

Q3 2012 Guidance	Consolidated Non-GAAP
Revenue	\$157.0 to \$162.0 million
Earnings from operations	\$6.0 to \$8.0 million
Net earnings	\$4.3 to \$5.7 million
Earnings per share	\$0.14 to \$0.19 per share

SIERRA WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

(unaudited)

	June 30,	<i>December</i>
	2012	<i>31,</i>
		2011
<hr/>		
Assets		
Current assets		
Cash and cash equivalents	\$ 123,159	\$ 101,375
Short-term investments	2,153	9,347
Accounts receivable, net of allowance for doubtful accounts of \$2,477 (2011 - \$3,642)	111,223	107,367
Inventories	15,157	16,168
Deferred income taxes	8,075	6,540
Prepays and other	23,579	20,674
	283,346	261,471
Property, plant and equipment	24,394	22,087
Intangible assets	35,517	42,557
Goodwill	89,345	89,961
Deferred income taxes	6,205	6,205
Other assets	592	606
	\$ 439,399	\$ 422,887
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 144,518	\$ 123,547
Deferred income taxes	—	336
Deferred revenue and credits	1,059	1,721
	145,577	125,604
Long-term obligations	24,314	25,143
Deferred income taxes	236	236

	170,127	150,983
Equity		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 30,562,076 shares (December 31, 2011 - 31,306,692 shares)	322,521	328,440
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	-	-
Treasury stock: at cost 725,555 shares (December 31, 2011 - 877,559 shares)	(5,238)	(6,141)
Additional paid-in capital	19,886	20,087
Deficit	(58,556)	(62,482)
Accumulated other comprehensive loss	(9,341)	(8,000)
	269,272	271,904
	\$	
	439,399	\$ 422,887

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of U.S. dollars, except where otherwise stated)

(unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	2012	2011	2012	2011
Revenue	\$ 167,441	\$ 139,888	\$ 317,707	\$ 284,163
Cost of goods sold	116,106	100,788	221,606	205,599
Gross margin	51,335	39,100	96,101	78,564
Expenses				
Sales and marketing	11,190	11,326	23,051	23,594
Research and development	20,773	22,025	42,169	45,537
Administration	8,746	8,810	17,346	18,195
Acquisition costs	599	-	599	-
Restructuring	1,531	(350)	1,711	(25)
Integration	-	765	-	1,305
Amortization	2,275	2,794	4,662	5,642
	45,114	45,370	89,538	94,248
Earnings (loss) from operations	6,221	(6,270)	6,563	(15,684)
Foreign exchange gain (loss)	336	(221)	542	201

Other income (expense)	10	(13)	(161)	(53)
Earnings (loss) before income taxes	6,567	(6,504)	6,944	(15,536)
Income tax expense (recovery)	2,986	275	3,018	(924)
Net earnings (loss)	3,581	(6,779)	3,926	(14,612)
Net loss attributable to non-controlling interest	—	(13)	—	(57)
Net earnings (loss) attributable to the Company	\$ 3,581	\$ (6,766)	\$ 3,926	\$ (14,555)
Net earnings (loss) per share attributable to the Company's common shareholders (in dollars)				
Basic	\$0.12	\$(0.22)	\$0.13	\$(0.47)
Diluted	\$ 0.11	\$ (0.22)	\$ 0.13	\$ (0.47)
Weighted average number of shares outstanding (in thousands)				
Basic	31,082	31,267	30,996	31,252
Diluted	31,252	31,267	31,133	31,252

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

(in thousands of U.S. dollars)

(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
Net earnings (loss)	\$3,581	\$(6,779)	\$3,926	\$(14,612)
Other comprehensive income (loss), net of taxes:				
Purchase of Wavecom S.A. shares, net of taxes of \$nil	—	42	—	42
Foreign currency translation adjustments, net of taxes of \$nil	(3,343)	1,587	(1,341)	6,519
Total comprehensive earnings (loss)	238	(5,150)	2,585	(8,051)
Comprehensive income (loss) attributable to non-controlling interest:				
Net earnings (loss)	—	(13)	—	(57)
Foreign currency translation adjustments, net of taxes of \$nil	—	105	—	106
Comprehensive earnings (loss) attributable to the Company	\$ 238	\$(5,242)	\$ 2,585	\$(8,100)

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands of U.S. dollars)

(unaudited)

Equity attributable to the Company									
Common stock			Treasury Shares			Additional paid-in capital	Accumulated other comprehensive income (loss)	Non-controlling interest (deficit)	Total
# of shares	\$		# of shares	\$					
Balance as at December 31, 2010	31,222,786	\$327,668	643,042	\$(3,908)	\$16,926	\$(33,167)	\$ (5,471)	\$1,139	\$303,187
Purchase of Wavecom S.A. shares	—	—	—	—	(796)	—	42	(1,033)	(1,787)
Stock option exercises	83,906	772	—	—	(253)	—	—	—	519
Stock-based compensation	—	—	—	—	6,449	—	—	—	6,449
Purchase of treasury shares for RSU distribution	—	—	613,638	(4,472)	—	—	—	—	(4,472)
Distribution of vested RSUs	—	—	(379,121)	2,239	(2,239)	—	—	—	—
Net loss	—	—	—	—	—	(29,315)	—	(57)	(29,372)
Foreign	—	—	—	—	—	—	(2,571)	(49)	(2,620)

currency translation adjustments, net of tax									0)
Balance as at December 31, 2011	31,306,692	\$328,440	877,559	\$(6,141)	\$20,087	\$(62,482)	\$ (8,000)	\$-	\$271,904
Common share cancellation	(800,000)	(6,312)	-	-	-	-	-	-	(6,312)
Stock option exercises	55,384	393	-	-	(124)	-	-	-	269
Stock-based compensation	-	-	-	-	3,315	-	-	-	3,315
Purchase of treasury shares for RSU distribution	-	-	336,638	(2,489)	-	-	-	-	(2,489)
Distribution of vested RSUs	-	-	(488,642)	3,392	(3,392)	-	-	-	-
Net earnings	-	-	-	-	-	3,926	-	-	3,926
Foreign currency translation adjustments, net of tax	-	-	-	-	-	-	(1,341)	-	(1,341)
Balance as at June 30, 2012	30,562,076	\$322,521	725,555	\$(5,238)	\$19,886	\$(58,556)	\$ (9,341)	\$-	\$269,272

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Cash flows provided (used) by:				
Operating activities				
Net earnings (loss)	\$3,581	\$(6,779)	\$3,926	\$(14,612)
Items not requiring (providing) cash				
Amortization	6,731	8,456	13,713	17,068
Stock-based compensation	1,636	1,697	3,315	3,329
Deferred income taxes	(843)	(2,219)	(1,873)	(2,219)
Loss (gain) on disposal of property, plant and equipment	(33)	41	126	33
Changes in non-cash working capital				
Accounts receivable	(5,027)	9,447	(4,414)	21,667
Inventories	(2,307)	665	917	1,999
Prepaid expenses and other	(3,677)	3,624	(2,961)	2,503
Accounts payable and accrued liabilities	28,557	2,302	21,472	(11,016)
Deferred revenue and credits	(178)	(50)	(658)	(92)
Cash flows provided by operating activities	28,440	17,184	33,563	18,660
Investing activities				
Purchase of Wavecom S.A. shares	–	(1,505)	–	(1,505)
Additions to property, plant and equipment	(4,957)	(6,600)	(8,560)	(8,562)
Proceeds from sale of property, plant and equipment	3	2	64	15
Increase in intangible assets	(567)	(1,216)	(1,338)	(1,957)
Net change in short-term investments	(2,151)	7,089	7,194	8,935
Cash flows used by investing activities	(7,672)	(2,230)	(2,640)	(3,074)
Financing activities				
Issuance of common shares, net of share issue costs	255	259	269	465
Repurchase of common shares	(3,275)	–	(6,312)	–
Purchase of treasury shares for RSU distribution	(1,502)	–	(2,489)	–
Repayment of long-term obligations	(13)	11	(655)	(627)
Cash flows provided (used) by financing activities	(4,535)	270	(9,187)	(162)
Effect of foreign exchange rate changes on cash and cash equivalents	153	264	48	818
Cash and cash equivalents, increase in the period	16,386	15,488	21,784	16,242
Cash and cash equivalents, beginning of	106,773	86,197	101,375	85,443

period	—	—	—	—
Cash and cash equivalents, end of period	\$123,159	\$101,685	\$123,159	\$101,685
Supplemental disclosures:				
Net Income taxes paid (received)	\$518	\$(1,943)	\$940	\$(1,759)
Net interest paid (received)	(87)	54	(44)	(53)

SIERRA WIRELESS, INC.

RECONCILIATION OF GAAP AND NON-GAAP RESULTS

(in thousands of U.S. dollars, except where otherwise stated)

(unaudited)

	2012			2011		
	YTD	Q2	Q1	YTD	Q2	Q1
Revenue - GAAP and Non-GAAP	\$317,707	\$167,441	\$150,266	\$284,163	\$139,888	\$144,275
Gross Margin - GAAP	\$96,101	\$51,335	\$44,766	\$78,564	\$39,100	\$39,464
Stock-based compensation	161	78	83	210	97	113
Gross Margin - Non-GAAP	\$96,262	\$51,413	\$44,849	\$78,774	\$39,197	\$39,577
Earnings (loss) from operations - GAAP	\$6,563	\$6,221	\$342	\$(15,684)	\$(6,270)	\$(9,414)
Stock-based compensation	3,315	1,636	1,679	3,329	1,697	1,632
Acquisition	599	599	-	-	-	-
Restructuring	1,711	1,531	180	(25)	(350)	325
Integration	-	-	-	1,305	765	540
Acquisition related amortization	5,646	2,665	2,981	6,600	3,312	3,288
Earnings (loss) from operations - Non-GAAP	\$17,834	\$12,652	\$5,182	\$(4,475)	\$(846)	\$(3,629)
Amortization (excluding acquisition related)	8,067	4,066	4,001	10,468	5,144	5,324

amortization)

EBITDA	\$25,901	\$16,718	\$9,183	\$5,993	\$4,298	\$1,695
Net Earnings (loss) - GAAP	\$3,926	\$3,581	\$345	\$(14,555)	\$(6,766)	\$(7,789)
Stock-based compensation, restructuring and other, integration, and acquisition related amortization, net of tax	10,660	5,891	4,769	11,228	5,503	5,725
Unrealized foreign exchange loss (gain)	(266)	(165)	(101)	(97)	238	(335)
Non-controlling interest	-	-	-	(32)	-	(32)
Net earnings (loss) - Non-GAAP	\$14,320	\$9,307	\$5,013	\$(3,456)	\$(1,025)	\$(2,431)
Diluted earnings (loss) per share - GAAP (in dollars)						
GAAP	\$0.13	\$0.11	\$0.01	\$(0.47)	\$(0.22)	\$(0.25)
Non-GAAP	\$0.46	\$0.30	\$0.16	\$(0.11)	\$(0.03)	\$(0.08)

SIERRA WIRELESS, INC.

SEGMENTED RESULTS

(in thousands of U.S. dollars)

(unaudited)

(in thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
M2M				
Revenue	\$ 77,545	\$ 73,908	\$ 154,488	\$ 146,636
Cost of goods sold	51,426	50,017	103,645	100,065
Gross margin	<u>\$ 26,119</u>	<u>23,891</u>	<u>\$ 50,843</u>	<u>46,571</u>

Gross margin %	33.7%	32.3%	32.9%	31.8%
Mobile Computing				
Revenue	\$ 89,896	\$ 65,980	\$ 163,219	\$ 137,527
Cost of goods sold	64,680	50,771	117,961	105,534
Gross margin	\$ 25,216	\$ 15,209	\$ 45,258	\$ 31,993
Gross margin %	28.1%	23.1%	27.7%	23.3%

SIERRA WIRELESS, INC.

REVENUE BY SEGMENT AND PRODUCT

(in thousands of U.S. dollars)

(unaudited)

(in thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
M2M				
AirPrime Embedded Wireless Modules (excludes PC OEMs)	\$ 63,768	\$ 62,759	\$ 126,712	\$ 122,454
AirLink Intelligent Gateways and Routers	11,407	8,886	22,029	18,982
AirVantage M2M Cloud Platform and Other	2,370	2,263	5,747	5,200
	\$ 77,545	\$ 73,908	\$ 154,488	\$ 146,636
Mobile Computing				
AirCard Mobile Broadband Devices (1)	\$ 69,955	\$ 53,135	\$ 126,893	\$ 116,989
AirPrime Embedded Wireless Modules for PC OEMs	17,828	11,857	33,101	18,604
Other	2,113	988	3,225	1,934
	\$ 89,896	\$ 65,980	\$ 163,219	\$ 137,527

(1) Clearwire contributed \$nil million in mobile computing revenue in the three and six months ended June 30, 2012 compared to \$0.1 million and \$8.3 million in the three

and six months ended June 30, 2011, respectively.