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Volume 4, No. 2, December 2004



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Don't Miss 3GSM World Congress 2005!

Having reached the milestone of one billion subscribers last year, the mobile community will gather at the 3GSM World Congress, from Monday, February 14 to Thursday, February 17, 2005 in Cannes, France, to focus on capturing 'the next billion!' As always, this essential and thought-provoking forum sets the agenda for the future of the global mobile industry.

Once again, Argo Global Capital has reserved a hospitality suite in the heart of the Palais des Festivals. We invite our portfolio companies to use the suite to hold private meetings away from the busy exhibition floor.

As done in previous years, Argo will also host an evening reception in conjunction with Nokia Ventures and Vesbridge Partners on Tuesday, February 15, to facilitate networking and allow more informal discussions with carriers and other executives.

We look forward to seeing you in Cannes in February at our hospitality suite in Hall 2, Level 1, Suite 01.18!



Portfolio Company Profile

SurfKitchen is the world's leading provider of Dynamic User Experience (DUE) software. DUE software enables any organization to rapidly and cost effectively offer advanced mobile data services as well as to remotely customize the look and feel of the end user's device. SurfKitchen's software SurfKit Mobile is available in three editions — Operator, Media and Enterprise.

The DUE market is set for rapid growth over the next three years as the number of mobile devices that now support this advanced software has exploded. As wireless revenues are increasingly generated by data rather than voice services, these advanced solutions will be key for future profitability.

SurfKitchen's SurfKit Mobile is the only software positioned to become the ubiquitous platform in the DUE market thanks to its unique combination of compatibility with all major operating platforms, over-the-air customization and ease of use.

SurfKitchen is managed by a team of telecoms and Internet experts who are committed to building the company from its strong technical beginnings to a truly global business enabler. To improve the service offered to customers, SurfKitchen has built partnerships with a number of companies from the mobile content, delivery and infrastructure sectors such as Symbian, Mobile Innovation and End2End.



surfkitchen
extend your reach

Philip Crawford
Executive Chairman

Since launching the first edition of SurfKit Mobile in May 2003, SurfKitchen has secured 18 customers, including O2 UK, O2 Germany, TIM Italy, TIM in Greece and Telenor in Norway. The company has also recently received \$17.5 million in a third round of funding from investors that include Argo Global Capital.

Corporate Headquarters
Abbey House
1650 Arlington Business Park
Theale, Reading
Berkshire, UK
RG7 4SA
Phone: +44 (0) 118 929 8080
www.surfkitchen.com

Additional Offices: Zurich, Switzerland and Singapore

UPDATE on Portfolio Companies

CAMBRIDGE POSITIONING SYSTEMS, LTD.

Cambridge Positioning Systems, Ltd. (CPS), the high-accuracy location enabler for the wireless world, has had its Matrix software system selected by mobile value-added service provider Sichuan Yingda to drive its enterprise location-based services on China Unicom's network. CPS' Matrix solution will be used to locate and track vehicles, security personnel and other assets.

DIGITAL BRIDGES, LTD.

Digital Bridges, Ltd., a world leader in the creation and distribution of mobile entertainment solutions, announced the conclusion of a third round of funding from its existing investors. The round totals \$18 million and will accelerate the company's expansion into the rapidly growing North American and Asian mobile games markets.

GENERAL WIRELESS AND EMPOWER INTERACTIVE GROUP, LTD.

General Wireless, a provider of user-friendly, two-way eSMS solutions to mobile operators for corporate and personal use, announced a new breakthrough order with Orange subscribers in the UK and Belgium. Subscribers can now send, receive, forward and reply to text messages (SMS) from MS Outlook, Lotus Notes and Outlook Express thanks to an agreement between Empower Interactive Group, Ltd. and General Wireless.

NEURAL TECHNOLOGIES LIMITED AND CEREBRUS SOLUTIONS LIMITED

Neural Technologies Limited and Cerebrus Solutions Limited (CSL) have joined forces to create a leading provider in neural network-based software solutions to combat fraud in the telecommunications and financial services markets. The new company, called Neural Technologies Limited ("NT"), will provide a broad range of solutions, including the ability to identify potential fraudsters applying for service on the operator's network and to detect subscribers who are actually committing fraud.

SYLANTRO SYSTEMS CORPORATION

Sylantro Systems Corporation, a leading provider of hosted PBX and IP Centrex applications, voice VPN capabilities and consumer broadband applications, announced that Lightyear Network Solutions, a competitive local exchange carrier with over 200,000 customers and more than \$120 million in annual revenues, has tapped Sylantro Systems to provide advanced telephony features for the new nationwide Lightyear XSTREAMSM Voice-over-Internet Protocol (VoIP) services.

Sylantro Systems also announced that Internet phone service provider SunRocket has chosen Sylantro's consumer broadband voice solution and applications feature server as the foundation for the SunRocket Signature Service, a new residential Internet phone service offering. SunRocket's Signature Service leverages the Sylantro platform and development tools, along with technologies from Convedia, TeleGea and uReach, to deliver innovative features and enhanced control for Internet-based home phone services.

CEREBRUS SOLUTIONS, LTD.

Cerebrus Solutions, Ltd., a leading provider of advanced fraud and risk management solutions for the global telecommunications industry, and Agilent Technologies have been selected by Brasil Telecom to protect its new cellular and international networks, as well as existing local and long-distance networks, against fraud attacks. Brasil Telecom's Revenue Operations Center personnel will use the system to ensure that suspicious activities are discovered in real time, analyzed and shut down quickly, minimizing fraud and maximizing revenue.

EMPOWER INTERACTIVE GROUP, LTD.

Empower Interactive Group, Ltd., a leading provider of mobile data services infrastructure products for mobile operators worldwide, has secured a contract with Etisalat, the leading Middle Eastern telecom provider, to deliver its Application Messaging Service Center (AMSC) and Message Delivery Platform (MDP). This advanced Mobile Data Services Architecture will pave the way for the development and launch of new mobile messaging services and creates significant revenue opportunities for Etisalat.

KABIRA TECHNOLOGIES, INC.

Kabira Technologies, Inc., the leader in high-speed switching software and service gateways for real-time telecommunications and financial services networks, Hitachi, Ltd. and Mitsui & Co. Ltd. have announced a technical collaboration dedicated to the development of new solution frameworks for next-generation OSS services addressing the telecommunications market. Hitachi, Mitsui and Kabira will actively collaborate to develop next-generation services frameworks integrated with the Kabira Infrastructure System.

WORLD WIDE PACKETS

World Wide Packets, the leading provider of Ethernet Access networking solutions, announced that its LightningEdge[®] solution is being deployed as part of a municipal network in Närpiö, Finland. With the help of respected systems integrators Neterum and Adventus Group, Närpiö offers one of the most advanced networks in all of Europe.

VOLUBILL SA

VoluBill SA, a provider of innovative mobile data charging solutions, is enabling Globe Telecom to charge prepaid GPRS browsing. Data services charging for Globe Telecom prepaid subscribers is supported by VoluBill's Dialog Control and Charging Platform (D2CP) integrated by HP as the prime contractor. VoluBill's D2CP for prepaid data, messaging and content charging is a leading product that combines charging, access control and dialogue management functions in a prepaid environment. It enables operators to charge for prepaid transactions, content and usage in real time, and to eliminate the risk of revenue leakage by performing pre-delivery credit checking, rating and credit reservation.



**new
investment**

CASERO, INC.

Argo Global Capital has invested US\$3.6 million in Casero, Inc. and its software platform, which allows broadband service providers to offer value-added services to consumers.

www.casero.com

NewsFlash

12SNAP AG

12snap AG, a provider of mobile marketing campaign services, takes over majority ownership in Scandinavia's number one mobile marketer Lokomobil.

CAMBRIDGE POSITIONING SYSTEMS, LTD.

Cambridge Positioning Systems, Ltd. (CPS) has received an investment of an undisclosed amount from Andrew Corporation. The investment strengthens the relationship between the two companies and their joint development of innovative high-accuracy mobile locating solutions for the global GSM and 3G cellular markets.

Elsewhere CPS and East Sunaton target the booming Chinese mobile market with the world's smallest high-accuracy GSM location device. Smaller than the size of a credit card, the low-cost, self-contained devices incorporate a GSM/GPRS modem, battery and CPS' software-only Matrix location technology to deliver fast, sub-100m accuracy in all environments.

CEREBRUS SOLUTIONS, LTD.

Cerebrus Solutions, Ltd. announced CerebrusRM™, an innovative software solution that empowers telecom carriers to proactively analyze and manage subscriber risk from preactivation through termination. By understanding and monitoring subscribers' changing risk profiles over time, carriers can safely increase revenue by allowing a broader range of subscribers to access their networks while simultaneously reducing losses due to fraud and bad debt.

DIGITAL BRIDGES, LTD.

Digital Bridges, Ltd. and Electronic Arts, the world's leading interactive entertainment software company, announced the availability of EA Sports™ FIFA Football 2005 Mobile International Edition across Digital Bridges' European distribution network.

Digital Bridges also announced an agreement with SI Wireless to bring Sports Illustrated™, one of the world's most recognized media and sports entertainment brands, to mobile phone gaming in North America.

EMPOWER INTERACTIVE GROUP, LTD.

Empower Interactive Group, Ltd. has raised US\$5 million in further funding from existing investors to expand its operations in Europe and Asia.

Empower Interactive Group also announced a new contract to supply its Message Service Platform (MSP) to power Orange Group's new PC Messenger service.

HOTSIP AB

Hotsip AB, a global leader in providing infrastructure and multimedia communication applications for large-scale SIP-enabled networks, and Nokia have agreed to cooperate in the area of IP multimedia services. Nokia will include Hotsip's SIP PC Client, the Hotsip® Active Contacts™ PC, as part of the Nokia IP Multimedia Subsystem offering for network operators. Nokia will also use the Hotsip® Multimedia Communications Engine (M2CE™) to provide Voice Instant Messaging.

Hotsip AB, HP and Movial Corporation announced the release of the first in a series of converged broadband mobile applications. The first set of tested applications include IM (Instant Messaging), Presence and Instant Conferencing between Nokia and Siemens series-60 terminals and PC users subscribing to the broadband telephony and multimedia services, already in commercial operation at several service providers in Europe. The success of the testing proves the maturity of the end-to-end IMS solution with Hotsip, HP OCMP and Movial Connect applications.

NARAD NETWORKS, INC.

Narad Networks, Inc., a provider of business class broadband access solutions that leverage cable operators' existing networks, announced the launch of its next-generation Passive Architecture. The architecture enables cable operators to deploy commercial voice and data services while preserving their existing network and services. Narad's Passive Architecture is now being installed by multiple system operators (MSOs) in North America.

Narad Networks also announced that CAIW (formerly CAI Westland), a cable operator in the Netherlands, has launched high-speed wireless service using Narad's cable transport technology to carry 100 Mbps Ethernet traffic over its cable network. Infraconcepts Netherlands N.V., Narad's systems integration partner in Europe, delivered the turnkey solution to CAIW.

SYLANTRO SYSTEMS CORPORATION

Sylantro Systems Corporation announced that PowerNet Global Communications (PNG) has chosen the Sylantro application feature server platform for a nationwide hosted VoIP service offering in conjunction with PNG's next-generation network. PNG's business IP Centrex offering is scheduled for Q1-2005, with a residential VoIP product launch offering to follow in Q2-2005 using the same Sylantro platform.

UREACH TECHNOLOGIES, INC.

uReach Technologies, Inc., a provider of enhanced communication applications to wireless, wire line and broadband carriers, has just completed a \$5 million fourth round of financing with investors.

WEBASKA MOBILE TECHNOLOGIES SA

Webraska Mobile Technologies SA, the pioneering provider of wireless location-based services and GPS navigation solutions, and Raywood Communications, a world leader in advanced GPS job dispatch and vehicle tracing systems for the taxi and fleet management industries, announced the launch of Raywood's MD-X, next-generation in-vehicle device. This powerful device includes, as standard, integrated in-vehicle navigation powered by Webraska SmartZone™ Navigation technology.

WORLD WIDE PACKETS

World Wide Packets announced that Brower Dimond has joined the company as Vice President of Engineering. Mr. Dimond will direct the company's engineering efforts and oversee the continuing development and evolution of its LightningEdge® Ethernet Access solution.

Mobile Music Downloads: A Profitable Tune?

DIGITAL MUSIC HAS UNDERGONE SOME DRAMATIC CHANGES SINCE THE MEDIA GLARE SURROUNDING THE NAPSTER TRIAL. SLOWLY BUT SURELY, LEGAL, PAID DOWNLOAD SERVICES HAVE BEEN LAUNCHED IN DIFFERENT COUNTRIES, PROVING THAT PEOPLE ARE WILLING TO PAY FOR THE COST-EFFICIENT, CONVENIENT DELIVERY OF DIGITAL MUSIC. WHILE MUCH MUSIC IS STILL BEING SWAPPED ILLEGALLY USING OTHER PEER-TO-PEER SERVICES, DIGITAL MUSIC SALES ARE GROWING RAPIDLY. APPLE'S ITUNES HAS SOLD OVER 150 MILLION TRACKS SINCE ITS INCEPTION AND ABOUT 1.3 MILLION HOUSEHOLDS CURRENTLY PAY FOR DIGITAL MUSIC.



Seeing the potential in combining mobility and music, mobile operators have started exploring the possibility of downloading full music tracks to mobile phones. This service was first launched by O2 in the UK earlier this year. Since then, other operators have launched similar services, creating quite a buzz around this trendy new service.

Offering full music downloads requires a complex technical and commercial set-up. On the technology side, necessities include a delivery platform, Digital Rights Management (DRM) capabilities, efficient music codec, DRM and codec terminal support, and a reliable network with sufficient bandwidth to enable timely downloads. On the commercial side, operators must reach revenue-sharing agreements with the content owners and diverse solution/service providers. Most importantly, operators must develop attractive pricing plans and effective marketing strategies.

Today a group of companies are already offering technical solutions, either as a turnkey or a full-hosted solution. When evaluating a solution and defining a service, operators need to consider the following challenges:

- **DRM solution:** To secure content, your DRM solution must be approved by the content owners. Since OMA version 1, the current standard, is considered by many to be insufficient, proprietary solutions are popping up. The resultant handset support and interoperability issues hamper take-up. The first commercial OMA version 2 implementations are expected in 2005 and should spell good news for such services.
- **Handset support:** A music download service requires mobile handsets that can download and play music tracks. Many handsets today support MP3 file playback; however, the MP3 format does not support DRM, making it inadequate for download over mobile networks. Music formats such as AAC and AAC Plus offer better file size versus sound quality and are currently leading the mobile music download space. However, the lack of a standardized solution has led to a variety of handset support implementations.
- **Content:** Record label reluctance to use OMA version 1 DRM solutions has limited the operators' ability to source attractive content. Each operator must prove the efficiency of its DRM solution to each label, often gaining access only to a limited music catalog. This will hopefully change once current solutions prove their worth, and even more so with the introduction of OMA version 2 solutions in 2005.

- **Managing the music portfolio:** Full music track downloads is just one music-related service offered today by mobile operators. Others include ringtones, karaoke, ring-back tones and music-related content and images. Positioning, pricing and marketing these services to create an attractive package is one of the key challenges faced by operators' content divisions.
- **User acceptance:** Although many people today consume portable digital music, it is unclear how many users would actually be interested in accessing new music through their mobile phones. Operators are exploring ways to maximize their share of the pie, including the combination of mobile and PC download. This requires further consideration and complicates the overall service definition and rollout.

The launch of commercial 3G networks is poised to bring further developments to mobile music services. Higher bandwidth and advanced multimedia handsets shorten the download time and allow higher audio and video playback quality. Vodafone recently launched its consumer 3G services in 13 countries and is promoting music downloads as one of its new 3G services.

We still have a long way to go before these services become mainstream in 2.5G and 3G networks. It also remains unclear how much they will actually contribute to operator profits. Operators need to fully understand and evaluate these services before entering the market. The experience of first movers like O2, Telenor Mobile and Vodafone will provide a good indication of the viability of mobile music downloads.

Northstream is currently helping operators define music services and evaluate vendors and technology for such services. Our up-to-date knowledge in this field enables operators, vendors and investors alike to find their way through this labyrinth of challenges.

Zack Uchovsky
Strategic Advisor, Northstream

About Northstream
Northstream provides operators, manufacturers and other players with independent and unbiased advice on opportunities presented by GPRS, 3G and Wireless including WLAN. In addition, Northstream offers recommendations on key technical and commercial issues in mobile data services as well as advises industry players on their strategic position and value proposition.
www.northstream.se

Upcoming Events

3GSM World Congress 2005
February 14-17, 2005
Cannes
France

CTIA Wireless 2005
March 14-16, 2005
New Orleans, LA
USA

Argo Global Capital Annual Meeting
Late April 2005
Location and date to be confirmed



Argo Global Capital

Boston-Headquarters
601 Edgewater Drive, Suite 345
Wakefield, Massachusetts 01880
USA
Phone: +1 781 213-9344
Fax: +1 781 213-9345

Montreal
1010 de la Gauchetière West
Suite 2230
Montreal, Quebec H3B 2N2
Canada
Phone: +1 514 397-8444
Fax: +1 514 397-8445

London
Gainsborough House
2 Sheen Road
Richmond-Upon-Thames
Surrey TW9 1AE
UK
Phone: +44-20-8973-2643
Fax: +44-20-8973-2641

Hong Kong
12th Floor, Wilson House
19-27 Wyndham Street, Central
Hong Kong
Phone: +1 852 2295-2209
Fax: +1 852 2295-3111