

TECTIA INTERIM REPORT, JANUARY 1 - MARCH 31, 2012

SUMMARY

January-March

- Net sales increased to EUR 2.6 million, up by 22.0 percent year on year (EUR 2.1 million in 1-3/2011).
- Operating profit increased to EUR 0.2 million (an operating loss of EUR -0.8 million in 1-3/2011). Profit EUR 0.3 million (loss EUR -0.9 million)
- Earnings per share increased to EUR 0.01 (EUR -0.03).
- Company moved to using the SSH Communications Security -name and ssh.com internet address in its business.

The company's financial position was strengthened from previously reported period, with equity ratio 46.6 percent (65.0 percent 31.3.2011, 36,2percent 31.12.2011) and liquid assets at the end of the period EUR 2.7 million (EUR 3.8 million 31.3.2011, EUR 2.5 million 31.12.2011).

KEY FIGURES	1-3/ 2012	1-3/ 2011	Chang e %	1-12/ 2011
Net sales (MEUR)	2,6	2,1	22,0	8,1
Operating profit/loss (MEUR)	0,2	-0,8	130,1	-2,0
% of net sales	9,4	-39,5		-25,3
Profit/loss before taxes (MEUR)	0,3	-0,9	130,5	-2,2
Profit/loss (MEUR)	0,3	-0,9	130,5	-2,2
Return on equity, %	88,5	- 120,9		-110,0
Return on investment, %	90,7	- 112,8		-99,6
Liquid assets	2,7	3,8		2,5
Gearing (%)	- 189,0	- 146,8		-230,0
Equity ratio (%)	46,6	65,0		36,2
Earnings per share (EUR)	0,01	-0,03		-0,07
Shareholders' equity per share (EUR)	0,05	0,10		0,03

CEO'S REVIEW

The company achieved positive results in the first quarter from both profit and cash flow perspective. This was in part due to a significant license deal in January. Additionally, the company's new key management solution is receiving strong interest and it may lead to significant deals later in the year. In April the company also announced that it has sold a Tectia Guardian solution to a European government entity for monitoring remote system administration and encrypted connections within their network.

The tender offer I made for company's shares has now ended, and we can fully focus on developing the company's business. The tender offer and related increase in my ownership has no direct impact on the company's operations, personnel, or customers. The new situation allows more effective management and financing of the company.

The company provides solutions for improving the operational efficiency and security of large IT environments and their administration, regardless of whether they use the company's commercial Tectia SSH or open source OpenSSH products (practically every Linux and Unix computer and router ships with a version of SSH software, and it is also increasingly used as a file transfer solution in enterprises).

The company now particularly focuses on key management in large SSH environments. The company's key management solutions have been on the market since 2003, and are used by some of the world's largest banks, retail chains, logistics companies, and government agencies - even for managing environments of tens of thousands of servers.

The company is currently developing its next generation key and configuration management solution for large SSH environments together with some of its largest customers (including some of the world's largest banks, a large retail chain, and a large logistics company as pilot customers). The company's new key management solutions provide visibility also for SSH user keys and automate their setup, removal and rotation, thereby providing operational cost savings, reducing security risk, and helping customers comply with industry standards and regulations. The management solutions support both commercial Tectia SSH and open source OpenSSH versions - also in mixed environments and on all primary enterprise platforms.

I intend to lead the company as an entrepreneur-driven growth company. Over the next several quarters the company will invest in bringing its new products to market, in part by growing its sales organization and partner network in the US, Europe, and Asia. I also want the company to be a technology leader in its own area, and we will continue to invest in R&D and developing new solutions for improving the efficiency and security of customers' IT infrastructure. The company has also filed patent applications on essential technologies relating to automating key management in SSH environments and monitoring encrypted connections within enterprises.

Tatu Ylönen
CEO

REPORTING

This financial statement release follows IFRS accounting standards and assessments. The figures are non-audited. The following amendments to standards have been adopted as from 1 January 2012 but they have had no impact on the consolidated financial statements: (* = not yet endorsed for use by the European Union)

- * Amendments to IFRS 7 Financial Instruments: Disclosures
- * Amendments to IAS 12 Income Taxes*

FUTURE OUTLOOK

General economic uncertainty can possibly still continue. This

complicates estimation for full year 2012. However company estimates its net sales are likely to increase from 2011 due mainly to two large contracts already announced and continued solid maintenance business.

Tectia believes that it is not justified at the moment to give profitability estimates for year 2012 mainly due to risks related to development and ramping up sales and deliveries of new products and the uncertainty in macroeconomic environment.

NET SALES

Consolidated net sales for January-March totaled EUR 2.6 million (EUR 2.1 million), up by 22.0 percent, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 42.3 percent (66.6 percent), 46.6 percent (20.3 percent) and 11.2 percent (13.1 percent) of reported net sales, respectively. The significant licence deal in Europe in January impacted regional distribution.

TECTIA NET SALES				
EUR Million	1-3/ 2012	1-3/ 2011	Change %	1-12/ 2011
BY SEGMENT				
AMERICAS	1,1	1,4	-22,6	4,8
APAC	0,3	0,3	10,7	1,3
EMEA	1,2	0,4	169,1	1,9
Tectia Group Total	2,6	2,1	22,0	8,1
BY OPERATION				
License sales	1,2	0,7	71,4	2,8
Maintenance	1,4	1,4	0,0	5,3
Total	2,6	2,1	22,0	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 on average 4.1 percent compared to the same period a year ago. With comparable exchange rates 2012 net sales increase would have been 19.2 percent compared to 2011 corresponding period.

RESULTS AND EXPENSES

Operating profit for January-March amounted to EUR 0.2 million (EUR -0.8 million), with net profit totaling EUR 0.3 million (EUR -0.9 million).

Non-recurring items during January-march were EUR -0.2 million due to moving the office in Helsinki and costs caused to company due to public tender offer of all Tectia Oyj shares.

Sales, marketing and customer support expenses for the January-March reporting period amounted to EUR -1.2 million (EUR -1.7 million), while research and development expenses totaled EUR -0.6 million (EUR -0.7 million) and administrative expenses EUR -0.5 million (EUR -0.5 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, 2012 stood at EUR 5.9 million (31.3.2011 EUR 6.8 million; 31.12.2011 EUR 6,4 million), of which liquid assets accounted for EUR 2.7 million (31.3.2011 EUR 3.8 million; 31.12.2011 EUR 2,5 million, or 42.4 percent of the balance sheet total). On March 31, 2012, gearing, or the ratio of net liabilities to shareholders' equity, was -189.0 percent (31.3.2011 -146,8 percent; 31.12.2011 -230.0 percent) and the equity ratio stood at 46.6 percent (31.3.2011 65,0 percent; 31.12.2011 36.2 percent).

The reported gross capital expenditure for the period totalled EUR 0.3 million (EUR 0.0 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 0.0 million).

During January-March, Tectia reported a positive cash flow of EUR 0.4 million (EUR -0.2 million) from business operations, and investments showed a negative cash flow of EUR -0.3 million (EUR -0.0 million). Cash flow from financing totaled EUR 0.0 million (EUR 2.5 million). Total cash flow from operations, investments and financing was positive EUR 0.1 million (EUR 2.2 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for January-March totaled EUR -0.6 million (EUR -0.7 million), the equivalent of 21.9 percent of net sales (33.7 percent). During January-March, the company has capitalized new product R&D costs EUR 0.3 million (EUR 0.3 million).

HUMAN RESOURCES AND ORGANIZATION

At the end of March, the Group had 52 employees on its payroll. The amount of employees is the same than at year end, and is down by 8 persons from the previous year, a decrease of -13.3 percent.

At the end of the period, 35 percent of the employees worked in sales and marketing, 48 percent in R&D, and 17 percent 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 2,362,705 shares (valued at EUR 1,126,848). The highest quotation was EUR 0.59 and the lowest EUR 0.30. The trade-weighted average share price for the period was EUR 0.48 and the share closed at EUR 0.49 (March 30, 2012).

Company's principal owner Tatu Ylönen holdings directly and indirectly holds now 47.6 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. SSH Management Investment Corp owns 1,433,750 Tectia Corporation shares.

Clausal Computing Oy, 100 percent owned by Tatu Ylönen, has made a public tender offer of all shares and option rights in Tectia Corporation 19.3.2012. The offer was valid until 27.4.2012. Tectia Board of Directors gave a statement 23.3.2012 where they did not recommend accepting of the offer.

No dividend or return of capital has been distributed during the reporting period.

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 remarkably 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.

EVENTS AFTER THE BALANCE SHEET DATE

According to a separately published release by the company on April 16th, 2012, a major European governmental organization has ordered Tectia Guardian product with a value of EUR 0.5 million. Software license sales of the received order will be recognized during second quarter 2012 and the maintenance sales portion during fiscal years 2012 and 2013.

As company announced 10.4.2012, Tatu Ylönen and his fully owned Clausal Computing Oy has exceeded the flagging threshold of 50%. As company announced 30.4.2012, according to the preliminary result of the Tender Offer, the Shares tendered in the Tender Offer represent approximately 10.36 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 58.00 percent of all the Shares and voting rights attached to the Shares. In addition, 13,322 Stock Options entitling to Shares were tendered in the Tender Offer. When taking into account the Shares owned by Tectia's subsidiary SSH Management Investment Oy, Tatu Ylönen's direct and indirect share of the voting rights attached to the Shares is 60.86 percent based on the shareholding following the completion of the Tender Offer.

The final result of the Tender Offer will be confirmed and announced on or about May 3, 2012.

The Tectia management is not aware of any other transactions that happened after the reporting period that would have impacted the presented financial statement.

RELATED PARTY TRANSACTIONS

Clausal Computing Oy, a fully owned company of Tectia Corporation CEO Tatu Ylönen has delivered during January-March 2012 mainly R&D services valued in total EUR 0.1 million. During the reporting period there have not been any other significant related party transactions.

TABLES

COMPREHENSIVE INCOME STATEMENT				
EUR million		1-3 /2012	1-3 /2011	1-12 /2011
	Net sales	2,6	2,1	8.1
	Cost of goods sold	-0,1	0,0	-0.1
	Gross profit	2,5	2,1	7.9
	Other operating income	0,0	0,0	0.0
	Sales, marketing and customer support costs	-1,2	-1,7	-5.4
	Product development expenses	-0,6	-0,7	-2.5
	Administrative expenses	-0,5	-0,5	-2.0
	Operating profit/loss	0,2	-0,8	-2.0

	Financial income and expenses	0,0	-0,0	-0.1
	Profit/loss before taxes	0,3	-0,9	-2.2
	Taxes	0,0	0,0	-0.0
	Net profit/loss for the financial period	0,3	-0,9	-2.2
	Minority Interest	0,0	-0,0	-0.0
	Other profit and loss account items:			
	Foreign subsidiary translation differences			0.1
		0,0	0,2	
	Total comprehensive income			-2.1
		0,3	-0,6	

	Net profit/loss attributable to:			
	Owners of the Company	0,3	-0,8	-2.1
	Non-Controlling interest	0,0	-0,0	-0.0
	EARNINGS PER SHARE			
	Earnings per share (EUR)	0,01	-0,03	- 0.07
	Earnings per share. diluted (EUR)	0,01	-0,03	- 0.07

BALANCE SHEET				
EUR million				
		31.3.2012	31.3.2011	31.12.2011
	ASSETS			
	Non-current assets			
	Tangible assets	0,1	0,1	0,1
	Intangible assets	1,5	0,8	1,3
	Investments	0,0	0,0	0,0
	Total non-current assets	1,7	1,0	1,5
	Current assets			
	Trade and other receivables	1,6	2,1	2,4
	Short-term financial assets	0,0	0,0	0,0
	Cash and cash equivalents	2,7	3,8	2,5
	Total current assets	4,3	5,8	4,9
	Total assets	5,9	6,8	6,4
	LIABILITIES AND SHAREHOLDERS' EQUITY			
	Shareholders' equity			
	Equity attributable to the parent company shareholders total	1,2	2,2	0,8
	Non-controlling interest	0,2	0,3	0,2
	Shareholders' equity total	1,4	2,5	1,1

Shareholders' equity Dec. 31. 2011	0,9	0,1	0,2	-1,2	-1,0	0,2	1,9	1,1
Change				0,0				
Net profit							0,3	0,3
Shareholders' equity March 31. 2012								
	0,9	0,1	0,2	-1,2	-1,0	0,2	2,2	1,4

NET SALES BY SEGMENT			
EUR million	10-12/ 2011	10-12/ 2010	1-12/ 2011
AMER	1,1	1,4	4,8
APAC	0,3	0,3	1,3
EMEA	1,2	0,4	1,9
Tectia Group total	2,6	2,1	8,1

GROSS MARGIN BY SEGMENT			
EUR million	1-3/ 2012	1-3/ 2011	1-12/ 2011
AMER	1,1	1,4	4,8
APAC	0,3	0,3	1,3
EMEA	1,1	0,4	1,8
Tectia Group total	2,5	2,1	7,9

OPERATING PROFIT/LOSS BY SEGMENT			
EUR million	1-3/ 2012	1-3/ 2011	1-12/ 2011
AMER	0,4	0,5	2,0
APAC	0,2	0,2	0,8
EMEA	1,1	0,1	1,0
Common Group expenses*	-1,4	-1,6	-5,8
Tectia Group total	0,2	-0,8	-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	1-3/2012	1-3/2011	1-12/2011
Net sales	2,6	2,1	8,1
Operating profit/loss	0,2	-0,8	-2,0

Operating profit/loss. as % of net sales	9,4	-39,5	-25,3
Profit/loss before extraordinary items and taxes	0,5	-0,5	-1,1
Profit/loss before extraordinary items and taxes. as % of net sales	19,4	-24,3	-13,3
Profit/loss before taxes	0,3	-0,9	-2,2
Profit/loss before taxes. as % of net sales	10,7	-41,0	-27,0
Return on equity (%)	88,5	-120,9	-110,0
Return on investment (%)	90,7	-112,8	-99,6
Interest-bearing net liabilities	-2,6	-3,7	-2,5
Equity ratio (%)	46,6	65,0	36,2
Gearing (%)	-189,0	-146,8	-230,0
Gross capital expenditure	0,3	0,0	0,8
% of net sales	11,5	2,2	9,9
R&D expenses	0,6	0,7	2,5
% of net sales	23,1	33,7	31,3
Personnel. period average	52	68	61
Personnel. period end	52	60	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	1-3/2012	1-3/2011	1-12/2011
Earnings per share. Undiluted	0,01	-0,03	-0,07
Earnings per share. diluted	0,01	-0,03	-0,07
Equity per share	0,05	0,10	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	0,48	0,76	0,51
Low	0,30	0,60	0,29
High	0,59	0,89	0,89
Share price. period end	0,49	0,62	0,30
Market capitalization. period end (EUR million)	14,9	18,9	9,2
Volume of shares traded (million)	2,3	0,5	2,3
Volume of shares traded. As % of total	7,7	1,7	7,5
Value of shares traded (EUR million)	1,1	0,4	1,2
Price per earnings ratio (P/E)	-	-	-
Dividend per share	0,00	0,00	0,00
Dividend per earnings, %	0,00	0,00	0,00
Effective return on dividend, %	0,00	0,00	0,00

CONTINGENT LIABILITIES			
EUR million	31.3.2012	31.3.2011	31.12.2011
			1

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	0,8	0,4

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Tectia Corporation will release its next interim report for period January 1st-June 30th, 2012 on August 1st, 2012.

Helsinki, May 2nd, 2012

TECTIA CORPORATION

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