



Revenue growth of 29%, conducts Investor Briefings and launches Collective Intelligence Summit in Adelaide

Highlights

- Revenue up 29% over previous half-year corresponding period
- Positive response from Investor Briefings in Sydney and Melbourne
- Declared interim dividend of 0.20 cents per share
- Recognised and awarded by *Deloitte*, *CRN* and *IBM*
- Issued second Thought Leadership Paper on “Misuse and Abuse of Mobile Devices”
- Conducted Customer Satisfaction Surveys
- International Partners committed to growing Stratatel’s Print Expense Management
- Launched Collective Intelligence Summit in Adelaide
- Completed TEM client Best Practice Reviews
- Matthew Parry, CEO, on Stratatel’s FleetManager® product

Dear Shareholder

Accelerated revenue growth continued for the half year ended 31st December 2010 with revenue up 29% over the previous half-year corresponding period. An increase of 88% in software licencing and services reflected focused sales and marketing.

Your Company continues to “run hard” on sales and marketing activities across all solutions. The objective - double digit organic growth.

In the short term to 30th June 2011, EBITDA will be below management’s expectations with a number of large deals that were expected to close in the current financial year now being deferred to the new financial year with exact decision dates unknown. Nevertheless and as previously stated, the Company’s outlook for enhanced profitability beyond 30th June 2011 remains positive.

Your Company is also investing in FleetManager®, our flagship TEMS product.

The first of the Company’s Investor Briefings held in Sydney and Melbourne in March were well attended and well received.

Your Company has announced a dividend to Shareholders of 0.20 cents per share, and though “modest”, this dividend is a thank you to all Shareholders for their support.

Whilst your Company has had an aggressive acquisition strategy, we are evaluating its long term value and are unlikely to make further acquisitions until this evaluation is completed.

Finally, your Company continues to build for the future. Our next *Company Update* will be available to you electronically. Providing the update electronically reduces the cost of production (no printing and mailing), and has environmental benefits as well. To register to receive future updates of the *Company Update* electronically please see page 6 in this newsletter.

In the meantime the staff, Management and Directors of Stratatel thank you for your continued support.

Best regards

Mike Fairclough

Managing Director, Stratatel Limited



Gross margins remain a priority

For the six months to 31 December 2010 Stratatel generated \$7.8 million in revenue, an increase of 29% over the previous half-year corresponding period. The software and services division achieved 88% of its previous full year revenue and contributed 49% to the total Stratatel revenue for the year, followed by Telecommunications Expense Management (39%) and Print Expense Management (12%).

Whilst further revenue growth is expected, greater focus is now on gross margins with the emphasis on Stratatel's high margin proprietary TEM solutions as well as software and consulting where margins can also be high.

Positive response from Investor Briefings in Sydney and Melbourne



Stratatel CEO Matt Parry presenting
"Stratatel - The Opportunity Ahead"

Investor Briefings for potential investors were held in Sydney and Melbourne during March 2011, with 27 potential investors attending the Sydney event and 19 the Melbourne event.

CEO, Matthew Parry, gave a compelling presentation intended to increase the general awareness of Stratatel among investors.

The overall feedback from the attendees was positive with 100% of the follow-up survey respondents saying that the briefing was either 'good', 'very good' or 'excellent'. In addition, 92% of the respondents said that they would be interested in receiving Stratatel investor information in the future.

The Company now has a database of nearly 150 new potential investors.

Similar investor presentations will be held later this year.

Stratatel recognised and awarded

Stratatel has been ranked 25th in *Deloitte's Technology Fast 50 2010* of Australia's fastest growing IT companies and 362nd in *Deloitte's Asia Fast 500*. The Company was also placed 8th in the the *CRN Fast 50 2010* list. These awards recognise solutions that have set a benchmark for technical and service capabilities.

In addition, Stratatel was named *IBM 2010 Business Partner Award Finalist* in the category "Smarter Planet–New Intelligence". This prestigious honour is awarded each year to a selected number of IBM Business Partners and recognise technical excellence and innovative solutions. Finalist status has only been given to a handful of IBM's Australian Business Partners.

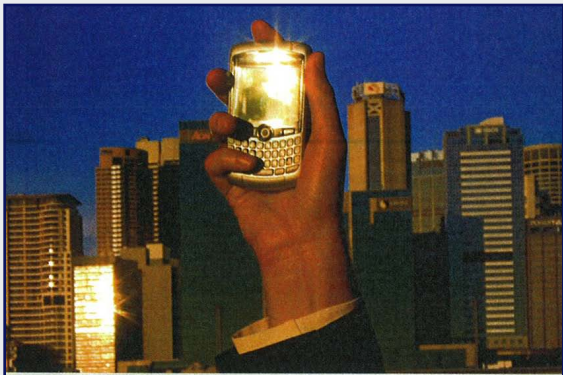
Stratatel achieved finalist status for its Business Intelligence work with *Lecornu Furniture*. This win was a major milestone for Stratatel as not only is it the first successful migration sale for Cognos 10, it is also one of the first migrations successfully completed within Australia of Cognos 10 for IBM.

Focused, integrated marketing campaigns pay off

All marketing activities are now focused on five key solutions; TEM, Business Analytics, Collaboration, Content Management Systems and Print Expense Management (CostManager and follow&go). This has enhanced lead generation, sales conversion rates and retention levels.

Reaffirming Stratatel's position as the industry innovator

During the first three quarters of the financial year, Marketing implemented initiatives to create awareness of, and generate leads for, the five key solutions outlined above. One of the stand-out activities was Stratatel's second *Thought Leadership Paper* on the Misuse and Abuse of Mobile Devices. This paper was distributed through a range of marketing channels including electronic direct mail to clients and prospects, inclusion in the quarterly



Mobile devices run free

Almost one-third – 28 per cent – of Australian organisations rely on staff honesty and self-regulation to track personal calls and data downloads on company mobile phones and smart devices, according to expense management consultant Stratatel. The firm's chief executive, Matthew Parry, says systems that fail to accurately track usage behaviour or breaches of company policy are "a very real threat to an organisation". Parry says the lack of mobile policy enforcement can result in financial wastage, compromised data security and employees communicating inappropriately with colleagues or clients. The growing prevalence of smart devices and high-bandwidth networks are of particular concern. Employees now have the ability to download large amounts of data and with excess data often charged by the megabyte an employee

can easily incur hundreds of dollars in extra charges," he says. "Across a large fleet of devices, the capacity for financial wastage can be significant." Loss and theft of mobile devices can be a major threat to data security. While most emails don't contain highly confidential sensitive information, Parry says, safeguards need to be in place to secure rare cases when the device falls into the hands of competitors, "or worse still, makes front-page news". Inappropriate use by employees of mobile phones can also pose a serious reputational threat to an organisation. For example, confidential information can find its way to social contacts that can have significant legal consequences. "Mitigating these risks depend on a good mobile device governance policy," Parry warns. "Invariably these policies will fail without systems in place to ensure their effective implementation."

client newsletter, a press release to the media, advertising in the *CFO Magazine* and hand-outs at *IBM's Collective Intelligence* and *CFO Think-Tank* Conferences which were also sponsored by Stratatel. The paper captured the interest of many readers with over 200 people downloading the paper and media coverage in the February issue of *BRW*. A copy of this *Thought Leadership Paper* can be downloaded from www.stratatel.com.au/TEM

A third *Thought Leadership Paper*, webinars, electronic direct mails, telemarketing, PR and advertising activities as well as conference sponsorships and events will occur as part of the ongoing marketing.

Being customer centric

Another important role for Marketing is to aid the retention of customers. Over the past year, the number of TEM and PEM client cancellations with annual revenue >5k have been reduced from 11.26% to 5.7%. To ensure that cancellations continue to decrease, Stratatel's TEM and Softlog customers have been surveyed to determine current levels of customer satisfaction. The survey findings will enable us to continuously improve Stratatel's service, solutions, and communications and, most importantly, identify customers at risk.

Media coverage in the February edition of BRW.

Enhancing the Stratatel brand

The Marketing team is currently working on a number of projects to promote and ensure consistency of the Stratatel brand. One such project is the redevelopment of the Company website, which will include greater depth of content, more functionality and a new design.

With the recent acquisitions made by your Company, the team is also working to incorporate these brands in to the Stratatel product family. The development of guidelines on using the Stratatel brand will ensure these new brands are seamlessly integrated and that there is overall consistency in how the Stratatel brand is represented in the marketplace.

Network of International Partners committed to grow Stratatel's Print Expense Management

Stratatel's partners in South Africa (*Iposi Net*) and Singapore and Malaysia (*ServTouch*) continue to provide sales and support of Stratatel's Print Expense Management (PEM) products in their markets. Whilst current sales volumes are not large, *IposiNet* and *ServTouch* are both committed to identifying sales potential and grow Stratatel's PEM business.

Iposi Net

Iposi Net exclusively offer Stratatel's Print Expense Management solutions as one of their management solutions to assist in streamlining data management and reducing costs in South Africa as it aligns well with the industries they are associated with; including a large legal sector.

Iposi Net also partner with *Korbicom* who are appointed as the sole South African reseller of Stratatel's PEM solutions as it fits in perfectly with their Practice Management System, enabling them to offer legal clients automation of the tracking and recovery of their office expenses.

Iposi Net offer all the standard modules of Softlog.Enterprise to their clients and are trained in the sales and technical aspects of Stratatel's PEM solutions. This enables *Iposi Net* to complete installs and provide level 1 support to their South African client base. Recently, *Iposi Net* have been very interested in progressing Stratatel's PEM within South Africa believing there is a market for some of the more recently released PEM modules in Australia. Currently, they are in the process of trialling the softlog.follow&go module in the hope of being able to introduce this to the South African market very shortly. *Iposi Net* in the meantime have had success with Softlog.Enterprise in their client base, with several orders for new clients coming in this year.

ServTouch

ServTouch – the exclusive distributor of Softlog in Asia – is a leading independent channel for print and image solutions in Singapore and Malaysia, offering a full range of hardware and software. *ServTouch* have sub distributors in Malaysia and Hong Kong also offering the Stratatel PEM suite of products to their large client base. The Asian region has recently been expanded to allow for the sub distributors to offer Stratatel's PEM solutions in China and Thailand which also should lead to wider success of Stratatel's PEM within Asia.

ServTouch flew to the Stratatel Brisbane Office along with three employees from *Business Network Solutions* (Stratatel's Malaysian reseller) and one from *Efficient Office Hong Kong* (Stratatel's Hong Kong reseller) for product updates and training to ensure they remain informed about Stratatel's PEM offerings and features.

This training was also the launch of the "End of Life" of Netlog products (old versions of Print Management software) within Asia. The Asian client base is almost solely Netlog so this is a big task for *ServTouch*; this year, *ServTouch* have successfully migrated two Netlog clients on to Softlog.Enterprise and are well on their way migrating the remainder.

Launched Collective Intelligence Summit 2011 in Adelaide

The Collective Intelligence Summit 2011 is IBM's flagship event of the year highlighting the roadmap for 2011 and beyond for all Lotus and Websphere Portal users and enthusiasts.

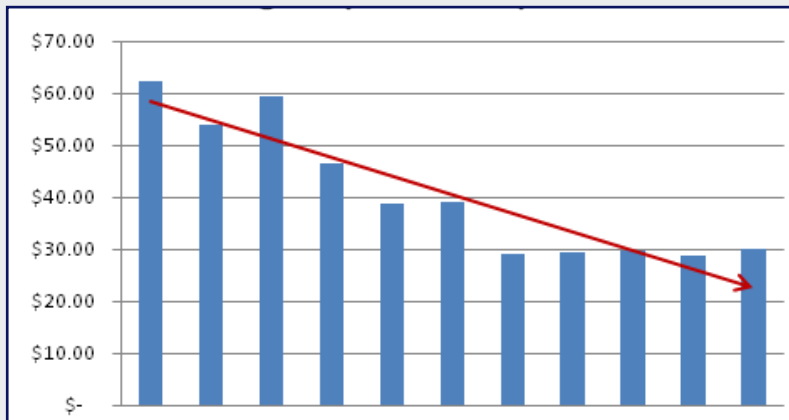
Stratatel successfully sponsored the Brisbane and Sydney events earlier this year, and the Company decided to take the lead to bring Collective Intelligence to Adelaide on 26 May 2011. Through Stratatel's leadership, Collective Intelligence Adelaide brought Stratatel's and IBM's collaboration experts and experience together, delivering interactive demonstrations and sessions on innovative productivity solutions to help businesses become more social, more mobile and able to deliver exceptional web experiences.

Completed TEM Client Best Practice Reviews

During the last few months Stratatel has been conducting TEM Best Practice Reviews for a number of TEM clients. The review is a key part of Stratatel's client retention strategy by ensuring that clients are utilising the TEM system to its full potential. Stratatel's TEM Best Practice is the most efficient and effective way of Telecommunications Expense Management, based on procedures that have proven themselves over time for a large number of our clients.

FleetManager®, Optus MobileFleet and CADS FleetManager are classic Best Practice tools that need to be regularly and actively used to achieve optimum results, either through Stratatel's Managed Services or self managed by the individual client.

Creating visibility and transparency through the entire organisation facilitating individual responsibility and allowing managers to manage telephony costs in their cost centres is the initial and key step to TEM Best Practice. Such is the case for one Stratatel client. When this client started using Stratatel's TEM solution they had an average cost of \$58.45 per mobile across their fleet of 500 mobiles. Through a Stratatel's TEM Best Practice Review and subsequent improved use of their Stratatel FleetManager® TEM system, this expense has been reduced to \$29.43 per mobile, which equates to annual savings of almost \$175,000.



Average expenditure per unit by month for one of Stratatel's TEM clients.

A better way to communicate with You...

This *Company Update* is one of the ways that we share information, as well as providing announcements to the ASX and posting regular updates on our website at: stratatel.com.au

Providing the *Company Update* electronically reduces our cost of production, and helps the environment as well.

To register to receive further updates of the *Company Update* electronically please visit: stratatel.com.au/investors and follow the instructions provided.

STRATATEL Q&A

Matthew Parry, CEO
on the FleetManager® product



Q: Where does FleetManager® fit in Stratatel's Telecommunications Expense Management (TEM) suite of products?

A: Stratatel's TEM solutions are designed to address the needs to a range of organisations. Some of these needs include: the ability to identify misuse and abuse of mobile devices, the ability to apportion telecommunication expenses including mobiles and fixed line (including IP) between departments and across projects, the effective management of an organisation's fleet of telecommunications assets and services and, being able to audit carrier charging. Stratatel's FleetManager® product provides all these functions. For large enterprises who require more integrated directory services and management of their fixed line network, Stratatel's CADS FleetManager system also includes information from company directories and fixed line feeds from PABXs on IP systems.

As is the case with FleetManager®, CADS FleetManager operates as a cloud based solution allowing the aggregation of data from multiple sources and dissemination of meaningful information throughout an organisation in a timely manner.

Q: Why do clients have FleetManager® and why do they keep it?

A: As customers use FleetManager® to address different issues, they also keep it for different reasons. Increasingly in today's society, governance over telecommunications expenses is important. The rise of smart phones in recent years has distributed company confidential information in a way that has never been known before. Knowing who has what phone and what they are using it for is more important than ever. Other customers, particularly government organisations use FleetManager® cloud computing delivery as an administratively efficient mechanism for enabling all users to re-imburse personal usage so tax payers don't pay for personal phone costs. Finance teams will also use the administratively efficient Fleetmanager® system for validating and auditing the telecommunications costs and cross charging them as appropriate.

Q: Where do you see market opportunities for FleetManager®?

A: Cisco recently estimated (Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2010–2015) that by 2015 each Australian will have 2.4 mobile devices on average and there will be a compound annual growth rate of traffic of 92% from smart phones, tablet devices and laptops. Telecommunications is currently a top five expense for most organisations and the expected changes can only increase the need to monitor and manage telecommunication expenses more effectively in the future. FleetManager® is well positioned to assist customers over this period of great change.

Security Details

Symbol: STE

Issuer Name: Stratatel Ltd

Last Price (as at 23/05/11): \$0.040

FPO Shares on Issue: 143,288,185

Dividend History

Div Amount	Ex Div Rate	Record Date	Date payable	% Franked	Type
0.2c	17/11/2010	23/11/2010	08/12/2010	0%	Final
0.2c	05/04/2011	11/04/2011	02/05/2011	0%	Interim

Summary Financial Information

Product Results	YTD Dec-09 \$ ('000)	YTD Dec-10 \$ ('000)	Variance \$ ('000)
TEM	2,968	3,063	95 or 3%
CM/E	1,077	923	(154) or -14%
IBM Software & Services	2,028	3,818	1,790 or 88%
Total Revenue	6,073	7,805	1,732 or 29%

STE Daily Prices over 6 months



Chart of daily prices over 6 months for STE by ASX.

Shareholder Information

Please contact Computershare Investor Services Pty Ltd to change your address, email or to sign up for electronic shareholder communication.

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Mrs Shannon Robinson

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