



issgroup
Southampton
Singapore
Adelaide
Houston
Sydney
Perth

10 February 2011

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

Dear Sir,

RE: Second Quarter 2011 Update

Perth WA - ISS Group Limited (ASX:ISS) is pleased to provide an update for the second quarter of trading to 31 December 2010. It should be noted that the results presented here are subject to half-year audit review and approval. Therefore, the results in this update may vary from the final reported numbers to be lodged with the ASX by the end of February.

As reported to the market on 18 January 2011 – with a general update from the CEO, the Group has been awarded a number of projects which represent a significant aggregated revenue stream. This has resulted in the first half showing a profit before tax of AUD \$1.27m. This is an excellent result considering the significant unrealised foreign exchange variation (AUD -\$1.13m) incurred in the first half of the financial year.

The Group's working capital remains robust at AUD \$9.6m and the company maintains a zero debt position. ISS traditionally has a stronger Q2 which is reflected in the change from a loss in the previous quarter to these positive results.

The Group's sales pipeline continues to improve, with increased activity relating to enquiries on solutions the Group provides being experienced in all offices. This has resulted in an increase in the number of proposals submitted to clients. This indicates to us that the market in general is improving. Combine this improvement with the reputation ISS is developing as a supplier of quality solutions, backed by experienced delivery resources and it positions ISS well for the 2nd half of the financial year.

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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 review by the company's auditors. 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 adjustments.

Summary Table of Results for July to December 2010:

| | Q2 11 '000 | Q2 10 '000 | H1 11 '000 | H1 10 '000 | Q2 +/- % | H1 +/- % |
|-------------------------------|---------------|---------------|---------------|---------------|-------------|-------------|
| Revenue – Operating | 7,076 | 6,711 | 9,896 | 11,188 | 6% | (12%) |
| Cost of Sales (labor) | (2,641) | (2,750) | (5,315) | (5,750) | 4% | 8% |
| Gross Profit | 4,435 | 3,961 | 4,581 | 5,438 | 12% | (16%) |
| Selling, General & Admin | (1,145) | (565) | (2,208) | (1,532) | (103%) | (44%) |
| Foreign Exchange Loss (Gain) | (514) | (73) | (1,131) | (666) | (604%) | (70%) |
| Amortisation and depreciation | (89) | (101) | (178) | (203) | 12% | 12% |
| Other Income | 136 | 14 | 206 | 39 | 871% | 428% |
| Profit Before Tax | 2,823 | 3,236 | 1,270 | 3,076 | (13 %) | (59%) |

Evaluating Q2 11 results specifically; revenues were up 6% on Q2 10, while cost of sales improved by 4% reflecting the Group's continued tight fiscal management. Selling, General and Admin expenses increased due to the accrual of employee benefits.

The half year results to December show a decline in Revenue of 12% relative to the previous corresponding period which is a direct result of the reduction in Q1 11 revenues. Cost of Sales for the half year are down by 8% reflecting the Q2 trend of managing the cost of sales and the companies increased focus on enhancing operational efficiencies.

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Branch Activities:

Australia

The Australian market continues with its recovery with new opportunities and with the existing customer base, both of which are starting to release funds for projects. The existing customer base is proving to be resilient to most changes and continues to provide a solid income stream for the Group.

Work is progressing on several fronts with Santos and other well established customers, plus several bids currently in place at green field sites which we expect to receive feedback on in the coming months.

Asia

The number of opportunities continues to increase in this region and should result in a solid performance for the second half. Again, existing customers are providing a significant part of the income stream for the region, more so as our competencies are demonstrated on site, in most cases resulting in additional project awards or services.

New projects with Cairn Energy India, Hess Corporation and Maersk Oil are still developing and represent some significant opportunities for ISS Asia.

Europe

The Group's European office continues to see an increase in sales opportunities which has culminated with the award of new projects with Maersk Oil and Hess Corporation. Whilst the region continues to be subdued, opportunities are arising through both direct and partner sales channels. Focus on this region to generate additional sales is the main driver with all verticals under review for sales.

Americas

Focus on supporting the Schlumberger partnership as well as the rollout of the HESS Corporation North Dakota project with one of our partners remains the main focus for this region.

Summary:

While the half year result is down on last year, the board is pleased with the trend towards improving results achieved this quarter. The strengthening AUD continues to be of concern, as it is with all export oriented businesses.

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 excellent and in consideration of this, the Board will be meeting shortly to consider the payment of an interim dividend following the reinstatement of dividends in October 2010.

Yours sincerely,

Richard Pang
CEO
ISS Group Limited

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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 and Asia and has a blue chip client base including BHP Billiton, Woodside, Santos, Rio Tinto, Shell, BG Group, BP, Hess Corporation, Maersk Oil, Petronas and 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.

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