



## Newsletter to CAMO Software AS shareholders Q3 2011

Last known share price = NOK 0.30 per share

CAMO AS and CAMO Software AS were merged as per 1<sup>st</sup> of January 2011, and are now trading as 'CAMO Software AS'.

CAMO Software AS develops and sells multivariate data analysis (MVA) software and solutions. MVA is a rapidly growing technology used for analyzing large, complex data sets quickly, easily and accurately. Over 25,000 people in more than 3,000 world-leading organizations use our solutions for deeper insights and better predictions from their data, saving time and money, and making better decisions based on more accurate information.

Our flagship software, The Unscrambler® X, is used in product development, process and quality control in the chemical, pharmaceutical, oil & gas and food & beverage sectors. However, there is increasing demand from all industries looking to exploit the value in their data.

CAMO Software AS is headquartered in Oslo, Norway and has sales offices in Woodbridge, New Jersey, Tokyo, Japan and Bangalore, India. The R&D department is based in Bangalore, India.

### CAMO Group Q3 2011

	Q3 2011	Q3 2010	YTD 2011	YTD 2010
IN USD				
REVENUE	816 771	631 954	2 449 230	1 907 871
Net cost of goods sold	-117 814	-108 116	-273 665	-279 460
GROSS PROFIT	698 957	523 838	2 175 565	1 628 411
Gross margin	86%	83 %	89 %	85 %
G & A	-875 580	-669 637	-2 589 340	-2 123 480
EBITDA	-176 623	-145 799	-413 775	-495 069
EBITDA margin	-22 %	-23 %	-17%	-26 %
Net dep, amort and wd:s	-32 097	-27 786	-92 237	-75 246
EBIT	-208 720	-173 585	-506 012	-570 315
Net financial items	-26 635	175 556	-166 451	68 488
EBT	-235 355	-1 971	-672 463	-501 827
Tax	-969	-3 504	-5 835	-468 592
NET INCOME	-236 324	-1 533	-678 298	-970 419

Total group turnover for Q3 2011 showed strong growth over Q3 of 2010. Measured in USD, the growth reached 29%. Year to date (YTD) revenue totaled USD 2,449,230 representing a growth rate over YTD 2010 of 28.4%. Management is pleased with sales development in Q3 following changes in the European sales organization, replacing 3 out of 4 staff. As part of this reorganization, a new VP Sales Europe has been appointed.

Operating loss (EBITDA) for Q3 increased from a loss of USD 145,799 in Q2 2010 to a loss of USD 176,623 in Q3 2011. Gross margin increased by 3 points to 86%. Net income was a loss of USD 236,324 in Q3 2011 compared to a loss of USD 1,533 in Q2 2010.

YTD 2011 the gross margin increased to 89% from 85% in 2010 contributing to an improvement in EBITDA by which the loss was reduced from USD 495,069 YTD 2010 to a loss of USD 413,775 YTD 2011. The EBITDA margin subsequently improved from -26% to -17%. Net income improved to a loss of USD 678,298 YTD 2011 from a loss of USD 970,419 YTD 2010.

Operating profitability in Q3 was affected by sales close to plan in all regions (92%), but with higher than planned costs (+7%) related to payroll, professional services and fees. Sales YTD are close to plan (94%) and costs are slightly higher (9%) than plan YTD.

#### **Highlights for Q3 2011:**

- 29% sales growth over Q3 2010
- Reorganization and replacement of sales staff in Europe
- Launch of Process Pulse
- Had initial meetings with potential high-value sales opportunities in the petrochemical/off-shore sectors
- Evaluation and execution of cost reductions

CAMO is delivering consistent top line growth but still has a too high cost base. As a consequence, cost reduction activities were implemented during Q3. Several positions within administration have been eliminated. Professional services providers such as accounting have been replaced. The cost effect of these eliminations and replacements will have effect from 1 January 2012. Associated severance and payroll costs were charged in Q3.

Sales development was impacted by organizational changes in the European sales force during the quarter. The European sales team has been reorganized with regard to territories and sales responsibilities, and 3 new staff (out of 4) have been hired. New staff only became partly operational during the quarter, thus having an effect on sales efficiencies during the quarter. Still, the company managed to compensate for lack of sales capacity and delivered 29% sales growth over Q3 in 2010. One-time related severance and payroll costs affected profitability for the quarter.

Ms Shirley A Henshall has been appointed VP Sales Europe commencing her employment with CAMO as of 1 November. Shirley will have responsibility for overall sales in Europe, South America, South Africa and Oceania. She will manage the European sales team, as well as working on large, value based solution sales. Shirley has extensive experience selling industrial solutions to corporate and government organizations at senior levels. Most recently, she was working for Hewlett Packard in Norway selling their IT management software through their partner network. Prior to HP, Shirley held senior sales roles with major Norwegian and US software corporations including Software Innovation and Oracle. In these positions she was responsible for managing key accounts in the oil & gas, healthcare and energy sectors, among others.

On 25 August we launched our real-time process monitoring solution, Process Pulse, which allows manufacturers to monitor a process while it's running and predict potential faults before they occur. This early event detection capability helps companies avoid costly process or equipment failures. Compared to most competitive solutions, Process Pulse is easier to implement and use, is affordable and offers more powerful statistics and diagnostics than traditional process control systems. Process Pulse gives CAMO an offering suited to production and engineering departments, who typically have larger budgets than our traditional research or laboratory customers. The solution can be scaled to enterprise level or integrated into existing control systems.

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