News Release

September 27, 2012

FOR IMMEDIATE RELEASE

RESEARCH IN MOTION REPORTS SECOND QUARTER FISCAL 2013 RESULTS

Waterloo, ON – Research In Motion Limited (RIM) (Nasdaq: RIMM; TSX: RIM), a world leader in the mobile communications market, today reported second quarter results for the three months ended September 1, 2012 (all figures in U.S. dollars and U.S. GAAP, except where otherwise indicated).

Highlights:

- BlackBerry subscriber base increased to approximately 80 million global subscribers
- Cash, cash equivalents, short-term and long-term investments increased by approximately $100 million to $2.3 billion at the end of the second quarter
- Cash flow from operations was approximately $432 million in the second quarter
- Revenue of $2.9 billion in Q2, up 2% from $2.8 billion in Q1
- GAAP net loss in Q2 of $235 million, or $0.45 per share diluted, including $136 million in pre-tax restructuring costs; adjusted net loss of $142 million, or $0.27 per share diluted
- Shipments of BlackBerry smartphones were 7.4 million and shipments of BlackBerry PlayBook tablets were approximately 130,000

Q2 Results

Revenue for the second quarter of fiscal 2013 was $2.9 billion, up 2% from $2.8 billion in the previous quarter and down 31% from $4.2 billion in the same quarter of fiscal 2012. The revenue breakdown for the quarter was approximately 60% for hardware, 35% for service and 5% for software and other revenue. During the quarter, RIM shipped approximately 7.4 million BlackBerry smartphones and shipped approximately 130,000 BlackBerry PlayBook tablets.

GAAP net loss for the quarter was $235 million, or $0.45 per share diluted, compared with the GAAP net loss of $518 million, or $0.99 per share diluted, in the prior quarter and GAAP net income of $329 million, or $0.63 per share diluted, in the same quarter last year.

Adjusted net loss for the second quarter was $142 million, or $0.27 per share diluted. Adjusted net loss and adjusted diluted loss per share exclude the impact of pre-tax charges of $136 million ($93 million on an after-tax basis) related to the Cost Optimization and Resource Efficiency ("CORE") program. This charge and its related impact on GAAP net loss and diluted loss per share are summarized in the table below.

"Despite the significant changes we are implementing across the organization, our second quarter results demonstrate that RIM is progressing on its financial and operational commitments during this major transition," said Thorsten Heins, President and CEO. "Subscribers grew to approximately 80 million global users, revenue grew sequentially from the first quarter, cash, cash equivalents, short-term and long-term investments increased by approximately $100 million to $2.3 billion, and carriers and developers are responding well to previews of our upcoming BlackBerry 10 platform. Make no mistake about it, we understand that we have much more work to do, but we are making the organizational changes to drive improvements across the company, our employees are committed and motivated, and BlackBerry 10 is on track to launch in the first calendar quarter of 2013."

The total of cash, cash equivalents, short-term and long-term investments was $2.3 billion as of September 1, 2012, compared to $2.2 billion at the end of the previous quarter, an increase of approximately $100 million from the prior quarter. Cash flow from operations in Q2 was approximately $432 million. Uses of cash included intangible asset additions of approximately $253 million and capital expenditures of approximately $87 million.

Outlook

The Company expects that there will be continued pressure on operating results for the remainder of the fiscal year based on the increasing competitive environment, lower handset volumes, increased marketing expense associated with the launch of BlackBerry 10, and some impact from pressure by customers to reduce RIM's monthly infrastructure access fees. Also, the Company plans to continue to invest in targeted marketing and sales programs to aggressively drive sales of BlackBerry 7 handheld devices before the anticipated launch of the BlackBerry 10 smartphones. The Company expects to report an operating loss in the third quarter of fiscal 2013 as RIM continues to work through the transition to BlackBerry 10 and completes its CORE program. This outlook excludes any benefits or future impact of charges related to the CORE program.

Reconciliation of GAAP net loss and diluted loss per share to adjusted net loss and adjusted diluted loss per share:
(United States dollars, in millions except per share data)

	Three months ended September 1, 2012	
	Net Loss *(net of income tax)*	Diluted loss per share *(net of income tax)*
As reported	$ (235)	$ (0.45)
Adjustment:		
CORE Program (net of tax) (1)	93	0.18
Adjusted	$ (142)	$ (0.27)

Note: Adjusted net loss and adjusted diluted loss per share do not have a standardized meaning prescribed by GAAP and thus are not comparable to similarly titled measures presented by other issuers. The Company believes that the presentation of adjusted net loss and adjusted diluted loss per share enables the Company and its shareholders to better assess RIM's operating results relative to its operating results in prior periods and improves the comparability of the information presented. Investors should consider these non-GAAP measures in the context of RIM's GAAP results.

(1) As part of the Company's ongoing effort to streamline its operations and increase efficiency, the Company commenced the CORE program in March 2012. During the second quarter of fiscal 2013, the Company incurred approximately $136 million in total pre-tax charges related to the CORE program. Substantially all of the pre-tax charges are related to one-time employee termination benefits, facilities costs and manufacturing network simplification costs. During the second quarter of fiscal 2013, pre-tax charges of approximately $68 million were included in cost of sales, charges of approximately $20 million were included in research and development and charges of approximately $48 million were included in selling, marketing, and administration expenses. Additional charges for headcount related costs associated with the CORE program will also be incurred in subsequent quarters.

Conference Call and Webcast

A conference call and live webcast will be held beginning at 5 pm ET, September 27, 2012, which can be accessed by dialing-1-800-814-4859 (North America), (+1)416-644-3414 (outside North America), or through your personal computer or BlackBerry® PlayBook™ tablet at www.rim.com/investors/events/index.shtml. A replay of the conference call will also be available at approximately 7 pm ET by dialing (+1)416-640-1917 and entering pass code 4501367#. A replay of the webcast will be available on your personal computer or BlackBerry PlayBook tablet by clicking the link above. This replay will be available until midnight ET, October 11, 2012.

About Research In Motion

Research In Motion (RIM), a global leader in wireless innovation, revolutionized the mobile industry with the introduction of the BlackBerry® solution in 1999. Today, BlackBerry products and services are used by millions of customers around the world to stay connected to the people and content that matter most throughout their day. Founded in 1984 and based in Waterloo, Ontario, RIM operates offices in North America, Europe, Asia Pacific and Latin America. RIM is listed on the NASDAQ Stock Market

(NASDAQ: RIMM) and the Toronto Stock Exchange (TSX: RIM). For more information, visit www.rim.com or www.blackberry.com.

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This news release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws, including statements regarding: RIM's plans and expectations relating to changes it is implementing across the organization; the Company's current expectations regarding the timing of the BlackBerry 10 smartphone launch; anticipated continued progress regarding RIM's financial and operations commitments during its transition, including with respect to its CORE program; the Company's expectations regarding further additional charges for headcount reduction related costs associated with the CORE program in fiscal 2013; RIM's outlook, including its expectation that there will be continued pressure on operating results for the remainder of fiscal 2013, and its expectations regarding the effects of increasing competition in the wireless communications industry, lower handset volumes, the impact of marketing and sales program relating to the launch of the BlackBerry 10 smartphones, pressures to reduce RIM's monthly infrastructure access fees, and the financial impact of its sales and marketing initiatives relating to BlackBerry 7 smartphones; and the Company's current expectation that it will report an operating loss in the third quarter of fiscal 2013. The terms and phrases "implementing", "progressing", "making", "drive", "on track", "outlook", "expects", "continued", "increasing", "plans", "anticipated", "future impact", and similar terms and phrases are intended to identify these forward-looking statements. Forward-looking statements are based on estimates and assumptions made by RIM in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that RIM believes are appropriate in the circumstances, including but not limited to general economic conditions, product pricing levels and competitive intensity, supply constraints, the timing and success of new product introductions, RIM's expectations regarding its business, strategy, opportunities and prospects, including its ability to implement meaningful changes to address its business challenges, and RIM's expectations regarding the cash flow generation of its business. Many factors could cause RIM's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: RIM's ability to enhance current products and develop new products and services in a timely manner or at competitive prices, including risks related to further delays in new product introductions, including the Company's BlackBerry 10 smartphones; risks related to intense competition, including RIM's ability to compete in the tablet market, strategic alliances or transactions within the wireless communications industry, and risks relating to RIM's ability to maintain or grow its services revenues including pressure to reduce RIM's infrastructure access fees; RIM's reliance on carrier partners and distributors; risks relating to network disruptions and other business interruptions, including costs, potential liabilities, lost revenue and reputational damage associated with service interruptions; RIM's ability to manage inventory and asset risk; RIM's ability to implement and realize the anticipated benefits of its CORE program; RIM's ability to maintain or increase its cash balance; security risks and risks related to the collection, storage, transmission, use and disclosure of confidential and personal information; RIM's ability to attract and retain key personnel; RIM's ability to adapt to recent management changes and headcount reductions; RIM's reliance on suppliers of functional components for its products and risks relating to its supply chain; RIM's ability to maintain and enhance the BlackBerry brand; risks related to RIM's international operations; risks related to government regulations, including regulations relating to encryption technology; RIM's reliance on third-party network infrastructure developers, software platform vendors and service platform vendors; RIM's ability to expand and manage its BlackBerry App World applications catalogue; RIM's reliance on third-party manufacturers; potential defects and vulnerabilities in RIM's products; risks relating to litigation, including litigation claims arising from the Company's past practice of providing forward-looking guidance; RIM's ability to manage its past growth and its ongoing development of service and support operations; potential additional charges relating to the impairment of goodwill or other intangible assets recorded on RIM's balance sheet; disruptions to RIM's business as a result of shareholder activism; risks related to intellectual property; and difficulties in forecasting RIM's financial results given the rapid technological changes, evolving industry standards, intense competition and short product life cycles that characterize the wireless communications industry. These risk factors and others relating to RIM are discussed in greater detail in the "Risk Factors" section of RIM's Annual Information Form, which is included in its Annual Report on Form 40-F and the "Cautionary Note Regarding Forward-Looking Statements" section of RIM's MD&A (copies of which filings may be obtained at www.sedar.com or www.sec.gov). These factors should be considered carefully, and readers should not place undue reliance on RIM's forward-looking statements. RIM has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Research In Motion Limited
Incorporated under the Laws of Ontario
(United States dollars, in millions)(unaudited)

Consolidated Balance Sheets

	As at	
	September 1, 2012	March 3, 2012
Assets		
Current		
Cash and cash equivalents	$ 1,511	$ 1,527
Short-term investments	554	247
Accounts receivable, net	2,194	3,062
Other receivables	363	496
Inventories	785	1,027
Income taxes receivable	284	135
Other current assets	438	365
Deferred income tax asset	172	197
	6,301	7,056
Long-term investments	278	337
Property, plant and equipment, net	2,612	2,748
Goodwill	—	304
Intangible assets, net	3,272	3,286
	$ 12,463	$13,731
Liabilities		
Current		
Accounts payable	$ 622	$ 744
Accrued liabilities	1,940	2,382
Deferred revenue	301	263
	2,863	3,389
Deferred income tax liability	212	232
Income taxes payable	16	10
	3,091	3,631
Commitments and contingencies		
Shareholders' Equity		
Capital stock and additional paid-in capital		
Preferred shares, authorized unlimited number of non-voting, cumulative, redeemable and retractable	—	—
Common shares, authorized unlimited number of non-voting, redeemable, retractable Class A common shares and unlimited number of voting common shares		
Issued—524,159,844 voting common shares (March 3, 2012—524,159,844)	2,451	2,446
Treasury stock		
September 1, 2012—7,790,520 (March 3, 2012—8,711,010)	(267)	(299)
Retained earnings	7,160	7,913
Accumulated other comprehensive income	28	40
	9,372	10,100
	$ 12,463	$13,731

See notes to consolidated financial statements.

On behalf of the Board:

Thorsten Heins
Director

Barbara Stymiest
Director

Research In Motion Limited
(United States dollars, in millions)(unaudited)

Consolidated Statements of Shareholders' Equity

	Capital Stock and Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as at March 3, 2012	$ 2,446	$ (299)	$ 7,913	$ 40	$10,100
Net loss	—	—	(753)	—	(753)
Other comprehensive loss	—	—	—	(12)	(12)
Shares issued:					
Stock-based compensation	42	—	—	—	42
Tax deficiencies related to stock-based compensation	(5)	—	—	—	(5)
Treasury stock vested	(32)	32	—	—	—
Balance as at September 1, 2012	$ 2,451	$ (267)	$ 7,160	$ 28	$ 9,372

See notes to consolidated financial statements.

Research In Motion Limited

(United States dollars, in millions, except per share data)(unaudited)

Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Revenue	$ 2,873	$ 4,168	$ 5,687	$ 9,076
Cost of sales	2,126	2,556	4,152	5,308
Gross margin	747	1,612	1,535	3,768
Operating expenses				
Research and development	367	381	735	804
Selling, marketing and administration	559	683	1,111	1,387
Amortization	184	141	360	273
Impairment of goodwill	—	—	335	—
	1,110	1,205	2,541	2,464
Income (loss) from operations	(363)	407	(1,006)	1,304
Investment income, net	—	7	3	14
Income (loss) before income taxes	(363)	414	(1,003)	1,318
Provision for (recovery of) income taxes	(128)	85	(250)	294
Net income (loss)	$ (235)	$ 329	$ (753)	$ 1,024
Earnings (loss) per share				
Basic	$ (0.45)	$ 0.63	$ (1.44)	$ 1.95
Diluted	$ (0.45)	$ 0.63	$ (1.44)	$ 1.95

See notes to consolidated financial statements.

Research In Motion Limited

(United States dollars, in millions, except per share data)(unaudited)

Consolidated Statements of Comprehensive Income

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Net Income (loss)	$ (235)	$ 329	$ (753)	$ 1,024
Other Comprehensive Income (loss)				
Net change in unrealized gains (losses) on available-for-sale investments	—	(2)	—	(2)
Net change in fair value of derivatives designated as cash flow hedges during the period, net of income taxes of $5 million and $14 million for the three and six months ended (August 27, 2011 - income tax recovery of $12 million and $43 million)	14	(39)	42	(121)
Amounts reclassified to income during the period, net of income taxes of $10 million and $18 million for the three and six months ended (August 27, 2011 - income tax recovery of $12 million and $25 million)	(31)	36	(54)	70
Other comprehensive income (loss)	$ (17)	$ (5)	$ (12)	$ (53)
Comprehensive income (loss)	$ (252)	$ 324	$ (765)	$ 971

See notes to consolidated financial statements.

Research In Motion Limited

(United States dollars, in millions)(unaudited)

Consolidated Statements of Cash Flows

	Six Months Ended	
	September 1, 2012	August 27, 2011
Cash flows from operating activities		
Net income (loss)	$ (753)	$ 1,024
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization	1,001	709
Deferred income taxes	10	17
Income taxes payable	6	(20)
Stock-based compensation	42	38
Impairment of goodwill	335	—
Other	11	3
Net changes in working capital items	483	(800)
Net cash provided by operating activities	1,135	971
Cash flows from investing activities		
Acquisition of long-term investments	(161)	(145)
Proceeds on sale or maturity of long-term investments	85	285
Acquisition of property, plant and equipment	(240)	(509)
Acquisition of intangible assets	(537)	(804)
Business acquisitions, net of cash acquired	(105)	(130)
Acquisition of other assets	—	(778)
Acquisition of short-term investments	(397)	(131)
Proceeds on sale or maturity of short-term investments	204	333
Net cash used in investing activities	(1,151)	(1,879)
Cash flows from financing activities		
Issuance of common shares	—	8
Tax deficiencies related to stock-based compensation	(5)	(1)
Purchase of treasury stock	—	(37)
Net cash used in financing activities	(5)	(30)
Effect of foreign exchange gain (loss) on cash and cash equivalents	5	(2)
Net decrease in cash and cash equivalents for the period	(16)	(940)
Cash and cash equivalents, beginning of period	1,527	1,791
Cash and cash equivalents, end of period	$ 1,511	$ 851

See notes to consolidated financial statements.

Research In Motion Limited
Notes to the Consolidated Financial Statements
(unaudited)
In millions of United States dollars, except share and per share data, and except as otherwise indicated

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and preparation

These interim consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles ("U.S. GAAP"). They do not include all of the disclosures required by U.S. GAAP for annual financial statements and should be read in conjunction with Research In Motion's ("RIM" or the "Company") audited consolidated financial statements (the "financial statements") for the year ended March 3, 2012, which have been prepared in accordance with U.S. GAAP. In the opinion of management, all normal recurring adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three and six months ended September 1, 2012 are not necessarily indicative of the results that may be expected for the full year ending March 2, 2013.

The Company's fiscal year end date is the 52 or 53 weeks ending on the last Saturday of February, or the first Saturday of March. The fiscal years ending March 2, 2013 and March 3, 2012 comprise 52 weeks and 53 weeks, respectively.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Company's cash equivalents and investments, other than cost method investments of $7 million (March 3, 2012—$37 million) and equity method investments of $50 million (March 3, 2012—$48 million), consist of money market and other debt securities, which are classified as available-for-sale for accounting purposes and are carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive income until such investments mature or are sold. The Company uses the specific identification method of determining the cost basis in computing realized gains or losses on available-for-sale investments which are recorded in investment income. In the event of a decline in value which is other-than-temporary, the investment is written down to fair value with a charge to income. The Company does not exercise significant influence with respect to any of these investments.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The components of cash, cash equivalents and investments were as follows:

	Cost Basis	Unrealized Gains	Unrealized Losses	Other-than-temporary impairment	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
As at September 1, 2012								
Bank balances	$ 394	$ —	$ —	$ —	$ 394	$ 394	$ —	$ —
Money market funds	5	—	—	—	5	5	—	—
Bankers' acceptances/Bearer deposit notes	163	—	—	—	163	163	—	—
Term deposits/certificates	99	—	—	—	99	91	8	—
Commercial paper	522	1	—	—	523	468	55	—
Non-U.S. treasury bills/notes	194	—	—	—	194	194	—	—
U.S. treasury bills/notes	242	—	—	—	242	50	192	—
U.S. government sponsored enterprise notes	155	—	—	—	155	118	37	—
Non-U.S. government sponsored enterprise notes	23	—	—	—	23	15	8	—
Corporate notes/bonds	261	—	—	—	261	13	235	13
Asset-backed securities	166	—	—	—	166	—	19	147
Auction rate securities	35	1	—	—	36	—	—	36
Other investments	82	—	—	—	82	—	—	82
	$ 2,341	$ 2	$ —	$ —	$ 2,343	$ 1,511	$ 554	$ 278
As at March 3, 2012								
Bank balances	$ 453	$ —	$ —	$ —	$ 453	$ 453	$ —	$ —
Money market funds	5	—	—	—	5	5	—	—
Bankers' acceptances	284	—	—	—	284	284	—	—
Term deposits/certificates	217	—	—	—	217	202	15	—
Commercial paper	402	—	—	—	402	355	47	—
Non-U.S. treasury bills/notes	71	—	—	—	71	71	—	—
U.S. treasury bills/notes	114	—	—	—	114	40	32	42
U.S. government sponsored enterprise notes	127	—	—	—	127	91	24	12
Non-U.S. government sponsored enterprise notes	18	—	—	—	18	10	8	—
Corporate notes/bonds	165	1	—	—	166	16	121	29
Asset-backed securities	109	—	—	—	109	—	—	109
Auction rate securities	35	1	—	—	36	—	—	36
Other investments	109	—	—	—	109	—	—	109
	$ 2,109	$ 2	$ —	$ —	$ 2,111	$ 1,527	$ 247	$ 337

In millions of United States dollars, except share and per share data, and except as otherwise indicated

There were no realized gains or losses on available-for-sale securities for the three and six months ended September 1, 2012 and August 27, 2011.

The Company has provided cash collateral of approximately $9 million for its outstanding letters of credit as of September 1, 2012. The cash is on deposit with one of the Company's banking partners and is included in the bank balances line in the cash, cash equivalents and investments table above.

The contractual maturities of available-for-sale investments as at September 1, 2012 were as follows:

	Cost Basis	Fair Value
Due in one year or less	$ 1,666	$ 1,666
Due in one to five years	160	160
Due after five years	35	36
No fixed maturity date	5	5
	$ 1,866	$ 1,867

As at September 1, 2012 and March 3, 2012, the Company had no investments with continuous unrealized losses.

The Company engages in securities lending to generate fee income. Collateral, which exceeds the market value of the loaned securities, is retained by the Company until the underlying security has been returned to the Company. As at September 1, 2012, the Company did not have any securities on loan.

3. FAIR VALUE MEASUREMENTS

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use in pricing the asset or liability such as inherent risk, non-performance risk and credit risk. The Company applies the following fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

- Level 1—Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The carrying amounts of the Company's cash and cash equivalents, accounts receivables, other receivables, accounts payable and accrued liabilities approximate fair value due to their short maturities.

In determining the fair value of investments held, the Company primarily relies on an independent third party valuator for the fair valuation of securities. Pricing inputs used by the independent third party valuator are generally received from two primary vendors. The pricing inputs are reviewed for completeness and accuracy, within a set tolerance level, on a daily basis by the third party valuator. The Company also reviews and understands the inputs used in the valuation process and assesses the pricing of the securities for reasonableness.

The fair values of money market funds were derived from quoted prices in active markets for identical assets or liabilities.

For bankers' acceptances/bearer deposit notes, term deposits/certificates and commercial paper, the independent third party utilizes amortized cost, as the short-term nature of the securities approximates fair value. For non-U.S. treasury bills/notes, U.S. treasury bills/notes, U.S. government sponsored enterprise notes, non-U.S. government sponsored enterprise notes, corporate notes/bonds (other than those classified as Level 3) and asset-backed securities, the independent third party provides fair values determined from quoted prices that it obtains from vendors. The Company then corroborates the fair values received from the independent third party against the results of its internal valuation in order to corroborate the pricing provided by the independent third party.

The Company corroborates the fair values provided by the independent third party for bankers' acceptances/bearer deposit notes by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates, and credit ratings. The bankers' acceptances/bearer deposit notes held by the Company are all issued by major banking organizations and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for term deposits/certificates by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates and credit ratings. The term deposits/certificates held by the Company are all issued by major banking organizations and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for commercial paper by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates, dealer placed rates and credit ratings. The commercial paper held by the Company are all issued by major financing, corporate or capital organizations and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for non-U.S. treasury bills/notes by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates and credit rating. All non-U.S. treasury bills/notes held by the Company are issued by the federal and/or provincial governments of Canada and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for U.S. treasury bills/notes by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities as provided by U.S. government bond dealers. All U.S. treasury bills/notes held by the Company are issued by the United States Department of the Treasury and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for U.S. government sponsored enterprise notes by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities as provided by U.S. government bond dealers or prices as provided by the published index of U.S. Agency securities. The U.S. government sponsored enterprise notes held by the Company are primarily agency notes and collateralized mortgage obligations issued and backed by government organizations such as Freddie Mac and the Federal Home Loan Banks and all have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for non-U.S. government sponsored enterprise notes by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates and credit ratings. The non-U.S. government sponsored enterprise notes held by the Company are primarily issued by investment banks backed by Latin and South American countries and all have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for corporate notes/bonds (other than those classified as Level 3) by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in maturity dates, interest rates, yield curves, swap rates, credit ratings, industry comparable trades and spread history. The corporate notes/bonds held by the Company are all issued by major corporate organizations and have investment grade ratings.

The Company corroborates the fair values provided by the independent third party for asset-backed securities by comparing those provided against fair values determined by the Company utilizing quoted prices from vendors for identical securities, or the market prices of similar securities adjusted for observable inputs such as differences in swap rates and spreads, credit ratings, pricing changes relative to asset class, priority in capital structure, principal payment windows, and maturity dates. All asset-backed securities held by the Company are issued by government or consumer agencies and are primarily backed by commercial automobile and equipment loans and leases. All asset-backed securities held by the Company have investment grade ratings.

Fair values for all investment categories provided by the independent third party that are in excess of 0.5% from the fair values determined by the Company are communicated to the third party for consideration of reasonableness. The independent third party considers the information provided by the Company before determining whether a change in the original pricing is warranted.

The fair values of corporate notes/bonds classified as Level 3, which represent investments in securities for which there is not an active market, are estimated using a discounted cash flow pricing methodology incorporating unobservable inputs such as anticipated monthly interest and principal payments received, existing and estimated defaults, and collateral value. The corporate notes/bonds classified as Level 3 held by the Company consist of securities received in a payment-in-kind distribution from a former structured investment vehicle.

The fair value of auction rate securities is estimated using a discounted cash flow model incorporating estimated weighted-average lives based on contractual terms, assumptions concerning liquidity, and credit adjustments of the security sponsor to determine timing and amount of future cash flows.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The fair value of other investments is represented by the trust claim on Lehman Brothers International (Europe) ("LBIE") bankruptcy assets and is estimated using unobservable inputs such as estimated recovery values and prices observed on market activity for similar LBIE bankruptcy claims.

The fair values of currency forward contracts and currency option contracts have been determined using notional and exercise values, transaction rates, market quoted currency spot rates, forward points and interest rate yield curves. For currency forward contracts and currency option contracts, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Changes in assumptions could have a significant effect on the estimates.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

As at September 1, 2012	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investments				
Money market funds	$ 5	$ —	$ —	$ 5
Bankers' acceptances/Bearer deposit notes	—	163	—	163
Term deposits/certificates	—	99	—	99
Commercial paper	—	523	—	523
Non-U.S. treasury bills/notes	—	194	—	194
U.S. treasury bills/notes	—	242	—	242
U.S. government sponsored enterprise notes	—	155	—	155
Non-U.S. government sponsored enterprise notes	—	23	—	23
Corporate notes/bonds	—	255	6	261
Asset-backed securities	—	166	—	166
Auction rate securities	—	—	36	36
Other investments	—	—	25	25
Total available-for-sale investments	$ 5	$1,820	$ 67	$1,892
Currency forward contracts	—	38	—	38
Currency option contracts	—	12	—	12
Total assets	$ 5	$1,870	$ 67	$1,942
Liabilities				
Currency forward contracts	$ —	$ 25	$ —	$ 25
Currency option contracts	—	5	—	5
Total liabilities	$ —	$ 30	$ —	$ 30

In millions of United States dollars, except share and per share data, and except as otherwise indicated

As at March 3, 2012	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investments				
Money market funds	$ 5	$ —	$ —	$ 5
Bankers' acceptances	—	284	—	284
Term deposits/certificates	—	217	—	217
Commercial paper	—	402	—	402
Non-U.S. treasury bills/notes	—	71	—	71
U.S. treasury bills/notes	—	114	—	114
U.S. government sponsored enterprise notes	—	127	—	127
Non-U.S. government sponsored enterprise notes	—	18	—	18
Corporate notes/bonds	—	159	7	166
Asset-backed securities	—	109	—	109
Auction rate securities	—	—	36	36
Other investments	—	—	25	25
Total available-for-sale investments	$ 5	$1,501	$ 68	$1,574
Currency forward contracts	—	55	—	55
Currency option contracts	—	17	—	17
Total assets	$ 5	$1,573	$ 68	$1,646
Liabilities				
Currency forward contracts	$ —	$ 34	$ —	$ 34
Currency option contracts	—	1	—	1
Total liabilities	$ —	$ 35	$ —	$ 35

The following table summarizes the changes in fair value of the Company's Level 3 assets for the three and six months ended September 1, 2012:

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Balance, beginning of period	$ 68	$ 69	$ 68	$ 71
Principal repayments	(1)	—	(1)	(2)
Balance, end of period	$ 67	$ 69	$ 67	$ 69

The Company recognizes transfers in and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurred. There were no significant transfers in or out of Level 1, Level 2 or Level 3 during the three and six months ended September 1, 2012.

The Company's Level 3 assets consist of auction rate securities, corporate notes/bonds consisting of securities received in a payment-in-kind distribution from a former structured investment vehicle and its unsecured claim on assets held at LBIE at the time of its bankruptcy.

The auction rate securities are valued using a discounted cash flow method incorporating both observable and unobservable inputs. The unobservable inputs utilized in the valuation are the estimated weighted-average life of each security based on its contractual details and expected paydown schedule based upon the underlying collateral, the value of the underlying collateral which would be realized in the event of a waterfall event, an estimate of the likelihood of a waterfall event and an estimate of the likelihood of a permanent auction suspension. Significant changes in these unobservable inputs would result in significantly different fair value measurements. Generally, a change in the assumption used for the probability of a waterfall event is accompanied by a directionally opposite change in the assumption used for the probability of a permanent suspension.

The corporate notes/bonds are valued using a discounted cash flow method incorporating both observable and unobservable inputs. The unobservable inputs utilized in the valuation are the anticipated future monthly principal and interest payments, an estimated rate of decrease of those payments, the value of the underlying collateral, the number of securities currently in technical default as grouped by the underlying collateral, an estimated average recovery rate of those securities and assumptions surrounding additional defaults. Significant changes in these unobservable inputs would result in significantly different fair value measurements. Generally, a change in the assumption used for the anticipated monthly payments is accompanied by a directionally similar change in the average recovery rate and a directionally opposite change in the yearly decrease in payments and additional defaults assumptions.

The unsecured claim on assets held at LBIE at the time of its bankruptcy is valued using an estimated recovery value. The unobservable input in this valuation is the estimated recovery percentage based upon a conservative figure versus the pricing for similar claims as seen in the market and as supplied by brokers.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The following table presents the significant unobservable inputs used in the fair value measurement of each of the above Level 3 assets, as well as the impact on the fair value measurement resulting from a significant increase or decrease in each input in isolation:

As at September 1, 2012	Fair Value	Valuation Technique	Unobservable Input	Range (weighted average)	Effect of significant increase/(decrease) in input on fair value
Auction rate securities	36	Discounted cash flow	Weighted average life	10 - 21 years (16 years)	(Decrease)/increase
			Collateral value (as a % of fair value)	101 - 122% (112%)	Increase/(decrease)
			Probability of waterfall event	10%	Increase/(decrease)
			Probability of permanent suspension	5 -10% (8%)	(Decrease)/increase
Corporate bonds/notes	6	Discounted cash flow	Anticipated monthly principal and interest payments	$0.2 million	Increase/(decrease)
			Yearly decrease in payments	10%	(Decrease)/increase
			Collateral value (as a % of fair value)	180%	Increase/(decrease)
			Current securities in technical default, by collateral grouping	0 - 100% (18%)	(Decrease)/increase
			Average recovery rate of securities in technical default	30%	Increase/(decrease)
			Additional defaults assumption	0 - 31% (18%)	(Decrease)/increase
Unsecured claim on LBIE assets	25	Estimated recovery value	Conservative estimate of recovery value based on market pricing for similar claims	70%	Increase/(decrease)

4. CONSOLIDATED BALANCE SHEETS DETAIL

Inventories

Inventories were comprised as follows:

	As at	
	September 1, 2012	March 3, 2012
Raw materials	$ 786	$ 771
Work in process	379	520
Finished goods	105	167
Provision for excess and obsolete inventories	(485)	(431)
	$ 785	$1,027

In millions of United States dollars, except share and per share data, and except as otherwise indicated

Property, plant and equipment, net

Property, plant and equipment were comprised of the following:

	As at	
	September 1, 2012	March 3, 2012
Cost		
Land	$ 140	$ 140
Buildings, leaseholds and other	1,404	1,393
BlackBerry operations and other information technology	2,307	2,194
Manufacturing equipment, research and development equipment and tooling	554	524
Furniture and fixtures	573	529
	4,978	4,780
Accumulated amortization	2,366	2,032
Net book value	$ 2,612	$2,748

Intangible assets, net

Intangible assets were comprised of the following:

	As at September 1, 2012		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 507	$ 231	$ 276
Intellectual property	4,190	1,194	2,996
	$4,697	$ 1,425	$ 3,272

	As at March 3, 2012		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 397	$ 182	$ 215
Intellectual property	4,217	1,146	3,071
	$4,614	$ 1,328	$ 3,286

In millions of United States dollars, except share and per share data, and except as otherwise indicated

During the six months ended September 1, 2012, the additions to intangible assets primarily consisted of payments relating to amended or renewed licensing agreements, as well as agreements with third parties for the use of intellectual property, software, messaging services and other BlackBerry related features, as well as intangible assets associated with the business acquisitions discussed in note 5.

Based on the carrying value of the identified intangible assets as at September 1, 2012 and assuming no subsequent impairment of the underlying assets, the annual amortization expense for the remainder of fiscal 2013 and each of the succeeding years is expected to be as follows: 2013—$941 million; 2014—$637 million; 2015—$346 million; 2016—$302 million; and 2017—$238 million.

Goodwill

Changes to the carrying amount of goodwill during the six months ended September 1, 2012 were as follows:

	Gross Amount	Accumulated Impairment Losses	Net Amount
Balance as at March 3, 2012	$ 659	$ (355)	$ 304
Goodwill acquired through business combinations during the period	31	—	31
Goodwill impairment charge	—	(335)	(335)
Balance as at September 1, 2012	$ 690	$ (690)	$ —

Goodwill is tested annually for impairment during the fourth quarter or more frequently if it is warranted by changes in events and circumstances that indicate goodwill is more likely than not impaired. These events and circumstances may include a significant change in legal factors or in the business climate, a significant decline in the Company's share price, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant disposal activity, and the testing of recoverability for a significant asset group. For the purposes of goodwill impairment testing, the Company consists of a single reporting unit.

The Company uses the two-step impairment test to identify potential goodwill impairment and measure the amount of the goodwill impairment loss to be recognized. The first step involves comparing the Company's estimated fair value to its carrying amount, including goodwill. If the estimated fair value of the Company exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount exceeds the estimated fair value, there is an indication of potential impairment and the second step of the goodwill impairment test is performed to measure the impairment amount. The second step involves determining an implied fair value of goodwill for the Company, which is calculated by measuring the excess of the estimated fair value of the Company over the aggregated estimated fair values of identifiable assets and liabilities. The conduct of the second step involves significant judgment on the selection of assumptions necessary to arrive at an implied fair value of goodwill. These assumptions include, but are not limited to, development of multi-year cash flow forecasts, the selection of discount rates and the identification and valuation of unrecorded assets. If, after conducting the second step of the test, the carrying amount of goodwill exceeds its implied fair value, a non-cash impairment loss is recognized in an amount equal to that excess.

Due to business conditions and a continued significant decline in the Company's market capitalization, the Company concluded that goodwill impairment indicators existed and an interim goodwill impairment assessment was required in the first quarter of fiscal 2013. In the first step of the goodwill impairment test, the estimated fair value of the Company was determined utilizing a market-based approach and the Company's market capitalization was used as a key input for the determination of fair value of the Company. The Company's market capitalization was determined by multiplying the number of shares outstanding as at June 2, 2012 by the average closing market price of the Company's common shares over the preceding five-day period. The Company used this duration in order to incorporate the inherent market fluctuations that may affect any individual closing price of the Company's shares. The Company believes that market capitalization alone does not capture the fair value of the business as a whole, or the substantial value that an acquirer would obtain from its ability to obtain control of the business. Consequently, the Company developed an estimate for the control premium that a marketplace participant might pay to acquire control of the business in an arm's-length transaction. The determination of the control premium requires significant judgment and the Company observed recent market transactions as a guide to establish a range of reasonably possible control premiums to estimate the Company's fair value. The Company believes that the main factors leading to the impairment were a significant decline in its share price, which was influenced by delays in new product introductions, intense competition within the Company's industry and a sustained decline in the Company's performance. The result of this analysis concluded that the carrying value of the Company exceeded its estimated fair value as at the balance sheet date of the first quarter of fiscal 2013, and as such, the second step of the goodwill impairment test was performed.

In the second step of the impairment test, the impairment loss was measured by estimating the implied fair value of the Company's goodwill and comparing it with its carrying value. Using the Company's fair value determined in the first step of the goodwill impairment test as the acquisition price in a hypothetical acquisition of the Company, the implied fair value of goodwill was calculated as the residual amount of the acquisition price after allocations made to the fair value of net assets, including working capital, plant and equipment and both recognized and unrecognized intangible assets. Based on the results of the second step of the goodwill impairment test, it was concluded that the carrying value of goodwill was impaired. Consequently, the Company recorded a goodwill impairment charge of $335 million in the first quarter of fiscal 2013 to eliminate the entire carrying value of its goodwill, and reported this amount as a separate line item in the consolidated statements of operations.

5. BUSINESS ACQUISITIONS

On March 8, 2012, the Company purchased for cash consideration 88% of the shares of Paratek Microwave Inc. ("Paratek"), representing all remaining shares of Paratek which were not previously held by the Company. Immediately prior to the acquisition date, the Company owned a 12% interest in Paratek. The non-controlling interest had a carrying value of $20 million and was re-measured at a fair value of $20 million, and resulted in no gain or loss. The valuation was based on the application of a minority interest discount to the aggregate purchase consideration paid and then allocating the implied value of Paratek, on a minority interest basis, across the shares outstanding. The acquired technologies will be incorporated into the Company's products to enhance radio frequency tuning technologies.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed during the six months ended September 1, 2012:

Assets purchased	
Current assets	$ 4
Property, plant and equipment	2
Intellectual property	4
Customer relations	10
Acquired technology	96
Deferred income tax asset	39
Goodwill[1]	31
	$186
Liabilities assumed	(23)
Deferred income tax liability	(38)
Net non-cash assets acquired	$125
Cash acquired	1
Net assets acquired	$126
Consideration	
Cash consideration	$ 93
Fair value of equity interest previously held	20
Contingent consideration[2]	13
	$126

(1) Goodwill represents the excess of the acquisition price over the fair value of net assets acquired. None of the goodwill acquired is expected to be deductible for tax purposes and the entire amount was included in the goodwill impairment charge incurred in the first quarter of fiscal 2013, as discussed in note 4.

(2) The Company has agreed to consideration contingent upon the retention of key employees for a period of 24 months from the acquisition date.

The weighted-average amortization period of the acquired technology related to the business acquisition completed during the six months ended September 1, 2012 is approximately 4.7 years.

Pro forma results of operations for the acquisitions have not been presented because the effects of the operations, individually or in aggregate, are not considered to be material to the Company's consolidated results.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

6. COST OPTIMIZATION PROGRAMS

2013 Cost Optimization and Resource Efficiency ("CORE") Program

In March 2012, the Company commenced the CORE program with the objective of improving the Company's operations and increasing efficiency. The program includes, among other things, the streamlining of the BlackBerry smartphone product portfolio, the optimization of the Company's global manufacturing footprint, the outsourcing of global repair services, the alignment of the Company's sales and marketing teams and a reduction in the number of layers of management. The Company is currently targeting the CORE program to drive at least $1.0 billion in savings by the end of fiscal 2013 based on RIM's fourth quarter of fiscal 2012 run rate. On June 28, 2012, the Company announced that it would be reducing its global workforce across all functions by approximately 5,000 employees, representing approximately 30% of the total global workforce, and that all impacted employees would receive severance packages and outplacement support. The Company incurred approximately $136 million in total pre-tax charges related to the CORE program in the three months ended September 1, 2012, related to one-time employee termination benefits, facilities costs and manufacturing network simplification costs. The Company expects to incur total restructuring related charges of approximately $350 million by the end of fiscal 2013, primarily related to one-time employee termination benefits associated with the global workforce reduction noted above. Other charges and cash costs may occur as programs are implemented or changes are completed.

The following table sets forth the activity in the Company's CORE program for the six months ended September 1, 2012:

	Employee Termination Benefits	Facilities Costs	Manufacturing Costs	Total
Balance as at March 3, 2012	$ —	$ —	$ —	$—
Charges incurred	64	20	52	136
Cash payments made	(58)	(2)	(8)	(68)
Balance as at September 1, 2012	$ 6	$ 18	$ 44	$ 68

The CORE charges incurred in the three and six months ended September 1, 2012 were as follows:

	Total
Cost of sales	$ 68
Research and development	20
Selling, marketing and administration	48
Total program charge	$136

In millions of United States dollars, except share and per share data, and except as otherwise indicated

2012 Cost Optimization Program

In June 2011, the Company initiated a cost optimization program (the "2012 Cost Optimization Program") that included a global workforce reduction of approximately 2,000 employees, representing approximately 10% of the global workforce. The Company incurred approximately $125 million in total pre-tax charges related to the 2012 Cost Optimization Program in fiscal 2012. All of the pre-tax charges were related to one-time employee termination benefits and the identification of redundant facilities. During the six months ended September 1, 2012, the Company made cash payments related to employee termination benefits and facilities costs, as shown in the table below. No further charges are expected to be incurred under this plan.

The following table sets forth the activity in the Company's 2012 Cost Optimization Program for the six months ended September 1, 2012:

	Employee Termination Benefits	Facilities Costs	Total
Balance as at March 3, 2012	$ 10	$ 44	$ 54
Cash payments made	(10)	(13)	(23)
Foreign exchange adjustments	—	(1)	(1)
Balance as at September 1, 2012	$ —	$ 30	$ 30

7. PRODUCT WARRANTY

The Company estimates its warranty costs at the time of revenue recognition based on historical warranty claims experience and records the expense in cost of sales. The warranty accrual balance is reviewed quarterly to establish that it materially reflects the remaining obligation based on the anticipated future expenditures over the balance of the obligation period. Adjustments are made when the actual warranty claim experience differs from estimates.

The changes in the Company's warranty expense and actual warranty experience for the six months ended September 1, 2012 as well as the accrued warranty obligations as at September 1, 2012 are set forth in the following table:

Accrued warranty obligations as at March 3, 2012	$ 408
Warranty costs incurred for the six months ended September 1, 2012	(242)
Warranty provision for the six months ended September 1, 2012	182
Adjustments for changes in estimate for the six months ended September 1, 2012	8
Accrued warranty obligations as at September 1, 2012	$ 356

In millions of United States dollars, except share and per share data, and except as otherwise indicated

8. INCOME TAXES

For the six months ended September 1, 2012, the Company's net income tax recovery was $250 million or a net effective income tax rate of 24.9% compared to a net income tax expense of $294 million or a net effective income tax rate of 22.3% in the six months ended August 27, 2011.

The Company has not recorded a valuation allowance against its deferred income tax assets (August 27, 2011—nil).

The Company has not provided for Canadian deferred income taxes or foreign withholding taxes that would apply on the distribution of the earnings of its non-Canadian subsidiaries, as these earnings are intended to be reinvested indefinitely.

The Company's total unrecognized income tax benefits as at September 1, 2012 was $191 million (March 3, 2012—$146 million). The increase in unrecognized income tax benefits in the six months ended September 1, 2012 primarily relates to a change in the effective tax rate on which the unrecognized income tax benefits could be realized.

As at September 1, 2012, the total unrecognized income tax benefit of $191 million includes approximately $3 million of unrecognized income tax benefits that have been netted against related deferred income taxes. The remaining $188 million of unrecognized income tax benefits have been netted against current income taxes payable and other non-current income taxes payable on the Company's consolidated balance sheet.

The Company's total unrecognized income tax benefits that, if recognized, would affect the Company's effective tax rate as at September 1, 2012 were $191 million (March 3, 2012—$146 million).

A summary of open tax years by major jurisdiction is presented below:

Canada [1]	Fiscal 2009 - 2012
United States [1]	Fiscal 2009 - 2012
United Kingdom	Fiscal 2009 - 2012

(1) Includes federal as well as provincial and state jurisdictions, as applicable.

The Company is subject to ongoing examination by tax authorities in the jurisdictions in which it operates. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income taxes. The Canada Revenue Agency ("CRA") concluded its examination of the Company's fiscal 2006 to fiscal 2009 Canadian corporate tax filings in the fourth quarter of fiscal 2012. Although the audit concluded with no material adjustments to income taxes payable, there remains uncertainty with respect to certain tax attributes that have resulted from the restructuring of RIM's international operations. The Company believes it is reasonably possible that approximately $180 million of its gross unrecognized income tax benefit will be realized in the next twelve months, the majority of which relates to the tax attributes resulting from the restructuring of RIM's international operations. The Company has other non-Canadian income tax audits pending. While the final resolution of these audits is uncertain, the Company believes the ultimate resolution of these audits will not have a material adverse effect on its consolidated financial position, liquidity or results of operations.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The Company recognizes interest and penalties related to unrecognized income tax benefits as interest expense that is netted and reported within investment income. The amount of interest accrued as at September 1, 2012 was $8 million (March 3, 2012—$6 million). The amount of penalties accrued as at September 1, 2012 was nil (March 3, 2012—nil).

9. STOCK-BASED COMPENSATION

Stock Option Plan

The Company recorded a charge to income and a credit to paid-in-capital of approximately $3 million and $5 million for the three and six months ended September 1, 2012 ($7 million and $14 million for the three and six months ended August 27, 2011) in relation to stock-based compensation expense.

The Company has presented excess tax deficiencies from the exercise of stock-based compensation awards as a financing activity in the consolidated statements of cash flows.

Stock options previously granted under the plan generally vest over a period of five years and are generally exercisable over a period of six years to a maximum of seven years from the grant date. The Company issues new shares to satisfy stock option exercises. There are 14 million stock options available for future grants under the stock option plan as at September 1, 2012.

A summary of option activity since March 3, 2012 is shown below:

	Options Outstanding			
	Number (in 000's)	Weighted-Average Exercise Price	Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (millions)
Balance as at March 3, 2012	3,618	$ 73.86		
Forfeited/cancelled/expired during the period	(826)	64.50		
Balance as at September 1, 2012	2,792	$ 76.48	1.42	$ —
Vested and expected to vest as at September 1, 2012	2,767	$ 76.28	1.42	$ —
Exercisable as at September 1, 2012	2,480	$ 73.71	1.38	$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate difference between the closing stock price of the Company's common shares on September 1, 2012 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on September 1, 2012. During the six months ended September 1, 2012, there were no options exercised.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

A summary of unvested stock options since March 3, 2012 is shown below:

	Options Outstanding	
	Number (000's)	Weighted-Average Grant Date Fair Value
Balance as at March 3, 2012	599	$ 41.53
Vested during the period	(179)	27.84
Forfeited during the period	(108)	48.28
Balance as at September 1, 2012	312	$ 47.09

As at September 1, 2012, there was $6 million of unrecognized stock-based compensation expense related to unvested stock options which will be expensed over the vesting period, which, on a weighted-average basis, results in a period of approximately 1.3 years. The total fair value of stock options vested during the six months ended September 1, 2012 was $5 million.

Cash received from the stock options exercised for the six months ended September 1, 2012 was nil (August 27, 2011—$8 million). Tax deficiencies incurred by the Company related to the stock options exercised was $1 million for the six months ended September 1, 2012 (August 27, 2011—$1 million).

During the six months ended September 1, 2012 and August 27, 2011, there were no stock options granted.

Restricted Share Unit Plan

The Company recorded compensation expense with respect to Restricted Share Units ("RSUs") of approximately $15 million and $37 million for the three and six months ended September 1, 2012 ($8 million and $24 million for the three and six months ended August 27, 2011).

In millions of United States dollars, except share and per share data, and except as otherwise indicated

A summary of RSU activity since March 3, 2012 is shown below:

	RSUs Outstanding			
	Number (000's)	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life in Years	Aggregate Instrinsic Value (millions)
Balance as at March 3, 2012	8,595	$ 31.96		
Granted during the period	1,927	7.35		
Vested during the period	(920)	51.66		
Cancelled during the period	(938)	30.86		
Balance as at September 1, 2012	8,664	$ 24.51	1.52	$ 58
Vested and expected to vest at September 1, 2012	8,033	$ 24.71	1.50	$ 54

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate closing share price of the Company's common shares on September 1, 2012) that would have been received by RSU holders if all RSUs had been vested on September 1, 2012.

Tax deficiencies incurred by the Company related to the RSUs vested was $4 million for the six months ended September 1, 2012 (August 27, 2011—nil).

In order to comply with its obligation to deliver shares upon vesting, RIM purchases shares via a trustee selected by the Company or issues new common shares. During the six months ended September 1, 2012, no shares were purchased (August 27, 2011—846,224 common shares were purchased for total cash consideration of approximately $37 million). These purchased shares are classified as treasury stock for accounting purposes and included in the shareholders' equity section of the Company's consolidated balance sheets.

As at September 1, 2012, there was $134 million of unrecognized compensation expense related to RSUs that will be expensed over the vesting period, which, on a weighted-average basis, results in a period of approximately 1.46 years.

During the six months ended September 1, 2012, there were 1,926,785 RSUs granted (August 27, 2011—942,825 RSUs were granted), of which 1,623,299 will be settled upon vesting by the issuance of new common shares.

Deferred Share Unit Plan

The Company issued 0.1 million Deferred Share Units ("DSUs") in the six months ended September 1, 2012. There were 0.2 million DSUs outstanding as at September 1, 2012 (August 27, 2011—0.1 million). The Company had a liability of $2 million in relation to the DSU plan as at September 1, 2012 (August 27, 2011—$2 million).

In millions of United States dollars, except share and per share data, and except as otherwise indicated

10. CAPITAL STOCK

The following details the changes in issued and outstanding common shares for the six months ended September 1, 2012:

	Capital Stock and Additional Paid-In Capital		Treasury Stock	
	Stock Outstanding (000's)	Amount	Stock Outstanding (000's)	Amount
Common shares outstanding as at March 3, 2012	524,160	$ 2,446	8,711	$ (299)
Stock-based compensation	—	42	—	—
Tax deficiencies related to stock-based compensation	—	(5)	—	—
Treasury stock vested	—	(32)	(920)	32
Common shares outstanding as at September 1, 2012	524,160	$ 2,451	7,791	$ (267)

The Company had 524 million voting common shares outstanding, 2.8 million options to purchase voting common shares, 7.5 million RSUs and 0.2 million DSUs outstanding as at September 21, 2012.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

11. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Net income (loss) for basic and diluted earnings (loss) per share available to common shareholders	$ (235)	$ 329	$ (753)	$ 1,024
Weighted-average number of shares outstanding (000's)—basic	524,160	524,116	524,160	524,049
Effect of dilutive securities (000's)—stock-based compensation	—	50	—	316
Weighted-average number of shares and assumed conversions (000's)—diluted	524,160	524,166	524,160	524,365
Earnings (loss) per share—reported				
Basic	$ (0.45)	$ 0.63	$ (1.44)	$ 1.95
Diluted	$ (0.45)	$ 0.63	$ (1.44)	$ 1.95

As discussed in the stock-based compensation note above, during the six months ended September 1, 2012 there were 1,623,299 RSUs granted that will be settled upon vesting by the issuance of new common shares. These RSUs were not incorporated into the calculation of diluted earnings (loss) per share in the second quarter of fiscal 2013 as to do so would have been antidilutive; however these securities may have a dilutive effect on earnings (loss) per share in future quarters.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income are as follows:

	As at	
	September 1, 2012	March 3, 2012
Accumulated net unrealized gains on available-for-sale investments	$ 2	$ 2
Accumulated net unrealized gains on derivative instruments designated as cash flow hedges	26	38
Accumulated other comprehensive income	$ 28	$ 40

13. FOREIGN EXCHANGE GAINS AND LOSSES

Selling, marketing and administration expenses for the three and six months ended September 1, 2012 included $3 million and $13 million with respect to foreign exchange losses (three and six months ended August 27, 2011—foreign exchange losses of $9 million and $18 million).

14. COMMITMENTS AND CONTINGENCIES

(a) Credit Facility

On September 25, 2012, the Company replaced its existing $500 million senior unsecured revolving credit facility with a syndicate of commercial banks with a $500 million senior secured revolving credit facility (the "Facility") for working capital and general corporate purposes with the same syndicate. The Facility, which expires on September 6, 2013, is secured by accounts receivable and inventory of the Company and certain of its subsidiaries. The Company has provided cash collateral of approximately $9 million for its outstanding letters of credit as of September 1, 2012. The cash is on deposit with one of the Company's banking partners and is included in cash and cash equivalents.

(b) Indemnification

The Company enters into certain agreements that contain indemnification provisions under which the Company could be subject to costs and damages, including in the event of an infringement claim against the Company or an indemnified third party. Such intellectual property infringement indemnification clauses are generally not subject to any dollar limits and remain in effect for the term of the Company's agreements. To date, the Company has not encountered material costs as a result of such indemnifications.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company agreed, subject to applicable law, to indemnify its directors and executive officers against all costs, charges and expenses reasonably incurred by such individuals in respect of any civil, criminal or administrative action which could arise by reason of their status as directors or officers. The Company maintains liability insurance coverage for the benefit of its directors and executive officers to reduce its exposure to such obligations. The Company has not encountered material costs as a result of such indemnifications in the current year. See RIM's Management Information Circular for fiscal 2012 for additional information regarding the Company's indemnification agreements with its directors and executive officers.

(c) Litigation

The Company is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. The Company is subject to a variety of claims (including claims related to patent infringement, purported class actions and other claims in the normal course of business) and may be subject to additional claims either directly or through indemnities against claims that it provides to certain of its partners and customers. In particular, the industry in which the Company competes has many participants that own, or claim to own, intellectual property, including participants that have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. The Company has received, and may receive in the future, assertions and claims from third parties that the Company's products infringe on their patents or other intellectual property rights. Litigation has been and will likely continue to be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Regardless of whether claims against the Company have merit, those claims could be time-consuming to evaluate and defend, result in costly litigation, divert management's attention and resources, subject the Company to significant liabilities and could have the other effects that are described in greater detail under "Risk Factors—Risks Related to Intellectual Property" and "Risk Factors—Risks Related to the Company's Business and its Industry—*The Company is subject to general commercial litigation, class action and other litigation claims as part of its operations, and it could suffer significant litigation expenses in defending these claims and could be subject to significant damage awards or other remedies"* in RIM's Annual Information Form for the fiscal year ended March 3, 2012, which is included in RIM's Annual Report on Form 40-F.

Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where it is considered probable for a material exposure to result and where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

Additional lawsuits and claims, including purported class actions and derivative actions, may be filed or made based upon the Company's historical stock option granting practices. Management assesses such claims and where considered likely to result in a material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

See the "Legal Proceedings and Regulatory Action" section of RIM's Annual Information Form for additional unaudited information regarding the Company's legal proceedings, which is included in RIM's Annual Report on Form 40-F and "Legal Proceedings" in the Management's Discussion and Analysis of financial condition and results of operations for fiscal 2012.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

15. DERIVATIVE FINANCIAL INSTRUMENTS

Values of financial instruments outstanding were as follows:

	As at September 1, 2012	
Assets (Liabilities)	Notional Amount	Estimated Fair Value
Currency forward contracts—asset	$ 1,207	$ 38
Currency option contracts—asset	$ 592	$ 12
Currency forward contracts—liability	$ 1,243	$ (25)
Currency option contracts—liability	$ 396	$ (5)

	As at March 3, 2012	
Assets (Liabilities)	Notional Amount	Estimated Fair Value
Currency forward contracts—asset	$ 1,608	$ 55
Currency option contracts—asset	$ 608	$ 17
Currency forward contracts—liability	$ 2,155	$ (34)
Currency option contracts—liability	$ 480	$ (1)

Foreign Exchange

The Company uses derivative instruments to manage exposures to foreign exchange risk resulting from transactions in currencies other than its functional currency, the U.S. dollar. The Company's risk management objective in holding derivative instruments is to reduce the volatility of current and future income as a result of changes in foreign currency. To limit its exposure to adverse movements in foreign currency exchange rates, the Company enters into foreign currency forward and option contracts. The Company does not use derivative instruments for speculative purposes.

The majority of the Company's revenues for the three and six months ended September 1, 2012 were transacted in U.S. dollars. However, portions of the revenues are denominated in Canadian dollars, Euros, and British Pounds. Purchases of raw materials are primarily transacted in U.S. dollars. Other expenses, consisting of the majority of salaries, certain operating costs and manufacturing overhead are incurred primarily in Canadian dollars. The Company enters into forward and option contracts to hedge portions of these anticipated transactions to reduce the volatility on income associated with the foreign currency exposures. The Company also enters into forward and option contracts to reduce the effects of foreign exchange gains and losses resulting from the revaluation of certain foreign currency monetary assets and liabilities.

The Company records all derivative instruments at fair value on the consolidated balance sheets. The fair value of these instruments is calculated based on notional and exercise values, transaction rates, market quoted currency spot rates, forward points and interest rate yield curves. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative instrument and the resulting designation.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The Company's accounting policies for these instruments outline the criteria to be met in order to designate a derivative instrument as a hedge and the methods for evaluating hedge effectiveness. Hedge effectiveness is formally assessed, both at hedge inception and on an ongoing basis, to determine whether the derivatives used in hedging transactions are highly effective in offsetting changes in the value of the hedged items. If an anticipated transaction is deemed no longer likely to occur, the corresponding derivative instrument is de-designated as a hedge and any associated deferred gains and losses in accumulated other comprehensive income are recognized in earnings at that time. Any future changes in the fair value of the instrument are recognized in current earnings.

For any derivative instruments that do not meet the requirements for hedge accounting, or for any derivative instrument for which hedge accounting is not elected, the changes in fair value of the instruments are recognized in income in the current period and will generally offset the changes in the U.S. dollar value of the associated asset, liability, or forecasted transaction.

The Company enters into forward and option contracts to hedge exposures relating to foreign currency anticipated transactions. These contracts have been designated as cash flow hedges, with the effective portion of the change in fair value initially recorded in accumulated other comprehensive income and subsequently reclassified to income in the period in which the cash flows from the associated hedged transactions affect income. Any ineffective portion of the change in fair value of the cash flow hedge is recognized in current period income. For the three and six months ended September 1, 2012, there was $1 million and $8 million in realized gains on forward contracts which were ineffective upon maturity (three and six months ended August 27, 2011—$5 million and $9 million in realized losses). As at September 1, 2012 and August 27, 2011, the outstanding derivatives designated as cash flow hedges were considered to be fully effective. The maturity dates of these instruments range from September 2012 to September 2013. As at September 1, 2012, the net unrealized gain on these forward and option contracts was $36 million (March 3, 2012—net unrealized gain of $51 million). Unrealized gains associated with these contracts were recorded in other current assets and accumulated other comprehensive income. Unrealized losses were recorded in accrued liabilities and accumulated other comprehensive income. As at September 1, 2012, the Company estimates that approximately $35 million of net unrealized gains on these forward and option contracts will be reclassified into income within the next twelve months.

The following table shows the fair values of derivative instruments designated as cash flow hedges on the consolidated balance sheets:

	As at			
	September 1, 2012		March 3, 2012	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Currency forward contracts—asset	Other current assets	$ 29	Other current assets	$ 42
Currency option contracts—asset	Other current assets	$ 12	Other current assets	$ 17
Currency forward contracts—liability	Accrued liabilities	$ 1	Accrued liabilities	$ 6
Currency option contracts—liability	Accrued liabilities	$ 4	Accrued liabilities	$ 1

The following table shows the impact of derivative instruments designated as cash flow hedges on the consolidated statements of operations and the consolidated statements of comprehensive income for the three and six months ended September 1, 2012:

	Amount of Gain (Loss) Recognized in OCI on Derivative Instruments (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
			Three Months Ended September 1, 2012	Six Months Ended September 1, 2012
Currency forward contracts	$ 7	Revenue	$ 36	$ 57
Currency option contracts	$ 9	Revenue	$ 1	$ 1
Currency forward contracts	$ 5	Cost of sales	$ 1	$ 2
Currency option contracts	$ —	Cost of sales	$ —	$ —
Currency forward contracts	$ 6	Selling, marketing and administration	$ 1	$ 2
Currency option contracts	$ (1)	Selling, marketing and administration	$ —	$ —
Currency forward contracts	$ 10	Research and development	$ 2	$ 5
Currency option contracts	$ —	Research and development	$ —	$ (1)

	Amount of Gain (Loss) Recognized in Income on Derivative Instruments (Ineffective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion)	
			Three Months Ended September 1, 2012	Six Months Ended September 1, 2012
Currency forward contracts	$ —	Selling, marketing and administration	$ 1	$ 8

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The following table shows the impact of derivative instruments designated as cash flow hedges on the consolidated statement of operations for the three and six months ended August 27, 2011:

	Amount of Gain (Loss) Recognized in OCI on Derivative Instruments (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended August 27, 2011	Six Months Ended August 27, 2011
Currency forward contracts	$ (109)	Revenue	$ (53)	$ (117)
Currency option contracts	$ (1)	Revenue	$ (3)	$ (3)
Currency forward contracts	$ 5	Cost of sales	$ 4	$ 10
Currency forward contracts	$ 6	Selling, marketing and administration	$ 4	$ 12
Currency forward contracts	$ 10	Research and development	$ 6	$ 14

	Amount of Gain (Loss) Recognized in Income on Derivative Instruments (Ineffective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Ineffective Portion) Three Months Ended August 27, 2011	Six Months Ended August 27, 2011
Currency forward contracts	$ —	Selling, marketing and administration	$ (5)	$ (9)

As part of its risk mitigation strategy, the Company may maintain net monetary asset and/or liability balances in foreign currencies. The Company enters into foreign exchange forward contracts to hedge certain monetary assets and liabilities that are exposed to foreign currency risk. The principal currencies hedged include the Canadian dollar, Euro, and British Pound. These contracts are not subject to hedge accounting, and any gains or losses are recognized in income each period, offsetting the change in the U.S. dollar value of the asset or liability. The maturity dates of these instruments range from September 2012 to February 2013. As at September 1, 2012, net unrealized losses of $16 million were recorded in respect of these instruments (March 3, 2012—net unrealized losses of $14 million). Unrealized gains associated with these contracts were recorded in other current assets and selling, marketing and administration. Unrealized losses were recorded in accrued liabilities and selling, marketing and administration.

The following table shows the fair values of derivative instruments that are not subject to hedge accounting on the consolidated balance sheets:

	As at September 1, 2012		March 3, 2012	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Currency forward contracts—asset	Other current assets	$ 9	Other current assets	$ 13
Currency forward contracts—liability	Accrued liabilities	$ 24	Accrued liabilities	$ 28
Currency option contracts—liability	Accrued liabilities	$ 1	Accrued liabilities	$—

In millions of United States dollars, except share and per share data, and except as otherwise indicated

The following table shows the impact of derivative instruments that are not subject to hedge accounting on the consolidated statement of operations for the three and six months ended September 1, 2012:

	Location of Gain (Loss) Recognized in Income on Derivative Instruments	Amount of Gain (Loss) in Income on Derivative Instruments: Three Months Ended September 1, 2012	Six Months Ended September 1, 2012
Currency forward contracts	Selling, marketing and administration	$ (29)	$ 37
Currency option contracts	Selling, marketing and administration	$ 2	$ 3

The following table shows the impact of derivative instruments that are not subject to hedge accounting on the consolidated statement of operations for the three and six months ended August 27, 2011:

	Location of Gain (Loss) Recognized in Income on Derivative Instruments	Amount of Gain (Loss) in Income on Derivative Instruments: Three Months Ended August 27, 2011	Six Months Ended August 27, 2011
Currency forward contracts	Selling, marketing and administration	$ (11)	$ (47)
Currency option contracts	Selling, marketing and administration	$ 1	$ 1

Credit

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations. The Company mitigates this risk by limiting counterparties to highly rated financial institutions and by continuously monitoring their creditworthiness. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. The Company measures its counterparty credit exposure as a percentage of the total fair value of the applicable derivative instruments. Where the net fair value of derivative instruments with any counterparty is negative, the Company deems the credit exposure to that counterparty to be nil. As at September 1, 2012, the maximum credit exposure to a single counterparty, measured as a percentage of the total fair value of derivative instruments with net unrealized gains was 33% (March 3, 2012—30%).

The Company is exposed to market and credit risk on its investment portfolio. The Company reduces this risk by investing in liquid, investment grade securities and by limiting exposure to any one entity or group of related entities. As at September 1, 2012, no single issuer represented more than 10% of the total cash, cash equivalents and investments (March 3, 2012—no single issuer represented more than 9% of the total cash, cash equivalents and investments).

Interest Rate

Cash and cash equivalents and investments are invested in certain instruments of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company does not currently utilize interest rate derivative instruments in its investment portfolio.

In millions of United States dollars, except share and per share data, and except as otherwise indicated

16. SEGMENT DISCLOSURES

The Company is organized and managed as a single reportable operating segment. The Company's operations are substantially all related to the research, design, manufacture and sales of wireless communications products, services and software.

Revenue, classified by major geographic segments in which the Company's customers are located, was as follows:

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Revenue				
Canada	$ 227	$ 308	$ 327	$ 678
United States	641	1,111	1,335	2,431
United Kingdom	339	419	596	897
Other	1,666	2,330	3,429	5,070
	$ 2,873	$ 4,168	$ 5,687	$ 9,076
Revenue				
Canada	7.9%	7.4%	5.7%	7.5%
United States	22.3%	26.6%	23.5%	26.7%
United Kingdom	11.8%	10.1%	10.5%	9.9%
Other	58.0%	55.9%	60.3%	55.9%
	100.0%	100.0%	100.0%	100.0%

	Three Months Ended		Six Months Ended	
	September 1, 2012	August 27, 2011	September 1, 2012	August 27, 2011
Revenue mix				
Hardware	$ 1,712	$ 3,027	$ 3,380	$ 6,848
Service	1,005	1,003	2,008	1,976
Software	65	78	134	159
Other	91	60	165	93
	$ 2,873	$ 4,168	$ 5,687	$ 9,076

In millions of United States dollars, except share and per share data, and except as otherwise indicated

	As at	
	September 1, 2012	March 3, 2012
Property, plant and equipment, intangible assets and goodwill		
Canada	$ 5,037	$ 5,382
United States	547	555
United Kingdom	36	37
Other	264	364
	$ 5,884	$ 6,338
Total assets		
Canada	$ 7,721	$ 8,693
United States	2,842	2,337
United Kingdom	1,033	1,554
Other	867	1,147
	$ 12,463	$13,731

17. CASH FLOW INFORMATION

Cash flows resulting from net changes in working capital items are as follows:

	Six Months Ended	
	September 1, 2012	August 27, 2011
Accounts receivable, net	$ 868	$ 384
Other receivables	133	(302)
Inventories	244	(754)
Income taxes receivable	(149)	—
Other current assets	(94)	(209)
Accounts payable	(145)	367
Accrued liabilities	(412)	(105)
Income taxes payable	—	(179)
Deferred revenue	38	(2)
	$ 483	$ (800)

RESEARCH IN MOTION LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 1, 2012

September 28, 2012

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the unaudited interim consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of Research In Motion Limited ("RIM" or the "Company") for the three and six months ended September 1, 2012, as well as the Company's audited consolidated financial statements and accompanying notes, and MD&A, for the fiscal year ended March 3, 2012. The Consolidated Financial Statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All financial information in this MD&A is presented in U.S. dollars, unless otherwise indicated.

RIM has 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, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which are different from those of the United States. This MD&A provides information for the three and six months ended September 1, 2012 and up to and including September 28, 2012.

Additional information about the Company, including the Company's Annual Information Form for the fiscal year ended March 3, 2012, which is included in RIM's Annual Report on Form 40-F for the fiscal year ended March 3, 2012, can be found on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws, including statements relating to:

- the Company's plans, strategies and objectives, and the anticipated opportunities and challenges in the remainder of fiscal 2013;
- the Company's expectations regarding new product initiatives and timing, including the next generation BlackBerry 10 platform and BlackBerry 10 smartphones;
- the Company's expectations regarding the number of applications that will be available for BlackBerry 10 smartphones prior to their launch;
- the Company's expectations with respect to the sufficiency of its financial resources;
- statements relating to the Company's earnings and gross margin expectations;
- anticipated demand for, and the Company's plans and expectations relating to, programs to drive sell-through of the Company's BlackBerry 7 smartphones and BlackBerry PlayBook tablets;
- the Company's revenue, loss, unit shipment, gross margin, operating expense and net subscriber expectations in the near term and for the remainder of fiscal 2013;

- the Company's plans to streamline its operations and its expectations relating to the benefits of its Cost Optimization and Resource Efficiency ("CORE") program;
- the Company's plans and expectations regarding marketing and promotional programs;
- the Company's estimates of purchase obligations and other contractual commitments;
- assumptions and expectations described in the Company's critical accounting policies and estimates; and
- the Company's guidance practices in the future.

The words "expect", "anticipate", "estimate", "may", "will", "should", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by RIM in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that RIM believes are appropriate in the circumstances, including but not limited to, general economic conditions, product pricing levels and competitive intensity, supply constraints, the timing and success of new product introductions, RIM's expectations regarding its business, strategy, opportunities and prospects, including its ability to implement meaningful changes to address its business challenges, and RIM's expectations regarding the cash flow generation of its business. Many factors could cause RIM's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, most of which are discussed in greater detail in the "Risk Factors" section of RIM's Annual Information Form for the fiscal year ended March 3, 2012, which is included in RIM's Annual Report on Form 40-F for the fiscal year ended March 3, 2012:

Risks Related to the Company's Business and its Industry

- RIM's ability to enhance current products and services, or develop new products and services in a timely manner at competitive prices;
- intense competition within RIM's industry, including the possibility that strategic transactions by RIM's competitors or carrier partners could weaken RIM's competitive position or require RIM to further reduce its prices to compete effectively;
- RIM's ability to establish new, and to build on existing relationships with its network carrier partners and distributors, and its reliance on its network carrier partners to help promote the BlackBerry 10 platform and BlackBerry 10 smartphones;
- the efficient and uninterrupted operation of RIM's network operations center and the networks of its carrier partners, and the risk of other business interruptions, including costs, potential liabilities, lost revenues and reputational damage associated with service interruptions;
- risks related to RIM's ability to maintain and grow its service revenue, including pressure to reduce RIM's infrastructure access fees;
- risks related to RIM's ability to maintain its cash balance;
- risks related to RIM's ability to implement and to realize the anticipated benefits of its CORE program;
- RIM's ability to manage inventory and asset risk;
- the occurrence or perception of a breach of RIM's security measures, or an inappropriate disclosure of confidential or personal information;
- potential liabilities or costs related to the collection, storage, transmission, use and disclosure of user and personal information;
- dependence on key personnel and RIM's ability to attract and retain key personnel;

- RIM's ability to continue to adapt to recent management changes and headcount reductions;
- RIM's ability to successfully maintain and enhance its brand;
- RIM's reliance on its suppliers for functional components, including the suppliers RIM has selected for its BlackBerry 10 smartphones, and the risk that suppliers will not supply components on a timely basis or in sufficient quantities;
- the continued quality and reliability of RIM's products and services and the potential effect of defects in products and services;
- risks associated with RIM's expanding foreign operations;
- risks as a result of actions of activist shareholders;
- reliance on strategic alliances and relationships with third-party network infrastructure developers, software platform vendors and service platform vendors, including RIM's ability to promote and advance the development of an ecosystem of applications and services for the BlackBerry 10 smartphones and the BlackBerry PlayBook tablets;
- RIM's ability to expand and enhance BlackBerry® App World™;
- RIM's reliance on third-party manufacturers for certain products and its ability to manage its production and repair process;
- restrictions on import and use of RIM's products and services in certain countries due to encryption of the products and services;
- general commercial litigation, class action and other litigation claims, including purported class action claims relating to RIM's operations;
- risks associated with litigation claims against the Company arising from the Company's practice of providing forward-looking guidance to its shareholders with respect to certain financial metrics, including the Company's practice of updating previous guidance where circumstances warrant;
- effective management of the Company's past growth and its ongoing development of service and support operations;
- potential charges relating to the impairment of other long-lived assets recorded on RIM's balance sheet;
- government regulation of wireless spectrum and radio frequencies;
- reduced spending by customers due to the uncertainty of economic and geopolitical conditions;
- risks associated with acquisitions, investments and other business initiatives;
- foreign exchange risks as the Company transacts globally in currencies other than the U.S. dollar;
- regulation, certification and health risks, and risks relating to the misuse of RIM's products;
- tax liabilities, resulting from changes in tax laws or otherwise, associated with RIM's worldwide operations;
- changes in interest rates affecting RIM's investment portfolio and its revolving credit facility and the creditworthiness of its investment portfolio;
- the potential impact of recently adopted regulations in the United States that apply to RIM relating to conflict minerals; and
- risks related to the failure of the Company's suppliers, subcontractors, third-party distributors and representatives to use acceptable ethical business practices or comply with applicable laws.

Risks Related to Intellectual Property

- third-party claims for infringement of intellectual property rights by RIM and the outcome of any litigation with respect thereto;
- RIM's ability to successfully obtain patent or other proprietary or statutory protection for its technologies and products;
- RIM's ability to obtain rights to use software or components supplied by third parties; and
- the potential impact of copyright levies in numerous countries.

Prior to fiscal 2013, the Company followed the practice of providing specific quantitative forward-looking guidance to its shareholders with respect to certain financial metrics for the subsequent fiscal quarter in its quarterly earnings press releases. On March 29, 2012, the Company announced that it will no longer provide specific quantitative guidance. However, the Company is committed to providing a high level of disclosure and transparency and will continue to provide commentary that highlights the trends and uncertainties that RIM anticipates. Such statements relating to, among other metrics, RIM's revenue, gross margin, operating results, cash flows and liquidity expectations, are forward-looking statements that are intended to enable RIM's shareholders to view the anticipated financial performance, financial condition and prospects of the Company from management's perspective at the time such statements are made, and they are subject to the risks that are inherent in all forward-looking statements, as described above. They are made by RIM in light of its experience, its perception of historical and anticipated business trends, current conditions in its business and anticipated future developments, including competition and new product initiatives and timing, as well as RIM's current assessments of the various risk factors identified above. These forward-looking statements are subject to the inherent risk of difficulties in forecasting RIM's financial results for future periods, particularly over longer periods, given the rapid technological changes, evolving industry standards, intense competition and short product life cycles that characterize the wireless communications industry.

These factors should be considered carefully, and readers should not place undue reliance on RIM's forward-looking statements. RIM has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Overview

RIM, a global leader in wireless innovation, revolutionized the mobile industry with the introduction of the BlackBerry® solution in 1999. BlackBerry products and services are currently used by approximately 80 million customers around the world. Founded in 1984 and based in Waterloo, Ontario, RIM operates offices in North America, Europe, Asia Pacific and Latin America. RIM's common shares are listed on the NASDAQ Global Select Market (NASDAQ: RIMM) and the Toronto Stock Exchange (TSX: RIM).

With the BlackBerry platform, RIM believes it offers a market-leading wireless communications experience with push-based connectivity, industry-leading security and enterprise manageability, excellent radio performance and differentiated social applications, such as BlackBerry Messenger ("BBM"), that provide immediacy, productivity and collaboration. The wireless communications market has evolved in recent years and there is significant overlap between consumer and enterprise segments. The enterprise market is currently characterized by a combination of enterprise-deployed devices and devices that are purchased by consumers but also used in the corporate environment, commonly referred to as "Bring Your Own Device" ("BYOD").

RIM has encountered challenges adapting to the BYOD movement as some information technology ("IT") departments that previously required employees to use the BlackBerry wireless solution because of its emphasis on security and reliability are permitting employees to choose devices offered by the Company's competitors, and this is impacting the Company's enterprise subscriber account base. To address this evolution of the market, RIM has introduced products to provide manageability and scalability solutions including BlackBerry Enterprise Server Express, BlackBerry Mobile Fusion and BlackBerry Balance, which give IT departments the ability to securely manage BlackBerry devices and other operating system platforms through a single unified interface and to securely protect corporate data on an employee's personal smartphone or tablet. RIM continues to expect that the anticipated launch of BlackBerry 10 smartphones in the first quarter of calendar 2013 will strengthen its position in the BYOD enterprise segment and the Company will also continue to seek partnerships that will further enable RIM to have a complete BYOD offering.

BlackBerry is the leading smartphone in several markets around the world. The primary regions contributing to the Company's recent growth are Asia Pacific and Latin America. The Company has experienced a decline in revenue and market share, particularly in the United States. Intense competition, the lack of a Long Term Evolution ("LTE") product and a high end consumer offering in the United States is negatively impacting the Company's results in that market. The decline can also be attributed to consumer preferences for devices with access to the broadest number of applications, such as those available in the iOS and Android environments. Market share has also been impacted by the significant number of new Android-based competitors that have entered the market. In addition, the increased desire by carriers to sell devices that operate on the new, faster LTE networks being built has also impacted the Company's market share, as these networks feature faster download speeds and allow carriers to offer higher-value data plans. RIM's first LTE smartphones, based on the BlackBerry 10 platform, are currently expected to be launched in the first quarter of calendar 2013. Some of RIM's main competitors include Apple Inc., Google Inc., HTC Corporation, Huawei Technologies Co., Ltd, Microsoft Corporation, Nokia Corporation, Samsung Electronics Co., Ltd, and ZTE Corporation.

BlackBerry App World, RIM's comprehensive electronic applications catalogue, is available to customers in over 100 markets globally, with other markets to follow. The continued expansion of the applications catalogue is an important element of the Company's successful transition to its next-generation BlackBerry 10 smartphones and the success of the BlackBerry PlayBook tablet, and requires a substantial investment of internal resources for development of the infrastructure, improvement of developer and consumer interfaces and advertising costs.

RIM currently has a strong balance sheet with negligible debt and approximately $2.3 billion in cash, cash equivalents and investments as of September 1, 2012. In the second quarter of fiscal 2013, RIM had sales of $2.9 billion and the Company incurred a net loss of $235 million, or $0.45 per share diluted.

RIM made a number of strategic acquisitions in recent years including Certicom, Torch Mobile, The Astonishing Tribe, QNX, Gist and Tungle that are intended to accelerate RIM's ability to innovate and deliver compelling products to market which RIM is continuing to explore. In June 2011, RIM also participated in a successful bid for the Nortel Networks Corporation ("Nortel") patent portfolio as a part of a consortium of companies. The Nortel patents obtained eliminated the Company's exposure to those patents and are expected to strengthen the Company's patent portfolio and its position in respect of patent litigation and licensing.

Operational and Strategic Review

The Company is in the ongoing process of completing the largest platform and organizational transition in its history, with a view to better position the Company to achieve growth and to continue to be a leading company in the wireless communications industry. The Company's second quarter results reflect the product and platform transition underway, ongoing market challenges and the competitive dynamics across many markets. The Company continues to expect the remainder of fiscal 2013 to be very challenging for its business as it completes this transition. As part of its ongoing efforts, the Company has continued its operational and strategic review, which includes re-evaluating its product portfolio, operations, manufacturing and research and development strategy. In the second quarter of fiscal 2013, the Company has continued to implement various initiatives as part of its operational and strategic review, including approximately half of the headcount reduction of 5,000 employees previously announced in an effort to align the Company's cost structure to enable it to move through this transition and deliver on long-term stakeholder value. The Company continues to engage J.P. Morgan Securities LLC and RBC Capital Markets in reviewing RIM's business and financial performance. These advisors have been tasked to help the Company with its operational and strategic review and to evaluate the relative merits and feasibility of various financial strategies, including opportunities to leverage the BlackBerry platform through partnerships, licensing opportunities and strategic business model alternatives. The Company plans to exit this transition as a lean and nimble organization that can act quickly and is aligned with RIM's growth opportunities.

Sources of Revenue

RIM's primary revenue stream is generated by the BlackBerry wireless solution, which includes sales of BlackBerry® handheld devices and BlackBerry PlayBook tablets, services and software. The BlackBerry wireless solution provides users with a wireless extension of their work and personal email accounts, including Microsoft® Outlook®, IBM® Lotus Notes®, Novell® GroupWise® and many ISP email services.

RIM generates hardware revenues from sales, primarily to carriers and distributors, of BlackBerry handheld devices, which provide users with the ability to send and receive wireless messages and data. RIM's BlackBerry handheld devices also incorporate a mobile phone, web-browsing capability and enables the use of data functions such as calendar, address book, task and memo lists and other functions associated with personal organizers. Most BlackBerry handheld devices also include multimedia capabilities. During the second quarter of fiscal 2013, the Company continued to launch new BlackBerry handheld devices that incorporate the BlackBerry 7 OS in markets such as South Africa, Saudi Arabia, the United Kingdom and Indonesia as well as launching major BlackBerry 7 upgrade programs in Canada, the United States and the United Kingdom. As part of RIM's operational and strategic review, the Company plans to streamline the BlackBerry smartphone product portfolio to offer a fewer number of devices in market at any given time. The successful launch of the Company's next-generation BlackBerry 10 platform and the delivery of high quality, full-featured BlackBerry 10 smartphones remain the Company's number one priority. RIM's software development teams have continued to make major progress in the development of key features for the BlackBerry 10 platform. The Company currently expects to launch the first BlackBerry 10 smartphones in market in the first quarter of calendar 2013.

The BlackBerry PlayBook tablet represents the Company's first tablet product and features the BlackBerry Tablet Operating System based on technology resulting from the Company's acquisition of QNX Software Systems. This operating system is also the core of RIM's next generation of BlackBerry 10 smartphones expected to be launched in the first quarter of calendar 2013. In the second quarter of fiscal 2013, the

Company launched the 3G plus BlackBerry PlayBook tablet and 4G LTE BlackBerry PlayBook tablet, the Company's first LTE product, in Canada and Germany, with other countries to follow in the coming months. Features of the 4G LTE BlackBerry PlayBook tablet include a seven-inch high definition display, a dual core 1.5 GHZ processor, dual high definition cameras and other high performance multimedia capabilities, true multitasking, advanced security features and an uncompromised web browsing experience that supports Adobe Flash. In fiscal 2011, the BlackBerry PlayBook tablet received Federal Information Processing Standard 140-2 certification, making the BlackBerry PlayBook tablet the first tablet certified for deployment within U.S. federal government agencies. This certification demonstrates RIM's continuing commitment and ability to meet the needs of security conscious organizations. The Company has undertaken a high level of promotional activity in retail-channels to drive sell-through of the BlackBerry PlayBook tablet to end customers as a result of intense competition in the tablet market. The Company sold out of the 16G BlackBerry PlayBook tablets in the second quarter of fiscal 2013 and is continuing to sell its 32G and 64G units.

RIM generates service revenues from billings to its BlackBerry subscriber account base primarily from a monthly infrastructure access fee charged to a carrier or reseller, which the carrier or reseller in turn bills the BlackBerry subscriber. The BlackBerry subscriber account base is the total of all subscriber accounts that have an active status at the end of a reporting period. Each carrier instructs RIM to create subscriber accounts and determines whether each subscriber account should have an active status. Each carrier is charged a service fee for each subscriber account each month, with substantially all of such service fees having no regard to the amount of data traffic that the subscriber account passes over the BlackBerry architecture.

If a carrier instructs RIM to deactivate a subscriber account, then RIM no longer includes that subscriber account in its BlackBerry subscriber account base and ceases billing the carrier with respect to such account from the date of notification of its deactivation. It is each carrier's responsibility to report changes to its subscriber account status on a timely basis to RIM. The number of subscriber accounts is a non-financial metric and is intended to highlight the change in RIM's subscriber base and should not be relied upon as an indicator of RIM's financial performance.

Given that many of the Company's competitors recover their infrastructure and services expense in alternate manners, the Company continues to face pressure to reduce its infrastructure access fees. In addition, the infrastructure access fees charged by the Company are expected to fall under increasing pressure as the Company implements certain pricing reduction programs to grow its subscriber base and because certain of the new products it launches, including BlackBerry 10 smartphones, are not expected to utilize the network infrastructure in the same way or to the same extent as the Company's existing products. The Company is focused on developing an integrated services offering that leverages RIM's strengths such as BBM, security and manageability and that will continue to generate service revenues. However, if the Company is unable to resist these competitive pressures or is unable to develop a compelling integrated services offering that will continue to generate service revenues and enable the Company to recover the costs associated with its network infrastructure, this could have a material adverse effect on the Company's results of operations and financial condition.

An important part of RIM's BlackBerry wireless solution is the software that is installed at the corporate or small- and medium-size enterprise server level, and in some cases, on personal computers. Software revenues include fees from (i) licensing RIM's BlackBerry® Enterprise Server™ ("BES") software; (ii) BlackBerry® Client Access Licenses ("CALs"), which are charged for each subscriber using the BlackBerry service via a BES; (iii) maintenance and upgrades to software; and (iv) technical support.

Revenues are also generated from non-warranty repairs and sales of accessories.

Cost Optimization and Resource Efficiency

As part of the Company's ongoing effort to streamline its operations and increase efficiency, the Company commenced the CORE program in March 2012. The CORE program is a Company-wide initiative with the objective of improving the Company's operations. The program includes, among other things, the streamlining of the BlackBerry smartphone product portfolio to offer a fewer number of devices in market at any given time, the optimization of the Company's global manufacturing footprint to reduce complexity and improve delivery performance, the outsourcing of global repair services, the alignment of the Company's sales and marketing teams to prioritize marketing efforts to effectively leverage its marketing windows and a reduction in the number of layers of management to drive accelerated execution and decision making, improve performance and increase the transparency of accountability. The Company is currently targeting the CORE program to drive at least $1.0 billion in savings by the end of fiscal 2013 based on RIM's fourth quarter of fiscal 2012 run rate. To date, the Company has launched CORE-related actions that it expects will result in savings of approximately $800 million of this target, of which approximately $350 million has already been realized in the first six months of this fiscal year. The savings have been realized through improved marketing processes, simplification of organizational structures, reduction in discretionary spending, certain supply chain initiatives including direct sourcing, freight, manufacturing and repair services as well as corporate IT and customer service optimization. As the CORE management team has been reviewing all aspects of the business, the Company continues to identify more opportunities to streamline cost and drive efficiencies. As a result of the BlackBerry 10 launch timeline in the first quarter of calendar 2013, the increasingly competitive environment as well as the identification of additional cost saving and efficiency opportunities, the Company may increase the scope and magnitude of the CORE program. In connection with the CORE program, the Company intends to avoid reductions that would negatively impact key programs such as BlackBerry 10, customer support or BlackBerry service levels.

To date, the Company has started implementing a number of these CORE initiatives including:

- a global workforce reduction of approximately 5,000 employees. The Company has achieved approximately half of this target as of September 28, 2012 and the majority of the remaining reductions are expected to occur by the end of fiscal 2013;
- a reduction in the number of layers of management to drive better clarity, efficiency and accountability across the organization;
- the continued streamlining of RIM's supply chain, which include plans to move from ten sites to three sites;
- outsourcing the Company's global repair services and re-engineering the Company's spare parts processes;
- a focus on reducing the Company's product costs from suppliers;
- targeted use of resources in RIM's sales and marketing initiatives to more effectively leverage marketing windows and prioritize marketing efforts and spend in regions that offer the highest opportunity and return; and
- further outsourcing of non-core functions as determined during the implementation of the CORE program.

The Company expects to continue to drive cost reductions over the coming fiscal quarters. The Company expects to incur restructuring related charges of approximately $350 million by the end of fiscal 2013, including the $136 million in pre-tax restructuring costs incurred in the second quarter of fiscal 2013, primarily associated with the global workforce reduction. Other charges may occur as programs are implemented or changes are completed.

Non-GAAP Financial Measures

As noted above, the Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, and information contained in this MD&A is presented on that basis. On September 27, 2012, the Company announced financial results for the second quarter of fiscal 2013, which included certain non-GAAP financial measures, including adjusted net loss and adjusted diluted loss per share that exclude the impact of the pre-tax restructuring charges of $136 million the Company recorded in the second quarter of fiscal 2013. 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 income, 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. The Company believes that presenting non-GAAP financial measures that exclude the impact of those items enables it and its shareholders to better assess the Company's operating performance relative to its consolidated financial results in prior and future periods and improves the comparability of the information presented. Readers are cautioned that adjusted net loss and adjusted diluted loss per share do not have any standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similarly titled measures reported by other companies. These non-GAAP financial measures should be considered in the context of the U.S. GAAP results, which are described in this MD&A. A reconciliation of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures was included in the Company's press release, dated September 27, 2012.

Critical Accounting Policies and Estimates

General

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are based upon management's historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

The Company's critical accounting policies and estimates have been reviewed and discussed with the Company's Audit & Risk Management Committee. There have not been any changes to the Company's critical accounting policies and estimates from those disclosed in the Company's annual MD&A for the fiscal year ended March 3, 2012.

Summary Results of Operations

Second quarter of Fiscal 2013 compared to the second quarter of Fiscal 2012

The following table sets forth certain unaudited consolidated statement of operations data, which is expressed in millions of dollars, for the periods indicated, except for share and per share amounts, as well as certain unaudited consolidated balance sheet data, as at September 1, 2012 and August 27, 2011, which is expressed in millions of dollars:

	As at and for the Three Months Ended				
	September 1, 2012		August 27, 2011		Change Fiscal 2013/2012
	(in millions, except for share and per share amounts)				
Revenue	$ 2,873	100.0%	$ 4,168	100.0%	$ (1,295)
Cost of sales	2,126	74.0%	2,556	61.3%	(430)
Gross margin	747	26.0%	1,612	38.7%	(865)
Operating expenses					
Research and development	367	12.8%	381	9.1%	(14)
Selling, marketing and administration	559	19.5%	683	16.4%	(124)
Amortization	184	6.4%	141	3.4%	43
	1,110	38.7%	1,205	28.9%	(95)
Income (loss) from operations	(363)	(12.7%)	407	9.8%	(770)
Investment income, net	—	0.0%	7	0.2%	(7)
Income (loss) before income taxes	(363)	(12.7%)	414	10.0%	(777)
Provision for (recovery of) income taxes	(128)	(4.5%)	85	2.0%	(213)
Net income (loss)	$ (235)	(8.2%)	$ 329	8.0%	$ (564)
Earnings (loss) per share					
Basic	$ (0.45)		$ 0.63		$ (1.08)
Diluted	$ (0.45)		$ 0.63		$ (1.08)
Weighted-average number of common shares outstanding (000's)					
Basic	524,160		524,116		
Diluted	524,160		524,166		
Total assets	$ 12,463		$ 13,976		$ (1,513)
Total current liabilities	$ 2,863		$ 4,059		$ (1,196)
Total long-term liabilities	$ 228		$ 281		$ (53)
Shareholders' equity	$ 9,372		$ 9,917		$ (545)

Executive Summary

Revenue for the second quarter of fiscal 2013 was $2.9 billion, a decrease of approximately $1.3 billion, or 31.1%, from $4.2 billion in the second quarter of fiscal 2012. Hardware revenue decreased by $1.3 billion, or 43.4%, to $1.7 billion, primarily due to lower shipment volumes, a less favourable product mix with a greater proportion of entry level products with lower average selling prices and the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices. The number of BlackBerry handheld devices shipped decreased by approximately 3.2 million, or 30.2%, to approximately 7.4 million in the second quarter of fiscal 2013, compared to approximately 10.6 million in the second quarter of fiscal 2012. The number of BlackBerry PlayBook tablets shipped during the second quarter of fiscal 2013 was approximately 0.1 million, representing a decrease of 0.1 million compared to 0.2 million in the second quarter of fiscal 2012. Service revenue increased by $2 million to $1.0 billion in the second quarter of fiscal 2013, reflecting the increase in net new BlackBerry subscriber accounts since the second quarter of fiscal 2012, offset by a decrease in average revenue per unit ("ARPU"). Software revenue decreased by $13 million in the second quarter of fiscal 2013 to $65 million as a result of a decrease in BES and CALs revenue. Other revenue increased by $31 million to $91 million in the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012, which was primarily attributable to gains realized from revenue hedging instruments.

The Company's net loss for the second quarter of fiscal 2013 was $235 million, a decrease of $564 million compared to net income of $329 million in the second quarter of fiscal 2012. The decrease, which takes into account the impact of one-time charges related to the CORE program incurred in the second quarter of fiscal 2013 of $136 million and one-time restructuring charges related to the Company's previous cost optimization program incurred in the second quarter of fiscal 2012 of $118 million, primarily reflects a decrease in the Company's gross margin, partially offset by lower operating expenses and the recovery of income taxes. The Company's consolidated gross margin in the second quarter of fiscal 2013 was negatively impacted by the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices, the mix of BlackBerry handheld devices sold during the quarter, which were weighted towards entry-level products with lower average selling prices and gross margins and the impact of allocating certain fixed costs, including licensing costs, to lower shipment volumes, compared to the second quarter of fiscal 2012.

Basic loss per share and diluted loss per share were both $0.45 in the second quarter of fiscal 2013 compared to basic earnings per share ("EPS") and diluted EPS of $0.63 in the second quarter of fiscal 2012, which reflects the impact of one-time charges related to the CORE program incurred in the second quarter of fiscal 2013 of $136 million and one-time restructuring charges related to the Company's previous cost optimization program incurred in the second quarter of fiscal 2012 of $118 million. The Company expects to report an operating loss in the third quarter of fiscal 2013 as it continues to invest in targeted marketing and sales programs to drive sales of BlackBerry 7 handheld devices and continues to work through the transition to Blackberry 10. The Company continues to expect that there will be pressure on operating results for the remainder of the fiscal year based on the factors described below and the timing of the BlackBerry 10 launch.

A more comprehensive analysis of these factors is contained in "Results of Operations".

Results of Operations

Three months ended September 1, 2012 compared to the three months ended August 27, 2011

Revenue

Revenue for the second quarter of fiscal 2013 was $2.9 billion, a decrease of approximately $1.3 billion, or 31.1%, from $4.2 billion in the second quarter of fiscal 2012.

A comparative breakdown of the significant revenue streams is set forth in the following table:

	For the Three Months Ended					
	September 1, 2012		August 27, 2011		Change Fiscal 2013/2012	
Millions of BlackBerry handheld devices shipped	7.4		10.6		(3.2)	(30.2%)
Millions of BlackBerry PlayBook tablets shipped	0.1		0.2		(0.1)	(50.0%)
Revenue *(in millions)*						
Hardware	$1,712	59.6%	$3,027	72.6%	$(1,315)	(43.4%)
Service	1,005	35.0%	1,003	24.1%	2	0.2%
Software	65	2.3%	78	1.9%	(13)	(16.7%)
Other	91	3.1%	60	1.4%	31	51.7%
	$2,873	100.0%	$4,168	100.0%	$(1,295)	(31.1%)

Hardware revenue was $1.7 billion, or 59.6% of consolidated revenue, in the second quarter of fiscal 2013, compared to $3.0 billion, or 72.6% of consolidated revenue, in the second quarter of fiscal 2012, representing a decrease of 43.4%. This decrease in hardware revenue over the comparable prior fiscal year period was a result of decreased BlackBerry handheld device shipments, a less favourable product mix with a greater proportion of entry level products with lower average selling prices and the continuation of pricing initiatives to drive sell-through and sell-in of BlackBerry 7 handheld devices. The Company anticipates aggressive pricing to continue to play a major role in the smartphone market for the foreseeable future and therefore plans to continue to aggressively incentivize sales of BlackBerry 7 handheld devices, which is expected to put downward pressure on revenue, average selling prices and related gross margins for handheld devices for the remainder of the fiscal year as the Company continues to work through the transition to BlackBerry 10. In the second quarter of fiscal 2013, 7.4 million Blackberry handheld devices were shipped, which decreased from 10.6 million in the same period in the prior fiscal year due to a number of factors, primarily reflecting the ongoing market challenges, the intense competition RIM is facing across many of its markets, particularly in the United States, as well as the platform and product transition the Company is undertaking. Delays in the introduction of the BlackBerry 10 smartphones have resulted in the current BlackBerry 7 product line being in the market for over one year, which has contributed to declining unit shipments and a loss of market share as some customers await the launch of the new BlackBerry 10 smartphones. The anticipated launch of the BlackBerry 10 smartphones in the first calendar quarter of 2013 may continue to affect the Company's financial results as the Company expects lower sales of its BlackBerry 7 smartphones in the third quarter of fiscal 2013 compared to the second quarter of fiscal 2013 as customers await the new BlackBerry 10 smartphones. The Company has continued to launch new BlackBerry 7 handhelds in Asia Pacific and Europe, Middle East and Africa ("EMEA") as well as launch major BlackBerry 7 upgrade programs in Canada, the United States and the United Kingdom and will continue to drive these devices into global carrier and distribution channels in the third quarter of fiscal 2013. The Company's inventory in channels has decreased in the second quarter of fiscal 2013, compared to the first quarter of fiscal 2013. The Company expects that carrier partners will continue to carry less inventory at a given time as they are not replenishing their inventory at the same pace as they have historically.

Outside of North America, overall performance was negatively impacted by pricing pressure due to competitive market dynamics and the aging of the Company's in-market product portfolio, making growth in international markets increasingly more challenging. The Company has been refreshing the product portfolio by releasing new BlackBerry 7 handheld devices in Asia Pacific and EMEA, as noted above. Results from these launches have been positive and the Company expects these new devices to continue to help re-invigorate sales in these regions.

The number of BlackBerry PlayBook tablets shipped during the second quarter of fiscal 2013 was approximately 0.1 million, representing a decrease of 0.1 million units compared to the same period in the prior fiscal year. Overall, BlackBerry PlayBook tablet shipments have experienced lower than anticipated sell-through to end users due mainly to intense competition in the tablet market, especially in the United States. During the second quarter of fiscal 2013, the Company continued its ongoing promotional activities to encourage sell-through of the BlackBerry PlayBook tablets. The Company sold out of the 16G BlackBerry PlayBook tablets in the second quarter of fiscal 2013 and is continuing to sell its 32G and 64G units as it transitions to the 3G BlackBerry PlayBook tablet and 4G LTE BlackBerry PlayBook tablet, which launched in Canada and Germany in the second quarter of fiscal 2013 with other countries to follow in the coming months. The Company believes that this strategy will help to manage its inventory and enhance adoption of its QNX-based platform by consumers and enterprises.

Service revenue increased marginally by $2 million, or 0.2%, to $1.0 billion, or 35.0% of consolidated revenue, in the second quarter of fiscal 2013, compared to $1.0 billion, or 24.1% of consolidated revenue, in the second quarter of fiscal 2012. The increase in service revenue reflects the Company's increase in net new BlackBerry subscriber accounts since the second quarter of fiscal 2012, particularly in Latin America, Asia Pacific and EMEA, which was substantially offset by a decrease in subscriber accounts in North America and a decrease in ARPU. The decrease in ARPU resulted from recent pricing reduction programs implemented by the Company to grow the subscriber base as well as a shift in the mix of the Company's subscriber base from higher tiered unlimited plans to prepaid and lower tiered plans. BlackBerry tiered service plans continued to drive growth in the Company's subscriber base in the second quarter of fiscal 2013, specifically in the international markets. The overall BlackBerry subscriber base continued to grow in all regions in the second quarter of fiscal 2013 except for North America. The total BlackBerry subscriber base was approximately 80 million as at the end of the second quarter of fiscal 2013. The growth in international markets was offset by continued weak results in the second quarter of fiscal 2013 in the United States where a 12% decline in the subscriber base has caused service revenue to decline by 12%. The Company expects net subscriber accounts in the United States to remain under pressure and will continue to look to international markets to help maintain and grow the subscriber base as the Company continues to work through the transition to BlackBerry

10. The Company also expects ARPU to continue to decline in the third quarter of fiscal 2013 due to the pricing reduction programs and the anticipated mix of the Company's subscriber base discussed previously. The Company continues to be dissatisfied with the performance of the business in the United States. As described above, RIM generates service revenues from billings to its BlackBerry subscriber account base primarily from a monthly infrastructure access fee charged to a carrier or reseller, which the carrier or reseller in turn bills to the BlackBerry subscriber. Given that many of the Company's competitors recover their infrastructure and services expense in alternate manners, the Company continues to face pressure to reduce its infrastructure access fees. In addition, the infrastructure access fees charged by the Company are expected to fall under increasing pressure as the Company implements pricing reduction programs to grow its subscriber base and because certain of the new products it launches, including BlackBerry 10 smartphones, are not expected to utilize the network infrastructure in the same way or to the same extent as the Company's existing products. The Company is focused on developing an integrated services offering that leverages RIM's strengths such as BBM, security and manageability and that will continue to generate service revenues. However, if the Company is unable to resist these competitive pressures or is unable to develop a compelling integrated services offering that will continue to generate service revenues and enable the Company to recover the costs associated with its network infrastructure, this could have a material adverse effect on the Company's results of operations and financial condition.

Software revenue, which includes fees from licensed BES software, CALs, technical support, maintenance and upgrades decreased by $13 million, or 16.7%, to $65 million, or 2.3% of consolidated revenue, in the second quarter of fiscal 2013, compared to $78 million, or 1.9% of consolidated revenue, in the second quarter of fiscal 2012. This decrease was primarily attributable to a decrease in BES and CALs revenue.

Other revenue, which includes non-warranty repairs, accessories and gains and losses on revenue hedging instruments, increased by $31 million to $91 million in the second quarter of fiscal 2013 compared to $60 million in the second quarter of fiscal 2012. The majority of the increase was attributable to gains realized from revenue hedging instruments in the second quarter of fiscal 2013, compared to a net loss from hedging instruments that was realized in the same period in the prior fiscal year. The overall increase was partially offset by a decrease in non-warranty repair revenues. See "Market Risk of Financial Instruments – Foreign Exchange" for additional information on the Company's hedging instruments.

Sales outside the United States, the United Kingdom and Canada comprised approximately 58% of the total consolidated revenue during the second quarter of fiscal 2013. Some of the larger markets comprising the other segment include Indonesia, South Africa and Venezuela. Sales in the United States represented approximately 22% of total consolidated revenue during the quarter, a decrease as a percentage of total consolidated revenue compared to the same period in the prior year resulting from shifts in the competitive dynamics within the United States, an aging in-market product portfolio, as well as growth in international markets compared to the second quarter of fiscal 2012. While the Company's BlackBerry 7 upgrade program is being well received by many of its customers, revenues in the United States have continued to decline and subscriber attrition has remained high due to the intense competition faced by the Company in this market. Sales in the United Kingdom represented approximately 12% of total consolidated revenue and sales in Canada represented the remainder. During the second quarter of fiscal 2013, the Company experienced a significant decrease in its share of the smartphone market in the United States compared to the second quarter of fiscal 2012. Intense competition, the lack of an LTE smartphone product and a high end consumer offering in the United States as well as consumer preferences for devices with access to the broadest number of applications, such as those available in the iOS and Android environments continue to negatively impact the Company's results in that market. The Company plans to have a broad spectrum of applications available on the

BlackBerry 10 platform when it is launched, including games, multimedia, productivity, enterprise and social media applications. Sales in the United States have also been impacted by the significant number of new Android-based competitors that have entered the market. In addition, the increased desire by carriers to sell devices that operate on the new, faster LTE networks being built has also impacted the Company's market share, as these networks feature faster download speeds and enable carriers to offer higher-value data plans. RIM's first LTE smartphones are scheduled to be launched with the Company's first BlackBerry 10 smartphones, currently expected in the first quarter of calendar 2013. The Company expects net subscriber accounts in the United States to remain under pressure and ARPU to continue to decline in the third quarter of fiscal 2013, given the pricing reduction programs and the anticipated product mix reflecting growth in lower tiered plans, and will continue to look to international markets to grow the subscriber base as the Company continues to work through the transition to BlackBerry 10.

RIM has encountered challenges adapting to the BYOD movement as some IT departments that previously required employees to use the BlackBerry wireless solution because of its emphasis on security and reliability are permitting employees to choose devices offered by the Company's competitors, and this has been reflected through a decrease in the Company's enterprise subscriber growth rate. To address this evolution of the market, RIM has introduced products to provide manageability and scalability solutions including BlackBerry Enterprise Server Express, BlackBerry Mobile Fusion and BlackBerry Balance, which give IT departments the ability to securely manage BlackBerry devices and other operating system platforms through a single interface and to securely protect corporate data on an employee's personal smartphone or tablet. RIM expects that the anticipated launch of BlackBerry 10 smartphones in the first quarter of calendar 2013 will strengthen its position in the BYOD enterprise segment and the Company will also continue to seek partnerships that will further enable RIM to have a complete BYOD offering.

Gross Margin

Consolidated gross margin decreased by $865 million, to $747 million, or 26.0% of consolidated revenue, in the second quarter of fiscal 2013, compared to $1.6 billion, or 38.7% of consolidated revenue, in the second quarter of fiscal 2012. Excluding the impact of one-time charges related to the CORE program incurred in the second quarter of fiscal 2013, of which $68 million was attributable to cost of sales, and one-time charges related to the Company's previous cost optimization program incurred in the second quarter of fiscal 2012, of which $13 million was attributable to cost of sales, gross margin decreased by $810 million.

The $810 million decrease in consolidated gross margin was attributable to the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices, the mix of BlackBerry handheld devices sold during the quarter, which were weighted towards entry-level products with lower average selling prices and gross margins and the impact of allocating certain fixed costs, including licensing costs, to lower shipment volumes.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for the quarter ended September 1, 2012, compared to the quarter ended June 2, 2012 and the quarter ended August 27, 2011. The Company believes it is meaningful to provide a comparison between the second quarter of fiscal 2013 and the first quarter of fiscal 2013 given that RIM's quarterly operating results vary substantially.

	For the Three Months Ended (in millions)					
	September 1, 2012		June 2, 2012		August 27, 2011	
		% of Revenue		% of Revenue		% of Revenue
Revenue	$2,873		$2,814		$4,168	
Operating expenses						
Research and development	$ 367	12.8%	$ 368	13.1%	$ 381	9.1%
Selling, marketing and administration	559	19.5%	552	19.6%	683	16.4%
Amortization	184	6.4%	176	6.3%	141	3.4%
Impairment of Goodwill(1)	—	—	335	11.9%	—	—
Total	$1,110	38.7%	$1,431	50.9%	$1,205	28.9%

(1) During the first quarter of fiscal 2013, the Company recorded a goodwill impairment charge of approximately $335 million pre-tax, or $326 million after-tax.

Operating expenses decreased by $321 million, or 22.4%, to $1.1 billion, or 38.7% of revenue, in the second quarter of fiscal 2013, compared to $1.4 billion, or 50.9% of revenue, in the first quarter of fiscal 2013, due to the goodwill impairment charge recorded in the first quarter of fiscal 2013 as well as the fully offsetting impacts of the one-time charges incurred in the second quarter of fiscal 2013 related to the CORE program, of which $68 million was attributable to operating expenses, and the operating expense savings realized in the quarter as a result of implementing the CORE program.

Operating expenses decreased by $95 million, or 7.9%, compared to $1.2 billion, or 28.9% of revenue, in the second quarter of fiscal 2012, reflecting the lower consolidated revenue in the second quarter of fiscal 2013. Excluding the impact of one-time charges incurred as part of the CORE program during the second quarter of fiscal 2013, of which $68 million were attributable to operating expenditures, and the one-time charges incurred as part of the Company's previous cost optimization program during the second quarter of fiscal 2012, of which $105 million were attributed to operating expenditures, operating expenses decreased by $58 million. This decrease was due to reductions in marketing and promotional spending and travel costs as a result of the CORE program, less materials costs due to fewer new product introductions and a decrease in salaries and benefits as a result of a reduction in headcount. The overall decrease was partially offset by an increase in litigation costs due to an increased number of legal cases outstanding during the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for technical personnel, new product development costs, travel, office and building infrastructure costs and other employee costs.

Research and development expenses decreased marginally by $1 million to $367 million in the second quarter of fiscal 2013, compared to $368 million in the first quarter of fiscal 2013. Excluding the impact of one-time charges related to the CORE program incurred during the second quarter of fiscal 2013, of which $20 million was attributable to research and development expenditures, research and development expenses decreased by $21 million, which was primarily attributable to decreases in salaries and benefits as a result of a reduction in headcount. Research and development related headcount decreased by approximately 850 individuals, or 11%, compared to the first quarter of fiscal 2013. Also contributing to the decrease was a reduction in material costs due to fewer new product introductions and less travel costs as a result of the CORE program.

Research and development expenses decreased by $14 million or 4% in the second quarter of fiscal 2013, compared to $381 million in the second quarter of fiscal 2012. This decrease was primarily attributable to decreases in materials costs due to fewer new product introductions and less travel costs as a result of the CORE program. The decrease was partially offset by an overall increase in salaries and benefits due to higher salary and bonus levels compared to the second quarter of fiscal 2012, offset by a reduction in headcount. Research and development related headcount decreased by approximately 1,050 individuals, or 13%, compared to the second quarter of fiscal 2012. The Company expects further headcount reductions in certain functional areas within research and development during the remainder of fiscal 2013.

Selling, Marketing and Administration Expenses

Selling, marketing and administration expenses consist primarily of marketing, advertising and promotion, salaries and benefits, external advisory fees, information technology costs, office and related staffing infrastructure costs and travel expenses.

Selling, marketing and administration expenses increased marginally by $7 million to $559 million in the second quarter of fiscal 2013 compared to $552 million for the first quarter of fiscal 2013. Excluding the impact of one-time charges related to the CORE program incurred during the second quarter of fiscal 2013, of which $48 million was attributable to selling, marketing and administration expenditures, selling, marketing and administration expenses decreased by $41 million. The $41 million decrease was primarily attributable to reductions in marketing and promotional spending as well as a decrease in salaries and benefits due to a reduction in headcount. Selling, marketing and administration related headcount decreased by approximately 1,200 individuals, or 16%, compared to the first quarter of fiscal 2013.

Selling, marketing and administration expenses decreased by $124 million in the second quarter of fiscal 2013 compared to $683 million in the second quarter of fiscal 2012. Excluding the impact of one-time charges incurred as part of the CORE program during the second quarter of fiscal 2013, of which $48 million was attributable to selling, marketing and administration expenditures, and the charges incurred as part of the Company's previous cost optimization program during the second quarter of fiscal 2012, of which $86 million was attributable to selling marketing and administration expenditures, selling, marketing and administration expenses decreased by $86 million. This decrease was primarily due to a reduction in marketing and promotional spending as well as a reduction in headcount, which was partially offset by an increase in litigation costs due to an increased number of legal cases outstanding during the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012. Headcount related to selling, marketing and administration functions decreased by approximately 1,500 individuals, or 19%, as compared to the second quarter of fiscal 2012. The Company expects further headcount reductions in these functional areas in the remainder of fiscal 2013.

Amortization Expense

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended (in millions)					
	Included in Amortization			Included in Cost of Sales		
	September 1, 2012	August 27, 2011	Change	September 1, 2012	August 27, 2011	Change
Property, plant and equipment	$ 101	$ 90	$ 11	$ 83	$ 74	$ 9
Intangible assets	83	51	32	254	139	115
Total	$ 184	$ 141	$ 43	$ 337	$ 213	$ 124

Amortization

Amortization expense relating to certain property, plant and equipment and intangible assets increased by $43 million to $184 million for the second quarter of fiscal 2013, compared to $141 million for the comparable period in fiscal 2012, which primarily reflects the impact of certain property, plant and equipment and intangible asset additions made over the last four quarters.

Cost of sales

Amortization expense relating to certain property, plant and equipment and intangible assets employed in the Company's manufacturing operations and BlackBerry service operations increased by $124 million to $337 million for the second quarter of fiscal 2013, compared to $213 million for the comparable period in fiscal 2012. This increase primarily reflects the impact of renewed or amended licensing agreements and certain property, plant and equipment asset additions made over the last four quarters.

Investment Income

Investment income decreased by $7 million to nil in the second quarter of fiscal 2013, from a gain of $7 million in the second quarter of fiscal 2012. The decrease in investment income is a result of decreases in the Company's average yield on the investment portfolio, a decrease in the amount of one-time gains compared to the same period in fiscal 2012 and the recording of the Company's portion of investment losses on its equity-based investments. See "Financial Condition—Liquidity and Capital Resources".

Income Taxes

For the second quarter of fiscal 2013, the Company's income tax recovery was $128 million, resulting in an effective tax rate of approximately 35.3%, compared to income tax expense of $85 million and an effective tax rate of approximately 20.5% for the same period in the prior fiscal year. The Company's effective tax rate reflects the geographic mix of earnings in jurisdictions with different tax rates. The higher effective tax rate in the second quarter of fiscal 2013 primarily reflects the favourable impact of carrying operating losses back to prior periods with higher effective tax rates and the effect of tax incentives on earnings.

The Company has not provided for Canadian income taxes or foreign withholding taxes that would apply on the distribution of the earnings of its non-Canadian subsidiaries, as these earnings are intended to be reinvested indefinitely by these subsidiaries.

Net Loss

The Company's net loss for the second quarter of fiscal 2013 was $235 million, a decrease of $564 million compared to net income of $329 million in the second quarter of fiscal 2012. The decrease, which takes into account the impact of one-time charges related to the CORE program incurred in the second quarter of fiscal 2013 of $136 million and one-time restructuring charges related to the Company's previous cost optimization program incurred in the second quarter of fiscal 2012 of $118 million, primarily reflects a decrease in the Company's gross margin, partially offset by lower operating expenses and the recovery of income taxes. The Company's consolidated gross margin in the second quarter of fiscal 2013 was negatively impacted by the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices, the mix of BlackBerry handheld devices sold during the quarter, which were weighted towards entry-level products with lower average selling prices and gross margins and the impact of allocating certain fixed costs, including licensing costs, to lower shipment volumes, compared to the second quarter of fiscal 2012.

Basic and diluted loss per share were both $0.45 in the second quarter of fiscal 2013, compared to basic EPS and diluted EPS of $0.63 in the second quarter of fiscal 2012.

The weighted average number of shares outstanding was 524 million common shares for both basic and diluted loss per share for the second quarter of fiscal 2013 and both basic and diluted EPS for the second quarter of fiscal 2012, respectively.

The Company believes it is extremely important to focus on increasing sales of its BlackBerry 7 handheld devices ahead of its BlackBerry 10 launch and throughout the remainder of fiscal 2013. In order to drive increased demand for BlackBerry 7 products and services in the United States, the Company continued the targeted marketing and sales program that commenced in the first quarter of fiscal 2013 to aggressively incentivize sales of BlackBerry 7 handheld devices through the implementation of programs to drive upgrades from older BlackBerry products to BlackBerry 7 handheld devices and to attract first-time smartphone buyers to BlackBerry. This created downward pressure on financial results in the second quarter of fiscal 2013 and is expected to create further pressure on financial results in the coming fiscal quarters as the Company invests in an attempt to maintain and grow the BlackBerry brand and awareness of the BlackBerry 7 product family. The Company has also increased its spending on advertising and promotional activities in a number of key international markets. The Company anticipates that these investments will also lay the groundwork for the launch of its BlackBerry 10 smartphones, which is currently expected to occur in the first quarter of calendar year 2013. See "Cautionary Note Regarding Forward-Looking Statements".

As noted above, the Company is in the process of completing the largest platform and organizational transition in its history, with a view to better position the Company to achieve growth and to continue to be a leading company in the wireless communications industry. As part of the ongoing efforts, the Company is also re-evaluating its product portfolio, operations, manufacturing and research and development strategy. The Company has implemented various initiatives related to the CORE program, as discussed above, and expects to incur restructuring and related charges of approximately $350 million by the end of fiscal 2013, primarily associated with the global workforce reduction.

The Company expects the third quarter of fiscal 2013 to continue to be very challenging for its business based on the increasing competitive environment as well as the Company's aggressive pricing initiatives on handheld devices and monthly infrastructure access fees. Also, the Company plans to invest in targeted marketing and sales programs to aggressively drive sales of BlackBerry 7 handheld devices as its portfolio of products with higher average selling prices begins to age before the anticipated launch of the BlackBerry 10 smartphones. As a result, the Company expects to report an operating loss in the third quarter of fiscal 2013 as RIM continues to work through the transition to BlackBerry 10. This outlook excludes the impact of charges related to the CORE program. The Company expects that there will be continued pressure on operating results for the remainder of the fiscal year based on the factors described above and the timing of the BlackBerry 10 launch. See "Cautionary Note Regarding Forward-Looking Statements".

Common Shares Outstanding

On September 21, 2012, there were 524 million voting common shares, options to purchase 2.8 million voting common shares, 7.5 million restricted share units and 0.2 million deferred share units outstanding.

The Company has not paid any cash dividends during the last three fiscal years.

Six months ended September 1, 2012 compared to the six months ended August 27, 2011

The following table sets forth certain unaudited consolidated statements of operations data, which is expressed in millions of dollars, for the periods indicated, except for share and per share amounts:

	For the Six Months Ended				
	September 1, 2012		August 27, 2011		Change Fiscal 2013/2012
	(in millions, except for share and per share amounts)				
Revenue	$ 5,687	100.0%	$ 9,076	100.0%	$ (3,389)
Cost of sales [1]	4,152	73.0%	5,308	58.5%	(1,156)
Gross margin	1,535	27.0%	3,768	41.5%	(2,233)
Operating expenses					
Research and development [1]	735	13.0%	804	8.8%	(69)
Selling, marketing and administration [1]	1,111	19.5%	1,387	15.3%	(276)
Amortization	360	6.3%	273	3.0%	87
Impairment of goodwill	335	5.9%	—	—	335
	2,541	44.7%	2,464	27.1%	77
Income (loss) from operations	(1,006)	(17.7%)	1,304	14.4%	(2,310)
Investment income, net	3	0.1%	14	0.2%	(11)
Income (loss) before income taxes	(1,003)	(17.6%)	1,318	14.6%	(2,321)
Provision for (recovery of) income taxes	(250)	(4.4%)	294	3.2%	(544)
Net income (loss)	$ (753)	(13.2%)	$ 1,024	11.3%	$ (1,777)
Earnings (loss) per share					
Basic	$ (1.44)		$ 1.95		$ (3.39)
Diluted	$ (1.44)		$ 1.95		$ (3.39)
Weighted-average number of common shares outstanding (000's)					
Basic	524,160		524,049		
Diluted	524,160		524,365		

[1] Cost of sales, research and development and selling, marketing and administration expenses included approximately $136 million in total pre-tax charges related to the CORE program to streamline operations across the Company during the first six months of fiscal 2013. Included in cost of sales, research and development, and selling, marketing and administration expenses for the first six months of fiscal 2013 was approximately $68 million, $20 million and $48 million, respectively, of charges incurred as a result of the CORE program, related primarily to employee termination benefits and manufacturing costs.

Revenue

Revenue for the first six months of fiscal 2013 was $5.7 billion, a decrease of $3.4 billion, or 37.3%, from $9.1 billion in the first six months of fiscal 2012.

A comparative breakdown of the significant revenue streams is set forth in the following table:

	For the Six Months Ended					
	September 1, 2012		August 27, 2011		Change Fiscal 2013/2012	
Millions of BlackBerry handheld devices sold	15.2		23.8		(8.6)	(36.1%)
Millions of BlackBerry PlayBook tablets sold	0.4		0.7		(0.3)	(43%)
Revenue *(in millions)*						
Hardware	$3,380	59.4%	$6,848	75.5%	$(3,468)	(50.6%)
Service	2,008	35.3%	1,976	21.8%	32	1.6%
Software	134	2.4%	159	1.8%	(25)	(15.7%)
Other	165	2.9%	93	0.9%	72	77.4%
	$5,687	100.0%	$9,076	100.0%	$(3,389)	(37.3%)

Hardware revenue decreased by $3.5 billion, or 50.6%, to $3.4 billion, or 59.4% of consolidated revenue, in the first six months of fiscal 2013 compared to $6.8 billion, or 75.5% of consolidated revenue, in the first six months of fiscal 2012. This decrease in hardware revenue over the prior fiscal year was primarily attributable to a decrease in the volume of BlackBerry handheld devices shipped by approximately 8.6 million, to approximately 15.2 million BlackBerry handheld devices in the first six months of fiscal 2013, compared to approximately 23.8 million BlackBerry handheld devices shipped in the first six months of fiscal 2012. The decrease is also attributable to a shift in the mix of BlackBerry handheld devices shipped during the first six months of fiscal 2013, which were more heavily weighted towards existing, lower-end devices that have lower average selling prices. As discussed previously, BlackBerry handheld device shipments were impacted by the highly competitive environment in North America during the first six months of fiscal 2013 compared to the first six months of fiscal 2012. BlackBerry handheld device shipments were positively impacted during the first six months of fiscal 2013 by continued growth in international markets when compared to the first six months of fiscal 2012 primarily due to the continued focus and development of prepaid markets and tiered pricing plan offerings. In addition, the number of BlackBerry PlayBook tablets shipped was 0.4 million units in the first six months of fiscal 2013, compared to 0.7 million units in the first six months of fiscal 2012.

Service revenue increased $32 million, or 1.6%, to $2.01 billion and comprised 35.3% of consolidated revenue in the first six months of fiscal 2013 compared to $1.98 billion, or 21.8% of consolidated revenue, in the first six months of fiscal 2012, reflecting the Company's increase in net new BlackBerry subscriber accounts since the second quarter of fiscal 2012, partially offset by a decrease in ARPU.

Software revenue decreased $25 million, or 15.7%, to $134 million in the first six months of fiscal 2013 from $159 million in the first six months of fiscal 2012. The decrease was attributable to a decline in revenue generated by the Company's acquired subsidiaries and a decrease in CALs and BES revenue.

Other revenue increased by $72 million to $165 million in the first six months of fiscal 2013 compared to $93 million in the first six months of fiscal 2012. The majority of the increase was attributable to gains realized from revenue hedging instruments in contrast to a net loss realized in the same period in the prior fiscal year, which was partially offset by a decrease in non-warranty repair revenue. See "Market Risk of Financial Instruments – Foreign Exchange" for additional information on the Company's hedging instruments.

Sales outside the United States, United Kingdom and Canada comprised approximately 60% of the total consolidated revenue during the first six months of fiscal 2013. Sales in the United States represented approximately 24% of total consolidated revenue during the first six months of fiscal 2013, a decrease as a percentage of total consolidated revenue resulting from the factors described above and continuous growth in international markets when compared to the first six months of fiscal 2012. Sales in the United Kingdom represented approximately 11% of total consolidated revenue and sales in Canada represented the remainder.

Gross Margin

Consolidated gross margin decreased by $2.2 billion, or 59.3%, to $1.5 billion, or 27.0% of consolidated revenue, in the first six months of fiscal 2013, compared to $3.8 billion, or 41.5% of consolidated revenue, in the same period of the previous fiscal year. Excluding the impact of one-time charges related to the CORE program that the Company incurred during the second quarter of fiscal 2013, of which $68 million was attributable to cost of sales, and the one-time charges related to the Company's previous cost optimization program that the Company incurred during the second quarter of fiscal 2012, of which $13 million was attributable to cost of sales, consolidated gross margin decreased by $2.1 billion. The year-over-year decline in consolidated gross margin was primarily attributable to the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices, the mix of BlackBerry handheld devices shipped during the first six months of fiscal 2013, which were more heavily weighted towards entry-level products with lower average selling prices and gross margins and the impact of allocating certain higher fixed costs, including licensing costs, over lower shipment volumes. Gross margin percentage for BlackBerry handheld devices and BlackBerry PlayBook tablets are generally lower than the Company's consolidated gross margin percentage.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expenses for the six months ended September 1, 2012, compared to the six months ended August 27, 2011.

	For the Six Months Ended *(in millions)*					
	September 1, 2012		August 27, 2011		Change Fiscal 2013/2012	
		% of Revenue		% of Revenue		% of Change
Revenue	$5,687		$9,076		$(3,389)	(37.3%)
Operating expenses						
Research and development (1)	$ 735	13.0%	$ 804	8.8%	$ (69)	(8.6%)
Selling, marketing and administration (1)	1,111	19.5%	1,387	15.3%	(276)	(19.9%)
Amortization	360	6.3%	273	3.0%	87	31.9%
Impairment of goodwill	335	5.9%	—	—	335	100.0%
Total	$2,541	44.7%	$2,464	27.1%	$ 77	3.1%

(1) Research and development and selling, marketing and administration expenses for the six months ended September 1, 2012 included one-time charges of approximately $20 million and $48 million, respectively, related to the CORE program.

Research and Development Expenses

Research and development expenses decreased by $69 million to $735 million, or 13.0% of consolidated revenue, in the first six months of fiscal 2013, compared to $804 million, or 8.8% of consolidated revenue, in the first six months of fiscal 2012. The decrease relates to a reduction in material costs due to less new product introductions as well as reductions in travel costs and headcount related to the CORE program. The decrease was partially offset by an increase in salary and bonus levels compared to the first six months of fiscal 2012.

Selling, Marketing and Administration Expenses

Selling, marketing and administration expenses decreased by $276 million to $1.1 billion for the first six months of fiscal 2013 compared to $1.4 billion for the comparable period in fiscal 2012. As a percentage of revenue, selling, marketing and administration expenses increased to 19.5% in the first six months of fiscal 2013 versus 15.3% in the first six months of fiscal 2012. Excluding the impact of the one-time charges related to the CORE program during the second quarter of fiscal 2013, of which $48 million was attributable to selling, marketing and administration expenditures, and the one-time charges related to the Company's previous cost optimization program that the Company incurred during the second quarter of fiscal 2012, of which $86 million was attributable to selling, marketing and administration expenditures, selling marketing and administration expenses decreased by $238 million. The one-time charges incurred by the Company during the quarter related to employee termination benefits of approximately $28 million as well as the identification and elimination of redundant facilities of approximately $20 million. The $238 million decrease is attributable to reductions in marketing and promotion spending, travel costs and headcount related to the CORE program, partially offset by an increase in litigation expenses due to the increased number of legal cases outstanding during the second quarter of fiscal 2013 compared to the first six months of fiscal 2012.

The increase in selling, marketing and administration expenses as a percentage of revenue reflects the lower consolidated revenue in the second quarter of fiscal 2013, offset by a reduction in headcount implemented as part of the CORE program and the Company's previous cost optimization program since the second quarter of fiscal 2012.

Amortization Expense

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the six months ended September 1, 2012 compared to the six months ended August 27, 2011. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Six Months Ended *(in millions)*					
	Included in Amortization			**Included in Cost of Sales**		
	September 1, 2012	August 27, 2011	Change	September 1, 2012	August 27, 2011	Change
Property, plant and equipment	$ 196	$ 172	$ 24	$ 166	$ 141	$ 25
Intangible assets	164	101	63	475	295	180
Total	$ 360	$ 273	$ 87	$ 641	$ 436	$ 205

Amortization

Amortization expense relating to certain property, plant and equipment and certain intangible assets increased by $87 million to $360 million in the first six months of fiscal 2013 compared to $273 million for the comparable period in fiscal 2012, which primarily reflects the impact of certain property, plant and equipment and intangible asset additions made over the last several quarters.

Cost of sales

Amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company's manufacturing operations and BlackBerry service operations increased by $205 million to $641 million in the first six months of fiscal 2013 compared to $436 million for the comparable period in fiscal 2012. This increase primarily reflects the impact of renewed or amended licensing agreements and certain property, plant and equipment asset additions made over the last several quarters.

Investment Income

Investment income decreased by $11 million to $3 million in the first six months of fiscal 2013, from $14 million in the comparable period of fiscal 2012. The decrease primarily reflects the decrease in the Company's average yield, the recording of the Company's portion of investment losses in its equity-based investments, offset by the reversal of previously-accrued interest expense on the resolution of an uncertain tax position during the first six months of fiscal 2013. See "Financial Condition—Liquidity and Capital Resources".

Income Taxes

For the first six months of fiscal 2013, the Company's income tax recovery was $250 million, resulting in an effective tax rate of 24.9%, compared to income tax expense of $294 million and an effective tax rate of 22.3% for the same period in the prior fiscal year. The Company's effective tax rate reflects the geographic mix of earnings in jurisdictions with different tax rates. The higher effective tax rate in the first six months of fiscal 2013 primarily reflects the favourable impact of carrying operating losses back to prior periods with higher effective tax rates and the effect of tax incentives on earnings offset by the unfavourable impact of the goodwill impairment charge incurred in the first quarter of fiscal 2013.

The Company has not provided for Canadian income taxes or foreign withholding taxes that would apply on the distribution of the earnings of its non-Canadian subsidiaries, as these earnings are intended to be reinvested indefinitely by these subsidiaries.

Net Loss

The Company's net loss for the first six months of fiscal 2013 was $753 million, a decrease of $1.8 billion compared to net income of $1.0 billion in the first six months of fiscal 2012. Excluding the impact of approximately $136 million in one-time charges related to the CORE program that the Company incurred during the second quarter of fiscal 2013, and approximately $118 million in one-time charges related to the Company's previous cost optimization program that the Company incurred during the second quarter of fiscal 2012, the Company's net income decreased by $1.7 billion. The $1.7 billion decrease in net income in the first six months of fiscal 2013 primarily reflects a decrease in the Company's gross margin percentage, resulting primarily the continuation of pricing initiatives to drive sell-through and sell-in for BlackBerry 7 handheld devices and from the mix of BlackBerry handheld devices sold during the first six months of fiscal 2013, which were more heavily weighted towards entry-level products with lower average selling prices and gross margins, compared to the first six months of fiscal 2012. In addition, a goodwill impairment charge recorded in the first quarter of fiscal 2013 in the amount of $335 million contributed to the decrease in net income compared to the same period of fiscal 2012. This overall decrease in net income was partially offset by a decrease of $544 million in the provision for income taxes.

Basic loss per share and diluted loss per share were both $1.44 in the first six months of fiscal 2013, a decrease of 173.8%, compared to basic and diluted EPS of $1.95 in the first six months of fiscal 2012.

The weighted average number of shares outstanding was 524 million common shares for both basic and diluted loss per share for the six months ended September 1, 2012 and both basic and diluted EPS for the six months ended August 27, 2011, respectively.

Common Shares Outstanding

On September 21, 2012, there were 524 million voting common shares, options to purchase 2.8 million voting common shares, 7.5 million restricted share units and 0.2 million deferred share units outstanding.

The Company has not paid any cash dividends during the last three fiscal years.

Selected Quarterly Financial Data

The following table sets forth RIM's unaudited quarterly consolidated results of operations data for each of the eight most recent quarters, including the quarter ended September 1, 2012. The information in the table below has been derived from RIM's unaudited interim consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements of the Company and include all adjustments necessary for a fair presentation of information when read in conjunction with the audited consolidated financial statements of the Company. RIM's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

	Fiscal Year 2013		Fiscal Year 2012				Fiscal Year 2011	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
	(in millions, except per share data)							
Revenue	$2,873	$2,814	$4,190	$5,169	$4,168	$4,908	$5,556	$5,495
Gross margin	$ 747	$ 788	$1,401	$1,410	$1,612	$2,156	$2,453	$2,394
Operating expenses	1,110	1,431	1,543	1,082	1,205	1,259	1,213	1,138
Investment income (loss), net	—	3	5	2	7	7	3	(11)
Income (loss) before income taxes	(363)	(640)	(137)	330	414	904	1,243	1,245
Provision for (recovery of) income taxes	(128)	(122)	(12)	65	85	209	309	334
Net income (loss)	$ (235)	$ (518)	$ (125)	$ 265	$ 329	$ 695	$ 934	$ 911
Earnings (loss) per share								
Basic	$ (0.45)	$ (0.99)	$ (0.24)	$ 0.51	$ 0.63	$ 1.33	$ 1.79	$ 1.74
Diluted	$ (0.45)	$ (0.99)	$ (0.24)	$ 0.51	$ 0.63	$ 1.33	$ 1.78	$ 1.74
Research and development	$ 367	$ 368	$ 386	$ 369	$ 381	$ 423	$ 383	$ 357
Selling, marketing and administration	559	552	650	567	683	704	705	666
Amortization	184	176	152	146	141	132	125	115
Impairment of Goodwill	—	335	355	—	—	—	—	—
Operating expenses	$1,110	$1,431	$1,543	$1,082	$1,205	$1,259	$1,213	$1,138

Financial Condition

Liquidity and Capital Resources

Cash, cash equivalents, and investments increased by $232 million to $2.3 billion as at September 1, 2012 from $2.1 billion as at March 3, 2012. The majority of the Company's cash, cash equivalents, and investments are denominated in U.S. dollars as at September 1, 2012.

A comparative summary of cash, cash equivalents, and investments is set out below:

	As at *(in millions)*		
	September 1, 2012	March 3, 2012	Change
Cash and cash equivalents	$ 1,511	$ 1,527	$ (16)
Short-term investments	554	247	307
Long-term investments	278	337	(59)
Cash, cash equivalents, and investments	$ 2,343	$ 2,111	$ 232

The change in cash and cash equivalents is primarily due to net cash flows used in investing activities, substantially offset by net cash flows provided by operating activities, as set out below:

	For the Six Months Ended *(in millions)*	
	September 1, 2012	August 27, 2011
Net cash flows provided by (used in):		
Operating activities	$ 1,135	$ 971
Investing activities	(1,151)	(1,879)
Financing activities	(5)	(30)
Effect of foreign exchange gain (loss) on cash and cash equivalents	5	(2)
Net decrease in cash and cash equivalents	$ (16)	$ (940)

Cash flows for the six months ended September 1, 2012

Operating Activities

Net cash flows provided by operating activities were $1.1 billion for the first six months of fiscal 2013 compared to net cash flows provided by operating activities of $971 million in the first six months of fiscal 2012. The increase was mainly attributable to net changes in working capital, partially offset by lower net income compared to the same period in the prior fiscal year.

The table below summarizes the current assets, current liabilities, and working capital of the Company:

	As at *(in millions)*		
	September 1, 2012	August 27, 2011	Change
Current assets	$ 6,301	$ 7,320	$(1,019)
Current liabilities	2,863	3,778	(915)
Working capital	$ 3,438	$ 3,542	$ (104)

The decrease in current assets of $1.0 billion at the end of the second quarter of fiscal 2013 from the end of the second quarter of fiscal 2012 was primarily due to a decrease in accounts receivable and inventories. This is partially offset by an increase in cash and cash equivalents and income tax receivable, of $660 million and $284 million, respectively.

At September 1, 2012, accounts receivable was $2.2 billion, a decrease of $1.4 billion from August 27, 2011. The decrease was primarily due to a decrease in revenue during the second quarter of fiscal 2013, partially offset by a decrease in days sales outstanding to 70 days in the second quarter of fiscal 2013 from 78 days at the end of the second quarter of fiscal 2012.

Inventories decreased by $587 million at the end of the second quarter of fiscal 2013 compared to the same period in the prior fiscal year, partially attributable to a decrease in the amount of BlackBerry PlayBook tablets held in inventory as well as valuation impairments related to BlackBerry PlayBook inventory since the second quarter of fiscal 2012. The decrease was partially offset by the buyback of inventory from external manufacturing sites that were eliminated from the Company's manufacturing network related to the CORE program.

The decrease in current liabilities of $915 million at the end of the second quarter of fiscal 2013 from the end of the second quarter of fiscal 2012 was primarily due to decreases in accounts payable and accrued liabilities, partially offset by an increase in deferred revenue. As at September 1, 2012, accounts payable and accrued liabilities were $622 million and $1.9 billion, respectively. The overall decrease in accounts payable and accrued liabilities of $1.1 billion from the end of the second quarter of fiscal 2012 was primarily attributable to the timing of purchases during the second quarter of fiscal 2013 compared to the second quarter of fiscal 2012.

Investing Activities

During the six months ended September 1, 2012, cash flows used in investing activities were $1.2 billion and included intangible asset additions of $537 million, cash flows provided by transactions involving the proceeds on sale or maturity of short-term and long-term investments, net of the costs of acquisitions in the amount of $269 million, acquisitions of property, plant and equipment of $240 million and business acquisitions of $105 million. For the same period of the prior fiscal year, cash flows used in investing activities were $1.9 billion and included intangible asset additions of $804 million, acquisitions of other assets of $778 million related to the purchase of Nortel patents and patent applications, acquisitions of property, plant and equipment additions of $509 million, and business acquisitions of $130 million, offset by cash flows provided by transactions involving the proceeds on sale or maturity of short-term investments and long-term investments, net of the costs of acquisitions, in the amount of $342 million.

During the six months ended September 1, 2012, the additions to intangible assets primarily consisted of payments relating to amended or renewed licensing agreements, as well as agreements with third parties for the use of intellectual property, software, messaging services and other BlackBerry-related features and intangible assets associated with business acquisitions. The decrease in property, plant and equipment spending for the first six months of fiscal 2013 was primarily due to the cost saving initiatives of the CORE program, reflecting the Company's targeted investment approach in research and development and manufacturing, as well as its continued investment in network infrastructure, which remains a strategic priority for the Company. In the third quarter of fiscal 2013, the Company expects capital expenditures to be approximately $100 million.

Financing Activities

Cash flows used in financing activities were $5 million for the first six months of fiscal 2013 and were in connection with the Company's stock compensation program.

Aggregate Contractual Obligations

The following table sets out aggregate information about the Company's contractual obligations and the periods in which payments are due as at September 1, 2012:

	(in millions)				
	Total	Less than One Year	One to Three Years	Four to Five Years	Greater than Five Years
Operating lease obligations	$ 358	$ 118	$ 88	$ 67	$ 85
Purchase obligations and commitments	3,547	3,547	—	—	—
Total	$3,905	$ 3,665	$ 88	$ 67	$ 85

Purchase obligations and commitments amounted to approximately $3.5 billion as at September 1, 2012, with purchase orders with contract manufacturers representing approximately $2.6 billion of the total. The Company also has commitments on account of capital expenditures of approximately $0.1 billion included in this total, primarily for manufacturing and information technology, including service operations. The remaining balance consists of purchase orders or contracts with suppliers of raw materials, as well as other goods and services utilized in the operations of the Company including payments on account of licensing agreements. The expected timing of payment of these purchase obligations and commitments is estimated based upon current information. The timing of payments and actual amounts paid may be different depending upon the time of receipt of goods and services, changes to agreed-upon amounts for some obligations or payment terms.

The Company has not paid any cash dividends in the last three fiscal years.

On September 25, 2012, the Company replaced its existing $500 million senior unsecured revolving credit facility with a syndicate of commercial banks with a $500 million senior secured revolving credit facility (the "Facility") for working capital and general corporate purposes with the same syndicate. The Facility, which expires on September 6, 2013, is secured by accounts receivable and inventory of the Company and certain of its subsidiaries. The Company has provided cash collateral of approximately $9 million for its outstanding letters of credit as of September 1, 2012. The cash is on deposit with one of the Company's banking partners and is included in cash and cash equivalents.

Cash, cash equivalents, and investments were $2.3 billion as at September 1, 2012 and the Company currently expects to maintain its current cash position through to the end of the third quarter of fiscal 2013, subject to the timing of various restructuring charges. The Company also expects to incur restructuring related charges and cash funding requirements associated with the CORE program of approximately $350 million by the end of fiscal 2013, primarily associated with the global workforce reduction, of which the timing and funding of such payments has yet to be finalized. These reductions and other cost reduction initiatives that the Company is implementing are expected to reduce the Company's need for operating cash going forward. Management is focused on maintaining appropriate cash balances, efficiently managing working capital balances and the significant reduction in capital investments through the CORE program and continues to evaluate the liquidity needs for the business as it evolves. In addition, the Company is looking at all opportunities to attempt to accelerate cost savings through the CORE program earlier in fiscal 2013. Based on its current financial projections, the Company believes its financial resources, together with expected future operating cash generating activities and available borrowings under the Facility, or access to other potential financing arrangements, should be sufficient to meet funding requirements for current financial commitments, for future operating expenditures not yet committed and also provide the necessary financial capacity through the anticipated launch of the BlackBerry 10 smartphones in the first quarter of calendar 2013. As noted above, the Company's expectations with respect to its cash position and future liquidity are forward-looking statements that are subject to the inherent risk of difficulties in forecasting RIM's financial results for future periods, particularly over longer periods, given the rapid technological changes, evolving industry standards, intense competition and short product life cycles that characterize the wireless communications industry. See "Cautionary Statement Regarding Forward-Looking Statements" and the "Risk Factors" section of RIM's Annual Information Form for the fiscal year ended March 3, 2012, which is included in RIM's Annual Report on Form 40-F for the fiscal year ended March 3, 2012, including the risk factor titled "The Company's ability to maintain or increase its cash balance could be adversely affected by its ability to offer competitive products and services in a timely manner at competitive prices."

The Company does not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Exchange Act of 1934, as amended, or under applicable Canadian securities laws.

Legal Proceedings

The Company is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. The Company is subject to a variety of claims (including claims related to patent infringement, purported class actions and other claims in the normal course of business) and may be subject to additional claims either directly or through indemnities against claims that it provides to certain of its partners and customers. In particular, the industry in which the Company competes has many participants that own, or claim to own, intellectual property, including participants that have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. The Company has received, and may receive in the future, assertions and claims from third parties that the Company's products infringe on their patents or other intellectual property rights. Litigation has been and will likely continue to be necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Regardless of whether claims against the Company have merit, those claims could be time-consuming to evaluate and defend, result in costly litigation, divert management's attention and resources, subject the Company to significant liabilities and could have the other effects that are described in greater detail under "Risk Factors – Risks Related to Intellectual Property" and "Risk Factors—Risks Related to the Company's

Business and its Industry—*The Company is subject to general commercial litigation, class action and other litigation claims as part of its operations, and it could suffer significant litigation expenses in defending these claims and could be subject to significant damage awards or other remedies"* in RIM's Annual Information Form for the fiscal year ended March 3, 2012, which is included in RIM's Annual Report on Form 40-F.

Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where it is considered probable for a material exposure to result and where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

A description of certain of the Company's legal proceedings is included in RIM's Annual Information Form under "Legal Proceedings and Regulatory Actions". The following is a summary of developments in the second quarter of fiscal 2013 and through September 28, 2012, and should be read in conjunction with the description of legal proceedings contained in RIM's Annual Information Form and MD&A for the first quarter of fiscal 2013.

On June 20, 2008, St. Clair Intellectual Property Consultants, Inc. ("St. Clair") filed a patent infringement lawsuit against the Company and other defendants in the U.S. District Court for the District of Delaware. The patents in suit include U.S. Patent Nos. 5,138,459; 6,094,219; 6,233,010 and 6,323,899. These patents are generally directed to image processing in digital cameras. On October 31, 2011, the court held a hearing to address summary judgment motions filed by both sides. On March 26, 2012, the court granted Defendants' Motion for Summary Judgment. On April 20, 2012, St. Clair filed a notice of appeal. On May 16, 2012, the Company filed a motion to dismiss the appeal because it was filed prior to dismissal of the district court action. The court issued a Mandate on August 3, 2012, dismissing the appeal as premature. On Friday, September 7, 2012, St. Clair re-filed its notice of appeal. Proceedings are ongoing.

On November 16, 2010, St. Clair filed a second complaint against the Company and other defendants in the U.S. District Court for the District of Delaware. The patents in suit include U.S. Patent Nos. 5,630,163; 5,710,929; 5,758,175; 5,892,959; 6,079,025 and 5,822,610. These patents are generally directed to power management. The complaint seeks an injunction and monetary damages. The claim construction hearing was held on December 16, 2011, and the trial will begin sometime after November 9, 2012. Proceedings are ongoing.

On October 31, 2008, Mformation Technologies, Inc. filed a patent infringement lawsuit against the Company in the U.S. District Court for the Northern District of California. The patents in suit include U.S. Patent Nos. 6,970,917 and 7,343,408. These patents are generally directed to remote device management functionality. A claim construction hearing was held on November 20, 2009. On February 26, 2010, the court issued a claim construction order. A trial date was set for September 2011, but then later vacated. On August 31, 2011, the court requested additional claim construction briefings. The court held a hearing on September 26, 2011 for oral argument on the additional claim construction as well as motions for summary judgment and then took the issues under advisement. On December 19, 2011, the court issued an order on the parties' summary judgment motions and the additional claim construction. Jury selection was completed on June 14, 2012, and trial began on June 19, 2012. On July 13, 2012, the jury found that the Company had infringed the asserted patent claims, awarding damages of $147.2 million. On August 8, 2012, Judge Ware overturned the jury verdict and granted judgment of non-infringement as a matter of law. On Sep. 5, 2012, Mformation filed a motion for a new trial. On Sep, 6, 2012, Mformation filed a notice of appeal to the US Court of Appeals for the Federal Circuit. Proceedings are ongoing.

On November 20, 2008, the Company filed a lawsuit for declaratory judgment of non-infringement, invalidity and unenforceability against four Eastman Kodak ("Kodak") patents in the U.S. District Court for the Northern District of Texas (Dallas Division). The patents in suit include U.S. Patent Nos. 5,493,335, 6,292,218 ("the '218 Patent") and 6,600,510 ("the '510 Patent") which are generally directed to digital camera technologies and U.S. Patent No. 5,226,161 which is directed to data sharing in applications. Kodak counterclaimed for infringement of these same patents seeking an injunction and monetary damages. The claim construction hearing was held on March 23, 2010. On July 23, 2010, Kodak dismissed the '510 Patent from the case without prejudice. The court set an initial trial date in December 2010. The court also ordered mediation to seek to settle the case. Mediation was unsuccessful and on November 29, 2010 the court reset the trial date for August 1, 2011. On July 20, 2011, the court again reset the trial date for the three-week docket beginning on March 5, 2012. On January 19, 2012, following federal rules, Judge Kinkeade stayed the proceedings because Kodak declared bankruptcy. The Company filed an unopposed motion with the bankruptcy court to lift the stay. On March 9, 2012, the bankruptcy court granted the Company's motion to lift the stay of the case pending in the Northern District of Texas. On May 29, 2012, a trial date was set in December 2012. Proceedings are ongoing.

On January 14, 2010, Kodak filed a complaint with the ITC against the Company and Apple Inc. alleging infringement of the '218 Patent and requesting the ITC to issue orders prohibiting certain RIM products from being imported into the U.S. and sold in the U.S. On February 23, 2010, the ITC published a Notice of Investigation in the Federal Register. The Administrative Law Judge ("ALJ") set a trial date of September 1, 2010 and a target date for completion of the investigation by the ITC of May 23, 2011. A claim construction hearing was held on May 24-25, 2010. The Chief Judge issued his claim construction order as an Initial Determination on June 22, 2010. In accordance with the ALJ's ruling, the trial was held and lasted for six days. On January 24, 2011, the ALJ ruled that the Company's products do not infringe the '218 Patent and that the only asserted claim is invalid as obvious. Kodak and the ITC Staff separately petitioned for ITC review on February 7, 2011. The Company also filed a contingent petition for review on February 7, 2011. On March 25, 2011, the ITC issued a public notice advising that the ITC would review Chief Judge Luckern's decision. The ITC delayed the target date for completion of the investigation by the ITC. The new target date was June 23, 2011. On July 8, 2011, the ITC issued an Opinion with its review of Chief Judge Luckern's decision. The ITC remanded issues concerning both infringement and validity. The remand proceedings were assigned to a different ALJ, ALJ Pender, as Chief Judge Luckern retired from the bench. Acting Chief Judge Bullock initially set October 30, 2011 as the target date for the new ALJ to determine how much additional time is necessary for the remand proceedings and to set a new final target date and later extended this date to December 30, 2011. On December 16, 2011, ALJ Pender determined that he will reopen the record to permit limited additional discovery and extended the target date to September 21, 2012 to allow time for the parties to complete this discovery and remand briefing. On January 26, 2012, Judge Pender decided not to reopen the record due to fact that certain issues had become moot. On May 21, 2012, Judge Pender issued his Initial Determination finding no violation of Section 337 of the Tariff Act. On June 4, 2012, Kodak filed a petition for review of Judge Pender's Initial Determination and the Company filed a contingent petition for review. On July 20, 2012, the Commission issued its Final Determination agreeing with Judge Pender's finding of no violation of Section 337. On Wednesday, August 7, 2012, Kodak filed a Notice of Appeal with the Federal Circuit. RIM filed a Motion to Intervene and a Petition for Review/Notice of Cross Appeal on September 6, 2012. Proceedings are ongoing.

On March 31, 2010, MobileMedia Ideas LLC ("MMI") filed a lawsuit against the Company in the U.S. District Court for the Eastern District of Texas (Marshall Division) alleging infringement of U.S. Patent Nos. 5,479,476; 5,845,219; 6,055,439; 6,253,075; 6,427,078; RE.39231; 5,732,390; 5,737,394; 6,070,068; 6,389,301; 6,446,080; and 7,349,012. The patents are generally directed to mobile telephone technologies including mobile telephone user interfaces, call control, speech signal transmission and imaging. The complaint seeks an injunction and monetary damages. The claim construction hearing was scheduled for January 11, 2012, and trial was scheduled to begin July 12, 2012. On August 30, 2011, the case was transferred from the Eastern District of Texas to the Northern District of Texas (Dallas). On November 4, 2011, MMI filed an amended complaint in the Northern District of Texas, alleging infringement of four additional patents: U.S. Patent Nos. 5,490,170; 6,049,796; 6,871,048; and, 6,441,828. The amended complaint seeks an injunction, monetary damages and other relief that the court may deem proper under the circumstances. On March 9, 2012, the Court reset the trial date for February 4, 2013. On March 21, 2012, the court stayed the proceedings with respect to U.S. Patent Nos. 5,479,476; 5,845,219; 6,055,439; 6,253,075; and 6,427,078. On April 16, 2012, the Company filed a motion to stay the proceedings with respect to U.S. Patent No. 6,049,796. On May 4, 2012, the court granted the Company's motion to stay proceedings with respect to U.S. Patent No. 6,049,796. Proceedings are ongoing.

On August 4, 2010, EON Corporation IP Holdings LLC ("EON") filed a lawsuit against the Company as well as sixteen other defendants in the U.S. District Court for the Eastern District of Texas (Tyler Division) alleging infringement of U.S. Patent No. 5,592,491. The patent is generally directed to a two-way communication network and a method for communicating between subscriber units and a local base station repeater cell. The complaint seeks an injunction and monetary damages. The claim construction hearing was held on January 5, 2012, and trial is scheduled to begin October 1, 2012. On February 8, 2012 Magistrate Judge Love issued his report and recommendation on claim construction and a supplemental claim construction order on April 18, 2012. Proceedings are ongoing.

On September 23, 2010 EON filed a lawsuit in the U.S. District Court for the District of Delaware against the Company and sixteen other defendants alleging infringement of U.S. Patent No. 5,663,757. This patent is generally directed to software controlled multi-mode interactive TV. The complaint seeks an injunction and monetary damages. The claim construction hearing is scheduled for May 24, 2013, and trial is scheduled to begin March 24, 2014. Proceedings are ongoing.

On January 5, 2011, Advanced Display Technologies of Texas, LLC filed a lawsuit against the Company as well as over eight other defendants in the U.S. District Court for the Eastern District of Texas (Tyler Division), asserting infringement of U.S. Patent Nos. 5,739,931 and 6,261,664. These patents are generally directed to display technologies. The complaint seeks an injunction and monetary damages. The claim construction hearing was held on May 31, 2012 and trial is scheduled to begin on July 1, 2013. On July 12, 2012, the court issued its claim construction ruling, which invalidated the only claim of the '664 patent that was asserted against the Company. Proceedings are ongoing.

On April 19, 2011, Hybrid Audio LLC filed a lawsuit against the Company as well as seven other defendants in the U.S. District Court for the Eastern District of Texas (Tyler Division) asserting infringement of U.S. Patent No. Re: 40,281 which is generally directed to MPEG-1 Layer III technology. The complaint seeks an injunction and monetary damages. The claim construction hearing was scheduled for June 6, 2012 and the trial is scheduled to begin June 3, 2013. The claim construction hearing was rescheduled for October 11, 2012. The Company and Hybrid Audio settled all outstanding litigation on September 5, 2012 for an amount immaterial to the Consolidated Financial Statements.

On July 1, 2011, GPNE Corp. filed a lawsuit against the Company as well as nine other defendants in the U.S. District Court for the District of Hawaii asserting infringement of U.S. Patent Nos. 7,555,267; 7,570,594; and 7,792,492 which are generally directed to GPRS technology. The complaint seeks monetary damages and other relief that the court may deem proper under the circumstances. On March 9, 2012 the Company's motion to transfer the case to Dallas was granted. The Dallas court has not scheduled a claim construction hearing. Trial is scheduled to begin on May 4, 2014. Proceedings are ongoing.

On August 1, 2011, Tahir Mahmood filed a lawsuit against the Company in the U.S. District Court for the Southern District of New York seeking correction of inventorship of U.S. Patent No. 6,219,694, which is generally directed to the Company's redirector technology; and, claims for conversion, unfair competition, and unjust enrichment. The complaint seeks correction of inventorship, an injunction, monetary damages, punitive damages and other relief that the court may deem proper under the circumstances. On May 16, 2012, the court granted the Company's motion to dismiss the case with prejudice. The case was dismissed on June 7, 2012. On July 6, 2012, Mahmood filed a Notice of Appeal to the U.S. Court of Appeals for the Federal Circuit.

On February 3, 2012, Mahmood filed a new complaint against the Company in the U.S. District Court for the Southern District of New York seeking correction of inventorship of U.S. Patent Nos. 7,386,588; 6,463,464; and, 6,389,457, as well as "such other RIM patents the court may deem proper;" and, claims for fraud, breach of fiduciary duty, conversion, unfair competition and unjust enrichment. The complaint seeks correction of inventorship, injunctive relief, monetary damages, punitive damages and other relief that the court may deem proper under the circumstances. On June 14, 2012, the Company filed a motion to dismiss the complaint. Proceedings are ongoing.

On August 31, 2011, Openwave Systems Inc. ("Openwave") filed a request that the ITC commence an investigation of alleged unlawful importation by the Company and that the ITC issue orders prohibiting certain RIM products from being imported into the U.S. and sold in the U.S. Openwave alleges that the Company infringes U.S. Patents Nos. 6,233,608; 6,289,212; 6,405,037; 6,430,409; and 6,625,447. The patents are generally related to wireless data management. The claim construction hearing was held on July 25-26, 2012. Trial has been set for October 15, 2012 and the target date is March 12, 2013. On May 29, 2012, the ALJ re-set the initial determination date to be February 6, 2013 and re-set the target date for June 6, 2013. Proceedings are ongoing. Openwave also filed a companion complaint in the U.S. District Court for the District of Delaware regarding the same patents. On October 17, 2011 the Delaware court stayed the case pending the ITC investigation.

On September 13, 2011, Profectus Technology, LLC ("Profectus") filed a lawsuit against the Company in the U.S. District Court for the Eastern District of Texas (Tyler Division) along with fifteen other defendants. Profectus alleges that the Company infringes U.S. Patent No. 6,975,308 generally directed to a digital picture display frame. The complaint seeks monetary damages, and other relief that the court may deem proper under the circumstances. The Company's answer was filed on January 20, 2012. The Company and Profectus settled all outstanding litigation on August 29, 2012 for an amount immaterial to the Consolidated Financial Statements.

On September 15, 2011, LVL Patent Group, LLC ("LVL") sued the Company in the U.S. District Court for the District of Delaware. LVL alleges that the Company infringes U.S. Patent Nos. 5,805,676; 5,987,103; and 6,044,382. The patents are generally directed to transaction processing system technologies. The complaint seeks an injunction, monetary damages and other relief that the court may deem proper under the circumstances. The court scheduled a claim construction hearing for November 8, 2013 and set a trial in April 2014. The Company and LVL settled all outstanding litigation on August 9, 2012 for an amount immaterial to the Consolidated Financial Statements.

On March 9, 2012, Iswitch, LLC ("Iswitch") filed a complaint against the Company in the U.S. District Court for the Eastern District of Texas. Iswitch alleges that the Company infringes U.S. Patent No. 7,225,334 generally directed to voice over IP technology. The complaint seeks monetary damages and all other relief to which the court may deem the Plaintiff be entitled. The court scheduled a claim construction hearing for August 29, 2013 and trial is set to begin on November 10, 2014. Proceedings are ongoing.

On March 15, 2012 Varia Holdings LLC ("Varia") filed a lawsuit against the Company in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent No 7,167,731 generally directed to emoticon input technologies. The complaint seeks monetary damages and any and all other relief to which Varia may be entitled. The Company answered the complaint on June 18, 2012. Proceedings are ongoing.

On March 16, 2012 Data Carriers, LLC ("Data Carriers") filed a lawsuit against the Company in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent No. 5,388,198 generally directed to proactive presentation of automating features to a computer user. The complaint seeks monetary damages and any and all other relief to which Data Carriers may be entitled. The Company and Data Carriers settled all outstanding litigation on August 21, 2012 for an amount immaterial to the Consolidated Financial Statements.

On April 27, 2012, May 2, 2012 and May 9, 2012 Nokia Corporation ("Nokia") filed a series of actions against the Company. A total of ten lawsuits were filed each alleging infringement of a Nokia patent.

Two lawsuits were filed in Mannheim, Germany. In one of these two lawsuits Nokia alleged that the Company infringes the German part of European Patent No. EP 0 673 175 generally directed to a reduction of power consumption in a mobile station technology. For this lawsuit, the court has set a trial date for February 15, 2013. In the other lawsuit pending in Mannheim, Nokia alleged that the Company infringes the German part of European Patent No. EP 0 879 538 generally directed to a technology involving a network activation service scheme using point-to-point short messaging service. For this other lawsuit, the Mannheim court has set a date of February 8, 2013 for trial.

Two lawsuits were filed in Dusseldorf, Germany. In one of these two lawsuits, Nokia alleged that the Company infringes the German part of European Patent No. EP 1 075 750 generally directed to a particular electronic mail processing technology. For this lawsuit, the Dusseldorf court held a case management conference on June 26, 2012 and set a trial date for January 30, 2014. No trial date has been set. In the other of these two lawsuits, Nokia alleged that the Company infringes the German part of European Patent No. EP 0 966 847 generally directed to a particular data processing technology for operation in a telecommunication system. For this other lawsuit, the Dusseldorf court held a case management conference on June 26, 2012 and set a trial date for December 13, 2013.

Six of the lawsuits were filed in Munich, Germany. These lawsuits involve EP 0 824 813, which is generally directed to a security improvement scheme for packet-mode transmission in a mobile communication system, EP 1 322 072, which is generally directed to a particular method for connecting a remote workstation to a data communication network via a mobile communication network, EP 0 867 967, which is generally directed to a particular antenna for wireless communications, EP 0 804 046, which is generally directed to a particular method of updating the software of a mobile terminal using the air interface, EP 1 148 681, which is generally directed to a particular method for transferring ring resource information, and EP 1 474 750, which is generally directed to a particular method of storing and transferring multimedia tags. The Munich court has set First Hearing dates for three of these lawsuits. The First Hearing for EP 0867 967 occurred on August 16, 2012, and a Second Hearing will occur on January 10, 2013. The First Hearing for EP 1 322 072 will occur on November 21, 2012. The First Hearing for EP 0824 813 will occur on December 5, 2012. For the other three lawsuits in Munich, no First Hearing date has been set.

On May 1, 2012, California Institute of Technology ("Caltech") filed a request that the ITC commence an investigation of alleged unlawful importation by the Company and two other defendants. Caltech alleged that the Company infringes U.S. Patents Nos. 5,841,126; 6,606,122; and 5,990,506 generally related to CMOS image sensor technology. The request asks that the ITC issue orders prohibiting certain RIM products from being imported into the U.S. and sold in the U.S. Trial has been set for February 11-15, 2013, the initial determination date is June 7, 2013, and the target date is October 7, 2013. Proceedings are ongoing.

On May 3, 2012, Hunts Point Ventures, Inc. filed a lawsuit against the Company in the U.S. District Court for the Western District of Wisconsin alleging infringement of U.S. Patent No. 7,667,123, which generally relates to playlist technology. The complaint seeks an injunction and monetary damages. Trial has been set for November 4, 2013. Proceedings are ongoing.

On May 29, 2012, Mobile Telecommunications Technologies LLC ("MTEL") filed a lawsuit against the Company in the U.S. District Court for the Northern District of Texas (Dallas Division) alleging infringement of U.S. Patent Nos. 5,809,428; 5,754,946; 5,559,862; 5,894,506 and 5,581,804, some of which allegedly relate to certain aspects of handling failed delivery of wireless messages and others allegedly relate to certain methods of transmitting large volumes of email messages. The complaint seeks an injunction and monetary damages. The Company answered the complaint on August 22, 2012. Proceedings are ongoing.

Between May and August 2011, several purported class action lawsuits were filed against the Company and certain of its present or former officers in the U.S. District Court for the Southern District of New York, two of which have been voluntarily dismissed. On January 6, 2012, Judge Richard S. Sullivan consolidated the remaining three actions and appointed both lead plaintiff and counsel. On April 5, 2012, plaintiff filed the Consolidated Amended Class Action Complaint, alleging that during the period from December 16, 2010 through June 16, 2011, the Company and certain of its officers made materially false and misleading statements regarding the Company's financial condition and business prospects, and seek unspecified damages. Defendants have brought a motion to dismiss the claim with prejudice, and filed its materials on June 4, 2012. Plaintiff filed its responding brief on August 3, 2012. Defendants filed their reply brief on September 4, 2012. Oral argument on the motion to dismiss is scheduled for October 25, 2012. Proceedings are ongoing.

As of October 2011, several purported class action lawsuits were filed against the Company in various jurisdictions alleging that subscribers to BlackBerry services had suffered losses during the third quarter of fiscal 2012 Service Interruption, one of which has been voluntarily dismissed on May 29, 2012. The Company believes that class action proceedings in these circumstances are without merit and intends to vigorously defend itself. Proceedings are ongoing.

In December 2011, the Company was served with four purported class actions relating to third party (Carrier IQ) recording software allegedly installed on smartphones. The Company believes that a class action proceeding in these circumstances is without merit and intends to vigorously defend itself. Two of the four purported class actions were dismissed previously, and in June and July 2012, the remaining two purported class actions were dismissed without prejudice. All four matters are now closed.

Market Risk of Financial Instruments

The Company is engaged in operating and financing activities that generate risk in three primary areas:

Foreign Exchange

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. The majority of the Company's revenues in the second quarter of fiscal 2013 are transacted in U.S. dollars. Portions of the revenues are denominated in Canadian dollars, Euros and British Pounds. Purchases of raw materials are primarily transacted in U.S. dollars. Other expenses, consisting mainly of salaries, certain operating costs and manufacturing overhead are incurred primarily in Canadian dollars. At September 1, 2012, approximately 31% of cash and cash equivalents, 20% of accounts receivables and 10% of accounts payable are denominated in foreign currencies (March 3, 2012 – 38%, 30% and 11%, respectively). These foreign currencies primarily include the Canadian dollar, Euro and British Pound. As part of its risk management strategy, the Company maintains net monetary asset and/or liability balances in foreign currencies and engages in foreign currency hedging activities using derivative financial instruments, including currency forward contracts and currency options. The Company does not use derivative instruments for speculative purposes. The principal currencies hedged include the Canadian dollar, Euro and British Pound.

The Company enters into forward and option contracts to hedge exposures relating to anticipated foreign currency transactions. These contracts have been designated as cash flow hedges with the effective portion of the change in fair value initially recorded in accumulated other comprehensive income and subsequently reclassified to income when the hedged exposure affects income. Any ineffective portion of the derivative's gain or loss is recognized in current period income. For the three and six months ended September 1, 2012, there was $1 million and $8 million in realized gains on forward contracts which were ineffective upon maturity (three months and six months ended August 27, 2011 – realized losses of $5 million and $9 million). As at September 1, 2012 and August 27, 2011, the outstanding derivatives designated as cash flow hedges were considered to be fully effective. As at September 1, 2012, the net unrealized gains on these forward and option contracts were approximately $36 million (March 3, 2012 – net unrealized gains of $51 million) and were recorded in other current assets and accumulated other comprehensive income. Unrealized losses were recorded in accrued liabilities and accumulated other comprehensive income.

The Company enters into forward and option contracts to hedge certain monetary assets and liabilities that are exposed to foreign currency risk. The principal currencies hedged include the Canadian dollar, Euro and British Pound. These contracts are not subject to hedge accounting; as a result, gains or losses are recognized in income each period, generally offsetting the change in the U.S. dollar value of the hedged asset or liability. As at September 1, 2012, net unrealized losses of $16 million were recorded (March 3, 2012 – net unrealized losses of $14 million). Unrealized gains associated with these contracts were recorded in other current assets and selling, marketing and administration. Unrealized losses were recorded in accrued liabilities and selling, marketing and administration.

Interest Rate

Cash, cash equivalents and investments are invested in certain instruments of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company does not currently use interest rate derivative financial instruments in its investment portfolio.

Credit and Customer Concentration

The Company has historically been dependent on an increasing number of significant telecommunication carriers and distribution partners and on larger more complex contracts with respect to sales of the majority of its products and services. The Company has experienced significant sales growth in the past, resulting in the growth in its carrier customer base in terms of numbers, sales and accounts receivable volumes, and in some instances, new or significantly increased credit limits. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The allowance as at September 1, 2012 was $15 million (March 3, 2012—$16 million). The Company also places insurance coverage for a portion of its accounts receivable balances. There was one customer that comprised 15% of accounts receivable as at September 1, 2012 (March 3, 2012 – one customer comprised 13%). Additionally, there were no customers that comprised 10% of the Company's second quarter of fiscal 2013 revenue (second quarter of fiscal 2012 revenue – no customer comprised 10% or greater).

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations. The Company mitigates this risk by limiting counterparties to highly rated financial institutions and by continuously monitoring their creditworthiness. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. The Company measures its counterparty credit exposure as a percentage of the total fair value of the applicable derivative instruments. Where the net fair value of derivative instruments with any counterparty is negative, the Company deems the credit exposure to that counterparty to be nil. As at September 1, 2012, the maximum credit exposure to a single counterparty, measured as a percentage of the total fair value of derivative instruments with net unrealized gains was 33% (March 3, 2012 – 30%).

The Company is exposed to market price and credit risk on its investment portfolio. The Company reduces this risk by investing in liquid, investment grade securities and by limiting exposure to any one entity or group of related entities. As at September 1, 2012, no single issuer represented more than 10% of the total cash, cash equivalents and investments (March 3, 2012 – no single issuer represented more than 9% of the total cash, cash equivalents and investments).

Market values are determined for each individual security in the investment portfolio. The Company assesses declines in the value of individual investments for impairment to determine whether the decline is other-than-temporary. The Company makes this assessment by considering available evidence including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition, the near-term prospects of the individual investment and the Company's ability and intent to hold the debt securities to maturity. The Company did not record any other-than-temporary impairment charges for the six months ended September 1, 2012.

Changes in Internal Control Over Financial Reporting

During the six months ended September 1, 2012, no changes were made to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.