Annual Report 2007

SSH Communications Security

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 Thursday March 27, 2008 at 5:00 pm.

Shareholders registered by Monday March 17, 2008 in the shareholders' register maintained by Finnish Central Securities Depository Ltd, and who by 4:00 pm Finnish time on Thursday March 20, 2008 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 Thursday, March 20, 2008.

FINANCIAL REPORTING IN 2008

SSH Communications Security Corp will publish the following financial reports during 2008:

Financial statements bulletin for 2007	February 13, 2008
Annual Report 2007	Week 12
Interim Report January 1 to March 31, 2008	April 23, 2008
Interim Report January 1 to June 30, 2008	July 23, 2008
Interim Report January 1 to September 30, 2008	October 22, 2008

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 also available in hard copy in Finnish and English and can be ordered from ir-team@ssh.com. The report is also available as a PDF file on the SSH website.

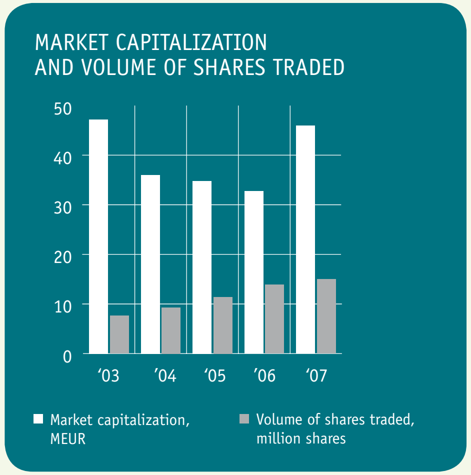
THE TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2007

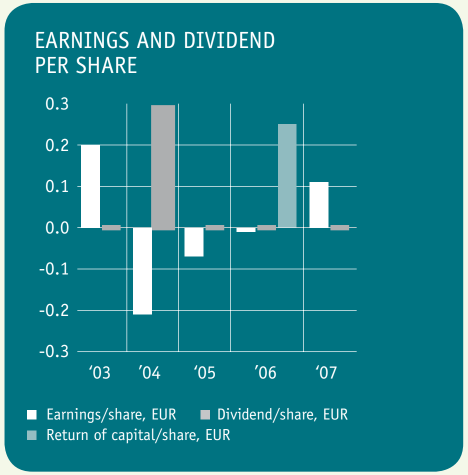
	%	Kpl
1. Ylönen Tatu Juhani	51.61	14,727,649
2. Assetman Oy	14.02	4,000,000
3. Kivinen Tero Tapani	5.53	1,577,703
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1.69	483,450
5. Tatu Ylönen Oy	1.31	375,071
6. Siven Pertti	0.75	215,000
7. Laakkonen Mikko Kalervo	0.70	200,000
8. Lahtinen Pekka Antero	0.44	125,000
9. Sijoitusrahasto Celeres Pension	0.38	109,300
10. Poutanen Jukka Tapani	0.35	100,000
10. Motane Oy	0.35	100,000
Total	77.13	22,013,173
Nominee-registered holdings	2.04	583,000

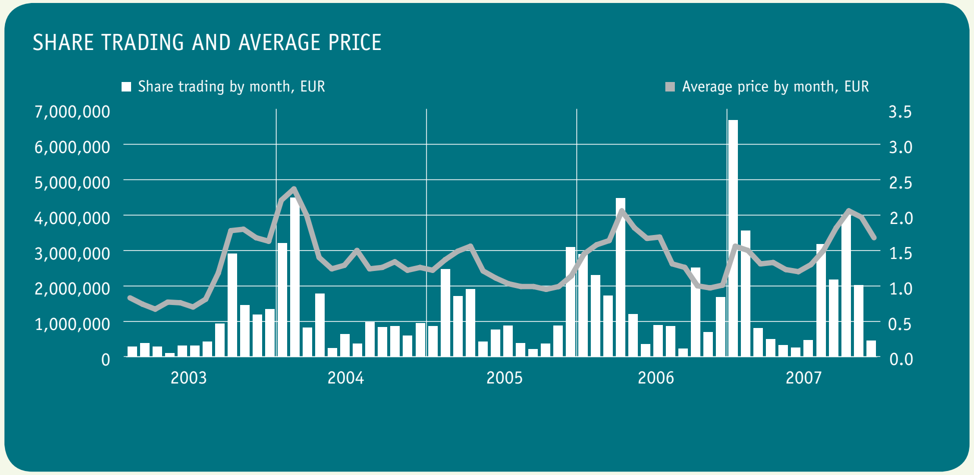
COMPANY INFORMATION

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







SSH IN BRIEF

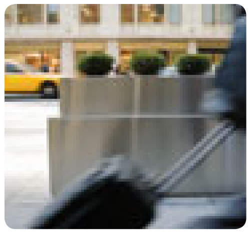
SSH provides end-to-end communications security solutions for large organizations to help them secure data-in-transit across complex network environments. The company's SSH Tectia software products have been developed to answer the growing security challenges and increasing regulatory requirements faced by large enterprises, financial institutions and government agencies. SSH Tectia is deployed by some of the world's largest organizations in these markets.

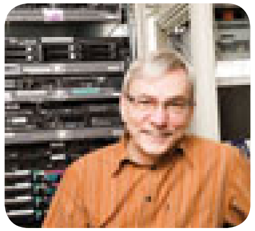
SSH is the original developer of the Secure Shell technology that has become the worldwide standard. The company has more than 12 years of experience in developing data communication security solutions.

In 2007, the revenue of the SSH group was EUR 14.1 million and by the end of the fiscal year the group employed 83 persons. The SSH headquarters are located in Helsinki, Finland, and the company has sales and support offices in the USA, Japan, 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. Since, however, the business operations are very similar in each of the segments, this Annual Report discusses all of SSH business operations together.

CONTENTS





THE SALES GROWTH DURING 2007 INCLUDED THE DIVERSIFICATION OF OUR CUSTOMER BASE. OUR LARGEST CUSTOMERS NOW INCLUDE SEVERAL OF THE WORLD'S LARGEST RETAILERS.

SSH FOR INVESTORS

Investing in SSH means investing in an innovative producer of enterprise data communications security software. SSH has for the past years systematically worked towards becoming the world-leading provider of end-to-end communications security software products. The company's objective is to grow profitably and be a leading provider within its target markets. SSH will achieve its business goals by focusing on selected customer segments and by cooperating closely with both current and future customers to meet their pressing network security needs.

BRAND

SSH markets and sells all its packaged products and services under the SSH Tectia brand. The SSH Tectia solution includes software products and technical services related to the installation, deployment and maintenance of the products.

SSH Tectia helps customers to secure data-in-transit easily and quickly in any network, from small to large and complex network environments. The main applications of the products are secure file transfer, secure system administration, and secure application connectivity.

CUSTOMERS

The most important customer segments of SSH are large enterprises, financial institutions, major retailers and government agencies. These organizations all operate large and complex computer networks, often supporting tens of thousands of computers as well as a broad range of business applications.

This infrastructure is often the result of years, if not decades, of continuous investments. The ability to seamlessly integrate the data security products with the current infrastructure without forcing changes to existing IT systems, applications or processes is of high value to customers, and a major competitive advantage of the SSH Tectia solution.

The majority of Fortune Global100 companies is now using, or have plans for deploying SSH Tectia for securing their internal data communications. Every day, the employees of SSH work diligently on serving our current customer base and on addressing the opportunity for license expansion and cross-selling in these accounts. At the same time, SSH actively markets its products and services to acquire new customers to expand its worldwide customer base.

We strive to build close long-term business relationships with our customers, and actively encourage our customers and business partners to participate in shaping and extending the SSH Tectia product and services solution set. A key vehicle for this, for instance, is the SSH Advisory Board, which comprises representatives of some of our largest customers. The SSH Advisory Board meets two to three times per year for discussions on various topics, such as security trends and the SSH Tectia roadmap.

BUSINESS PARTNERS

The SSH Tectia Solution is standards-based and integrates seamlessly and transparently with the customers' existing IT infrastructure. To facilitate this, SSH works actively with selected technology providers to ensure that its products are compatible with all relevant technology components and platforms.

SSH is also actively developing global and local distribution channels to expand its sales and marketing coverage. Since the products are often delivered as a part of a larger system or project, relations to the leading system integrators in the target customer segments are important.

RESEARCH & DEVELOPMENT

SSH's primary core competence is developing end-to-end communications security solutions for large and complex IT infrastructures with multiple operating systems, as well as multiple interfaces to other security systems, such as PKI and authentication systems.

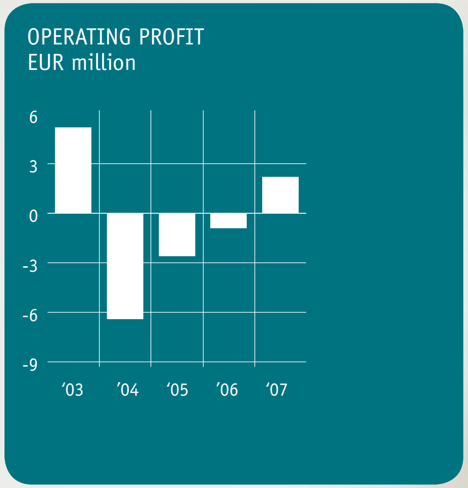
During the past few years, SSH has implemented the new SSH G3™ architecture to ensure that SSH Tectia can continue to scale to support growing workloads as well as new application areas and ever-more stringent security regulations. Thanks to the new architecture, SSH Tectia is faster and more scalable than ever before, typically improving performance by more than 100% over competitive products. The new architecture also enables SSH to introduce new products and features. The latest example is our new SSH Tectia ConnectSecure that makes it easier and faster to even more cost-effectively deploy our software, allowing our customers to more quickly meet growing compliancy demands and deadlines.

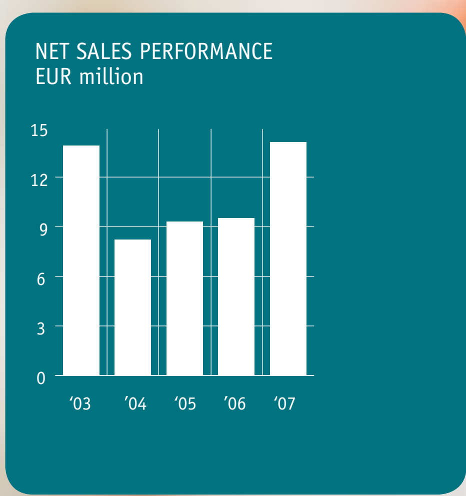
To help assure market adoption and growth, SSH develops and tests all new product features in close cooperation with selected key customers. Although we do not customize our products for specific customers, we do occasionally re-prioritize our development schedule to facilitate urgent customer requirements. This helps assure that new releases of our products will meet the rapidly evolving and often subtle requirements for system infrastructure integration and use for the benefit of all our customers.

The company owns the IPR rights of the SSH Tectia software and holds 13 patents at the end of 2007.

TECHNICAL SUPPORT

SSH Tectia is today an integral part of the mission critical IT systems supporting our customers' businesses. Our customers, keenly aware of the financial implications of system-downtime, turn to SSH for prompt professional software support and maintenance services. SSH supports customers worldwide on 24 by 7 basis from the technical support centers in Finland and the USA.





THE MOST IMPORTANT CUSTOMER SEGMENTS FOR SSH TECTIA ARE LARGE ENTERPRISES, FINANCIAL INSTITUTIONS, MAJOR RETAILERS AND GOVERNMENT ORGANIZATIONS THAT OPERATE LARGE, COMPLEX AND HETEROGENEOUS NETWORKS.

SALES

The main market areas for the SSH Tectia products are the USA, United Kingdom, Germany, Switzerland, Austria, Japan, 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 2007 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-added resellers and distributors who market and sell the SSH Tectia products. Specific SSH Tectia products are also available for purchase at the SSH online store.

MARKET POSITION

SSH is the worldwide market leader in software based on the Secure Shell technology. Today, our products are used by 60% of the Fortune Global 100 companies and by more than half of the fifty largest banks in the world.

The SSH Tectia solution enables enterprises to secure file transfers, system administration activities, and data-in-transit between business-critical business applications. The total value of these markets is hundreds of millions of Euros per year. Driven by new security threats, emerging legislative demands, new standards, and new security models, the market for enterprise security products like SSH Tectia is expected to continue to increase and thus to provide new growth opportunities for SSH.

The growth strategy of SSH is to profitably strengthen its position in the selected markets by developing the SSH Tectia Solution for 1) expanding use by the company's current customer base, 2) acquiring new large customers, who have an urgent need to cost-effectively secure file transfers and data-in-transit to meet regulatory demands and 3) acquiring new customers, who already use other Secure Shell technology but need the advanced SSH Tectia features and professional technical support.

In addition, SSH develops new business partnerships that aim to open indirect channels to new markets.

AS THE GLOBAL IMPLEMENTATION OF THE PCI DSS STANDARD PROLIFERATES, NEW OPPORTUNITIES FOR THE MARKETING AND DEPLOYMENT OF OUR PRODUCTS WILL ARISE IN ALL MARKET AREAS.

THE MAJORITY OF 2007 SALES CAME FROM NORTH AMERICA, WHICH HAS FOR A LONG TIME BEEN THE BIGGEST MARKET AREA FOR SSH TECTIA.

2007 IN BRIEF

Customers

- In line with an established practice 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 on the SSH website.

- Throughout 2007, IT organizations across the world increased their efforts to achieve compliancy with key regulations, 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 January 2007, an existing customer, who first deployed SSH Tectia in 2006, significantly expanded their usage of SSH Tectia. The large order enables the US-based retail chain to secure data-in-transit across its global network.

- In August 2007, SSH received its largest single order ever. The order was placed by one of the world's largest companies. This event was widely publicized in national as well as international business press. The SSH Tectia software is being used for secure file transfer and secure system administration system platforms ranging from desktop PCs to IBM mainframes across their global network to help this US-based retailer meet the stringent SOX compliancy demands.

- In September 2007, SSH received a large order from yet another major U.S. retail group. This company had an urgent need to secure data-in-transit throughout their extensive North American and European retail store network in order to meet key PCI DSS requirements.

- During 2007, SSH signed significant multi-year SSH Tectia license frame agreements with several of the world's largest car manufacturing, retail and financial organizations in the USA and Europe. Towards the end of the year, several European financial organizations expanded their deployment of SSH Tectia and placed significant expansion orders for SSH Tectia.

- Throughout the year, current customers of all sizes continued to renew their annual Support and Maintenance Services Agreements with SSH. The number and the average installed base of the supported customers grew during 2007 leading to the employment of additional technical support staff.

Partners

- Throughout 2007, SSH continued to work closely with its partners across the globe.

- In the USA, SSH partners 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 HP.

- 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.

- SSH is taking part in the security industry's standardization work. The Payment Card Industry DSS regulation was one of the key regulatory drivers of 2007. The PCI DSS standard will continue to evolve, and to influence development of the standard, SSH joined the PCI Security Standards Council. The mission of the Council is to enhance payment account data security by fostering broad adoption of the PCI Security Standards.

- In 2007, SSH also joined the premier European IBM user group, Guide Share Europe (GSE), which will help the company promote its mainframe product, SSH Tectia Server for IBM z/OS, to Europe's leading mainframe users.

IN AUGUST 2007, SSH RECEIVED ITS LARGEST SINGLE ORDER EVER. THIS EVENT WAS WIDELY PUBLICIZED IN NATIONAL, AS WELL AS THE INTERNATIONAL BUSINESS PRESS.

Products

- 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 2007, we introduced significant new features for SSH Tectia Server for IBM z/OS, such as improved MVS data set and SMF support. More than 150 copies of our mainframe software are now installed at one of the largest IBM mainframe installations in the world.

- SSH's focus to make SSH Tectia the easiest and fastest product to deploy for secure data-in-transit across complex heterogeneous networks increased in 2007. Several major new security features enabled our customers to meet demanding regulatory requirements and deadlines.

- The company also continued to ensure that SSH Tectia has a lower Total Cost of Ownership (TCO) than competing products with the release of a large number of improvements in usability improvements to SSH Tectia Manager, improved automatic FTP-SFTP conversion, and support for several new operating system platforms.

- Capping 2007 investments for growth in 2008 and beyond, SSH announced in November 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, delivered in first quarter 2008, contains major updates of all SSH Tectia products. SSH Tectia 6.0 features the new SSH Tectia Connect-Secure which builds upon and extends SSH Tectia EFT functionality. 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.

REVIEW BY THE CEO

Strong Growth in Revenue and Profitability

In 2007, our sales grew significantly, and our operating result was excellent. Our target market grew favorably as the new data security regulations and standards clearly impacted our customers' priorities and investment decisions. Thanks to a solid and significantly grown customer base, existing agreements, and a robust sales pipeline, we have an excellent starting point for 2008.

The customer companies we target with our SSH Tectia solution operate large complex computer networks, most of which have been built over years or even decades. In 2007, it was a priority for many companies to enhance these networks to comply with the current data security regulations. The need to secure file transfers and data-in-transit was emphasized by several highly publicized data breaches at large companies and government agencies. The alarming news and tightening regulations, along with the ever-evolving security architectures have activated our customers. The number of sales inquiries and requests for quotations as well as their values increased significantly during 2007. The customers were especially interested in securing file transfers between their IBM z/OS mainframes and Unix, Linux, and Windows platforms.

The demand for SSH Tectia was especially strong in the USA where our sales more than doubled, and where we secured several major orders and many new customers.

We are very glad to note that not only did our sales increase, but also that we attracted new customers from new industries. For example, as the credit card companies have begun to enforce the PCI security standards, several leading retail companies turned to the SSH Tectia solution. Our new customers also include major healthcare organizations, and world-leading manufacturers of consumer and convenience products. Successful SSH Tectia production deployments by many new customers expanded the ways the SSH Tectia products can be applied and will serve as important references and a valuable knowledge base for our future growth plans.

In 2007, our fastest growing product was SSH Tectia Server for IBM z/OS, whose sales tripled year over year. SSH Tectia Server for IBM z/OS is a prime example of how we, by concentrating on large user organizations – in line with our chosen strategy – have been able to provide them with a full enterprise-class solution. In this way, we improve our competitiveness, create lasting long-term customer relationships with leading companies, and make our products more profitable.

CHALLENGES FOR 2008

In 2008, the biggest challenge for SSH will be to accelerate the sales growth in Europe and in Asia, while continuing the very positive upward trend in North America.

The profitability of SSH achieved a very good level in 2007. However, we can further improve the operating results by focusing on increasing sales activities in all market areas. Due to the cost structure of a software business such as ours, an increase in sales correlates directly with the company's bottom line.

As I have already suggested, the USA has been a pioneer with regards to data security legislation as well as to the enterprise application of data security technologies. The fact that our market areas are in different development phases presents a strategic growth opportunity for SSH, and we are pleased to see the trend developing favorably for us. For example, as the global implementation of the PCI DSS standard proceeds, it will create new opportunities for marketing and deployment of our products in all market areas, including Europe and Asia.

The number of SSH Tectia users is constantly increasing. Several customers have just completed the first phase of their implementation of the SSH Tectia solution, leaving us with plenty of growth potential for future expansion. By continuously developing the versatile SSH Tectia as a business platform, we create weapons to win new growth.

Sales will increase when customers expand their current SSH Tectia installations, when they buy new SSH Tectia products and features, and when they subscribe to our annually renewable software support and maintenance services. I continue to see lots of untapped growth potential within our existing customer base, as well as from our rapidly growing base of new customers.

THE FUTURE

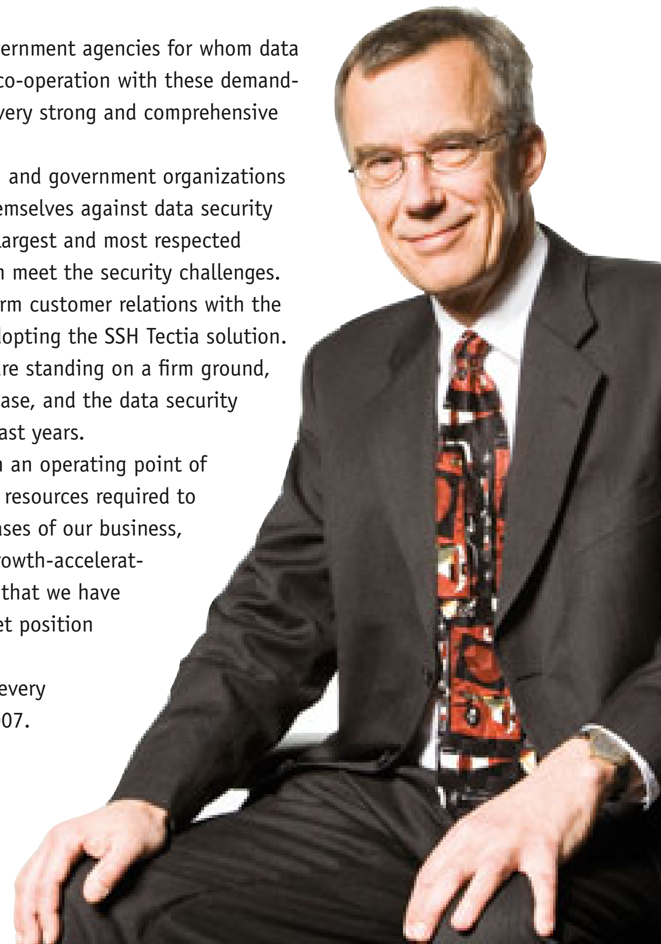
Our customers are large enterprises and government agencies for whom data security is a high-priority. Several years of co-operation with these demanding world-class customers has given SSH a very strong and comprehensive knowledge of enterprise data security.

Large enterprises, financial institutions, and government organizations face ever-increasing demands to protect themselves against data security risks, and as a result several of the world's largest and most respected organizations have selected us to help them meet the security challenges. The future of SSH lies with building long-term customer relations with the world-class companies and organizations adopting the SSH Tectia solution. We can greet the future confident that we are standing on a firm ground, thanks to the markets, our solid customer base, and the data security knowledge we have accumulated over the past years.

Strategically, we are vigilant – and from an operating point of view, we are in good shape. SSH has all the resources required to successfully implement the next growth phases of our business, whether through organic growth or other growth-accelerating strategic arrangements. I firmly believe that we have all it takes to continue improving our market position and operating results in 2008 and beyond.

Finally, I would like to thank each and every SSH employee for their excellent work in 2007.

Arto Vainio
CEO



THE SSH TECTIA BUSINESS

SSH delivers its strategy through the SSH Tectia solution. During the product development phase, SSH cooperates closely with key customers. This has enabled the SSH Tectia solution to become the ideal, easy-to-manage solution for securing file transfers, remote connections and other application data traffic in complex corporate networks. These three application areas present SSH with three distinct business opportunities within its selected customer segments.

MANAGED SECURE FILE TRANSFERS

Transfer of files between two computers is one of the most common operations in computer networks. Traditionally this has been undertaken using the unsecured legacy FTP protocol, but due to its inherent risks and the need to comply with the current data protection laws and other regulations, corporations across the globe have started to look for secure and manageable alternatives.

The market for Enhanced File Transfer (EFT) solutions was estimated to be worth approximately EUR 400 million in 2007. To address this market opportunity SSH continued its investment program to enhance its products and position in the secure file transfer market.

For the past five years, SSH has focused on serving the enterprise market, which traditionally has had a solid installed base of IBM mainframes. Based on market demand, SSH introduced its first mainframe product, SSH Tectia Server for IBM z/OS, in 2005 to meet the specific demand for cost-effective, cross-platform file transfers. The product has been significantly enhanced during its short lifetime, and today, it is the ideal product for securing file transfers and data-in-transit between IBM mainframes and distributed systems.

During 2007, marketing programs strengthened the interest in the mainframe product resulting in significant sales growth as well as an expanding sales pipeline. The increased demand for the product also presented SSH with new opportunities to sell SSH Tectia beyond the mainframe.

In November 2007, SSH reaffirmed its intentions to strengthen its market position in the secure file transfer market with the announcement of SSH Tectia version 6.0. This version is aimed at drastically reducing the cost and time needed to secure file transfers in an enterprise environment.

SSH does not intend to provide solutions to all possible file transfer needs, but has chosen to focus on the complex security needs of large enterprises' internal networks. Most of the current players in the file transfer market mainly concentrate on securing external file transfers. The main competitors of SSH Tectia in the secure file transfer market are the US-based companies Sterling Commerce and Tumbleweed.

SECURE REMOTE CONNECTIONS

The Secure Shell protocol was invented by Tatu Ylönen in 1995 to provide a secure remote connection between a terminal and a server and for securely executing commands on a remote host. Today, Secure Shell is the de-facto standard protocol used pervasively by IT professionals worldwide to securely access and administer computers, security appliances and network equipment. Secure Shell has gained this position partly thanks to the inclusion of the open-source version of Secure Shell (OpenSSH) in the Unix and Linux operating system distributions.

SSH Tectia offers a commercially supported data security solution that can be centrally managed. This solution is targeted at large enterprise customers who will benefit from the reduced operating costs. With the SSH Tectia solution, customers can securely access enterprise servers running operating systems such as Windows, Unix, Linux, and IBM z/OS. The SSH Tectia solution is based on open standards and can be deployed alongside other Secure Shell implementations, such as OpenSSH, but customers often elect to deploy SSH Tectia across their entire server estate in order to lower risks, to comply with the current laws and regulations, and to reduce the total cost of ownership (TCO) of their systems.

In 2007, the largest commercial SSH Tectia deals were replacements of previously installed Secure Shell in customers' networks. These customers concluded that they could obtain significant cost-savings by standardizing on a single commercially supported solution that would provide secure system administration throughout the entire company network. In many cases, the initial order was for deployment within a specific business unit or for one operating system platform. These customers then widen SSH Tectia usage, thereby expanding SSH sales opportunities within the existing customer base.

The market for secure remote connections is a part of the larger host-access market where the value of annual software sales is hundreds of millions of euros. SSH is the market leader in the Secure Shell remote administration market. The most significant commercial competition comes from the US-based companies Attachmate and VanDyke.

SSH endeavors to widen its market share in the large overall market by engaging in partnerships where the SSH Tectia solution is attached to a larger host access solution.

SECURE APPLICATION CONNECTIONS

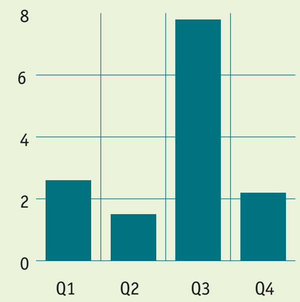
For the past decade computer technology has continued to evolve at great speed, but IT departments have often not been able to modernize software applications at the same rate. As a result, they are forced to support and maintain legacy systems, which may or may not be adequately secured.

To cost-effectively extend the useful lifetime of these legacy systems, SSH provides enterprise IT and security departments with products to remediate the security issues. The SSH Tectia solution transparently secures application data-in-transit between user workstations and application servers or even between two application servers.

With the release of SSH Tectia version 6.0 and specifically SSH Tectia ConnectSecure, enterprises can for the first time easily and transparently add security features, such as strong user authentication and encryption of data-in-transit, to commercial and in-house developed applications running on Windows, Linux, and Unix platforms.

The secure application connectivity solution is marketed to current SSH customers as a value-adding expansion of the SSH Tectia solution, and as a part of the total SSH Tectia vision for new customer engagements. This application area strengthens SSH Tectia as a total solution for securing data-in-transit throughout the customer's network.

SSH TECTIA QUARTERLY
NET SALES PERFORMANCE 2007,
EUR million



PERSONNEL

INTERNATIONAL WORKING ENVIRONMENT

By the end of 2007, SSH had 83 employees. 56 were working at the company head office in Helsinki, Finland, 4 were working in the other SSH offices in Europe, 20 in the offices in the US, and 3 in Japan. The employees represent 14 nationalities.

There were 43 employees working in R&D, 31 in sales and marketing, and 9 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 82 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.

CUSTOMER ORIENTATION, COOPERATION, AND GOOD TEAM SPIRIT

In October 2007, SSH carried out its annual personnel satisfaction survey. Employee responses to the web based questionnaire indicated a high overall job satisfaction, and as the most positive aspects the employees named SSH's customer oriented business practices, good cooperation between units of SSH, and their respective unit's good team spirit. The survey results were analyzed and development areas and actions were defined for 2008 accordingly.

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), SSH Communications Security K.K. (Japan), and SSH Operations Plc that operates in Finland, UK, and Germany.

SSH abides by its bylaws, 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 Helsinki Stock Exchange, and the joint recommendations of the OMX Nordic Exchange Helsinki, 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 Bylaws, 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 Bylaws, 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 Bylaws 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 Bylaws, 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 senior management
- 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 shareholders' meeting held on 29 March 2007 appointed these four people to the SSH Board of Directors: Tapio Kallioja, Tomi Laamanen (chairman), Timo Ritakallio and Tatu Ylönen.

Tapio Kallioja, born 1948, MSc (Technology)
Board member since 2001
President, SWelcom Oy
Tapio Kallioja has 26 years' management experience with companies in the media sector, including Helsingin Telset Oy, Helsinki Televisio Oy, Eurocable Oy, Sanoma Corporation's New Media Group and Helsinki Media Company Oy.
Owns 2,000 SSH shares and 2,000 stock options.

Tomi Laamanen, born 1968, DSc (Technology), PhD (Economics & Business Administration)
Board member since 2001, Chairman of the Board since September 21, 2001
Professor at Helsinki University of Technology
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.

Timo Ritakallio, born 1962, LLM, MBA
Board member since 2003
Deputy Chief Executive Officer, Pohjola Bank Oy
Timo Ritakallio has 20 years of wide experience in management and board of directors' positions in the capital markets and banking sector. Mr. Ritakallio is the deputy chairman of the Pohjola Bank's Executive Committee. 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.
Owns directly 14,727,649 SSH shares and 375,071 shares indirectly through Tatu Ylönen Oy.

Since SSH's operations focus on one area of business only, and the company is small by

Board of Directors:
Tapio Kallioja, Tomi Laamanen,
Timo Ritakallio, Tatu Ylönen.

international standards, a four-member board is considered sufficient to effectively manage the Board's responsibilities. The majority of the Board members have no dependence on the company. Tapio Kallioja, Tomi Laamanen and Timo Ritakallio are deemed to be independent Board members. Tatu Ylönen, who directly and indirectly through his company Tatu Ylönen Oy, owns more than 50 percent of the total number of shares, is as such not an independent Board member.

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. In addition to the secretary and the CEO, the CFO and director responsible for the US operations also attend the Board meetings.

The SSH Board of Directors convened 13 times in 2007. 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, but owing to the restricted scope of the company's activities, it had not previously been deemed necessary to establish a separate appointment or remuneration committee. In December 2007, the Board of Directors reconsidered this decision and decided to establish a Remuneration Committee to plan executive and employee compensation and reward scheme. The Remuneration Committee will be effective from January 1, 2008 and comprises of Tomi Laamanen and Tatu Ylönen.

Tomi Laamanen acts as the Chairman of the Audit Committee. As the CEO, 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 Audit Committee convened twice in 2007.

CEO

SSH's Board of Directors appoints 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.

Since July 2, 2002, the company's CEO has been Arto Vainio, BSc (Econ), born 1950. Prior to joining SSH, Mr. Vainio was Vice President, Marketing at Tellabs. Prior to that he was Vice President, Sales, South-East Asia, for Nokia Telecommunications (now Nokia Siemens Networks). Mr. Vainio owns 100,000 stock options.

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.

MANAGEMENT TEAM

SSH's Management Team has nine members. The Team is chaired by the CEO. The other members are the directors responsible for business operations and various corporate support functions.

The Management Team can be enlarged if this is considered necessary for the business and topic under consideration. The members of the Management Team are all directly subordinate to the CEO, and as such report directly to him.

The Management Team's principal responsibilities are to assist the CEO, to monitor and develop the company's business in line with the objectives set, to disseminate information, and to prepare investment decisions for consideration by the Board of Directors. The Team convenes regularly on a weekly basis.

MEMBERS OF THE MANAGEMENT TEAM

George F. Adams, born 1948, MBA, BSEE
Management Team member since 1999
President and CEO, SSH Inc, Executive VP, Sales
George F. Adams is responsible for SSH's operations in North and South America and is President and CEO of the US subsidiary. 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.
Owns 53,250 SSH shares and 60,000 stock options.

Petri Lillberg, born 1974, MSc (Econ)
Management Team member since 2005
Vice President, R&D and Product Management
Petri Lillberg is responsible for SSH R&D and product management. 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)
Management Team member since 2005
Chief Financial Officer
Mika Peuranen is responsible for SSH's financial management , IT 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
Management Team member since 2001
Vice President and General Counsel, Legal Affairs and Human Resources
Pekka Rauhala is responsible for human resources and legal affairs for SSH Corp and its subsidiaries. He also acts as the secretary to SSH's Board of Directors. Before joining SSH, Mr. Rauhala was Director of Legal Affairs, Director of Facilities and Legal Counsel at Tellabs, Legal Counsel at the Jaakko Pöyry Group of Companies, and Legal and Tax Counsel at Helsinki Chamber of Commerce.
Owns 20,000 SSH shares and 65,000 stock options.

Timo J. Rinne, born 1969, MSc (Tech)
Management Team member since 2005
Chief Technology Officer
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 22,500 stock options.

Juha Saksi, born 1963, MSc (Tech), eMBA
Management Team member since 2004
Vice President of Sales, Europe and Asia
Juha Saksi is responsible for SSH's sales, sales offices and business development in Europe and Asia. Before joining SSH, Mr. Saksi was Head of F-Secure Corporation's wireless data security business unit and a member of the Management Team. Prior to that, he was responsible for managing sales and marketing at Vaisala Oyj.
Owns 15,000 SSH stock options.

Bo Sørensen, born 1956, BSc (Computer Science),
B.A. (Finnish)
Management Team member since 2007
Vice President, Marketing
Bo Sørensen is responsible for global marketing of SSH's products and services. Mr. Sørensen joined SSH in January 2004 as Sales Director, US West, based in Los Altos, California. From September 2005 to June 2007 he was responsible for SSH's operations in the UK. Prior to joining SSH, Mr. Sørensen was the Vice President of Sales and Marketing at F-Secure's North American subsidiary.
Owns 5,000 SSH stock options.

Jukka Tuomas, born 1967, MSc (Tech)
Management Team member since 2005
Director, Technical Support Services and Business Development
Jukka Tuomas is responsible for professional services and software logistics of SSH Tectia products worldwide. Mr. Tuomas is also supporting the CEO in corporate business development activities. 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 50 SSH shares and 10,000 SSH stock options.

Arto Vainio, born 1950, BSc (Econ)
Management Team member since 2002
CEO
Arto Vainio serves as Chairman of the Boards of Directors of 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. Jean-Bernard Dumerc, CEO, SSH Communications Security K.K., reports on operative matters to the Vice President of Sales for Europe and Asia. Shareholding information as shown above.

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 senior management.

Forms of remuneration for SSH's senior management and CEO involve a performance-related bonus and 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 SSH's senior management is based on the company's net sales and the trend in net sales, company profitability and personal qualitative and quantitative targets. The weighting of the corporate financial indicators varies between different members of the company's management. The average weighting of the key financial indicators represents 75-85 percent of the overall target, however, the VP's of Sales and VP of R&D and Product Management are also incented by specific revenue growth linked performance in their own responsibility areas. The targets for the company's senior management are fixed for one year at a time.

The Board of Directors
Tapio Kallioja EUR 16,800
Tomi Laamanen EUR 16,800
Timo Ritakallio EUR 16,800
Tatu Ylönen (no salary or remuneration)

CEO
Arto Vainio, salary and other benefits EUR 188,428.

Neither the members of the Board of Directors nor the CEO were given stock options during the fiscal year. The numbers of shares and stock options held by the members of the Board of Directors, CEO and members of the 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 OMX Nordic Exchange, Helsinki (prev. Helsinki Stock Exchange). 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 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 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 assistants to executive management, 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 OMX Nordic Exchange, Helsinki (prev. Helsinki Stock Exchange). Company's General Counsel is responsible for guidance and supervision of the insider matters.

INTERNAL ADMINISTRATION, RISK MANAGEMENT AND INTERNAL AUDITING

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. Balanced Scorecard measurements ensure that the targets are in balance.

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.

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 Bylaws, 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 2007, the auditor's fees were EUR 51,863 in the Group and EUR 47,525 in the parent company. Other fees charged by the firm of auditors were EUR 37,727 in the Group and EUR 2,964 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.

SHARES AND SHAREHOLDERS

SHARE CAPITAL

According to the Company Bylaws, the share capital of SSH Communications Security Corp 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 Corporate Bylaws. The nominal share value is EUR 0.03 and hence the minimum number of shares is 20,000,000 and the maximum number of shares is 80,000,000. SSH has one class of shares, and each share entitles its holder to one vote at the shareholders' meeting. The company's registered and fully paid share capital was EUR 856,083,36 consisting of 28,536,112 shares, on December 31, 2007.

SHARE TRADING AND REGISTRATION

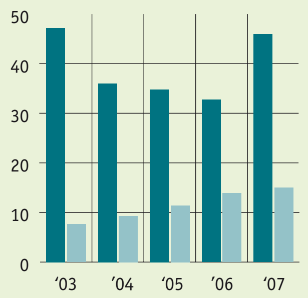
The SSH shares are quoted at OMX Nordic Exchange, Helsinki (prev. Helsinki Stock Exchange). The shares have been entered in the book-entry securities system that is maintained by Finnish Central Securities Depository Ltd. The official list of SSH shareholders is also kept by Finnish Central Securities Depository Ltd.

BOARD AUTHORIZATIONS

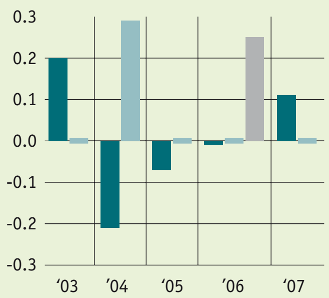
The SSH Annual General Meeting of March 29, 2007 authorized the Board of Directors to decide until the next Annual General Meeting, however, no later than June 30, 2008, on issuing the maximum number of 5,500,000 shares in one or more new share issues, and on issuing special rights to share subscription defined in the Finnish Companies Act Chapter 10, section 1, with or without subscription rights to shareholders.

The Board had not exercised this authorization by December 31, 2007.

MARKET CAPITALIZATION AND VOLUME OF SHARES TRADED



EARNINGS AND DIVIDEND PER SHARE



CHANGES IN SHARE CAPITAL

	Number of shares	Share capital
Dec. 31, 2005	**28,268,813**	**848,064**
Stock option subscriptions 2005	155,082	4,652
Dec. 31, 2006	**28,423,895**	**852,717**
Stock option subscriptions 2006	112,217	3,366
Dec. 31, 2007	**28,536,112**	**856,083**

SHAREHOLDING BY SECTOR

Type of sector	Number of shares	Percentage of shares and votes, %
Non-banking corporate sector	5,049,443	17.70
Financial and insurance companies and institutions	634,470	2.22
Public sector organizations	491,450	1.72
Non-profit organizations	76,831	0.27
Households	22,013,391	77.14
Foreign shareholders	270,527	0.95
Total	**28,536,112**	**100**

SHAREHOLDING BY NUMBER OF SHARES

Shares	Number of owners	Percentage of owners, %	Number of shares	Percentage of shares, %
1–50	1,936	40.27	94,512	0.33
51–100	393	8.17	38,726	0.14
101–500	1,041	21.65	318,050	1.12
501–1,000	524	10.90	450,245	1.58
1,001–5,000	700	14.56	1,713,300	6.00
5,001–10,000	106	2.21	805,228	2.82
10,001–50,000	85	1.77	1,841,253	6.45
50,001–100,000	13	0.27	966,612	3.39
100,001–500,000	7	0.15	2,002,834	7.02
500,001–1,000,000	0	0	0	0
1,000,001–5,000,000	2	0.04	5,577,703	19.55
5,000,001–999,999,999	1	0.02	14,727,649	51.61
Total	**4,808**	**100.00**	**28,536,112**	**100.00**
of which nominee-registered	7		583,000	2.04

STOCK OPTION RIGHTS

The SSH Annual General Meetings of 1998, 1999, 2000, 2001, 2002 and 2003 decided to issue stock options. The stock options are part of the SSH Group's employee retention and incentive plan. The stock option plan (I/1999) series C, D, E, F, G, and H are traded in the OMX Nordic Exchange, Helsinki. More information on the stock option plans is available in Appendix 22, page 38.

SHARES OWNED BY SSH MANAGEMENT

The members of the SSH Board of Directors and the company CEO owned directly or indirectly through their own companies 53.04% of the SSH company shares and voting rights on Dec 31, 2007. The Board of Directors and the CEO hold 106,000 share options. Other members of the Management Team own 0.29% of the SSH shares, and 177,500 share options. More information on the managers' shareholding is available in Appendix 31, page 41.

SHAREHOLDERS

At the end of 2007, SSH had a total of 4,808 shareholders. 583,000 shares (accounting for 2,04% of shares) were nominee-registered. The holdings by the ten largest shareholders accounted for approximately 77,13% of the company's shares and voting rights. Foreign shareholding represented 0.95%, of which 0.93% was based on direct holdings and 0.02% on nominee-registered shares. SSH holds no treasury shares.

SSH's largest shareholder is Mr. Tatu Ylönen, holding 52,9% of the company shares based on personal holdings and holdings through a company wholly owned by him. Consequently, Mr. Ylönen has a controlling interest in the company, as referred to in Chapter 1 of the Finnish Securities Market Act. On December 31, 2007, the company's freely tradable shares accounted for 46,96% of all shares.

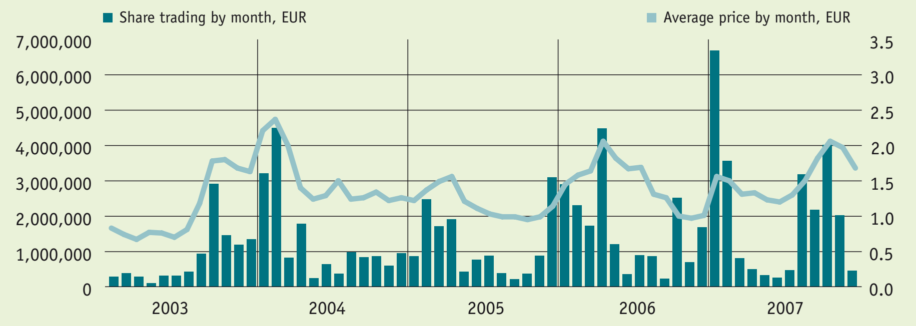
SHARE TRADING AND PERFORMANCE

The SSH share SSH1V closed at EUR 1.61 (2006: EUR 1.15) on Dec 31, 2007, and the trade-weighted average share price for year 2007 was EUR 1.43 (2006: 1.43). The highest price per share was EUR 2.39 (2006: EUR 2.40) and the lowest price was EUR 1.12 (2006: EUR 0.88)). The reported cumulative trading volume of the SSH shares totaled 15.0 million shares, EUR 24.5 million. The market value of the SSH shares was EUR 45.9 million at the end of the financial period.

THE TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2007 (EXCLUDING THOSE WITH NOMINEE-REGISTERED SHARES)

	%	Shares
1. Ylönen Tatu Juhani	51.61	14,727,649
2. Assetman Oy	14.02	4,000,000
3. Kivinen Tero Tapani	5.53	1,577,703
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1.69	483,450
5. Tatu Ylönen Oy	1.31	375,071
6. Siven Pertti	0.75	215,000
7. Laakkonen Mikko Kalervo	0.70	200,000
8. Lahtinen Pekka Antero	0.44	125,000
9. Sijoitusrahasto Celeres Pension	0.38	109,300
10. Poutanen Jukka Tapani	0.35	100,000
10. Motane Oy	0.35	100,000
Total	77.13	22,013,173
of which nominee-registered	2.04	583,000

SHARE TRADING AND AVERAGE PRICE



PER SHARE DATA

	Jan 1, 2007– Dec 31, 2007 IFRS	Jan 1, 2006– Dec 31, 2006 IFRS	Jan 1, 2005– Dec 31, 2005 IFRS	Jan 1, 2004– Dec 31, 2004 IFRS	Jan 1, 2003– Dec 31, 2003 IFRS
Earnings per share (Group), €	0.11	-0.01	-0.07	-0.21	0.20
Earnings per share (Group) considering dilution effect, €	0.11	-0.01	-0.07	-0.21	0.19
Shareholders’ equity per share (Group), €	0.73	0.63	0.90	1.26	1.49
Dividends, €	0	0	0	8,149,930	0
Dividends per share, €	0.00	0.00	0.00	0.29	0.00
Dividend pay-out ratio, %	-	-	-	-	0.0
Effective dividend yield, %	0.0	0.0	0.0	22.7	0.0
Adjusted average number of shares during the period, thousands	28,460	28,310	28,166	28,014	27,728
Adjusted average number of shares at the end of period, thousands	28,536	28,424	28,269	28,102	27,736
Adjusted average number of shares considering dilution effect, thousands	28,720	28,787	28,614	28,457	28,506
Price per earnings ratio (P/E)	15.2	-	-	-	8.5
Market capitalization, million €	45.9	32.7	34.8	36.0	47.2
Share performance in Helsinki Exchanges, €					
Average price	1.63	1.43	1.23	1.69	1.31
Share price, year-end	1.61	1.15	1.23	1.28	1.70
Lowest	1.12	0.88	0.91	1.18	0.61
Highest	2.39	2.40	1.78	2.69	2.36
Volume of shares traded, millions	15.0	13.9	11.4	9.3	7.6
Volume of shares traded, % of total number	52.6	48.8	40.5	33.3	27.5
Volume of shares traded, million €	24.5	19.9	14.0	15.8	10.0

Tunnuslukujen laskentaperiaatteet sivulla 46.

REPORT OF THE BOARD OF DIRECTORS FOR 1 JAN – 31 DEC 2007

NET SALES

The consolidated net sales for 2007 totaled EUR 14.1 million (EUR 9.5 million), up by 49.4 percent, year on year. Net sales for the fourth quarter totaled EUR 2.2 million.

SSH Tectia is a software-based security solution aimed at large enterprise customers, and the sales process is typically lengthy. The timing of the orders placed by the biggest customers is manifested in the net sales variations between quarters.

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 9 percent weaker than during the same period for 2006.

RESULTS AND EXPENSES

Operating profit for 2007 amounted to EUR 2.2 million (2006: a loss of EUR -0.9 million) with net profit totaling EUR 3.0 million (a loss of EUR -0.2 million). Operating loss for the fourth quarter totaled EUR -1.0 million (a profit of EUR 0.5 million), with net loss amounting to EUR -0.8 million (a profit of EUR 0.7 million).

SSH's fixed costs reported for the period have increased by EUR 1.4 million since 2006. Research and development expenses for the report period totaled EUR 3.7 million (EUR 3.4 million). The increase in these expenses was caused by investments in test automation activities and in technical support services.

Sales and marketing expenses were EUR 6.5 million. (EUR 5.7 million). The increase in the sales and marketing expenses was caused by the significant sales growth, the related sales bonuses and additional marketing investments.

Administration expenses were EUR 1.9 million (EUR 1.6 million). The increase in expenses was due to an EUR 0.2 million provision recorded for restructuring of the sales organisation and sales channels in Asia. The objective is to sharpen the geographical focus of the sales activities, to increase the role of resellers and to reduce operating costs.

The parent company has recorded an increase of EUR 0.1 million to the write-downs of receivables from the subsidiaries during the report period. The write-down does not have an impact on the group's result.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH remained good during the report period. The consolidated balance sheet total on 31 December 2007 stood at EUR 25.5 million (EUR 21.3 million), of which liquid assets accounted for EUR 22.0 million (EUR 16.7 million), or 86.2 percent of the balance sheet total. The company has no interest-bearing debts. The ratio of net liabilities to shareholders' equity, or gearing, was -105.8% (-92.9%) and the equity ratio stood at 91.4 percent (92.4 percent) 31 December 2007.

The reported gross capital expenditure for the period totaled EUR 0.1 million (EUR 0.1 million). Financial income and expenses totaled EUR +0.9 million, compared to EUR +0.7 million a year earlier. The reported financial income mainly came from capital gains on fund shares and deposit interests.

During 2007, SSH reported a positive cash flow of EUR 4.8 million from business operations. Investments showed a negative cash flow of EUR -4.8 million and the cash flow from financing was EUR 0.0 million. The liquid assets of the company remained the same as the previous reporting period.

MARKET DEVELOPMENTS

Large enterprises, financial institutions and government organizations have a constant need to improve their data security. Old and new security risks, as well as the evolving legislation and security standards present our customers with requirements that can be met with our company's SSH Tectia products and services.

We have witnessed a growing demand for products capable of securing internal file transfers within large listed enterprises and government organisations. Currently, the trend is strongest in the USA, but it is expected to gradually impact our European and Asian markets as well.

Regulations affecting our products include, for instance, the Sarbanes-Oxley Act (SOX), the payment card industry's PCI DSS standard and the health-care HIPAA regulations concerning patient

SALES PERFORMANCE

NET SALES EUR million	10–12/2007	7–9/2007	4–6/2007	1–3/2007	1–12/2007	10–12/2006	1–12/2006
GEOGRAPHICAL SEGMENT							
Americas (AMER)	1.4	7.3	1.0	1.8	11.5	2.0	5.7
Asia Pacific (APAC)	0.2	0.2	0.2	0.2	0.8	0.2	0.9
Europe and the rest of the world (EROW)	0.6	0.3	0.3	0.5	1.8	1.2	2.8
SSH Group total	2.2	7.8	1.5	2.6	14.1	3.3	9.5
BY OPERATION							
License Sales	1.1	6.8	0.6	1.6	10.1	2.4	5.8
Maintenance	1.1	1.0	0.9	0.9	4.0	0.9	3.6
Total	2.2	7.8	1.5	2.6	14.1	3.3	9.5

data security. To comply with these regulations our customers have to improve their internal and external IT security systems.

It is our belief, that the data security legislation, security standards and various company-driven development programs will lead to continuos and increased demand for the SSH Tectia products and services.

The Americas accounted for 82% (61%) of the reported net sales; the EROW segment accounted for 13% (30%) and APAC for 6% (10%).

During the report period, SSH concluded 8 new license agreements that were worth more than EUR 100,000 each. The ten largest customers accounted for 61 percent of the reported net sales, with the largest single customer accounting for approximately 30 percent.

PRODUCTS AND MARKETING

During the reporting period, SSH focused its sales and marketing efforts on large enterprises, financial institutions, and government agencies in the US, Europe, and Asia, in line with its long-term strategy. The company also continued developing its partner network 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 internal networks. During the year we continued to improve our 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 our products. The overall goal is to make the products more attractive to our customers as well as easier to sell.

New applications, support of all key enterprise OS platforms, versatile integration capabilities, and centralized management have made SSH Tectia the best performing integrated end-to-end communications security solution in the market.

RESEARCH AND DEVELOPMENT

Research and development expenses for 2007 totaled EUR 3.7 million (EUR 3.4 million), the equivalent of 26.0 percent of net sales (35.6 percent). The company has not capitalized any research and development expenses during the report period.

At the end of December 2007, the company held 13 patents, and 13 patents were pending.

BUSINESS RISKS

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

Our 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 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 senior management. Repairs are carried out immediately and updates are supplied to customers without delay. The Company's 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 2007 the Group had 83 employees on its payroll, up by 3 from the previous year, an increase of 3.8 percent. Of the employees, 56 were based in Finland, 4 elsewhere in Europe, 20 in the USA and 3 in Japan. On average, SSH had 81 (81) employees on its payroll. Salaries and bonuses, including all other personnel expenses, totaled EUR 7.7 million (EUR 6.4 million).

The average age of the employees was 37.1 years. 82 percent have an academic degree. 19 percent of the employees were women and 81 percent men. At the end of the period, 43 employees worked in R&D, 31 in sales and marketing, and 9 percent in corporate administration.

At the end of the reporting period, the parent company had 56 (56) employees on its payroll, on average 57 (55) employees during the period. In 2007, salaries and bonuses, and other personnel expenses, totaled EUR 4.2 million (EUR 3.9 million).

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 29, 2007, re-elected Tapio Kallioja, Tomi Laamanen, Timo Ritakallio and Tatu Ylönen to SSH Communications Security Corp's Board of Directors, with Tomi Laamanen re-elected as chairman.

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

SHARES, SHAREHOLDING AND CHANGES IN THE GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corp shares totaled 15,020,468 (valued at EUR 24,462,255). The highest quotation was EUR 2.39 and the lowest EUR 1.12. The trade-weighted average share price for the period was EUR 1.63, and the share closed at EUR 1.61 (28 December 2007).

In February, SSH Communications Security Corp received a notification in accordance with the Securities Market Act 2:9, according to which the total of Assetman Oy's (business code 0748885-4) shares in SSH Communications

Security Corp has on 13 February 2007 risen above one tenth (1/10) of the total of all shares and related voting rights. Assetman Oy held 14 percent of the company's shares at the end of the period.

There were no other substantial changes in SSH Communications Security Corp's shareholding during the report period. Tatu Ylönen holds, directly and through his company, Tatu Ylönen Oy, 52.9 percent of the company's shares, and Tero Kivinen holds 5.5 percent. More information about the shareholding can be obtained from the company's web site.

The company has subsidiaries outside Finland; SSH Communications Security, Inc. in the USA, SSH Communications Security K.K. in Japan, and SSH Operations Oy, operating in Finland, UK and Germany. There were no changes in the group structure during the report period. Currently, the Company is restructuring the Asian sales organisation with purpose to sharpen the sales focus geographically, to increase the role of resellers and to reduce costs.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on 31 December 2007 was EUR 856,083.36, consisting of 28,536,112 shares. During the report period, SSH increased its share capital three times as new shares were subscribed with the Company's option rights. In total, 3,550 new SSH shares were subscribed to under the I/1999 stock-option plan, 100,667 shares under the I/2003 stock-option plan, and 8,000 shares under the II/2003 stock-option plan. With these subscriptions the company's share capital was increased by EUR 3,366.51.

The SSH Annual General Meeting of 29 March 2007 authorized the Board of Directors to decide upon issuing of a maximum of 5,500,000 shares as a share issue against payment or by giving stock options or other special rights, defined in the 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, in one or more tranches. The authorization will be effective until the next Annual General Meeting, but will expire on 30 June 2008. The authorization has not been used.

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.

PROSPECTS

New data security regulations and security risks continue to drive our customers, in all market segments, to make long-term investments to improve the security of their IT infrastructure.

In 2007, SSH received several major orders from new customers, which not only expanded our customer base, but also introduced us to new industries. The implementations by these new customers resulted in new ways to apply SSH Tectia. Several large software deliveries were successfully made to important customers, which strenghtened our technical and commercial reference base. These and other positive aspects make us confident that the upward sales trend will continue in the near future.

The US dollar and the American economy present some uncertainty factors that are difficult to estimate. At the same time, the company has a historically high number of valuable tenders in the US. The USA leads the trend to increase the security level of company-internal data-in-transit, and we believe that this development will create more demand for our products in the European and Asian market centers.

The company looks ahead to a clearly profitable year 2008.

The increased size of orders, and the dependency on the customers internal project delivery schedule, may cause significant variation in invoicing between quarters.

DIVIDEND AND OTHER DISTRIBUTION OF THE ASSETS

The Board of Directors will propose to the Annual General Meeting that the Board of Directors would be authorized to decide on the dividend distribution and/or on the distribution of the assets from the invested unrestricted equity fund of the company so that, by virtue of the authorization, the total of the distributed assets can be a maximum of 0.15 euro per share. The Board of Directors proposes that the maximum amount of the distribution according to the authorization would be in total 4,350,000.00 euro and that the authorization would be valid until 31 December 2008.

KEY FINANCIAL INDICATORS

	1 Jan 2007–31 Dec 2007	1 Jan 2006–31 Dec 2006	1 Jan 2005–31 Dec 2005	1 Jan 2004–31 Dec 2004	1 Jan 2003–31 Dec 2003
	IFRS	IFRS	IFRS	IFRS	FAS
Net Sales, €	14,126,249	9,455,902	9,296,985	8,229,959	13,850,908
Operating profit/loss, €	2,155,652	-885,684	-2,645,377	-6,398,988	5,172,620
% of net sales	15.3	-9.4	-28.5	-77.8	37.3
Result before extraordinary items, appropriations and taxes, €	3,038,112	-192,636	-2,015,209	-5,857,895	5,525,405
% of net sales	21.5	-2.0	-21.7	-71.2	39.9
Result before taxes, €	3,038,112	-192,636	-2,015,209	-5,857,895	5,525,405
% of net sales	21.5	-2.0	-21.7	-71.2	39.9
Return on equity, %	15.6	-1.0	-6.6	-15.4	14.4
Return on investments, %	15.1	-0.9	-6.4	-13.6	16.3
Net interest-bearing debt, € 1,000	-22,005	-16,698	-22,485	-33,522	-36,489
Gearing, %	-105.8	-93.0	-88.4	-94.8	-88.7
Equity-to-assets ratio, %	91.4	92.4	92.8	94.8	94.7
Capital expenditure, €	106,105	115,186	83,174	460,038	860,130
% of net sales	0.8	1.2	0.9	5.6	6.2
Research and development expenditure, €	3,679,305	3,356,617	3,423,873	3,843,119	5,200,973
% of net sales	26.0	35.5	37.4	49.9	39.0
% of net sales (without investments)	26.0	35.5	36.8	46.7	37.4
Personnel, average	81	81	83	105	131
Personnel at the end of the period	83	80	75	105	104

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

€	Note*	1 Jan–31 Dec 2007	1 Jan-31 Dec 2006
NET SALES	3	**14,126,249**	**9,455,902**
Purchasing and production costs		34,600	55,254
GROSS MARGIN		**14,091,649**	**9,400,648**
Other operating income	4	148,374	357,594
Product development costs		3,679,305	3,356,617
Sales and marketing costs		6,477,592	5,665,088
Administration costs		1,927,474	1,622,222
OPERATING PROFIT/LOSS		**2,155,652**	**-885,684**
Financial income	7	1,014,918	782,299
Financial expenses	8	132,458	89,251
PROFIT/LOSS BEFORE TAXES		**3,038,112**	**-192,636**
Taxes	9	8,094	19,762
PROFIT/LOSS FOR THE FINANCIAL PERIOD		**3,030,018**	**-212,398**
Attributable to:			
Equity holders of parent company		3,030,018	-212,398
Minority interest		-	-
Earnings per share for loss attributable to the equity holders of the parent company:			
Basic earnings per share (€ per share)	10	0.11	-0.01
Diluted earnings per share (€ per share)	10	0.11	-0.01

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

CASH FLOW STATEMENT

€	1 Jan–31 Dec 2007	1 Jan-31 Dec 2006
Cash flow from operating activities		
Cash receipts from customers	15,704,247	10,857,552
Cash receipts from other operating income	215,282	530,686
Cash paid to suppliers and employees	-11,278,583	-10,533,516
Interest paid	-167,814	-99,683
Interest received	372,191	117,627
Income taxes paid	-15,153	0
Cash flow from operating activities, total	**4,830,169**	**872,665**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-88,728	-115,822
Purchase of investments	-110,397,058	-106,098,507
Proceeds from sale of investments	105,469,833	112,748,825
Interest received	219,826	0
Cash flow from investing activities, total	**-4,796,127**	**6,534,496**
Cash flow from financing activities		
Proceeds from issuance of share capital	35,967	53,235
Return of capital	0	-7 073,287
Cash flow from financing activities, total	**35,967**	**-7,020,051**
Net increase in cash and cash equivalents	**70,008**	**387,110**
Cash and cash equivalents at beginning of period	**1,721,100**	**1,443,920**
Adjusted translation difference	-76,400	-109,930
Net increase in cash and cash equivalents	70,008	387,110
Cash and cash equivalents at end of period	**1,714,708**	**1,721,100**

consolidated financial statements

BALANCE SHEET

€	Note*	31 Dec 2007	31 Dec 2006
ASSETS			
FIXED AND NON-CURRENT ASSETS			
Tangible assets	11		
Machinery and equipment		146,849	137,359
Tangible assets, total		**146,849**	**137,359**
Intangible assets	12		
Intangible rights		74,919	236,882
R&D expenses		12,186	37,718
Intangible assets, total		**87,105**	**274,600**
Deferred tax assets	13	**244,960**	**244,960**
FIXED AND NON-CURRENT ASSETS, TOTAL		**478,915**	**656,919**
INVENTORIES AND CURRENT ASSETS			
Short-term receivables			
Trade receivables	14	2,636,382	3,509,350
Other receivables	15	321,633	306,831
Prepaid expenses and accrued income	16	77,032	127,393
Current receivables, total		**3,035,046**	**3,943,574**
Short-term investments			
Available-for-sale assets	17	0	14,989,656
Investments held to maturity	18	20,302,557	0
Investments, total		**20,302,557**	**14,989,656**
Cash and cash equivalents		**1,714,708**	**1,721,100**
INVENTORIES AND CURRENT ASSETS, TOTAL		**25,052,312**	**20,654,329**
ASSETS, TOTAL		**25,531,227**	**21,311,248**

€	Note*	31 Dec 2007	31 Dec 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS			
Share capital		856,083	852,717
Share premium fund		11,529,315	11,496,715
Translation differences		-1,070,336	-844,461
Fair value reserve		125,574	126,183
Unrestricted equity fund		5,926,714	5,926,714
Retained profit/loss		3,432,948	402,931
SHAREHOLDERS' EQUITY, TOTAL	20	**20,800,298**	**17,960,799**
LONG-TERM LIABILITIES			
Deferred tax liabilities	13	386	3,658
Provisions	23	220,625	37,846
Long-term financial liabilities	24	12,479	13,008
LONG-TERM LIABILITIES, TOTAL		**233,490**	**54,513**
SHORT-TERM LIABILITIES			
Advances received		2,785,193	1,883,530
Trade payables		182,254	114,120
Accrued expenses and deferred income	25	1,238,033	823,948
Other liabilities	26	291,958	474,338
SHORT-TERM LIABILITIES, TOTAL		**4,497,439**	**3,295,936**
LIABILITIES, TOTAL		**4,730,929**	**3,350,449**
SHAREHOLDERS' EQUITY AND LIABILITIES		**25,531,227**	**21,311,248**

* The notes are an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, GROUP

€ 2006	Note*	Share capital	Share premium	Fair value and other reserves	Translation differences	Unrestricted equity funds	Retained earnings	Total[1]
Shareholders' equity 1 Jan	20	**848,064**	**24,448,132**	**248,822**	**-718,020**	**0**	**615,329**	**25,442,328**
Translation differences		0	0	0	-126,441	0	0	-126,441
Available-for-sale assets: gain /loss measured at fair value		0	0	-88,703	0	0	0	-88,703
Net income / expenses recognized under shareholders' equity		**0**	**0**	**-88,703**	**-126,441**	**0**	**0**	**-215,144**
Net profit / loss for the period		0	0	0	0	0	-212,398	-212,398
Income and expenses recognized for the period, total		**0**	**0**	**-88,703**	**-126,441**	**0**	**-212,398**	**-427,542**
Transfer to other shareholders' equity item		0	-5,926,714	0	0	5,926,714	0	0
Return of capital		0	-7,073,287	0	0	0	0	-7,073,287
Subscribed shares based on stock options		4,652	48,583	0	0	0	0	53,235
Granted stock option rights		0	0	-33,935	0	0	0	-33,935
Shareholders' equity 31 Dec	20	**852,717**	**11,496,715**	**126,183**	**-844,460**	**5,926,714**	**402,931**	**17,960,799**

€ 2007	Note*	Share capital	Share premium	Fair value and other reserves	Translation differences	Unrestricted equity funds	Retained earnings	Total[1]
Shareholders' equity 1 Jan	20	**852,717**	**11,496,715**	**126,183**	**-844,460**	**5,926,714**	**402,931**	**17,960,799**
Translation differences		0	0	0	-225,876	0	0	-225,876
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**	**-225,876**	**0**	**0**	**-231,147**
Net profit / loss for the period		0	0	0	0	0	3,030,018	3,030,018
Income and expenses recognized for the period, total		**0**	**0**	**-5,271**	**-225,876**	**0**	**3,030,018**	**2,798,871**
Transfer to other shareholders' equity item		0	0	0	0	0	0	0
Return of capital		0	0	0	0	0	0	0
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	20	**856,083**	**11,529,315**	**125,574**	**-1,070,336**	**5,926,714**	**3,432,948**	**20,800,298**

[1] Attributable to equity holders of the parent

* The notes are an integral part of these financial statements

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), SSH Communications Security K.K. (Japan) and SSH Operations Oy, which has operations in Finland, Germany and Great Britain. SSH Communications Security Corp has its registered office at address Valimotie 17, 00380 Helsinki, Finland.

The Board of Directors of SSH Communications Security Corp has accepted the publication of these financial statements in its meeting of 12 February 2008. 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 (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 2007. 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.

Associates and joint ventures

SSH Communications Security Group has no associated companies or joint ventures.

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 practise 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 purchace and production costs above the operating profit. Exchange rate gains and losses on financing are entered as 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 practise, the translations are done once a month using the montly 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 recognised 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 recognised 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.

Royalties are recognised as revenue for the period during which the customer has made a payment or provided confirmation, or the amount of royalties has been otherwise determined. Maintenance agreements are recognised evenly throughout the contract period. Revenues from services are recognised when the service has been delivered.

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 attaching to the grant. The grant is recognised 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 recognised as income over the same period as the related costs are recognised. 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 recognised 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 recognised 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 recognised 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 capitalised development costs are valued at the original acquisition cost less depreciation and impairment. Capitalised 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 recognised 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 recognised 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 recognised at fair value. Transaction costs are included in the original carrying amount of an asset other than assets held for sale. Financial assets are derecognised 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.

An asset is classified as financial asset recorded at fair value through profit or loss when the asset is acquired for 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, realised or unrealised, is recognised 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 amortised 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 nonderivative 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 can not be measured reliably. The change in fair value is recognised 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 rerecognised from shareholders' equity and recognised 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. Transaction costs are included in the carrying amount at initial recognition when the asset is not classified as financial asset recorded at fair value through profit or loss. All purchases and sales are recognised on the trade date. Cash and cash equivalents are derecognised from the balance sheet when the contractual right to cash flows ceases or when the significant risks and rewards related to the asset are transferred.

Financial liabilities

Financial liabilities are originally recognised 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.

Financial liabilities are categorised to non-current and current liabilities and they can be interest bearing or interest free. Capital loans are classified as financial liabilities in accordance with IAS 32.

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 amount recorded in the shareholders' equity is unrecognised and recognised in the income statement. Impairment loss on available-for-sale financial assets categorised as equity instruments are not reversed through the income statement. A reversal of impairment loss for financial asset other than equity instrument is recognised in the income statement.

The group recognises an impairment loss on trade receivables, when there is objective evidence that a receivable is not fully collectible. Borrower's financial difficulties, probability of a bankruptcy or delays exceeding 90 days in payment are evidence of impairment loss for a receivable. The impairment loss recognised in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of a 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 recognised in the income statement.

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 as indicated by the purpose of the derivative contract.

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 fulfil 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 recognised in the income statement.

Derivative contracts are presented in current 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, which expose the Group to significant risks and rewards inherent in holding such assets, are classified as finance leases. Finance leases are capitalised 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 interestbearing 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.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by using the average-price method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Borrowing costs
Borrowing costs are recognised 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 share 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
Outstanding 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 purchases 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 recognised to the extent that it is probable that taxable income, against which the temporary difference can be applied, will materialise in the future.

Employee benefits

Pensions
The Group's pension schemes 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 recognised in the income statement for the accounting period during which such contributions were made.

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

The fair value of share options is determined as at the time granted and expensed in even instalments 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 share premium account.

Provisions
Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises 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
In 2007, the Group has applied the standard IFRS 7 *Financial Instruments: Disclosures*; and the IAS 1 *Presentation of Financial Statements* Amendment, *Capital Disclosures* (effective on financial periods beginning on or after 1 January 2007). IFRS 7 introduces more information on the financial instruments' effect on an entity's financial position and performance in the notes of financial statements. The amended IAS 1 requires information on the capital level of the company and how it is managed.

The following interpretations published 2007 are not estimated to have any effect on the Company's financial statements:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-inflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

IASB has published the following standards and interpretations the application of which is obligatory in 2008 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 2008 are not estimated to have any effect on the Company's financial statements:

- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements*
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Company will start using the following standards and interpretations in 2009. Their effect on the financial statement are being studied:

- IAS 1 Presentation of Financial Statements – Amendment*
- IAS 23 Borrowing Costs – Amendment*
- IFRS 2 Share-based Payment – Amendment*
- IFRS 8 Operating Segments
- IFRIC 13 Customer Loyalty Programmes*

The Company will start using the following standards and interpretations in 2010. Their effect on the financial statement are being studied:

- IFRS 3 Business Combinations – Amendment*
- IAS 27 Consolidated And Separate Financial Statements – Amendment*

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

Management judgement 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 judgement 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 utilisation 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 World (EROW)
- Asia and the Pacific (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	Unallo-cated costs	Elimina-tions	Group total
NET SALES	**1,792,308**	**11,521,605**	**812,337**	**0**	**0**	**14,126,249**
Purchasing and production costs	-31,700	-2,899	0	-1	0	-34,600
GROSS MARGIN	**1,760,607**	**11,518,706**	**812,337**	**-1**	**0**	**14,091,649**
Other income	0	0	0	148,374	0	148,374
Segment costs and depreciations	-1,850,711	-3,841,191	-689,862	-5,702,606	0	-12,084,371
OPERATING PROFIT/LOSS	**-90,104**	**7,677,514**	**122,475**	**-5,554,233**	**0**	**2,155,652**
Financial income						1,014,918
Financial expenses						-132,458
PROFIT BEFORE TAXES						**3,038,112**
Taxes						-8,094
PROFIT FOR THE FINANCIAL PERIOD						**3,030,018**
Segment assets	**1,029,481**	**2,219,237**	**601,336**	**21,681,173**	**0**	**25,531,227**
Segment liabilities	**2,086,234**	**8,887,819**	**597,925**	**-294 722**	**-6 546 326**	**4,730,929**
Capital expenditure	**101,269**	**4,836**				**106,105**
Depreciations	**272,846**	**9,550**				**282,396**

Income statement

2006 €	EROW	Americas	APAC	Unallo-cated costs	Elimina-tions	Group total
NET SALES	**2,796,554**	**5,731,791**	**927,557**	**0**	**0**	**9,455,902**
Purchasing and production costs	-38,814	-4,995	-11,445	0	0	-55,254
GROSS MARGIN	**2,757,741**	**5,726,796**	**916,112**	**0**	**0**	**9,400,648**
Other income	0	0	0	357,594	0	357,594
Segment costs and depreciations	-2,161,269	-2,862,421	-488,998	-5,131,237	0	-10,643,926
OPERATING PROFIT/LOSS	**596,471**	**2,864,375**	**427,114**	**-4,773,643**	**0**	**-885,684**
Financial income						782,299
Financial expenses						-89,251
PROFIT BEFORE TAXES						**-192,636**
Taxes						-19,762
PROFIT FOR THE FINANCIAL PERIOD						**-212,398**
Segment assets	**1,308,598**	**2,729,853**	**499,366**	**16,773,431**	**0**	**21,311,248**
Segment liabilities	**2,273,694**	**9,886,363**	**456,134**	**-958,777**	**-8,306,965**	**3,350,449**
Capital expenditure	**99,394**	**15,792**				**115,186**
Depreciations	**410,719**	**14,125**				**424,844**

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

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Other operating income, €	2007	2006
Rental income	108,624	79,344
National Technology Agency of Finland (TEKES), granted development contributions	39,750	278,250
Total	148,374	357,594

5

Employee benefits, €	2007	2006
Wages and salaries	6,673,692	5,576,416
Pensions, defined contribution plan	539,805	558,702
Other personnel expenses	446,393	338,178
Granted stock option rights	4,662	-33,935
Total	7,664,552	6,439,360

The Group applies defined contribution pension plans. Note 31 comprises information on management benefits.

In 2007, the Company granted 5,000 new stock options. The fair value of the stock option plans was determined by the Black-Scholes pricing model, using an expected volatility rate of 50 percent, risk-free rate of 4 percent and a dividend rate of 0 percent. No stock option rights were granted in 2006. The cost for stock options rights granted previous years contains a correction of EUR 47,321 for the cost recorded in 2005. The share-based payments are presented in note 22.

Personnel	2007	2006
On average	81	81
At period-end	83	80

Personnel distribution by business area on 31 Dec	2007	2006
R&D	43	39
Sales and marketing	31	30
Administration	9	11
Total	83	80

6

Depreciations by assets, €	2007	2006
On machinery and equipment	58,008	38,063
On financial assets	33,981	58,512
On other tangible assets	0	3,475
On software	164,875	219,491
On capitalized development expenses	25,531	105,302
Total	282,396	424,844

Depreciations by activity, €	2007	2006
On R&D expenses	135,441	214,826
On sales and marketing expenses	89,799	125,300
On administration expenses	57,156	84,718
Total	282,396	424,844

7

Financial income, €	2007	2006
Interest income	50,778	28,678
Gains on available-for-sale assets	410,820	681,436
Gains on held-to-maturity investments	233,057	0
Gains on derivative contracts	297,246	56,151
Gains on exchange rate differences	23,017	16,035
Total	1,014,918	782,299

8

Financial expenses, €	2007	2006
Losses on available-for-sale assets	18,021	8,919
Losses on derivative contracts	19,634	49,267
Interest on financial leases	672	2,007
Losses on exchange rate differences	93,966	29,057
Other intererest expenses	164	0
Total	132,458	89,251

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Taxes, €	2007	2006
Deferred tax	-1,421	256
Other direct taxes	9,515	19,506
Total	8,094	19,762

Comparison of taxes based on the valid tax rate in Finland with those stated in the income statement:

	2007	2006
Profit/Loss before taxes, total	3,038,112	-192,636
Tax at 26%	789,909	-50,085
Effect of foreign subsidiaries' differing tax rates	-30,117	-58,991
Expenses not deductible for tax purposes	58,845	7,817
Use of previously unrecognized tax losses	-867,358	-67,580
Tax assets not recognized for reported losses	58,236	188,346
Deferred taxes	-1,421	256
Tax charge	8,094	19,762

10 Earnings per share, €

Earnings per share, €	2007	2006
Profit/loss attributable to the equity holders of the parent company	3,030,018	-212,398
Weighted average number of shares in issue (thousands)	28,460	28,310
Earnings per share (basic) (€ per share)	0.11	-0.01
Adjusted average number of shares considering dilution effect (thousands)	28,720	28,787
Earnings per share (diluted) (€ per share)	0.11	-0.01

11 Tangible assets

Machinery & equipment, €	2007	2006
Acquisition cost 1 Jan	1,079,395	1,080,104
Conversion difference	-20,513	-25,702
Increase	90,996	66,924
Reduction	-47,214	-41,932
Acquisition cost 31 Dec	1,102,664	1,079,395
Accumulated depreciation 1 Jan	985,511	1,014,030
Conversion difference	-18,345	-24,327
Depreciation for the period	58,210	38,063
Conversion difference of depreciation	-657	-324
Accumulated depreciation on decrease	-47,214	-41,932
Accumulated depreciation 31 Dec	977,505	985,511
Book value 31 Dec	125,158	93,884

Leased assets based on finance leases, €	2007	2006
Acquisition cost 1 Jan	182,912	166,632
Increase	12,197	16,279
Acquisition cost 31 Dec	195,109	182,912
Accumulated depreciation 1 Jan	139,437	80,924
Depreciation for the period	33,981	58,512
Accumulated depreciation 31 Dec	173,418	139,437
Book value 31 Dec	21,691	43,475
Book value of machinery and equipment, total, 31 Dec, €	146,849	137,359

Other tangible assets, €	2007	2006
Acquisition cost 1 Jan	18,548	20,707
Conversion difference	-1,954	-2,159
Acquisition cost 31 Dec	16,594	18,548
Accumulated depreciation 1 Jan	18,548	17,110
Conversion difference	-1,954	-1,784
Depreciation for the period	0	3,475
Conversion difference of depreciation	0	-252
Accumulated depreciation 31 Dec	16,594	18,548
Book value 31 Dec	0	0
Balance sheet value of tangible assets, 31 Dec, €	146,849	137,359

12 Intangible assets

Software, €	2007	2006
Acquisition cost 1 Jan	1,799,609	1,769,453
Conversion difference	-1,654	-1,827
Increase	2,912	31,982
Reduction	-2,212	0,
Acquisition cost 31 Dec	1,798,655	1,799,609
Accumulated depreciation 1 Jan	1,562,727	1,344,853
Conversion difference	-1,654	-1,462
Depreciation for the period	164,875	219,491
Conversion difference of depreciation	0	-156
Accumulated depreciation on decrease	-2,212	0
Accumulated depreciation 31 Dec	1,723,736	1,562,727
Book value 31 Dec	74,919	236,882

Development expenses, €	2007	2006
Acquisition cost 1 Jan	315,905	315,905
Acquisition cost 31 Dec	315,905	315,905
Accumulated depreciation 1 Jan	278,188	172,886
Depreciation for the period	25,531	105,302
Accumulated depreciation 31 Dec	303,719	278,188
Book value 31 Dec	12,186	37,718
Balance sheet value of intangible assets, 31 Dec, €	87,105	274,600

13 Deferred tax receivables and liabilities, €

Deferred tax receivables	1 Jan 2006	Charged in income statement	Charged in equity	31 Dec 2006
From losses	244,960	0	0	244,960
Deferred tax liabilities				
Fair valuation of available-for-sale investments	33,018	0	-31,166	1,852
Other	1,550	256	0	1,806
Total	34,568	256	-31,166	3,658

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

Confirmed losses from earlier years that are not recognized as deferred tax assets by the Group, amount to EUR 21.6 million. Of these, EUR 17.3 million are domestic and EUR 4.3 million from the operations in the USA. The domestic confirmed losses will begin to expire from 2011 onwards and the confirmed losses in the USA from 2018 onwards.

	2007	2006
14 Trade receivables, €	2,636,382	3,509,350

Trade receivables by age, €	2007	Recognized as losses on loans and advances	Net value 2007	2006	Recognized as losses on loans and advances	Net value 2006
Non-matured	2,408,179		2,408,179	2,962,320		2,962,320
Matured						
Less than 30 days	72,398		72,398	231,605		231,605
30–50 days	16,288		16,288	20,427		20,427
Over 50 days	225,265	85,748	139,517	347,574	52,577	294,997
Total	2,722,130	85,748	2,636,382	3,561,927	52,577	3,509,350

Trade receivables by currency, €	2007	2006
Euro	180,351	301,789
USD	1,828,450	2,252,181
JPY	30,105	246
GBP	515,889	311,036
CHF	81,586	644,097
Total	2,636,382	3,509,350

Doubtful debts reduced from trade receivables, €	2007	2006
Doubtful debts 1 Jan	52,577	94,196
Realized	-34,916	-94,196
Cancelled	-11,255	0
New	79,342	52,577
Doubtful debts 31 Dec	85,748	52,577

15 Other receivables, €	2007	2006
Prepayments	225,249	155,779
VAT receivables	95,418	150,138
Other current receivables	966	914
Total	321,633	306,831

16 Prepaid expenses and accrued income, €	2007	2006
Grants	0	66,908
Personnel related	7,966	11,368
Other prepaid expenses and accrued income	69,066	49,117
Total	77,032	127,393

17 Available-for-sale investments, €	2007	2006
Fair value 1 Jan	14,989,656	21,087,071
Additions	69,294,501	106,098,507
Reductions	-84,277,034	-112,076,052
Change in fair value	-7,123	-119,869
Fair value 31 Dec	0	14,989,656
Current	0	14,989,656

18 Held-to-maturity investments, €

Held-to-maturity investments, €	2007	2006
Nominal value 1 Jan	0	0
Additions	41,102,557	0
Reductions	-20,800,000	0
Nominal value Dec 31	20,302,557	0
Current	20,302,557	0

Realized capital gains and losses on available-for-sale investments and fixed-term deposits are presented in notes 7 and 8. Changes in the fair value reserves are presented in “Fair value and other reserves” in the Group’s Statement of changes in shareholders’ equity.

19 Financial assets and liabilities by measurement categories

Balance sheet item 31 Dec 2007 , €	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total	Note
Current financial assets:					
Trade and other receivables	2,958,015	0	0	2,958,015	14,15
Investments held to maturity	20,302,557	0	0	20,302,557	18
Cash and cash equivalents	1,714,708	0	0	1,714,708	
Current financial assets total:	24,975,280	0	0	24,975,280	
Long-term financial liabilities:					
Financial lease liabilities	0	0	12,479	12,479	24
Current financial liabilities:					
Trade and other payables	0	0	474,212	474,212	26
Financial liabilities, total:	0	0	486,691	486,691	

Balance sheet item 31 Dec 2006 , €	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total	Note
Current financial assets:					
Trade and other receivables	3,816,181	0	0	3,816,181	14,15
Investments available for sale	0	14,989,656	0	14,989,656	17
Cash and cash equivalents	1,721,100	0	0	1,721,100	
Current financial assets, total:	5,537,281	14,989,656	0	20,526,937	
Long-term financial liabilities:					
Financial lease liabilities	0	0	13,008	13,008	24
Current financial liabilities:					
Trade and other payables	0	0	588,458	588,458	26
Financial liabilities, total:	0	0	601,466	601,466	

20 Notes to shareholders’ equity

According to the Corporate Bylaws 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 Corporate Bylaws. The nominal per share value is EUR 0.03, hence the minimum number of shares is 20 million and 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 December 31, 2007 amounted to EUR 852,716.36, and the number of shares was 28,536,112.

The Board of Directors will propose to the Annual General Meeting that the Board of Directors would be authorized to decide on the dividend distribution and/or on the distribution of assets from the invested unrestricted equity fund to shareholders so that by virtue of the authorization, the total of distributed assets can be a maximum of EUR 0.15 per share. The Board of Directors proposes that the maximum amount of the distribution according to the authorization would be in total EUR 4,350,000.00 and that the authorization would be valid until December 31st 2008.

Changes in the share capital and in the share premium fund:

	Number of shares	Share capital	Share premium fund	Total
31 Dec 2005	**28,268,813**	**848,064**	**24,448,132**	**25,296,196**
Transfer to the other shareholders' equity item			-5,926,714	-5,926,714
Return of capital			-7,073,287	-7,073,287
Subscriptions under stock option plan I/1999	9,250	277	0	277
Subscriptions under stock option plan I/2003	145,832	4,375	48,583	52,958
31 Dec 2006	**28,423,895**	**852,717**	**11,496,715**	**12,349,432**
Subscriptions under stock option plan I/1999	3,550	107		107
Subscriptions under stock option plan I/2003	100,667	3,020		3,020
Subscriptions under stock option plan II/2003	8,000	240	32,600	32,840
31 Dec 2007	**28,536,112**	**856,083**	**11,529,315**	**12,385,398**

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.

21 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 decision 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.

22 Share-based payments

SSH's share-based payments consist of stock option plans. The Annual General Meetings of 1998, 1999, 2000, 2001, 2002 and 2003 decided to issue stock options for share subscription.

Each stock option entitles the holder to purchase one SSH share during the subscription period and at a predetermined price according to the stock option plan. If a participant's employment is terminated before the subscription period has commenced, his/her stock option rights will be invalidated. There are no other restrictions for the right to participate in the subscription. At the end of 2007, the subscription period for all stock option plans had commenced. The stock options are freely transferable when the share subscription period has commenced, except for stock option plans II/2002, III/2002 and III/2003 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.

Shares subscribed by virtue of stock options are entitled to dividend from the fiscal year during which they have been subscribed. Other shareholder rights will commence when the share capital increase has been entered into the Trade Register. The stock option plan I/1999, series C, D, E, F, G and H are also traded on the Helsinki Stock Exchange.

Stock option plans – data

Stock option plan	Warrant	Date of issue	Subscription period Start	End	Share subscription price, €	Unexcercised 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	6,362
	I/1999F	5 Aug 1999	1 Nov 2002	1 Nov 2012	0.03	5,112
	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	3,862
						20,325
10.7.2000		10 Jul 2000	1 Nov 2000	1 Nov 2010	5.96	32,000
I/2000	I/2000A	10 Jul 2000	1 May 2001	1 May 2011	5.96	41,900
	I/2000B	13 Sep 2000	1 Nov 2001	1 Nov 2011	5.96	67,004
	I/2000C	22 Mar 2001	1 May 2002	1 May 2012	5.96	40,248
						149 152

II/2000	II/2000A	22 Mar 2001	1 Nov 2001	1 Nov 2011	14.46	3,250
	II/2000B	22 Mar 2001	1 May 2002	1 May 2012	14.46	1,625
	II/2000C	22 Mar 2001	1 Nov 2002	1 Nov 2012	14.46	875
	II/2000D	22 Mar 2001	1 May 2003	1 May 2013	14.46	875
	II/2000E	22 Mar 2001	1 Nov 2003	1 Nov 2013	14.46	875
	II/2000F	22 Mar 2001	1 May 2004	1 May 2014	14.46	875
	II/2000G	22 Mar 2001	1 Nov 2004	1 Nov 2014	14.46	875
						9,250
I/2002	I/2002A	11 Apr 2002	1 May 2003	1 May 2008	2.96	248,602
	I/2002B	11 Apr 2002	1 May 2004	1 May 2008	2.96	192,513
	I/2002C	11 Apr 2002	1 May 2005	1 May 2008	2.96	111,438
	I/2002D	11 Apr 2002	1 May 2006	1 May 2008	2.96	59,196
						611,749
II/2002	II/2002A	11 Apr 2002	6 Jun 2002	11 Apr 2012	1.46	1,375
	II/2002B	11 Apr 2002	6 May 2003	11 Apr 2012	1.46	250
	II/2002C	11 Apr 2002	6 May 2004	11 Apr 2012	1.46	1,500
	II/2002D	11 Apr 2002	6 May 2005	11 Apr 2012	1.46	1,500
						4,625
III/2002	III/2002A	26 Jun 2002	6 May 2003	26 Jun 2012	1.36	6,124
	III/2002B	26 Jun 2002	6 May 2004	26 Jun 2012	1.36	6,125
	III/2002C	26 Jun 2002	6 May 2005	26 Jun 2012	1.36	6 625
	III/2002D	26 Jun 2002	6 May 2006	26 Jun 2012	1.36	6 625
						25,499
I/2003	I/2003A	29 Apr 2003	1 May 2004	1 May 2009	0.33	65,902
	I/2003B	29 Apr 2003	1 May 2005	1 May 2009	0.33	59,682
	I/2003C	29 Apr 2003	1 May 2006	1 May 2009	0.33	59,076
						184,660
II/2003	II/2003A	29 Apr 2003	1 May 2004	29 Apr 2013	0.33	3,999
	II/2003B	29 Apr 2003	1 May 2005	29 Apr 2013	0.33	3,501
	II/2003C	29 Apr 2003	1 May 2006	29 Apr 2013	0.33	3,999
	II/2003D	29 Apr 2003	1 May 2007	29 Apr 2013	0.33	4,001
						15,500

On the balance sheet date, SSH had 1,052,760 (2006: 1,407,116) stock options outstanding, of which the fully owned subsidiary SSH Operations Oy held 0 options (2006: 209,932). The weighted average exercise price of remaining stock options was EUR 2.98 (2006: EUR 2.53). The weighted average of the remaining subscription period was 1.4 years (2006: 2.5 years). The exercise price varies from EUR 0.03 to EUR 14.46 and the remaining subscription period from 4 months to 6.8 years.

Changes in outstanding stock options and in weighted average subscription price:

	2007		2006	
	Weighted average exercise price, €	**Number of stock options**	**Weighted average exercise price, €**	**Number of stock options**
At the beginning of period	2.74	1,197,184	2.70	1,364,849
Granted stock options	0.33	5,000	0	0
Forfeited stock options	1.62	37,207	1.92	12,583
Exercised stock options	0.32	112,217	0.34	155,082
At the end of period	2.98	1,052,760	2.74	1,197,184
Exercisable stock option rights at the end of period	2.98	1,052,760	2.76	1,191,183

SSH's weighted average share price was EUR 1.63 in 2007 and EUR 1.43 in 2006.

23 Provisions, €

	Restructuring provisions	**Onerous contracts**
31 Dec 2005	0	92,232
Utilized during year	0	-45,923
Exchange differences	0	-8,464
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

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 purpose of the reorganization is to sharpen geographical focus of the sales, to increase the role of resellers, and to reduce costs.

24 Finance lease liabilities

Finance lease liabilities – minimum lease payments, €	2007	2006
Not later than 1 year	11,325	38,088
1–5 years	13,015	13,270
Total	24,340	51,358

Finance lease liabilities – the present value of minimum lease payments, €	2007	2006
Not later than 1 year	10,773	37,416
1–5 years	12,479	13,008
Total	23,252	50,424
Future finance charges, €	1,088	934

Total finance lease liabilities, €	2007	2006
Short-term	10,773	37,416
Long-term	12,479	13,008

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 through 2011.

25 Accrued expenses and deferred income, €

	2007	2006
Personnel related	1,229,798	800,029
Tax payables	7,769	13,700
Other accrued expenses and deferred income	467	10,219
Total	1,238,033	823,948

26 Other liabilities, €

	2007	2006
Personnel related	121,790	113,377
Finance lease liabilities	10,773	37,416
VAT liabilities	44,781	89,074
Derivative financial instruments	0	1,383
Other current liabilities	114,613	233,089
Total	291,958	474,338

27 Derivative contracts, €

	2007	2006
Forward exchange contracts		
Fair value	0	-1,383
Face value	0	654,077

28 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.

29 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, €	2007	2006
Not later than 1 year	688,162	707,394
1–5 years	1,084,107	1,240,093
Over 5 years	21,975	0
Total	1,794,244	1,947,487

Non-cancellable operating lease commitments for vehicles – minimum lease payments, €	2007	2006
Not later than 1 year	51,419	65,267
1–5 years	21,980	55,074
Total	73,398	120,341

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 2007 contains rents based on rental agreements for a total of EUR 651,764 (EUR 806,004 in 2006).

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 2007 contains rents based on vehicle lease agreements for a total of EUR 95,054 (EUR 77,826 in 2006).

The Group has sublet part of its offices. The rental income related to the subleases is EUR 182,675 (EUR 225,848 in 2006). The minimum future rental income related to the subleases was, as of 31 December 2007, EUR 36,680 (EUR 327,331 as of 31 December 2006).

30 Rental guarantees, €

	2007	2006
Rental guarantees (monetary pledge)	54,556	205,600

The Group has in 2007 and previous years received public funding comprising a possible payback obligation.

31 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 Communications Security K.K, Tokio	Japan	100	100
SSH Operations Oy, Helsinki	Finland	100	100

Management benefits, €	2007	2006
Managing Directors' salary	188,428	201,299
Board emoluments	50,400	50,400

The share and stock option holdings of the board, 31 Dec 2007	Shares	Options
Tapio Kallioja	2,000	2,000
Tomi Laamanen	22,000	4,000
Timo Ritakallio	8,000	0
Tatu Ylönen	15,103,280	0
Total	**15,135,280**	**6,000**

The share and stock option holdings of the management team, 31 Dec 2007	Shares	Options
George Adams	53,250	60,000
Petri Lillberg	0	0
Mika Peuranen	0	0
Pekka Rauhala	20,000	65,000
Timo Rinne	10,000	22,500
Juha Saksi	0	15,000
Bo Sørensen	0	5,000
Jukka Tuomas	50	10,000
Arto Vainio (CEO)	0	100,000
Total	**83,300**	**277,500**

As of 31 December 2007, SSH's Board members and CEO hold, directly or indirectly through companies they own, 53.0 percent of Company shares and votes. The Board members and CEO hold 106,000 stock options. The other members of the management team held around 0.3 percent of the Company shares and votes and possess a total of 117,500 stock options.

32 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 effected the financial situation of the company.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

parent company financial statements

INCOME STATEMENT

€	Note	1 Jan–31 Dec 2007	1 Jan–31 Dec 2006
NET SALES	1	**8,980,707.49**	**5,054,123.87**
Purchasing and production costs		31,700.42	123,036.56
GROSS MARGIN		**8,949,007.07**	**4,931,087.31**
R&D expenses		3,380,834.49	3,159,613.00
Sales and marketing expenses		2,100,386.48	2,026,146.79
Administrative expenses		1,525,348.14	1,437,660.42
Other operating income	7	148,374.00	357,594.00
Other operating expenses	8	132,992.85	3,550,000.00
OPERATING PROFIT/LOSS		**1,957,819.11**	**-4,884,738.90**
Financial income and expenses	9		
Interest and financial income			
from Group companies		112.50	0,00
Other interest and financial income		981,640.24	766,948.59
Interest and other financial expenses		95,476.31	529,333.38
Financial income and expenses, total		886,276.43	237,615.21
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		**2,844,095.54**	**-4,647,123.69**
LOSS BEFORE APPROPRIATIONS AND TAXES		**2,844,095.54**	**-4,647,123.69**
PROFIT/ LOSS FOR THE FINANCIAL PERIOD		**2,844,095.54**	**-4,647,123.69**

CASH FLOW STATEMENT

€	1 Jan–31 Dec 2007	1 Jan–31 Dec 2006
Cash flow from operating activities		
Sales revenue	10,694,021.87	6,313,515.83
Revenue from other operations	215,282.00	530,686.00
Payments from operating expenses	-6,541,040.87	-6,127,542.19
Cash flow from operations before financial items and taxes	4,368,263.00	716,659.64
Interest and other financial expenses paid	-78,838.23	-60,124.02
Interest and other financial income received	352,074.30	83,899.09
Cash flow from operating activities, total	**4,641,499.07**	**740,434.71**
Cash flow from investing activities		
Investments in tangible and intangible assets	-89,071.77	-83,114.37
Loans granted	-73,811.63	-330,000.00
Received payments from granted loans	103,811.63	0.00
Purchase of investments	-110,397,058.00	-106,098,507.00
Proceeds from sale of investments	105,469,832.61	112,748,569.27
Interest received	219,826.03	0.00
Cash flow from investing activities, total	**-4,766,471.13**	**6,236,947.90**
Cash flow from financing activities		
Share subscriptions based on stock options	-13,321,033.39	53,235.31
Return of capital	0.00	-7,073,286.50
Dividends paid	13,357,000.00	0.00
Cash flow from financing activities, total	**35,966.61**	**-7,020,051.19**
Change in liquid assets	**-89,005.45**	**-42,668.58**
Liquid assets at beginning of period	**799,366.02**	**842,034.60**
Change in liquid assets	-89,005.45	-42,668.58
Liquid assets at end of period	**710,360.57**	**799,366.02**

BALANCE SHEET

€	Note	31 Dec 2007	31 Dec 2006
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Intangible rights		90,118.74	267,282.17
Development expenses		12,186.40	37,717.82
Intangible assets, total		**102,305.14**	**304,999.99**
Tangible assets	10		
Machinery & equipment		106,062.44	65,661.34
Tangible assets, total		**106,062.44**	**65,661.34**
Investments			
Shares in Group companies		100,841.75	200,344.24
Investments, total		**100,841.75**	**200,344.24**
NON-CURRENT ASSETS, TOTAL		**309,209.33**	**571,005.57**
CURRENT ASSETS			
Long-term receivables			
Receivables from Group companies	11	0.00	30,000.00
Long-terrm receivables, total		**0.00**	**30,000.00**
Current receivables			
Accounts receivable		107,857.85	228,181.54
Receivables from the Group companies	11	337,359.93	2,174,718.65
Prepaid expenses and accrued income	12	22,428.10	78,590.64
Other receivables	13	78,150.03	48,940.68
Current receivables, total		**545,795.91**	**2,530,431.51**
Financial investments			
Other securities	14	20,302,557.37	14,989,655.72
Cash in hand and bank deposits		710,360.57	799,366.02
CURRENT ASSETS, TOTAL		**21,558,713.85**	**18,349,453.25**
ASSETS, TOTAL		**21,867,923.18**	**18,920,458.82**

€	Note	31 Dec 2007	31 Dec 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	15		
Share capital		856,083.36	852,716.85
Share premium fund		13,172,314.96	13,139,714.86
Fair value reserve		0.00	5,270.95
Unrestricted invested equity fund		5,926,713.50	5,926,713.50
Retained profit/loss		-1,929,658.93	2,717,464.76
Net profit/loss for the period		2,844,095.54	-4,647,123.69
SHAREHOLDERS' EQUITY, TOTAL		**20,869,548.43**	**17,994,757.23**
LIABILITIES			
Current liabilities			
Advances received		35,855.26	52,067.39
Accounts payable		112,965.79	65,200.97
Deferred tax liabilities	17	0.00	1,851.93
Accrued expenses and deferred income	18	715,226.25	595,074.71
Other liabilities	19	134,327.45	211,506.59
Current liabilities, total		**998,374.75**	**925,701.59**
LIABILITIES TOTAL		**998,374.75**	**925,701.59**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**21,867,923.18**	**18,920,458.82**

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

Accounting principles of the financial statements

The financial statements of the parent company SSH Communications Security Corporation 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 valuation of financial instruments at fair value 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. Royalties are recognized as revenue for the period during which the customer has made a payment or provided confirmation, or otherwise has confirmed the amount of royalties. Sales based on electronic transactions are recognized as revenue on a cash basis. Revenue recognition on a cash basis versus that on an accrual basis has no material effect on net sales or profit for the 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 reserves 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 for shares at a fixed subscription price specified in the terms of the stock option scheme. 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, €	2007	2006
	Finland	394,951	540,908
	Rest of Europe	829,150	1,175,043
	North America	7,415,541	2,795,589
	Other	341,066	542,584
	Total	8,980,707	5,054,124

2	Personnel expenses, €	2007	2006
	Wages and salaries	3,411,736	3,192,016
	Pension costs	538,464	540,327
	Other personnel expenses	217,338	194,531
	Total	4,167,539	3,926,874

3	Personnel on average during the period	2007	2006
	Personnel on average	57	55

4	Personnel distribution by business area at period-end	2007	2006
	R&D	38	36
	Sales and marketing	10	10
	Administration	8	10
	Total	56	56

5	Salaries and other remuneration to management, €	2007	2006
	Arto Vainio	188,428	201,299
	Tomi Laamanen	16,800	16,800
	Tapio Kallioja	16,800	16,800
	Timo Ritakallio	16,800	16,800

6	Depreciation and write-downs, €	2007	2006
	On intangible rights	180,075	248,042
	On capitalized development expenses	25,531	105,302
	On machinery and equipment	45,759	28,010
	Total	251,366	381,354

7 Other operating income

Other operating income includes EUR 39,750 received as product development funding from the National Technology Agency (TEKES). Corresponding funding for year 2006 was EUR 278,250. Other income also comprises rental income of EUR 108,624. The Group has sublet part of its offices.

8	Other operating expenses	2007	2006
	Write-down of receivables	132,993	3,550,000

9	Financial income and expenses, €	2007	2006
	Interest and financial income		
	from Group companies	113	0
	Interest income	35,663	17,686
	Capital gains on available-for-sale assets	392,799	672,517
	Capital gains on held-to-maturity assets	233,057	0
	Capital gains on derivative contracts	297,246	56,151
	Capital losses on derivative contracts	-19,634	-49,267
	Net exchange rate differences	-52,967	-459,471
	Total	886,276	237,615

Notes to the balance sheet

10 Non-current assets and other long-term investments, €

	2007	2006
Intangible rights		
Acquisition cost 1 Jan	1,859,911	1,827,928
Increase	2,912	31,982
Acquisition cost 31 Dec	1,862,823	1,859,911
Accumulated depreciation 1 Jan	1,592,629	1,344,587
Depreciation for the period	180,075	248,042
Accumulated depreciation 31 Dec	1,772,704	1,592,629
Book value	90,119	267,282
Development expenses		
Acquisition cost 1 Jan	315,905	315,905
Acquisition cost 31 Dec	315,905	315,905
Accumulated depreciation 1 Jan	278,188	172,886
Depreciation for the period	25,531	105,302
Accumulated depreciation 31 Dec	303,719	278,188
Book value	12,186	37,718
Machinery & equipment		
Acquisition cost 1 Jan	871,202	820,070
Increases	86,160	51,132
Acquisition cost 31 Dec	957,362	871,202
Accumulated depreciation 1 Jan	805,541	777,530
Depreciation for the period	45,759	28,010
Accumulated depreciation 31 Dec	851,299	805,541
Book value	106,063	65,661

11 Parent company receivables from Group companies, €

	2007	2006
Accounts receivable	337,360	2,174,719
Loan receivables	0	30,000
Total	337,360	2,204,719

12 Prepaid expenses and accrued income, €

	2007	2006
Grants	0	66,908
Interest receivables	15,962	790
Personnel related	6,466	10,892
Total	22,428	78,591

13 Other receivables, €

	2007	2006
Advances paid	77,643	48,026
VAT receivables	486	0
Other current receivables	21	914
Total	78,150	48,941

14 Investments, €

Available-for-sale assets	2007	2006
Fair value 1 Jan	14,989,656	21,087,071
Net increase/decrease	-14,982,532	-5,977,546
Change in fair value	-7,123	-119,869
Fair value 31 Dec	0	14,989,656
Short-term	0	14,989,656

In 2007, the available-for-sale assets mainly comprised fund shares, and their effect has been recognized in the income statement as financial income or expenses worth EUR 0.4 million.

Investments held to maturity	2007	2006
Fair value 1 Jan	0	0
Net increase/decrease	20,302,557	0
Fair value 31 Dec	20,302,557	0
Short-term	20,302,557	0

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

15 Shareholders' equity, €	2007	2006
Share capital 1 Jan	852,717	848,064
Share issues	3,367	4,652
Share capital 31 Dec	856,083	852,717
Share premium fund 1 Jan	13,139,715	26,091,132
Subscription of shares	32,600	48,583
Return of capital	0	-7,073,287
Transfer to unrestricted invested equity	0	-5,926,714
Share premium fund 31 Dec	13,172,315	13,139,715
Fair value reserve 1 Jan	5,271	93,974
Increase	0	1,229,568
Decrease	-5,271	-1,318,271
Fair value reserve 31 Dec	0	5,271
Unrestricted invested equity fund 1 Jan	5,926,714	0
Transfer from share premium fund	0	5,926,714
Unrestricted invested equity fund 31 Dec	5,926,714	5,926,714
Profit/loss from earlier periods 1 Jan	-1,929,659	2,717,465
Profit/loss from earlier periods 31 Dec	-1,929,659	2,717,465
Net profit/loss for the period	2,844,096	-4,647,124
Shareholders' equity total	20,869,548	17,994,757

16 Earnings distributable to shareholders, €	2007	2006
Retained earnings	-1,929,659	2,717,465
Net profit/loss for the period	2,844,096	-4,647,124
Other reserves	5,926,714	5,926,714
Other	-15,200	-30,400
Total	6,825,950	3,966,655

17 Deferred tax liabilities and receivables, €	2007	2006
Deferred tax liabilities		
Charged in equity	0	1,852
Total	0	1,852

The parent company has confirmed losses of EUR 16.4 million that have not been recorded as deferred tax receivables.

18 Accrued liabilities, €	2007	2006
Personnel related	714,759	593,755
Other accrued liabilities and deferred income	467	1,320
Total	715,226	595,075

19 Other liabilities, €	2007	2006
Personnel related	110,939	107,925
VAT liabilities	0	79,024
Derivative financial instruments	0	1,383
Other short-term liabilities	23,388	23,175
Total	134,327	211,507

20 Derivative contracts, €	2007	2006
Forward Exchange Contracts		
Fair value	0	-1,383
Face value	0	654,077

21 Other commitments, €

Non-cancellable rental agreements for office facilities – minimum lease payments	**2007**	**2006**
Not later than 1 year	531,409	496,106
1–5 years	717,380	1,157,580
Total	1,248,789	1,653,685

Non-cancellable operating lease commitments for vehicles – minimum lease payments	**2007**	**2006**
Not later than 1 year	36,215	34,538
1–5 years	18,255	47,138
Total	54,470	81,676

Rental guarantees	**2007**	**2006**
Rental guarantees (monetary pledge)	1,521	1,521

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki 12 February 2008

Tomi Laamanen
Chairman of the Board of Directors

Timo Ritakallio

Tapio Kallioja

Tatu Ylönen

Arto Vainio
CEO

AUDITOR'S NOTATION

The financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. We have today issued an auditors' report based on our audit.

Helsinki 28 February 2008

PricewaterhouseCoopers Oy
Authorized Public Accountants

Henrik Sormunen
Authorized Public Accountant

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SSH COMMUNICATIONS SECURITY CORP

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of SSH Communications Security Corp for the period from 1 January 2007 to 31 December 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 28 February 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
APA

CALCULATION OF FINANCIAL RATIOS

Return on equity, % (ROE)

$$\frac{\text{Profit before extraodinary items and taxes – taxes}}{\text{Shareholders’ equity + minority interest (average for the year)}} \times 100$$

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, %

$$\frac{\text{Shareholders’ equity + minority interest}}{\text{Total assets – advances received}} \times 100$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items and taxes – taxes +/- minority interest}}{\text{Adjusted average number of shares during the financial period}}$$

Dividend per share

$$\frac{\text{Dividend}}{\text{Adjusted average number of shares during the financial period}}$$

Dividend pay-out ratio, %

$$\frac{\text{Dividend per share}}{\text{Earning per share (EPS)}} \times 100$$

Shareholders’ equity per share

$$\frac{\text{Shareholders’ equity}}{\text{Adjusted number of shares at the end of accounting period}}$$

Gearing, %

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

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