

Apptix Reports Second Quarter and Half Year 2016 Results

Herndon, VA and Oslo, Norway – August 10, 2016 – Apptix® (OSE: APP), the premier provider of managed and hosted solutions, today announced its unaudited financial results for the three and six months ended June 30, 2016.

Interim Management Report

Overview of the second quarter results:

- Revenue of USD 6.5 million; flat quarter over quarter and up 7.4% year over year with subscription services revenues (or recurring revenues) flat quarter over quarter and up 12.1% year over year (all excluding public cloud revenues divested in 2015)
- Professional services revenue of USD 244 thousand compared to USD 288 thousand in Q1-16 and USD 473 thousand in Q2-15
- Net income of USD 207 thousand compared to net income of USD 126 thousand in Q1-16 and net income of USD 340 thousand in Q2-15
- Continued momentum with our Managed IT Cloud Solutions framework
 - Enhanced cybersecurity portfolio with SafeNet for multi factor authentication
 - Expanded cybersecurity for email and data protection through our Proofpoint partnership
 - Expanded Remote Monitoring and Management capabilities with LabTech

Overview of the year to date financial results (as compared to prior year):

- Revenues of USD 13.0 million; up 10% from prior year with subscription services revenues up 14.7% (all excluding public cloud revenues divested in 2015)
- Net income of USD 333 thousand compared to net income of USD 545 thousand in H1-15
- Reduced total funded debt from USD 9.1 million to USD 7.4 million.

Highlights

The second quarter of 2016 was a continuation of Apptix building upon the Managed IT Cloud Solutions framework for its customers. Moving beyond email centric services to solutions for managed cybersecurity and data protection is part of the Company's foundation for its Managed IT Cloud Solutions approach. In addition, the Company identified opportunities to better service its customers with a more advanced remote monitoring, management and patch management solution, allowing Apptix to establish a stronger entry point with both new and existing customers. The growth of the Company's Managed IT Cloud Solutions framework along with the continued development of the Company's business pipeline of opportunities remains the key areas of emphasis for 2016. The Company also recognizes that such areas of emphasis will take time to produce measurable results.

Revenues for the quarter totaled USD 6.5 million, flat quarter over quarter however, up 7.4% year over year (on a pro-forma basis excluding the impact of the public cloud revenues from Q2-15 results). The year over year pro-forma revenue growth was due to the key bookings recorded

by the Company during the second quarter of 2015 which began contributing revenues during the third and fourth quarters of 2015.

Meanwhile, net income for the quarter totaled USD 207 thousand as compared to net income of USD 126 thousand in the first quarter of 2016 and net income of USD 340 thousand in the second quarter of 2015.

“We are making progress with our new business strategy. Resources are aligned in support of the Managed Cloud IT Solutions model but it will take time to see longer term impact as we focus our marketing and sales initiatives on these new services. With such a view, we continue to see positive revenue growth trends (year over year) from our continuing business unit. Our business model is efficient and our financial position is improving. We are confident in our strategy and the goals we are targeting” said Johan Lindquist, Chairman of Apptix.

Financial Results – Second Quarter and Year to Date 2016

The following revenue commentary is based on the Company's financial statements for the periods presented excluding the one-time charges recorded during late 2015. For more information related to the one-time charges, please see the Company's 2015 Annual Report and the table below.

(Amounts in USD 1,000)					
	Q2-16	Q2-15	Q1-16	YTD-16	YTD-15
Subscription services	\$ 6,216	\$ 5,544	\$ 6,221	\$ 12,437	\$10,847
Professional services	\$ 244	\$ 473	\$ 288	\$ 532	\$ 917
Total Continuing	\$ 6,460	\$ 6,017	\$ 6,509	\$ 12,969	\$11,764
Subscription services	\$ -	\$ 3,842	\$ -	\$ -	\$ 7,726
Professional services	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non Continuing	\$ -	\$ 3,842	\$ -	\$ -	\$ 7,726
Subscription services	\$ 6,216	\$ 9,386	\$ 6,221	\$ 12,437	\$18,573
Professional services	\$ 244	\$ 473	\$ 288	\$ 532	\$ 917
Total Revenues	\$ 6,460	\$ 9,859	\$ 6,509	\$ 12,969	\$19,490

Revenues from continuing services totaled USD 6.5 million for the three months ended June 30, 2016, consistent with first quarter 2016 levels and a 7% increase over second quarter of 2015 revenues. In late 2015, the Company devoted considerable resources to its H2-2015 GoDaddy initiative whereby the Company redirected its sales and account management related resources to assist with the migration of public cloud customers to GoDaddy. As noted in the Company's 2015 Annual Report, these efforts in support of the GoDaddy initiative impacted the Company's new business development efforts including sales and pipeline growth.

Revenues from continuing services for the six months ended June 30, 2016 totaled USD 13.0 million up 10% from the same period in 2015. The year over year growth in revenues was primarily due to transactions sold by the Company during the second quarter of 2015 and implemented in the second half of 2015.

As noted in the table above, total revenues (both continuing and non-continuing) for both second quarter 2016 and the six months ended June 30, 2016 declined approximately 35% as compared prior year periods. This is due to the sale of the Company's public cloud customer base to GoDaddy that took place in September 2015. For more information related to this transaction, please refer to the Company's 2015 Annual Report.

Operating expenses (including depreciation and amortization) totaled USD 3.7 million during the second quarter of 2016, down 2.4% quarter over quarter and down 42% year over year. The quarter over quarter decrease was primarily due to a combination of lower employee related costs and lower depreciation and amortization. The year over year decrease was due to the realignment of the Company's operational infrastructure due to the sale of the Company's public cloud customer base in September 2015 (please refer to the Company's 2015 Annual Report). Total operating expenses for the six months ended June 30, 2016 were USD 7.5 million, also down 42% from the same period in 2015 for the reasons noted above.

EBIT for the second quarter 2016 was USD 421 thousand, compared to USD 277 thousand in the first quarter of 2016 and USD 616 thousand during the second quarter of 2015. EBIT for the six months ended June 30, 2016 was USD 698 thousand compared to USD 1.1 million during the same period in 2015. The quarter over quarter improvement was due to lower cost of sales related to data center costs and license fees along with the lower operating expenses noted above. The year to date variance is primarily due the sale of the Company's public cloud customer base.

Net Income totaled USD 207 thousand for the second quarter of 2016 as compared to USD 126 thousand in the first quarter of 2016 and USD 340 thousand in the second quarter 2015. For the six months ended June 30, 2016, the Company recorded Net Income of USD 333 thousand as compared to USD 545 thousand during the same period in 2015. The changes to Net Income follow the EBIT variances noted above along with decreases related to financial expenses.

Cash used by operating activities, including the impact of changes in currency rates, totaled USD 1.1 million during the second quarter of 2016 compared to cash used of USD 1.5 million during the first quarter of 2016 and cash generated of USD 1.0 million during the second quarter of 2015. For the first half of 2016 cash used by operating activities, including the impact of changes in currency rates, totaled USD 2.6 million, compared to USD 934 thousand of cash generated during the first half of 2015. The quarter over quarter and year to date operating cash flow variances is due to the changes in working capital accounts experienced during the first quarter of 2016 primarily related to amounts paid against the Company's fourth quarter 2015 restructuring provision. The 2016 payments against the Company's 2015 restructuring provision are in-line with the Company's expected disbursements.

Equipment purchases, net of financings under equipment leases, during the second quarter of 2016 were USD 44 thousand compared to USD 47 thousand in the first quarter of 2016 and USD 173 thousand in the second quarter of 2015. Equipment purchases, net of financings under equipment leases, during the first half of 2016 were USD 91 thousand compared to USD 248 thousand during the first half of 2015.

Net cash used to satisfy debt and capital lease obligations was USD 676 thousand in the second quarter of 2016, as compared to USD 1.1 million in the first quarter of 2016 and USD 932 thousand in the second quarter 2015. Net cash used to satisfy debt and capital lease obligations totaled USD 1.8 million during the first six months of 2016 and USD 1.7 million during the same period in 2015.

The Company closed the second quarter of 2016 with USD 3.4 million in cash and no amounts outstanding on its working capital facility.

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Three Months Ended	
	June 30, 2016 IFRS	June 30, 2015 IFRS
Operating Revenues		
Recurring Revenues (subscription revenues)	6,216	9,386
Other Revenues (professional services)	244	473
Total Operating Revenues	<u>6,460</u>	<u>9,859</u>
Total Cost of Sales	<u>2,347</u>	<u>2,911</u>
Gross Profit	4,113	6,948
Operating Expenses		
Employee Compensation and Benefits	2,063	3,426
Other Operational and Administrative Costs	1,266	2,175
Depreciation and Amortization	363	731
Total Operating Expenses	<u>3,692</u>	<u>6,332</u>
Operating Income	421	616
Other Expense		
Interest, net	(190)	(276)
Foreign Exchange Income / (Loss), net	(24)	-
Total Other Expense	<u>(214)</u>	<u>(276)</u>
Income Before Income Taxes	207	340
Income Tax Expense	-	-
Net Income for the Period	<u>207</u>	<u>340</u>
Earnings Per Share:		
Basic	<u>0.00</u>	<u>0.00</u>
Diluted	<u>0.00</u>	<u>0.00</u>
Weighted Average Common Shares Outstanding	<u>81,430</u>	<u>81,430</u>

Apptix ASA
Interim Consolidated Income Statement

	Six Months Ended	
	June 30, 2016	June 30, 2015
(Amounts in USD 1,000)	IFRS	IFRS
Operating Revenues		
Recurring Revenues (subscription revenues)	12,437	18,573
Other Revenues (professional services)	532	917
Total Operating Revenues	12,969	19,490
Total Cost of Sales	4,798	5,472
Gross Profit	8,171	14,018
Operating Expenses		
Employee Compensation and Benefits	4,143	7,031
Other Operational and Administrative Costs	2,554	4,293
Depreciation and Amortization	776	1,583
Total Operating Expenses	7,473	12,907
Operating Income	698	1,111
Other Expense		
Interest, net	(425)	(566)
Foreign Exchange Income / (Loss), net	60	-
Total Other Expense	(365)	(566)
Income Before Income Taxes	333	545
Income Tax Expense	-	-
Net Income for the Period	333	545
Earnings Per Share:		
Basic	0.00	0.01
Diluted	0.00	0.01
Weighted Average Common Shares Outstanding	81,430	81,430

Apptix ASA
Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended	
	June 30, 2016	June 30, 2015
	IFRS	IFRS
Income for the Period	207	340
Exchange Rate Differences on Translation of Foreign Operations	1	(2)
Items that may be Reclassified Subsequently to Income Statement	1	(2)
Items that will not be Reclassified to Income Statement	-	-
Total Other Comprehensive Income for the Period	1	(2)
Total Comprehensive Income (Loss) for the Period	208	338
Attributed to Equity Holders of Parent	208	338

(Amounts in USD 1,000)	Six Months Ended	
	June 30, 2016	June 30, 2015
	IFRS	IFRS
Income for the Period	333	545
Exchange Rate Differences on Translation of Foreign Operations	8	29
Items that may be Reclassified Subsequently to Income Statement	8	29
Items that will not be Reclassified to Income Statement	-	-
Total Other Comprehensive Income / (Loss) for the Period	8	29
Total Comprehensive Income for the Period	341	574
Attributed to Equity Holders of Parent	341	574

Apptix ASA
Interim Consolidated Statement of Financial Position

	June - 30	December - 31	June - 30
	2016	2015	2015
(Amounts in USD 1,000)	IFRS	IFRS	IFRS
ASSETS			
Non-Current Assets			
Intangible Assets	10,057	10,130	16,261
Total Intangible Assets, net	10,057	10,130	16,261
Property, Plant and Equipment, net	3,516	4,038	8,393
Total Non-Current Assets	13,573	14,168	24,654
Current Assets			
Accounts Receivable	2,495	2,013	2,468
Other Current Assets	221	151	223
Prepaid Expenses	663	619	1,082
Cash and Cash Equivalents	3,355	7,800	1,558
Total Current Assets	6,734	10,583	5,331
TOTAL ASSETS	20,307	24,751	29,985
LIABILITIES AND SHAREHOLDERS EQUITY			
Equity Attributed to Equity Holders of the Parent			
Common Stock	4,666	4,666	4,666
Paid-in Premium Reserve	63,319	63,319	73,437
Other Paid-in Capital	6,203	6,198	6,188
Retained Earnings	(65,713)	(66,053)	(72,688)
Total Shareholders Equity	8,475	8,130	11,603
Long-Term Debt			
Other Long-Term Debt	4,200	5,852	6,718
Total Long-Term Debt	4,200	5,852	6,718
Current Liabilities			
Trade Accounts Payable	1,251	1,913	1,792
Interest Bearing Short-Term Debt	3,221	3,247	3,735
Other Current Liabilities	3,160	5,609	6,137
Total Current Liabilities	7,632	10,769	11,664
TOTAL LIABILITIES AND EQUITY	20,307	24,751	29,985

Apptix ASA
Interim Consolidated Cash Flow Statement

	Six Months Ended June 30,	
	2016	2015
(Amounts in USD 1,000)	IFRS	IFRS
Cash Flows from Operating Activities		
Earnings Before Interest and Taxes	698	1,111
Stock Based Compensation Expense	5	13
Depreciation and Amortization	776	1,583
Change in Accounts Receivable	(482)	(480)
Change in Trade Accounts Payable	(661)	266
Change in Other Assets and Liabilities	(2,565)	(1,022)
Cash Flows Provided by Operating Activities	(2,229)	1,471
Interest Paid	(425)	(566)
Income Tax Paid	-	-
Net Cash Flows Provided by Operating Activities	(2,654)	905
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(91)	(248)
Cash Flows Used in Investing Activities	(91)	(248)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(1,768)	(1,736)
Cash Flows Used in Financing Activities	(1,768)	(1,736)
Effect of Exchange Rates on Cash and Cash Equivalents	68	29
Net Change in Cash and Cash Equivalents	(4,445)	(1,050)
Cash and Cash Equivalents at Beginning of Period	7,800	2,608
Cash and Cash Equivalents at End of Period	3,355	1,558

Apptix ASA
Interim Consolidated Statement of Changes in Equity

	Attributed to Equity Holders of the Parent					
Equity December 31, 2014	4,666	73,437	6,175	3,927	(77,190)	11,015
Net Income for the Period	-	-	-	-	6,852	6,852
Other Comprehensive Income	-	-	-	-	358	358
Total Comprehensive Income	-	-	-	-	7,210	7,210
Distribution of Paid in Capital		(10,118)				(10,118)
Equity Element of Expensed Options	-	-	23	-	-	23
Equity December 31, 2015	4,666	63,319	6,198	3,927	(69,980)	8,130
Net Income for the Period	-	-	-	-	126	126
Other Comprehensive Income	-	-	-	-	7	7
Total Comprehensive Income	-	-	-	-	133	133
Distribution of Paid in Capital		-				-
Equity Element of Expensed Options	-	-	3	-	-	3
Equity March 31, 2016	4,666	63,319	6,201	3,927	(69,847)	8,266
Net Income for the Period	-	-	-	-	207	207
Other Comprehensive Income	-	-	2	-	1	3
Total Comprehensive Income	-	-	2	-	208	210
Distribution of Paid in Capital		-				-
Equity Element of Expensed Options	-	-	-	-	-	-
Equity June 30, 2016	4,666	63,319	6,203	3,927	(69,639)	8,475

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 almost 400,000 users under contract around the world. Apptix's comprehensive portfolio of Cloud solutions includes Microsoft Azure, Microsoft Office 365, Microsoft Exchange, Microsoft SharePoint, Microsoft Lync, VoIP, 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 data centers, and backed by U.S.-based 24/7 support. For more information, visit www.apptix.com.

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Selected Explanatory Footnotes to Aptix ASA Interim Condensed Financial Statements

Working Capital Facility

The Company is currently operating in a negative working capital position of USD 898 thousand. Since December 2015, the Company has repaid approximately USD 1.7 million in principal debt payments. As outlined in this report, the Company recorded net income of USD 207 thousand during the second quarter of 2016. Including the effects of exchange rate differences, the Company used cash of USD 1.1 million during the second quarter from operating activities primarily related to the planned disbursements associated with its 2015 streamlining and restructuring program. With the sale of the Company's public cloud customer base, streamlined business operations, existing cash balances and unused available borrowing pursuant to its working capital facility, 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 2015 Annual Report and Director's Report.

Risk and Uncertainty

As described in the Company's Annual Report for 2015 (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 financial risks, the Company is subject to a variety of operating and market risks including but not limited to:

- The Company's managed services business model is dependent upon the expansion of products and services beyond the Company's legacy Hosted Microsoft Exchange service offering.
- The Company's ability to attract and retain key personnel with expertise within managed services to help accelerate growth.
- Expansion into the managed services market and acceptance of the Company's new business strategy by new and existing customers may take longer than planned.
- The Company's ability to expand sales, marketing, and product related initiatives may require additional capital to fund expenditure levels consistent with market leaders such as Rackspace, BAE, and others entering the industry.
- Key market leaders in the hosted services market we compete in such as Microsoft, Google, Amazon, etc. continue to innovate and apply significant competitive pressures today and in the future.
- The Company's entire backlog, may not convert into billable revenues as planned because end-user on-boarding may experience delays among other things.
- 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.
- Within the managed services market, local competition with ability to deploy local resources may make it difficult to compete
- Ability to access capital to invest in infrastructure to support cloud based services
- 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's ability to grow could be limited as a result of the 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 adversely impact the Company's customer base, leading to additional customer losses or slower growth.

The Company continues to implement various initiatives designed to enhance operating control and efficiency, including the simplification of the Company's overall technical and operating 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.

Related Parties

Note 23 in the Company's Annual Report for 2015 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 2016.

Responsibility Statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2016 and for the six month period January 1, 2016 to June 30, 2016 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/ Christopher E. Mack
President and COO

/s/Terje Rogne
Board Member

/s/Ebba Asly Fahraeus
Board Member