

TECTIA INTERIM REPORT, JANUARY 1 - JUNE 30, 2012

SUMMARY

Strong growth of sales continued, profitability satisfactory.

April-June

- Net sales totaled EUR 2.9 million, up by +41.3% year on year (EUR 2.1 million in 4-6/2011).
- Operating profit amounted to EUR 0.2 million (EUR -0.2 million in 4-6/2011) including EUR -0.2 million non-recurring costs (EUR 0.0 million). Net profit EUR 0.1 million (loss EUR -0.3 million)
- Earnings per share EUR 0.00 (EUR -0.01).

January-June

- Net sales totaled EUR 5.5 million, up by +31.5% year on year (EUR 4.2 million in 1-6/2011).
- Operating profit amounted to EUR 0.4 million (EUR -1.1 million in 1-6/2011) including EUR -0.4 of non-recurring costs (EUR -0.4 million). Net profit EUR 0.4 million (loss EUR -1.2 million)
- Earnings per share EUR 0.01 (EUR -0.04).
- Company moved to using the SSH Communications Security -name and ssh.com internet address in its business.

The company's financial position remained satisfactory, with equity ratio 44.9% (60.5%) and liquid assets at the end of the period EUR 2.3 million (EUR 3.3 million).

KEY FIGURES	4-6/ 2012	4-6/ 2011	1-6/ 2012	1-6/ 2012	Change %	1-12/ 2011
Net sales (MEUR)	2.9	2.1	5.5	4.2	31.5	8.1
Operating profit/loss (MEUR)	0.2	-0.2	0.4	-1.1	138.1	-2.0
% of net sales	6.0	-11.9	7.6	-26.2		-25.3
Profit/loss before taxes (MEUR)	0.1	-0.3	0.4	-1.2	135.8	-2.2
Profit/loss (MEUR)	0.1	-0.3	0.4	-1.2	135.8	-2.2
Return on equity, %			56.8	-86.3		-110.0
Return on investment, %			30.7	-78.9		-99.6
Liquid assets			2.3	3.3	-31.5	2.5
Gearing (%)			156.3	-152.5		230.0
Equity ratio (%)			44.9	60.5		36.2
Earnings per share (EUR)	0.00	-0.01	0.01	-0.04		-0.07
Shareholders' equity per share (EUR)	0.05	0.06	0.05	0.06		0.03

CEO's BUSINESS REVIEW

The company continued to develop favorably. Quarter-on-quarter revenue growth in the last two quarters has been good. I am also reasonably satisfied with profitability.

The company's new key management solution, Universal SSH Key Manager, helps customers obtain visibility into non-interactive user accounts used for automated processes and who can access what data. It also facilitates substantial operational cost savings and provides essential security improvements. We will likely announce several major new deals involving this product in the coming months.

The company has worked on key management for a long time. Already in 1999 we sold a key management solution (IKE, Internet Key Exchange for the IPsec protocol) for Sun Microsystem's Solaris and for Compaq's OSF/1 operating systems. The company's earlier key management solution for SSH keys has been on the market since 2003 and is being used by several of the largest banks, retail chains, logistics companies and government agencies - even for managing environments of tens of thousands of servers.

The company announced in July its new CryptoAuditor product, which makes it possible to audit the contents of encrypted SSH and RDP (Windows Remote Desktop) connections, for example in connection with firewalls, passing any transmitted data to a DLP (Data Loss Prevention) solution for preventing data theft. The product supports the company's key management strategy.

The company provides solutions for managing large IT environments more efficiently and for improving their security, particularly in connection with the SSH software and protocol, regardless of whether the customer uses the company's commercial Tectia SSH or open source OpenSSH products. Practically all Linux and Unix computers, routers, and about half of world's web sites contain an SSH implementation, and SSH is also increasingly used for file transfers in the Windows and mainframe environments and for remote management of servers using IPMI.

I intend to continue running the company as an entrepreneur-driven growth company. During the next quarters the company invests particularly in developing its sales organization, sales methodologies, deployment capabilities, and partner network. Substantial investments in new technology development continue and the company also continues to strengthen its position in key management and encrypted connection monitoring by filing new patent applications. The company is also more determined in seeking to utilize its substantial patent portfolio.

Tatu Ylönen
CEO

FUTURE OUTLOOK

As announced on 20th June 2012, Tectia estimates its revenue in 2012 to increase significantly from 2011 due mainly to solid maintenance and Tectia SSH Client and Server business, and expected sales of new products, especially Universal SSH Key Manager. General economic uncertainty continues as the biggest risk factor.

Tectia estimates full year 2012 to be profitable. Risks to the estimate include delays in product development, sales ramp-up, and deliveries, as well as general economic uncertainty.

NET SALES

Consolidated net sales for April-June totaled EUR 2.9 million (EUR 2.1 million), up by 41.3%, year on year.

Consolidated net sales for January-June totaled EUR 5.5 million (EUR 4.2 million), up by +31.5%, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 48.3% (60.6%), 38.1% (26.1%) and 13.7% (13.3%) of reported net sales, respectively.

TECTIA NET SALES						
EUR Million	4-6/ 2012	4-6/ 2011	1-6/ 2012	1-6/ 2011	Change %	1-12/ 2011
BY SEGMENT						
AMERICAS	1.5	1.1	2.6	2.5	4.8	4.8
APAC	0.5	0.3	0.7	0.6	34.7	1.3
EMEA	0.9	0.6	2.1	1.1	92.1	1.9
Tectia Group Total	2.9	2.1	5.5	4.2	31.5	8.1
BY OPERATION						
License sales	1.4	0.7	2.5	1.5	-19.4	2.8
Maintenance	1.5	1.3	2.9	2.7	0.0	5.3
Total	2.9	2.1	5.5	4.2	-7.9	8.1

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 +5.1% compared to the same period a year ago. With comparable exchange rates 2012 net sales growth would have been +27.0% compared with 2011 corresponding period.

RESULTS AND EXPENSES

Operating profit for April-June amounted to EUR 0.2 million (EUR -0.2 million) including EUR -0.2 million non-recurring costs, with net profit totaling EUR 0.1 million (EUR -0.3 million).

Operating profit for January-June amounted to EUR 0.4 million (EUR -1.1 million), with net profit totaling EUR 0.4 million (EUR -1.2 million).

Non-recurring items during January-June were EUR -0.4 million due to moving the office in Helsinki, costs caused to company due to public tender offer of all Tectia Oyj shares and due to personnel related

changes.

Sales, marketing and customer support expenses for the April-June reporting period amounted EUR -1.5 million (EUR -1.1 million), while research and development expenses totaled EUR -0.8 million (EUR -0.6 million) and administrative expenses EUR -0.2 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the January-June reporting period amounted EUR -2.6 million (EUR -2.8 million), while research and development expenses totaled EUR -1.4 million (EUR -1.3 million) and administrative expenses EUR -0.7 million (EUR -0.9 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of Tectia remained satisfactory during the reporting period. The consolidated balance sheet total on June 30, 2012 stood at EUR 6.2 million (June 30, 2011 EUR 5.9 million; December 31, 2011 EUR 6.4 million), of which liquid assets accounted for EUR 2.3 million (June 30, 2011 EUR 3.3 million; December 31, 2011 EUR 2.5 million), or 36.4% of the balance sheet total. On June 30, 2012, gearing, or the ratio of net liabilities to shareholders' equity, was -156.3% (June 30, 2011 -152.5%; December 31, 2011 -230,0%) and the equity ratio stood at 44.9% (June 30, 2011 60.5%; December 31, 2011 36.2%).

The reported gross capital expenditure for the period totalled EUR 0.5 million (EUR 0.1 million). The reported financial income and expenses consisted mainly of interest on deposits and exchange rate gains or losses. Financial income and expenses totalled EUR -0.0 million (EUR -0.1 million).

During January-June, Tectia reported a positive cash flow of EUR 0.4 million (EUR -0.6 million) from business operations, and investments showed a negative cash flow of EUR -0.5 million (EUR -0.1 million). Cash flow from financing totalled EUR -0.1 million (EUR 2.5 million). Total cash flow from operations, investments and financing was negative EUR -0.3 million (EUR 1.8 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for April-June totaled EUR -0.8 million (EUR -0.6 million), the equivalent of 27.8 percent of net sales (28.7 percent). During April-June company has capitalized R&D costs EUR 0.2 million (EUR 0.2 million).

Research and development expenses for January-June totaled EUR -1.4 million (EUR -1.3 million), the equivalent of 25.1 percent of net sales (31.3 percent).

Company has continued R&D capitalizations during the reporting period related to Universal SSH Key Manager and Crypto Auditor according to IAS 38 standard. In reporting period R&D cost capitalizations amount to EUR 0.5 million (EUR 0.2 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of June, the Group had 56 employees on its payroll, down by 5 persons from the previous year, a decrease of -8%. Compared with

previous quarter, personnel increased with 4.

At the end of the period, 41% of the employees worked in sales and marketing, 46% in R&D, and 13% in corporate administration.

BOARD AND AUDITORS

At the Annual General Meeting (AGM) on March 28, 2012 elected Päivi Hautamäki, Sami Ahvenniemi and Tatu Ylönen as directors of the company's Board of Directors. Päivi Hautamäki was elected as the Chairman of the Board of Directors.

The Authorized Public Accountants KPMG Oy Ab was re-elected as the auditor of the company, with Kirsi Jantunen, KHT as the accountant with the main responsibility.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of Tectia Corporation shares totaled 5 807 094 (valued at EUR 2 856 652). The highest quotation was EUR 0.62 and the lowest EUR 0.30. The trade-weighted average share price for the period was EUR 0.49 and the share closed at EUR 0.55 (June 29, 2012).

During reporting period, the public tender offer made by Clausal Computing, owned 100% by Tatu Ylönen, ended. The shares tendered in the tender offer represent approximately 10.38 percent of all the shares and voting rights attached to the shares. Together with the shares otherwise purchased or previously owned by Clausal Computing and Tatu Ylönen, the shares tendered in the tender offer represent approximately 58.02 percent of all the shares and voting rights attached to the shares.

Company's principal owner Tatu Ylönen holds directly and through his company, Clausal Oy, now 58.0% of the company's shares, Assetman Oy holds 13.1% and SSH Management Investment Corp 4.7%. More information about the shareholding can be obtained from the company's web site.

SSH Management Investment Corp is part of the Tectia Group consolidated financial statements due to shareholder agreement.

During reporting period no dividend or return of capital are distributed.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on December 31, 2011 was EUR 916,476.24 consisting of 30,549,208 shares.

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 2013 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 non-restricted equity. This amount corresponds approximately to 6.55 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 the public trading arranged by NASDAQ OMX Helsinki Ltd. The authorization to acquire the shares will be valid at most for eighteen (18) months after the decision of the Annual General Meeting.

RISKS AND UNCERTAINTIES

Short- and midterm risks impacting Tectia have not changed since 31.3.2012, neither since 31.12.2011. Largest risks impacting the profitability of the company are:

- amount of R&D investment into new still under development products, starting the delivery and sales of the new products and demand;
- continuing uncertainty of macroeconomic environment;
- large portion of company revenue is invoiced in USD currency so possible large fluctuation in USD currency rates during 2012 could have unpredictable effects into profitability that are at the time difficult to estimate.

Principles and organization of risk management of Tectia can be read from company's webpage: www.ssh.com.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of Tectia Corporation CEO Tatu Ylönen has delivered during January-June 2012 mainly R&D services valued in total EUR 0.2 million. During the reporting period there have not been any other significant related party transactions.

The remuneration of Tectia Corporation CEO Tatu Ylönen is according to what is told in Tectia Annual Report 2011.

EVENTS AFTER THE BALANCE SHEET DATE

As company announced on 27th July 2012, company will launch a new stock option plan. The maximum total number of stock options issued is 2 000 000, and they entitle their owners to subscribe for a maximum total of 2 000 000 new shares in the company or existing shares held by the company. The stock options will be issued gratuitously. The stock options are marked with the symbols I/2012A, I/2012B and I/2012C. A total of 660 000 stock options are included in I/2012A and I/2012B and 680 000 stock options in I/2012C.

The number of shares subscribed by exercising stock options now issued corresponds to a maximum total of 7 per cent of the shares and votes in the company, after the potential share subscription, if new shares are issued in the share subscription. The share subscription price for stock options I/2012A, I/2012B and I/2012C is 0,65€. The share subscription period for stock option I/2012A will be 1.6.-1.9.2014, for stock option I/2012B will be 1.6.-1.9.2016 and for stock options I/2012C 1.6.-1.9.2017.

Tectia management is not aware of any other significant transaction

after the reporting period.

REPORTING

This interim report is prepared according to IAS 34. Interim report follows same principles and standards as the previous financial statement release. Additionally the effective changes in IAS/IFRS standards during 2012 have been adopted. These changes have no material impact on interim report. The information presented in this interim report has not been audited

TABLES

SHORT COMPREHENSIVE INCOME STATEMENT						
EUR million						
		4-6 /2012	4-6 /2011	1-6/ 2012	1-6/ 2011	1-12/ 2011
	Net sales	2.9	2.1	5.5	4.2	8.1
	Cost of goods sold	-0.3	-0.2	-0.3	-0.2	-0.1
	Gross profit	2.6	1.9	5.1	4.0	7.9
	Other operating income	0.0	0.0	0.0	0.0	0.0
	Sales, marketing and customer support costs	-1.5	-1.1	-2.6	-2.8	-5.4
	Product development expenses	-0.8	-0.6	-1.4	-1.3	-2.5
	Administrative expenses	-0.2	-0.4	-0.7	-0.9	-2.0
	Operating profit/loss	0.2	-0.2	0.4	-1.1	-2.0
	Financial income and expenses	0.0	0.0	0.0	-0.1	-0.1
	Profit/loss before taxes	0.1	-0.3	0.4	-1.2	-2.2
	Taxes	0.0	0.0	0.0	0.0	0.0
	Net profit/loss for the financial period	0.1	-0.3	0.4	-1.2	-2.2
	Minority Interest	0.0	-0.0	0.0	-0.0	-0.0
	Other profit and loss account items:					
	Foreign subsidiary translation differences	0.0	-0.1	0.0	-0.3	0.1
	Total comprehensive income	0.1	-0.3	0.4	-1.5	2.1

	Net profit/loss attributable to:					
	Owners of the Company	0.1	-0.3	0.4	-1.2	-2.1
	Non-Controlling interest	0.0	-0.0	0.0	-0.0	-0.0
	EARNINGS PER SHARE					
	Earnings per share (EUR)	0.00	-0.01	0.01	-0.04	-0.07
	Earnings per share, diluted	0.00	-0.01	0.01	-0.04	-0.07

(EUR)				
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BALANCE SHEET			
EUR million			
	30/06/2012	30/06/2011	31/12/2010
ASSETS			
Non-current assets			
Tangible assets	0.2	0.1	0.1
Intangible assets	1.6	1.0	1.3
Investments	0.0	0.0	0.0
Total non-current assets	1.8	1.1	1.5
Current assets			
Trade and other receivables	2.1	1.5	2.4
Short-term financial assets	0.0	0.0	0.0
Cash and cash equivalents	2.3	3.3	2.5
Total current assets	4.4	4.8	4.9
Total assets	6.2	5.9	6.4
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Equity attributable to the parent company shareholders total	1.2	1.9	0.8
Non-controlling interest	0.2	0.3	0.2
Shareholders' equity total	1.4	2.2	1.1
Non-current liabilities			
Provisions	0.2	0.1	0.1
Non-current interest-bearing liabilities	0.0	0.0	0.0
Total long-term liabilities	0.2	0.1	0.1
Current liabilities			
Liabilities total	4.8	3.7	5.3
Total equity and liabilities	6.2	5.9	6.4

SHORT CASH FLOW STATEMENT			
EUR million			
	1-6/2012	1-6/2011	1-12/2011
Cash flow from business operations			
	0.4	-0.6	-0.8
Cash flow from investments			
	-0.5	-0.1	-0.7

	Cash flow from financing	-0.1	2.5	2.5
	Increase(+) / decrease (-) in cash	-0.3	1.8	0.9
	Cash at period start	2.4	1.6	1.6
	Effect of exchange rate	0.0	0.0	0.0
	Cash at period end	2.1	3.3	2.4

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY								
EUR million	Share Capital	Fair value reserves	Other Equity Fund	Translation diff	Fund for own shares	Non-Controlling interest	Unrestricted equity funds and retained earnings	Total
Shareholders' equity 1.1.2011	0.9	0.1	0.1	-1.3	-1.0	0.3	4.0	3.2
Change				-0.1				-0.1
Net profit							-0.8	-0.8
Shareholders' equity 30.6.2011	0.9	0.1	0.1	-1.4	-1.0	0.3	3.2	2.2
Change			0.1	0.2		-0.1		0.2
Net profit							-1.3	-1.3
Shareholders' equity 31.12.2011	0.9	0.1	0.2	-1.2	-1.0	0.2	1.9	1.1
Change			0.0	-0.0				0.0
Net Profit							0.4	0.4
Shareholders' equity 30.6.2012	0.9	0.1	0.2	-1,2	-1.0	0.2	2.3	1.4

NET SALES BY SEGMENT					
EUR million	4-6/	4-6/	1-6/	1-6/	1-12/

	2012	2011	2012	2011	2011
AMER	1.5	1.1	2.6	2.5	4.8
APAC	0.5	0.3	0.7	0.6	1.3
EMEA	0.9	0.6	2.1	1.1	1.9
Tectia Group total	2.9	2.1	5.5	4.2	8.1

GROSS MARGIN BY SEGMENT					
EUR million	4-6/ 2012	4-6/ 2011	1-6/ 2012	1-6/ 2011	1-12/ 2011
AMER	1.5	1.1	2.6	2.5	4.8
APAC	0.5	0.3	0.7	0.6	1.3
EMEA	0.6	0.4	1.8	0.9	1.8
Tectia Group total	2.6	1.8	5.1	4.0	7.9

OPERATING PROFIT/LOSS BY SEGMENT					
EUR million	4-6/ 2012	4-6/ 2011	1-6/ 2012	1-6/ 2011	1-12/ 2011
AMER	0.7	0.6	1.1	1.1	2.0
APAC	0.3	0.2	0.5	0.4	0.8
EMEA	0.5	0.3	1.6	0.4	1.0
Common Group expenses*	-1.3	-1.4	-2.8	-3.0	-5.8
Tectia Group total	0.2	-0.2	0.4	-1.1	-2.0

* 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	1-6/2012	1-6/2011	1-12/2011
Net sales	5.5	4.2	8.1
Operating profit/loss	0.4	-1.1	-2.0
Operating profit/loss. as % of net sales	7.6	-26.2	-25.3
Profit/loss before extraordinary items and taxes	0.8	-0.8	-1.1
Profit/loss before extraordinary items and taxes. as % of net sales	14.5	-19.3	-13.3
Profit/loss before taxes	0.4	-1.2	-2.2
Profit/loss before taxes. as % of net sales	7.3	-27.7	-27.0
Return on equity (%)	56.8	-86.3	-110.0
Return on investment (%)	30.7	-78.9	-99.6
Interest-bearing net liabilities	-3.4	-3.3	-2.5
Equity ratio (%)	44.9	60.5	36.2
Gearing (%)	-156.3	-152.5	-230.0

Gross capital expenditure	0.5	0.1	0.8
% of net sales	9.0	2.0	9.9
R&D expenses	1.5	1.3	2.5
% of net sales	25.1	31.3	31.3
Personnel. period average	53	64	61
Personnel. period end	56	61	52

Calculation for key figures and ratios are presented in 2011 financial statement and annual report. There have not been changes in calculation rules after that.

PER-SHARE DATA			
EUR	1-6/2012	1-6/2011	1-12/2011
Earnings per share. Undiluted	0.01	-0.04	-0.07
Earnings per share. diluted	0.01	-0.04	-0.07
Equity per share	0.04	0.06	0.03
No. of shares at period average (thousand)	30 549	30 548	30 549
No. of shares at period end (thousand)	30 549	30 548	30 549
Share performance			
Average price	0.49	0.71	0.51
Low	0.30	0.57	0.29
High	0.62	0.89	0.89
Share price. period end	0.55	0.59	0.30
Market capitalization. period end (EUR million)	16.8	18.0	9.2
Volume of shares traded (million)	5.8	1.0	2.3
Volume of shares traded. As % of total	19.0	3.2	7.5
Value of shares traded (EUR million)	2.9	0.7	1.2
Price per earnings ratio (P/E)	-	-	-
Dividend per share	0.0	0.0	0.0
Dividend per earnings, %	0.0	0.0	0.0
Effective return on dividend, %	0.0	0.0	0.0

CONTINGENT LIABILITIES			
EUR million	30.6.2012	30.6.2011	31.12.2011
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.5	0.4	0.5
Maturing between 1 and 5 years	0.6	1.2	0.4

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Tectia Corporation will release its next interim report for January 1-September 30, 2012 in October 24th.

Helsinki, August 1st 2012

TECTIA CORPORATION

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