SIERRA WIRELESS, INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017 and 2016

(Unaudited)

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS

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

(unaudited)

	Three months ended March 31,	
	2017	*2016*
Revenue	**$ 161,793**	$ 142,797
Cost of goods sold	**106,132**	95,982
Gross margin	**55,661**	46,815
Expenses		
Sales and marketing	**18,167**	15,629
Research and development	**19,477**	18,778
Administration	**10,386**	9,527
Restructuring (note 5)	**373**	—
Acquisition-related and integration	**451**	374
Impairment (note 6)	**3,668**	—
Amortization	**4,626**	3,762
	57,148	48,070
Loss from operations	**(1,487)**	(1,255)
Foreign exchange gain	**1,099**	2,292
Other income	**9**	26
Earnings (loss) before income taxes	**(379)**	1,063
Income tax expense (recovery)	**(168)**	345
Net earnings (loss)	**$ (211)**	$ 718
Other comprehensive earnings:		
Foreign currency translation adjustments, net of taxes of $nil	**1,582**	5,132
Comprehensive earnings	**$ 1,371**	$ 5,850
Net earnings (loss) per share (in dollars) (note 8)		
Basic	**$ (0.01)**	$ 0.02
Diluted	**(0.01)**	0.02
Weighted average number of shares outstanding (in thousands) (note 8)		
Basic	**31,909**	32,156
Diluted	**31,909**	32,500

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

SIERRA WIRELESS, INC.

CONSOLIDATED BALANCE SHEETS

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

(unaudited)

		March 31, 2017		*December 31, 2016*
Assets				
Current assets				
Cash and cash equivalents	**$**	**92,545**	$	102,772
Accounts receivable, net of allowance for doubtful accounts of $2,482 (December 31, 2016 - $2,486)		**129,782**		143,798
Inventories (note 9)		**48,328**		40,913
Prepaids and other (note 10)		**6,134**		6,530
		276,789		294,013
Property and equipment		**34,254**		34,180
Intangible assets		**69,005**		74,863
Goodwill		**157,971**		154,114
Deferred income taxes		**16,014**		16,039
Other assets		**7,610**		5,250
	$	**561,643**	$	578,459
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 11)	**$**	**147,095**	$	167,500
Deferred revenue and credits		**4,591**		5,263
		151,686		172,763
Long-term obligations (note 12)		**33,470**		32,654
Deferred income taxes		**10,591**		11,458
		195,747		216,875
Equity				
Shareholders' equity				
Common stock: no par value; unlimited shares authorized; issued and outstanding: 32,157,057 shares (December 31, 2016 - 31,859,960 shares)		**348,528**		342,450
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares		**—**		—
Treasury stock: at cost: 241,915 shares (December 31, 2016 – 355,471 shares)		**(3,493)**		(5,134)
Additional paid-in capital		**21,152**		24,976
Retained earnings		**12,553**		13,718
Accumulated other comprehensive loss (note 13)		**(12,844)**		(14,426)
		365,896		361,584
	$	**561,643**	$	578,459

Commitments and contingencies (note 16)

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

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

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

(unaudited)

	Common Stock		Treasury Stock					
	# of shares	**$**	**# of shares**	**$**	**Additional paid-in capital**	**Retained earnings (deficit)**	**Accumulated other comprehensive income (loss)**	**Total**
Balance as at December 31, 2015	32,337,201	$ 346,453	240,613	$ (4,017)	$ 23,998	$ (160)	$ (7,978)	$ 358,296
Common share cancellation (note 14)	(809,872)	(8,696)	—	—	—	(1,507)	—	(10,203)
Stock option exercises (note 7)	231,704	2,906	—	—	(858)	—	—	2,048
Stock-based compensation (note 7)	—	—	—	—	7,629	—	—	7,629
Purchase of treasury shares for RSU distribution	—	—	305,629	(4,214)	—	—	—	(4,214)
Distribution of vested RSUs	100,927	1,787	(190,771)	3,097	(5,793)	—	—	(909)
Net income	—	—	—	—	—	15,385	—	15,385
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(6,448)	(6,448)
Balance as at December 31, 2016	31,859,960	$ 342,450	355,471	$ (5,134)	$ 24,976	$ 13,718	$ (14,426)	$ 361,584
Common share cancellation (note 14)	**(170,217)**	**(1,825)**	**—**	**—**	**—**	**(954)**	**—**	**(2,779)**
Stock option exercises (note 7)	**398,253**	**6,426**	**—**	**—**	**(1,805)**	**—**	**—**	**4,621**
Stock-based compensation (note 7)	**—**	**—**	**—**	**—**	**2,126**	**—**	**—**	**2,126**
Distribution of vested RSUs	**69,061**	**1,477**	**(113,556)**	**1,641**	**(4,145)**	**—**	**—**	**(1,027)**
Net loss	**—**	**—**	**—**	**—**	**—**	**(211)**	**—**	**(211)**
Foreign currency translation adjustments, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**1,582**	**1,582**
Balance as at March 31, 2017	**32,157,057**	**$ 348,528**	**241,915**	**$ (3,493)**	**$ 21,152**	**$ 12,553**	**$ (12,844)**	**$ 365,896**

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

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

(unaudited)

	Three months ended March 31,	
	2017	*2016*
Cash flows provided by (used in):		
Operating activities		
Net earnings (loss)	**$ (211)**	$ 718
Items not requiring (providing) cash		
Amortization	**6,997**	5,568
Stock-based compensation (note 7)	**2,126**	2,035
Deferred income taxes	**(914)**	—
Impairment	**3,668**	—
Other	**64**	4
Changes in non-cash working capital		
Accounts receivable	**14,925**	(434)
Inventories	**(6,625)**	7,080
Prepaids and other	**(1,908)**	771
Accounts payable and accrued liabilities	**(19,448)**	(7,868)
Deferred revenue and credits	**(796)**	(274)
Cash flows provided by (used in) operating activities	**(2,122)**	7,600
Investing activities		
Additions to property and equipment	**(2,887)**	(2,843)
Additions to intangible assets	**(800)**	(295)
Proceeds from sale of property and equipment	**—**	3
Acquisition of GNSS business (note 3 (a))	**(3,192)**	—
Cash flows used in investing activities	**(6,879)**	(3,135)
Financing activities		
Issuance of common shares	**4,621**	528
Repurchase of common shares for cancellation (note 14)	**(2,779)**	(6,144)
Purchase of treasury shares for RSU distribution	**—**	(4,214)
Taxes paid related to net settlement of equity awards	**(1,027)**	(352)
Payment for contingent consideration	**(960)**	—
Decrease in other long-term obligations	**(96)**	(63)
Cash flows used in financing activities	**(241)**	(10,245)
Effect of foreign exchange rate changes on cash and cash equivalents	**(985)**	(2,036)
Cash and cash equivalents, decrease in the period	**(10,227)**	(7,816)
Cash and cash equivalents, beginning of period	**102,772**	93,936
Cash and cash equivalents, end of period	**$ 92,545**	$ 86,120

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

1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), on a basis consistent with those followed in the December 31, 2016 audited annual consolidated financial statements except as indicated in note 2. These unaudited interim consolidated financial statements do not include all information and note disclosures required by U.S. GAAP for annual financial statements, and therefore should be read in conjunction with the December 31, 2016 audited consolidated financial statements and the notes thereto. The accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim period.

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, from their respective dates of acquisition of control. All intercompany transactions and balances have been eliminated on consolidation.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Derivatives
Derivatives, such as foreign currency forward and option contracts, may be used to hedge the foreign exchange risk on cash flows from commitments denominated in a foreign currency. Derivatives are measured at fair value at each balance sheet date and any resulting gains and losses from changes in the fair value are recorded in foreign exchange gain (loss). We had foreign currency forward contracts amounting to $6.0 million Canadian dollars at the end of March 31, 2017.

Changes in future accounting standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606). The update is intended to clarify the principles of recognizing revenue, and to develop a common revenue standard for U.S. GAAP and IFRS that would remove inconsistencies in revenue requirements, leading to improved comparability of revenue recognition practices across entities and industries. ASC 606 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual and interim financial statements for fiscal years beginning after December 15, 2017. Early application is permitted in fiscal years beginning after December 15, 2016. We currently expect to adopt the full retrospective transition method in the first quarter of 2018. The new revenue standards, under our current business model, are not expected to have a material impact on the amount and timing of revenue recognized. We have identified and will begin developing appropriate changes to our business processes, systems, and controls to support recognition and disclosure under the new standard.

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

3. ACQUISITIONS

(a) GNSS business of GlobalTop

On March 31, 2017, we completed the acquisition of substantially all of the assets of the Global Navigation Satellite System ("GNSS") embedded module business of GlobalTop Technology Inc. ("GlobalTop") for total cash consideration of approximately $3.2 million, subject to working capital adjustments. GlobalTop is a Taiwan-based business that specializes in the development and manufacture of a wide variety of GNSS modules and serves customers around the world. The acquisition builds on our strategy to expand our product offerings beyond cellular, Wi-Fi and Bluetooth, servicing customers in the automotive, telematics and asset tracking markets. GlobalTop's fair value of assets acquired are included in our consolidated financial statements from the date of acquisition.

The transaction is accounted for using the acquisition method. The initial accounting for the business acquisition is preliminary as of the date of this report and is subject to adjustments. The allocation of the purchase price to the fair values of the assets acquired is still to be finalized and includes the process of identifying the intangible assets acquired. As a result, estimated fair values related to intangible assets and goodwill combined are included in Goodwill on the balance sheet.

The following table summarizes the preliminary values assigned to the assets acquired at the acquisition date:

	$
Assets acquired	
Inventory	**604**
Property and equipment	**175**
Intangible assets and goodwill	**2,413**
Fair value of net assets acquired	**3,192**

As the GNSS business was acquired on March 31, 2017, no results were included in our consolidated statements of operations for the three months ended March 31, 2017. There was also no significant impact on the Company's revenue and net earnings on a pro forma basis for all periods presented.

(b) Acquisition of Blue Creation

On November 2, 2016, we completed the acquisition of all of the outstanding shares of the parent company and sole owner of Blue Creation for total cash consideration of $6.4 million ($2.9 million, net of cash acquired), plus a maximum contingent consideration of $0.5 million under a performance-based earn-out formula. In accordance with ASC 805, *Business Combinations,* the earn-out will be recognized as acquisition-related costs over the earn-out period. We accounted for the transaction using the acquisition method and accordingly, we have recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective fair values as at November 2, 2016. The purchase price allocation was finalized during the first quarter of 2017 with no change to the purchase price allocation in the three months ended March 31, 2017.

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

4. SEGMENTED INFORMATION

	OEM Solutions	Enterprise Solutions	Cloud and Connectivity Services	Total
Three months ended March 31, 2017				
Revenue	**$ 133,000**	**$ 21,718**	**$ 7,075**	**$ 161,793**
Cost of goods sold	**90,922**	**11,233**	**3,977**	**106,132**
Gross margin	**$ 42,078**	**$ 10,485**	**$ 3,098**	**$ 55,661**
Gross margin %	**31.6%**	**48.3%**	**43.8%**	**34.4%**
Expenses				**57,148**
Loss from operations				**$ (1,487)**
Three months ended March 31, 2016				
Revenue	$ 120,874	$ 14,995	$ 6,928	$ 142,797
Cost of goods sold	86,584	5,243	4,155	$ 95,982
Gross margin	$ 34,290	$ 9,752	$ 2,773	$ 46,815
Gross margin %	28.4%	65.0%	40.0%	32.8%
Expenses				48,070
Loss from operations				$ (1,255)

We sell certain products through resellers, original equipment manufacturers, and wireless service providers who sell these products to end-users. We did not have any customers during the three months ended March 31, 2017 or 2016 that accounted for more than 10% of our revenue.

5. RESTRUCTURING

In February 2017, we made a decision to relocate the customer support and network operations within the Cloud and Connectivity Services segment from Sweden to France and the United States to achieve operational efficiencies. As a result, 19 employees were impacted and we recorded $0.4 million in restructuring costs in the three months ended March 31, 2017. Additional restructuring costs of approximately $0.5 million will be accrued as these employees provide service. All liabilities are expected to be paid by February 2019.

6. IMPAIRMENT

In the first quarter of 2017, we recorded an impairment of $3.7 million related to an intangible asset recorded on the acquisition of Wireless Maingate AB. During the quarter, we made the decision to terminate a service offering that has now been superseded by a more technologically advanced offering in our integrated Cloud and Connectivity Services business.

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

7. STOCK-BASED PAYMENTS

Stock-based compensation expense:

	Three months ended March 31, 2017		2016
Cost of goods sold	$	**108**	$ 106
Sales and marketing		**511**	403
Research and development		**430**	358
Administration		**1,077**	1,168
	$	**2,126**	$ 2,035
Stock option plan	$	**691**	$ 526
Restricted stock plan		**1,435**	1,509
	$	**2,126**	$ 2,035

As at March 31, 2017, the unrecognized compensation expense related to non-vested stock options and RSUs was $10,018 and $13,570 (2016 – $5,113 and $8,463), respectively, which is expected to be recognized over weighted average periods of 3.3 and 2.2 years (2016 – 2.9 and 2.0 years), respectively.

Stock option plan

The following table presents stock option activity for the period:

Number of Options	*Three months ended March 31,* ***2017***	*2016*
Outstanding, beginning of period	**1,315,623**	965,911
Granted	**650,599**	598,895
Exercised	**(398,253)**	(64,212)
Forfeited / expired	**(13,760)**	(9,424)
Outstanding, end of period	**1,554,209**	1,491,170
Exercisable, beginning of period	**494,938**	418,522
Exercisable, end of period	**298,145**	471,459

Under the terms of our Stock Option Plan (the "Plan"), our Board of Directors may grant options to employees, officers and directors. The maximum number of shares available for issue under the Plan is the lesser of 10% of the number of issued and outstanding common shares from time to time or 7,000,000 common shares. Based on the number of shares outstanding as at March 31, 2017, stock options exercisable into 1,661,497 common shares are available for future allocation under the Plan.

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

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

The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date, or date of exercise, less the exercise price of the option. The aggregate intrinsic value of stock options exercised in the three months ended March 31, 2017 was $5,688 (three months ended March 31, 2016 - $263).

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

	Three months ended March 31,	
	2017	*2016*
Risk-free interest rate	**1.36%**	0.72%
Annual dividends per share	**Nil**	Nil
Expected stock price volatility	**55%**	51%
Expected option life (in years)	**4.0**	4.0
Average fair value of options granted (in dollars)	**$10.78**	$4.24

There is no dividend yield because we do not pay, and do not plan to pay, cash dividends on our common shares. The expected stock price volatility is based on the historical volatility of our average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is based on yields from risk-free instruments with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. Forfeitures are accounted for in compensation expense as they occur.

Restricted share plans

The following table summarizes the restricted share units ("RSUs") activity for the period:

	Three months ended March 31,	
Number of RSUs	***2017***	*2016*
Outstanding, beginning of period	**745,974**	778,233
Granted	**388,275**	297,989
Vested / settled	**(228,208)**	(241,329)
Forfeited	**(28,847)**	(792)
Outstanding, end of period	**877,194**	834,101
Outstanding – vested and not settled	**169,409**	189,428
Outstanding – unvested	**707,785**	644,673
Outstanding, end of period	**877,194**	834,101

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

We have two market based restricted share unit plans: one for U.S. employees and one for all non-U.S. employees, and a treasury based restricted share unit plan (collectively, the "RSPs"). The RSPs support our growth and profitability objectives by providing long-term incentives to certain executives and other key employees and also encourage our objective of employee share ownership through the granting of RSUs. There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of our common shares (or, in certain jurisdictions, cash in lieu at the option of the Company) to settle vested RSUs. The form and timing of settlement is subject to local laws. With respect to the treasury based RSP, the maximum number of share units outstanding under the Plan shall not exceed 3.5% of the number of issued and outstanding shares. Based on the number of shares outstanding as at March 31, 2017, 612,156 share units are available for future allocation under the Plan. With respect to the two market based RSPs, independent trustees purchase Sierra Wireless common shares over the facilities of the TSX and NASDAQ, which are used to settle vested RSUs. The existing trust funds are variable interest entities and are included in these consolidated financial statements as treasury shares held for RSU distribution.

Generally, RSUs vest over three years, in equal one-third amounts on each anniversary date of the grant and vest over one year. RSU grants to employees who are resident in France for French tax purposes will not vest before the second anniversary from the date of grant, and any shares issued are subject to an additional two year tax hold period.

The aggregate intrinsic value of RSUs that vested and settled in the three months ended March 31, 2017 was $4,632 (three months ended March 31, 2016 – $2,481).

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended March 31,	
	2017	*2016*
Net earnings (loss)	**$ (211)**	**$ 718**
Weighted average shares used in computation of:		
Basic	**31,909**	**32,156**
Assumed conversion	**—**	**344**
Diluted	**31,909**	**32,500**
Net earnings (loss) per share (in dollars):		
Basic	**$ (0.01)**	**$ 0.02**
Diluted	**(0.01)**	**0.02**

In loss periods, potential common shares are not included in the computation of diluted earnings per share, because to do so would be anti-dilutive.

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

9. INVENTORIES

The components of inventories were as follows:

		March 31, 2017		*December 31, 2016*
Electronic components	**$**	**34,426**	$	29,043
Finished goods		**13,902**		11,870
	$	**48,328**	$	40,913

10. PREPAIDS AND OTHER

The components of prepaids and other were as follows:

		March 31, 2017		*December 31, 2016*
Inventory advances	**$**	**636**	$	902
Insurance and licenses		**530**		634
Deposits		**1,544**		1,667
Other		**3,424**		3,327
	$	**6,134**	$	6,530

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		March 31, 2017		*December 31, 2016*
Trade payables	**$**	**85,578**	$	109,236
Inventory commitment reserve		**3,497**		3,850
Accrued royalties		**13,224**		13,042
Accrued payroll and related liabilities		**15,596**		12,572
Taxes payable (including sales taxes)		**4,723**		4,922
Product warranties (note 16 (a)(ii))		**8,088**		7,637
Other		**16,389**		16,241
	$	**147,095**	$	167,500

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

12. LONG-TERM OBLIGATIONS

The components of long-term obligations were as follows:

	March 31, 2017	December 31, 2016
Accrued royalties	$ **23,241**	$ 22,763
Other	**10,229**	9,891
	$ **33,470**	$ 32,654

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes by component in accumulated other comprehensive loss, net of taxes, were as follows:

	Three months ended March 31,	
	2017	2016
Balance, beginning of period	$ **(14,426)**	$ (7,978)
Foreign currency translation adjustments	**907**	2,891
Gain (loss) on long term intercompany balances	**675**	2,241
Balance, end of period	$ **(12,844)**	$ (2,846)

14. SHARE CAPITAL

On February 4, 2016, we received approval from the TSX of our Notice of Intention to make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, we may purchase for cancellation up to 3,149,199 of our common shares, or approximately 9.7% of the common shares outstanding as of the date of the announcement. The NCIB commenced on February 9, 2016 and expired on February 8, 2017. For the three months ended March 31, 2017, we purchased and canceled 170,217 common shares at an average price of $16.35 per share. The excess purchase price over and above the average carrying value in the amount of $954 were charged to retained earnings. For the period between February 9, 2016 to February 8, 2017, we purchased and canceled 980,089 common shares at an average price of $13.25 per share.

15. FINANCIAL INSTRUMENTS

(a) Fair value presentation

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

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and are supported by little or no market activity and that are significant to the fair value determination of the assets or liabilities.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments. Based on borrowing rates currently available to us for loans with similar terms, the carrying values of our obligations under capital leases, long-term obligations and other long-term liabilities approximate their fair values.

Fair value of the foreign currency forward contracts are based on observable market inputs such as forward rates in active markets, which represents a Level 2 measurement within the fair value hierarchy. As at March 31, 2017, we were committed to foreign currency forward contracts totalling $6.0 million Canadian dollars with an average forward rate of 1.341, maturing between April and December 2017. During the three months ended March 2017, we recognized a gain of $46 in *Foreign exchange gain (loss)*.

We have contingent consideration related to the acquisitions that were measured using unobservable inputs which represents a Level 3 measurement within the fair value hierarchy. The contingent considerations are measured at each reporting period and any changes in the fair value are recorded in earnings. In the three months ended March 31, 2017, $7 was recognized in *Acquisition-related and integration* expense related to the change in the fair value of the contingent consideration.

(b) Credit Facility

At March 31, 2017, we have a $10 million revolving term credit facility ("Revolving Facility") with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce. The expiry date on this revolving facility has been extended from April 28, 2017 to May 31, 2017. The Revolving Facility is for general corporate purposes, is secured by a pledge against all of our assets and is subject to borrowing base limitations. As at March 31, 2017, there were no borrowings under the Revolving Facility.

(c) Letters of credit

We have access to a revolving standby letter of credit facility of $10 million from Toronto Dominion Bank. The credit facility is used for the issuance of letters of credit for project-related performance guarantees and is guaranteed by Export Development Canada. As at March 31, 2017, there was a €22,493 letter of credit issued against the revolving standby letter of credit facility.

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

16. COMMITMENTS AND CONTINGENCIES

(a) Contingent liability on sale of products

(i) Under license agreements, we are committed to make royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation. When the agreements are finalized or the obligation becomes statute barred, the estimate will be revised accordingly.

(ii) We are a party to a variety of agreements in the ordinary course of business under which we may be obligated to indemnify a third party with respect to certain matters. Typically, these obligations arise as a result of contracts for sale of our products to customers where we provide indemnification against losses arising from matters such as potential intellectual property infringements and product liabilities. The impact on our future financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, we have not incurred material costs related to these types of indemnifications.

(iii) We accrue product warranty costs, when we sell the related products, to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and on management's estimates. Changes in the liability for product warranties were as follows:

		Three months ended March 31, 2017
Balance, beginning of period	**$**	**7,637**
Provisions		**1,333**
Expenditures		**(882)**
Balance, end of period	**$**	**8,088**

(b) Other commitments

We have entered into purchase commitments totaling approximately $121,970, net of related electronic components inventory of $8,807 (December 31, 2016 - $105,523, net of electronic components inventory of $9,264), with certain contract manufacturers and suppliers under which we have committed to buy a minimum amount of designated products between April 2017 and June 2017. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(c) Legal proceedings

We are from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of our business. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. These accruals are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC

450, *Contingencies*) that the losses could exceed the amounts already accrued for those cases for which an estimate can be made, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

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

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

In January 2017, Koninklijke KPN N.V. filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our US subsidiary. The lawsuit makes certain allegations concerning data transmission error checking technology, specifically referencing one of our EM Series modules. The lawsuit is in the initial pleadings stage.

In December 2016, a patent holding company, Magnacross LLC, filed a patent infringement lawsuit in the United States District Court of the Eastern District of Texas asserting patent infringement by our US subsidiary. The lawsuit makes certain allegations concerning our AirLink wireless routers. The lawsuit has been dismissed with prejudice.

In January 2012, a patent holding company, M2M Solutions LLC ("M2M"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the AirPrime embedded wireless module products, related AirLink products and related services sold by us for use in M2M communication applications. The claim construction order has determined one of the two patents-in-suit to be indefinite and therefore invalid. The lawsuit was dismissed with prejudice in April 2016. In August 2014, M2M filed a second patent infringement lawsuit against us in the same court with respect to a recently issued patent held by M2M, which patent is a continuation of one of the patents-in-suit in the original lawsuit filed against us by M2M. The lawsuit has been administratively closed pending the result of several *Inter Partes* Review proceedings filed by us and the other defendants with the United States Patent and Trial Appeal Board ("PTAB") in August and October of 2015, as well as April 2016. The PTAB has instituted proceedings in respect of our filing and we have joined in another instituted proceeding brought by a defendant in a related case. In March 2017, the PTAB issued its decisions in both proceedings, invalidating all independent claims and several dependent claims in the single patent-in-suit. M2M has 60 days in which to appeal these decisions.

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

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

17. COMPARATIVE FIGURES

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