Apptix Reports Fourth Quarter and Year End 2013 Results

Herndon, VA and Oslo, Norway – February 12, 2014 – Apptix® (OSE: APP), the premier provider of hosted business communication, collaboration, and IT solutions, today announced its unaudited financial results for the three months and year ended December 31, 2013.

Interim Management Report

Overview of the fourth quarter and year ending results:

- 509,000 users under contract, a 33% year over year increase
- USD 7.4 million in annualized bookings in 2013, a 24% year over year increase
- USD 327 thousand of Quarterly Recurring Revenue (QRR) booked in the fourth quarter, up 30% year over year but down 45% quarter over quarter; Q4 is traditionally a seasonally low sales quarter
- Channel driving growth in bookings, accounting for 82% of Q4 and 61% for the year
- Revenue of USD 10.15 million in Q4-13 and USD 41.8 million for the year, with a backlog of USD 1.1 million QRR
- Net income of USD 58 thousand in Q4-13 and USD 781 thousand for the year

Highlights

Apptix exited 2013 with a record backlog after achieving USD 7.4 million in annualized bookings in 2013 and ending the year with 509,000 users under a contract, a 33% year over year increase. The fourth quarter capped a sales year that demonstrated significant year over year bookings gains with USD 327 thousand of QRR in bookings, an increase of 30% over the fourth quarter of 2012. However, the fourth quarter is traditionally a seasonally low sales quarter and, as such, the Company's fourth quarter bookings were down 45% compared to the third quarter.

Apptix's channel program was the primary driver of the Company's bookings growth, accounting for over 60% of orders booked in 2013, versus 30% in 2012 and 15% in 2011, demonstrating the increasing quantity and quality of the Company's channel partners. New partners with existing Hosted Exchange user bases continued as the key contributors during the fourth quarter, consistent with the Company's focus during the year on end-user seat accumulation through channel development.

Revenue for the quarter was USD 10.15 million, down 3% quarter over quarter and 7% year over year. Meanwhile, revenues were USD 41.8 million for the year, down 3% from 2012. Although bookings grew 24% in 2013 to USD 7.4 million in annualized value, a backlog of 107,000 users with an annualized value of USD 4.2 million (or 57% of bookings) has been contracted but was not yet billable during the year. As such, the growth in bookings did not produce "*in year*" revenue gains during 2013. Further, the Company experienced an uptick in churn during the fourth quarter as a result of a memory management issue within recently upgraded load balancers causing connectivity challenges for some customers. This caused the Company's annual churn rate to rise from 10% in 2012 to 11% for the year.

Throughout the year, revenue has trailed bookings for a variety of reasons. Despite maintaining an industry low rate of 10% to 11% annually, churn creates approximately USD 300 thousand of QRR impact and while Apptix has developed an increasing trend in quarterly bookings, the Company's bookings rate has only recently (in 2013) exceeded this level. Additionally, while Apptix has driven significant user growth over the last several years, the Hosted Exchange market experienced roughly a 60% decline in retail pricing from 2010 to 2012 alone. Finally, as the quantity and quality of the

Company's channel partners increases, partners are increasingly bringing in existing customer bases which often requires several quarters to plan, prepare, and complete the onboarding process due to significant size and complexities as well as competition for required partners' or customers' internal IT resources. Fortunately, as a result of growing bookings during 2013, Apptix has developed a large implementation backlog and pipeline that should help overcome these issues heading into 2014.

"Our channel first strategy delivered significant progress on the bookings front during 2013 having expanded both the quantity and quality of our partner network over the course of the year as well as contributing the majority, roughly 60%, of our record $7.4 million in annualized bookings value. We believe this is a turning point for us as our bookings value materially outpaced our churn values throughout the year for the first time," said Dave Ehrhardt, President & CEO of Apptix. "As we head into 2014, we are keenly focused on turning our backlog into billable revenue as fast as possible as well as further driving the momentum that has built in the channel over the course of 2013."

Financial Results – Fourth Quarter and Year to Date 2013

Revenues totaled USD 10.15 million for the three months ended December 31, 2013, down 3% quarter over quarter and down 7% year over year. Revenues for the twelve months ended December 31, 2013 totaled USD 41.8 million down 3% from the same period in 2012. While the Company recorded strong bookings during the fourth quarter and fiscal year 2013, delays experienced converting the backlog into billable revenues has been the primary driver for the lower comparable revenues. As of December 31, 2013 the Company had USD 1.1 million of QRR backlog awaiting implementation. The Company expects the majority of the current backlog to be on-boarding during the first six to nine months of 2014.

Average Revenue per User (ARPU) was USD 8.37 down 3% quarter over quarter and 14% year over year primarily 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 6.9 million during the fourth quarter of 2013, up 3% quarter over quarter but down 4% year over year. The quarter over quarter variance was due to higher professional fees, one-time facility related expenses and bad debt expenses resulting from connectivity issues associated with the load balancer memory management issue discussed above. The year over year decline is attributable to scale efficiencies gained such as lower labor, computer equipment and maintenance expense. Total operating expenses for the twelve months ended December 31, 2013 were USD 28.0 million, a decrease of 2% from the same period in 2012.

EBIT for the fourth quarter 2013 was USD 351 thousand, down 29% quarter over quarter and 49% year over year. EBIT for the twelve months ended December 31, 2013 was USD 2.1 million, down USD 382 thousand from the same period in 2012. Net Income for the fourth quarter of 2013 was USD 58 thousand compared to USD 182 thousand in the third quarter of 2013 and USD 438 thousand in the fourth quarter of 2012. Net Income was USD 781 thousand for the twelve months ended December 31, 2013, compared to USD 1.3 million during the comparable period in 2012, a 38% decline. Fluctuations in EBIT and Net Income during the fourth quarter and fiscal year 2013 were primarily driven by lower revenues resulting from user and pricing churn that is occurring ahead of revenues yet to be on-boarded from the Company's existing backlog. While, the Company's user churn of approximately 10-11% annually remains below industry averages, user churn tends to take place more ratably throughout the year while the implementation of current period or year bookings can take up to six months or more. Despite these timing challenges, the Company continues to manage to positive net income and operating cash flow.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.9 million during the fourth quarter of 2013 compared to USD 829 thousand during the third quarter of 2013 and USD 1.8 million during the fourth quarter of 2012. For the twelve months ended December 31, 2013, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 4.8 million, down from prior year levels of USD 5.8 million. Cash flow fluctuations follow the EBIT and Net Income fluctuations discussed above along with changes in working capital accounts.

Equipment purchases, net of financings under equipment leases, during the fourth quarter of 2013 were USD 132 thousand compared to USD 283 thousand in the third quarter of 2013 and USD 119 thousand in the fourth quarter of 2012. As of December 31, 2013, year to date equipment purchases, net of financings under equipment leases, were USD 500 thousand compared to USD 512 thousand during the same period of 2012.

Net cash used to satisfy debt and capital lease obligations (including proceeds from the Company's working capital facility) was USD 819 thousand in the fourth quarter of 2013, down from third quarter 2013 levels of USD 933 thousand and fourth quarter 2012 USD 1.0 million. Net cash used by financing activities totaled USD 3.5 million during 2013 as compared to USD 3.7 million 2012.

The Company closed the fourth quarter of 2013 with USD 3.1 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 December 31, 2013, the Company had approximately USD 4.1 million of combined cash and available borrowing capacity under its working capital facility.

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Three Months Ended December 31, 2013 IFRS	Three Months Ended December 31, 2012 IFRS
Operating Revenues		
Recurring Revenues	10,035	10,676
Other Revenues	117	227
Total Operating Revenues	10,152	10,903
Total Cost of Sales	2,876	3,037
Gross Profit	7,276	7,866
Operating Expenses		
Employee Compensation and Benefits	3,613	3,761
Other Operational and Administrative Costs	2,026	2,405
Depreciation and Amortization	1,286	1,008
Total Operating Expenses	6,925	7,174
Operating Income	351	692
Other Expense		
Interest, net	(252)	(212)
Total Other Expense	(252)	(212)
Income Before Income Taxes	99	480
Income Tax Expense	(41)	(42)
Net Income for the Period	58	438
Earnings Per Share: Basic	0.00	0.01
Diluted	0.00	0.00
Weighted Average Common Shares Outstanding	81,430	81,516

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Twelve Months Ended December 31, 2013 IFRS	Twelve Months Ended December 31, 2012 IFRS
Operating Revenues		
Recurring Revenues	40,955	41,941
Other Revenues	840	939
Total Operating Revenues	41,795	42,880
Total Cost of Sales	11,778	11,788
Gross Profit	30,017	31,092
Operating Expenses		
Employee Compensation and Benefits	14,987	14,730
Other Operational and Administrative Costs	8,580	10,141
Depreciation and Amortization	4,388	3,776
Total Operating Expenses	27,955	28,647
Operating Income	2,062	2,445
Other Expense		
Interest, net	(1,116)	(997)
Total Other Expense	(1,116)	(997)
Income Before Income Taxes	946	1,448
Income Tax Expense	(165)	(183)
Net Income for the Period	781	1,265
Earnings Per Share: Basic	0.01	0.02
Diluted	0.01	0.02
Weighted Average Common Shares Outstanding	81,468	81,780

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Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended December 31, 2013 IFRS	Three Months Ended December 31, 2012 IFRS
Income for the Period	**58**	**438**
Exchange Rate Differences on Translation of Foreign Operations	5	(7)
Items that may be Reclassified Subsequently to Income Statement	**5**	**(7)**
Items that will not be Reclassified to Income Statement	**-**	**-**
Total Other Comprehensive Income / (Loss) for the Period	**5**	**(7)**
Total Comprehensive Income for the Period	**63**	**431**
Attributed to Equity Holders of Parent	**63**	**431**

(Amounts in USD 1,000)	Twelve Months Ended December 31, 2013 IFRS	Twelve Months Ended December 31, 2012 IFRS
Income for the Period	**781**	**1,265**
Exchange Rate Differences on Translation of Foreign Operations	26	(29)
Items that may be Reclassified Subsequently to Income Statement	**26**	**(29)**
Items that will not be Reclassified to Income Statement	**-**	**-**
Total Other Comprehensive Income / (Loss) for the Period	**26**	**(29)**
Total Comprehensive Income for the Period	**807**	**1,236**
Attributed to Equity Holders of Parent	**807**	**1,236**

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Interim Consolidated Statement of Financial Position

(Amounts in USD 1,000)	December - 31 2013 IFRS	December - 31 2012 IFRS
ASSETS		
Non-Current Assets		
Intangible Assets	22,246	22,610
Total Intangible Assets, net	22,246	22,610
Property, Plant and Equipment, net	8,534	10,311
Total Non-Current Assets	30,780	32,921
Current Assets		
Accounts Receivable	1,799	1,645
Other Current Assets	245	267
Prepaid Expenses	937	886
Cash and Cash Equivalents	3,124	2,358
Total Current Assets	6,105	5,156
TOTAL ASSETS	36,885	38,077
LIABILITIES AND SHAREHOLDERS EQUITY		
Equity Attributed to Equity Holders of the Parent		
Common Stock	4,666	4,666
Paid-in Premium Reserve	73,437	73,437
Other Paid-in Capital	6,107	5,978
Retained Earnings	(62,704)	(63,511)
Total Shareholders Equity	21,506	20,570
Long-Term Debt		
Other Long-Term Debt	7,582	8,803
Total Long-Term Debt	7,582	8,803
Current Liabilities		
Trade Accounts Payable	1,145	1,306
Interest Bearing Short-Term Debt	2,740	3,313
Other Current Liabilities	3,912	4,085
Total Current Liabilities	7,797	8,704
TOTAL LIABILITIES AND EQUITY	36,885	38,077

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Interim Consolidated Cash Flow Statement

	Twelve Months Ended December 31,	
	2013	**2012**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Income Before Tax from Continuing Operations	946	1,447
Stock Based Compensation Expense	129	229
Depreciation and Amortization	4,388	3,776
Change in Accounts Receivable	(154)	(5)
Change in Trade Accounts Payable	(161)	(119)
Change in Other Assets and Liabilities	906	1,612
Cash Flows Provided by Operating Activities	6,054	6,940
Interest Received	-	1
Interest Paid	(1,116)	(998)
Income Tax Paid	(157)	(160)
Net Cash Flows Provided by Operating Activities	4,781	5,783
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(500)	(512)
Cash Flows Used in Investing Activities	(500)	(512)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(3,544)	(3,683)
Cash Flows Used in Financing Activities	(3,544)	(3,683)
Effect of Exchange Rates on Cash and Cash Equivalents	29	2
Net Change in Cash and Cash Equivalents	766	1,590
Cash and Cash Equivalents at Beginning of Period	2,358	768
Cash and Cash Equivalents at End of Period	3,124	2,358

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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 Income	-	-	-	-	(29)	(29)
Total Comprehensive Income	-	-	-	-	1,236	1,236
Equity Element of Expensed Options	-	-	229	-	-	229
Equity December 31, 2012	**4,666**	**73,437**	**5,978**	**3,927**	**(67,438)**	**20,570**
Net Income for the Period	-	-	-	-	781	781
Other Comprehensive Income	-	-	-	-	26	26
Total Comprehensive Income	-	-	-	-	807	807
Equity Element of Expensed Options	-	-	129	-	-	129
Equity December 31, 2013	**4,666**	**73,437**	**6,107**	**3,927**	**(66,631)**	**21,506**

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. 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.

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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 58 thousand during the fourth quarter of 2013 marking the twelfth consecutive quarter of positive net income. Additionally, the Company generated cash of USD 4.8 million during the twelve months ended December 31, 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.