

## **Apptix Reports First Quarter 2015 Results**

**Herndon, VA and Oslo, Norway – May 6, 2015** – Apptix® (NYSE: APP), the premier provider of managed and hosted solutions, today announced its unaudited financial results for the three months ended March 31, 2015.

### **Interim Management Report**

Overview of the first quarter results:

- Revenue of USD 9.6 million; flat quarter over quarter and down 4.0% year over year
- Professional services revenue of USD 445 thousand up significantly compared to USD 272 thousand in Q4-14 (64% increase) and USD 210 thousand in Q1-14 (112% increase)
- Net income of USD 205 thousand compared to net income of USD 272 thousand in Q4-14 (before one-time charges and goodwill impairment) and net income of USD 70 thousand in Q1-14
- Hired managed service industry veteran Tom Tighe as Chief Revenue Officer to lead sales, marketing, and product
- Launched four new services during the quarter:
  - Disaster Recovery / Business Continuity
  - Enterprise File Storage
  - Virtual Servers and Desktops (Desktop as a Service)
  - Microsoft Office 365 for mid-market and enterprise organizations
- Restructured the Company's bank credit facilities
- FY14 restructuring initiatives (datacenter consolidation and FL office closure) are progressing as planned

### **Highlights**

As we discussed in our 2014 Shareholder's Letter, the Company is going to market as a provider of managed public, private and hybrid services addressing the complex needs of mid-market and enterprise organizations. These managed services will include a broad range of solutions centered on a proactive management approach of a customer's entire network infrastructure, technologies, and applications. These services will include the deployment and management of infrastructure and network monitoring tools, virtual workstations, servers, firewalls, mobile devices, enterprise backup, disaster recovery, email, VoIP, mobile device management and other business applications to name a few. As a managed service provider integrating best of breed cloud solutions, Apptix will become the one-stop technology partner for its customers. As a result of this new approach, the Company has now retired its previous email-centric business model and its Channel First distribution strategy.

While we expect 2015 to be a year of transition for the Company, we are pleased to report that many of the steps required to achieve this transition have already commenced. Additionally, we

are tracking our 2015 plan to refocus the business and take full advantage of the existing managed service business that Apptix already provides and benefits from.

The year started off with the hiring of Tom Tighe, a managed service industry veteran and proven sales leader, to lead the Company's Product, Marketing, Sales, and Business Development efforts to drive growth and market share. The re-establishment of a direct sales presence is underway with a team focused on consultative, technical sales. In addition to a growing enterprise sales team, the Company is also developing an inside sales presence and expanding its customer facing Account Management teams to support new customer acquisitions and growth within the Company's existing customer base.

The Company moved quickly during the quarter to expand its new managed service portfolio with the launch of four new services supporting its new Complete IT & Network Management approach.

- Disaster Recovery / Business Continuity - Customers are now able to implement a disaster recovery solution that provides complete redundancy in the cloud with rapid restoration of services, when required.
- Enterprise File Storage – Customers can centrally manage files both on premise and in the cloud.
- Virtual Desktops (Desktop as a Service) – Allows customers to host desktops in the cloud providing users with secure access to their desktops from virtually any device.
- Microsoft Office 365 for mid-market and enterprise organizations – Office 365 is the industry leading productivity platform combining messaging, communication, and the Office Suite into one robust solution.

The new services added during the first quarter are being deployed via a syndication delivery model. However, as the Company continues to expand its service offerings, future portfolio services will be deployed via syndication or hosted directly by Apptix (within its datacenters).

During late 2014, the Company implemented a Restructuring Initiative that included the consolidation of the Florida office facility and datacenter operations, the reduction and consolidation of staff in all three Company locations, and the write-down of certain non-performing assets. *For more information on the Restructuring Initiative, please see the Company's 2014 Annual Report.*

As of March 31, 2015, all staff had vacated the Company's Florida office facility. The Company is currently in the process of disposing of or relocating the equipment previously utilized at the Florida office facility. The Company expects the office to be fully vacant by the end of the second quarter 2015. Staff relocations to Virginia and Texas are in process and all personnel not participating in the Company's relocation program are no longer employed by the Company. As previously noted, the Company is restructuring its reactive call center support model to one of a higher-touch, proactive customer engagement or customer care model. Further expansion and integration of this team is expected throughout 2015 as the Company continues to transition to a full managed services provider.

Additionally, the Company commenced its datacenter consolidation initiative with the initial relocation of equipment from its Florida datacenter. The Company expects the Florida datacenter to be fully vacated before the end of the current facility lease which expires in Q3-15.

New quarterly recurring revenue (QRR) bookings totaled USD 137 thousand during the first quarter of 2015 relatively flat with the fourth quarter of 2014. Similar to the fourth quarter of 2014, QRR was not the Company's sole bookings or revenue focus during the current period. In addition to QRR bookings, the Company identified and sold USD 471 thousand in Professional Services during the quarter an increase of 219% quarter over quarter and 712%, year over year.

While Aptix re-launches its sales, marketing and product efforts around a managed cloud service offering, the Company expects Professional Service bookings and the resulting Non-Recurring Revenues to be a significant contributor to overall revenues in 2015. As the new business strategy takes hold in late 2015 and early 2016, new business bookings will be a combination of both recurring and non-recurring initiatives.

Driven by strong Professional Service revenues during the quarter, the Company recorded USD 9.6 million in revenues during the first quarter of 2015, flat quarter over quarter and down 4.0% year over year. The Company also recorded Net Income of USD 205 thousand during the first quarter as compared to USD 272 during the fourth quarter of 2014 (before one-time charges and goodwill impairment) and USD 70 thousand in the first quarter of 2014.

The Company exited 2014 with a QRR backlog of USD 0.4 million which began on-boarding in late Q1-15. The Company anticipates the balance of the current backlog to be delivered in Q2-15.

“We are pleased with the initial progress we are seeing from our new business strategy. The resources are being aligned with an emphasis on new customer acquisition and enhanced customer care along with an expanding managed service offering all in support of topline growth. 2015 will be a transitional year; however, we do expect to make significant strides towards future revenue growth. We are confident in the new business strategy and look forward to achieving our goals,” said Johan Lindquist, Chairman of Aptix.

## Financial Results - First Quarter 2015

**The following commentary is based on the Company's financial statements for the periods presented excluding the one-time charges recorded during the fourth quarter of 2014 and shown below. For more information related to the one-time charges, please see the Company's Fourth Quarter 2014 Earnings Release and the Company's 2014 Annual Report.**

(Amounts in USD 1,000)	Q1 2015	Q1 2014	F/(U) % Change	Q4 2014			
				Including one time charges	Excluding one time charges	One time charges	Excluding one time charges
<b>OPERATING REVENUE</b>							
Recurring Revenue	9,186	9,825	-6.5%	9,454	9,454	-	-2.8%
Non Recurring Revenue	445	210	111.9%	272	272	-	63.6%
<b>Operating Revenue</b>	<b>9,631</b>	<b>10,035</b>	<b>-4.0%</b>	<b>9,726</b>	<b>9,726</b>	<b>-</b>	<b>-1.0%</b>
<b>Cost of Sales</b>	<b>2,561</b>	<b>3,114</b>	<b>17.8%</b>	<b>4,267</b>	<b>2,862</b>	<b>1,405</b>	<b>10.5%</b>
<b>Gross Margin</b>	<b>7,070</b>	<b>6,921</b>	<b>2.2%</b>	<b>5,459</b>	<b>6,864</b>	<b>(1,405)</b>	<b>3.0%</b>
Employee Compensation and Benefits	3,605	3,426	-5.2%	3,596	3,401	195	-6.0%
Other Operating Expenses and Administrative Costs	2,118	2,085	-1.6%	3,575	1,985	1,590	-6.7%
Restructuring Charge	-	-	-	1,955	-	1,955	-
Goodwill Impairment	-	-	-	5,681	-	5,681	-
Depreciation and Amortization	852	1,100	22.5%	1,180	887	293	3.9%
<b>Total Operating Expenses</b>	<b>6,575</b>	<b>6,611</b>	<b>0.5%</b>	<b>15,987</b>	<b>6,273</b>	<b>9,714</b>	<b>-4.8%</b>
<b>Operating Income</b>	<b>495</b>	<b>310</b>	<b>59.7%</b>	<b>(10,528)</b>	<b>591</b>	<b>(11,119)</b>	<b>-16.2%</b>
<b>FINANCIAL INCOME AND EXPENSES</b>							
Interest Expense	(290)	(240)	-20.8%	(319)	(319)	-	9.1%
<b>Net Financial Expenses</b>	<b>(290)</b>	<b>(240)</b>	<b>-20.8%</b>	<b>(319)</b>	<b>(319)</b>	<b>-</b>	<b>9.1%</b>
<b>Income Before Taxes</b>	<b>205</b>	<b>70</b>	<b>192.9%</b>	<b>(10,847)</b>	<b>272</b>	<b>(11,119)</b>	<b>-24.6%</b>
Income Tax Expense	-	-	-	-	-	-	-
<b>Net Income for the Period</b>	<b>205</b>	<b>70</b>	<b>192.9%</b>	<b>(10,847)</b>	<b>272</b>	<b>(11,119)</b>	<b>-24.6%</b>
<b>EBITDA for the Period</b>	<b>1,347</b>	<b>1,410</b>	<b>-4.5%</b>	<b>(3,667)</b>	<b>1,478</b>	<b>(5,145)</b>	<b>-8.9%</b>

Revenues totaled USD 9.6 million for the three months ended March 31, 2015, representing no change from fourth quarter 2014 levels and a 4.0% decrease from the first quarter of 2014. During the quarter, the higher professional service revenues offset the normal customer churn to maintain current revenue levels. The decline in revenues year over year was primarily due to a combination of lower bookings throughout 2014 and slower than expected on-boarding of the Company's backlog.

ARPU was USD 7.52 flat quarter over quarter and down 10.2% 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 6.6 million during the first quarter of 2015, up 4.8% quarter over quarter and flat year over year. The quarter over quarter increase was primarily due to a combination of higher employee related costs which included the reset of payroll taxes and recruiting fees along with higher marketing costs.

EBIT for the first quarter 2015 was USD 495 thousand, compared to USD 591 thousand in the fourth quarter of 2014 and USD 310 thousand during the first quarter of 2014. The quarter over

quarter variance was due to previously noted higher staffing and marketing related costs which offset the gross margin gains from the higher Professional Service revenues. On a year over year basis, the favorable variance is due to the previously noted gross margin gains from higher Professional Service revenues.

Net Income totaled USD 205 thousand for the first quarter of 2015 as compared to USD 272 thousand in the fourth quarter of 2014 and USD 70 thousand in the first quarter 2014. The changes to Net Income follow the EBIT variances noted above along with fluctuations related to interest expense.

Cash used by operating activities, including the impact of changes in currency rates, totaled USD 108 thousand during the first quarter of 2015 compared to cash generated of USD 1.2 million during the fourth quarter of 2014 and USD 328 thousand during the first quarter of 2014. The quarter over quarter operating cash flow variance is due to the changes in working capital accounts primarily related to amounts paid against the Company's fourth quarter 2014 restructuring provision. The payments against the 2014 restructuring provision are in-line with the Company's expected disbursements.

Equipment purchases, net of financings under equipment leases, during the first quarter of 2015 were USD 75 thousand compared to USD 101 thousand in the fourth quarter of 2014 and USD 59 thousand in the first quarter of 2014.

Net cash used to satisfy debt and capital lease obligations (including any proceeds from the Company's working capital facility) was USD 804 thousand in the first quarter of 2015, as compared to USD 819 thousand in the fourth quarter of 2014 and USD 810 thousand in the first quarter 2014.

The Company closed the first quarter of 2015 with USD 1.6 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 2015.

**Aptix ASA**  
**Interim Consolidated Income Statement**

(Amounts in USD 1,000)	Three Months Ended	
	March 31, 2015 IFRS	March 31, 2014 IFRS
<b>Operating Revenues</b>		
Recurring Revenues	9,187	9,825
Other Revenues	444	210
<b>Total Operating Revenues</b>	9,631	10,035
<b>Total Cost of Sales</b>	2,561	3,114
<b>Gross Profit</b>	7,070	6,921
<b>Operating Expenses</b>		
Employee Compensation and Benefits	3,605	3,426
Other Operational and Administrative Costs	2,118	2,085
Depreciation and Amortization	852	1,100
<b>Total Operating Expenses</b>	6,575	6,611
<b>Operating Income</b>	495	310
<b>Other Expense</b>		
Interest, net	(290)	(240)
<b>Total Other Expense</b>	(290)	(240)
<b>Income Before Income Taxes</b>	205	70
Income Tax Expense	-	-
<b>Net Income for the Period</b>	205	70
<b>Earnings Per Share:</b>		
Basic	0.00	0.00
Diluted	0.00	0.00
<b>Weighted Average Common Shares Outstanding</b>	81,430	82,092

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

<b>(Amounts in USD 1,000)</b>	<b>Three Months Ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>IFRS</b>	<b>IFRS</b>
<b>Income for the Period</b>	<b>205</b>	<b>70</b>
Exchange Rate Differences on Translation of Foreign Operations	31	(8)
<b>Items that may be Reclassified Subsequently to Income Statement</b>	<b>31</b>	<b>(8)</b>
<b>Items that will not be Reclassified to Income Statement</b>	<b>-</b>	<b>-</b>
<b>Total Other Comprehensive Income for the Period</b>	<b>31</b>	<b>(8)</b>
<b>Total Comprehensive Income (Loss) for the Period</b>	<b>236</b>	<b>62</b>
<b>Attributed to Equity Holders of Parent</b>	<b>236</b>	<b>62</b>

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

	<u>March - 31</u>	<u>December - 31</u>	<u>March - 31</u>
<b>(Amounts in USD 1,000)</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Intangible Assets	16,140	16,215	22,240
<b>Total Intangible Assets, net</b>	<u>16,140</u>	<u>16,215</u>	<u>22,240</u>
<b>Property, Plant and Equipment, net</b>	<u>8,625</u>	<u>9,327</u>	<u>7,779</u>
<b>Total Non-Current Assets</b>	24,765	25,542	30,019
<b>Current Assets</b>			
Accounts Receivable	2,191	1,988	1,950
Other Current Assets	150	156	243
Prepaid Expenses	874	400	1,783
Cash and Cash Equivalents	1,621	2,608	2,583
<b>Total Current Assets</b>	<u>4,836</u>	<u>5,152</u>	<u>6,559</u>
<b>TOTAL ASSETS</b>	<u><u>29,601</u></u>	<u><u>30,694</u></u>	<u><u>36,578</u></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	6,182	6,175	6,125
Retained Earnings	(73,026)	(73,262)	(62,642)
<b>Total Shareholders Equity</b>	<u>11,259</u>	<u>11,016</u>	<u>21,586</u>
<b>Long-Term Debt</b>			
Other Long-Term Debt	7,167	3,072	2,523
<b>Total Long-Term Debt</b>	<u>7,167</u>	<u>3,072</u>	<u>2,523</u>
<b>Current Liabilities</b>			
Trade Accounts Payable	1,421	1,526	1,965
Interest Bearing Short-Term Debt	3,771	8,670	7,310
Other Current Liabilities	5,983	6,410	3,194
<b>Total Current Liabilities</b>	<u>11,175</u>	<u>16,606</u>	<u>12,469</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>29,601</u></u>	<u><u>30,694</u></u>	<u><u>36,578</u></u>



**Apptix ASA**  
**Interim Consolidated Cash Flow Statement**

<b>(Amounts in USD 1,000)</b>	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>IFRS</b>	<b>IFRS</b>
<b>Cash Flows from Operating Activities</b>		
Earnings Before Interest and Taxes	495	310
Stock Based Compensation Expense	7	18
Depreciation and Amortization	852	1,100
Loss on Disposal of Asset	-	41
Change in Accounts Receivable	(203)	(151)
Change in Trade Accounts Payable	(105)	820
Change in Other Assets and Liabilities	(895)	(1,558)
<b>Cash Flows Provided by Operating Activities</b>	<b>151</b>	<b>580</b>
Interest Paid	(290)	(240)
Income Tax Paid	-	(12)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>(139)</b>	<b>328</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Intangibles and Property and Equipment	(75)	(59)
<b>Cash Flows Used in Investing Activities</b>	<b>(75)</b>	<b>(59)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Capital Lease and Debt Obligations	(804)	(810)
<b>Cash Flows Used in Financing Activities</b>	<b>(804)</b>	<b>(810)</b>
<b>Effect of Exchange Rates on Cash and Cash Equivalents</b>	<b>31</b>	<b>-</b>
Net Change in Cash and Cash Equivalents	(987)	(541)
Cash and Cash Equivalents at Beginning of Period	2,608	3,124
<b>Cash and Cash Equivalents at End of Period</b>	<b>1,621</b>	<b>2,583</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, 2012</b>	<b>4,666</b>	<b>73,437</b>	<b>5,978</b>	<b>3,927</b>	<b>(67,438)</b>	<b>20,570</b>
Net Income for the Period	-	-	-	-	781	781
Other Comprehensive Income	-	-	-	-	26	26
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>807</b>	<b>807</b>
Equity Element of Expensed Options	-	-	129	-	-	129
<b>Equity December 31, 2013</b>	<b>4,666</b>	<b>73,437</b>	<b>6,107</b>	<b>3,927</b>	<b>(66,631)</b>	<b>21,506</b>
Net Income for the Period	-	-	-	-	(10,590)	(10,590)
Other Comprehensive Income	-	-	-	-	32	32
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,558)</b>	<b>(10,558)</b>
Equity Element of Expensed Options	-	-	68	-	-	68
<b>Equity December 31, 2014</b>	<b>4,666</b>	<b>73,437</b>	<b>6,175</b>	<b>3,927</b>	<b>(77,189)</b>	<b>11,016</b>
Net Income for the Period	-	-	-	-	205	205
Other Comprehensive Income	-	-	-	-	31	31
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236</b>	<b>236</b>
Equity Element of Expensed Options	-	-	7	-	-	7
<b>Equity March 31, 2015</b>	<b>4,666</b>	<b>73,437</b>	<b>6,182</b>	<b>3,927</b>	<b>(76,953)</b>	<b>11,259</b>

## About Apptix

Apptix (OSE: APP) is the premier provider of managed and hosted business communication, collaboration, compliance & security, and infrastructure solutions to mid-market and enterprise customers and blue chip channel partners. Apptix is a Cloud services pioneer with nearly 500,000 users under contract around the world. Apptix's comprehensive portfolio of Cloud solutions includes Microsoft Office 365, Microsoft Exchange email, VoIP, Microsoft SharePoint, Microsoft Lync, Servers on Demand, Enterprise Backup, Disaster Recovery, File Synch & Share, and Virtual Desktops. Apptix 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](http://www.apptix.com).

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## **Selected Explanatory Footnotes to Aptix ASA Interim Condensed Financial Statements**

### **Working Capital Facility**

On April 10, 2015, the Company entered into a definitive agreement with its financial institution to replace its expiring working capital facility. The new facilities provide for a USD 2 million revolving line of credit and a USD 4.7 million term note payable. Amounts available pursuant to the revolving line of credit will be based on 80% of eligible accounts receivable subject to certain limitations such as foreign accounts receivable, accounts receivable older than 90 days and individual customer account balances in excess of 25% of total accounts receivable. The revolving line of credit will carry a floating interest rate of prime plus 1.75% with a minimum prime rate of 3.25%.

The USD 4.7 million term note payable matures on March 31, 2020 and carries a floating interest rate of prime plus 2.25% with a minimum prime rate of 3.25%. For the period of April through December of 2015, there are no scheduled principal repayments with interest only payments applying during this period of time. The principal repayment schedule of the term note payable is as follows:

<b>Period</b>	<b>Amount</b>	<b>Number of Payments</b>	<b>Total Principal Payments - USD</b>
April 2015 through December 2015	-	-	-
January 2016 through September 2016	39,167	9	352,503
October 2016 through September 2017	58,750	12	705,000
October 2017 through September 2018	58,750	12	705,000
October 2018 through September 2019	78,333	12	939,996
October 2019 through March 2020	78,333	6	470,000
Payment at Maturity - March 2020	1,527,501	1	1,527,501
<b>Total</b>			<b>4,700,000</b>

Both the revolving line of credit and term note facility will be subject to a Minimum Fixed Charge Covenant Ratio and a Maximum Debt Leverage Ratio Covenant.

### **Working Capital**

The Company is currently operating in a negative working capital position. As outlined in this report, the Company recorded net income of USD 205 thousand (excluding one-time charges) during the first quarter of 2015. Excluding the effects of exchange rate differences, the Company used cash of USD 139 thousand during the first quarter from operating activities. Since January 2011, the Company has generated sufficient liquidity from operating cash flows in eleven out of sixteen 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 2014 Annual Report and Director's Report.