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Intrinsyc Software Inc.[1,7]

BUY

ICS-TSX C$0.96

Target: C$1.50

What's Changed	New	Old
Recommendation	BUY	n/a
Target	C$1.50	n/a
Revenue 2007A (mm)	C$19.7	n/a
Revenue 2008E (mm)	$22.3	n/a
Revenue 2009E (mm)	$43.4	n/a
EPS 2007A	(C$0.18)	n/a
EPS 2008E	($0.11)	n/a
EPS 2009E	($0.01)	n/a

Share Data	
Shares – mm (basic/f.d.)*	152.3/152.3
52-week high/low	C$0.39/C$1.30
Market capitalization (mm)	C$146
Enterprise value (mm)	C$94
Net cash (mm)*	C$52.1
Total projected return	56%

Financial Data			
YE Dec. 31	**07A**	**08E**	**09E**
Revenue (mm)	C$19.7	$22.3	$43.4
EV/Revenue	4.8x	4.2x	2.2x
EPS	(C$0.18)	($0.11)	($0.01)
P/E	nm	nm	nm
EBITDA (mm)	(C$14.2)	($15.9)	($0.9)

All figures in US$, unless otherwise stated
Note: F07 in C$ with Aug YE; all others reflect Dec YE
*reflects impact of recent equity financing

Reaping the rewards

- Leading provider of mobile software solutions for consumer-oriented converged mobile devices
- Strong management team that has demonstrated ability to execute
- We believe Soleus is uniquely positioned to address critical needs of a very large and growing market
- Soleus is at the cusp of transforming the company to one that is more scalable, has higher margins and predictable royalty revenues
- Seven design wins with six customers provide visibility to revenues for Soleus as early as mid-2008, with additional design wins expected
- Initiating coverage: BUY rating and C$1.50 target

INTRINSYC IS AN EXCITING GROWTH STORY: BUY

We are initiating coverage of Intrinsyc Software with a BUY recommendation and a target price of C$1.50, which represents a potential return of 56% from current levels. Intrinsyc is a mobile software solutions provider for handheld devices. Leveraging over 11 years of systems integration experience from its Engineering Services business, Intrinsyc has developed an end-to-end software platform called Soleus, which is a high-level operating system (HLOS) designed for feature phones/converged mobile devices. Soleus addresses key issues facing handset makers today, including pressures to introduce new devices faster with more advanced features and functionality but with fewer development dollars.

Our investment thesis: We believe Intrinsyc is an exciting story with significant upside potential for growth-oriented investors. The company is led by a strong management team that has proven its ability to execute. Intrinsyc is now at the cusp of finally reaping the rewards of transitioning from an engineering services business to a more attractive royalty-based software business model, which comes with more scalability, higher margins and greater predictability of revenue streams. With Soleus, we believe Intrinsyc is in a unique position to address the critical needs of a very large and growing

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market for consumer-oriented feature phones and converged mobile devices. The impressive pace of design wins to date, as well as the increasing quality and potential of recent wins, speaks to Soleus' ability to address the critical needs of this market. Intrinsyc already has seven design wins with six customers (and we expect more to follow), setting the stage for a strong ramp in revenues from $22 million in 2008 to $60 million by 2010. We believe the key catalysts that will drive the shares higher in the near term include the success of Soleus-based devices in the market and additional design wins (particularly higher-volume opportunities). Longer term, we believe Intrinsyc could be an attractive take-out candidate, particularly as the company increasingly demonstrates success with Soleus.

STRONG MANAGEMENT TEAM WITH PROVEN EXECUTION

Intrinsyc's greatest strength is the management team, which in our view is a dream team of industry veterans with directly relevant experiences that complement each other. Glenda Dorchak was appointed Chairman and CEO of Intrinsyc on July 31, 2006. With over 30 years of experience in the technology industry (including senior management positions at Intel and IBM), Ms. Dorchak has made significant changes over the past 18 months. She has assembled an impressive executive management team that has demonstrated its ability to work cohesively and execute on targets, including securing high-profile customers such as Samsung System LSI Division ("Samsung Semiconductor"). The most recent addition to the team is Souheil Gallouzi (VP & GM of Product Marketing and Development) in October 2007 from Qualcomm. Mr. Gallouzi has over 15 years of experience launching wireless consumer products and services and enabling video and mobile TV on wireless platforms. Mark Longo (VP of Corporate Development & General Counsel) joined Intrinsyc in June 2007, adding significant global experience, including negotiating and structuring M&A, corporate financings, joint ventures and strategic alliances with international partners. Mark Johnston (VP & GM of Worldwide Sales and Business Development) joined Intrinsyc in November 2006 after spending 22 years at Intel, most recently in the wireless communications business where he developed key contacts in Asia/Pacific. Mr. Johnston and his team has been executing on the sales and marketing strategy for Soleus, which has resulted in multiple design wins and an attractive pipeline of opportunities. Randy Kath (CTO) joined Intrinsyc almost four years ago to lead the development of Soleus. He has over 16 years of experience in software development (including 10 years at Microsoft) and was part of the original group that developed the WinCE operating system. The Board of Directors consists of 7 individuals, 6 of whom are independent. We estimate that insiders own less than 1% of outstanding shares and hold roughly 5.4 million options with exercise prices ranging from $0.49 to $1.06.

HIGH-VOLUME MARKET OPPORTUNITY

According to IDC, there were 1.1 billion mobile phones shipped in 2007 and this number is expected to grow to 1.4 billion in 2011. **Intrinsyc is targeting the mass market consumer-oriented mobile device market, a segment that makes up the majority of this enormous industry.** Mobile devices have become a fashion accessory for many consumers. A key trend is to have the "coolest" new devices with more functions integrated onto a single device. The success of innovative product designs, such as the iPhone and other smartphones, has resulted in even greater consumer awareness and growing demand for similar devices at a lower price point (sub-$300).

At the same time, carriers are constantly looking for ways to differentiate themselves from the competition, including branding their own handsets and/or customizing devices to have a common "look and feel" across their product offerings. Moreover, carriers are increasing the number of mobile services offered to subscribers to increase ARPU (average revenue per subscriber) as revenues from basic voice services continue to drop due to stiff competition. During his keynote appearance at the Mobile World Congress (MWC) in Barcelona last month, AT&T Mobility president and CEO Ralph de la Vega mentioned that owners of integrated devices are generating ARPU that is 120% higher than 2G

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devices. He also said that enhanced devices and improved user experiences are driving mobile data across the board at AT&T. To offer additional mobile services, new applications need to be loaded onto mobile handset devices and thus, carriers have become key influencers in the handset manufacturers' product roadmap. Carriers are looking to deliver increasingly complex solutions at ever decreasing prices and are pushing these requirements onto the handset vendors.

To keep up with these end-user/carrier demands and to remain competitive, handset makers are pressured to launch a greater number of new devices faster and at a lower cost (bill of materials, R&D), while incorporating the latest features and functionality (e.g., GPS, mobile TV, multi-media, music). These devices require faster CPUs, more memory and a graphics co-processor, making it increasingly more difficult to design products based on RTOS (real-time operating systems). RTOS, which is the operating system that most feature phones are currently based on, are old proprietary systems. Although RTOS are inexpensive, they are highly inflexible as software code must be re-written for each device, resulting in poor economies of scale. **Given the increasing complexity of designing feature-rich mobile devices, we believe there will be a fundamental shift from RTOS to a HLOS (high-level operating system) capable of supporting today's device requirements.** Handset makers are in the process of evaluating future platforms and software tools to support their next generation feature phones to address these issues. It is our view that Soleus will be a key beneficiary of this trend.

Given the huge volumes in this market, even a small piece of the pie could mean success for Intrinsyc. Assuming that Intrinsyc's sweet spot – consumer-oriented feature phones/converged mobile devices – represents approximately 50% to 60% of the overall industry, we estimate an addressable market of roughly 780 million units by 2011. Further, if we assume Soleus can capture a 5% share of this addressable market (or 39 million units), this would mean potential revenues of roughly $100 million per year – from essentially zero today!

SOLEUS IS UNIQUELY POSITIONED TO ADDRESS THE CRITICAL ISSUES FACING THIS MARKET

Soleus enables handset manufacturers to design multiple handsets more cost-effectively (i.e., can re-use code across multiple product platforms) and with shortened time lines (i.e., improves time-to-market). What makes Soleus unique is that it is optimized for mass market consumer phones. More specifically, Soleus was developed from the ground up to run on a smaller footprint than other OS (versus being scaled down from a desktop/server OS like Linux). This means that Soleus-based devices can run on a lower-cost CPU with less memory and enable multi-media functions at a fraction of the cost relative to a smartphone. For example, end-to-end software for a feature phone is an estimated $8 versus $15 to $20 for a higher-end smart phone. In addition, Soleus offers handset manufacturers the ability to customize devices to meet the growing requirements of wireless carriers. A good illustration of all of these advantages at work is the design win at Microstar International (MSI). Within just 6 months of licensing the Soleus software platform, MSI was able to develop the 5608 device – its first ever product in the mobile phone market – featuring personal navigation and mobile digital TV capabilities. This device will start commercial shipments in Q2/08 initially in China and EMEA. MSI plans to leverage Soleus for additional wireless handheld devices.

Based on the Windows CE kernel (a reliable and stable HLOS), Soleus is a turnkey development platform for consumer-oriented feature-rich mobile handset devices. As illustrated below, Soleus takes a modular approach to designing new devices. It includes a pre-certified telephony stack (i.e., dialer, SMS messaging, phone book and basic media player components) and a user interface (UI) framework that offers handset makers greater flexibility in designing the "look and feel" of the device. Essentially, Soleus allows handset developers to easily combine features and add third-party applications, as well as the ability to customize devices for differentiated user experiences. Third-party applications currently available for Soleus though ISVs (independent software vendors) include: handwriting recognition, voice dialing, games, audio and video codecs for media playback, browsers, email, messaging and

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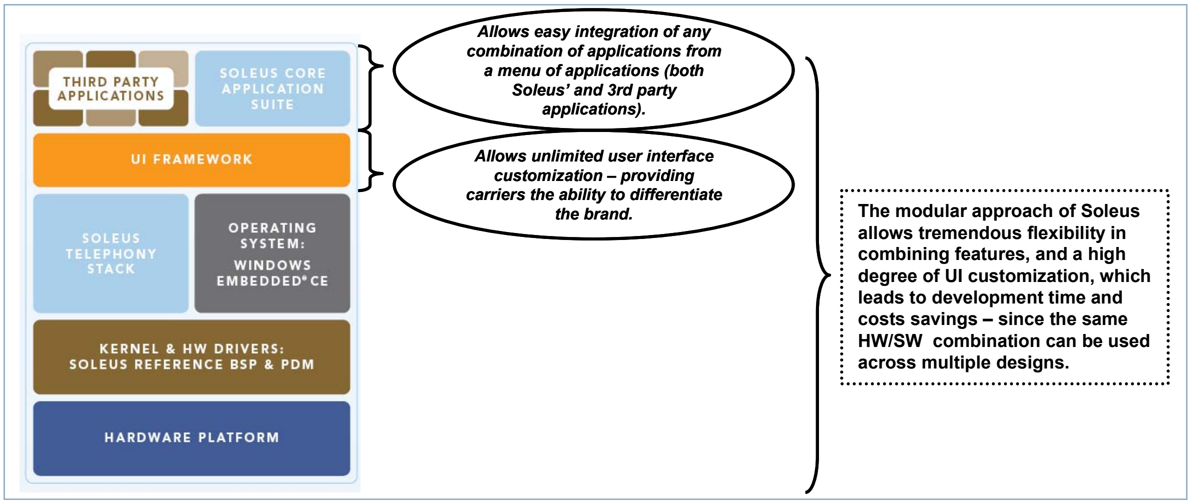
predictive text, among others. To further ease development efforts, Soleus is integrated into the familiar Microsoft tool chain and takes full advantage of the advanced features found in the Microsoft Platform Builder and Microsoft Visual Studio for platform development – a plus for the large Windows developer community. This helps to minimize the amount of custom code required, even as multiple models are developed from the same base hardware platform.

In an effort to continually add value to handset manufacturers and to increase the software bill of materials per device, we believe future Soleus developments will focus on enhancing the UI and enabling applications (such as location-based services and mobile video) to make it cheaper and easier to bring these popular services to the mass market. We believe a portion of the funds raised from the bought deal financing that closed last week (gross proceeds of $30 million) could be used to acquire technologies to accelerate the availability of new applications for Soleus.

The Soleus Platform



Source: Intrinsyc, GMP

DESIGN WINS PROVIDE VISIBILITY TO STRONG REVENUE POTENTIAL

Intrinsyc is on track for a rapid sales ramp as earlier design wins evolve to commercial production of Soleus-based devices. As the table below shows, the first Soleus-based device – MSI's 5608 – will start shipping in Q2/08 in China and EMEA. With additional Soleus-based devices expected to start shipping in Q3/08 (from Quanta and Samsung Semiconductor's lead customer), we expect royalty revenues to start ramping in H2/08 and more significantly in 2009 and beyond.

Soleus: 7 Design Wins with 6 Customers

Date	Customer	Device	Commercial Shipments
03/27/07	Leading PND mftr (we believe, Mitac)		
06/05/07	Microstar International	5608 (PND,mobTV)	Q2/08 (China, EMEA)
10/31/07	Leading PND mftr (we believe, Mitac) - 2nd design win		
11/13/07	Quanta		Q3/08 (US)
11/20/07	Silicon vendor		
12/10/07	Japanese consumer electronics OEM		
01/30/08	Samsung LSI Division		Q3/08

Source: GMP

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We view each new customer win as a critical milestone for Intrinsyc, particularly since Soleus is in the process of ramping up its client base. With each new customer, the handset ODM/OEM has effectively made a decision to adopt Soleus as an OS for at least one of their mobile phone platforms. Since switching OS platforms is a strategic decision and one that is not taken lightly (involves significant time and cost), it is more than likely that a handset manufacturer will incorporate Soleus across multiple designs in order to gain a positive ROI and make the switch worthwhile. As shown above, Intrinsyc has already announced a second design win with its first customer, which we believe is Mitac. In addition, MSI has indicated that it plans to develop a series of devices based on Soleus.

Management has been tracking to at least one new design win per quarter. In general, each design win is expected to lead to production volumes 6 to 12 months from the date of announcement. Management expects each design win to result in volumes of 250K to 500K, on average, over a 12-18 month product life cycle. Based on our discussions with management, we expect Intrinsyc to continue its run rate of announcing a new design win each quarter – either from an existing or new customer.

Healthy pipeline of new opportunities for Soleus

Intrinsyc is currently in various stages of discussions with roughly 30 companies, which we believe will drive positive momentum as the company continues to successfully sign licensing agreements. Target companies include**: 1)** manufacturers of Windows CE-based handheld devices that want to add telephony capability, such as personal navigation device (PND) makers (e.g., Mitac, TomTom, Garmin) and consumer electronics OEMs wanting to leverage their IP and brand equity in the mobile space (e.g., Sony, Toshiba, Panasonic); **2)** Windows Mobile ODMs/OEMs that want to move downstream to mass market consumer-oriented handsets (e.g., HTC); **3)** carriers that want to differentiate their product offering through branding and/or customization; and **4)** handset OEMs focused on rich multi-media devices (e.g., Motorola, Samsung). This last category represents a huge volume opportunity, but the sales cycle is considerably longer (at least 18 months). As such, while we don't expect a Tier 1 handset OEM design win this year, we believe it is possible in 2009 or 2010, particularly if Soleus experiences an accelerated uptake.

Silicon vendors represent an attractive distribution channel and higher volumes

In addition to ODMs/OEMs, an attractive go-to-market channel for Soleus is silicon vendors that are interested in bundling it with their mobile chipset solutions. Soleus currently has licensing agreements with two silicon vendors, including Samsung Semiconductor. These silicon vendors will bundle Soleus with an application processor as part of an integrated hardware and software platform for their ODM/OEM customers. Soleus, which provides a telephony stack and a UI framework for Windows CE handsets, enables silicon vendors to offer a complete reference platform to their ODM/OEM customers, who can in turn, develop feature-rich devices faster with greater product differentiation and lower development costs. **With silicon vendors effectively acting as a distribution channel for Soleus, Intrinsyc can reach a larger market of handset manufacturers, which means greater volumes and accordingly, a faster ramp of royalty revenues.** For example, while a typical design win with an ODM/OEM is expected to result in volumes of 250K to 500K units over a 12-18 month product cycle, each design win through a silicon vendor partner is expected to lead to higher volumes of 750K to 1 million units. We have high hopes for Samsung Semiconductor as its application processors are found in a myriad of mobile handset devices, including a selection of Samsung's mobile devices, various Taiwanese ODMs (e.g., E-TEN, Dopod, Amoi, HTC), as well as PNDs such as Trimble.

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TRANSITIONING TO A MORE ATTRACTIVE ROYALTY-BASED BUSINESS MODEL WITH SOLEUS

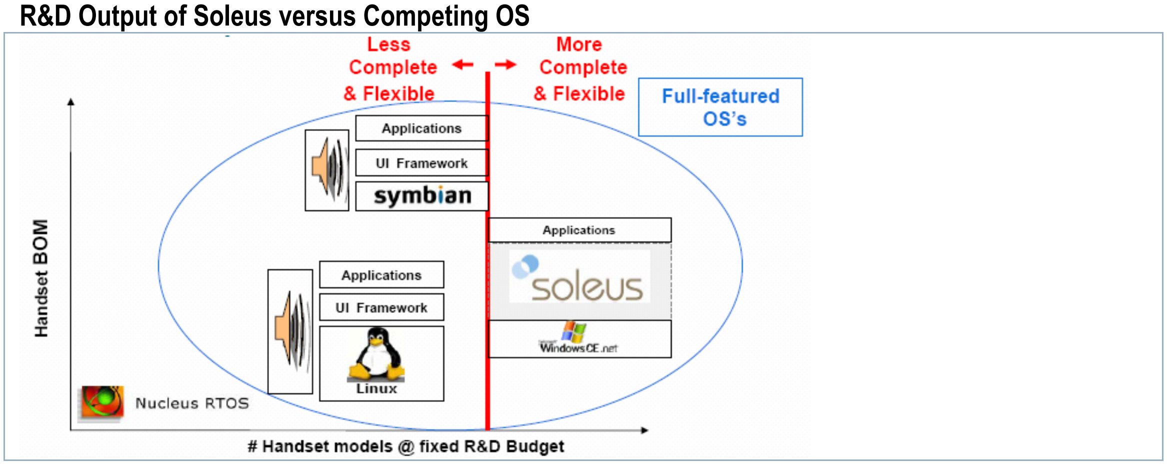
Intrinsyc's revenues to date have primarily been from engineering services – a stable business growing at an average rate of 5% to 10% per year. Engineering services are based on consulting fees with gross margins of 30% to 40% depending on utilization and mix (i.e., Soleus-related engineering service engagements have lower gross margins). In contrast, Soleus revenues will be based on an upfront licensing and maintenance fee, plus royalty revenues on a per unit basis ranging from $2.50 to $4.00 (depending on volumes) with gross margins of roughly 85% to 90%, typical of software companies. Therefore, we believe **Soleus offers a much more attractive business model for Intrinsyc: one that provides predictable revenue streams based on design wins and significantly higher gross margins and profitability as unit volumes become meaningful.**

We expect Soleus revenues to start ramping in H2/08, with more meaningful impact in 2009 and 2010 as design wins move to full production. For F2008, we expect revenues of $22.3 million (including $3.0 million for Soleus) and FD EPS of ($0.11). In F2009, we expect revenues of $43.4 million (including $23.0 million for Soleus) and FD EPS of ($0.01). In F2010, we expect revenues of $60.0 million (including $38.0 million for Soleus) and FD EPS of $0.04. Based on our current outlook, we expect profitability to be first achieved in Q4/09. The big swing factor in our model is the volume assumptions for Samsung Semiconductor, for which we have conservatively forecasted 3.3 million units for 2009 and 6.2 million units for 2010. In addition, our forecast does not include the impact of another Tier 1 customer win, which would provide upside to our estimates. Please refer to our financial model at the end of this report for more detail on our annual and quarterly forecasts.

COMPETITIVE LANDSCAPE

The primary competition for Soleus is alternative technologies including RTOS, as well as other HLOS like Linux and Symbian and to a lesser extent, Windows Mobile. As discussed earlier, Soleus offers handset makers several advantages, including cost savings, faster time-to-market for new devices, the ability to customize and an easy-to-use UI framework. The chart below shows that Soleus enables handset manufacturers to cost-effectively reach a broader set of market opportunities – through increased number of models at a fixed R&D budget.

R&D Output of Soleus versus Competing OS



Source: Intrinsyc

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Mobile Linux – Mobile Linux is Soleus' closest competing HLOS as it also targets the feature phone segment. The key advantages of Linux include the following: 1) open source (i.e., free access to the license); 2) small footprint (takes up only 2MB for a minimal installation); 3) mature and stable (used for over 10 years in many devices); 4) well-supported by a large development community for middleware and applications, with strong interest from device manufacturers (e.g., Motorola) and carriers; and 5) easy to differentiate (helps carriers to design unique data services that can help to increase ARPU). However, Linux is an inflexible OS that requires customization for each vendor's handset (i.e., requires software code to be re-written for each model). This results in longer development times and delayed time-to-market for new designs, offsetting savings from license fees. Companies supporting Linux include: a la Mobile, ACCESS, MontaVista, SKY MobileMedia, TrollTech (acquired by Nokia) and Wind River Systems.

Google's Android platform is a software stack for mobile devices (which includes a Linux-based OS, middleware and key applications) designed to create low-cost mobile phones based on "open" technology standards. The Open Handset Alliance is comprised of over 30 handset makers, wireless carriers and other technology companies, including HTC, Samsung, Motorola, T-Mobile, Sprint Nextel, NTT DocoMo, ARM, TI and Qualcomm. Android will be available to OEMs free of charge (the OS will be ad-supported, like Google's other applications) and the first devices are expected in H2/08. So far, Intrinsyc has not been adversely impacted in their discussions with potential Soleus customers. That said, we believe that it is prudent to monitor the progress of Android and the traction that it receives from the market, as we believe it could be a valid competitor to Soleus longer term.

Symbian – Symbian is owned by Nokia (47.9%), Ericsson (15.6%), Sony Ericsson (13.1%), Panasonic (10.5%), Siemens (8.4%) and Samsung (4.5%). It is the market-leading OS for smartphones with a market share of 63.3% in 2007, according to IDC. The company's OS also has a large support base in the development community and more than 8,736 third-party applications. Symbian has moved downstream into the consumer segment to expand its addressable market with its latest release, v9.5 (announced last year). Symbian OS v9.5 offers performance improvements with reductions in requirements on memory, processor and battery to be able to run on feature phones. Given the strong influence by Nokia, however, we question if there could be some hesitation by other handset manufacturers to adopt the Symbian OS for higher-volume products.

Windows Mobile – Windows Mobile is a widely used OS for smartphones (e.g., HTC Touch, Motorola Q9c, Samsung Blackjack and Samsung Ace) that continues to gain share. According to IDC, Windows Mobile has 10.7% of the smartphone market share and this is projected to grow to 19.3% by 2011. We believe the higher penetration of Windows Mobile devices could increase the number of potential customers for Soleus. As manufacturers of Windows Mobile devices move downstream to higher-volume segments, Soleus would be the obvious platform of choice due to the minimal incremental development know-how. Utilizing a WinCE-based software platform means that vendors can quickly port key features from their high-end Windows Mobile smartphone to consumer-oriented mobile devices due to the ability to re-use common code. This gives Intrinsyc's Soleus a perch from which to make inroads with the Tier 1 device makers.

Longer term, however, Microsoft may choose to scale down Windows Mobile to make it available for the higher volume feature phone market, potentially creating a significant competitor for Soleus. However, we note that Windows Mobile was designed for the enterprise market and does not allow for much customization (if any). In addition, Windows Mobile is not optimized for low-end CPUs and devices with small memory footprints, which makes it cost-prohibitive for the consumer-oriented feature phone segment. Therefore, if Microsoft does decide to move into the higher-volume feature phone market, we believe it would be quicker and easier for Microsoft to acquire the Soleus platform and retain companies such as Intrinsyc to provide the customization and systems integration services.

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RECOMMENDATION AND VALUATION

We are initiating coverage of Intrinsyc with a BUY recommendation and a target price of C$1.50. Our target price implies a C2009 EV/S multiple of 4.1x and is supported by a sum-of-the-parts analysis and a DCF valuation. At current levels, the shares are trading at a C2009 EV/S of 2.2x, a discount to the group average of 3.1x. We believe a premium multiple for Intrinsyc is justified given the strong expected growth as Soleus revenues ramps up. We are projecting Intrinsyc's 2009/2008 sales to grow 95%, compared to the group average of 23%.

Our sum-of-the parts analysis yields a total value of $1.37 per share. We ascribe a value of $21.9 million, or $0.14 per share, for Intrinsyc's Engineering Services business based on 1.1x our C2009 revenue estimate of $19.9 million. For Soleus, we ascribed a value of $187.1 million, or $1.23 per share, based on 5.0x our 2010 revenue estimate of $38.0 million. We used our 2010 revenue estimate given the early stages of growth for Soleus and discounted it by 1 year at a discount rate of 15%. In valuing the Soleus business, we used a 5.0x sales multiple to reflect a strong growth rate. Our DCF model yields a value of $1.74 (which assumes a WACC of 13.7% and a terminal growth rate of 3%)

In addition to these valuation methodologies, recent acquisitions support our implied target multiple. The most recent example is Nokia's plan to acquire Trolltech (a Linux OS vendor) for $153 million (announced January 2008), which implies a P/S multiple of 3.25x trailing revenues. At the MWC in Barcelona last month, Microsoft announced the acquisition of Danger. Although financial terms were not disclosed, there have been reports that Microsoft acquired Danger for $500 million, implying a P/S of 8.9x. In 2006, Motorola acquired TTPCom for US$193 million at an implied P/S multiple of 2.8 times. In 2005, Access acquired Palmsource for US$324.3 million at an implied P/S multiple of 4.7 times.

Longer term, we believe that Intrinsyc could be an ideal acquisition target for Microsoft for the following reasons: 1) Intrinsyc has strong expertise in Windows-based OS (one of the top five systems integrators for Microsoft), particularly WinCE and Windows Mobile; 2) Intrinsyc has strong ties to Microsoft – CTO Randy Kath (ex-Microsoft) opened its Bellevue office to allow for convenient co-location and collaboration with Microsoft; 3) Soleus would allow Microsoft to easily move downstream to target consumer-oriented mobile devices and other consumer electronics devices. Given what Microsoft reportedly paid for Danger and the higher synergistic benefits between Intrinsyc and Microsoft, we believe that an even higher take-out multiple (relative to our target) would not be unreasonable.

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Comparable Companies – Intrinsyc Software

All values in US$ mlns, except per share data or otherwise stated.

	Ticker Symbol	FYE	Price 2/29/08	Market Cap	Sales C07E	Sales C08E	Sales C09E	EV/Sales C07E	EV/Sales C08E	EV/Sales C09E	R&D%	GM%	09/08 sales growth
Intrinsyc Software	**ICS-T**	**Aug**	**$0.96**	**$146**	**$20**	**$22**	**$43**	**4.7x**	**4.2x**	**2.2x**	**62%**	**49%**	**95%**
Access	4813-JP	Jul	$3,661.24	$1,428	$299	$338	$421	3.9x	3.4x	2.8x	na	53%	24%
Esmertec	ESMN-SWX	Dec	$9.45	$158	$39	$63	$75	4.6x	2.8x	2.4x	na	na	19%
Opera Software	OPERA-OS	Dec	$2.59	$328	$60	$81	$104	4.0x	3.0x	2.3x	na	34%	29%
Red Hat	RHT-N	Feb	$17.83	$3,950	$493	$607	$716	7.1x	5.7x	4.9x	19%	85%	18%
Research In Motion	RIMM-Q	Feb	$103.80	$59,550	$5,057	$8,469	$11,576	11.4x	6.8x	5.0x	6%	51%	37%
Wind River Systems	WIND-Q	Jan	$7.23	$630	$329	$370	$403	1.2x	1.1x	1.0x	25%	76%	9%
Zi Corp.	ZICA-Q	Dec	$0.66	$33	$12	$15	--	2.2x	1.8x	--	19%	98%	n/a
Group Average (excl. Intrinsyc)								**4.4x**	**3.3x**	**3.1x**	**19%**	**66%**	**23%**

Note: Revenue estimates for Intrinsyc Software are from GMP Securities; all other estimates are from FirstCall.

Note: C2007 figures include 1 extra month due to 4-mth stub.

Note: Figures for Access converted to USD at USD/JPY: 103.7900

Note: Figures for Esmertec converted to USD at USD/SFr: 1.0416

Note: Figures for Opera converted to USD at USD/NOK: 5.2110

Source: ThomsonONE, FirstCall, Company reports, GMP.

KEY INVESTMENT AND BUSINESS RISKS

Key investment and business risks to consider include: 1) competition from alternate OS platforms; 2) success of Soleus-based devices in the market; 3) managing growth; 4) loss of key management personnel; 5) foreign currency fluctuations; and 6) customer concentration.

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Forecast Model ($mm, except per share data)

Intrinsyc Software International	2007	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	Sept-Dec 2007 4mth stub	F1Q08E	F2Q08E	F3Q08E	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E
Hardware revenue	*0.9*	*0.0*	*0.0*	*0.0*	*0.4*	*0.3*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Software revenue- Enterprise Interop Solutions	*1.8*	*1.2*	*0.5*	*0.0*	*0.4*	*0.4*	*0.4*	*0.5*	*0.5*	*0.4*	*0.3*	*0.3*	*0.2*	*0.2*	*0.2*	*0.1*	*0.1*
Software revenue - Soleus	*0.2*	*3.0*	*23.0*	*38.0*			*0.1*	*0.1*	*0.3*	*0.2*	*0.3*	*0.7*	*1.8*	*3.5*	*5.2*	*6.6*	*7.8*
Up-front license fees		*0.4*	*0.6*	*0.9*					*0.3*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.2*	*0.2*
Royalties		*2.6*	*22.5*	*37.2*					*0.0*	*0.1*	*0.2*	*0.6*	*1.7*	*3.4*	*5.1*	*6.4*	*7.6*
Volume ('000)		*705*	*6,450*	*11,680*					*5*	*15*	*50*	*170*	*470*	*940*	*1,430*	*1,845*	*2,235*
ASPs		*$3.69*	*$3.49*	*$3.18*					*$4.10*	*$4.00*	*$4.00*	*$3.70*	*$3.65*	*$3.60*	*$3.55*	*$3.48*	*$3.40*
Services revenue - Engineering services	*16.8*	*18.2*	*19.9*	*22.0*	*4.2*	*4.3*	*4.5*	*3.8*	*4.5*	*4.4*	*4.5*	*4.6*	*4.7*	*4.8*	*4.9*	*5.1*	*5.2*
Revenue	**19.7**	**22.3**	**43.4**	**60.0**	**5.0**	**5.0**	**5.1**	**4.5**	**5.2**	**5.0**	**5.1**	**5.6**	**6.7**	**8.5**	**10.3**	**11.7**	**13.0**
% Q/Q change					*2%*	*0%*	*1%*	*-11%*	*n/a*	*n/a*	*2%*	*9%*	*20%*	*27%*	*21%*	*14%*	*11%*
% Y/Y change	*5.6%*	*13.2%*	*94.7%*	*38.1%*	*10%*	*5%*	*16%*	*-8%*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*70%*	*102%*	*111%*	*94%*
Cost of sales	10.0	11.7	15.5	18.5	2.7	2.6	2.5	2.3	3.1	2.8	2.8	2.9	3.1	3.5	3.8	4.0	4.3
Gross profit	**9.7**	**10.6**	**27.9**	**41.5**	**2.3**	**2.5**	**2.6**	**2.2**	**2.1**	**2.1**	**2.2**	**2.6**	**3.6**	**5.0**	**6.5**	**7.7**	**8.7**
Gross margin %	*49.1%*	*47.4%*	*64.2%*	*69.2%*	*46.1%*	*49.3%*	*51.8%*	*49.1%*	*40.7%*	*43.1%*	*43.9%*	*47.5%*	*53.2%*	*59.2%*	*63.3%*	*65.5%*	*67.1%*
Administration	5.2	6.8	7.3	7.6	1.1	1.4	1.4	1.3	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.9
Marketing & sales	6.6	8.5	8.7	9.0	1.3	1.7	1.7	1.8	2.4	2.2	2.1	2.1	2.1	2.3	2.1	2.1	2.2
Research & development	12.0	9.6	9.9	10.3	3.0	3.3	3.0	2.8	3.6	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5
Amortization	0.8	0.8	1.0	1.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Stock-based compensation	0.7	1.1	1.5	1.9	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tech Partnerships Canada Funding Investment	0.3	0.5	1.5	4.4	0.0	0.0	0.2	0.1	0.0	0.0	0.2	0.3	0.0	0.2	0.5	0.8	0.1
Earnings (loss) from operations	**(15.9)**	**(16.7)**	**(1.9)**	**7.0**	**(3.5)**	**(4.4)**	**(3.9)**	**(4.2)**	**(6.9)**	**(4.5)**	**(4.6)**	**(4.4)**	**(3.3)**	**(2.3)**	**(0.9)**	**(0.2)**	**1.4**
Foreign exchange (gain) loss	0.1	0.0	0.0	0.0	(0.2)	(0.2)	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	(0.5)	-0.4	-0.4	-0.4	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accretion and amortization - long term debt	0.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense - long term debt	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income taxes	**(16.7)**	**(16.3)**	**(1.5)**	**7.4**	**(4.2)**	**(4.1)**	**(4.3)**	**(4.1)**	**(6.8)**	**(4.4)**	**(4.5)**	**(4.3)**	**(3.2)**	**(2.2)**	**(0.8)**	**(0.1)**	**1.5**
Income tax expense (recovery) - current	0.39	0.0	0.0	0.8	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax expense (recovery) - future	-0.08	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	**(17.0)**	**(16.3)**	**(1.5)**	**6.7**	**(4.3)**	**(4.2)**	**(4.4)**	**(4.1)**	**(6.8)**	**(4.4)**	**(4.5)**	**(4.3)**	**(3.2)**	**(2.2)**	**(0.8)**	**(0.1)**	**1.5**
Basic EPS	**($0.18)**	**($0.11)**	**($0.01)**	**$0.04**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.03)**	**($0.06)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.00)**	**$0.01**
FD EPS	**($0.18)**	**($0.11)**	**($0.01)**	**$0.04**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.03)**	**($0.06)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.00)**	**$0.01**
Wtd avg basic shares outstanding	94.2	152.3	152.3	152.3	83.0	83.0	91.0	119.3	119.4	152.3	152.3	152.3	152.3	152.3	152.3	152.3	152.3
Wtd avg FD shares outstanding	94.2	152.3	152.3	152.3	83.0	83.0	91.0	119.3	119.4	152.3	152.3	152.3	152.3	152.3	152.3	152.3	152.3
Depreciation & amortization	1.7	0.8	1.0	1.3	1.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
EBITDA	**(14.2)**	**(15.9)**	**(0.9)**	**8.3**	**(2.4)**	**(4.1)**	**(3.7)**	**(4.0)**	**(6.6)**	**(4.3)**	**(4.4)**	**(4.2)**	**(3.0)**	**(2.0)**	**(0.7)**	**0.1**	**1.7**
Margin Analysis/Forecast Assumptions:																	
Engineering Services q/q change					2.0%	0.3%	0.0%	-11.5%	11.1%	-3.0%	0.0%	1.0%	1.0%	2.0%	1.0%	2.0%	1.0%
Mobile Products Group q/q change								8.0%	264.8%	-37.4%	48.6%	156.0%	154.3%	94.6%	49.3%	26.3%	18.3%
Q/Q revenue growth					**2.0%**	**0.3%**	**1.5%**	**-11.3%**	**15.6%**	**-5.0%**	**1.8%**	**9.4%**	**20.5%**	**26.8%**	**20.8%**	**14.3%**	**10.7%**
Engineering Services y/y change	4.8%	-1.0%	5.4%	7.6%	2.0%	0.3%	0.0%	-11.5%	11.1%	-3.0%	0.0%	1.0%	1.0%	2.0%	1.0%	2.0%	1.0%
Mobile Products Group y/y change		*1793.9%*	*679.5%*	*65.1%*							*266.7%*	*769.1%*	*505.9%*	*1783.2%*	*1791.5%*	*833.3%*	*334.2%*
Y/Y revenue growth	**5.6%**	**13.2%**	**94.7%**	**38.1%**	**10.3%**	**5.1%**	**16.5%**	**-7.9%**	**4.5%**	**-1.0%**	**-0.7%**	**22.4%**	**27.5%**	**70.2%**	**102.0%**	**111.0%**	**93.9%**
Gross margin %	49.1%	47.4%	64.2%	69.2%	46.1%	49.3%	51.8%	49.1%	40.7%	43.1%	43.9%	47.5%	53.2%	59.2%	63.3%	65.5%	67.1%
Administration (as % of sales)	26.5%	30.5%	16.7%	12.7%	22.4%	28.0%	27.7%	28.0%	33.0%	32.1%	33.5%	30.6%	26.9%	21.2%	17.6%	15.4%	14.3%
Marketing & sales	33.4%	38.1%	19.9%	15.0%	26.5%	33.7%	33.9%	40.3%	45.8%	44.1%	41.4%	37.8%	31.4%	27.1%	20.5%	17.9%	16.6%
Research & development	61.0%	43.0%	22.8%	17.2%	59.3%	65.6%	57.8%	61.6%	68.6%	48.1%	47.3%	43.2%	35.9%	28.9%	23.9%	21.3%	19.3%
Operating expenses (as % of sales)	130.0%	122.5%	68.7%	57.4%	115.7%	135.7%	128.3%	141.4%	172.3%	133.5%	134.2%	126.5%	102.0%	85.8%	72.3%	67.1%	56.0%
EBITDA margin	-72.0%	-71.3%	-2.2%	13.8%	-47.6%	-82.2%	-72.5%	-87.4%	-125.9%	-86.4%	-86.3%	-75.4%	-45.4%	-24.0%	-6.6%	0.5%	13.4%
EBIT margin (excl. one-time items)	-80.9%	-75.0%	-4.5%	11.7%	-69.6%	-86.4%	-76.5%	-92.4%	-131.6%	-90.4%	-90.3%	-79.0%	-48.8%	-26.6%	-9.0%	-1.6%	11.1%
Effective tax rate	-1.9%	0.0%	0.0%	10.3%	-1.4%	-3.1%	-1.8%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net margin	-86.3%	-73.3%	-3.5%	11.1%	-84.8%	-84.3%	-85.7%	-90.6%	-129.7%	-88.4%	-88.3%	-77.2%	-47.3%	-25.4%	-8.1%	-0.8%	11.9%

Note: ICS changed its FYE to a calendar year, effective Jan08. As a result, ICS will report a 4-mth stub (Sept 1-Dec 31, 2007) on Mar 20/08.
Note: ICS is changing its reporting currency to US$ (from C$) effective Jan08. Prior to this date, figures are in C$.
Note: Net loss for 4mth stub includes a restructuring charge of $0.8 mln to reflect closure of UK operations.
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