts or options. On the balance sheet date, the Company has not made any hedging operations to avoid exchange risks.

Interest rate risks

The Group has no interest bearing debt and therefore no need for debt protection. The Group's money market investments expose it to interest rate risks, but the exposure is not significant as a whole.

The market risk related to investments

The Company'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, almost all the assets are invested in fixed income funds in financial institutions with high credit ratings.

Credit risks

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Liquidity risks

There is no liquidity risk related to the group, since the invested funds are large and are available on a one-day notice.

31 Other rental agreements

Other rental agreements are lease agreements not classified as finance lease agreements.

The Group as lessee

Non-cancellable rental agreements for office facilities – minimum lease payments, €	2008	2007
Not later than 1 year	619,145	688,162
1–5 years	491,270	1,084,107
Over 5 years	0	21,975
Total	1,110,415	1,794,244

Non-cancellable operating lease commitments for vehicles – minimum lease payments, €	2008	2007
Not later than 1 year	85,715	51,419
1–5 years	118,251	21,980
Total	203,966	73,398

The Group rents the offices it utilizes. The duration of the rental agreements are usually 3–5 years, and normally the agreements include prolongation options past the original ending date. The index, renewal and other terms and conditions differ from agreement to agreement. The income statement for year 2008 contains rents based on rental agreements for a total of EUR 675,887 (EUR 651,764 in 2007). The Group has sublet part of its offices to another company. The rental income related to the subleases is EUR 128,283 in 2008 (EUR 182,675 in 2007). The minimum future rental income related to the subleases was EUR 167,504 on 31 December 2008 (EUR 36,680 on 31 December 2007).

The Group also leases vehicles. The lease rents are fixed and the duration of the agreements are on average 3–4 years. The income statement for year 2008 contains expenses based on vehicle lease agreements for a total of EUR 95,987 (EUR 95,054 in 2007).

32 Rental guarantees, €	2008	2007
Rental guarantees (monetary pledge)	24,038	54,556

The Group has in 2008 and previous years received public funding comprising a possible payback obligation.

33 Group companies and related-party transactions

Group companies	Native country	Group holding, %	Share of voting right, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., Los Altos	USA	100	100
SSH Operations Ltd, Helsinki	Finland	100	100

Board and Management benefits, €	2008	2007
CEO' salary / Arto Vainio until 22 Oct 2008; Jari Mielonen	367,220	188,428
Board / Tapio Kallioja (until March 27, 2008)	4,200	16,800
Board / Tomi Laamanen	16,800	16,800
Board / Pyry Lautsuo	12,600	0
Board / Juha Mikkonen	12,600	0
Board / Timo Ritakallio	16,800	16,800
Board / Tatu Ylönen	0	0

The share and stock option holdings of the board	31 Dec 2008 Shares	31 Dec 2008 Options	31 Dec 2007 Shares	31 Dec 2007 Options
Tapio Kallioja (until March 27, 2008)	2,000	2,000		
Tomi Laamanen	22,000	4,000	22,000	4,000
Pyry Lautsuo	0	0		
Juha Mikkonen	4,203,000	0		
Timo Ritakallio	8,000	0	8,000	0
Tatu Ylönen	15,103,280	0	15,103,280	0
Total	**19,336,280**	**4,000**	**15,135,280**	**6,000**

The share and stock option holdings of the management team	31 Dec 2008 Shares	31 Dec 2008 Options	31 Dec 2007 Shares	31 Dec 2007 Options
Jari Mielonen (CEO)	0	500,000		
George Adams	11,666	0	53,250	60,000
Tero Harjula	0	0	0	0
Petri Lillberg	0	0	0	0
Mika Peuranen	0	0	0	0
Pekka Rauhala	20,000	22,500	20,000	65,000
Timo J. Rinne	10,000	0	10,000	22,500
Jukka Tuomas	10,050	0	50	10,000
Total	**51,716**	**522,500**	**83,300**	**177,500**

The Company's directors are rewarded based on bonus schemes and option plans. There are no other reward practices, nor any extraordinary pension programs for the CEO or management.

As of 31 December 2008, SSH's Board members and CEO hold, directly or indirectly through companies they own, 67.6 percent of Company shares and votes. The Board members and CEO hold 504,000 stock options. The options included, the SSH Board members and the CEO hold at most 68.1 percent of shares and votes.

Other management team members hold approximately 0.2 percent of the company's shares and they hold 22,500 options in total.

According to the 2008 Annual General Meeting's authorization, the Board of Directors decided upon a chargeable share issue and an option plan directed to the CEO on 16 December 2008. CEO Mielonen was granted 500,000 option rights which entitle him to subscribe to a maximum of 500,000 new SSH shares. The directed share issue deviated from the shareholders' pre-emptive right and offered to Jari Mielonen, the new CEO of the Company, a subscription of in total 68,493 new shares at EUR 50,000, i.e. approximately 73 cents (0.73000 euro) per share. The payment due date for subscription is January 31, 2009.

The share issue increases the number of shares from the current 28,583,775 to a maximum of 28,652,268 shares. The share capital of the company increases from the current EUR 857,513 to EUR 859,568 maximum. Shares within the share issue represent 0.24 percent of the post-share issue shares and votes.

List of the option series granted to the CEO is in Note 23. Management remuneration is also presented in the Annual Report.

35 Shareholders

Changes in Share capital	Number of shares	Share capital
31 Dec 2005	28,268,813	848,064
Stock option subscriptions 2006	155,082	4,652
31 Dec 2006	28,423,895	852,717
Stock option subscriptions 2007	112,217	3,366
31 Dec 2007	28,536,112	856,083
Stock option subscriptions 2008	47,663	1,430
31 Dec 2008	**28,583,775**	**857,513**

Shareholding by sector Type of sector	Number of shares	Percentage of shares and votes, %
Non-banking corporate sector	5,156,268	18.04
Financial and insurance companies and institutions	763,587	2.67
Public sector organizations	495,450	1.73
Non-profit organizations	81,550	0.29
Households	21,985,626	76.92
Foreign shareholders	101,294	0.35
Total	**28,583,775**	**100.00**

Shareholding by number of shares

Shares	Number of owners	Percentage of owners, %	Number of shares	Percentage of shares, %
1–50	1,852	38.52	90,136	0.32
51–100	403	8.38	39,516	0.14
101–500	1,043	21.69	320,228	1.12
501–1 000	560	11.65	479,647	1.68
1 001–5 000	739	15.37	1,801,756	6.30
5 001–10 000	102	2.12	774,783	2.71
10 001–50 000	89	1.85	1,884,315	6.59
50 001–100 000	10	0.21	776,000	2.72
100 001–500 000	7	0.15	2,005,645	7.02
500 001–1 000 000	0	0.00	0	0.00
1 000 001–5 000 000	2	0.04	5,684,100	19.89
5 000 000–999 999 999	1	0.02	14,727,649	51.53
Total	**4,808**	**100.00**	**28,583,775**	**100.00**
Of which nominee registered	7		444,903	1.56

34 Auditor's fees

Auditor's fees in 2008 were:

Audit: Group 33,890, parent company EUR 33,390
Services according to audit regulation Chapter 1 Section 1 Paragraph 2: Group and parent company EUR 1,500
Tax advisory: Group EUR 55,389 and parent company EUR 10,454
Other services: Group EUR 27,212 and parent company EUR 17,350.

The ten largest shareholders on 31 December 2008
(excluding those with nominee-registered shares)

	%	Shares
1. Ylönen Tatu Juhani	51.52	14,727,649
2. Assetman Oy	14.69	4,200,000
3. Kivinen Tero Tapani	5.19	1,484,100
4. Ilmarinen Mutual Pension Insurance Company	1.69	483,450
5. Tatu Ylönen Oy	1.31	375,071
6. Alfred Berg Small Cap Investment Fund	0.95	271,964
7. Laakkonen Mikko Kalervo	0.78	222,187
8. Lahtinen Pekka Antero	0.44	125,000
9. Poutanen Jukka Tapani	0.41	116,000
10. Motane Oy	0.35	100,000
Total	**77.33**	**22,105,421**
Nominee-registered holdings	1.56	444,903

36 Changes in accounting practices for recording profits from sales (IAS8)

The accounting practice for recording of maintenance sales revenue was changed in September 2008, with all maintenance sales revenue being now amortized over the entire maintenance period. Earlier, only significant sales items (exceeding EUR 5,000) were carried over the lifetime of the maintenance period. The new practice is in accordance with IAS 8.

The change did not have any essential impact on net sales in January-December 2008 or in other periods. The change, however, reduces share capital and increases short-term liabilities. For consistency, comparison data has been restated as well. The impact of the restate is as follows:

1–12/ 2006 €	Original value	Restated value	Difference
Net sales	9,455,902	9,450,867	-5,035
Operating profit/loss	-885,684	-890,719	-5,035
Profit/loss before taxes	-192,636	-197,671	-5,035
Earnings per share (EUR)	0.0	0.0	0.0
Shareholders' equity	17,960,799	17,481,865	-478,934
Long-term liabilities	54,513	54,513	0
Short-term liabilities	3,295,936	3,774,870	478,934
Total liabilities and shareholders' equity	21,311,248	21,311,248	0

1–12/2007 €	Original value	Restated value	Difference
Net sales	14,126,249	14,193,302	67,054
Operating profit/loss	2,155,652	2,222,705	67,054
Profit/loss before taxes	3,038,112	3,105,166	67,054
Earnings per share (EUR)	0.1	0.1	0.0
Shareholders' equity	20,800,298	20,416,124	-384,174
Long-term liabilities	233,490	233,490	0
Short-term liabilities	4,497,439	4,881,613	384,174
Total liabilities and shareholders' equity	25,531,227	25,531,227	0

Statement on changes in shareholders' equity

€	Share capital	Share premium fund	Fair value and other reserves	Translation differences	Unrestricted equity funds and retained earnings	Total
Shareholders' equity 1 Jan 2006	848,064	24,448,132	248,822	-718,020	615,329	25,442,328
Shareholders' equity, restate 1 Jan 2006	848,064	24,448,132	248,822	-718,020	141,430	24,968,429
Shareholders' equity 31 Dec 2006	852,717	11,496,715	126,183	-844,460	6,329,645	17,960,799
Shareholders' equity, restate 31 Dec 2006	852,717	11,496,715	126,183	-844,152	5,850,402	17,481,865
Shareholders' equity 31 Dec 2007	856,083	11,529,315	125,574	-1,070,336	9,359,662	20,800,298
Shareholders' equity, restate 31 Dec 2007	856,083	11,529,315	125,574	-1,042,322	8,947,474	20,416,124
Shareholders' equity 31 Dec 2008	857,513	0	127,671	-889,036	13,182,542	14,513,607

37 Events after the balance sheet date

The Company management does not know of any essential events that would have occurred after the balance sheet date and that would have affected the financial situation of the company.

3 Parent Company Financial Statements (FAS)

3.1 Income Statement of Parent Company

€	Note	Jan–31 Dec 2008	Jan–31 Dec 2007
NET SALES	1	**4,246,862.34**	**8,980,707.49**
Purchasing and production costs		21,514.84	31,700.42
GROSS MARGIN		**4,225,347.50**	**8,949,007.07**
R&D expenses		3,403,531.73	3,380,834.49
Sales and marketing expenses		1,892,997.66	2,100,386.48
Administrative expenses		1,678,537.97	1,525,348.14
Other operating income	7	770,888.57	148,374.00
Other operating expenses	8	0.00	132,992.85
OPERATING PROFIT/LOSS		**-1,978,831.30**	**1,957,819.11**
Financial income and expenses	9		
Interest and financial income from Group companies		0.00	112.50
Other interest and financial income		985,846.41	981,640.24
Interest and other financial expenses		86,679.78	95,476.31
Financial income and expenses, total		899,166.63	886,276.43
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**-1,079,664.67**	**2,844,095.54**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**-1,079,664.67**	**2,844,095.54**
PROFIT/ LOSS FOR THE FINANCIAL PERIOD		**-1,079,664.67**	**2,844,095.54**

3.2 Balance Sheet of Parent Company

ASSETS

€	Note	31 Dec 2008	31 Dec 2007
NON-CURRENT ASSETS			
Intangible assets	10		
Intangible rights		8,573.74	90,118.74
Development expenses		0	12,186.40
Intangible assets, total		**8,573.74**	**102,305.14**
Tangible assets	10		
Machinery & equipment		107,741.94	106,062.44
Tangible assets, total		**107,741.94**	**106,062.44**
Investments			
Shares in Group companies		100,841.75	100,841.75
Investments, total		100,841.75	100,841.75
NON-CURRENT ASSETS, TOTAL		**217,157.43**	**309,209.33**
Current receivables			
Accounts receivable		295,474.21	107,857.85
Receivables from the Group companies	11	356,819.85	337,359.93
Prepaid expenses and accrued income	12	11,529.37	22,428.10
Other receivables	13	85,743.46	78,150.03
Current receivables, total		**749,566.89**	**545,795.91**
Financial investments			
Other securities	14	14,500,000.00	20,302,557.37
Cash in hand and bank deposits		1,087,907.46	710,360.57
CURRENT ASSETS, TOTAL		**16,337,474.35**	**21,558,713.85**
ASSETS, TOTAL		**16,554,631.78**	**21,867,923.18**

SHAREHOLDERS' EQUITY AND LIABILITIES

€	Note	31 Dec 2008	31 Dec 2007
SHAREHOLDERS' EQUITY	15		
Share capital		857,513.25	856,083.36
Share premium fund		0.00	13,172,314.96
Unrestricted invested equity fund		14,825,541.61	5,926,713.50
Retained profit/loss		914,436.61	-1,929,658.93
Net profit/loss for the period		-1,079,664.67	2,844,095.54
SHAREHOLDERS' EQUITY, TOTAL		**15,517,826.80**	**20,869,548.43**
LIABILITIES			
Current liabilities			
Advances received		215,685.39	35,855.26
Accounts payable		92,165.15	112,965.79
Accrued expenses and deferred income	18	534,021.38	715,226.25
Other liabilities	19	194,933.06	134,327.45
Current liabilities, total		**1,036,804.98**	**998,374.75**
LIABILITIES TOTAL		**1,036,804.98**	**998,374.75**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**16,554,631.78**	**21,867,923.18**

3.3 Cash Flow Statement of Parent Company

€	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operating activities		
Sales revenue	4, 968,037.77	10,694,021.87
Revenue from other operations	137,504.01	215,282.00
Operating expenses	-6,976,963.94	-6,541,040.87
Cash flow from operations before financial items and taxes	-1,871,422.16	4,368,263.00
Interest and other financial expenses paid	-86,679.78	-78,838.23
Interest and other financial income received	281,791.53	352,074.30
Cash flow from operating activities, total	**-1,676,310.41**	**4,641,499.07**
Cash flow from investing activities		
Investments in tangible and intangible assets	-70,934.34	-89,071.77
Loans granted	0.00	-73,811.63
Received payments from granted loans	0.00	103,811.63
Proceeds from sale of investments	5,802,557.37	-4,927,225.39
Interest received	594,291.23	219,826.03
Cash flow from investing activities, total	**6,325,914.26**	**-4,766,471.13**
Cash flow from financing activities		
Share subscriptions based on stock options	8,684.74	35,966.61
Return of capital	-4,280,741.70	0.00
Cash flow from financing activities, total	**-4,272,056.96**	**35,966.61**
Change in liquid assets	**377,546.89**	**-89,005.45**
Liquid assets at beginning of period	**710,360.57**	**799,366.02**
Change in liquid assets	377,546.89	-89,005.45
Liquid assets at end of period	**1,087,907.46**	**710,360.57**

3.4 Notes to the Financial Statements of Parent Company

Accounting principles of the financial statements

The financial statements of the parent company SSH Communications Security Corp are prepared in accordance with Finnish Accounting Standards (FAS). All figures in the financial statements are stated in Euros. The parent company's financial statements have been prepared under the historical cost convention, excluding financial instruments, which are stated at fair value in accordance with the Finnish Accounting Act Chapter 5, Section 2a. The methods used for evaluating the fair value of financial instruments are presented in the notes to the consolidated financial statements. Information on financial risk management and use of derivatives are also presented in the consolidated financial statements.

Principles of entering sales income

Revenue is principally entered in net sales once delivery has occurred or services have been rendered, the contract has been completed or the buyer has placed a written order and it has been assured that the buyer is solvent. Maintenance agreements are recognized evenly on an accrual basis throughout the contract period.

Function-based Costs

Expenses have been divided among functions according to their causative principles.

Research and product development expenses

R&D expenses are expensed as incurred, excluding certain product development expenses, which are capitalized once certain criteria are met. Capitalized development expenses are amortized systematically over their useful lives.

Fixed Assets

Fixed assets are entered in the balance sheet at acquisition cost less depreciation and possible write-downs according to plan. Planned depreciations are calculated by type on a straight-line basis according to their economic life.

The depreciation periods are:

- Machinery and equipment: 5 years from month of acquisition
- Computer hardware: 3 years from month of acquisition
- Intangible rights: 5 years from year of acquisition
- R&D expenses: 5 years from year of acquisition
- Other capitalized expenditure: 5 years from year of acquisition
- Basic repairs on rental premises: According to length of the rental agreement, but maximum 7 years from year of acquisition

Financial instruments

The financial assets are classified as available-for-sale or held-to-maturity assets. Available-for-sale assets, which comprise investments in money market funds, among others, are stated at fair value. Changes in the fair value are recognized under the fair value reserve in shareholders' equity, adjusted with deferred tax liabilities or receivables. Held-to-maturity assets, which mainly comprise commercial papers and fixed-term deposits, are measured at original cost.

Foreign currency transactions

Foreign currency denominated transactions are recorded at the exchange rate on the transaction date. Outstanding receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing are entered as financial income and expenses in net terms.

The company uses derivative contracts to hedge receivables denominated in foreign currency. Hedge accounting is however not used. The fair value of derivative contracts is recorded in the balance sheet as a liability or receivable. Changes in the fair value are recognized in the income statement as financial income or expenses.

Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used in the determination of deferred income tax. Deferred tax liabilities arising from depreciation differences are not recorded. The company has no accumulated depreciation differences. Exercising special prudence, confirmed losses in taxation are recognized as tax assets.

Stock option rights

The employees of the parent company and its subsidiaries have been granted stock option rights. The stock option rights entitle their holders to subscribe to shares at a fixed subscription price specified in the terms of the stock option plan. Received proceeds from share subscriptions based on stock option plans enforced when the old Finnish Companies Act applied, are credited to share capital and share premium. When an employee exercises a stock option right, the company is obliged to deduct a withholding tax and to record a social expense in the income statement.

Notes to the income statement

1 Net sales by market area, €	2008	2007
Finland	406,962	394,951
Rest of Europe	980,208	829,150
North America	2,222,487	7,415,541
Other	637,206	341,066
Total	4,246,862	8,980,707

2 Personnel expenses, €	2008	2007
Wages and salaries	3,466,281	3,411,736
Pension costs	611,577	538,464
Other personnel expenses	129,392	217,338
Total	4,207,250	4,167,539

3 Personnel on average during the period	2008	2007
Personnel on average	52	57

4 Personnel distribution by business area at period-end	2008	2007
R&D	34	38
Sales and marketing	8	10
Administration	7	8
Total	49	56

5 Salaries and other remuneration to management, €	2008	2007
CEO	367,220	188,428
Tomi Laamanen	16,800	16,800
Tapio Kallioja (until March 27, 2008)	4,200	16,800
Timo Ritakallio	16,800	16,800
Pyry Lautsuo	12,600	
Juha Mikkonen	12,600	
Tatu Ylönen	0	0

6 Depreciation and write-downs, €	2008	2007
On intangible rights	84,419	180,075
On capitalized development expenses	12,186	25,531
On machinery and equipment	66,381	45,759
Total	162,986	251,366

7 Other operating income

Other income comprises rental income of EUR 109,963. The Group has sublet part of its offices to another company. In 2008, other operating income also includes EUR 633,385 of returned receivables from fully owned subsidiaries that had been written down earlier, as well as EUR 27,540 of utilized provisions recognized in the balance sheet earlier years.

2007 other operating income also included EUR 39,750 received as product development funding from the National Technology Agency.

8 Other operating expenses	2008	2007
Write-down of receivables	0	132,993

2008 other operating expenses include write-downs of receivables from fully owned subsidiaries. The Company returned subsidiary receivables as other operating income in 2008.

9 Financial income and expenses, €	2008	2007
Interest and financial income from Group companies	0	113
Interest income	29,487	35,663
Capital gains on available-for-sale assets	0	392,799
Capital gains on held-to-maturity assets	772,732	233,057
Capital gains on derivative contracts	0	297,246
Capital losses on derivative contracts	0	-19,634
Net exchange rate differences	96,948	-52,967
Total	899,167	886,276

Notes to the balance sheet

10 Non-current assets and other long-term investments, €	2008	2007
Intangible rights		
Acquisition cost 1 Jan	1,862,823	1,859,911
Increase	2,874	2,912
Acquisition cost 31 Dec	1,865,697	1,862,823
Accumulated depreciation 1 Jan	1,772,704	1,592,629
Depreciation for the period	84,419	180,075
Accumulated depreciation 31 Dec	1,857,123	1,772,704
Book value	8,574	90,119

	2008	2007
Development expenses		
Acquisition cost 1 Jan	315,905	315,905
Acquisition cost 31 Dec	315,905	315,905
Accumulated depreciation 1 Jan	303,719	278,188
Depreciation for the period	12,186	25,531
Accumulated depreciation 31 Dec	315,905	303,719
Book value	0	12,186
Machinery & equipment		
Acquisition cost 1 Jan	957,362	871,202
Increases	68,060	86,160
Acquisition cost 31 Dec	1,025,423	957,362
Accumulated depreciation 1 Jan	851,299	805,541
Depreciation for the period	66,381	45,759
Accumulated depreciation 31 Dec	917,680	851,299
Book value	107,742	106,063

11 Parent company receivables from Group companies, €	2008	2007
Accounts receivable	356,820	337,360
Loan receivables	0	0
Total	356,820	337,360

12 Prepaid expenses and accrued income, €	2008	2007
Interest receivables	10,688	15,962
Personnel related	841	6,466
Total	11,529	22,428

13 Other receivables, €	2008	2007
Advances paid	22,581	77,643
VAT receivables	63,003	486
Other current receivables	159	21
Total	85,743	78,150

14 Investments, €

Available-for-sale assets	2008	2007
Fair value 1 Jan	0	14,989,656
Net increase/decrease	0	-14,982,532
Change in fair value	0	-7,123
Fair value 31 Dec	0	0
Short-term	0	0

Investments held to maturity	2008	2007
Fair value 1 Jan	20,302,557	0
Net increase/decrease	-5,802,557	20,302,557
Fair value 31 Dec	14,500,000	20,302,557
Short-term	14,500,000	20,302,557

At the end of the reporting period, the held-to-maturity investments comprised fixed-term deposits.

15 Shareholders' equity, €	2008	2007
Share capital 1 Jan	856,083	852,717
Share issues	1,430	3,367
Share capital 31 Dec	857,513	856,083
Share premium fund 1 Jan	13,172,315	13,139,715
Subscription of shares	425	32,600
Return of capital	0	0
Transfer to unrestricted invested equity	-13,172,740	0
Share premium fund 31 Dec	0	13,172,315
Fair value reserve 1 Jan	0	5,271
Increase	0	0
Decrease	0	-5,271
Fair value reserve 31 Dec	0	0
Unrestricted invested equity fund 1 Jan	5,926,714	5,926,714
Transfer from share premium fund	13,172,740	0
Return of capital	-4,280,742	0
Subscription of shares	6,830	0
Unrestricted invested equity fund 31 Dec	14,825,542	5,926,714
Profit/loss from earlier periods	914,437	-1,929,659
Net profit/loss for the period	-1,079,664	2,844,096
Shareholders' equity total	15,517,827	20,869,548

16 Earnings distributable to shareholders, €	2008	2007
Retained earnings	914,437	-1,929,659
Net profit/loss for the period	-1,079,665	2,844,096
Other reserves	14,825,542	5,926,714
Other	0	-15,200
Total	14,660,314	6,825,950

17 Deferred tax liabilities and receivables, €

The parent company has confirmed losses of EUR 13.0 million that have not been recorded as deferred tax receivables.

18 Accrued liabilities, €	2008	2007
Personnel related	534,021	714,759
Other accrued liabilities and deferred income	0	467
Total	534,021	715,226

19 Other liabilities, €	2008	2007
Personnel related	194,933	110,939
Other short-term liabilities	0	23,388
Total	194,933	134,327

20 Other commitments, €

Non-cancellable rental agreements for office facilities – minimum lease payments	2008	2007
Not later than 1 year	504,249	531,409
1–5 years	168,083	717,380
Total	672,332	1,248,789

Non-cancellable operating lease commitments for vehicles – minimum lease payments	2008	2007
Not later than 1 year	59,134	36,215
1–5 years	82,802	18,255
Total	141,936	54,470

Rental guarantees	2008	2007
Rental guarantees (monetary pledge)	1,521	1,521

Signatures of the Board of Directors' Report and Financial Statements

Helsinki 3 February 2009

Tomi Laamanen
Chairman of the Board of Directors

Timo Ritakallio

Pyry Lautsuo

Tatu Ylönen

Juha Mikkonen

Jari Mielonen
CEO

Auditor's Notation

We have today issued an auditors' report based on our audit.

Helsinki 6 February 2008

PricewaterhouseCoopers Oy
Authorized Public Accountants

Henrik Sormunen
Authorized Public Accountant

Auditor's Report

We have audited the accounting records, the financial statements, the report of the Board of Direc-tors and the administration of SSH Communications Security Corporation for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the finan-cial statements and the report of the Board of Directors and for the fair presentation of the consoli-dated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company 's financial state-ments and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclo-sures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presen-tation of the financial statements and report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Option on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report currently effective in Finland; and they give a true and fair view of the results of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 6 February 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
APA