



Newsletter to CAMO AS shareholders Q1 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'. The holding company, CAMO Software AS owns 100% of CAMO Software and 18% of Camo Tech Inc in New Jersey, USA.

CAMO Software 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 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 Q1 2011

Financials	Q1 2011	Q1 2010	YTD 2011	YTD 2010
IN USD				
REVENUE	715 124	729 557	715 124	729 557
Net cost of goods sold	53 143	87 936	53 143	87 936
GROSS PROFIT	661 981	641 621	661 981	641 621
Gross margin	88 %	91 %	86%	85 %
G & A	784 582	698 789	784 582	698 789
EBITDA	122 601	57 168	122 601	57 168
EBITDA margin	11%	23%	22%	39%
Net dep, amort and wd:s	35 621	23 342	35 621	23 342
EBIT	158 222	80 510	158 222	80 510
Net financial items	77 722	199 622	77 722	199 622
EBT	235 944	280 132	235 944	280 132
Tax	4 756	4 831	4 756	4 831
NET INCOME	240 700	284 963	240 700	284 963

Total group turnover for Q1 2011 reached almost the same level as Q1 2010 while operating profit (EBITDA) was lower than last year. Operating profitability was effected by lower than expected software sales particularly in the US and India for the quarter, combined with higher costs. Financial numbers from 2010 are adjusted to reflect comparable numbers.

Product highlights for Q1 2011:

- The Unscrambler X version 10.1 released in January 2011.
- The Unscrambler X Prediction Engine version 10.1 released in January 2011
- The Unscrambler X Classification Engine version 10.1 released in March 2011

Organizational highlights for Q1 2011:

- Pål Bråthen replaced Sverre Stange as CEO on the 21st of March
- Aarif Hashmi joined on the 1st April as head of the CAMO SW operation in India and manager for the Asia Pacific region (excluding Japan)
- Luke Buckley joined as manager and head of the European sales team 1st of February
- The search for a new VP Sales and President for our North American operation was successfully concluded with an offer accepted by Frank Filice, replacing Saby Goswami. Frank has a strong background from the financial and Business Intelligence software industry, including value-based solutions sales. He joined CAMO SW in early May 2011.

Others:

- A new CRM system (Microsoft Dynamics) has been implemented in CAMO Software worldwide
- The CAMO web site has been updated with an online evaluation tool (Runaware) and a lead management tool (Pardot) in order to enhance volume and quality of lead generation into the website. Other digital marketing initiatives are beginning to show results.
- CAMO AS shares are no longer listed in the VPS register in Norway. Administration of the shares are handled by Aksjeservice AS. Contact camo@aksjeservice.no

The organizational changes carried out during 2010/2011 and investment program in product development is expected to start showing results during the last two quarters of 2011.

Despite the somewhat disappointing development of sales for the traditional product portfolio for the quarter, many new business opportunities are arising worldwide from the existing customer base and OEM partners as a result of the new and flexible product design. The management group believe there are significant opportunities to grow the business through both our existing products and services, and also via new solutions to new sectors.

In order to successfully execute our communicated strategy of selling high-value industrial solutions, the company has had to adopt an ROI-based sales approach, rather than simply focusing on software features. Despite the challenges of transforming a product-focused company working in a scientific niche for 25 years, to becoming a commercially-focused company with a value-based solution sales model, the management group is making good progress.

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 document benefits from product development and other processes among customers and translate these into ROI scenarios. These activities will be essential in the sales and marketing process for larger industrial solution sales going forward.

We have also seen considerable interest in our new real-time process monitoring application, The Unscrambler X Process Pulse. This enables process manufacturers to identify and remedy deviations in their manufacturing processes before they become a problem. The Unscrambler X Process Pulse is consistent with our strategy of selling value-based solutions into companies at a higher level than the research laboratory.

Share issue in Q2 2011

In order to strengthen the CAMO group's balance sheet and provide for working capital to support the expected growth in sales for Q2-3 and onwards, the board has decided to raise NOK 3-4 million in new equity. Existing shareholders will be invited to participate in this rights issue which will be placed in Q2 in combination with the Annual General Meeting. 10-13 million shares will be issued at NOK 0.3 per share. The four largest shareholders have issued a guarantee for a subscription of a minimum of NOK 3 million shares.

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