

## Apptix Reports First Quarter 2013 Results

**Herndon, VA and Oslo, Norway** – May 7, 2013, Apptix® (NYSE: APP), the premier provider of hosted business communication, collaboration, and IT solutions, today announced its unaudited financial results for the three months ended March 31, 2013.

### **Interim Management Report:**

Overview of first quarter results:

- Dollar value of bookings increased 90% quarter over quarter and 23% year over year to USD 477 thousand of quarterly recurring revenue
- Revenue of USD 10.7 million, down 1.8% quarter over quarter due to lower than expected bookings in the fourth quarter of 2012, but up 4.0% year over year
- Net income of USD 366 thousand, down 16% quarter over quarter due to US employment tax restart, but up 259% year over year
- User count flat quarter over quarter and up 8% year over year at 380,000; total users under contract exceeds 415,000 (including backlog)
- Channel program gaining traction
  - 73% of quarter's bookings from channel
  - Signed channel partnership with US TelePacific Corporation
  - Sprint expands the number of partners reselling Apptix services

Apptix bookings were back on track following a challenging fourth quarter of 2012 that weighed on the current period revenues. This returns the Company to a trend of record bookings experienced in three of four quarters in 2012. Bookings increased 90% quarter over quarter and 23% year over year to USD 477 thousand of quarterly recurring revenue. Revenue from the new bookings will be experienced in phases as the majority of the new bookings will be on-boarded throughout the year due to the size and complexity of the deals. The Company's channel strategy appears to be taking hold as 73% of the quarter's bookings were from channels.

The challenging Q4-12 bookings impacted first quarter revenues due to the Company's recurring annuity business model where revenues traditionally trail bookings by at least one quarter. Revenue for the quarter was USD 10.7 million, down 1.8% quarter over quarter, but up 4.0% year over year. Meanwhile, Net Income was USD 366 thousand, down 16% quarter over quarter, however, up 259% year over year. The restart of US payroll taxes and other seasonal expenses impacted net income on a quarter over quarter comparison. During the quarter, the Company recorded its 9th straight quarter of positive net income and 5th straight quarter of positive net cash flow.

User counts remained flat quarter over quarter at 380,000 due to the weaker fourth quarter bookings, but grew 8% year over year. User churn rates remain less than 10% annually, offset by same store growth. With the strong first quarter's bookings, total users under contract now exceed 415,000.

In addition to the strong bookings, Apptix channel strategy continued to deliver results with the addition of new blue chip partners. Apptix signed a direct partnership with US TelePacific Corporation, one of the US's premier CLECs providing IP, voice, data, and Internet services, as well as business continuity, and cloud and managed network solutions. Indirect resellers also increased through Apptix's partnership with Sprint's Emerging Solutions & Global Wholesale division.

Apptix continued to experience uptake from its expanding service portfolio as it diversifies its revenue stream. The Company launched Mobile Device Management and Active Directory Management services in the quarter with new infrastructure services being readied for the second quarter. Security and Compliance services continue to experience a 10% attach rate. The Dedicated SharePoint service is selling well with mid-market and enterprise organizations, with USD 750 thousand in annualized new revenue booked over the last five quarters. Overall, during the last five quarters, 30% of new bookings were from non-Exchange services.

Consistent positive operating cash flow and a new credit facility established in January 2013, provide Apptix with the resources to fund its growth strategy, continually reinvest in and expand its capabilities, and weather challenges.

“Our growing bookings this quarter continue to demonstrate our strategy is correct and driving us towards our goal of double digit revenue growth,” said David Ehrhardt, CEO of Apptix. “As we evolve Apptix in response to market opportunities and competitive pressure, we recognize progress will be uneven. We have adjusted to the longer sales and implementation cycles required for more valuable midmarket and enterprise customers. As we’ve discussed in the past, growth through the channel is a marathon, not a sprint, as we build towards a critical mass of partners capable of selling and supporting our services. We remain diligently focused on developing consistent quarter over quarter improvement and growth.”

### **Financial Results – First Quarter 2013**

Revenues totaled USD 10.7 million for the three months ended March 31, 2013, down 1.8% quarter over quarter and 4.0% higher than the corresponding period in 2012. The decline in revenues quarter over quarter was due to the lower bookings experienced during the fourth quarter of 2012. The year over year revenue growth is attributable to the midmarket and enterprise bookings that occurred throughout 2012. The Company recorded quarterly recurring revenue bookings of USD 477 thousand representing increases of 90% quarter over quarter and 23% year over year. The first quarter 2013 bookings were primarily driven by sales transactions through the Company’s channel network which accounted for 73% of the total bookings. The Company anticipates on-boarding the majority of these users starting in the latter part of Q2-13 and continuing throughout the remainder of 2013. ARPU was USD 9.33 down 4.1% from fourth quarter 2012 levels and down 6.7% from first quarter 2012 due to a combination of pricing pressure in the market place and the impact of the Company’s wholesale channel bookings during 2012 which accounted for over 30% of total bookings during 2012.

Operating expenses (including depreciation and amortization) totaled USD 7.2 million during the first quarter of 2013, flat quarter over quarter and up 3.1% year over year. The year over year increase is due to the targeted investments made by Apptix throughout 2012 in support of efforts related to channel growth, customer acquisition, migration and toolset enhancements. In aggregate, these investments totaled USD 1.0 million in 2012. Impacting the quarter over quarter results was the seasonal restart of US payroll related taxes. EBIT for the first quarter 2013 totaled USD 713 thousand, up 3.0% quarter over quarter and up USD 70% year over year.

Net Income for the first quarter of 2013 totaled USD 366 thousand compared to USD 438 thousand in the fourth quarter of 2012 and USD 102 thousand in the first quarter of 2012.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.2 million during the first quarter of 2013 down quarter over quarter and flat compared to the first quarter of 2012. The quarter over quarter decline is due to seasonal changes in working capital accounts.

Equipment purchases, net of financing under equipment leases, during the first quarter of 2013 were USD 51 thousand compared to USD 119 thousand during the fourth quarter of 2012 and USD 122 thousand in the first quarter of 2012. Cash used to satisfy debt and capital lease obligations was USD 915 thousand in the first quarter of 2013, compared to USD 1.0 million in the fourth quarter of 2012 and USD 936 thousand in the first quarter of 2012.

The Company closed the first quarter of 2013 with USD 2.6 million in cash and USD 4.7 million outstanding on its working capital facility. Overall cash balances increased USD 225 thousand during the first quarter with no change in the outstanding balance of the Company's working capital facility as compared to December 31, 2012.

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### **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	
	March 31, 2013 IFRS	March 31, 2012 IFRS
<b>Operating Revenues</b>		
Recurring Revenues	10,505	10,063
Other Revenues	203	238
<b>Total Operating Revenues</b>	10,708	10,301
<b>Total Cost of Sales</b>	2,813	2,912
<b>Gross Profit</b>	7,895	7,389
<b>Operating Expenses</b>		
Employee Compensation and Benefits	3,930	3,648
Other Operational and Administrative Costs	2,313	2,415
Depreciation and Amortization	939	906
<b>Total Operating Expenses</b>	7,182	6,969
<b>Operating Income</b>	713	420
<b>Other Expense</b>		
Interest, net	(306)	(280)
<b>Total Other Expense</b>	(306)	(280)
<b>Income Before Income Taxes</b>	407	140
Income Tax Expense	(41)	(38)
<b>Net Income for the Period</b>	366	102
<b>Earnings Per Share:</b>		
Basic	0.00	0.00
Diluted	0.00	0.00
<b>Weighted Average Common Shares Outstanding</b>	81,710	81,912

**Aptix ASA**  
**Interim Consolidated Statement of Comprehensive Income**

<b>(Amounts in USD 1,000)</b>	<b>Three Months Ended</b>	
	<b>March 31, 2013</b>	<b>March 31, 2012</b>
	<b>IFRS</b>	<b>IFRS</b>
<b>Income for the Period</b>	<u>366</u>	<u>102</u>
<b>Other Comprehensive Income / (Loss)</b>		
Exchange Rate Differences on Translation of Foreign Operations	<u>17</u>	<u>(20)</u>
<b>Total Other Comprehensive Income / (Loss) for the Period</b>	<u>17</u>	<u>(20)</u>
<b>Total Comprehensive Income for the Period</b>	<u>383</u>	<u>82</u>
<b>Attributed to Equity Holders of Parent</b>	<u>383</u>	<u>82</u>

**Apptix ASA**  
**Interim Consolidated Statement of Financial Position**

	<u>March - 31</u>	<u>December - 31</u>	<u>March - 31</u>
(Amounts in USD 1,000)	<u>2013</u>	<u>2012</u>	<u>2012</u>
	<u>IFRS</u>	<u>IFRS</u>	<u>IFRS</u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Intangible Assets	22,483	22,610	22,811
<b>Total Intangible Assets, net</b>	<u>22,483</u>	<u>22,610</u>	<u>22,811</u>
<b>Property, Plant and Equipment, net</b>	<u>9,747</u>	<u>10,311</u>	<u>6,114</u>
<b>Total Non-Current Assets</b>	32,230	32,921	28,925
<b>Current Assets</b>			
Accounts Receivable	1,615	1,645	1,578
Other Current Assets	267	267	445
Prepaid Expenses	1,584	886	1,306
Cash and Cash Equivalents	<u>2,583</u>	<u>2,358</u>	<u>812</u>
<b>Total Current Assets</b>	<u>6,049</u>	<u>5,156</u>	<u>4,141</u>
<b>TOTAL ASSETS</b>	<u>38,279</u>	<u>38,077</u>	<u>33,066</u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Equity Attributed to Equity Holders of the Parent</b>			
Common Stock	4,666	4,666	4,666
Paid-in Premium Reserve	73,437	73,437	73,437
Other Paid-in Capital	6,014	5,978	5,823
Retained Earnings	<u>(63,129)</u>	<u>(63,511)</u>	<u>(64,664)</u>
<b>Total Shareholders Equity</b>	20,988	20,570	19,262
<b>Long-Term Debt</b>			
Other Long-Term Debt	<u>8,193</u>	<u>8,803</u>	<u>553</u>
<b>Total Long-Term Debt</b>	8,193	8,803	553
<b>Current Liabilities</b>			
Trade Accounts Payable	1,852	1,307	1,310
Interest Bearing Short-Term Debt	3,147	3,313	7,831
Other Current Liabilities	<u>4,099</u>	<u>4,084</u>	<u>4,110</u>
<b>Total Current Liabilities</b>	<u>9,098</u>	<u>8,704</u>	<u>13,251</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>38,279</u>	<u>38,077</u>	<u>33,066</u>

**Aptix ASA**  
**Interim Consolidated Cash Flow Statement**

<b>(Amounts in USD 1,000)</b>	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>IFRS</b>	<b>IFRS</b>
<b>Cash Flows from Operating Activities</b>		
Net Income for the Period	366	102
Stock Based Compensation Expense	36	74
Depreciation and Amortization	939	906
Change in Accounts Receivable	30	62
Change in Trade Accounts Payable	546	(115)
Change in Other Assets and Liabilities	(728)	75
<b>Cash Flows From Operating Activities</b>	<b>1,189</b>	<b>1,104</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Intangibles and Property and Equipment	(51)	(122)
<b>Cash Flows Used in Investing Activities</b>	<b>(51)</b>	<b>(122)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Capital Lease and Debt Obligations	(915)	(936)
<b>Cash Flows Used in Financing Activities</b>	<b>(915)</b>	<b>(936)</b>
<b>Effect of Exchange Rates on Cash and Cash Equivalents</b>	2	(2)
Net Change in Cash and Cash Equivalents	225	44
Cash and Cash Equivalents at Beginning of Period	2,358	768
<b>Cash and Cash Equivalents at End of Period</b>	<b>2,583</b>	<b>812</b>

**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
<b>Equity December 31, 2010</b>	<b>4,666</b>	<b>73,437</b>	<b>5,479</b>	<b>3,927</b>	<b>(69,378)</b>	<b>18,131</b>
Net Income for the Period	-	-	-	-	703	703
Other Comprehensive Income	-	-	-	-	1	1
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>704</b>	<b>704</b>
Equity Element of Expensed Options	-	-	270	-	-	270
<b>Equity December 31, 2011</b>	<b>4,666</b>	<b>73,437</b>	<b>5,749</b>	<b>3,927</b>	<b>(68,674)</b>	<b>19,105</b>
Net Income for the Period	-	-	-	-	1,265	1,265
Other Comprehensive Loss	-	-	-	-	(30)	(30)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,235</b>	<b>1,235</b>
Equity Element of Expensed Options	-	-	229	-	-	229
<b>Equity December 31, 2012</b>	<b>4,666</b>	<b>73,437</b>	<b>5,978</b>	<b>3,927</b>	<b>(67,439)</b>	<b>20,570</b>
Net Income for the Period	-	-	-	-	366	366
Other Comprehensive Income	-	-	-	-	17	17
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383</b>	<b>383</b>
Equity Element of Expensed Options	-	-	36	-	-	36
<b>Equity March 31, 2013</b>	<b>4,666</b>	<b>73,437</b>	<b>6,014</b>	<b>3,927</b>	<b>(67,056)</b>	<b>20,988</b>

## 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](http://www.apptix.com)

### For further information:

Johan Lindqvist (Chairman)  
[johan.lindqvist@windchange.se](mailto:johan.lindqvist@windchange.se)  
+46 733 55 09 35

David Ehrhardt (CEO)  
[david.ehrhardt@apptix.com](mailto:david.ehrhardt@apptix.com)  
+ 1 703 890 2800

Chris Mack (CFO)  
[chris.mack@apptix.com](mailto:chris.mack@apptix.com)  
+ 1 703 890 2800



## **Selected Explanatory Notes to Aptix 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 366 thousand during the first quarter of 2013 marking the ninth consecutive quarter of positive net income. Additionally, the Company generated cash of USD 1.2 million during the first 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 2012 Annual Report and Director's Report.