

24 October 2010

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

Dear Sir,

RE: First Quarter 2012 Update

Perth WA - ISS Group Limited (ASX:ISS) provides its quarterly update for the first quarter of trading to 30 September 2011.

As prefaced each quarter, readers should note the numbers contained in this report are headline management account numbers and have not been subject to audit. They are provided as part of the Company's voluntary commitment to quarterly market updates for shareholders and interested investors.

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.

Q1 Comments:

Sales increased modestly by 1% over the previous Q1 reporting period. Cost of sales (labour) was up by 17% however, as a result of hiring more employees ahead of new project commencements and in line with the Company's strategic plan to increase revenue in the medium term. Selling, general and administration costs remained comparable.

The strengthening of the USD against the AUD has provided an unrealised foreign exchange gain of \$405k (2010 foreign exchange loss of \$617k) during the quarter. The positive impact of the foreign exchange result reduced the first quarter loss to \$964k, an overall improvement of 38% on the previous year's Q1 result.

Working capital remains robust at \$7.1 million.

As with previous years, the first quarter is the Group's weakest period. Similarly, in line with previous years, the Group expects to record a strong Q2 which will position the company well for the remainder of the financial year

Summary Table of Results for the three months to 30 September 2011:

	Q1 : 2011 '000	Q1 : 2010 '000	Change %
Revenue	\$2,837	\$2,820	1%
Cost of Sales (labour)	-\$3,135	-\$2,674	-17%
Gross -Loss / Profit	-\$298	\$146	-304%
Selling, General & Admin	-\$1,058	-\$1,058	0%
Foreign Exchange Gain/-Loss	\$405	-\$617	166%
EBITDA	-\$951	-\$1,529	38%
EBIT	-\$1,016	-\$1,619	37%
Profit Before Tax	-\$964	-\$1,553	38%

Branch Activities:

Australia

The continued focus by the sales team in Australia is identifying a large number of opportunities. A number of these have recently resulted in new project wins for the region. The branch has increased its sales team in line with increased tendering activity and business opportunities from existing and new customer sources.

Asia

A number of opportunities with existing customers have recently been awarded to the Group. The continued focus on customer engagement is resulting in new projects and a growing number of opportunities in the sales pipeline.

Europe

The Group's European office has also seen an increase in sales opportunities, with the potential for new projects to be awarded in the region in the near future.

Americas

Work continues in supporting the Schlumberger partnership and working on opportunities with them.

Summary:

The number of opportunities in the sales pipeline and the increasing number of projects being awarded to the Group is pleasing. Accordingly, management is expecting a strong Q2 as a result and a number of the larger opportunities are expected to carry through to Q3 and Q4. ISS Group is still recruiting in line with its expected resource requirements and we are focusing on resource efficiencies as a key metric in our strategic plan.

I look forward to providing an update on the Group's Q2 activities in January, ahead of the half yearly report.

Yours sincerely

Richard Pang
Managing Director
ISS Group Limited