

Apptix Reports Third Quarter and Year to Date 2014 Results

Herndon, VA and Oslo, Norway – November 6, 2014 – Apptix® (NYSE: APP), the premier provider of hosted business communication, collaboration, and IT solutions, today announced its unaudited financial results for the three and nine months ended September 30, 2014.

Interim Management Report

Overview of the third quarter and year to date results:

- 516,000 users under contract, down 1.0% quarter over quarter and up 2.9% year over year
- Bookings of USD 155 thousand of quarterly recurring revenue (QRR); down 5.4% quarter over quarter and down from USD 591 thousand in Q3-13
- Revenue of USD 9.7 million; down 1.4% quarter over quarter and down 6.8% year over year
- Backlog of USD 0.8 million of QRR; down 3.8% quarter over quarter and up 6.7% year over year
- Net income of USD 154 thousand compared to net income of USD 32 thousand and USD 182 thousand in Q2-14 and Q3-13

Highlights

As discussed in the second quarter report, the Company entered the year with high revenue growth expectations, however, the anticipated top-line growth has not materialized due to a number of factors. While our billable user base has consistently grown by approximately 9% year-over-year since December 2010, the corresponding top-line has been negated by a dependency upon larger transactions (both from our channels and direct customers), a slowdown in the conversion of our current backlog of users into billable revenues, and by the continual competitive pressures in the market place from the likes of Microsoft, Google, and Amazon who are keenly focused on public cloud services markets.

Following a leadership change during the third quarter, the Company began to implement a new go-to-market growth strategy leveraging many of the existing capabilities and experiences of Apptix, including its sizable customer base and approximately half a million users under contract. The Company believes the optimal path to long term revenue growth is via a strategy that delivers public, private, and hybrid cloud services to its existing customer base and new customer acquisitions. Apptix is one of the few cloud based services providers that has a proven track record of being able to provide all three cloud based services. As of September 30, 2014 approximately 50% of the Company's user base is currently serviced via a private cloud environment.

With this strategy shift, the Company will also be adjusting its sales distribution approach to include a direct sales presence primarily focused on the private and hybrid business opportunities along with its existing channel distribution model, which has mostly been producing public cloud users and revenues. The Company will be conveying more information about its FY15 go to market plans with its Q4-14 earnings release scheduled for February 2015. In the meantime, the Company will continue to focus three key areas of emphasis: (1) driving sales and bookings from existing service offerings; (2) expand the Company's service offering beyond its current public

cloud portfolio; and (3) continuing to grow and build upon the Company's existing customer base.

From a current period performance perspective, the Company booked USD 155 thousand of quarterly recurring revenue (QRR) as compared to USD 164 thousand in the second quarter of 2014 and USD 591 thousand in the third quarter of 2013. The flattening of the bookings in 2014 has been mostly driven by the competitive challenges in the market place and the Company's dependency on larger transactions (both direct and channel). The Company's backlog was USD 0.8 million as of September 30, 2014 down from USD 0.9 million at June 30, 2014. The Company anticipates a significant portion of the current backlog to begin on-boarding during Q1-15 and start contributing to top line revenue.

“2014 has been an unexpected challenge for the Company. However, we believe we have the necessary foundation to build a growing cloud-based services company. The underlying operating and financial fundamentals of the Company are solid. With an established private cloud user base to leverage into the future along with a dedicated group of employees and soon to be expanding service offering, we believe we can become a much stronger force in the markets we serve best,” said Johan Lindquist, Interim CEO.

Financial Results – Third Quarter and Year to Date 2014

Revenues totaled USD 9.7 million for the three months ended September 30, 2014, representing a 1.4% decrease quarter over quarter and 6.8% decrease year over year. Revenues for the nine months ended September 30, 2014 totaled USD 29.6 million down 6.3% from the same period in 2013. The decline in revenues for all periods presented was primarily due to the slower than anticipated on-boarding of the Company's December 31, 2013 backlog and the lower bookings levels throughout 2014. Customers and partners have been measured and cautious with their on-boarding schedules as they look to balance migration complexities along other initiatives within their business operations. As a result, the new revenues on-boarded during the first nine months of 2014 was not sufficient to offset the normal revenue churn within the Company's base business.

ARPU was USD 7.56 flat quarter over quarter and down 12.7% year over year due to a combination of price concessions related to conversions to longer term contracts and the impact of previously sold and implemented channel customers which typically carry a lower ARPU.

Operating expenses (including depreciation and amortization) totaled USD 6.3 million during the third quarter of 2014, down 2.9% quarter over quarter and down 7.0% year over year. The quarter over quarter decrease was primarily due to lower communication costs, professional fees and depreciation & amortization. Meanwhile, the year over year decrease was primarily due to a combination of lower staffing related costs. Total operating expenses for the nine months ended September 30, 2014 were USD 19.3 million, down of 8.1% from the same period in 2013.

EBIT for the third quarter 2014 was USD 503 thousand, compared to USD 398 thousand in the second quarter of 2014 and USD 495 thousand during the third quarter of 2013. EBIT for the nine months ended September 30, 2014 was USD 1.2 million, compared to USD 1.7 million during the comparable period in 2013, a decrease of 29%. The Company recorded Net Income for the third quarter of 2014 of USD 154 thousand compared to Net Income of USD 32 thousand in the second quarter of 2014 and USD 182

thousand in the third quarter of 2013. The main drivers for the increase in net profit from second quarter was a combination of lower operating costs including lower communication costs, professional fees and depreciation & amortization, which offset the lower gross margins from the decline in revenues.

For the nine months ended September 30, 2014, the Company recorded a Net Income of USD 256 thousand as compared to Net Income of USD 723 thousand during the comparable period in 2013. Fluctuations in EBIT and Net Income during the first nine months of 2014 were primarily driven by a combination of user and economic churn impacting revenues in advance of new revenues yet to be realized from the Company's current backlog.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.0 million during the third quarter of 2014 compared to USD 707 thousand during the second quarter of 2014 and USD 829 thousand during the third quarter of 2013. For the first nine months of 2014, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 2.0 million, down from prior year levels of USD 2.9 million. Cash flow fluctuations follow the EBIT and Net Income fluctuations discussed above.

Equipment purchases, net of financings under equipment leases, during the third quarter of 2014 were USD 70 thousand compared to USD 4 thousand in the second quarter of 2014 and USD 283 thousand in the third quarter of 2013. Equipment purchases, net of financings under equipment leases, during the first nine months of 2014 were USD 133 thousand compared to USD 368 thousand during the first nine months of 2013.

Net cash used to satisfy debt and capital lease obligations (including any proceeds from the Company's working capital facility) was USD 811 thousand in the third quarter of 2014, as compared to USD 1.1 million in the second quarter of 2014 and USD 933 thousand in the third quarter 2013. Net cash used by financing activities totaled USD 2.7 million for both the first nine months of 2014 and 2013 respectively.

The Company closed the third quarter of 2014 with USD 2.3 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 2014. As of September 30, 2014, the Company had approximately USD 3.6 million of combined cash and available borrowing capacity under its working capital facility.

Aptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Three Months Ended	
	September 30, 2014 IFRS	September 30, 2013 IFRS
Operating Revenues		
Recurring Revenues	9,518	10,218
Other Revenues	196	210
Total Operating Revenues	9,714	10,428
Total Cost of Sales	2,958	3,206
Gross Profit	6,756	7,222
Operating Expenses		
Employee Compensation and Benefits	3,373	3,711
Other Operational and Administrative Costs	1,874	1,820
Depreciation and Amortization	1,006	1,196
Total Operating Expenses	6,253	6,727
Operating Income	503	495
Other Expense		
Interest, net	(348)	(272)
Other Financial Expense	(1)	-
Total Other Expense	(349)	(272)
Income Before Income Taxes	154	223
Income Tax Expense	-	(41)
Net Income for the Period	154	182
Earnings Per Share:		
Basic	0.00	0.00
Diluted	0.00	0.00
Weighted Average Common Shares Outstanding	81,555	81,430

Aptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Nine Months Ended	
	September 30, 2014 IFRS	September 30, 2013 IFRS
Operating Revenues		
Recurring Revenues	29,032	30,920
Other Revenues	569	723
Total Operating Revenues	29,601	31,643
Total Cost of Sales	9,084	8,902
Gross Profit	20,517	22,741
Operating Expenses		
Employee Compensation and Benefits	10,182	11,374
Other Operational and Administrative Costs	5,939	6,554
Depreciation and Amortization	3,185	3,102
Total Operating Expenses	19,306	21,030
Operating Income	1,211	1,711
Other Expense		
Interest, net	(954)	(864)
Other Financial Expense	(1)	-
Total Other Expense	(955)	(864)
Income Before Income Taxes	256	847
Income Tax Expense	-	(124)
Net Income for the Period	256	723
Earnings Per Share:		
Basic	0.00	0.01
Diluted	0.00	0.01
Weighted Average Common Shares Outstanding	82,060	81,492

Aptix ASA
Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended	
	September 30, 2014	September 30, 2013
	IFRS	IFRS
Income for the Period	154	182
Exchange Rate Differences on Translation of Foreign Operations	18	(3)
Items that may be Reclassified Subsequently to Income Statement	18	(3)
Items that will not be Reclassified to Income Statement	-	-
Total Other Comprehensive Income for the Period	18	(3)
Total Comprehensive Income (Loss) for the Period	172	179
Attributed to Equity Holders of Parent	172	179

(Amounts in USD 1,000)	Nine Months Ended	
	September 30, 2014	September 30, 2013
	IFRS	IFRS
Income for the Period	256	723
Exchange Rate Differences on Translation of Foreign Operations	10	21
Items that may be Reclassified Subsequently to Income Statement	10	21
Items that will not be Reclassified to Income Statement	-	-
Total Other Comprehensive Income / (Loss) for the Period	10	21
Total Comprehensive Income for the Period	266	744
Attributed to Equity Holders of Parent	266	744

Apptix ASA
Interim Consolidated Statement of Financial Position

	September - 30	December - 31	September - 30
(Amounts in USD 1,000)	2014	2013	2013
	IFRS	IFRS	IFRS
ASSETS			
Non-Current Assets			
Intangible Assets	22,066	22,246	22,453
Total Intangible Assets, net	22,066	22,246	22,453
Property, Plant and Equipment, net	9,998	8,534	8,902
Total Non-Current Assets	32,064	30,780	31,355
Current Assets			
Accounts Receivable	2,004	1,799	1,985
Other Current Assets	161	245	232
Prepaid Expenses	692	937	1,263
Cash and Cash Equivalents	2,304	3,124	2,182
Total Current Assets	5,161	6,105	5,662
TOTAL ASSETS	37,225	36,885	37,017
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	6,163	6,107	6,084
Retained Earnings	(62,438)	(62,704)	(62,768)
Total Shareholders Equity	21,828	21,506	21,419
Long-Term Debt			
Other Long-Term Debt	3,630	7,582	7,625
Total Long-Term Debt	3,630	7,582	7,625
Current Liabilities			
Trade Accounts Payable	1,494	1,145	1,259
Interest Bearing Short-Term Debt	8,294	2,740	2,846
Other Current Liabilities	1,979	3,912	3,868
Total Current Liabilities	11,767	7,797	7,973
TOTAL LIABILITIES AND EQUITY	37,225	36,885	37,017

Aptix ASA
Interim Consolidated Cash Flow Statement

(Amounts in USD 1,000)	Nine Months Ended September 30,	
	2014	2013
	IFRS	IFRS
Cash Flows from Operating Activities		
Earnings Before Interest and Taxes	1,211	1,711
Stock Based Compensation Expense	56	106
Depreciation and Amortization	3,185	3,102
Gain / (Loss) on Disposal of Assets	(1)	-
Change in Accounts Receivable	(200)	(340)
Change in Trade Accounts Payable	349	(47)
Change in Other Assets and Liabilities	(1,594)	(595)
Cash Flows Provided by Operating Activities	3,006	3,937
Interest Paid	(954)	(865)
Income Tax Paid	(10)	(156)
Net Cash Flows Provided by Operating Activities	2,042	2,916
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(133)	(368)
Cash Flows Used in Investing Activities	(133)	(368)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(2,734)	(2,725)
Cash Flows Used in Financing Activities	(2,734)	(2,725)
Effect of Exchange Rates on Cash and Cash Equivalents	5	1
Net Change in Cash and Cash Equivalents	(820)	(176)
Cash and Cash Equivalents at Beginning of Period	3,124	2,358
Cash and Cash Equivalents at End of Period	2,304	2,182

Apptix ASA
Interim Consolidated Statement of Changes in Equity

Attributed to Equity Holders of the Parent

(Amounts in USD 1,000)	Share Capital	Share Premium Reserve	Other Paid in Capital	Foreign Currency Translation Reserves	Retained Earnings	Total Equity
Equity December 31, 2013	4,666	73,437	6,107	3,927	(66,631)	21,506
Net Income for the Period	-	-	-	-	70	70
Other Comprehensive Income	-	-	-	-	(8)	(8)
Total Comprehensive Income	-	-	-	-	62	62
Equity Element of Expensed Options	-	-	18	-	-	18
Equity March 31, 2014	4,666	73,437	6,125	3,927	(66,569)	21,586
Net Income for the Period	-	-	-	-	32	32
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	-	32	32
Equity Element of Expensed Options	-	-	23	-	-	23
Equity June 30, 2014	4,666	73,437	6,148	3,927	(66,537)	21,641
Net Income for the Period	-	-	-	-	154	154
Other Comprehensive Income	-	-	-	-	18	18
Total Comprehensive Income	-	-	-	-	172	172
Equity Element of Expensed Options	-	-	15	-	-	15
Equity September 30, 2014	4,666	73,437	6,163	3,927	(66,365)	21,828

About Apptix

Apptix (OSE: APP) is the premier provider of hosted business communication, collaboration, security and compliance, and IT solutions to business of all sizes – from SOHO to Fortune 500 – and blue chip channel partners. Apptix is a Cloud services pioneer with over 500,000 users under contract around the world. Apptix’s comprehensive portfolio of Cloud solutions includes Microsoft Exchange email, VoIP, Microsoft SharePoint, Microsoft Lync, Servers on Demand, and Enterprise Backup. Services are delivered over a highly reliable network leveraging best-in-class technology, housed in SSAE 16-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

Effective January 31, 2013, the Company entered into a Sixth Loan Modification Agreement with its bank to increase the borrowing limit of the Company's revolving credit facility to USD 7 million. The amounts available under the working capital facility are subject to a borrowing base formula up to 200% of the Company's Monthly Recurring Revenue. The interest charged on the borrowings is subject to the bank's prime interest rate plus two and one-quarter additional percentage points with a minimum rate of five and one-half percent. The term of the working capital facility expires on January 31, 2015 and the current outstanding balance of USD 4.7 million is presented as a short term obligation. The Company will begin discussions with its financial institution regarding a renewal during the fourth quarter of 2014.

In June 2014, the Company entered into a Seventh Loan Modification Agreement which lowered the Company's required Fixed Charge Ratios through the remainder of the existing term (January 31, 2015). No other material changes were made to the revolving credit facility.

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 Company's working capital facility which expires on January 31, 2015.

As outlined in this report, the Company recorded net income of USD 154 thousand during the third quarter of 2014. Including the effects of exchange rate differences, the Company generated cash of USD 1.0 million during the third quarter from operating activities. Since January 2011, the Company has generated sufficient liquidity from operating cash flows in ten out of fourteen quarters 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 in the future aside from seasonable working capital fluctuations. 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 2013 Annual Report and Director's Report.

Backlog

The Company estimates Backlog as the value of future billable revenue related to users not currently on-boarded under signed contracts. Realization of Backlog into billable revenue is ultimately dependent upon a number of factors including the timing and availability of Apptix, partner, and/or end customer resources (both technology and labor) required to complete the successful migration of end users from their existing messaging, voice, or collaboration solution. As of September 30, 2014, the Company estimates it has a QRR backlog of USD 0.8 million. During the second quarter of 2014, a partner notified the Company of their intentions to challenge its previously contractual commitments, which accounts for USD 270 thousand of the current Backlog. The Company believes that it has a valid contractual commitment with this partner and is working with both the partner and legal counsel to reasonably resolve the matter. As of September 30, 2014 the Company has not recognized any revenues pursuant to

this contract. Additionally, there can be no assurances the Company will be able to realize the full value of this contract.