

19 April 2013

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

Dear Sir,

RE: Third Quarter 2012-13 Update

Perth WA - ISS Group Limited (ASX:ISS) is pleased to provide an update for the third quarter of trading to 31 March 2013. It should be noted that the results presented here are unaudited management accounts and may be subject to change prior to year end.

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 comparative results. Further, results may vary from previously reported numbers reflecting factors such as the impact of currency fluctuations and audit adjustments.

Overview:

Evaluating Q3 13 results specifically, revenues were up 23% on Q3 12, while costs increased by 11% reflecting the Group's growth strategy and the need to structure the company to facilitate project delivery against the current and future revenue growth targets.

The year to date results to 31 March 2013 show an increase in revenue of 8% relative to the previous corresponding period, with costs up by 13%. The foreign exchange loss increased marginally in Q3 to a loss for the YTD of \$74k.

The Group's working capital remains healthy at AUD \$9.7m after an interim dividend payment of AUD \$1.16 million on 15 March 2013. The company maintains its zero debt position.

The Group's sales pipeline remains healthy with a number of significant opportunities being pursued at the present time. There continues to be increased activity relating to proposals issued, projects awarded and enquiries on solutions the Group provides in all offices.

Summary Table of Results for July 2012 to March 2013:

	Q3 13 '000	Q3 12 '000	Q3 +/- %	YTD 13 '000	YTD 12 '000	YTD +/- %
Project Revenue	3,166	2,965	7%	10,120	7,439	36%
License Revenue	523	296	77%	2,752	5,466	(50%)
Support Revenue	131	126	4%	589	547	8%
Maintenance Revenue	1,212	704	72%	3,289	2,093	57%
Other Revenue	44	36	22%	121	94	29%
Total Revenue	5,076	4,127	23%	16,871	15,639	8%
COSTS						
Cost of Sales	3,722	3,330	12%	11,101	9,816	13%
Corporate Expenses	161	191	(16%)	474	566	(16%)
Employee Expenses	295	268	10%	854	827	3%
Travel Expenses	69	39	77%	197	128	54%
Computing & Communication Expenses	52	49	6%	199	177	12%
Premises Expenses	342	344	(1%)	1,051	1,010	4%
Other Expenses	59	82	(28%)	288	200	44%
Provisions and Non-Cash Expenses	142	59	141%	278	37	651%
Total Costs	4,842	4,362	11%	14,442	12,761	13%
EBITDA before Exchange Variances	234	(235)	200%	2,429	2,878	(16%)
Foreign Exchange Gain (Loss)	(3)	(168)	98%	(74)	0	(100%)
EBITDA	231	(403)	157%	2,355	2,878	(18%)
Amortisation and Depreciation	65	78	(17%)	198	213	(7%)
EBIT	166	(481)	135%	2,157	2,665	(19%)
Net Interest Received	28	19	47%	72	104	(31%)
Profit Before Tax	194	(462)	142%	2,229	2,769	(20%)

Branch Activities:

Australia

The Australian market remains active and a key growth market for ISS. The flow on effect from the BabelFish User Group in September 2012 has resulted in an increase in projects and new opportunities.

Asia

The Asian region continues to provide new opportunities with both existing and new customers. The recent award of the PTTEP PDMS project and other similar opportunities highlights the potential of the region. The next phase Group's sales organisational growth is focused within the Asian region.

Europe

ISS continues to deliver projects within the region and we are pursuing a number of new opportunities.

Americas

ISS's exposure in the US market continues to increase. A number of new projects have commenced with existing customers and our local sales resource has identified a number of new opportunities within the region.

Summary:

ISS directly generated sales have increased by 37% on the YTD results of the previous year. This is as a result of increasing the sales team over the last eighteen months and ISS Group has now started to reap the rewards of that investment. Given the YTD results and the prospects at all stages in the sales pipeline, management are confident that the company's growth will continue with a corresponding improvement in profitability as costs start to plateau.

Yours sincerely,

Richard Pang
CEO
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, BP, Hess Corporation, Maersk Oil, Petronas, PTTEP 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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