



issgroup

Southampton
 Singapore
 Adelaide
 Houston
 Sydney
 Perth

2 February 2010

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

Dear Sir,

RE: Second Quarter 2010 Update

Headline: Estimated Profit after tax up 216%

Perth WA - ISS Group Limited (ASX:ISS) is pleased to provide an update for the second quarter of trading to 31 December 2009.

Readers should note the numbers contained in this report are headline management account numbers only and have not at this time been audited or cleared for release by the auditors. They are provided as part of the Company's quarterly market updates only. Final approved accounts for the half year to Dec 31 2009 will be submitted to the ASX prior to the end of February.

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.

	Q2 10 '000	Q2 09 '000	H1 10 '000	H1 09 '000	H1 +/- %
Revenue – Operating	6,780	7,177	11,187	10,802	+3.5%
Cost of Sales (labor)	(2,793)	(3,333)	(5,750)	(6,788)	
Gross Profit	3,987	3,844	5,437	4,014	+35.5%
Selling, General & Admin	(886)	(920)	(1,842)	(2,489)	
Foreign Exchange Loss (Gain)	(107)	128	(666)	442	
Amortisation and depreciation	(102)	(72)	(202)	(187)	
Share based expense	0	(950)	0	(950)	
Other income	14	221	39	383	
Profit Before Tax	2,906	2,251	2,766	1,213	+128%
Income tax credit (expense)			980	(26)	
Net Profit – Management Accounts			3,746	1,187	+216%

As summarised above, ISS Group has continued its strong start to the 2010 financial year.



issgroup

Southampton
Singapore
Adelaide
Houston
Sydney
Perth

While operating revenue is up a modest 3.5% for the half year, major cost reductions in labour (down 15%) and SG&A expenses (down 26%) have contributed to deliver a strong improvement in underlying profitability.

Headline profit before tax is up 128% to \$2.76 million. This profit has been achieved even after the negative impact of foreign exchange losses, included as an expense of \$666,000 for the half year (comparative year was a gain of \$442,000). Operating profit recorded before the impact of comparative share based payments and other income was up 53%. Net profit after tax is in the order of \$3.7 million, up 216% for the comparative half after taking account of an income tax credit for the half.

As importantly, Group net working capital has again improved and sits at approximately \$9.2 million at 31 December 2009, up approximately \$3.0 million for the 2nd quarter.

Branch Activities:

Details of branch activities for the quarter will be reported in the full Appendix 4D release for the half year. In short however, Asia has continued its strong trading performance and the Australian region has also seen strong levels of activity in the mining sector. The US and European branches have been quite flat due to the state of the economies in those regions. During the half, we have signed a non-exclusive agreement with KBC to develop the downstream oil and gas market. ISS has also established a strong partnership with an independent group (ISS Group Africa) to represent and sell our products in Africa. Although no firm orders have been received, we have seen significant enquiry and interest in our products and services.

Summary:

The Board continues to be pleased with the significant improvement in results for H1-10. Cost containment and improving market conditions are providing the catalyst for ISS Group to return to strong cash flow and profitability, notwithstanding the likely environment for a sustained high Australian dollar over the balance of the year.

Contingent upon sustained second half trading, the Board will give strong consideration to the reinstatement of a full year dividend payment.

Yours sincerely

Shane Attwell
Managing Director
ISS Group Limited

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



issgroup

Southampton
Singapore
Adelaide
Houston
Sydney
Perth

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, Africa and Asia and has a blue chip client base including BHP Billiton, Woodside, Rio Tinto, Saudi Aramco, Shell, BG Group, BP, Petronas & 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