

SSH COMMUNICATIONS SECURITY FINANCIAL STATEMENT RELEASE, JANUARY 1 – DECEMBER 31, 2013

October-December 2013: Moderate sales growth and strong profitability

- Net sales grew by 13.1% to EUR 4.1 (3.6) million.
- Operating profit was EUR 0.6 (0.3) million or 14.1% (7.8%) of net sales.
- Earnings per share EUR 0.02 (EUR 0.01).

January-December 2013: Moderate sales growth, investments in future growth impacted profitability, positive cash flow from operations

- Net sales grew by 11.9% to EUR 13.3 (11.9) million. At comparable exchange rates the growth was 13.8%.
- Operating profit was EUR 0.2 (1.1) million or 1.3% (9.1%) of net sales
- Earnings per share was EUR -0.00 (0.04).
- Cash flow from operations was EUR 0.4 (1.3) million.

In 2014, SSH Communications Security estimates its revenue to grow significantly and profitability to improve. During the first half of the year the sales growth can be smaller with possibilities to losses due to timing of sizeable deals.

KEY FIGURES					
	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012	Change %
Net sales (MEUR)	4.1	3.6	13.3	11.9	11.9
Operating profit/loss (MEUR)	0.6	0.3	0.2	1.1	-84.1
% of net sales	14.0	7.8	1.3	9.1	-85.8
Profit/loss before taxes (MEUR)	0.6	0.3	0.2	1.1	-86.3
Profit/loss (MEUR)	0.6	0.3	0.2	1.1	-86.6
Return on equity, %			2.2	30.9	-92.9
Return on investment, %			1.9	28.1	-93.2
Liquid assets			6.0	6.6	-9.8
Gearing (%)			-80.1	-105.2	-23.9
Equity ratio (%)			76.6	70.0	9.4
Earnings Per Share (EUR)	0.02	0.01	-0.00	0.04	-100.0
Shareholders' equity per share (EUR)	0.24	0.20	0.24	0.20	17.4

CEO'S BUSINESS REVIEW

The company solidified its leadership in encryption and server access control in 2013. Its focus around cybersecurity in large computing systems utilizing the SSH protocol has given the company a unique position. The company's solutions for managing security, encryption, auditing, and authentication have received significant attention from international press and analysts.

Revenue growth in 2013 was moderate, with sales growing 12% compared to the previous year. The company was profitable for the second consecutive year despite heavy investments in R&D and market creation. Cash flow from operations was positive. Personnel grew 41% year-on-year in anticipation of the next phase of growth.

The outlook going forward is positive. The company has invested heavily in market creation, technology leadership, quality, and initial customer success stories for new products. This now manifests in an increased number of inbound leads and active sales cases. Several major customers have budgeted for significant purchases of the company's solutions for the coming year. The SSH protocol market is going strong and desperately needs solutions for managing key-based access and auditing encrypted traffic in large IT environments.

Many countries have painfully realized that information systems are widely used for espionage and that vendors in certain countries have been made to insert backdoors into their products. Cybersecurity solutions from trusted sources are in high need, and the company's deep expertise in encryption, key management, authentication, and distributed systems opens major new growth opportunities in government markets.

Finally, the company's intellectual property portfolio has matured and is ready for commercial licensing. This revenue source will be developed in the coming year and technology licensing may contribute significantly to the company's growth in the coming years.

In view of these factors, the company is well positioned for faster growth and higher profitability in the coming year, although the first months of the year are still looking somewhat challenging.

Tatu Ylönen

CEO

NET SALES

Consolidated net sales for October-December totaled EUR 4.1 million (EUR 3.6 million), up by 13.1%, year on year.

Consolidated net sales for January-December totaled EUR 13.3 million (EUR 11.9 million), up by 11.9%, year on year.

Sales growth was due to strong sales growth of Universal SSH Key Manager and CryptoAuditor, especially in EMEA. Consulting sales around new solutions grew remarkably. Longer than anticipated sales cycles impacted license sales growth. Negative development in maintenance revenue was mainly caused by cleaning customer maintenance contracts during 2012 (additional maintenance revenue in 2012) and the weakening of USD. Customers in AMER and APAC started to move to new solutions slower than anticipated.

The Americas; Europe, Middle East and Africa; and the Asia Pacific region accounted for 39.6% (50.6%), 49.5% (36.1%) and 10.9% (13.2%) of reported net sales, respectively.

KEY FIGURES					
EUR million	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012	Change %
BY SEGMENT					
AMERICAS	1.3	1.8	5.3	6.0	-12.5
APAC	0.4	0.4	1.5	1.6	-7.4
EMEA	2.4	1.5	6.6	4.3	53.2
SSH Group Total	4.1	3.6	13.3	11.9	11.9
BY OPERATION					
License sales	1.9	1.4	4.6	5.0	-7.0
Consulting	0.8	0.6	3.0	0.6	399.2
Maintenance	1.4	1.6	5.6	6.3	-10.4
Total	4.1	3.6	13.3	11.9	11.9

The majority of SSH Communications Security's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro weakened approximately -3.3% compared to the same period a year ago. With comparable exchange rates 2012 net sales growth would have been 13.8% compared with 2012 corresponding period.

RESULTS AND EXPENSES

Operating profit for October–December amounted to EUR 0.6 million (EUR 0.3 million), with net profit totaling EUR 0.6 million (EUR 0.3 million).

Operating profit for January–December amounted to EUR 0.2 million (EUR 1.1 million), with net profit totaling EUR 0.2 million (EUR 1.1 million). Non-recurring items during January-December were EUR 0.0 million (EUR -0.4 million). The company was profitable despite heavy investments in R&D and market creation.

Sales, marketing and customer support expenses for the October-December reporting period amounted EUR -1.7 million (EUR -1.8 million), while research and development expenses totaled EUR -0.9 million (EUR -0.7 million) and administrative expenses EUR -0.4 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the January-December reporting period amounted EUR -6.9 million (EUR -5.9 million), while research and development expenses totaled EUR -3.0 million (EUR -2.7 million) and administrative expenses EUR -1.5 million (EUR -1.4 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH Communications Security remained strong during the reporting period. The consolidated balance sheet total on December 31, 2013 stood at EUR 13.5 million (EUR 12.5 million; December 31, 2012), of which liquid assets accounted for EUR 6.0 million (EUR 6.6 million), or 44.3% of the balance sheet total. On December 31, 2013, gearing, or the ratio of net liabilities to shareholders' equity, was -80.1% (-105.2%) and the equity ratio stood at 76.6% (70.0%). During 2013, SSH Management Investment Ltd., which was established for the share incentive plan of previous management team, has been liquidated (Extraordinary general meeting December 23, 2013). SSH Management Investment sold all shares (4.7%) of SSH Communications Security, paid back the loan and it is not consolidated to SSH

Communications Security. Due to the transaction, fund for own shares is released which increases equity per share by EUR 0.03, and SSH communications Security has recorded EUR 0.1 million gain.

The reported gross capital expenditure for the period totaled EUR 2.0 million (EUR 1.2 million). The reported financial income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totaled EUR -0.0 million (EUR 0.0 million).

During January-December, SSH Communications Security reported a cash flow of EUR 0.4 million (EUR 1.3 million) from business operations, and investments showed a negative cash flow of EUR -2.0 million (EUR -1.2 million). Cash flow from financing totaled EUR -1.2 million (EUR 4.1 million). Total cash flow was EUR -2.8 million (EUR 4.2 million) largely due to EUR 2.0 million investment made on fixed income fund, which is shown in investments.

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

RESEARCH AND DEVELOPMENT

Research and development expenses for October-December totaled EUR -0.9 million (EUR -0.7 million), the equivalent of 22.2 percent of net sales (19.4 percent). During October-December company has capitalized R&D costs EUR -0.4 million (EUR -0.4 million).

Research and development expenses for January-December totaled EUR -3.0 million (EUR -2.7 million), the equivalent of 22.3 percent of net sales (22.7 percent).

The company has continued R&D capitalizations during the reporting period related to Universal SSH Key Manager and Crypto Auditor according to IAS 38 standard. During the reporting period R&D cost capitalizations amount to EUR 1.6 million (EUR 1.1 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 99 employees on its payroll, up by 29 persons from the previous year, an increase of 41%.

At the end of the period, 43% of the employees worked in sales, marketing and customer services, 44% in R&D, and 13% in corporate administration.

During 2013 Group Management Team of SSH Communications Security was strengthened by appointments of Sami Ahvenniemi, President and CEO SSH Americas; Mika Lauhde, Vice President Government Relations and Business Development; and Antti Huima Chief Technology Officer and Vice President, Engineering.

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 20, 2013 elected Päivi Hautamäki, Sami Ahvenniemi and Tatu Ylönen as the directors of the company. Sami Ahvenniemi was elected as the Chairman of the Board of Directors in the board's organizing meeting. As announced on July 5, 2013 SSH Communications Security has appointed MSc (Eng.) Sami Ahvenniemi to a member of the Group Management Team responsible for operations in the North and South America from August 12, 2013. Ahvenniemi has continued as a member of the Board. The Chairman of the Board of Directors of SSH Communications Security Oyj is Päivi Hautamäki from August 1, 2013 onwards.

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

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corporation shares totaled 9 872 101 (valued at EUR 20 848 204). The highest quotation was EUR 4.50 and the lowest EUR 0.75. The trade-weighted average share price for the period was EUR 2.11 and the share closed at EUR 2.91 (December 30, 2013).

The company's principal owner Tatu Ylönen holds directly and through his company, Clausal Computing Oy, now 57.7% of the company's shares, Assetman Oy holds 11.3% and Gaselli Capital 4.1%. More information about the shareholding can be obtained from the company's web site.

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

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on December 31, 2013 was EUR 922 529 consisting of 30 750 983 shares. During reporting period share capital did not change.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of in total 6 000 000 shares, in one or more tranches, as share issues against payment or by giving stock options or other special rights entitling to shares, as defined in Chapter 10 Section 1 of the Finnish Companies Act, either in accordance with the shareholders' pre-emptive right to share subscription or deviating from this right. The authorization will be valid until the next Annual General Meeting, but will expire on June 30, 2014 at the latest. As announced on June 4, 2013, the Board of Directors decided an option plan of maximum 1 700 000 options.

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

DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

SSH Communications Security's Board of Directors will propose to the Annual General Meeting 20th of March 2014 that no dividend or return of capital be distributed. It is proposed that the profit of the financial year shall be entered to the shareholders equity in the profit/loss account.

RISKS AND UNCERTAINTIES

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

- continuing uncertainty of the macroeconomic environment
- delays on product development and closing new business

- competitiveness of the product portfolio including intellectual property (IPR)
- litigation, especially in the U.S. market
- competitive dynamics in the industry
- ability of the organization to scale up operations with the growth
- large portion of the company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2014 could have unpredictable effects for profitability that are at the time difficult to estimate. Currently USD currency position is not hedged, and company decides hedging of USD based contracts case by case.

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

FUTURE OUTLOOK

In 2014, SSH Communications Security estimates its revenue to grow significantly and profitability to improve. During the first half of the year the sales growth can be smaller with possibilities to losses due to timing of sizeable deals.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of SSH Communications Security Corporation's CEO Tatu Ylönen, has delivered the company mainly R&D services valued in total EUR 0.4 million during January-December 2013. During the reporting period there have not been any other significant transactions with related parties. Hybrid capital securities (EUR 4.0 million) of the company was subscribed by CEO Tatu Ylönen 2012.

EVENTS AFTER THE BALANCE SHEET DATE

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

REPORTING

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

TABLES

COMPREHENSIVE INCOME STATEMENT				
EUR million	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012
Net sales	4.1	3.6	13.3	11.9
Cost of goods sold	-0.5	-0.5	-1.9	-0.9
Gross profit	3.5	3.1	11.4	11.0
Other operating income	0.0	0.0	0.1	0.0
Sales, marketing and customer support costs	-1.7	-1.8	-6.9	-5.9
Product development expenses	-0.9	-0.7	-3.0	-2.7
Administrative expenses	-0.4	-0.4	-1.5	-1.4
Operating profit/loss	0.6	0.3	0.2	1.1
Financial income and expenses	-0.0	0.0	-0.0	0.0
Profit/loss before taxes	0.6	0.3	0.2	1.1
Taxes	-0.0	-0.0	-0.0	-0.0
Net profit/loss for the financial period	0.6	0.3	0.2	1.1
Minority interest	0.0	-0.0	0.0	-0.0
Other profit and loss account items:				
Items which might be later transferred to P/L statement				
Foreign subsidiary translation differences	-0.0	-0.1	-0.0	-0.1
Net change in fair value of available-for-sale financial assets	0.0	0.0	0.0	0.0
Total comprehensive income	0.6	0.2	0.2	1.0
Net profit/loss attributable to:				
Owners of the Company	0.6	0.2	0.2	1.0
Non-controlling interest	0.0	-0.0	0.0	-0.0
EARNINGS PER SHARE				
Earnings per share (EUR)	0.02	0.01	-0.00	0.04
Earnings per share diluted (EUR)	0.02	0.01	-0.00	0.04

BALANCE SHEET		
EUR million		
	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Tangible assets	0.2	0.1
Intangible assets	3.1	2.1
Investments	0.0	0.0
Total non-current assets	3.4	2.2
Current assets		
Trade and other receivables	4.1	3.7
Short-term financial assets	0.0	0.0
Cash and cash equivalents	6.0	6.6
Total current assets	10.1	10.3
Total assets	13.5	12.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Equity attributable to the parent company shareholders total	7.4	6.0
Non-controlling interest	0.0	0.2
Shareholders' equity total	7.4	6.3
Non-current liabilities		
Provisions	0.1	0.1
Non-current interest-bearing liabilities	0.0	0.0
Total long-term liabilities	0.1	0.1
Current liabilities	6.0	6.1
Liabilities total	6.1	6.3
Total equity and liabilities	13.5	12.5

CASH FLOW STATEMENT		
EUR million	1-12/2013	1-12/2012
Cash flow from business operations	0.4	1.3
Cash flow from investments	-2.0	-1.2
Cash flow from financing	-1.2	4.1
Increase(+) / decrease(-) in cash	-2.8	4.2
Cash at period start	6.6	2.4
Effect of exchange rate	0.0	0.0
Cash at period end	3.8	6.6

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY								
EUR million	Share capital	Fair value reserves	Other fund + other equity fund	Translation difference	Fund for own shares	Non-controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan 1, 2012	0.9	0.1	0.2	-1.2	-1.0	0.2	1.9	1.1
Change	0.0	0.1	4.0	-0.1		-0.0		4.0
Net profit							1.1	1.1
Shareholders' equity Dec 31, 2012	0.9	0.2	4.1	-1.3	-1.0	0.2	3.1	6.3
Change		0.2	0.0	-0.0	1.0	-0.2		1.0
Net profit							0.2	0.2
Shareholders' equity Dec 31, 2013	0.9	0.4	4.1	-1.3	0.0	0.0	3.3	7.4

NET SALES BY SEGMENT				
EUR million	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012
AMER	1.3	1.8	5.3	6.0
APAC	0.4	0.4	1.5	1.6
EMEA	2.4	1.5	6.6	4.3
SSH Group Total	4.1	3.6	13.3	11.9

GROSS MARGIN BY SEGMENT				
EUR million	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012
AMER	1.3	1.7	5.3	5.9
APAC	0.4	0.4	1.5	1.6
EMEA	1.8	0.9	4.7	3.5
SSH Group Total	3.5	3.1	11.4	11.0

OPERATING PROFIT AND LOSS BY SEGMENT				
EUR million	10-12/ 2013	10-12/ 2012	1-12/ 2013	1-12/ 2012
AMER	0.2	0.6	0.8	2.4
APAC	0.1	0.1	0.7	0.8
EMEA	1.8	1.1	4.0	3.3
Common Group expenses	-1.5	-1.4	-5.4	-5.4
SSH Group Total	0.6	0.3	0.2	1.1

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

KEY FIGURES AND RATIOS		
EUR million	1-12/ 2013	1-12/ 2012
Net sales	13.3	11.9
Operating profit/loss	0.2	1.1
Operating profit/loss as % of net sales	1.3	9.1
Profit/loss before extraordinary items and taxes	0.2	1.5
Profit/loss before extraordinary items and taxes as % of net sales	1.1	12.8
Profit/loss before taxes	0.2	1.1
Profit/loss before taxes as % of net sales	1.2	9.4
Return on equity (%)	2.2	30.9
Return on investment (%)	1.9	28.1
Interest-bearing net liabilities	-6.0	-6.6
Equity ratio (%)	76.6	70.0
Gearing (%)	-80.1	-105.2
Gross capital expenditure	2.0	1.2
% of net sales	14.7	10.0
R&D expenses	3.0	2.7
% of net sales	22.3	22.7
Personnel period average	85	61
Personnel period end	99	70

Calculation for key figures and ratios are presented in 2012 financial statement and annual report. There are no changes in calculation rules.

PER SHARE DATA		
EUR	1-12/ 2013	1-12/ 2012
Earnings per share undiluted*	-0.00	0.04
Earnings per share diluted*	-0.00	0.04
Equity per share	0.24	0.20
No. of shares at period average (thousand)	30 751	30 552
No. of shares at period end (thousand)	30 751	30 751
Share performance		
Average price	2.11	0.50
Low	0.75	0.30
High	4.50	0.90
Share price period end	2.91	0.76
Market capitalization period end (EUR million)	89.5	23.4
Volume of shares traded (million)	9.9	6.6
Volume of shares traded as % of total	33.4	20.8
Value of shares traded (EUR million)	20.8	3.2
Price per earnings ratio (P/E)	neg.	20.9
Dividend per share	0.0	0.0
Dividend per earnings, %	0.0	0.0
Effective return on dividend, %	0.0	0.0

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

CONTINGENT LIABILITIES		
EUR million	31.12.2013	31.12.2012
Rent security deposits	0.2	0.1
Leasing commitments outside the balance sheet		
Maturing within 1 year	0.5	0.5
Maturing between 1 and 5 years	0.4	0.1

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SSH Communications Security Corporation will release its interim report of the first quarter of the year in April 24th, 2014.

Helsinki, February 6th 2014

SSH COMMUNICATIONS SECURITY CORPORATION

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