TECTIA CORPORATION INTERIM REPORT OCTOBER 20, 2010 AT 9:00 A.M

TECTIA INTERIM REPORT, JANUARY 1 – SEPTEMBER 30, 2010

SUMMARY

July-September

- Net sales totaled EUR 2.1 million, down by -7.6 % percent year on year (EUR 2.2 million in 7-9/2009).
- Operating loss amounted to EUR -0.2 million (an operating profit of EUR 0.1 million in 7-9/2009), loss EUR -0.1 million (EUR 0.2 million).
- Earnings per share EUR -0.00 (EUR 0.00).

January-September

- Net sales totaled EUR 6.6 million, up by 12.0 % percent year on year (EUR 5.9 million in 1-9/2009).
- Operating loss amounted to EUR -0.3 million (an operating loss of EUR -1.9 million in 1-9/2009), profit EUR 0.0 million (EUR -1.6 million).
- Earnings per share EUR 0.00 (EUR -0.06).

The company’s financial position remained healthy, with equity ratio 70.6 % (78.2%) and liquid assets at the end of the period EUR 4.5 million (EUR 6.0 million).

KEY FIGURES						
	7-9/ 2010	7-9/ 2009	1-9/ 2010	1-9/ 2009	Change %	1-12/ 2009
Net sales (MEUR)	2.1	2.2	6.6	5.9	12.0	8.8
Operating profit/loss (MEUR)	-0.2	0.1	-0.3	-1.9	86.5	-1.5
% of net sales	-7.6	4.9	-3.9	-32.6		-17.1
Profit/loss before taxes (MEUR)	-0.1	0.2	0.0	-1.6	101.3	-1.2
Profit/loss (MEUR)	-0.1	0.2	0.0	-1.6	101.1	-1.2
Return on equity, %			0.7	-22.9		-12.4
Return on investment, %			1.2	-21.6		-10.8
Liquid assets			4.5	6.0	-25.3	6.4
Gearing (%)			-162.1	-138.5		-144.2
Equity ratio (%)			70.6	78.2		71.4
Earnings per share (EUR)	-0.00	0.00	0.00	-0.06	101.1	-0.04
Shareholders’ equity per share (EUR)	0.09	0.15	0.09	0.15	-38.2	0.15

CEO’s BUSINESS REVIEW

Tectia is a market-maker for real-time security solution provider for modern networked organizations. Tectia’s strategy execution is currently in a stage where in addition to getting cash-flow to positive company focuses on enhancing its competitive advantage.

In third quarter 2010 net sales amounted to EUR 2.1 million with decrease of -7.6 percent compared to the previous year. Operative loss was EUR -0.2 million. The company's financial position remained healthy with an equity ratio of 70.6 percent and EUR 4.5 million in liquid assets.

Net sales for the reporting period of 2010 amounted to EUR 6.6 million with an increase of 12.0 percent compared to the previous year. Cost savings without one-time costs were EUR -0.3 million, -4%, compared to previous year. The operating loss was

EUR -0.3 compared to the previous year 2009 loss of EUR -1.9 million including one-time costs totalling EUR 0.7 million. Profit for the reporting period amounted to EUR 0.0 million. Loss for the corresponding period was EUR -1.6 million.

Tectia started Lead generation –program to boost up brand awareness and attract new customers. The aim of the program is to increase awareness of Tectia SAMS (secure, automate, manage, share) -marketing message. Tectia SAMS is the fastest track to real-time information security for our customers.

Company initiated sales and marketing cooperation with international ICT –consulting firm starting from Asia, where Tectia's payment card security solutions were introduced to customers in Tokyo. In addition, Tectia has currently multiple negotiations on cooperation with leading system integrators in their main markets.

Tectia's strategy is to add new and existing certified channel partners' sales significantly during the strategy executions period. Company started a global development program for its channel partners which aims to develop channel partners Tectia offering knowledge and increase net sales. Channel partners will be provided performance incentives and support for training, product sales, sales management and marketing.

As part of company's China strategy Tectia signed agreement with Sen Spirit Technology Ltd (SST) on distributing Tectia security software solutions in Hong Kong and later in mainland China. SST is subsidiary for Karin Technology Holdings Ltd. Karin is a Singapore-based listed company and leading IT-component and service provider in Hong Kong and mainland China.

In order to develop European channel sales company signed agreement in Great Britain with LAN2LAN Ltd on channel sales partnership. LAN2LAN serves its customers Tectia security solutions and managed file transfers solutions as part of LAN2LAN own intercompany network security offering. LAN2LAN is specialized into system integration and has customers in multiple industries.

Company introduced a new flexible security software subscription model for its IBM z/OS products. This new model changes customer's one-time capital investments to operating expenses. Tectia security software solutions are the first company level security solutions which secures access to mainframe computers with one product providing same time better software security than any other solution in the market.

Tectia transferred product management and marketing to US in order to improve management of market and competitive advantage to enable company's customer and market based strategy. This new management concept integrates marketing message as unified Tectia SAMS concept in all Americas, Europe and Asia.

The key strategic objective is to continue efforts on developing the company into a sales and marketing oriented software house which operates as market maker 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 July-September totaled EUR 2.1 million (EUR 2.2 million), down by -7.6 %, year on year.

Consolidated net sales for January-September totaled EUR 6.6 million (EUR 5.9 million), up by 12.0 %, year on year.

The Americas, the Europe, Middle East and Africa market area and the Asia Pacific region accounted for 68.6 percent (69.6 percent), 22.2 percent (20.4 percent) and 9.2 percent (9.9 percent) of reported net sales, respectively.

TECTIA NET SALES						
EUR Million	7-9/ 2010	7-9/ 2009	1-9/ 2010	1-9/ 2009	Change %	1-12/ 2009
BY SEGMENT						
AMERICAS	1.4	1.7	4.5	4.1	10.2	5.5
APAC	0.2	0.3	0.6	0.6	1.2	0.8
EMEA	0.4	0.3	1.5	1.2	21.6	2.5
Tectia Group Total	2.1	2.2	6.6	5.9	12.0	8.8
BY OPERATION						
License sales	0.7	1.1	2.6	2.3	8.0	4.1
Maintenance	1.4	1.2	4.0	3.5	14.0	4.7
Total	2.1	2.2	6.6	5.9	12.0	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 3.6 percent compared to the same period a year ago. With corresponding period in 2009 exchange rates net sales would have decreased 1.8 percent in addition to reported 2010 net sales and net sales increase would have been 10.1 percent compared 2009 corresponding period.

RESULTS AND EXPENSES

Operating loss for July–September amounted to EUR -0.2 million (an operating profit of EUR 0.1 million), with net loss totaling EUR -0.1 million (a profit of EUR 0.2 million).

Operating loss for January–September amounted to EUR -0.3 million (an operating loss of EUR -1.9 million), with net profit totaling EUR 0.0 million (a loss of EUR -1.6 million). On-going cost savings activities reduced costs excluding one-time costs by EUR -0.3 million and -4 percent compared to corresponding period. There are no relevant transactions after reporting period that would affect on company’s results and profitability.

Sales, marketing and customer support expenses for the July-September reporting period amounted EUR -1.3 million (EUR -0.8 million), while research and development expenses totaled EUR -0.6 million (EUR -0.9 million) and administrative expenses EUR -0.4 million (EUR -0.4 million).

Sales, marketing and customer support expenses for the January-September reporting period amounted EUR -3.6 million (EUR -3.3 million), while research and development expenses totaled EUR -1.7 million (EUR -2.8 million) and administrative expenses EUR -1.6 million (EUR -1.8 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 third quarter 2010 and EUR -0.9 million for reporting period 2010. Effect on corresponding figures are EUR -0.3 million for third quarter 2009, EUR -0.8 million for reporting period 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 reporting period, despite the capital returned to shareholders in March 2010. The consolidated balance sheet total on September 30, 2010 stood at EUR 6.9 million (EUR 8.2 million), of which liquid assets accounted for EUR 4.5 million (EUR 6.0 million), or 64.9 percent of the balance sheet total. On September 30, 2010, gearing, or the ratio of net liabilities to shareholders' equity, was -162.1 percent (-138.5) and the equity ratio stood at 70.6 percent (78.2).

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 0.3 million (EUR 0.3 million).

During January-September, Tectia reported a negative cash flow of EUR -0.4 million (EUR -1.9 million) from business operations, and investments showed a negative cash flow of EUR -0.0 million (EUR 11.5 million). Cash flow from financing totaled EUR -1.5 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 -1.9 million (EUR 1.1 million) during the period.

RESEARCH AND DEVELOPMENT

Research and development expenses for July-September totaled EUR -0.6 million (EUR -0.9 million), the equivalent of 27.8 percent of net sales (40.3 percent).

Research and development expenses for January-September totaled EUR -1.7 million (EUR -2.8 million), the equivalent of 25.2 percent of net sales (47.1 percent). During the report period Tectia did not capitalize any research and development expenses.

HUMAN RESOURCES AND ORGANIZATION

At the end of September, the Group had 68 employees on its payroll, up by 5 persons from the previous year, an increase of 8 percent.

At the end of the period, 43 percent in sales and marketing, 40 percent of the employees worked in R&D, and 18 percent in corporate administration.

SHARES, SHAREHOLDING AND CHANGES IN GROUP STRUCTURE

The reported trading volume of Tectia Corporation shares totaled 3 879 472 (valued at EUR 3 554 951). The highest quotation was EUR 1.15 and the lowest EUR 0.76 The trade-weighted average share price for the period was EUR 0.92 and the share closed at EUR 0.97(September 30, 2010).

Company's principal owner Tatu Ylönen holdings directly and through his company, Tatu Ylönen Oy, holds now 46.7 percent of the company's shares, Assetman Oy holds 13.4 percent and SSH Management Investment Corp 4.8 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 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 September 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 2010 were registered in the shareholders' register of the company held by Euroclear Finland Oy. The payment date was March 15th 2010.

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					
	7-9 /2010	7-9 /2009	1-9 /2010	1-9 /2009	1-12 /2009
Net sales	2.1	2.2	6.6	5.9	8.8
Cost of goods sold	0.0	-0.1	-0.1	-0.1	-0.1
Gross profit	2.1	2.2	6.5	5.8	8.7
Other operating income	0.0	0.0	0.0	0.1	0.1
Sales. marketing and customer support costs	-1.3	-0.8	-3.6	-3.3	-4.3
Product development expenses	-0.6	-0.9	-1.7	-2.8	-3.8
Administrative expenses	-0.4	-0.4	-1.6	-1.8	-2.3
Operating profit/loss	-0.2	0.1	-0.3	-1.9	-1.5
Financial income and expenses	0.1	0.1	0.3	0.3	0.3
Profit/loss before taxes	-0.1	0.2	0.0	-1.6	-1.2
Taxes	0.0	0.0	0.0	0.0	0.0
Net profit/loss for the period	-0.1	0.2	0.0	-1.6	-1.2
Other profit and loss account items:					
Foreign subsidiary translation differences	0.0	0.0	-0.1	-0.1	-0.1
Total comprehensive income	-0.1	0.2	-0.1	-1.7	-1.3

EARNINGS PER SHARE

	7-9/ 2010	7-9/ 2009	1-9/ 2010	1-9/ 2009	1-12/ 2009
Earnings per share (EUR)	-0.00	0.00	0.00	-0.06	-0.04
Earnings per share. diluted (EUR)	-0.00	0.00	0.00	-0.06	-0.04

BALANCE SHEET			
EUR million			
	30/09/2010	30/09/2009	31/12/2009
ASSETS			
Non-current assets			
Tangible assets	0.2	0.2	0.2
Intangible assets	0.0	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	2.2	2.0	2.7
Short-term financial assets	2.5	3.0	2.5
Cash and cash equivalents	2.0	3.0	3.9
Total current assets	6.7	8.0	9.1
Total assets	6.9	8.2	9.4

	LIABILITIES AND SHAREHOLDERS' EQUITY			
	Shareholders' equity	2.8	4.3	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	3.9	4.8
	Total equity and liabilities	6.9	8.2	9.4

CASH FLOW STATEMENT			
EUR million	1-9/2010	1-9/2009	1-12/2009
Cash flow from business operations	-0.4	-1.9	-2.4
Cash flow from investments	-0.1	11.5	12.0
Cash flow from financing	-1.5	-8.5	-7.7
Increase(+) / decrease (-) in cash	-1.9	1.1	1.9
Cash at period start	3.9	2.0	2.0
Effect of exchange rate	0.0	0.0	0.0
Cash at period end	2.0	3.0	3.9

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY						
EUR million	Share Capi-tal	Fair value reser-ves	Trans-lation diff.	Fund for own shares	Unrestricted equity funds and retained earnings	Total
Shareholders' equity Jan. 1. 2009	0.9	0.1	-0.9		14.4	14.5
Change	0.0	0.0	-0.1		-10.1	-10.2
Net profit					-1.8	
Shareholders' equity Sep. 30. 2009	0.9	0.2	-1.0	0.0	4.3	4.3
Change	0.0	-0.1	0.0	0.0	1.2	
Net profit					0.0	
Management Incentive plan	0.0	0.0	0.0	-1.1	0.0	
Shareholders' equity Dec. 31. 2009	0.9	0.1	-1.0	-1.1	5.5	4.4
Change	0.0	0.0	-0.1	0.1	-1.4	-1.5
Net profit					-0.0	

Shareholders' equity Sep. 30. 2010	0.9	0.0	0.1	-1.1	-1.0	3.9	2.8

NET SALES BY SEGMENT					
EUR million	7-9/ 2010	7-9/ 2009	1-9/ 2010	1-9/ 2009	1-12/ 2009
AMER	1.4	1.7	4.5	4.1	5.5
APAC	0.2	0.3	0.6	0.6	0.8
EMEA	0.4	0.3	1.5	1.2	2.5
Tectia Group total	2.1	2.2	6.6	5.9	8.8

OPERATING PROFIT/LOSS BY SEGMENT					
EUR million	7-9/ 2010	7-9/ 2009	1-9/ 2010	1-9/ 2009	1-12/ 2009
AMER	0.8	1.1	2.8	1.6	2.5
APAC	0.1	0.2	0.3	0.3	0.5
EMEA	0.1	0.1	0.2	0.3	1.1
Common Group expenses*	-1.1	-1.3	-3.6	-4.1	-5.5
Tectia Group total	-0.2	0.1	-0.3	-1.9	-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	1-9/2010	1-9/2009	1-12/2009
Net sales	6.6	5.9	8.8
Operating profit/loss	-0.3	-1.9	-1.5
Operating profit/loss. as % of net sales	-3.9	-32.6	-16.9
Profit/loss before extraordinary items and taxes	0.0	-0.9	-0.3
Profit/loss before extraordinary items and taxes. as % of net sales	0.3	-14.8	-2.9
Profit/loss before taxes	0.0	-1.6	-1.2
Profit/loss before taxes. as % of net sales	0.3	-27.4	-13.3
Return on equity (%)	0.7	-21.6	-12.4
Return on investment (%)	1.2	-22.9	-10.8
Interest-bearing net liabilities	-4.5	-6.0	-6.4
Equity ratio (%)	70.6	78.2	71.4
Gearing (%)	-162.1	-138.5	-144.2
Gross capital expenditure	0.0	0.0	0.1
% of net sales	0.0	0.0	1.3
R&D expenses	1.7	2.8	3.8
% of net sales	25.2	47.1	43.0
Personnel. period average	67	66	66
Personnel. period end	68	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	1-9/2010	1-9/2009	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	0.09	0.15	0.15
No. of shares at period end (thousand)	29 901	28 798	29 898
Share performance			
Average price	0.92	0.81	0.79
Low	0.76	0.65	0.65
High	1.15	1.24	1.24
Share price. period end	0.97	0.72	0.77
Market capitalization. period end (EUR million)	29.0	20.7	23.0
Volume of shares traded (million)	3.9	3.6	5.1
Volume of shares traded. As % of total	13.0	12.6	17.0
Value of shares traded (EUR million)	3.6	2.9	4.0

CONTINGENT LIABILITIES			
EUR million	30.9.2010	30.9.2009	31.12.2009
Rent security deposits	0.1		0.1
Leasing commitments outside the balance sheet			
Maturing within 1 year	0.4	0.5	0.6
Maturing between 1 and 5 years	0.8	1.1	1.1

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Tectia Corporation will release its next interim report and financial statements for January 1–December 31, 2010 in February 2011. Further information will be available on the company’s website in due course.

Helsinki, October 20th 2010

TECTIA CORPORATION

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