Apptix Reports Second Quarter and Half Year 2012 Results

Herndon, VA and Oslo, Norway – **August 2, 2012 –** Apptix® (OSE: APP), the premier provider of hosted business communication and collaboration services, today announced its unaudited financial results for the three and six months ended June 30, 2012.

Interim Management Report

Overview of the second quarter results:

- **User bookings increased 66% quarter over quarter and 241% year over year.**
- **Bookings growth driven by security and compliance, SharePoint and VoIP product sales along with an expanding channel.**
- **Ending user count of 362,000, an increase of 3% quarter over quarter and 13% year over year.**
- **Revenue of USD 10.7 million, an increase of 4% quarter over quarter and 6% year over year.**
- **Net Income of USD 302 thousand, an increase of 196% quarter over quarter and 96% year over year.**
- **Signed channel partnership agreement with ThinkGrid, a UK-based IT solutions provider to resell the Company's communications and collaboration services on a white-label basis.**

Highlights

The Company again experienced solid increases in bookings during the quarter as a result of increased channel partner sales, as well as increased sales of the Company's security and compliance, VoIP and collaboration services. Bookings increased 66% quarter over quarter and 241% year over year. Channel partner sales accounted for 50% of all bookings value during the second quarter, up from 10% in the first quarter and sales to accounts greater than 100 users accounted for 77% of total user sales during the second quarter. Additionally, the Company continued to expand its channel partner network with the addition of ThinkGrid, a channel focused IT solutions provider headquartered in the UK. ThinkGrid will be reselling the Company's communications and collaboration services on a white-label basis through its partner network. As a result of the Company's increased sales activity, the Company ended the quarter with 362,000 end users, an increase of 3% quarter over quarter and 13% year over year.

Revenue for the quarter was USD 10.7 million, an increase of 4% quarter over quarter and 6% year over year. Additionally, backlog (monthly recurring revenue sold, but not yet implemented and therefore not being realized) continued to develop during the second quarter, a trend expected to continue as the Company increasingly relies on sales to mid-market customers and sales through its expanding channel network which typically see implementation cycles of generally 90 days. As previously discussed, sales from channel partners and sales to accounts with greater than 100 users both significantly increased during the quarter.

Net income was USD 302 thousand during the second quarter, an increase of 196% quarter over quarter and 96% year over year. As previously discussed, the Company continued to make targeted investments during the quarter in support of the Company's expanding partner network; however, these costs were primarily offset by operating efficiencies gained elsewhere resulting in a better than anticipated overall net margin for the quarter.

"We continued to see progress in the second quarter from our channel first growth strategy in the form of solid bookings and revenue gains," said David Ehrhardt, CEO of Apptix. "Additionally, our expanding success in the mid-market and enterprise continues to drive opportunity for service upsell as sales of security and compliance and collaboration services also remained strong during the second quarter. Further, operating leverage and the resulting margin expansion from these large accounts allow us to increasingly support our expanding partner network with targeted investments like sales and account management headcount increases and enhanced customer acquisition, migration and support toolsets which we believe will in turn drive further increases in sales. While we understand a channel first strategy takes time to accelerate, we are pleased with our progress during the first half of the year and believe further gains during H2 will get us to our desired double digit growth rates by year end" said Ehrhardt.

Financial Results – Second Quarter and Half Year 2012

Revenues totaled USD 10.7 million for the three months ended June 30, 2012, representing an increase of 4% quarter over quarter and 6% year over year. The growth in revenues was due to the increases in the Company's active user counts, primarily as a result of user gains in the mid-market and enterprise accounts. Revenues for the six months ended June 30, 2012 totaled USD 21.0 million up 4% from the same period in 2011.

ARPU increased 2% quarter over quarter to USD 10.15 while ARPU was down 4% year over year due to a combination of price concessions related to conversions to longer term contracts along with a shift in the mobility service market to Active Sync versus Blackberry.

Operating expenses (including depreciation and amortization) were USD 7.2 million during the second quarter of 2012, an increase of 3% quarter over quarter and 6% year over year. Total operating expenses for the six months ended June 30, 2012 were USD 14.1 million, an increase of 5% from the same period in 2011. During the first half of 2012, the Company made targeted investments of approximately USD 600 thousand related to support of pending channel growth, customer acquisition, migration and support toolset enhancements and staff augmentation.

EBIT for the second quarter 2012 was USD 636 thousand, an improvement of USD 216 thousand quarter over quarter and USD 116 thousand year over year. EBIT for the six months ended June 30, 2012 was USD 1.1 million, compared to a USD 898 thousand during the comparable period in 2011, an 18% improvement. These improvements were driven primarily by revenue gains in the mid-market which contribute higher relative margin contributions.

Net Income for the second quarter of 2012 was USD 302 thousand compared to USD 102 thousand in the first quarter of 2012 and USD 154 thousand in the second quarter of 2011. Total Net Income was 404 thousand for the six months ended June 30, 2012, compared to USD 160 thousand during the comparable period in 2011, a 153% improvement. As mentioned above, the improvements in the net results were the result of gains in revenue along with improvements in operational efficiencies.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.5 million during the second quarter of 2012 compared to USD 1.1 million during the first quarter of 2012 and second quarter of 2011. For the first half of 2012, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 2.6 million, up from prior year levels of USD 2.0 million.

Equipment purchases, net of financings under equipment leases, during the second quarter of 2012 was USD 135 thousand compared to USD 122 thousand in the first quarter of 2012 and USD 175 thousand in the second quarter of 2011. Equipment purchases, net of financings under equipment leases, during the first half of 2012 was USD 257 thousand compared to USD 294 thousand during the first half of 2011.

Net cash used to satisfy debt and capital lease obligations (including proceeds from the Company's working capital facility) was USD 884 thousand in the second quarter of 2012, down slightly from first quarter 2012 of USD 936 thousand and second quarter 2011 USD 950 thousand. Net cash used by financing activities totaled USD 1.8 million during the first six months of 2012 as compared to USD 1.7 million during the same period of 2010.

The Company closed the second quarter of 2012 with USD 1.3 million in cash and USD 4.7 million outstanding on its working capital facility. There has been no change in the amount outstanding on the Company's working capital facility during 2012. As of June 30, 2012, the Company had approximately USD 2.6 million of combined cash and available borrowing capacity under its working capital facility.

Financial Statements – Basis for Preparation

The enclosed consolidated condensed financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting Standards (IFRS).

Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of the enclosed financial statements are consistent with the policies used in the annual financial statements for the year ended December 31, 2011. The enclosed consolidated condensed financial statements should be read in conjunction with the Company's 2011 annual financial statements, which include a full description of the Company's accounting policies. The enclosed consolidated condensed financial statements are unaudited. As a result of rounding differences, numbers or percentages may not add up to the total.

The financial statements are attached.

Apptix ASA
Interim Consolidated Income Statement

	Three Months Ended		Six Months Ended	
(Amounts in USD 1,000)	**June 30, 2012 IFRS**	**June 30, 2011 IFRS**	**June 30, 2012 IFRS**	**June 30, 2011 IFRS**
Operating Revenues				
Recurring Revenues	10,492	9,857	20,555	19,747
Other Revenues	202	266	440	462
Total Operating Revenues	10,694	10,123	20,995	20,209
Total Cost of Sales	2,906	2,930	5,818	5,802
Gross Profit	7,788	7,192	15,177	14,406
Operating Expenses				
Employee Compensation and Benefits	3,638	3,524	7,286	7,198
Other Operational and Administrative Costs	2,589	2,327	5,004	4,662
Depreciation and Amortization	925	821	1,831	1,648
Total Operating Expenses	7,152	6,672	14,121	13,508
Operating Income	636	520	1,056	898
Other Expense				
Interest, net	(272)	(321)	(552)	(667)
Total Other Expense	(272)	(321)	(552)	(667)
Income Before Income Taxes	364	199	504	231
Income Tax Expense	(62)	(44)	(100)	(70)
Net Income for the Period	302	154	404	160
Earnings Per Share: Basic	0.00	0.00	0.00	0.00
Diluted	0.00	0.00	0.00	0.00
Weighted Average Common Shares Outstanding	82,330	81,430	82,085	81,430

Apptix ASA
Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended June 30, 2012 IFRS	Three Months Ended June 30, 2011 IFRS	Six Months Ended June 30, 2012 IFRS	Six Months Ended June 30, 2011 IFRS
Income for the Period	302	154	404	160
Other Comprehensive Income / (Loss)				
Exchange Rate Differences on Translation of Foreign Operations	(25)	(16)	(45)	(37)
Total Other Comprehensive Income / (Loss) for the Period	(25)	(16)	(45)	(37)
Total Comprehensive Income / (Loss) for the Period	277	138	359	123
Attributed to Equity Holders of Parent	277	138	359	123

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Interim Consolidated Statement of Financial Position

(Amounts in USD 1,000)	June - 30 2012 IFRS	December - 31 2011 IFRS	June - 30 2011 IFRS
ASSETS			
Non-Current Assets			
Intangible Assets	22,824	22,931	23,166
Total Intangible Assets, net	22,824	22,931	23,166
Property, Plant and Equipment, net	6,681	6,753	5,669
Total Non-Current Assets	29,505	29,684	28,835
Current Assets			
Accounts Receivable	1,554	1,640	1,421
Other Current Assets	357	451	539
Prepaid Expenses	1,595	992	1,170
Cash and Cash Equivalents	1,334	768	962
Total Current Assets	4,840	3,851	4,092
TOTAL ASSETS	34,345	33,535	32,927
LIABILITIES AND SHAREHOLDERS EQUITY			
Equity Attributed to Equity Holders of the Parent			
Common Stock	4,666	4,666	4,666
Paid-in Premium Reserve	73,437	73,437	73,437
Other Paid-in Capital	5,882	5,749	5,629
Retained Earnings	(64,387)	(64,746)	(65,327)
Total Shareholders Equity	19,598	19,106	18,405
Long-Term Debt			
Other Long-Term Debt	1,085	5,798	5,570
Total Long-Term Debt	1,085	5,798	5,570
Current Liabilities			
Trade Accounts Payable	1,452	1,425	2,026
Interest Bearing Short-Term Debt	7,796	3,497	3,049
Other Current Liabilities	4,414	3,709	3,877
Total Current Liabilities	13,662	8,631	8,952
TOTAL LIABILITIES AND EQUITY	34,345	33,535	32,927

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Interim Consolidated Cash Flow Statement

	Six Months Ended June 30	
	2012	**2011**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Net Income for the Period	404	160
Stock Based Compensation Expense	133	150
Depreciation and Amortization	1,831	1,648
Change in Accounts Receivable	86	137
Change in Trade Accounts Payable	27	(241)
Change in Other Assets and Liabilities	164	172
Cash Flows From Operating Activities	2,645	2,026
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(257)	(294)
Cash Flows Used in Investing Activities	(257)	(294)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(1,820)	(1,800)
Proceeds from Debt Facilities	-	100
Cash Flows Used in Financing Activities	(1,820)	(1,700)
Effect of Exchange Rates on Cash and Cash Equivalents	(2)	(36)
Net Change in Cash and Cash Equivalents	566	(4)
Cash and Cash Equivalents at Beginning of Period	768	966
Cash and Cash Equivalents at End of Period	1,334	962

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Interim Consolidated Statement of Changes in Equity

(Amounts in USD 1,000)	Share Capital	Share Premium Reserve	Other Paid in Capital	Foreign Currency Translation Reserves	Retained Earnings	Total Equity
	Attributed to Equity Holders of the Parent					
Equity December 31, 2009	**4,666**	**73,437**	**5,127**	**3,927**	**(66,263)**	**20,894**
Net Loss for the Period	-	-	-	-	(3,110)	(3,110)
Other Comprehensive Income / (Loss)	-	-	-	-	(5)	(5)
Total Comprehensive Income	-	-	-	-	(3,115)	(3,115)
Equity Element of Expensed Options	-	-	352	-	-	352
Equity December 31, 2010	**4,666**	**73,437**	**5,479**	**3,927**	**(69,378)**	**18,131**
Net Income for the Period	-	-	-	-	703	703
Other Comprehensive Income / (Loss)	-	-	-	-	1	1
Total Comprehensive Income	-	-	-	-	704	704
Equity Element of Expensed Options	-	-	270	-	-	270
Equity December 31, 2011	**4,666**	**73,437**	**5,749**	**3,927**	**(68,674)**	**19,106**
Net Income for the Period	-	-	-	-	404	404
Other Comprehensive Income / (Loss)	-	-	-	-	(45)	(45)
Total Comprehensive Income	-	-	-	-	359	359
Equity Element of Expensed Options	-	-	133	-	-	133
Equity June 30, 2012	**4,666**	**73,437**	**5,882**	**3,927**	**(68,315)**	**19,598**

About Apptix

Apptix (OSE: APP) is the premier provider of hosted business communication, collaboration, and IT solutions to business of all sizes – from SOHO to Fortune 500 – and blue chip channel partners including Insight Enterprises, Inc., MegaPath Corp., Cincinnati Bell, Inc., Web.com, and Sprint Nextel Corporation. A pioneer in the hosted services space, Apptix currently serves over 350,000 users around the world. Apptix's comprehensive portfolio of Cloud solutions includes Microsoft Exchange email, VoIP, Microsoft SharePoint, Web Conferencing, and Secure IM with Presence. Services are delivered over a highly reliable network leveraging best-in-class technology, housed in SSAE 16/SAS 70-compliant datacenters, and backed by U.S.-based 24/7 support. For more information, visit www.apptix.com

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Selected Explanatory Notes to Apptix ASA Interim Condensed Financial Statements

Working Capital Facility

The Company maintains a revolving credit facility with its bank with a borrowing limit of USD 6 million. Amounts available under the working capital facility were previously subjected to a borrowing base formula equal to 75% of the Company's trailing two months cash collections. However, on November 16, 2011, the Company entered into a Fifth Loan Modification Agreement whereby its borrowing ratio calculation was adjusted from trailing two months cash collections to trailing 2.5 months cash collections. Additionally, the interest rate to which borrowings under the facility are subjected was lowered to the bank's prime interest rates plus up to 2 additional percentage points (down from up to 2.5 additional percentage points previously). No other material terms were modified. The term of the working capital facility continues through January 31, 2013. As of June 30, 2012, the Company had USD 4.7 million outstanding on its working capital facility and approximately USD 1.3 million of borrowing capacity. As of June 30, 2012 the working capital facility is reflected as a current obligation pending renewal in January 2013. Any amounts under the revolving credit facility may be repaid and re-borrowed at any time prior to the maturity date. This facility is secured by a first priority position in all of the assets of the Company except for those assets financed via capital leases. The Company has begun discussions with its financial institution regarding its renewal. The Company has renewed its current working capital facility three times since original inception in 2008.

Working Capital

The Company is currently operating in a negative working capital position. The negative working capital position is primarily the result of the current obligations related to equipment finance lease agreements, deferred revenues related to annual subscription contracts and the Company's aforementioned working capital facility which matures in January 2013.

As outlined in this report, the Company recorded a net profit of USD 302 thousand during the second quarter of 2012 marking the sixth consecutive quarter of positive net income. Additionally, the Company generated cash of USD 1.5 million during the second quarter from operating activities, amounts sufficient to satisfy the Company's debt and capital lease obligations. The Company believes this positive trend in net income and cash flow from operating activities will continue for the foreseeable future. Accordingly, with the Company's working capital facility (as noted above) along with current cash reserves, the Company believes it has sufficient liquidity to meet its current and future obligations.

For more information related to this subject, refer to the Company's 2011 Annual Report and Director's Report.

Risk and Uncertainty

As described in the Company's Annual Report for 2011 (Note 25), the Company's financial risk exposure includes foreign currency risk, credit risk, interest rate risk, and liquidity risk.

In addition to the above described financials risks, the Company is subject to a variety of operating and market risks including but not limited to:

- Network infrastructure could fail which would damage our ability to provide guaranteed levels of service and result in increased customer churn.

- Continued pricing pressure and other competitive developments in the market could impact the Company's ability to grow.
- The Company's ability to grow could be limited as a result of the continued deterioration in the overall U.S. economy and accordingly could impact the net realizable value of the assets of the Company.
- The U.S. and world economic conditions may continue to adversely impact the Company's customer base, leading to additional customer losses or slower growth.
- The Company's success depends on the increased acceptance and use of Software as a Service (SaaS) or hosted service business model by commercial users in the geographical markets where Apptix delivers services to its customers.
- The Company's business model is dependent upon continued success with the implementation and execution of a channel driven sales strategy.
- The Company's business model requires investment in technology, intellectual property, and other assets that are potentially subject to technological change, impairment and/or obsolescence.

The Company continues to implement various initiatives designed to enhance operating control and efficiency, including the simplification of the Company's overall technical architecture. Over the past 36 months, the Company has consolidated its multiple operating platforms and data center facilities into two primary data center facilities and platforms. The Company believes the operational efforts taken over the past 36 months, including its platform consolidation efforts, reduces the Company's exposure of a serious platform outage.

The Company believes the U.S. economy may continue to impact the Company's growth during the second half of 2012. However, the Company believes its efforts with regard to enhancing operating control and efficiency, expanded product/service offerings, and its newly established distribution channels will help mitigate any negative impact that the U.S. economy may have on the Company's near term growth.

Related Parties

Note 23 in the Company's Annual Report for 2011 provides details of transactions with related parties. As described in Note 23, the Company enters into certain transactions with related parties as part of its ordinary course of business. The transactions include a consulting agreement with its Chairman which is approved annually by the Company's shareholders, a services contract with a former Board member and current shareholder to provide legal services at prevailing market rates and an agreement to provide remuneration fees to three shareholders (who each serve two year terms as elected by shareholders) to be members of the Company's nominating committee. Excluding the aforementioned transactions and the compensation of key management and Board of Directors, there were no other related party transactions during the first half of 2012.

Responsibility Statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2012 and for the six month period January 1, 2012 to June 30, 2012 has been prepared in accordance with IAS 34 *'Interim Financial Reporting'* and gives a true and fair view of the Company's assets, liabilities, financial position and the result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any of the significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

The Board of Directors and Chief Executive Officer
Apptix ASA

/s/Johan Lindqvist
Chairman of the Board

/s/ David Ehrhardt
President and CEO

/s/Terje Rogne
Board Member

/s/Ebba Asly Fahraeus
Board Member