SSH | Original Secure Shell
10 Years 1995 – 2005

SSH COMMUNICATIONS SECURITY CORP

FINANCIAL RESULTS
January 1 – March 31, 2006

WELCOME!

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Agenda

- 1st Quarter Business Review - Arto Vainio
- Financial report 1-3/2006 - Mika Peuranen

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1st Quarter Business Review

Arto Vainio
CEO
SSH Communications Security Corp

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1Q highlights – key numbers

- Net Sales 2.0 MEUR
- Growth Q1/2005 to Q1/2006 +27%
  - Americas revenue +41 %
  - Europe revenue +19%
  - Asia revenue +13%
- EBIT –0.65 MEUR, Net profit –0.37 MEUR
- 2 orders above 100 kEUR; largest single order 0.16 MEUR
  - Frame agreement and first order from a German industrial company to secure their IBM Mainframe infrastructure with SSH Tectia

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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
  - Good reference customers such as SAP AG Germany obtained

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Notes on typical SSH Tectia projects

- SSH Tectia projects form parts in larger IT infrastructure programs
  - Several sales projects have been triggered by SOX or PCI audits
  - New regulations and cost of implementing and operating data security convert customers to commercially supported platforms such as SSH Tectia
- Evaluation and consultative sales phases can be 6 months to 24 months long
  - Often customers request new features in our product roadmap during the evaluation phase
  - 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
  - Some customers integrate the solution with in-house resources, some customers prefer system integrators
    - SSH is flexible to work directly or with partners
- Customers choose us on basis of overall solution and support value

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Q1 ongoing activities

- Target customers in active evaluations and preparation of new projects 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 administration
  - 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 geographic, customer segment & vertical coverage
  - Regional & customer services with SI and VAR partners

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2006 outlook positive

- Sales prospect base grown significantly larger than year ago
- 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
- SSH's cost structure corrected and large investments done
- Demand drivers solid: new legislation and new, tighter industry specific data security practices/ policies/ standards drive customers to increase investments in all markets
  - E.g. Sarbanes-Oxley Act (SOX), Health Insurance Portability and Accountability Act (HIPAA), and Gramm-Leach-Bliley Act (GLBA), Visa PCI standards, etc.
- Long-term agreements with major US, European and Asian customers and partners provide up-selling and expansion potential
  - USA leading, other advanced markets following

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FINANCIALS
January 1 – March 31, 2006

Mika Peuranen
CFO
SSH Communications Security Corp

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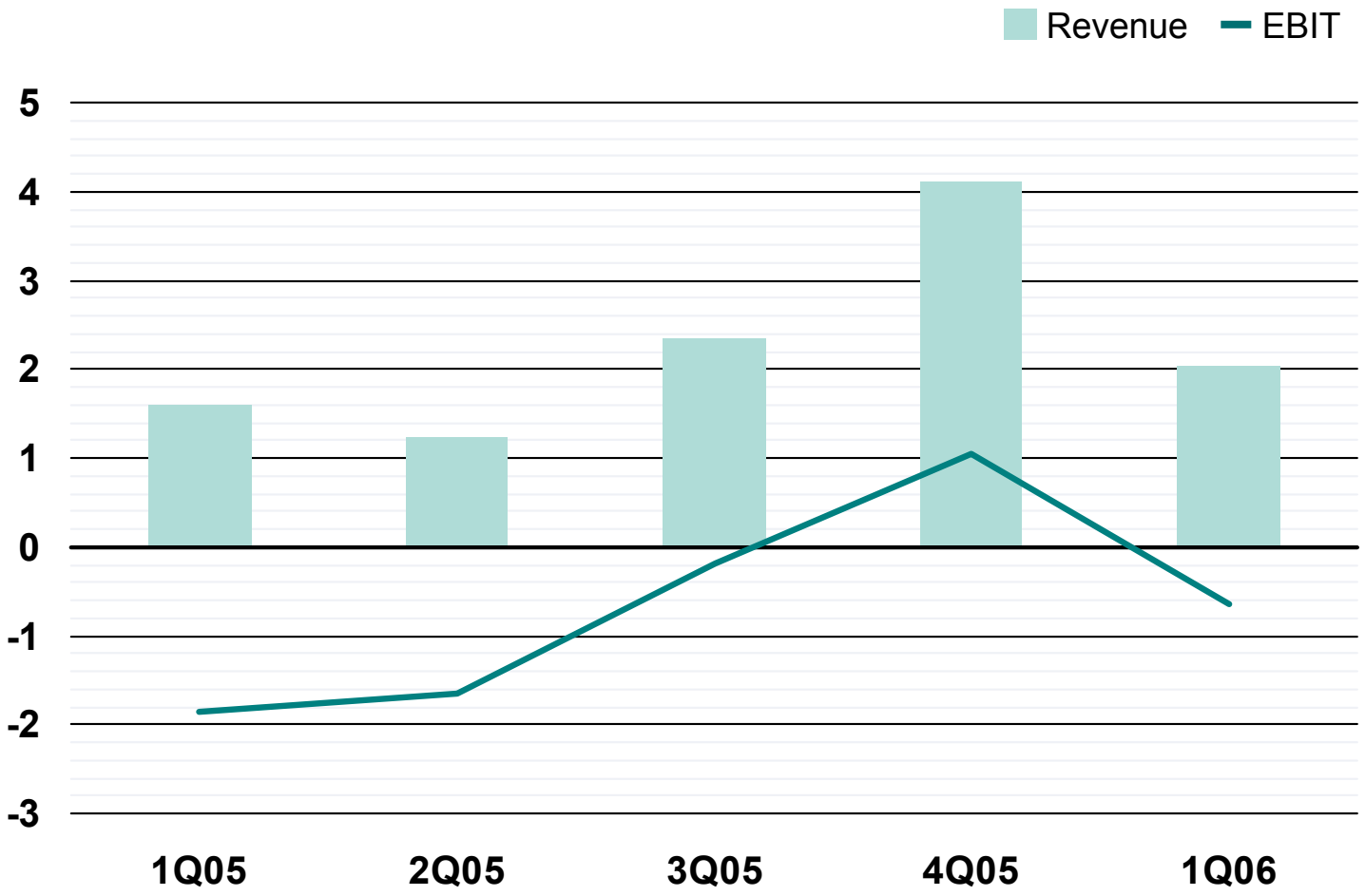
Revenue and EBIT by quarter



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Financial Highlights 1Q06

- Net sales EUR 2.0 million (EUR 1.6 million in 2005)
- Operating loss EUR –0.6 million (EUR –1.9 in 2005)
- During the first quarter revenue increased 27 % compared to the last year's first quarter
- Fixed costs decreased by EUR 0.8 million compared to the previous year´s first quarter
- Strong balance sheet and financial position
  - **Equity ratio 95.3 % (94.5%)**

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Key Financials 1Q06

EUR 1000	1Q06	% of sales	1Q05	% of sales
Revenues	2 037		1 598	
Purchasing and Production Costs	15	0.7 %	13	0.8 %
Gross Margin	2 022	99.3 %	1 585	99.2 %
Research and Development	863	42.4 %	985	61.6 %
Sales and Marketing	1 340	65.8 %	1 910	119.5 %
Administration	468	23.0 %	547	34.2 %
Other Operating Income	-		-	
EBIT	-649	-31.9 %	-1 857	-116.2 %
Financial Income and Expenses	287		6	
Profit before taxes	-362	-17.8 %	-1 851	-115.8 %
Personnel	82		89	

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Quarterly Financials 4Q04–1Q06

EUR 1000	1Q06	4Q05	3Q05	2Q05	1Q05	4Q04	2005
Revenues	2 037	4 118	2 358	1 224	1 598	1 908	9 297
Gross Margin	2 022	4 090	2 335	1 201	1 585	1 856	9 211
Research and Development	863	810	748	880	985	873	3 424
Sales and Marketing	1 340	1 867	1381	1 580	1 910	2 204	6 738
Administration	468	430	449	510	547	562	1 936
Other Operating Income	-	60	60	121	-	76	241
EBIT	-649	1 043	-183	-1 650	-1 856	-1 707	-2 645
Personnel	82	75	79	81	89	105	75
SSH Tectia revenues	2 037	4 118	2358	1 224	1 598	1 908	9 297

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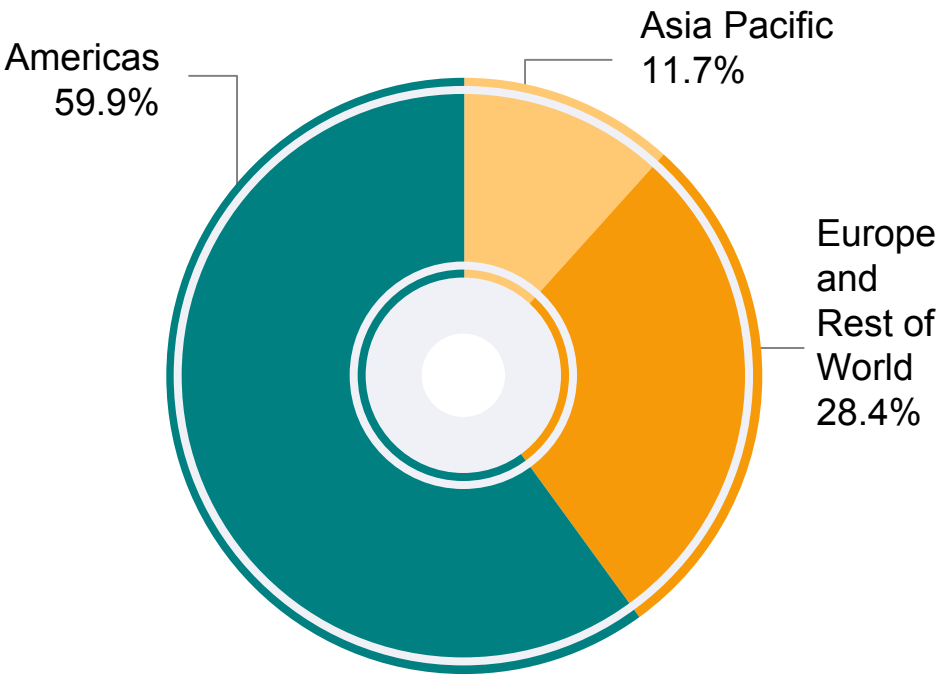
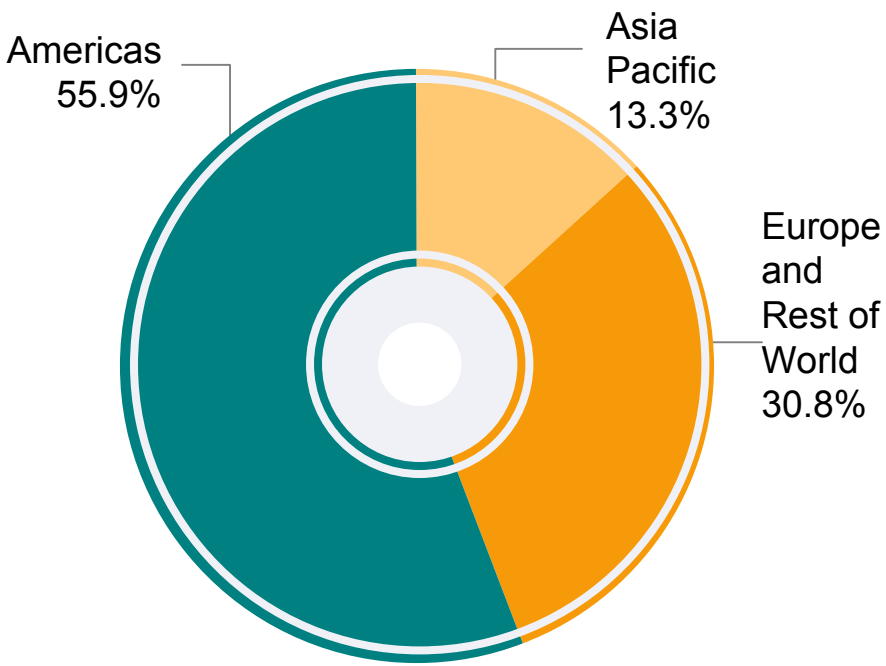
Net Sales by Market in 1Q06



1Q06 EUR 2.0 million



1Q05 EUR 1.6 million

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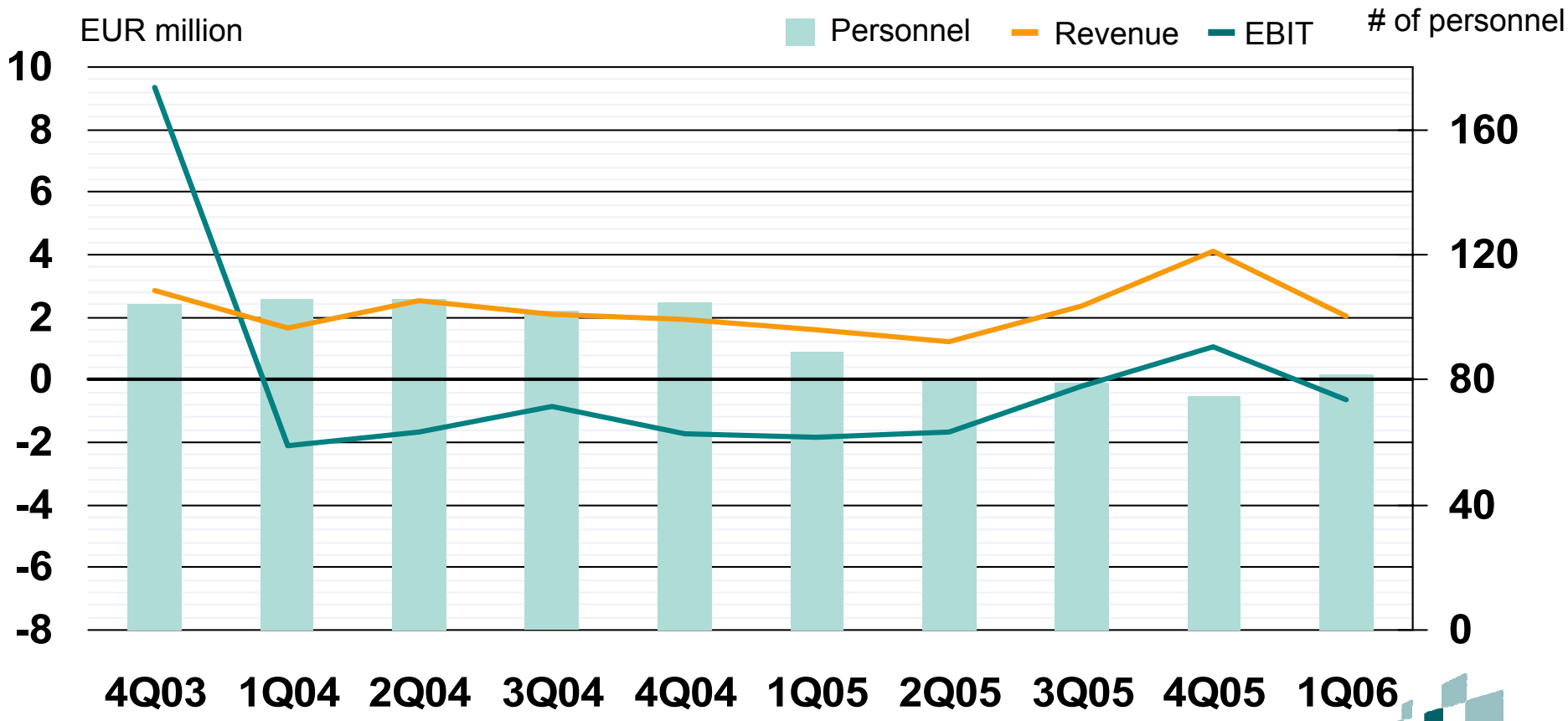
Development of Number of Personnel, Revenue and EBIT



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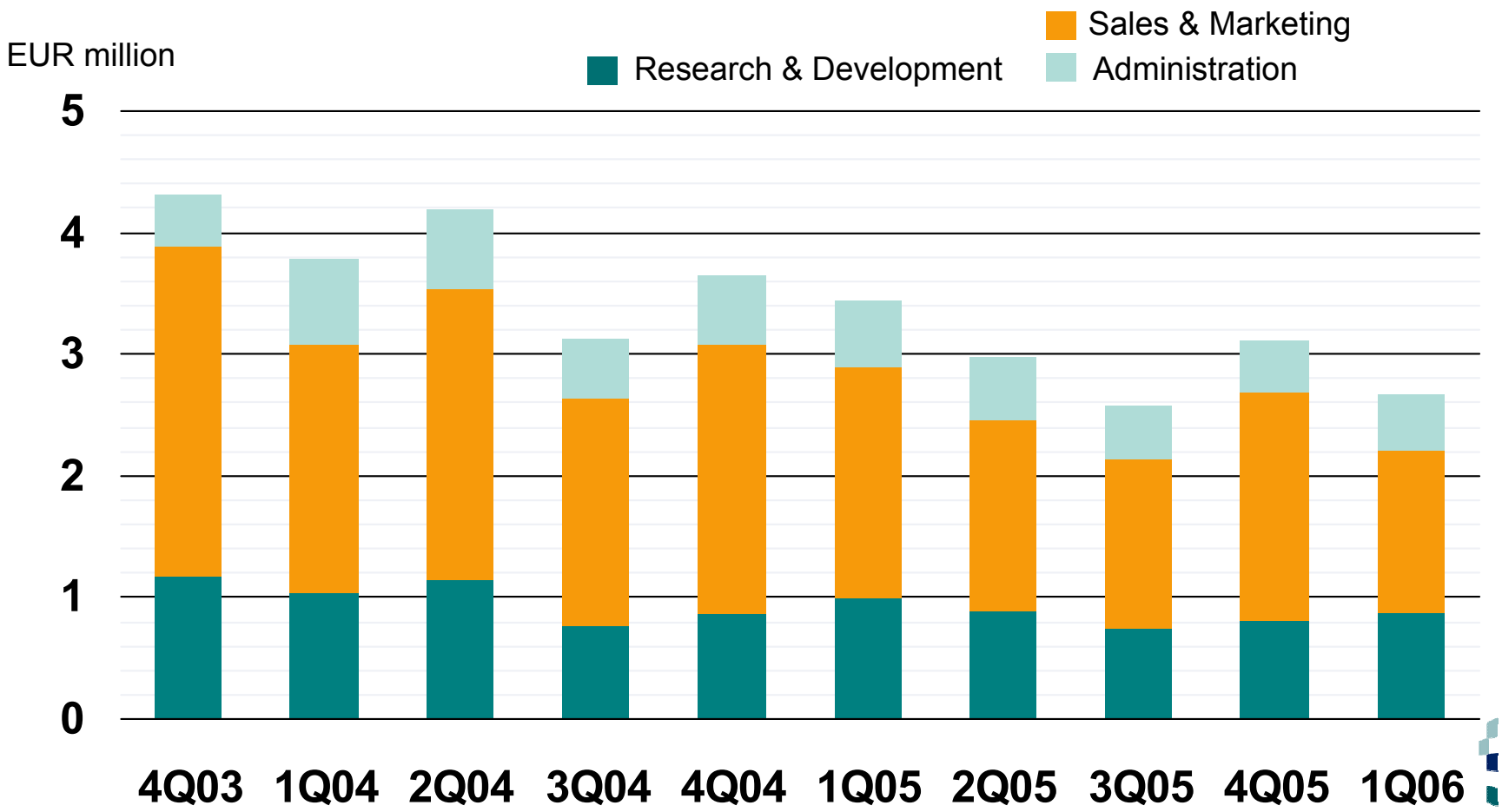
Development of Costs Structure



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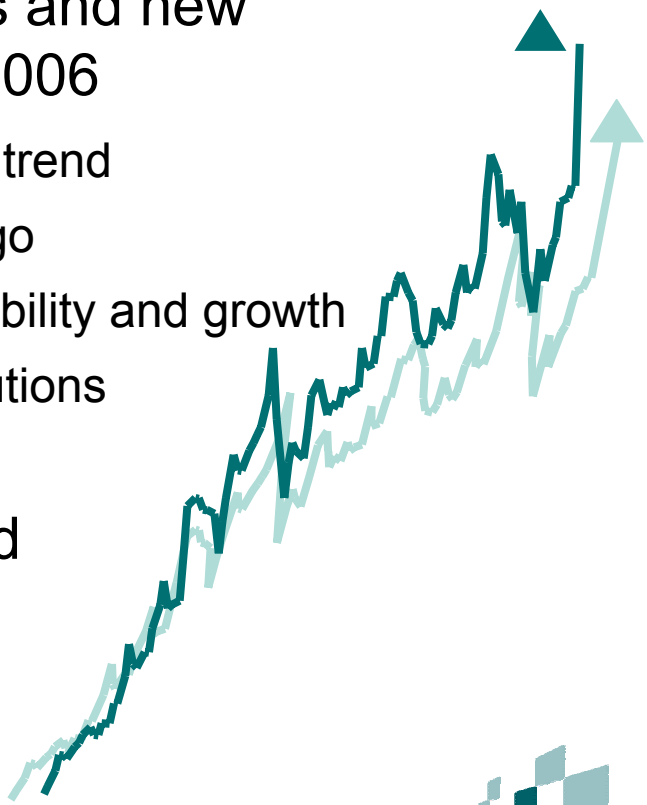
Financial Targets for 2006

- Thanks to growth in tenders, new customers and new products, SSH expects to show a profit for 2006
  - SSH committed to continue the 2H/2005 positive trend
  - Prospect base substantially higher than a year ago
  - New major customers provide long-term sustainability and growth
  - Significant investments to create SSH Tectia solutions complete
- 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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