Apptix Reports First Quarter 2011 Results

Herndon, VA and Oslo, Norway – **May 4, 2011 –** Apptix (OSE: APP), the leader in Hosted Business Communications services including Hosted Exchange email, Office Communicator Server (OCS), business VoIP, and Microsoft SharePoint, today announced its unaudited financial results for the three months ended March 31, 2011.

Interim Management Report

Overview of the first quarter results:

- **Net Income of USD 6 thousand, a USD 0.42 million improvement quarter over quarter and USD 0.78 million year over year.**

- **EBIT of USD 0.38 million, a USD 0.40 million improvement quarter over quarter and USD 0.75 million year over year.**

- **Revenue increased to USD 10.1 million, an increase of 2% quarter over quarter and 4% year over year.**

- **User counts increased to 317,000 during the quarter, an increase of 2% quarter over quarter and 59% year over year.**

- **Bookings (i.e. new users) from new customers increased 14% quarter over quarter with bookings from accounts with over 100 users totaling 41% of overall bookings.**

- **Signed channel agreements with Network Solutions and CMIT to resell the Company's hosted communication services.**

Highlights

The Company has reached a long coming goal of Net Income positive during the first quarter of 2011 reporting Net Income of USD 6 thousand, a USD 0.42 million improvement over the fourth quarter of 2010 and a USD 0.78 million improvement over the first quarter of 2010. Similarly, the Company saw gains at the EBIT level with EBIT of USD 0.38 million. Driving the improved profitability picture is both growth in revenues during the past two quarters as well as operating efficiencies gained as a result of having 90% of the Company's user population on a consolidated data center and technology architecture.

Additionally, the Company's strategy of expanding its market reach through the development of partner channels while focusing its direct sales on the mid market continued to gain traction during the first quarter with the addition of two new significant channel partners; Network Solutions and CMIT to go along with the December 2010 signing of Cox Communications. Furthermore, the Company continued to see success in reaching the mid market with customers who have at least 100 users accounting for 41% of overall bookings compared approximately 30% during 2010. As a result, the Company experienced a new user bookings growth of 14% quarter over quarter driving the Company's overall user count to 317,000 at March 31, 2011, an increase of 2% quarter over quarter. Similarly, revenue grew to USD 10.1 million during the quarter, an increase of 2% quarter over quarter and 4% year over year.

"Our efforts to transform the Company over the past couple of years are beginning to deliver measureable results; first and foremost our ability to generate profitable results," said David Ehrhardt, CEO of Apptix.

“With the consolidation of our technology, operating, and organizational structure completed, we are driving top line revenue growth by expanding our reach through channels and continuing our move into the midmarket and enterprise. We have achieved greater results up-selling our expanded services to these larger and more stable customers – which offset longer sales cycles and volume pricing that accompany these larger opportunities. We anticipate our success attracting premier channel partners like Fujitsu, Cox Communications, Network Solutions, CPA2Biz and CMIT will this year bare the fruits of incremental revenue and user growth,” said Ehrhardt.

Financial Results – First Quarter 2011

Revenues totaled USD 10.1 million for the three months ended March 31, 2011, representing increases of 2% quarter over quarter and 4% year over year. The growth in revenues for both periods was due to the increases in the active user counts during the quarter, primarily as a result of the Speedway on-boarding which was completed in December 2010.

ARPU (excluding the effects of Speedway) was relatively flat quarter over quarter and down 8% year over year. The year over year decline is primarily the result of pricing concessions granted in conjunction with the Company’s platform consolidation efforts (which were completed in June 2010) and the Company’s continued focus on the mid-market; trading volume based ARPU concessions for stickier customers, lower relative cost of acquisition and support and the potential for broader uptake on the Company’s service portfolio.

Operating expenses (including depreciation and amortization) totaled USD 6.8 million during the first quarter of 2011, down 4% quarter over quarter and 11% year over year. The favorable variances were primarily due to operating efficiencies gained as a result of the platform consolidation efforts, including lower depreciation and amortization expense.

EBIT for the first quarter 2011 totaled USD 0.38 million, an improvement of USD 0.40 million quarter over quarter and USD 0.75 million year over year. The improvement as compared to prior periods is primarily the result of revenue growth as well as the operating efficiencies gained from the Company’s platform consolidation efforts during 2010.

Net Income for the first quarter of 2010 totaled USD 6 thousand compared to a loss of USD 0.41 million in the fourth quarter of 2010 and a loss of USD 0.78 million in the first quarter of 2010. As mentioned above, the improvements in the net results were the result of gains in revenue and operational efficiencies.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 0.93 million during the first quarter of 2011 compared to USD 0.74 million during the fourth quarter of 2010 and cash generated by operating activities of USD 0.55 million during the first quarter of 2010.

Equipment purchases, net of financing under equipment leases, during the first quarter of 2011 was USD 0.12 million compared to the same amount during the fourth quarter of 2010 and USD 25 thousand million in the first quarter of 2010. Cash used to satisfy debt and capital lease obligations was USD 0.85 million in the first quarter of 2011, compared to USD 0.83 million in the fourth quarter of 2010 and USD 1.1 million in the first quarter of 2010. The year over year variance is mostly due to principal payments required from the purchases of equipment related to the Company’s Speedway initiative.

The Company closed the first quarter of 2011 with USD 0.93 million in cash and USD 4.35 million outstanding on its working capital facility. Overall cash balances remained relatively flat during the first quarter with no change in the Company’s outstanding working capital facility as compared to December 31, 2010.

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, 2010. The enclosed consolidated condensed financial statements should be read in conjunction with the Company's 2010 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.

About Apptix

Headquartered in Herndon, Virginia, USA, Apptix (OSE: APP) is the premier provider of hosted business communication services for businesses of all sizes, with particular expertise serving legal, financial, and health care firms. An award-winning pioneer in the hosted services space, Apptix provides secure, reliable, and affordable products and services to over 300,000 users. The extensive Apptix product portfolio includes integrated solutions (e.g. Unified Communications) and point solutions including Exchange, VoIP, SharePoint, Web Conferencing, and Secure IM with Presence. Services are delivered over a highly reliable network leveraging best-in-class technology, housed in SAS 70-compliant data centers, and backed by U.S.-based 24/7 support. For more information, visit www.apptix.com or follow us at www.twitter.com/apptix.

For further information:

Johan Lindqvist (Chairman)	David Ehrhardt (CEO)	Chris Mack (CFO)
johan.lindqvist@windchange.se	david.ehrhardt@apptix.com	chris.mack@apptix.com
+46 733 55 09 35	+ 1 703 890 2800	+ 1 703 890 2800

Apptix ASA

Interim Consolidated Income Statement

(Amounts in USD 1,000)	Three months ended March 31, 2011 IFRS	Three months ended March 31, 2010 IFRS
Operating Revenues		
Recurring revenues	9,890	9,568
Other revenues	196	151
Total Operating Revenues	10,086	9,719
Cost of Sales		
Direct costs of recurring revenues	2,811	2,325
Direct costs of other revenues	61	61
Total Cost of Sales	2,872	2,386
Gross Profit	7,214	7,333
Operating Expenses		
Employee compensation and benefits	3,674	3,902
Other operational and administrative costs	2,335	2,831
Depreciation and amortization	827	973
Total Operating Expenses	6,836	7,706
Operating Income (Loss)	378	(373)
Other (Expense)/Income		
Interest, net	(346)	(369)
Other financial (expense)/income	-	(23)
Other (Expense)/Income	(346)	(392)
Income (Loss) Before Income Taxes	32	(765)
Income tax benefit/(expense)	(26)	(11)
Net Income (Loss) for the Period	6	(776)
Attributable to Equity Holders of Parent	6	(776)
Income (Loss) Per Share for the Period	0.00	(0.01)
Attributable to Equity Holders of Parent	0.00	(0.01)
Weighted Average Common Shares Outstanding	81,430	81,430

Apptix ASA

Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three months ended March 31, 2011 IFRS	March 31, 2010 IFRS
Income (Loss) for the Period	**6**	**(776)**
Other Comprehensive Income/(Loss):		
Exchange rate differences on translation of foreign operations	(21)	(4)
Total Other Comprehensive Income (Loss) for the Period	**(21)**	**(4)**
Total Comprehensive Income (Loss) for the Period	**(15)**	**(780)**
Attributed to Equity Holders of Parent	**(15)**	**(780)**

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Interim Consolidated Statement of Finanical Position

(Amounts in USD 1,000)	March 31, 2011 IFRS	December 31, 2010 IFRS	March 31, 2010 IFRS
ASSETS			
Non-Current Assets			
Intangible assets	23,239	23,043	23,464
Total Intangible Assets, net	23,239	23,043	23,464
Property, Plant and Equipment, net	5,904	6,208	7,511
Total Non-Current Assets	29,143	29,251	30,975
Current Assets			
Accounts receivable	1,547	1,558	1,669
Other current assets	492	539	526
Prepaid expenses	921	1,078	1,642
Cash and cash equivalents	928	966	1,874
Total Current Assets	3,888	4,141	5,711
TOTAL ASSETS	33,031	33,392	36,686
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	5,549	5,479	5,181
Retained earnings	(65,466)	(65,451)	(63,103)
Total Shareholders Equity	18,186	18,131	20,181
Long-Term Debt			
Other long-term debt	5,928	6,428	3,865
Total Long-Term Debt	5,928	6,428	3,865
Current Liabilities			
Trade accounts payable	2,041	2,268	2,517
Interest bearing short-term debt	3,184	3,229	6,362
Other current liabilities	3,692	3,336	3,760
Total Current Liabilities	8,917	8,833	12,639
TOTAL LIABILITIES AND EQUITY	33,031	33,392	36,686

Apptix ASA
Interim Consolidated Cash Flow Statement

	Three months ended March 31,	
	2011	**2010**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Net income (loss) for the period	6	(776)
Stock based compensation expense	70	54
Depreciation and amortization	827	973
Change in accounts receivable	11	3
Change in trade accounts payable	(227)	387
Change in other assets and liabilities	265	(88)
Cash Flows From Operating Activities	**952**	**553**
Cash Flows from Investing Activities		
Purchases of intangibles and property and equipment	(119)	(25)
Cash Flows Used in Investing Activities	**(119)**	**(25)**
Cash Flows from Financing Activities		
Payments on capital lease and debt obligations	(850)	(1,106)
Proceeds from debt facilities	-	425
Cash Flows Used in Financing Activities	**(850)**	**(681)**
Effect of Exchange Rates on Cash and Cash Equivalents	(21)	(4)
Net change in cash and cash equivalents	(38)	(157)
Cash and cash equivalents at beginning of period	966	2,031
Cash and Cash Equivalents at End of Period	**928**	**1,874**

Consolidated Statement of Changes in Equity

	Apptix Group					
(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, 2008	**1,210**	**60,086**	**3,940**	**8,412**	**(53,122)**	**20,526**
Net Loss for the Period					(3,213)	(3,213)
Translation Adjustment	545	12,373	839	(4,485)	(9,928)	(656)
Total Comprehensive Income	**1,755**	**72,459**	**4,779**	**3,927**	**(66,263)**	**16,657**
Issue of Share Capital	2,911	1,460	-	-	-	4,371
Transaction Costs Related to Issue of Share Capital	-	(482)	-	-	-	(482)
Equity Element of Expensed Options	-	-	348	-	-	348
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	-	-	-	-	(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 Loss for the Period	-	-	-	-	6	6
Other Comprehensive Income	-	-	-	-	(21)	(21)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Equity Element of Expensed Options	-	-	70	-	-	70
Equity March 31, 2011	**4,666**	**73,437**	**5,549**	**3,927**	**(69,393)**	**18,186**

Selected Explanatory Notes to Apptix ASA Interim Condensed Financial Statements

Working Capital Facility

Effective January 31, 2011, the Company entered into a Fourth Loan Modification Agreement (FLMA) with its financial institution related to its expiring working capital facility. Under the terms of the FLMA, the Company's working capital facility was increased to USD 6 million. Amounts available under the working capital facility are subject to a borrowing base equal to 75% of the Company's trailing two months cash collections. As of March 31, 2011, the Company had USD 4.35 million outstanding on its working capital facility and approximately USD 1.0 million of borrowing capacity. Borrowings under the working capital facility are subject to the bank's prime interest rates plus up to 2.5% additional percentage points. Any amounts under the revolving line of credit may be repaid and re-borrowed at any time prior to the maturity date. The working capital 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 term of the new working capital facility is through January 31, 2013.

Working Capital

The Company is currently operating in a negative working capital position. The negative working capital position is primarily the result of the equipment finance lease agreements entered into during late 2009 and early 2010 in support of the Company's Speedway contract (see below) and deferred revenues related to annual subscription contracts.

The Company entered into a five-year agreement with a healthcare customer (Speedway) in late 2009. During late 2009 and early 2010, the Company focused its efforts on acquiring approximately USD 4.5 million in equipment under capital lease agreements to support the customer infrastructure, implementing the systems including staffing of personnel and other required on-boarding initiatives.

As the on-boarding of Speedway was completed during the second half of 2010, the Company's overall operating results were significantly improved. As outlined in this report, the Company recorded a net profit of USD 6 thousand as compared to a net loss of USD 0.41 million in the fourth quarter of 2010. The Company believes this operating trend will continue throughout 2011. Additionally, with the expansion of the Company's working capital facility (as noted above) along with current cash reserves, the Company believes it has sufficient liquidity to meet its 2011 obligations.

For more information related to this subject, refer to the Company's 2010 Annual Report and Director's Report.