

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.



SIERRA
WIRELESS™

Q1 2012

UNITED STATES GAAP

First Quarter Report

For the three months ended March 31

A large, light gray globe is centered in the background. It features concentric circles representing latitude and longitude. Overlaid on the globe are the words "Mobile Computing" in a large, bold, black sans-serif font. In the center of the globe, there is a small, white, pixelated version of the Sierra Wireless logo.

**Mobile
Computing**

**Machine to
Machine**

Report to Shareholders

I am very pleased with the performance of the Company in the first quarter of 2012. We saw broad-based strength across all of our business lines, including steady growth in our M2M business, strong growth with PC OEMs and continued solid demand for our 4G AirCard products. This broad-based strength, combined with continued operating model improvements, drove higher than expected revenue and earnings growth. These results provide a nice start to what we expect will be a year of considerable activity in terms of product development, customer design wins and product launches, as well as improved financial performance.

Revenue in the first quarter 2012 was \$150.3 million, representing sequential growth of 2% compared to the fourth quarter of 2011. Compared to the first quarter of 2011, revenue increased by 4% from \$144.3 million, despite the loss of revenue from two large customers, who together accounted for \$9 million in revenue in first quarter of 2011. Excluding sales to these two customers, revenue in the first quarter increased 11% on a year-over-year basis, driven by steady year-over-year growth in our core M2M business, as well as significant growth in revenue from PC OEMs.

Non-GAAP gross margin improved to 29.8% in the first quarter compared to 28.3% in the fourth quarter of 2011 and 27.4% in first quarter of 2011. The trend in gross margins reflects continued ASP discipline, along with significant progress in product cost reductions. Tight cost control resulted in Non-GAAP operating expenses of \$39.7 million in current quarter, down \$3.5 million from \$43.2 million in the first quarter of 2011. Improved revenue and gross margin, combined with good operating cost control, led to significantly stronger than expected non-GAAP earnings from operations of \$5.2 million or \$0.16 per share.

Machine-to-Machine

Despite weakness in Europe, Q1 marked another steady growth quarter in our M2M business. This steady growth, combined with the recent confirmation by ABI Research that we have expanded our market share lead over the competition, leaves us well positioned to participate in the growth of this exciting market.

During the quarter, we launched several new products, including the AirLink GX440 industrial gateway which is now fully certified on the Verizon LTE network. We also announced that our highly successful OpenAT application framework for AirPrime embedded modules is now available on our 3G devices. OpenAT provides a rich integrated development environment complete with APIs, pre-packaged software libraries and tools to accelerate application development.

The quarter also included several important design wins for us. The wins are wide ranging and include applications in our key M2M segments such as automotive, energy, networking and industrial handhelds.

One of our more interesting design wins of the quarter comes from Nespresso, the global leader in high quality, single serve coffee. Nespresso is taking advantage of the Sierra Wireless' complete end-to-end solutions platform, including AirLink programmable gateways and the AirVantage Cloud Platform, to add wireless connectivity and new connected services to its line-up of commercial coffee machines. This design win is a good example that our strategy to expand our position in the value chain is working.

Revenues in our M2M business totaled \$77.0 million in the first quarter 2012, an 8% increase over the fourth quarter of 2011 and a 6% year-over-year increase from the first quarter in 2011. Excluding sales to Barnes & Noble that occurred in 2011, our core M2M revenue grew by 7% year-over-year. Our business continues to be well diversified and M2M represented 51% of consolidated revenue in the quarter.

Mobile Computing

In our Mobile Computing business, we continued the launch of our next generation 4G LTE AirCard products during the first quarter. The launches cover multiple products on multiple networks and early reviews of the products are excellent. As a result of the expansion of 4G LTE networks and our development of new customers, we believe that we are in a good position to drive further growth.

We continue to build on our leadership position with our key carrier partners, while also adding new customers. During the quarter we launched our latest 4G LTE mobile hotspot, the AirCard 760 with Telstra and earlier in the quarter, we also

announced our Tri-Network Mobile Hotspot with Sprint, a unique device supporting LTE, WiMax and EVDO in addition to WiFi. Our 4G LTE products for AT&T, launched late last year, continue to perform well.

We are also pleased with the expansion of our customer base. The strength of our 4G LTE product line has led to a number of launches with recently added customers, such as Rogers Wireless in Canada, DNA in Finland and NetIndex, in Japan.

Sales to PC OEMs were also strong during the quarter, growing more than 100% from Q1 of 2011 and 38% from the fourth quarter of 2011. We continue to experience strong contribution from a broad range of key customers such as NEC, HP, Fujitsu, Lenovo and Panasonic. We continue to see growth opportunities in this segment as manufacturers adopt LTE, Windows8 and the Ultrabook form factor.

Sales in our Mobile Computing business were \$73.3 million in the first quarter of 2012, up 3% from the first quarter of 2011. Excluding the impact of about \$8 million in revenues from Clearwire in 2011, the year-over-year growth rate was 16%.

Outlook

We are pleased with our results for the first quarter of 2012. Our M2M business achieved steady year-over-year growth, despite macro-economic weakness in Europe. Our Mobile Computing business was solid and our outlook for growth is supported by a strong leadership position with our key customers, our introduction of new innovative 4G LTE products, the continued roll out by carriers of their LTE networks and new customers.

We have applied considerable focus to our operating model, and expect to maintain the operating expense improvements and product cost reductions that we have achieved over the past year.

Overall, I continue to be excited about the prospects for Sierra Wireless and believe the company has the foundation necessary to drive sustainable, profitable growth. I thank you for your continued support and look forward to reporting to you on our achievements in the coming quarters.



Jason W. Cohenour

President and Chief Executive Officer

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this letter constitute forward-looking statements or forward-looking information and, in this regard, you should read carefully the "Cautionary Note Regarding Forward-Looking Statements" in the attached Management's Discussion & Analysis.

Table of Contents

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
Cautionary Note Regarding Forward Looking Statements	2
First Quarter Overview	3
Consolidated Results of Operations	5
Segmented Results	8
Summary of Quarterly Results of Operations	11
Liquidity and Capital Resources	12
Non-GAAP Financial Measures	13
Off-Balance Sheet Arrangements	15
Transactions between Related Parties	15
Critical Accounting Policies and Estimates	15
Outstanding Share Data	15
Impact of Accounting Pronouncements Affecting Future Periods	15
Internal Control Over Financial Reporting	15
Legal Proceedings	15
Risks and Uncertainties	17
CONSOLIDATED FINANCIAL STATEMENTS	25

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information for the three months ended March 31, 2012, and up to and including May 4, 2012. This MD&A should be read together with our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2012 and March 31, 2011, and our audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2011 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Under the U.S./Canada Multijurisdictional Disclosure System, we are permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different than those of the United States.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read the cautionary note in this MD&A regarding forward-looking statements and should not place undue reliance on any such forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements".

Throughout this document, references are made to certain non-GAAP financial measures that are not measures of performance under U.S. GAAP. Management believes that these non-GAAP financial measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional measures of its performance. These non-GAAP financial measures do not have any standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures are defined and reconciled to their nearest GAAP measure in "Non-GAAP Financial Measures".

Additional information about the Company, including our most recent consolidated financial statements and our Annual Information Form, is available on our website at www.sierrawireless.com, or on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this MD&A are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws (“forward-looking statements”), including our business outlook for the short and longer term and our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We will not update or revise our forward-looking statements unless we are required to do so by securities laws. Forward-looking statements:

- *Typically include words and phrases about the future such as “outlook”, “may”, “estimates”, “intends”, “believes”, “plans”, “anticipates” and “expects”;*
- *Are not promises or guarantees of future performance. They represent our current views and may change significantly;*
- *Are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:*
 - *Our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;*
 - *Our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;*
 - *Expected transition period to our 4G products;*
 - *Expected cost of goods sold;*
 - *Expected component supply constraints;*
 - *Our ability to “win” new business;*
 - *Expected deployment of next generation networks by wireless network operators;*
 - *Our operations are not adversely disrupted by component shortages or other development, operating or regulatory risks; and*
 - *Expected tax rates and foreign exchange rates.*
- *Are subject to substantial known and unknown material risks and uncertainties. Many factors could cause our actual results, achievements and developments in our business to differ significantly from those expressed or implied by our forward-looking statements, including, without limitation, the following factors, most of which are discussed in greater detail under “Risks and Uncertainties” and in our other regulatory filings with the U.S. Securities and Exchange Commission (the “SEC”) in the United States and the provincial securities commissions in Canada.*
 - *Actual sales volumes or prices for our products and services may be lower than we expect for any reason including, without limitation, continuing uncertain economic conditions, price and product competition, different product mix, the loss of any of our significant customers, or competition from new or established wireless communication companies;*
 - *The cost of products sold may be higher than planned or necessary component supplies may not be available, are delayed or are not available on commercially reasonable terms;*
 - *We may be unable to enforce our intellectual property rights or may be subject to litigation that has an adverse outcome;*
 - *The development and timing of the introduction of our new products may be later than we expect or may be indefinitely delayed; and*
 - *Transition periods associated with the migration to new technologies may be longer than we expect.*

Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results.

OVERVIEW

Business Overview

Sierra Wireless Inc. (“Sierra Wireless” or the “Company”) is a global leader in the development of wireless technologies and solutions. We focus on wireless devices and applications, offering a comprehensive portfolio of products and services that reduce complexity for our customers. With sales, engineering, and research and development teams located in offices around the world, we provide leading edge wireless solutions for the machine-to-machine (“M2M”) and mobile computing markets. We develop and market a range of products that include mobile Wi-Fi hotspots, wireless modems for mobile computers, embedded modules and software for original equipment manufacturers (“OEMs”), intelligent wireless gateway solutions for industrial, commercial and public safety applications, and an innovative platform for delivering device management and end-to-end application services. We also offer professional services to OEM customers during their product development and launch process, leveraging our expertise in wireless design, software, integration and certification to provide built-in wireless connectivity for mobile computing devices and M2M solutions. Our products, services and solutions connect people, their mobile computers and machines to wireless voice and data networks around the world.

We believe that the markets for wireless solutions in mobile computing and M2M have strong growth prospects. We believe that the key growth enablers for these markets include the continued deployment and upgrade of wireless networks around the world, growth in the number and type of devices being wirelessly connected, a growing strategic focus on M2M services by wireless operators, and an expanding end customer awareness of the availability of such services and their benefits.

While the design and manufacture of mobile computing devices continues to be important to our business, our expansion by acquisition and organic development into M2M now makes us a global leader in this market, placing us in a strong position to benefit from the anticipated growth in both the wireless M2M and mobile computing markets. Our acquisitions have also diversified our revenue base, broadened our product offerings and increased our scale and capabilities throughout the world.

Our line-up of M2M wireless solutions is used by a wide range of OEMs and enterprises to wirelessly enable their products and solutions. Our M2M customers cover a broad range of industries, including automotive, networking equipment, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare and consumer electronics. Our mobile computing products are used by businesses and consumers to enable mobile broadband access to the Internet, e-mail, remote databases and corporate and consumer applications.

We sell our products primarily through indirect channels including wireless operators, OEMs, distributors and value-added resellers, as well as directly to enterprises.

First Quarter Overview

First quarter 2012 profitability improved compared to the fourth quarter of 2011, driven by revenue growth in both our M2M and PC OEM product lines, combined with improved gross margins. Gross margins increased primarily due to realization of anticipated lower product costs and slightly favorable product and customer mix. First quarter 2012 operating expenses were lower than the fourth quarter of 2011, largely due to the absence of the impairment charge related to intangible assets of \$11.2 million recorded in the previous quarter.

Highlights for the first quarter of 2012:

- Revenue was \$150.3 million, up 2.1% compared to the fourth quarter of 2011
- Gross margin was 29.8%, up from 28.2% in the fourth quarter of 2011
- Non-GAAP earnings from operations of \$5.2 million and diluted earnings per share of \$0.16 increased from non-GAAP earnings from operations of \$3.4 million and diluted earnings per share of \$0.08 in the fourth quarter of 2011

- Net earnings of \$0.3 million and diluted earnings per share of \$0.01 improved significantly from a net loss of \$13.8 million and loss per share of \$0.44 in the fourth quarter of 2011. We recorded an impairment charge of \$11.2 million related to intangible assets in the fourth quarter of 2011.
- We recorded highest core M2M revenue in the Company's history in the first quarter of 2012

Selected financial information:

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>						
	2012	2011				
	Q1	TOTAL	Q4	Q3	Q2	Q1
Revenue (GAAP and Non-GAAP)	\$ 150,266	\$ 578,185	\$ 147,195	\$ 146,827	\$ 139,888	\$ 144,275
Gross Margin	\$ 44,766	\$ 163,450	\$ 41,552	\$ 43,334	\$ 39,100	\$ 39,464
- Non-GAAP ⁽¹⁾	44,849	163,835	41,638	43,423	39,197	39,577
Gross Margin %	29.8%	28.3%	28.2%	29.5%	28.0%	27.4%
- Non-GAAP ⁽¹⁾	29.8%	28.3%	28.3%	29.6%	28.0%	27.4%
Earnings (loss) from operations	\$ 342	\$ (29,912)	\$ (12,465)	\$ (1,763)	\$ (6,270)	\$ (9,414)
- Non-GAAP ⁽¹⁾	5,182	2,902	3,353	4,024	(846)	(3,629)
Net earnings (loss)	\$ 345	\$ (29,315)	\$ (13,762)	\$ (998)	\$ (6,766)	\$ (7,789)
- Non-GAAP ⁽¹⁾	5,013	3,633	2,483	4,606	(1,025)	(2,431)
Basic and diluted earnings (loss) per share (in dollars)	\$ 0.01	\$ (0.94)	\$ (0.44)	\$ (0.03)	\$ (0.22)	\$ (0.25)
- Non-GAAP ⁽¹⁾	0.16	0.12	0.08	0.15	(0.03)	(0.08)
Common shares (in thousands)						
At period-end	30,910	31,307	31,307	31,297	31,294	31,250
Weighted average - basic and diluted	31,175	31,275	31,298	31,297	31,267	31,237

(1) Non-GAAP results exclude the impact of stock-based compensation expense, acquisition amortization, impairment, integration costs, restructuring costs, foreign exchange gains or losses on translation of balance sheet accounts, and certain tax adjustments. Refer to the section on "Non-GAAP financial measures" for additional details.

See discussion under "Consolidated Results of Operations" for factors that have caused period to period variations.

Outlook

In the second quarter of 2012, we expect revenue to increase from first quarter levels, driven primarily by growth in revenue from our 4G AirCard products. We expect both gross margin percentage and operating expenses in the second quarter of 2012 to be slightly higher than the first quarter of 2012.

On April 3, 2012, we announced we will be closing our Newark facility effective December 31, 2012 to drive greater efficiency, scalability and leverage. Our AirLink marketing, research and development, and customer support activities will transfer primarily to the Richmond office, some engineering activities will transfer to our office in France, and our manufacturing operations will transfer to our manufacturing partner in Suzhou, China. Total severance and other costs associated with this initiative are estimated to be approximately \$2 million.

Key factors that we expect will affect our results in the near term are the relative competitive position of our products within sales channels in any given period, the relative competitive position of our customers versus their direct competitors, the availability of components from key suppliers, timing of deployment of mobile broadband networks by wireless operators, wireless technology transitions, the rate of adoption by end-users, the timely launch and ramp up of

sales of our new products currently under development, the level of success our OEM customers achieve with sales of embedded solutions to end users, our ability to secure future design wins with both existing and new OEM customers, general economic conditions in the markets we serve and seasonality in demand. We expect that product and price competition from other wireless device manufacturers will continue to be intense. As a result of these factors, we may experience volatility in our results on a quarter to quarter basis. Gross margin percentage may fluctuate from quarter to quarter depending on product and customer mix, competitive selling prices and product costs.

CONSOLIDATED RESULTS OF OPERATIONS

<i>(in thousands of U.S. dollars)</i>				
	Three months ended March 31			
	2012	% of Revenue	2011	% of Revenue
Revenue	\$ 150,266	100.0%	\$ 144,275	100.0%
Cost of goods sold	105,500	70.2%	104,811	72.6%
Gross margin	44,766	29.8%	39,464	27.4%
Expenses				
Sales and marketing	11,861	7.9%	12,268	8.5%
Research and development	21,396	14.2%	23,512	16.3%
Administration	8,600	5.7%	9,385	6.5%
Restructuring costs	180	0.1%	325	0.2%
Integration costs	-	0.0%	540	0.4%
Amortization	2,387	1.6%	2,848	2.0%
	44,424	29.6%	48,878	33.9%
Earnings (loss) from operations	342	0.2%	(9,414)	-6.5%
Foreign exchange gain (loss)	206		422	
Other income (expense)	(171)		(40)	
Earnings (loss) before income taxes	377		(9,032)	
Income tax expense (recovery)	32		(1,199)	
Net earnings (loss) before non-controlling interest	345		(7,833)	
Less: non-controlling interest	-		(44)	
Net earnings (loss) attributable to the Company	\$ 345		\$ (7,789)	
Basic and diluted net loss per share attributable to the Company	\$ 0.01		\$ (0.25)	

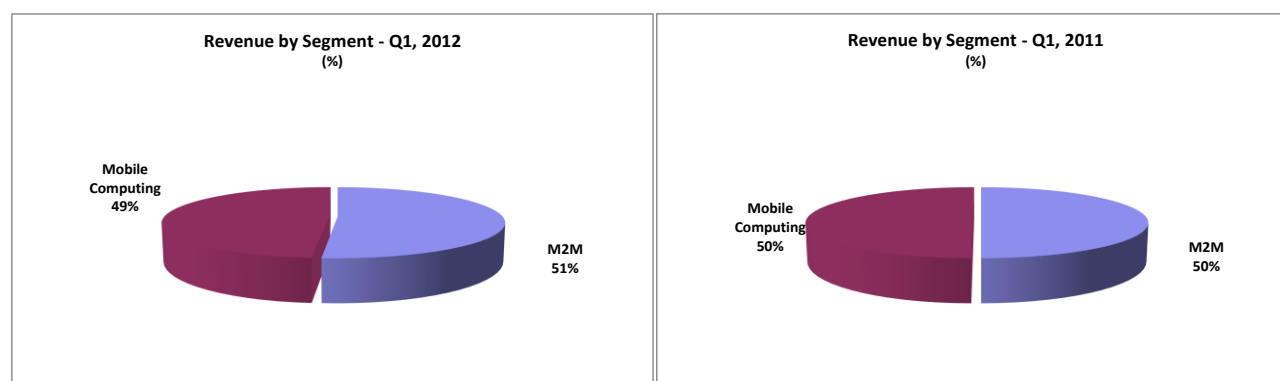
Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Revenue

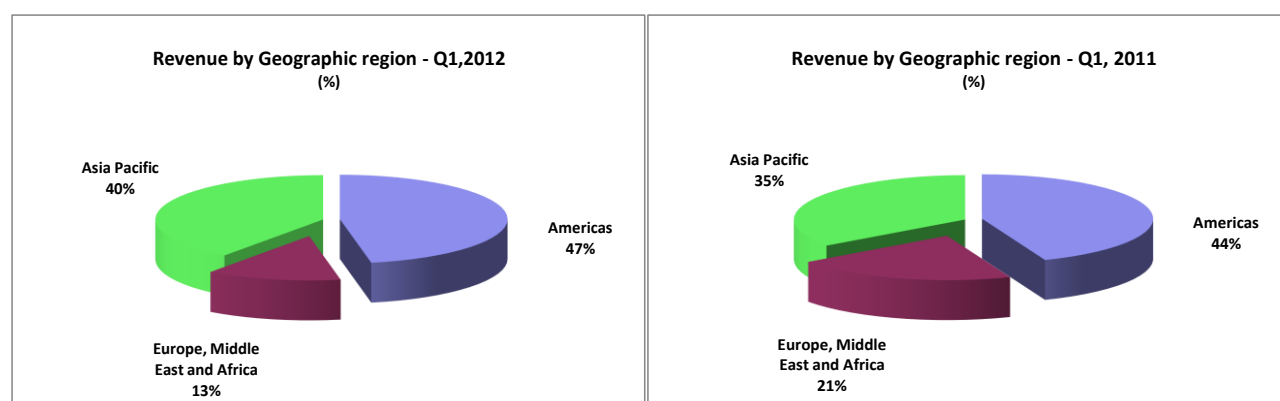
Revenue in the three months ended March 31, 2012 increased by \$6.0 million, or 4.2%, compared to the same period of 2011. The increase was a result of growth in both our M2M and mobile computing businesses, partially offset by the absence of revenue from Clearwire which amounted to \$8.3 million in the comparative quarter of 2011.

In the first quarter of 2012, AT&T and Sprint each accounted for more than 10% of our revenue, representing approximately 29% of our revenue in aggregate. In the first quarter of 2011, AT&T and Telstra each accounted for more than 10% of our revenue, and in aggregate, these two customers represented approximately 25% of our revenue.

We continue to have a balanced mix of revenue between Mobile Computing and M2M. Our segment revenue mix for the three months ended March 31, 2012 and 2011 was as follows:



The geographic revenue mix for the three months ended March 31, 2012 and 2011 was as follows:



Gross margin

Gross margin was 29.8% of revenue for the three months ended March 31, 2012, compared to 27.4% of revenue in the same period of 2011. The increase in gross margin percentage was primarily related to product cost reductions and favorable product and customer mix. Gross margin included \$0.1 million of stock-based compensation expense in each of the three months periods ended March 31, 2012 and 2011.

Sales and marketing

Sales and marketing expenses decreased by \$0.4 million, or 3.3%, in the three months ended March 31, 2012 compared to the same period of 2011. The decrease in sales and marketing expenses was due primarily to a continued focus on cost management. Sales and marketing expenses included \$0.3 million of stock-based compensation expense in each of the three-month periods ended March 31, 2012 and 2011.

Research and development

Research and development expenses decreased by \$2.1 million, or 9.0% to \$21.4 million in the three months ended March 31, 2012, compared to the same period in 2011. In 2011, our research and development expenses were higher due to unusually high investment in new product development, including preparations for the launch of 4G LTE technology. Research and development expenses included stock-based compensation expense of \$0.4 million and acquisition amortization of \$1.6 million, in each of the three-month periods ended March 31, 2012 and 2011.

Administration

Administration expenses decreased by \$0.8 million, or 8.4%, in the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to cost reduction initiatives that were implemented in 2011 and continued into 2012. Included in administration expenses was \$0.8 million of stock-based compensation expense in each of the three-month periods ended March 31, 2012 and 2011.

Restructuring

Restructuring costs decreased by \$0.1 million, or 44.6%, during the three month ended March 31, 2012, compared to the same period in 2011. Restructuring costs in the current three-month period relate to organizational changes in research & development designed to streamline operations and reduce the number of sites handling product development activities. Restructuring costs in 2011 primarily represented the additional costs incurred for reductions in our workforce resulting from the implementation of the new organizational structure announced in the third quarter of 2010.

Integration costs

Integration costs were \$nil during the three months ended March 31, 2012 compared to \$0.5 million in the same period of 2011. Integration costs during the three months ended March 31, 2011 were primarily related to office space optimization in France and for IT consultants retained to implement an integrated CRM system.

Amortization

Amortization expense decreased \$0.5 million or 16.2%, in the three months ended March 31, 2012 compared to the same period in 2011. Amortization expense in the three-month period ended March 31, 2012 included \$1.4 million of acquisition amortization compared to \$1.7 million in the same three-month period in 2011.

Foreign exchange gain (loss)

Foreign exchange gain decreased \$0.2 million during the three month ended March 31, 2012 to \$0.2 million compared to the same three-month period in 2011. Foreign exchange gain for the three-month periods in 2012 and 2011 include a net foreign exchange gain of \$1.4 million and \$0.2 million, respectively, on intercompany balances.

Foreign exchange rate changes also impact our Euro and Canadian dollar denominated revenue and operating expenses. We estimate that changes in exchange rates between 2011 and 2012 positively impacted our earnings from operations by approximately \$0.3 million in the first quarter of 2012.

Income tax recovery

Income tax recovery decreased by \$1.2 million in the three months ended March 31, 2012, compared to the same period of 2011, primarily driven by improved profitability and changes in the effective tax rate as a result of a shift in earnings among our numerous tax jurisdictions.

Net earnings (loss) attributable to the Company

Net earnings attributable to the Company increased by \$8.1 million in the three months ended March 31, 2012 compared to the same period of 2011. This increase was primarily due to higher earnings from operations in the three months ended March 31, 2012. In addition, favorable adjustments in tax allowances resulted in negligible income tax expense.

Net earnings for the three months ended March 31, 2012 included stock-based compensation of \$1.7 million, and acquisition amortization of \$3.0 million. Net loss for the same period in 2011 included stock-based compensation of \$1.6 million, and acquisition amortization of \$3.3 million.

Weighted average number of shares

The weighted average diluted number of shares outstanding was 31.2 million for each of the three- month periods ended March 31, 2012 and 2011. The number of shares outstanding was 30.9 million at March 31, 2012, compared to 31.3 million at March 31, 2011. The reduction in number of shares outstanding was due to purchases on the TSX and NASDAQ of the Company's common shares under our normal course issuer bid during the three months ended March 31, 2012.

SEGMENTED RESULTS

Revenue and gross margin by segment for the three months ended March 31, 2012 and 2011 was as follows:

<i>(in thousands of U.S. dollars)</i>		
	Three months ended March 31	
	2012	2011
M2M		
Revenue	\$ 76,943	\$ 72,728
Cost of goods sold	52,219	50,048
Gross margin	<u>\$ 24,724</u>	<u>22,680</u>
Gross margin %	32.1%	31.2%
Mobile Computing		
Revenue	\$ 73,323	\$ 71,547
Cost of goods sold	53,281	54,763
Gross margin	<u>\$ 20,042</u>	<u>\$ 16,784</u>
Gross margin %	27.3%	23.5%

Product line revenue by segment for the three months ended March 31, 2012 and 2011 was as follows:

<i>(in thousands of U.S. dollars)</i>		
	Three months ended March 31	
	2012	2011
M2M		
AirPrime Embedded Wireless Modules (excludes PC OEMs) (1)	\$ 62,944	\$ 59,695
AirLink Intelligent Gateways and Routers	10,622	10,096
AirVantage M2M Cloud Platform and Other	3,377	2,937
	<u>\$ 76,943</u>	<u>\$ 72,728</u>
Mobile Computing		
AirCard Mobile Broadband Devices (2)	\$ 56,938	\$ 63,854
AirPrime Embedded Wireless Modules for PC OEMs	15,273	6,747
Other	1,112	946
	<u>\$ 73,323</u>	<u>\$ 71,547</u>

(1) Barnes & Noble contributed \$nil million in M2M revenue in the three months ended March 31, 2012 compared to \$0.7 million in the three months ended March 31, 2011.

(2) Clearwire contributed \$nil million in mobile computing revenue in the three months ended March 31, 2012 compared to \$8.3 million in the three months ended March 31, 2011.

Machine-to-Machine

Our M2M business includes our AirPrime™ Embedded Wireless Modules (excluding embedded module sales to PC OEMs), AirLink™ Intelligent Gateways and Routers and our AirVantage™ M2M Cloud Platform. We believe that the market for our M2M products offers profitable growth opportunities. The M2M market is competitive and our future success will depend in part on our ability to continue to develop differentiated products and services that meet our customers' evolving technology, design, schedule and price requirements.

Our M2M revenue increased \$4.2M, or 5.8%, to \$77.0 million in the three months ended March 31, 2012 compared to the same period of 2011. The increase in revenue was primarily due to continued growth in our core M2M embedded

modules business (excluding the impact of Barnes & Noble), which was up by 6.8%. Our core M2M revenue for the three months ended March 31, 2012 was the highest level of revenue recorded in the Company's history.

Gross margin was \$24.7 million for M2M in the three months ended March 31, 2012, or 32.1% of M2M revenue. This increased from 31.2% in the three months ended March 31, 2011, primarily due to product cost reductions.

AirPrime™ Embedded Wireless Modules (excludes PC OEM embedded modules)

We believe that there are long-term profitable growth prospects in the embedded M2M market and we plan to continue to invest to expand our leadership position. Our expanded line-up of AirPrime Embedded Wireless Modules is used by a wide range of OEMs to wirelessly enable their products and solutions. Our M2M OEM customers cover a broad range of industries including automotive, networking equipment, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare and consumer electronics.

Sales of our M2M embedded module products increased \$3.2 million, or 5.4%, in the three months ended March 31, 2012 compared to the same period in 2011. This increase was widely spread over our M2M embedded customer base. Higher revenues were largely driven by 6.8% growth in our core M2M embedded module business which excludes the impact of Barnes & Noble.

During the first quarter of 2012, we announced that our industry leading Open AT Application Framework, which is used in millions of our 2G devices, is now available on select 3G AirPrime embedded module products, including the SL808x. Now, for the first time, customers can build M2M application software once and deploy it in nearly any market worldwide on 2G or 3G networks – significantly lowering overall system cost and accelerating time to market.

During the first quarter of 2012, Beeldhorloge (Timer B.V.), based in the Netherlands, selected our AirPrime embedded module to provide wireless connectivity for its Pictowatch which is designed to assist individuals with cognitive disorders in managing daily routines. In developing the Pictowatch with an AirPrime module, Beeldhorloge was able to take advantage of our Open AT Application Framework, which enables customers to embed their application directly onto the wireless module.

AirLink™ Intelligent Gateways and Routers

Our AirLink Intelligent Gateways and Routers are sold to public safety, transportation, field service, energy, industrial, and financial organizations. We believe that there are profitable growth prospects for our AirLink intelligent gateway and router solutions and we intend to capture these opportunities through segment, product line and geographic expansion.

Revenue from AirLink Intelligent Gateways and Routers increased \$0.5 million, or 5.2%, in the three months ended March 31, 2012 compared to the same period of 2011. The increase was primarily driven by sales of newly launched products, as well as additional new customers.

Early in the first quarter of 2012, we announced that our AirLink GX440 4G LTE rugged wireless gateway received certification on the Verizon 4G LTE network. The AirLink GX440 delivers the durability and high bandwidth required by applications such as high-quality wireless video surveillance, multi-data stream connections to branch locations and mobile office applications for public safety and field service activities.

AirVantage™ M2M Cloud Platform

Our AirVantage M2M Cloud Platform provides solutions and services that enable application providers, OEMs and mobile network operators to efficiently develop, deploy, and operate complete M2M solutions for managing remote equipment and assets. These solutions are built using AirVantage tools that facilitate the rapid development and delivery of applications that are hosted on our AirVantage platform - a scalable, redundant, secure cloud platform that is compatible with a broad range of available wireless equipment.

During the first quarter in 2012, we announced that Nestle Nespresso SA, the pioneer and market leader in high-quality portioned premium coffee, selected Sierra Wireless to provide a comprehensive M2M cloud platform and hardware solution to provide remote connectivity and monitoring for its range of professional coffee machines.

Mobile Computing

Our mobile computing business includes our AirCard® Mobile Broadband Devices and AirPrime Embedded Wireless Modules for PC OEM customers.

Our mobile computing revenue increased by \$1.8 million, or 2.5%, to \$73.3 million in the three months ended March 31, 2012 compared to the same period of 2011. The increase was largely driven by strong growth in sales to PC OEMs and continued demand for our 4G AirCard products. This was partially offset by the absence of revenue from Clearwire (three months ended March 31, 2011 - \$8.3 million).

Gross margin was 27.3% for the mobile computing segment in the three months ended March 31, 2012 compared to 23.5% in the same period of 2011 and primarily reflected realization of anticipated lower product costs.

AirCard® Mobile Broadband Devices

Our AirCard mobile broadband device family includes our AirCard-branded USB modems and mobile Wi-Fi hotspots. Our AirCard products, sold to mobile network operators around the world, provide a simple way to connect notebooks, tablets and other electronic devices to the Internet, over 4G mobile broadband networks.

Revenue from our AirCard products decreased by \$6.9 million, or 10.8%, in the three months ended March 31, 2012 compared to the same period of 2011, primarily due to the loss of revenue from Clearwire which was \$nil in three months ended March 31, 2012 compared to \$8.3 million in three months ended March 31, 2011.

During the first quarter of 2012, we introduced our newest family of AirCard mobile hotspots for 4G LTE networks. The new AirCard 760S, AirCard 762S, and AirCard 763S offer several feature enhancements to earlier generations, including an improved user interface, longer battery life, and expanded frequency band support across the product family, providing compatibility with most common frequency band combinations around the world. During the first quarter of 2012, Telstra launched our AirCard 760S and recently, we announced that DNA Ltd, a Finnish telecommunications company, has launched our AirCard 762S mobile hotspot.

We believe that the market for our new 4G AirCard products offers profitable growth opportunities. Competition in this market continues to be intense and our future success will depend in part on our ability to continue to develop differentiated products that meet our customers' evolving technology, design, schedule and price requirements.

AirPrime™ Embedded Wireless Modules for PC OEMs

In the three months ended March 31, 2012, revenue from sales of our AirPrime Wireless Embedded Modules to PC OEM customers increased significantly by \$8.5 million, or 126.4%, compared to the same period of 2011, primarily due to increased demand from our existing PC OEM customers and shipments of modules in support of new design wins.

New opportunities in the PC OEM market continue to emerge. The development of "ultrabook" notebook computers and Windows8 tablets are creating new opportunities for us as a proven supplier of embedded modules and host based software. In addition, we continue to take advantage of markets where new 4G LTE networks are being deployed such as the DoCoMo network in Japan where we have large enterprise rollouts underway with PC OEM customers.

In the first quarter of 2012, Panasonic Corporation announced that it had selected our AirPrime MC series embedded modules to provide 4G LTE mobile-broadband connectivity for its new rugged Toughpad A1 tablet in North America. The tablet targets mission-critical and highly mobile workers in markets like aviation, construction, field sales and the public sector, where exposure to extreme environments is a constant challenge.

Our ability to secure additional design wins in the PC OEM market will depend on our ability to successfully develop products and offer services that meet our customers' technology, design, schedule and price requirements.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following tables highlight selected financial information for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2011. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period. You should not rely on these results to predict future performance.

<i>(in thousands of U.S. dollars, except per share amounts and number of shares)</i>								
	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 150,266	\$ 147,195	\$ 146,827	\$ 139,888	\$ 144,275	\$ 167,176	\$ 172,732	\$ 159,116
Cost of goods sold	105,500	105,643	103,493	100,788	104,811	118,309	123,778	112,906
Gross margin	44,766	41,552	43,334	39,100	39,464	48,867	48,954	46,210
Gross margin %	29.8%	28.2%	29.5%	28.0%	27.4%	29.2%	28.3%	29.0%
Expenses								
Sales and marketing	11,861	10,747	11,158	11,326	12,268	12,123	12,137	13,183
Research and development	21,396	21,521	21,942	22,025	23,512	23,782	22,178	21,534
Administration	8,600	7,934	8,548	8,810	9,385	9,073	8,865	8,835
Restructuring costs	180	(19)	881	(350)	325	132	4,316	1,581
Integration costs	-	-	121	765	540	906	727	1,631
Amortization of intangible asset	-	11,214	-	-	-	-	-	-
Amortization	2,387	2,620	2,447	2,794	2,848	3,026	2,939	2,919
	44,424	54,017	45,097	45,370	48,878	49,042	51,162	49,683
Earnings (loss) from operations	342	(12,465)	(1,763)	(6,270)	(9,414)	(175)	(2,208)	(3,473)
Foreign exchange gain (loss)	206	(507)	(154)	(221)	422	(241)	2,359	(5,460)
Other income (expense)	(171)	20	68	(13)	(40)	(20)	12	(103)
Earnings (loss) before income taxes	377	(12,952)	(1,849)	(6,504)	(9,032)	(436)	163	(9,036)
Income tax expense (recovery)	32	810	(851)	275	(1,199)	(1,221)	(499)	(399)
Net earnings (loss) before non-controlling interest	345	(13,762)	(998)	(6,779)	(7,833)	785	662	(8,637)
Net loss attributable to non-controlling interest	-	-	-	(13)	(44)	(40)	(48)	(82)
Net earnings (loss) attributable to the Company	\$ 345	\$ (13,762)	\$ (998)	\$ (6,766)	\$ (7,789)	\$ 825	\$ 710	\$ (8,555)
Earnings (loss) per share:								
Basic	\$ 0.01	\$ (0.44)	\$ (0.03)	\$ (0.22)	\$ (0.25)	\$ 0.03	\$ 0.02	\$ (0.28)
Diluted	\$ 0.01	\$ (0.44)	\$ (0.03)	\$ (0.22)	\$ (0.25)	\$ 0.03	\$ 0.02	\$ (0.28)
Weighted average number of shares (in thousands):								
Basic	31,175	31,298	31,297	31,267	31,237	31,151	31,077	31,054
Diluted	31,214	31,298	31,297	31,267	31,237	31,493	31,208	31,054

See section on "Overview", for details of our first quarter of 2012 results compared to our fourth quarter of 2011 results.

Our quarterly results may fluctuate from quarter to quarter, driven by variation in sales volume, product mix and the combination of variable and fixed operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>			
	Three months ended March 31		
	2012	2011	Change
Cash flows provided (used) before changes in non-cash working capital	\$ 8,135	\$ 2,402	\$ 5,733
Changes in non-cash working capital	(3,012)	(926)	(2,086)
Cash flows provided by (used in):			
Operations	5,123	1,476	3,647
Investing activities	5,032	(844)	5,876
Capital expenditures and intangibles	(4,374)	(2,704)	(1,670)
Net change in short-term investments	9,345	1,847	7,498
Financing activities	(4,652)	(432)	(4,220)

Operating Activities

Cash provided by operating activities increased \$3.6 million to \$5.1 million during the three months ended March 31, 2012 compared to the same period of 2011. The increase in cash was primarily due to higher operating earnings. The positive impact on cash was partially offset by higher working capital requirements in the first quarter of 2012 compared to 2011.

During 2011, we made modifications to an agreement with our contract manufacturer which resulted in altering the mix of working capital between *Inventories* and *Prepaid expenses and other* on our consolidated balance sheets. Further details can be found in Notes 4 and 5 of our interim consolidated financial statements for the three months ended March 31, 2012.

Investing Activities

Cash provided by investing activities increased \$5.9 million to \$5.0 million during the three months ended March 31, 2012 compared to the same period of 2011. The increase was largely related to a decrease in short-term investments to fund operating activities.

Cash used for the purchase of capital equipment was primarily for production and tooling equipment, research and development equipment, computer equipment and software, while cash used for intangible assets was driven primarily by patent registration costs and software licenses.

Financing Activities

Cash used for financing activities increased \$4.2 million to \$4.7 million during the three months ended March 31, 2012 compared to the same period in 2011. The use of cash in the current three-month period was primarily related to purchases on the TSX and NASDAQ of 400,000 of the Company's common shares in connection with our normal course issuer bid and 133,078 common shares to satisfy obligations under our restricted share unit plan, in the amounts of \$3.0 million and \$1.0 million, respectively.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, capital expenditures, intellectual property ("IP") licenses, and other obligations discussed below. We believe our cash and cash equivalents balance of \$106.8 million at March 31, 2012 and cash generated from operations will be sufficient to fund our expected working capital requirements for at least the next twelve months based on current business plans. Our capital expenditures during the second quarter of 2012 are expected to be primarily for research and development equipment, tooling, leasehold improvements, software licenses and patents. However, we cannot assure you that our actual cash requirements will not be greater than we currently expect.

The following table presents the aggregate amount of future cash outflows for contractual obligations as of March 31, 2012.

Payments due by period <i>(In thousands of dollars)</i>	2012	2013	2014	2015	2016	Thereafter
Operating lease obligations	\$ 3,438	\$ 4,582	\$ 4,557	\$ 3,503	\$ 3,398	\$ 13,576
Capital lease obligations	262	122	122	122	-	-
Purchase obligations ⁽¹⁾	123,719	-	-	-	-	-
Other long-term liabilities ⁽²⁾	-	20,011	899	997	997	777
Total	\$ 127,419	\$ 24,715	\$ 5,578	\$ 4,622	\$ 4,395	\$ 14,353

(1) Purchase obligations represent obligations with certain contract manufacturers to buy minimum amount of designated products between April, 2012 and June, 2012. In certain of these arrangements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(2) Other long-term liabilities include the long-term portions of accrued royalties and marketing development funds.

Capital Resources

<i>(in thousands of dollars)</i>					
	2012	2011			
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Cash and cash equivalents	\$ 106,773	\$ 101,375	\$ 100,662	\$ 101,685	\$ 86,197
Short-term investments	-	9,347	-	17,470	24,559
	106,773	110,722	100,662	119,155	110,756
Unused credit facilities	10,000	10,000	10,000	10,000	10,000
Total	\$ 116,773	\$ 120,722	\$ 110,662	\$ 129,155	\$ 120,756

Credit Facilities

We have a two-year revolving term credit facility (“Revolving Facility”) with The Toronto Dominion Bank and Canadian Imperial Bank of Commerce in the amount of \$10.0 million which expires January 28, 2013. The Revolving Facility is for working capital requirements and is secured by a pledge against all of our assets. As at March 31, 2012, there were no borrowings under this Revolving Facility.

At March 31, 2012, we had \$0.3 million (December 31, 2011 – \$0.3 million) outstanding under a standby letter of credit facility agreement, which approximates its fair value. The letter of credit expires in June 2012.

Normal Course Issuer Bid

On December 13, 2011, we received approval from the Toronto Stock Exchange (“TSX”) of our Notice of Intention to make a Normal Course Issuer Bid (the “Bid”). Pursuant to the Bid, we may purchase for cancellation up to 1,564,914 of our common shares, or approximately 5% of the common shares outstanding as of the date of the announcement. The Bid will terminate on the earlier of: (i) December 18, 2012, (ii) the date Sierra Wireless completes its purchases pursuant to the notice of intention filed with the TSX, or (iii) the date of notice by Sierra Wireless of termination of the Bid.

The actual number of common shares that are purchased for cancellation under the Bid and the timing of such purchases will be determined by the Company. During the three months ended March 31, 2012, we purchased 400,000 common shares in the open market at an average price of \$7.59 per share.

NON-GAAP FINANCIAL MEASURES

Our consolidated financial statements are prepared in accordance with U.S. GAAP on a basis consistent for all periods presented. In addition to results reported in accordance with U.S. GAAP, we use non-GAAP financial measures as supplemental indicators of our operating performance. The term “non-GAAP financial measure” is used to refer to a numerical measure of a company’s historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most

directly comparable measure calculated and presented in accordance with U.S. GAAP in a company's statement of earnings, balance sheet or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Our non-GAAP financial measures include non-GAAP revenue, non-GAAP gross margin, non-GAAP earnings (loss) from operations, EBITDA (earnings before interest, taxes, depreciation and amortization and before impairment charges), non-GAAP net earnings (loss) and non-GAAP diluted earnings (loss) per share, respectively. We disclose non-GAAP amounts as we believe that these measures provide better information on actual operating results and assist in comparisons from one period to another. Readers are cautioned that non-GAAP financial measures do not have any standardized meaning prescribed by U.S. GAAP and therefore may not be comparable to similar measures presented by other companies. Non-GAAP results exclude the impact of stock-based compensation expense, amortization related to acquisitions, restructuring costs, integration costs, impairment, unrealized foreign exchange gains or losses on translation of balance sheet accounts and certain tax adjustments.

EBITDA as defined equates earnings (loss) from operations plus stock-based compensation, restructuring, integration, transaction costs, amortization and impairment. EBITDA can also be calculated as non-GAAP earnings (loss) from operations plus amortization excluding acquisition related amortization.

The following table provides a reconciliation of the non-GAAP financial measures to our U.S. GAAP results:

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>		
	2012	2011
	Q1	Q1
Revenue - GAAP and Non-GAAP	\$ 150,266	\$ 144,275
Gross Margin - GAAP	\$ 44,766	\$ 39,464
Stock-based compensation	83	113
Gross Margin - Non-GAAP	\$ 44,849	\$ 39,577
Earnings (loss) from operations - GAAP	\$ 342	\$ (9,414)
Stock-based compensation	1,679	1,632
Restructuring and other	180	325
Integration	-	540
Acquisition related amortization	2,981	3,288
Earnings (loss) from operations - Non-GAAP	\$ 5,182	\$ (3,629)
Amortization (excluding acquisition related amortization)	4,001	5,324
EBITDA	\$ 9,183	\$ 1,695
Net Earnings (loss) - GAAP	\$ 345	\$ (7,789)
Stock-based compensation, restructuring and other, integration, and acquisition related amortization, net of tax	4,769	5,725
Unrealized foreign exchange loss (gain)	(101)	(335)
Non-controlling interest	-	(32)
Net earnings (loss) - Non-GAAP	\$ 5,013	\$ (2,431)
Earnings (loss) per share - GAAP (in dollars)	\$ 0.01	\$ (0.25)
Diluted earnings (loss) per share - Non-GAAP (in dollars)	\$ 0.16	\$ (0.08)

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements during the three months ended March 31, 2012 and 2011.

TRANSACTIONS BETWEEN RELATED PARTIES

We did not undertake any transactions with related parties during the three months ended March 31, 2012 and 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with U.S. GAAP and we make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure of contingent liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, valuation of goodwill and intangible assets, income taxes, adequacy of warranty reserve, royalty obligations, contingencies, stock-based compensation, and fair value measurement. We base our estimates on historical experience, anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from our estimates.

The discussion on the accounting policies that require management's most difficult, subjective and complex judgments, and which are subject to a degree of measurement uncertainty can be found on pages 26 to 29 of our 2011 Annual Report. There were no significant changes in our critical accounting policies in the first quarter of 2012.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 30,911,602 common shares issued and outstanding, stock options exercisable into 2,574,727 common shares and 1,235,896 restricted share units outstanding.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS

In November 2008, the SEC announced a proposed roadmap for comment regarding the potential use by U.S. registrants of financial statements prepared in accordance with International financial reporting standards ("IFRS"). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board. On February 24, 2010, the SEC issued a statement describing its position regarding global accounting standards. Among other things, the SEC stated that it has directed its staff to execute a work plan, which will include consideration of IFRS as it exists today and after completion of various "convergence" projects currently underway between U.S. and international accounting standards setters. By the end of 2012, assuming completion of certain projects and the SEC staff's work plan, it is expected that the SEC will decide whether to incorporate IFRS into the U.S. financial reporting system. We will continue to monitor the development of the potential implementation of IFRS.

INTERNAL CONTROL OVER FINANCIAL REPORTING

We did not make any significant changes in the Company's internal control over financial reporting during the most recent three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

LEGAL PROCEEDINGS

In January 2012, a patent holding company, M2M Solutions LLC, filed a patent litigation lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the Airprime embedded wireless module products, related Airlink products and related services sold by us for use in M2M communication applications.

In September 2011, a patent holding company, Wi-Lan, Inc., filed a patent litigation lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by a number of parties, including us. The lawsuit makes certain allegations concerning the wireless communication products sold by us. We have joined in a motion filed

on behalf of all the defendants in the lawsuit to transfer the venue to the United States District Court for the Southern District of California.

In May 2010 and in February 2011, a patent holding company, Golden Bridge Technology Inc., filed patent litigation lawsuits in the United States District Court for the District of Delaware asserting patent infringement of the same two patents by a number of parties, including us and certain of our customers. In both cases, the litigation makes certain allegations concerning the wireless modems sold by us and our competitors. Both lawsuits have been stayed against all defendants except one, pending the outcome of the trial against this one non-stayed defendant which is anticipated to occur in or around April 2013.

In July 2009, a patent holding company, SPH America, LLC, filed a patent litigation lawsuit in the United States District Court for the Eastern District of Virginia asserting patent infringement by a number of device manufacturers, including us, and computer manufacturers, including certain of our customers. The litigation, which has been transferred to the United States District Court for the Southern District of California, makes certain allegations concerning the wireless modules sold to the computer manufacturers by us or our competitors. The claim construction hearing occurred in April 2012 and no trial date has been set.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

IP Indemnification Claims

We have been notified by one or more of our customers in each of the following matters that we have an obligation to indemnify them in respect of the products we supply to them:

In September 2011, a patent holding company, Mayfair Wireless, LLC, filed a patent litigation lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to the wireless hotspots sold to them by us. A motion to dismiss the lawsuit has been briefed and is pending judgment of the Court.

In August 2011, a patent holding company, Brandywine Communications Technologies, LLC, filed a patent litigation lawsuit in the United States District Court for the Middle District of Florida against one of our customers asserting patent infringement in relation to the wireless modems sold to them by us.

In July 2011, a patent holding company, GPNE Corp., filed a patent litigation lawsuit in the United States District Court for the District of Hawaii asserting patent infringement against one of our customers for selling e-readers and computerized tablet and communication devices with the ability to function with GPRS, including the Nook e-reader which incorporates wireless modules sold to them by us. An Order of the Magistrate Judge to sever the actions and, in the case of certain defendants including our customer, transfer the actions to the United States District Court for the Northern District of California was granted and has been appealed by the plaintiff to the District Court.

A patent holding company, Eon Corp. IP Holdings, LLC, filed a patent litigation lawsuit against one of our customers in October 2010 in the United States District Court for the Eastern District of Texas, which was subsequently transferred to the United States District Court for the Northern District of California. Eon filed a patent litigation lawsuit against another of our customers in January 2012 in the United States District Court for the District of Puerto Rico. In both cases, assertions of patent infringement are being made in relation to the wireless modems sold to our customers by us.

In March 2009, MSTG Inc., a patent holding company, filed a patent litigation lawsuit in the United States District Court for the Northern District of Illinois asserting patent infringement by a number of telecommunication carrier companies, including one of our customers, which the customer claims relates to the wireless data cards and modems sold to them by us. The claim construction process has concluded, and there is currently no activity in the case pending a decision of the

Court of Appeals for the Federal Circuit on a petition for a Writ of Mandamus in relation to a discovery order of the District Court.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

RISKS AND UNCERTAINTIES

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. The risks and uncertainties described below are those which we currently believe to be material, and do not represent all of the risks that we face. Other risks and uncertainties may become material in the future or ones we currently believe to be immaterial may become material in the future. If any of the following risks actually occurs, our business, financial condition and results of operations, as well as the market price of our common shares, could be materially adversely affected.

Our financial results are subject to fluctuations that could affect the market price of our common shares.

Our revenue, gross margin, operating earnings and net earnings may vary from quarter to quarter and could be significantly impacted by a number of factors, including:

- Price and product competition, which may result in lower selling prices for some of our products or lost market share;
- Price and demand pressure on our products from our customers as they experience pressure in their businesses;
- Concentration in our customer base;
- Development and timing of the introduction of our new products;
- Transition periods associated with the migration of new technologies;
- Securing channel slots for new products and the timing of sales orders and OEM and carrier customer sell through;
- Design win cycles in our embedded module business;
- Potential commoditization and saturation in certain markets;
- Our ability to accurately forecast demand in order to properly align the purchase of components and the appropriate level of manufacturing capability;
- Product mix of our sales. Our products have different gross margins – for example the embedded module product line has lower gross margins than the higher margin rugged mobile product line;
- Possible delays or shortages in component supplies;
- Possible delays in the manufacture or shipment of current or new products;
- Possible product quality or factory yield issues that may increase our cost of goods sold;
- Seasonality in demand;
- Amount of inventory held by our channel partners;
- Possible fluctuations in certain foreign currencies relative to the U.S. dollar affect foreign denominated revenue, cost of goods sold and operating expenses;
- Achievement of milestones related to our professional services contracts; and

- Possible cyclical fluctuations related to the evolution of wireless technologies;
- Operating expenses are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business.

Any of the factors listed above could cause significant variations in our revenues, gross margin and earnings in any given quarter. Therefore, our quarterly results are not necessarily indicative of our overall business, results of operations, and financial condition.

Quarterly variations in operating results or any of the other factors listed above, changes in financial estimates by securities analysts, or other events or factors may result in wide fluctuations in the market price of our common shares. In addition, the global financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many technology companies and that often have been unrelated to the operating performance of these companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of our common shares.

Competition from new or established wireless communication companies or from those with greater resources may prevent us from increasing or maintaining our market share and could result in price reductions and/or loss of business with resulting reduced revenues and gross margins.

The wireless communications industry is highly competitive and we have experienced and expect to continue to experience intense competition. More established and larger companies with different business models, strong brands and greater financial, technical and marketing resources sell products that compete with ours and we expect this competition to intensify. Business combinations by our competitors or the network carriers could weaken our competitive position. We may also introduce new products that will put us in direct competition with major new competitors. Existing or future competitors may be able to respond more quickly to technological developments and changes and introduce new products before we do, or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favourable pricing, more desired or better quality features or more efficient sales channels. If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, we may lose customer orders and market share and we may need to reduce the price of our products, resulting in reduced revenue and reduced gross margins.

The loss of any of our significant customers could adversely affect our revenue and profitability, and therefore shareholder value.

We sell our products through network carriers, resellers and OEMs and we are dependent on a limited number of customers for a significant portion of our revenue. Most of these network carriers, resellers and OEMs also sell products of our competitors. Accordingly, our business and future success depends on our ability to maintain and build on existing relationships and develop new relationships with network carriers, resellers and OEMs. If any of our significant customers, for any reason, discontinues their relationship with us or reduces or postpones current or expected purchase orders for products, or suffers from business failure, our revenues and profitability could decline, perhaps materially. We expect that a limited number of significant customers will account for a significant portion of our revenues for the foreseeable future. In the three months ended March 31, 2012, two customers individually accounted for more than 10% of our revenue, and in aggregate, represented approximately 29% of our revenue. In the three months ended March 31, 2011, two customers individually accounted for more than 10% of our revenue, and in aggregate, represented approximately 25% of our revenue.

In addition, our current customers purchase our products under purchase orders. Our customers have no contractual obligation to continue to purchase our products following our fulfillment of current purchase orders and if they do not continue to make purchases, our revenue and our profitability could decline, perhaps materially.

We may infringe on the intellectual property rights of others.

Our business success depends on us not infringing on the intellectual property rights owned by others. The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. We may be subject to these claims directly or through indemnities against these claims which we have provided to certain customers and other third parties. Our component suppliers and technology licensors do not typically indemnify us against these claims and therefore we do not have recourse against them in the event a claim is asserted against us or a customer we have indemnified. Activity in this area by third parties, particularly those with tenuous claims, is increasing, resulting in us taking a more aggressive defensive approach, which may result in increased litigation. In the last few years, patent claims have been brought against us by third parties whose primary (or sole) business purpose is to acquire patents and other intellectual property rights, and not to manufacture and sell products and services. These entities aggressively pursue patent litigation, resulting in increased litigation costs for us. We expect that this recent development will continue for the foreseeable future. Rights to intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may be able to, and may choose to, pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- We may be liable for potentially substantial damages, liabilities and litigation costs, including attorneys' fees;
- We may be prohibited from further use of our intellectual property as a result of an injunction and may be required to cease selling our products that are subject to the claim;
- We may have to license third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- Management's attention and resources may be diverted;
- Our relationships with customers may be adversely affected; and
- We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

In addition to being liable for substantial damages in the event of an unfavourable outcome in such a claim and our inability to either obtain a license from the third party on commercial terms or develop a non-infringing alternative, our business, operating results and financial condition may be materially adversely affected and we may have to cease the sale of certain products and restructure our business.

We license technology, intellectual property and software from third parties for use in our products and from time to time may be required to license additional intellectual property. In some cases, these licenses provide us with certain pass-through rights for the use of other third party intellectual property. There is no assurance that we will be able to maintain our third party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products. In addition, there is no assurance that third party licenses we execute will be on commercially reasonable terms.

Under purchase orders and contracts for the sale of our products we may provide indemnification to our customers for potential intellectual property infringement claims for which we may have no corresponding recourse against our third party licensors. This potential liability, if realized, could materially adversely affect our business, operating results and financial condition.

We depend on a limited number of third parties to purchase certain components and manufacture our products. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, and our revenue and margins could decrease.

We outsource the purchase of certain components and the manufacturing of our products to a limited number of third parties and depend heavily on the ability of these manufacturers to meet our needs in a timely and satisfactory manner at a reasonable cost. We primarily rely on one contract manufacturer, who may terminate the manufacturing contract with us at the end of any contract year. Our reliance on third party manufacturers subjects us to a number of risks, including the following:

- The absence of guaranteed or adequate manufacturing capacity;
- Reduced control over delivery schedules, production levels, manufacturing yields, costs and product quality;
- Potential business interruption due to unexpected events such as natural disasters, labor unrest or geopolitical events;
- Their inability to secure adequate volumes of components in a timely manner at a reasonable cost; and
- Unexpected increases in manufacturing costs.

If we are unable to successfully manage any of these risks or to locate alternative or additional manufacturers or suppliers in a timely and cost-effective manner, we may not be able to deliver products in a timely manner. In addition, our results of operations could be harmed by increased costs, reduced revenues and reduced margins.

Under our manufacturing agreements, in many cases we are required to place binding purchase orders with our manufacturers well in advance of our receipt of binding purchase orders from our customers. In this situation, we consider our customers' good faith, non-binding forecasts of demand for our products. As a result, if the number of actual products ordered by our customers is materially different from the number of products we have instructed our manufacturer to build (and purchase components in respect of), then, if too many components have been purchased by our manufacturer, we may be required to purchase such excess component inventory, or, if an insufficient number of components have been purchased by our manufacturer, we may not be in a position to meet all of our customers' requirements. If we are unable to successfully manage our inventory levels and respond to our customers' purchase orders based on their forecasted quantities, our business, operating results and financial condition could be adversely affected.

We depend on single source suppliers for some components used in our products and if these suppliers are unable to meet our demand the availability of our products may be materially adversely affected.

Our products are comprised of components some of which are procured from single source suppliers, including where we have licensed certain software embedded in a component. From time to time, certain components used in our products have been, and may continue to be in short supply worldwide and shortages in allocation of components may result in a delay in filling orders from our customers, which may adversely affect our business. In addition, our single source suppliers may experience damage or interruption in their operations, become insolvent or bankrupt, or experience claims of infringement, all of which could delay or stop their shipment of components to us, which may adversely affect our business, operating results and financial condition. Alternate sources of components may not be available. If there is a shortage of any such components and we cannot obtain an appropriate substitute, we may not be able to deliver sufficient quantities of our products, we may lose business or customers and our operating results and financial condition may be materially adversely affected.

We may have difficulty responding to changing technology, industry standards and customer requirements, which could cause us to be unable to develop new products in a timely manner which meet the needs of our customers.

The wireless communications industry is subject to rapid technological change. Our business and future success will depend, in part, on our ability to accurately predict and anticipate evolving wireless technology standards and develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer

and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, preferences and requirements. Our ability to design, develop and commercially launch new products depends on a number of factors, including, but not limited to the following:

- Our ability to attract and retain skilled technical employees;
- The availability of critical components from third parties;
- Our ability to successfully complete the development of products in a timely manner;
- The ability of third parties to complete and deliver on outsourced product development engagements; and
- Our ability to design and manufacture products at an acceptable cost and quality.

A failure by us, or our suppliers, in any of these areas, or a failure of new products to obtain commercial acceptance, could mean we receive less revenue than we anticipate and we may be unable to recover our research and development expenses, and such a failure may result in a decrease in the market price for our shares.

We develop products to meet our customers' requirements. OEM customers award design wins for the integration of wide area wireless embedded modules on a platform by platform basis. Current design wins do not guarantee future design wins. If we are unable or choose not to meet our customers' future needs, we may not win their future business and our revenue and profitability may decrease.

In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. We may be unable to successfully address these developments on a timely basis or at all. Our failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and reduce our revenues.

Continued difficult or uncertain economic conditions could adversely affect our revenue and profitability.

A significant portion of our business is in the United States, Europe and the Asia-Pacific region and we are particularly exposed to the downturns and current uncertainties in those economies. The global market turmoil could lead to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. To the extent that we experience further global economic deterioration, or deterioration in one of our large markets in the United States, Europe or the Asia-Pacific region, the resulting economic pressure on our customers may cause them to end their relationship with us, reduce or postpone current or expected purchase orders for our products, or suffer from business failure, resulting in a decline in our revenues and profitability that could be material.

It is difficult to estimate or project the level of economic activity, including economic growth, in the markets we serve. As our budgeting and forecasting is based on the demand for our products and services, these economic uncertainties result in it being difficult for us to estimate future revenue and expenses.

Fluctuations in exchange rates between the U.S. dollar and other currencies, including the Canadian dollar, Euro and Australian dollar may affect our operating results.

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the United States dollar. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations.

The majority of our revenues are denominated in U.S. dollars while a significant amount of our research and development, marketing and administration costs are denominated in currencies other than the U.S. dollar; primarily the Canadian dollar and the Euro. To the extent that exchange rates between the U.S. dollar and the Canadian dollar and Euro fluctuate, we will experience an impact on our earnings.

As our business expands internationally, we will be exposed to additional risks relating to international operations.

We intend to continue to grow our international business. Our expansion into international operations exposes us to additional risks unique to such international markets, including the following:

- Increased credit management risks and greater difficulties in collecting accounts receivable;
- Unexpected changes in regulatory requirements, wireless communications standards, exchange rates, trading policies, tariffs and other barriers;
- Uncertainties of international laws and enforcement relating to the protection of intellectual property;
- Economic or political instability;
- Potential adverse tax consequences;
- Difficulty in managing a worldwide workforce in compliance with local laws, that vary from country to country; and
- Consumer protection laws that impose additional requirements on us or restrict our ability to provide limited warranty protection.

We may be unable to attract or retain key personnel which may harm our ability to compete effectively.

Our success depends in large part on the abilities and experience of our executive officers and other key employees. Competition for highly skilled management, technical, research and development and other key employees is intense in the wireless communications industry. We may not be able to retain our current executive officers or key employees and may not be able to hire and transition in a timely manner experienced and highly qualified additional executive officers and key employees as needed to achieve our business objectives. We do not have fixed-term employment agreements with our key personnel. The loss of executive officers and key employees could disrupt our operations and our ability to compete effectively could be adversely affected.

We rely on certain internal processes, networks and systems to efficiently operate and report on our business.

Failure of these internal processes, networks or systems could negatively impact our ability to operate or accurately report on our business.

Acquisitions of companies or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

As part of our business strategy, we have acquired and may continue to acquire additional assets and businesses principally relating to or complementary to our current operations. On February 27, 2009, we completed our acquisition of Wavecom. Any acquisitions and/or mergers by us will be accompanied by the risks commonly encountered in acquisitions of companies. These risks include, among other things:

- Exposure to unknown liabilities of acquired companies, including unknown litigation related to acts or omissions of our acquired company and/or its directors and officers prior to the acquisition;
- Higher than anticipated acquisition and integration costs and expenses;
- Effects of costs and expenses of acquiring and integrating new businesses on our operating results and financial condition;
- The difficulty and expense of integrating the operations and personnel of the acquired companies;
- Possible use of cash to support the operations of an acquired business;
- Possible increase in foreign exchange translation risk depending on the denomination of the revenue and expenses of the acquired business;

- Disruption of our ongoing business;
- Diversion of management's time and attention away from our existing business during the integration process;
- Failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- The inability to implement uniform standards, controls, procedures and policies;
- The loss of key employees and customers as a result of changes in management;
- A possible decrease in our share price, if, as a result of the growth of the Company, we decide to raise additional capital through an offering of common shares, preference shares or debt; and
- Possible dilution to our shareholders if the purchase price is paid in common shares or securities convertible into common shares.

In addition, geographic distances may make integration of businesses more difficult. We may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions. If realized, these risks could reduce shareholder value.

Misappropriation of our intellectual property could place us at a competitive disadvantage.

Our intellectual property is important to our success. We rely on a combination of patent protection, copyrights, trademarks, trade secrets, licenses, non-disclosure agreements and other contractual agreements to protect our intellectual property. Third parties may attempt to copy aspects of our products and technology or obtain information we regard as proprietary without our authorization. If we are unable to protect our intellectual property against unauthorized use by others it could have an adverse effect on our competitive position.

Our strategies to deter misappropriation could be inadequate due to the following risks:

- Non-recognition of the proprietary nature or inadequate protection of our methodologies in the United States, Canada, France or other foreign countries;
- Undetected misappropriation of our intellectual property;
- The substantial legal and other costs of protecting and enforcing our rights in our intellectual property; and
- Development of similar technologies by our competitors.

In addition, we could be required to spend significant funds and our managerial resources could be diverted in order to defend our rights, which could disrupt our operations.

We have been subject to, and may in the future be subject to, certain class action lawsuits, which if decided against us, could require us to pay substantial judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, in the future, we may be subject to class actions and other securities litigation and investigations. We expect that this type of litigation will be time consuming, expensive and distracting from the conduct of our daily business. It is possible that we will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which include substantial fees of lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect our operating results, liquidity or financial position. We do not know if any of this type of litigation and resulting expenses will be covered by insurance. In addition, these lawsuits may cause our insurance premiums to increase in future periods.

We depend on wireless network carriers to offer acceptable wireless data and voice communications services for our products to operate.

Our products can only be used over wireless data and voice networks operated by third parties. Our business and future growth depends, in part, on the successful deployment by network carriers of next generation wireless data and voice networks and the network carriers' ability to grow their subscriber base. If these network carriers delay the deployment or expansion of next generation networks or fail to offer effective and reliable service, or fail to price and market their services effectively, sales of our products will decline and our revenues will decrease.

Government regulation could result in increased costs and inability to sell our products.

Our products are subject to certain mandatory regulatory approvals in the United States, Canada, the European Union, the Asia-Pacific region and other regions in which we operate. For example, in the United States, the Federal Communications Commission regulates many aspects of communications devices. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. European Union directives provide comparable regulatory guidance in Europe. Although we have obtained all the necessary Federal Communications Commission, Industry Canada and other required approvals for the products we currently sell, we may not obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

SIERRA WIRELESS, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

(unaudited)

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 106,773	\$ 101,375
Short-term investments (note 3)	—	9,347
Accounts receivable, net of allowance for doubtful accounts of \$3,226 (2011 - \$3,642)	107,539	107,367
Inventories (note 4)	13,095	16,168
Deferred income taxes	7,372	6,540
Prepaid expenses and other (note 5)	20,070	20,674
	254,849	261,471
Property, plant and equipment	22,731	22,087
Intangible assets	40,461	42,557
Goodwill	90,953	89,961
Deferred income taxes	6,205	6,205
Other assets	630	606
	\$ 415,829	\$ 422,887
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 118,239	\$ 123,547
Deferred income taxes	135	336
Deferred revenue and credits	1,251	1,721
	119,625	125,604
Long-term obligations (note 7)	24,048	25,143
Deferred income taxes	236	236
	143,909	150,983
Equity		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 30,909,707 shares (December 31, 2011 - 31,306,692 shares)	325,423	328,440
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	—	—
Treasury stock: at cost 521,995 shares (December 31, 2011 – 877,559 shares)	(3,736)	(6,141)
Additional paid-in capital	18,368	20,087
Deficit	(62,137)	(62,482)
Accumulated other comprehensive loss (note 8)	(5,998)	(8,000)
	271,920	271,904
	\$ 415,829	\$ 422,887

Commitments and contingencies (note 16)

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

(unaudited)

	<i>Three months ended March 31</i>	
	<i>2012</i>	<i>2011</i>
Revenue	\$ 150,266	\$ 144,275
Cost of goods sold	105,500	104,811
Gross margin	44,766	39,464
Expenses		
Sales and marketing	11,861	12,268
Research and development	21,396	23,512
Administration	8,600	9,385
Restructuring (note 12)	180	325
Integration (note 13)	—	540
Amortization	2,387	2,848
	44,424	48,878
Earnings (loss) from operations	342	(9,414)
Foreign exchange gain	206	422
Other expense	(171)	(40)
Earnings (loss) before income taxes	377	(9,032)
Income tax expense (recovery)	32	(1,199)
Net earnings (loss)	345	(7,833)
Net loss attributable to non-controlling interest	—	(44)
Net earnings (loss) attributable to the Company	\$ 345	\$ (7,789)
Net earnings (loss) per share attributable to the Company's common shareholders (in dollars)		
Basic	\$ 0.01	\$ (0.25)
Diluted	\$ 0.01	\$ (0.25)
Weighted average number of shares outstanding (in thousands) (note 15)		
Basic	31,175	31,237
Diluted	31,214	31,237

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands of U.S. dollars)
(unaudited)

	<i>Three months ended March 31</i>	
	<i>2012</i>	<i>2011</i>
Net earnings (loss)	\$ 345	\$ (7,833)
Other comprehensive income, net of taxes:		
Foreign currency translation adjustments, net of taxes of \$nil	2,002	4,947
Total comprehensive earnings (loss)	2,347	(2,886)
Comprehensive income (loss) attributable to non-controlling interest:		
Net earnings (loss)	—	(44)
Foreign currency translation adjustments, net of taxes of \$nil	—	1
Comprehensive earnings (loss) attributable to the Company	\$ 2,347	\$ (2,843)

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in thousands of U.S. dollars)

(unaudited)

	<i>Equity attributable to the Company</i>								
	Common stock		Treasury Shares		Additional paid-in capital	Deficit	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 currency translation adjustments, net of tax	—	—	—	—	—	—	(2,571)	(49)	(2,620)
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 (note 9)	(400,000)	(3,037)	—	—	—	—	—	—	(3,037)
Stock option exercises	3,015	20	—	—	(6)	—	—	—	14
Stock-based compensation (note 10)	—	—	—	—	1,679	—	—	—	1,679
Purchase of treasury shares for RSU distribution	—	—	133,078	(987)	—	—	—	—	(987)
Distribution of vested RSUs	—	—	(488,642)	3,392	(3,392)	—	—	—	—
Net earnings	—	—	—	—	—	345	—	—	345
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	2,002	—	2,002
Balance as at March 31, 2012	30,909,707	\$ 325,423	521,995	\$ (3,736)	\$18,368	\$ (62,137)	\$(5,998)	\$ —	\$271,920

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)
(unaudited)

	<i>Three months ended March 31</i>	
	<i>2012</i>	<i>2011</i>
Cash flows provided (used) by:		
Operating activities		
Net earnings (loss)	\$ 345	\$ (7,833)
Items not requiring (providing) cash		
Amortization	6,982	8,612
Stock-based compensation (note 10)	1,679	1,631
Deferred income taxes	(1,030)	–
Loss (gain) on disposal of property, plant and equipment	159	(8)
Changes in non-cash working capital		
Accounts receivable	613	12,220
Inventories	3,224	1,334
Prepaid expenses and other	716	(1,121)
Accounts payable and accrued liabilities	(7,085)	(13,317)
Deferred revenue and credits	(480)	(42)
Cash flows provided by operating activities	5,123	1,476
Investing activities		
Additions to property, plant and equipment	(3,603)	(1,963)
Proceeds from sale of property, plant and equipment	61	13
Increase in intangible assets	(771)	(741)
Net change in short-term investments	9,345	1,847
Cash flows provided (used) by investing activities	5,032	(844)
Financing activities		
Issuance of common shares, net of share issue costs	14	206
Repurchase of common shares (note 9)	(3,037)	–
Purchase of treasury shares for RSU distribution	(987)	–
Repayment of long-term obligations	(642)	(638)
Cash flows used by financing activities	(4,652)	(432)
Effect of foreign exchange rate changes on cash and cash equivalents	(105)	554
Cash and cash equivalents, increase in the period	5,398	754
Cash and cash equivalents, beginning of period	101,375	85,443
Cash and cash equivalents, end of period	\$ 106,773	\$ 86,197
Supplemental disclosures:		
Net Income taxes paid (received)	\$ 240	\$ 301
Net interest paid (received)	43	(1)

The accompanying notes are an integral part of the consolidated financial statements.

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

1. Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”), on a basis consistent with those followed in the December 31, 2011 audited annual consolidated financial statements. These unaudited interim consolidated financial statements do not include all information and note disclosures required by U.S. GAAP for annual financial statements, and therefore should be read in conjunction with the December 31, 2011 audited consolidated financial statements and the notes thereto. The accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim period.

Our consolidated financial statements include the accounts of Sierra Wireless, Inc. and its wholly-owned subsidiaries from their respective dates of formation or acquisition. We have eliminated all significant intercompany balances and transactions.

We have two reportable segments effective January 1, 2011:

- Mobile Computing (“MC”) – includes AirCard mobile broadband devices and AirPrime wireless embedded modules for PC OEM customers.
- Machine-to-Machine (“M2M”) – includes AirPrime embedded wireless modules (excluding embedded module sales to PC OEMs), AirLink Intelligent Gateways and routers, and AirVantage M2M Cloud Platform.

In these interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States dollars (U.S. dollars). The term dollars and the symbol “\$” refer to U.S. dollars.

2. Significant accounting policies

Recently implemented accounting changes

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income – Presentation. This guidance increases the prominence of other comprehensive income by requiring comprehensive income to be reported in either a single statement or two consecutive statements. This eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders’ equity. The amendments do not change what items are reported in other comprehensive income. This ASU is effective on a retrospective basis for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. This guidance did not have a material impact on our consolidated financial statements as we were previously reporting our comprehensive income as a single statement.

3. Short-term investments

Short-term investments, all of which are classified as available-for-sale, are comprised of government treasury bills and securities. As at March 31, 2012, we had no outstanding short-term investments.

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

4. Inventories

The components of inventories were as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Electronic components	\$ 4,244	\$ 4,826
Finished goods	8,851	11,342
	\$ 13,095	\$ 16,168

5. Prepaids and Other

The components of prepaids and other were as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Inventory advances	\$ 13,260	\$ 13,033
Insurance and licenses	2,780	2,024
Other	4,030	5,617
	\$ 20,070	\$ 20,674

6. Accounts payable and accrued liabilities

The components of accounts payable and accrued liabilities were as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Trade payables	\$ 52,190	\$ 60,805
Inventory commitments	6,979	4,898
Accrued royalties	15,576	15,053
Accrued payroll and related liabilities	9,774	9,770
Taxes payable (including sales taxes)	10,525	9,849
Product warranties (note (16)(a)(ii))	4,907	4,537
Marketing development funds	4,616	5,323
Other	13,672	13,312
	\$ 118,239	\$ 123,547

7. Long-term obligations

The components of long-term obligations were as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Accrued royalties	\$ 19,352	\$ 18,442
Marketing development funds	3,463	4,668
Other	1,233	2,033
	\$ 24,048	\$ 25,143

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

8. Accumulated other comprehensive loss

The components of accumulated other comprehensive loss, net of taxes, were as follows:

	<i>March 31, 2012</i>	<i>December 31, 2011</i>
Release of foreign currency translation relating to acquisition of non-controlling interest	\$ 178	\$ 178
Translation adjustment related to change in functional currency	(728)	(728)
Foreign currency translation adjustments	(5,448)	(7,450)
	\$ (5,998)	\$ (8,000)

9. Share Capital

On December 13, 2011, we received regulatory approval allowing us to purchase for cancellation up to 1,564,914 of our common shares by of a normal course issuer bid ("the Bid") on the Toronto Stock Exchange and the NASDAQ Global Market. The Bid commenced on December 19, 2011 and will terminate on the earlier of December 18, 2012, the date we complete our purchases, or the date of notice by us of termination. During the three months ended March 31, 2012, we purchased 400,000 shares in the open market for \$3,037, or at an average price of approximately \$7.59 per share.

10. Share-based payments

Stock-based compensation expense

The stock-based compensation expense was as follows:

	<i>Three months ended March 31, 2012</i>	<i>2011</i>
Cost of goods sold	\$ 83	\$ 113
Sales and marketing	332	324
Research and development	437	390
Administration	827	805
	\$ 1,679	\$ 1,632
Stock option plan	\$ 543	\$ 826
Restricted stock plans	1,136	806
	\$ 1,679	\$ 1,632

As at March 31, 2012, the unrecognized compensation expense related to non-vested stock options and RSUs was \$5,396 and \$9,143 (2011 – \$6,092 and \$6,928), respectively, which is expected to be recognized over weighted average periods of 2.9 and 2.3 years (2011 – 3.0 and 2.4 years), respectively.

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

Stock option plan

The following table presents information on all stock option activity for the period:

<i>Number of Options</i>	<i>Three months ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
Outstanding, beginning of period	2,297,875	2,259,728
Granted	610,075	637,936
Exercised	(3,015)	(27,509)
Forfeited	(10,983)	(381,649)
Outstanding, end of period	2,893,952	2,488,506
Exercisable, beginning of period	1,202,504	1,197,931
Exercisable, end of period	1,441,407	1,050,831

Under the terms of our employee Stock Option Plan (the “Plan”), our Board of Directors may grant options to employees, officers and directors. The maximum number of shares available for issue under the Plan shall be the lesser of a rolling number equal to 10% of the number of issued and outstanding common shares from time to time or 7,000,000 common shares. Based on the number of shares outstanding as at March 31, 2012, stock options exercisable into 197,019 common shares are available for future allocation under the Plan.

The Plan provides that the exercise price of an option will be determined on the date of grant and will not be less than the closing market price of our stock at that date. Options generally vest over four years, with the first 25% vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each month thereafter. We determine the expiry date of each option at the time it is granted, which cannot be more than five years after the date of the grant.

The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date, or date of exercise, less the exercise price of the option. The aggregate intrinsic value of stock options exercised in the three months ended March 31, 2012 was \$8 (three months ended March 31, 2011 - \$134).

The fair value of stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<i>Three months ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
Risk-free interest rate	0.82%	2.11%
Annual dividends per share	Nil	Nil
Expected stock price volatility	57%	60%
Expected option life (in years)	4.0	4.0
Estimated forfeiture rate	3.50%	3.50%
Average fair value of options granted (in dollars)	\$3.42	\$5.26

There is no dividend yield because we do not pay, and do not plan to pay, cash dividends on our common shares. The expected stock price volatility is based on the historical volatility of our average monthly stock closing prices over a period

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

equal to the expected life of each option grant. The risk-free interest rate is based on yields from risk-free instruments with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. We estimate forfeitures at the time of grant and, if necessary, revise that estimate if actual forfeitures differ and adjust stock-based compensation expense accordingly.

Restricted share plans

The following table presents information on the restricted share plans' activity for the period:

<i>Number of RSUs</i>	<i>Three months ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
Outstanding, beginning of period	904,029	827,991
Granted	820,809	456,465
Vested	(488,642)	(344,616)
Forfeited	–	(7,716)
Outstanding, end of period	1,236,196	932,124

We have two market based restricted share unit plans, one for U.S. employees and the other for all non-U.S. employees, and a new treasury based restricted share unit plan, approved May 17, 2011 (collectively, the "RSPs"). The RSPs further our growth and profitability objectives by providing long-term incentives to certain executives and other key employees and also encourage our objective of employee share ownership through the granting of restricted share units ("RSUs"). There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of shares (or, in certain jurisdictions, cash in lieu at the option of the company) to settle vested RSUs. With respect to the treasury based RSP, the maximum number of common shares which the company may issue from treasury is 1,000,000 common shares. With respect to the two market based RSPs, independent trustees purchase Sierra Wireless common shares over the facilities of the TSX and Nasdaq, which are used to settle vested RSUs. The existing trust funds are variable interest entities and are included in these consolidated financial statements as treasury shares held for RSU distribution.

Generally, RSUs vest over three years, in equal one-third amounts on each anniversary date of the date of the grant. However, RSU grants to employees who are resident in France for French tax purposes will not vest before the second anniversary from the date of grant, and any shares issued are subject to an additional two year tax hold period. All vested RSUs will be settled upon vesting by delivery of one common share of Sierra Wireless, Inc. (or, in certain jurisdictions, cash in lieu at the option of the company) for each vested unit. There were 1,236,196 unvested RSU's as at March 31, 2012.

The aggregate intrinsic value of RSUs that vested in the three months ended March 31, 2012 was \$3,736 (three months ended March 31, 2011 - \$4,000).

RSUs are valued at the market price of the underlying securities on the grant date and the compensation expense, based on the estimated number of awards expected to vest, is recognized on a straight-line basis over the three-year vesting period. Grants to French employees are expensed over a two-year vesting period.

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

11. Non-controlling interest

On June 8, 2011, the tax hold period expired on the vested shares held by Wavecom S.A. employees under their long-term incentive plan. For the three months ended March 31, 2012, we acquired 1,750 shares at €8.50 per share. The obligation for the remaining 3,000 shares at €8.50 per share has been recorded as at March 31, 2012 and is classified under accrued liabilities.

12. Restructuring costs

The Company's restructuring expenses and related provisions were as follows:

<i>Three months ended March 31, 2012</i>	<i>Workforce Reduction</i>	<i>Facilities</i>	<i>Total</i>
Balance, beginning of period	\$ 625	\$ 562	\$ 1,187
Expensed in period	152	28	180
Disbursements	(367)	(121)	(488)
Foreign exchange	21	—	21
Balance, end of period	\$ 431	\$ 469	\$ 900
Classification:			
Accounts payable and accrued liabilities	\$ 431	\$ 380	\$ 811
Other long-term obligations	—	89	89
	\$ 431	\$ 469	\$ 900

The following table provides restructuring liability by initiative:

	<i>Workforce Reduction</i>	<i>Facilities</i>	<i>Total</i>
January 2012	\$ 67	\$ —	\$ 67
September 2010	148	—	148
May 2009	—	469	469
Wavecom S.A. and prior	216	—	216
	\$ 431	\$ 469	\$ 900

During the three months ended March 31, 2012, we announced that our M2M Embedded Solutions business unit will be streamlined by reducing the number of sites handling module development activities. Specifically, M2M module development activities will be wound down in Carlsbad and consolidated in Europe and Asia. This initiative is expected to result in a reduction of 8 employees, with total severance and other related costs expected at \$214. For the three months ended March 31, 2012, we recorded \$148 in restructuring and other expenses related to this initiative.

Subsequent to quarter end, on April 3, 2012, we announced we will be closing our Newark facility effective December 31, 2012 to drive greater efficiency, scalability and leverage. Our AirLink marketing, research and development, and customer support activities will transfer primarily to the Richmond office, some engineering activities will transfer to our office in

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

France, and our manufacturing operations will transfer to our manufacturing partner in Suzhou, China. Total severance and other costs associated with this initiative are estimated to be approximately \$2 million.

13. Integration costs

We did not incur any integration costs during the three months ended March 31, 2012. For the three months ended March 31, 2011, we incurred \$540 in integration costs related to the acquisition of Wavecom S.A., primarily for costs related to the office space optimization in France and for information technology consultants retained to implement an integrated Customer Relationship Management system.

14. Financial Instruments

(a) Fair value presentation

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs that are generally unobservable and are supported by little or no market activity and that are significant to the fair value determination of the assets or liabilities.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and current portions of long-term liabilities, approximate their fair value due to the immediate or short-term maturity of these financial instruments. Short-term investments are recorded at fair value and their carrying value as at March 31, 2012 was \$nil (December 31, 2011 – \$9,347). Our short-term investments are classified within Level 1 of the valuation hierarchy. Based on borrowing rates currently available to us for loans with similar terms, the carrying values of our obligations under capital leases, long-term obligations and other long-term liabilities approximate their fair values.

(b) Credit Facilities

We have a two-year revolving term credit facility ("Revolving Facility") with The Toronto Dominion Bank and Canadian Imperial Bank of Commerce in the amount of \$10,000 which expires on January 28, 2013. As at March 31, 2012, we had no borrowings against this Revolving Facility.

(c) Letters of credit

We have entered into a standby letter of credit facility agreement under which we have issued a performance bond to a third party customer in accordance with specific terms and conditions. At March 31, 2012, we had a performance bond of \$176 (December 31, 2011 – \$176) and the value of this bond approximated its fair market value. The expiry on this letter of credit is May 2012.

SIERRA WIRELESS, INC.*(in thousands of U.S. dollars, except where otherwise noted)**(unaudited)***Notes to the Consolidated Financial Statements****15. Earnings (loss) per share**

The following table provides the reconciliation between basic and diluted loss per share:

	<i>2012</i>	<i>2011</i>
Weighted average shares used in computation of basic earnings (loss) per share (in thousands)	31,175	31,237
Weighted average shares from assumed conversion of dilutive options (in thousands)	39	–
Weighted average shares used in computation of diluted Earnings (loss) per share (in thousands)	31,214	31,237

16. Commitments and Contingencies***(a) Contingent liability on sale of products***

- (i) Under license agreements, we are committed to make royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation. When the agreements are finalized, the estimate will be revised accordingly.
- (ii) We accrue product warranty costs to provide for the repair or replacement of defective products when we sell the related products. Our accrual is based on an assessment of historical experience and on management's estimates. An analysis of changes in the liability for product warranties follows:

	<i>Three months ended March 31,</i>	
	<i>2012</i>	<i>2011</i>
Balance, beginning of period	\$ 4,537	\$ 4,059
Provisions	2,047	2,927
Expenditures	(1,677)	(2,179)
Balance, end of period	\$ 4,907	\$ 4,807

(b) Other commitments

We have entered into purchase commitments totaling approximately \$123,719, net of related electronic components inventory of \$3,973 (December 31, 2011 – \$85,071, net of electronic components inventory of \$4,239), with certain contract manufacturers under which we have committed to buy a minimum amount of designated products between April and June 2012. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(c) Legal proceedings

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of our business. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450, *Contingencies*) that the losses could exceed the amounts already accrued for those cases for which an estimate can be made, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

In some instances, we are unable to reasonably estimate any potential loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company. There are many reasons that we cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding, which does not require the claimant to specifically identify the patent that has allegedly been infringed; damages sought that are unspecified, unsupported, unexplained or uncertain; discovery not having been started or incomplete; the complexity of the facts that are in dispute (e.g., once a patent is identified, the analysis of the patent and a comparison to the activities of the Company is a labor-intensive and highly technical process); the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of patent litigation.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. While we believe we have meritorious defenses to the claims asserted against us in our currently outstanding litigations, and intend to defend ourselves vigorously in all the cases, in light of the inherent uncertainties in litigation, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us for those cases for which an estimate can be made, and losses in connection with any litigation for which we are not presently able to reasonably estimate any potential loss or range of loss could be material to our results of operations and financial condition.

In January 2012, a patent holding company, M2M Solutions LLC, filed a patent litigation lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the Airprime embedded wireless module products, related Airlink products and related services sold by us for use in M2M communication applications.

In September 2011, a patent holding company, Wi-Lan, Inc., filed a patent litigation lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by a number of parties, including us. The lawsuit makes certain allegations concerning the wireless communication products sold by us. We have joined in a motion filed on behalf of all the defendants in the lawsuit to transfer the venue to the United States District Court for the Southern District of California.

In May 2010 and in February 2011, a patent holding company, Golden Bridge Technology Inc., filed patent litigation lawsuits in the United States District Court for the District of Delaware asserting patent infringement of the same two patents by a number of parties, including us and certain of our customers. In both cases, the litigation makes certain allegations concerning the wireless modems sold by us and our competitors. Both lawsuits have been stayed against all defendants except one, pending the outcome of the trial against this one non-stayed defendant which is anticipated to occur in or around April 2013.

In July 2009, a patent holding company, SPH America, LLC, filed a patent litigation lawsuit in the United States District Court for the Eastern District of Virginia asserting patent infringement by a number of device manufacturers, including us, and computer manufacturers, including certain of our customers. The litigation, which has been transferred to the United States District Court for the Southern District of California, makes certain allegations concerning the wireless modules sold

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

to the computer manufacturers by us or our competitors. The claim construction hearing occurred in April 2012 and no trial date has been set.

Although there can be no assurance that an unfavorable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims made in the foregoing legal proceedings are without merit and intend to defend ourselves and our products vigorously in all cases.

IP Indemnification Claims

We have been notified by one or more of our customers in each of the following matters that we have an obligation to indemnify them in respect of the products we supply to them:

In September 2011, a patent holding company, Mayfair Wireless, LLC, filed a patent litigation lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to the wireless hotspots sold to them by us. A motion to dismiss the lawsuit has been briefed and is pending judgment of the Court.

In August 2011, a patent holding company, Brandywine Communications Technologies, LLC, filed a patent litigation lawsuit in the United States District Court for the Middle District of Florida against one of our customers asserting patent infringement in relation to the wireless modems sold to them by us.

In July 2011, a patent holding company, GPNE Corp., filed a patent litigation lawsuit in the United States District Court for the District of Hawaii asserting patent infringement against one of our customers for selling e-readers and computerized tablet and communication devices with the ability to function with GPRS, including the Nook e-reader which incorporates wireless modules sold to them by us. An Order of the Magistrate Judge to sever the actions and, in the case of certain defendants including our customer, transfer the actions to the United States District Court for the Northern District of California was granted and has been appealed by the plaintiff to the District Court.

A patent holding company, Eon Corp. IP Holdings, LLC, filed a patent litigation lawsuit against one of our customers in October 2010 in the United States District Court for the Eastern District of Texas, which was subsequently transferred to the United States District Court for the Northern District of California. Eon filed a patent litigation lawsuit against another of our customers in January 2012 in the United States District Court for the District of Puerto Rico. In both cases, assertions of patent infringement are being made in relation to the wireless modems sold to our customers by us.

In March 2009, MSTG Inc., a patent holding company, filed a patent litigation lawsuit in the United States District Court for the Northern District of Illinois asserting patent infringement by a number of telecommunication carrier companies, including one of our customers, which the customer claims relates to the wireless data cards and modems sold to them by us. The claim construction process has concluded, and there is currently no activity in the case pending a decision of the Court of Appeals for the Federal Circuit on a petition for a Writ of Mandamus in relation to a discovery order of the District Court.

We are engaged in certain other claims, legal actions and arbitration matters, all in the ordinary course of business, and believe that the ultimate outcome of these claims, legal actions and arbitration matters will not have a material adverse effect on our operating results, liquidity or financial position.

SIERRA WIRELESS, INC.

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

(unaudited)

Notes to the Consolidated Financial Statements

17. Comparative figures

Certain comparative figures presented in the interim consolidated financial statements have been reclassified to conform to the current period presentation.

18. Segmented Information

	<i>MC</i>	<i>M2M</i>	<i>Total</i>
Three months ended March 31, 2012			
Revenue	\$ 73,323	\$ 76,943	\$ 150,266
Cost of goods sold	53,281	52,219	105,500
Gross Margin	\$ 20,042	\$ 24,724	\$ 44,766
Gross Margin %	27.3%	32.1%	29.8%
Expenses			44,424
Earnings (loss) from operations			\$ 342
Three months ended March 31, 2011			
Revenue	\$ 71,547	\$ 72,728	\$ 144,275
Cost of goods sold	54,763	50,048	104,811
Gross Margin	\$ 16,784	\$ 22,680	\$ 39,464
Gross Margin %	23.5%	31.2%	27.4%
Expenses			48,878
Earnings (loss) from operations			\$ (9,414)

We sell certain products through resellers, original equipment manufacturers, and wireless service providers who sell these products to end-users. We had two significant customers during the three months ended March 31, 2012 that accounted for more than 10% of our revenue, comprising sales of \$25,489 and \$17,800 for the three-month period (three months ended March 31, 2011- \$20,895 and \$14,843, respectively).



SIERRA
WIRELESS™

Head Office
Sierra Wireless, Inc.
13811 Wireless Way
Richmond
British Columbia
Canada V6V 3A4

Telephone: 604 231 1100

Facsimile: 604 231 1109

www.sierrawireless.com