SSH | Original Secure Shell
10 Years 1995 – 2005

SSH COMMUNICATIONS SECURITY CORP

FINANCIAL RESULTS
January 1 – September 30, 2006

WELCOME!

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Agenda

- 3Q Business Review - Arto Vainio
- Financial report 1-9/2006 - Mika Peuranen

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3rd Quarter Business Review

Arto Vainio
CEO
SSH Communications Security Corp

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1-3Q 2006 highlights – key numbers

- Net Sales 6.1 MEUR
- Growth 1-3Q/2005 to 1-3Q/2006 +18.3%
  - Americas revenue +7 %
  - Europe revenue +41%
  - Asia revenue +44%
- EBIT –1.4 MEUR, Net profit –0.9 MEUR

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3Q 2006 highlights

- Net Sales 1.8 MEUR
  - A number of US customer orders moving forward
- Sales Q3/2005 to Q3/2006 -24.9%
  - Americas –39%
  - Europe +30%
  - Asia +15%
- EBIT –0.5 MEUR, Net profit –0.4 MEUR

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SSH Tectia business approach

- SSH Tectia is a data security solution aimed at large corporations, financial institutions and government organisations
  - A system level product with versatile expansion potential in all existing and new accounts
  - Multi-year frame agreements, multi-year maintenance revenue streams
- SSH Tectia is developed in close cooperation with leading US and European customers for global use
  - USA is the leader in new legislation, standards and practices for data security
- We execute highly focused market and product strategy
  - USA experiences leveraged for growth in Germany, the U.K., Nordic countries and Japan
- Evolving legislation and standards force our target customers to continue improving their data security
  - Customer deployments in several phases/projects over the years
- Several major agreements signed during the past six months
  - Leading US and European customers tested and validated the platform

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Notes on typical SSH Tectia projects

- SSH Tectia projects form parts in larger IT infrastructure programs
  - Several projects have been triggered by SOX or PCI audits
  - New regulations and cost of operating data security convert customers t commercially supported platforms such as SSH Tectia
- Evaluation and consultative sales phases can be 6 months to 24 months long
  - SSH – Customer technical consultations can be very extensive
- Often projects purchased in several deployment phases
  - Winning a frame agreement starts a long-term business relationship
- Customers choose us on basis of overall solution and support value

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2006 ongoing activities

- Target customers in active evaluations and preparation of new projec in all markets
  - Good portfolio of mature, well-developed sales cases
  - New sales teams operational, additional hiring in the USA
- New products and applications expand our available market
  - Original: secure server access and data transfer for system administratio
  - New: Enhanced file transfer applications
  - New: Secure access to applications
  - New: Secure data access and transfer for IBM mainframes
- Continuing to expand our market coverage by partnering
  - Wider coverage: geographic, customer segment & vertical

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2006 prospects

- New legislation and new, tighter industry specific data security practices/ policies/ standards
  - E.g. Sarbanes-Oxley Act (SOX), Health Insurance Portability and Accountability Act (HIPAA), and Gramm-Leach-Bliley Act (GLBA), Visa PCI standards, etc.
- Next Generation SSH Tectia products ready and selling
  - SSH Tectia covers the widest range of enterprise OS platforms
  - New applications of SSH Tectia expand our market
- New sales prospects at good level
- Long-term agreements provide up-selling and expansion potential
  - USA leading, other advanced markets following
- SSH's cost structure corrected and large investments done

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FINANCIALS
January 1 – September 30, 2006

Mika Peuranen
CFO
SSH Communications Security Corp

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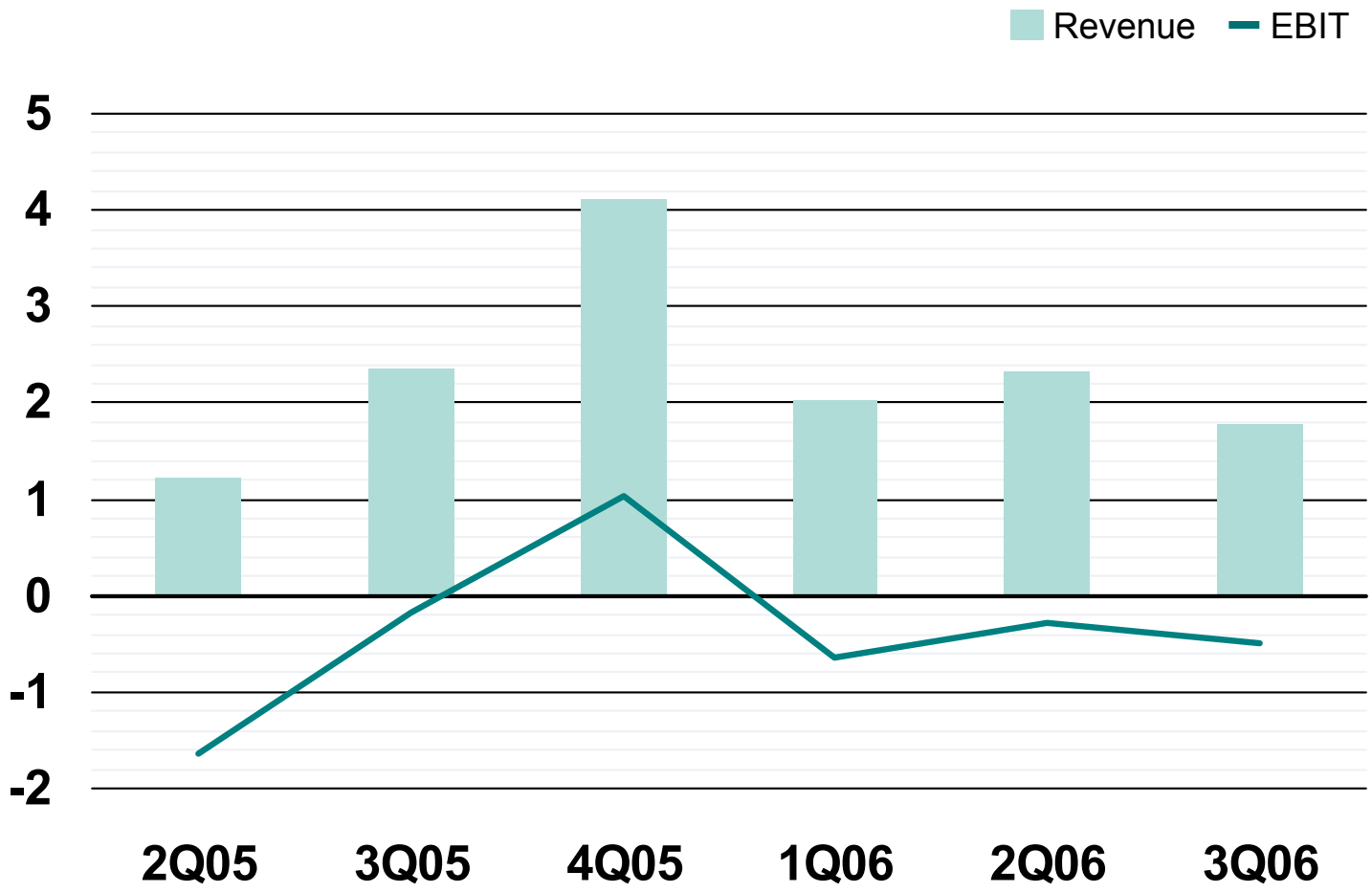
Revenue and EBIT by quarter



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Financial Highlights 1-3Q06

- Net sales EUR 6.1 million (EUR 5.2 million in 2005)
- Operating loss EUR –1.4 million (EUR –3.7 million in 2005)
- During the first three quarters revenue increased 18 % compared to the previous year´s first three quarters
- Fixed costs decreased by EUR 1.2 million compared to the previous year´s first three quarters
- Strong balance sheet and financial position
  - **Equity ratio 94.0 % (95.9%)**
- The decision of the Annual Shareholders Meeting on March 21, 2006 regarding the decrease of the company's share premium fund and return of capital to the shareholders was implemented on 21 July. The amount distributed was euro 7.1 million, 0.25 per share.

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Key Financials 1-3Q06

EUR 1000	1-3Q06	% of sales	1-3Q05	% of sales
Revenues	6 127		5 179	
Purchasing and Production Costs	47	0.8 %	58	1.1 %
Gross Margin	6 079	99.2 %	5 121	98.9 %
Research and Development	2 437	39.8 %	2 614	50.5 %
Sales and Marketing	4 118	67.2 %	4 871	94.0 %
Administration	1 202	19.6 %	1 506	29.1 %
Other Operating Income	252		181	
EBIT	-1 426	-23.3 %	-3 689	-71.2 %
Financial Income and Expenses	519		650	
Profit before taxes	-908	-14.8 %	-3 038	-58.7 %
Personnel	78		79	

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Quarterly Financials 2Q05–3Q06

EUR 1000	3Q06	2Q06	1Q06	4Q05	3Q05	2Q05	2005
Revenues	1 770	2 320	2 037	4 118	2 358	1 224	9 297
Gross Margin	1 752	2 306	2 022	4 090	2 335	1 201	9 211
Research and Development	749	825	863	810	748	880	3 424
Sales and Marketing	1 244	1 534	1 340	1 867	1 381	1 580	6 738
Administration	354	381	468	430	449	510	1 936
Other Operating Income	106	146	-	60	60	121	241
EBIT	-488	-289	-649	1 043	-183	-1 650	-2 645
Personnel	78	85	82	75	79	81	75
SSH Tectia revenues	1 770	2 320	2 037	4 118	2 358	1 224	9 297

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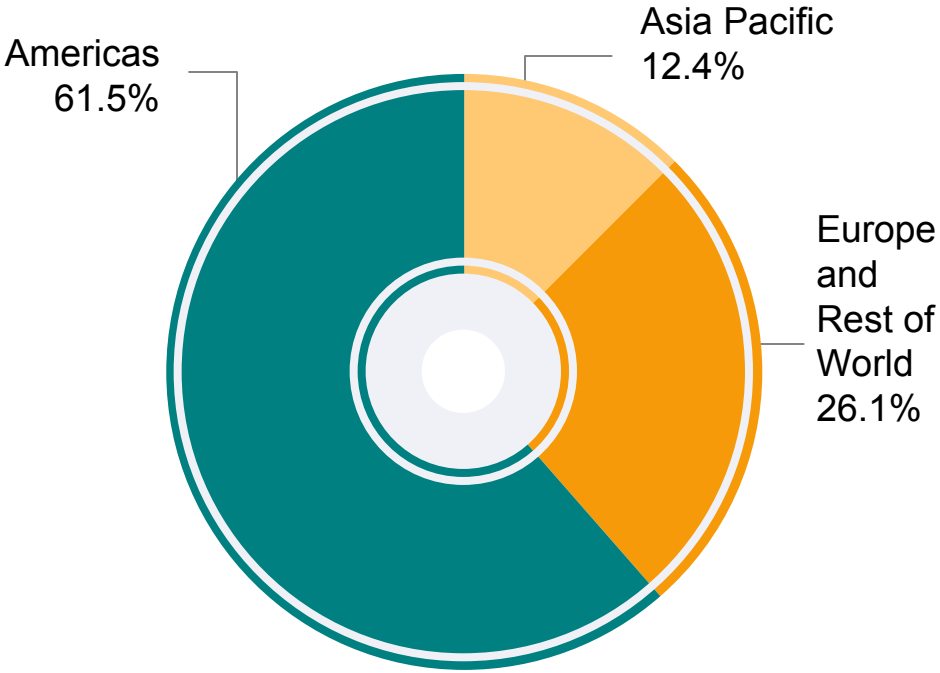
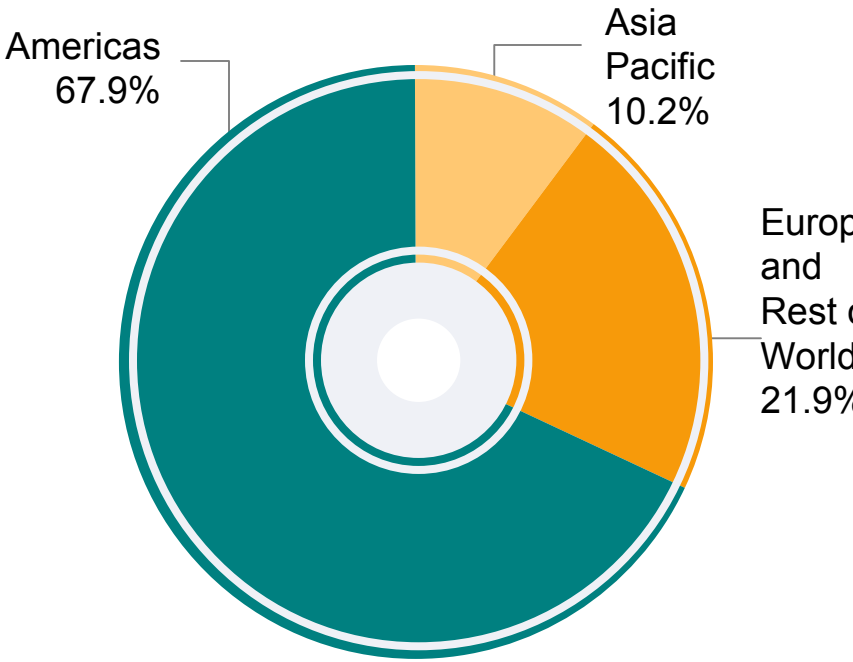
Net Sales by Market in 1-3Q06



1-3Q06 EUR 6.1 million



1-3Q05 EUR 5.2 million

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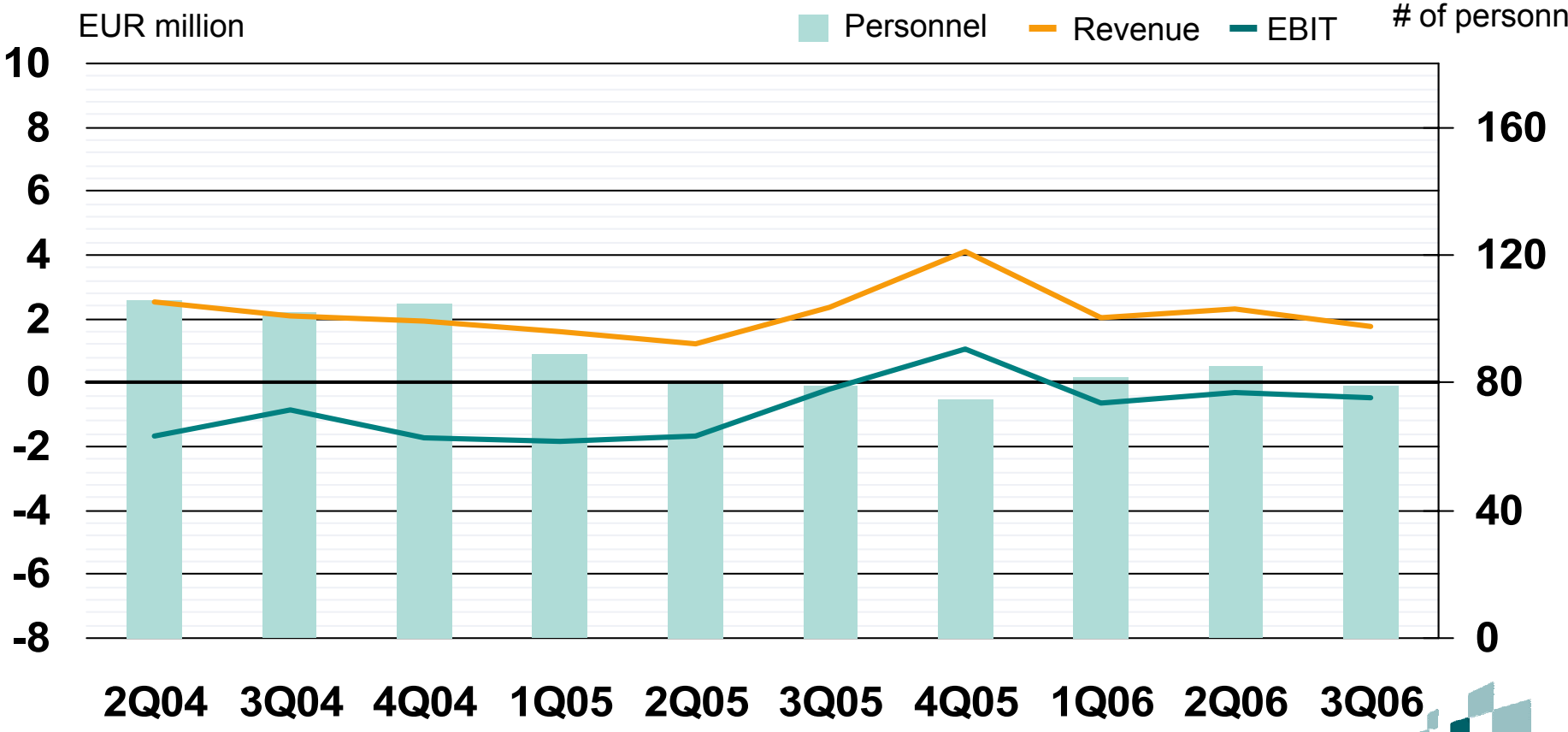
Development of Number of Personnel, Revenue and EBIT



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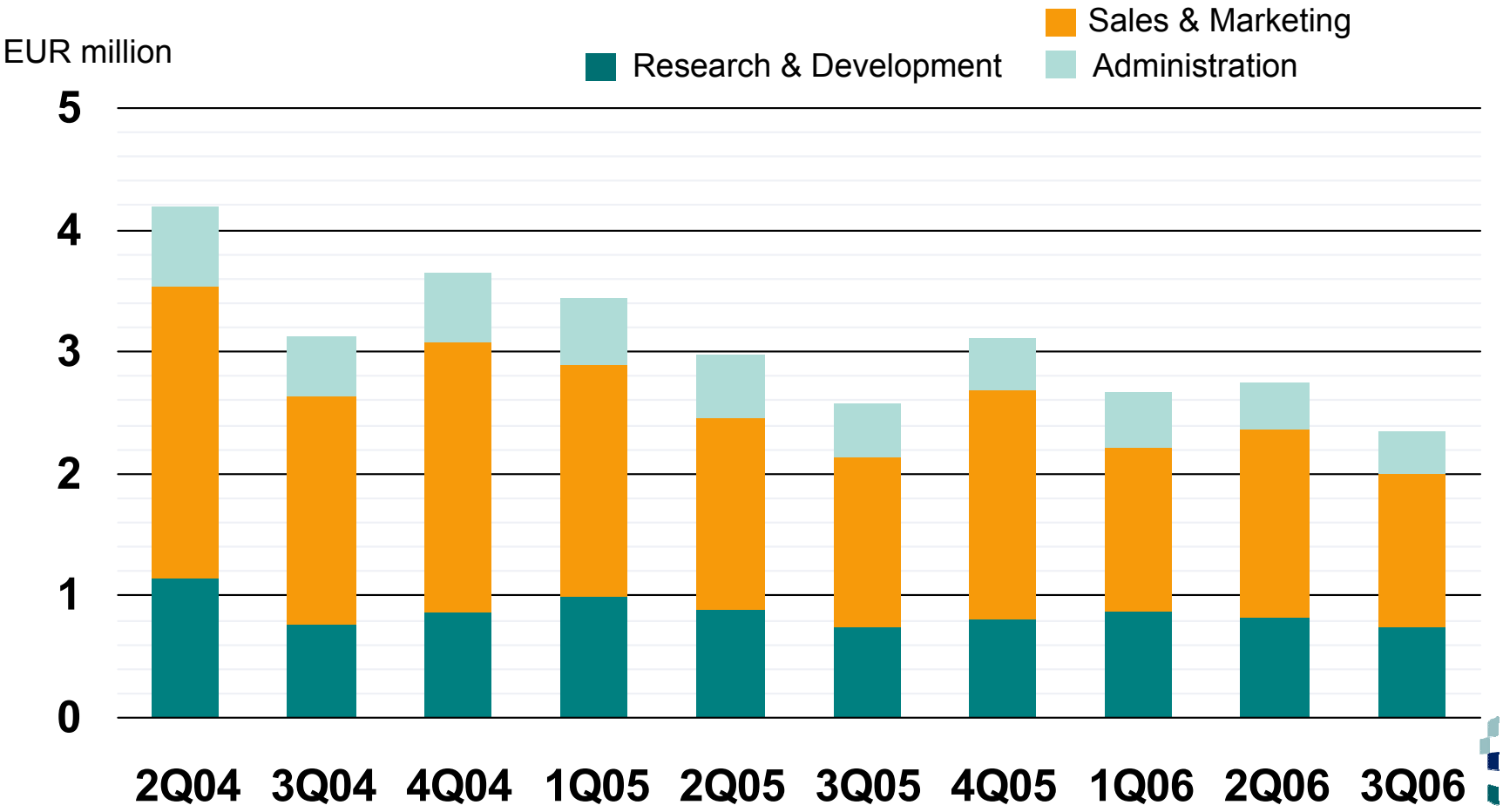
Development of Costs Structure



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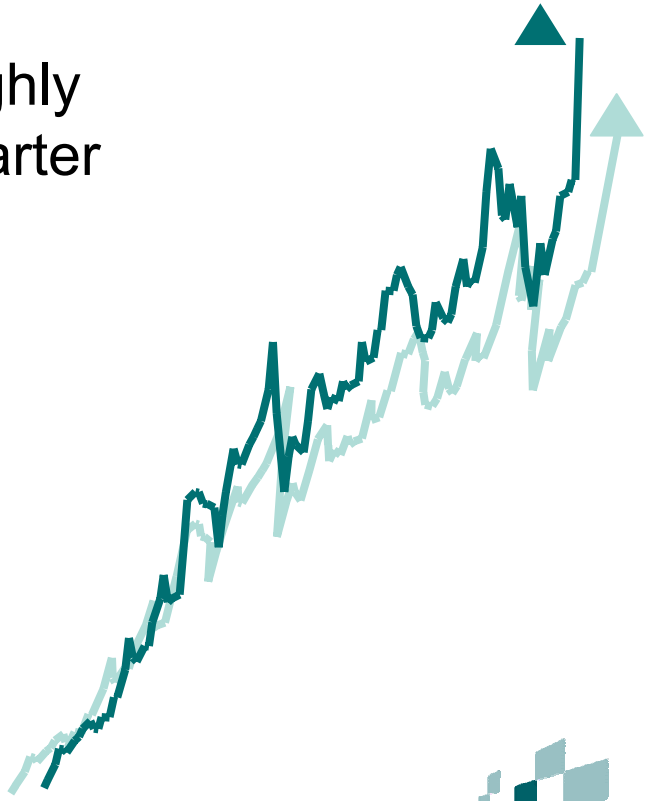
Outlook for 2006

- The full year sales and profitability remain highly dependent on the sales results of the last quarter

- Due to the large size of individual orders and uncertainty of timing, significant variance of revenue per quarter may occur



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THANK YOU!

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