Apptix Reports Second Quarter and Half Year 2013 Results

Herndon, VA and Oslo, Norway – **August 15, 2013 –** Apptix® (OSE: APP), the premier provider of hosted business communication, collaboration, and IT solutions, today announced its unaudited financial results for the three and six months ended June 30, 2013.

Interim Management Report

Overview of the second quarter and half year results:

- 112,000 new bookings in the first half, a 261% year over year increase
- 470,000 users under contract; a 22% increase over December 2012
- Channel leading business activities, accounting for 53% of half year booking
- Renewed and expanded agreement with leading healthcare system (Speedway), worth an estimated USD 30 to 32 million over four years
- Revenue of USD 21.2 million in H1-13, an increase of 1% over H1-12 with a revenue backlog of USD 795 thousand (QRR) due to on-boarding complexities
- Net income of USD 541 thousand in H1-13, an increase of 34% over H1-12

Highlights

Apptix experienced a second consecutive quarter of solid bookings progress following a challenging fourth quarter of 2012 that, under its recurring revenue model, continues to hamper 2013 revenue growth. Bookings over the first half of 2013 totaled an annualized USD 3.7 million; a 28% increase over H2-12 and a 19% over H1-12. Second quarter bookings were USD 459 thousand of quarterly recurring revenue, matching strong first quarter results and up 16% year over year.

Total users under contract have grown impressively to 470,000 – up 13% from 415,000 at the end of the first quarter and a 22% increase over December 2012. However, due to the size and complexity of many of this year's transactions, the Company has a backlog of 93,000 users awaiting migration.

Apptix's Channel and Account Management programs, pillars of the Company's strategic priorities, drove the majority of second quarter business activities. Channel accounted for 53% of first half bookings as existing partners continue user growth and with the addition of three new partners bringing existing Exchange user bases. Apptix's channel network expanded through the quarter as Sprint's Emerging Solutions & Global Wholesale division signed additional indirect resellers that are anticipated to contribute toward 2014 growth.

The Account Management team delivered 35% of the first half's bookings. The team's strategic accomplishment was the successful renewal and expansion of the Company's agreement with one of the nation's leading healthcare systems (referenced as Speedway in past announcements). This agreement is worth an estimated USD 30 to 32 million over the next 4 years and includes the addition of a new 40,000-user facility, valued at USD 840 thousand of annualized revenue to Apptix. The team has also been key to the diversification of the Company's revenue from the growing uptake of non-Exchange services from Apptix's expanding portfolio. Enhanced customer management efforts continue to hold user churn below the industry average at 10% annually. Persistent competitive pricing pressure creates a 3% annual impact to revenue from the existing customer base.

This churn and pricing pressure plus the weaker than expected fourth quarter 2012 bookings in advance of revenue from the solid current year bookings affected revenue in both the first half and the second quarter of USD 21.2 million and USD 10.5 million essentially flat for both periods. Net income during the first half of 2013 was USD 541 thousand, an increase of 34% year over year, and was USD 175 thousand in the second quarter, down quarter over quarter and year over year. The unrecognized Quarterly Recurring Revenue from the backlog of users is an estimated USD 795 thousand. With 85% of the backlog expected to be on-boarded during the second half of the year, the Company anticipates experiencing a resulting revenue increase during the fourth quarter of this year. Apptix remains net income and cash flow positive.

"Our strategic priorities have delivered strong bookings, held churn in check, and diversified our revenue streams throughout the first half of the year. We continue to adjust resources and expectations adapting to the more complex requirements of the channel and mid-market/enterprise sales cycles and migrations. As a result, we continue to experience a positive cash flow trend across the business," said Dave Ehrhardt, Apptix's President and CEO. "While implementation cycles have lengthened we have significantly accelerated our user growth during the first half; an important step towards accelerating top line development and believe we will end the year north of 500,000 users under contract. Further, we continue to see growth in revenue from non-Exchange services with these services accounting for a full third of our run rate revenues at the end of June 2013. While 2013's top-line development has been disappointing to date, we anticipate significant improvement by the fourth quarter."

Financial Results – Second Quarter and Half Year 2013

Revenues totaled USD 10.5 million for the three months ended June 30, 2013, representing a 2% decrease both quarter over quarter and year over year. The lower current period revenues were primarily the result of the weaker fourth quarter 2012 bookings and the slower ramping of current year bookings. As a result, the new revenues were not able to offset the revenue churn within the Company's base business. Revenues for the six months ended June 30, 2013 totaled USD 21.2 million up 1% from the same period in 2012.

ARPU was USD 9.19 down 1% quarter over quarter and 9% year over year due to a combination of price concessions related to conversions to longer term contracts along with a shift to a wholesale channel model which typically carries lower revenue per user fees.

Operating expenses (including depreciation and amortization) were USD 7.1 million during the second quarter of 2013, relatively flat both quarter over quarter and year over year. Total operating expenses for the six months ended June 30, 2013 were USD 14.3 million, an increase of 1% from the same period in 2012.

EBIT for the second quarter 2013 was USD 503 thousand, down USD 210 thousand quarter over quarter and USD 133 thousand year over year. EBIT for the six months ended June 30, 2013 was USD 1.2 million, compared to a USD 1.1 million during the comparable period in 2012, a 15% improvement. Net Income for the second quarter of 2013 was USD 175 thousand compared to USD 366 thousand in the first quarter of 2013 and USD 302 thousand in the second quarter of 2012. Total Net Income was 541 thousand for the six months ended June 30, 2013, compared to USD 404 thousand during the comparable period in 2012, a 34% improvement. Fluctuations in EBIT and Net Income during the second quarter were primarily driven by normal user churn ahead of revenue that will be yielded from solid current year bookings that have longer implementation cycles combined with weaker fourth quarter 2012 bookings, as previously noted. The Company's user churn of 10% annually remains below industry averages, however user churn tends to take place ratably throughout the year while the implementation of the first half bookings will take place predominantly during the second half of the year. Despite these timing challenges, the Company has and will continue to manage to positive net income and cash flow.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 897 thousand during the second quarter of 2013 compared to USD 1.2 million during the first quarter of 2013 and USD 1.5 million during the second quarter of 2012. For the first half of 2013, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 2.1 million, down from prior year levels of USD 2.6 million. Cash flow fluctuations follow the EBIT and Net Income fluctuations discussed above.

Equipment purchases, net of financings under equipment leases, during the second quarter of 2013 were USD 34 thousand compared to USD 51 thousand in the first quarter of 2013 and USD 135 thousand in the second quarter of 2012. Equipment purchases, net of financings under equipment leases, during the first half of 2013 were USD 85 thousand compared to USD 257 thousand during the first half of 2012.

Net cash used to satisfy debt and capital lease obligations (including proceeds from the Company's working capital facility) was USD 877 thousand in the second quarter of 2013, down slightly from first quarter 2013 of USD 915 thousand and second quarter 2012 USD 884 thousand. Net cash used by financing activities totaled USD 1.8 million during the first six months of both 2013 and 2012.

The Company closed the second quarter of 2013 with USD 2.6 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 2013. As of June 30, 2013, the Company had approximately USD 4.0 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, 2012. The enclosed consolidated condensed financial statements should be read in conjunction with the Company's 2012 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

(Amounts in USD 1,000)	Three Months Ended June 30, 2013 IFRS	 June 30, 2012 IFRS
Operating Revenues		
Recurring Revenues	10,197	10,492
Other Revenues	310	202
Total Operating Revenues	10,507	10,694
Cost of Sales		
Direct Costs of Recurring Revenues	2,860	2,861
Direct Costs of Other Revenues	23	45
Total Cost of Sales	2,883	2,906
Gross Profit	7,624	7,788
Operating Expenses		
Employee Compensation and Benefits	3,733	3,638
Other Operational and Administrative Costs	2,421	2,589
Depreciation and Amortization	967	925
Total Operating Expenses	7,121	7,152
Operating Income	503	636
Other Expense		
Interest, net	(286)	(272)
Total Other Expense	(286)	(272)
Income Before Income Taxes	217	364
Income Tax Expense	(42)	(62)
Net Income for the Period	175	302
Earnings Per Share: Basic	0.00	0.00
Diluted	0.00	0.00
Weighted Average Common Shares Outstanding	81,430	82,330

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Six Months Ended June 30, 2013 IFRS	Six Months Ended June 30, 2012 IFRS
Operating Revenues		
Recurring Revenues	20,702	20,555
Other Revenues	513	440
Total Operating Revenues	21,215	20,995
Total Cost of Sales	5,696	5,818
Gross Profit	15,519	15,177
Operating Expenses		
Employee Compensation and Benefits	7,663	7,286
Other Operational and Administrative Costs	4,734	5,004
Depreciation and Amortization	1,906	1,831
Total Operating Expenses	14,303	14,121
Operating Income	1,216	1,056
Other Expense		
Interest, net	(592)	(552)
Total Other Expense	(592)	(552)
Income Before Income Taxes	624	504
Income Tax Expense	(83)	(100)
Net Income for the Period	541	404
Earnings Per Share: Basic	0.01	0.00
Diluted	0.01	0.00
Weighted Average Common Shares Outstanding	81,520	82,085

Apptix ASA
Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended June 30, 2013 IFRS	Three Months Ended June 30, 2012 IFRS
Income for the Period	**175**	**302**
Exchange Rate Differences on Translation of Foreign Operations	7	(25)
Items that may be Reclassified Subsequently to the Income Statement	**7**	**(25)**
Items that will not be Reclassified Subsequently to the Income Statement	**-**	**-**
Total Other Comprehensive Income / (Loss) for the Period	**7**	**(25)**
Total Comprehensive Income for the Period	**182**	**277**
Attributed to Equity Holders of Parent	**182**	**277**

(Amounts in USD 1,000)	Six Months Ended June 30, 2013 IFRS	Six Months Ended June 30, 2012 IFRS
Income for the Period	**541**	**404**
Exchange Rate Differences on Translation of Foreign Operations	24	(45)
Items that may be Reclassified Subsequently to the Income Statement	**24**	**(45)**
Items that will not be Reclassified Subsequently to the Income Statement	**-**	**-**
Total Other Comprehensive Income / (Loss) for the Period	**24**	**(45)**
Total Comprehensive Income for the Period	**565**	**359**
Attributed to Equity Holders of Parent	**565**	**359**

Apptix ASA

Interim Consolidated Statement of Financial Position

(Amounts in USD 1,000)	June - 30 2013 IFRS	December - 31 2012 IFRS	June - 30 2012 IFRS
ASSETS			
Non-Current Assets			
Intangible Assets	22,481	22,610	22,824
Total Intangible Assets, net	22,481	22,610	22,824
Property, Plant and Equipment, net	9,228	10,311	6,681
Total Non-Current Assets	31,709	32,921	29,505
Current Assets			
Accounts Receivable	1,709	1,645	1,554
Other Current Assets	269	267	357
Prepaid Expenses	1,619	886	1,595
Cash and Cash Equivalents	2,569	2,358	1,334
Total Current Assets	6,166	5,156	4,840
TOTAL ASSETS	37,875	38,077	34,345
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	6,055	5,978	5,882
Retained Earnings	(62,947)	(63,511)	(64,387)
Total Shareholders Equity	21,211	20,570	19,598
Long-Term Debt			
Other Long-Term Debt	7,731	8,803	1,085
Total Long-Term Debt	7,731	8,803	1,085
Current Liabilities			
Trade Accounts Payable	1,718	1,307	1,452
Interest Bearing Short-Term Debt	3,113	3,313	7,796
Other Current Liabilities	4,102	4,084	4,414
Total Current Liabilities	8,933	8,704	13,662
TOTAL LIABILITIES AND EQUITY	37,875	38,077	34,345

Apptix ASA

Interim Consolidated Cash Flow Statement

	Six Months Ended June 30,	
	2013	**2012**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Net Income for the Period	541	404
Stock Based Compensation Expense	77	133
Depreciation and Amortization	1,906	1,831
Change in Accounts Receivable	(64)	86
Change in Trade Accounts Payable	412	27
Change in Other Assets and Liabilities	(786)	164
Cash Flows From Operating Activities	2,086	2,645
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(85)	(257)
Cash Flows Used in Investing Activities	(85)	(257)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(1,792)	(1,820)
Cash Flows Used in Financing Activities	(1,792)	(1,820)
Effect of Exchange Rates on Cash and Cash Equivalents	2	(2)
Net Change in Cash and Cash Equivalents	211	566
Cash and Cash Equivalents at Beginning of Period	2,358	768
Cash and Cash Equivalents at End of Period	2,569	1,334

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, 2011	**4,666**	**73,437**	**5,749**	**3,927**	**(68,674)**	**19,105**
Net Income for the Period	-	-	-	-	1,265	1,265
Other Comprehensive 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)**	**20,570**
Net Income for the Period	-	-	-	-	366	366
Other Comprehensive Income	-	-	-	-	17	17
Total Comprehensive Income	-	-	-	-	383	383
Equity Element of Expensed Options	-	-	36	-	-	36
Equity March 31, 2013	**4,666**	**73,437**	**6,014**	**3,927**	**(67,056)**	**20,988**
Net Income for the Period	-	-	-	-	175	175
Other Comprehensive Income	-	-	-	-	7	7
Total Comprehensive Income	-	-	-	-	182	182
Equity Element of Expensed Options	-	-	41	-	-	41
Equity June 30, 2013	**4,666**	**73,437**	**6,055**	**3,927**	**(66,874)**	**21,211**

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 nearly 400,000 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-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.

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 175 thousand during the second quarter of 2013 marking the tenth consecutive quarter of positive net income. Additionally, the Company generated cash of USD 2.1 million during the first half of 2013 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 2012 Annual Report and Director's Report.

Risk and Uncertainty

As described in the Company's Annual Report for 2012 (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 including such services provided by third parties 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. 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 few years, 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 2013. 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 2012 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 2013.

Responsibility Statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2013 and for the six month period January 1, 2013 to June 30, 2013 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