



3G Licensing S.A.

6, Avenue Marie-Thérèse, L-2132 Luxembourg, Grand Duchy of Luxembourg

Phone: +352 27 85 701

Fax: +352 28 22 50 40

www.3G-licensing.com

Determination of 3G royalty rate

3G Licensing S.A. is offering access to the patent portfolio under 3G Joint licensing program that covers technologies essential to the third generation mobile communication technology standard under fair, reasonable and non-discriminatory (FRAND) terms and conditions.

The royalty rates per consumer 3G capable product for a license under the 3G Patents are as follows:

Running royalty rate per licensed product	
Standard Rate	€ 0,45 (fourty five Euro cents)
Compliant Rate	€ 0,35 (thirty five Euro cents)

These rates are offered on a non-discriminatory basis to anyone who wants to benefit from integrating the licensed 3G technologies in their products, thus contributing to fair competition in the market. Moreover, we recognize that pooling patents should contribute to substantially reducing the transactional costs of licensing and we are happy to forward this positive effect also to the implementers. So, when determining the royalty rate for the 3G Joint licensing program, in fact, the patent owners eventually agreed to discount their individual requirements which, considering amongst other things the saving of transaction costs, led to the rates as offered for the 3G Joint licensing program.

With the growing end-user demand for more bandwidth and faster connectivity on the go, the 3G mobile telecommunication technology is nowadays a fundamental requirement for users of smartphones. Moreover, each year new devices (e.g. tablets) with 3G capabilities emerge allowing the customers to benefit from fast exchange of data. As the result, the market values the technology very highly and is willing to pay a corresponding price for it.

Royalty determination cannot be a rigid calculation based purely on a numerical count of patents or patent families. A so-called pure "patent counting" does not accurately reflect the value of a portfolio. Our rates have been determined with many factors in consideration. The royalty rate was determined based on an approximation of what is customary and appropriate in the market. Factors include, but are not limited to, the value that the patents contribute to the 3G technology, the strength of the patents, enforcement actions to be taken in an effort to support a level playing field, the amount the consumer values the added enabled technology and - as a confirmatory double check - a comparison with other licensing programs in similar technology areas.

3G licensing S.A. has evaluated the license fees demanded on the market. For your information, the terms of the known comparable licensing programs are provided below.



3G Licensing S.A.
 6, Avenue Marie-Thérèse, L-2132 Luxembourg, Grand Duchy of Luxembourg
 Phone: +352 27 85 701
 Fax: +352 28 22 50 40
www.3G-licensing.com

Licensor	Liensing Terms
Sipro W-CDMA Licensing program	Minimum royalty rate offered through the lifetime of the li- cense: 1 to 2,500,000: \$1.00 per unit 2,500,001 to 6,250,000: \$0.75 per unit 6,250,001 to 12,500,000: \$0.55 per unit 12,500,001 to 25,000,000: \$0.41 25,000,001 to 50,000,000: \$0.30 50,000,001 or more: \$0.22
Qualcomm 3G CDMA Licensing program	4-5% per unit, which is approx. \$7,6 - \$9,6 per unit considering wholesale ASP of \$191 for handset ¹
Motorola Licensing program	2,25% per unit, which is approx. \$4,3 per unit considering wholesale ASP of \$191 for handset
3G Licensing S.A. 3G Licensing program	Standard Rate: € 0,45 per unit Compliant Rate: € 0,35 per unit

Kearsey, Brian and Goldstein² studied royalty rates for UMTS/WCDMA (3G) technology in 2004 and concluded that “individual patent owners usually charge between 0.5 and 4 % on essential patents”. Their results correspond to the observations made for Qualcomm and Motorola.

To double check the royalties we consider the above and observe comparable licensing programs known on the market. Thus a range between \$ 0.22 and \$ 9.60 can be determined. The analysis shows that the searched fair and reasonable royalty rate falls within this range. The rate of 3G Licensing S.A. € 0,35 – € 0,45 (or \$ 0,37- \$ 0,48³) lies in the lowest segment of the defined range. Taking into consideration the value of the 3G technology, this is a clear evidence of reasonable and non-discriminatory rate.

The 3G licensing program of Sisvel has a growing number of licensees who voluntarily accepted the terms and conditions of the standard license. We believe that this is a clear indication of the market acceptance of the offered royalty rate.

Taking into account the above, we conclude that, with the rates as stipulated, our license offer is absolutely FRAND.

¹ Strategy analytics, 2016

² Kearsey, Brian and Goldstein, Larry M. 2004. *Technology Patent Licensing: An International Reference on 21st Century Patent Licensing, Patent Pools, and Patent Platforms*, Aspatore Books

³ Exchange rate as of January 2017