



When I joined i3 Mobile at the end of 2000, the Company was completing an eventful year marked by a number of accomplishments. In the last 12 months, we:

- Completed a successful initial public offering
- Expanded our carrier distribution network, giving the company access to virtually all North American wireless markets
- Grew our base of paying subscribers by 300% to over 400,000
- Enhanced our technology platform for the development of a new generation of wireless products
- Ended the year with \$85 million of cash in the bank . . . and no debt.

These events have laid the foundation for our ongoing growth and further penetration of the wireless data market. Our carrier relationships and our new technology platform are critical pieces as we move forward and I believe we have sufficient financial resources to execute our business plan into the foreseeable future.

A Platform in Search of Compelling Products

The emerging wireless data market reminds me of the early days of cable when we saw new opportunities and developed the business models, strategies and products to take advantage of them. The opportunity to deliver compelling consumer products and services to mobile phones is the reason I joined i3 Mobile after more than two decades of building franchises in the media and telecommunications industries such as MTV, The Movie Channel, Nickelodeon and ESPN2.

The wireless data industry presents tremendous growth possibilities. In fact, I have never seen a market this large (which already has more than 105 million handsets in North America and 500 million worldwide), without compelling applications. Having spent nearly two years at Telecom Italia in Rome, I saw first hand the potential for wireless data. I believe the opportunity in the U.S. can be glimpsed in Europe and Japan, where the cellular markets are more advanced and consumer adoption much greater.

The key to developing the U.S. market will be offering the right suite of personalized premium subscription products delivered to mobile devices via an easy-to-use, consumer-friendly delivery method. It's not about wireless technology; it's about how wireless information and services can benefit consumers.

The Strategy

What is also clear to me is that right now this is an industry in search of a leader. The combined strengths of a winning strategy and the ability to execute have been lacking. The carriers have tried, with limited success, to program and market their own services, much like cable companies attempted 20 years ago. I believe our company now has the strategy as well as the resources and relationships to capture a leadership position in this marketplace. The wireless arena is a platform that requires a consumer value proposition quite different from the Internet model. The winning strategy, in our opinion, is similar to the cable model. There, premium products are sold through major cable operators and consumers pay a subscription fee on top of basic cable for products like HBO which have perceived added value.

Similarly, the strategy of selling our products to consumers predominantly through the major telecommunications carriers is the path we are taking. Carriers should bill, distribute and handle customer service and share in the marketing cost in return for a share of the subscription revenue. As a result, the focus of our company is transitioning from being an enabler of wireless data to a developer and marketer of premium mobile products and consumer subscription services.

Our mission, then, is to present carriers with an attractive value proposition: premium wireless products for which their customers will pay. We have established a distribution network of more than 25 wireless network operators and businesses, including AT&T Wireless, Cingular, Bell Mobility, US Cellular and VoiceStream. Together, these carriers reach more than 60 million mobile telephone subscribers. We have a solid foundation for executing the new business model. With long distance and the pricing for voice minutes decreasing and customer churn increasing, wireless carriers need premium services more than ever to generate new revenues and increase customer loyalty. Our products, I believe, will not only add value for consumers, but for our carrier partners as well.

The New Mobile Experience

At the core of our approach is a recognition that content and wireless applications can be combined in a way that creates a new high-value experience for consumers. It's about making things easy, fast and convenient. It's about focusing on the user experience and not the user interface. It's about recognizing that the mobile experience will not – cannot – be the same as accessing the web from the comfort of home. Our philosophy is to develop products that easily and comfortably fit with the way people actually live and work – providing simple, command-driven access to the desired information with a minimum of navigation, delivering short bursts of information in a timely fashion. The alternative – pushing buttons on a mobile phone, following a web-like menu – has proven difficult and annoying for consumers.

Voice Activated Services

One of our initiatives, born through extensive consumer research, is to develop voice-activated products, which essentially turn the phone into a Personal Voice Assistant, PVA™. We are working with a number of leading technology companies to create a suite of voice-activated mobile products that are custom-tailored to address the needs of key demographic groups. For instance, we are testing voice activated instant messaging, ring tones and special graphic features for the teen market. Travel, weather and other such services are geared for today's "road warriors." Group messaging and location-based services for parents of young children and 20-somethings. Fantasy football and game odds will be offered to the sports fan. These products will use flat menus so that users don't have to drill down to obtain the information they want. Currently, we are testing in the Northeast and anticipate a regional, and possible national, rollout of this suite of services by the end of this year.

Along with a focus on voice-based products, we continue to leverage our position as a leader in SMS (Short Message Service). We delivered more than 350 million messages in 2000, and we expect voice activated instant messages will be an important product of ours when it launches this fall.

In addition to our work with network carriers, we are also working with enterprises to provide premium products and services that can be delivered to their customers. Unlike our competitors, we will leverage our existing services for distribution by appropriate business enterprises. We anticipate "private label" branding of our wireless products for the enterprise market to be a growing source of revenues for the company as well.

Tailoring products to target audiences requires focused research and development, and we are committed to this throughout the testing and development phases for our new product suite. Going forward, we will continue our emphasis on research so that we can constantly adapt to consumers' changing needs. It also requires a commitment to working with our industry partners. To that end, we have established an advanced research and development group under the aegis of our Chief Technology Officer to maintain relationships with key industry standards bodies and handset manufacturers. Games and full-motion video products will likely appear in 2002 from i3 Mobile as a result of our advanced R&D activities.

Although our focus is clearly on North America in the near term, we are looking to take advantage of the enormous opportunities in the global wireless data market. We are exploring relationships in the advanced European and developing Latin American markets through mutually beneficial partnerships.

Vision and Talent

Developing great consumer products requires not only vision, but also special people with extraordinary talent. In addition to our inherited experience, we have added management expertise in engineering with Wes Trager, our new Chief Technology Officer. He is a "think outside the box" technologist who invented motion capture in the video game business as well as the first high-speed cable modem. John McMenamin has also joined us as our Executive Vice President of Sales. He comes to us from NBC Internet, by way of iVillage and TimeWarner/Turner Broadcasting. His accomplishments at these companies make him ideally suited to lead our efforts in generating subscription revenue, advertising sales and mobile commerce, the latter we hope to launch sometime in 2002. Finally, Bryan McCann, Senior Vice President, Products, recently joined us from Sprint PCS, where he was instrumental in launching its successful wireless data services business.

Once again, I'm excited about leading a company with the potential to change the way people get information and communicate. I believe we have laid the groundwork so that with new talent, a focused strategy and the financial resources in place, we are poised to deliver compelling wireless data products and services to consumers this year.



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