

TECTIA INTERIM REPORT, JANUARY 1 - MARCH 31, 2011

SUMMARY

January-March

- Net sales totaled EUR 2.1 million, down by -8.7 % percent year on year (EUR 2.3 million in 1-3/2010).
- Operating loss amounted to EUR -0.8 million (an operating profit of EUR 0.0 million in 1-3/2010) including EUR -0.4 of non-recurring costs (EUR 0.0 million). Loss EUR -0.9 million (EUR 0.0 million)
- Earnings per share EUR -0.03 (EUR 0.00).

The company's financial position remained healthy, with equity ratio 65.0 % (66.3%) and liquid assets at the end of the period EUR 3.8 million (EUR 5.2 million).

KEY FIGURES	1-3/ 2011	1-3/ 2010	Change %	1-12/ 2010
Net sales (MEUR)	2.1	2.3	-8.7	9.1
Operating profit/loss (MEUR)	-0.8	-0.0	1 729.7	-0.7
% of net sales	-39.5	-1.8		-7.9
Profit/loss before taxes (MEUR)	-0.9	0.0	-6 339.1	-0.5
Profit/loss (MEUR)	-0.9	0.0	-6 342.9	-0.5
Return on equity, %	-120.9	0.0		-12.8
Return on investment, %	-112.8	0.0		-10.5
Liquid assets	3.8	5.2		4.0
Gearing (%)	-146.8	-179.8		-121.0
Equity ratio (%)	65.0	66.3		69.1
Earnings per share (EUR)	-0.03	0.00		-0.02
Shareholders' equity per share (EUR)	0.10	0.10		0.10

CEO's BUSINESS REVIEW

Tectia Corporation is the market maker in real-time information security for modern, networked organizations. Tectia's key strategic objectives are to turn into sales and marketing oriented, channel sales based software house and become the fastest track for our customers to securing, automating, managing and sharing data-in-transit in cross platform environments.

In the first quarter 2011 net sales amounted to EUR 2.1 million with decrease of -8.7 percent compared to the previous year. Operative loss without extraordinary cost was EUR -0.5 million. The extraordinary cost related to the change in company structure were EUR -0.4 million. Restructuring was finalized in full during first quarter 2011 and the estimated annual savings are EUR 1.5 million. Operative loss was EUR -0.8 million. The company's financial position remained healthy with an equity ratio of 65.0 percent and EUR 3.8 million in liquid assets.

In order to increase speed of strategy execution, Tectia established two separate business units and structured its global sales, presales and customer support accordingly. The business units are Managed Security business and Mobile Authentication business.

In the U.S., the total headcount decreased due to company's turn into channel based sales model. In Europe the company ramped down its own German sales office based in Düsseldorf. Instead, the company strengthened its German channel operations by ramping up Tectia Competence Centre in Frankfurt with the local channel partner, Inovasec GmbH. The restructuring did not concern Tectia APAC, as it was already operating in full channel sales model out of Hong Kong.

The corporate sales strategy is focusing on strengthening partnerships with System Integrators, Value Added Resellers, OEM vendors and regionally certified channel partners with the support of Tectia's regional sales and support centres of excellence located in the Americas, EMEA and APAC. The existing reseller partner network consists of 70 partners worldwide.

In the Americas Tectia announced the appointment of the IT solution builder Shandd Argentina S.R.L., to sell Tectia information security solutions in Argentina. In the U.S. the company signed partnership with Waytek Inc.. Furthermore, the company is focusing to mainframe, federal and fulfillment channel partners, the engagement of which is in process.

In EMEA Tectia announced the establishment of a Tectia-branded channel sales bureau in Switzerland located in Kloten. The company also signed partnerships with 2SB in France and Cloud Solutions operating in Sweden and Turkey.

In APAC Tectia signed partnership with Data Terminator, located in Singapore. The Japanese market activities are on hold due to Japan earth quake crisis. Australian market based partnerships are in development process.

Tectia is proceeding according to the set objectives with its technology and marketing alliance strategy focusing on global partnerships. New partnership agreements for both business units will be published during the second quarter.

Tectia Mobile Authentication Business signed an agreement to make use of Andritz AG's end-user mobile phones with more than 14.000 users, as an authentication device to provide a high level of security for user access to enterprise services. The Andritz Group is a global market leader for customized plant, systems and services for hydropower, the pulp and paper, steel and other specialized industries.

Tectia MobileID has been short-listed for the finals of the SC Magazine Awards Europe in the Best Remote Access category. SC Awards Europe is widely recognized as a prestigious award for the European information security industry for vendors that deliver innovative security technologies.

Jari Mielonen
CEO

REPORTING

This interim report follows IFRS accounting standards and assessments. This report is prepared according to IFRS standards and interpretations which are valid 31st December 2010. Interim report follows same principles and standards as the previous financial statement release. This interim report is prepared according to IAS 34. The figures are non-audited.

FUTURE OUTLOOK

The company continues to evaluate its patent portfolio and strategic alternatives to create shareholder value from it. Based on a preliminary evaluation by the company some of the patents and patent applications may be essential (necessary for implementing the standard) for upcoming IP-based mobile phone systems, such as 3G IMS and LTE/LTE Advanced (so called 3.9G and 4G), at least some of their terminals, and

internet call systems (VoIP). The company hasn't received any royalty or other revenue from these patents or patent applications so far, and they have not been booked as assets in the balance sheet.

Tectia estimates main growth for the fiscal year 2011 to come from Mobile Authentication business. The finalized organizational restructuring is estimated to have positive effect to profitability for 2011.

For the fiscal year 2011, Tectia estimates its net sales to grow from 2010 and expects the net result to be positive.

NET SALES

Consolidated net sales for January-March totaled EUR 2.1 million (EUR 2.3 million), down by -8.7 %, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 66.6 percent (73.9 percent), 20.3 percent (18.4 percent) and 13.1 percent (7.7 percent) of reported net sales, respectively.

TECTIA NET SALES				
EUR Million	1-3/ 2011	1-3/ 2010	Change %	1-12/ 2010
BY SEGMENT				
AMERICAS	1.4	1.7	-17.8	6.0
APAC	0.3	0.2	38.6	1.0
EMEA	0.4	0.4	6.0	2.1
Tectia Group Total	2.1	2.3	-8.7	9.1
BY OPERATION				
License sales	0.7	1.0	-29.2	3.7
Maintenance	1.4	1.3	7.7	5.4
Total	2.1	2.3	-8.7	9.1

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 weakened approximately -3.2 percent compared to the same period a year ago. With comparable exchange rates 2010 net sales decrease would have been -8.9 percent compared 2010 corresponding period.

CHANGES IN OPERATIONS STRUCTURE

In order to increase speed of strategy execution, Tectia established two separate business units and structured its global sales, presales and customer support accordingly. The business units are Managed Security business and Mobile Authentication business. The establishment of two separate business units has not effect at this moment on segment reporting.

RESULTS AND EXPENSES

Operating loss for January-March amounted to EUR -0.8 million (an operating profit of EUR 0.0 million), with net loss totaling EUR -0.9 million (a profit of EUR 0.0 million).

Extra-ordinary items EUR -0.4 million are due to organizational change. Costs were related to personnel reductions both in US and Germany and in addition closing the sales office in Germany.

Sales, marketing and customer support expenses for the January-March reporting period amounted EUR -1.7 million (EUR -1.2 million), while research and development expenses totaled EUR -0.7 million (EUR -0.5 million) and administrative expenses EUR -0.5 million (EUR -0.6 million).

BALANCE SHEET AND FINANCIAL POSITION

The financial position of Tectia remained at a healthy level during the reporting period. The consolidated balance sheet total on March 31, 2011 stood at EUR 6.8 million (EUR 7.1 million), of which liquid assets accounted for EUR 3.8 million (EUR 5.2 million), or 54.5 percent of the balance sheet total. On March 31, 2011, gearing, or the ratio of net liabilities to shareholders' equity, was -146.8 percent (-179.8) and the equity ratio stood at 65.0 percent (66.3).

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

During January-March, Tectia reported a negative cash flow of EUR -0.2 million (EUR 0.1 million) from business operations, and investments showed a negative cash flow of EUR -0.0 million (EUR -0.0 million). Cash flow from financing totalled EUR 2.5 million (EUR -1.9 million), mainly consisting short-term financial assets transfer to cash and cash equivalent assets. Total cash flow from operations, investments and financing was positive EUR 2.2 million (EUR -1.8 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for October-December totaled EUR -0.7 million (EUR -0.5 million), the equivalent of 33.7 percent of net sales (23.7 percent).

Company has started R&D activations during the reporting period related to Mobile Authentication business according to IAS 38 standard. In reporting period R&D cost activations amount to EUR 0.0 million.

HUMAN RESOURCES AND ORGANIZATION

At the end of March, the Group had 60 employees on its payroll, down by 5 persons from the previous year, an decrease of 8 percent.

At the end of the period, 33 percent in sales and marketing, 45 percent of the employees worked in R&D, and 22 percent in corporate administration.

BOARD AND AUDITORS

At the Annual General Meeting (AGM) on March 3, 2011 re-elected Juhani Harvela, Pyry Lautsuo, Juho Lipsanen, Tiia Tuovinen and Tatu Ylönen as directors of the company's Board of Directors. Juho Lipsanen was re-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 as the accountant with the main responsibility.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of Tectia Corporation shares totaled 532 899 (valued at EUR 406 680.87). The highest quotation was EUR 0.89 and the lowest EUR 0.60 The trade-weighted average share price for the period was EUR 0.76 and the share closed at EUR 0.62 (March 31, 2011).

Company's principal owner Tatu Ylönen holdings directly and through his company, Tatu Ylönen Oy, holds now 45.5 percent of the company's shares, Assetman Oy holds 13.1

percent and SSH Management Investment Corp 4.7 percent. 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.

SHARE CAPITAL AND BOARD AUTHORIZATIONS

The company's registered share capital on March 31, 2011 was EUR 916,446.24 consisting of 30,548,208 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 2012 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. 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 4.91 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.

RISKS AND UNCERTAINTIES

Risk management is a part of Tectia's internal administration. It aims to ensure that major risks affecting the company's business and operating environment are identified and monitored. Tectia operates in fast changing security software markets, thus the changes in IT-business and particularly in security software business development affects directly to company's business risk. 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.

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. Tectia protects its copyrights and trademarks through sales agreements. The company has also an active patent policy to protect its technology. Tectia encourages its employees to make and protect inventions. Tectia actively uses its own products to protect the information system architecture. Encryption and strong authentication protect the company's confidential data communications.

Tectia 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. Tectia actively uses its own products to protect the information system architecture. Encryption and strong authentication protect the company's confidential data communications.

Tectia provides no financing for its customers other than by granting normal payment terms. 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. Significant of the Tectia's invoicing is taking place in US dollars. Company does not have hedges related to currency fluctuations at 31st of March.

During the reporting period there have not been any significant changes in company's business risks or uncertainties.

RELATED PARTY TRANSACTIONS

During reporting period there have not been any significant changes in company's business risks or uncertainties. More details to risks and uncertainties are disclosed in 2010 financial statement and annual report.

TABLES

COMPREHENSIVE INCOME STATEMENT				
EUR million				
		1-3/ 2011	1-3/ 2010	1-12/ 2010
	Net sales	2.1	2.3	9.1
	Cost of goods sold	0.0	-0.1	-0.2
	Gross profit	2.1	2.3	8.9
	Other operating income	0.0	0.0	0.0
	Sales, marketing and customer support costs	-1.7	-1.2	-5.1
	Product development expenses	-0.7	-0.5	-2.3
	Administrative expenses	-0.5	-0.6	-2.2
	Operating profit/loss	-0.8	0.0	-0.7
	Financial income and expenses	-0.0	0.1	0.3
	Profit/loss before taxes	-0.9	0.0	-0.5
	Taxes	0.0	0.0	0.0
	Net profit/loss for the financial period	-0.9	0.0	-0.5
	Minority Interest	-0.0		-0.0
	Other profit and loss account items:			
	Foreign subsidiary translation differences	0.2	-0.1	-0.2
	Total comprehensive income	-0.6	-0.1	-0.7
	Net profit/loss attributable to:			
	Owners of the Company	-0.8		-0.0
	Non-Controlling interest	-0.0		-0.5
	EARNINGS PER SHARE			
	Earnings per share (EUR)	-0.03	0.00	-0.02
	Earnings per share, diluted (EUR)	-0.03	0.00	-0.02

BALANCE SHEET			
EUR million			
	31/03/2011	31/03/2010	31/12/2010
ASSETS			
Non-current assets			
Tangible assets	0.1	0.3	0.2
Intangible assets	0.8	0.0	0.8
Investments	0.0	0.0	0.0
Total non-current assets	1.0	0.4	1.0
Current assets			
Trade and other receivables	2.1	1.6	3.3
Short-term financial assets	0.0	3.0	2.5
Cash and cash equivalents	3.8	2.1	1.5
Total current assets	5.8	6.8	7.2
Total assets	6.8	7.1	8.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Equity attributable to the parent company shareholders total	2.2	2.8	2.9
Non-controlling interest	0.3	0.0	0.3
Shareholders' equity total	2.5	2.8	3.2
Non-current liabilities			
Provisions	0.1	0.2	0.1
Non-current interest-bearing liabilities	0.0	0.0	0.0
Total long-term liabilities	0.1	0.1	0.1
Current liabilities	4.2	4.0	5.0
Liabilities total	4.3	4.3	5.2
Total equity and liabilities	6.8	7.1	8.3

CASH FLOW STATEMENT			
EUR million			
	1-3/2011	1-3/2010	1-12/2010
Cash flow from business operations	-0.2	0.1	-0.9
Cash flow from investments	-0.0	0.0	-0.1
Cash flow from financing	2.5	-1.8	-1.4
Increase(+) / decrease (-) in cash	2.2	-1.8	-2.3
Cash at period start	1.6	3.9	3.9
Effect of exchange rate	0.0	0.0	0.0
Cash at period end	3.8	2.1	1.6

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 Jan. 1. 2010	0.9	0.1		-1.0	-1.1		5.5	4.4
Change	0.0	0.0		-0.1				-0.1
Return of Capital					0.1		-1.5	-1.4
Net profit							0.0	0.0
Shareholders' equity March. 31. 2010	0.9	0.1		-1.1	-1.0		4.0	2.8
Change				-0.2				-0.2
Transactions related to Siltanet Corp Purchase			0.1				0.5	0.6
Net profit						-0,0	-0.5	-0.5
Management Incentive plan		0,0				0.3		0.3
Shareholders' equity Dec. 31. 2010	0.9	0.1	0.1	-1.3	-1.0	0.3	4.0	3.2
Change				0.2				0,2
Net Profit						-0.0	-0.8	-0,8
Shareholders' equity March 31. 2011	0.9	0.1	0.1	-1.1	-1.0	0.3	3.2	2.5

NET SALES BY SEGMENT			
EUR million	1-3/2011	1-3/2010	1-12/2010
AMER	1.4	1.7	6.0
APAC	0.3	0.2	1.0
EMEA	0.4	0.4	2.1

Tectia Group total	2.1	2.3	9.1
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GROSS MARGIN BY SEGMENT			
EUR million	1-3/ 2011	1-3/ 2010	1-12/ 2010
AMER	1.4	1.7	6.0
APAC	0.3	0.2	1.0
EMEA	0.4	0.4	1.9
Tectia Group total	2.1	2.3	8.9

OPERATING PROFIT/LOSS BY SEGMENT			
EUR million	1-3/ 2011	1-3/ 2010	1-12/ 2010
AMER	0.5	1.1	3,4
APAC	0.2	0.1	0,4
EMEA	0.1	0.0	0,5
Common Group expenses*	-1.6	-1.3	-5,1
Tectia Group total	-0.8	0.0	-0,7

* 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	1-3/2011	1-3/2010	1-12/2010
Net sales	2.1	2.3	9.1
Operating profit/loss	-0.8	0.0	-0.7
Operating profit/loss. as % of net sales	-39.5	-1.8	-7.9
Profit/loss before extraordinary items and taxes	-0.5	0.0	-0.7
Profit/loss before extraordinary items and taxes. as % of net sales	-24.3	-1.8	-7.9
Profit/loss before taxes	-0.9	0.0	-0.5
Profit/loss before taxes. as % of net sales	-41.0	0.8	-5.0
Return on equity (%)	-120.9	0.0	-12.8
Return on investment (%)	-112.8	0.0	-10.5
Interest-bearing net liabilities	-3.7	-5.1	-4.0
Equity ratio (%)	65.0	66.3	69.1
Gearing (%)	-146.8	-179.8	-121.0
Gross capital expenditure	0.0	0.0	0.1
% of net sales	2.2	0.0	1.2
R&D expenses	0.7	0.5	2.3
% of net sales	33.7	23.7	25.2
Personnel. period average	68	64	68
Personnel. period end	60	65	70

Calculation for key figures and ratios are presented in 2010 financial statement and annual report. There have not been changes in calculation rules after that.

PER-SHARE DATA			
EUR	1-3/2011	1-3/2010	1-12/2010
Earnings per share. Undiluted	-0.03	0.00	-0.02
Earnings per share. diluted	-0.03	0.00	-0.02
Equity per share	0.10	0.10	0.10
No. of shares at period average (thousand)	30 548	29 898	29 900
No. of shares at period end (thousand)	30 548	29 898	29 901*
Share performance			
Average price	0.76	0.84	0.91
Low	0.60	0.76	0.76
High	0.89	0.98	1.15
Share price. period end	0.62	0.84	0.83
Market capitalization. period end (EUR million)	18.9	25.1	24.8
Volume of shares traded (million)	0.5	1.6	4.5
Volume of shares traded. As % of total	1.7	5.4	15.1
Value of shares traded (EUR million)	0.4	1.4	4.1
Price per earnings ratio (P/E)	-	452.9	-
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

* This figure does not include directed share issue to Siltanet Corp as the shares became under exercise not until January 2011.

CONTINGENT LIABILITIES			
EUR million	31.3.2011	31.3.2010	31.12.2010
Rent security deposits	0.1	0.1	0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.4	0.4	0.5
Maturing between 1 and 5 years	1.2	1.0	1.3

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Tectia Corporation will release its next interim report for January 1-June 30, 2011 in July 20th.

Helsinki, April 20th 2011

TECTIA CORPORATION

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