



issgroup

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Perth

16 October 2009

The Manager  
Company Announcements  
Australian Securities Exchange  
4th Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir,

**RE: First Quarter 2009 Summary**

Perth WA - ISS Group Limited (ASX:ISS). In the 2009 Annual Report, we indicated that we would provide investors with a quarterly summary of ISS Group activities. Accordingly, we are pleased to provide our summary for the first quarter to 30 September 2009. Included in this summary are management account financials which have not been audited or audit reviewed. These financials will be provided each quarter as a guide to overall performance. Given the nature and scale of contract revenues, we caution that significant variations may exist between quarterly results and in the comparative results.

	Q1 09 '000	Q1 08 '000	Change %
Revenue	4,477	3,537	+27%
Cost of Sales (labor)	(3,000)	(3,435)	+13%
Gross Profit	1,477	102	
Selling, General & Admin	(945)	(1,461)	+35%
Foreign Exchange Gain (Loss)	(593)	308	-292%
EBITDA	(61)	(1,051)	
EBIT	(163)	(1,145)	
Profit Before Tax	(160)	(1,026)	

As summarised above, ISS Group has made a strong start to the 2010 financial year. Total revenue is up 27%, with strong gains in both license income and maintenance and support. The Group's cost containment has started to have a favorable impact on results, with overall labor costs and S, G & A expenses both down.

The one negative aspect in the quarter results is a foreign exchange loss of \$593,000 versus a \$308,000 gain in Q1 – 08. At this time, the loss is unrealized as the related assets are still held in US dollars. We expect further fluctuations in foreign exchange during the year.

Group net working capital was \$6.2 million at 30 September 2009.

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### Branch Activities:

**Australia/New Zealand** – After the initial impact of the minerals industry turn down in Australia, operations have improved and returned to profitability in the quarter. Revenues for the quarter are up and costs are down relative to the same period last year. The award of the Newcrest Contract (circa A\$4m refer to ASX announcement July 2009) was one of the major contributing factors to the first quarter results. Apart from gold, the other minerals markets are still very slow.

In the oil and gas sector however, we have been kept busy with our existing customer base and several new contract extensions. The new Origin gas nominations contract in New Zealand (refer ASX announcement Sept 2009) was a boost to oil and gas revenue.

**Asia** – The Singapore office has remained very active during the quarter and this is expected to continue with the recent award of the S.E. Asia JV Contract (refer ASX announcement Oct 2009). This substantial project was awarded to ISS after a competitive tender process against major suppliers of hydrocarbon management solutions. This is on the back of recent awards to ISS of hydrocarbon management projects in India and Qatar. The group has also benefited from the continuation of the large Petronas project awarded last year. The Asia branch will continue to be the major growth region over the next 2 – 3 years.

**ISS Europe** – ISS Europe is performing adequately with a breakeven result for the quarter. The region is still feeling the effects of the global slowdown in the UK and on mainland Europe. ISS Europe is continuing to work with BG Group in a joint contract with our Upstream BabelFish reseller partner Schlumberger. We also received an important contract within the Nuclear power industry. We believe the use of BabelFish in this industry demonstrates the market credibility of the product. ISS Europe is completing work in Egypt on a large hydrocarbon management project utilizing our Oil and Gas Suite. Looking forward the group is beginning to see a positive change in the market place and is well positioned to take advantage of the upturn in Europe, when it arrives.

**ISS Americas** – like Europe the US has been greatly affected by the slow down. The US office has shown a loss for the quarter. The group costs have been reduced accordingly, such that we can maintain our very important presence in the US. That said, the group has several small but potentially significant projects in North and South America. The US group has also been working in supporting Schlumberger, our upstream oil and gas global reseller of BabelFish. The Schlumberger relationship has yet to yield significant sales of BabelFish in the market place, however we have begun to see greater enquiry levels during the quarter.

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**R&D** – During the quarter the R&D group has completed its work on “*BabelFish Aspect*” our Geo Spatial add-in to BabelFish, “*BabelFish Capture*” our real-time historian, and “*Sentinel*” our event detection and workflow subsystem. The product suite is now in excellent shape, with all the pieces for a complete solution, without further significant R&D expenditure. This has been demonstrated by the award of several recent and very competitive tenders. The R&D group size has also been reduced over the quarter.

**Summary** - In conclusion, we are seeing the level of enquiry for our products increasing across all branches however, the conversion of enquiries to orders is still taking longer than we would normally expect. The Board is very pleased with the significant improvement in results for Q1-09 and believes that the ISS Group is very well positioned to take full advantage of the recovery that now appears to be in progress in global markets.

Yours sincerely

Shane Attwell  
Managing Director  
ISS Group Limited

**About ISS Group Limited:**

ISS Group delivers software solutions to the global energy, minerals and manufacturing industries. ISS Group was established in 1995 and listed on the ASX in 2004. The Company has offices in Australia, US, Europe, Africa and Asia and has a blue chip client base including BHP Billiton, Woodside, Rio Tinto, Saudi Aramco, Shell, BG Group, BP, Petronas & Mars SnackFood.

The company’s flagship product BabelFish™ is a powerful interface through which companies can aggregate their many disparate real-time systems to provide a single holistic view of their complex processes and operations.

Please visit the ISS Group website [www.issgroup.com.au](http://www.issgroup.com.au) for further information.

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