

## TECTIA INTERIM REPORT, JANUARY 1 - JUNE 30, 2010

## SUMMARY

## April-June

- Net sales totaled EUR 2.2 million, up by 23.8 % percent year on year (EUR 1.8 million in 4-6/2009).
- Operating loss amounted to EUR -0.1 million (an operating loss of EUR -1.3 million in 4-6/2009), profit EUR 0.1 million (EUR -1.2 million).
- Earnings per share EUR 0.00 (EUR -0.04).

## January-June

- Net sales totaled EUR 4.5 million, up by 24.1 % percent year on year (EUR 3.6 million in 1-6/2009).
- Operating loss amounted to EUR -0.1 million (an operating loss of EUR -2.0 million in 1-6/2009), profit EUR 0.1 million (EUR -1.8 million).
- Earnings per share EUR 0.00 (EUR -0.06).

The company's financial position remained healthy, with equity ratio 66.4 % (76,4%) and liquid assets at the end of the period EUR 5.0 million (EUR 6.2 million).

KEY FIGURES	4-6/ 2010	4-6/ 2009	1-6/ 2010	1-6/ 2009	Change %	1-12/ 2009
Net sales (MEUR)	2.2	1.8	4.5	3.6	24.1	8.8
Operating profit/loss (MEUR)	-0.1	-1.3	-0.1	-2.0	92.4	-1.5
% of net sales	-2.5	-70.9	-2.1	-55.5		-17.1
Profit/loss before taxes (MEUR)	0.1	-1.2	0.1	-1.8	101.9	-1.2
Profit/loss (MEUR)	0.1	-1.2	0.1	-1.8	101.8	-1.2
Return on equity, %			5.0	-38.1		-12.4
Return on investment, %			5.6	-36.2		-10.8
Liquid assets			5.0	6.2	-18.9	6.4
Gearing (%)			-174.5	-146.5		-144.2
Equity ratio (%)			66.4	76.4		71.4
Earnings per share (EUR)	0.00	-0.04	0.00	-0.06	104.8	-0.04
Shareholders' equity per share (EUR)			0.10	0.14	-30.8	0.15

## CEO's BUSINESS REVIEW

The company continued its' renewal towards more customer oriented Tectia. A new global marketing message was taken into use. Information security software solution concept SAMS consists of: Secure, Automate, Manage and Share. Tectia SAMS is the fastest track to business information security.

In second quarter 2010 net sales amounted to EUR 2.2 million with an increase of 23.8 percent compared to the previous year. The cost savings excluding one-time costs were EUR -0.2 million (-9 %) compared to the previous year. The operating loss was EUR -0.1 million compared with a loss of EUR -1.2 million (including one-time costs EUR -0.6 million) in the second quarter 2009. The company's financial position remained healthy with an equity ratio of 66.4 percent and EUR 5.0 million in liquid assets.

Net sales for the first half of 2010 amounted to EUR 4.5 with an increase of 24.1 percent compared to the previous year. License sales growth was 46.2 percent compared to first half of year 2009. The operating loss was EUR -0.1 compared to the previous year 2009 loss of EUR -2.0 million (including one-time costs EUR -0.6 million).

In the U.S. the company signed an agreement with a F500 retailer. In Europe an agreement was signed with an eastern European integrator for unified enterprise level security offering to their financial sector end-customer. This was the first significant deal in this market sector. As well a contract was signed with a leading international IT services provider which provides integrated solutions with high security to large multi-national clients.

The company invested in building its strategic competence by appointing new head of Global Channel Management, who will be responsible for developing and managing the company's global indirect sales channels and the company's Channel Partner Certification program.

The company launched a new corporate website on June 30 as part of a corporate re-branding exercise. The launch of the new web service signals a significant shift away from merely being a technology developer to becoming a trusted partner and leading provider of enterprise-level security solutions to address real-time security challenges.

The company implemented successfully new global ERP-system in beginning of May. Project succeeded as planned into production and now enables more efficient and growth supporting order, delivery and financial management.

The change of the new business name to Tectia Oyj, in English Tectia Corporation, which was decided by SSH Communications Security Oyj's Annual General Meeting on March 3, 2010 was registered in the Trade Register on April 1, 2010.

The key strategic objective is to continue efforts on developing the company into a sales and marketing oriented software house with strong value-added offering and customer focus in real-time security for networked, modern organizations.

Jari Mielonen  
CEO

## REPORTING

This interim report follows IAS 34 (Interim Financial Reporting) accounting standard. The same accounting principles have been used in the financial statements for 2009 except those mentioned below. The figures are non-audited. This interim report also complies with the year 2010 renewed IFRS 3 and IAS 27 standards, which do not have any substantial effect on company's financial reporting.

## FUTURE OUTLOOK

For the fiscal year 2010, Tectia estimates its net sales to grow from 2009 and expects the net result to be positive.

## NET SALES

Consolidated net sales for April-June totaled EUR 2.2 million (EUR 1.8 million), up by 23.8 %, year on year.

Consolidated net sales for January-June totaled EUR 4.5 million (EUR 3.6 million), up by 24.1 %, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 68.1 percent (66.0 percent), 22.8 percent (25.1 percent) and 9.1 percent (8.9 percent) of reported net sales, respectively.

TECTIA NET SALES						
EUR Million	4-6/ 2010	4-6/ 2009	1-6/ 2010	1-6/ 2009	Change %	1-12/ 2009
<b>BY SEGMENT</b>						
AMERICAS	1.4	1.2	3.1	2.4	28.0	5.5
APAC	0.2	0.1	0.4	0.3	36.8	0.8
EMEA	0.6	0.5	1.0	0.9	14.8	2.5
Tectia Group Total	2.2	1.8	4.5	3.6	24.1	8.8
<b>BY OPERATION</b>						
License sales	0.8	0.6	1.8	1.3	46.2	4.1
Maintenance	1.4	1.2	2.7	2.4	12.5	4.7
Total	2.2	1.8	4.5	3.6	24.1	8.8

The majority of Tectia's invoicing is U.S. dollar based. During the report period, the U.S. dollar's average exchange rate to euro strengthened approximately 0.4 percent compared to the same period a year ago. With corresponding period in 2009 exchange rates net sales would have increased 0.6 percent in addition to reported 2010 net sales.

#### RESULTS AND EXPENSES

Operating loss for April-June amounted to EUR -0.1 million (an operating loss of EUR -1.3 million), with net profit totaling EUR 0.1 million (a loss of EUR -1.2 million).

Operating loss for January-June amounted to EUR -0.1 million (an operating loss of EUR -2.0 million), with net profit totaling EUR 0.1 million (a loss of EUR -1.8 million). On-going cost savings activities reduced costs excluding one-time costs by EUR -0.5 million and -10 percent compared to corresponding period. There are no relevant transactions after reporting period that would affect on company's results and profitability.

Research and development expenses for the April-June reporting period totaled EUR -0.6 million (EUR -1.0 million), while sales, marketing and customer support expenses amounted EUR -1.2 million (EUR -1.6 million) and administrative expenses EUR -0.5 million (EUR -0.5 million).

Research and development expenses for the January-June reporting period totaled EUR -1.1 million (EUR -1.9 million), while sales, marketing and customer support expenses amounted EUR -2.4 million (EUR -2.8 million) and administrative expenses EUR -1.1 million (EUR -1.1 million).

Organizational change took in place starting from 2010 where customer support -unit from research and development was transferred to management of sales and marketing as part of Customer Market Operations (CMO) organization. Previous corresponding figures are according to old organizational structure. Costs of transferred functions are EUR -0.3 million for second quarter 2010 and EUR -0.6 million for first half 2010. Effect on corresponding figures are EUR -0.3 million for second quarter 2009, EUR -0.6 million for first half 2009 and EUR -1.0 million for total 2009.

#### BALANCE SHEET AND FINANCIAL POSITION

The financial position of Tectia remained at a healthy level during the report period, despite the capital returned to shareholders. The consolidated balance sheet total on June 30, 2010 stood at EUR 6.9 million (EUR 7.7 million), of which liquid assets accounted for EUR 5.0 million (EUR 6.2 million), or 72.1 percent of the

balance sheet total. On June 30, 2010, gearing, or the ratio of net liabilities to shareholders' equity, was -174.5 percent (-146.5) and the equity ratio stood at 66.4 percent (76.4).

The reported gross capital expenditure for the period totalled EUR -0.0 million (EUR 0.0 million). The reported financial income consisted mainly of interest on fixed-term deposits and exchange rate gains. Financial income and expenses totalled EUR 0.2 million (EUR 0.2 million).

During January-June, Tectia reported a positive cash flow of EUR 0.0 million (EUR -1.8 million) from business operations, and investments showed a negative cash flow of EUR -0.0 million (EUR 10.0 million). Cash flow from financing totalled EUR -1.1 million (EUR -8.5 million), mainly consisting of capital returned to shareholders and investments to short-term financial assets. Total cash flow from operations, investments and financing was negative EUR -1.2 million (EUR -0.3 million) during the period.

#### RESEARCH AND DEVELOPMENT

Research and development expenses for April-June totalled EUR -0.6 million (EUR -1.0 million), the equivalent of 29.8 percent of net sales (51.9 percent).

Research and development expenses for January-June totalled EUR -1.1 million (EUR -1.9 million), the equivalent of 24.3 percent of net sales (52.3 percent). During the report period Tectia did not capitalize any research and development expenses.

#### HUMAN RESOURCES AND ORGANIZATION

At the end of June, the Group had 70 employees on its payroll, up by 7 persons from the previous year, an increase of 11 percent.

At the end of the period, 39 percent of the employees worked in R&D, 43 percent in sales and marketing, and 18 percent in corporate administration.

#### SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of Tectia Corporation shares totalled 3 040 299 (valued at EUR 2 727 350). The highest quotation was EUR 1,15 and the lowest EUR 0,76. The trade-weighted average share price for the period was EUR 0,90 and the share closed at EUR 0,92 (June 30, 2010).

Company's principal owner Tatu Ylönen holdings directly and through his company, Tatu Ylönen Oy, holds now 47.1 percent of the company's shares, Assetman Oy holds 13.4 percent and Tero Kivinen 4.8 percent. More information about the shareholding can be obtained from the company's web site.

SSH Management Investment Corp is now fourth largest owner holding 4.8 of the company and it is part of the Tectia Group due to shareholder agreement.

During reporting period was established a subsidiary Tectia Limited in Hong Kong owned by 100% by Tectia Corporation. No other changes occurred in Tectia group structure.

#### SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on June 30, 2010 was EUR 897,034.47 consisting of 29,901,149 shares. During the reporting period option rights were exercised in I/1999 and II/2003 option programs. According to the I/1999 option program, 100 shares were subscribed for using class C option certificates, 100 shares using class D option certificates, 500 shares using class E option certificates, 650 shares using class F certificates and 350 shares using class H option certificates. According to the II/2003 option program, 500 shares were subscribed for using class C option certificates and 500 shares using class D option certificates. Exercise of options rights increased share capital 81.00 EUR.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the issuing of in total 5,500,000 shares, in one or more tranches, as share issues against payment or by giving stock options or other special rights entitling to shares, as defined in Chapter 10 Section 1 of the Finnish Companies Act, either in accordance with the shareholders' pre-emptive right to share subscription or deviating from this right. The authorization will be valid until the next Annual General Meeting, but will expire on June 30th 2011 at the latest.

The Annual General Meeting approved the Board of Directors' proposal to authorize the Board of Directors to decide upon the acquiring of a maximum of 2,000,000 of the company's own shares, in one or more tranches, with assets belonging to the company's free equity. This amount corresponds approximately to 6.69 per cent of all shares of the company. The compensation to be paid for the acquired shares shall be determined on the date of acquisition on the basis of the trading rate determined for the company's share in a public trading arranged by NASDAQ OMX Helsinki Ltd. Furthermore, the Annual General Meeting decided to authorize the Board of Directors to decide upon a distress concerning a maximum of 1,500,000 own shares, in one or more tranches. The amount corresponds approximately to 5.02 per cent of all shares of the company. The authorization to acquire the shares and the authorization concerning the distress shall be valid at most for eighteen (18) months after the decision of the Annual General Meeting.

#### DIVIDEND AND OTHER DISTRIBUTION OF ASSETS

The Annual General Meeting decided upon the distribution of assets from the invested non-restricted equity fund to the shareholders in such a way that assets would be distributed 0.05 euro per share. The amount distributed was in total 1,494,922.45 euro. The return of equity was paid to the shareholders who on the record date on March 8th 2009 were registered in the shareholders' register of the company held by Euroclear Finland Oy. The payment date was March 15th 2009.

Furthermore, the Annual General Meeting decided to lower the subscription price of the shares, which can be subscribed on the basis of the option plans released by the company between years 2000-2002, with an amount corresponding to the distribution of assets, i.e. 0.05 euro per each option right. The subscription price of the shares shall, however, always have at least the same value as the par value.

#### RISKS AND UNCERTAINTIES

During reporting period there have not been any significant changes in company's business risks or uncertainties. More details to risks and uncertainties are reported in 2009 financial statement and annual report pp. 19-20.

#### RELATED PARTY TRANSACTIONS

During reporting period there have not been any significant related party transactions. Company's related party transactions are reported in 2009 financial statement and annual report pp. 51-52.

#### TABLES

COMPREHENSIVE INCOME STATEMENT						
EUR million						
	4-6	4-6	1-6	1-6	1-12	
	/2010	/2009	/2010	/2009	/2009	
Net sales	2.2	1.8	4.5	3.6	8.8	
Cost of goods sold	0.0	0.0	-0.1	0.0	-0.1	
Gross profit	2.2	1.8	4.5	3.6	8.7	
Other operating income	0.0	0.0	0.0	0.1	0.1	
Product development expenses	-0.6	-1.0	-1.1	-1.9	-3.8	

Sales, marketing and customer support costs	-1.2	-1.6	-2.4	-2.8	-4.3
Administrative expenses	-0.5	-0.5	-1.1	-1.1	-2.3
Operating profit/loss	-0.1	-1.3	-0.1	-2.0	-1.5
Financial income and expenses	0.1	0.0	0.2	0.2	0.3
Profit/loss before taxes	0.1	-1.2	0.1	-1.8	-1.2
Taxes	0.0	0.0	0.0	0.0	0.0
Net profit/loss for the period	0.1	-1.2	0.1	-1.8	-1.2
Other profit and loss account items:					
Foreign subsidiary translation differences	0.0	0.1	0.1	-0.1	-0.1
Total comprehensive income	0.1	-1.1	0.2	-1.8	-1.3

#### EARNINGS PER SHARE

	4-6/ 2010	4-6/ 2009	1-6/ 2010	1-6/ 2009	1-12/ 2009
Earnings per share (EUR)	0,00	-0,04	0,00	-0,06	-0,04
Earnings per share, diluted (EUR)	0,00	-0,04	0,00	-0,06	-0,04

BALANCE SHEET			
EUR million			
	30/06/2010	30/06/2009	31/12/2009
<b>ASSETS</b>			
Non-current assets			
Tangible assets	0.2	0.2	0.2
Intangible assets	0.1	0.0	0.0
Investments	0.0	0.0	0.0
Total non-current assets	0.3	0.2	0.3
Current assets			
Trade and other receivables	1.6	1.3	2.7
Short-term financial assets	2.2	4.5	2.5
Cash and cash equivalents	2.8	1.7	3.9
Total current assets	6.6	7.5	9.1
Total assets	6.9	7.7	9.4
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Shareholders' equity	2.8	4.2	4.4
Non-current liabilities			
Provisions	0.1	0.0	0.1
Non-current interest-bearing liabilities	0.0	0.1	0.0
Total long-term liabilities	0.1	0.1	0.0
Current liabilities	4.0	3.5	4.8
Total equity and liabilities	6.9	7.7	9.4

CASH FLOW STATEMENT			
EUR million	1-6/2010	1-6/2009	1-12/2009
Cash flow from business operations	0.0	-1.8	-2.4
Cash flow from investments	-0.0	10.0	12.0
Cash flow from financing	-1.1	-8.5	-7.7
Increase(+) / decrease (-) in cash	-1.2	-0.3	1.9
Cash at period start	3.9	2.0	2.0
Effect of exchange rate	0.1	0.0	0.0
Cash at period end	2.8	1.7	3.9

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY							
EUR million	Share Capital	Share Premium	Fair value reserves	Translation diff.	Fund for own shares	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan. 1. 2009	0.9	0.0	0.1	-0.9		14.4	14.5
Change	0.0	0.0	0.0	-0.1		-8.5	
Net profit						-1.8	
Shareholders' equity Jun. 30. 2009	0.9	0.0	0.2	-0.9		4.1	4.2
Change	0.0	0.0	-0.1	-0.1		0.8	
Net profit						0.6	
Management Incentive plan					-1.1		
Shareholders' equity Dec. 31. 2009	0.9	0.0	0.1	-1.0	-1.1	5.5	4.4
Change	0.0	0.0	0.0	-0.3	0.1	-1.4	
Net profit						0.1	
Shareholders' equity Jun. 30. 2010	0.9	0.0	0.1	-1.3	-1.0	4.2	2.8

NET SALES BY SEGMENT					
EUR million	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009
AMER	1.4	1.2	3.1	2.4	5.5
APAC	0.2	0.1	0.4	0.3	0.8
EMEA	0.6	0.5	1.0	0.9	2.5
Tectia Group total	2.2	1.8	4.5	3.6	8.8

OPERATING PROFIT/LOSS BY SEGMENT					
EUR million	4-6/ 2010	4-6/ 2009	1-6/ 2010	1-6/ 2009	1-12/ 2009
AMER	0.9	0.1	2.0	0.5	2.5
APAC	0.1	0.0	0.2	0.2	0.5
EMEA	0.2	0.1	0.2	0.2	1.1
Common Group expenses*	-1.2	-1.6	-2.5	-2.9	-5.5
Tectia Group total	-0.1	-1.3	-0.1	-2.0	-1.5

\* Common Group expenses include Group administration expenses (e.g. management and finance) and product management and R&D expenses for corporate headquarters.

KEY FIGURES AND RATIOS			
EUR million	1-6/2010	1-6/2009	1-12/2009
Net sales	4.5	3.6	8.8
Operating profit/loss	-0.1	-2.0	-1.5
Operating profit/loss. as % of net sales	-2.1	-55.5	-16.9
Profit/loss before extraordinary items and taxes	0.1	-1.2	-0.3
Profit/loss before extraordinary items and taxes. as % of net sales	2.0	-32.2	-2.9
Profit/loss before taxes	0.1	-1.8	-1.2
Profit/loss before taxes. as % of net sales	2.0	-48.8	-13.3
Return on equity (%)	5.0	-38.1	-12.4
Return on investment (%)	5.6	-36.2	-10.8
Interest-bearing net liabilities	-4.8	-6.1	-6.4
Equity ratio (%)	66.4	76.4	71.4
Gearing (%)	-174.5	-146.5	-144.2
Gross capital expenditure	0.0	0.0	0.1
% of net sales	0.0	0.0	1.3
R&D expenses	1.1	1.9	2.8
% of net sales	24.3	52.2	31.6
Personnel. period average	67	68	66
Personnel. period end	70	63	64

Calculation for key figures and ratios are presented in 2009 financial statement and annual report. There have not been changes in calculation rules after that.

PER-SHARE DATA			
EUR	1-6/2010	1-6/2009	1-12/2009
Earnings per share. undiluted	0.00	-0.06	-0.04
Earnings per share. diluted	0.00	-0.06	-0.04
Equity per share	0.10	0.14	0.15
No. of shares at period end (thousand)	29 901	28 798	29 898
Share performance			
Average price	0.90	0.85	0.79
Low	0.76	0.65	0.65
High	1.15	1.24	1.24
Share price. period end	0.92	0.67	0.77
Market capitalization. period end (EUR million)	27.5	19.3	23.0



Volume of shares traded (million)	3.0	2.8	5.1
Volume of shares traded. As % of total	10.2	9.6	17.0
Value of shares traded (EUR million)	2.7	2.3	4.0

CONTINGENT LIABILITIES			
EUR million	30.6.2010	30.6.2009	31.12.2009
Rent security deposits	0.1		0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.4	0.6	0.6
Maturing between 1 and 5 years	0.9	0.3	1.1

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Tectia Corporation will release its next interim report and financial statements for January 1st -September 30th, 2010 in 20th of October 2010. Further information will be available on the company's website in due course.

Helsinki. July 21st 2010

TECTIA CORPORATION

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