



issgroup

Southampton
Singapore
Adelaide
Houston
Sydney
Perth

26 October 2010

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

Dear Sir,

RE: First Quarter 2011 Update

Perth WA - ISS Group Limited (ASX:ISS) is pleased to provide an update for the first quarter of trading to 30 September 2010. Continued slow sales in the first quarter coupled with a significant unrealised foreign exchange variations (-\$617k) have equated to an AUD \$1.553 million net loss. The working capital remains strong at AUD 7.2 Million (after deductions for dividend payment of AUD \$676k, as well as payables and tax liabilities) and the company retains a zero debt position. ISS traditionally has a weak Q1 as budgets are being generated for the new financial year.

The Groups sales pipe line is developing across all regions with the Europe and Americas branches identifying a number of new opportunities in what has been a very slow market. Australia and Asia continue to show increased opportunities with a number of mid to large opportunities on the horizon. Overall the market remains cautious with new projects approved only after extensive due diligence increasing lead times significantly.

As prefaced for each quarterly update, readers should note the numbers contained in this report are headline management account numbers only and are subject to audit. They are provided as part of the Company's quarterly market updates only.

Readers should also be aware that given the nature and scale of contract revenues, we caution that significant variations may exist between individual quarterly results and in the comparative results, further, results may vary from previously reported numbers reflecting accounting treatments and the impact of currency fluctuations and audit requirements.

For personal use only



issgroup

Southampton
 Singapore
 Adelaide
 Houston
 Sydney
 Perth

Summary Table of Results for July to September 2010:

	Q1 10 '000	Q1 09 '000	Change %
Revenue	\$2,820	\$4,477	-37%
Cost of Sales (labor)	-\$2,674	-\$3,000	11%
Gross Profit	\$146	\$1,477	-90%
Selling, General & Admin	-\$1,058	-\$945	-12%
Foreign Exchange Gain (Loss)	-\$617	-\$593	-4%
EBITDA	-\$1,529	-\$61	-2,406%
EBIT	-\$1,619	-\$163	-893%
Profit Before Tax	-\$1,553	-\$160	-870%

Evaluating Q1 results specifically; revenues were down 37%, while cost of sales improved by 11% reflecting the Groups' continued tight fiscal management.

Branch Activities:

Australia

The Australian market is showing signs of a recovery, however the residual effect of the sluggish world economies and the continued spectre of the proposed resources 'Super Tax', is still being felt by way of long sales cycles, and cautious purchasing by our potential customers. The upturn in the market has filtered to the operating budgets and this is becoming evident via the large increase in activities which is pleasing. Existing customers are generating improved demand as they undertake upgrading, or expanding their use of the Group's products.

Asia

A number of opportunities have yet to come to fruition in the region and it was expected they would eventuate in Q1 2011. Whilst the sales process remains onerous several are becoming reality with contract awards expected in the next quarter. In addition to this, the office sales pipeline and existing projects remain significant going forward.

Europe

The Group's European office has seen an increase in sales opportunities which has culminated with the awarding of a new project. Whilst the region continues to be subdued with the European economy still struggling, opportunities are arising through both direct and partner sales channels.

For personal use only



issgroup

Southampton
Singapore
Adelaide
Houston
Sydney
Perth

Americas

Work continues in supporting the Schlumberger partnership as well as KBC and working on opportunities with them. The partnership model is being expanded in this region with a number of opportunities identified via our partner channels.

General:

The partnerships model ISS has engaged in is beginning to strengthen. Our partners have delivered additional sales and many opportunities. ISS Group Africa has recently concluded a software contract with eThekweni Electricity in South Africa; in addition to this, opportunities in Australia via partners are close to being finalised. Our global partnership with SIS continues to produce results, with SIS making a number of sales and increased opportunities in the pipeline.

Summary:

Whilst the board is disappointed with the results achieved this quarter, the strengthening AUD and poor sales results in Q1 are the factors of most concern and therefore the focus going forward. The company is in the process of implementing a new product management model to increase our level of service to both our internal users, and our external partners to drive sales and increase the quality of products.

The Group's focus is, and will continue to be, on growing sales in all regions and via partners. ISS Group's financial health remains robust with net working capital of \$7.2 million, this combined with the future sales opportunities identified will allow ISS to work towards recouping the losses incurred in the first quarter.

Yours sincerely

Shane Attwell
Managing Director
ISS Group Limited

For personal use only

ISS Group Limited. ACN: 109 443 852
Unit 1, 40 Hasler Road, Osborne Park, Western Australia 6017
T +61 8 9241 0300 F +61 8 9242 8121
www.issgroup.com.au



issgroup

Southampton
Singapore
Adelaide
Houston
Sydney
Perth

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 for further information.

For further information contact:

Frank Zenke
General Manager
ISS Group Limited
+61 8 9241 0300
frank.zenke@issgroup.com.au

For personal use only