Newsletter to CAMO Software AS shareholders Q2 2011

Share price = NOK 0.30 per share

CAMO AS and CAMO Software AS were merged as per 1st 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 Q2 2011

	Q2 2011	Q2 2010	H1 2011	H1 2010
IN USD				
REVENUE	**926 347**	**546 360**	**1 641 471**	**1 275 917**
Net cost of goods sold	102 539	83 408	155 893	171 344
GROSS PROFIT	823 807	462 952	1 485 578	1 104 573
Gross margin	89 %	85 %	91 %	87 %
G & A	951 684	738 621	1 713 527	1 453 843
EBITDA	**127 877**	**275 669**	**227 949**	**349 270**
EBITDA margin	-14 %	-50 %	-14 %	-27 %
Net dep, amort and wd:s	31 080	24 118	60 141	47 460
EBIT	158 957	299 787	288 090	396 730
Net financial items	63 895	185 471	139 841	385 039
EBT	222 852	485 258	427 931	781 769
Tax	110	466 834	4 866	471 665
NET INCOME	**222 962**	**952 092**	**432 797**	**1 253 434**

Total group turnover for Q2 2011 showed strong growth over Q2 of 2010. Measured in USD, the growth reached 69.5%. For 1H the revenue totaled USD 1,641,471 representing a growth rate over 1H 2010 of 28.6%. After a somewhat slow start in Q1 2011, sales have been catching up and the months of May and June showed good sales results in all regions, in line with aggressive growth budgets for those months.

Operating profit (EBITDA) for Q2 was lowered from a loss of USD 275,669 in Q2 2010 to a loss of USD 127,877 in Q2 2011.

Gross margin increased by 4 points to 89%. Net income was reduced to a loss of USD 222,962 in Q2 2011 compared to a loss of USD 952,092 in Q2 2010.

For 1H 2011 the gross margin increased to 91% from 87% in 2010 contributing to an improvement in EBITDA by which the loss was reduced from USD 349,270 in 1H 2010 to a loss of USD 227,949 in 1H 2011. Net income ended at a loss of USD 432,797 in 1H 2011, significantly down from a loss of USD 1,253,434 in 1H 2010.

Operating profitability in Q2 was affected by sales according to plan in all regions, but with some higher than expected costs related to professional services and fees.

Highlights for Q2 2011:

- Share issue fully subscribed raising MNOK3.9 (MUSD0.7) in new equity
- New management operational in India and the US
- Implementation of enhanced operational efficiencies related to corporate product management activities
- Implementation of new managerial tool kits and systems for management team
- Identification and initiation of higher-value based sales opportunities and processes in defined industry verticals
- Securing first order for value based project with key European biopharmaceutical player
- Finalization of projects related to improving our marketing communication platform

Recent organizational changes have been fully implemented during the quarter. Tools and activities to create greater sales focus throughout the organization have been implemented together with the internal roll-out of Microsoft Dynamics CRM system. The full launch of our new real-time process monitoring application, the Unscrambler X Process Pulse, has been postponed from Q2 to Q3 for optimization of pricing strategies and general marketing communication purposes. New management continues its process of identifying opportunities for further driving group cost and organizational efficiencies.

As for Q1, management's main focus for the quarter, apart from improving sales and marketing activities, integrating new resources and the new CRM system, has been to identify and initiate projects related to higher-value based sales opportunities and processes in defined industry verticals. Currently, there are projects within the pharma, industrial automation and petrochemical verticals. Management expects projects to materialize within 2011, however, timing is difficult to estimate given the size and complexity of the organizations involved.

Sales targets for the remainder of 2011 are very high and in line with the substantial growth levels achieved YTD. While we are cautiously optimistic of reaching these targets, sales may be affected by the uncertain economic outlook in Europe and the US. In addition, two key sales resources in Europe have recently left the company which may impact sales in Europe negatively over the next 2 quarters until their replacements are fully trained and up to speed.

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For more information please contact Pål Bråthen, CEO, CAMO Software, pb@camo.com www.camo.com