

Connections

The Newsletter for Socket Communications Resellers, Investors and Customers

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TESSCO Now Offers Socket Products

TESSCO Technologies, Inc. is Socket's newest distributor. TESSCO is a leading provider of solutions for wireless communications. TESSCO provides the end-to-end product and service solutions necessary to build, operate, maintain, and use wireless communications systems. TESSCO's solutions encompass the entire wireless industry — voice, data, messaging, location, tracking, and Internet systems.

For more information about TESSCO, please visit:

<http://www.tessco.com/index.jsp>



Industry Trend: Pocket PC Marketplace Shows Increasing Growth Opportunities

By introducing the Axim Pocket PC late last year, Dell Computer Corporation set a precedent for low-cost Pocket PCs that may have forever changed the marketplace for these devices. There had always been a desire for low-cost Pocket PCs to broaden the marketplace, and Dell was the first major manufacturer to step up to the challenge. As more and more low-price Pocket PCs enter the marketplace, there is the promise of tremendous opportunity for companies like Socket Communications that cater to people using these devices.

Before Dell launched the Axim in November last year, Pocket PC manufacturers focused on increasing features and functionalities, which also kept the devices out of the price range of most individual users. The resounding success of the Dell Axim in the past six months proves that there is a huge market opportunity for low-cost, basic Pocket PCs that, instead of having upscale features such as Bluetooth and WLAN built in, are expandable via either a CompactFlash (CF) or SDIO slot.

What does this mean in the overall Pocket PC marketplace? It means that the market is dividing into different segments to meet the needs of different kinds of users. The Axim opened the door for the low-end Pocket PC segment,

and it appears that other manufacturers such as Acer, Hewlett-Packard, JVC, NEC, Toshiba, and Viewsonic are already following suit with their own plans for low-cost Pocket PCs. Also taking shape right now is the market segment for medium-range Pocket PCs, such as devices from the HP iPAQ 3670 series, which typically have a CF or SDIO slot plus either Bluetooth or Wi-Fi built in. Lastly, the high-end market segment includes premium devices such as the HP 5450, which comes with multiple expansion slots and/or wireless capabilities.

Another major trend happening in the Pocket PC marketplace is the continual slimming down of devices, with SDIO now being favored as the primary expansion method. Socket is prepared to meet the growing demand for SDIO products. The Socket Bluetooth Connection Kit is already available in an SDIO version. Also, Socket is developing SDIO cards for Wi-Fi access and bar code scanning, as demonstrated at CeBIT in March this year.

The Pocket PC marketplace is undergoing some dramatic transformations right now. Socket Communications is excited to see these changes happen and is poised to seize the new opportunities that they represent.



CeBIT news

Socket Demonstrates Secure Digital Cards and European Bluetooth GPS Navigation Kit at CeBIT

Socket demonstrated several small form-factor devices for mobile knowledge workers at the CeBIT tradeshow in Hannover, Germany in March.

Expanding its leadership in SDIO (Secure Digital) technology, Socket demonstrated its SDIO Low Power WLAN Card, for wireless Pocket PC connectivity to 802.11b corporate networks and Hot Spots, and an SDIO bar code scanner, for Pocket PCs. Both cards adhere to the SDIO and SDIO Now! standards, as does Socket's SDIO Bluetooth Card. The new SDIO cards are expected to ship in the second half of 2003.



In addition, Socket showcased the European version of its Bluetooth GPS Nav Kit, featuring a very small form-factor Bluetooth GPS receiver and Socket's MyNavigator in-car routing software.

"Mobile knowledge workers are driving the demand for smaller form-factor electronic products that feature longer battery life and connectivity to corporate resources," said Peter Phillips, vice president of marketing at Socket. "Our growing line of Mobility Friendly™ SDIO peripherals and GPS offerings are Battery Friendly™, easy to use and provide the connectivity and access to information needed by the increasing mobile workforce."

What are these strange symbols?



Have you spotted any of these symbols on the sidewalk or the side of a building lately? If so, then you've seen warchalking. Now that more and more people are adopting the technology, Wi-Fi users are helping each other locate wireless access locations through chalk marks. Different symbols denote different types of security protocols.

For more information on warchalking, visit: <http://www.warchalking.org>

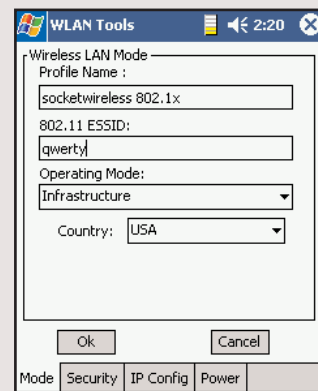
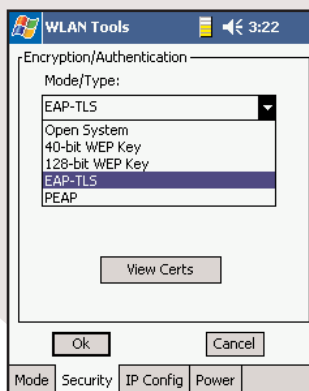
CONNECTIVITY PRODUCT NEWS

Socket Adds 802.1x Security Features and Windows 2000/XP Compatibility to Low Power Wireless LAN Card



Socket now provides 802.1x support and Windows 2000/XP compatibility for its Low Power Wireless LAN CompactFlash card. The card supports 802.1x authentication at both client and server levels, included in Socket's WLAN Tools software for Pocket PC 2002s. Socket's WLAN Tools software for Windows 2000/XP provides a user-friendly interface and features similar to those already available for Windows CE. It's easy to search for WLANs and enter network settings. Plus, you can create a unique profile for each network, so you can connect to different WLANs without entering new settings every time.

Learn more. <http://www.socketcom.com/product/wlan.asp>



Socket Enables Digital Photo Transfer for Mobile Phones

Socket's Bluetooth Connection Kit now makes it possible to transfer digital photographs from Bluetooth-enabled mobile phones to Pocket PCs, which have plenty of memory for viewing, transporting and storing these pictures. The enhanced Bluetooth Connection Kit also enables Pocket PC users to exchange business cards, send and receive contact information and files, browse remote devices, and share files. Socket's Bluetooth Connection Kit creates a cable-free link between a Windows CE device and a Bluetooth-enabled phone, allowing users to exchange files and email, browse the Internet, fax, or access the company network by using their mobile phone as a modem.



Learn more. <http://www.socketcom.com/product/bluetooth.asp>

PRODUCT REVIEWS AND HIGHLIGHTS

Wired Magazine Features Socket Bluetooth GPS Receiver as a Wireless "Power Tool"

Wired Magazine highlighted the Socket Bluetooth GPS Receiver in a special report designed to help readers "gear up for the wireless life." The only GPS product chosen for the report, the Socket GPS Receiver was included in a diverse list of cutting-edge Bluetooth and Wi-Fi products.



Read the report.

http://www.wired.com/wired/archive/11.05/unwired/powertools_pr.html

Socket Launches Bluetooth GPS Navigation Kit for Pocket PCs, with Map Support for U.S., U.K., and Ireland

Socket launched its new Bluetooth GPS Navigation Kit in January, featuring Socket's MyNavigator™ complete in-car navigation software for Pocket PCs.

With the latest map information and a highly intuitive user interface, drivers can plan their trips quickly and be on the road safely without having to read a handheld map or cryptic instructions. Large graphics and clear voice prompts ensure that drivers can stay focused on their driving.

The software provides turn-by-turn instructions and map support for the U.S., U.K., and Ireland. Maps for all of Western Europe and Canada will be added in the second quarter of this year.

Learn more.

<http://www.socketcom.com/product/GP0805-406.asp>

BostonPocketPC.com Praises Socket Low Power Wireless LAN Card and Bluetooth Connection Kit

Socket's Low Power Wireless LAN Card and Bluetooth Connection Kit received high marks in recent product reviews by BostonPocketPC.com.

The website especially lauded the Low Power Wireless LAN Card for its energy efficiency, proclaiming, "If you are looking to get the best battery life out of your Pocket PC, this will be the card for you." The reviewer recommended the card as a "great, easy to use" product for accessing Wi-Fi networks.

The website also gave kudos to the Socket Bluetooth Connection Kit, concluding that "All in all, the Socket card is a very solid performer. Its hardware is well-designed, and its software is very polished and very easy to install." The reviewer particularly commended the product for its user-friendly installation, which he found to be the easiest setup of any Bluetooth card he tested.

Read the review of the Low Power Wireless LAN Card.

<http://www.bostonpocketpc.com/modules.php?op=modload&name=Reviews&file=index&req=showcontent&id=78>

Read the review of the Bluetooth Connection Kit.

<http://www.bostonpocketpc.com/modules.php?op=modload&name=Reviews&file=index&req=showcontent&id=90>

Socket Ships Bluetooth SDIO Connection Kit for HP iPAQ 3950 and 3955

In February, Socket started shipping its Bluetooth SDIO Connection Kit, which includes Socket's easy-to-use software for Windows CE and a new SD form factor card. The card allows mobile professionals with a new upgraded Hewlett Packard iPAQ 3950 and 3955 to create a cable-free link between these Pocket PCs and a Bluetooth-enabled phone, letting users quickly, easily, and cost-effectively access email, the Internet and their corporate network by using the phone as a wireless modem.



Bluetooth SDIO Card, actual size

Socket's Bluetooth SDIO Kit and HP's iPAQ 3950 and 3955 (with ROM upgrade from HP's website) support BSQUARE Corporation's SDIO Now! program, which provides technology access and a common development platform to ensure compatibility among products from different vendors.

Learn more. <http://www.socketcom.com/product/BL4800-392.asp>

EMBEDDED, SCANNING & PARTNER NEWS

Parker Hannifin Demonstrates Industrial Uses for Socket Bluetooth at Hannover Fair

Parker Hannifin the world's leading diversified supplier of motion and control technologies and systems, demonstrated a wide range of products incorporating Socket's family of Bluetooth solutions near the "New Products" section at the front of Parker's booth at the 2003 Industrial Automation Hannover Fair in Hannover, Germany in April. Parker's demonstrations incorporated Socket's industry leading Bluetooth CompactFlash card and Socket's Bluetooth small footprint "Virtual Machine" module into a variety of Parker's industrial automation products. Product demonstrations included the following:



- Mobile Hydraulics Steer by Wire and Wireless Diagnostics
- Industrial Automation System Integrating Pneumatics, Electromechanical and Hydraulic Devices
- Wireless Interface to Process Valves and Controls.

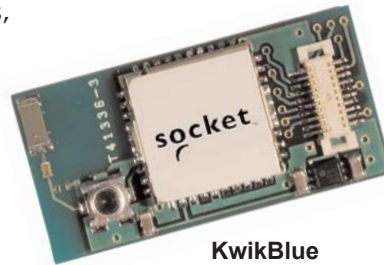
Adoption of wireless Bluetooth technology for industrial automation applications is in its early stages of development and deployment. Parker's product demonstrations are examples of the wide range of solutions possible.

- IQAN mobile hydraulic system and motor display
- D1V proportional valves
- Oildyne hydraulic cylinder and pump
- CTC PowerStation
- Bluetooth Wireless Moduflex™ unit
- Convum vacuum generators, cups and digital display
- Kuroda rotary union and actuators
- Compumotor DynaServe direct drive motor
- VSO-EP pressure controller
- Lucifer electronic pressure controller and pneumatic rotary actuator

For more information on Parker Hannifin, visit <http://www.parker.com>

Socket's Embedded Systems Group Launches New Bluetooth Modules with Numerous Design Wins

Socket's Embedded Systems Group has successfully launched its new Bluetooth modules for integration into PDAs, peripherals, industrial automation equipment, and many other products. Socket's KwikBlue™ Bluetooth modules coupled with Socket's field-proven software protocol stack and value-added integration services are ideal for companies that want to add Bluetooth wireless connectivity to their product solutions. Design wins already field-tested or going into production include PDAs, mobile printers, serial dongles, industrial automation equipment, bar code scanning, and conference room white board connectivity.



KwikBlue module

"Intermec is again pleased to partner with Socket Communications on the new Bluetooth KwikBlue modules" said Arvin Danielson, VP of R&D for Intermec Technologies. "Intermec was the first industrial grade PDA supplier to provide a complete Bluetooth solution with its 720 Pocket PC handheld computers and 781 portable printers. Intermec's Bluetooth solutions are used by customers worldwide. Bluetooth is now a standard communications method for Intermec's handheld and portable computers, mobile and portable printers and wireless scanner products. Socket's KwikBlue modules are used to enable ease-of-use and true mobility for customer applications."

Bluetooth wireless technology has been refined over the last few years with standards being revised and updated by the dedicated Bluetooth Special Interest Group (SIG). Socket's KwikBlue modules have been awarded v1.1 qualification by the Bluetooth Qualification Body (BQB) and have FCC Modular Approval. FCC Modular Approval is essentially a pre-approval of most of the required FCC test-

ing and simplifies the FCC certification process for companies seeking to integrate Bluetooth wireless connectivity into their products.

KwikBlue modules are available in Surface Mount Device (SMD) packaging as well as highly integrated small footprint board-to-board connectible packages with an on-board antenna. The basic integrated package includes the KwikBlue SMD module for easy "drop-in design" to existing products. Socket offers complete design-in engineering services that can supply variations of the basic package to meet customer specifications for functionality and space limitations. Special features include Socket's field upgradeable connectivity implementation, special purpose "Virtual Machines" (embedded customized user applications and interfaces), software configuration, power management, external antenna connections, and more.

"Socket's previous announcements with Parker Hannifin, Intermec and EFI are clear indications that leading companies are selecting our Bluetooth products for both current and future Bluetooth enabled product offerings," said Mike Gifford, founder and executive vice president of Socket Communications. "Our new modules are already designed into existing customer solutions, and we'll be incorporating them into a number of our own Bluetooth-enabled products. Socket's Embedded Systems Group is responsible for the sales of our KwikBlue modules, and the efforts of the team are contributing to Socket's continued growth."

For more information, email kwikblue@socketcom.com

Isochron Data Corporation Deploys Socket Bluetooth Technology for Wireless Management of Vending Machines

Isochron Data Corporation and Socket Communications are working together to develop and deploy solutions that use Bluetooth technology to enable wireless communications between a Pocket PC and industrial/commercial machinery. The solutions combine enterprise software, mobile computing applications, and embedded systems from Isochron with Socket's Bluetooth software and hardware for Pocket PCs.

By enabling a person to wirelessly monitor and control equipment from a mobile computer, the solutions add a new level of integrity and accuracy in data collection, system security, and accountability.

VendCast Mobile, the first of these solutions to go to market, is currently being deployed into vending machines for major soft drink bottling companies. VendCast Mobile allows for the efficient management of the vending business through the

timely and accurate collection of sales and equipment status data while providing secure access control and audit trails for the machines.

Erin Defosse, Isochron's chief technology officer, commented: "VendCast Mobile represents the first major deployment of Bluetooth in a commercial or industrial setting. It demonstrates how Isochron's and

"VendCast Mobile represents the first major deployment of Bluetooth in a commercial or industrial setting."

— Erin Defosse

Socket's commercial and industrial customers can benefit from the low cost and growing ubiquity of Bluetooth technology in real-world applications. Isochron and Socket are working together to further develop these new opportunities."

Isochron Data Corporation is a leading provider of integrated machine-to-machine communication and management solutions. <http://www.isochron.com>



Socket and Sharp Electronics Partner to Deliver Mobile Connections for Zaurus PDA Users

Socket, Sharp Electronics Corp. and SDG Systems are working together to ensure that Socket's CompactFlash™ plug-in accessories are compatible with Sharp's Linux®-based Zaurus™ family of PDAs. Mobile professionals — especially those in field sales & service, healthcare and transportation/logistics — can now take advantage of rapidly expanding Linux-based applications.

For a matrix of compatibility and drivers available, visit: www.socketcom.com/ZaurusSharp.asp



Zaurus

Socket products available for use with the Sharp Zaurus product line are:

- Bluetooth Connection Kit
- WLAN Card
- Low Power Ethernet Card
- 10/100 Ethernet Card
- Digital Phone Card
- Bar Code Scanner
- Single Port Serial Card



Accountants Use Socket In-Hand Scan Card to Automate Vehicle Inventory Counts

One day, while Chris McIntyre and his fellow accountants were busy counting inventory for a car dealership in San Jose, California, the proprietor interrupted him. "Why are you doing that?" the proprietor asked. "I've got this."

The proprietor found it ridiculous to see the accountants tediously approach each car and write down the last eight digits of its vehicle identification number. The dealer owned hundreds of cars, and counting inventory that way would require several hours of dreary work. Pulling out a Compaq iPAQ Pocket PC equipped with a Socket In-Hand Scan Card, the proprietor showed how recording the vehicle identification number could be as quick and easy as pressing a button. The vehicle identification number of each car also comes in a bar code, so the proprietor simply pointed the In-Hand Scan Card to the bar code, pressed a trigger button, and a laser read the number directly into a Pocket Excel spreadsheet on the iPAQ.

McIntyre was impressed. As CPA and manager of Kobayashi & Company, a Southern California-based firm that specializes in public accounting and management consulting for automotive dealerships, McIntyre convinced his firm to adopt mobile bar code

scanning technology. Now all seven accountants of Kobayashi & Company use an iPAQ Pocket PC and Socket In-Hand Scan Card for physical inventory counts.

McIntyre shopped around before deciding to buy Socket In-Hand Scan Cards for his company. He specifically searched for a scanner with a Class 2 laser, which would be strong enough to shoot through a windshield and read the bar code on the dashboard. The Socket In-Hand Scan Card turned out to be the best choice for McIntyre, because it was the only compatible product he could find with a Class 2 laser.

Since implementing the system, accountants of Kobayashi & Company have increased the accuracy of their inventory counts. Human error was a major problem in the past, when counting inventory meant writing hundreds of eight-digit numbers by hand. For example, digits were often transposed. "When you write a number, it could have been 49, and you could have put 94," McIntyre said. The accountants eliminated these problems when they decided to scan bar codes instead of write numbers by hand.

Most importantly, scanning bar codes has dramatically reduced the time and effort needed for physical inventory counts. The

"The audit we did with 300 cars, it used to take half a day's time. It took us half an hour this time with the iPAQ and In-Hand Scan Card. On average, we save 3-4 hours per dealership."

— Chris McIntyre

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The accountants especially appreciate saving time and effort when they need to work in adverse weather conditions. "At a lot of places, like Hawaii, Alaska, and Las Vegas, you don't want to be out there too long counting cars," he said.

Because the numbers are scanned directly into a Pocket Excel spreadsheet on the iPAQ, the accountants also save time performing what is known as reconciliation. During this procedure, accountants compare the physical inventory count to a business' official inventory list to determine if any vehicles are missing.

McIntyre noticed tremendous time savings during reconciliation the very first time he used the In-Hand Scan Card at a dealership. "Since the scanning was in Excel, I created a formula, and the reconciliation to the dealership's books took less than five minutes," he said. "Usually it takes 2-3 hours to get the reconciliation done and have a final missing vehicle list."

All of these time savings translate into cost savings as well. "We bill by the job, and a typical job can cost 10 or 15 thousand dollars," McIntyre said. "That includes the audit and that one day out counting the cars. If that one day is an hour, you save a whole day's worth of work. So by saving time there, it goes directly into our pocket."

Overall, McIntyre believes that the new technology has made a great impact on his company. "Using the In-Hand Scan Card has dramatically improved how work is done," he said.

majority of the businesses they audit own hundreds of vehicles, and some have more than a thousand. Even while counting inventory for a business with 300 cars in stock, which McIntyre considers to be a small dealership, the accountants noticed a big difference. "The audit we did with 300 cars used to take half a day's time," he said. "It took us half an hour this time with

Socket Reports Record Revenue of \$4.9 Million

First Quarter Up 21% and 22% over Previous and Year-Ago Quarters



For the first quarter ended March 31, 2003, Socket Communications reported revenue of \$4.9 million, an increase of 21 percent compared to revenue of \$4.0 million for the previous quarter and 22 percent compared to the same quarter a year ago. The Company also reported backlog of \$0.5 million at the end of the quarter ended March 31, 2003 which is an increase from the prior quarter of \$0.3 million. This backlog is being shipped during April and will be recorded as revenue during the second quarter.

"The introduction of lower cost Pocket PCs at the end of last year is driving the growth in sales of our connectivity products," said Kevin Mills, president and chief executive officer of Socket Communications. "Our customers today are predominantly individual Pocket PC users, but we are beginning to see the early signs of more widespread corporate deployments."

Learn more.

<http://www.socketcom.com/about/press/read.asp?ID=87>

Socket Completes Private Placement Equity Financing of \$2 Million

Socket completed a private placement equity financing of \$2.0 million. Net proceeds from the financing after estimated costs and expenses are approximately \$1.5 million. The Company issued Series F Preferred Stock, which will convert into 2,762,690 shares of common stock after three years, or sooner at the option of the holder. The private placement was managed by Spencer Trask Ventures, Inc., a New York City-based investment banking firm.

Learn more.

<http://www.socketcom.com/about/press/read.asp?ID=83>

Socket Communications Reports Record Revenue Growth of 32% and Improved Operating Results for Fiscal Year 2002

Socket Communications, Inc. earned record revenue for the year ended December 31, 2002 of \$16.3 million, an increase of 32 percent compared to revenue of \$12.3 million for the previous year. Revenue growth was driven by sales of plug-in and embedded Bluetooth wireless technology products introduced in September 2001.

Learn more.

<http://www.socketcom.com/about/press/read.asp?ID=78>

Ernst & Young Gives Socket an Unqualified Opinion

Socket's independent auditors gave Socket an unqualified opinion on the Company's financial statements for the year ended December 31, 2002. A year earlier, the auditors issued a going concern opinion, indicating the need for the Company to raise additional capital. Socket has since raised equity capital, extended its bank line of credit into 2004, and has been improving its operating results through revenue growth and management of expenses.





How to Choose the Right Nextel Data Service

If you are using a Socket Digital Phone Card with a Nextel mobile phone, you may be confused about which Nextel data service is the right one for you. Nextel currently offers two separate data services: Nextel Online Plus and Packetstream Gold. You can subscribe to only one of the data services, so make sure to choose the right one for your needs. Nextel Online Plus provides circuit-switched data at the rate of a 14.4 kbps modem and costs about \$20 per month. If you need faster data rates, Packetstream Gold offers Cellular Digital Packet Data (CDPD) with 20-50 kbps and costs about \$60 per month. An activation fee is necessary for both plans in addition to the monthly fees.

Learn more. <http://www.nextel.com>

How to Find an 802.11 Hot Spot in Your Area

If you have Socket's Low Power Wireless LAN Card, you can now access wireless LANs for Internet, email, instant messaging and more from thousands of public locations, such as airports, hotels, shopping malls, office buildings, coffee shops, restaurants and even parks. Almost all of these "Public Hot Spots" are based on the 802.11b Wi-Fi wireless standard, compatible with the Socket card. The number of Hot Spots is growing daily, as is the number of service providers installing and maintaining the wireless infrastructures.

Socket has assembled a list of websites to help you find Hot Spots and Service Providers in your area. Visit: <http://www.socketcom.com/product/wlan.asp>. Click on Public Hot Spots Info.



Kevin Scheier New VP of North American Sales

Socket appointed Kevin Scheier as Vice President of North American Sales in January. Mr. Scheier is responsible for sales of Socket's mobile connection products being sold through distribution and retail. He brings to Socket more than 20 years senior sales management experience with companies selling electronic computer peripheral products including Iomega Corporation and Syquest Technology. His most recent roles prior to joining Socket, were CEO of Gopher King, and ODF Technology. Mr. Scheier holds a B.S. Degree in Business Administration from San Diego State University.

You can reach Kevin via email at kevins@socketcom.com.

SOCKET PROFILES



Tim Miller New VP of Worldwide Operations

Socket appointed Tim Miller as Vice President of Worldwide Operations in March. Miller brings to Socket more than 20 years of electronic products manufacturing operations management experience with peripherals and communications product companies. He most recently served as Vice President of Worldwide Operations at Com21, a developer of Broadband technology solutions. He will be responsible for Socket's worldwide manufacturing operations.

You can reach Tim via email at tim@socketcom.com.

EVENT NEWS

iComm

May 4-7, 2003
Doral Golf Resort & Spa — Miami, FL
Booth #41

Frontline's International Supply Chain Week Conference & Expo

September 15-18, 2003
McCormick Place North — Chicago, IL