



SSH Communications Security
Annual Report 2003



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SSH in brief

SSH is a supplier of advanced and cost-effective managed security middleware solutions. The company's award-winning products protect the critical applications of numerous large enterprises, financial institutions, and government agencies.

SSH's products represent a completely new class of architecture. Implementing the SSH Tectia™ solution does not require investing in expensive equipment or re-engineering underlying infrastructure or business applications. SSH's products protect customers' internal and external data communications and support the implementation of more efficient business processes that utilize the full potential of customer's data networks.

The personnel of SSH have defined three common values for company operation; Select, Solve, and Honor. SSH is focused on serving the selected customer segments and providing a product range that meets their specific needs. In network security, a field that is evolving in many directions, SSH works together with its customers to develop the most

effective solution, and strives to provide easy-to-use and reliable network security. The objective of SSH is long-term cooperation, reliability and transparency, based on mutual respect, within the company and with its customers and partners.

SSH reported consolidated net sales of EUR 13.9 million for 2003 and employed 104 people at the end of the financial year. In addition to Finland, the company has offices in the United States, Japan, Germany, and the United Kingdom.

SSH was founded in 1995, and its shares have been quoted on the Helsinki Exchanges Main List under the trading code SSH1V since December 2000.

	2003	2002	Change, %
Net sales, EUR million	13.9	16.8	-17.9
Operating profit/loss, EUR million	5.3*	-14.1	137.6
% of net sales	38.2	-83.7	-
Profit/loss before extraordinary items and taxes, EUR million	5.6	-13.6	141.5
% of net sales	40.8	-80.6	-
Earnings/share, EUR	0.20	-0.49	140.8
Balance sheet total, EUR million	43.9	42.0	4.7
Equity-to-assets ratio, %	94.7	88.7	6.8
Personnel at end of financial year	104	147	-29.3

*Includes EUR 10.5 million profit received from the sale of SSH's OEM business.

SSH monitors its business according to geographical regions, as defined by the IAS (International Accounting Standards). The regions are the Americas, Asia Pacific and Europe, and the rest of the world. Business operations, however, are very similar in each of the regions, and so this Annual Report discusses all of SSH's business operations together.

Mission, vision, objectives and strategy

SSH's long-term goal is to grow vigorously. According to its strategy, the company concluded its sale of its prior OEM business to focus fully to the enterprise security solutions during the year 2003 and deepened its existing customer relationships through additional sales and extension of licensing agreements. In the future SSH's goal is to expand its business e.g. by developing new products based on the SSH Tectia™ enterprise security solution. To strengthen its market position, SSH aims to increase its visibility and market share in its target customer segments.

Mission

SSH's mission is to enable its customers' secure business operations and data communications.

Vision

The company's aim is to be the leading supplier of managed security middleware to large enterprises, financial institutions, and government agencies.

Managed security middleware can protect critical business applications without the need to re-engineer the actual applications or the supporting IT infrastructure.

To achieve the vision, the company's core business focuses on further developing existing products and technologies in close cooperation with selected customer groups. The company places particular emphasis on high quality, supporting customer business operations and fast, but

profitable growth, thereby providing better value for the customers and increased value for our shareholders.

Long-term goals

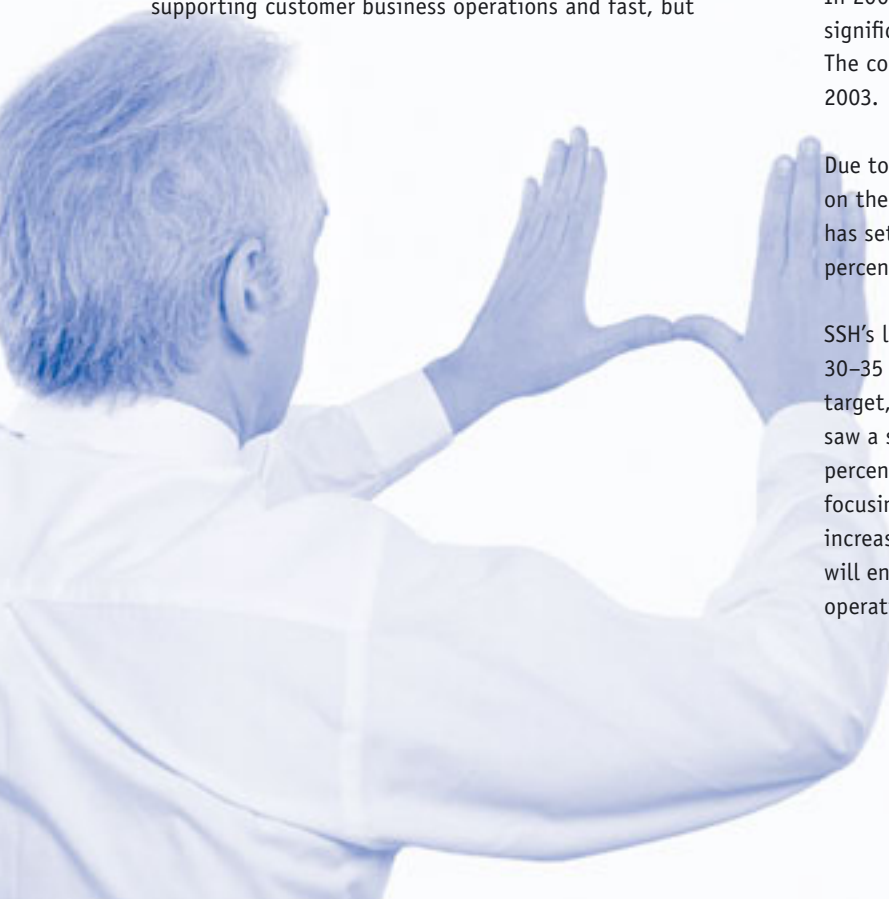
SSH's long-term goal is to grow vigorously. Its growth will exceed the overall growth of those markets in which the company operates. SSH aims to maintain a 25–30 percent net sales growth in the long term.

SSH's net sales did not increase in 2003 due to the sale of the OEM (Original Equipment Manufacturing) business in the fall of 2003. The company believes that the sale of OEM business will enable resources to be channeled into the R&D of the SSH Tectia solution, and thereby greatly improving future growth opportunities.

In 2003, SSH prioritized profitability ahead of rapid growth. In 2003, as a direct result of the business sale, there was a significant increase in SSH's result, and it became profitable. The company's operating profit was 38 percent of net sales in 2003.

Due to an improved gross margin, the focus in 2004 can be on the growth of the new SSH Tectia solution business. SSH has set a long-term goal of retaining operating profit at 20 percent of net sales.

SSH's long-term goal for both R&D and sales & marketing is 30–35 percent of net sales. In 2003 R&D approached the target, being 37 percent of net sales. Sales and marketing saw a significant decrease from 87 percent in 2002 to 69 percent of net sales in 2003. The company believes that focusing on serving the selected customer segments and increasing cooperation with existing SSH Tectia customers will enable SSH to further reduce sales and marketing operating costs as a percentage of net sales.



Strategy

Operating in global network security markets, SSH sells and markets its software products primarily without intermediaries and through selected partners. The company focuses on securing its customers' business operations by protecting their internal and external data communications and critical business applications. The company's security products are packaged as parts of the SSH Tectia solution. SSH's products also bring added value to customers by supporting the implementation of efficient business processes in their own businesses and those of their business partners.

SSH's strategy can be divided into four phases: focusing, deepening the business, expanding the business, and strengthening its market position.

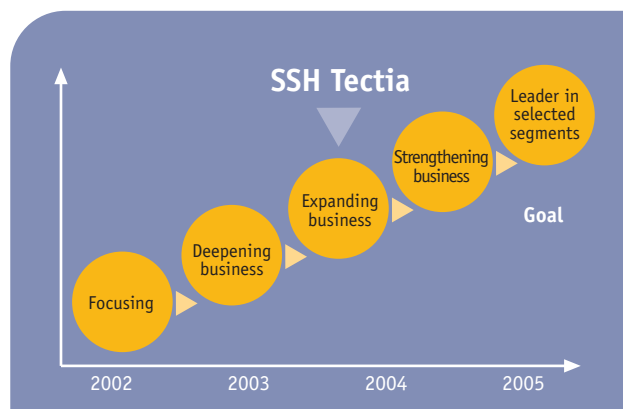
During 2003, the company concluded its transition from a technology provider's role toward providing solutions for large end-user organizations. Supporting this transition was the sale of OEM business, a section of SSH's business that was largely directed at equipment and software manufacture, to the American company, SafeNet, Inc. SSH is now focused on serving large enterprises, financial institutions, and government agencies.

In 2003, SSH deepened many existing customer relationships through additional sales and extension of licensing agreements. SSH has also focused its marketing activities within the target segments. At the same time, the company has placed a strong emphasis on market research, competitor monitoring and increased cooperation with customers and industry partners. Thereby, it has been possible to integrate customers' requirements into product development more successfully.

The next phase of SSH's strategy will be expanding the business by selling existing products to new customer segments and expanding the product range with new products based on the same core technologies. The launch of the SSH Tectia solution and its additional product components in autumn 2003 was an example of product portfolio expansion. At present, the selected customer segments are sufficiently large, so expansion to new customer segments is not yet a current issue.

Strengthening its market position means strengthening the SSH brand among network security professionals, increasing SSH's visibility among its customers, and establishing SSH's position as the global leader in managed security middleware solutions. This is bolstered by close cooperation with customers and the world's leading application vendors.

SSH Tectia being part of the strategic path



Review by the CEO

2003 brought a number of significant and positive changes for SSH. We focused our business operations in line with our new corporate strategy, launched SSH Tectia™ solution – based on a new cutting-edge security architecture – and achieved a very good financial result. Our company is in a strong position and has the resources it needs to face the future.

SSH's main customers are large enterprises, financial institutions, and government agencies. For these customers, IT infrastructure and sophisticated electronic business processes are critical success factors. Investments in building and maintaining network security represent a significant cost factor for them. The security benefits should be evaluated using the customary financial metrics, taking into consideration the entire investment, parallel effects of the investment, and operating and maintenance costs.

Current developments in network security are creating the conditions necessary for corporations to integrate their critical business processes more efficiently and more comprehensively by means of networks. The continued development of corporate IT infrastructure and business applications is presenting unparalleled opportunities to boost and expand business operations.

The strength of SSH's current strategy lies in the benefits that will accrue to our customers as their operations become more dynamic and operating risks decrease. Our task is to assist our customers to effectively secure their businesses against both internal and external security risks, at the right time and in the correct proportion to their financial significance.

Successful work in customer focal areas

September 2003 saw the launch of our new SSH Tectia solution. Based on the Secure Shell and PKI standards created by SSH and SSH product innovation, SSH Tectia is the industry's first system-level, managed security middleware. The core of the concept is its centralized management software, which helps to increase the security level while decreasing deployment and maintenance costs. SSH Tectia has been developed in close cooperation with our most significant customers. The starting point for the design of the new solution centered on the work and management processes implemented by customers to manage their network security risks.

From our customers' viewpoint, robust network security means effective protection in those areas where the risk is greatest and the necessary protection measures are most effective. Our range includes, for example, completely new protection methods to counter internal security threats. These products protect vital business applications by securing communications between workstations and network servers, reduce the possibility that passwords will be compromised, and perform reliable user authentication prior to authorizing access. Our new products have been very well received.

The SSH Tectia product group is ideally suited to our existing key customers and partners. It provides us with new opportunities to expand and deepen our business in our chosen target markets. The average size of end-user product orders received by SSH began to increase in 2003, and a number of particularly large enterprise orders were also received. A number of these orders were from represented large enterprises, financial institutions, and/or government agencies standardizing on SSH's Tectia products that will result in additional future orders in 2004, and beyond.

The SSH Tectia solution will pave the way for larger and longer-term business relationships in 2004. As a system-level solution, SSH Tectia links us, our customers, and the systems integrators who work with us, in a completely new way to a common business development effort. We are enthusiastic about the opportunities that are opening up.

Divestment of OEM business provides potential for growth

To allow us to focus on growing the new SSH Tectia system, the entire OEM business was sold to US-based SafeNet, Inc. in October 2003. SafeNet has established a software development and customer service unit in Finland based on the products, product rights and personnel it acquired from SSH. The sale was an all-cash transaction.



The exceptional financial result recorded by SSH in 2003 was due to the profit arising from the sale of the OEM business.

The reasons behind the divestment of the OEM business were strategic, with the need to invest in the growing SSH Tectia business being particularly important. Withdrawal from OEM products frees SSH's management, sales, marketing and development resources for the end-user system-level product business. This offers significantly better long-term potential for growth and profitability.

In addition to the sales organization, product development and technical customer support are important areas where we will target our development efforts in the near future. This work will be facilitated by the new focus in our technology portfolio. We believe that growth in sales of the SSH Tectia product range will soon cover the sales of the divested OEM business, which had been declining and represented approximately 40% of SSH's total sales in 2003.

Action to optimize sales and marketing

A new higher-precision customer segmentation scheme has enabled SSH to optimize its geographical coverage. Sales and customer service units in key markets have been reinforced through both direct human resources and the expansion of partnership networks. This development will be continued in 2004.

The focus areas are the USA and leading Central and Northern European countries. The Far East sales network, by contrast, has been reduced with the removal of permanent representation from Korea and Taiwan, because coverage at the level needed for the OEM business is no longer required in these countries. SSH's Tokyo office will, however, continue to sell SSH Tectia products, particularly to banks and large enterprises in Japan.

At SSH we will remember 2003 as the year when we refocused and fully aligned our product, marketing and sales strategies, putting our company on a strong position as we entered 2004.

Acknowledgements

In line with our corporate values, we aim to focus on and pursue those issues that are important to us and our customers, to prioritize and resolve problems, and to keep our promises. In this way we can continue to reinvent our company and strengthen our business operations.

I would like to thank all SSH employees for the exceptional efforts they made throughout 2003 to bring about great changes.

February 2004

Arto Vainio
CEO

Significance of network security recognized

In 2003 data security issues were widely reported in the media. This increased general awareness of these matters, and internal security started to attract more attention. Due to the overall economic climate, however, only the most essential security investments were implemented. Prospects for 2004 are brighter, as efforts to bring network security related legislation up-to-date are expected to influence customers' IT security investment activity.

Prominent media reporting of global computer virus problems increased general awareness of the risks associated with IT and raised interest in network security. A number of surveys revealed that security rose to become the number one priority in many corporate IT purchases.¹

In 2003 growth in the security sector was centered on essential investments, such as anti-virus protection and firewalls. As a result of the recession in technology spending, companies continued to postpone IT purchases and product development projects, and it was not until the fall that faint signs of an upturn started to come from SSH's customers.

Emphasis on internal security

In the past, corporate network security investments have focused on protection from external threats. In reality, however, internal threats, such as attacks on a corporate network from an unprotected internal network, represent a much greater threat. It is estimated that employees are responsible for over 70% of unauthorized intrusions into networks and for over 95% of intrusions that cause significant financial losses.²

SSH focuses on end-user customers

In 2003 SSH focused primarily on selling security software to large enterprises, financial institutions, and government agencies. In October the company divested its OEM business operation, selling it to US-based SafeNet, Inc.

According to SSH's observations, the overall market for software-only products targeted at hardware and software manufacturers was weak in 2003. End-user customers were also cautious about investing in network security during the year. Although SSH's customers have understood the importance of network security and recognize the need to invest, they did not increase their investments due to tight budgets resulting from the problems in the general economic environment.

Growth anticipated

It is forecast that the network security markets will grow in future with the continued escalation of data crime and misuse. In addition, new legislation will set tighter standards for security,³ and this will be reflected in investments. In the US, in particular, IT investments are showing clear growth due to significant spending on security by government agencies.

Network security requirements also continue to tighten in banks. The finance sector already represents the single largest customer group for information security vendors.

It is anticipated that corporate IT budgets will increase slightly in 2004 from the previous year. Growth is mainly expected to occur in the latter half of the year.⁴

Network security solutions also provide corporations with cost savings and new business opportunities – factors, which usually encourage companies to make the necessary investments. Savings can be achieved, for example, through secure utilization of cheaper, Internet-based network connections. New business could be created, for instance, through applications based on robust user authentication.

¹ For example: Gartner, Managing IT Security in a Dangerous World, 25 March 2003

² Enterprises and Employees: The Growth of Distrust, Gartner Inc. website, Research Collections/Security section, 2003

³ Gartner, Managing IT Security in a Dangerous World, 25 March, 2003 and IDC, European eLegislation 2003: Making Sense of it All, February 2003

⁴ Forrester, CIOs Still Have A Cautious Outlook For 2004 IT Budgets, 7 November, 2003 and IDC, IT & Telecom Spending Outlook 2004, 6 November, 2003

"In 2003, when making their IT investment decisions, large enterprises paid particular attention to the payback schedule. Also featuring prominently in the selection of a supplier were user-friendliness, management and how easily updates were distributed for various operating systems and business applications of company networks."

"Recently, the utilization of best practices such as ITIL (IT Infrastructure Library) in the production of IT services has increased in popularity, and the trend looks set to continue. ITIL provides common rules for the definition, planning and production of IT services, which makes decision-making and production management related to companies' IT investments easier."



"SSH's strength as a corporate partner is definitely its flexibility and sincere desire to find the best solutions for customers' needs. We regularly hold discussions relating to product development and customer requirements, and SSH has also developed product packages to go that extra mile in meeting demand."

"Fujitsu, SSH and Secgo have created a common electronic authentication system, which we will use to further the spread of PKI (Public Key Infrastructure) technology, particularly for enterprise customers. One factor that has caused delays with other offerings is the strict return requirements of investments. By offering a common package solution we've been able to reduce the price to a more acceptable level for companies and make the whole process easier at the same time."

"This type of three-way partnership wouldn't work with just anybody. Each party must be able to trust that each of the others will play by the rules. Successful cooperation is founded on good understanding and common goals."

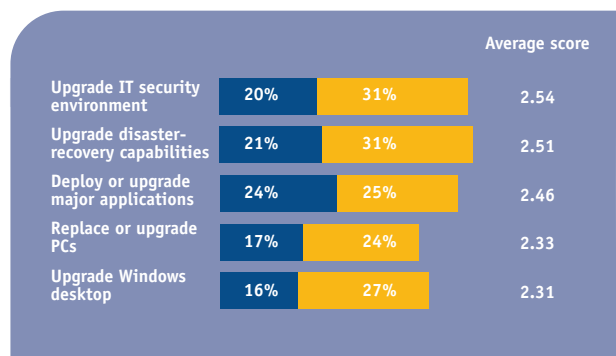
Juhani Jämiä, Development Manager, Fujitsu Services



"The importance of network security in internal networks has been emphasized a lot lately. The need for network security has grown and diversified because mobility is now taken for granted, data networks have been opened up to corporate partners and the use of the Internet has been liberated. Network security should not be compromised regardless of whether the company's business applications are used at the office or outside, for example on a business trip or at home."

Mika Sipilä, Managing Consultant, Hewlett-Packard Oy

CIO's TOP 5 investment themes for 2004



Source: Forrester, 7 November, 2003

Close cooperation with customers

SSH sells its software products for protecting business applications as well as its network security management globally, primarily through its own sales organization and partners. The company's customers are large enterprises, financial institutions, and government agencies. Close cooperation with key customers is a significant part of SSH's business operations.

The company's main markets include the USA, the United Kingdom, Germany, Austria, Switzerland, the Nordic countries, Japan, and other selected Asian countries. The USA is the world's most advanced network security market, and the majority of SSH's target customers, which include some of the world's largest companies, are located there. SSH continues to focus on strengthening its position in this market and expects that the USA will continue to play a significant role in SSH sales in the future. The company's view is that international economic recovery is first reflected in US sales.

During 2004, SSH will place particular emphasis on building its business teams in the UK and Germany since, according to the company's estimates, these countries appear to provide significant growth potential. At the same time the company will selectively reinforce its existing sales and support teams elsewhere in the world. The expanded international presence is expected to reduce SSH's reliance on the economic conditions and development of any one market.

Network security solutions for end-users

In 2003, SSH completed its transition from being a technology provider to OEMs and end-users to being a provider of network security solutions focusing on large end-user organizations. The deciding step in this process was the sale of the OEM business, whose main customers were hardware and software manufacturers. SSH is now focused on serving selected end-user segments, including large enterprises, financial institutions, and government agencies. In 2003, 66 percent of net sales was from end-user sales.

Products that have been designed specifically for these end-users enable the customers to secure their core business applications and ensure that the network security solutions are user-friendly and easy to manage. SSH's security software is currently used and trusted by some of the world's leading banks, including Commerzbank and UBS. In addition, over 20 percent of the Global Fortune 500 companies are users of SSH's products.

The various faces of sales

Until now, SSH's sales offices in Helsinki, Silicon Valley and Tokyo have held the primary responsibility of selling the company's products and solutions to both OEM customers and end-user customers. With the company's shift to serving large financial institutions, enterprises, and government agencies, the significant role of the US east coast, the UK and Germany in sales and marketing has become more apparent with the large number of customer organizations found in these geographic regions.

The core of SSH's sales organization is its field sales and customer support force that actively calls on major customers. The combined field customer support and in-house sales team provides a strong balance for developing sales and deepening account relationships. This customer-driven operating model will continue to expand and develop in future.

Corporate information system administrators and smaller corporate customers can also purchase SSH's products and

“SSH has a good reputation as a technology company and supplier. Factors that have helped are experience, technological competence, and innovation. The company’s Finnish dimension is also considered an advantage.”

“Network security is a trust industry. The salesperson is the customer’s link to SSH, and their job is to create trust. I always strive to solve customer’s problems, while being self-critical to improve my work, extremely honest, and at the same time humble towards my customers.”

Peter Öhman, Senior Sales Manager, SSH



maintenance services quickly and conveniently through the company’s e-commerce site. Although it still plays a minor role for SSH in financial terms, its role is increasing rapidly as a vehicle for product application information, thereby reducing the technical support workload. Also, extranet services for customers and partners are starting to play an ever-greater role in SSH’s product delivery, services and support.

In support of its software sales, SSH is building its ranks of strategic sales partners. The most important partners include system integrators or consulting companies involved in business information system projects with their customers.

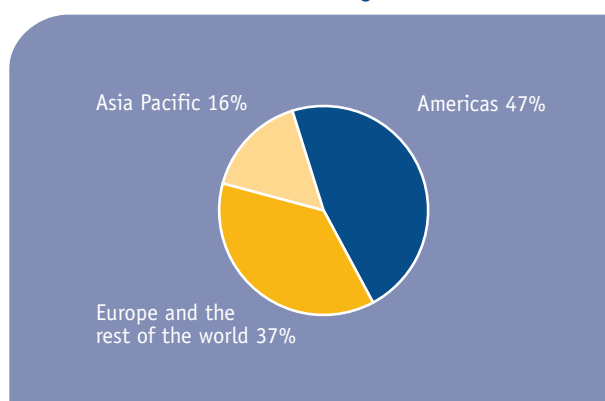
Cooperation with key customers

As a customer-driven company, one of the cornerstones of SSH’s strategy is continuous cooperation with its customers. New products and product ideas are tested in cooperation with selected customers, and, on the basis of received feedback, viable products are refined to meet the customer’s requirements as much as possible. During this process, the product idea is evaluated to determine whether it is suitable for developing into an actual product. This process ensures that each of the company’s products meets identified customer requirements, is aimed at a target segment, and has buyers ready even before the product’s official launch.

Technical support and consulting

As an integral part of SSH’s products, technical services enable problems related to customers’ network security technologies to be solved on a comprehensive basis. Technical services cover not only technical customer support and the related maintenance services, but also training and consulting services, as well as project-specific installation and implementation services.

Distribution of net sales by market



Complete solution for the increasing security requirement of large enterprises

Operating in the rapidly evolving network security market, SSH develops state-of-the-art security software, providing complete solutions for companies' internal and external network security risk management. SSH Tectia™ is an innovative new solution, developed to meet the security and manageability requirements of the largest and most complex data systems.

SSH's products are based on international network security standards and its own patented technologies. All products sold have been developed by the company. The solutions are user-friendly, not requiring the customer to have intimate knowledge of network security, and can be seamlessly integrated into existing infrastructure. SSH has gained a significant competitive edge through its technological leadership, setting of international network security standards and as an active participant in the industry.

Customer-driven product development

The research team, headed by company founder, Tatu Ylönen, researches and tests new network security technologies, product ideas and concepts. Ideas are tested and refined in cooperation with SSH's customers, such as some of the world's leading banks. This process ensures that a finished product corresponds to customers' requirements and that there is a market for the product. Product development is also responsible for the further development of products as well as for compatibility testing together with leading network security suppliers such as Entrust, RSA and Check Point.

The focal point for R&D in 2003 was the development of the innovative SSH Tectia solution for large enterprises, financial institutions, and government agencies. With the sale of the company's OEM business to SafeNet in the fall, SSH is now focused purely on R&D, sales and marketing of SSH Tectia products for end-user corporations.

Prize-winning network security

SSH has gained international recognition for its R&D expertise and core competence in network security. In 2003, SC Magazine, a revered international computer security magazine, named SSH's Secure Shell products (now SSH Tectia Client/Server) as the network security products of the year, for the third year in a row.

U.S. Government Certification

SSH also invests in the certification of its security products. The products are based on international, open standards. In 2003, the encryption library, utilized by SSH's security products, passed the product tests required for the US standards organization NIST's (National Institute of Standards Technology) FIPS 140-2 certification and gained the certification in December 2003.

SSH is committed to maintaining its position as an industry pioneer and leader. It requires continued stringent monitoring of markets and customer requirements, and an active focus on R&D. In 2003, R&D costs were approximately 37 percent of net sales. The company's long-term goal is to maintain R&D costs at around 30–35% of net sales. At the end of December 2003, SSH held 7 patents and 19 patents were pending.



“During the past year, the awareness of security threats has increased. The biggest problem with network security is easily and cost-effectively maintaining an adequate level throughout the entire organization, without going too far and preventing employees doing their work!”

“At the end of the day, the main objective is to solve problems, not just create technological gimmicks. The aim should be for network security to be just a feature of the system that the end-user doesn’t need to know anything about.”

Markku Rossi, Chief Engineer, SSH



SSH Tectia: Managed security middleware

The network security market is entering a new era. Solutions must provide centralized, easy-to-manage and standardized implementations that will rapidly extend coverage throughout the organization’s entire network infrastructure and applications. To meet this need, SSH has developed the SSH Tectia solution – cutting-edge managed security middleware that operates within network infrastructure and business applications.

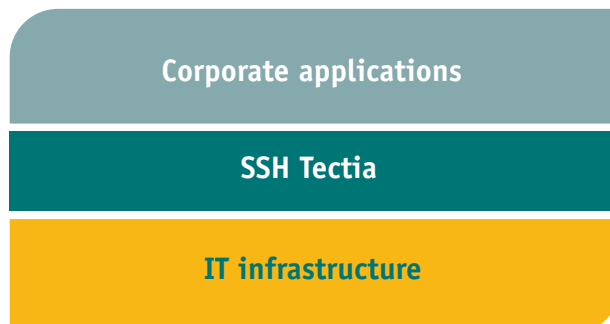
The development of SSH Tectia is an integral part of SSH’s publicized strategy to meet the ever-increasing external and internal security requirements of large enterprises. SSH Tectia offers a holistic solution for network security risk management to large enterprises, financial institutions, and government agencies. It offers cost-effective protection for core systems and applications, guarantees secure remote access and enables secure user authentication.

The solution reduces the costs associated with network security implementation, maintenance and management, and simplifies data system infrastructure. It eliminates the limitations inherent in separate operating systems and security software that protects business applications. Middleware is not a part of any one application, so it can be centrally and cost-effectively implemented to provide protective coverage for almost any business application.

Holistic compatibility

SSH Tectia seamlessly integrates into the existing data system infrastructure and business applications, not requiring any changes in an organization’s data systems. It thereby particularly brings added value to an IT environment comprised of many parts. Major benefits of the solution include: centralized management, rapid implementation in broad environments, and invisibility to the end-user. SSH Tectia is made up of compatible security products and solutions that may be implemented together or separately.

Thanks to SSH Tectia, SSH is currently the market leader as a supplier of managed security middleware.



Professional personnel

- the foundation of success

As an employer, SSH aims to provide its personnel with an environment which fosters their development and provides an opportunity to be continually learning something new. Motivated and committed personnel support the company's goal of being a world-leading managed security middleware supplier. The company's future success will be strongly correlated with the know-how and innovation of its personnel.

SSH wants to offer its personnel the opportunity for continual learning and development. Personnel policies aim to ensure that all employees are treated equitably. SSH strives to offer its employees a level of benefits that will challenge the highest achievers to stay with the company.

The company's basic principle of personnel management is continuous, open interaction. Such interaction is supported through internal communication and a number of personnel meetings and events throughout the year. SSH's management culture encourages employees to think about the company's business and the company's future business opportunities together.

During 2003, leadership practices, including good management practices, were reinforced by clarifying the manager's handbook and other instructions.

Skill development plays important role in company's success

The success of the company is dependent on each skilled worker. The rapid pace of development requires continual learning and continual updating of knowledge through training. The company fosters on-the-job-training through its internal job rotation policy. The company's corporate goals form the basis for personnel development. Effective employee induction and training aim to ensure that all personnel within the organization work consistently towards common corporate goals.

In spring 2003, a skills survey was administered to the entire personnel. As a starting point the company defined certain vital success factors from its corporate strategy, in which the

personnel's skills play a significant role. The survey mirrored the current situation as regards the skills required by the corporate strategy and thereby the company's competitiveness on the demanding global market.

Skill centers were established around the critical success factors, and it is their role to ensure the company's competence in the various areas of responsibility and to produce development plans for various personnel groups. Through management of its skills, the company aims to improve its competitiveness and increase the efficiency of its operations.

Personnel structure

SSH's personnel have a very high level of academic training. 65% of personnel have graduated with a university degree. The company aims to continue to employ academically highly trained personnel.

In November 2003, the company sold a part of its business operations to an American company, SafeNet, Inc., and 22 of SSH's employees were transferred to the employment of SafeNet. After the transaction, SSH employed 104 people at the end of 2003, which is 43 fewer than one year previously. 81 employees worked in Finland, 19 in the USA, two in Asia and two in other countries. Women and men accounted for 22% and 78% of all employees, respectively. The average age of SSH employees is around 34 years. A total of 41 are engaged in R&D, 44 in sales and marketing, and 19 in administration. Apart from the changes related to this business transaction, the turnover of personnel at SSH has remained quite low. Overall in 2003, personnel turnover was 7%.

In 2004 the company will reinforce both its sales organization and its R&D organization. Personnel will be recruited for sales and marketing in the UK, Germany, and the US east coast. The goal is to reinforce existing sales teams in the United States and Europe. The majority of R&D recruitment will take place in early 2004, and will focus on software development and quality assurance.

“One of the reasons I wanted to work in the company was SSH’s Finnish background. The international aspect makes the work more interesting. Finnish people are great to work with – matters are dealt with promptly and questions are given clear answers. What I like best about my job is the open, frank communication and the opportunity to really make a difference in the company.”

“I believe that we are focused and efficient. We have great, motivated people and there is room in the market for us to grow. The company’s growth is also an opportunity for me. I will grow with the company.”

Addy Tam, Controller, SSH



SSH continuously encourages innovation. Many of SSH’s employees have made technical innovations, for which the company has applied for, or is in the process of applying for, international patents.

Favorable working environment supports wellbeing

A favorable working environment creates a positive corporate culture. SSH enhances personnel wellbeing not only through establishing appropriate working conditions, but also through providing recreational and leisure activities.

A working environment survey conducted in December 2003 showed that the overall satisfaction of the personnel, on a scale of 1–5, was 3.4. Results from the same survey suggest that the employees’ job motivation was mostly derived from how interesting they perceived their job to be, and the opportunity for job rotation and learning.

Employee reward systems are tied to the achievement of goals. Goals are set during individual development discussions twice a year. SSH applies a stock option scheme that is open to all personnel. In addition, the company has provided its top management with an extra incentive based

on the achievement of Group-level financial goals. The company’s sales personnel enjoy commissions determined by closed deals and the resulting customer billing.

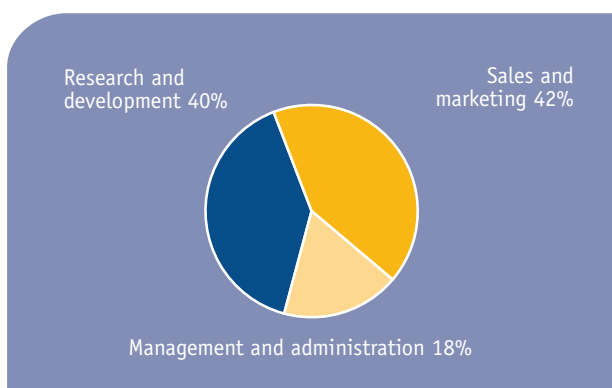
Some of SSH’s employee benefits vary by country and continent. Such variations may be due to the applicable laws and cultural differences. In the USA, for example, the majority of employees operate under a bonus system based on personal goals set on a quarterly basis.

SSH’s environment policy

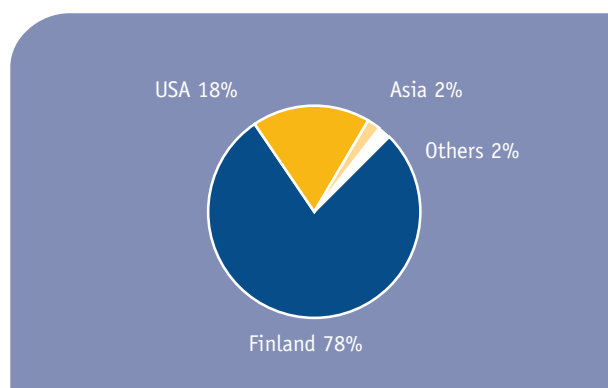
The goal of SSH’s environment policy is to be a good corporate citizen and fulfill the company’s statutory obligations, promote recycling, and reduce overall waste. It is typical that the majority of the company’s processes are paper-free. An example of this is a project in which purchase invoices are only received electronically from some suppliers. In 2004 this practice will be increased. The company already transmits its in-house purchasing invoices in electronic form.

The company sorts and recycles all materials that are recyclable or are to be destroyed. This process will be further improved.

Personnel distribution by business area



Personnel distribution by geographically



Report of the Board of Directors

Net sales

SSH's consolidated net sales decreased by 17.6 percent from the previous year, to EUR 13.9 million (EUR 16.8 million in 2002). Net sales for the last quarter fell by 15 percent from EUR 3.3 million in the third quarter, ending up at EUR 2.9 million (EUR 4.4 million), the underlying reason for the fall being the OEM business divestment to the American company SafeNet, Inc. in the last quarter of 2003. The net sales of the OEM business were transferred at the conclusion of the sale to the new owner. The sold OEM business accounted for approximately 35 percent of SSH's net sales in 2003. Parent company net sales fell by 22.8 percent, amounting to EUR 8.6 million for the fiscal year (EUR 11.1 million).

The SSH Tectia™ product concept launched in the final quarter was well received by the markets. SSH also achieved the first sale and delivery of SSH Tectia Manager product to a major US financial institution. However, due to the long sales process and the timing of the product launches that are part of the concept, the new products did not have a significant influence on net sales for the last quarter.

Consolidated net sales for 2003 were also substantially affected by the weaker US dollar against the euro. The average rate of US dollar during 2003 fell by 19.7 percent compared to its average rate during the previous year. The majority of SSH's invoicing is based on US dollars.

Results and expenses

SSH's consolidated operating profit for the fiscal year reached EUR 5.3 million (EUR -14.1 million), while net profit for the same period amounted to EUR 5.6 million (EUR -13.6 million). Parent company operating profit came to EUR 5.6 (EUR -7.7 million) and net profit for totaled EUR 6.6 million (EUR -8.0 million). Fourth quarter consolidated operating profit amounted to EUR 9.3 million (EUR -2.2 million), while net profit for the period was EUR 9.6 million (EUR 1.7 million).

Due to the OEM business divestment, the Group's financial position improved during 2003, with consolidated cashflow at EUR +4.4 million and that of the parent company at EUR +4.9 million.

The effects of the company's adjustment measures initiated in 2002 were reflected in SSH Group's profitability improvements in 2003. The company was successful in its aim to trim its costs to correspond to the changed market situation. The company's reported fixed expenses amounted to EUR 17.4 million, compared to EUR 27.2 million in the previous year, showing a year-on-year fall of 36.0 percent.

When comparing with the figures from 2002, it is important to note that SSH Group's results in 2002 were burdened by write-downs and certain non-recurring expenses. These non-recurring expenses entered in 2002 totaled EUR 5.1 million.

R&D expenses totaled EUR 5.2 million in 2003 (EUR 8.2 million), while amounting to EUR 1.2 million (EUR 1.7 million) in the fourth quarter. During the fiscal year as a whole, R&D spending accounted for approximately 37 percent of net sales.

Sales and marketing expenses for the period came to EUR 9.6 million (EUR 14.7 million), while administrative expenses amounted to EUR 2.6 million (EUR 4.3 million).

Fourth-quarter sales and marketing expenses came to EUR 2.7 million (EUR 3.2 million), while administrative expenses for the same period amounted to EUR 0.4 million (EUR 0.8 million).

Return on investment (ROI) was 16.6 percent (-30.6 percent) and return on equity (ROE) came to 14.6 percent (-31.7 percent). Earnings per share (EPS) were EUR 0.20 (EUR -0.49) and equity per share amounted to EUR 1.49 (EUR 1.30)

Balance sheet and financial position

The consolidated balance sheet total on December 31, 2003 stood at EUR 43.9 million (EUR 42.0 million), of which liquid assets accounted for EUR 36.7 million (EUR 34.7 million), or 83.6 percent of the balance sheet total. The parent company balance sheet total on December 31, 2003 was EUR 50.1 million (EUR 45.1 million). Except for the subordinated loan of EUR 0.2 million in shareholders' equity granted by the National Technology Agency (TEKES), the company has no other long-term liabilities.

Gearing, or the ratio of net liabilities to shareholders' equity, remained at the previous year's level almost throughout the financial year, standing at -88.5 percent (-95.8 percent) at the end of December. The Group has no other interest-bearing liabilities except for the above-mentioned subordinated loan. Equity-to-assets ratio on December 31, 2003 was 94.7 percent (88.7 percent).

Reported gross capital expenditure totaled EUR 0.8 million (EUR 0.4 million), comprising mainly parent company investments in machinery and software. Reported financial income consisted of interest income. Financial income and expenses totaled EUR +0.4 million, compared to EUR +0.5 million in the previous year. Interest income for 2003 amounted to EUR +1.1 million, but the financial income was affected by exchange rate losses. The parent company recorded financial income and expenses of EUR +0.8 million, compared to the previous year's EUR -0.4 million.

A total of EUR 10.5 million of capital gains on the divestment of the OEM business was entered in other income from business operations.

A total of EUR 0.8 million of product development funding, granted by the National Technology Agency (TEKES), was entered in other income from business operations. The Group had two TEKES projects under way during the report period.

Market developments

SSH's customers pursued a cautious investment policy throughout 2003. Larger IT investments were often split into smaller orders and implemented stage by stage over the course of several quarters. Customers also tended to postpone their investment decisions. Hardware and software manufactures, too, tended to shy away from the launch of R&D projects.

During the first half of 2003, the market situation remained extremely challenging. During the third quarter, markets began to show their first signs of slight recovery, the mildly favorable trend also continuing during the fourth quarter. In North America, the company's main market area, growing IT budgets of large corporations, financial institutions and the US government sector initiated increasing IT allocations to data security. As customers tend to be very careful with analyzing the costs and benefits of investments, the opportunities provided by the centrally-managed SSH Tectia solution for cutting costs and managing risks more efficiently were well received by the markets.

The interest of potential European customers in the SSH Tectia solution increased steadily during the last quarter. SSH succeeded in strengthening its position especially on SSH Tectia product markets based on the Public Key Infrastructure (PKI) in the UK and Finland. During 2003, the UK, Germany, Switzerland and Austria, as well as the Nordic countries, consolidated their positions as the most interesting individual markets in Europe from the company's point of view.

SSH is confident that the SSH Tectia solution will strengthen its competitive position in the markets for major companies, financial institutions and public-sector organizations. As the world's leading supplier of Managed Security Middleware solutions, SSH's market position is unique, and there are no direct competitors on the end-user company markets for the SSH Tectia solution.

Sales performance

SSH's net sales

EUR million

	10-12/2003	7-9/2003	4-6/2003	1-3/2003	10-12/2002	1-12/2002
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By segment

Americas	1.6	1.2	1.8	2.0	2.0	7.1
Asia Pacific	0.5	0.7	0.7	0.3	0.8	2.2
Europe and the rest of the world	0.8	1.4	1.6	1.3	1.6	7.5
SSH Group total	2.9	3.3	4.1	3.6	4.4	16.8

By product*

Enterprise Security						
Products	2.5	1.8	3.0	2.0	3.2	10.4
OEM products	0.4**	1.5	1.1	1.6	1.2	6.4
SSH Group total	2.9	3.3	4.1	3.6	4.4	16.8

* Due to changes in the product portfolio, the figures for 2002 are not completely comparable with those for 2003.

** Due to the OEM business divestment to SafeNet, Inc., the net sales for OEM products were entered in the fourth quarter until November 18, 2003.

By focusing on large corporations, financial institutions and public sector organizations, SSH succeeded in increasing the average size of potential customer contracts during the report period. However, due to the changes in size and nature of the contracts, the sales process has become longer. The delay of the product development of some products within the SSH Tectia solution postponed the final investment decision of a few customers until the beginning of 2004.

The Americas, Asia Pacific, and Europe and Rest of the World accounted for 47.3 percent (42.2 percent), 15.5 percent (12.9 percent) and 37.2 percent (44.9 percent) of reported net sales, respectively. The USA remained SSH's main market area during the report period, and its share grew over the previous quarter, mainly due to the fact that some of the deals transferred from the third quarter were implemented during the fourth quarter. The decrease in Asia Pacific's net sales in comparison with the previous quarter was due to the fact that the divested OEM business had formed the main part of the area's sales in the previous quarters. The drop in Europe's share was due to the postponement of some major deals for 2004.

In line with its strategy, SSH focused its sales on Enterprise Security Products targeted at end-user companies, their share of the company's net sales showing a year-on-year growth. Accounting for 66.4 percent (61.7 percent) of reported net sales, Enterprise Security Products incorporate the SSH Tectia solution, consisting of the end-user versions of the former SSH Secure Shell product family, the SSH Certifier product family and IPVia hardware technology license fees. In the fourth quarter the revenue of SSH Tectia Enterprise Security Products targeted at end-user companies increased about 37 percent compared to the third quarter. OEM products for hardware and software manufacturers accounted for 33.6 percent (38.3 percent) of reported net sales. This product group includes Toolkit and SSH Sentinel products.

During the report period, SSH concluded 18 customer agreements, each worth more than EUR 100,000, 5 of which during the last quarter. SSH's ten largest customers accounted for 29.5 percent of reported net sales. However, none of the customers represents over 10 percent of net sales, in other words, the company does not depend on a single customer.

During 2003, SSH reinforced considerably its global partner network. During the second and third quarters, the company concluded major distributor agreements of its products with the US companies iGov.com and Lyme Computer Systems, both providing the US government sector in particular with a broad range of SSH's products.

In Europe, SSH intensified cooperation with its partners, above all in the sales of PKI products. SSH was also in close cooperation with both Siemens Oy and Fujitsu Invia concerning the SSH Tectia Certifier product.

Products and marketing

During 2003, SSH continued to develop its product range according to strategy and introduced several significant product innovations onto the market. The company also increasingly focused its R&D

resources on projects in line with its strategy, the aim of which is to strengthen SSH's leading position as a provider of Managed Security Middleware.

During the third quarter, SSH launched the SSH Tectia solution, which is based on innovative data security architecture. The development of SSH Tectia, which falls into the new Managed Security Middleware product category, is part of the strategic decision previously announced by SSH to meet the increasing data security needs of large corporations.

During the fourth quarter, SSH launched two major new products for its SSH Tectia solution: SSH Tectia Manager and SSH Tectia Connector. SSH Tectia Manager enables centralized implementation and administration of the SSH Tectia data security solution located at the middleware level, while reducing the large companies' total data security expenses. SSH Tectia Connector is an invisible workstation application for the end-user, responsible for the protection of the connection between the workstation and the server without separate configuration of individual business applications.

During 2003, SSH also launched new versions of most of its products already on the market. The company continued to revise its product range by discontinuing the manufacture, sale and marketing of the SSH Secure Shell for Handhelds, designed for wireless terminals, as well as integrating the SSH Accession™ product as part of the SSH Tectia solution. Furthermore, SSH signed a licensing agreement with a major Japanese hardware manufacturer for licensing its VPN hardware technology.

SSH was also successful in international product reviews. During the first quarter of 2003, it received the "NSS Approved" certification for its SSH Certifier™ product, awarded by an independent international testing organization. The SSH Secure Shell product (currently the SSH Tectia Client/Server), designed for secure remote connections, received the data security award from the international Information Security magazine and, for the third time in a row, it won the highly recognized "Best Communications Security Solution" award from SC Magazine.

At the end of the last quarter, SSH received the FIPS 140-2 certification from NIST (National Institute of Standards Technology) for the crypto module used in many of its products, which is expected to support SSH's marketing and sales efforts in its selected customer segments.

Research and development

SSH continued its research and development spending in 2003, reported R&D expenses totaling EUR 5.2 million (EUR 8.2 million), which accounts for 37.4 percent of net sales (49.0 percent). During the third and fourth quarters, the company put dedicated efforts into the development of products within the SSH Tectia solution.

Since the beginning of 2003, SSH has adopted an accounting principle complying with the IAS standard for its R&D expenditure, according to which it will capitalize only product development

expenses caused by the commercialization of new products at the end of R&D processes. Such R&D expenses incurred during 2003 totaled EUR 0.2 million, resulting from the commercialization of the new SSH Tectia Manager solution. SSH will continue to expense the majority of its R&D expenses.

In connection with the divestment of the OEM business, SSH sold some of the patents belonging to the OEM business to SafeNet, Inc. SSH still holds several major patents related to data security as well as easy product installation and manageability. At the end of December, SSH held 7 patents while 19 were pending.

At the end of 2003, SSH appointed Jorma Kemppinen, M.Sc. (Engineering), 38, Vice President of R&D and Technical Services, and member of the Executive Management Team. He is responsible for SSH's R&D resources, operations and technical services.

During 2004, R&D at SSH will pay particular attention to the easy installation and manageability of its products.

Human resources and organization

At the end of the report period, SSH Group had 104 employees on its payroll. The number of employees decreased by 43 over the previous year, or by 41.3 percent. At the end of the period, 39.4 percent of the personnel worked in R&D, 42.3 percent in sales and marketing, and 18.3 percent in administration.

During the first quarter of 2003, SSH deployed all of its R&D operations to its office in Helsinki. As a result of the Information and Consultation Procedures relating to the closure of the Kuopio office, the number of employees decreased by 11.

During 2004, the company will moderately increase the number of employees in R&D, customer support and sales.

Board and auditors

Until the Annual General Meeting (AGM) on April 29, 2003, SSH Communications Security Corp's Board of Directors consisted of Bo Harald, Tapio Kallioja, Tomi Laamanen and Tatu Ylönen. The AGM elected the following Board members: Tapio Kallioja, Tomi Laamanen, Timo Ritakallio and Tatu Ylönen. Tomi Laamanen was re-elected as Chairman.

PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected as the company's auditors, with Henrik Sormunen, Authorized Public Accountant, acting as the principal auditor.

Shares and shareholding

The reported trading volume of SSH Communications Security Corp shares for the financial year totaled 7,625,766 shares (valued at EUR 9,986,848.57), i.e. 27.5 percent of the shares changed hands. The highest quotation for the year was EUR 2.36 and the lowest was EUR 0.61. The trade-weighted average price for the year was EUR 1.31, and the company's share closed at EUR 1.70 on the final trading day of the year (December 31, 2003). Fourth-quarter trading volume totaled 2,339,100 shares (valued at EUR 3,992,135.50), i.e. 8.4

percent of the shares changed hands at a low of EUR 1.55 and a high of EUR 2.05.

There were no substantial changes in SSH Communications Security Corp's shareholding during the financial year. The period-end number of shareholders totaled 7,174 (7,571). On December 31, 2003, the ten largest shareholders accounted for 76.2 percent (74.7 percent) of the company's shares and voting rights. Applied Computing Research Ltd (ACR) still holds 61.1 percent of the company's shares. Foreign shareholding accounted for 0.9 percent.

Share capital and board authorizations

The company's registered share capital on December 31, 2003 came to EUR 832,074.30, consisting of 27,735,810 shares. SSH increased its share capital three times during 2003, based on share subscriptions according to SSH's stock options. The number of shares subscribed on the basis of the 1999 stock options totaled 21,875, increasing the company's share capital by EUR 656.25.

The company's AGM authorized the Board to decide by 29 April 2004 to increase the company's share capital through a rights issue and/or granting stock options or issuing bonds with warrants, or convertible bonds, in such a way that the resultant share capital may increase by a maximum of EUR 120,000. The Board did not exercise this authorization by the end of the report period.

The AGM approved SSH's new stock-option schemes. On the basis of the stock-option scheme I/2003, the company may offer its personnel a maximum of 625,000 stock options. Each stock option entitles the holder to subscribe for one SSH Communications Security Corp share, at a nominal value of 3 cents. Depending on the type of warrant, the subscription period will begin in several tranches, on May 1, 2004, May 1, 2005 or May 1, 2006, and end on May 1, 2009, for all stock options. The share subscription price is the closing price of SSH shares, as quoted in continuous trading on the Helsinki Exchanges on May 6, 2003, plus 10 percent, and rounded upwards to the nearest ten cents (EUR 0.87). As a result of the subscriptions, the company's share capital may rise by a maximum of EUR 18,750.

On the basis of the II/2003 stock-option scheme, SSH may offer its personnel in the USA a maximum total of 75,000 stock options. Each stock option entitles the holder to subscribe for one SSH Communications Security Corp share, at a nominal value of 3 cents. Depending on the type of warrant, the subscription period will begin in several tranches, on May 1, 2004, May 1, 2005, May 1, 2006 or May 1, 2007, and end on April 29, 2013, for all stock options. The share subscription price is the closing price of SSH shares, as quoted in continuous trading on the Helsinki Exchanges on May 6, 2003, plus 10 percent, and rounded upwards to the nearest cent (EUR 0.87). As a result of these subscriptions, the company's share capital may rise by a maximum of EUR 2,250.

Adoption of IAS-based accounting principles

SSH has progressed as planned in the adoption of the IFRS accounting principles. Since the beginning of 2002, the Group has

adopted revenue recognition principles complying with the IFRS standards. During the project the company has prepared itself for adopting the existing IFRS standards and the related financial reporting procedures. The company has also made preparations for the adoption of those IFRS standards that will be published in 2004.

The company is preparing the balancing calculations related to shareholders' equity and profit, and their announcements, as specified by IFRS1 governing the transitional period. The differences in these balancing calculations governing the transfer period are not significant for the SSH Group, i.e. the transitional period will not have a great impact on the Group's shareholders' equity.

SSH will publish its first IFRS-based Interim Report for Q1/2004 and the first IFRS-based Annual Report the financial year 2004.

Prospects for 2004

In 2003, in line with its strategy, SSH completed its transformation from a technology supplier to a supplier of complete data security solutions for end-user companies. A crucial step in this process was the divestment of the OEM business in the fall of 2003, related to the company's hardware and software manufacturers.

The basis for this divestment was strategic, especially the need to invest in the growing SSH Tectia business. Withdrawing from the OEM products releases SSH's management, sales, marketing and R&D capacities to the business focusing on system-level products for end-users, providing the company with significantly greater opportunities for long-term growth and profitability. The company will focus on serving selected end-user segments, i.e. large corporations, banks, other financial institutions and public-sector organizations.

In 2004, SSH will place particular emphasis on the development of its sales organization, R&D and technical services. The re-focused technology range offers excellent possibilities in this respect, and the company can focus more efficaciously on the increase of its SSH Tectia solution business. SSH will also continue to develop new forms of cooperation with its current customers. Ready to strengthen its position across all markets, SSH is geared up for sharp competition.

Despite the cautiously positive signs during the last two quarters of 2003, the market situation will remain challenging in 2004. Customers remaining very careful with their investment decisions, they will tend to split their larger IT investments into smaller wholes. However, as the market revival continues and customer companies put their investments into action, SSH will retain a sound basis for increasing its net sales.

In light of current developments, it is estimated that SSH Group's net sales for 2004 will be between EUR 14 million and EUR 16 million. The company's management expects that the SSH Tectia solution, including the new products SSH Tectia Manager and SSH Tectia Connector, which were launched and well received during the last quarter in 2003, will increase the average size of contracts while contributing to net sales.

The company's management estimates that the SSH Group will show an operating profit for the fiscal year 2004.

The predicted net sales and operating profit depend on how well the SSH Tectia solution will sell and how SSH will succeed in expanding its sales organization.

The aim of the company is to be the leading supplier of Managed Security Middleware used in internal data security for large corporations, financial institutions and public-sector organizations.

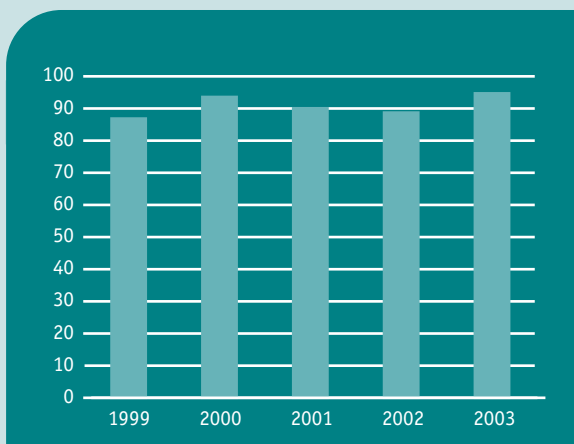
Board proposal to the Annual General Meeting

The Board proposes that no dividend be paid for the fiscal year 2003 and that the net profit of EUR 6,487,849.73 reported for the period be entered in the shareholders' equity.

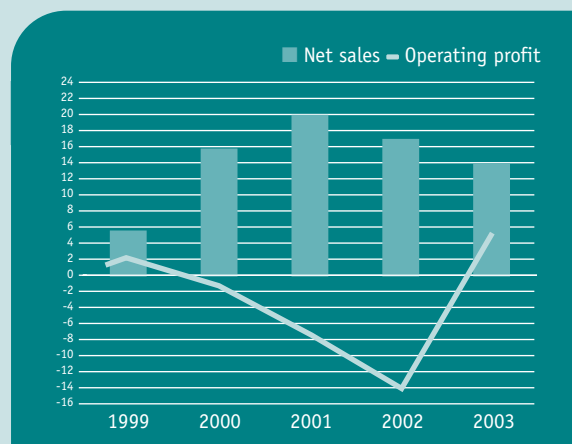
Helsinki, February 3, 2004

SSH Communications Security Corp
Board of Directors

Equity-to-assets ratio 1999–2003, %



Net sales and operating result 1999–2003, EUR million



Consolidated income statement

EUR	CONSOLIDATED Jan. 1–Dec. 31, 2003	CONSOLIDATED Jan. 1–Dec. 31, 2002
NET SALES	13,850,908.47	16,801,297.89
Materials and services	-2,506,172.61	-4,586,609.95
GROSS MARGIN	11,344,735.86	12,214,687.94
R&D expenses	5,178,308.69	8,232,005.34
Sales and marketing expenses	9,582,164.73	14,686,487.79
Administrative expenses	2,615,949.15	4,259,614.80
Other operating income	11,327,116.88	897,262.09
OPERATING PROFIT/LOSS	5,295,430.17	-14,066,157.90
Financial income and expenses		
Other interest and financial income	1,161,093.12	869,829.63
Interest and other financial expenses	808,307.58	165,732.59
Impairment of short-term investments	0.00	239,157.41
Financial income and expenses, total	352,785.54	464,939.63
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	5,648,215.71	-13,601,218.27
PROFIT/LOSS BEFORE TAXES	5,648,215.71	-13,601,218.27
PROFIT/LOSS FOR THE FINANCIAL PERIOD	5,648,215.71	-13,601,218.27

Consolidated balance sheet

EUR	CONSOLIDATED Dec. 31, 2003	CONSOLIDATED Dec. 31, 2002
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	1,266,892.22	520,042.32
Other capitalized expenditure	288,599.33	503,529.44
Intangible assets, total	1,555,491.55	1,023,571.76
Tangible assets		
Machinery and equipment	250,511.15	560,412.38
Tangible assets, total	250,511.15	560,412.38
Investments		
Other shares and holdings	0.00	84.09
Investments, total	0.00	84.09
NON-CURRENT ASSETS	1,806,002.70	1,584,068.23
CURRENT ASSETS		
Inventory		
	3,053.91	798,173.64
Current receivables		
Deferred tax	243,507.29	227,716.48
Accounts receivable	1,592,574.09	3,414,107.81
Other receivables	2,591,456.26	38,603.32
Prepaid expenses and accrued income	970,342.07	1,216,756.20
Current receivables, total	5,397,879.71	4,897,183.81
Financial investments		
Other securities	32,175,337.27	20,422,510.98
Cash in hand and at bank	4,558,582.19	14,278,229.54
CURRENT ASSETS, TOTAL	42,134,853.08	40,396,097.97
ASSETS	43,940,855.78	41,980,166.20

EUR	CONSOLIDATED Dec. 31, 2003	CONSOLIDATED Dec. 31, 2002
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	832,074.30	831,418.05
Share premium fund	40,983,740.87	54,606,319.74
Retained profit/loss	-6,218,080.89	-5,882,395.52
Net profit/loss for the period	5,648,215.71	-13,601,218.27
Subordinated loans	245,218.00	245,218.00
SHAREHOLDERS' EQUITY, TOTAL	41,491,167.97	36,199,342.00
PROVISIONS	0.00	1,500,979.31
LIABILITIES		
Current liabilities		
Advances received	384,496.45	1,454,086.56
Accounts payable	254,077.64	900,645.09
Other liabilities	908,305.02	971,254.00
Accrued expenses and deferred income	902,808.70	953,859.24
Current liabilities, total	2,449,687.81	4,279,844.89
LIABILITIES, TOTAL	2,449,687.81	4,279,844.89
SHAREHOLDERS' EQUITY AND LIABILITIES	43,940,855.78	41,980,166.20

Consolidated cash flow statement

EUR	CONSOLIDATED Jan. 1–Dec. 1, 2003	CONSOLIDATED Jan. 1–Dec. 31, 2002
Cash flow from operations		
Sales revenue	14,377,555.89	18,078,310.23
Revenue from other operations	11,395,875.18	874,681.99
Payments for operating expenses	-20,541,078.90	-28,958,126.75
Cash flow from operations before financial items and taxes	5,232,352.17	-10,005,134.53
Operating interest received	276,992.80	556,524.30
Direct taxes paid	-42,348.55	-49,793.11
Cash flow before extraordinary items	5,466,996.42	-9,498,403.34
Cash flow from operations	5,466,996.42	-9,498,403.34
Cash flow from investments		
Investments in tangible and intangible assets	-1,080,124.96	-436,194.00
Cash flow from investments	-1,080,124.96	-436,194.00
Cash flow from financing		
Issue premium	4,375.00	4,550.00
Cash flow from financing	4,375.00	4,550.00
Change in liquid assets/increase (+), decrease (-)	4,391,246.46	-9,930,047.34
Liquid assets at beginning of period	34,700,740.52	44,630,787.86
Change in liquid assets	4,391,246.46	-9,930,047.34
Liquid assets at end of period	39,091,986.98	34,700,740.52

Period-end liquid assets include receivables from OEM business divestment, becoming due in November 2004.

Accounting principles

SSH Communications Security Corp's consolidated financial statements are prepared in accordance with the Finnish Accounting Standards. The accounts shown in euros are based on original values.

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 the amount of royalties has otherwise stated. Sale based on electronic transactions is 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, applying an amortization period of 5 years.

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. Pension expenses are entered as costs in the period in which they originate following the local legislation in each country.

Fixed assets

Fixed assets are entered in the balance sheet at acquisition cost less depreciation 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
Software and other 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	7 years from year of acquisition

Leasing

Operating leases are entered under the income statement as equal payments within the lease period.

Inventories

Inventories are stated at the lower of acquisition cost or likely net realizable value or replacement cost.

Financial securities

Financial securities are stated at cost.

Items in foreign currencies

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 has used forward contracts to hedge USD receivables.

Deferred taxes

Deferred tax liabilities and assets are calculated on the temporary differences between taxation and the financial statements using the tax rate for subsequent years approved on the balance sheet date. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets at their estimated realizable amounts. In compliance with the prudence principle, only the amount of tax payable is recognized as a tax asset concerning losses confirmed in taxation.

Stock options

The company issues stock options to its employees at a fixed subscription price specified in the terms of the stock option scheme. Payments based on share subscriptions within the stock option scheme are entered in share capital and share premium fund. When an employee exercises his/her stock option, the company shall deduct a withholding tax, while charging it to social expenses.

SCOPE OF CONSOLIDATED FINANCIAL STATEMENT

SSH Communications Security Corp is the parent company of a subgroup in the Applied Computing Research (ACR) Group Ltd. The Applied Computing Research (ACR) Ltd financial statements are available from the Group's head office at Fredrikinkatu 42, FI-00100 Helsinki, Finland.

The wholly-owned subsidiaries SSH Communications Security, Inc. (Palo Alto, USA), SSH Communications Security, K.K (Tokyo, Japan) as well as SSH Operations Oy (Helsinki, Finland), are consolidated into the SSH Communications Security Group financial statements.

ACCOUNTING PRINCIPLES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Internal shareholdings

Internal shareholdings have been eliminated using the acquisition cost method. Group subsidiaries are established companies, so there is no consolidated goodwill.

Internal transactions and margins

Transactions within the Group, unrealized margins on internal deliveries, internal liabilities and receivables, as well as profit distribution have been eliminated.

Minority interests

SSH Communications Security Group has no minority interests.

Conversion difference

The income statements of foreign Group companies are converted into euros using the average rates of the report period. All balance sheet items, excluding the profit/loss for the period, are translated into euros using the exchange rates on the balance sheet date.

Associated companies

SSH Communications Security Group has no associated companies.

Notes to the consolidated financial statements

INFORMATION BY SEGMENT AND PRODUCT GROUP

SSH treats intra-segment income and expenses as third-party income and expenses, or as market price.

Income statement	EROW	AMER	APAC	Intra-Group	SSH Group total
2003					
Net sales	5,150,030	6,547,969	2,152,909		13,850,908
Operating profit/loss	1,981,952	132,860	-166,902	3,347,520	5,295,430
2002					
Net sales	7,481,771	7,128,844	2,190,683		16,801,298
Operating profit/loss	2,866,433	-6,583,502	-906,405	-9,442,684	-14,066,158

SSH Communications Security Group operates in only one sector, so no sector-specific net sales and operating profit are shown. The Group reports its net sales by two product groups. Enterprise security products for end-user companies consist of SSH Security Shell end user versions and the SSH Certifier product family. OEM products consist of Toolkit and SSH Sentinel products.

Net sales by product	2003	2002
Enterprise security products	9,190,815	10,365,371
OEM products	4,660,093	6,435,927
SSH Group total	13,850,908	16,801,298

INCOME STATEMENT

EUR	CONSOLIDATED 2003	CONSOLIDATED 2002
Personnel expenses		
Wages and salaries	8,539,145	11,138,500
Pension costs	784,028	1,038,335
Social security expenses	490,757	686,210
Total	9,813,930	12,863,045
Personnel on average during the period	131	166
Personnel at period-end	104	147
Personnel distribution by business area on Dec. 31		
R&D	41	72
Sales and marketing	44	56
Administration	19	19
Total	104	147
Salaries and other remuneration to management		
Managing Directors	584,790	554,730
Board members	31,691	40,365

Board members outside the company have subscribed option rights according to the Annual General Meeting's decision of April 29, 2003.

EUR	CONSOLIDATED 2003	CONSOLIDATED 2002
Depreciation and write-downs		
On software	297,872	225,626
On capitalized development expenses	0	512,116
On other non-current expenses	101,779	109,084
On machinery and equipment	301,575	431,220
Total	701,226	1,278,046
Other operating income		
SSH Communications Security Corp Group divested its OEM business to the US SafeNet, Inc. in October 2003, the resulting capital gains of EUR 10,546,016 being entered as other operating income. Other operating income also includes EUR 780,999 in product development contributions granted by the National Technology Agency of Finland (TEKES), these contributions amounting to EUR 743,310 in 2002.		
Financial income and expenses		
Other interest and financial income	882,179	1,270,409
Impairment of short-term investments	0	239,157
Interest and other financial expenses	114,879	379
Net exchange rate differences	-414,514	-565,933
Total	352,786	464,940
Direct tax		
Direct tax on actual business	15,791	15,329
Change in deferred tax assets	-15,791	-15,329
Total	0	0

BALANCE SHEET

EUR	CONSOLIDATED 2003	CONSOLIDATED 2002
Intangible assets		
Software and projects in process		
Acquisition cost Jan. 1	0	0
Increase	446,228	0
Acquisition cost Dec. 31	446,228	0
Book value Dec 31	446,228	0
Software		
Acquisition cost Jan. 1	886,405	758,089
Conversion difference	-4,471	-25,286
Increase	604,869	280,316
Reduction	-5,516	-126,714
Acquisition cost Dec. 31	1 481,287	886,405
Accumulated depreciation Jan. 1	366,363	219,457
Conversion difference	-894	-44,940
Depreciation for the period	297,872	225,626
Conversion difference of depreciation	-512	0
Accumulated depreciation on decrease	-2,206	-33,780
Acquisition depreciation Dec. 31	660,623	366,363
Book value Dec 31	820,664	520,042

EUR	CONSOLIDATED 2003	CONSOLIDATED 2002
Development expenses		
Acquisition cost Jan. 1	0	704,402
Increase	0	37,751
Reduction	0	-742,152
Acquisition cost Dec. 31	0	0
Accumulated depreciation Jan. 1	0	230,036
Depreciation for the period	0	61,846
Additional depreciation	0	450,270
Accumulated depreciation on retired assets	0	-742,152
Acquisition depreciation Dec. 31	0	0
Book value Dec 31	0	0
Other capitalized expenditure		
Acquisition cost Jan. 1	761,165	905,746
Conversion difference	-129,150	-144,581
Reduction	-74,958	0
Acquisition cost Dec. 31	557,057	761,165
Accumulated depreciation Jan. 1	257,636	176,768
Conversion difference	-43,715	-28,216
Depreciation for the period	101,779	109,084
Conversion difference of depreciation	-10,645	0
Accumulated depreciation on decrease	-36,598	0
Accumulated depreciation Dec. 31	268,457	257,636
Book value Dec. 31	288,600	503,529
Balance sheet value of intangible assets, Dec. 31	1,555,492	1,023,572
Tangible assets		
Machinery & equipment		
Acquisition cost Jan. 1	1,608,668	1,680,823
Conversion difference	-118,585	-144,460
Increase	34,821	118,127
Reduction	-188,647	-45,822
Acquisition cost Dec. 31	1,336,257	1,608,668
Accumulated depreciation Jan. 1	1,048,256	670,471
Conversion difference	-73,886	-22,565
Depreciation for the period	301,575	431,220
Conversion difference of depreciation	-15,072	0
Accumulated depreciation on decrease	-175,127	-30,870
Accumulated depreciation Dec. 31	1,085,746	1,048,256
Book value Dec. 31	250,511	560,412
Balance sheet value of tangible assets, Dec. 31	250,511	560,412
Balance sheet value of machinery and equipment, Dec. 31	250,511	560,412
Group companies		
	Group holding, %	Parent company holding, %
SSH Communications Security Inc., Palo Alto, USA	100	100
SSH Communications Security K.K, Tokyo, Japan	100	100
SSH Operations Oy, Helsinki, Finland	100	100
	CONSOLIDATED	CONSOLIDATED
Current assets	2003	2002
Finished products/goods	3,054	798,174

The decrease in current assets was due to the divestment of the OEM business and the related inventories to the US SafeNet, Inc.

EUR	CONSOLIDATED 2003	CONSOLIDATED 2002
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Other receivables

Receivables for 2003, which fall due in November 2004, include EUR 2,350,966 from the sale of the OEM business.

Prepaid expenses and accrued income

VAT receivables	171,272	350,788
Grants	638,482	707,240
Interest receivables	5,606	18,385
Accrued liabilities and deferred income	64,708	115,145
Withholding taxes	18,208	6,124
Other prepaid expenses and accrued income	72,066	19,074
Total	970,342	1,216,756

Financial investments

Financial investments include shares in investment funds. The book value at the end of the financial period is the real market value of the shares.

Shareholders' equity and liabilities

Share capital Jan. 1	831,418	830,736
Share issues	656	682
Share capital Dec. 31	832,074	831,418
Share premium fund Jan. 1	54,606,320	54,602,452
Share premium on share issue	3,719	3,868
Transfer to retained loss	-13,626,298	0
Share premium fund Dec. 31	40,983,741	54,606,320
Retained earnings/loss Jan. 1	-19,483,614	-5,532,846
Transfer to share premium fund	13,626,298	0
Conversion difference	-360,766	-349,550
Retained earnings/loss Dec. 31	-6,218,081	-5,882,396
Net profit/loss for the period	5,648,216	-13,601,218
Subordinated loan	245,218	245,218
	41,491,168	36,199,342

Distributable earnings

The company holds no distributable earnings.

Provisions

The obligatory reserve for 2002 includes future rents for the vacanted US premises, based on a lease agreement. This reserve was recognized against the paid rents in 2003.

Accrued liabilities and deferred income

Personnel related	851,728	937,920
Interest on subordinated loan	30,652	
Other deferred liabilities and accrued income	20,429	15,939
Total	902,809	953,859

Deferred tax receivable

Deferred tax receivable on timing differences	4,990,947	4,314,652
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According to the prudence principle the deferred tax receivable has been entered in the consolidated income statement and balance sheet at EUR 243,507.15 only. The deferred tax receivable has not been presented in the parent company's income statement or balance sheet, only as a note to the financial statements.

SUBORDINATED LOANS

The parent company

The parent company has a subordinated loan issued by the State Treasury/ National Technology Agency. The loan is EUR 245,218 and the loan period eight years beginning November 13, 1998. Up to EUR 88,298.66 will be repaid over four years, after four repayment-free years. The interest payable is one percentage point lower than the Bank of Finland base rate valid at the time, but not less than three percent. A condition of the repayment of the loan is that following the repayment on the loan, a full margin remains for the company's own invested capital and other undistributable funds. Interest for the loan can be repaid in installments when the company has distributable earnings. The company has entered the interest accumulated by the loan as an annual expense.

Data on share subscriptions based on options and convertible loans

No. of Stock Options issued at subscription price of EUR 0.20, Stock Option Scheme I/1999:

- Warrant A	May 1, 2000–May 1, 2010	15,000
- Warrant B	Nov. 1, 2000–Nov. 1, 2010	62,500
- Warrant C	May 1, 2001–May 1, 2011	67,125
- Warrant D	Nov. 1, 2001–Nov. 1, 2011	69,375
- Warrant E	May 1, 2002–May 1, 2012	88,124
- Warrant F	Nov. 1, 2002–Nov. 1, 2012	89,999
- Warrant G	May 1, 2003–May 1, 2013	85,503
- Warrant H	Nov. 1, 2003–Nov. 1, 2013	19,124

No. of Stock Options issued at subscription price of EUR 6.50, Stock Option Scheme I/2000

- Warrant A	May 1, 2001–May 1, 2011	56,525
- Warrant B	Nov. 1, 2001–Nov. 1, 2011	74,691
- Warrant C	May 1, 2002–May 1, 2012	47,747

By virtue of Board authorization, the number of stock options issued total 42,000, of which 32,000 not exercised, subscription price of EUR 6.50 and the subscription period from Nov. 1, 2000 until Nov. 1, 2010.

No. of Stock Options issued at subscription price of EUR 15.00, Stock Option Scheme II/2000

- Warrant A	Nov. 1, 2001–Nov. 1, 2011	3,250
- Warrant B	May 1, 2002–May 1, 2012	1,625
- Warrant C	Nov. 1, 2002–Nov. 1, 2012	875
- Warrant D	May 1, 2003–May 1, 2013	875
- Warrant E	Nov. 1, 2003–Nov. 1, 2013	875
- Warrant F	May 1, 2004–May 1, 2014	875
- Warrant G	Nov. 1, 2004–Nov. 1, 2014	875

No. of Stock Options issued at subscription price of EUR 7.63, Stock Option Scheme I/2001

- Warrant A	May 1, 2002–May 1, 2004	151,625
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No. of Stock Options issued at subscription price of EUR 3.50, Stock Option Scheme I/2002

- Warrant A	May 1, 2003–May 1, 2008	215,927
- Warrant B	May 1, 2004–May 1, 2008	199,451
- Warrant C	Nov. 1, 2005–May 1, 2008	179,439
- Warrant D	May 1, 2006–May 1, 2008	146,557

No. of Stock Options issued at subscription price of EUR 2.00, Stock Option Scheme II/2002

- Warrant A	June 6, 2002–April 11, 2012	23,500
- Warrant B	May 6, 2003–April 11, 2012	7,875
- Warrant C	May 6, 2004–April 11, 2012	7,875
- Warrant D	May 6, 2005–April 11, 2012	7,875

No. of Stock Options issued at subscription price of EUR 1.90, Stock Option Scheme III/2002		
- Warrant A	May 6, 2003–June 26, 2012	26,500
- Warrant B	May 6, 2004–June 26, 2012	26,499
- Warrant C	May 6, 2005–June 26, 2012	26,499
- Warrant D	May 6, 2006–June 26, 2012	26,500
No. of Stock Options issued at subscription price of EUR 0.87, Stock Option Scheme I/2003		
- Warrant A	May 1, 2004–May 1, 2009	208,000
- Warrant B	May 1, 2004–May 1, 2009	208,000
- Warrant C	May 1, 2004–May 1, 2009	209,000
No. of Stock Options issued at subscription price of EUR 0.87, Stock Option Scheme II/2003		
- Warrant A	May 1, 2004–April 29,2013	18,750
- Warrant B	May 1, 2005–April 29,2013	18,750
- Warrant C	May 1, 2006–April 29,2013	18,750
- Warrant C	May 1, 2007–April 29,2013	18,750

Social security expenses on option rights granted

Social security expenses on option rights exercised during the financial period have been entered in the income statement as expenses. The social security liability from option rights exercised in future years would be EUR 17,430 estimated at the closing price on the last day of the financial period (EUR 1.70). Any social security liability on option rights exercised in future years is not included in the income statement or balance sheet.

Guarantees given	2003	2002
Rental guarantees	5,198	5,198
Rental guarantees given on behalf of SSH Communications Security Inc.	158,353	797,506
Leasing fees for vehicles and machinery (next year)	104,887	90,496
Leasing fees for vehicles and machinery (later)	99,381	135,557
Other guarantees	2,358,068	0
Derivatives	2,000,000	0

The company has used forward contracts to hedge against its US dollar receivables.

Parent company income statement

EUR	PARENT COMPANY Jan. 1–Dec. 31, 2003	PARENT COMPANY Jan. 1–Dec. 31, 2002
NET SALES	8,551,699.46	11,076,838.30
Materials and services	2,399,570.52	5,173,431.36
GROSS MARGIN	6,152,128.94	5,903,406.94
R&D expenses	4,380,931.98	6,623,393.53
Sales and marketing expenses	4,531,005.29	4,838,145.17
Administrative expenses	2,200,781.46	2,965,249.31
Other operating incomes	10,556,490.35	867,840.81
OPERATING PROFIT/LOSS	5,595,900.56	-7,655,540.26
Financial income and expenses		
Interest and financial income from Group companies	174,698.50	180,912.42
Other interest and financial income	1,424,416.57	790,637.88
Interest and other financial expenses	-707,165.76	-1,107,840.34
Impairment of short-term investments		-239,157.41
Financial income and expenses, total	891,949.31	-375,447.45
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	6,487,849.87	-8,030,987.71
PROFIT/LOSS BEFORE TAXES	6,487,849.87	-8,030,987.71
PROFIT/LOSS FOR THE FINANCIAL PERIOD	6,487,849.87	-8,030,987.71

Parent company balance sheet

EUR	PARENT COMPANY Dec. 31, 2003	PARENT COMPANY Dec. 31, 2002
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	1,257,070.61	498,956.87
Intangible assets, total	1,257,070.61	498,956.87
Tangible assets		
Machinery and equipment	164,703.76	296,970.22
Tangible assets, total	164,703.76	296,970.22
Investments		
Shares in Group companies	200,344.24	200,344.24
Other shares and holdings	0.00	84.09
Investments, total	200,344.24	200,428.33
NON-CURRENT ASSETS	1,622,118.61	996,355.42
CURRENT ASSETS		
Inventory	3,053.91	798,173.64
Receivables		
Current receivables		
Accounts receivable	733,026.05	1,900,761.12
Receivables from the Group companies	8,018,075.29	5,047,893.59
Other receivables	2,463,995.18	5,345.04
Prepaid expenses and accrued income	870,785.55	1,076,042.91
Current receivables, total	12,085,882.07	8,030,042.66
Long-term receivables		
Receivables from the Group companies	740,192.45	2,175,331.34
Long-term receivables, total	740,192.45	2,175,331.34
Financial investments		
Other securities	32,175,337.27	20,422,510.98
Cash in hand and at bank	3,428,848.36	12,667,662.09
CURRENT ASSETS, TOTAL	48,433,314.06	44,093,720.71
ASSETS	50,055,432.67	45,090,076.13
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	832,074.30	831,418.05
Share premium fund	40,983,740.87	54,606,319.74
Retained profit/loss	0.00	-5,595,309.91
Net profit/loss for the period	6,487,849.87	-8,030,987.71
Subordinated loans	245,218.00	245,218.00
SHAREHOLDERS' EQUITY, TOTAL	48,548,883.04	42,056,658.17
LIABILITIES		
Current liabilities		
Advances received	160,945.24	982,680.90
Accounts payable	163,696.66	801,657.12
Liabilities to Group companies	70,375.17	142,414.11
Other liabilities	383,535.12	291,520.90
Accrued expenses and deferred income	727,997.44	815,144.93
Current liabilities, total	1,506,549.63	3,033,417.96
LIABILITIES, TOTAL	1,506,549.63	3,033,417.96
SHAREHOLDERS' EQUITY AND LIABILITIES	50,055,432.67	45,090,076.13

Parent company cash flow statement

EUR	PARENT COMPANY Jan. 1–Dec. 1, 2003	PARENT COMPANY Jan. 1–Dec. 31, 2002
Cash flow from operations		
Sales revenue	7,032,001.69	11,190,839.42
Revenue from other operations	10,625,248.65	845,260.71
Payments for operating expenses	-12,966,685.02	-19,496,653.77
Cash flow from operations before financial items and taxes	4,690,565.32	-7,460,553.64
Operating interest received	919,442.10	118,817.90
Cash flow before extraordinary items	5,610,007.42	-7,341,735.74
Cash flow from operations	5,610,007.42	-7,341,735.74
Cash flow from investments		
Investments in tangible and intangible assets	-1,080,125.92	-410,790.85
Loans granted	-1,558,656.43	-1,072,065.56
Cash flow from investments	-2,638,782.35	-1,482,856.41
Cash flow from financing		
Issue premium	4,375.00	4,550.00
Payments of long-term loans	1,889,310.80	0.00
Cash flow from financing	1,893,685.80	4,550.00
Change in liquid assets/increase (+), decrease (-)	4,864,910.87	-8,820,042.15
Liquid assets at beginning of period	33,090,173.07	41,910,215.22
Change in liquid assets	4,864,910.87	-8,820,042.15
Liquid assets at end of period	37,955,083.94	33,090,173.07

Period-end liquid assets include receivables from OEM business divestment, becoming due in November 2004.

Notes to the parent company financial statements

INCOME STATEMENT

EUR PARENT COMPANY
2003 PARENT COMPANY
2002

Net sales by market area

Finland	2,912,820	3,621,044
Rest of Europe	1,705,225	3,330,485
North America	2,037,258	976,294
Other	1,896,396	3,149,015
Total	8,551,699	11,076,838

Personnel expenses

Wages and salaries	5,326,254	6,240,203
Pension costs	758,007	1,011,766
Social security expenses	235,865	277,347
Total	6,320,126	7,529,316

Personnel on average during the period

97 127

Personnel at period-end

81 114

Personnel distribution by business area

R&D	37	65
Sales and marketing	27	32
Administration	17	17
Total	81	114

Salaries and other remuneration to management

Managing Director	140,429	*
Board members	31,691	40,365

*Not disclosed

Other operating income

SSH Communications Security Group sold its OEM business to an American company, SafeNet Inc., in October 2003. A sum of EUR 9,775,390 was entered in other income from the profit made with the sale. The other income also includes EUR 780,999 of product development funding from the National Technology Agency (TEKES).

Depreciation and write-downs

On software	292,984	171,782
On capitalized development expenses	0	512,116
On machinery and equipment	157,468	254,373
On other non-current expenses	0	0
Total	450,452	938,271

Interest and other financial expenses

Interest and financial income from Group companies	174,699	180,912
Other interest and financial income	889,098	1,238,564
Write-downs of short-term investments		-239,157
Interest and other financial expenses	-114,788	-379
Net exchange rate differences	-57,060	-1,555,388
Total	891,949	-375,448

BALANCE SHEET

EUR	PARENT COMPANY 2003	PARENT COMPANY 2002
Intangible assets		
Software and projects in process		
Acquisition cost Jan. 1	0	0
Increase	446,228	0
Reduction	0	0
Acquisition cost Dec. 31	446,228	0
Book value Dec 31	446,228	0
Software		
Acquisition cost Jan. 1	860,048	599,446
Increase	604,870	260,602
Acquisition cost Dec. 31	1,464,918	860,048
Accumulated depreciation Jan. 1	361,091	189,309
Depreciation for the period	292,984	171,782
Acquisition depreciation Dec. 31	654,075	361,091
Book value Dec. 31	810,843	498,957
Development expenses		
Acquisition cost Jan. 1	0	704,401
Increase	0	37,751
Reduction	0	-742,152
Acquisition cost Dec. 31	0	0
Accumulated depreciation Jan. 1	0	230,036
Depreciation for the period	0	61,846
Additional depreciation		450,270
Accumulated depreciation on retired assets		-742,152
Acquisition depreciation Dec. 31	0	0
Book value Dec. 31	0	0
Balance Sheet value of intangible assets, Dec. 31	1,257,071	498,957
Tangible assets		
Machinery & equipment		
Acquisition cost Jan. 1	909,771	797,530
Increase	34,821	112,635
Reduction	-153,718	-394
Acquisition cost Dec. 31	790,874	909,771
Accumulated depreciation Jan. 1	612,801	358,427
Depreciation for the period	157,468	254,543
Accumulated depreciation on decrease	-144,099	-170
Accumulated depreciation Dec. 31	626,170	612,801
Book value Dec. 31	164,704	296,970
Balance sheet value of tangible assets, Dec. 31	164,704	296,970
Balance sheet value of machinery and equipment, Dec. 31	164,704	296,970
Group companies		
	Parent company holding, %	Parent company holding, %
SSH Communications Security Inc., Palo Alto, USA	100	100
SSH Communications Security K.K, Tokyo, Japan	100	100
SSH Operations Oy, Helsinki, Finland	100	100
	PARENT COMPANY 2003	PARENT COMPANY 2002
Current assets		
Finished products/goods	3,054	798,174

The decrease in current assets was due to the divestment of the OEM business and the related inventories to the US SafeNet, Inc.

EUR	PARENT COMPANY 2003	PARENT COMPANY 2002
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Other receivables

Receivables for 2003, which fall due in November 2004, include EUR 2,350,966 from the sale of the OEM business.

Prepaid expenses and accrued income

VAT receivables	171,272	316,115
Grants	638,482	707,240
Interest receivables	5,606	18,385
Accrued liabilities and deferred income	55,426	28,144
Other prepaid expenses and accrued income	0	6,159
Total	870,786	1 076,043

Financial investments

Financial investments include shares in investment funds. The book value at the end of the financial period is the real market value of the shares.

Shareholders' equity and liabilities

Share capital Jan. 1	831,418	830,736
Share issues	656	682
Share capital Dec. 31	832,074	831,418
Share premium fund Jan. 1	54,606,320	54,602,452
Share premium on share issue	3,719	3,868
Transfer to retained loss	-13,626,298	0
Share premium fund Dec. 31	40,983,741	54,606,320
Retained earnings/loss Jan. 1	-13,626,298	-5,595,310
Transfer to share premium fund	13,626,298	0
Retained earnings/loss Jan. 1	0	-5,595,310
Net profit/loss for the period	6,487,850	-8,030,988
Subordinated loan	245,218	245,218
	48,548,883	42,056,658

Distributable earnings

The company holds no distributable earnings.

Receivables from Group companies

Sales receivables	3,427,775	1,562,077
Loan receivables	5,330,493	5,661,147
Total	8,758,268	7,223,224

Provisions

The obligatory reserve for 2002 includes future rents for the vacanted US premises, based on a lease agreement. This reserve was recognized against the paid rents in 2003.

Accrued liabilities and deferred income

Personnel related	697,346	799,206
Interest on subordinated loan	30,652	15,939
Total	727,998	815,145

Deferred tax receivable

Deferred tax receivable on timing differences	2,070,150	4,314,652
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The deferred tax receivable has not been presented in the parent company's income statement or balance sheet, only as a note to the financial statements.

Guarantees given

Rental quarantees	5,198	5,198
Rental quarantees given on behalf of SSH Communications Security Inc.	158,353	797,506
Leasing fees for vehicles and machinery (next year)	104,887	90,496
Leasing fees for vehicles and machinery (later)	99,381	135,557
Other quarantees	2,358,068	0
Derivatives	2,000,000	0

The company has used forward contracts to hedge against its US dollar receivables.

Shares and shareholders

Shares and share capital

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 company's registered share capital on December 31, 2003 amounted to EUR 832,074.30 divided into 27,735,810 shares with a per-share nominal value of EUR 0.03. During 2003, a total of 21,875 company shares were subscribed based on the year 1999 stock options. Based on these subscriptions, the company's share capital was increased three times, raising the share capital by EUR 656.25. The year-end number of non-subscribed stock options totaled 2,464,929, and if subscribed, the share capital may increase by a maximum of EUR 73,947.87. Detailed information on the stock options is available on page 28 in the Notes to the Financial Statements.

SSH has one class of shares. Each share entitles its holder to one vote at shareholder's meetings.

Shareholders

All SSH shares totaling 27,735,810 have been entered in the book-entry securities systems maintained by Central Securities Depository Ltd.

At the end of 2003, SSH had a total of 7,174 shareholders. Of all the company's shares, a total of 27,585,525 were based on direct shareholding (accounting for 99.46% of shares and voting rights) and 150,285 (accounting for 0.54% of shares and voting rights) were nominee-registered shares.

SSH's ten largest shareholders' holdings accounted for approximately 76.16% of the company's shares and voting rights. Foreign shareholding represented 0.88%, of which 0.34% was based on direct holdings and 0.54% on nominee-registered shares. SSH holds no treasury shares.

Applied Computing Research (ACR) Ltd., SSH's largest shareholder, held 61.1% of the company's shares and voting rights at the end of the year, thus having a controlling interest in the company as defined in Chapter 1 of the Securities Market Act. ACR is owned by Tatu Ylönen with an 85% holding and voting rights and Tero Kivinen with a 15% holding and voting rights. On December 31, 2003 the proportion of the company's free trading shares was 32 % of all shares.

The ten largest shareholders on December 31, 2003 (exc. those with nominee-registered shares) were as follows:

		%	Number of shares
1.	Applied Computing Research (ACR) Ltd.	61.1	16,942,487
2.	Tatu Ylönen	3.7	1,027,031
3.	Assetman Oy	1.8	500,000
4.	Promotion Capital I Ky	1.7	480,000
5.	Nixu Oy	1.7	470,000
6.	Ilmarinen Mutual Pension Insurance Company	1.6	444,637
7.	Juha Grahn	1.5	405,500
8.	Kalle Kaukonen	1.3	371,750
9.	Jussi Markula	0.9	261,747
10.	Kaleva Mutual Insurance Company	0.8	224,966
	Total	76.2	21,128,118
	Nominee-registered holdings	0.54	150,285

A list of SSH's largest shareholders is available on the company's website http://www.ssh.com/investors/shares/major_shareholders.html (updated on a monthly basis).

Management shareholding

Those SSH Board members serving on the Board since April 29, 2003 and the CEO hold about 55.5% of the company's shares and voting rights, either directly or through the companies they own. The Board members, CEO and the Executive Management Team hold about 56.2% of the company's shares and voting rights.

Detailed information on management shareholding is available on page 41 in the section Board of Directors and the Executive Management Team.

Redemption clause

SSH's Corporate Bylaws stipulate that a shareholder whose holding in the company's shares or the voting rights entitled by them equals or exceeds 33 1/3 or 50% is obliged to redeem the shares of other shareholders if they so request. This does not, however, apply to SSH's largest shareholder, ACR Ltd., since its holdings in the company already exceeded 50% of shares and votes before the alteration of the Corporate Bylaws (Annual General Meeting on April 19, 2000) and the entry into force of the said redemption obligation.

Public trading of shares

SSH shares have been quoted on the Helsinki Exchanges' Main List since December 22, 2000. The company's trading code is SSH1V and a trading lot consists of 50 shares traded in euros. The ISIN code used in the clearing and settlement of international securities is FI0009008270.

Share performance and trading volume

In 2003, a total of 7,625,766 SSH shares, representing 27.5% of all the company's shares, were traded on the Helsinki Exchanges, valued at EUR 9,986,848.57. The highest share quotation came to EUR 2.36 (EUR 3.70 in 2002) while the lowest amounted to EUR 0.61 (EUR 0.60 in 2002). The weighted average was EUR 1.31. The SSH share closed at EUR 1.70 on 31 December 2003, up by 126.7% year-on-year. The market capitalization amounted to EUR 47,150,877.00.

The adjoining chart shows SSH's share performance and trading volume. Information on the company's share trading volume and prices is available on our website at <http://www.ssh.com/investors/shares/monitor.html>.

Dividend for 2003

SSH Communications Security Corp's Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year 2003 and that the net profit for the year be entered in retained earnings in the company's shareholders' equity.

Taxable value of share in Finland

In taxation for 2003, the confirmed taxable value of SSH Communications Security Corp's share is EUR 1.106.

Board authorizations

SSH's Annual General Meeting of April 29, 2003 authorized the Board of Directors to take a decision by April 29, 2004 on increasing the share capital through a rights issue and/or granting stock options, or issuing bonds with warrants or convertible bonds that would increase the share capital by a maximum of EUR 120,000 as a consequence of the exercise of the authorization. By December 31, 2003, the Board had not exercised this authorization.

During fiscal year 2003, the Board of Directors has not had authorization to acquire treasury shares.

Stock options

The stock option plan is an integral part of the Group's employee commitment and incentive scheme. SSH's Annual General Meetings of 1998, 1999, 2000, and 2001 decided to issue stock options for share subscription by its employees, subcontractors, and/or partners.

In addition, the Annual General Meeting on April 29, 2003 approved SSH's new stock option plan. On the basis of the stock option plan (I/2003), the Group may offer its employees a maximum of six hundred and twenty-five thousand stock options, each option entitling its holder to subscribe for one SSH Communications Security Corp share at a nominal value of EUR 0.03. Depending on the type of warrant, the share subscription period will begin in several stages on May 1 of 2004, 2005 or 2006 respectively and will expire for all stock options on May 1, 2009. The subscription price of the SSH share equals the closing price quoted in continuous trading on the Helsinki Exchanges on May 6, 2003 plus 10% and finally rounded up to the closest cent (EUR 0.87). As a result of the subscriptions, the company's share capital may increase by a maximum of EUR 18,750.

On the basis of the stock option plan II/2003, the Group may offer its US employees a maximum of 75,000 stock options, each option entitling its holder to subscribe for one SSH Communications Security Corp share at a nominal value of EUR 0.03. Depending on the type of warrant, the subscription period will begin in several stages on May 1 of 2004, 2005, or 2006 respectively and will expire for all stock options on May 1, 2009. The subscription price of the SSH share equals the closing price quoted in continuous trading on the Helsinki Exchanges on May 6, 2003 plus 10% and rounded up to the closest cent (EUR 0.87). As a result of the subscriptions, the company's share capital may increase by a maximum of EUR 2,250.

The combined stock options for 1998–2003 held by SSH's Board of Directors, CEO and Executive Management Team accounted for 36.6% of all outstanding stock options on December 31, 2003. Detailed information on the management stock options is available on page 41 in the section Board of Directors and the Executive Management Team.

The stock option plan I/1999, series C, D, E, F, G and H, have also been the subject of trading on the Helsinki Exchanges. Detailed information on subscription dates and amounts is available on page 28 in the section Notes to the Financial Statements. In 2003, the company's stock options were traded once.

Largest shareholders, December 31, 2003

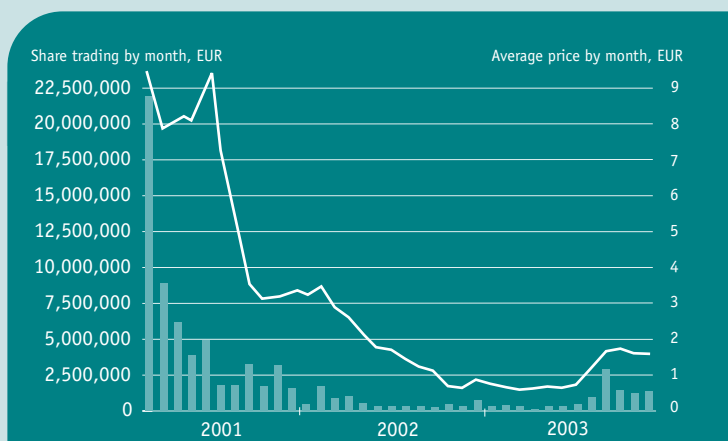
Largest shareholders by number of shares

Shares	Number of owners	Percentage of ownership, %	Number of shares	Percentage of share-capital, %
1–10	16	0.22	114	0
11–50	3,274	45.64	162,761	0.59
51–100	591	8.24	58,607	0.21
101–500	1,664	23.19	504,212	1.82
501–1,000	710	9.90	594,120	2.14
1,001–5,000	757	10.55	1,714,165	6.18
5,001–10,000	77	1.07	585,985	2.11
10,001–50,000	57	0.79	1,262,435	4.55
50,001–100,000	11	0.15	814,930	2.94
100,001–500,000	15	0.21	4,068,963	14.67
500,001–1,000,000	0	0.00	0	0.00
1,000,001 –	2	0.03	17,969,518	64.79
Total	7,174	100	27,735,810	100
of which nominee registered	5	0.07	150,285	0.54

Shareholding by sector

Type of sector	Number of shares	Percentage of shares and votes, %
Non-banking corporate sector	19,030,829	68.61
Financial institutions and insurance companies	1,382,929	4.99
Public-sector organizations	698,987	2.52
Non-profit organizations	163,500	0.59
Households	6,365,215	22.95
Foreign shareholders	94,350	0.34
Total	27,735,810	100

Share trading and average price, Jan. 2, 2001–Dec. 30, 2003



Key figures 1999–2003

	Jan. 1, 2003– Dec. 31, 2003	Jan. 1, 2002– Dec. 31, 2002	Jan. 1, 2001– Dec. 31, 2001	Jan. 1, 2000– Dec. 31, 2000	Jan. 1, 1999– Dec. 31, 1999
Per share data					
Earnings per share (Group), EUR	0.20	-0.49	-0.15	-0.04	0.07
Earnings per share (Group) considering dilution effect, EUR	0.20	-0.48	-0.15	-0.04	
Earnings per share (company), EUR	1.50	1.30	-0.14	-0.06	0.06
Shareholders' equity per share (Group), EUR	1.49	1.30	1.82	1.97	0.65
Dividend per share, EUR	0.00	0.00	0.00	0.00	0.00
Dividend pay-out ratio, %	0.00	0.00	0.00	0.00	0.00
Adjusted average number of shares during the period	27,728,032	27,701,641	27,379,418	24,100,563	20,764,364
Adjusted average number of shares at the end of the period	27,735,810	27,713,935	27,691,011	27,577,999	22,710,000
Adjusted average number of shares considering dilution effect	28,506,197	28,133,185	28,211,667	24,310,813	
P/E	8.35	-1.55	-20.50	-429.00	
Market capitalization, EUR million	47.20	20.80	84.50	424.70	
Share performance in Helsinki Exchanges, EUR					
Average price	1.31	1.66	7.06	15.32	
Share price, period-end	1.70	0.75	3.05	15.40	
Lowest	0.61	0.60	2.30	14.16	
Highest	2.36	3.70	15.99	18.30	
Volumes of shares traded, million	7.6	4.3	8.4	2.8	
Volumes of shares traded, %	27.5	6.9	5.5	10.3	
Volumes of shares traded, EUR million	10.0	7.1	59.4	44.9	
Key financial indicators					
Net sales, EUR	13,850,908	16,801,298	19,851,478	15,624,983	5,477,612
Operating profit/loss, EUR	5,295,430	-14,066,158	-6,721,456	-1,670,212	2,164,105
% of net sales	38.23	-83.72	-33.86	-10.69	39.51
Result before extraordinary items, appropriations and taxes, EUR	5,648,216	-13,601,275	-4,121,344	-2,507,040	1,444,835
% of net sales	40.78	-80.95	-20.76	-16.05	26.38
Result before appropriations and taxes, EUR	5,648,216	-13,601,218	-4,121,344	-2,507,040	1,444,834
% of net sales	40.78	-80.95	-20.76	-16.05	26.38
Return on equity, %	14.60	-31.68	-7.93	-7.29	14.31
Return on investment, %	16.62	-30.04	-7.06	-7.07	28.04
Net interest-bearing debt, EUR	-36,488,701	-34,455,523	-44,385,570	-50,853,789	-15,175,352
Gearing, %	-88.47	-95.83	-88.95	-93.74	-102.89
Equity-to-assets ratio, %	94.70	88.72	90.06	93.58	86.86
Gross investments in fixed assets, EUR	860,130	478,455	1,390,589	2,436,682	61,368
% of net sales	6.21	2.60	7.00	15.59	1.12
Research and development expenditure, EUR	5,178,309	8,232,005	8,328,745	6,372,329	1,738,430
% of net sales	39.0	49.00	41.96	40.78	31.74
% of net sales (without investments)	37.4	49.00	40.65	38.50	31.74
Personnel, average	131	166	182	130	43
Personnel at the end of the period	104	147	181	172	55

Calculation of financial ratios

Return on equity, % (ROE)	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average for the year)}} \times 100$
Return on investment, % (ROI)	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest and other financial expenses}}{\text{Total assets} - \text{non-interest bearing debt (average for the year)}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Total assets} - \text{advances received}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes} \pm \text{minority interest}}{\text{Adjusted average number of shares during the financial period}}$
Dividend per share	=	$\frac{\text{Dividend}}{\text{Adjusted number of shares at the end of the financial period}}$
Dividend pay-out ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earning per share (EPS)}} \times 100$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the accounting period}}$
Gearing, %	=	$\frac{\text{Interest-bearing debt} - \text{cash and cash equivalents} - \text{interest-bearing receivables}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$

Auditors' report

To the shareholders of SSH Communications Security Corp

We have audited the accounting, the financial statements and the corporate governance of SSH Communications Security Corp for the period from January 1, 2003 to December 31, 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have 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 financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures 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 the audit of corporate governance is to examine that the members of the Board of Directors and the CEO have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the distributable assets is in compliance with the Companies Act.

Helsinki, February 6, 2004

PricewaterhouseCoopers Oy
Authorized Public Accountants

Henrik Sormunen
Authorized Public Accountant

Corporate Governance

Principles

In its corporate management, SSH seeks above all to ensure that the Group's policies are known throughout the organization, and that all the companies within the Group operate in accordance with Group policies, objectives, and instructions. The Group applies principles of sound corporate governance and high ethical standards, complying with the Finnish Companies Act, Securities Market Act and other regulations on the administration of public companies issued by the authorities. The principles stated herein are intended only to supplement legal provisions.

Shareholders' meeting

SSH's highest decision-making body is the shareholders' meeting, at which the shareholders participate in the control and supervision of the company. The shareholders' meeting is convened at least once a year. The Annual General Meeting (AGM) shall be held not later than six months from the completion of the company's financial statements. The AGM shall decide the number of members on the Board of Directors and appoint Board members. In addition, it has the authority under the Finnish Companies Act to alter the Corporate Bylaws, adopt the financial statements, determine the amount of dividends and select the auditors. Each SSH share entitles its holder to one vote at shareholders' meetings.

Materials relating to matters to be considered at the shareholders' meeting can be inspected in advance at the company's head office in Helsinki.

Board of Directors

The AGM elects three to eight Board members for a term of one year at a time. Board members consist of representatives of major shareholders and external, independent experts with broad experience in business and the industry in which SSH operates. The Board elects a Chairman and Vice-Chairman from among its members. SSH's current Board is made up of industry experts and the company's major shareholders.

In 2003 the company's largest shareholder notified the company in advance of the Board composition that it would propose to the shareholders' meeting. SSH issued a stock exchange release on the matter prior to the shareholders' meeting.

Board responsibilities

SSH's CEO attends Board meetings and presents items on the agenda to the Board. The company's General Counsel acts as the Board's recording secretary. In addition, the CFO and Executive VP, Sales, attend Board meetings. 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 in all situations. The Board has a predetermined agenda. At each Board meeting, the Board shall

consider a progress report provided by the CEO and CFO. In line with the standard agenda, the Board also monitors sales performance and market development at all Board meetings.

In addition to the tasks and responsibilities specified in law and in the Corporate Bylaws, SSH's Board of Directors shall, in accordance with its agenda

- confirm the company's long-term goals and strategy
- approve the company's policy plans, budget and financial plans, as well as monitoring their implementation
- decide on single large-scale and strategically significant investments, such as corporate and business acquisitions and divestments
- decide on strategically significant product development projects
- appoint the CEO and determine his/her compensation
- decide the compensation and incentive schemes for senior management
- confirm the company's risk-management and reporting procedures
- determine the company's dividend policy and be responsible for the development of shareholder value
- confirm the company's values.

SSH's Board of Directors convened thirteen times in 2003. The average attendance rate of the Board members was 94.2 percent.

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 is organized as effectively as possible. So far the Board of Directors of SSH Communications Security Corp as a whole has familiarized itself in advance and been involved in the preparation of many matters for which separate committees are set up in large companies. This is because the scope of the company's activities has not yet required the establishment of separate committees – instead the entire Board has been involved in the preparation of all matters within its authority and belonging to its duties.

CEO

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

Arto Vainio, B.Sc. (Econ.), has been the CEO as of July 2, 2002. Prior to joining SSH, he held senior positions in sales and marketing at Tellabs and Nokia. Immediately before transferring to SSH he was Vice President, Marketing at Tellabs. Prior to Tellabs, he was Vice President, Sales, South-East Asia, for Nokia Telecommunications (now Nokia Networks).

Members of the Board of Directors

The Board of Directors of SSH Communications Security Corp consisted of four members during the 2003–2004 term. A four-member Board is sufficient to effectively accomplish the Board's duties, as SSH Communications Security Corp's operations are focused on one area of business and, in international terms, the company is still small in size.

The majority (three members) of the Board of SSH Communications Security Corp have no dependence on the company. One of the Board members is the company's largest shareholder.

Tapio Kallioja, b. 1948, M.Sc.(Eng.) Board member since 2001. President, Swelcom Oy. Tapio Kallioja has 20 years' management experience with companies in the media sector, including Helsingin Telset Oy, Helsinki Televisio Oy, Eurocable Oy, Sanoma Corporation New Media Group and Helsinki Media Company Oy. No shareholding. Holder of 6,000 stock options.

Timo Ritakallio, b. 1962, LL.M., MBA Board member since 2003. First Executive Vice President, OKO Bank. Timo Ritakallio has 15 years of experience in various positions in the financial and banking sectors, and capital markets. He is currently Chairman of the Securities Committee of the Finnish Banking Association and Chairman of the Board of OKO Venture Capital Ltd. In addition he is also a member of the Board of HEX Integrated Markets Oy and Stockholmsbörsen AB. Holder of 2,000 shares and 2,000 stock options.

Tatu Ylönen, b.1968, Lic.Tech. Board member since 1995. SSH's CTO and major shareholder. Tatu Ylönen developed Secure Shell technology for remote access and founded SSH Communications Security Corp. He is an internationally respected data security professional and plays an active role in a number of international standards organizations. Direct holding of 1,027,031 shares and indirect holding via a company of 14,350,286 shares. No stock options.

Tomi Laamanen, b. 1968, D.Eng., Ph.D.(Econ.). Board member since 2001, Chairman since September 21, 2001. Professor, Strategic Management, Helsinki University of Technology. Professor Laamanen has been a Board member or advisory Board member of several Finnish technology-based firms and professional associations. In addition to SSH, he is Chairman of the Board at Deltagon Oy and SystemsGarden Oy, and a member of the Board at Halton Oy, HPY Research Foundation and the Strategic Management Society of Finland. Holder of 12,000 shares and 6,000 stock options.



Executive Management Team

SSH's Executive Management Team has seven members. It is chaired by the CEO, and the other members are the directors responsible for the business activities and the various corporate support functions. The Executive Management Team can be expanded if this is considered necessary for the matter under consideration.

The Executive Management Team's main responsibility is to assist the CEO, monitor and develop the company's business in line with the objectives set, disseminate information and prepare investment decisions for consideration by the Board. It convenes on a regular weekly basis.

The members of the Executive Management Team are all direct subordinates of the CEO and therefore report directly to the CEO.

Members of the Executive Management Team

- **George F. Adams**, b. 1948, MBA, BSEE. Executive Management Team member since 1999. President and CEO, SSH Inc, Executive VP, Sales. George F. Adams is responsible for strategic planning relating to SSH's market position and organization, and for sales. Prior to joining SSH, he was Vice President of Business Development for Phoenix Technologies Ltd. Prior to Phoenix, Mr. Adams held management positions in companies including Sun Microsystems, Intel, Analog Devices and Motorola. Holder of 75,850 shares and 490,000 stock options.
- **Anthony Gyursanszky**, b. 1969, M.Sc. (Eng.). Executive Management Team member since 2002. Vice President, Products and Marketing. Antony Gyursanszky is responsible for SSH's marketing and product management. Prior to joining SSH, he was employed by F-Secure Corporation, where he was responsible for a number of business units specializing in security service solutions, managed security solutions and wireless security solutions. Prior to F-Secure, Mr. Gyursanszky held a key position in the expansion of Tellabs' South-East Asian sales network. No shareholding, holder of 60,000 stock options.
- **Jorma Kemppainen**, b. 1965, M.Sc. (Eng.). Executive Management Team member since 2003. Vice President, R&D and Technical Services. Jorma Kemppainen is responsible for SSH's product development and customer support, training and professional services. Prior to joining SSH, he held a number of management positions for F-Secure Corporation, including Vice President of Research and Development. Prior to joining F-Secure, Mr. Kemppainen was Director of the customer training center at Tellabs. No shareholding, holder of 30,000 stock options.
- **Johanna Lamminen**, b. 1966, Lic.Tech., MBA. Executive Management Team member since 1999. CFO. Johanna Lamminen is responsible for SSH's financial management, as well as for human resources management, IT management, investor relations and Group operations and quality development. Prior to SSH, she held various financial management and operations development positions in the Elisa Group, including Managing Director, Arcus Software, Financial Manager, FINNETCom and Controller, Elisa Group. Holder of 8,815 shares and 73,000 stock options.
- **Pekka Rauhala**, b. 1960, LL.M., MBA. Executive Management Team member since 2001. General Counsel Pekka Rauhala is General Counsel for SSH and its subsidiaries. He is also the Board's recording secretary. Prior to joining SSH, Mr. Rauhala occupied the positions of Director of EMEA Legal, Director of Facilities, and Legal Counsel with Tellabs; Legal Counsel with the Jaakko Pöyry Group of Companies; and Legal and Tax Counsel for Helsinki Chamber of Commerce. No shareholding, holder of 85,000 stock options.
- **Arto Vainio**, b. 1950, B.Sc. (Econ.). Executive Management Team member since 2002. CEO. Holder of 110,000 shares and 150,000 stock options.
- **Tatu Ylönen**, b. 1968, Lic.Tech. Executive Management Team member since 1995. CTO. Holding of 1,027,031 shares and indirect holding via a company of 14,350,286 shares. No stock options.

Arto Vainio acts as Chairman of the Boards of Directors in the Group's subsidiaries. The other members of these Boards are Johanna Lamminen, CFO, Pekka Rauhala, General Counsel, and the CEO of the subsidiary in question. Jean-Bernard Dumerc, CEO, SSH Communications Security KK, reports on operative matters to the Vice President, Sales.

Salaries and emoluments

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.

The system of compensation for SSH's senior management is approved by the Board of Directors. The compensation system is based on the following factors: the company's net sales and the trend in net sales, company profitability, and also personal qualitative targets. The weighting of the corporate financial indicators varies slightly between the different members of the company's management, but the weighting of the key financial indicators should represent at least 70–80% of the overall target. The targets for the company's senior management are specified one year at a time.

Compensation for the senior management of SSH involves performance-related pay and options plans. The same applies to the CEO. The company does not have any other compensation practices, nor does it have differing pension arrangements for the CEO or other senior management.

The CEO's retirement age and the determination of his/her pension conform to the standard rules specified by Finland's Employee Pension Act (TEL). The period of notice for the CEO is six (6) months. Compensation on termination is equivalent to twelve (12) months' salary.

Those who have been members of SSH's Board of Directors since April 29, 2003, and the CEO, hold approximately 55.5 percent of the company's shares and votes, directly or indirectly through the companies they own. The Board members, CEO, and members of the Executive Management Team hold a total of around 56.2 percent of the company's shares and votes. On December 31, 2003, the stock options held by SSH's Board of Directors, CEO, and the other members of the Executive Management Team accounted for 36.6 percent of all outstanding stock options for 1999–2003.

In the fiscal year 2003, Board members received emoluments totaling EUR 31,691. In addition, each non-employee Board member also received 2,000 stock options from the 2003 stock option scheme. In 2003 the CEOs of SSH received salaries, fees and fringe benefits of EUR 584,790. In 2003, the CEO of SSH Communications Security Corp received salaries, fees and fringe benefits of EUR 140,429 and the Chairman of the Board of SSH Communications Security Corp received fees worth EUR 10,564.

Insiders

SSH has its own Insider Guidelines which comply with the Guidelines for Insiders applicable to public companies approved by the Helsinki Exchanges.

Permanent insiders may freely trade only in the three weeks following the publication of the company's financial results. Trading is absolutely forbidden three weeks before publication of the company's interim reports and financial statement bulletins. SSH has also published, on its website, a set of principles regulating trading by permanent insiders in SSH shares.

In situations where the company is preparing for an event which could have a significant effect on the value of the company's shares (e.g. a corporate acquisition, new product), the company shall establish a project-specific insider register. The Guidelines approved by the Helsinki Exchanges will also be complied with in the case of project-specific insiders.

Statutory insiders, on the basis of their position, include Board members, the CEO, and the Deputy CEO, as well as the auditor and principal auditor of the company's firm of auditors. Insiders defined on the basis of their responsibilities include members of the core management team, those responsible for corporate communications and investor relations, as well as secretaries to the senior management. In addition, permanent insiders include non-company lawyers and other employees of the auditing firm who perform work for the company on a regular basis. The number of permanent insiders totals 19. SSH maintains its Insider Register in Finnish Central Securities Depository Ltd's SIRE system. A list of the permanent insiders and their share and stock option holdings is available on the Internet at: www.ssh.com/investors/shares/insiders.html.

There are also a number of people at the company who have agreed, due to the duties they perform, to restrictions on their trading. These are people who could have the opportunity to gain access to financial information through the nature of their work. These people work in the financial administration and in the company's IT management. It has been agreed that, for their part, trading in the company's shares always requires separate permission from the insider administrator.

The CFO has acted as insider administrator, taking care of and responsibility for the management and monitoring of insider matters.

Monitoring systems

Auditors

SSH has one primary auditor authorized by the Central Chamber of Commerce and one deputy auditor. If a firm of Authorized Public Accountants is elected as the primary auditor, however, it is not necessary to elect a deputy auditor. The auditor's term of service is one year. SSH's auditor, PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, with Henrik Sormunen, Authorized Public Accountant, as principal auditor, is responsible for the direction and coordination of the audit work.

The company's auditors provide shareholders with a report, as required by law, in conjunction with the company's annual financial statements. The primary 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 position 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.

The auditor's fees for 2003 were EUR 70,000 in the Group and EUR 33,000 in the parent company. Other fees charged by the firm of auditors amounted to EUR 74,000 in the Group and EUR 32,000 in the parent company. The other fees were primarily related to tax advice and the adoption of IAS accounting principles.

Risk management

The ultimate responsibility for the company's accounting and for the supervision of its asset management lies with SSH's Board of Directors. It is also the duty of the Board of Directors to approve SSH's risk management and reporting procedures, and to monitor the adequacy, appropriateness and effectiveness of the company's administrative processes.

SSH Communications Security Corp's main market area has so far been the United States. In order to reduce this market risk, the company is actively seeking to expand its operations in Europe. So far the company has not been dependent on a small number of customers (no single customer has accounted for more than 10 percent of the company's net sales in any quarter and the major customers have always been different in different quarters), as a result of which it has been possible to reduce the market risk.

The company has sought to manage the risks relating to its business operations by developing its operating processes and control points. During 2003 the company applied increased effort to the development of sales processes and building of sales control systems. The sales operations are supported by the company's own legal unit, which seeks to reduce the risks related to the company's business operations through continuous management of contracts.

The company does not provide financing to its customers other than through the granting of normal payment periods. The company's liabilities are all short-term, so the costs of debt financing do not affect the company's financial position. The majority of SSH's invoicing and purchasing is done in US dollars, as a result of which the company has not actively hedged against exchange rate risks. Exchange rate fluctuations can affect the company's financial results.

The company's operations are continuously controlled in conjunction with the interim reports in order to provide continuous monitoring of financial risks. The accounting function produces up-to-date information on the development of net sales by product and market area for both product management and sales management. The company's cost structure is also continuously monitored. As a result of its small size the company does not have a separate internal audit organization or separate appointments committees.

The company's cash reserves have been placed with asset managers who have invested them in accordance with a policy approved by the Board of Directors. Almost all the assets under management are invested in fixed income funds.

In 2003 the company undertook a survey to ensure that its critical information systems are secured and operations can continue even in the event of an external catastrophe. Securing the continuity of operations was one of the main themes of SSH's IT management in 2003.

At present the Group has sufficient personnel, in terms of both numbers and quality. There is no significant risk in this respect.

Glossary

CA

Certification Authority. An authority, usually a trusted third party, issuing digital certificates that enable the secure authentication of individuals and other parties operating in data networks or other equivalent digital environments. Digital certificates issued by the certification authority can be used to identify a secure remote connection's participants or form electronic signatures.

IETF

Internet Engineering Task Force. A worldwide organization primarily responsible for the standardization of the Internet and its core technologies. The IETF's activities are based on its members' equal participatory status. Examples of other organizations involved with the standardization of Internet technologies are W3C, ITU and ETSI.

IP

Internet Protocol. A basic protocol utilized by the Internet and its technologies that facilitates the flexible transmission of packet data over the Internet. Technologies based on IP4, the fourth version, are currently the most prevalent worldwide.

IPSec

Internet Protocol Security. An IETF standard, part of the IPv6 specification, for protecting all IP-based Internet traffic through strong encryption.

Cryptography

The science of data encryption and its related mathematics. See "Encryption".

LAN

Local Area Network. A geographically limited communications network that facilitates the connection of various devices such as computers within a defined area. The local area network's data communications traffic, generally insulated from the actual public Internet or other equivalent large-scale information networks by firewalls, is often administered and owned by a single enterprise.

Managed Security Middleware

Managed Security Middleware enables the securing of critical business applications without the need to re-engineer the underlying IT infrastructure or the actual business applications.

OEM

Original Equipment Manufacturer. A company that uses its own product name when marketing and selling products with components manufactured entirely or partially by another company.

Firewall

A device or software program connected between the public Internet and a local area network or individual network component that protects the network resources behind the firewall from public network-based intruders. It also allows authorized access to the Internet from the internal network, as well as the linking of various types of functionalities developed for the processing of data communications.

PKI

Public Key Infrastructure. A system of digital certificates and certification authorities (CA) that facilitates the flexible and easily scalable authentication of its participants, either for secure data transmission or for such features as electronic signatures.

Protocol

A communication language used by computers and other equivalent devices when exchanging data in electronic and digital form.

Router

A device that directs Internet traffic through the network's various sections and between its resident IP addresses utilizing standardized routing protocols, in practice by processing individual IP packets.

Encryption

A method of converting information with mathematical formulas into such format that unscrambling into coherent language requires a separately defined decoding key. Only authorized recipient possessing the required key is able to decode and read a message.

Secure Shell

A protocol used to establish safe remote connections over the Internet and other equivalent data networks. The protocol facilitates the secure remote utilization of selected network resources such as individual computers, or the secure transfer of files through a network's computers.

System integrator

Typically a company that provides the system-level integration of products. Often data network-related hardware and software system integrator also retails end-user products and offers related services.

User authentication

A method of joining together individuals or organizations and their electronic identities. These electronic identities can be used in electronic data transmission, electronic payments or similar operations.

Token

A general term for various types of devices, related to the recording of data required for user authentication. Token's common features are a typically compact size and easy connectivity to certain devices requiring identification. Examples of token devices are smart cards as well as the USB tokens connected to PC computers' USB channels.

Antivirus

The safeguarding of a computer's or other network device's normal functioning by the prevention of attacks from malicious software, preventing virus' access to computers and the repair of any resulting damage.

VPN

Virtual Private Network. A secure connection between two communicating parties created by forming a secure "tunnel" through the public Internet. Practically this can be implemented utilizing strong encryption or VPN connections logically separated from other Internet traffic.

Smart card

Smart cards are credit card-sized plastic cards with an embedded microprocessor chip capable of safely storing data and performing various computational tasks like a very small computer. Examples of smart cards are several of the most modern bank and credit cards in which smart card functionality has been added with the magnetic strip as well as various GSM standard-based SIM cards.

Information for shareholders

Annual General Meeting

SSH Communications Security Corp's Annual General Meeting will be held at the Radisson SAS Royal Hotel, Runeberginkatu 2, Helsinki, on April 27, 2004, starting at 3 p.m.

Those shareholders entered in the shareholders' register, maintained by Finnish Central Securities Depository Ltd., by Wednesday, April 16, 2004, at the latest and registered for the AGM by 4 p.m. on Thursday, April 22, 2004, are entitled to attend the AGM.

Shareholders wishing to attend the AGM must register

- by e-mail: erja.salo@ssh.com;
- by fax to +358 20 500 7011 or
- by mail: SSH Communications Security Corp, Annual General Meeting, Fredrikinkatu 42, FI-00100 Helsinki

Any proxy, entitling the holder to exercise a shareholder's voting right at the AGM, shall be submitted to SSH by 4 p.m. on April 22, 2004.

Financial reports in 2004

SSH Communications Security Corp will release the following financial reports:

Report on Financial Statements for 2003	February 4, 2004
Annual Report 2003	week 11
Interim Report January 1 to March 31, 2004	April 20, 2004
Interim Report January 1 to June 30, 2004	July 21, 2004
Interim Report January 1 to September 30, 2004	October 20, 2004

All financial reports are published in Finnish and English as stock exchange releases and on SSH's website at www.ssh.com. The Annual Report is also available in printed form, in Finnish and English. It can be ordered from ir-team@ssh.com and is also available as a PDF file on SSH's website.



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