



issgroup
Southampton
Singapore
Adelaide
Houston
Sydney
Perth

13 May 2011

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

Dear Sir,

RE: Third Quarter 2011 Update

Perth WA - ISS Group Limited (ASX:ISS) is pleased to provide an update for the third quarter of trading to 31 March 2011. It should be noted that the results presented here are unaudited and subject to end of year review and approval. Therefore, the results in this update may vary from the final reported numbers to be lodged with the ASX at the end of the financial year.

Overview:

The Groups revenue for the third quarter was down 19% compared to the same period last year due to a number of scheduled project milestone payments that will now be invoiced in Q4.

Labour costs remain in control and are down 8% against comparative quarter last year.

The Group's working capital remains robust at AUD \$7.99m (after dividend payment of AUD\$675K and ongoing share buyback scheme of AUD \$57K) and the company maintains a zero debt position.

The Group's sales pipeline continues to improve in most regions, with increased activity relating to enquiries on solutions the Group provides being experienced in the Australian, Singapore and the UK offices. This has resulted in an increase in the number of proposals submitted to clients and the award of a number of projects. This indicates that the market is improving in those regions. The Americas remain a challenge and will continue to be so for at least 12 to 18 months.

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Readers should 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 January to March 2011:

	Q3 11 '000	Q3 10 '000	YTD Mar 11 '000	YTD Mar 10 '000	Q3 +/- %	YTD Mar +/- %
Revenue – Operating	2,700	3,353	12,596	14,541	(19%)	(13%)
Cost of Sales (labor)	(2,461)	(2,666)	(7,776)	(8,416)	8%	8%
Gross Profit	239	687	4,820	6,125	(65%)	(21%)
Selling, General & Admin	(1,155)	(775)	(3,363)	(2,307)	(49%)	(46%)
Foreign Exchange Loss (Gain)	(29)	(270)	(1,160)	(936)	89%	(24%)
Amortisation and depreciation	(77)	(108)	(255)	(311)	29%	18%
Other Income	82	30	288	69	173%	317%
Profit Before Tax	(940)	(436)	330	2,640	(116%)	(88%)

Evaluating Q3 11 results specifically; while revenues were down 19% on Q3 10, cost of sales improved by 8% reflecting the Group's continued tight fiscal management. Selling, General and Admin expenses increased due to the accrual of employee benefits.

The YTD results to March show a decline in Revenue of 13% relative to the previous corresponding period which is a direct result of the reduction in Q1 and Q3 11 revenues. Cost of Sales for the YTD to March are down by 8% reflecting the trend of managing the cost of sales and the companies increased focus on enhancing operational efficiencies as a long term objective.

Branch Activities:

Australia

The Australian market continues its recovery with new opportunities, and with the existing customer base, both of which are starting to evaluate their operational requirements. The Group is well positioned to take advantage of this with an increase in staffing and resources to cope with the increased demand.

Asia

The number of opportunities continues to develop in this region and points to a robust market for 2011 and 2012. 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.

Europe

The Group's European office, while still affected by the regions sluggish economies, is experiencing an increase in enquiries and opportunities. The recently awarded projects with Maersk Oil and Hess Corporation are a positive sign for the region.

Americas

Focus on supporting the Groups Schlumberger partnership (now in its 3 year) as well as the rollout of several smaller projects 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 progress made in improving the Groups capabilities and focus on generating new sales opportunities, the benefits of which are expected in Q4 2011 and the 2011/12 financial year. The strengthening AUD continues to be of concern, as it is with all export oriented businesses, however the Groups FX position is such that the exchange losses in most cases are not realised.

The Group's focus is, and will continue to be on growing sales in all regions. ISS Group's financial health remains excellent, a level of confidence reflected by the interim dividend payment approved by the Board and issued in March.

Yours sincerely,

Richard Pang
CEO
ISS Group Limited

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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



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.

For further information contact:

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

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