

our FIRM

our FUTURE

our TIME



ISG

INFORMATION
SERVICES
GROUP

Annual Review 2010

our FIRM

Information Services Group, Inc. (ISG), founded in 2006, is a leading technology insights, market intelligence and advisory services company serving over 500 clients with nearly 700 professionals operating in 21 countries.

We support private and public sector clients in transforming and optimizing their operational environments through strategic consulting, benchmarking and analytics, managed services and research with a focus on information technology, business process transformation and enterprise resource planning.

to our **SHAREHOLDERS, CLIENTS AND EMPLOYEES:**

For the past three years, Information Services Group (ISG) has been on a journey: To build a leading technology insights, market intelligence and advisory services company.



*Michael P. Connors, Chairman and
Chief Executive Officer*

We took the first step in November 2007 with the acquisition of TPI, the leading sourcing data and advisory firm in the world. In the first 41 days of 2011, we took the next steps in our journey by acquiring Compass, the premier independent global provider of business and IT benchmarking and performance improvement, data and analytics services, and STA Consulting, a premier independent information technology advisor serving the public sector.

We believe the combination of TPI, Compass and STA Consulting to be extremely powerful and makes ISG stronger than ever. These acquisitions have greatly expanded the products and services we can offer clients of all three brands, strengthened our position in vertical and geographic markets we had targeted for growth, and enhanced our financial profile by significantly increasing both our recurring and international revenue. We now have five decades of global leadership in information and advisory services to both the private and public sectors, nearly 700 professionals in 21 countries on six continents, and more than 500 clients, including 75 of the *Forbes* Global 100.

We are extremely excited about the opportunities created by bringing these three outstanding brands together with ISG. As we review 2010, it is clear that **Our Firm** has never been stronger. With the growth opportunities created by these two acquisitions and their synergies with TPI, we have never been more excited about **Our Future**. And we are better positioned than ever to take advantage of changing markets. At ISG, this is **Our Time**.

Our Firm

Looking back at 2010, operating highlights for ISG and TPI included:

- Reaching \$8 billion total contract value under management by TPI Governance Services, which provides post-transaction managed services to clients globally, up from essentially zero in 2008



Geographic Coverage in 2011

With the combined go-to-market brands of TPI, Compass and STA Consulting, ISG is now operating in 21 countries around the world.

- Our global expansion strategy is paying dividends with our Asia Pacific region growing by 35% in constant currency
- Becoming the first independent sourcing advisor with the launch of a business unit to help clients achieve success with Cloud Computing in direct response to TPI research showing that most clients lack plans to take advantage of this important technology trend
- Hosting eight major industry events, including the first Sourcing Leadership Exchanges and Sourcing Industry Conferences since 2008, China's first national conference of sourcing clients

and service providers, and the inaugural awards for excellence in sourcing in Australia

- Ranking #1 as the world's best outsourcing advisor by the International Association of Outsourcing Professionals
- Continuing our 21 year history of providing unparalleled data and insights to the market, including the TPI Index, now in its 33rd consecutive quarter
- Being recognized by our peers for contributions to the industry, including two Thought Leader of the Year awards for TPI advisors from the Human Resources Outsourcing Association

These accomplishments came in the midst of persistent recessionary conditions, both in our industry and the economy at large. According to the TPI Index, the total value of outsourcing contracts awarded globally during 2010 fell to the lowest point in nine years, and contract renewals, renegotiations and restructurings — not new contract scope — accounted for a record one-third of the overall market.

These challenging conditions took their toll on a number of our competitors, but we gained market share thanks to our long history of industry leadership, client service and innovation, our leading brand and our reputation as a trusted, objective adviser. Overall, we served more than 300 clients in 2010, including such respected names as General Mills, Southwest Airlines, Royal Bank of Canada, the Hearst Corporation, SunGard, Standard Bank, the Australian Government and the State of North Carolina.

We reported revenues of \$132 million during 2010, essentially flat with 2009. The 35 percent constant currency revenue growth in Asia Pacific offset the revenue decline of 10 percent in Europe, the Middle East and Africa (EMEA) compared to the prior year period. Adjusted EBITDA for 2010 was \$16.1 million, excluding acquisition-related expenses, down \$3.9 million from adjusted EBITDA of \$20.0 million in 2009.

Cash, restricted cash and cash equivalents totaled \$46.1 million at December 31, 2010, a net increase of \$3.3 million from year end 2009. The increase in cash balances from year-end 2009 was principally attributable to an increase in net cash flows generated from operating activities partially offset by term loan principal payments. Total outstanding debt at December 31, 2010 was \$69.8 million compared with \$71.8 million at December 31, 2009. We made principal repayments of \$2 million during 2010.

Our Future

The vision for ISG has been to provide advisory services, including strategy, implementation and management; and market information, including market measurement and analytics. With TPI as our platform company, we looked for other brands that had a leadership position in their markets; a complementary service offering in data, analytics and advisory businesses; a good cultural fit; and a compelling valuation. We met with dozens of prospective candidates, passed on quite a few opportunities, and ultimately spent more

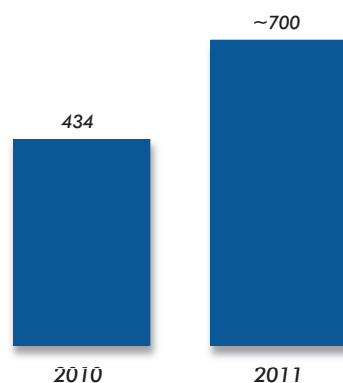
than a year in discussions with the companies we recently acquired.

The first one, Compass is a globally recognized brand that serves nearly 250 clients a year. Since its founding 30 years ago, it has been a leader in IT benchmarking and performance improvement. Today, Compass has extended its mission far beyond that, helping clients achieve sustained operational excellence through the application of sophisticated information and advisory services. Compass' service frameworks and database of internal operational costs and performance metrics complements our comprehensive market data and enhances our ability to help clients assess and improve their internal operations.

STA Consulting advises clients in the U.S. state and local government sector on information technology strategic planning and the acquisition and implementation of new Enterprise Resource

Planning (ERP) and other enterprise administrative and management systems. Acquiring them, immediately increased our position in one of our target growth verticals, the public sector, now our third-largest globally behind Financial Services and Manufacturing. It also

Number of Professionals



Including all go-to-market brands (TPI, Compass and STA Consulting) ISG has grown from 434 professionals in 2010 to approximately 700 today in all parts of the world.

immediately increases our capabilities and expertise in IT systems advisory services and ERP as well as project management office (PMO), an area we have targeted to launch with clients in the commercial sector in 2011. And the multi-year engagements that represent more than 70 percent of the STA Consulting business significantly expand our recurring revenue, another key strategic goal.

Our Time

As we look ahead to 2011 and beyond, we believe ISG will continue to enhance our service to clients, expand our market share, and increase our value as a company. We will do that by focusing on continuing to execute on our long-term growth plans, which include launching new businesses, markets and operating structures; capitalizing on the opportunities afforded by our acquisitions, including implementing the One ISG Platform for shared services such as finance, IT, human resources and marketing; returning our business to growth in the Americas and EMEA and maintaining our high velocity in Asia Pacific; and strengthening our leadership and people with new incentives and opportunities for development.

The sourcing, advisory and analytics industries are dynamic, global and returning to growth. We own market share leaders that have scale, depth, insight, independence and phenomenal client relationships. We managed successfully through the downturn and are now positioned for the recovery. The time and energy we invested in developing acquisition opportunities are now yielding results. And with continued focus on profitable revenue growth, our financial goals are achievable.

Thank you for your ongoing confidence, trust and support, and thank you for joining us on this journey of building a leading technology insights, market intelligence and advisory services company. This is Our Firm. This is Our Future. This is Our Time.

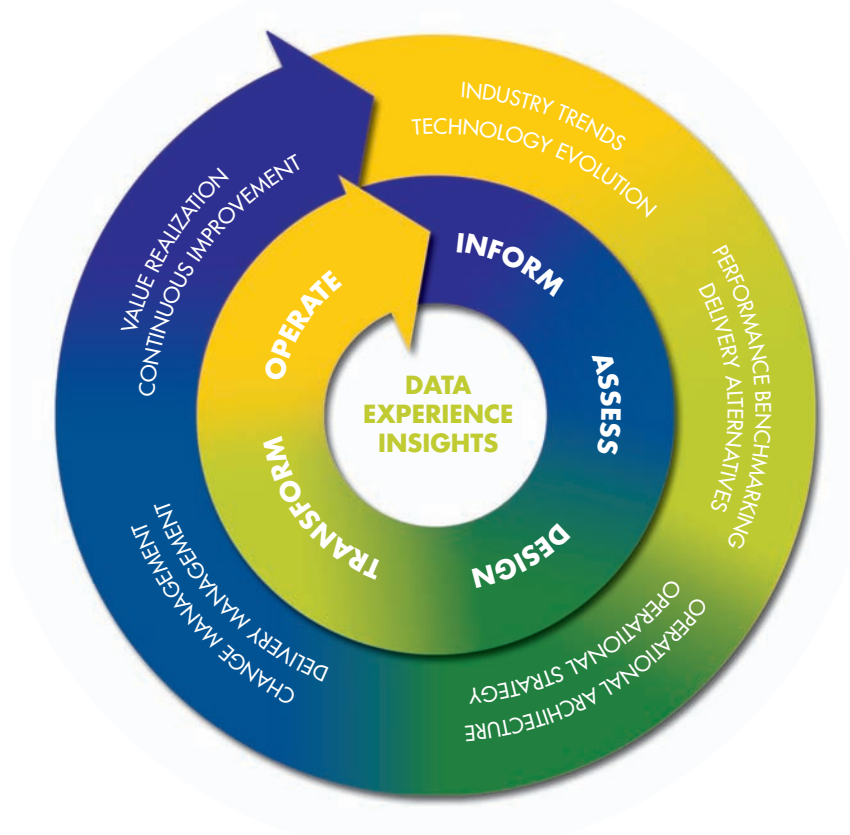
Sincerely,



Michael P. Connors
Chairman & CEO
March 31, 2011

In closing, I wanted to recognize Bob Chrenc, one of the founding members of our Board of Directors, the head of our audit committee and a long time associate of mine who passed away in February. He was a good friend and confidant. Someone we could always turn to when there were business issues to discuss, who gave sound advice and participated in all aspects of our business. Bob will be missed.

the power of THE COMBINATION



With TPI and the new acquisitions of Compass and STA Consulting, ISG has assembled a powerful set of go-to-market brands with unique characteristics to penetrate the sourcing, advisory and analytics industries.

As a result, ISG now has nearly 700 professionals, operating in 21 countries on six continents with expanded products and services for over 500 clients in business and government.

We now also boast a much larger industry-leading global database of performance improvement metrics to advise our clients.

Compass unites sourcing insight from TPI with a database of performance improvement information and analytics delivering deeper industry expertise and further expanding our global footprint. With the Compass acquisition, we strengthen our top two industry verticals — Financial Services and Manufacturing — as well as our technology insights and market intelligence information that we can provide our clients.

ISG targeted the public sector as a growth engine for the firm and with the acquisition of STA Consulting the public sector becomes our third largest Industry Vertical. We now have serviced 10 of the 25 largest states in the U.S., two of the four largest municipalities and the national governments of the United Kingdom, Australia and Singapore. We plan to utilize the enterprise resource planning (ERP) and project management office (PMO) expertise of STA Consulting to expand these services into the commercial sector.

Compass will also capture the STA Consulting benchmarking data to enhance and extend its performance analytics database to include the public sector. The combination provides a great cultural fit as STA Consulting and TPI have worked together on prior engagements and all three of our go-to-market brands — TPI, Compass and STA Consulting — share a heritage of providing independent, objective insights to clients.

Three Go-to-Market Brands, One ISG Platform



TPI is the founder and innovator of the sourcing advisory industry and the leading independent data and sourcing advisory firm in the world.

The firm, founded in 1989, is expert at a broad range of business support functions and related research methodologies. Utilizing deep functional domain expertise and extensive practical experience, accomplished industry experts collaborate with organizations to help them advance their business operations through the best combination of business process improvement, shared services, outsourcing and offshoring. In 2010, the International Association of Outsourcing Professionals ranked TPI number 1 in its Global Outsourcing 100: World's Best Outsourcing Advisors.

Compass is a premier independent global provider of business and information technology benchmarking, performance improvement, data and analytics services.

Compass Benchmarking and Analytical Services and Compass Fact-Based Consulting® get to the root cause of cost efficiency, productivity and service quality gaps. This deep understanding of clients' performance provides an unrivalled ability to evaluate the current state of the business and quantify improvement opportunities, understand the market price of services and identify future options, and ensure rapid and sustainable performance improvement. Founded in 1980, Compass revolutionized the identification of the root causes of problems within businesses with its pioneering approach to fact-based consulting and performance improvement.



STA Consulting is a premier independent information technology advisor serving the public sector in the United States.

STA Consulting, founded in 1997, advises clients on information technology strategic planning and the acquisition and implementation of new Enterprise Resource Planning (ERP) and other enterprise administrative and management systems.

One ISG Platform represents a team of professionals providing global shared services in Finance, IT, HR, Communications, Marketing and Information Services to all our go-to-market brands which provides consistency in delivery and efficiency in cost.

The year ahead will focus on bringing our vision to reality.

We have increased our capabilities to serve our over 500 blue chip clients with products and services for the C-suite in strategy, fact-based assessments and benchmarks, sourcing transactions, ERP and PMO consulting, and transformation and governance

services. We intend to integrate our acquisitions into a major go-to-market force in the information services industry. We will grow our business through optimizing our brands as quickly, effectively and efficiently as possible.

And we have the opportunity to develop new products and services, cross-sell to our existing client base and acquire and develop new clients. With this comes increased revenue growth and margin improvement opportunities for all three of our go-to-market brands in our single platform business model.

There are also immediate favorable industry dynamics that tell us we are in the right place at the right time:



- * Post recession, many clients need to reduce operating costs, increase cost variability and minimize capital expenditures.
- * Clients also need to improve service delivery models and re-skill their workforces for the future and there is a strong need to replace an aging public sector workforce.
- * As industries have consolidated and opened new markets, increased competition due to globalization and the need for a more efficient service delivery model will require a review and development of new cost structures which we can provide at all levels.
- * Outdated IT systems in the public sector need to be replaced and emerging technologies such as cloud computing are challenging existing service delivery models creating opportunities for greater efficiency and opens the door to our brands.

ISG and its three-go-to-market brands — TPI, Compass and STA Consulting — will be on the forefront of our client's needs as they face the challenges of 2011 and beyond.

information services group **CORPORATE DATA**

BOARD OF DIRECTORS

Michael P. Connors

Chairman of the Board and Chief Executive Officer, ISG

Gerald S. Hobbs

Managing Director and Operating Partner, Boston Ventures

Kalpana Raina

Managing Partner, 252 Solutions, LLC

Donald C. Waite III ⁽¹⁾

Director of the Executives-in-Residence Program, Columbia Graduate School of Business; Retired Managing Partner, McKinsey & Company

Robert E. Weissman ⁽²⁾

Former Chairman of the Board and Chief Executive Officer, IMS Health Incorporated



Standing, left to right: Donald C. Waite III, Gerald S. Hobbs, Robert E. Weissman (Lead Director); seated, left to right: Kalpana Raina, Michael P. Connors (Chairman and Chief Executive Officer)

CORPORATE OFFICERS

Michael P. Connors ⁽³⁾

Chairman of the Board and Chief Executive Officer

David J. Whitmore ⁽³⁾

Chief Executive Officer, Compass and Vice Chairman, ISG

David E. Berger ⁽³⁾

Executive Vice President and Chief Financial Officer

Michael Barna

Senior Vice President - Finance, ISG and Chief Financial Officer, TPI

Richard L. Fogel

Vice President - Law, ISG and General Counsel, TPI

John H. Keppel

President - Information Services and Chief Marketing Officer

Randy Scheller

Vice President and Treasurer

Harold K. Somerdyk

Chief Human Resources and Communications Officer

SENIOR OPERATING MANAGEMENT

Duncan J. Aitchison

Partner and President, TPI Europe, Middle East and Africa

Arno Franz

Partner and President, TPI Asia Pacific

Victor R. Janci

Partner and President, TPI Americas

Mark D. Mayo

Partner and President, TPI Global Operations

Sid A. Pai

Partner and Managing Director, TPI Global India

Lyonel Roüast

President, Compass Europe

Kathryn S. Rudy

Global Consulting Director, Compass

Mitt A. Salvaggio

Managing Partner, STA Consulting

Max Staines

President, Compass North America

ADVISORS

Edward L. Glotzbach

Vice Chairman, M&A - ISG

Dennis A. McGuire

TPI Founder and Chairman Emeritus

Olof Söderblom

Compass Founder and Senior Advisor

PRINCIPAL OFFICES

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TRANSFER AGENT

Continental Stock Transfer
& Trust Company
17 Battery Place
New York, NY 10004

INDEPENDENT PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
1201 Louisiana, Suite 2900
Houston, TX 77002

FORM 10-K AVAILABILITY

Requests for copies of the Company's Annual Report on Form 10-K filed on March 16, 2011 are available to stockholders free of charge upon written request to the attention of Investor Relations located at the Company's executive headquarters.

ANNUAL MEETING

The 2011 Annual Meeting of Stockholders will be held at the Company's executive headquarters on May 16, 2011 at 10:00 A.M. Eastern Time.

OTHER INFORMATION

Information Services Group, Inc. (ISG) securities trade on the NASDAQ under the symbol III. To learn more about ISG, visit www.informationsgroup.com.

⁽¹⁾ Nominating and Corporate Governance Committee Chairman

⁽²⁾ Compensation Committee Chairman

⁽³⁾ Executive Officers



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