



issgroup

Southampton
Singapore
Adelaide
Houston
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Perth

12-October-2012

The Manager

Company Announcements

Australian Securities Exchange

4th Floor

20 Bridge Street

SYDNEY NSW 2000

Dear Sir,

RE: First Quarter 2013 Update

Perth WA - ISS Group Limited (ASX:ISS) provides its quarterly update for the first quarter of trading to 30 September 2012.

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 substantially by 72% over the corresponding previous year reporting period. Cost of sales (labour) increased by only 18%, this reflects the re-structuring and growth of the sales and management teams over the last 12 months. The benefits of this strategic re-structure can be seen by the increased revenues. Total operating costs rose by 16% on the comparative Q1 costs last year supporting the efforts by the management team to control costs while increasing revenues. A key goal for 2013 is to smooth our quarterly revenues and cash flow which have historically been very bumpy from quarter to quarter. The Q1 results

highlight the successful initial execution of this strategy and management will continue to focus on revenue distribution and cash flow over the remaining three quarters of the year.

The weakening of the USD against the AUD by 2.7% over the quarter has resulted in an unrealised foreign exchange loss of \$72k (2011 foreign exchange gain of \$405k, resulting in a - \$477k P&L impact relative to Q1 2012). This reflects the efforts employed by the management to minimise the impact of foreign exchange rate fluctuations on the company's operating results. The first quarter loss of \$96k is a 90% improvement on the 2012 Q1 results despite a foreign exchange loss in the current year and a foreign exchange gain in the previous year as previously mentioned.

Working capital remains in a healthy position and has increased to \$8.8 million from \$7.1 million at the end of the previous year Q1. Please note the full year dividend (0.85 c) of \$1.157 million was paid on the 21st September and is reflected in our Q1 working capital.

The results are pleasing and have set the platform for budgeted growth in the current financial year.

Summary table of results for the three months ending 30 September 2012:

	Q1 : 2012 '000	Q1 : 2011 '000	Change %
REVENUE			
Project Revenue	\$3,736	\$2,269	64.7%
Licence Revenue	\$212	\$228	-7.1%
Support Revenue	\$212	\$90	136.4%
Maintenance Revenue	\$729	\$250	191.9%
Other Income	\$36	\$31	16.5%
Total Revenue	\$4,926	\$2,868	71.8%
COSTS			
Cost of Sales	\$3,713	\$3,135	-18.4%
Corporate Expenses	\$150	\$165	9.0%
Employee Expenses	\$301	\$304	1.0%
Travel Expenses	\$51	\$38	-31.9%
Computing & Communication Expenses	\$56	\$68	17.4%
Premises Expenses	\$354	\$325	-8.8%
Other Expenses	\$114	\$83	-36.5%
Provision & Non Cash Expenses	\$169	\$106	-59.4%
Total Operating Costs	\$4,907	\$4,224	-16.2%
EBITDA before Exchange Variances	\$19	-\$1,356	101.4%
Exchange -Loss/Gain	-\$72	\$405	-117.7%
EBITDA	-\$53	-\$951	94.5%
Amortisation & Depreciation Expenses	\$68	\$65	-5.6%
EBIT	-\$121	-\$1,016	88.1%
Net Interest (Expense)	\$26	\$51	-50.3%
Profit / -Loss before Tax	-\$96	-\$964	90.1%
PBT as % of Sales Revenue	-2.6%	-42.5%	

Branch Activities:

ISS Group hosted a BabelFish User Group (BUG) on the 26th and 27th of September 2012. The event was a great success and the interest it has sparked is exciting for the company going forward.

Australia

There are several exciting opportunities with existing customers and potential new customers which have been invigorated with the hosting of the BUG. The sales team, which has matured into a well-rounded and cohesive unit, are committed to achieving the sales targets for the year and following up on the opportunities of customers post the BUG event.

Asia

Some large opportunities in this region are developing well and are expected to be converted to projects in the next six months, with the potential of follow on project work in the customers' global business units. Sales growth potential in this region is looking promising.

Europe

This region is solid and looking to benefit from the project work spin off from global customers in the Asian region.

Americas

The American office continues the support of our Schlumberger partner and, with the hiring of a sales resource in September, will be actively pursuing new opportunities and expanding our work with existing global customers in the region. Additionally ISS is close to completing our first direct project in the gulf of Mexico which is a major milestone for our US operation and we expect this to lead to additional sales in the region.

Summary:

The results for Q1 are pleasing and have established the solid platform for growth. Management is committed to seeing the continued successful implementation of the strategic plan and the continuation of year on year growth for the company.

Yours sincerely

Richard Pang
Managing Director
ISS Group Limited

About ISS Group Limited:

ISS Group delivers operational management software solutions to the global Oil and Gas, Mining, Metals, 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 Chevron, BHP Billiton, Woodside, Santos, Rio Tinto, Shell, BG Group, BP, Hess Corporation, Maersk Oil, Petronas and Fortescue Metals.

The BabelFish™ product suite comprises a number of integrated modules that enable operations to capture, validate, analyse and report against business critical data and workflows. BabelFish™ provides an efficient and integral decision making and problem solving environment for personnel in operations, engineering and business management.

Please visit the ISS Group website www.issgroup.com.au for further information.

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