

## **Apptix Reports Third Quarter and Year to Date 2014 Results**

**Herndon, VA and Oslo, Norway – November 6, 2014** – Apptix® (NYSE: APP), the premier provider of hosted business communication, collaboration, and IT solutions, today announced its unaudited financial results for the three and nine months ended September 30, 2014.

### **Interim Management Report**

Overview of the third quarter and year to date results:

- 516,000 users under contract, down 1.0% quarter over quarter and up 2.9% year over year
- Bookings of USD 155 thousand of quarterly recurring revenue (QRR); down 5.4% quarter over quarter and down from USD 591 thousand in Q3-13
- Revenue of USD 9.7 million; down 1.4% quarter over quarter and down 6.8% year over year
- Backlog of USD 0.8 million of QRR; down 3.8% quarter over quarter and up 6.7% year over year
- Net income of USD 154 thousand compared to net income of USD 32 thousand and USD 182 thousand in Q2-14 and Q3-13

### **Highlights**

As discussed in the second quarter report, the Company entered the year with high revenue growth expectations, however, the anticipated top-line growth has not materialized due to a number of factors. While our billable user base has consistently grown by approximately 9% year-over-year since December 2010, the corresponding top-line has been negated by a dependency upon larger transactions (both from our channels and direct customers), a slowdown in the conversion of our current backlog of users into billable revenues, and by the continual competitive pressures in the market place from the likes of Microsoft, Google, and Amazon who are keenly focused on public cloud services markets.

Following a leadership change during the third quarter, the Company began to implement a new go-to-market growth strategy leveraging many of the existing capabilities and experiences of Apptix, including its sizable customer base and approximately half a million users under contract. The Company believes the optimal path to long term revenue growth is via a strategy that delivers public, private, and hybrid cloud services to its existing customer base and new customer acquisitions. Apptix is one of the few cloud based services providers that has a proven track record of being able to provide all three cloud based services. As of September 30, 2014 approximately 50% of the Company's user base is currently serviced via a private cloud environment.

With this strategy shift, the Company will also be adjusting its sales distribution approach to include a direct sales presence primarily focused on the private and hybrid business opportunities along with its existing channel distribution model, which has mostly been producing public cloud users and revenues. The Company will be conveying more information about its FY15 go to market plans with its Q4-14 earnings release scheduled for February 2015. In the meantime, the Company will continue to focus three key areas of emphasis: (1) driving sales and bookings from existing service offerings; (2) expand the Company's service offering beyond its current public

cloud portfolio; and (3) continuing to grow and build upon the Company's existing customer base.

From a current period performance perspective, the Company booked USD 155 thousand of quarterly recurring revenue (QRR) as compared to USD 164 thousand in the second quarter of 2014 and USD 591 thousand in the third quarter of 2013. The flattening of the bookings in 2014 has been mostly driven by the competitive challenges in the market place and the Company's dependency on larger transactions (both direct and channel). The Company's backlog was USD 0.8 million as of September 30, 2014 down from USD 0.9 million at June 30, 2014. The Company anticipates a significant portion of the current backlog to begin on-boarding during Q1-15 and start contributing to top line revenue.

“2014 has been an unexpected challenge for the Company. However, we believe we have the necessary foundation to build a growing cloud-based services company. The underlying operating and financial fundamentals of the Company are solid. With an established private cloud user base to leverage into the future along with a dedicated group of employees and soon to be expanding service offering, we believe we can become a much stronger force in the markets we serve best,” said Johan Lindquist, Interim CEO.

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### **Financial Results – Third Quarter and Year to Date 2014**

Revenues totaled USD 9.7 million for the three months ended September 30, 2014, representing a 1.4% decrease quarter over quarter and 6.8% decrease year over year. Revenues for the nine months ended September 30, 2014 totaled USD 29.6 million down 6.3% from the same period in 2013. The decline in revenues for all periods presented was primarily due to the slower than anticipated on-boarding of the Company's December 31, 2013 backlog and the lower bookings levels throughout 2014. Customers and partners have been measured and cautious with their on-boarding schedules as they look to balance migration complexities along other initiatives within their business operations. As a result, the new revenues on-boarded during the first nine months of 2014 was not sufficient to offset the normal revenue churn within the Company's base business.

ARPU was USD 7.56 flat quarter over quarter and down 12.7% 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 6.3 million during the third quarter of 2014, down 2.9% quarter over quarter and down 7.0% year over year. The quarter over quarter decrease was primarily due to lower communication costs, professional fees and depreciation & amortization. Meanwhile, the year over year decrease was primarily due to a combination of lower staffing related costs. Total operating expenses for the nine months ended September 30, 2014 were USD 19.3 million, down of 8.1% from the same period in 2013.

EBIT for the third quarter 2014 was USD 503 thousand, compared to USD 398 thousand in the second quarter of 2014 and USD 495 thousand during the third quarter of 2013. EBIT for the nine months ended September 30, 2014 was USD 1.2 million, compared to USD 1.7 million during the comparable period in 2013, a decrease of 29%. The Company recorded Net Income for the third quarter of 2014 of USD 154 thousand compared to Net Income of USD 32 thousand in the second quarter of 2014 and USD 182

thousand in the third quarter of 2013. The main drivers for the increase in net profit from second quarter was a combination of lower operating costs including lower communication costs, professional fees and depreciation & amortization, which offset the lower gross margins from the decline in revenues.

For the nine months ended September 30, 2014, the Company recorded a Net Income of USD 256 thousand as compared to Net Income of USD 723 thousand during the comparable period in 2013. Fluctuations in EBIT and Net Income during the first nine months of 2014 were primarily driven by a combination of user and economic churn impacting revenues in advance of new revenues yet to be realized from the Company's current backlog.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.0 million during the third quarter of 2014 compared to USD 707 thousand during the second quarter of 2014 and USD 829 thousand during the third quarter of 2013. For the first nine months of 2014, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 2.0 million, down from prior year levels of USD 2.9 million. Cash flow fluctuations follow the EBIT and Net Income fluctuations discussed above.

Equipment purchases, net of financings under equipment leases, during the third quarter of 2014 were USD 70 thousand compared to USD 4 thousand in the second quarter of 2014 and USD 283 thousand in the third quarter of 2013. Equipment purchases, net of financings under equipment leases, during the first nine months of 2014 were USD 133 thousand compared to USD 368 thousand during the first nine months of 2013.

Net cash used to satisfy debt and capital lease obligations (including any proceeds from the Company's working capital facility) was USD 811 thousand in the third quarter of 2014, as compared to USD 1.1 million in the second quarter of 2014 and USD 933 thousand in the third quarter 2013. Net cash used by financing activities totaled USD 2.7 million for both the first nine months of 2014 and 2013 respectively.

The Company closed the third quarter of 2014 with USD 2.3 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 2014. As of September 30, 2014, the Company had approximately USD 3.6 million of combined cash and available borrowing capacity under its working capital facility.

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

| (Amounts in USD 1,000)                            | Three Months Ended         |                            |
|---|----------------------------|----------------------------|
|   | September 30, 2014<br>IFRS | September 30, 2013<br>IFRS |
| <b>Operating Revenues</b>                         |                            |                            |
| Recurring Revenues                                | 9,518                      | 10,218                     |
| Other Revenues                                    | 196                        | 210                        |
| <b>Total Operating Revenues</b>                   | 9,714                      | 10,428                     |
| <b>Total Cost of Sales</b>                        | 2,958                      | 3,206                      |
| <b>Gross Profit</b>                               | 6,756                      | 7,222                      |
| <b>Operating Expenses</b>                         |                            |                            |
| Employee Compensation and Benefits                | 3,373                      | 3,711                      |
| Other Operational and Administrative Costs        | 1,874                      | 1,820                      |
| Depreciation and Amortization                     | 1,006                      | 1,196                      |
| <b>Total Operating Expenses</b>                   | 6,253                      | 6,727                      |
| <b>Operating Income</b>                           | 503                        | 495                        |
| <b>Other Expense</b>                              |                            |                            |
| Interest, net                                     | (348)                      | (272)                      |
| Other Financial Expense                           | (1)                        | -                          |
| <b>Total Other Expense</b>                        | (349)                      | (272)                      |
| <b>Income Before Income Taxes</b>                 | 154                        | 223                        |
| Income Tax Expense                                | -                          | (41)                       |
| <b>Net Income for the Period</b>                  | 154                        | 182                        |
| <b>Earnings Per Share:</b>                        |                            |                            |
| Basic   | 0.00                       | 0.00                       |
| Diluted   | 0.00                       | 0.00                       |
| <b>Weighted Average Common Shares Outstanding</b> | 81,555                     | 81,430                     |

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

| (Amounts in USD 1,000)                            | Nine Months Ended          |                            |
|---|----------------------------|----------------------------|
|   | September 30, 2014<br>IFRS | September 30, 2013<br>IFRS |
| <b>Operating Revenues</b>                         |                            |                            |
| Recurring Revenues                                | 29,032                     | 30,920                     |
| Other Revenues                                    | 569                        | 723                        |
| <b>Total Operating Revenues</b>                   | 29,601                     | 31,643                     |
| <b>Total Cost of Sales</b>                        | 9,084                      | 8,902                      |
| <b>Gross Profit</b>                               | 20,517                     | 22,741                     |
| <b>Operating Expenses</b>                         |                            |                            |
| Employee Compensation and Benefits                | 10,182                     | 11,374                     |
| Other Operational and Administrative Costs        | 5,939                      | 6,554                      |
| Depreciation and Amortization                     | 3,185                      | 3,102                      |
| <b>Total Operating Expenses</b>                   | 19,306                     | 21,030                     |
| <b>Operating Income</b>                           | 1,211                      | 1,711                      |
| <b>Other Expense</b>                              |                            |                            |
| Interest, net                                     | (954)                      | (864)                      |
| Other Financial Expense                           | (1)                        | -                          |
| <b>Total Other Expense</b>                        | (955)                      | (864)                      |
| <b>Income Before Income Taxes</b>                 | 256                        | 847                        |
| Income Tax Expense                                | -                          | (124)                      |
| <b>Net Income for the Period</b>                  | 256                        | 723                        |
| <b>Earnings Per Share:</b>                        |                            |                            |
| Basic   | 0.00                       | 0.01                       |
| Diluted   | 0.00                       | 0.01                       |
| <b>Weighted Average Common Shares Outstanding</b> | 82,060                     | 81,492                     |

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

| <b>(Amounts in USD 1,000)</b>  | <b>Three Months Ended</b> |                           |
|--|---------------------------|---------------------------|
|  | <b>September 30, 2014</b> | <b>September 30, 2013</b> |
|  | <b>IFRS</b>               | <b>IFRS</b>               |
| <b>Income for the Period</b>   | <b>154</b>                | <b>182</b>                |
| Exchange Rate Differences on Translation of Foreign Operations         | 18                        | (3)                       |
| <b>Items that may be Reclassified Subsequently to Income Statement</b> | <b>18</b>                 | <b>(3)</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>18</b>                 | <b>(3)</b>                |
| <b>Total Comprehensive Income (Loss) for the Period</b>                | <b>172</b>                | <b>179</b>                |
| <b>Attributed to Equity Holders of Parent</b>                          | <b>172</b>                | <b>179</b>                |

| <b>(Amounts in USD 1,000)</b>  | <b>Nine Months Ended</b>  |                           |
|--|---------------------------|---------------------------|
|  | <b>September 30, 2014</b> | <b>September 30, 2013</b> |
|  | <b>IFRS</b>               | <b>IFRS</b>               |
| <b>Income for the Period</b>   | <b>256</b>                | <b>723</b>                |
| Exchange Rate Differences on Translation of Foreign Operations         | 10                        | 21                        |
| <b>Items that may be Reclassified Subsequently to Income Statement</b> | <b>10</b>                 | <b>21</b>                 |
| <b>Items that will not be Reclassified to Income Statement</b>         | <b>-</b>                  | <b>-</b>                  |
| <b>Total Other Comprehensive Income / (Loss) for the Period</b>        | <b>10</b>                 | <b>21</b>                 |
| <b>Total Comprehensive Income for the Period</b>                       | <b>266</b>                | <b>744</b>                |
| <b>Attributed to Equity Holders of Parent</b>                          | <b>266</b>                | <b>744</b>                |

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

|  | <u>September - 30</u> | <u>December - 31</u> | <u>September - 30</u> |
|--|-----------------------|----------------------|-----------------------|
| <b>(Amounts in USD 1,000)</b>                            | <b>2014</b>           | <b>2013</b>          | <b>2013</b>           |
|  | <b>IFRS</b>           | <b>IFRS</b>          | <b>IFRS</b>           |
| <b>ASSETS</b>  |                       |                      |                       |
| <b>Non-Current Assets</b>                                |                       |                      |                       |
| Intangible Assets  | 22,066                | 22,246               | 22,453                |
| <b>Total Intangible Assets, net</b>                      | <b>22,066</b>         | <b>22,246</b>        | <b>22,453</b>         |
| <b>Property, Plant and Equipment, net</b>                | <b>9,998</b>          | <b>8,534</b>         | <b>8,902</b>          |
| <b>Total Non-Current Assets</b>                          | <b>32,064</b>         | <b>30,780</b>        | <b>31,355</b>         |
| <b>Current Assets</b>                                    |                       |                      |                       |
| Accounts Receivable                                      | 2,004                 | 1,799                | 1,985                 |
| Other Current Assets                                     | 161                   | 245                  | 232                   |
| Prepaid Expenses   | 692                   | 937                  | 1,263                 |
| Cash and Cash Equivalents                                | 2,304                 | 3,124                | 2,182                 |
| <b>Total Current Assets</b>                              | <b>5,161</b>          | <b>6,105</b>         | <b>5,662</b>          |
| <b>TOTAL ASSETS</b>                                      | <b>37,225</b>         | <b>36,885</b>        | <b>37,017</b>         |
| <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                                    | 6,163                 | 6,107                | 6,084                 |
| Retained Earnings  | (62,438)              | (62,704)             | (62,768)              |
| <b>Total Shareholders Equity</b>                         | <b>21,828</b>         | <b>21,506</b>        | <b>21,419</b>         |
| <b>Long-Term Debt</b>                                    |                       |                      |                       |
| Other Long-Term Debt                                     | 3,630                 | 7,582                | 7,625                 |
| <b>Total Long-Term Debt</b>                              | <b>3,630</b>          | <b>7,582</b>         | <b>7,625</b>          |
| <b>Current Liabilities</b>                               |                       |                      |                       |
| Trade Accounts Payable                                   | 1,494                 | 1,145                | 1,259                 |
| Interest Bearing Short-Term Debt                         | 8,294                 | 2,740                | 2,846                 |
| Other Current Liabilities                                | 1,979                 | 3,912                | 3,868                 |
| <b>Total Current Liabilities</b>                         | <b>11,767</b>         | <b>7,797</b>         | <b>7,973</b>          |
| <b>TOTAL LIABILITIES AND EQUITY</b>                      | <b>37,225</b>         | <b>36,885</b>        | <b>37,017</b>         |

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

| <b>(Amounts in USD 1,000)</b>                                | <b>Nine Months Ended September 30,</b> |                |
|--|--|----------------|
|  | <b>2014</b>                            | <b>2013</b>    |
|  | <b>IFRS</b>                            | <b>IFRS</b>    |
| <b>Cash Flows from Operating Activities</b>                  |  |                |
| Earnings Before Interest and Taxes                           | 1,211                                  | 1,711          |
| Stock Based Compensation Expense                             | 56                                     | 106            |
| Depreciation and Amortization                                | 3,185                                  | 3,102          |
| Gain / (Loss) on Disposal of Assets                          | (1)                                    | -              |
| Change in Accounts Receivable                                | (200)                                  | (340)          |
| Change in Trade Accounts Payable                             | 349                                    | (47)           |
| Change in Other Assets and Liabilities                       | (1,594)                                | (595)          |
| <b>Cash Flows Provided by Operating Activities</b>           | <b>3,006</b>                           | <b>3,937</b>   |
| Interest Paid  | (954)                                  | (865)          |
| Income Tax Paid  | (10)                                   | (156)          |
| <b>Net Cash Flows Provided by Operating Activities</b>       | <b>2,042</b>                           | <b>2,916</b>   |
| <b>Cash Flows from Investing Activities</b>                  |  |                |
| Purchases of Intangibles and Property and Equipment          | (133)                                  | (368)          |
| <b>Cash Flows Used in Investing Activities</b>               | <b>(133)</b>                           | <b>(368)</b>   |
| <b>Cash Flows from Financing Activities</b>                  |  |                |
| Payments on Capital Lease and Debt Obligations               | (2,734)                                | (2,725)        |
| <b>Cash Flows Used in Financing Activities</b>               | <b>(2,734)</b>                         | <b>(2,725)</b> |
| <b>Effect of Exchange Rates on Cash and Cash Equivalents</b> | <b>5</b>                               | <b>1</b>       |
| Net Change in Cash and Cash Equivalents                      | (820)                                  | (176)          |
| Cash and Cash Equivalents at Beginning of Period             | 3,124                                  | 2,358          |
| <b>Cash and Cash Equivalents at End of Period</b>            | <b>2,304</b>                           | <b>2,182</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, 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          | -             | -                     | -                     | -                                     | 70                | 70            |
| Other Comprehensive Income         | -             | -                     | -                     | -                                     | (8)               | (8)           |
| <b>Total Comprehensive Income</b>  | <b>-</b>      | <b>-</b>              | <b>-</b>              | <b>-</b>                              | <b>62</b>         | <b>62</b>     |
| Equity Element of Expensed Options | -             | -                     | 18                    | -                                     | -                 | 18            |
| <b>Equity March 31, 2014</b>       | <b>4,666</b>  | <b>73,437</b>         | <b>6,125</b>          | <b>3,927</b>                          | <b>(66,569)</b>   | <b>21,586</b> |
| Net Income for the Period          | -             | -                     | -                     | -                                     | 32                | 32            |
| Other Comprehensive Income         | -             | -                     | -                     | -                                     | -                 | -             |
| <b>Total Comprehensive Income</b>  | <b>-</b>      | <b>-</b>              | <b>-</b>              | <b>-</b>                              | <b>32</b>         | <b>32</b>     |
| Equity Element of Expensed Options | -             | -                     | 23                    | -                                     | -                 | 23            |
| <b>Equity June 30, 2014</b>        | <b>4,666</b>  | <b>73,437</b>         | <b>6,148</b>          | <b>3,927</b>                          | <b>(66,537)</b>   | <b>21,641</b> |
| Net Income for the Period          | -             | -                     | -                     | -                                     | 154               | 154           |
| Other Comprehensive Income         | -             | -                     | -                     | -                                     | 18                | 18            |
| <b>Total Comprehensive Income</b>  | <b>-</b>      | <b>-</b>              | <b>-</b>              | <b>-</b>                              | <b>172</b>        | <b>172</b>    |
| Equity Element of Expensed Options | -             | -                     | 15                    | -                                     | -                 | 15            |
| <b>Equity September 30, 2014</b>   | <b>4,666</b>  | <b>73,437</b>         | <b>6,163</b>          | <b>3,927</b>                          | <b>(66,365)</b>   | <b>21,828</b> |

## About Apptix

Apptix (OSE: APP) is the premier provider of hosted business communication, collaboration, security and compliance, and IT solutions to business of all sizes – from SOHO to Fortune 500 – and blue chip channel partners. Apptix is a Cloud services pioneer with over 500,000 users under contract around the world. Apptix's comprehensive portfolio of Cloud solutions includes Microsoft Exchange email, VoIP, Microsoft SharePoint, Microsoft Lync, Servers on Demand, and Enterprise Backup. 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 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 and the current outstanding balance of USD 4.7 million is presented as a short term obligation. The Company will begin discussions with its financial institution regarding a renewal during the fourth quarter of 2014.

In June 2014, the Company entered into a Seventh Loan Modification Agreement which lowered the Company's required Fixed Charge Ratios through the remainder of the existing term (January 31, 2015). No other material changes were made to the revolving credit facility.

### **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, deferred revenues related to annual subscription contracts and Company's working capital facility which expires on January 31, 2015.

As outlined in this report, the Company recorded net income of USD 154 thousand during the third quarter of 2014. Including the effects of exchange rate differences, the Company generated cash of USD 1.0 million during the third quarter from operating activities. Since January 2011, the Company has generated sufficient liquidity from operating cash flows in ten out of fourteen 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 2013 Annual Report and Director's Report.

### **Backlog**

The Company estimates Backlog as the value of future billable revenue related to users not currently on-boarded under signed contracts. Realization of Backlog into billable revenue is ultimately dependent upon a number of factors including the timing and availability of Apptix, partner, and/or end customer resources (both technology and labor) required to complete the successful migration of end users from their existing messaging, voice, or collaboration solution. As of September 30, 2014, the Company estimates it has a QRR backlog of USD 0.8 million. During the second quarter of 2014, a partner notified the Company of their intentions to challenge its previously contractual commitments, which accounts for USD 270 thousand of the current Backlog. The Company believes that it has a valid contractual commitment with this partner and is working with both the partner and legal counsel to reasonably resolve the matter. As of September 30, 2014 the Company has not recognized any revenues pursuant to

this contract. Additionally, there can be no assurances the Company will be able to realize the full value of this contract.