Apptix Reports Fourth Quarter and Year to Date 2012 Results

Herndon, VA and Oslo, Norway – February 13, 2013 – Apptix® (OSE: APP), the premier provider of hosted business communication and collaboration services, today announced its unaudited financial results for the three and twelve months ended December 31, 2012.

Interim Management Report

Overview of the fourth quarter results:

- **Net Income of USD 438 thousand, an increase of 4% quarter over quarter and 61% year over year.**
- **Revenue of USD 10.9 million, flat quarter over quarter and an increase of 6% year over year.**
- **Ending user count of 381,000, an increase of 1% quarter over quarter and 13% year over year.**

Highlights

Apptix exited 2012 with year-over-year profitable growth and improvements in the four pillars of its strategic plan for 2012, specifically:

- Continued expansion into mid-market and enterprise sectors
- Growth through blue chip channel partners
- Diversification of product portfolio and consequentially revenue streams
- Improvements to enhance customer loyalty

Executing on all four aspects of the strategic plan grew 2012 annual revenue to $42.9 million, up 6% over 2011. The Company experienced USD 1.5 million in quarterly recurring revenue bookings, up 30% over 2011. Net income experienced an impressive 80% increase to $1.27 million. In addition, the user count grew 13% to 381,000, with churn remaining under control at less than 10% annually.

Bookings from mid-market and enterprise companies were 63% of total bookings for the year. Channel bookings have grown to 30% of overall bookings in just one year. Revenue continues to diversify; Hosted Exchange is now 67% of the total revenue as additional services such as SharePoint, archiving, and encryption continue to experience healthy adoption. Ongoing customer service improvements, including dedicated account managers and priority support for larger organizations, continue to improve customer loyalty and control churn.

While the fourth quarter is traditionally the Company's softest quarter, headwinds further dampened quarter-over-quarter results. Demand upon executing channel agreements slowed while partners began building what will be planned sustained momentum. In addition, the Company's mid-market and enterprise targets have shown not only to have a more extended sales cycle, but these larger businesses also have an elongated implementation cycle due to complexity and competing demands on their IT organizations. These longer implementations translate into delayed revenue recognition. Exacerbating the lower than expected results were unforeseeable events including Hurricane Sandy and the uncertainty caused by Fiscal Cliff negotiations, both of which delayed buying and implementation decisions.

"The year-over-year results validated our strategy for profitable growth," said David Ehrhardt, CEO of Apptix. "We are confident in the continued execution of our strategy while allowing for tactical adjustments in response to market changes. Evolving our sales and implementation processes to close and capture revenue from larger deals sooner is one such mid-course adjustment. While contributions from our channel program in 2012 slowed in the fourth quarter, we continue to be optimistic, recognizing that channel development is a marathon, not a sprint. These and other already implemented strategic adjustments will mitigate weakness from the fourth quarter and early days of the New Year."

Financial Results – Fourth Quarter and Year to Date 2012

Revenues totaled USD 10.90 million for the three months ended December 31, 2012, down 0.7% quarter over quarter however up 6% year over year. The slowdown in the quarterly growth was mostly due to delays in on boarding of the Company's September 30, 2012 backlog. The year over year revenue growth continues to be driven by increases in active user counts, primarily from user gains in the mid-market and enterprise accounts. Revenues for the twelve months ended December 31, 2012 totaled USD 42.9 million up 6% from the same period in 2011.

Average Revenue per User ("ARPU") for the period was USD 9.73 as compared to USD 10.05 during the third quarter of 2012 and USD 10.94 for the comparable period in 2011. The declines of 3% quarter over quarter and 11% year over year was due to a combination of price concessions related to conversions to longer term contracts; sales from our wholesale channel model which typically carry a lower ARPU and higher non-recurring revenues in the previous periods as compared to the fourth quarter of 2012.

Operating expenses (including depreciation and amortization) were USD 7.2 million during the fourth quarter of 2012, representing a decrease of 2% quarter over quarter and a 5% year over year increase. Total operating expenses for the twelve months ended December 31, 2012 were USD 28.6 million, an increase of 7% from the same period in 2011. During the twelve months of 2012, the Company made targeted investments of approximately USD 1.0 million related to support of pending channel growth, customer acquisition, migration and support toolset enhancements and staff augmentation.

EBIT for the fourth quarter 2012 was USD 692 thousand, flat quarter over quarter and up 11% year over year. EBIT for the twelve months ended December 31, 2012 was USD 2.4 million, an increase of 14% over the comparable period in 2011. These improvements were driven primarily by revenue gains in the mid-market which have higher relative margin contributions.

Net Income for the fourth quarter of 2012 was USD 438 thousand an increase of 4% quarter over quarter and 61% year over year. Net Income was USD 1.27 million for the twelve months ended December 31, 2012, an increase of 80% compared to the same period in 2011. 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 1.8 million during the fourth quarter of 2012 compared to USD 1.4 million during the third quarter of 2012 and USD 1.1 million in the fourth quarter of 2011. For the twelve months ended December 31, 2012, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 5.8 million, up from prior year levels of USD 3.7 million.

Equipment purchases, net of financings under equipment leases, during the fourth quarter of 2012 was USD 119 thousand down slightly from the third quarter of 2012 and the fourth quarter of 2011. Equipment purchases, net of financings under equipment leases, for the full year of 2012 was USD 512 thousand compared to USD 516 thousand during the same period in 2011.

Cash used to satisfy debt and capital lease obligations (excluding proceeds from the Company's working capital facility) was USD 1.0 million in the fourth quarter of 2012, up from third quarter 2012 of USD 860 thousand and the fourth quarter 2011 of USD 983 thousand. Net cash used by financing activities totaled USD 3.7 million during the full year of 2012 as compared to USD 3.4 million during the same period of 2011. The Company utilized USD 350 thousand of its working capital facility during the fourth quarter of 2011.

The Company closed the fourth quarter of 2012 with USD 2.4 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 December 31, 2012, the Company had approximately USD 3.7 million of combined cash and available borrowing capacity under its working capital facility.

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)		Three Months Ended December 31, 2012 IFRS	Three Months Ended December 31, 2011 IFRS
Operating Revenues			
Recurring Revenues		10,676	10,025
Other Revenues		227	284
Total Operating Revenues		10,903	10,309
Total Cost of Sales		3,037	2,856
Gross Profit		7,866	7,454
Operating Expenses			
Employee Compensation and Benefits		3,623	3,652
Other Operational and Administrative Costs		2,551	2,287
Depreciation and Amortization		1,000	889
Total Operating Expenses		7,174	6,828
Operating Income		692	626
Other Expense			
Interest, net		(212)	(324)
Total Other Expense		(212)	(324)
Income Before Income Taxes		480	303
Income Tax Expense		(42)	(31)
Net Income for the Period		438	272
Earnings Per Share:	Basic	0.01	0.00
	Diluted	0.01	0.00
Weighted Average Common Shares Outstanding		81,516	81,430

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Twelve Months Ended December 31, 2012 IFRS	Twelve Months Ended December 31, 2011 IFRS
Operating Revenues		
Recurring Revenues	41,941	39,682
Other Revenues	939	992
Total Operating Revenues	42,880	40,674
Total Cost of Sales	11,788	11,694
Gross Profit	31,092	28,980
Operating Expenses		
Employee Compensation and Benefits	14,592	14,232
Other Operational and Administrative Costs	10,287	9,203
Depreciation and Amortization	3,768	3,391
Total Operating Expenses	28,647	26,826
Operating Income	2,445	2,154
Other Expense		
Interest, net	(997)	(1,319)
Total Other Expense	(997)	(1,319)
Income Before Income Taxes	1,448	835
Income Tax Expense	(183)	(132)
Net Income for the Period	1,265	703
Earnings Per Share: Basic	0.02	0.01
Diluted	0.02	0.01
Weighted Average Common Shares Outstanding	81,780	81,430

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Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended December 31, 2012 IFRS	Three Months Ended December 31, 2011 IFRS
Income for the Period	438	272
Other Comprehensive Income / (Loss)		
Exchange Rate Differences on Translation of Foreign Operations	(8)	14
Total Other Comprehensive Income / (Loss) for the Period	(8)	14
Total Comprehensive Income / (Loss) for the Period	430	286
Attributed to Equity Holders of Parent	430	286

(Amounts in USD 1,000)	Twelve Months Ended December 31, 2012 IFRS	Twelve Months Ended December 31, 2011 IFRS
Income for the Period	1,265	703
Other Comprehensive Income / (Loss)		
Exchange Rate Differences on Translation of Foreign Operations	(30)	1
Total Other Comprehensive Income / (Loss) for the Period	(30)	1
Total Comprehensive Income / (Loss) for the Period	1,235	704
Attributed to Equity Holders of Parent	1,235	704

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Interim Consolidated Statement of Financial Position

(Amounts in USD 1,000)	December - 31 2012 IFRS	December - 31 2011 IFRS
ASSETS		
Non-Current Assets		
Intangible Assets	22,610	22,931
Total Intangible Assets, net	22,610	22,931
Property, Plant and Equipment, net	10,311	6,753
Total Non-Current Assets	32,921	29,684
Current Assets		
Accounts Receivable	1,645	1,640
Other Current Assets	267	451
Prepaid Expenses	886	992
Cash and Cash Equivalents	2,358	768
Total Current Assets	5,156	3,851
TOTAL ASSETS	38,077	33,535
LIABILITIES AND SHAREHOLDERS EQUITY		
Equity Attributed to Equity Holders of the Parent		
Common Stock	4,666	4,666
Paid-in Premium Reserve	73,437	73,437
Other Paid-in Capital	5,978	5,749
Retained Earnings	(63,512)	(64,747)
Total Shareholders Equity	20,569	19,105
Long-Term Debt		
Other Long-Term Debt	8,803	5,798
Total Long-Term Debt	8,803	5,798
Current Liabilities		
Trade Accounts Payable	1,307	1,425
Interest Bearing Short-Term Debt	3,313	3,497
Other Current Liabilities	4,085	3,710
Total Current Liabilities	8,705	8,632
TOTAL LIABILITIES AND EQUITY	38,077	33,535

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Interim Consolidated Cash Flow Statement

	Twelve Months Ended December 31,	
	2012	**2011**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Net Income for the Period	1,265	703
Stock Based Compensation Expense	229	270
Depreciation and Amortization	3,768	3,391
Change in Accounts Receivable	(5)	(82)
Change in Trade Accounts Payable	(118)	(843)
Change in Other Assets and Liabilities	646	274
Cash Flows From Operating Activities	5,785	3,713
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(512)	(516)
Cash Flows Used in Investing Activities	(512)	(516)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(3,683)	(3,743)
Proceeds from Debt Facilities	-	350
Cash Flows Used in Financing Activities	(3,683)	(3,393)
Effect of Exchange Rates on Cash and Cash Equivalents	-	(2)
Net Change in Cash and Cash Equivalents	1,590	(198)
Cash and Cash Equivalents at Beginning of Period	768	966
Cash and Cash Equivalents at End of Period	2,358	768

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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, 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)**	**19,105**
Net Income for the Period	-	-	-	-	1,265	1,265
Other Comprehensive Income / (Loss)	-	-	-	-	(30)	(30)
Total Comprehensive Income	-	-	-	-	1,235	1,235
Equity Element of Expensed Options	-	-	229	-	-	229
Equity December 31, 2012	**4,666**	**73,437**	**5,978**	**3,927**	**(67,439)**	**20,569**

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 380,000 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

As of December 31, 2012, the Company maintained a revolving credit facility with its bank with a borrowing limit of USD 6 million. Amounts available under the working capital facility were subjected to a borrowing base formula equal to 75% of the Company's trailing two and a half months cash collections. The interest rate to which borrowings under the facility were subjected was the bank's prime interest rates plus up to 2 additional percentage points. The term of the working capital facility expired on January 31, 2013.

Effective January 31, 2013, the Company entered into a Sixth Loan Modification Agreement with its bank. The borrowing limit was increased to USD 7 million and the amounts available under the working capital facility were subjected 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 2.25%. The term of the new working capital facility is extended for two years.

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, and deferred revenues related to annual subscription contracts.

As outlined in this report, the Company recorded a net profit of USD 438 thousand during the fourth quarter of 2012 marking the eighth consecutive quarter of positive net income. Additionally, the Company generated cash of USD 1.8 million during the fourth 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.