

## New Format of Reporting Earnings for MOSAID

### ***Forward-looking Information Statements***

This document contains forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “will,” “would” and similar expressions. These forward-looking statements are not historical facts, but rather reflect MOSAID’s current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from current expectations. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following:

- MOSAID’s continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID’s acquisition of patents from third parties and from development of new inventions;
- Semiconductor and wireless product vendors continuing to infringe MOSAID’s patents;
- the timing and amount of MOSAID’s litigation expenses;
- MOSAID’s ability to sign new licensees;
- current assumptions as to the identification of products that are unlicensed to MOSAID’s wireless patents; and
- the timing and amount of MOSAID’s Research and Development expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following:

- MOSAID’s ability to negotiate settlements with licensees;
- legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID’s essential and/or nonessential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world);
- judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues;
- economic, social, and political conditions in the countries in which MOSAID or patent licensees operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- non-payment or delays in payment by licensees;
- variability in patent licensees’ sales of licensed products, failure to maintain and enforce MOSAID’s existing patent portfolio, or failure to obtain valuable patents as a result of research and development activities, or failure to acquire valuable patents from third parties;
- MOSAID’s ability to recruit and retain skilled personnel;
- change in MOSAID’s financial position;
- consolidation of MOSAID’s licensees;
- natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and
- changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

MOSAID assumes no obligation to update or revise any forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID’s business and other factors that could cause MOSAID’s financial results to fluctuate are contained in MOSAID’s Annual Information Form, under the section entitled “Risk Factors,” and in MOSAID’s other public filings available online at [www.sedar.com](http://www.sedar.com).

### What is the new format for reporting earnings?

Under the new format, MOSAID Technologies Incorporated (the Company) will report its consolidated earnings using both Canadian Generally Accepted Accounting Principles (GAAP) and on a pro forma basis.

The pro forma statement will differ from the GAAP statement by removing:

- stock based compensation expense
- amortization expense related to acquired patent costs
- imputed interest cost related to acquired patent costs. An interest cost is imputed to the cost of acquired patents due to the discounting of future cash outflows associated with acquiring the patents
- non-recurring or special income and expense items
- the income tax impact, if any, of the above items

### Why did we make a change to the format?

The Company changed the reporting format to reflect the way management now manages the Company given the substantial changes in its operating structure over the past year. This new reporting format better reflects the operating reality of the Company and allows users of the financial statements to better understand how management makes decisions regarding the allocation and use of economic resources. We use pro forma measures internally to evaluate and manage operating performance as well as forecast and plan. We believe that a pro forma measure provides a meaningful measure of on-going corporate performance.

### Why did we make the change now?

Management made these changes now because the Company is at an inflection point in its history.

Over the past year, the Company disposed of assets related to its automatic test equipment business, operated through the Systems Division, and assets related to its Semiconductor IP product business, formerly part of the IP Division. After selling these assets, the Company exited these businesses and, accordingly, reported results for these businesses as Discontinued Operations. This left the IP Licensing business, which includes Research and Development, as the sole remaining continuing operation. Given IP Licensing is the sole remaining continuing operation and the new management's view on how the business should be viewed and managed, this was an appropriate time to redefine the composition of the various line items presented on the Company's earnings statement.

Further, in June 2006, the Company made its first financially substantial acquisition of a patent portfolio when the Company acquired a group of patents from Infineon Technologies AG. Subsequently, in February, 2007, the Company acquired a patent portfolio from Agere Systems Inc. Given the importance of these transactions, management believes it is useful information to separate the cost of these transactions to assist readers of the financial statements.

### Definitions for certain line items on the Statement of Earnings and Statement of Pro forma Income

#### *Patent Portfolio Management*

Patent portfolio management expense represents the cost of patent administration, including filing and maintaining patents and patent applications worldwide; identifying and assessing potential patents for acquisition and assessment of partnership opportunities with third party patent holders.

#### *Patent licensing and litigation*

Patent licensing and litigation expense represents the costs of managing and conducting litigation actions, all reverse engineering costs undertaken by or behalf of the Company, and conducting licensing negotiations.

#### *Research and development*

Research and development expense represents the cost, net of investment tax credits, of developing internally and promoting new technology or improving existing technology related to the business of the Company.

#### *General and administration*

General and administrative expense includes the cost of corporate services such as executive services, finance, corporate legal, human resources, office administration, communications, public company cost and the cost of providing and supporting information technology to the Company.

#### *Foreign exchange (gain) or loss*

Foreign exchange (gain) or loss represents the cost, realized and unrealized, of unhedged transactions denominated in currencies other than the Company's reporting currency.

#### *Special Committee*

Special Committee costs represent the cost, other than normal costs of management, of maintaining and conducting activities related to the Special Committee of the Board of Directors of the Company. The mandate of the Special Committee prior to September 2006 was to manage the Company's response to a dissident shareholder proxy contest. The Special Committee was reconstituted in September 2006 with the mandate to identify, evaluate and recommend to the Board of Directors and oversee implementation of potential strategic alternatives and actions for the Company.

#### *Stock-based compensation*

Stock-based compensation expense includes the non-cash fair value costs related to the Company's Employee Stock Option Program and the Employee Share Purchase Program.

#### *Amortization and imputed interest on patents*

Amortization and imputed interest expense on patents represents the period amortization charge related to acquired patents and patents where the Company has exclusive licensing rights as a result of partnerships or similar models with third parties. This expense also represents the cost of imputed interest expense which results from the discounting for the time value of money liabilities incurred for the purpose of acquiring patents, either outright or through partnership models.

#### What are the historical and anticipated trends of certain line items on the Statement of Operations?

##### *Patent portfolio management*

During fiscal 2006 and fiscal 2007, quarterly patent portfolio management expense ranged from 4% to 9% of revenues and increased over time as the Company expanded its portfolio and strengthened its internal capacity to identify and assess business development opportunities. In percentage terms, the expense is expected to increase by a single digit percentage in fiscal 2008, as compared to fiscal 2007.

#### *Patent licensing and litigation*

During fiscal 2006 and fiscal 2007, quarterly patent licensing and litigation expense ranged from 8% to 28% of revenues. The variability in the amount, as a percentage of revenues, is due primarily to the timing and magnitude of litigation expense. During fiscal 2008, it is expected that litigation costs will increase over time, as compared to fiscal 2007, and are expected to remain quite variable from quarter to quarter due to the unpredictable nature of litigation. For fiscal 2008, patent licensing and litigation expense is expected to amount to approximately \$10 million to \$11 million.

#### *Research and development (R&D)*

During fiscal 2006 and fiscal 2007, quarterly R&D expense ranged between 1% and 3% of revenues. For fiscal 2008, such costs are expected to range between \$2.5 million and \$3 million.

#### *General and administration (G&A)*

During fiscal 2006 and fiscal 2007, quarterly G&A expense ranged between 9% and 15% of revenues, with an average rate of 12% in fiscal 2007. G&A expenses are expected to stay at approximately the 12% level during Q1 fiscal 2008 but decline over the year, as a percentage of revenue. G&A expenses for the year are expected to amount to approximately \$4.5 million to \$5 million.

#### *Foreign exchange (gain) or loss (FX)*

Excluding the impact of revaluing the liabilities associated with patent acquisitions, quarterly FX has been in the range of 1%-2% of revenues. This trend is expected to continue in fiscal 2008, with variability between quarters due to volatility in the foreign currency markets.

#### *Special Committee*

In fiscal 2007, quarterly Special Committee costs ranged from 0% to 8% of revenues, with an average of 4% for the year. There were no such costs for fiscal 2006. Special Committee costs are expected to decline significantly in fiscal 2008, as compared to fiscal 2007, and range between \$0.5 million and \$1 million.

#### *Patent amortization and imputed interest*

During fiscal 2007, patent amortization and imputed interest expense increased from virtually nil in Q1 fiscal 2007 to almost 20% of revenues in Q4 fiscal 2007. There were no such costs for fiscal 2006. The increase was due to the acquisition of patents during Q1 fiscal 2007 from Infineon Technologies AG and the acquisition of patents during Q4 fiscal 2007 from Agere Systems. During fiscal 2008, patent amortization and imputed interest cost is expected to be approximately \$13.5 million - \$14.0 million.

