

**Communication Equipment & Data  
Networking**

Morgan Stanley & Co. Incorporated **Ehud Gelblum, PhD**  
Ehud.Gelblum@morganstanley.com  
+1 (1)212 761 8564

**Kimberly Watkins, CFA**  
Kimberly.Watkins@morganstanley.com  
+1 (1)415 576 2060

August 20, 2010

Stock Rating  
**Underweight**

Industry View  
**In-Line**

## Research In Motion Ltd. Downgrading to UW as Too Many Headwinds Overwhelm International Growth Story

**We are downgrading RIM to UW from OW and lowering our price target to \$47** on mounting evidence that RIM could lose share faster than we had been modeling. We now estimate RIM's global smartphone share in CY'12 at just 13.1%, down from prior of 16.0%.

**Our concerns are based on the following 4 items:** 1) The ongoing chorus of int'l countries threatening to shut down B'berry service; 2) The drumbeat of enterprises starting to explore "bring your own phone" devices such as iPhone for corporate email; 3) The recent success of Android; and 4) The not unexpected, but disheartening nonetheless, lukewarm initial sales of the new Torch.

**Based on the new threats to our international growth thesis**, we are lowering our int'l share estimate to 10.1% in CY12, down from our prior est of 13.7%.

**We also now model enterprise subscribers down** in FY'13 to 16.9M from prior est of 21.5M, which would be the first down year for enterprise subs in RIM's history.

**Lowering EPS estimates** to \$5.57 in FY11 from \$5.68 and \$5.94 in FY12 from \$6.75.

**The EPS impact of the B'berry bans in India, UAE and Saudia Arabia could be as high as ~\$0.30.** And while we believe the likelihood of the bans remains small, our int'l growth assumptions are based on the viral, network effect of BBM and if RIM' BBM subs begin defecting to other platforms on the fear of a shutdown, international momentum could be severely impacted.

**In short, while we continue to believe current qtr numbers remain intact**, we believe the longer-term headwinds have just become too numerous for the stock to work in the near or mid term and move to UW despite RIM trading at just 8.6x our new CY11 EPS est of \$5.89.

### Key Ratios and Statistics

Reuters: RIMM.O Bloomberg: RIMM US  
Communications Equipment & Data Networking / Canada

<b>Price target</b>	<b>\$47.00</b>
Shr price, close (Aug 19, 2010)	\$50.46
Mkt cap, curr (mm)	\$28,345
52-Week Range	\$88.08-47.42

<b>Fiscal Year ending</b>	<b>02/10</b>	<b>02/11e</b>	<b>02/12e</b>	<b>02/13e</b>
<b>ModelWare EPS (\$)</b>	<b>4.37</b>	<b>5.57</b>	<b>5.94</b>	<b>5.81</b>
<b>Prior ModelWare EPS (\$)</b>	<b>-</b>	<b>5.68</b>	<b>6.75</b>	<b>8.21</b>
<b>P/E</b>	<b>16.2</b>	<b>9.1</b>	<b>8.5</b>	<b>8.7</b>
<b>Consensus EPS (\$)</b> §	<b>4.31</b>	<b>5.53</b>	<b>6.00</b>	<b>6.36</b>
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

§ = Consensus data is provided by FactSet Estimates.

e = Morgan Stanley Research estimates

### Quarterly ModelWare EPS

<b>Quarter</b>	<b>2010</b>	<b>2011e</b>		<b>2012e</b>	
		<b>Prior</b>	<b>Current</b>	<b>Prior</b>	<b>Current</b>
Q1	0.98	-	1.38a	1.59	1.46
Q2	1.03	1.37	1.36	1.67	1.50
Q3	1.10	1.42	1.39	1.74	1.49
Q4	1.27	1.52	1.44	1.76	1.49

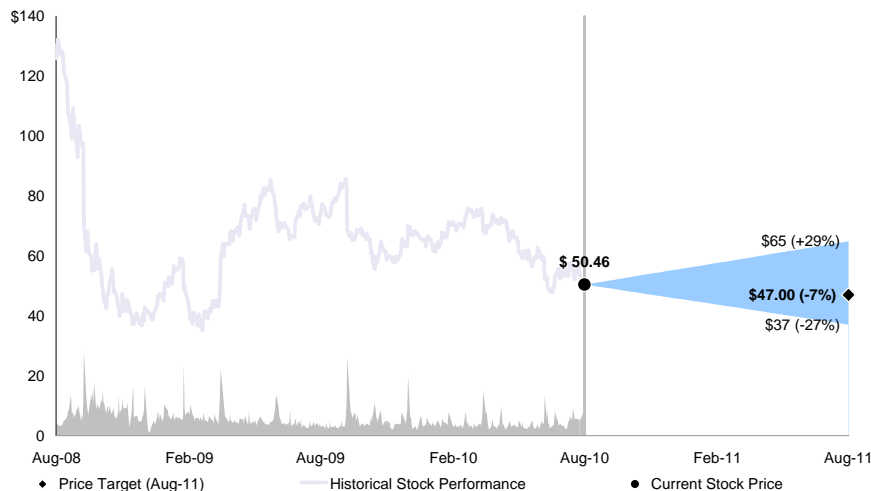
e = Morgan Stanley Research estimates, a = Actual company reported data

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

## Risk-Reward Snapshot: Research in Motion (RIMM, \$50.46, Underweight)

### Risk-Reward View: International Share Stagnates while Enterprise Stronghold Under Attack



Source: Company data, Morgan Stanley Research

<b>Price Target</b>		Our \$47 price target is based on 8x CY11 EPS estimate of \$5.89, a discount to the peer group average of 12x, we believe appropriate given RIM's declining market share.
<b>Bull Case</b>	10x Bull Case CY11e EPS of \$6.54	<b>International expansion continues and RIM staves-off competition in the enterprise:</b> ASP declines 5% to \$314, gross margin declines to 42% following new launches, international net adds grow 43%, N. American net adds decline 7%, N. American unit share declines to 34%, international share grows to 12%, enterprise accounts for 25% of subs, international grows to 51% of total subs.
<b>Base Case</b>	8x Base Case CY11e EPS of \$5.89	<b>International share erodes, BB6 not enough to stem N American declines, enterprise under attack from competition:</b> ASP declines 5% to \$286, gross margin declines to 42% following new launches, international net adds grow 28%, N. American net adds decline 12%, N. American unit share declines to 33%, international share stagnates at 10%, enterprise accounts for 23% of subs, international accounts for 49% of total subs.
<b>Bear Case</b>	8x Bear Case CY11e EPS of \$4.56	<b>International growth stalls, North American share drops quickly, enterprise base erodes from competition:</b> ASP declines 5% to \$257, gross margin declines to 41.5% following new launches, international net adds grow 8%, N. American net adds decline 17%, N. American unit share declines to 30%, international share falls to 8%, Enterprise accounts for 21% of subs, international accounts for 47% of total subs.

### Underweight Investment Thesis

- We believe the uncertainty caused by a growing chorus of international countries threatening to shut down BlackBerry service on the grounds of undisclosed requests to allow some level of data oversight capability overhangs the stock until the issue is resolved.
- More importantly, we believe the dispute threatens RIM's core international growth story, which is required to balance share losses in North America to Apple and Android.
- While we believe RIM has somewhat leveled the playing field with Apple and Android in consumer-oriented features with BB6, we believe the company's hardware significantly lags that of competitors.
- We expect Apple and Android to eat-away at RIM's enterprise stronghold, as IT departments embrace personal liable "bring-your-own-phone" alternatives.

### Key Value Drivers

- **International net adds** grow 43% p.a. through FY13, versus 103% in FY10.
- **International share** stagnates at ~10% from CY10-CY12
- **Enterprise subscribers** grow to 16.9M in FY13 from 16.6M in FY12
- **ASPs** compress to \$265 in FY13, down 7% p.a. from \$330 in FY10.

### Potential Catalysts

- New product launches.
- Quarterly earnings.

### Investment Risks

- Marketing support from AT&T drives strong Torch sales.
- Recent partnerships in China drive share in China higher, therefore ignites international growth.

Exhibit 1

## RIM Scenario Comparison

	Base Case			Bull Case			Bear Case		
	CY 2010E	CY 2011E	CY 2012E	CY 2010E	CY 2011E	CY 2012E	CY 2010E	CY 2011E	CY 2012E
<b>Device Revenue</b>									
Subscriber additions	20,141	22,413	24,646	21,537	26,336	32,457	18,445	17,949	16,548
Replacement devices	22,377	28,812	32,135	22,377	29,462	34,093	20,566	25,380	26,402
Phone only sales	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Channel Build	2,129	4,000	2,000	2,129	4,000	2,000	2,129	4,000	2,000
Total Devices	46,527	57,105	60,661	47,924	61,678	70,430	43,020	49,209	46,830
ASP	\$301	\$286	\$270	\$331	\$314	\$310	\$271	\$257	\$243
% chg y/y	-13%	-5%	-6%	-4%	-5%	-1%	-21%	-5%	-6%
<b>Device Revenue</b>	<b>14,014.4</b>	<b>16,315.8</b>	<b>16,349.4</b>	<b>15,878.5</b>	<b>19,384.4</b>	<b>21,829.7</b>	<b>11,662.2</b>	<b>12,653.8</b>	<b>11,359.5</b>
<b>Services Revenue</b>									
Enterprise Subscribers	31.8	38.8	42.3	32.3	40.2	44.5	31.2	37.4	40.1
Non-Enterprise Subscribers	23.9	38.0	57.6	24.8	42.0	68.5	22.8	33.3	45.5
Total Subscribers	55.7	76.9	99.9	57.1	82.2	113.0	54.0	70.7	85.6
North America subscribers	31.8	38.8	42.3	32.3	40.2	44.5	31.2	37.4	40.1
International subscribers	23.9	38.0	57.6	24.8	42.0	68.5	22.8	33.3	45.5
Total subscribers	55.7	76.9	99.9	57.1	82.2	113.0	54.0	70.7	85.6
Blended ARPU	\$5.16	\$4.52	\$4.29	\$5.07	\$4.12	\$3.97	\$5.13	\$4.46	\$4.22
<b>Service revenue</b>	<b>2,843.2</b>	<b>3,595.1</b>	<b>4,544.7</b>	<b>2,837.9</b>	<b>3,442.7</b>	<b>4,647.8</b>	<b>2,774.4</b>	<b>3,339.3</b>	<b>3,961.2</b>
Software revenue	273.7	367.9	414.1	273.7	367.9	414.1	273.7	367.9	414.1
Other revenue	521.2	570.6	606.2	536.9	616.3	703.8	481.9	491.7	468.0
<b>Total revenue</b>	<b>17,652.6</b>	<b>20,849.4</b>	<b>21,914.3</b>	<b>19,527.1</b>	<b>23,811.4</b>	<b>27,595.4</b>	<b>15,192.2</b>	<b>16,852.7</b>	<b>16,202.8</b>
Gross profit	7,846.7	8,755.5	8,926.7	8,777.6	9,999.4	11,240.8	6,677.1	6,992.9	6,519.1
Gross margin	44.5%	42.0%	40.7%	45.0%	42.0%	40.7%	44.0%	41.5%	40.2%
Implied device gross margin	36.0%	32.2%	28.1%	37.6%	34.1%	31.1%	33.8%	29.4%	23.9%
Operating income	4,165.4	4,431.2	4,345.8	4,687.2	4,927.0	5,355.3	3,455.8	3,420.8	3,027.9
Operating margin	23.6%	21.3%	19.8%	24.0%	20.7%	19.4%	22.7%	20.3%	18.7%
Interest income	32.6	46.5	71.0	32.6	46.5	71.0	32.6	46.5	71.0
Tax rate	28.5%	28.0%	28.0%	28.5%	28.0%	28.0%	28.5%	28.0%	28.0%
Net income	3,000.3	3,223.9	3,180.1	3,373.2	3,581.0	3,907.0	2,493.1	2,496.5	2,231.2
Diluted shares out	556.4	547.3	546.5	556.4	547.3	546.5	556.4	547.3	546.5
<b>EPS</b>	<b>\$5.39</b>	<b>\$5.89</b>	<b>\$5.82</b>	<b>\$6.06</b>	<b>\$6.54</b>	<b>\$7.15</b>	<b>\$4.48</b>	<b>\$4.56</b>	<b>\$4.08</b>
<b>Market Share</b>									
North America smartphone market units	71.0	93.3	119.1	71.0	93.3	119.1	71.0	93.3	119.1
International smartphone market units	184.8	252.0	345.7	184.8	252.0	345.7	184.8	252.0	345.7
Total smartphone market units	255.8	345.3	464.7	255.8	345.3	464.7	255.8	345.3	464.7
RIM North America smartphone units	27.1	30.8	25.7	27.6	32.0	27.2	25.5	28.3	22.5
RIM International smartphone units	19.4	26.3	35.0	20.3	29.7	43.3	17.6	21.0	24.3
RIM total smartphone units	46.5	57.1	60.7	47.9	61.7	70.4	43.0	49.2	46.8
RIM North American market share	38.1%	33.0%	21.6%	38.8%	34.3%	22.8%	35.8%	30.3%	18.9%
<b>RIM International market share</b>	<b>10.5%</b>	<b>10.4%</b>	<b>10.1%</b>	<b>11.0%</b>	<b>11.8%</b>	<b>12.5%</b>	<b>9.5%</b>	<b>8.3%</b>	<b>7.0%</b>
RIM Total market share	18.2%	16.5%	13.1%	18.7%	17.9%	15.2%	16.8%	14.3%	10.1%
<b>Subscribers by geography</b>									
North America net add growth	-15%	-12%	-51%	-10%	-7%	-46%	-20%	-17%	-56%
International net add growth	94%	28%	40%	109%	43%	55%	74%	8%	20%
North America replacement rate	69%	64%	52%	69%	64%	52%	64%	59%	47%
International replacement rate	48%	35%	31%	48%	35%	31%	43%	30%	26%
% Subs North America	57%	51%	42%	56%	49%	39%	58%	53%	47%
% Subs International	43%	49%	58%	44%	51%	61%	42%	47%	53%
<b>Subscribers by type</b>									
% Subs Enterprise	29%	23%	18%	31%	25%	20%	27%	21%	16%
% Subs Non-Enterprise	71%	77%	83%	69%	75%	81%	73%	79%	85%

Source: Company data, Morgan Stanley Research estimates

## Estimate Revisions

We are lowering our FY11 and FY12 EPS estimates to \$5.57 and \$5.94 from \$5.68 and \$6.75, respectively, as our estimates for RIM's international smartphone share in CY11 and CY12

decline to 10.4% and 10.1%, respectively, down from our prior estimates of 11.8% and 13.7%, resulting in RIM's international share remaining relatively static from CY10-CY12. See Exhibit 2 below for our estimate revisions.

Exhibit 2

### RIM Estimate Revisions

\$ in millions except per share data

	Fiscal Q1-11E	Fiscal Q2-11E	Fiscal Q3-11E	Fiscal Q4-11E	Fiscal 2011E	Fiscal 2012E
Net Adds - New	4.9	5.1	5.3	5.5	20.7	23.1
<u>Net Adds - Old</u>	<u>4.9</u>	<u>5.1</u>	<u>5.4</u>	<u>5.9</u>	<u>21.2</u>	<u>28.6</u>
Difference (units)	0.0	0.0	(0.1)	(0.4)	(0.5)	(5.5)
Devices - New	11.2	11.8	13.0	13.9	50.0	57.8
<u>Devices - Old</u>	<u>11.2</u>	<u>11.8</u>	<u>13.1</u>	<u>14.3</u>	<u>50.5</u>	<u>63.3</u>
Difference (units)	0.0	0.0	(0.1)	(0.4)	(0.5)	(5.5)
Device ASP - New	299.0	302.1	294.5	291.6	296.5	282.2
<u>Device ASP - Old</u>	<u>299.0</u>	<u>302.1</u>	<u>294.5</u>	<u>291.6</u>	<u>296.5</u>	<u>282.1</u>
Difference (\$)	0.0	0.0	0.0	0.0	0.0	0.1
Device Revenue - New	3,348.7	3,573.7	3,837.5	4,055.0	14,815.0	16,305.4
<u>Device Revenue - Old</u>	<u>3,348.7</u>	<u>3,573.7</u>	<u>3,870.8</u>	<u>4,173.0</u>	<u>14,966.2</u>	<u>17,863.3</u>
Difference (\$)	0.0	0.0	(33.2)	(117.9)	(151.2)	(1,557.9)
Services Revenue - New	693.0	744.9	764.8	818.1	3,020.9	3,818.7
<u>Services Revenue - Old</u>	<u>693.0</u>	<u>744.9</u>	<u>765.6</u>	<u>822.6</u>	<u>3,026.1</u>	<u>3,968.4</u>
Difference (\$)	0.0	0.0	(0.8)	(4.4)	(5.2)	(149.7)
Revenue - New	4,235.4	4,519.7	4,817.8	5,100.1	18,673.0	21,080.5
<u>Revenue - Old</u>	<u>4,235.4</u>	<u>4,519.7</u>	<u>4,853.0</u>	<u>5,226.4</u>	<u>18,834.6</u>	<u>22,843.4</u>
Difference (\$)	0.0	0.0	(35.2)	(126.4)	(161.6)	(1,762.9)
Gross margin - New	45.4%	44.0%	43.0%	42.5%	43.7%	41.7%
<u>Gross margin - Old</u>	<u>45.4%</u>	<u>44.0%</u>	<u>43.0%</u>	<u>42.5%</u>	<u>43.6%</u>	<u>41.7%</u>
Difference (bps)	0.0	0.0	0.0	0.0	0.9	0.4
Opex - New	864.6	945.2	1,020.2	1,079.2	3,909.2	4,342.0
<u>Opex - Old</u>	<u>864.6</u>	<u>940.7</u>	<u>1,008.7</u>	<u>1,075.5</u>	<u>3,889.5</u>	<u>4,459.8</u>
Difference (\$)	0.0	4.5	11.5	3.7	19.7	(117.7)
Operating Margin - New	25.0%	23.1%	21.8%	21.3%	22.7%	21.1%
<u>Operating Margin - Old</u>	<u>25.0%</u>	<u>23.2%</u>	<u>22.2%</u>	<u>21.9%</u>	<u>23.0%</u>	<u>22.2%</u>
Difference (bps)	0.0	(10.0)	(39.0)	(58.2)	(27.5)	(107.0)
Tax Rate - New	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
<u>Tax Rate - Old</u>	<u>28.0%</u>	<u>28.0%</u>	<u>28.0%</u>	<u>28.0%</u>	<u>28.0%</u>	<u>28.0%</u>
Difference (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPS - New	\$1.38	\$1.36	\$1.39	\$1.44	\$5.57	\$5.94
<u>EPS - Old</u>	<u>\$1.38</u>	<u>\$1.37</u>	<u>\$1.42</u>	<u>\$1.52</u>	<u>\$5.68</u>	<u>\$6.75</u>
Difference (\$)	\$0.00	(\$0.01)	(\$0.03)	(\$0.08)	(\$0.12)	(\$0.81)

Source: Company data, Morgan Stanley Research estimates.

## Key Investment Debates

**Debate 1 – International growth:** Can RIM continue to gain international share?

**What we said before:** We expected the international smartphone market to grow faster than the North America market as people used to texting convert to QWERTY keypads and as growing communities of BlackBerry Messenger (BBM) users continued to attract new users to the closed platform. While iPhone adoption undoubtedly continues to grow with users looking for multimedia, games and apps, we expected BlackBerries to continue to appeal to email-centric users while soaking up Nokia's share losses in Europe.

**What we are saying now:** While RIM's international share is up 4 points over the past year as of Q2, we are concerned the growing chorus of international countries threatening to shut-down RIM service could stifle growth, especially if it results in shutting down BBM in the disputing countries or just disrupting the momentum of those organic BBM communities as users defect to alternative platforms. We believe BBM is a key differentiator for RIM, and a key driver of RIM's international growth. We also believe the impressive growth of Android devices over the past 3 months – a new development since our initiation – threatens RIM's growth potential in Europe, given that Android grabbed ~33% share of North America in only the last 18 months since launch.

**We believe the recent chorus of international countries threatening to shut down BlackBerry service could stifle RIM's international growth story.** Given that the title of our original January 4<sup>th</sup> Overweight rated initiation report was, *International Opportunity Provides Next Leg of Growth*, we strongly believe international growth is THE key leg of any bull thesis on RIM, since it is required to balance inevitable share losses in North America given the momentum iPhone and Android-based products already have in the market. We therefore believe these unresolved disputes overhang the shares until resolved, as a litany of uncertain headlines increase volatility in the stock.

**While we do not believe actual bans occur in the multiple countries currently threatening to ban service** – India, UAE, Saudia Arabia, and even Lebanon – the mere ongoing threat of the bans, could very well begin to slow down subscriber adoption in those countries. And given that our international growth assumptions are based on the viral, network-based affect of BBM, any break in the chain potentially caused by

BBM subscribers defecting to other platforms could put a material dent in RIM's international growth potential.

**We calculate the EPS impact of the BlackBerry subscriber bases in India, the UAE and Saudia Arabia is together as high as ~\$0.30** on the combined subscriber bases of roughly 2.3M, using our rule of thumb that 1M subscribers are worth roughly \$0.12 to EPS.

**While we do not yet know how RIM's negotiations with each country end, our gravest concern is that part of RIM's compromise may be to turn off BBM**, which we view as RIM's key differentiator and ultimately its international growth driver. We believe BBM could be at risk because the traffic is encrypted from end-to-end – ie from device to device – therefore making it impossible, we believe, for RIM to provide visibility into the traffic stream even if they wanted to do so (not to mention if RIM actually acquiesced it could tarnish the company's reputation for rock-solid security). It appears that all of the countries that have come forward so far – India, Saudi Arabia, UAE, Lebanon, Algeria, etc – are after some sort of data oversight capability, leading us to believe that the easiest compromise may be just to shut off BBM within these countries.

BBM is essentially a private instant messaging platform that runs over RIM's network operations center (NOC) architecture. BBM is the only instant messaging service on a smartphone that we are aware of that supports presence, allowing a recipient to see when a reply is being written to a message and when a message has been read. It is also does not incur carrier texting fees for the sender or recipient of a message, making it a popular feature for teenagers and young adults, particularly in countries where carriers do not have bucket plans for texting. However, since BBM runs on RIM's NOCs, messages can be sent only to other BlackBerry subscribers, creating an automatic driver of RIM device sales – if a subscriber wants to keep in touch with friends, both people must have a BlackBerry. We believe BBM has been a key piece of RIM's international growth, so we believe turning it off could severely restrict RIM's international growth opportunity.

**We are also growing concerned Android could experience the same increasing momentum internationally that it has in North America**, another new competitive threat for RIM that did not exist even 3 months ago. According to Gartner, Android grabbed ~33% share of the smartphone market in North American in Q2 2010, less than 6 months after the Nexus One was launched in January 2010. On a global basis, we estimate Android holds an 18% share of the smartphone market as of Q2, growing to nearly 30% by 2012 (see exhibit 3 below).

August 20, 2010  
Research In Motion Ltd.

Exhibit 3

## Android continues to gain smartphone share

Units in millions

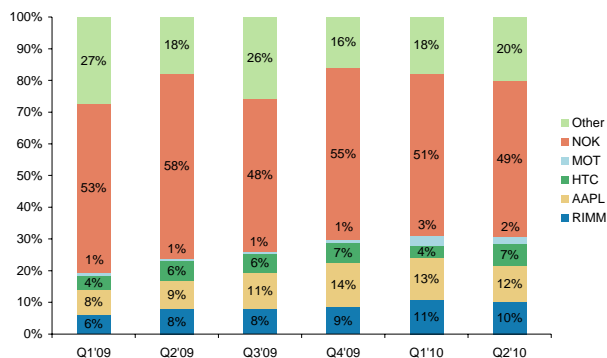
	2009e	2010e	2011e	2012e
<b>Total Android Units</b>	<b>6.8</b>	<b>56.8</b>	<b>112.0</b>	<b>185.0</b>
y/y growth		735.5%	97.2%	65.2%
Android Smartphone Share	3.8%	22.2%	32.4%	39.8%
Global Smartphone Units	180.1	255.8	345.3	464.7
<b>Smartphone Penetration</b>	<b>14.3%</b>	<b>18.4%</b>	<b>22.8%</b>	<b>28.4%</b>

Source: Company data, Morgan Stanley Research, Gartner

**RIM has done a tremendous job growing its international smartphone share over the past year**, gaining over 4 points of share to 10%, while Nokia lost over 4 points of share over this same period (see exhibit 4). We believe the company's success with the 8520, its low-end EDGE device, was also a key driver of this growth, in addition to its key differentiators of BBM and QWERTY keypads as people used to texting convert to smartphones.

Exhibit 4

## RIM's International Share Has Grown to 10%

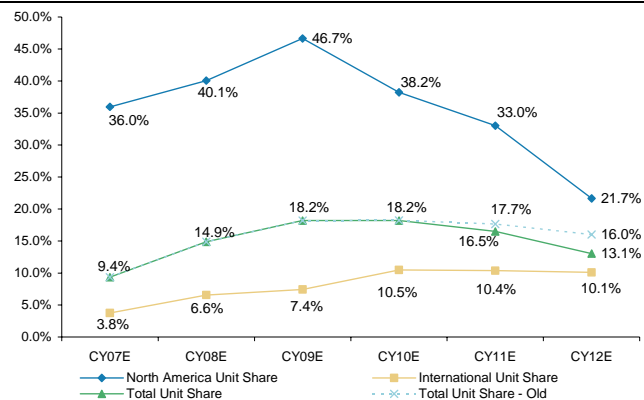


Source: Gartner, Morgan Stanley Research estimates

**However, we believe the possibility that RIM further expands its market share internationally is now at risk.** As a result, we are lowering our international share assumptions to 10.1% in CY12, down from our prior estimate of 13.7%, resulting in RIM's international share stagnating at ~10% from CY10-CY12 (see exhibit 5) and implying that RIM's international share falls in 2H10.

Exhibit 5

## We forecast RIM's international share stagnates at 10%



Source: Company data, Morgan Stanley Research estimates

### Debate 2 – Consumer Attractiveness & Operating System:

Are the improvements to the RIM platform from BB6 enough for RIM to maintain its share with consumers?

**What we said before:** While we acknowledged that RIM's operating system had fallen behind competitors, we were expecting the August launch of BB6 to close the gap as we wrote in our June 25<sup>th</sup> note, *FQ110 Wrap: In-Line Qtr; Holding our Breath for BB6*.

**What we are saying now:** While RIM added several unique bells and whistles to BB6 leveling the playing field with Apple and Android in terms of software, we were underwhelmed by the simultaneously launched Torch hardware. And while we believe it could be reasonably effective in keeping current Blackberry users from defecting to alternative platforms, we do not believe it is good enough to attract new consumer subscribers looking at BB6 on a head-to-head basis vs. iPhone or Android devices.

**We were underwhelmed by RIM's new BlackBerry Torch,** RIM's latest entry into the consumer smartphone world. We do however believe the new Torch does help RIM bridge the gap between the standard, non-touch BlackBerries and the increasingly prevalent high-end Android and iPhone devices and the new BB6 user interface does have some new and unique features that we believe give it a leg up on the competition, however most of these features are subtle. These include media synch over WiFi, a powerful new universal search function, the ability to place popular contacts onto the home screen as icons, a unified notifications preview bar on the home screen that aggregates Twitter feeds, social networking feeds, emails, text, etc into one inbox, and countless other niceties RIM put into the new operating system.

We would expect many of these, however, to get incorporated into competing platforms as well over time.

**RIM appears to have optimized the Torch for battery life**, resulting in a lower resolution screen and a slower processor than other high-end consumer devices (see exhibit 6), making it less competitive with the iPhone, Droid X, or HTC Incredible, the current high-end devices. As a result, we believe the user experience is sacrificed, resulting in choppy responsiveness of the product to pinch/zooms, touch scrolling, etc, especially as usage of video on smartphones appears to be ramping favoring the larger, high resolution screens. Please see our 8/3

report, *Torch Fires up Aug 12th at T; BB6 and Slider Hot; Low Res Screen & Processor Not.*

**More broadly, we believe RIM has acted too slowly to innovate on both its operating system** and on its product portfolio in the face of much faster innovation from the Android and iPhone communities. In this way, we believe owning its own OS has actually become more of a detriment than a benefit to RIM. The slowness of innovation to BB6 with the incorporation of a webkit browser – nearly 2+ years behind the competing platforms – has also cost RIM in application developer support.

Exhibit 6

### BlackBerry Torch Comparison Table

	Blackberry Torch	Apple iPhone 4	Motorola Droid X	HTC Droid Incredible
Form Factor	Touch Tablet / Slide-Out QWERTY	Touch Tablet	Touch Tablet	Touch Tablet
Operating System	BlackBerry 6	iOS 4	Android 2.1	Android 2.1
Size	62 x 111 x 15 mm	57 x 115 x 9MM	66 x 128 x 10 mm	59 x 118 x 12 mm
Display Size	3.2-inch	3.5-inch	4.3-inch	3.7-inch
Display Type	LCD	Retina	LCD	LED
Weight	161 grams	137 grams	155 grams	130 grams
Processor	624 Mhz Marvell	1 Ghz A4	1 Ghz TXN OMAP	1 Ghz Snapdragon
Camera	5MP	5MP	8MP	8MP
Memory	4GB Extendable up to 32GB	16GB/32GB	8GB; extendable up to 40GB	8GB; extendable up to 40GB
Video Quality	480x360	720p	720p	800x480
Screen Resolution	480x360	960x640	854x480	800x480
Resolution per inch	188 pixels/square inch	320 pixels/square inch	228 pixels/square inch	242 pixels/square inch
Wifi hotspot	No	No	Yes	No
Battery	1300 mAh Li Ion	1420 mAh Li Ion	1540 mAh Li Ion	1300 mAh Li Ion

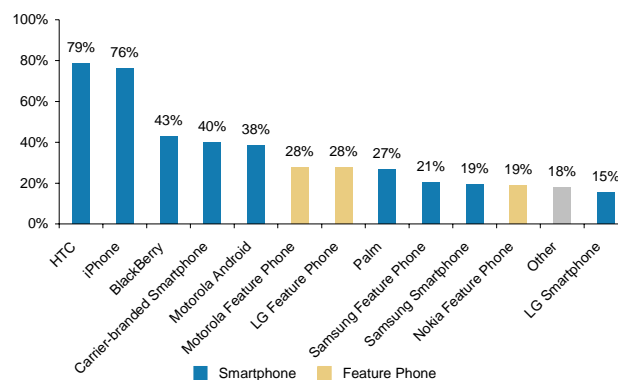
Source: Company data, Morgan Stanley Research

**Brute marketing force from AT&T could still result in Torch being a run-away hit**, since our contacts suggest AT&T plans to spend as much as \$100M to support the Torch, similar to the amount Verizon spent building the Droid brand in late 2009. We understand AT&T is also planning a 20-city tour to individually train store personnel in the use of the phone, which could drive many existing BlackBerry users to upgrade and remain within the BlackBerry family. However we believe it could be difficult for the device to gain much headway on its own merits.

Although we never expected RIM to “catch-up” to Apple or Android with BB6 and/or Torch, we were hoping for a strong device that could convince existing BlackBerry subscribers not to jump ship and defect to the competition, and we are not yet sure RIM has achieved that. According to our proprietary mid-year handheld tracker survey (completed in June 2010), only 43% of Blackberry subscribers consider their current brand as ideal, versus 79% for HTC, and 76% for iPhone, indicating that RIM has a steep hill to climb to maintain its subscriber base.

Exhibit 4

### Handheld Owners Considering Current Brand As Ideal (n=846)



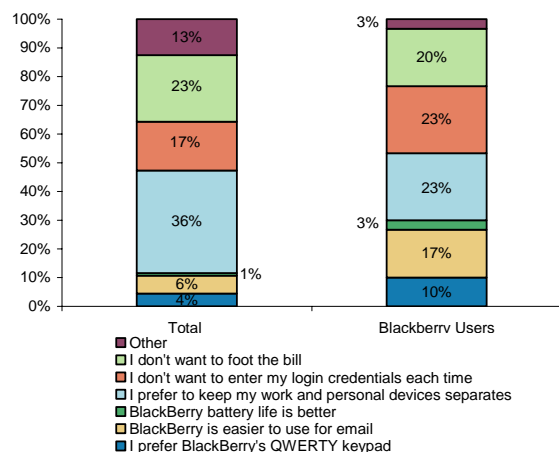
Source: Morgan Stanley AlphaWise<sup>SM</sup>

**We continue to believe RIM remains the de facto standard within the QWERTY smartphone segment.** However, we

also believe video - and not just email – is rapidly turning out to be the killer app for smartphones, making it more difficult for RIM to compete with other high-end phones. In fact, based on our research it appears that RIM's QWERTY keypad is not as much of a differentiator as it would appear. According to our proprietary mid-year handheld tracker survey, only 10% of BlackBerry subscribers and only 4% of iPhone subscribers cited the QWERTY keypad as a reason they would not be interested in using an iPhone for work.

Exhibit 7

## Reasons Subscribers Would Not be Interested in Using iPhone for Work (n=112)



Source: Morgan Stanley AlphaWise<sup>SM</sup>

### Debate 3 – Enterprise users: Can RIM's core enterprise user base come under attack from Apple and others?

**What we said before:** While we believe some CIOs are exploring options with Apple's iPhone, we believe BlackBerry's stronger email and security features allow it to keep the vast majority of its core enterprise base and had been modeling enterprise subscriber growth of ~2M/yr for next 3 years resulting in 21.5M enterprise subscribers in FY'13.

**What we are saying now:** We are growing increasingly concerned that RIM's core enterprise customer base is being threatened by so-called "sandbox" solutions on both iPhone and Android devices, especially as corporate IT departments shift to a "bring-your-own-phone" mentality. As a result we are now forecasting negative enterprise net adds in FY'13 resulting in just 16.9M enterprise subscribers in FY'13.

**We believe sandbox corporate email solutions, such as Good Technologies, that work on iPhones and Android devices, are undeniably gaining a foothold in the enterprise,** based on our conversations with CTOs and other industry contacts. We believe there have been 3 key enablers of growing interest among enterprises in non-BlackBerry adoption:

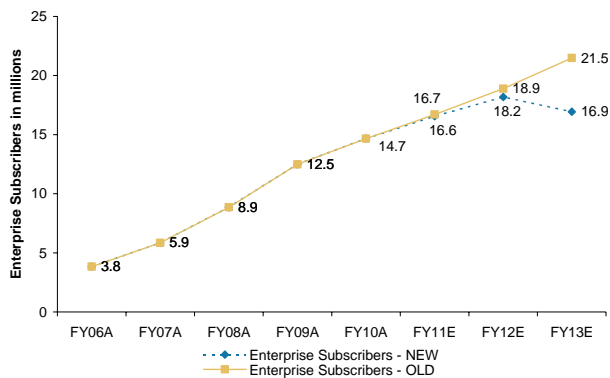
- 1) **Improved enterprise features in iOS 4:** According to our checks, new enterprise features including multitasking, wireless software/app distribution, data encryption, and complex passcodes are beginning to address many prior enterprise security concerns.
- 2) **Good provides a secure alternative to BlackBerry:** Last September, Good Technologies added support for iPhone (and Android), enabling enterprises to connect an iPhone without opening a port in the firewall (unlike active sync), creating a "sandbox" on the device to access corporate email, contacts, and calendar, but to limit interaction with any other data on the device. Good's technology is set up in a similar fashion to RIM – Good software resides on a server behind the enterprise firewall, the company operates 2 NOCs to provide a secure bridge between the user and enterprise network, and the data transfer is highly secure and encrypted. Good has been gaining traction and claims that it hasn't lost a deal in the last 6 months while adding 1500 enterprise accounts. And these aren't just small licenses, but many have 5-8k users. We believe Android could be RIM's next enterprise threat, since Good also supports Android.

- 3) **Corporate cost cutting:** Many companies are starting to see the merits of getting out of the device business, and increasingly are considering shifting the cost of a mobile email device onto an employee – similar to the trend underway with laptops. Therefore, many companies see moving to the use of “personal liable” devices rather than “corporate liable” devices, assuming similar security protections are available for the enterprise under both.

**We are lowering our enterprise subscriber estimate to 16.9M subs by FY13, down from our prior estimate of 21.5M,** resulting from negative net adds in FY13, RIM's first year ever of negative enterprise net add growth, by our estimates.

Exhibit 8

### We Forecast 16.9M Enterprise Subs by FY13



Source: Company data, Morgan Stanley Research estimates

**We calculate that each 1M loss of enterprise subscribers equate to \$0.18 in lost EPS,** which with an estimated 15M enterprise subs equates to just under 48% of our FY11 EPS estimate of \$5.63. Therefore loss of enterprise subscribers could be a costly endeavor for RIM.

Exhibit 9

### Every 1M of lost enterprise subs costs RIM \$0.18

in millions except per unit data

Subscriber	1.0
Enterprise ARPU	\$6.90
Services Revenue	82.8
Assumed services gross margin	84%
Services gross profit	69.5
Replacement Rate	64%
Replacement devices	0.6
ASP	\$297
Device Revenue	190.0
Assumed device gross margin	35%
Device gross profit	66.4
Total gross profit	135.9
Tax rate	28%
AT gross profit	97.9
Share count	553.4
<b>EPS</b>	<b>\$0.18</b>

Source: Company data, Morgan Stanley Research estimates

*AT&T and Verizon covered by Simon Flannery; Apple covered by Katy Huberty*

August 20, 2010  
Research In Motion Ltd.

Exhibit 10

## RIM Income Statement Forecast

\$ in millions except per share data

	May-08 Q1-09A	Aug-08 Q2-09A	Nov-08 Q3-09A	Feb-09 Q4-09A	May-09 Q1-10A	Aug-09 Q2-10A	Nov-09 Q3-10A	Feb-10 Q4-10A	May-10 Q1-11A	Aug-10 Q2-11E	Nov-10 Q3-11E	Feb-11 Q4-11E	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E
<b>Revenue</b>																	
Devices	1,838.3	2,116.5	2,251.5	2,883.4	2,788.0	2,866.4	3,207.0	3,254.4	3,348.7	3,573.7	3,837.5	4,055.0	9,089.7	12,115.8	14,815.0	16,305.4	16,524.4
Service	292.4	333.7	361.3	415.2	450.6	500.7	566.8	640.5	693.0	744.9	764.8	818.1	1,402.6	2,158.6	3,020.9	3,818.7	4,790.9
Software	66.5	64.3	62.3	58.8	62.3	60.6	67.2	68.6	64.3	67.4	73.5	87.9	251.9	258.6	293.1	378.9	426.5
Other	45.3	62.9	107.0	105.8	122.7	98.0	83.4	116.2	129.3	133.7	142.0	139.0	321.0	420.2	544.0	577.5	623.6
<b>Total Revenue</b>	<b>2,242.6</b>	<b>2,577.3</b>	<b>2,782.1</b>	<b>3,463.2</b>	<b>3,423.5</b>	<b>3,525.7</b>	<b>3,924.3</b>	<b>4,079.7</b>	<b>4,235.4</b>	<b>4,519.7</b>	<b>4,817.8</b>	<b>5,100.1</b>	<b>11,065.2</b>	<b>14,953.2</b>	<b>18,673.0</b>	<b>21,080.5</b>	<b>22,365.4</b>
% Chg q/q	19%	15%	8%	24%	-1%	3%	11%	4%	4%	7%	7%	6%					
% Chg y/y	107%	88%	66%	84%	53%	37%	41%	18%	24%	28%	23%	25%	84%	35%	25%	13%	6%
Cost of Sales	1,085.0	1,244.8	1,479.8	2,025.1	1,870.8	1,904.0	2,166.6	2,122.4	2,220.1	2,400.0	2,606.3	2,786.4	5,834.7	8,063.7	10,012.7	11,631.6	12,599.0
Amortization	20.2	25.7	32.8	54.5	61.2	67.3	82.5	94.3	92.0	131.0	139.9	146.2	133.2	305.3	509.1	648.4	739.2
<b>Gross Profit</b>	<b>1,137.4</b>	<b>1,306.9</b>	<b>1,269.6</b>	<b>1,383.6</b>	<b>1,491.5</b>	<b>1,554.4</b>	<b>1,675.3</b>	<b>1,863.1</b>	<b>1,923.3</b>	<b>1,988.7</b>	<b>2,071.6</b>	<b>2,167.5</b>	<b>5,097.3</b>	<b>6,584.3</b>	<b>8,151.2</b>	<b>8,800.4</b>	<b>9,027.1</b>
Gross Margin	50.7%	50.7%	45.6%	40.0%	43.6%	44.1%	42.7%	45.7%	45.4%	44.0%	43.0%	42.5%	46.1%	44.0%	43.7%	41.7%	40.4%
Gross Margin ex-Amortization	51.6%	51.7%	46.8%	41.5%	45.4%	46.0%	44.8%	48.0%	47.6%	46.9%	45.9%	45.4%	47.3%	46.1%	46.4%	44.8%	43.7%
R & D expense	127.8	181.3	193.0	182.5	219.8	235.6	242.3	267.2	287.6	316.4	337.2	357.0	684.7	964.8	1,298.2	1,370.2	1,565.6
Sales & Mktg Exp	326.6	379.6	383.0	406.5	417.9	429.7	465.7	497.6	482.8	528.8	583.0	622.2	1,495.7	1,811.0	2,216.8	2,571.8	2,728.6
Amortization	36.6	43.6	53.0	61.6	67.4	73.3	83.1	86.5	94.2	100.0	100.0	100.0	194.8	310.4	394.2	400.0	400.0
<b>Total Op Expenses</b>	<b>490.9</b>	<b>604.6</b>	<b>629.0</b>	<b>650.6</b>	<b>705.0</b>	<b>738.6</b>	<b>791.2</b>	<b>851.3</b>	<b>864.6</b>	<b>945.2</b>	<b>1,020.2</b>	<b>1,079.2</b>	<b>2,375.2</b>	<b>3,086.2</b>	<b>3,909.2</b>	<b>4,342.0</b>	<b>4,694.2</b>
<b>Operating Income</b>	<b>646.4</b>	<b>702.2</b>	<b>640.5</b>	<b>733.0</b>	<b>786.5</b>	<b>815.8</b>	<b>884.1</b>	<b>1,011.7</b>	<b>1,058.7</b>	<b>1,043.5</b>	<b>1,051.5</b>	<b>1,088.3</b>	<b>2,722.1</b>	<b>3,498.1</b>	<b>4,242.0</b>	<b>4,458.4</b>	<b>4,333.0</b>
Operating Margin	28.8%	27.2%	23.0%	21.2%	23.0%	23.1%	22.5%	24.8%	25.0%	23.1%	21.8%	21.3%	24.6%	23.4%	22.7%	21.1%	19.4%
Amortization	16.5	24.2	32.9	51.1	56.3	62.5	75.6	76.7	75.7	116.8	112.8	108.8	124.6	271.1	414.1	395.5	335.9
Depreciation	40.2	45.2	53.0	65.0	72.3	78.1	90.0	104.1	110.4	114.2	127.1	137.4	203.4	344.5	489.1	652.9	803.3
Stock comp expense	9.9	9.7	9.6	8.9	12.7	13.0	15.9	16.3	15.9	15.9	15.9	15.9	38.1	58.0	63.8	63.8	63.8
<b>EBITDA</b>	<b>713.1</b>	<b>781.3</b>	<b>735.9</b>	<b>858.0</b>	<b>927.8</b>	<b>969.5</b>	<b>1,065.6</b>	<b>1,208.9</b>	<b>1,260.9</b>	<b>1,290.4</b>	<b>1,307.3</b>	<b>1,350.4</b>	<b>3,088.3</b>	<b>4,171.8</b>	<b>5,209.0</b>	<b>5,570.6</b>	<b>5,536.0</b>
EBITDA Margin	31.8%	30.3%	26.5%	24.8%	27.1%	27.5%	27.2%	29.6%	29.8%	28.6%	27.1%	26.5%	27.9%	27.9%	27.9%	26.4%	24.8%
Interest income	19.0	17.2	31.6	10.6	9.1	7.6	6.4	5.5	9.2	8.6	9.3	10.1	78.3	28.6	37.2	51.7	77.5
<b>Income Before Taxes</b>	<b>665.4</b>	<b>719.4</b>	<b>672.1</b>	<b>743.5</b>	<b>795.6</b>	<b>823.4</b>	<b>890.5</b>	<b>1,017.2</b>	<b>1,067.9</b>	<b>1,052.1</b>	<b>1,060.8</b>	<b>1,098.4</b>	<b>2,800.4</b>	<b>3,526.7</b>	<b>4,279.1</b>	<b>4,510.1</b>	<b>4,410.5</b>
Effective Tax Rate	27.5%	31.1%	29.0%	30.3%	29.1%	28.5%	29.4%	30.2%	28.0%	28.0%	28.0%	28.0%	29.5%	29.4%	28.0%	28.0%	28.0%
Income Tax Provision	182.9	223.9	194.7	225.3	231.3	235.0	262.1	307.1	299.0	294.6	297.0	307.5	826.7	1,035.4	1,198.2	1,262.8	1,234.9
<b>PF Net Income</b>	<b>482.5</b>	<b>495.5</b>	<b>477.3</b>	<b>518.3</b>	<b>564.4</b>	<b>588.4</b>	<b>628.4</b>	<b>710.1</b>	<b>768.9</b>	<b>757.5</b>	<b>763.8</b>	<b>790.8</b>	<b>1,973.7</b>	<b>2,491.3</b>	<b>3,081.0</b>	<b>3,247.3</b>	<b>3,175.6</b>
AT Stock compensation expense	7.2	6.7	6.8	6.2	9.0	9.3	11.3	11.4	11.5	11.5	11.5	11.5	26.9	41.0	45.9	45.9	45.9
<b>PF Net Income excl stock comp</b>	<b>489.7</b>	<b>502.2</b>	<b>484.2</b>	<b>524.5</b>	<b>573.4</b>	<b>597.8</b>	<b>639.6</b>	<b>721.5</b>	<b>780.4</b>	<b>769.0</b>	<b>775.2</b>	<b>802.3</b>	<b>2,000.5</b>	<b>2,532.3</b>	<b>3,126.9</b>	<b>3,293.2</b>	<b>3,221.5</b>
Basic Shares Outstanding	563.6	564.9	565.7	566.1	566.8	567.8	566.3	567.1	554.7	553.2	551.6	551.6	565.1	564.5	552.8	551.6	551.6
Fully Diluted Shares Outstanding	574.7	574.8	573.5	572.8	573.3	573.6	570.9	567.1	558.2	555.3	551.0	549.1	573.9	569.7	553.4	546.7	546.5
PF Basic EPS	\$0.86	\$0.88	\$0.84	\$0.92	\$1.00	\$1.04	\$1.11	\$1.27	\$1.39	\$1.37	\$1.38	\$1.43	\$3.49	\$4.41	\$5.57	\$5.89	\$5.76
<b>PF Diluted EPS</b>	<b>\$0.84</b>	<b>\$0.86</b>	<b>\$0.83</b>	<b>\$0.90</b>	<b>\$0.98</b>	<b>\$1.03</b>	<b>\$1.10</b>	<b>\$1.27</b>	<b>\$1.38</b>	<b>\$1.36</b>	<b>\$1.39</b>	<b>\$1.44</b>	<b>\$3.44</b>	<b>\$4.37</b>	<b>\$5.57</b>	<b>\$5.94</b>	<b>\$5.81</b>
Impact of stock comp exp	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.05	\$0.07	\$0.08	\$0.08	\$0.08
<b>Pro Forma EPS ex-stock comp</b>	<b>\$0.85</b>	<b>\$0.87</b>	<b>\$0.84</b>	<b>\$0.92</b>	<b>\$1.00</b>	<b>\$1.04</b>	<b>\$1.12</b>	<b>\$1.29</b>	<b>\$1.40</b>	<b>\$1.38</b>	<b>\$1.41</b>	<b>\$1.46</b>	<b>\$3.49</b>	<b>\$4.44</b>	<b>\$5.65</b>	<b>\$6.02</b>	<b>\$5.89</b>

Source: Company data, Morgan Stanley Research Estimates

Exhibit 11

## RIM Income Statement Forecast - Continued

\$ in millions except per share data

	May-08	Aug-08	Nov-08	Feb-09	May-09	Aug-09	Nov-09	Feb-10	May-10	Aug-10	Nov-10	Feb-11	FY	FY	FY	FY	FY	
	Q1-09A	Q2-09A	Q3-09A	Q4-09A	Q1-10A	Q2-10A	Q3-10A	Q4-10A	Q1-11A	Q2-11E	Q3-11E	Q4-11E	2009A	2010A	2011E	2012E	2013E	
<b>NON PRO-FORMA ITEMS</b>																		
Litigation expense	0.0	0.0	0.0	0.0	0.0	163.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	163.8	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	96.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96.4	0.0	0.0	0.0	0.0
<b>Total Pretax Non-PF Items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>96.4</b>	<b>163.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>260.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Income tax effect			81.0	0.0	(175.1)	(51.0)	0.0	0.0	0.0	0.0	0.0	0.0	81.0	(226.1)	0.0	0.0	0.0	0.0
After Tax Non-PF Items	0.0	0.0	81.0	0.0	(78.7)	112.8	0.0	0.0	0.0	0.0	0.0	0.0	81.0	34.2	0.0	0.0	0.0	0.0
<b>GAAP NET INCOME</b>	<b>482.5</b>	<b>495.5</b>	<b>396.3</b>	<b>518.3</b>	<b>643.0</b>	<b>475.6</b>	<b>628.4</b>	<b>710.1</b>	<b>768.9</b>	<b>757.5</b>	<b>763.8</b>	<b>790.8</b>	<b>1,892.7</b>	<b>2,457.1</b>	<b>3,081.0</b>	<b>3,247.3</b>	<b>3,175.6</b>	
Pro Forma EPS	\$0.84	\$0.86	\$0.83	\$0.90	\$0.98	\$1.03	\$1.10	\$1.27	\$1.38	\$1.36	\$1.39	\$1.44	\$3.44	\$4.37	\$5.57	\$5.94	\$5.81	
Per Share Impact of PF Items	-	-	0.14	-	(0.14)	0.20	-	-	-	-	-	-	0.14	0.06	-	-	-	
<b>GAAP EPS</b>	<b>\$0.84</b>	<b>\$0.86</b>	<b>\$0.69</b>	<b>\$0.90</b>	<b>\$1.12</b>	<b>\$0.83</b>	<b>\$1.10</b>	<b>\$1.27</b>	<b>\$1.38</b>	<b>\$1.36</b>	<b>\$1.39</b>	<b>\$1.44</b>	<b>\$3.30</b>	<b>\$4.31</b>	<b>\$5.57</b>	<b>\$5.94</b>	<b>\$5.81</b>	
<b>GROWTH ANALYSIS</b>																		
Q/Q Product Rev Growth	20.7%	15.1%	6.4%	28.1%	-3.3%	2.8%	11.9%	1.5%	2.9%	6.7%	7.4%	5.7%						
Q/Q Services Rev Growth	15.2%	14.1%	8.3%	14.9%	8.5%	11.1%	13.2%	13.0%	8.2%	7.5%	2.7%	7.0%						
Q/Q Total Sales Growth	19.1%	14.9%	7.9%	24.5%	-1.1%	3.0%	11.3%	4.0%	3.8%	6.7%	6.6%	5.9%						
Q/Q Oper. Income Growth	14.5%	8.6%	-8.8%	14.4%	7.3%	3.7%	8.4%	14.4%	4.6%	-1.4%	0.8%	3.5%						
Q/Q EBITDA Growth	14.0%	9.6%	-5.8%	16.6%	8.1%	4.5%	9.9%	13.4%	4.3%	2.3%	1.3%	3.3%						
Q/Q Net Income Growth	17.0%	2.7%	-3.7%	8.6%	8.9%	4.3%	6.8%	13.0%	8.3%	-1.5%	0.8%	3.5%						
Q/Q EPS Growth	16.8%	2.7%	-3.5%	8.7%	8.8%	4.2%	7.3%	15.0%	8.8%	-1.0%	1.6%	3.9%						
Y/Y Product Rev Growth	123.1%	96.5%	67.5%	89.3%	51.7%	35.4%	42.4%	12.9%	20.1%	24.7%	19.7%	24.6%	90.6%	33.3%	22.3%	10.1%	1.3%	
Y/Y Services Rev Growth	68.4%	65.7%	55.8%	63.6%	54.1%	50.1%	56.9%	54.3%	53.8%	48.8%	34.9%	27.7%	63.0%	53.9%	39.9%	26.4%	25.5%	
Y/Y Total Sales Growth	107.3%	87.8%	66.3%	83.9%	52.7%	36.8%	41.1%	17.8%	23.7%	28.2%	22.8%	25.0%	84.1%	35.1%	24.9%	12.9%	6.1%	
Y/Y Oper. Income Growth	127.7%	78.7%	30.7%	29.9%	21.7%	16.2%	38.0%	38.0%	34.6%	27.9%	18.9%	7.6%	57.2%	28.5%	21.3%	5.1%	-2.8%	
Y/Y EBITDA Growth	118.2%	76.3%	34.6%	37.2%	30.1%	24.1%	44.8%	40.9%	35.9%	33.1%	22.7%	11.7%	59.0%	35.1%	24.9%	6.9%	-0.6%	
Y/Y Net Income Growth	116.2%	72.3%	28.9%	25.6%	17.0%	18.7%	31.6%	37.0%	36.2%	28.7%	21.5%	11.4%	52.5%	26.2%	23.7%	5.4%	-2.2%	
Y/Y EPS Growth	114.8%	71.5%	28.9%	25.9%	17.2%	19.0%	32.2%	39.9%	39.9%	33.0%	25.9%	13.8%	52.2%	27.2%	27.3%	6.7%	-2.2%	
<b>MARGINS &amp; COSTS AS % OF SALES</b>																		
R & D Expense	5.7%	7.0%	6.9%	5.3%	6.4%	6.7%	6.2%	6.5%	6.8%	7.0%	7.0%	7.0%	6.2%	6.5%	7.0%	6.5%	7.0%	
Sales and Marketing Expense	14.6%	14.7%	13.8%	11.7%	12.2%	12.2%	11.9%	12.2%	11.4%	11.7%	12.1%	12.2%	13.5%	12.1%	11.9%	12.2%	12.2%	
Amortization	1.6%	1.7%	1.9%	1.8%	2.0%	2.1%	2.1%	2.1%	2.2%	2.2%	2.1%	2.0%	1.8%	2.1%	2.1%	1.9%	1.8%	
Total Operating Expense	21.9%	23.5%	22.6%	18.8%	20.6%	20.9%	20.2%	20.9%	20.4%	20.9%	21.2%	21.2%	21.5%	20.6%	20.9%	20.6%	21.0%	
Operating Margin	28.8%	27.2%	23.0%	21.2%	23.0%	23.1%	22.5%	24.8%	25.0%	23.1%	21.8%	21.3%	24.6%	23.4%	22.7%	21.1%	19.4%	
EBITDA Margin	31.8%	30.3%	26.5%	24.8%	27.1%	27.5%	27.2%	29.6%	29.8%	28.6%	27.1%	26.5%	27.9%	27.9%	27.9%	26.4%	24.8%	
Pre-tax Profit Margin	29.7%	27.9%	24.2%	21.5%	23.2%	23.4%	22.7%	24.9%	25.2%	23.3%	22.0%	21.5%	25.3%	23.6%	22.9%	21.4%	19.7%	
Net Margin	21.5%	19.2%	17.2%	15.0%	16.5%	16.7%	16.0%	17.4%	18.2%	16.8%	15.9%	15.5%	17.8%	16.7%	16.5%	15.4%	14.2%	

Source: Company data, Morgan Stanley Research Estimates

Exhibit 12

**RIM Revenue Forecast**

\$ in millions except per share data

	May-08 Q1-09A	Aug-08 Q2-09A	Nov-08 Q3-09A	Feb-09 Q4-09A	May-09 Q1-10A	Aug-09 Q2-10A	Nov-09 Q3-10A	Feb-10 Q4-10A	May-10 Q1-11A	Aug-10 Q2-11E	Nov-10 Q3-11E	Feb-11 Q4-11E	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E
<b>Revenue Breakdown</b>																	
Devices	1,838.3	2,116.5	2,251.5	2,883.4	2,788.0	2,866.4	3,207.0	3,254.4	3,348.7	3,573.7	3,837.5	4,055.0	9,089.7	12,115.8	14,815.0	16,305.4	16,524.4
Service	292.4	333.7	361.3	415.2	450.6	500.7	566.8	640.5	693.0	744.9	764.8	818.1	1,402.6	2,158.6	3,020.9	3,818.7	4,790.9
Software	66.5	64.3	62.3	58.8	62.3	60.6	67.2	68.6	64.3	67.4	73.5	87.9	251.9	258.6	293.1	378.9	426.5
Other	45.3	62.9	107.0	105.8	122.7	98.0	83.4	116.2	129.3	133.7	142.0	139.0	321.0	420.2	544.0	577.5	623.6
<b>Total Revenue</b>	<b>2,242.6</b>	<b>2,577.3</b>	<b>2,782.1</b>	<b>3,463.2</b>	<b>3,423.5</b>	<b>3,525.7</b>	<b>3,924.3</b>	<b>4,079.7</b>	<b>4,235.4</b>	<b>4,519.7</b>	<b>4,817.8</b>	<b>5,100.1</b>	<b>11,065.2</b>	<b>14,953.2</b>	<b>18,673.0</b>	<b>21,080.5</b>	<b>22,365.4</b>
<b>Q/Q Growth</b>																	
Devices	21%	15%	6%	28%	-3%	3%	12%	1%	3%	7%	7%	6%					
Service	15%	14%	8%	15%	9%	11%	13%	13%	8%	7%	3%	7%					
Software	6%	-3%	-3%	-6%	6%	-3%	11%	2%	-6%	5%	9%	20%					
Other	6%	39%	70%	-1%	16%	-20%	-15%	39%	11%	3%	6%	-2%					
<b>Total Revenue</b>	<b>19%</b>	<b>15%</b>	<b>8%</b>	<b>24%</b>	<b>-1%</b>	<b>3%</b>	<b>11%</b>	<b>4%</b>	<b>4%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>					
<b>Y/Y Growth</b>																	
Devices	123%	96%	67%	89%	52%	35%	42%	13%	20%	25%	20%	25%	91%	33%	22%	10%	1%
Service	68%	66%	56%	64%	54%	50%	57%	54%	54%	49%	35%	28%	63%	54%	40%	26%	25%
Software	22%	12%	4%	-7%	-6%	-6%	8%	17%	3%	11%	9%	28%	7%	3%	13%	29%	13%
Other	52%	72%	191%	148%	171%	56%	-22%	10%	5%	36%	70%	20%	120%	31%	29%	6%	8%
<b>Total Revenue</b>	<b>107%</b>	<b>88%</b>	<b>66%</b>	<b>84%</b>	<b>53%</b>	<b>37%</b>	<b>41%</b>	<b>18%</b>	<b>24%</b>	<b>28%</b>	<b>23%</b>	<b>25%</b>	<b>84%</b>	<b>35%</b>	<b>25%</b>	<b>13%</b>	<b>6%</b>
<b>Revenue Mix</b>																	
Devices	82%	82%	81%	83%	81%	81%	82%	80%	79%	79%	80%	80%	82%	81%	79%	77%	74%
Service	13%	13%	13%	12%	13%	14%	14%	16%	16%	16%	16%	16%	13%	14%	16%	18%	21%
Software	3%	2%	2%	2%	2%	2%	2%	2%	2%	1%	2%	2%	2%	2%	2%	2%	2%
Other	2%	2%	4%	3%	4%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
<b>Total Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Estimated Gross Margin Breakdown</b>																	
Devices	44.2%	44.5%	38.6%	32.8%	36.5%	36.5%	34.7%	37.6%	37.0%	35.3%	34.4%	33.6%	39.3%	36.3%	35.0%	31.3%	27.1%
Service	84.9%	84.9%	84.9%	84.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	84.9%	83.9%	83.9%	83.9%	83.9%
Software	84.9%	84.9%	84.9%	84.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	83.9%	84.9%	83.9%	83.9%	83.9%	83.9%
Other	44.2%	44.5%	38.6%	32.8%	36.5%	36.5%	34.7%	37.6%	37.0%	35.3%	34.4%	33.6%	38.6%	36.5%	35.0%	31.3%	27.1%
<b>Total Gross Margin</b>	<b>50.7%</b>	<b>50.7%</b>	<b>45.6%</b>	<b>40.0%</b>	<b>43.6%</b>	<b>44.1%</b>	<b>42.7%</b>	<b>45.7%</b>	<b>45.4%</b>	<b>44.0%</b>	<b>43.0%</b>	<b>42.5%</b>	<b>46.1%</b>	<b>44.0%</b>	<b>43.7%</b>	<b>41.7%</b>	<b>40.4%</b>
<b>Estimated Gross Profit Breakdown</b>																	
Devices	812.6	941.0	868.6	946.4	1,016.5	1,047.7	1,114.4	1,224.4	1,240.0	1,260.0	1,319.5	1,360.7	3,568.7	4,403.0	5,180.3	5,098.1	4,480.7
Service	248.2	283.3	306.7	352.5	378.0	420.1	475.5	537.4	581.4	625.0	641.6	686.4	1,190.8	1,811.1	2,534.5	3,203.9	4,019.6
Software	56.5	54.6	52.9	49.9	52.2	50.8	56.4	57.5	53.9	56.6	61.6	73.8	213.9	217.0	245.9	317.9	357.8
Other	20.0	28.0	41.3	34.7	44.7	35.8	29.0	43.7	47.9	47.1	48.8	46.6	124.0	153.2	190.5	180.5	169.0
<b>Total Gross Profit</b>	<b>1,137.4</b>	<b>1,306.9</b>	<b>1,269.6</b>	<b>1,383.6</b>	<b>1,491.5</b>	<b>1,554.4</b>	<b>1,675.3</b>	<b>1,863.1</b>	<b>1,923.3</b>	<b>1,988.7</b>	<b>2,071.6</b>	<b>2,167.5</b>	<b>5,097.3</b>	<b>6,584.3</b>	<b>8,151.2</b>	<b>8,800.4</b>	<b>9,027.1</b>
<b>Implied Gross Profit Mix</b>																	
Devices	71.4%	72.0%	68.4%	68.4%	68.2%	67.4%	66.5%	65.7%	64.5%	63.4%	63.7%	62.8%	70.0%	66.9%	63.6%	57.9%	49.6%
Service	21.8%	21.7%	24.2%	25.5%	25.3%	27.0%	28.4%	28.8%	30.2%	31.4%	31.0%	31.7%	23.4%	27.5%	31.1%	36.4%	44.5%
Software	5.0%	4.2%	4.2%	3.6%	3.5%	3.3%	3.4%	3.1%	2.8%	2.8%	3.0%	3.4%	4.2%	3.3%	3.0%	3.6%	4.0%
Other	1.8%	2.1%	3.3%	2.5%	3.0%	2.3%	1.7%	2.3%	2.5%	2.4%	2.4%	2.2%	2.4%	2.3%	2.3%	2.1%	1.9%
<b>Total Gross Profit</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, Morgan Stanley Research Estimates

Exhibit 13

## RIM Subscriber Forecast

in millions

	May-08 Q1-09A	Aug-08 Q2-09A	Nov-08 Q3-09A	Feb-09 Q4-09A	May-09 Q1-10A	Aug-09 Q2-10A	Nov-09 Q3-10A	Feb-10 Q4-10A	May-10 Q1-11A	Aug-10 Q2-11E	Nov-10 Q3-11E	Feb-11 Q4-11E	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E
<b>Subscriber &amp; Net Adds Model by Geo</b>																	
RIMM North America Net Adds	1.5	1.7	1.7	2.6	2.6	2.2	2.5	2.0	2.0	2.3	2.3	2.2	7.6	9.3	8.8	6.6	2.8
Q/Q growth	6%	13%	0%	50%	-1%	-14%	14%	-23%	1%	14%	1%	-2%					
Y/Y growth	193%	116%	74%	79%	67%	28%	46%	-25%	-23%	2%	-10%	15%	101%	22%	-5%	-25%	-58%
% Total	67%	67%	67%	67%	67%	58%	58%	40%	40%	45%	43%	41%	67%	55%	42%	29%	11%
RIMM International Net Adds	0.8	0.9	0.9	1.3	1.3	1.6	1.9	2.9	2.9	2.8	3.0	3.2	3.8	7.7	11.9	16.5	22.2
Q/Q growth	6%	13%	0%	50%	-1%	24%	18%	59%	-1%	-4%	6%	8%					
Y/Y growth	67%	33%	32%	79%	67%	84%	117%	129%	130%	78%	60%	9%	53%	103%	56%	38%	35%
% Total	33%	33%	33%	33%	33%	42%	42%	60%	60%	55%	57%	59%	33%	45%	58%	71%	89%
<b>RIMM Total Net Subscriber Additions</b>	<b>2.3</b>	<b>2.6</b>	<b>2.6</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>4.4</b>	<b>4.9</b>	<b>4.9</b>	<b>5.1</b>	<b>5.3</b>	<b>5.5</b>	<b>11.4</b>	<b>16.9</b>	<b>20.7</b>	<b>23.1</b>	<b>25.0</b>
Q/Q growth	6%	13%	0%	50%	-1%	-1%	16%	11%	0%	4%	4%	4%					
Y/Y growth	92%	79%	58%	79%	67%	46%	69%	26%	27%	34%	20%	11%	76%	49%	22%	12%	8%
Churn Subscribers	0.3	0.1	0.2	0.1	0.3	0.3	0.2	-	0.2	0.2	0.2	0.3	0.7	0.8	0.9	1.3	1.8
Monthly Churn Rate	0.7%	0.2%	0.4%	0.2%	0.4%	0.4%	0.2%	0.0%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%
RIMM North America Subscribers	10.9	12.6	14.2	16.7	19.1	21.1	23.5	25.5	27.4	29.5	31.7	33.8	16.7	25.5	33.8	40.0	42.6
Q/Q growth	14%	15%	13%	18%	14%	11%	11%	8%	7%	8%	7%	7%					
Y/Y growth	73%	77%	75%	75%	75%	68%	66%	52%	43%	40%	35%	33%	75%	52%	33%	18%	6%
RIMM International Subscribers	5.37	6.20	6.99	8.24	9.41	10.89	12.68	15.63	18.47	21.15	23.99	27.04	8.2	15.6	27.0	42.6	63.2
Q/Q growth	14%	15%	13%	18%	14%	16%	16%	23%	18%	15%	13%	13%					
Y/Y growth	99%	85%	75%	75%	75%	76%	81%	90%	96%	94%	89%	73%	75%	90%	73%	57%	48%
<b>RIMM Total Subscribers</b>	<b>16.3</b>	<b>18.8</b>	<b>21.2</b>	<b>25.0</b>	<b>28.5</b>	<b>32.0</b>	<b>36.2</b>	<b>41.1</b>	<b>45.8</b>	<b>50.7</b>	<b>55.7</b>	<b>60.9</b>	<b>25.0</b>	<b>41.1</b>	<b>60.9</b>	<b>82.6</b>	<b>105.9</b>
Q/Q growth	14%	15%	13%	18%	14%	12%	13%	14%	11%	11%	10%	9%					
Y/Y growth	81%	80%	75%	75%	75%	71%	71%	65%	61%	58%	54%	48%	75%	65%	48%	36%	28%
North America Subscriber Mix of Total	67%	67%	67%	67%	67%	66%	65%	62%	60%	58%	57%	56%	67%	62%	56%	48%	40%
International Subscriber Mix of Total	33%	33%	33%	33%	33%	34%	35%	38%	40%	42%	43%	44%	33%	38%	44%	52%	60%

Source: Company data, Morgan Stanley Research Estimates

Exhibit 14

**RIM Device Revenue Forecast**

\$ in millions

	May-08 Q1-09A	Aug-08 Q2-09A	Nov-08 Q3-09A	Feb-09 Q4-09A	May-09 Q1-10A	Aug-09 Q2-10A	Nov-09 Q3-10A	Feb-10 Q4-10A	May-10 Q1-11A	Aug-10 Q2-11E	Nov-10 Q3-11E	Feb-11 Q4-11E	FY 2009A	FY 2010A	FY 2011E	FY 2012E	FY 2013E
<b>Device Revenue Calculation by Geo</b>																	
<b>RIMM Activations</b>	4.2	4.8	5.2	7.3	7.3	7.9	9.0	10.0	10.5	10.9	11.8	12.7	21.5	34.2	45.9	53.7	60.3
Q/Q growth	8%	14%	8%	40%	0%	8%	14%	11%	5%	4%	8%	8%	81%	59%	34%	17%	12%
Y/Y growth	91%	78%	68%	87%	74%	65%	73%	37%	44%	38%	31%	27%	1.9	2.0	2.2	2.3	2.4
Activations-to-net adds	1.8	1.8	2.0	1.9	1.9	2.1	2.0	2.0	2.1	2.1	2.2	2.3	1.9	2.0	2.2	2.3	2.4
North America Replacement Devices	1.1	1.4	1.6	3.1	2.2	3.0	3.4	3.8	4.0	4.2	4.2	4.6	7.2	12.5	17.1	20.8	20.1
Q/Q growth	12%	26%	14%	89%	-27%	35%	13%	13%	4%	5%	0%	8%	92%	73%	36%	22%	-4%
Y/Y growth	86%	64%	27%	203%	97%	111%	110%	26%	79%	40%	24%	19%	76%	75%	67%	62%	50%
North America Replacement Rate	18%	20%	20%	32%	21%	24%	24%	23%	21%	20%	18%	18%	76%	75%	67%	62%	50%
LTM North America Replacement Rate	68%	68%	64%	76%	77%	79%	83%	75%	75%	73%	69%	67%	1.3	1.3	1.5	1.6	2.0
LTM North America Replacement in Years	1.5	1.5	1.6	1.3	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.5	1.3	1.3	1.5	1.6	2.0
International Replacement Devices	0.5	0.7	0.8	0.2	0.9	0.8	1.0	1.3	1.4	1.4	2.1	2.4	2.2	3.9	7.2	8.5	13.4
Q/Q growth	-34%	44%	16%	-69%	286%	-15%	27%	26%	11%	-2%	51%	16%	31%	83%	82%	18%	59%
Y/Y growth	20%	78%	351%	-66%	97%	16%	28%	425%	51%	74%	107%	91%	46%	48%	46%	31%	32%
International Replacement Rate	17%	20%	19%	5%	17%	13%	14%	15%	15%	12%	16%	15%	46%	48%	46%	31%	32%
LTM International Replacement Rate	64%	60%	66%	46%	49%	44%	42%	48%	47%	46%	48%	46%	2.2	2.1	2.2	3.2	3.2
LTM International Replacement in Years	1.6	1.7	1.5	2.2	2.1	2.3	2.4	2.1	2.1	2.2	2.1	2.2	2.2	2.1	2.2	3.2	3.2
<b>Total Implied Replacement Devices</b>	<b>1.6</b>	<b>2.1</b>	<b>2.4</b>	<b>3.3</b>	<b>3.2</b>	<b>3.8</b>	<b>4.4</b>	<b>5.1</b>	<b>5.4</b>	<b>5.6</b>	<b>6.3</b>	<b>7.0</b>	<b>9.4</b>	<b>16.5</b>	<b>24.3</b>	<b>29.3</b>	<b>33.5</b>
Q/Q growth	-7%	31%	14%	38%	-4%	20%	16%	16%	6%	3%	13%	11%	73%	75%	47%	21%	14%
Y/Y growth	60%	68%	66%	92%	97%	81%	83%	55%	71%	47%	43%	37%	73%	75%	47%	21%	14%
Total Replacement Rate	18%	20%	20%	23%	19%	20%	21%	20%	19%	17%	17%	17%	66%	66%	59%	48%	41%
LTM Total Replacement Rate	67%	66%	65%	66%	67%	67%	69%	66%	66%	64%	62%	59%	1.5	1.5	1.7	2.1	2.5
LTM Replacement in Years	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.5	1.5	1.6	1.6	1.7	1.5	1.5	1.7	2.1	2.5
<b>Unit Shipment Calculation</b>																	
Net RIMM Subscriber Additions	2.3	2.6	2.6	3.9	3.8	3.8	4.4	4.9	4.9	5.1	5.3	5.5	11.4	16.9	20.7	23.1	25.0
Replacement Devices	1.6	2.1	2.4	3.3	3.2	3.8	4.4	5.1	5.4	5.6	6.3	7.0	9.4	16.5	24.3	29.3	33.5
Phone Only Sales	0.5	0.5	0.5	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.8	1.9	1.9	1.9	1.9
Channel Build	1.0	0.9	1.2	0.3	0.4	0.2	0.8	(0.0)	0.4	0.7	1.0	1.0	3.4	1.4	3.1	3.5	2.0
<b>RIMM Devices Shipped</b>	<b>5.4</b>	<b>6.1</b>	<b>6.7</b>	<b>7.8</b>	<b>7.8</b>	<b>8.3</b>	<b>10.1</b>	<b>10.5</b>	<b>11.2</b>	<b>11.8</b>	<b>13.0</b>	<b>13.9</b>	<b>26.0</b>	<b>36.7</b>	<b>50.0</b>	<b>57.8</b>	<b>62.4</b>
Q/Q growth	23%	14%	9%	16%	0%	6%	21%	4%	7%	6%	10%	7%	89%	41%	36%	16%	8%
Y/Y growth	123%	101%	70%	78%	45%	35%	51%	35%	43%	42%	29%	33%	89%	41%	36%	16%	8%
% Market Share																	
<b>RIMM Device ASP</b>	<b>\$340.6</b>	<b>\$344.3</b>	<b>\$336.9</b>	<b>\$370.6</b>	<b>\$356.7</b>	<b>\$344.6</b>	<b>\$317.4</b>	<b>\$310.9</b>	<b>\$299.0</b>	<b>\$302.1</b>	<b>\$294.5</b>	<b>\$291.6</b>	<b>\$349.5</b>	<b>\$330.1</b>	<b>\$296.5</b>	<b>\$282.2</b>	<b>\$264.8</b>
Q/Q growth	-2%	1%	-2%	10%	-4%	-3%	-8%	-2%	-4%	1%	-3%	-1%	1%	-6%	-10%	-5%	-6%
Y/Y growth	0%	-2%	-1%	6%	5%	0%	-6%	-16%	-16%	-12%	-7%	-6%	1%	-6%	-10%	-5%	-6%
<b>RIMM Device Revenue</b>	<b>1,838.3</b>	<b>2,116.5</b>	<b>2,251.5</b>	<b>2,883.4</b>	<b>2,788.0</b>	<b>2,866.4</b>	<b>3,207.0</b>	<b>3,254.4</b>	<b>3,348.7</b>	<b>3,573.7</b>	<b>3,837.5</b>	<b>4,055.0</b>	<b>9,089.7</b>	<b>12,115.8</b>	<b>14,815.0</b>	<b>16,305.4</b>	<b>16,524.4</b>
Q/Q growth	21%	15%	6%	28%	-3%	3%	12%	1%	3%	7%	7%	6%	91%	33%	22%	10%	1%
Y/Y growth	123%	96%	67%	89%	52%	35%	42%	13%	20%	25%	20%	25%	91%	33%	22%	10%	1%

Source: Company data, Morgan Stanley Research Estimates

August 20, 2010  
Research In Motion Ltd.

Exhibit 15

## RIM Balance Sheet Forecast

\$ in millions except per share data

	May-07 Q1-08A	Aug-07 Q2-08A	Nov-07 Q3-08A	Feb-08 Q4-08A	May-08 Q1-09A	Aug-08 Q2-09A	Nov-08 Q3-09A	Feb-09 Q4-09A	May-09 Q1-10A	Aug-09 Q2-10A	Nov-09 Q3-10A	Feb-10 Q4-10A	May-10 Q1-11A	Aug-10 Q2-11E	Nov-10 Q3-11E	Feb-11 Q4-11E	May-11 Q1-12E	Aug-11 Q2-12E	Nov-11 Q3-12E	Feb-12 Q4-12E	May-12 Q1-13E	Aug-12 Q2-13E	Nov-12 Q3-13E	Feb-13 Q4-13E
<b>ASSETS</b>																								
Cash	712.2	847.9	1,190.0	1,184.4	984.2	1,131.1	1,101.7	835.5	1,135.3	1,083.3	1,286.3	1,550.9	1,850.2	2,176.1	2,460.3	2,747.8	3,116.9	3,671.0	4,337.2	5,044.7	5,721.0	6,323.4	6,956.1	7,629.5
ST Investments	456.4	493.9	407.2	420.7	391.9	422.1	574.3	682.7	619.9	580.9	341.2	360.6	498.1	498.1	498.1	498.1	498.1	498.1	498.1	498.1	498.1	498.1	498.1	498.1
Accounts receivable	718.4	852.6	1,037.3	1,174.7	1,427.1	1,766.8	1,831.5	2,112.1	2,338.0	2,365.1	2,712.4	2,593.7	2,649.9	2,827.8	3,014.3	3,190.9	3,219.6	3,290.4	3,343.6	3,335.4	3,328.9	3,476.1	3,570.4	3,617.7
Other receivables	57.6	108.3	78.3	74.7	98.5	118.5	103.4	157.7	217.0	248.2	210.0	206.4	136.2	145.3	154.9	164.0	165.5	169.1	171.9	171.4	171.1	178.7	183.5	185.9
Inventory	258.7	301.4	340.0	396.3	461.6	512.9	599.1	682.4	634.1	572.8	612.8	621.6	555.7	644.4	699.2	746.6	759.9	776.6	796.0	794.0	799.2	841.7	871.8	883.3
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets and deferred income tax	138.2	164.6	194.6	226.6	268.1	262.9	328.6	371.1	405.2	365.2	411.2	479.5	537.5	573.6	611.4	647.2	653.0	667.4	678.2	676.5	675.2	705.0	724.2	733.8
<b>Total current assets</b>	<b>2,341.4</b>	<b>2,768.7</b>	<b>3,247.4</b>	<b>3,477.4</b>	<b>3,631.4</b>	<b>4,214.3</b>	<b>4,538.5</b>	<b>4,841.6</b>	<b>5,349.5</b>	<b>5,215.4</b>	<b>5,573.9</b>	<b>5,812.7</b>	<b>6,227.6</b>	<b>6,865.3</b>	<b>7,438.2</b>	<b>7,994.6</b>	<b>8,413.0</b>	<b>9,072.7</b>	<b>9,825.0</b>	<b>10,520.3</b>	<b>11,193.6</b>	<b>12,023.0</b>	<b>12,804.0</b>	<b>13,548.3</b>
Long-term Investments	394.1	386.5	536.1	738.9	700.4	686.5	812.6	720.6	664.0	833.6	781.2	958.2	918.8	918.8	918.8	918.8	918.8	918.8	918.8	918.8	918.8	918.8	918.8	918.8
Property, Plant & Equipment	524.6	572.2	634.0	706.0	861.3	1,005.7	1,147.4	1,334.6	1,509.4	1,737.4	1,843.8	1,956.6	2,075.5	2,311.3	2,497.4	2,691.5	2,878.0	3,061.5	3,240.5	3,408.8	3,567.2	3,732.1	3,897.8	4,059.2
Goodwill	109.9	112.4	114.5	114.5	114.5	114.5	114.5	137.6	141.1	146.6	146.6	150.6	162.3	162.3	162.3	162.3	162.3	162.3	162.3	162.3	162.3	162.3	162.3	162.3
Intangible assets	139.8	144.6	173.4	470.0	550.4	869.8	1,052.2	1,066.5	1,171.6	1,291.5	1,359.1	1,326.4	1,298.4	1,253.0	1,209.1	1,166.8	1,120.2	1,075.4	1,032.4	991.1	951.5	913.4	876.9	841.8
Other long-term assets	5.7	5.0	4.5	4.5	5.4	2.6	-	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>3,515.5</b>	<b>3,989.4</b>	<b>4,709.8</b>	<b>5,511.2</b>	<b>5,863.3</b>	<b>6,893.2</b>	<b>7,665.1</b>	<b>8,101.4</b>	<b>8,835.5</b>	<b>9,224.4</b>	<b>9,704.5</b>	<b>10,204.4</b>	<b>10,682.7</b>	<b>11,510.8</b>	<b>12,225.8</b>	<b>12,934.1</b>	<b>13,492.3</b>	<b>14,290.8</b>	<b>15,179.0</b>	<b>16,001.3</b>	<b>16,793.4</b>	<b>17,749.6</b>	<b>18,659.8</b>	<b>19,530.5</b>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>																								
Accounts payable	189.9	181.9	229.6	271.1	302.5	640.2	614.5	448.3	612.8	496.0	815.4	615.6	576.6	657.4	713.3	761.7	775.2	792.3	812.0	810.1	815.4	858.6	889.4	901.1
Accrued liabilities	365.4	411.4	545.2	690.4	837.2	977.8	1,254.4	1,238.6	1,496.7	1,603.8	1,726.5	1,638.3	1,768.5	1,887.2	2,011.7	2,129.5	2,148.7	2,196.0	2,231.5	2,226.0	2,221.6	2,319.9	2,382.8	2,414.4
Accrued litigation expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes payable	106.8	212.9	323.7	475.3	135.1	156.8	291.2	361.5	92.3	-	140.3	95.7	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1
Deferred revenue	34.4	36.0	36.0	37.2	52.0	60.2	56.1	53.8	63.9	66.9	70.2	67.6	71.1	75.9	80.9	85.6	86.4	88.3	89.7	89.5	89.3	93.2	95.8	97.0
Current portion of LT debt	0.3	0.3	0.3	0.3	7.4	6.9	5.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	7.2	-	13.1	-	-	-	14.7	26.2	28.0	29.9	31.6	31.9	32.6	33.1	33.0	33.0	34.4	35.4	35.8
<b>Total current liabilities</b>	<b>696.8</b>	<b>842.5</b>	<b>1,134.9</b>	<b>1,474.4</b>	<b>1,334.3</b>	<b>1,849.0</b>	<b>2,221.9</b>	<b>2,115.4</b>	<b>2,265.7</b>	<b>2,166.8</b>	<b>2,752.4</b>	<b>2,431.8</b>	<b>2,520.6</b>	<b>2,726.6</b>	<b>2,913.8</b>	<b>3,086.5</b>	<b>3,120.3</b>	<b>3,187.2</b>	<b>3,244.4</b>	<b>3,236.7</b>	<b>3,237.4</b>	<b>3,384.3</b>	<b>3,481.4</b>	<b>3,526.5</b>
Long-term debt	6.9	6.9	7.2	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax liability	44.0	42.3	48.7	65.1	62.2	67.0	72.6	87.9	54.0	43.3	103.3	141.4	134.8	134.8	134.8	134.8	134.8	134.8	134.8	134.8	134.8	134.8	134.8	
Income taxes payable	28.3	28.6	30.3	30.9	30.4	28.7	24.4	24.0	27.5	27.8	28.4	28.6	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8	28.8
<b>Total Liabilities</b>	<b>775.9</b>	<b>920.3</b>	<b>1,221.1</b>	<b>1,577.6</b>	<b>1,427.0</b>	<b>1,944.7</b>	<b>2,318.9</b>	<b>2,227.2</b>	<b>2,347.1</b>	<b>2,237.8</b>	<b>2,884.0</b>	<b>2,601.7</b>	<b>2,684.1</b>	<b>2,890.1</b>	<b>3,077.3</b>	<b>3,250.1</b>	<b>3,283.8</b>	<b>3,350.8</b>	<b>3,408.0</b>	<b>3,400.2</b>	<b>3,400.9</b>	<b>3,547.8</b>	<b>3,644.9</b>	<b>3,690.0</b>
Capital Stock	2,104.1	2,126.1	2,150.8	2,169.9	2,188.9	2,199.8	2,204.9	2,208.2	2,225.2	2,236.2	2,199.8	2,207.6	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9	2,197.9
Treasury shares	-	-	-	-	-	-	-	-	(39.7)	(45.1)	(88.8)	(94.5)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)	(96.6)
Retained earnings	582.4	870.1	1,240.6	1,653.1	2,136.6	2,631.2	3,027.5	3,545.7	4,188.7	4,664.4	4,564.2	5,274.4	5,655.9	6,262.0	6,773.9	7,293.5	7,802.0	8,517.6	9,332.7	10,146.8	10,922.2	11,715.6	12,512.7	13,322.4
Additional paid-in capital	42.2	57.9	72.9	80.3	96.9	104.0	112.0	119.7	127.6	139.1	150.1	164.1	170.2	186.2	202.1	218.1	234.0	250.0	265.9	281.8	297.8	313.7	329.7	345.6
Accumulated other comprehensive income (loss)	10.9	-	24.5	30.3	14.9	13.5	1.8	0.5	(13.5)	(8.0)	(4.8)	51.1	71.2	71.2	71.2	71.2	71.2	71.2	71.2	71.2	71.2	71.2	71.2	71.2
<b>Total Shareholders' Equity</b>	<b>2,739.6</b>	<b>3,069.1</b>	<b>3,488.7</b>	<b>3,933.6</b>	<b>4,436.4</b>	<b>4,948.6</b>	<b>5,346.2</b>	<b>5,874.1</b>	<b>6,488.3</b>	<b>6,986.6</b>	<b>6,820.5</b>	<b>7,602.7</b>	<b>7,998.6</b>	<b>8,620.7</b>	<b>9,148.5</b>	<b>9,684.0</b>	<b>10,208.5</b>	<b>10,940.0</b>	<b>11,771.0</b>	<b>12,601.1</b>	<b>13,392.4</b>	<b>14,201.8</b>	<b>15,014.9</b>	<b>15,840.5</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,515.5</b>	<b>3,989.4</b>	<b>4,709.8</b>	<b>5,511.2</b>	<b>5,863.3</b>	<b>6,893.2</b>	<b>7,665.1</b>	<b>8,101.4</b>	<b>8,835.5</b>	<b>9,224.4</b>	<b>9,704.5</b>	<b>10,204.4</b>	<b>10,682.7</b>	<b>11,510.8</b>	<b>12,225.8</b>	<b>12,934.1</b>	<b>13,492.3</b>	<b>14,290.8</b>	<b>15,179.0</b>	<b>16,001.3</b>	<b>16,793.4</b>	<b>17,749.6</b>	<b>18,659.8</b>	<b>19,530.5</b>
check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
<b>RATIO ANALYSIS</b>																								
Current Ratio	3.4	3.3	2.9	2.4	2.7	2.3	2.0	2.3	2.4	2.4	2.0	2.4	2.5	2.5	2.6	2.6	2.7	2.8	3.0	3.3	3.5	3.6	3.7	3.8
Book Value Per Share	\$4.80	\$5.36	\$6.08	\$6.85	\$7.72	\$8.61	\$9.32	\$10.26	\$11.32	\$12.18	\$11.95	\$13.55	\$14.33	\$15.52	\$16.60	\$17.64	\$18.66	\$20.02	\$21.54	\$23.06	\$24.50	\$25.99	\$27.47	\$28.98
Tangible Book Value Per Share	\$4.36	\$4.91	\$5.58	\$5.84	\$6.56	\$6.90	\$7.29	\$8.15	\$9.03	\$9.67	\$9.31	\$10.92	\$11.71	\$12.97	\$14.11	\$15.22	\$16.31	\$17.75	\$19.35	\$20.95	\$22.47	\$24.02	\$25.57	\$27.15
Net Cash Per Share	\$2.72	\$3.01	\$3.71	\$4.07	\$3.60	\$3.88	\$4.33	\$3.91	\$4.22	\$4.35	\$4.22	\$5.11	\$5.85	\$6.47	\$7.04	\$7.58	\$8.29	\$9.31	\$10.53	\$11.82	\$13.06	\$14.16	\$15.32	\$16.55
Return on Equity	33%	37%	42%	42%	44%	40%	36%	35%	35%	34%	37%	37%	38%	35%	33%	33%	31%	30%	28%	26%	23%	22%	21%	20%
Return on Assets	25%	29%	31%	30%	33%	29%	25%	26%	26%	26%	26%	26%	26%	26%	25%	24%	24%	23%	21%	20%	19%	18%	17%	17%
Fixed Asset Turnover	2.1	2.4	2.6	2.7	2.6	2.6	2.4	2.6	2.3	2.0	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.4
Debt/Total Capital	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inventory Turns	8.1	9.5	10.3	9.9	10.3	10.4	10.9	13.0	11.7	13.1	15.2	14.4	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
DIOs	185.9	168.7	154.3	161.6	155.3	150.4	147.8	123.0	123.7	109.8	103.2	106.9	91.4	98.0	97.9	97.8	98.0	98.0	98.1	98.3	98.5	98.3	98.3	98.4
DPOs	34	25	26	27	25	4																		

Exhibit 16

## RIM Cash Flow Statement

\$ in millions except per share data

	May-08	Aug-08	Nov-08	Feb-09	May-09	Aug-09	Nov-09	Feb-10	May-10	Aug-10	Nov-10	Feb-11	FY	FY	FY	FY	FY	FY	FY	
	Q1-09A	Q2-09A	Q3-09A	Q4-09A	Q1-10A	Q2-10A	Q3-10A	Q4-10A	Q1-11A	Q2-11E	Q3-11E	Q4-11E	2007A	2008A	2009A	2010A	2011E	2012E	2013E	
<b>GAAP Cash Flow Statement</b>																				
<b>OPERATING ACTIVITIES:</b>																				
Net Income (loss)	483	495.5	396.3	518.3	643	475.6	628.4	710.1	768.9	757.5	763.8	790.8	631.6	1,293.9	1,892.6	2,457.1	3,081.0	3,247.3	3,175.6	
Adjustments:																				
Amortization	16	24.1	32.8	51.1	56	62.5	75.6	76.8	75.7	116.8	112.8	108.8	-	158.7	124.5	271.1	414.1	395.5	335.9	
Depreciation	40	45.2	53.0	65.0	72	78.1	90.0	104	110	114.2	127.1	137.4	-	45.2	203.4	344.5	489.1	652.9	803.3	
Deferred income taxes	(43)	24.1	(21.2)	3.3	(58)	37.9	21.9	49.1	(40)	-	-	-	101.6	(67.2)	(36.6)	51.4	(39.8)	-	-	
Income taxes payable	(0)	(1.8)	(4.2)	(0.5)	3	0.3	0.6	0.2	0	-	-	-	-	5.0	(6.9)	4.6	0.2	-	-	
Stock based compensation	10	9.7	9.6	8.9	13	13.0	15.9	16.3	15.9	15.9	15.9	15.9	19.1	33.7	38.1	58.0	63.8	63.8	63.8	
Other	(2)	12.1	(8.1)	5.6	(26)	17.7	5.0	11.8	29	-	-	-	(0.3)	3.3	7.7	8.8	29.4	-	-	
<b>Changes in operating assets and liabilities:</b>	(499)	(17.2)	107.6	(361.0)	(90.0)	(104.0)	230.3	(197.1)	162.6	(105.8)	(101.5)	(96.2)	(142.6)	130.8	(769.1)	(160.7)	(140.8)	(78.6)	(153.5)	
Trade receivables		(339.7)			(224.9)	(27.1)			-	(177.9)	(186.5)	(176.6)	-	(134.2)	(339.7)	(252.0)	(541.0)	(144.6)	(282.2)	
Other receivables		(20.0)			(55.3)	(31.2)			-	(9.1)	(9.6)	(9.1)	-	(50.8)	(20.0)	(86.5)	(27.8)	(7.4)	(14.5)	
Inventory		(51.3)			48.3	61.3			-	(88.7)	(54.8)	(47.5)	-	(42.7)	(51.3)	109.6	(190.9)	(47.4)	(89.3)	
Other current assets		2.2			31.4	(60.3)			-	(36.1)	(37.8)	(35.8)	-	(15.1)	2.2	(28.9)	(109.7)	(29.3)	(57.2)	
Accounts payable		225.3			164.4	(116.8)			-	80.8	55.9	48.4	-	(8.1)	225.3	47.7	185.1	48.4	91.1	
Accrued liabilities		136.5			205.7	159.4			-	120.5	126.3	119.6	-	45.1	136.5	365.1	366.4	97.9	191.2	
Income taxes payable		21.6			(269.9)	(92.3)			-	-	-	-	-	106.1	21.6	(362.2)	-	-	-	
Deferred revenue		8.2			10	3.0			-	4.8	5.0	4.7	-	1.7	8.2	13.1	14.5	3.9	7.6	
<b>Net cash from Operations</b>	<b>5.5</b>	<b>591.7</b>	<b>565.7</b>	<b>290.742</b>	<b>614.6</b>	<b>581.2</b>	<b>1,067.7</b>	<b>771.4</b>	<b>1,123.5</b>	<b>898.6</b>	<b>918.1</b>	<b>956.7</b>	<b>735.7</b>	<b>1,603.4</b>	<b>1,453.7</b>	<b>3,034.9</b>	<b>3,897.0</b>	<b>4,280.9</b>	<b>4,225.1</b>	
<b>INVESTING ACTIVITIES:</b>																				
Acquisition of long/short-term investments	(287.6)	(221.8)	(597.6)	(317.3)	(266.1)	(382.2)	(347.5)	(344.1)	(402.7)	-	-	-	(263.2)	(2,007.6)	(1,424.4)	(1,339.9)	(402.7)	-	-	
Proceeds on sale/maturity of investments	346.9	204.9	321.7	297.2	402.5	255.0	640.9	145.6	299.5	-	-	-	329.2	1,585.9	1,170.7	1,444.0	299.5	-	-	
Purchases of property and equipment, net	(195.7)	(190.4)	(195.6)	(251.9)	(247.2)	(307.3)	(196.4)	(258.5)	(226.1)	(350.0)	(313.2)	(331.5)	(254.0)	(351.9)	(833.5)	(1,009.4)	(1,220.7)	(1,370.2)	(1,453.7)	
Acquisition of intangible assets	(96.9)	(234.1)	(134.9)	(222.0)	(63.1)	(179.3)	(143.2)	(35.9)	(42.4)	(71.4)	(68.9)	(66.5)	(60.3)	(374.1)	(687.9)	(421.4)	(249.3)	(219.7)	(186.6)	
Acquisitions	-	-	-	(48.4)	(124.4)	(7.1)	-	(11.8)	(14.1)	-	-	-	(116.2)	(6.2)	(48.4)	(143.4)	(14.1)	-	-	
<b>Net cash from Investing Activities</b>	<b>(233.2)</b>	<b>(441.4)</b>	<b>(606.5)</b>	<b>(542.439)</b>	<b>(298.4)</b>	<b>(620.9)</b>	<b>(46.1)</b>	<b>(504.7)</b>	<b>(385.8)</b>	<b>(421.4)</b>	<b>(382.1)</b>	<b>(398.0)</b>	<b>(364.6)</b>	<b>(1,153.9)</b>	<b>(1,823.5)</b>	<b>(1,470.1)</b>	<b>(1,587.3)</b>	<b>(1,590.0)</b>	<b>(1,640.4)</b>	
<b>FINANCING ACTIVITIES:</b>																				
Issuance of common shares	15.0	6.9	2.9	2.2	11.5	7.3	5.8	5.5	8.4	-	-	-	44.5	62.9	27.0	30.2	8.4	-	-	
Other paid-in capital														9.6	-	-	-	-	-	-
Repurchase of Treasury stock					(40)	(5.4)	(43.7)	(5.6)	(7)	-	-	-	(203.9)	-	-	(94.5)	(7.0)	-	-	
Repurchase of common stock							(775.0)	0.0	(410)	(151.3)	(251.9)	(271.3)	-	-	-	(775.0)	(1,084.4)	(394.0)	-	
Excess tax benefits from stock comp	10.7	1.5	0.6	(0.1)	0.5	2.2	(0.7)	(0.1)	(0.6)	-	-	-	6.0	8.2	12.6	1.9	(0.6)	-	-	
Repayment of long-term debt	(0.1)	(0.1)	(0.1)	(14.1)	(6.1)	-	-	-	-	-	-	-	(0.3)	(0.3)	(14.3)	(6.1)	-	-	-	
<b>Net cash provided by financing activities</b>	<b>25.7</b>	<b>8.3</b>	<b>3.4</b>	<b>(11.9)</b>	<b>(33.7)</b>	<b>4.1</b>	<b>(813.6)</b>	<b>(0.2)</b>	<b>(409.0)</b>	<b>(151)</b>	<b>(252)</b>	<b>(271)</b>	<b>(153.7)</b>	<b>80.4</b>	<b>25.4</b>	<b>(843.4)</b>	<b>(1,083.5)</b>	<b>(394.0)</b>	<b>-</b>	
Effect of FX (loss)/gain	1.9	(11.7)	8.0	(2.5)	17.2	(16.5)	(5.0)	(1.9)	(29.3)	-	-	-	0.2	4.0	(4.4)	(6.1)	(29.3)	-	-	
Net increase (decrease) in cash/equivalents	(200.2)	146.9	(29.4)	(266.2)	299.8	(52.1)	203.1	264.6	299.3	325.9	284.2	287.5	217.6	533.9	(348.9)	715.3	1,196.9	2,297.0	2,584.7	
Cash and cash equivalents at beg. of period	1,211.0	1,010.8	1,157.7	1,128.3	862.1	1,161.9	1,109.9	1,312.9	1,577.5	1,876.8	2,202.7	2,486.9	459.5	677.1	1,211.0	862.1	1,577.5	2,774.4	5,071.3	
Cash and cash equivalents at end of period	1,010.8	1,157.7	1,128.3	862.1	1,161.9	1,109.9	1,312.9	1,577.5	1,876.8	2,202.7	2,486.9	2,774.4	677.1	1,211.0	862.1	1,577.5	2,774.4	5,071.3	7,656.1	

Source: Company data, Morgan Stanley Research Estimates



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

## Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. Incorporated, and/or Morgan Stanley C.T.V.M. S.A. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. Incorporated, Morgan Stanley C.T.V.M. S.A. and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

### Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Ehud Gelblum.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

### Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflictolicies](http://www.morganstanley.com/institutional/research/conflictolicies).

### Important US Regulatory Disclosures on Subject Companies

The following analyst or strategist (or a household member) owns securities (or related derivatives) in a company that he or she covers or recommends in Morgan Stanley Research: Ehud Gelblum - Cisco Systems, Inc. (common or preferred stock); Kimberly Watkins - Cisco Systems, Inc. (common or preferred stock). Morgan Stanley policy prohibits research analysts, strategists and research associates from investing in securities in their sub industry as defined by the Global Industry Classification Standard ("GICS," which was developed by and is the exclusive property of MSCI and S&P). Analysts may nevertheless own such securities to the extent acquired under a prior policy or in a merger, fund distribution or other involuntary acquisition.

As of July 30, 2010, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Research In Motion Ltd., Tellabs, Inc..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Calix, Inc., Cisco Systems, Inc..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Calix, Inc., Cisco Systems, Inc., Juniper Networks, Inc., Motorola Inc., Qualcomm Inc..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from ADTRAN Inc., Calix, Inc., Cisco Systems, Inc., Infinera Corporation, Juniper Networks, Inc., Motorola Inc., Qualcomm Inc., Research In Motion Ltd., Tellabs, Inc..

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Cisco Systems, Inc., Qualcomm Inc..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: ADTRAN Inc., Calix, Inc., Cisco Systems, Inc., Infinera Corporation, Juniper Networks, Inc., Motorola Inc., Qualcomm Inc., Research In Motion Ltd., Tellabs, Inc..

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: ADTRAN Inc., Cisco Systems, Inc., Juniper Networks, Inc., Motorola Inc., Qualcomm Inc..

Morgan Stanley & Co. Incorporated makes a market in the securities of ADTRAN Inc., Calix, Inc., Cisco Systems, Inc., Infinera Corporation, Juniper Networks, Inc., Motorola Inc., Qualcomm Inc., Research In Motion Ltd., Tellabs, Inc..

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

### STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

### Global Stock Ratings Distribution

(as of July 31, 2010)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1095</b>	<b>42%</b>	<b>380</b>	<b>44%</b>	<b>35%</b>
<b>Equal-weight/Hold</b>	<b>1123</b>	<b>43%</b>	<b>388</b>	<b>45%</b>	<b>35%</b>
<b>Not-Rated/Hold</b>	<b>14</b>	<b>1%</b>	<b>4</b>	<b>0%</b>	<b>29%</b>
<b>Underweight/Sell</b>	<b>362</b>	<b>14%</b>	<b>93</b>	<b>11%</b>	<b>26%</b>
<b>Total</b>	<b>2,594</b>		<b>865</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

### Analyst Stock Ratings

**Overweight (O).** The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Equal-weight (E).** The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Not-Rated (NR).** Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Underweight (U).** The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

**Attractive (A):** The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

**In-Line (I):** The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

**Cautious (C):** The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

### Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Investment Research & Analysis (CIRA) research reports may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available CIRA research reports in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC, Morgan Stanley and Citigroup Global Markets Inc. or any of their affiliates, are available on the Morgan Stanley Smith Barney disclosure website at [www.morganstanleysmithbarney.com/researchdisclosures](http://www.morganstanleysmithbarney.com/researchdisclosures).

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures) and [https://www.citigroupgeo.com/geopublic/Disclosures/index\\_a.html](https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html).

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

### Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Cisco Systems, Inc., Motorola Inc..

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at [www.morganstanley.com](http://www.morganstanley.com).

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

The fixed income research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

August 20, 2010  
Research In Motion Ltd.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index; or any securities/instruments issued by a company that is 30% or more directly- or indirectly-owned by the government of or a company incorporated in the PRC and traded on an exchange in Hong Kong or Macau, namely SEHK's Red Chip shares, including the component company of the SEHK's China-affiliated Corp Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley Research is disseminated in Japan by Morgan Stanley MUFG Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by the Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Services Authority, also disseminates Morgan Stanley Research in the UK. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

**Additional information on recommended securities/instruments is available on request.**

**The Americas**

1585 Broadway  
New York, NY 10036-8293  
**United States**  
Tel: +1 (1) 212 761 4000

**Europe**

20 Bank Street, Canary Wharf  
London E14 4AD  
**United Kingdom**  
Tel: +44 (0) 20 7 425 8000

**Japan**

4-20-3 Ebisu, Shibuya-ku  
Tokyo 150-6008  
**Japan**  
Tel: +81 (0) 3 5424 5000

**Asia/Pacific**

1 Austin Road West  
Kowloon  
**Hong Kong**  
Tel: +852 2848 5200

### Industry Coverage: Communications Equipment & Data Networking

Company (Ticker)	Rating (as of)	Price* (08/19/2010)
<b>Ehud Gelblum, PhD</b>		
ADTRAN Inc. (ADTN.O)	E (05/17/2010)	\$30.6
Calix, Inc. (CALX.N)	O (05/03/2010)	\$10.04
Cisco Systems, Inc. (CSCO.O)	E (03/30/2010)	\$22.22
Infinera Corporation (INFN.O)	U (05/17/2010)	\$8.08
Juniper Networks, Inc. (JNPR.N)	O (03/30/2010)	\$26.68
Motorola Inc. (MOT.N)	O (07/15/2010)	\$7.54
Qualcomm Inc. (QCOM.O)	O (01/04/2010)	\$38.11
Research In Motion Ltd. (RIMM.O)	U (08/20/2010)	\$50.46
Tellabs, Inc. (TLAB.O)	E (06/07/2010)	\$7.06

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.