Annual Report 2006

SSH Communications Security

ANNUAL GENERAL MEETING

SSH Communications Security Corp's Annual General Meeting will be held in the Auditorium, 2nd floor, at SSH Communications Security Corp's office, Valimotie 17–19, Helsinki on Thursday March 29, 2007, starting at 3 pm.

Shareholders registered by Monday March 19, 2007 in the shareholders' register maintained by the Finnish Central Securities Depository Ltd, and who by 4 pm Finnish time on Friday March 23, 2007 have notified the company of their intention to attend the Meeting are eligible to attend the AGM.

Shareholders wishing to attend the AGM can register either
a) by e-mail to erja.salo@ssh.com,
b) by fax to +358 20 500 7011 or
c) by mail to SSH Communications Security Oyj, AGM, Valimotie 17–19, FI-00380 Helsinki, Finland

Any proxy, entitling the holder to exercise a shareholder's voting right at the AGM must be submitted to SSH by 4 pm on Friday March 23, 2007.

FINANCIAL REPORTING IN 2007

SSH Communications Security Corp will publish the following financial reports during 2007:

Financial statements bulletin for 2006	February 13, 2007
Annual Report 2006	week 12
Interim Report January 1 to March 31, 2007	April 25, 2007
Interim Report January 1 to June 30, 2007	July 25, 2007
Interim Report January 1 to September 30, 2007	October 24, 2007

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 hard copy 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.

THE TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 2006

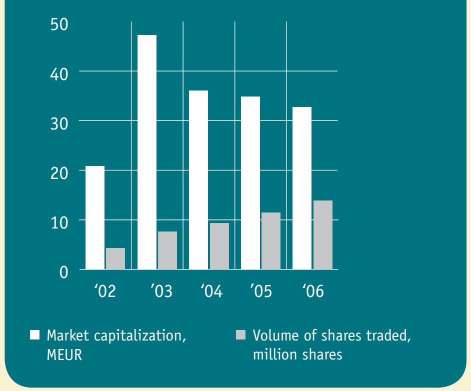
	%	Kpl
1. Ylönen Tatu Juhani	51.81	14,727,649
2. Kivinen Tero Tapani	6.51	1,850,021
3. Assetman Oy	6.33	1,800,000
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1.70	483,450
5. Promotion Capital I Ky	1.69	480,000
6. Tatu Ylönen Oy	1.32	375,071
7. Vainio Arto Olavi	0.49	140,000
8. Sjöblom Katri Pauliina	0.45	127,795
9. Siven Pertti	0.42	120,000
10. Kaukonen Kalle Simeoni	0.35	100,000
Total	71.07	20,203,986
Nominee-registered holdings	1.70	482,120

COMPANY INFORMATION

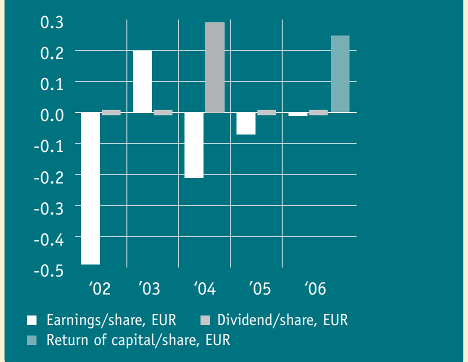
SSH publishes all stock announcements and maintains shareholder information in the company website. You can also submit questions to SSH about its operations to ir-team@ssh.com.

Investor relations
CFO Mika Peuranen
Tel: +358 20 500 7419
E-mail: mika.peuranen@ssh.com

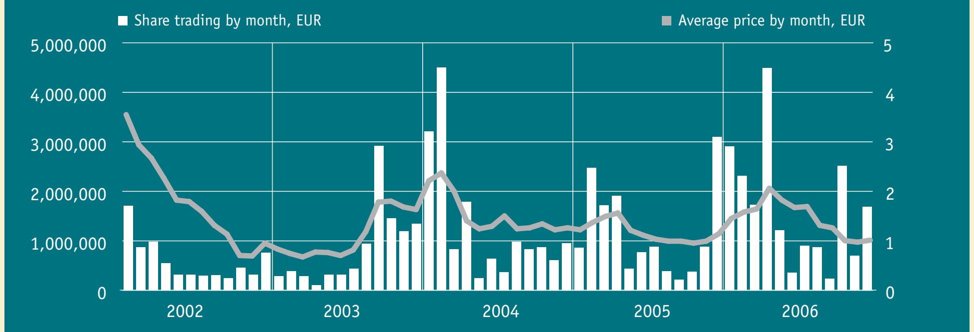
MARKET CAPITALIZATION
AND VOLUME OF SHARES TRADED



EARNINGS AND DIVIDEND
PER SHARE



SHARE TRADING AND AVERAGE PRICE

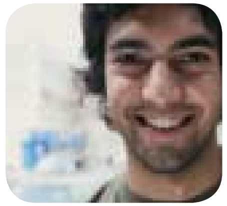


CONTENTS

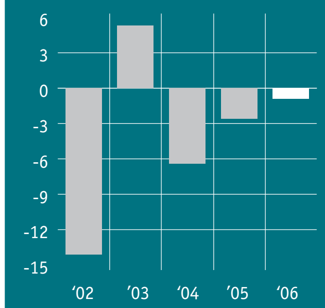
SSH IN BRIEF SSH provides end-to-end communications security solutions for protecting the data transfers of large organizations. The company’s SSH Tectia software products have been developed to answer the growing security challenges and increasing regulatory requirements faced in the complex network environments of large enterprises, financial institutions and government agencies. SSH Tectia has now begun to be deployed by some of the world’s largest organizations in these markets. SSH is the original developer of the Secure Shell technology that has become the worldwide standard. The company has an over 10 year’s experience in developing security solutions for data communications.

In 2006, the revenue of the SSH group was EUR 9.5 million and the group employed 80 persons by the end of the fiscal year. SSH has offices in Helsinki in Finland, and in the US, Japan, Germany and Great Britain.

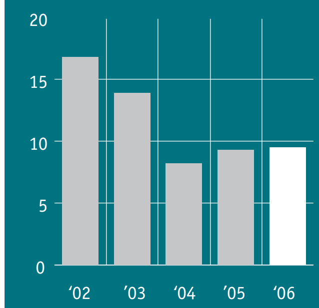
SSH manages its business by geographical segments, as defined by the international financial reporting standards, IFRS. The segments are the Americas, Asia Pacific, and Europe together with the rest of the world. Since, however, the business operations are very similar in each of the segments, this Annual Report discusses all of SSH business operations together.



OPERATING PROFIT
EUR million



NET SALES PERFORMANCE
EUR million



SSH FOR INVESTORS

Investing in SSH means investing in an innovative producer of enterprise communications security software. SSH has begun building toward its goal to be a world-leading provider of end-to-end communications security software products. The company's goal is to grow profitably within its target markets. SSH will achieve its business goals by focusing on selected customer segments and cooperating closely with both current and future SSH Tectia customers to meet their pressing network security needs.

BRAND

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

SSH Tectia helps customers more easily secure data communications in very large and complex network environments. The main applications of the products are secure system administration, secure file transfers, and secure application connections.

CUSTOMERS

The most important customer segments of SSH are large enterprises, financial institutions and government agencies. Common for all of these customers is that they manage very wide and heterogeneous data network environments. These organizations typically utilize their own wide in-house expertise, as well as external data security auditors, consultants and system integrators, when defining their needs and deciding the purchases.

The majority of the Fortune 100 companies have now begun using SSH Tectia solutions in securing their internal data communications. SSH is actively pursuing acquisition of new customers to expand its customer base worldwide. Naturally, all existing SSH Tectia installations open opportunities for cost-effective sales of expanded product use, product enhancements, and new solutions.

RESEARCH & DEVELOPMENT

SSH's primary core competence is in the end-to-end communications security across IT infrastructures that include a mix of all enterprise operating systems platforms, as well as standard interfaces to other key security platforms such as authentication.

During 2005 and 2006 SSH developed the new SSH G3™ architecture, which makes SSH Tectia the fastest and highest capacity Secure Shell solution in the market. To help assure market adoption and growth, SSH develops and tests all new product features in close cooperation with selected key customers. New features are merged to the standardized SSH Tectia software, so that all customers in the related segment can benefit from the enhanced product functionality to increase their use.

SSH employed 39 people in R&D and the company held 11 patents in the end of 2006.

BUSINESS PARTNERS

The SSH Tectia solution is standards based and seamlessly compatible with customers' existing IT infrastructure. SSH works actively with selected technology providers to make sure that its products are technically compatible with all relevant technology platforms. SSH is also actively developing global and local distribution channels to expand its sales and marketing coverage. Since the products are often delivered as a part of a larger system or project, relations to the leading system integrators in the target customer segments are important.

SALES

The main market areas of the SSH Tectia products are the USA, Great Britain, Germany, Switzerland, Austria, Japan, and the Nordic countries. SSH has local sales and support organizations in these areas, which enable close cooperation with the key clients and partners in line with the company strategy. The majority of 2006 sales were secured in North America, which has long been the largest market area for SSH. In 2006, SSH achieved the highest increase in sales in Europe and Asia Pacific.

Outside the main market areas, the SSH utilizes indirect local distribution networks for sales and support of SSH Tectia products. Orders from small companies are primarily directed to the SSH online store.

MARKET POSITION

SSH is the worldwide market leader in software based on the Secure Shell technology. SSH Tectia products enable corporate wide secure connections for system administration, file transfers and critical business applications. The total value of this market is hundreds of millions of euros per year. Driven by new security threats, the emerging legislation requirements, new standards, and new security models, the market for enterprise security products like SSH Tectia is expected to continue increasing and becoming more multifaceted to offer more new growth opportunities.

The growth strategy of SSH is to gradually strengthen its position in these markets by developing the SSH Tectia products to expand their use in the company's existing customer base and acquire major new large customers from the already installed Secure Shell technology base. In addition, SSH works on new business partnerships that aim to open indirect channels to new markets.

YEAR 2006 IN BRIEF

Customers

- SAP, based in Germany and the world's leading provider of business software, installed SSH Tectia products widely in its company-internal network to secure their data communications.
- One of the largest retail chains in the USA chose SSH Tectia to secure end-to-end data traffic in its network.
- In response to the US SOX regulations, the credit card industry PCI, the health care industry HIPAA, and other new data security legislation and regulations, many customers decided to ban the use of plain-text file transfers and so-called Telnet data connections within their data networks and started projects to deploy SSH Tectia.
- SSH signed significant multi-year SSH Tectia license frame agreements with several of the world's largest financial institutions in USA and Europe.

Partners

- IBM awarded the SSH Tectia Server for IBM z/OS with the IBM ServerProven® certification for use in mainframe environments. The prerequisite for this certification is that the product functions have been verified in a real-world production environment.
- SSH signed a distribution agreement with NetManage, a software company providing solutions for integrating, web-enabling and accessing enterprise information systems. Under the agreement, NetManage resells the SSH Tectia products with its terminal connection solutions to its customers.
- SSH increased cooperation with the USA-based BMC Software. This enables customers to leverage the SSH Tectia products to secure advanced file-transfers across complex enterprise environments.

Products

- The new SSH Tectia tunneling and enhanced file transfer products were restructured and re-positioned to make them more easily deployed by existing customers. The new Expansion Pack productization model helps speed the sales process and the installation of the products.
- In early 2006, SSH announced new product plans for enhanced file transfer security and management solutions for large distributed enterprise networks. By the summer, SSH launched a transparent file transfer security feature as a part of new SSH Tectia product versions to help customers to comply with the tough new auditing requirements set for file transfer security.
- SSH Tectia strengthened its position as the leading solution for securing data communications in IBM mainframe environment by introducing new significant features for IBM z/OS systems, resulting in its selection and deployment by a number of existing and new customers in our target markets.

REVIEW BY THE CEO

NEW PRODUCTS AND NEW CUSTOMER RELATIONS CREATE A SOLID BASE FOR GROWTH

We look forward to year 2007 from an excellent vantage point. SSH has a solid sales and prospects base, the customer base is more robust, and we have more advanced products to offer existing and new customers. In 2006, SSH ramped-up commercial deliveries of the new G3 software generation, won several significant new customers and new product sales multiplied.

Demand for products and services for securing corporate-internal information security grew and began to spread to Europe from the US during 2006. This was visible in our accelerated sales growth especially in Germany and in Great Britain. We expect the same trend to next trigger faster growth in the Asian markets.

SSH has won customers from new fields. In addition to the existing customers in the financial and governmental sectors, large retail trade, manufacturing, and high-technology enterprises also became significant new SSH customers in 2006.

Of the new products, the SSH Tectia Server for IBM z/OS launched in 2005 showed the highest upward growth. This software product provides information security for IBM mainframes, and its sales multiplied in 2006. This product is a model example of how SSH concentrates on large user organizations — in-line with the company strategy. This improves our competitiveness, our products are more profitable and we create long-term customer relationships with leading companies.

The continuous enhancement of our products benefits both our customers and SSH. The ever-changing communications security world requires efficient system maintenance and increased performance levels. We have been pleased to learn that customer tests have independently confirmed that the SSH Tectia G3 generation shows much better performance than competitors' products.

CHALLENGES FOR 2007

In 2006, our profitability grew significantly, but still not adequately. Our top priority in 2007 is to speed up the growth of sales. This would directly further improve the company profitability and produce a positive result for 2007. Other challenges include further widening of the customer base as well as strengthening and growing our existing customer relationships. I am confident that we have the plans and means in place to reach these goals.

Our breadth of customers offers us several major growth opportunities. The primary driver here we are proudly carrying is the rapidly widening scope of the SSH Tectia solution. We have several customers on phase one, meaning that they have selected our products for their very first specific application, they have entered an SSH Tectia frame-agreement, and ordered the software licenses and technical services for their first projects.

The customer-specific sales opportunities are based on adding phases and expansions, resulting in more sales of new SSH Tectia applications and new features. There are excellent opportunities to strengthen the customer relations and to expand the application and sales of the SSH Tectia solution.

In addition, we work constantly to increase the cooperation from other leading companies. Cooperation projects already begun will help us to multiply our market coverage, and this will open access to new points in the distribution and value chain, which in turn will enable us to speed up customer acquisition and sales growth.

INSIGHTS INTO THE FUTURE

New information security regulations and threats, as well as continuously developing new security practices and standards create a solid foundation for growth. SSH answers this demand with our own product sales and with tighter partnerships. We are on the right track, as evidenced by several new major, world-class customer frame agreements in 2006, each of which opens a path to a valuable multi-year sales and service relationships.

Large enterprise, financial, and governmental organizations have a growing need for improved security in their internal data systems. SSH offers the knowledge and the solutions to them. In 2006, several more of the world's largest and most prestigious organizations have chosen our products and now cooperate with us to help define and develop the solutions further.

Our operations are now in very good shape, and as a company we are committed to continuous improvement. We have the resources required for successfully completing the next business phases. I firmly believe that we have all what it takes to continue successfully to improve both our market position and the company profitability in 2007 and the coming years.

I wish to thank all SSH personnel for their great work in all areas in 2006.

Arto Vainio
CEO

SSH TECTIA BUSINESS

SSH delivers its strategy through the SSH Tectia solution. During product development, SSH has cooperated closely with key-customers. This has resulted in the SSH Tectia solution growing into an easy-to-manage solution for securing file transfers, remote connections and other application data traffic in corporate network environments. These three application areas act also as three separate SSH business opportunities with the existing customers, while simultaneously opening new customers to SSH.

MANAGED SECURE FILE TRANSFERS

Transfer of files between two computers is one of the most common operations in data networks. It has become highly important to be able to manage and secure file transfers also when the business processes are automated, and the operating environment is becoming more and more networked and integrated.

The market for Enhanced File Transfer (EFT) solutions was approximately EUR 400 million in 2006. SSH launched the new EFT Expansion Pack for SSH Tectia that serves the need for more efficient management and higher performance of secure file transfers. The enhancements to the product save the customers from purchasing several solutions with partly overlapping functions from different providers.

A frequent requirement in new 2006 customer projects and closed deals was secure file transfer. Increased pressures from legislation and regulations developments led several companies to set policies and plans to abolish plain-text file transfer connections from their company networks.

Year 2006 brought several new features to the SSH Tectia Server for IBM z/OS that was launched in 2005. These product enhancements increase the usability of SSH Tectia file transfer solutions in IBM mainframe environments. During 2006, SSH Tectia Server for IBM z/OS was installed in a number of new customer networks. SSH Tectia was awarded the IBM ServerProven® certificate as a proof of its proper functioning in real customer mainframe environment.

SSH does not intend to start providing solutions to all possible file transfer needs, but instead the company focuses on the security needs of large enterprises' broad internal networks. They need to transfer files safely in their often distributed and heterogeneous company networks. Most of the suppliers to the file transfer market concentrate mainly in securing external customer and partner file transfers. SSH Tectia's main competitors in the file transfer market are the US-based companies Sterling Commerce and Tumbleweed.

SSH has active partnerships for example with BMC Software, and this cooperation adds file transfer scheduling and managing possibilities to SSH Tectia. The total solution answers customer needs which SSH Tectia alone could not cover.

SECURE REMOTE CONNECTIONS

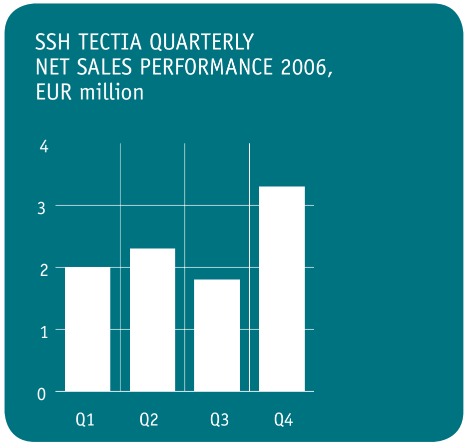
The original purpose and use case for which Tatu Ylönen developed the Secure Shell technology originally in 1995 was a secure remote connection between a terminal and a server for running commands on a remote host. To this day, Secure Shell has grown to be the worldwide standard technology used pervasively for the secure administration and maintenance of Unix and Linux servers. Secure Shell has gained this position partly thanks to the Unix manufacturers and Linux distributors who have included the open-source Secure Shell solution (OpenSSH) in their operating system packages.

SSH Tectia offers a commercially supported data security solution with centralized management functions that benefit large enterprise customers in particular with reduced operating costs. With the SSH Tectia solution, customers can open secure remote connections also in heterogeneous networks that use for example Windows, Unix and Linux systems, and IBM mainframes. Customers can also apply SSH Tectia products seamlessly to an existing OpenSSH-based environment on selected platforms, or alternatively, to unify the entire network to run SSH Tectia on all servers.

In 2006, the largest commercial SSH Tectia deals were replacements of previously installed Secure Shell in the customer's network. These customers concluded that they should deploy only one commercially supported solution that would provide secure system administration for the entire company network. In many cases, the initial order was for startup deployment within a specific business unit or for one operating system platform. These customers then widen SSH Tectia usage, thereby expanding SSH sales opportunities within the existing customer-base.

The market for secure remote connections is a part of the larger host access market where the value of annual software sales is hundreds of millions of euros. The established Secure Shell secure remote system administration market is less than

A FREQUENT REQUIREMENT IN NEW 2006 CUSTOMER PROJECTS AND CLOSED DEALS WAS SECURE FILE TRANSFER.



PERSONNEL

a 10 percent of that overall market, but here SSH is the market leader. The most significant commercial competition comes from the US-based companies Attachmate and Van Dyke.

SSH endeavors to widen its market share in the large overall market by engaging in partnerships where the SSH Tectia solution is attached to a larger host access solution. For example, in the summer of 2006, SSH signed a retail agreement with the US-based company NetManage. The secure connections in the newly launched SSH Tectia Server for IBM z/OS also open new growth opportunities in the mainframe market.

SECURE APPLICATION CONNECTIONS

The SSH Tectia solution transparently secures the users' application connections between workstations and application servers. SSH Tectia Connector (for the client side) and SSH Tectia Server with Tunneling Expansion Pack and Tectia Manager allow transparent and centrally managed tunneling of TCP/IP-based applications without changing the end-user experience or requiring any application-specific modifications. The solution makes it possible to secure and authenticate both commercial applications and user applications developed in-house by the customer.

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

INTERNATIONAL WORKING ENVIRONMENT

By the end of 2006, SSH had 80 employees. 56 were working at the company head office in Helsinki in Finland, 3 worked in the other SSH offices in Europe, 18 in the US offices, and 3 in Japan. The employees come from 14 nationalities, so the company benefits from its multicultural talent mix.

There were 39 employees working in R&D, 30 in sales and marketing, and 11 in administration.

VALUES LEAD THE WAY

SSH people have together defined these values for the company: Select, Solve and Honor. SSH focuses on serving its selected customer segments by solving their data security problems within selected solution areas. SSH aims at developing and sustaining long-time cooperation with customers based on mutual respect and honoring commitments to customers. The company values lead the way and guide the SSH employees in daily decisions and operations.

DEVELOPMENT OPPORTUNITIES AND WELLBEING

One of the most important success factors of SSH and, simultaneously, the company's core competence, is the capability to innovate enhanced technical solutions to the customers' communications security problems. Most of the jobs require higher education, and 79 percent of the SSH employees have a university degree.

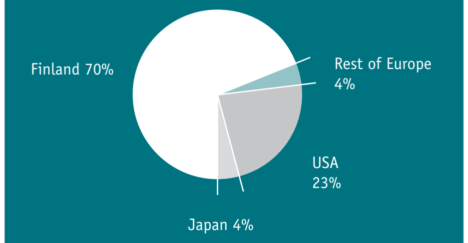
Innovative solutions to customers' real-life critical problems are of utmost importance to SSH. The company endeavors to increase and maintain its innovation capability by investing in employee wellbeing and continuous personal development. Twice a year, everyone has development discussions with the immediate superior. In these discussions, the personal objectives and development plans are composed for every employee. SSH uses job rotation, internal training and external courses, as well as enhancements to the job definitions as means of maintaining and developing employee competencies.

INTERESTING JOBS AND GOOD TEAM SPIRIT

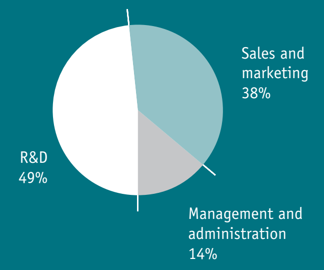
In November 2006, SSH carried out its annual personnel satisfaction survey. Employee responses to the web questionnaire indicated high overall job satisfaction, with the most positive aspects that employees felt their jobs are interesting, areas of responsibility are clear, and team spirit is good. The survey results were analyzed and development areas and actions were defined for 2007 accordingly.

THE EMPLOYEES COME FROM 14 NATIONALITIES, SO THE COMPANY BENEFITS FROM ITS MULTICULTURAL TALENT MIX.

EMPLOYEE DISTRIBUTION BY GEOGRAPHICAL AREA



EMPLOYEE DISTRIBUTION BY BUSINESS AREA



CORPORATE GOVERNANCE

The SSH Group comprises SSH Communications Security Corp (SSH) and its subsidiaries. SSH Communications Security Corp is registered in Helsinki, Finland and is a publicly listed company. Its subsidiaries are SSH Communications Security, Inc. (US), SSH Communications Security K.K. (Japan), and SSH Operations Plc that operates in Finland, UK, and Germany.

SSH abides by its bylaws, principles of sound corporate governance, and high ethical standards in its governance and decision-making. The company complies with the Finnish Companies Act and securities market legislation, the rules of the Helsinki Stock Exchange, and the joint recommendations of the Helsinki Stock Exchange, the Helsinki Chamber of Commerce, and the Confederation of Finnish Industries regarding corporate governance of publicly listed companies.

SHAREHOLDERS' MEETING

The ultimate decision-making power at SSH is vested in the shareholders' meeting. The Annual General Meeting is held within six months of the completion of the company's fiscal year, at a time decided by the Board. The shareholder's meeting decides the number of members of the Board of Directors, and appoints the members. Additionally, under the Finnish Companies Act, the Annual General Meeting has the authority to amend the company's Bylaws, adopt the financial statements, approve the amount of dividend, and to select the company's auditors. Each SSH share conveys one vote at the shareholder's meeting.

BOARD OF DIRECTORS

In accordance with the company's Bylaws, the Annual General Meeting appoints three to eight Board members. Their term of office ends with the closing of the Annual General Meeting following their appointment. The Board has a quorum when more than half of its members are present. The company's Bylaws do not restrict the members' terms of office or present any specific selection criteria for members. The Board elects a chairperson from among its members.

SSH's Board of Directors is responsible for the company's strategic policies, and the appropriate organization of business operations and administration. The Board of Directors acts in the company's interests at all times. In addition to the tasks and responsibilities provided by the Finnish Companies Act and the company's Bylaws, in accordance with its agenda, SSH's Board of Directors:

- confirms the company's long-term goals and strategy
- approves the company's action plan, budget and financial plan, as well as monitors their implementation
- decides on large, single investments of strategic importance such as corporate and business acquisitions and divestments
- approves proposed strategically important product development projects
- appoints the CEO and determines his or her remuneration
- decides on bonus and incentive schemes for senior management
- confirms the company's risk management and reporting procedures
- determines the company's dividend policy and is responsible for the development of shareholder value
- confirms the company's values.

BOARD OF DIRECTORS – MEMBERS

The shareholders' meeting held on 21 March 2006 appointed these four people to the SSH's Board of Directors: Tapio Kallioja, Tomi Laamanen (chairman), Timo Ritakallio and Tatu Ylönen.

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

Tomi Laamanen, born 1968, DSc (Technology), PhD (Economics & Business Administration)
Board member since 2001, Chairman of the Board since September 21, 2001
Professor at Helsinki University of Technology
Tomi Laamanen is Professor at the Institute of Strategy and International Business at the Helsinki University of Technology. He has been a Board member or Advisory Board member of several Finnish technology-based firms and professional associations. In addition to SSH, he is Chairman of the Board of Emtele Oy and SystemsGarden Oy, and a member of the Board of Halton Oy, HPY Research Foundation and the Strategic Management Society of Finland.
Owns 22,000 SSH shares and 4,000 stock options.

Timo Ritakallio, born 1962, LLM, MBA
Board member since 2003
Deputy Chief Executive Officer, OKO Bank
Timo Ritakallio has 20 years of wide experience in management and board of directors' positions in the capital markets and banking sector. Mr. Ritakallio is the deputy chairman in OKO Bank's Executive Committee. In addition he is a member of the Board of Directors in OMX Exchanges Ltd and Stockholmsbörsen AB.
Owns 8,000 SSH shares.

Board of Directors from the left to the right: Tapio Kallioja, Tomi Laamanen, Timo Ritakallio, Tatu Ylönen.

Tatu Ylönen, born 1962, LicSc (Tech)
Board member since 1995
Major shareholder, CTO until September 30, 2004
Tatu Ylönen developed the Secure Shell technology for remote access and founded SSH Communications Security Corp. He is an internationally respected network security expert, and plays an active role in the field of data security.
Owns directly 14,727,649 SSH shares and 375,071 shares indirectly through Tatu Ylönen Oy.

Since SSH's operations focus on one area of business, and the company is small by international standards, a four-member board is considered large enough to effectively manage the Board's responsibilities. The majority of the Board members have no dependence on the company. Tapio Kallioja, Tomi Laamanen and Timo Ritakallio are deemed to be independent Board members. Tatu Ylönen has under Chapter 1, Section 3 of the Finnish Companies Act a controlling interest in the company, and as such is not an independent Board member.

BOARD RESPONSIBILITIES

The Board works to a predetermined agenda. The themes to be considered in future meetings, and the Board's agenda, are planned at the start of each new term of office. During the spring, the agenda is focused on outlining strategic policies and updating the corporate strategy. In the autumn, the focus is on tactical matters, and in November the budget for the following is approved. Meetings in the early spring focus on preparations for the Annual General Meeting.

The members of the Board receive regular updates on the company's business and financial performance. In the Board meetings, the CEO, the Chairman of the Board or another person appointed by the CEO, presents business to be considered to the Board. Each Board meeting considers a progress report provided by the CEO in line with the standard agenda. All Board meetings also monitor sales performance, market development and the company's financial performance. The company's General Counsel acts as secretary to the Board. In addition to the secretary and the CEO, the CFO and director responsible for US operations also attend Board meetings.

The SSH Board of Directors convened 16 times in 2006. The average attendance rate of Board members was 99 percent.

The Board evaluates its operations and processes to increase efficiency and quality. Internal self-evaluation is conducted once a year.

COMMITTEES OF THE BOARD OF DIRECTORS

In a corporation, the proper functioning of the administrative and control systems requires that the work of the Board of Directors be organized as effectively as possible. The preparation of matters for which the Board of Directors is responsible can be made more effective through setting up committees comprising Board members. SSH's Board of Directors has appointed an Audit Committee, but owing to the scope of the company's activities, it has not been deemed necessary to establish a separate appointment or remuneration committee.

Tomi Laamanen acts as the Chairman of the Audit Committee. As the CEO, CFO and the auditor participate in the meetings, the Board has deemed one Board member to be sufficient in the Committee. The Committee convenes a minimum of twice a year, and the Board has confirmed the principal responsibilities of the Audit Committee to be the following:

- monitoring the financial performance of the company
- monitoring the financial reporting (financial statements, interim reports)
- assessing the sufficiency and due form of internal administration and risk management
- ensuring compliance with laws and regulations
- preparing the appointment of an auditor
- communicating with the auditor, studying the auditing plan and the auditor's report.

The Audit Committee convened 2 times in 2006.

CEO

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

Since July 2, 2002, the company's CEO has been Arto Vainio, BSc (Econ), born 1950. Prior to joining SSH, Mr. Vainio was Vice President, Marketing at Tellabs. Prior to that he was Vice President, Sales, South-East Asia, for Nokia Telecommunications (now Nokia Networks Mr. Vainio owns 140,000 SSH shares and 100,000 stock options.

The CEO's retirement age and determination of pension comply with standard rules under the Employees' Pension Act. The period of notice for the CEO is six months. Severance payment is equivalent to twelve months' salary.

MANAGEMENT TEAM

SSH's Management Team has nine members. The Team is chaired by the CEO. The other members are the directors responsible for business operations and various corporate support functions. The Management Team can be enlarged if this is considered necessary for the business and topic under consideration. The members of the Management Team are all directly subordinate to the CEO, and as such report directly to him.

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

MEMBERS OF THE MANAGEMENT TEAM

George F. Adams, born 1948, MBA, BSEE
Management Team member since 1999
President and CEO, SSH Inc, Executive VP, Sales
George F. Adams is responsible for SSH's sales in North America and is President and CEO of the US subsidiary. Before joining SSH, Mr. Adams was Vice President of Business Development at Phoenix Technologies Ltd. Mr. Adams had previously held management positions in Sun Microsystems, Intel, Analog Devices, and Motorola.
Owns 58,250 SSH shares and 60,000 stock options.

Petri Lillberg, born 1974, MSc (Econ)
Management Team member since 2005
Vice President, R&D and Product Management
Petri Lillberg is responsible for SSH R&D and product management. Mr. Lillberg joined SSH in 1998 and has previously held the positions of Director of Product Management, Sales Director for Europe and Rest of the World, Country Director and Director of business unit.
Owns 3,000 SSH shares and 14,000 stock options.

Mika Peuranen, born 1964, MSc (Tech)
Management Team member since 2005
Chief Financial Officer
Mika Peuranen is responsible for SSH's financial and human resources management, IT management and investor relations. Prior to joining SSH, Mr. Peuranen was managing director of the Austrian branch of Finnforest, and was

also responsible for Finnforest's financial and administrative activities in the Czech and Slovak Republics, Hungary and Romania. Previously, Mr. Peuranen held various key positions in accounting and finance at KONE Corporation, both in Finland and in the Netherlands.
Owns 3,000 SSH shares, no stock options.

Pekka Rauhala, born 1960, LLM, MBA
Management Team member since 2001
General Counsel
Pekka Rauhala is General Counsel of SSH and its subsidiaries. He also acts as secretary to SSH's Board of Directors. Before joining SSH, Mr. Rauhala was Director of Legal Affairs, Director of Facilities and Legal Counsel at Tellabs, Legal Counsel at the Jaakko Pöyry Group of Companies, and Legal and Tax Counsel at Helsinki Chamber of Commerce.
No SSH shares, 85,000 stock options.

Timo J. Rinne, born 1969, MSc (Tech)
Management Team member since 2005
Chief Technology Officer
Timo Rinne is responsible for research, technology strategy, intellectual property management and standardization. Since 1998, Mr. Rinne has held key roles in the development of all products and technologies throughout the history of SSH. Mr. Rinne has assumed various management positions at SSH including Vice President of Engineering. Prior to joining SSH, Mr. Rinne held research and development positions at the Nokia Research Center.
Owns 10,000 SSH shares and 39,500 stock options.

Juha Saksi, born 1963, MSc (Tech), eMBA
Management Team member since 2004
Vice President of Sales, Europe and Asia
Juha Saksi is responsible for SSH's sales, sales offices and business development in Europe and Asia. Before joining SSH, Mr. Saksi was Head of F-Secure Corporation's wireless data security business unit and a member of the Management Team. Prior to that, he was responsible for managing sales and marketing at Vaisala Oyj.
Owns 0 SSH shares, 15,000 stock options.

Bo Sørensen, born 1956, BSc (Computer Science), B.A. (Finnish)
Management Team member since 2007
Vice President, Marketing
Bo Sørensen is responsible for global marketing of SSH's products, as well as is the acting director of the U.K. sales team. Mr. Sørensen joined SSH in January 2004 as Director, US West, based in Los Altos, California. In September of 2005 he took over the responsibilities of SSH operations in the UK. Prior to joining SSH, he was the Vice President of Sales and Marketing at F-Secure's North American subsidiary.
No SSH shares, no stock options.

Petri Säkkinen, born 1976, MSc (Tech), MSc (Econ)
Management Team member since 2005
Petri Säkkinen was the previous Director of Marketing, but left SSH in January 2007. Mr. Säkkinen joined SSH in 1999 and was involved in many key management roles during his employment period.
Owns 5,334 SSH shares, 12,416 stock options.

Jukka Tuomas, born 1967, MSc (Tech)
Management Team member since 2005
Director, Services and Customer Fulfillment
Jukka Tuomas is responsible for professional services and software logistics of SSH Tectia products worldwide. Prior to joining SSH in 2004, Mr. Tuomas held marketing, sales and research and development positions at Tellabs. Mr. Tuomas had a key role in planning, customer cooperation and launching of Tellabs's next-generation edge router products.
No SSH shares, 10,000 stock options.

Arto Vainio, born 1950, BSc (Econ)
Management Team member since 2002
CEO

Arto Vainio serves as Chairman of the Boards of Directors of the Group's subsidiaries. The other members of these boards are Mika Peuranen, CFO, Pekka Rauhala, General Counsel and the CEO of the subsidiary in question. Jean-Bernard Dumerc, CEO, SSH Communications Security K.K., reports on operative matters to the Vice President of Sales for Europe and Asia.
Shareholding information as shown above.

SALARIES AND REMUNERATION

The shareholders' meeting confirms annually in advance the emoluments payable to members of the Board of Directors. The Board of Directors confirms the salary and other benefits of the CEO, and also determines the salaries and benefits payable to senior management.

Forms of remuneration for SSH's senior management and CEO involve a performance-related bonus and option schemes. The company has no other remuneration practices, nor does it have any differing pension arrangements for the CEO or other senior management.

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

The Board of Directors
Tapio Kallioja EUR 14,800
Tomi Laamanen EUR 14,800
Timo Ritakallio EUR 14,800
Tatu Ylönen (no salary or remuneration)

CEO
Arto Vainio, salary and other benefits EUR 163,038, share options income EUR 38,260, total EUR 201,298.

Neither the members of the Board of Directors nor the CEO were given stock options during the fiscal year. The numbers of shares and stock options held by the members of the Board of Directors, CEO and members of the Management Team are included in their personal profiles.

INSIDERS

SSH has established its own insider guidelines that comply with the Guidelines of Insiders approved for public companies by the Helsinki Stock Exchange. The company maintains a public insider register of the public permanent insiders and the persons closely associated with the said permanent insiders' share and stock option holdings in the SIRE system of the Finnish Central Securities Depository Ltd. The public insider register and the principles regulating trading by insiders are available at the company's website and the company's headquarters.

The public permanent insiders of the company are members of the Board, CEO, members of the Management Team, and the auditors. The number of public permanent insiders is currently 14.

The company maintains also a company-specific insider register of persons who by virtue of their position regularly receive insider information or could have an opportunity to gain access to insider information through the nature of their work and who are not in the public insider register. These persons include the assistants to executive management, product management, financial administration, and management of information services. In addition, any external legal consultants used by SSH belong to the company-specific insider register.

Insiders belonging to the public or company-specific insider register are not allowed to trade in securities issued by the company for a period of 21 days prior to the announcement of an interim report and the financial statement bulletin (closed window).

The said permanent insiders are allowed to trade in securities issued by the company without a prior approval of the company's General Counsel only for a period of 21 days after the announcement of the interim report and the financial statement bulletin of the company (open window).

Under circumstances where the company is preparing an event that may have a significant impact on the stock price, a project-specific insider register is established. Also the project-specific insider register will be based on the insider guidelines of the Helsinki Stock Exchange.

Company's General Counsel is responsible for guidance and supervision of the insider matters.

INTERNAL ADMINISTRATION, RISK MANAGEMENT AND INTERNAL AUDITING

The aim of internal administration and risk management is to ensure efficient, appropriate operations, dependable financial information and compliance with regulations and internal processes. SSH's Board of Directors ensures that the company has defined principles of internal administration, and that the company monitors the effectiveness of the administration. The ultimate responsibility for the company's accounting and supervision lies with SSH's Board of Directors. The Board also approves SSH's risk management and reporting procedures and monitors the adequacy, appropriateness and efficiency of the company's administrative processes.

The CEO, assisted by other operative management, is responsible for the practical arrangements for accounting and administration mechanisms and for compliance with laws, regulations, company processes, and the Board's decisions. To support its operations, the company has a number of rules and guidelines. Process and quality work ensures that there is a description of all processes, and that the various process interfaces are properly defined and documented. Processes are also intended to ensure that everyone in the organization knows how the company works, and how the work of each individual is integrated into the company's operations. Supervisory actions ensure compliance with rules, guidelines and processes.

The company sets annual financial targets in connection with the budget and constantly tracks target achievement. The company's organizational structure supports efficient planning, implementation and monitoring of business operations. Balanced Scorecard measurements ensure that the targets are in balance.

Risk management is a part of SSH's internal administration. It aims to ensure that major risks affecting the company's business and operating environment are identified and monitored. Since the United States is the main market area, any risks including currency risks, associated with that country are considered to be significant. Other major risks are related to product technology, competitor activities and profitability. Property, business interruption and liability risks are covered by insurance.

SSH's main market area is the United States. To reduce this market dependency risk, the company is actively seeking to expand operations in Europe. Sales operations are supported by the company's own legal unit, which, through continuous management of contracts, seeks to reduce the risks related to the company's business operations. SSH protects its copyrights and trademarks through sales agreements. The company has an active patent policy to protect its technology. SSH also encourages its employees to make and protect inventions.

SSH has a process in place whereby any network security risks found in the company's products are promptly reported to senior management. Corrections are made immediately and updates are supplied to customers without delay. The company's critical information systems are secured and operations can continue, even in the event of an external catastrophe. SSH actively uses its own products to protect its own information system architecture. Encryption and strong authentication protect the company's confidential data communications from both internal and external threats.

Finance risk management is described separately in the financial statements section of the company's annual report. SSH provides no financing for its customers other than by granting normal payment periods. The company has a strong balance sheet and no significant long-term liabilities. Asset managers invest the company's cash reserves in accordance with a policy approved by the Board of Directors: almost all the assets under management are invested in fixed income funds. Since most of SSH's invoicing takes place in US dollars, the company is hedged against exchange rate risks.

Because of the relative size of the company, SSH has no separate internal audit organization. The continuous monitoring by the auditors in conjunction with the interim reports also aims to assess and develop the effectiveness of risk management, monitoring and administration processes, and to support the Board with its monitoring responsibility.

AUDITORS

The company's auditors provide shareholders with a report, as required by law, in conjunction with the annual financial statements. The principal aim of the statutory audit is to verify that the financial statements give a true and fair view of the company's financial performance and 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.

In accordance with the Company Bylaws, SSH has one Principal Auditor authorized by the Chamber of Commerce, and one Deputy Auditor. If a firm of Authorized Public Accountants is appointed as the principal auditor, there is no need to appoint a deputy auditor. The auditors are appointed at the Annual General Meeting. SSH's auditor is PricewaterhouseCoopers Oy with Henrik Sormunen APA as principal auditor.

In 2006, the auditor's fees were EUR 58,481 in the Group and EUR 55,087 in the parent company. Other fees charged by the firm of auditors were EUR 54,077 in the Group and EUR 8,321 in the parent company. Other fees were mostly related to tax advice.

PUBLIC COMMUNICATIONS

SSH aims to give the markets a clear view of the company's operations and financial performance in accordance with the regulations on the disclosure obligation for publicly listed companies. The company prefers electronic forms of communication. All stock market releases, other investor information and latest company information are available at the SSH website.

SHARES AND SHAREHOLDERS

SHARE CAPITAL

According to the Company Bylaws, the share capital of SSH Communications Security Corp is a minimum of EUR 600,000 and a maximum of EUR 2,400,000, within which limits it can be increased or reduced without altering the Corporate Bylaws. The nominal share value is EUR 0.03 and hence the minimum number of shares is 20,000,000 and the maximum number of shares is 80,000,000. SSH has one class of shares, and each share entitles its holder to one vote at the shareholders' meeting. The company's registered and fully paid share capital was EUR 852,716.85, consisting of 28,423,895 shares, on December 31, 2006.

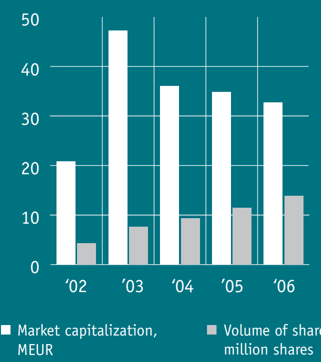
SHARE TRADING AND REGISTRATION

The SSH shares are quoted in the Helsinki Stock Exchanges. The shares have been entered in the book-entry securities system that is maintained by Finnish Central Securities Depository Ltd. The official list of SSH shareholders is also kept by Finnish Central Securities Depository Ltd.

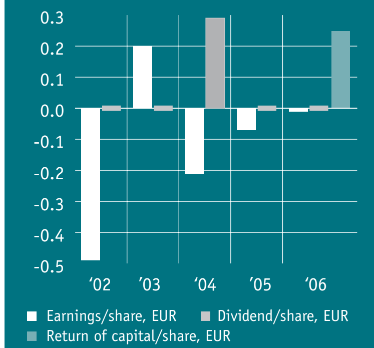
BOARD AUTHORIZATIONS

The SSH Annual General Meeting of March 21, 2006 authorized the Board of Directors to decide by March 21, 2007, to increase the share capital through a new share issue and/or convertible bonds and/or one or more stock option issues in such a way that the resulting share capital may increase by a maximum of EUR 165,000. By December 31, 2006 the Board had not exercised this authorization.

MARKET CAPITALIZATION AND VOLUME OF SHARES TRADED



EARNINGS AND DIVIDEND PER SHARE



CHANGES IN SHARE CAPITAL

	Number of shares	Share capital
Dec. 31, 2004	**28,101,542**	**843,046**
Stock option subscriptions 2004	167,271	5,018
Dec. 31, 2005	**29,268,813**	**848,064**
Stock option subscriptions 2005	155,082	4,652
Dec. 31, 2006	**28,423,895**	**852,717**

SHAREHOLDING BY SECTOR

Type of sector	Number of shares	Percentage of shares and votes, %
Non-banking corporate sector	3,605,010	12.68
Financial and insurance companies and institutions	521,940	1.84
Public sector organizations	487,450	1.72
Non-profit organizations	80,850	0.28
Households	23,613,015	83.08
Foreign shareholders	115,630	0.41
Total	**28,423,895**	**100**

SHAREHOLDING BY NUMBER OF SHARES

Shares	Number of owners	Percentage of owners, %	Number of shares	Percentage of shares, %
1–50	2,204	37.95	108,186	0.38
51–100	432	7.44	42,799	0.15
101–500	1,237	21.30	383,828	1.35
501–1,000	678	11.68	583,563	2.05
1,001–5,000	980	16.88	2,473,344	8.70
5,001–10,000	153	2.64	1,170,092	4.12
10,001–50,000	98	1.69	1,966,695	6.92
50,001–100,000	15	0.26	1,130,062	3.98
100,001–500,000	7	0.12	2,187,656	7.70
500,001–1,000,000	0	0	0	0
1,000,001–5,000,000	2	0.03	3,650,021	12.84
5,000,000–999,999,999	1	0.02	14,727,649	51.81
Total	**5,807**	**100**	**28,423,895**	**100**
of which nominee-registered	7		482,120	1.70

STOCK OPTION RIGHTS

SSH's Annual General Meetings of 1998, 1999, 2000, 2001, 2002 and 2003 decided to issue stock options. The stock options are part of the SSH Group's employee incentive and commitment plan. The stock option plan (I/1999) series C, D, E, F, G, and H are traded in Helsinki Exchanges. More information on the stock option plans is available in Appendix 21, page 33.

SHARES OWNED BY SSH MANAGEMENT

The members of the SSH Board of Directors and the company CEO owned directly or indirectly through their own companies 53.7% of the SSH company shares and voting right on Dec 31, 2006. The Board of Directors and the CEO hold 106,000 share options. Other members of the Management Team own 0.3% of the SSH shares, and they hold 223,500 share options together. More information on the manager's shareholding is available in Appendix 32, page 37.

SHAREHOLDERS

At the end of 2006, SSH had a total of 5,807 shareholders. 482,120 shares (accounting for 1.7% of shares) were nominee-registered. The holdings by the ten largest shareholder's accounted for approximately 71.07% of the company's shares and voting rights. Foreign shareholding represented 0.41%, of which 0.39% was based on direct holdings and 0.02% on nominee-registered shares. SSH holds no treasury shares.

SSH's largest shareholder is Mr. Tatu Ylönen, holding 53.1% of the company shares based on personal holdings and holdings through a company wholly owned by him. Consequently, Mr. Ylönen has a controlling interest in the company, as referred to in Chapter 1 of the Finnish Securities Market Act. On December 31, 2006, the company's freely tradable shares accounted for 46% of all shares.

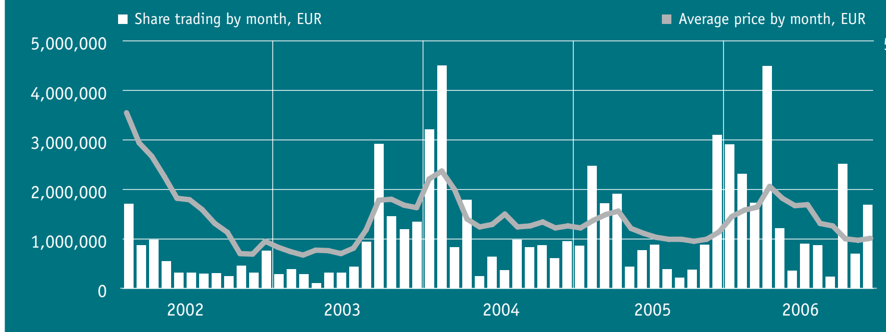
SHARE TRADING AND PERFORMANCE

SSH share SSH1V closed at EUR 1.15 on Dec 29, 2006, and the trade-weighted average share price for year 2006 was EUR 1.43. The share price went down 6.5% during 2006 (down 4.1% 2005). The highest quotation was EUR 2.40 (EUR 1.78 2005) and the lowest quotation was EUR 0.88 (EUR 0.91 2005). The reported cumulative trading volume of the SSH shares totaled 13.9 million shares, EUR 19.9 million. The market value of the SSH shares was EUR 32.7 million at the end of the financial period.

10 LARGEST SHAREHOLDERS, DECEMBER 31, 2006 (EXCLUDING THOSE WITH NOMINEE-REGISTERED SHARES)

	%	Kpl
1. Ylönen Tatu Juhani	51.81	14,727,649
2. Kivinen Tero Tapani	6.51	1,850,021
3. Assetman Oy	6.33	1,800,000
4. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1.70	483,450
5. Promotion Capital I Ky	1.69	480,000
6. Tatu Ylönen Oy	1.32	375,071
7. Vainio Arto Olavi	0.49	140,000
8. Sjöblom Katri Pauliina	0.45	127,795
9. Siven Pertti	0.42	120,000
10. Kaukonen Kalle Simeoni	0.35	100,000
Total	71.07	20,203,986
of which nominee-registered	1.70	482,120

SHARE TRADING AND AVERAGE PRICE



PER SHARE DATA

	Jan 1, 2006– Dec 31, 2006	Jan 1, 2005– Dec 31, 2005	Jan 1, 2004– Dec 31, 2004	Jan 1, 2003– Dec 31, 2003	Jan 1, 2002– Dec 31, 2002
	IFRS	**IFRS**	**IFRS**	**IFRS**	**FAS**
Earnings per share (Group), €	-0.01	-0.07	-0.21	0.20	-0.49
Earnings per share (Group) considering dilution effect, €	-0.01	-0.07	-0.21	0.19	-0.48
Shareholders' equity per share (Group), €	0.63	0.90	1.26	1.49	1.30
Dividends	0	0	8,149,930	0	0
Dividends per share, €	0.00	0.00	0.29	0.00	0.00
Dividend pay-out ratio, %	-	-	-	0.0	-
Effective dividend yield, %	0.0	0.0	22.7	0.0	0.0
Adjusted average number of shares during the period, thousands	28,310	28,166	28,014	27,728	27,702
Adjusted average number of shares at the end of period, thousands	28,424	28,269	28,102	27,736	27,714
Adjusted average number of shares considering dilution effect, thousands	28,787	28,614	28,457	28,506	28,133
Price per earnings ratio (P/E)	-	-	-	8.5	-
Market capitalization, million €	32.7	34.8	36.0	47.2	20.8
Share performance in Helsinki Exchanges, €					
Average price	1.43	1.23	1.69	1.31	1.66
Share price, year-end	1.15	1.23	1.28	1.70	0.75
Lowest	0.88	0.91	1.18	0.61	0.60
Highest	2.40	1.78	2.69	2.36	3.70
Volume of shares traded, millions	13.9	11.4	9.3	7.6	4.3
Volume of shares traded, % of total number	48.8	40.5	33.3	27.5	6.9
Volume of shares traded, million €	19.9	14.0	15.8	10.0	7.1

Calculation of financial ratios on page 46.

REPORT OF THE BOARD OF DIRECTORS FOR JAN. 1–DEC. 31, 2006

NET SALES

Consolidated net sales for 2006 totaled EUR 9.5 million (EUR 9.3 million), up by 1.7 percent, year on year. Net sales for the fourth quarter totaled EUR 3.3 million.

The majority of SSH's invoicing is based on the U.S. dollar. During the reporting period, the U.S. dollar's average exchange rate was approximately 0.9 percent weaker than during the same period for 2005.

RESULTS AND EXPENSES

Operating loss for 2006 amounted to EUR -0.9 million (2005: a loss of EUR -2.6 million), with net loss totaling EUR -0.2 million (a loss of EUR -2.0 million). Operating profit for the fourth quarter totaled EUR 0.5 million (a profit of EUR 1.0 million), with net profit amounting to EUR 0.7 million (a profit of EUR 1.0 million).

SSH's fixed costs reported for the period continued their year-on-year decline, as evidenced by the reduction of approximately EUR 1.4 million in fixed costs from the January–December 2005 level. Payroll costs were cut by 11 percent and other operating expenses by 13 percent.

Research and development expenses for the report period totaled EUR 3.4 million (EUR 3.4 million), while sales and marketing expenses came to EUR 5.7 million (EUR 6.7 million) and administrative expenses to EUR 1.6 million (EUR 1.9 million).

The parent company has recorded a write-down of receivables from the subsidiaries during the report period. The write-down does not have an impact on the group's result.

BALANCE SHEET AND FINANCIAL POSITION

The financial position of SSH remained at a healthy level during the report period even after the EUR 7.1 million return of capital to the shareholders. The consolidated balance sheet total on December 31, 2006 stood at EUR 21.3 million (EUR 29.1 million), of which liquid assets accounted for EUR 16.7 million (EUR 22.5 million), or 78.4 percent of the balance sheet total. The company has no long-term liabilities.

On December 31, 2006, the ratio of net liabilities to shareholders' equity, or gearing, was -93.0 (-88.4) and the equity ratio stood at 92.4 percent (92.8 percent).

The reported gross capital expenditure for the period totaled EUR 0.1 million (EUR 0.1 million). Reported financial income came mainly from capital gains on fund shares. Financial income and expenses totaled EUR +0.7 million, compared to EUR +0.6 million a year earlier.

During 2006, SSH reported a positive cash flow of EUR 0.9 million from business operations, and investments showed a cash flow of EUR 6.5 million. Cash flow from financing comprises the return of capital to the shareholders and totaled EUR -7.0 million. Cash flow from operations, investments and financing resulted in the company showing a positive total cash flow of EUR 0.4 million during the period.

MARKET DEVELOPMENTS

Legislative reforms concerning data confidentiality and secure data communication continue causing positive near- and long-term effects in the markets of our products in the United States, Japan and Europe. New and existing data security risks, continuously evolving regulations, security standards and models continue to create new needs, to which we can respond with our versatile product offerings.

Such regulations include, for instance, the Sarbanes-Oxley Act (SOX), Gramm-Leach-Bliley Act, HIPAA, as well as the PCI standards of the major credit card companies. These regulations drive our customers to implement security upgrade projects in their IT infrastructure against internal and external threats. In practice, this means audit rounds that trigger technical projects, with execution in phases over a long time.

The new tighter data security regulations now cause customers to re-assess the risks and hidden costs of deploying non-commercial software for security, driving many customers to start and/or increase phase-by-phase migration programs to fully deploy commercially supported products, such as SSH Tectia.

SSH is confident that legislative reforms, new data security standards, as well as many industry and company level data security development programs will continue to drive demand favorably for SSH Tectia.

For a system-level IT product, such as SSH Tectia, the sales process is often long. With major customers, the timing of large orders will cause fluctuations in sales from quarter to quarter.

The Americas, the Asia-Pacific region, and the

SALES PERFORMANCE

NET SALES EUR million	10–12/2006	7–9/2006	4–6/2006	1–3/2006	1–12/2006	10–12/2005	1–12/2005
BY SEGMENT							
AMER	2.0	1.1	1.4	1.2	5.7	3.3	6.8
APAC	0.2	0.3	0.3	0.2	0.9	0.1	0.7
EROW	1.2	0.4	0.6	0.6	2.8	0.7	1.8
SSH Group total	3.3	1.8	2.3	2.0	9.5	4.1	9.3
BY OPERATION							
Licence sales	2.4	0.8	1.4	1.2	5.8	3.5	6.9
Maintenance	0.9	0.9	0.9	0.9	3.6	0.6	2.4
Total	3.3	1.8	2.3	2.0	9.5	4.1	9.3

'Europe and Rest of the World' market area accounted for 61 percent (73 percent), 10 percent (8 percent) and 30 percent (19 percent) of reported net sales, respectively.

During the report period, SSH concluded 8 new license agreements that were worth more than EUR 100,000 each. The ten largest customers accounted for 34 percent of reported net sales, with the largest single customer accounting for approximately 6 percent.

PRODUCTS AND MARKETING

During the report period, SSH focused its sales and marketing efforts on large enterprises, financial institutions, and government agencies in the U.S., Europe, and Asia, in line with its long-term strategy. The company also continued to develop its partner network in the same focus markets.

The main themes of marketing were the company's new Tectia product for the IBM mainframe environment, and the new expanded uses of SSH Tectia for secure, automated file transfers in the internal networks of large organizations. The company continued the development of the new third generation architecture-based products. The company also made further development of the productization to provide higher value, new features and expanded uses, as well as enabling easier purchasing for the customers.

New applications, support of all essential enterprise OS platforms including IBM mainframes, versatile integration capabilities, and centralized management have made SSH Tectia the most extensive integrated end-to-end communications security solution in the market.

RESEARCH AND DEVELOPMENT

Research and development expenses for January–December totaled EUR 3.4 million (EUR 3.4 million), the equivalent of 35.5 percent of net sales (36.8 percent). There were no capitalizable research and development expenses during the report period.

At the end of December, the company held 11 patents, and 12 were pending.

BUSINESS RISKS

Risk management is part of SSH's control system. The purpose of risk management is to recognize and monitor significant risks relating to the company's operations and business environment. The company operates on the fast evolving markets of data security software.

The IT-market as a whole and especially changes in the market of data security software affect directly the company's business risks. The main market area is USA, whose market and currency risk is significant. Other significant risks relate to product technology, competitors´ activities and profitability.

Sales operations are supported by the company's own legal unit, which, through continuous management of contracts, seeks to reduce the risks related to the company's business operations. SSH protects its copyrights and trademarks through sales agreements. The company has an active patent policy to protect its technology and encourages its employees to make and protect inventions. Risks regarding property, interruptions and liability accidents are protected with insurances.

SSH has a process in place whereby any network security risks found in the company's products are promptly reported to senior management. Repairs are carried out immediately. The matter is communicated immediately and, likewise, updates are supplied immediately. The company's critical information systems are secured. SSH actively uses its own products to protect its own information system infrastructure. Encryption and strong authentication protect the company's confidential data communications.

The company provides no financing for its customers other than by granting normal payment periods. The consolidated balance sheet structure is strong and has no significant long-term liabilities recorded. 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. Since most of SSH's invoicing and purchasing takes place in US dollars, the company has hedged against exchange rate risks.

ENVIRONMENT

SSH bears responsibility for the environment. SSH's environmental policy seeks to ensure the company meets statutory obligations, promotes recycling and reduces overall waste. The company sorts and recycles all recyclable material.

HUMAN RESOURCES AND ORGANIZATION

At the end of December, the Group had 80 employees on its payroll, up by 5 from the previous year's number, an increase of 6.7 percent. Of the employees 56 were based in Finland, 3 elsewhere in Europe, 18 in the USA and 3 in Japan. On average, SSH had 81 (83) employees on its payroll. Salaries and bonuses, including all other personnel expenses, for 2006 totaled EUR 6.4 million (EUR 7.3 million).

The average age among the employees was about 38 years. 79 percent have an academic degree. 20 percent of the employees were women and 80 percent men. At the end of the period 39 employees worked in R&D, 30 in sales and marketing, and 11 percent in corporate administration.

At the end of December, the parent company had 56 (52) employees on its payroll, on average 55 (59) employees during the report period. In 2006 salaries and bonuses, including all other personnel expenses, totaled EUR 3.9 million (EUR 4.2 million).

BOARD AND AUDITORS

The Annual General Meeting (AGM) on March 21, 2006, re-elected Tapio Kallioja, Tomi Laamanen, Timo Ritakallio and Tatu Ylönen to SSH Communications Security Corp.'s Board of Directors, with Tomi Laamanen re-elected as chairman.

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

SHARES, SHAREHOLDING AND CHANGES IN THE GROUP STRUCTURE

The reported trading volume of SSH Communications Security Corp shares totaled 13,858,965 (valued at EUR 19,911,632.67). The highest quotation was EUR 2.40 and the lowest EUR 0.88. The trade-weighted average share price for the period was EUR 1.43, and the share closed at EUR 1.15 (December 29, 2006).

In March SSH Communications Security Corp received a notification in accordance with the Securities Market Act 2:9, according to which the total of Assetman Oy's (business code 0748885-4) shares in SSH Communications Security Corp has on March 17, 2006 risen above one twentieth part (1/20) of the total of all shares and related voting rights. Assetman Oy held 6.3 percent of the company´s shares at the end of the period. There were no other substantial changes in

SSH Communications Security Corp's shareholding during the report period. Tatu Ylönen and Tero Kivinen are the largest shareholders. The former holds, directly and through his company, Tatu Ylönen Oy, 53.1 percent of the company's shares, and Kivinen holds 6.5 percent. More information about the shareholding can be obtained from the company´s web site.

There were no changes in the group structure during the period.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on December 31, 2006 was EUR 852,716.85, consisting of 28,423,895 shares. During the report period, SSH increased its share capital three times. In total, 9,250 new SSH shares were subscribed to under the I/1999 stock-option plan and 145,832 shares under the I/2003 stock-option plan, respectively. With these subscriptions the company's share capital was increased by EUR 4,652.46.

The SSH Annual General Meeting of March 21, 2006 authorized the Board of Directors to decide by March 21, 2007, to increase the share capital through a rights issue and/or convertible bonds and/or issue of share options, in such a way that the resultant share capital may increase by a maximum of EUR 165,000. The Board has not exercised this authorization.

The Annual General Meeting also authorized the decrease of the company's share premium fund and the partial distribution of the funds to the shareholders, as proposed by the Board of Directors. The payment date was July 21, 2006. The amount distributed was EUR 0.25 per share, totaling EUR 7,073,286.50.

EVENTS AFTER THE BALANCE SHEET DATE

The company has won a significant additional order from a leading US retail chain. The value of the new order is 0.9 MEUR and it is based on the frame agreement signed at the end of the year.

PROSPECTS

As new data security regulations and risks continue driving our customers to increase their investments for better data security, we expect to see new and continued growth of the demand in all markets.

Our target markets are in different phases according to geography and industry, enabling a good growth base for our company. We are set both technically and in timing to a good position to utilize the trend of internal enterprise data security, spreading from the USA and creating a growing demand for our products also in Europe and Asia. In the same way, we can leverage the experience we have gained in the finance and government sectors, when the new practices and requirements spread to other industries.

We believe in a phased diversification of our customer base so that parallel to strong finance sector customers, for instance, we will see new major customers in the retail, pharmaceutical, and high technology sectors. Continuously expanding use of the products will also generate growing software maintenance revenue for us.

Thanks to high volume of tenders, broad customer base, and new products, the company is in a good position to continue improving its financial results by growing in sales and profitability. In 2007, SSH aims to be a profitable company.

Due to the large size of individual orders and depending on timing of customer projects, variation of the quarterly revenue may occur.

PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING MEASURES RELATING TO THE LOSS

The board of directors proposes to the annual general meeting that no dividend be distributed. It is proposed that the loss of the financial year shall be entered to the shareholders' equity.

KEY FINANCIAL INDICATORS

	Jan. 1, 2006– Dec. 31, 2006 IFRS	Jan. 1, 2005– Dec. 31, 2005 IFRS	Jan. 1, 2004– Dec. 31, 2004 IFRS	Jan. 1, 2003– Dec. 31, 2003 IFRS	Jan. 1, 2002– Dec. 31, 2002 FAS
Net Sales, EUR	9,455,902	9,296,985	8,229,959	13,850,908	16,801,298
Operating profit/loss, EUR	-885,684	-2,645,377	-6,398,988	5,172,620	-14,066,158
% of net sales	-9.4	-28.5	-77.8	37.3	-83.7
Result before extraordinary items, appropriations and taxes, EUR	-192,636	-2,015,209	-5,857,895	5,525,405	-13,601,275
% of net sales	-2.0	-21.7	-71.2	39.9	-81.0
Result before taxes, EUR	-192,636	-2,015,209	-5,857,895	5,525,405	-13,601,218
% of net sales	-2.0	-21.7	-71.2	39.9	-81.0
Return on equity, %	-1.0	-6.6	-15.4	14.4	-31.7
Return on investments, %	-0.9	-6.4	-13.6	16.3	-30.0
Net interest-bearing debt, EUR thousands	-16,698	-22,485	-33,522	-36,489	-34,456
Gearing, %	-93.0	-88.4	-94.8	-88.7	-95.8
Equity-to-assets ratio, %	92.4	92.8	94.8	94.7	88.7
Capital expenditure, EUR	115,186	83,174	460,038	860,130	478,455
% of net sales	1.2	0.9	5.6	6.2	2.6
Research and development expenditure, EUR	3,356,617	3,423,873	3,843,119	5,200,973	8,232,005
% of net sales	35.5	37.4	49.9	39.0	49.0
% of net sales (without investments)	35.5	36.8	46.7	37.4	49.0
Personnel, average	81	83	105	131	166
Personnel at the end of the period	80	75	105	104	147

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€	Note*	Jan. 1–Dec. 31, 2006	Jan. 1–Dec. 31, 2005
NET SALES	3	**9,455,902**	**9,296,985**
Purchasing and production costs		55,254	85,496
GROSS MARGIN		**9,400,648**	**9,211,489**
Other operating income	4	357,594	240,566
Product development costs		3,356,617	3,423,813
Sales and marketing costs		5,665,088	6,737,725
Administration costs		1,622,222	1,935,894
OPERATING LOSS		**-885,684**	**-2,645,377**
Financial income	7	782,299	748,972
Financial expenses	8	89,251	118,804
LOSS BEFORE TAXES		**-192,636**	**-2,015,209**
Taxes	9	-19,762	-1,177
LOSS FOR THE FINANCIAL PERIOD		**-212,398**	**-2,016,386**
Attributable to:			
Equity holders of parent company		-212,398	-2,016,386
Minority interest		-	-
Earnings per share for loss attributable to the equity holders of the parent company:			
Basic earnings per share (€ per share)	10	-0.01	-0.07
Diluted earnings per share (€ per share)	10	-0.01	-0.07

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

CONSOLIDATED CASH FLOW STATEMENT

€	Note*	Jan. 1–Dec. 31, 2006	Jan. 1–Dec. 31, 2005
Cash flow from operations			
Sales revenue		10,857,552	6,954,795
Revenue from other operations		530,686	265,703
Payments for operating expenses		-10,533,516	-10,728,572
Interest paid and other financial expenses paid		-99,683	-236,479
Operating interests and other financial income received		117,627	213,129
Cash flow from operations		**872,665**	**-3,531,424**
Cash flow from investments			
Investments in tangible assets		-83,840	-59,040
Investments in intangible assets		-31,982	-77,459
Investments in other financial assets		25,517	-429,116
Proceeds from disposal of available-for-sale investments		6,624,801	11,430,683
Cash flow from investments		**6,534,496**	**10,865,068**
Cash flow from financing			
Share subscriptions based on stock options		53,235	29,477
Repayment of subordinated loan		0	-245,218
Return of capital		-7,073,287	0
Paid dividends		0	-8,149,930
Cash flow from financing		**-7,020,051**	**-8,365,671**
Change in liquid assets		**387,110**	**-1,032,027**
Liquid assets at beginning of period		**1,443,920**	**2,413,898**
Adjusted translation difference		-109,930	62,049
Change in liquid assets		387,110	-1,032,027
Liquid assets at end of period	19	**1,721,100**	**1,443,920**

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

consolidated financial statements

consolidated financial statements

CONSOLIDATED BALANCE SHEET

€	Note*	Dec. 31, 2006	Dec. 31, 2005
ASSETS			
FIXED AND NON-CURRENT ASSETS			
Tangible assets	11		
Machinery and equipment		137,359	151,782
Other tangible assets		0	3,598
Tangible assets, total		**137,359**	**155,380**
Intangible assets	12		
Intangible rights		236,882	424,600
R&D expenses		37,718	143,020
Intangible assets, total		**274,600**	**567,620**
Deferred tax assets	13	**244,960**	**244,960**
FIXED AND NON-CURRENT ASSETS, TOTAL		**656,919**	**967,960**
INVENTORIES AND CURRENT ASSETS			
Inventories	14	**0**	**1,365**
Current receivables			
Accounts receivables	15	3,509,350	4,893,764
Other receivables	16	306,831	202,826
Prepaid expenses and accrued income	17	127,393	471,499
Current receivables, total		**3,943,574**	**5,568,089**
Investments			
Available-for-sale assets	18	14,989,656	21,087,071
Investments, total		**14,989,656**	**21,087,071**
Cash and cash equivalents	19	**1,721,100**	**1,443,920**
INVENTORIES AND CURRENT ASSETS, TOTAL		**20,654,329**	**28,100,444**
ASSETS, TOTAL		**21,311,248**	**29,068,404**

€	Note*	Dec. 31, 2006	Dec. 31, 2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	20	852,717	848,064
Share premium fund	20	11,496,715	24,448,132
Translation differences	20	-844,461	-718,020
Fair value reserve	20	126,183	248,822
Unrestricted equity fund	20	5,926,714	0
Retained profit/loss	20	402,931	615,329
SHAREHOLDERS' EQUITY, TOTAL		**17,960,799**	**25,442,328**
LONG-TERM LIABILITIES			
Deferred tax liabilities	13	3,658	34,568
Provisions	22	37,846	92,232
Long-term financial liabilities	23	13,008	46,239
LONG-TERM LIABILITIES, TOTAL		**54,513**	**173,040**
SHORT-TERM LIABILITIES			
Advances received	24	1,883,530	1,661,480
Accounts payable	25	114,120	253,022
Accrued expenses and deferred income	26	823,948	637,766
Other liabilities	27	474,338	900,769
SHORT-TERM LIABILITIES, TOTAL		**3,295,936**	**3,453,037**
LIABILITIES, TOTAL		**3,350,449**	**3,626,076**
SHAREHOLDERS' EQUITY AND LIABILITIES		**21,311,248**	**29,068,404**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, GROUP

€ 2005	Note*	Share capital	Share premium	Fair value and other reserves	Translation differences	Unrestricted equity funds	Retained earnings/ loss	Total[1]
Shareholders' equity Jan. 1, 2005	20	**843,046**	**24,423,673**	**135,619**	**-808,929**	**0**	**10,781,645**	**35,375,055**
Translation differences		0	0	0	90,909	0	0	90,909
Available-for-sale assets: gain /loss measured at fair value		0	0	19,752	0	0	0	19,752
Net income/expenses recognized under shareholders' equity		**0**	**0**	**19,752**	**90,909**	**0**	**0**	**110,661**
Net profit/loss for the period		0	0	0	0	0	-2,016,386	-2,016,386
Total income and expenses recognized for the period		**0**	**0**	**19,752**	**90,909**	**0**	**-2,016,386**	**-1,905,725**
Paid dividends		0	0	0	0	0	-8,149,930	-8,149,930
Subscribed shares based on stock options		5,018	24,459	0	0	0	0	29,477
Granted stock option rights		0	0	93,450	0	0	0	93,450
Shareholders' equity Dec. 31.	20	**848,064**	**24,448,132**	**248,822**	**-718,020**	**0**	**615,329**	**25,442,328**

€ 2006	Note*	Share capital	Share premium	Fair value and other reserves	Translation differences	Unrestricted equity funds	Retained earnings/ loss	Total[1]
Shareholders' equity Jan. 1	20	**848,064**	**24,448,132**	**248,822**	**-718,020**	**0**	**615,329**	**25,442,328**
Translation differences		0	0	0	-126,441	0	0	-126,441
Available-for-sale assets: gain/loss measured at fair value		0	0	-88,703	0	0	0	-88,703
Net income/expenses recognized under shareholders' equity		**0**	**0**	**-88,703**	**-126,441**	**0**	**0**	**-215,144**
Net profit/loss for the period		0	0	0	0	0	-212,398	-212,398
Total income and expenses recognized for the period		**0**	**0**	**-88,703**	**-126,441**	**0**	**-212,398**	**-427,542**
Transfer to other shareholders´ equity item		0	-5,926,714	0	0	5,926,714	0	0
Return of capital		0	-7,073,287	0	0	0	0	-7,073,287
Subscribed shares based on stock options		4,652	48,583	0	0	0	0	53,235
Granted stock option rights		0	0	-33,935	0	0	0	-33,935
Shareholders' equity Dec. 31	20	**852,717**	**11,496,715**	**126,183**	**-844,461**	**5,926,714**	**402,931**	**17,960,799**

[1] Attributable to equity holders of the parent

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

SSH Group provides enterprise security solutions and end-to-end communications security, and is the original developer of the Secure Shell protocol. SSH sells licenses to its software and provides its customers with maintenance and support services.

The SSH Group consists of SSH Communications Security Corp and its fully owned subsidiaries. SSH Communications Security Corp is domiciled in Helsinki, Finland and is a publicly traded company. The subsidiaries of SSH are SSH Communications Security Inc. (USA), SSH Communications Security K.K. (Japan) and SSH Operations Oy, which has operations in Finland, Germany and Great Britain. SSH Communications Security Corp has its registered office at Valimotie 17, 00380 Helsinki.

The Board of Directors of SSH Communications Security Corp has accepted the publication of these financial statements in its meeting of 12 February 2007. A copy of the financial statements is published as a part of the company's annual report. The annual report is available on the company's web pages (www.ssh.com) or at the head office of SSH Communications Security Corp. All stock announcements can be obtained from the company's web pages.

2 Accounting principles

Basis of preparation

The consolidated financial statements have been prepared in compliance with IFRS (International Financial Reporting Standards) as adopted by the EU observing the standards and interpretations effective on 31 December, 2006. The notes to the consolidated financial statements are also in compliance with Finnish Accounting Standards and Companies Act.

The amounts in the consolidated financial statements are based on the original acquisition cost with the exception of available-for-sale assets, assets held for sale and derivative contracts which are stated at fair value. The consolidated financial statements are presented in euros unless otherwise stated.

Subsidiaries

The consolidated accounts include the parent company SSH Communications Security Corp and all its subsidiaries. Subsidiaries include those companies over which the Group has a control. A control is established if the parent company holds, directly or indirectly, more than 50 percent of the voting power or controls through management agreements with majority shareholders. In addition to these holdings, the consolidated accounts include possible holdings that are of a controlling-right nature. A control is defined as a power to govern the financial and operating policies of a company to receive economic benefits from its operations.

Intra-group shareholdings have been eliminated by using the purchase price method. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which that control ceases. Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated.

Associated companies

SSH Communications Security Group has no associated companies.

Foreign Currency Transactions

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

Transactions in foreign currency

Foreign currency denominated transactions are recorded at the exchange rate of the functional currency on the transaction date. 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.

Translation of financial statements of foreign subsidiaries

The income statements of subsidiaries whose functional currency is other than euro are translated into euros using the average exchange rate of the financial period. Balance sheet items, with the exception of net income for the financial period, are translated into euros with the balance sheet date exchange rate. Translation differences caused by different exchange rates are recorded in equity. When a subsidiary is sold, accumulated translation differences are recognised in the income statement as part of the gain or loss on the sale.

Revenue recognition

SSH's net sales derive mainly from software license sales and maintenance fees. Net sales comprise the invoiced value for the sale of goods and services net of sales tax, rebates and discounts and exchange rate differences.

The revenue from product sales is recognised at the time when significant risks and rewards of the product or the right of use of the product have been transferred to the buyer and there is a binding contract between the parties, the delivery has taken place in accordance with the contract, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company.

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

Government grants

Government grants, for example grants received from the government for a purchase of tangible assets, are recorded as a deduction of the carrying amount of the asset when there is reasonable assurance that the company will receive the grant and will comply with the conditions attaching to the grant. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Government grants that are intended to compensate costs, are recognised as income over the same period as the related costs are recognised. These government grants are presented in other operating income.

Property, plant and equipment

Group companies' property, plant and equipment is measured at cost less accumulated planned straight-line depreciation and any impairment losses. When a part of an asset is treated as a separate asset, expenses related to its replacement are capitalized. Expenses incurred at a later date are included in the carrying amount asset only if it is probable that the Group expects it to provide future economic benefits and that the asset's cost can be measured reliably. Other repair and maintenance expenses are expensed as incurred.

Depreciation is calculated on a straight-line basis to reduce the asset's carrying value to its residual value over its estimated useful life.

Machinery and equipment:
5 years from month of acquisition
Computer hardware:
3 years from month of acquisition
Leased assets based on finance lease:
3–5 years from month of acquisition, depending on the depreciation period of the corresponding item to be depreciated
Major renovations on rental premises:
According to the length of the rental agreement, but not exceeding 7 years from year of acquisition

An asset's residual value and useful life are reviewed for all financial statements and, if necessary, adjusted to indicate changes expected in the asset's economic benefits.

The depreciation on property, plant and equipment is ceased when the asset is classified as held for sale in accordance with the standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Capital gains and losses are determined by comparing proceeds received with carrying amounts of sold assets. Capital gains and losses are included in operating profit.

Intangible assets

The cost of asset is amortized on a straight-line method to reduce its carrying value to its residual value over its estimated useful life.

Research and development expenditure

Research costs are expensed as incurred. Development costs (related to the design and testing of new or improved products) are recognised as intangible assets if it is probable that their economic benefits will flow to the company. Other development costs are expensed as incurred. Previously expensed development costs are not recognised as an asset for a subsequent period.

Amortization begins when the asset is ready to be used. Incomplete assets are tested annually for impairment. After measurement at recognition, the capitalised development costs are valued at the original acquisition cost less depreciation and impairment. Capitalised development costs are amortized on a straight-line basis over their economic lifetime, which is estimated to be from three to five years.

Other intangible assets

Other intangible assets include patents, trademarks and licenses. Patents, trademarks and licenses are entered in the balance sheet and expensed in the income statement on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for all financial statements and, if necessary, adjusted to indicate changes expected in the asset's economic benefits. The economic lifetime does not generally exceed five years. Software programs acquired for internal use are expensed in a period from three to five years.

Impairments of long-lived assets

The Group will review on each balance sheet date whether there is any indication of an impaired asset. Whenever indicators of impairment exist, the asset's carrying value is compared with its recoverable amount. The recoverable amount is the asset's fair value less the selling expenses or its value in use, if this value exceeds the selling expenses. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The discount rate is pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Whenever the asset's carrying amount exceeds its recoverable amount, it will be impaired, and the resulting impairment loss will be recognised in the income statement. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for the future periods by estimating the economic lifetime of the asset. An impairment loss recognised in prior periods for an asset other than goodwill is reversed if there is a change in the estimates that have been used in assessing the recoverable amount of that asset.

Financial assets and liabilities

Financial assets

The Group has classified its financial assets into the following categories in accordance with IAS 39: financial assets recorded at fair value through profit or loss, held for trading financial assets, loans and receivables, and available-for-sale financial assets. The assets are classified on initial recognition. The assets are initially recognised at fair value. Transaction costs are included in the original carrying amount of an asset other than assets held for trading. Financial assets are derecognised from the balance sheet when the contractual right to cash flows from an asset included in financial assets ends or when the significant risks and rewards related to the asset are transferred.

An asset is classified as financial asset recorded at fair value through profit or loss when the asset is acquired for held for trading purposes or the asset is classified as financial asset recorded at fair value through profit or loss at initial recognition. Derivative instruments on which hedge accounting is not applied, are classified as held for trading. Derivative instruments held for trading and all financial assets with maturities under twelve months are included in current assets in the balance sheet. These assets are stated at fair value. Any change in fair value and a profit or a loss, realised or unrealised, is recognised in the income statement in the period it is incurred.

Loans and other receivables are assets not classified as derivatives and with a fixed or definite series of payments. These assets are unlisted and not held for trading. They are valued at amortized cost. Loans and other receivables are presented as current or non-current financial assets depending on their nature. The assets expiring after twelve months are presented in non-current assets.

Available-for-sale financial assets are non-derivative assets which are either determined to be available-for-sale assets or for which other classification is not applicable. These assets are included in non-current assets unless the intention is to hold the investment for less than 12 months from the balance sheet date. Available-for-sale financial assets can include shares, investments on interest bearing instruments and participations of investment funds. These assets are measured at fair value or at cost if the fair value can not be measured reliably. The change in fair value is recognised in shareholders' equity net of tax. When an asset is sold or it is impaired (the fair value is lower than the carrying amount of asset), the change in fair value is derecognised from shareholders' equity and recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash balances, short-term deposits with banks and other short-term liquid investments with maturity up to three months at the time of acquisition.

Transaction costs are included in the carrying amount at initial recognition when the asset is not classified as financial asset recorded at fair value through profit or loss. All purchases and sales are recognised on the trade date. Cash and cash equivalents are derecognised from the balance sheet when the contractual right to cash flows ceases or when the significant risks and rewards related to the asset are transferred.

Financial liabilities
Financial liabilities are originally recognised at their fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Non-current financial liabilities are later valued at amortized cost using the effective interest rate method.

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

Impairments of financial assets
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Significant and long-term decrease in the value of a share, when the fair value falls below the acquisition cost, may be an indication of an impairment of available-for-sale share. If any such evidence exists, the amount recorded in the shareholders' equity is unrecognised and recognised in the income statement. Impairment loss on available-for-sale financial assets categorised as equity instruments are not reversed through the income statement. A reversal of impairment loss for financial asset other than equity instrument is recognised in the income statement.

The group recognises an impairment loss on trade receivables, when there is objective evidence that a receivable is not fully collectible. Borrower's financial difficulties, probability of a bankruptcy or delays exceeding 90 days in payment are evidence of impairment loss for a receivable. The impairment loss recognised in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of a receivable. If impairment loss is decreased during any later period and the basis for this can objectively be related to an event occurred after the original impairment, the reversal is recognised in the income statement.

Derivative contracts and hedge accounting
All derivative contracts are initially measured at cost, which is their fair value on the transaction date, and they are later measured at fair value. Gains and losses arising from measurement at fair value are treated in accounting as indicated by the purpose of the derivative contract.

The group has classified all derivative contracts as held for trading and does not apply hedge accounting according to the requirements of IAS 39, although the derivatives fulfil the terms of economic hedge set in the Group policies. Derivative contracts are stated at fair value and any changes in the fair value are recognised in the income statement.

Derivative contracts are presented in current assets and current liabilities.

Determination of fair value
The fair values of publicly quoted derivative contracts and financial assets classified as held for trading or available for sale, are based on the quoted prices on balance sheet date. In the determination of fair value of financial instruments that are not publicly quoted in active market, the Group uses different valuation techniques and makes assumptions that are based on data from observable markets on balance sheet date.

Leases
Lease liabilities on tangible assets, which expose the Group to significant risks and rewards inherent in holding such assets, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. An asset based on a finance lease will be depreciated over its useful life or within the shorter lease term. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so that the finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. Rental obligations are included in interest-bearing liabilities.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as other operating leases. Payments made under operating leases, included in other operating expenses, are charged to the income statement on a straight-line basis over the period of the lease.

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

Borrowing costs
Borrowing costs are recognised as an accrual-based expense.

Earnings per share
The undiluted earnings per share is calculated by dividing the net result for the financial year by the weighted average number of ordinary shares outstanding during the financial year. The amount of treasury shares held by the Group are not included

in the amount of outstanding shares. A dilutive effect caused by share options exists when the subscription price of share is lower than the fair value the share. In the calculation of diluted earnings per share the potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. When the result of the Group is negative, no dilutive effect will be calculated.

Share capital

Outstanding ordinary shares are presented as share capital. Dividends paid to the ordinary shares are deducted from shareholders' equity in the period during which the decision to distribute dividends is made.

Share issue costs

Costs directly related to share issue, other than costs attributable to a business combination, are deducted, net of tax, from the proceeds recorded to shareholders' equity. Share issue costs directly attributable to business combinations are included in acquisition cost.

Treasury shares

If SSH Security Corp or its subsidiaries purchases SSH shares, the consideration paid including any related incremental external costs, net of tax, is deducted from total shareholders' equity as treasury shares until the shares are cancelled. If treasury shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Income taxes

Tax expenses in the income statement comprise tax based on taxable income for the period and deferred tax. Income tax is recorded in the income statement, except for taxes related to items recorded directly to the shareholders' equity. These items are recorded net of tax. Tax based on taxable income for the period is calculated using the corporate income tax rate effective in each country, adjusted to any taxes from previous periods.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. The largest temporary differences arise from the depreciation differences of property, plant and equipment, revaluation of certain assets and derivative contracts, provisions deductible at a later date, unused tax losses and measurement at fair value in connection with acquisitions.

Deferred taxes are calculated using the statutory tax bases or the tax bases whose confirmed content has been announced by the closing date. Deferred tax assets are recognised to the extent that it is probable that taxable income, against which the temporary difference can be applied, will materialise in the future.

Employee benefits

Pensions

The Group's pension schemes comply with each country's rules and regulations. Pension expenses for the Group's personnel are managed in external insurance companies. The Group applies defined contribution pension plans, as classified under IAS 19 (Employee Benefits). Contributions under the defined contribution plan will be recognised in the income statement for the accounting period during which such contributions were made.

Share-based payment

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

The fair value of share options is determined as at the time granted and expensed in even instalments in the income statement over the vesting period of the rights. The expense determined at the time of granting the option is based on the Group's estimate of the number of options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest at the end of the vesting period. The Group updates at each closing the estimate of the final amount of the options that will vest. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium account.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the Group expects a provision to be reimbursed, for example, by a third party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are stated at a present value of the obligation. The discount rate is determined to reflect current market assessments of the time value of money and the risks specific to the obligation.

New or amended IFRS standards

The Group has not applied the standards, interpretations and their amendments listed below, that are published but not yet effective. The Group will adopt in 2007 the following new and amended standards and interpretations by the IASB published in 2005 and 2006:

IFRS 7 Financial Instruments: Disclosures (effective on financial periods beginning on or after 1 January 2007). The standard requires more information to be disclosed on the financial instruments effect on an entity's financial position and performance. The standard requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. It also requires a presentation of a sensitivity analysis for each type of market risks. Management evaluates that the standard has an effect on the information to be disclosed, like a sensitivity analysis of market risks.

IAS 1 Presentation of Financial Statements - Amendment, Capital Disclosures (effective on financial periods beginning on or after 1 January 2007). The amendment requires more information on changes in equity to be disclosed. Management evaluates that the amended standard has an effect on the information to be disclosed.

The following interpretations are not estimated to have any effect on the consolidated financial statements:

* IFRIC 8 Scope of IFRS 2
* IFRIC 9 Reassessment of Embedded Derivatives
* IFRIC 10 Interim Financial Reporting and Impairment

Management judgement in applying the most significant accounting policies and other key sources of estimation uncertainty

When preparing the financial statements, the Group's management has to make estimates and assumptions influencing the content of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ from the estimates. The management must also exercise its judgment regarding the application of accounting policies. Possible effects of changes in estimates and assumptions are recorded in the income statement and balance sheet in the period during which estimates and assumptions are adjusted, and also in all the following periods.

The most important of these estimates and assumptions are related to the credit risk of trade receivables and the utilisation of deferred tax assets.

3 Segment information

The Group´s segment information is presented according to business and geographical segments. The Group's primary reporting format is based on geographical segments, based on the Group's internal organizational structure and financial reporting. The nature of markets and risks differ from segment to segment.

Segment assets and liabilities are items which are used by the segment in its business or which can be allocated to the segment. Unallocated items include items shared by the Group. Capital expenditure comprises additions to tangible assets used during several periods. Market pricing is used for intra-segment transactions.

Geographical segments

The Group's geographical segments are as follows:

- North and South America (Americas)
- Europe and Rest of World (EROW)
- Asia and the Pacific (APAC)

Business segments

The Group is organized into one business segment.

Income statement

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

Income statement

2005 €	EROW	Americas	APAC	Unallocated costs	Elimi- nations	Group total
NET SALES	**1,804,307**	**6,832,562**	**660,116**	**0**	**0**	**9,296,985**
Purchasing and production costs	-67,503	-11,780	-1,480	0	-4,732	-85,496
GROSS MARGIN	**1,736,804**	**6,820,782**	**658,636**	**0**	**-4,732**	**9,211,489**
Other income	0	0	0	240,566	0	240,566
Segment costs and depreciations	-2,561,701	-3,264,937	-495,062	-5,775,732	0	-12,097,432
OPERATING PROFIT/LOSS	**-824,897**	**3,555,845**	**163,573**	**-5,535,166**	**-4,732**	**-2,645,377**
Financial income						748,972
Financial expenses						-118,804
LOSS BEFORE TAXES						**-2,015,209**
Taxes						-1,177
LOSS FOR THE FINANCIAL PERIOD						**-2,016,386**
Segment assets	**539,062**	**4,593,533**	**417,940**	**23,517,869**	**0**	**29,068,404**
Segment liabilities	**1,739,886**	**12,230,883**	**352,317**	**-634,188**	**-10,062,822**	**3,626,076**
Capital expenditure	**74,304**	**7,682**				**81,986**
Depreciations	**503,924**	**97,979**				**601,904**

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

4	**Other operating income, €**	**2006**	**2005**
	Rental income	79,344	566
	National Technology Agency of Finland (TEKES), granted development contributions	278,250	240,000
	Total	357,594	240,566

5	**Employee benefits, €**	**2006**	**2005**
	Wages and salaries	5,576,416	6,201,770
	Pensions, defined contribution plan	558,702	586,995
	Other personnel expenses	338,178	395,941
	Granted stock option rights	-33,935	93,450
	Total	6,439,360	7,278,157

The Group applies defined contribution pension plans. Note 32 comprises information on management benefits.

No stock option rights were granted in 2006. The cost for stock options rights granted previous years contains a correction of EUR 47,321 for the cost recorded in 2005. In 2005 the fair value of the stock option plans was determined by the Black-Scholes pricing model, using an expected volatility rate of 35 percent, risk-free rate of 3 percent and a dividend rate of 0 percent. The share-based payments are presented in note 21.

Personnel	**2006**	**2005**
On average	81	83
At period-end	80	75

Personnel distribution by business area on Dec. 31	**2006**	**2005**
R&D	39	33
Sales and marketing	30	31
Administration	11	11
Total	80	75

6	**Depreciations by assets, €**	**2006**	**2005**
	On machinery and equipment	38,063	89,477
	On financial assets	58,512	54,146
	On other tangible assets	3,475	65,416
	On software	219,491	299,749
	On capitalized development expenses	105,302	93,115
	Total	424,844	601,904

Depreciations by activity, €	**2006**	**2005**
On R&D expenses	214,826	250,218
On sales and marketing expenses	125,300	195,604
On administration expenses	84,718	156,082
Total	424,844	601,904

7	**Financial income, €**	**2006**	**2005**
	Interest income	28,678	34,675
	Gains on available-for-sale assets	681,436	623,535
	Gains on derivative contracts	56,151	20,987
	Gains on exchange rate differences	16,035	69,775
	Total	782,299	748,972

8	**Financial expenses, €**	**2006**	**2005**
	Losses on available-for-sale assets	8,919	1,024
	Losses on derivative contracts	49,267	102,913
	Interests on loans	0	11,280
	Interest on financial leases	2,007	3,588
	Losses on exchange rate differences	29,057	0
	Total	89,251	118,804

9	**Taxes, €**	**2006**	**2005**
	Deferred tax	-256	-1,556
	Other direct taxes	-19,506	380
	Total	-19,762	-1,177

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

	2006	**2005**
Loss before taxes, total	-192,636	-2,015,209
Tax at 26%	50,085	523,954
Effect of foreign subsidiaries' differing tax rates	58,991	-105,201
Expenses not deductible for tax purposes	-7,817	-8,178
Use of previously unrecognized tax losses	67,580	0
Tax assets not recognized for reported losses	-188,346	-410,196
Deferred taxes	-256	-1,556
Tax charge	-19,762	-1,177

10 Earnings per share, €

Earnings per share, €	2006	2005
Loss attributable to the equity holders of the parent company	-212,398	-2,016,386
Weighted average number of shares in issue (thousands)	28,310	28,166
Earnings per share (basic) (€ per share)	-0.01	-0.07
Adjusted average number of shares considering dilution effect (thousands)	28,787	28,614
Earnings per share (diluted) (€ per share)	-0.01	-0.07

11 Tangible assets

Machinery & equipment, €	2006	2005
Acquisition cost 1 Jan.	1,080,104	1,209,002
Conversion difference	-25,702	60,753
Increase	66,924	43,773
Reduction	-41,932	-233,423
Acquisition cost Dec. 31	1,079,395	1,080,104
Accumulated depreciation Jan. 1	1,014,030	1,094,529
Conversion difference	-24,327	55,148
Depreciation for the period	38,063	89,477
Conversion difference of depreciation	-324	1,868
Accumulated depreciation on decrease	-41,932	-226,993
Accumulated depreciation Dec. 31	985,511	1,014,030
Book value Dec. 31	93,884	66,074

Leased assets based on finance leases, €	2006	2005
Acquisition cost Jan. 1	166,632	149,852
Increase	16,279	16,781
Acquisition cost Dec. 31	182,912	166,632
Accumulated depreciation Jan. 1	80,924	26,778
Depreciation for the period	58,512	54,146
Accumulated depreciation Dec. 31	139,437	80,924
Book value Dec. 31	43,475	85,708
Total book value of machinery and equipment Dec. 31, €	137,359	151,782

Other tangible assets, €	2006	2005
Acquisition cost Jan. 1	20,707	530,233
Conversion difference	-2,159	81,982
Increase	0	0
Reduction	0	-591,508
Acquisition cost Dec. 31	18,548	20,707
Accumulated depreciation Jan. 1	17,110	325,247
Conversion difference	-1,784	50,288
Depreciation for the period	3,475	65,416
Conversion difference of depreciation	-252	4,073
Accumulated depreciation on decrease	0	-427,915
Accumulated depreciation Dec. 31	18,548	17,110
Book value Dec. 31	0	3,598
Balance sheet value of tangible assets, Dec. 31, €	137,359	155,380

12 Intangible assets

Software, €	2006	2005
Acquisition cost Jan. 1	1,769,453	1,744,487
Conversion difference	-1,827	2,347
Increase	31,982	22,620
Reduction	0	0
Acquisition cost Dec. 31	1,799,609	1,769,453
Accumulated depreciation Jan. 1	1,344,853	1,043,518
Conversion difference	-1,462	1,408
Depreciation for the period	219,491	299,749
Conversion difference of depreciation	-156	178
Accumulated depreciation on decrease	0	0
Accumulated depreciation Dec. 31	1,562,727	1,344,853
Book value Dec. 31	236,882	424,600

Development expenses, €	2006	2005
Acquisition cost Jan. 1	315,905	261,067
Increase	0	54,839
Reduction	0	0
Acquisition cost Dec. 31	315,905	315,905
Accumulated depreciation Jan. 1	172,886	79,770
Depreciation for the period	105,302	93,115
Accumulated depreciation Dec. 31	278,188	172,886
Book value Dec. 31	37,718	143,020
Balance sheet value of intangible assets, Dec. 31, €	274,600	567,620

13 Deferred tax receivables and liabilities, €

Deferred tax receivables	Jan. 1, 2005	Charged in income statement	Charged in equity	Dec. 31, 2005
From losses	245,415	455	0	244,960
Deferred tax liabilities				
Fair valuation of available-for-sale investments	26,078	0	6,940	33,018
Other	-6	1,556	0	1,550
Total	26,072	1,556	6,940	34,568

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

Confirmed losses not recognized as deferred tax assets by the Group, amount to EUR 23.6 million. Of these, EUR 16.4 million are domestic and EUR 7.2 million from the operations in the USA. The domestic confirmed losses will begin to expire from 2011 onwards and the confirmed losses in the USA from 2018 onwards.

14 Current assets, €	2006	2005
Finished products/goods	0	1,365
Change in inventories included in acquisition cost of sold finished goods	-1,365	-4,459

	2006	2005
15 Accounts receivables, €	3,509,350	4,893,764

16 Other receivables, €	2006	2005
Prepayments	155,779	129,410
VAT receivables	150,138	73,396
Other current receivables	914	20
Total	306,831	202,826

17 Prepaid expenses and accrued income, €	2006	2005
Grants	66,908	240,000
Personnel related	11,368	154,654
Other prepaid expenses and accrued income	49,117	76,846
Total	127,393	471,499

18 Available-for-sale investments, €	2006	2005
Fair value Jan. 1	21,087,071	31,437,877
Additions	106,098,507	68,715,172
Reductions	-112,076,052	-79,192,971
Change in fair value	-119,869	126,992
Fair value Dec. 31	14,989,656	21,087,071
Current	14,989,656	21,087,071

Available-for-sale investments consist mainly of fund units.
Realized capital gains and losses on available-for-sale investments are presented in notes 7 and 8. Changes in the fair value reserves are presented in “Fair value and other reserves” in the Group´s Statement of changes in shareholders’ equity.

19 Cash and cash equivalents, €	2006	2005
Cash and bank deposits	1,721,100	1,443,920
Total	1,721,100	1,443,920

20 Notes to shareholders´ equity

According to the Corporate Bylaws SSH Communications Security Corp's share capital is a minimum of EUR 600,000 and a maximum of EUR 2,400,000, within which limits it can be increased or reduced without altering the Corporate Bylaws. The nominal per share value is EUR 0.03, hence the minimum number of shares is 20 million and maximum number of shares 80 million.
SSH has one class of shares. Each share entitles its holder to one vote at the shareholders' meeting. The company´s registered and fully paid share capital December 31, 2006 amounted to EUR 852,716.85, and the number of shares was 28,423,895.

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

	Number of shares	Share capital	Share premium fund	Total
Dec. 31, 2004	**28,101,542**	**843,046**	**24,423,673**	**25,266,719**
Subscriptions under stock option plan I/1999	126,750	3,802	723	4,525
Subscriptions under stock option plan I/2003	39,521	1,186	23,186	24,372
Subscriptions under stock option plan II/2003	1,000	30	550	580
Dec. 31, 2005	**28,268,813**	**848,064**	**24,448,132**	**25,296,196**
Transfer to the other shareholders´ equity item			-5,926,714	-5,926,714
Return of capital			-7,073,287	-7,073,287
Subscriptions under stock option plan I/1999	9,250	277	0	277
Subscriptions under stock option plan I/2003	145,832	4,375	48,583	52,958
Dec. 31, 2006	**28,423,895**	**852,717**	**11,496,715**	**12,349,432**

Description of the equity reserves:

Translation differences
The translation differences comprise the foreign exchange differences arising from the translation of the financial statements of the foreign subsidiaries.

Fair value and other reserves
Fair value and other reserves consist of three different funds: fair value reserve for available-for-sale investments, a hedging reserve for changes in the fair value of cash flow hedging instruments and a reserve for the costs of granted stock option rights.

Unrestricted equity funds
Unrestricted equity funds comprise the parent company´s unrestricted invested equity fund.

Dividends
After the closing date, the board has proposed that no dividends will be paid.

21 Share based payments

SSH´s share based payments consist of stock option plans. The Annual General Meetings of 1998, 1999, 2000, 2001, 2002 and 2003 decided to issue stock options for share subscription. The stock option rights are an integral part of the Group's employee commitment and incentive scheme. Nearly all personnel participate in the stock option plans.

Each stock option entitles the holder to purchase one SSH share during the subscription period and at a predetermined price according to the stock option plan. If a participant´s employment is terminated before the subscription period has commenced, his/her stock option rights will be invalidated. There are no other restrictions for the right to participate in the subscription. At the end of 2006, the subscription period for all stock option plans had commenced, with the exception of stock option plan II/2003 D. The stock options are freely transferable when the share subscription period has commenced, except for stock option plans II/2002, III/2002 and III/2003 offered to employees in the USA. Subscription of new shares under these three stock option plans must furthermore be done within three months after termination of the employment relationship.

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

Stock option plans - data

Stock option plan	Warrant	Date of issue	Subscription period Start	End	Share subscription price €	Unexercised option rights
I/1999	I/1999C	5.8.1999	1.5.2001	1.5.2011	0.03	375
	I/1999D	5.8.1999	1.11.2001	1.11.2011	0.03	375
	I/1999E	5.8.1999	1.5.2002	1.5.2012	0.03	10,374
	I/1999F	5.8.1999	1.11.2002	1.11.2012	0.03	5,999
	I/1999G	5.8.1999	1.5.2003	1.5.2013	0.03	5,128
	I/1999H	5.8.1999	1.11.2003	1.11.2013	0.03	4,749
						27,000
10.7.2000		10.7.2000	1.11.2000	1.11.2010	5.96	32,000
I/2000	I/2000A	10.7.2000	1.5.2001	1.5.2011	5.96	56,525
	I/2000B	13.9.2000	1.11.2001	1.11.2011	5.96	70,190
	I/2000C	22.3.2001	1.5.2002	1.5.2012	5.96	42,310
						169,025
II/2000	II/2000A	22.3.2001	1.11.2001	1.11.2011	14.46	3,250
	II/2000B	22.3.2001	1.5.2002	1.5.2012	14.46	1,625
	II/2000C	22.3.2001	1.11.2002	1.11.2012	14.46	875
	II/2000D	22.3.2001	1.5.2003	1.5.2013	14.46	875
	II/2000E	22.3.2001	1.11.2003	1.11.2013	14.46	875
	II/2000F	22.3.2001	1.5.2004,	1.5.2014	14.46	875
	II/2000G	22.3.2001	1.11.2004	1.11.2014	14.46	875
						9,250
I/2002	I/2002A	11.4.2002	1.5.2003	1.5.2008	2.96	254,477
	I/2002B	11.4.2002	1.5.2004	1.5.2008	2.96	203,013
	I/2002C	11.4.2002	1.5.2005	1.5.2008	2.96	140,813
	I/2002D	11.4.2002	1.5.2006	1.5.2008	2.96	80,749
						679,052
II/2002	II/2002A	11.4.2002	6.6.2002	11.4.2012	1.46	2,750
	II/2002B	11.4.2002	6.5.2003	11.4.2012	1.46	1,625
	II/2002C	11.4.2002	6.5.2004	11.4.2012	1.46	4,125
	II/2002D	11.4.2002	6.5.2005	11.4.2012	1.46	4,125
						12,625

Stock, option plan	Warrant	Date of issue	Subscription period Start	End	Share subscription price €	Unexercised option rights
III/2002	III/2002A	26.6.2002	6.5.2003	26.6.2012	1.36	9,749
	III/2002B	26.6.2002	6.5.2004	26.6.2012	1.36	9,750
	III/2002C	26.6.2002	6.5.2005	26.6.2012	1.36	10,750
	III/2002D	26.6.2002	6.5.2006	26.6.2012	1.36	10,750
						40,999
I/2003	I/2003A	29.4.2003	1.5.2004	1.5.2009	0.33	101,846
	I/2003B	29.4.2003	1.5.2005	1.5.2009	0.33	149,314
	I/2003C	29.4.2003	1.5.2006	1.5.2009	0.33	157,505
						408,665
II/2003	II/2003A	29.4.2003	1.5.2004	29.4.2013	0.33	6,874
	II/2003B	29.4.2003	1.5.2005	29.4.2013	0.33	6,876
	II/2003C	29.4.2003	1.5.2006	29.4.2013	0.33	7,374
	II/2003D	29.4.2003	1.5.2007	29.4.2013	0.33	7,376
						28,500

During the financial year the subscription prices of the stock option plans have been reduced by the amount of capital returned to the shareholders. At the balance sheet date, SSH had 1,407,116 (2005: 1,566,698) stock options outstanding, of which the fully owned subsidiary SSH Operations Oy held 209,932 (2005: 201,849). The weighted average exercise price of remaining stock options was EUR 2.53 (2005: EUR 2.55). The weighted average of the remaining subscription period was 2.5 years (2005: 3.5 years). The exercise price varies from EUR 0.03 to EUR 14.46 and the remaining subscription period from 1.3 years to 7.8 years.

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

	2006		2005	
	Weighted average exercise price, €	Number of stock options	Weighted average exercise price, €	Number of stock options
At the beginning of period	2.70	1,364,849	2.70	1,614,840
Granted stock options	0	0	0.80	66,000
Forfeited stock options	1.92	12,583	1.94	148,720
Exercised stock options	0.34	155,082	0.18	167,271
At the end of period	2.74	1,197,184	2.70	1,364,849
Exercisable stock option rights at the end of period	2.76	1,191,183	2.98	1,207,869

SSH´s weighted average share price was EUR 1.43 in 2006 and EUR 1.23 in 2005.

22 Provisions, €

	Other provisions	Onerous contracts
Dec. 31, 2004	95,451	126,684
Additional provisions	0	5,390
Utilized during year	-95,451	-57,461
Exchange differences	0	17,619
Dec. 31, 2005	0	92,232
Utilized during year	0	-45,923
Exchange differences	0	-8,464
Dec. 31, 2006	0	37,846

SSH Communications Security Inc. subleased its office in USA. Since the resulting rental income from the office does not fully cover rental expenses, the company recorded an expense provision equivalent to the resulting net loss. The contract will expire in 2007. The provision regarding royalties repayable to F-Secure Corporation, recorded 2004, was reversed in 2005.

23 Finance lease liabilities

Finance lease liabilities – minimum lease payments, €	2006	2005
Not later than 1 year	38,088	46,597
1–5 years	13,270	47,144
Total	51,358	93,741

Finance lease liabilities – the present value of minimum lease payments, €	2006	2005
Not later than 1 year	37,416	45,000
1–5 years	13,008	46,239
Total	50,424	91,238
Future finance charges, €	934	2,502

Total finance lease liabilities, €	2006	2005
Short-term	37,416	45,000
Long-term	13,008	46,239

The Group has leased office and IT equipment under long-term agreements. The lease agreements for IT equipment contain renewal options and purchase options at market price. The other lease agreements do not contain renewal nor purchase options. All rents are fixed. The duration of the agreements is usually 3–5 years, and the liabilities as of December 31, 2006, are due through 2010.

	2006	2005
24 Advances received, €	1,883,530	1,661,480

	2006	2005
25 Accounts payable, €	114,120	253,022

26 Accrued expenses and deferred income, €	2006	2005
Personnel related	800,029	638,270
Tax payables	13,700	-504
Other accrued expenses and deferred income	10,219	0
Total	823,948	637,766

27 Other liabilities, €	2006	2005
Personnel related	113,377	103,310
Finance lease liabilities	37,416	45,000
VAT liabilities	89,074	255,586
Derivative financial instruments	1,383	2,097
Other current liabilities	233,089	494,776
Total	474,338	900,769

28 Derivative contracts, €

		2006	2005
Forward exchange contracts			
Fair value		-1,383	0
Face value		654,077	0
Currency options			
Fair value	Sold	0	25,064
	Bought	0	-28,006
Face value	Sold	0	4,021,178
	Bought	0	2,018,619

29 Financial risk management

The Group is exposed to financial risks in its normal business. The aim of the Group's risk management is to minimize negative impacts of changes on financial markets to the Group's income.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk, with the most significant currency being USD. Transaction risks are managed based on the net position using, when required, forward contracts or options.

Interest rate risks
The Group has no interest bearing debt and therefore no need for debt protection. The Group´s money market investments expose it to interest rate risks, but the exposure is not significant as a whole.

The market risk related to investments
The Group'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.

Credit risks
The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Liquidity risks
There is no liquidity risk related to the Group, since the invested funds are large and are available on a one-day notice.

30 Other rental agreements

Other rental agreements are lease agreements not classified as finance lease agreements

The Group as lessee

Non-cancellable rental agreements for office facilities – minimum lease payments, €	2006	2005
Not later than 1 year	707,394	868,718
1–5 years	1,240,093	1,975,895
Total	1,947,487	2,844,613

Non-cancellable operating lease commitments for vehicles – minimum lease payments, €	2006	2005
Not later than 1 year	65,267	73,798
1–5 years	55,074	66,144
Total	120,341	139,942

The Group rents the offices it utilizes. The duration of the rental agreements are usually 3–5 years, and normally the agreements include prolongation options past the original ending date. The index, renewal and other terms and conditions differ from agreement to agreement. The income statement for year 2006 contains rents based on rental agreements for a total of EUR 806,004 (EUR 792,245 in 2005).

The Group also leases vehicles. The lease rents are fixed and the duration of the agreements are on average 3–4 years. The income statement for year 2006 contains rents based on vehicle lease agreements for a total of EUR 77,826 (EUR 92,835 in 2005).

The Group has sublet part of its offices. The rental income related to the subleases is EUR 225,848 in 2006 (EUR 132,129 in 2005). The minimum future rental income related to the subleases was, as of December 31, 2006, EUR 327,331 (EUR 245,703 as of December 31, 2005). The Group has recorded an expense provision of EUR 37,846 linked to the subleases (Note 22).

31 Rental guarantees, €

	2006	2005
Rental guarantees (monetary pledge)	205,600	178,763

The Group has in 2006 and previous years received public funding comprising possible payback obligation.

32 Group companies and related party transactions

Group companies	Native country	Group holding,%	Share of voting right, %
SSH Communications Security Oyj, Helsinki	Finland		
SSH Communications Security Inc., Los Altos	USA	100	100
SSH Communications Security K.K, Tokyo	Japan	100	100
SSH Operations Oy, Helsinki	Finland	100	100

Management benefits, €	2006	2005
Managing Directors´ salary	611,038	548,725
Board emoluments	50,400	50,400
Termination benefits	489,747	145,200

The share and stock option holdings of the board, Dec. 31, 2006	Shares	Stock options
Tapio Kallioja	2,000	2,000
Tomi Laamanen	22,000	4,000
Timo Ritakallio	8,000	0
Tatu Ylönen	15,102,720	0
Total	15,134,720	6,000

The share and stock option holdings of the management team, Dec. 31, 2006	Shares	Stock options
George Adams	58,250	60,000
Petri Lillberg	3,000	14,000
Mika Peuranen	10,000	0
Pekka Rauhala	0	85,000
Timo Rinne	10,000	39,500
Juha Saksi	0	15,000
Bo Sørensen	0	0
Jukka Tuomas	0	10,000
Arto Vainio (CEO)	140,000	100,000
Total	221,250	323,500
Petri Säkkinen (employment terminated Jan. 15, 2007)	5,334	12,416

As of December 31, 2006, SSH's Board members and CEO hold, directly or indirectly through companies they own, around 53.7 percent of company shares and votes. The Board members and CEO hold 106,000 stock options. The other members of the management team held around 0.3 percent of the company shares and votes and possess a total of 223,500 stock options.

33 Events after the balance sheet date

The company has won a significant additional order from a leading US retail chain. The value of the new order is 0.9 MEUR and it is based on the frame agreement signed at the end of the year.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

€	Note	Jan. 1–Dec. 31, 2006	Jan. 1–Dec. 31, 2005
NET SALES	1	**5,054,123.87**	**5,067,629.96**
Purchasing and production costs		123,036.56	188,700.24
GROSS MARGIN		**4,931,087.31**	**4,878,929.72**
R&D expenses		3,159,613.00	3,271,022.14
Sales and marketing expenses		2,026,146.79	2,343,652.01
Administrative expenses		1,437,660.42	1,713,609.66
Other operating income	7	357,594.00	240,565.58
Other operating expenses	8	3,550,000.00	4,500,000.00
OPERATING LOSS		**- 4,884,738.90**	**-6,708,788.51**
Financial income and expenses	9		
Interest and financial income from Group companies		0.00	141,236.13
Other interest and financial income		766,948.59	1,356,460.11
Interest and other financial expenses		529,333.38	137,365.33
Financial income and expenses, total		237,615.21	1,360,330.91
LOSS BEFORE EXTRAORDINARY ITEMS		**-4,647,123.69**	**-5,348,457.60**
LOSS BEFORE APPROPRIATIONS AND TAXES		**-4,647,123.69**	**-5,348,457.60**
LOSS FOR THE FINANCIAL PERIOD		**-4,647,123.69**	**-5,348,457.60**

PARENT COMPANY CASH FLOW STATEMENT

€	Note	Jan. 1–Dec. 31, 2006	Jan. 1–Dec. 31, 2005
Cash flow from operations			
Sales revenue		6,313,515.83	3,078,648.24
Revenue from other operations		530,686.00	265,703.00
Payments from operating expenses		-6,127,542.19	-6,761,132.04
Cash flow from operations before financial items and taxes		716,659.64	-3,416,780.80
Interest paid and other financial expenses paid		-60,124.02	-166,993.85
Operating interest and other financial income received		83,899.09	120,477.68
Cash flow from operations		**740,434.71**	**-3,463,296.97**
Cash flow from investments			
Investments in tangible and intangible assets		-83,114.37	-111,796.96
Loans granted		-330,000.00	-980,776.62
Received payments from granted loans		0.00	969,661.09
Proceeds from other financial assets		6,650,062.27	11,000,010.23
Cash flow from investments		**6,236,947.90**	**10,877,097.74**
Cash flow from financing			
Share subscriptions based on stock options		53,235.31	29,476.89
Repayment of subordinated loan		0.00	-245,218.00
Return of capital		-7,073,286.50	0.00
Paid dividends		0.00	-8,149,930.32
Cash flow from financing		**-7,020,051.19**	**-8,365,671.43**
Change in liquid assets		**-42,668.58**	**-951,870.66**
Liquid assets at beginning of period		**842,034.60**	**1,793,905.26**
Change in liquid assets		-42,668.58	-951,870.66
Liquid assets at end of period		**799,366.02**	**842,034.60**

PARENT COMPANY BALANCE SHEET

€	Note	Dec. 31, 2006	Dec. 31, 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Intangible rights		267,282.17	483,341.45
Development expenses		37,717.82	143,019.62
Intangible assets, total		**304,999.99**	**626,361.07**
Tangible assets	10		
Machinery & equipment		65,661.34	42,539.62
Tangible assets, total		**65,661.34**	**42,539.62**
Investments			
Shares in Group companies		200,344.24	200,344.24
Investments, total		**200,344.24**	**200,344.24**
NON-CURRENT ASSETS, TOTAL		**571,005.57**	**869,244.93**
CURRENT ASSETS			
Inventory		**0.00**	**1,364.91**
Receivables			
Current receivables			
Accounts receivable		228,181.54	193,198.76
Receivables from the Group companies	11	2,174,718.65	2,492,324.88
Prepaid expenses and accrued income	12	78,590.64	403,006.47
Other receivables	13	48,940.68	53,871.43
Current receivables, total		**2,530,431.51**	**3,142,401.54**
Long-term receivables			
Receivables from Group companies		30,000.00	4,570,696.43
Total long-term receivables		**30,000.00**	**4,570,696.43**
Financial investments			
Other securities	14	**14,989,655.72**	**21,087,070.60**
Cash in hand and at bank		**799,366.02**	**842,034.60**
CURRENT ASSETS, TOTAL		**18,349,453.25**	**29,643,568.08**
ASSETS, TOTAL		**18,920,458.82**	**30,512,813.01**

€	Note	Dec. 31, 2006	Dec. 31, 2005
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	15		
Share capital		852,716.85	848,064.39
Share premium fund		13,139,714.86	26,091,132.01
Fair value reserve		5,270.95	93,974.25
Unrestricted invested equity fund		5,926,713.50	0.00
Retained profit/loss		2,717,464.76	8,065,922.36
Net loss for the period		-4,647,123.69	-5,348,457.60
SHAREHOLDERS' EQUITY, TOTAL		**17,994,757.23**	**29,750,635.41**
LIABILITIES			
Current liabilities			
Advances received		52,067.39	25,287.94
Accounts payable		65,200.97	134,497.05
Deferred tax liabilities	18	1,851.93	33,017.99
Accrued expenses and deferred income	19	595,074.71	466,529.67
Other liabilities	20	211,506.59	102,844.95
Current liabilities, total		**925,701.59**	**762,177.60**
LIABILITIES TOTAL		**925,701.59**	**762,177.60**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**18,920,458.82**	**30,512,813.01**

PARENT COMPANY NOTES TO THE FINANCIAL STATEMENTS

Accounting principles of the financial statements

The financial statements of the parent company SSH Communications Security Corporation are prepared in accordance with Finnish Accounting Standards (FAS). All figures in the financial statements are stated in Euros. The parent company´s financial statements have been prepared under the historical cost convention, excluding financial instruments, which are stated at fair value in accordance with the Finnish Accounting Act Chapter 5, Section 2a. The methods used for valuation of financial instruments at fair value are presented in the notes to the consolidated financial statements. Information on financial risk management and use of derivatives are also presented in the consolidated financial statements.

Principles of Entering Sales Income

Revenue is principally entered in net sales once delivery has occurred or services have been rendered, the contract has been completed or the buyer has placed a written order and it has been assured that the buyer is solvent. Maintenance agreements are recognized evenly on an accrual basis throughout the contract period. Royalties are recognized as revenue for the period during which the customer has made a payment or provided confirmation, or otherwise has confirmed the amount of royalties. Sales based on electronic transactions are recognized as revenue on a cash basis. Revenue recognition on a cash basis versus that on an accrual basis has no material effect on net sales or profit for the period.

Function-based Costs

Expenses have been divided among functions according to their causative principles.

Research and product development expenses

R&D expenses are expensed as incurred, excluding certain product development expenses, which are capitalized once certain criteria are met. Capitalized development expenses are amortized systematically over their useful lives.

Fixed Assets

Fixed assets are entered in the balance sheet at acquisition cost less depreciation and possible write-downs according to plan. Planned depreciations are calculated by type on a straight-line basis according to their economic life.

The depreciation periods are:

Machinery and equipment	5 years from month of acquisition
Computer hardware	3 years from month of acquisition
Intangible rights	5 years from year of acquisition
R&D expenses	5 years from year of acquisition
Other capitalized expenditure	5 years from year of acquisition
Basic repairs on rental premises	According to length of the rental agreement, but maximum 7 years from year of acquisition

Inventories

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

Financial instruments

The financial assets are classified as available-for-sale or held-to-maturity assets. Available-for-sale assets, which comprise investments in money market funds, among others, are stated at fair value. Changes in the fair value are recognized under the fair value reserves in shareholders' equity, adjusted with deferred tax liabilities or receivables. Held-to-maturity assets, which mainly comprise commercial papers, are measured at original cost.

Foreign currency transactions

Foreign currency denominated transactions are recorded at the exchange rate on the transaction date. Outstanding receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing are entered as financial income and expenses in net terms.

The company uses derivative contracts to hedge receivables denominated in foreign currency. Hedge accounting is however not used. The fair value of derivative contracts is recorded in the balance sheet as a liability or receivable. Changes in the fair value are recognized in the income statement.

Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used in the determination of deferred income tax.

Deferred tax liabilities arising from depreciation differences are not recorded. The company has no accumulated depreciation differences. Exercising special prudence, confirmed losses in taxation are recognized as tax assets.

Stock option rights

The employees of the parent company and its subsidiaries have been granted stock option rights. The stock option rights entitle their holders to subscribe for shares at a fixed subscription price specified in the terms of the stock option scheme. Received proceeds from share subscriptions based on stock option plans enforced when the old Finnish Companies Act applied, are credited to share capital and share premium. When an employee exercises a stock option right, the company is obliged to deduct a whithholding tax and to record a social expense in the income statement.

Notes to the income statement

1 Net sales by market area, €

	2006	2005
Finland	540,908	423,122
Rest of Europe	1,175,043	627,631
North America	2,795,589	3,440,358
Other	542,584	576,519
Total	5,054,124	5,067,630

2 Personnel expenses, €

	2006	2005
Wages and salaries	3,192,016	3,487,752
Pension costs	540,327	564,658
Other personnel expenses	194,531	178,089
Total	3,926,874	4,230,500

3 Personnel on average during the period

	2006	2005
Personnel on average	55	59

4 Personnel distribution by business area at period-end

	2006	2005
R&D	36	32
Sales and marketing	10	10
Administration	10	10
Total	56	52

5 Salaries and other remuneration to management, €

	2006	2005
Arto Vainio	201,299	147,137
Tomi Laamanen	16,800	16,800
Tapio Kallioja	16,800	16,800
Timo Ritakallio	16,800	16,800

6 Depreciation and write-downs, €

	2006	2005
On software	248,042	311,622
On capitalized development expenses	105,302	93,115
On machinery and equipment	28,010	57,541
Total	381,354	462,279

7 Other operating income

Other operating income includes EUR 278,250 received as product development funding from the National Technology Agency (TEKES). Corresponding funding for year 2005 was EUR 240,000. Other income also comprises rental income of EUR 79,344. The company has sublet part of its offices.

8 Other operating expenses

	2006	2005
Write-down of receivables from SSH Communications INC	2,200,000	4,500,000
Write-down of receivables from SSH Operations Oy	1,350,000	0
Total	3,550,000	4,500,000

Other operating expenses consist of write-downs of receivables from fully owned subsidiaries.

9 Financial income and expenses, €

	2006	2005
Interest and financial income from Group companies	0	141,236
Interest income	17,686	25,898
Capital gains on available-for-sale assets	672,517	622,511
Capital gains on derivative contracts	56,151	20,987
Capital losses on derivative contracts	-49,267	-102,913
Net exchange rate differences	-459,471	663,891
Interests on loans	0	-11,280
Total	237,615	1,360,331

Notes to the balance sheet

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

	2006	2005
Intangible rights		
Acquisition cost Jan. 1	1,827,928	1,805,308
Increase	31,982	22,620
Acquisition cost Dec. 31	1,859,911	1,827,928
Accumulated depreciation Jan. 1	1,344,587	1,032,965
Depreciation for the period	248,042	311,622
Accumulated depreciation Dec. 31	1,592,629	1,344,587
Book value	267,282	483,341
Development expenses		
Acquisition cost Jan. 1	315,905	261,067
Increase	0	54,839
Acquisition cost Dec. 31	315,905	315,905
Accumulated depreciation Jan. 1	172,886	79,771
Depreciation for the period	105,302	93,115
Accumulated depreciation Dec. 31	278,188	172,886
Book value	37,718	143,020
Machinery & equipment		
Acquisition cost Jan. 1	820,070	802,579
Increase	51,132	34,904
Reduction	0	-17,414
Acquisition cost Dec. 31	871,202	820,070
Accumulated depreciation Jan. 1	777,530	737,402
Depreciation for the period	28,010	57,542
Accumulated depreciation on decrease	0	-17,414
Accumulated depreciation Dec. 31	805,541	777,530
Book value	65,661	42,540

11 Parent company receivables from Group companies, €

	2006	2005
Accounts receivable	2,174,719	2,492,325
Loan receivables	30,000	4,570,696
Total	2,204,719	7,063,021

12 Prepaid expenses and accrued income, €

	2006	2005
Grants	66,908	240,000
Interest receivables	790	8,353
Personnel related	10,892	154,654
Total	78,591	403,006

13 Other receivables, €

	2006	2005
Advances paid	48,026	44,265
VAT receivables	0	9,586
Other current receivables	914	20
Total	48,941	53,871

14 Investments, €

	2006	2005
Available-for-sale assets		
Fair value Jan. 1	21,087,071	31,437,877
Net increase/decrease	-5,977,546	-10,477,799
Change in fair value	-119,869	126,992
Fair value Dec. 31	14,989,656	21,087,071
Short-term	14,989,656	21,087,071

Available-for-sale assets mainly comprise of fund units. In 2006, the Group recognized capital gains and losses of EUR 0.7 million on available-for-sale assets in financial income and expenses.

15 Shareholders´ equity and liabilities, €

	2006	2005
Share capital Jan. 1	848,064	843,046
Share issues	4,652	5,018
Share capital Dec. 31	852,717	848,064
Share premium fund Jan. 1	26,091,132	26,066,673
Subscription of shares	48,583	24,459
Return of capital	-7,073,287	0
Transfer to unrestricted invested equity	-5,926,714	0
Share premium fund Dec. 31	13,139,715	26,091,132
Fair value reserve Jan. 1	93,974	74,222
Increase	1,229,568	2,239,915
Decrease	-1,318,271	-2,220,163
Fair value reserve Dec. 31	5,271	93,974
Unrestricted invested equity fund Jan. 1	0	0
Transfer from share premium fund	5,926,714	0
Unrestricted invested equity fund Dec. 31	5,926,714	0
Retained earnings Jan. 1	2,717,465	16,215,853
Paid dividends	0	-8,149,930
Retained earnings Dec. 31	2,717,465	8,065,922
Net loss for the period	-4,647,124	-5,348,458
Shareholders' equity total	17,994,757	29,750,636

16 Earnings distributable to shareholders, €

	2006	2005
Retained earnings	2,717,465	8,065,922
Net loss for the period	-4,647,124	-5,348,458
Other reserves	5,926,714	0
Other	-30,400	-45,600
Total	3,966,655	2,671,865

17 Provisions, €

	2006	2005
Other provisions		
At beginning of period	0	95,451
Utilized provisions	0	95,451
At end of period	0	0

The parent company recorded a provision for 2004 regarding royalties repayable to F-Secure Corporation. This provision has been reversed in 2005.

18 Deferred tax liabilities and receivables, €

	2006	2005
Deferred tax liabilities		
Charged in equity	1,852	33,018
Total	1,852	33,018

The parent company has confirmed losses of EUR 15.4 million. The losses have not been recorded as deferred tax receivables.

19 Accrued liabilities and deferred income, €

	2006	2005
Personnel related	593,755	466,530
Other accrued liabilities and deferred income	1,320	0
Total	595,075	466,530

20 Other liabilities, €

	2006	2005
Personnel related	107,925	90,249
VAT liabilities	79,024	0
Derivative financial instruments	1,383	2,097
Other short-term liabilities	23,175	10,499
Total	211,507	102,845

21 Derivative contracts, €	2006	2005
Forward Exchange Contracts		
Fair value	-1,383	0
Face value	654,077	0
Currency options		
Fair value		
Sold	0	25,064
Bought	0	-28,006
Face value		
Sold	0	4,021,178
Bought	0	2,018,619

22 Other commitments, €

Non-cancellable rental agreements for office facilities – minimum lease payments	**2006**	**2005**
Not later than 1 year	496,106	496,106
1–5 years	1,157,580	1,653,685
Total	1,653,685	2,149,791

Non-cancellable operating lease commitments for vehicles – minimum lease payments	**2006**	**2005**
Not later than 1 year	34,538	29,610
1–5 years	47,138	31,710
Total	81,676	61,320

Rental guarantees	**2006**	**2005**
Rental guarantees (monetary pledge)	1,521	1,521

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki February 12, 2007

Tomi Laamanen
Chairman of the Board of Directors

Timo Ritakallio

Tapio Kallioja

Tatu Ylönen

Arto Vainio
CEO

AUDITOR'S NOTATION

The financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements.

We issued today an auditors' report based on our audit.

Helsinki, March 9, 2007

PricewaterhouseCoopers Oy
Authorized Public Accountants

Henrik Sormunen
Authorized Public Accountant

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SSH COMMUNICATIONS SECURITY OYJ

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of SSH Communications Security Oyj for the period from January 1, 2006 to December 31, 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Helsinki, March 9, 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
APA

CALCULATION OF FINANCIAL RATIOS

Return on equity, % (ROE)

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

Return on investment, % (ROI)

$$\frac{\text{Profit before extraordinary items and taxes + interest and other financial expenses}}{\text{Total assets – non-interest bearing debt (average for the year)}} \times 100$$

Equity-to-assets ratio, %

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

Earnings per share (EPS)

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

Dividend per share

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

Dividend pay-out ratio, %

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

Shareholders’ equity per share

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

Gearing, %

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

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