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Mid-day Comment
November 17, 2008

Intrinsyc Software Inc.[1,7] — SPECULATIVE BUY↓

ICS C$0.09 — Target: C$0.15↓

What's Changed			
		New	Old
Recommendation		SPEC BUY	BUY
Target		C$0.15	C$0.65
Revenue 2008E (mm)		$25.2	$27.0
Revenue 2009E (mm)		$25.9	$38.9
EPS 2008E		($0.13)	($0.14)
EPS 2009E		($0.12)	($0.09)
Share Data			
Shares – mm (basic/f.d.)			160.9/160.9
52-week high/low			C$1.30/C$0.105
Market capitalization (mm)			$12
Enterprise value (mm)			($8)
Cash (mm)			$19.7
Total projected return			67%
Financial Data			
YE Dec. 31	**07A**	**08E**	**09E**
Revenue (mm)	$17.6	$25.2	$38.9
P/S	0.7x	0.5x	0.5x
EPS	($0.16)	($0.13)	($0.12)
P/E	nm	nm	nm
EBITDA (mm)	($13.5)	($17.7)	($16.2)
EV/EBITDA	nm	nm	nm

Note: All figures in US$ unless otherwise stated.
Note: Proforma post Destinator acquisition.
Note: F07 has Aug YE; all others reflect Dec YE

Lower visibility significantly increases risk profile given cash burn, downgrading to SPEC BUY

- ICS reported $7.9 mm and FD EPS of ($0.04), including $2.9 mm of software revenue; services revenue to drop due to Symbian developments
- Soleus contribution still immaterial; Destinator doing the heavy lifting for software
- Reduced visibility due to a challenging macro environment has led ICS to withdraw guidance on financial outlook or Soleus design wins
- ICS's credit facility being cancelled a big concern; cash preservation and business execution are key
- New SPEC BUY rating (from BUY) and lower target price of C$0.15 (from C$0.65) reflects an uncertain outlook, increased balance sheet risk, and execution challenges in a tougher economic climate

CHANGING RATING TO SPECULATIVE BUY AND LOWERING TARGET PRICE TO C$0.15

Although Intrinsyc reported good Q3/08 results, the company is cautious for the balance of 2008 and beyond. Management indicated that the 2008 guidance will fall slightly short of the prior guidance range of $26 mm to $29 mm due to tough economic conditions, and indicated that it will not be able to provide any other guidance on outlook or Soleus design wins. Given its cash burn and a slower ramp of high-margin Soleus royalty revenues, the company could face increased risk as a going concern.

Intrinsyc ended the quarter with $19.7 mm in cash. Based on our revised forecast (discussed below), we estimate that Intrinsyc's burn is approximately $5 mm per quarter, and the company could run out of cash by Q4/09, which significantly increases balance sheet risk in an environment where access to capital is limited. To overcome this risk, Intrinsyc needs to execute on one or more of the following:

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Secure additional sources of financing – with tough credit and equity market conditions, we believe it will be extremely challenging for the company to execute on a financing in these markets. Even if the company is successful, we believe it will come with onerous terms to reflect increased risk.

Additional cost reductions to reduce cash burn – management indicated that the company is currently focused on being much more aggressive in its cost containment measures (beyond the restructuring announced in September). We believe management needs to balance additional cost cuts with their ability to generate new royalty revenues given the long lead times to get a design win. However, if successful, it would extend the company's cash runway to weather the economic downturn and provide more time to win a Tier 1 design win for Soleus.

Secure a Tier 1 high-volume Soleus design win – our thesis on Soleus has always been that Intrinsyc has significant upside potential as it transitions 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, the aim was to validate the platform with lower-volume opportunities to eventually lead up to a high-volume Tier 1 win. So far, Intrinsyc has been unsuccessful at winning a high-profile high-volume Soleus design win from a Tier 1 handset maker. We had our hopes with the Samsung LSI silicon vendor win earlier this year, but we believe that there continues to be delays with the first end-customer and initial shipments are likely to slip to the end of Q1/09. If Intrinsyc manages to secure a Tier 1 win, we believe it would provide strong upward momentum for Intrinsyc's business, significantly higher volumes, increased confidence in the validity of the Soleus platform, and a renewed interest in the stock.

In this scenario, we believe the valuation multiples could improve to at least 1.0x sales (presumably on a higher revenue number). In our opinion, we believe Motorola would be an ideal first high-volume win given that Intrinsyc already has a direct relationship through Destinator (A1600 MING device). Adding to this possibility, Motorola is looking to decrease the number of OS platforms it uses for handset devices in an effort to improve operating margins. Android, Windows Mobile (for the Motorola Q), and P2K (Motorola's own platform) are believed to be the focus platforms but given that Windows Mobile is also based on the same Windows CE kernel on which Soleus is built, we believe that it is possible that Motorola could look to Soleus for lower-end devices to give them the flexibility to customize the look and feel of Windows-based devices (recall, Windows Mobile is not very customizable).

Take-out potential? We had said in the past that Intrinsyc could be an attractive take-out candidate, particularly as the company increasingly demonstrates success with Soleus and now, even Destinator. In the past, we had indicated that Microsoft could have an interest since acquiring Intrinsyc would allow Microsoft to quickly gain access to the higher-volume consumer market (i.e., keep Windows Mobile for higher-end smartphones and market Soleus for mass market devices given a smaller, lower-cost footprint). By folding Intrinsyc into Microsoft, we believe it would provide Microsoft with a competitive edge relative to Google and Nokia's efforts for an open source mobile platform because Microsoft's OS is tried and tested, stable, have a large developer community, and already has lots of third-party applications. However, we believe Intrinsyc needs to first demonstrate success with Soleus for this scenario to play out.

Another potential acquirer, in our view, could be Motorola. Intrinsyc's better-than-expected Q3 results (discussed later) were driven by contribution from the recent Destinator asset acquisition. During Q3, Intrinsyc started Destinator software license shipments to Motorola for the A1600 MING cell phone in the Chinese market, which is the best-selling smartphone in its price range. Motorola is also using Destinator navigation software for its first line of PND products just introduced to the market. Given Motorola's growing familiarity with the Destinator navigation software (and in order to compete more effectively with Nokia's GPS offering), we believe Motorola may find value in Intrinsyc's technology especially if the share price remains weak (current market cap is only $12 mm).

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Valuation and recommendation

We believe there are significant risks in an investment in Intrinsyc. Without a Tier 1 contract win, at the company's current cash burn rate, we forecast the company could face a liquidity crisis by Q4/09. This scenario would likely result in little or no equity value.

We believe there are two possible scenarios that could benefit shareholders: a high-volume Tier 1 design win; or a take-out. We believe a fair value for either of these scenarios could range from 1.0x to 2.0x sales, which equates to $0.20 per share to $0.40 per share at current exchange rates (depending on the volumes from a Tier 1 win and take-out valuation multiples). For example, Nokia acquired Trolltech (a Linux OS vendor) for $153 million (announced January 2008), which implies a P/S multiple of 3.25x trailing revenues. In February 2008, 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. Given current market conditions, we would apply a discount to historical take-out multiples.

We consider the outcome for ICS to be mostly binary in nature. While cost savings or additional financing would provide the company with greater flexibility, if they are not acquired or if they are unable to secure a material Tier 1 design win, we believe they will eventually run out of cash and leave the company with little or no equity value. Given the wide range of these possible outcomes for the company and the resulting impact to valuation, we are changing our rating to SPECULATIVE BUY (from BUY). We are lowering our target price to C$0.15 (from C$0.65), which is based on a target multiple of 0.75x our revised 2009 US$ sales estimate, then converted to a C$ target price using the current exchange rate of 1.23. This compares to our prior sum-of-the-parts analysis which gave the company much more credit for the Soleus business (previously, we valued Intrinsyc by assigning 1) a target multiple of 2.0x 2010E revenues discounted to 2009 to value Soleus; 2) a target multiple of 2.0x 2009E revenues for Destinator; and 3) a target multiple of 1.0x 2009E revenues for engineering services). We believe our prior method of valuing the company is no longer warranted given repeated delays and limited visibility given current macro-economic conditions, increasing risks to achieving our forecast. Moreover, an uncertain outlook puts increased pressure on the cash burn requiring the company to take action quickly to further reduce operating expenses. We remain increasingly concerned about balance sheet risk, particularly if the company is unable to secure credit facilities and/or additional sources of capital by mid-2009.

Key risks over the next 12 months: 1) execution and managing through a prolonged economic downturn; 2) delays in Soleus-based devices coming to market; 3) the potential that Soleus-based devices that may not be successful in the market; 4) limited access to capital given tough credit and equity markets.

VISIBILITY REDUCED SUBSTANTIALLY ON ALL FRONTS; LOWERING OUTLOOK

During the conference call, management indicated that 2008 revenue would come slightly short of the $26 to $29 mm previously guided mostly due to lower engineering services revenue. A decline in services is due to two developments related to Symbian:

- As we reported in our October update, Motorola was looking to cut costs by decreasing the number of operating systems the manufacturer uses. As expected, Motorola cancelled its Symbian projects in favor of Google's Android platform and as a result, also cancelled its service contracts with Intrinsyc.

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- Nokia's purchase of Symbian has led Nokia to stop awarding new contracts until the deal is closed (expected in Q4/2008). Intrinsyc has committed contracts that the company into H1/2009 but without new awards, the company has reduced visibility on this stream. Furthermore, after the deal is closed, we expect it will take time for contracts to be awarded again due to a long sales cycle.

In addition, management was unable to provide an update on the status of existing design wins as well as provide guidance for additional Soleus design wins. We recognize and respect management's desire to be conservative when visibility in an uncertain economic environment is low, but we believe that, in conjunction with the departure of well-respected former CEO, Glenda Dorchak, Intrinsyc needs to demonstrate the viability of the Soleus platform before investors give the platform (and the company) credit for its potential – particularly since management is no longer disclosing how much software revenue is attributable to both Soleus and Destinator. To do this, management needs to deliver: 1) meaningful revenues from product shipment volumes for consecutive quarters; 2) on-time product launches (though we recognize that this is often out of Intrinsyc's control); and 3) regular design wins. Another helpful development would be to achieve a design win for a high-volume device, but in these markets, we believe that the chances are thin for the time being. Management does still expect one additional design win by year-end, although we expect this to be another low-volume opportunity likely in the PND space.

Stepping back, Intrinsyc has accomplished many challenges to-date – it has created an abstracted OS with a customized and leading-edge developer toolset that allows device manufacturers to shorten the time-to-market by half. The company has also managed to partially develop a product portfolio that is collecting royalty revenues (albeit some of the devices are Destinator-only) including Mitac's Mio Moov 380, the SiRF silicon platform, the Motorola A1600 MING, and two new Motorola PNDs. Without discounting what the company has accomplished, however, **consistent execution substantiated by consistent royalty revenues, a steady stream of design wins, and a reliable path to profitability is now required to regain investor confidence.** Exhibit 1 provides a summary of our revised forecast:

Exhibit 1. Revised Forecast Summary ($ mm, except per share data)

	F2007	2008E		2009E		2010E		Q4/08E	
	Actual	OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
Revenues	**C$19.7**	**$27.0**	**$25.2**	**$38.9**	**$25.9**	**$54.9**	**$34.4**	**$8.3**	**$6.2**
Gross profit	C$9.7	$14.3	$13.9	$15.2	$17.8	$36.8	$25.1	$4.8	$4.0
GM %	49.1%	52.7%	55.3%	61.0%	68.9%	67.2%	72.9%	58.3%	64.7%
EBITDA	(C$14.2)	($19.4)	($17.7)	($11.1)	($16.2)	$0.9	($10.2)	($4.9)	($4.3)
Net Income	(C$17.0)	($20.7)	($19.0)	($14.6)	($19.7)	($2.6)	($12.5)	($5.9)	($5.2)
FD EPS	**(C$0.18)**	**($0.14)**	**($0.13)**	**($0.09)**	**($0.12)**	**($0.02)**	**($0.08)**	**($0.04)**	**($0.03)**

Source: GMP

KEY FOCUS ITEMS

Heightened balance sheet risk

Intrinsyc reported an end-of-period cash balance of $19.7 mm, compared to $30 mm in the prior quarter. The reduction in the company's cash balance of $10.3 mm is a result of $2.8 mm used for operations, $1 mm for capex, and $7.8 mm used for the purchase of the Destinator assets. Including incremental expenses from the Destinator acquisition, we are projecting a cash burn of approximately $5 mm per quarter. Based on our revised forecast, we estimate Intrinsyc could run out of cash by Q4/2009, which means the company will need to look for additional sources of capital in tough credit

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and equity market conditions. We are particularly concerned that the company's $5 mm credit facility was cancelled and Intrinsyc is now looking to secure another credit facility (which may prove to be a challenge in these markets and/or come with onerous terms). As a result, Intrinsyc is prudently focused on managing the business on a cash basis and is focusing on a plan to further reduce operating expenses without impacting revenue opportunities. Still, additional delays and/or lower-than-expected royalty revenues would further increase balance sheet risk.

Destinator strong, but is there more to read into?

We commend Intrinsyc's better-than-expected quarter – the ramp in software revenues is a welcome development. However, with Soleus revenues again being immaterial, had it not been for Destinator, Intrinsyc's royalty revenues would have been substantially behind schedule. As a result, we see two caveats to the developing Intrinsyc story:

1) Soleus appears to be moving away from our thesis of being able to tap the high-volume cell phone market; and

2) Destinator's success combined with Intrinsyc's overall challenges suggests that Soleus itself is not getting the traction that was originally expected.

Intrinsyc appears to be strategically targeting products that can leverage the synergies between Soleus and Destinator, namely PNDs. We understand the motivation behind this decision as this is a time when Intrinsyc must "fight the fights it can win" to have a higher win-rate. However, we believe the downfall is that these devices will generate significantly lower shipment volumes, which in turn will generate fewer royalties. When Soleus was first being developed, the investment thesis centered around Intrinsyc converting from a services business to a royalty-based software business as Soleus, a mobile OS, penetrated the large and growing mobile handset market. However, it appears Soleus' potential has diminished, and that its near-term market centers on the niche PND market, or smaller yet, the niche connected PND market.

Secondly, had it not been for Destinator, Intrinsyc's royalty revenues would be far behind our original expectations, which is further evidence that Soleus is not getting the traction we had originally thought possible. Going forward, we will be looking at whether Intrinsyc continues to be a play on Soleus' potential, or that of Destinator.

REVIEW OF Q3/08 RESULTS

Q3/08 results: Intrinsyc reported revenue of $7.9 mm, beating our expectations for revenue of $7.6 mm. The 4th consecutive quarter of revenue growth came from higher software revenue that stemmed from Intrinsyc's acquisition of Destinator, as well as a solid quarter for engineering services. Net loss was for ($5.7) mm, or FD EPS of ($0.04), beating our expectations for a loss of ($7.0) mm. The net loss includes a $0.8 mm one-time restructuring and integration charge related to the integration of Destinator and a cost restructuring program. Software solutions accounted for 38% of revenue (vs. 23% in Q2/08 and 18% in Q1/08) and the company started to collect to its first royalties from its Soleus wins with Mitac and SiRF (though we believe they were still relatively immaterial).

Gross margin: Gross margin came in at 61%, compared to 47% reported in Q2/08 as a result of a higher proportion of software revenues, which generate better gross margins. We continue to expect

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gross margins to improve going forward as Intrinsyc recognizes more royalty revenues related to Soleus and Destinator products.

Operating expenses: Operating expenses increased to $10.8 mm from $7 mm in the previous quarter. We had expected operating expenses to increase starting in Q3/08 to reflect additional expenses related to Destinator although the latest round of cost reduction initiatives will reduce annualized operating expenses to roughly $29 mm on a cash basis. Also included in the operating expenses is $0.8 mm of restructuring and integration costs. Management does not expect to incur further restructuring costs in Q4/08. Management has cash-preservation top-of-mind and indicated that it will further look for areas where it can cut costs.

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Exhibit 2. Income Statement ($ mm, except per share data)

Intrinsyc Software	2006	2007	4mth stub	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	4mth stub	F1Q08	F2Q08	F3Q08	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E	F1Q10E	F2Q10E	F3Q10E	F4Q10E
Hardware revenue	*1.9*	*0.9*	*0.6*	*1.2*	*0.1*	*0.0*	*0.4*	*0.3*	*0.1*	*0.1*	*0.6*	*0.6*	*0.3*	*0.3*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Software revenue- Enterprise Interop Solutions	*1.8*	*1.8*	*0.4*	*1.4*	*0.5*	*0.0*	*0.4*	*0.4*	*0.4*	*0.5*	*0.4*	*0.5*	*0.7*	*0.0*	*0.2*	*0.2*	*0.2*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*
Software revenue - Soleus/Destinator		*0.2*	*0.1*	*7.1*	*16.9*	*25.2*			*0.1*	*0.1*	*0.1*	*0.2*	*0.6*	*2.9*	*3.4*	*3.4*	*3.9*	*4.5*	*5.0*	*5.6*	*6.0*	*6.4*	*7.2*
Soleus Up-front license fees			*0.1*	*0.7*	*0.7*	*0.8*					*0.1*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Soleus Royalties			*0.0*	*0.1*	*2.5*	*6.5*					*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.2*	*0.4*	*0.7*	*1.0*	*1.4*	*1.5*	*1.6*	*2.0*
Volume ('000)			*-*	*33*	*654*	*1,988*					*-*	*-*	*-*	*10*	*23*	*62*	*115*	*190*	*287*	*403*	*460*	*495*	*630*
ASPs				*$4.07*	*$3.75*	*$3.29*								*$4.10*	*$4.05*	*$4.00*	*$3.90*	*$3.80*	*$3.60*	*$3.50*	*$3.35*	*$3.25*	*$3.15*
Destinator				*5.7*	*13.7*	*17.9*								*2.6*	*3.1*	*3.0*	*3.3*	*3.6*	*3.8*	*4.0*	*4.3*	*4.6*	*5.0*
Services revenue - Engineering services	*14.9*	*16.8*	*4.1*	*15.5*	*8.4*	*9.2*	*4.2*	*4.3*	*4.5*	*3.8*	*4.1*	*4.3*	*4.0*	*4.7*	*2.5*	*2.2*	*2.2*	*2.0*	*2.0*	*2.2*	*2.3*	*2.3*	*2.4*
Revenue	**18.7**	**19.7**	**5.2**	**25.2**	**25.9**	**34.4**	**5.0**	**5.0**	**5.1**	**4.5**	**5.2**	**5.6**	**5.6**	**7.9**	**6.2**	**5.9**	**6.3**	**6.6**	**7.1**	**7.8**	**8.3**	**8.7**	**9.6**
% Q/Q change							*2%*	*0%*	*1%*	*-11%*	*n/a*	*n/a*	*0%*	*41%*	*-22%*	*-4%*	*6%*	*5%*	*7%*	*10%*	*7%*	*4%*	*10%*
% Y/Y change	*6.4%*	*5.6%*	*n/a*	*27.7%*	*2.7%*	*33.2%*	*10%*	*5%*	*16%*	*-8%*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*7%*	*13%*	*-16%*	*14%*	*32%*	*33%*	*32%*	*36%*
Cost of sales	11.3	10.0	3.2	11.2	8.0	9.3	2.7	2.6	2.5	2.3	3.3	3.0	3.0	3.1	2.2	2.0	2.0	2.0	2.0	2.2	2.3	2.3	2.5
Gross profit	**7.3**	**9.7**	**2.0**	**13.9**	**17.8**	**25.1**	**2.3**	**2.5**	**2.6**	**2.2**	**1.9**	**2.5**	**2.6**	**4.8**	**4.0**	**3.9**	**4.3**	**4.6**	**5.0**	**5.6**	**6.0**	**6.4**	**7.1**
Gross margin %	*39.3%*	*49.1%*	*39.0%*	*55.3%*	*68.9%*	*72.9%*	*46.1%*	*49.3%*	*51.8%*	*49.1%*	*36.4%*	*45.7%*	*46.9%*	*60.7%*	*64.7%*	*65.9%*	*67.8%*	*70.2%*	*71.3%*	*72.2%*	*72.5%*	*73.1%*	*73.7%*
Administration	5.4	5.2	2.2	7.6	6.2	6.4	1.1	1.4	1.4	1.3	2.2	1.8	1.8	2.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Marketing & sales	3.5	6.6	2.4	8.2	9.6	10.1	1.3	1.7	1.7	1.8	2.4	1.8	1.8	2.3	2.2	2.4	2.4	2.4	2.4	2.6	2.5	2.5	2.5
Research & development	11.0	12.0	3.3	13.2	16.0	16.0	3.0	3.3	3.0	2.8	3.3	2.5	2.7	4.1	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Amortization	1.1	0.8	0.3	2.1	3.9	4.0	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Stock-based compensation	0.9	0.7	0.2	1.1	1.4	1.6	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Restructuring/Integration costs	0.0	0.0	0.7	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology Partnerships Canada Funding Investm	0.3	0.3	0.0	0.7	0.8	1.2	0.0	0.0	0.2	0.1	0.0	0.0	0.2	0.1	0.4	0.0	0.1	0.4	0.4	0.0	0.4	0.4	0.4
Earnings (loss) from operations	**(14.7)**	**(15.9)**	**(7.0)**	**(19.9)**	**(20.1)**	**(14.2)**	**(3.5)**	**(4.4)**	**(3.9)**	**(4.2)**	**(7.1)**	**(4.2)**	**(4.4)**	**(6.1)**	**(5.3)**	**(5.3)**	**(5.1)**	**(5.0)**	**(4.7)**	**(3.9)**	**(3.8)**	**(3.5)**	**(2.9)**
Foreign exchange (gain) loss	0.4	0.1	0.3	-0.5	0.0	0.0	(0.2)	(0.2)	0.5	0.1	0.3	(0.2)	0.1	(0.3)	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	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	(0.6)	(0.5)	(0.2)	-0.7	-0.4	-0.4	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accretion and amortization - long term debt	0.7	0.9	0.0	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	0.0	0.0	0.0	0.0
Interest expense - long term debt	0.9	0.2	0.0	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	0.0	0.0	0.0	0.0
Earnings (loss) before income taxes	**(16.3)**	**(16.7)**	**(7.1)**	**(18.7)**	**(19.7)**	**(13.8)**	**(4.2)**	**(4.1)**	**(4.3)**	**(4.1)**	**(7.2)**	**(3.8)**	**(4.2)**	**(5.6)**	**(5.2)**	**(5.2)**	**(5.0)**	**(4.9)**	**(4.6)**	**(3.8)**	**(3.7)**	**(3.4)**	**(2.8)**
Income tax expense (recovery) - current	0.20	0.39	0.09	0.3	0.0	-1.3	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.5	-0.4
Income tax expense (recovery) - future	-0.07	-0.08	-0.04	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	0.0	0.0	0.0
Net income (loss)	**(16.4)**	**(17.0)**	**(7.2)**	**(19.0)**	**(19.7)**	**(12.5)**	**(4.3)**	**(4.2)**	**(4.4)**	**(4.1)**	**(7.3)**	**(3.8)**	**(4.3)**	**(5.7)**	**(5.2)**	**(5.2)**	**(5.0)**	**(4.9)**	**(4.6)**	**(3.8)**	**(3.4)**	**(2.9)**	**(2.3)**
Basic EPS	**($0.24)**	**($0.18)**	**($0.06)**	**($0.13)**	**($0.12)**	**($0.08)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.03)**	**($0.06)**	**($0.03)**	**($0.03)**	**($0.04)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.02)**	**($0.01)**
FD EPS	**($0.24)**	**($0.18)**	**($0.06)**	**($0.13)**	**($0.12)**	**($0.08)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.03)**	**($0.06)**	**($0.03)**	**($0.03)**	**($0.04)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.02)**	**($0.01)**
Weighted average basic shares outstanding	67.6	94.2	119.5	151.0	160.9	160.9	83.0	83.0	91.0	119.3	119.5	131.1	151.0	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9
Weighted Average fully diluted shares outstanding	67.6	94.2	119.5	151.0	160.9	160.9	83.0	83.0	91.0	119.3	119.5	131.1	151.0	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9	160.9
Depreciation and Amortization	1.8	1.7	0.3	2.1	3.9	4.0	1.1	0.2	0.2	0.2	0.3	0.2	0.2	0.7	1.0	1.0	1.0	1.0	0.3	0.3	1.0	1.0	1.0
EBITDA	**(12.9)**	**(14.2)**	**(6.7)**	**(17.7)**	**(16.2)**	**(10.2)**	**(2.4)**	**(4.1)**	**(3.7)**	**(4.0)**	**(6.9)**	**(4.0)**	**(4.1)**	**(5.3)**	**(4.3)**	**(4.4)**	**(4.1)**	**(4.1)**	**(4.4)**	**(3.6)**	**(2.8)**	**(2.5)**	**(1.8)**
Margin Analysis/Forecast Assumptions:																							
Engineering Services q/q change							2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-5.8%	-1.1%	-43.8%	-10.7%	-6.0%	-10.6%	-2.4%	7.3%	4.5%	0.0%	4.3%
Mobile Products Group q/q change										8.0%	72.8%	50.0%	175.7%	400.9%	16.1%	1.6%	14.6%	14.6%	11.4%	11.7%	7.9%	6.2%	12.3%
Q/Q revenue growth							**2.0%**	**0.3%**	**1.5%**	**-11.3%**	**15.1%**	**6.4%**	**0.2%**	**41.4%**	**-21.6%**	**-4.0%**	**5.9%**	**5.2%**	**7.0%**	**10.4%**	**6.9%**	**4.5%**	**10.2%**
Engineering Services y/y change	6.4%	4.8%	n/a	-7.1%	-50.4%	2.2%	2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-5.8%	-1.1%	-43.8%	-10.7%	-6.0%	-10.6%	-2.4%	7.3%	4.5%	0.0%	4.3%
Mobile Products Group y/y change			*n/a*	*4423.8%*	*138.8%*	*49.7%*							*672.0%*	*3480.2%*	*2305.8%*	*1530.0%*	*577.6%*	*55.1%*	*48.7%*	*63.5%*	*53.8%*	*42.5%*	*43.7%*
Y/Y revenue growth	**6.4%**	**5.6%**	**n/a**	**27.7%**	**2.7%**	**33.2%**	**10.3%**	**5.1%**	**16.5%**	**-7.9%**	**4.0%**	**10.3%**	**8.9%**	**73.5%**	**18.1%**	**6.6%**	**12.7%**	**-16.2%**	**14.4%**	**31.6%**	**32.9%**	**32.0%**	**35.9%**
Gross margin %	39.3%	49.1%	39.0%	55.3%	68.9%	72.9%	46.1%	49.3%	51.8%	49.1%	36.4%	45.7%	46.9%	60.7%	64.7%	65.9%	67.8%	70.2%	71.3%	72.2%	72.5%	73.1%	73.7%
Administration (as % of sales)	29.0%	26.5%	41.4%	30.1%	24.0%	18.6%	22.4%	28.0%	27.7%	28.0%	41.4%	32.8%	32.2%	31.3%	24.3%	26.2%	24.7%	23.5%	22.0%	20.5%	19.2%	18.4%	16.7%
Marketing & sales	18.5%	33.4%	45.2%	32.5%	37.1%	29.3%	26.5%	33.7%	33.9%	40.3%	45.2%	32.9%	32.7%	29.4%	35.7%	40.5%	38.3%	36.4%	34.0%	33.4%	30.0%	28.7%	26.1%
Soleus Development	*56.6%*	*60.6%*	*64.1%*	*55.0%*	*62.3%*	*46.5%*	*58.8%*	*65.5%*	*58.7%*	*59.5%*	*64.1%*	*45.8%*	*48.4%*	*57.2%*	*66.5%*	*69.2%*	*63.8%*	*60.6%*	*56.7%*	*51.3%*	*48.0%*	*45.9%*	*41.7%*
Other R&D	*2.2%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.5%*	*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%*
Research & development	58.8%	61.0%	64.1%	52.6%	61.9%	46.5%	59.3%	65.6%	57.8%	61.6%	64.1%	45.8%	48.4%	52.1%	63.2%	67.5%	63.8%	60.6%	56.7%	51.3%	48.0%	45.9%	41.7%
Operating expenses (as % of sales)	118.3%	130.0%	173.2%	134.2%	146.6%	114.1%	115.7%	135.7%	128.3%	141.4%	173.2%	120.9%	125.1%	137.6%	150.0%	155.9%	148.6%	146.5%	137.2%	122.8%	118.6%	113.7%	103.5%
EBITDA margin	-69.3%	-72.0%	-128.8%	-70.5%	-62.6%	-29.6%	-47.6%	-82.2%	-72.5%	-87.4%	-131.3%	-71.4%	-74.5%	-67.5%	-69.7%	-73.6%	-65.2%	-61.4%	-61.7%	-46.8%	-34.2%	-29.2%	-19.2%
EBIT margin (excl. one-time items)	-79.0%	-80.9%	-134.2%	-78.9%	-77.7%	-41.2%	-69.6%	-86.4%	-76.5%	-92.4%	-136.8%	-75.2%	-78.2%	-76.9%	-85.4%	-90.0%	-80.8%	-76.3%	-65.9%	-50.7%	-46.1%	-40.7%	-29.8%
Effective tax rate	-0.8%	-1.9%	-0.8%	-1.4%	0.0%	9.5%	-1.4%	-3.1%	-1.8%	-1.3%	-0.8%	-1.2%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	15.0%	15.0%
Net margin	-87.9%	-86.3%	-137.1%	-75.5%	-76.1%	-36.3%	-84.8%	-84.3%	-85.7%	-90.6%	-139.7%	-69.1%	-76.4%	-72.9%	-83.8%	-88.3%	-79.2%	-74.8%	-64.5%	-49.4%	-40.4%	-33.6%	-24.4%
Fixed asset D&A (as % of sales)	9.7%	8.9%	5.4%	8.4%	15.1%	11.6%	22.0%	4.2%	4.0%	5.0%	5.4%	3.8%	3.8%	9.4%	15.6%	16.4%	15.5%	14.9%	4.3%	3.8%	11.9%	11.5%	10.5%
Sales Segmentation																							
Hardware revenue	10%	5%	12%	5%	0%	0%	7%	6%	2%	3%	12%	10%	5%	4%	2%	2%	0%	0%	0%	0%	0%	0%	0%
Software revenue	10%	10%	10%	34%	67%	73%	9%	8%	10%	13%	10%	13%	23%	37%	58%	61%	65%	70%	72%	72%	72%	74%	75%
Engineering Services revenue	80%	85%	78%	62%	32%	27%	84%	85%	88%	84%	78%	77%	72%	60%	41%	37%	35%	30%	28%	28%	28%	26%	25%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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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REDUCE. Companies ranked Reduce have a negative potential total return.
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