



**The Value of Innovation**

## **Q1 Fiscal 2012 Results**

August 25, 2011

# Forward Looking Information

This document and certain other public documents incorporated by reference in this document, contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions “anticipate,” “believe,” “could,” “estimate,” “expect,” “foresee,” “intend,” “may,” “plan,” “will,” “would” and similar expressions. Similarly, statements in this document that describe MOSAID’s business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. 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 those in such forward-looking statements. 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 telecommunications product vendors continuing to infringe MOSAID’s patents; the timing and amount of MOSAID’s litigation expenses; MOSAID’s ability to sign new patent 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 & 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, audits 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; worldwide economic conditions and demands for technology products; economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates; non-payment or delays in payment by, or insolvency of, licensees or other debtors; 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 R&D 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.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revision to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. 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).

# Q1 Financial Highlights

- Revenues of \$18.3 million met guidance
- Adjusted net income of \$7.2 million exceeded guidance
- Cash and marketable securities rise to \$123.0 million
- \$8.0 million cash flow before changes in working capital
- Returned approximately \$3.0 million in dividends to shareholders
  - Six year track record of uninterrupted quarterly dividend payments



# Board Forms Special Committee

- Special Committee of independent directors formed to evaluate and consider Wi-LAN's unsolicited offer
  - Carl Schlachte, Chairman of the Board
  - Ian Giffen, Director
  - Barry Reiter, Director
- Financial advisors: Barclays Capital Canada, GMP Securities
- Legal advisors: Davies Ward Phillips & Vineberg

# Special Committee Offers Preliminary View

- The timing and approach of Wi-LAN's offer are highly opportunistic
- Wi-LAN's offer clearly undervalues MOSAID
- Board will communicate its fully considered view on or before September 7



# The Growing Value of Patents

- Nortel \$4.5 billion patent auction sparks re-examination of patents as an asset class (\$750,000 per patent)
- Patent licensing firm Interdigital (NASDAQ:IDCC) puts itself up for sale
- Google buys Motorola Mobility for \$12.5 billion
- Companies studying how to unlock patent portfolio value
- Public markets and private equity groups now evaluating patent portfolios differently
- MOSAID and other patent licensing companies attracting a new level of investor interest

# MOSAID's Current Value and Future Potential

- Strategy: drive shareholder value by monetizing intellectual property in semiconductor and telecommunications markets
- Deliver compound annual growth rates above 20%
- Implementing multi-year strategy of increased investments in:
  - Litigation
  - Patent acquisition and monetization
  - Strengthening our human resources
- Maintaining our track record of innovation



# Historical Perspective

## *Diversify Markets, Renew Portfolio*

- In 2006, MOSAID only licensed Dynamic Random Access Memory (DRAM) patents
- Emerging as patent licensing pure play in 2007, MOSAID faced two challenges:
  - Diversify licensing activities beyond DRAM to broaden revenue base and drive top line growth
  - Renew memory patent portfolio to ensure successful relicensing of leading DRAM suppliers
- We succeeded on both counts

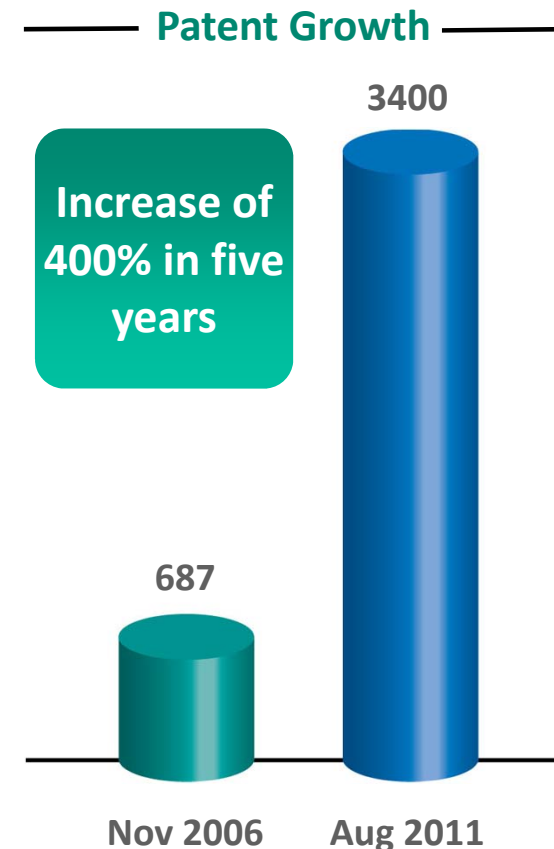
# A World-Class Patent Portfolio

- A leading patent portfolio with strengths in memory, wireless, Power over Ethernet, microprocessors
- Through acquisitions, partnerships and innovation, MOSAID accumulates patents on the principals of quality, technology diversification, geographic market coverage
- The market undervalues MOSAID's portfolio



# Growing MOSAID's Portfolio

- Nov 2006 – one DRAM licensing program and 687 patents
- Aug 2011 – multiple IP platforms and licensing programs and 3,400 patents
- MOSAID has high quality patents, and track record of successful patent assertion



# MOSAID Wireless Licensing

- In 2007, acquired portfolio of standards-essential Wi-Fi patents and patent applications
- Have signed 16 wireless patent license agreements that will deliver significantly more than \$100 million in fixed contract amounts and estimated running royalties
- More value creation to come



# MOSAID Microcomponents Licensing

- In 2007, acquired exclusive sub-licensing rights to 50+ microcomponents patents
- Patent license agreements signed with LG Electronics, MediaTek and Analog Devices
- Anticipate signing more deals



**MEDIA**TEK



# MOSAID Power over Ethernet Licensing

- In 2009, acquired 300 Power over Ethernet (PoE) patents
- With Power over Ethernet, power and data travel over the same cable
  - Powering IP telephones, wireless LAN access points, Ethernet switches and more
- MOSAID's Power over Ethernet licensing program could deliver nine-figure revenues

# MOSAID Memory Licensing

- We have successfully renewed our largest patent portfolio
- 1,300 memory patents acquired over four years
  - Micron Technology: 400+ DRAM, Flash and semiconductor process patents
  - Samsung: 250+ memory patents
  - ISSI: DRAM, Flash and semiconductor process patents
  - Hynix: 500+ semiconductor and memory patents
- “Five for five” – since 2007, have re-signed all five memory patent license agreements that have come up for renewal
  - Achieved substantially similar or better terms

# Semiconductor Licensing Strategy

## *Expanding Beyond DRAM*

- MOSAID to begin licensing into the semiconductor manufacturing industry
  - Based on acquired semiconductor manufacturing process patents
- MOSAID to establish Flash memory licensing program
  - Based on intellectual property invented at MOSAID, plus acquisitions

# MOSAID Flash R&D

## *A Patent Powerhouse*

- Targeted investment: \$12 million in Flash R&D over five years
- The payoff: MOSAID engineers have filed 517 Flash patent applications, with 63 now issued as U.S. patents
  - Approximately 50% relate to HyperLink NAND (HLNAND), MOSAID's breakthrough NAND Flash technology
- MOSAID Flash patents a factor in patent license agreements with Micron, and license renewals with Samsung and Hynix

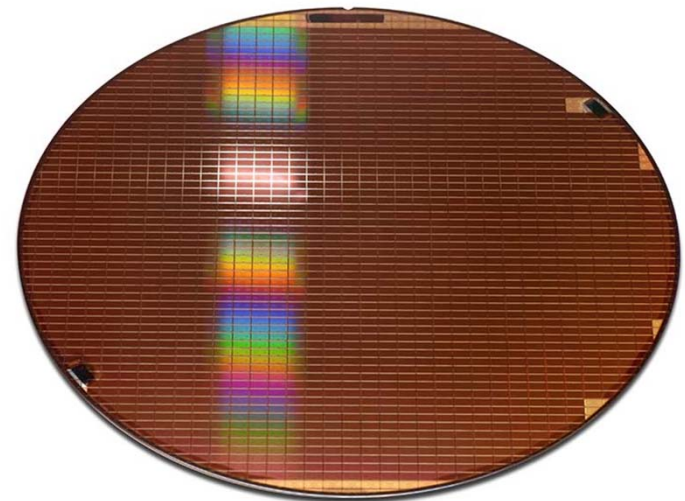


# Rolling Out HLNAND Technology

*Fast, High Density, High Performance*

- MOSAID unveils production-ready 256Gb HLNAND chip
- One of the fastest, highest density, best performing Flash memory devices available
- Demonstrating that MOSAID's HLNAND technology can be manufactured cost-effectively and at high yields
- Produce hardware prototypes to encourage market use of MOSAID patented Flash technology

**256Gb HLNAND  
production silicon wafer**



# MOSAID Flash Memory Licensing

## *A New Licensing Program*

- We are documenting the growing use of HLAND technology
  - Through reverse engineering and product reviews
- Plan to begin licensing MOSAID Flash patents with 12 months
- \$12 million R&D investment could generate several hundred million dollars in royalty revenues

**Coming Fall 2011 – HLNAND2 sample silicon: MOSAID Flash optimized for mass storage applications**



# Emerging Opportunities

- Networking patents and cloud computing
- Wireless patents reading on E-911 emergency standard as mandated by the Federal Communications Commission
- MPEG patents covering products with media playing capabilities, such as mobile phones, tablet computers, media player software and video conversion tools

# Litigation Outlook

- Moved quickly to implement intensified litigation strategy
- Now engaged in eight patent infringement suits
  - Six cases initiated by MOSAID, two actions brought against MOSAID
- Based on past experience, current litigations could result in many hundreds of millions of dollars in revenues



# Current Patent Infringement Cases

- **Wireless suit**
  - Filed suit against 17 companies, including Wi-Fi chip makers Marvell, Atheros, Intel, Raylink, Realtek and CSR, and their customers Canon, Dell, Huawei, RIM
- **Microcomponents suit**
  - Filed suit against NVIDIAI, Freescale and Interphase
- **ARM files Declaratory Judgment complaint against MOSAID**
  - ARM's complaint relates to Microcomponents case

# Patent Infringement Cases

## *Continued*

- Semiconductor Memory suit
  - Filed suit against Elpida Memory, Buffalo, Axiontech
  - Elpida is world's 3<sup>rd</sup> largest commodity DRAM vendor and only DRAM company unlicensed to MOSAID's memory patents
    - Expanded suit by adding a mobile DRAM patent to infringement claims
- Power over Ethernet suits
  - Cisco filed Declaratory Judgment against MOSAID in 2010
  - MOSAID filed patent infringement claim against Cisco at International Trade Commission in May 2011
  - United States Patent and Trademark Office (USPTO) completed a re-examination of a key MOSAID Power over Ethernet patent
    - Re-examination is in MOSAID's favor

# MOSAID Today – Bigger, Better

- Investing in our people and capabilities
  - Doubled our employee base in four years
- MOSAID has:
  - Diverse patent portfolio, quadrupled in size
  - Multiple patent licensing programs
  - Vibrant R&D program
  - Patent administration and prosecution experts
  - Expanding presence in Texas
- Corporate culture based on integrity, teamwork and excellence
  - Extremely low employee turnover



# Unlocking the Value of Innovation

- MOSAID has delivered solid revenue growth, strong profits, consistent dividends to shareholders – and a 100% success rate in patent license renewals and patent litigation
- We have the team and resources to continue growing a world-class intellectual property and innovation company focused on achieving superior returns for our shareholders

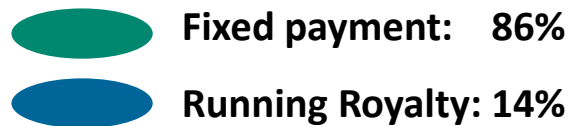
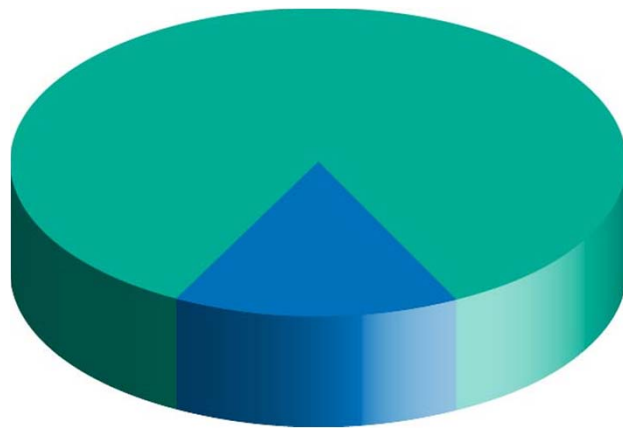


# Q1 Fiscal 2012 Revenue

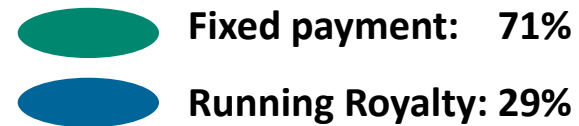
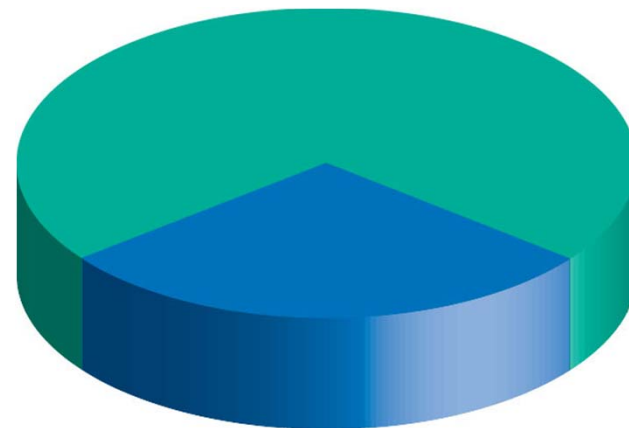
	Revenue
Q1 FY2012	\$18.3 million
Q1 FY2011	\$18.5 million

# Q1 Fiscal 2012 – Revenue by Type

Q1 Fiscal 2011



Q1 Fiscal 2012



# Operating Expenses

*Q1 Fiscal 2012*

**Patent Portfolio Management: \$2.1 million**

**Patent licensing and litigation: \$4.6 million**

**Research and Development: \$863,000**

**General and Administration: \$1.2 million**

**Adjusted Foreign Exchange: \$59,000 gain**

**Investment Income: \$398,000**

**Adjusted Income Tax Expense: \$2.8 million**

# Q1 Fiscal 2012 Adjusted Net Income

	Adjusted Net Income
Q1 FY2012	\$7.2 million or \$0.59 per diluted share, based on 12.1 million diluted shares
Q1 FY2011	\$8.9 million or \$0.75 per diluted share, based on 11.8 million diluted shares

# Q1 Fiscal 2012 IFRS Net Income

	IFRS Net Income
Q1 FY2012	\$2.6 million or \$0.21 per diluted share
Q1 FY2011	\$5.1 million or \$0.43 per diluted share

# Balance Sheet

*First Quarter Fiscal 2012*

**Cash and Marketable Securities: \$122.9 million**  
**Dividends paid: \$3.0 million**

**Working Capital: \$111.0 million**

**Accounts Receivable: \$7.5 million**

**Property, Equipment & Acquired Intangibles: \$68.8 million**

**Net Future Income Tax & Investment Tax Credits: \$17.8 million**

# Balance Sheet

*First Quarter Fiscal 2012 (cont'd)*

**Accounts Payable and Accrued Liabilities:  
\$10.6 million**

**Other Long-term Liabilities: \$37.6 million  
(Current and long-term portions)**

**Shareholders' Equity  
Retained Earnings: \$35.0 million**

**Cash flow from operations before changes in working capital:  
\$7.7 million**

# Share Price, Options, Dividend

- Stock closed at \$33.92 at end of Q1 FY12
- 739,992 stock options outstanding
- MOSAID declared quarterly dividend of \$0.25 per share, payable on October 6, 2011 to shareholders of record as of September 22, 2011



# Q2 Fiscal 2012 Guidance

## *Revenues*

### Q2 Fiscal 2012

#### Revenues

\$19.5 million to \$21.5 million

Guidance for Q2 fiscal 2012 approved by Board of Directors  
on August 25, 2011

# Q2 FY12 Guidance Details

## *Adjusted Statement of Operations*

**Patent Portfolio Management: \$2.6 million to \$2.8 million**

**Patent Licensing and Litigation: \$5.9 million to \$6.5 million**

**Research and Development: \$1.1 million to \$1.3 million**

**General and Administration: \$1.2 million to \$1.4 million**

**Adjusted FX Expense: \$100,000**

**Investment Income: \$300,000 to \$400,000**

**Adjusted effective tax rate: 28%**

# Q2 Fiscal 2012 Guidance

## *Revenues and Adjusted Net Income*

### Q2 Fiscal 2012

#### Revenue

\$19.5 million to \$21.5 million

#### Adjusted net income

\$6.4 million to \$7.1 million, or \$0.52 to \$0.58 per diluted share\*

\*Assuming 12.2 million diluted shares

# Fiscal 2012 Guidance

*Revenues and Pro Forma Net Income*

## Fiscal Year 2012

### Revenue

\$85.0 million to \$90.0 million

### Pro forma net income

\$24.6 million to \$26.1 million, or \$2.00 to \$2.12  
per diluted share\*

\*Assuming 12.3 million diluted shares

Guidance for fiscal 2012 approved by Board on June 15, 2011

Q & A





**The Value of Innovation**

## **Q1 Fiscal 2012 Results**

August 25, 2011