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

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission File No.: 0-30718

SIERRA WIRELESS, INC.

(Exact name of Registrant as specified in its charter)

Canada
(Jurisdiction of incorporation or organization)

Primary Standard Industrial Classification Code (if applicable): 3663

I.R.S. Employer Identification Number (if applicable): 98-0163236

13811 Wireless Way, Richmond
British Columbia, Canada V6V 3A4
(604) 231-1100
(Address and telephone number of principal executive offices)

CT Corporation
111 Eighth Avenue
New York, New York 10011
(212) 894-8940
(Agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares, without par value
(Title of Class)

Name of exchange on which securities are registered:
The Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:
☑ Annual Information Form ☑ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **35,861,510 Common Shares, without par value, as at December 31, 2017**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section13(a) of the Exchange Act. ☐

A. Disclosure Controls and Procedures

Disclosure controls and procedures are defined by the Securities and Exchange Commission (the "Commission") as those controls and other procedures that are designed to ensure that information required to be disclosed by the Registrant in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures and have determined that such disclosure controls and procedures were effective as of the end of the period covered by this Annual Report. A discussion of the Registrant's disclosure controls and procedures can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Disclosure Controls and Procedures".

B. Management's Annual Report on Internal Control Over Financial Reporting

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Internal Control Over Financial Reporting — Management's Annual Report on Internal Control Over Financial Reporting".

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of Ernst & Young LLP ("EY"), the independent registered public accounting firm of the Registrant, is included in EY's report, dated March 7, 2018, to the shareholders of the Registrant, which accompanies the Registrant's audited consolidated financial statements for the fiscal year ended December 31, 2017, filed as Exhibit 1.2 to this Annual Report.

D. Changes in Internal Control Over Financial Reporting

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Internal Control Over Financial Reporting — Management's Annual Report on Internal Control Over Financial Reporting".

E. Notice of Pension Fund Blackout Period

The Registrant was not required by Rule 104 of Regulation BTR to send any notice to any of its directors or executive officers during the fiscal year ended December 31, 2017.

F. Audit Committee Financial Expert

The Registrant's Board of Directors has determined that Paul G. Cataford, Robin A. Abrams, Charles E. Levine and Thomas Sieber are the audit committee financial experts, within the meaning of General Instruction B(8)(b) of Form 40-F. Mr. Cataford is independent within the meaning of Rule 10A-3 under the Exchange Act and as that term is defined by the rules and regulations of The Nasdaq Stock Market LLC. ("Nasdaq").

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the Audit Committee and the Board of Directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

G. Code of Ethics

See Annual Information Form dated March 7, 2018, filed as Exhibit No. 1.1 to this Annual Report, under the heading "Code of Business Conduct". A copy of the Code of Business Conduct (the "Code") may be obtained at www.sierrawireless.com. The information contained on, or that can be accessed through, the Registrant's website is not a part of this Annual Report. The Registrant has included its website address in this Annual Report solely as an inactive textual reference. The Registrant will provide a copy of the Code without charge to any person that requests a copy by contacting the Corporate Secretary at the address that appears on the cover of this Annual Report on Form 40-F.

H. Principal Accountant Fees and Services

EY served as the Registrant's principal accountant (the "Principal Accountant") for the years ended December 31, 2017 and 2016, prior to which KPMG LLP served in this capacity.

Audit Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2017 and 2016, for professional services rendered by the Principal Accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the Principal Accountant in connection with statutory and regulatory filings or engagements for such fiscal years were US$1,127,400 and US$827,654, respectively.

Audit-Related Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2017 and 2016, for assurance and related services rendered by the Principal Accountant that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported above as audit fees were US$nil and US$nil, respectively.

Tax Fees

The aggregate fees billed by the Principal Accountant for the fiscal years ended December 31, 2017 and 2016, for professional services rendered by the Principal Accountant for tax compliance, tax advice, transfer pricing services, tax planning and other services were US$6,200 and US$nil respectively.

Tax fees for 2017 were primarily for tax compliance matters.

All Other Fees

There were no additional fees billed by the Principal Accountant for the fiscal years ended December 31, 2017 and 2016.

Audit Committee Pre-Approval Policies and Procedures

Since the enactment of the Sarbanes-Oxley Act of 2002 on July 30, 2002, all audit and non-audit services performed by the Registrant's outside auditors are pre-approved by the audit committee of the Registrant.

I. Off-Balance Sheet Arrangements

The Registrant is not a party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

J. Tabular Disclosure of Contractual Obligations

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Liquidity and Capital Resources - Cash Requirements".

K. Identification of Audit Committee

The Registrant has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act comprised of four individuals: Paul G. Cataford (Chair), Robin A. Abrams, Charles E. Levine and Thomas Sieber. Each of the members of the audit committee is independent, within the meaning of Rule 10A-3 under the Exchange Act and as that term is defined by the rules and regulations of the Nasdaq.

L. Critical Accounting Policies

A discussion of the Registrant's critical accounting policies can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Critical Accounting Policies and Estimates".

M. Nasdaq Exemptions

The rules and regulations of the Nasdaq require each listed issuer to provide that a quorum for its shareholders' meetings be at least 33 1/3 percent of the issuer's outstanding shares. The Registrant has been granted an exemption from this requirement because it is contrary to generally accepted business practices in Canada, the Registrant's country of domicile. The Registrant has had the benefit of this exemption in the current and prior years.

In determining whether a requirement is contrary to generally accepted business practices, the Nasdaq rules generally look to the requirements of the primary market in the issuer's country of domicile. The rules and policies of the Toronto Stock Exchange, the primary market in Canada, do not contain quorum requirements, and the *Canada Business Corporations Act*, the Registrant's governing statute, defers to the quorum requirements contained in an issuer's By-laws. Under the Registrant's By-laws, a quorum for a meeting of the Registrant's shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

N. Interactive Data File

Concurrent with this filing, the Registrant has submitted to the Commission and posted on its corporate website, an Interactive Data File.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

A Form F-X, as amended, signed by the Registrant and the Registrant's agent for service of process with respect to the Common Shares has previously been filed with the Commission. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

SIERRA WIRELESS, INC.
(Registrant)

/s/ David G. McLennan
David G. McLennan
Chief Financial Officer and Secretary

Date: March 7, 2018

EXHIBIT INDEX

Exhibit No.	Document
1.1	Annual Information Form for the fiscal year ended December 31, 2017, dated March 7, 2018
1.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2017, prepared in accordance with U.S. generally accepted accounting principles
1.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2017
23.1	Consent of Ernst & Young LLP
23.2	Consent of KPMG LLP (former auditor)
31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data File

Exhibit 1.1

SIERRA WIRELESS, INC.
ANNUAL INFORMATION FORM

For the Fiscal Year Ended December 31, 2017

DATED March 7, 2018

ANNUAL INFORMATION FORM

Table of Contents

Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this Annual Information Form ("AIF") are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws ("forward-looking statements"), including our business outlook for the short and longer term; statements regarding our strategy, plans and future operating performance; the Company's liquidity and capital resources; the Company's financial and operating objectives and strategies to achieve them; general economic conditions; expectations regarding the recent acquisition of Numerex Corp. ("Numerex"); estimates of our expenses, future revenues, non-GAAP earnings per share and capital requirements; our expectations regarding the legal proceedings we are involved in; statements with respect to the Company's estimated working capital; expectations with respect to the adoption of IoT solutions; expectations in respect of our next generation Narrowband IoT; expectations regarding trends in the IoT market and wireless module market; expectations regarding product and price competition from other wireless device manufacturers and solution providers; and our ability to implement effective control procedures. Forward-looking statements are provided to help you understand our views of our short and longer term plans, expectations and prospects. We caution you that forward-looking statements may not be appropriate for other purposes.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are not promises or guarantees of future performance, they represent our current views and may change significantly. Forward-looking statements are based on a number of material assumptions, including, but not limited to, those listed below, which could prove to be significantly incorrect:

- *our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;*
- *our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;*
- *expected cost of goods sold;*
- *potential component supply constraints;*
- *our ability to win new business;*
- *our ability to integrate the business, operations and workforce of Numerex and to return the Numerex business to profitable growth and realize the expected benefits of the acquisition;*
- *our ability to integrate other acquired businesses and realize expected benefits;*
- *expected deployment of next generation networks by wireless network operators;*
- *our operations not being adversely disrupted by other developments, operating or regulatory risks; and*
- *expected tax rates and foreign exchange rates.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ significantly from those expressed or implied in our forward-looking statements, including, without limitation:

- *competition from new or established competitors or from those with greater resources;*
- *risks related to the recent acquisition of Numerex;*
- *disruption of, and demands on, our ongoing business and diversion of management's time and attention in connection with other acquisitions or divestitures;*
- *the loss of or significant demand fluctuations from any of our significant customers;*
- *cyber-attacks or other breaches of our information technology security;*
- *our financial results being subject to fluctuation;*
- *our ability to respond to changing technology, industry standards and customer requirements;*
- *our ability to attract or retain key personnel;*
- *risks related to infringement on intellectual property rights of others;*

- *our ability to obtain necessary rights to use software or components supplied by third parties;*
- *our ability to enforce our intellectual property rights;*
- *difficult or uncertain global economic conditions;*
- *our reliance on single source suppliers for certain components used in our products;*
- *failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects or other quality issues;*
- *our dependence on a limited number of third party manufacturers;*
- *unanticipated costs associated with litigation or settlements;*
- *our dependence on mobile network operators to offer and promote acceptable wireless service programs;*
- *risks related to contractual disputes with counterparties;*
- *risks related to governmental regulation;*
- *risks related to the transmission, use and disclosure of user data and personal information; and*
- *risks inherent in foreign jurisdictions.*

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to below under "Risks and Uncertainties" and those referred to in our other regulatory filings with the U.S. Securities and Exchange Commission (the "SEC") in the United States and the provincial securities commissions in Canada.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

CURRENCY

Unless otherwise indicated, all figures are stated in United States dollars.

CORPORATE STRUCTURE

Unless the context otherwise indicates, references to “we”, “our”, “us”, “the Company”, “the Corporation” or “Sierra Wireless” in this Annual Information Form means Sierra Wireless, Inc. and its subsidiaries.

Sierra Wireless was incorporated under the *Canada Business Corporations Act* on May 31, 1993. The Articles of Sierra Wireless were amended by a Certificate of Amendment issued March 29, 1999 to remove the private company provisions and restrictions on share transfer. The Articles of the Company were further amended by Certificates of Amendment issued May 13, 1999 and May 14, 1999 to: (i) re-designate and change all existing Common Shares in the capital of the Company to new Common Shares in the capital of the Company (the “Common Shares”); (ii) change the rights attached to all Preference Shares in the capital of the Company (the “Preference Shares”) and to remove each existing series of Preference Shares; and (iii) consolidate the Common Shares on the basis of one post-consolidation Common Share for 1.5 pre-consolidation Common Shares. Effective March 30, 2003, the Company amended the Company's By-Laws to take into account certain changes made to the *Canada Business Corporations Act*, including (i) the reduction of the Canadian residency requirement to 25% and (ii) to allow for the advance of funds by the Corporation to a director, officer or other person for the costs of a proceeding where the Company is obligated to indemnify such person. The Company amended the By-laws further on April 14, 2014 to (i) increase the quorum for the transaction of business at any meeting of the board to a majority of the directors, (ii) increase the quorum at any meeting of shareholders to two presents in person, each being a shareholder entitled to vote or duly appointed proxyholder or representative for a shareholder so entitled, and holding or representing, in the aggregate, at least 25% of the votes attaching to all the shares of the Company entitled to be voted at the meeting, and (iii) to adopt the Company's advance notice policy.

The Company’s registered and records office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3 and its head office and principal place of business is located at 13811 Wireless Way, Richmond, British Columbia, Canada, V6V 3A4.

The following table lists the principal subsidiaries of Sierra Wireless and their jurisdictions of incorporation or organization. All such entities are 100% owned, directly or indirectly, by Sierra Wireless.

Name	**Jurisdiction of Incorporation or Organization**
Sierra Wireless America, Inc.	Delaware, U.S.A.
Sierra Wireless S.A.	France
Sierra Wireless Hong Kong Limited	Hong Kong
Sierra Wireless Sweden AB	Sweden
Numerex Corp.	Pennsylvania, U.S.A.

Subsidiaries with total assets and revenues less than 10 per cent, and in the aggregate less than 20 per cent, of total consolidated assets or total consolidated revenue are excluded from the list.

GENERAL DEVELOPMENT OF THE BUSINESS

Sierra Wireless is an Internet of Things ("IoT") pioneer, empowering businesses and industries to transform and thrive in the connected economy. Customers start their IoT deployments with Sierra Wireless because we provide an integrated device-to-cloud solution comprised of embedded and networking solutions seamlessly connected with our IoT services. Original Equipment Manufacturers ("OEMs") and enterprises worldwide rely on our expertise in delivering fully-integrated solutions to reduce complexity, turn edge network data into intelligent decisions and get their connected products and services to market faster.

We operate our business under three reportable segments: (i) OEM Solutions; (ii) Enterprise Solutions; and (iii) IoT Services. Effective December 11, 2017, our former Cloud and Connectivity Services segment was renamed IoT Services to coincide with the acquisition of Numerex which is now included in our IoT Services segment.

OEM Solutions

As a leading embedded module vendor, we provide standards-based wireless technologies and support open source initiatives that help OEMs and system integrators get their products to market faster. We make it easy to embed cellular, Wi-Fi, Bluetooth and Global Navigation Satellite System ("GNSS") technologies, as well as manage connectivity, devices and data through our cloud platform. Our OEM Solutions segment includes embedded cellular modules, short range wireless modules, software and tools for OEM customers who integrate wireless connectivity into their products and solutions across a broad range of industries, including automotive, transportation, energy, enterprise networking, sales and payment, mobile computing, security, industrial monitoring, field services, smart home, healthcare and others. Within our OEM Solutions segment, our embedded wireless module product portfolio spans second generation ("2G"), third generation ("3G"), fourth generation ("4G") Long-Term Evolution ("LTE") and Low Power Wide Area ("LPWA") cellular technologies, Bluetooth and Wi-Fi technologies, and GNSS. Our broad product portfolio also includes cloud-based remote device and data management capability, as well as support for our embedded application framework called Legato which is an open source, Linux-based platform. We are also advancing our capabilities at the edge of the network to enable intelligent data orchestration through additional software that enhances our integrated IoT solution offering.

Enterprise Solutions

Our Enterprise Solutions segment provides secure networking solutions comprised of routers and gateways complemented by cloud-based or on-premise software for secure device and network management. Our networking solutions address a range of key segments within the mobility, industrial and enterprise markets.

Sierra Wireless AirLink gateways and routers have strong brand recognition with network operators, value added resellers and end customers. Our gateways and routers are known for their reliability and technical capability in mission critical applications deployed in hostile environmental conditions. Our gateways leverage Sierra Wireless' expertise in wireless technologies and offer the latest LTE networking capabilities. The acquisition of GenX Mobile Incorporated ("GenX") in 2016 has added vehicle tracking (telematics) devices to our product portfolio, which are sold through fleet management solution partners.

We sell our AirLink gateways and routers through channel partners in a two-tier distribution model worldwide. Our Enterprise Solutions team also includes a direct sales force and an expert technical team which engages with key customers in each of our target segments.

IoT Services

Our IoT Services segment enables the digital transformation of enterprises through integrated IoT services comprised of cloud, connectivity and broadband services that support our device-to-cloud strategy and enable worldwide IoT deployments by our customers. Our solutions make it simple to rapidly build and scale IoT applications while de-risking the deployment process. Sierra Wireless offers the broadest array of cloud and connectivity services to connect customers to the mobile network, manage devices and power their IoT services. In addition to bringing established cloud and connectivity services for the IoT, the acquisition of Numerex in December 2017 has added a number of specific vertical market IoT solutions that include segments such as security, asset tracking and asset optimization.

Our AirVantage cloud platform is used to collect, manage and process data from any number of connected devices. It allows our customers to centrally deploy and monitor IoT devices at the edge of the network, including configuring device settings and delivering firmware and embedded application updates remotely over the air. Our connectivity services, which includes our flexible Smart SIM technology, delivers unique benefits for IoT deployments including quality of service improvements and multi-operator network coverage through our agreements with a variety of mobile network operators worldwide. Our managed broadband services provide secure, high speed network connectivity solutions for distributed enterprises utilizing cellular broadband gateways and advanced antennas.

We significantly advanced our device-to-cloud capabilities in 2015 by completing three acquisitions and rapidly expanding our IoT services business. These acquisitions included: Wireless Maingate AB ("Maingate"), a Sweden-based provider of IoT connectivity and data management services; Accel Networks LLC ("Accel"), a provider of secure managed cellular broadband connectivity services for distributed enterprises in North America and MobiquiThings SAS ("MobiquiThings"), a France-based mobile virtual network operator providing intelligent global connectivity services to the IoT marketplace. These businesses have been integrated into our IoT Services segment.

During 2017, the following product and customer developments influenced the general progression of our business:

- We entered into a joint business relationship with PwC Canada to help enterprises around the world develop and launch transformative IoT services and new business models.

OEM Solutions

- Volkswagen selected our AirPrime AR Series modules with our Legato embedded software platform for its next generation of connected cars. Our automotive solutions will deliver high-speed cellular connectivity for the Volkswagen Car-Net platform.

- We were recently selected by Nauto, Inc. ("Nauto") as the wireless connectivity solution for the North American launch of Nauto's flagship artificial intelligence-powered auto network.

- We launched the world's first 'plug-and-play' cellular modules and routers with pre-integrated global connectivity, IoT operation management and security.

- We delivered early modules for Telstra Corporation Limited's upcoming LTE Cat-M1 network to Landis+Gyr, enabling their industry-first live Cat-M1 smart meter trial.

- We announced one of the industry's first global, dual-mode LPWA cellular modules. Our AirPrime WP77 smart wireless modules simplify LPWA deployments for customers developing products that need to seamlessly connect to different LPWA technologies.

- In collaboration with industry leaders and developers, we announced mass-market availability of the mangOH Red open-source hardware platform to drive the next phase of IoT commercialization.
- We announced the industry's first global LTE-Advanced Pro cellular modules, enabling the world's fastest IoT applications for the mobile computing, networking, and industrial segments.

- We announced the BX Series Wi-Fi and Bluetooth combo modules with built-in cloud services and security features. The AirPrime BX Series now provides AirVantage cloud services and secure boot in our CF3 form factor to enable scalable Wi-Fi/Bluetooth solutions optimized for industrial IoT applications.

- Testing is underway for our next-generation Narrowband IoT ("NB-IoT") embedded cellular modules which are expected to be certified for T-Mobile's NB IoT network in early 2018.

- Recently, our mangOH Red open source hardware platform has been recognized with the IoT Breakthrough Award for IoT Development Tool of the Year.

- We announced the industry's smallest, lowest power, multi-mode LPWA cellular modules targeted at rapidly growing markets in asset tracking and connected industrial equipment, smart city, healthcare, agriculture and wearables.

Enterprise Solutions

- We announced that our industry-leading AirLink MP70 LTE-Advanced vehicle routers now support the most advanced, integrated vehicle telemetry, inertial navigation, and driver behavior features to improve fleet operations and vehicle maintenance.

- We signed a distribution agreement with Ingram Micro Inc. ("Ingram Micro"), one of the largest technology distributors in the world. Through this agreement, Ingram Micro is authorized to distribute our complete AirLink portfolio of networking solutions, including cellular routers, gateways, and management services to its channel partners in the United States.

- We announced the release of the AirLink Connection Manager (ACM) 2.0 VPN appliance for vehicle networking use cases.

IoT Services

- We announced support for Google Cloud IoT Core, a fully managed service that allows users to easily and securely connect and manage devices at global scale, through integration of our AirVantage IoT Platform with Google Could services.

- We announced that Nube has selected our device-to-cloud IoT solution and Microsoft Azure Cloud Services to reinvent consumer gas delivery.

Significant Acquisitions

Acquisition of Numerex Corp.

On December 7, 2017, in accordance with the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of August 2, 2017, we acquired all of the outstanding shares of Numerex in a stock-for-stock merger transaction (the "Transaction") whereby Numerex stockholders received a fixed exchange ratio of 0.18 common shares of Sierra Wireless for each share of Numerex common stock. On closing of the Transaction, Sierra Wireless issued 3,580,832 common shares as merger consideration in exchange for all of the outstanding shares of Numerex common stock and certain outstanding Numerex equity awards and warrants. Concurrent with closing, approximately $20.2 million in the aggregate was paid to retire outstanding

Numerex debt for total consideration of $97.5 million. On February 19, 2018, Sierra Wireless filed a Form 51-102F4 - Business Acquisition Report in respect of the Transaction on SEDAR at www.sedar.com.

Numerex is a provider of enterprise solutions enabling IoT deployments and its solutions produce new revenue streams and create operating efficiencies for its customers. Numerex provides its technology and services through its integrated platforms, which are generally sold on a subscription basis. Numerex offers a portfolio of managed end-to-end IoT solutions including smart devices, network connectivity and service applications capable of addressing the needs of a wide spectrum of vertical markets and industrial customers. Numerex's mission is to empower enterprise operations with world-class, managed IoT solutions that are simple, scalable, and secure.

Highlights of the recent financial performance of our business

In 2017 our revenue was $692.1 million, an increase of 12.4% from 2016. The increase in revenue was driven by solid year-over-year growth in each of our three reportable segments: our OEM Solutions segment experienced growth from automotive and enterprise customers (including mobile computing); our Enterprise Solutions segment revenues grew as a result of the acquired GenX business and the continuing sales ramp of new AirLink gateway and router products; and our IoT Services segment revenue grew as a result of subscriber expansion. Gross margin was 33.9% of revenue in 2017, compared to 35.4% in 2016. In 2016, gross margin was favorably impacted by a change in estimate of our Intellectual Property ("IP") royalty accrual[(1)] and two legal settlements. On a comparable year-over-year basis these items added 210 basis points to gross margin in 2016 compared to 2017. In 2017, gross margin benefited from product cost reductions that were partially offset by unfavorable product mix. Loss from operations was $0.4 million in 2017, compared to earnings from operations of $21.3 million in 2016. Our earnings from operations in 2017 included stock-base compensation and related social taxes of $10.4 million, acquisition-related amortization of $15.1 million, acquisition-related and integration costs of $8.2 million and impairment of $3.7 million. Our net earnings were $4.1 million, compared to $15.4 million in 2016. 2017 net earnings included an after-tax foreign exchange gain of $7.5 million compared to an after-tax foreign exchange loss of $1.7 million included in the 2016 net earnings.

In 2016 our revenue was $615.6 million, an increase of 1.3% from 2015. The increase was mainly driven by contributions from businesses acquired in 2016 and 2015 and higher revenues from our new Enterprise gateway products, partially offset by weaker revenues in our OEM Solutions segment. Gross margin was 35.4% of revenue in 2016, compared to 31.9% in 2015. The increase in gross margin was due to the favorable impact on cost of goods sold related to a Change in Estimate of our contingent intellectual property royalty obligations[(1)], product cost reductions in our OEM and Enterprise Solutions segments and the favorable impact of cost recoveries as a result of two legal settlements received in the first half of 2016. Earnings from operations were $21.3 million in 2016, compared to $10.1 million in 2015. Our earnings from operations in 2016 included stock-based compensation and related social taxes of $7.6 million, acquisition-related amortization of $12.1 and acquisition-related and integration costs of $0.8 million. Our net earnings were $15.4 million, compared to net loss of $2.7 million in 2015. The 2016 net earnings included an after-tax foreign exchange loss of $1.7 million compared to an after-tax foreign exchange loss of $11.6 million included in the 2015 net loss.

(1) During the fourth quarter of 2016, we reviewed the cumulative recent developments in the IP licensing landscape and concluded that these should be reflected in the estimate of our royalty obligations. Effective October 1, 2016, we reduced our Accrued Royalties obligation by $13.0 million ("Change in Estimate") and recorded a one-time recovery in our cost of goods sold. The Change in Estimate has also resulted in a reduction of our royalty accrual for future products sold. For the year ended December 31, 2016, this Change in Estimate increased our net earnings by $14.4 million and each of basic and diluted net earnings per share by $0.45.

Our revenue by segment for the years ended December 31, 2017 and 2016 per quarter was as follows:

	2017					2016				
	Total	**Q4**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
OEM Solutions	$ 555,887	$ 139,795	$ 138,531	$ 144,561	$ 133,000	$ 516,517	$ 135,211	$ 127,765	$132,667	$120,874
Enterprise Solutions	101,535	31,879	26,277	21,661	21,718	71,486	20,976	18,938	16,577	14,995
IoT Services	34,655	11,859	8,433	7,288	7,075	27,604	6,834	6,857	6,985	6,928
	$ 692,077	**$ 183,533**	**$ 173,241**	**$ 173,510**	**$ 161,793**	**$ 615,607**	**$ 163,021**	**$ 153,560**	**$156,229**	**$142,797**

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Background

We operate in the wireless communications and information technology industry, enabling connectivity for IoT solutions through cellular and short range wireless technologies. These technologies include 2G cellular standards such as GSM/GPRS/EDGE and CDMA/1xRTT; 3G standards such as UMTS (including HSPDA and HSUPA) and EV-DO; and 4G standards such as HSPA+, LTE, LTE-A; Low Power Wide Area ("LPWA") standards such as LTE-M and NB-IoT; and wireless local area network technologies such as Wi-Fi, Bluetooth, and GNSS. Key industry participants include:

- mobile network operators, who deploy, own and operate wireless networks and provide service to end users;
- infrastructure vendors, who provide the networking equipment and software to build such networks;
- device manufacturers, who provide voice and data communication devices that use the network, such as modems, embedded wireless modules and wireless gateways;
- semiconductor companies who manufacture the technology platforms and chipsets that are often used by device manufacturers to develop their products, and
- application enablement and cloud vendors, who provide applications and data analytics to enterprises and consumers that utilize the wireless networks.

Over the past several years, we have transitioned our business to focus specifically on integrated device-to-cloud solutions for IoT applications providing a broad portfolio of 2G, 3G, 4G, LPWA and short-range wireless embedded modules, intelligent gateways, as well as cloud and connectivity services.

Recent market trends in the wireless communications industry include:

- *Evolving wireless networks.* Mobile network operators around the world continue to invest in network upgrades to support LTE technologies, enabling mobile broadband connectivity of up to 800 megabits per second ("Mbps"). Mobile network operators also continue to expand and improve network coverage, improving the ubiquity of cellular wireless access globally. US telecommunications carriers have recently started testing various 5G technologies, the next phase of mobile telecommunications standards which is expected to be deployed in the market by 2020-21.
- *Adoption of LPWA technology.* To expand the market for IoT applications, the industry adopted LPWA standards in 2016 by approving specifications for Cat M-1 and Cat NB-1. Sierra Wireless worked actively with the 3GPP standards body in setting the Cat M-1 and Cat NB-1 standards and we remain active in evolving this innovative technology. This development is expected to expand the market for low power,

deep coverage IoT applications. Commercial availability of Cat M-1 and NB-1 devices and services were tested and piloted in 2017 and we are expecting this to ramp in 2018 as customers start to deploy this new technology.

- *Technology improvements in devices and software.* Improvements in wireless chipset technology, including greater integration, higher speeds, and lower power consumption, are driving further advances in cellular devices including on-board application processing, faster data transfer, smaller form factors, lower hardware costs, and longer battery life for host devices. These advances have helped enable the significant growth in demand for connected IoT devices and applications across many segments including automotive, transportation, energy, enterprise networking, sales and payment, industrial control and monitoring, field service, and healthcare.

- *Lower, more flexible service pricing.* Mobile network operators ("MNOs") are introducing new wireless connectivity service pricing models to accelerate growth of IoT solutions and applications.

- *Emergence of Mobile Virtual Network Operators ("MVNOs") specifically for the IoT*. MVNOs are increasing their level of activity in the IoT and expanding their service offerings by leveraging their connectivity services and adding application enablement and device management for the IoT, often targeting specific vertical market segments.

- *Increasing focus and investment by large ecosystem participants.* Large ecosystem participants, such as mobile network operators, system integrators, semiconductor companies, cloud services providers and application enablement companies, are increasing their investments in, and strategic focus on, IoT solutions. Enterprises, governments and other organizations are increasingly incorporating IoT solutions into their business models to enhance productivity, reduce costs and create competitive advantage.

We expect these trends, and others, to stimulate overall growth in the IoT market. With higher speeds, lower costs, increased battery life and ubiquitous coverage in mobile networks, plus more ecosystem investment and innovative products from solution providers, the number of wireless connected devices and data traffic is expected to increase substantially over the next decade. This growth is expected to drive demand for secure, scalable device-to-cloud solutions that can connect, gather, store and manage data for customer applications.

Products and Solutions

With sales, engineering, and R&D teams located in offices around the world, we offer the industry's most comprehensive portfolio of embedded modules and gateways, seamlessly integrated with our cloud and connectivity services. Our integrated solutions are developed to be simple, scalable and secure, enabling customers to get their connected products and services to market faster. Our devices are currently operating on more than 100 networks globally and we have shipped more than 130 million connected devices worldwide.

Our IoT Services include our Smart SIM, a global carrier-agnostic subscriber identity module (SIM) that is designed for machines and IoT applications. Our Smart SIM is one of the industry's first SIMs to support the new GSMA eSIM/eUICC specification. Our fully managed connectivity solutions are bundled with hardware into one monthly service guaranteeing connectivity for mission critical applications.

OEM Solutions

Our OEM Solutions segment includes embedded wireless modules and optimized tools for OEM customers that are used to integrate wireless connectivity into products and solutions across a broad range of industries including automotive, transportation, enterprise networking, energy, sales and payment, mobile computing, security, industrial monitoring, field services, healthcare, and others. Within our OEM Solutions segment, our embedded wireless modules product portfolio spans 2G, 3G, 4G and LPWA technologies as well as Bluetooth, Wi-Fi and GNSS technologies for use in IoT applications. This product portfolio also includes cellular connectivity services, cloud-

based device and data management capability, as well as support for on-board embedded applications using Legato™, our open source, Linux-based application framework.

We believe there are long-term profitable growth prospects in the embedded wireless module market and we plan to continue to invest in our embedded module portfolio to expand our leadership position. Our acquisitions of Wavecom in 2009, the M2M business of Sagemcom in 2012, the M2M modules and modems business of AnyDATA in 2013, Blue Creation in 2016 and the GNSS business of GlobalTop in 2017, combined with subsequent product launches and customer design wins, have allowed us to significantly expand our global position in wireless embedded solutions. We believe that our line-up of embedded modules is the broadest in the industry. The acquisition of Blue Creation added Bluetooth, Bluetooth Low Energy and Wi-Fi capabilities and modules to our solutions portfolio while the acquisition of the GNSS business of GlobalTop added GNSS Positioning modules.

In 2014, we introduced our Legato™ platform, an open source embedded platform built on Linux, designed to simplify IoT application development. Comprised of a tightly integrated application framework, fully tested Linux distribution and feature-rich development environment, the open source Legato™ platform accelerates application level development of connected devices, thereby lowering total development and system costs for OEMs. Legato™ provides existing customizable components needed for IoT solutions across a wide range of target markets, including connected cars, smart meters, and industrial automation.

In 2015, we introduced Project MangOH, an open source hardware design which accelerates innovation within the IoT, enables rapid prototyping and shortens the time-to-market for IoT developers. IoT developers can use the MangOH development kit to deploy multiple wireless and sensor technologies to determine the best solutions for their specific IoT use-case requirements. Once their prototype is complete, they can then re-use the industrial-grade design and IoT modules in final production. We recently introduced MangOH Green and MangOH Red rapid prototyping kits which are being well-received by the development community.

In addition to our devices and related software products, we offer professional services to OEM customers during their product development and launch process. We leverage our expertise in wireless design, software, integration and certification to provide services that enable customers to more rapidly and cost-effectively bring their IoT and connected device solutions to market.

In 2017, total revenue from our OEM Solutions segment increased by 7.6% to $555.9 million, compared to $516.5 million in 2016. This increase was primarily due to strong demand from automotive and enterprise customers and programs.

Enterprise Solutions

Our Enterprise Solutions segment includes intelligent gateways and routers, security and device management solutions and professional services for enterprise customers. Within our Enterprise Solutions segment, the AirLink product portfolio includes 3G and 4G LTE intelligent wireless gateways and routers that provide plug and play mission-critical connectivity. They are designed for use where reliability and security are essential and are sold to public safety, transportation, field service, energy, industrial, retail and financial enterprises around the world. AirLink gateways can be easily configured for the customer's application and also support on-board embedded applications using the ALEOS or Legato Application Frameworks.

Our gateway customers can remotely configure, deploy, and monitor their AirLink gateways over-the-air using our AirLink Management Service ("ALMS") which is powered by our AirVantage cloud platform. In 2016, we launched four new gateways that are targeted at specific end markets that have specific connectivity requirements. For the mobility market, we launched the MG90, a high performance dual LTE-A vehicle networking platform that provides secure, always-on mobile connectivity for first responders, field services and transit applications. The MG90 has multi-network switching capability and also has the capability of connecting with the US FirstNet Band 14 public safety network. We also launched in the MP70 which enables multiple high-bandwidth applications for vehicle fleet. For the industrial market, we launched the FX30, the industry’s smallest, most flexible and programmable cellular gateway. The FX30 is integrated with our Legato embedded application framework to provide open source

Linux-based programmability. We also launched the RV50x which is an ultra-low power gateway that has been upgraded with LTE-Advanced capability to provide high throughput speeds. In 2017, we launched the industry-leading MP70 LTE-Advanced vehicle router that supports integrated vehicle telemetry, inertial navigation (dead reckoning) and driver behavior features to improve fleet operations and vehicle maintenance. All of our cellular gateways can be monitored, managed and controlled remotely through our ALMS.

In 2016, we acquired GenX to expand our in-vehicle telematics offering and enhance our fleet management and asset tracking portfolio. The telematics business experienced strong growth in 2017 as many fleet transportation businesses deployed in-vehicle gateways to improve transportation efficiency and meet U.S. federal transport requirements. Many of our transportation customers have accelerated their fleet deployments in order to comply with the Hours of Service (HoS) regulations mandated by the U.S. Federal Motor Carrier Safety Administration.

Total revenue from our Enterprise Solutions segment increased 42.0% to $101.5 million in 2017, compared to $71.5 million in 2016. The increase was driven by revenue growth from the telematics business and improved market penetration of new AirLink gateway products.

IoT Services

Our IoT services are pre-integrated with our hardware devices to help accelerate time to market for new IoT solutions. The segment comprises three main areas of operation: (i) our cloud services, which provide a secure and scalable cloud based platform for deploying and managing IoT subscriptions, devices, and applications over the air; (ii) our global cellular connectivity services, which includes our Smart SIM and core network platforms; (iii) our managed broadband cellular services, which include a combination of hardware, connectivity services and cloud services; and (iv) specific vertical market IoT solutions that include segments such as security, asset tracking and asset optimization.

Our AirVantage Cloud Platform simplifies the deployment of IoT solutions by providing a seamless connection between devices and the enterprise. IoT solution providers can use the latest cloud application programming interface (API) standards to quickly integrate machine data with their own enterprise applications and back-end solutions. The AirVantage Management Service is a comprehensive device management application with interactive dashboards that make it easy to deploy, monitor and upgrade wireless devices remotely.

Our IoT Services segment also includes connectivity and data management services. As part of these services we introduced the multi-operator Sierra Wireless Smart SIM and Connectivity Service. Using traditional Subscriber Identity Modules ("SIMs") for IoT connectivity can result in interruptions in data transmission, lapses in coverage and expensive service calls to rectify service issues. Our Smart SIM eliminates such issues by introducing a SIM designed specifically for IoT deployments. The Smart SIM delivers multi-operator coverage, reliable performance and flexible global pricing through a patented embedded agent designed specifically for enabling IoT connectivity anywhere in the world. In 2016, we introduced eUICC as part of our global Smart SIM and connectivity service. eUICC is a GSMA specification that allows users to remotely provision and change service providers over the air without physically accessing the SIM card. This provides a global, operator-independent connectivity solution which is critical for the deployment of the IoT. As a key part of this strategy we have negotiated wholesale agreements with a number of mobile network operators for the provision of airtime to support our connectivity services business.

In December 2017, we acquired Numerex Corp. to accelerate our IoT device-to-cloud strategy by adding established IoT customers, proven solutions, and recurring subscription-based revenue. The combination of Sierra Wireless and Numerex creates a clear global leader in IoT services and we are working closely on integration steps to capture growth, cost and operational synergies. We see the acquisition providing the following benefits to Sierra Wireless:

- scales subscription-based recurring revenue from IoT services;
- bolsters our position in the global IoT market;
- expands sales capacity with an experienced team and channel; and

- diversifies our services business and revenue mix.

Total revenue from our IoT Services segment increased 25.5% to $34.7 million in 2017, compared to $27.6 million in 2016. The increase was mainly due to a growing number of new subscribers utilizing our IoT services and solutions, as well as revenue from Numerex following the close of that acquisition in early December.

Customers

Our products and solutions are used by a variety of customers across several market segments and many use cases. Market segments that we serve include automotive, transportation, energy, industrial, enterprise networking, sales and payment, security, industrial monitoring, field services, residential and healthcare.

We sell our products both directly and through indirect channels including OEMs, distributors, value-added resellers and mobile network operators. We sell our products to customers worldwide and have built sales and distribution teams that support our international business.

Original Equipment Manufacturers

OEMs are customers that integrate our devices into machines they design and manufacture and then sell to end-user markets through their own direct sales force and indirect distribution channels. In many cases we leverage the market-specific expertise and go-to-market capabilities of our OEM partners to address the connectivity solution needs of certain market segments. Our devices have been integrated into a range of OEM solutions, such as automobiles, smart energy meters, alarm panels, point of sale terminals, enterprise routers, notebooks, industrial handhelds, and medical equipment. We sell to OEMs both directly and indirectly through distribution partners around the world.

Resellers and Distributors

Resellers purchase our products either directly from us or from our distributor network and resell them to OEMs and enterprise customers. In order to support our global resellers and OEMs, we have established a global network of distribution partners. Distributors ensure that our products are available to a large number of resellers and OEM customers around the world.

Resellers often combine our products with other elements of an overall solution, such as additional hardware, application software and communication services and deliver a complete solution to the end-user customer. Resellers include IT VARs, system integrators and application solution providers.

Mobile Network Operators

We maintain strong relationships with key mobile network operators worldwide and these relationships allow us to stay aligned with wireless technology trends while we work together to develop the market to drive IoT growth. Additionally, mobile network operator sales teams often work with our sales teams to jointly sell wireless solutions to OEMs, enterprise and government customers. The mobile network operator channel provides us with extended customer reach, while at the same time allows the operators to leverage our wireless solutions expertise to help sell their connectivity services. We have also entered into wholesale purchase agreements with several mobile network operators that enable us to provide global cellular connectivity services to our customers.

Product Development

We have built a reputation in the wireless industry for creating state-of-the-art, high quality products and services and for bringing them to market within aggressive timeframes. Our global product development teams of approximately 647 full time employees, at December 31, 2017, are located in Richmond, British Columbia; Carlsbad, California; Issy-Les-Moulineaux, France; Toulouse, France; Hong Kong SAR, China; Shenzhen, China Atlanta, Georgia and Seoul, Korea. These teams are skilled in the areas of radio design, hardware design,

embedded software design cloud-based application development and cellular network design. The product development teams in each of our business units include leaders with extensive experience in their fields, along with younger graduates from leading universities.

Our goal is to develop complete, thoroughly validated, high quality products and solutions that are closely managed throughout their entire life cycle. As part of this approach, individuals from our product development group form product-specific teams with staff from other functional areas, including research and development, product management, marketing, operations, technical support and quality. These teams work closely to bring new products through the development phase, while balancing the market requirements of performance, time to market and product cost. Concepts and prototypes are validated by working with lead customers, channel partners and industry consultants. From time to time, projects are outsourced to third parties, who provide product development leverage for our in-house development teams.

Products and services that result from our development process are designed and tested to industry standards, as well as customer requirements and are introduced to our contract manufacturing partners for production and delivery to our customers. Included in the development effort is the certification of our products with industry and regulatory standards bodies and mobile network operators. A group of senior engineers develops and monitors our development processes within an ISO 9001 approved framework or ISO/TS 16949 for automotive grade products. These processes are applied across all development projects to ensure uniformity and high quality.

Our product development staff stays current with technology by participating in industry groups such as the Global Certification Forum, the Cellular Telecommunications Industry Association, the European Telecommunications Standards Institute, the Third Generation Partnership Project, the Third Generation Partnership Project 2, the GSM Association, and the OneM2M Partnership, as well as through ongoing technical education. We maintain close relationships with local universities by providing financial and technical contributions, hiring co-op students, giving lectures, supporting professorships and participating in regular informal meetings with faculty members.

Marketing

Our marketing team is responsible for providing product life cycle management, marketing programs and strategy, corporate communications and branding, product marketing and demand generation on a global basis.

Product Management & Segment Marketing

Members of our product management and marketing teams play an active role in the development and management of products through their entire product life cycle. Emphasis is placed on understanding customer and market segment needs, developing the business case for new products and services, determining competitive positioning and pricing, and ensuring product completeness, which includes market and competitive analysis, documentation and packaging. The product management team also develops and manages the product portfolio roadmap and both the product management and segment marketing groups interface with customers regarding business opportunities and product requirements.

Corporate Marketing

Members of this team develop and communicate corporate and product positioning to a variety of audiences including new and prospective customers, media and analysts, channel partners, ecosystem partners, and the industry in general in several ways, including:

- Global corporate and product branding, positioning and messaging;
- Marketing content generation to build awareness for our device-to-cloud offering and thought leadership topics including material such as: webinars, white papers, product and corporate videos, training tutorials, bylined articles, customer stories, news releases, datasheets, segment brochures and corporate brochures;
- Product launch and Sales support by way of sales tools, presentations, and outbound launch programs;

- Demand generation programs to generate marketing and sales qualified leads that turn into opportunities for the business;
- Vertical market programs;
- Web properties and associated content including the Sierra Wireless Source, an on-line developer community and forum and a password-protected partner portal, Partner Zone;
- Seek and secure editorial coverage and place advertisements in industry, business and trade publications;
- Meet with industry experts, media and industry analysts;
- Participate in industry and segment conferences and trade shows to drive brand awareness and generate leads;
- Participate in industry association meetings and events;
- Develop channel marketing initiatives to educate resellers and distributors and to encourage sell-through of our products and solutions; and
- Develop partnerships with other participants in the IoT ecosystem.

Manufacturing

We outsource most of our manufacturing, procurement of certain components, kitting, logistics, assembly, testing and repair. We believe that outsourcing allows us to:

- Focus on our core competencies, including research and development, sales and marketing;
- Participate in contract manufacturer economies of scale and favorable geographic locations;
- Access high quality, lower cost manufacturing resources;
- Provide regional manufacturing to support customer requirements and minimize costs;
- Achieve rapid production scale; and
- Optimize capital utilization.

We perform certain manufacturing related functions in-house, including key component sourcing, manufacturing engineering, development of manufacturing test and some North American final assembly and test on certain products.

We use several contract manufacturers and logistics partners to provide an end-to-end global supply chain solution. The fully integrated supply chain services provided by these electronic manufacturing services ("EMS") partners, enable us to optimize product costs and capital utilization, as well as generally achieve increased operating efficiencies and scalability.

Competition

The market for IoT devices and solutions is growing and we expect that it will continue to attract significant competition. Some of our competitors are large corporations with manufacturing scale and financial resources at their disposal, while others are small. However, we believe that our innovation, deep expertise in wireless IoT communications and market leadership gives us an opportunity to effectively differentiate ourselves.

Wireless Embedded Modules: We have established a market share and technology leadership position by being early to market with leading edge, high performance, high quality products that support the latest wireless technologies. We are a global market leader in wireless cellular embedded modules for IoT and enjoy significant competitive advantages, including a broad product portfolio, a global footprint, strong relationships with global OEMs, and unique open source software platform. Our primary competitors include Gemalto NV (Gemalto), Telit Communications Plc (Telit), u-blox Holding AG, Quectel Wireless Solutions, SIMCom Wireless Solutions, Fibocom Wireless Inc. and Huawei Technologies Corporation.

Intelligent Gateways and Routers: The market for intelligent wireless gateways is significantly fragmented depending on the vertical market segment, customer and competition. In the segments where we compete, we

believe that our market share is strong, and that competition is intensifying. In order to strengthen our share position, we have launched new products to rejuvenate our product line and increased our investments in sales capacity and other go-to-market initiatives. Our competitors in this line of business vary by market segment and include Cradlepoint Incorporated, CalAmp Corp., Digi International Inc., Cisco Systems Inc. ("Cisco") and Multi-Tech Systems Inc.

IoT Services: Our cloud and connectivity services are a strategic differentiator of our IoT solutions overall. Depending on the customers served, our competitors include mobile network operators and other companies who operate MVNOs or cloud platforms for the IoT market such as Cubic Telecom Limited, Vodafone, AT&T, Ericsson AB, Cisco, Telit, Eseye, Kore and Aeris.

Employees

As of December 31, 2017 we had a total of 1,425 full time employees, 402 of whom are located at our head office in Richmond, British Columbia, with the balance being located across the United States, Canada, Europe and Asia. Of our 1,425 employees, 647 are involved in product development, 148 are involved in manufacturing and operations, 365 are sales and support personnel, 85 are marketing personnel and 180 are in finance and administration. Employees have access to ongoing training and professional development opportunities that are funded by the Company through on-the-job and outside educational programs.

Competitive compensation, including cash compensation, our employee stock option plan, our employee restricted share unit plans and our retirement plan contribution program, are complemented by internal recognition programs and career advancement opportunities. We believe our relationships with our employees are positive.

We have entered into non-disclosure agreements and confidentiality agreements with key management personnel and with substantially all of our other employees.

Intellectual Property

We believe that a considerable portion of the value of the Company resides in our intellectual property, the combined expertise of our teams, our inventions and our ability to apply rapidly changing technology to new and innovative solutions for our customers.

We protect our intellectual property through a combination of patent protection, copyright, trademarks, trade secrets, licenses, non-disclosure agreements and contractual provisions. We enter into a non-disclosure and confidentiality agreement with each of our employees, consultants and third parties that have access to our proprietary technology. Under assignment of inventions agreements, all of our employees and consultants assign to Sierra Wireless all intellectual property rights in the inventions created during such person's employment or contract with Sierra Wireless.

We currently hold 200 United States patents and 176 international patents. Additional patent applications are pending. We also access the intellectual property of third parties by entering into commercial licenses and cross-licenses when appropriate.

Governmental Regulation

Our products are subject to certain mandatory regulatory approvals in the United States, Canada, the European Union ("EU") and other regions in which we operate. In the United States, the Federal Communications Commission regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone network. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. EU directives provide the comparable regulatory guidance in Europe.

Wireless modems must be approved under these regulations by the relevant government authority prior to these products being offered for sale. We have obtained all necessary Federal Communications Commission, Industry Canada, EU and other required regulatory approvals for the products we currently sell.

Foreign Operations

We operate foreign research and development facilities in Issy-les-Moulineaux and Toulouse, France; Carlsbad, California, and Atlanta, Georgia, United States; Hong Kong SAR and Shenzhen, China; and Seoul, Korea.

Our major foreign sales, marketing and support functions are in Issy-les-Moulineaux and Toulouse, France, Carlsbad, California and Atlanta, Georgia, United States; and in Hong Kong SAR, China.

We use a number of large global EMS providers with factories located in China, Brazil, and Vietnam to manufacture our products and provide integral supply chain services. We also use additional partners to support regional manufacturing requirements and select products including more complex, lower volume devices.

Additional Information Concerning Our Business

Our operations do not have a significant impact on the environment. We have not made, and are not required to make, any significant capital expenditures to comply with environmental regulations nor will our competitive position be affected by environmental protection requirements. Working with the contract manufacturers who build our products and relevant component suppliers, we ensure that our products that are sold in the EU comply with the EU directives that restrict the use of certain hazardous substances in electronic equipment sold in the EU after July 1, 2006.

In 2017 we published our first annual Corporate Social Responsibility progress report and presented the sustainability principles which we are committed to and which we are integrating into our business. In the report we acknowledged our responsibility to work towards a better, more sustainable future from the manufacturing floor to the boardroom and demonstrated the ways in which we are honoring our commitment to integrate environmental sustainability and positive social impacts throughout our business. We are committed to working with vendors, partners and our team members to bring prominence to social responsibility in the IoT industry. We will continue to more formally develop our goals as part of our recognition that our commitment to improving our corporate responsibility and refining our sustainability approach are essential components of our long-term growth.

Our Conflict Minerals policy sets out our commitment to source materials and components from environmentally and socially responsible suppliers. In general, it is our policy that we do not knowingly purchase materials, components or supplies which contain conflict minerals that originate in the Democratic Republic of Congo and adjoining countries that have not been certified as conflict free by an independent third party. We expect our suppliers to adhere to the same standard and to have in place programs and processes to ensure conflict free supply chains. We request confirmation annually from our suppliers regarding the conflict free status of the products that they provide to Sierra Wireless. We report the results of this process as part of the annual requirements the SEC has developed in response to Section 1502 of the Dodd-Frank Act.

RISK FACTORS

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. These risks and uncertainties are described in our MD&A for the year ended December 31, 2017, which can be found on our website at www.sierrawireless.com or at www.sedar.com, and filed as Exhibit 1.3 to our Annual Report on Form 40-F.

DIVIDENDS

Since incorporation, we have not paid any dividends on our Common Shares. Our current intention is to reinvest earnings to finance the growth of our business. We do not anticipate that we will pay any dividends on our Common Shares in the immediate or foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of Common Shares, of which, at March 6, 2018, 35,972,279 were issued and outstanding, and an unlimited number of Preference Shares, issuable in series, of which none were issued and outstanding. Our board of directors is authorized to determine the designation, rights and restrictions to be attached to the Preference Shares upon issuance.

Holders of Common Shares are entitled to receive notice of any meeting of shareholders and to attend and vote at those meetings, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each Common Share entitles its holder to one vote. Subject to the rights of the holders of Preference Shares, the holders of Common Shares are entitled to receive on a proportionate basis such dividends as our board of directors may declare out of funds legally available. In the event of the dissolution, liquidation, winding up or other distribution of our assets, the holders of the Common Shares are entitled to receive on a proportionate basis all of our assets remaining after payment of all of our liabilities, subject to the rights of holders of Preference Shares.

The Common Shares carry no pre-emptive or conversion rights other than rights granted to holders of Common Shares under the Shareholders Rights Plan which was re-adopted and ratified by our shareholders on May 21, 2015 ("Shareholder Rights Plan"). The Shareholder Rights Plan is designed to encourage the fair treatment of our shareholders in connection with any take-over offer for our outstanding Common Shares. The Shareholder Rights Plan provides our board of directors and shareholders with 60 days, which is longer than prescribed by applicable securities laws governing take-over bids, to fully consider any unsolicited take-over bid without undue pressure, to allow our board of directors, if appropriate, to consider other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge. If a bid is made to all shareholders, is held open for at least 60 days and is accepted by shareholders holding more than 50% of the outstanding Common Shares, or is otherwise approved by our board of directors, then the Shareholder Rights Plan will not affect the rights of shareholders. Otherwise, all shareholders, except the parties making a take-over bid, will be able to acquire a number of additional Common Shares at half the market price. Thus, any party making a take-over bid not permitted by the Shareholder Rights Plan could suffer significant dilution.

Normal Course Issuer Bid

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 were permitted to 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. During 2017, we purchased and canceled 170,217 Common Shares at an average price of $16.35 per Common Share.

Credit Facilities

On May 30, 2017, our $10.0 million revolving term credit facility ("Revolving Facility") with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce expired. Subsequently, the Revolving Facility was renewed with the same financial institutions on an uncommitted basis. The Revolving Facility is for general corporate purposes, is secured by a pledge against substantially all of our assets and is subject to borrowing base limitations. As at December 31, 2017, there were no borrowings under the Revolving Facility.

We also 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 December 31, 2017, there were two letters of credit issued against the revolving standby letter of credit facility for a total value of $0.1 million.

MARKET FOR SECURITIES

Our Common Shares are listed on the Toronto Stock Exchange ("TSX"), and trade under the symbol "SW". Our Common Shares are also listed on Nasdaq and trade under the symbol "SWIR".

Trading Price and Volume

Set out below are the price ranges and volume of the Common Shares of Sierra Wireless, Inc. that traded on the TSX for the year ended December 31, 2017.

2017	Low (Cdn$)	High (Cdn$)	Total Monthly Volume
January	20.99	23.53	814,800
February	23.02	38.60	2,633,200
March	34.62	40.75	2,784,800
April	32.92	36.50	1,205,200
May	33.45	40.37	2,539,600
June	36.00	43.16	3,091,500
July	35.62	39.50	1,268,700
August	26.23	37.71	3,091,600
September	25.80	27.78	1,523,600
October	26.71	29.00	1,868,100
November	24.05	30.17	3,797,500
December	25.39	29.11	2,233,900

Set out below are the price ranges and volume of the Common Shares of Sierra Wireless, Inc. that traded on Nasdaq for the year ended December 31, 2017.

2017	Low (US$)	High (US$)	Total Monthly Volume
January	15.65	18.00	3,720,000
February	17.60	29.30	16,216,800
March	25.95	30.60	11,557,700
April	24.80	27.23	4,819,600
May	24.30	29.50	10,472,500
June	27.25	31.95	11,612,200
July	27.40	31.40	6,529,700
August	20.85	30.05	14,134,400
September	20.85	22.70	5,082,500
October	21.40	23.05	5,141,400
November	18.80	23.50	10,154,000
December	20.25	22.75	5,482,600

DIRECTORS AND EXECUTIVE OFFICERS

The tables set forth below list the directors and executive officers of the Company as at March 6, 2018, indicating their name, municipalities of residence, their respective positions and offices held with the Company, the length of service and their principal occupations within the five preceding years.

Each director is elected at our annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier. To the knowledge of Sierra Wireless, the directors and executive officers as a group, beneficially own, directly or indirectly, or exercise control or direction over, 636,964 Common Shares (not including Common Shares issuable upon the exercise of stock options or undistributed restricted stock units), representing as of March 6, 2018 approximately 1.8% of the issued and outstanding Common Shares.

Directors

Name, Position and Residence	Principal Occupation or Employment in the Preceding Five Years [1]	Director Since
Jason W. Cohenour President, CEO and Director Washington, U.S.A.	President and Chief Executive Officer of the Company	October 2005
Gregory D. Aasen [3] Director British Columbia, Canada	Independent Outside Director	December 1997
Robin A. Abrams [2][4] Director California, U.S.A.	Independent Outside Director	March 2010
Paul G. Cataford [2] [3] Director Alberta, Canada	Independent Outside Director; President and Chief Executive Officer of Zephyr Sleep Technologies, a Canadian designer, developer and manufacturer of medical devices for the diagnosis and treatment of sleep-disordered breathing, from April 2010 to present	July 1998
Charles E. Levine [2][3] Director California, U.S.A.	Independent Outside Director	May 2003
Thomas Sieber [2][4] Director Zurich, Switzerland	Independent Outside Director; Chairman of Axpo Holding AG, a Swiss energy utility, from March 2016 to present; Chairman of Salt Mobile SA (formerly Orange Switzerland), a Swiss telecommunications carrier, 2012 to 2015; and CEO of Salt Mobile SA (formerly Orange Switzerland), a Swiss telecommunications carrier, from 2009 to 2012	January 2014
Kent P. Thexton [4] Chair and Director Ontario, Canada	Independent Outside Director; General Partner of ScaleUP Ventures Inc. from April 2016 to present; and Managing Director of OMERS Ventures from January 2014 to 2016	March 2005

Notes:

(1) The information as to "principal occupation" has been furnished by the respective directors
(2) Member of the Audit Committee

(3) Member of the Human Resources Committee
(4) Member of the Governance and Nominating Committee

Executive Officers

Name, Position and Province or State and Country of Residence	Principal Occupation in the Preceding Five Years	Length of Service
Jason W. Cohenour President and Chief Executive Officer Washington, U.S.A.	President and Chief Executive Officer	21 years
David G. McLennan Chief Financial Officer and Secretary British Columbia, Canada	Chief Financial Officer	14 years
Philippe Guillemette Chief Technology Officer British Columbia, Canada	Chief Technology Officer	9 years
Rene Link Chief Marketing Officer & Senior Vice President Strategy California, U.S.A.	Chief Marketing Officer & Senior Vice President Strategy from 2016 to present; and from 2013 to 2016, Strategic Advisor and Chief Marketing and Demand Officer at Aricent Inc., a global design and engineering company innovating for customers in the digital era	2 years
Bill Dodson Senior Vice President, Operations British Columbia, Canada	Senior Vice President, Operations	15 years
Jason L. Krause Senior Vice President and General Manager, Enterprise Solutions British Columbia, Canada	Senior Vice President and General Manager, Enterprise Solutions from 2015 to present; Senior Vice President, Corporate Development and Marketing from 2011 to 2015	10 years
A. Daniel Schieler Senior Vice President and General Manager, OEM Solutions California, U.S.A.	Senior Vice President and General Manager, OEM Solutions	14 years

Name, Position and Province or State and Country of Residence	Principal Occupation in the Preceding Five Years	Length of Service
Mark Overton Senior Vice President and General Manager, IoT Services United Kingdom	Senior Vice President and General Manager, IoT Services from 2017 to present; from 2015 to 2017, Managing Director, Global Innovation at Cisco Jasper, a global IoT platform leader; and from 2013 to 2015, SVP and Co-GM, EMEA at First Data, a global leader in commerce-enabling technology	1 year
Pierre Teyssier Senior Vice President, Operations & Purchasing Hong Kong SAR, China	Senior Vice President, Operations & Purchasing from February 2018 to present; Senior Vice President, Purchasing from 2015 to 2018; Senior Vice President, Engineering from 2009 to 2015	9 years

None of the directors or executive officers of the Corporation is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation which, in each case, was in effect for a period of more than 30 consecutive days (each, an "order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of Sierra Wireless or a shareholder holding a sufficient number of securities of Sierra Wireless to affect materially its control:

a) is, as at the date of this AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including Sierra Wireless) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

c) has been subject to:
    (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

    (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CODE OF BUSINESS CONDUCT

In 2003, the Board of Directors adopted a Code of Business Conduct applying to all directors, officers, employees and contractors of the Company and each affiliate and subsidiary of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and other senior officers, to ensure that we conduct our business in accordance with the highest standards of business conduct. The Board of Directors approved updated versions of the Code of Business Conduct in December 2005, October 2008, March 2011, February 2014, April 2016 and May 2017. There have been no waivers granted from the Code of Business Conduct since its adoption. The Code of Business Conduct is available on the Company's website at www.sierrawireless.com or on SEDAR at www.sedar.com.

AUDIT COMMITTEE

Mandate of the Audit Committee

The full text of the Mandate of the Audit Committee is set out below.

1. Purpose and Scope

The audit committee **("Committee"")** was established by the Board of Directors **("Board")** of Sierra Wireless Inc. **("Company")** to assist the Board in fulfilling its responsibilities for oversight of the following:

- the Company's systems of internal and disclosure controls;
- the Company's financial reporting process including the Company's financial statements and other financial information provided by the company to its shareholders, the public and others in accordance with applicable securities and corporate legislation and the Company's Disclosure Policy;
- the Company's compliance with financial, accounting, legal and regulatory requirements including the Company's Code of Business Conduct;
- the appointment, compensation, independence, oversight, communication with, performance and change of the Company's external and independent auditors (the "Auditors");
- the Company's process for identification of the principal risks of the Company's business and ensuring that an appropriate process is in place to manage risks across the enterprise; and
- the fulfillment of the other responsibilities set forth in this Mandate.

2. Organization, Membership and Meetings

- Committee members shall meet the requirements of the Toronto Stock Exchange, the NASDAQ Exchange, the Securities and Exchange Commission, the securities commissions of each of the Provinces of Canada in which the Company is a reporting issuer and any other regulatory agency that may have jurisdiction over the operations of the Company from time to time.
- The Committee shall consist of three or more directors who are "independent" as defined by applicable law, regulations, guidelines and policies, and as determined by the Governance and Nominating Committee ("GNC") of the Board.
- All members of the Committee shall be "financially literate", and at least one member of the Committee shall be a "financial expert". "Financially literate" and "financial expert" will have the respective meanings set out in applicable law, regulations, guidelines and policies.
- Members of the Committee shall be appointed annually by the Board on the recommendation of the GNC. Members may be replaced by the Board at any time, but shall otherwise serve until a successor has been named.
- No committee member may serve on the compensation committee of another company if any director of the Company is, or has been in the past three years, an employee of that other company.
- No member shall be affiliated with the Company or any subsidiary.
- The Committee shall meet from time to time, as it deems necessary, but at least four times per year.

- The presence in person or by telephone of a majority of Committee members shall constitute a quorum for any meeting of the Committee.
- The Committee may include management at its meetings, but shall also hold an executive session at each meeting at which only independent directors are present.
- The Committee shall maintain written minutes of its meetings, which minutes will be filed in the corporate minute book.

3. Authority and Responsibilities

3.1 External Audit:

- Recommend to the Board the appointment and compensation of the Auditors. Oversee the work of the Auditors (including resolution of disagreements between Management and the Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- Review in advance and pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Auditors, as permitted by applicable governance rules and in particular Section 10A of the Securities Exchange Act of 1934 and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and pre-approve all disclosures required to be included in any public filings with respect to non-audit services. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided a report is made to the Committee at its next scheduled meeting. The Committee may consult with Management but shall not delegate these responsibilities to Management.
- Communicate directly with the Auditors.
- Review the performance of the Auditors on at least an annual basis.
- On an annual basis, review and discuss with the Auditors all relationships the Auditors have with the Company in order to evaluate the Auditors' continued independence. The Committee: (i) shall ensure that the Auditors submit to the Committee on an annual basis a written statement delineating all relationships and services that may impact the objectivity and independence of the Auditors; (ii) shall discuss with the Auditors any disclosed relationship or services that may impact the objectivity and independence of the Auditors; and (iii) shall satisfy itself as to the Auditors' independence.
- At least annually, obtain and review an annual report from the Auditors describing (i) the Auditors' internal quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the Auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditors, and any steps taken to deal with any such issues.
- Confirm that the rotation of the lead audit partner or the audit partner responsible for reviewing the audit (the concurring partner), for the Company's Auditors complies with the requirements of the Canadian and US regulatory authorities.
- Review, based upon the recommendation of the Auditors and Management, the scope and plan of the work to be done by the Auditors for each fiscal year.

3.2 Financial statements:

- Review and discuss with Management and the Auditors the Company's quarterly financial statements (including disclosures made in Management's Discussion and Analysis, as defined in Multilateral Instrument 51-102, and interim earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public. Approve the interim financial statements and footnotes, MD&A and interim earnings press release.
- Review and discuss with Management and the Auditors the Company's annual audited financial statements (including disclosures made in Management's Discussion and Analysis and annual earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public. Recommend to the Board approval of the annual audited financial statements and footnotes, MD&A and annual earnings press release.

- Recommend to the Board, if appropriate, that the Company's annual audited financial statements be included in the Company's annual report for filing with appropriate securities regulatory agencies.
- Review and approve any reports required to be included in the Company's annual meeting materials and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

3.3 Periodic and annual reviews:

- Periodically review with each of Management and the Auditors (i) any significant disagreement between Management and the Auditors in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit or review (including any restrictions on the scope of work or access to required information), and (iii) Management's response to each.
- Periodically discuss with the Auditors, without Management being present (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Company's financial statements.
- Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or Management. Review with the Auditors and Management, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
- Review with Management, the Auditors and the Company's counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including significant changes in accounting standards or rules as promulgated by the Canadian Institute of Chartered Accountants, the securities regulators having jurisdiction over the Company or other regulatory authorities with relevant jurisdiction.
- Obtain and review an annual report from Management relating to the accounting principles used in preparation of the Company's financial statements (including those policies for which Management is required to exercise discretion or judgments regarding the implementation thereof).
- At least annually, obtain and review a report from Management summarizing the Company's investments in cash or cash equivalents and marketable securities.
- On an annual basis, review the Company's Treasury Investment Policy.

3.4 Discussions with Management:

- Review and discuss with Management the Company's annual and interim earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information), financial information and earnings guidance provided to analysts and rating agencies as well as all other material public disclosure documents such as the Company's AIF, management information circular and any prospectuses.
- Review and discuss with Management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
- Inquire about the application of the Company's accounting policies and their consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for liabilities that may have a material impact on the financial statements of the Company.
- Review and discuss with Management the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures (including Management's risk assessment and risk management policies).
- Review and discuss with Management all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company.

- The Committee will meet periodically and separately with the Company's counsel to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.
- Review annually the Auditors' letter of the recommendations with respect to internal controls over financial reporting to Management and Management's response to such letter.
- Periodically review the Company's administration of equity awards under the Company's long-term incentive plans (stock option plan and restricted share unit plans) including without limitation: (i) the practices and procedures adhered to; and (ii) the accounting treatment of equity awards. In doing so, the Audit Committee shall: (i) have special regard to grants of equity awards to insiders of the Company; (ii) review individual equity awards on a "sample" basis; and (iii) assess the records retention relating to equity awards on a sample basis.

3.5 Internal controls and disclosure:

- In consultation with the Auditors and Management: (a) review the effectiveness of the Company's internal control structure and system including information technology security and control, and the procedures designed to ensure compliance with laws and regulations, and (b) discuss the responsibilities, budget and staffing needs of the Company's internal accounting department.
- Establish and review procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.
- Be satisfied that record retention services provided by third parties are effective. (For example, that equity grants are appropriately recorded and that all information necessary for compliance with all relevant laws, regulations and Company policies is available for review when required).

3.6 Risk Management and Compliance:

- Ensure that in addition to the Committee's oversight of management's process to identify and manage key financial risks, the Company has in place a process for enterprise risk management whereby the Committee reviews the enterprise's most critical risks and tracks management's actions to manage such risks.
- Review with management and the senior risk management executive the charter, activities, staffing and organizational structure of the risk management function.
- On a periodic basis, but not less than once per year, report to the Board on the process for enterprise risk management, the company's most critical risks and management's actions to address such risks.
- Discuss with the senior risk management executive any issues that may have been brought forward concerning compliance with the Company's Code of Business Conduct.
- Ensure that there are no unjustified restrictions or limitations on the activities of the risk management function and review and concur in the appointment, replacement or dismissal of the senior risk management executive.
- On an annual basis, review the effectiveness of the risk management function
- On a regular basis, meet separately with the senior risk management executive to discuss any matters that the Committee or the senior risk management executive believes should be discussed.

3.7 Reporting obligations:

- Ensure that all reporting obligations related to the AIF (Form 40-F for US purposes) and management information circular under Part 5 of Multilateral Instrument 52-110 are fully complied with.

3.8 Other:

- Review and approve all related-party transactions.
- Review and approve the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.
- Review any Management decision to seek a second opinion from Auditors other than the Company's regular Auditors with respect to any significant accounting issue.
- Review with Management and the Auditors the sufficiency and quality of the financial and accounting personnel of the Company.
- Review and reassess the adequacy of this Mandate annually and recommend to the Board any changes the Committee deems appropriate.
- Conduct an annual performance evaluation of Committee operations.
- As necessary to carry out its duties, engage independent legal, accounting or other advisors to advise the Committee and set and pay the compensation for any such legal, accounting or other advisors employed by the Committee.
- Perform any other activities consistent with this Mandate, the Company's By-laws and governing law as the Committee or the Board deems necessary or appropriate.
- The Committee will have full access to all books, records, facilities and personnel of the Company.

4. External and Internal Linkages

- The Board
- The CEO and Senior Management
- The senior Risk Management executive
- The Company's External Auditors
- Outside Consultants and Advisors
- The Corporate Governance and Nominating Committee

Composition of the Audit Committee

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Paul G. Cataford (Chair), Robin A. Abrams , Charles E. Levine and Thomas Sieber are the current members of the Audit Committee. Each of them is an independent director and is financially literate as such terms are defined by applicable Canadian and U.S. securities laws.

Relevant Education and Experience

Robin A. Abrams is an independent director. Ms. Abrams has extensive experience in governance and oversight over the financial matters of large, publicly traded entities including as the CEO of Zilog, Palm Computing, Inc. and VeriFone. Ms. Abrams has held internationally focused executive positions at Apple and Unisys. In addition, she has held CEO positions at start-up companies: Firefly Mobile, a mobile products company for the youth market and BlueKite, a leading provider of bandwidth optimization software for wireless operators. Ms. Abrams earned her B.A. and J.D. degrees from the University of Nebraska, and she serves on the board of directors of HCL Technologies, Lattice Semiconductor Corporation, Zephyr Sleep Technologies Inc., and FactSet Research Systems Inc., as well as on the board of trustees for the Anita Borg Institute for Women and Technology.

Paul G. Cataford is an independent director and has served on public and private boards for over 20 years. In addition to his board activities, Mr. Cataford is currently the Chief Executive Officer of Zephyr Sleep Technologies Inc., a private company in the medical device industry. Previously, he was the President and Chief Executive Officer of University Technologies Inc. (2004 to 2009) and prior to that: Executive Managing Director of BMO Nesbitt Burns Equity Partners Inc. (Private Equity); and Managing Director and President of BCE Capital Inc. (Venture Capital). Mr. Cataford also serves on the board of Defence Construction Canada (a Crown Corporation).

Mr. Cataford has extensive knowledge and experience in: technology investing; building and scaling technology companies; corporate governance; public/private finance; and financial reporting. Mr. Cataford completed a Mechanical Engineering Degree at Queen's University (1987) and a Masters of Business Administration specializing in finance and international business, at the Schulich School of Business (York University - 1991). Mr. Cataford has received the Institute of Corporate Directors certified designation (ICD.D) after attending the ICD-Rotman Directors Education Program (University of Toronto - 2002).

Charles E. Levine is an independent director and a management consultant. Mr. Levine has a track record of developing brands into large businesses, most notably when he was President and Chief Operating Officer of Sprint PCS where he oversaw revenue growth to over $10 billion in four and a half years and at AT&T, where he turned around the Consumer Products and Small Business Markets, winning Popular Electronics Product of the Year for one video conferencing product. He has held senior management positions at CAD Forms Technology and Octel Communications (now part of Lucent). Mr. Levine was named Marketer of the Year in 1999 by MC Magazine and CEO of the Year in 2001 by Frost & Sullivan for his notable achievements at Sprint. He holds an MBA (Marketing) from the J.L. Kellogg Graduate School of Management-Northwestern University, and a bachelor's degree in Economics from Trinity College. Mr. Levine also serves on the Boards of several not for profit organizations.

Thomas Sieber is an independent director. Mr. Sieber has extensive experience as a technology industry executive with demonstrated expertise in building pan-European enterprise sales channels. Mr. Sieber was the CEO of Salt Mobile SA (formerly Orange Switzerland) from 2009 to 2012, where he led a successful turnaround of the business and drove the sales process of the company to a new owner. He then served as Chairman until the end of 2015. Before joining Orange, Mr. Sieber was Executive Vice President of Sales for Fujitsu Siemens Computers. Mr. Sieber started his career at Hewlett-Packard, advancing to General Manager for Small and Medium Enterprise, EMEA, by the time he left the company in 2001. He studied Business Administration at the University of St.Gallen (HSG) in Switzerland, graduating in 1987. In March 2016 he was appointed as Chairman of the largest Swiss utility company, Axpo Holding AG. Mr. Sieber also currently serves on the board of directors of the Swiss software company Garaio AG and the Indian IT services company, HCL Technologies.

The Board of Directors has determined that Ms. Abrams; Mr. Cataford; Mr. Levine and Mr. Sieber are all Audit Committee financial experts within the meaning of General Instruction B(8)(b) of Form 40-F. Each member of the Audit Committee has extensive experience with oversight of the financial reporting of publicly traded companies including: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

The Securities and Exchange Commission ("SEC") has indicated that the designation or identification of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liability on such person that are greater than those imposed on members of the audit committee or board of directors who do not carry this designation or identification, or affect the duties, obligations or liabilities of any other member of the audit committee or board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied upon any exemption from NI 52-110 provided therein.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

Pre-approval Policies and Procedures

The Audit Committee has the sole authority to review in advance and pre-approve all audit and non-audit services to be provided to the Company or its subsidiaries by the external auditor, as well as all fees and other terms of engagement. The Audit Committee may delegate to one or more members the authority to pre-approve non-audit services, provided a report is made to the Audit Committee at its next scheduled meeting. For the fiscal years ended December 31, 2017 and 2016, all of the audit and non-audit services below were pre-approved by the Audit Committee.

Auditor Independence

Sierra Wireless's Audit Committee has concluded that Ernst & Young LLP, the Company's independent registered chartered accountants ("Auditors"), is independent under applicable rules and guidelines and, in particular, that the Auditors are free from conflicts of interest that could impair their objectivity in conducting the audit of the Company's financial statements. The Audit Committee is required to approve all audit and non-audit related services performed by our Auditors, and our Auditors are not permitted to perform services for us prohibited for an independent auditor under applicable Canadian and United States regulations, including the Sarbanes-Oxley Act of 2002.

Auditors' Fees

	2017	2016
Audit fees	$ 1,127,400	$ 827,654
Audit-related fees	—	—
Tax fees	6,200	—
All other fees	—	—
Total	$ 1,133,600	$ 827,654

Audit Fees

Audit fees for 2017 and 2016 include fees related to the audit of our year-end financial statements, the audit of our internal control over financial reporting, review of our interim financial statements, statutory audits, consents and services that are normally provided by our Auditors in connection with statutory and regulatory filings or engagements for such year.

Audit-Related Fees

Audit-related fees for 2017 and 2016 was $nil.

Tax Fees

Tax fees for 2017 were for tax compliance matters.

All Other Fees

No other fees were billed by our Auditors in 2017 or 2016 for services other than those reported in the preceding paragraphs.

LEGAL PROCEEDINGS

We are engaged in certain claims, legal actions and arbitration matters, all in the ordinary course of business, that are described in our Management Discussion and Analysis for the year ended December 31, 2017, which can be found on our website at www.sierrawireless.com or at www.sedar.com, and filed as Exhibit 1.3 to our Annual Report on Form 40-F.

We are not aware at this time of any legal proceedings that are contemplated.

During the financial year ended December 31, 2017:

a) no penalties or sanctions were imposed against Sierra Wireless by a court relating to securities legislation or by a securities regulatory authority;

b) no penalties or sanctions were imposed by a court or regulatory body against Sierra Wireless that would likely be considered important to a reasonable investor in making an investment decision; and

c) no settlement agreements were entered into before a court relating to securities legislation or with a securities regulatory authority.

QUORUM EXEMPTION

The rules and regulations of the NASDAQ require each listed issuer to provide that a quorum for its shareholders' meetings be at least 33 1/3 percent of the issuer's outstanding shares. The Company has been granted an exemption from this requirement because it is contrary to generally accepted business practices in Canada, the Company's country of domicile. The Company has had the benefit of this exemption in the current year and prior years.

In determining whether a requirement is contrary to generally accepted business practices, the NASDAQ rules generally look to the requirements of the primary market in the issuer's country of domicile. The rules and policies of the TSX, the primary market in Canada, do not contain quorum requirements, and the *Canada Business Corporations Act*, the Corporation's governing statute, defers to the quorum requirements contained in an issuer's By-laws. Under the Company's By-laws, a quorum for a meeting of the Company's shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for the Common Shares in Canada is Computershare Investor Services Inc., 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and in the United States is Computershare Trust Company, N.A., 462 South 4th Street, Louisville, Kentucky. These offices and the principal offices of Computershare Investor Services Inc. in the City of Toronto maintain the register of Common Shares and can effect transfers and make deliveries of certificates for Common Shares.

MATERIAL CONTRACTS

The Company is party to the following material contracts as defined in National Instrument 51-102 - Continuous Disclosure Obligations: the Shareholder Rights Plan disclosed under the heading "Description of Capital Structure".

EXPERTS

Our consolidated financial statements at December 31, 2017 and 2016 have been audited by Ernst & Young LLP, independent registered Chartered Professional Accountants, our external auditors. As set forth in their report, Ernst & Young have confirmed with respect to the Company, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Entity under all relevant U.S. professional and regulatory standards. Our consolidated financial statements at December 31, 2015 were audited by KPMG LLP, independent registered Chartered Professional Accountants, our predecessor external auditors. For the year ended December 31, 2015, as set forth in their reports, KPMG LLP has confirmed with respect to the Company, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Entity under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information relating to the Company:

(a) may be found on the System for Electronic Analysis and Retrieval ("SEDAR") at www.sedar.com and on the SEC's Electronic Document and Gathering Retrieval System ("EDGAR") at www.sec.gov;

(b) including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular for its most recent annual meeting of shareholders; and

(c) is provided in the Company's audited financial statements and related management discussion and analysis for the years ended December 31, 2017 and 2016.

Exhibit 1.2

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Sierra Wireless, Inc. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality. Financial information provided elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls over financial reporting as described in *Management's Annual Report on Internal Control Over Financial Reporting* on page 40 of Management's Discussion and Analysis.

The Company's Audit Committee is appointed by the Board of Directors annually and is comprised exclusively of outside, independent directors. The Audit Committee meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for presentation to the shareholders. The Audit Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors. Ernst & Young LLP has direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by Ernst & Young LLP, Chartered Professional Accountants, on behalf of the shareholders, in accordance with the standards of the Public Company Accounting Oversight Board (United States) with respect to the consolidated financial statements for the year ended December 31, 2017. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.

/s/ Jason W. Cohenour
Jason W. Cohenour
President and
Chief Executive Officer

/s/ David G. McLennan
David G. McLennan
Chief Financial Officer

March 7, 2018
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sierra Wireless, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sierra Wireless, Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive earnings (loss), equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
Chartered Professional Accountants

We have served as the Company's auditor since 2016.

Vancouver, Canada
March 7, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sierra Wireless, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Sierra Wireless, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sierra Wireless, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

As indicated in Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Numerex Corp, which is included in the 2017 consolidated financial statements of the Company and constituted 3.47% of total assets as of December 31, 2017 and 0.45% of revenues, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Numerex Corp.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Sierra Wireless, Inc. as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive earnings (loss), equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes and our report dated March 7, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Chartered Professional Accountants

Vancouver, Canada
March 7, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Sierra Wireless, Inc.

We have audited the consolidated statements of operations and comprehensive earnings (loss), equity and cash flows of Sierra Wireless, Inc. for the year ended December 31, 2015. These consolidated financial statements are the responsibility of Sierra Wireless, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and its consolidated cash flows of Sierra Wireless, Inc. for the year period ended December 31, 2015 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Chartered Professional Accountants

February 29, 2016
Vancouver, Canada

SIERRA WIRELESS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS)

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

	Years ended December 31,		
	2017	2016	2015
Revenue	**$ 692,077**	$ 615,607	$ 607,798
Cost of goods sold	**457,130**	397,864	413,943
Gross margin	**234,947**	217,743	193,855
Expenses			
Sales and marketing	**75,594**	64,242	54,144
Research and development (note 7)	**83,361**	73,077	74,020
Administration	**42,904**	40,956	40,321
Restructuring (note 8)	**1,076**	—	951
Acquisition-related and integration	**8,195**	843	1,945
Impairment (note 17)	**3,668**	—	—
Amortization	**20,508**	17,277	12,360
	235,306	196,395	183,741
Earnings (loss) from operations	**(359)**	21,348	10,114
Foreign exchange gain (loss)	**7,550**	(1,736)	(11,843)
Other income (note 9)	**67**	83	115
Earnings (loss) before income taxes	**7,258**	19,695	(1,614)
Income tax expense (note 10)	**3,123**	4,310	1,060
Net earnings (loss)	**4,135**	15,385	(2,674)
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments, net of taxes of $nil	**11,950**	(6,448)	(2,013)
Total comprehensive earnings (loss)	**$ 16,085**	$ 8,937	$ (4,687)
Net earnings (loss) per share (in dollars) (note 12)			
Basic	**$ 0.13**	$ 0.48	$ (0.08)
Diluted	**0.13**	$ 0.48	(0.08)
Weighted average number of shares outstanding (in thousands) (note 12)			
Basic	**32,356**	32,032	32,166
Diluted	**32,893**	32,335	32,166

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)

	As at December 31,	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	**$ 65,003**	$ 102,772
Restricted cash	**221**	—
Accounts receivable (note 13)	**168,503**	143,798
Inventories (note 14)	**53,026**	40,913
Prepaids and other (note 15)	**8,006**	6,530
	294,759	294,013
Property and equipment (note 16)	**42,977**	34,180
Intangible assets (note 17)	**108,599**	74,863
Goodwill (note 18)	**218,516**	154,114
Deferred income taxes (note 10)	**12,197**	16,039
Other assets	**12,058**	5,250
	$ 689,106	$ 578,459
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 19)	**$ 172,395**	$ 167,500
Deferred revenue and credits	**5,455**	5,263
	177,850	172,763
Long-term obligations (note 20)	**36,637**	32,654
Deferred income taxes (note 10)	**7,702**	11,458
	222,189	216,875
Equity		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding: 35,861,510 shares (December 31, 2016 — 31,859,960 shares)	**427,748**	342,450
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	**—**	—
Treasury stock: at cost; 222,639 shares (December 31, 2016 — 355,471 shares)	**(3,216)**	(5,134)
Additional paid-in capital	**27,962**	24,976
Retained earnings	**16,899**	13,718
Accumulated other comprehensive loss (note 21)	**(2,476)**	(14,426)
	466,917	361,584
	$ 689,106	$ 578,459

Commitments and contingencies (note 26)

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

On behalf of the Board:

/s/ Jason W. Cohenour
Jason W. Cohenour
Director

/s/ Paul G. Cataford
Paul G. Cataford
Director

SIERRA WIRELESS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands of U.S. dollars, except where otherwise stated)

	Common Stock		Treasury Shares					
	# of shares	$	# of shares	$	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2014	31,868,541	$ 339,640	342,645	$ (6,236)	$ 26,909	$ 2,514	$ (5,965)	$ 356,862
Stock option exercises (note 11)	357,136	5,434	—	—	(1,597)	—	—	3,837
Stock-based compensation (note 11)	—	—	—	—	8,942	—	—	8,942
Purchase of treasury shares for RSU distribution	—	—	306,476	(6,584)	—	—	—	(6,584)
Distribution of vested RSUs	111,524	1,379	(408,508)	8,803	(12,526)	—	—	(2,344)
Excess tax benefits from equity awards	—	—	—	—	2,270	—	—	2,270
Net loss	—	—	—	—	—	(2,674)	—	(2,674)
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(2,013)	(2,013)
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 22)	(809,872)	(8,696)	—	—	—	(1,507)	—	(10,203)
Stock option exercises (note 11)	231,704	2,906	—	—	(858)	—	—	2,048
Stock-based compensation (note 11)	—	—	—	—	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 earnings	—	—	—	—	—	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 22)	**(170,217)**	**(1,825)**	**—**	**—**	**—**	**(954)**	**—**	**(2,779)**
Stock option exercises (note 11)	**500,184**	**8,122**	**—**	**—**	**(2,282)**	**—**	**—**	**5,840**
Stock-based compensation (note 11)	**—**	**—**	**—**	**—**	**10,341**	**—**	**—**	**10,341**
Distribution of vested RSUs	**90,751**	**1,788**	**(132,832)**	**1,918**	**(5,073)**	**—**	**—**	**(1,367)**
Issue of shares on Numerex acquisition, net of share issue cost of $132 (note 5(a))	**3,580,832**	**77,213**	**—**	**—**	**—**	**—**	**—**	**77,213**
Net earnings	**—**	**—**	**—**	**—**	**—**	**4,135**	**—**	**4,135**
Foreign currency translation adjustments, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**11,950**	**11,950**
Balance as at December 31, 2017	**35,861,510**	**$ 427,748**	**222,639**	**$ (3,216)**	**$ 27,962**	**$ 16,899**	**$ (2,476)**	**$ 466,917**

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)

	Years ended December 31,		
	2017	2016	2015
Cash flows provided by (used in):			
Operating activities			
Net earnings (loss)	**$ 4,135**	$ 15,385	$ (2,674)
Items not requiring (providing) cash			
Amortization	**30,503**	25,894	20,216
Stock-based compensation (note 11(a))	**10,341**	7,629	8,942
Deferred income taxes	**748**	(2,707)	(2,841)
Reduction in accrued royalty obligation	**—**	(13,045)	—
Impairment	**3,668**	—	—
Unrealized foreign exchange loss (gain)	**(8,507)**	(862)	6,219
Other	**(55)**	(303)	(773)
Changes in non-cash working capital			
Accounts receivable	**(10,584)**	(26,475)	(8,437)
Inventories	**(6,806)**	(5,785)	(16,262)
Prepaids and other	**(4,875)**	6,970	(5,748)
Accounts payable and accrued liabilities	**(18,932)**	38,601	18,612
Deferred revenue and credits	**(564)**	1,203	(451)
Cash flows provided by (used in) operating activities	**(928)**	46,505	16,803
Investing activities			
Additions to property and equipment	**(14,100)**	(16,957)	(14,003)
Additions to intangible assets	**(1,706)**	(900)	(1,076)
Proceeds from sale of property & equipment	**35**	3	5
Acquisitions, net of cash acquired:			
Numerex Corp (note 5(a))	**(18,725)**	—	—
GNSS business of GlobalTop (note 5(b))	**(3,145)**	—	—
Blue Creation (note 5(c))	**—**	(2,882)	—
GenX Mobile Inc. (note 5(d))	**—**	(5,900)	—
MobiquiThings SAS (note 5(e))	**—**	—	(14,975)
Accel Networks LLC (note 5(f))	**—**	—	(9,471)
Wireless Maingate AB (note 5(g))	**—**	—	(88,449)
Cash flows used in investing activities	**(37,641)**	(26,636)	(127,969)
Financing activities			
Issuance of common shares, net of issuance cost	**5,708**	2,048	3,837
Repurchase of common shares for cancellation (note 22)	**(2,779)**	(10,203)	—
Purchase of treasury shares for RSU distribution	**—**	(4,214)	(6,584)
Taxes paid related to net settlement of equity awards	**(1,367)**	(909)	(2,344)
Payment for contingent consideration	**(1,397)**	(16)	—
Decrease in other long-term obligations	**(436)**	(395)	(226)
Cash flows used in financing activities	**(271)**	(13,689)	(5,317)
Effect of foreign exchange rate changes on cash and cash equivalents	**1,292**	2,656	3,357
Cash and cash equivalents and restricted cash, increase (decrease) in the year	**(37,548)**	8,836	(113,126)
Cash and cash equivalents and restricted cash, beginning of year	**102,772**	93,936	207,062
Cash and cash equivalents and restricted cash, end of year	**$ 65,224**	$ 102,772	$ 93,936

Supplemental cash flow information (note 23)

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

SIERRA WIRELESS, INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Sierra Wireless, Inc., together with its subsidiaries (collectively, "the company, we, our") was incorporated under the Canada Business Corporations Act on May 31, 1993. Sierra Wireless is an Internet of Things ("IoT") pioneer, empowering businesses and industries to transform and thrive in the connected economy. Customers start their IoT deployments with Sierra Wireless because we provide an integrated device-to-cloud solution comprised of embedded and networking solutions seamlessly connected with our IoT services. Original Equipment Manufacturers ("OEMs") and enterprises worldwide rely on our expertise in delivering fully-integrated solutions to reduce complexity, turn edge network data into intelligent decisions and get their connected products and services to market faster.

We have sales, engineering, and research and development teams located in offices around the world. The primary markets for our products are North America, Europe and Asia Pacific.

We operate our business under three reportable segments:

OEM Solutions	Embedded cellular modules, short range wireless modules, software and tools for OEM customers who integrate wirelessly into their products and solutions.
Enterprise Solutions	Intelligent routers and gateways, and management solutions that enable cellular connectivity.
IoT Services	Internet services including a cloud-based platform for deploying and managing IoT applications, Smart SIM supported by our mobile core networks, and managed wireless broadband services to enable worldwide customer IoT deployments. Effective December 11, 2017, our former Cloud and Connectivity Services segment was renamed to IoT Services to reflect the acquisition of Numerex Corp. (note 5 (a)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with U.S. GAAP.

(a) Basis of consolidation

Our 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 inter-company transactions and balances have been eliminated on consolidation.

(b) Use of estimates

The consolidated financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. On an ongoing basis, management reviews its estimates, including those related to inventory obsolescence, estimated useful lives of long-lived assets, valuation of intangible assets, goodwill, royalty and warranty accruals, other liabilities, stock-based compensation, allowance for doubtful accounts receivable, income taxes, restructuring costs, contingent consideration and commitments and contingencies, based on currently available information. Actual amounts could differ from estimates.

(c) **Revenue recognition**

Revenue from sales of products and services is recognized upon the later of transfer of title or upon shipment of the product to the customer or rendering of the service, as long as persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable, and collection is reasonably assured.

Contractual allowances for product returns and price amendments are estimated and recorded as a reduction to revenue.

Cash received in advance of the revenue recognition criteria being met is recorded as deferred revenue.

Revenues from contracts with multiple-element arrangements are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements.

Revenue from activation or set up fees charged in advance of contracted monthly recurring revenue is deferred and recognized over the estimated customer or specific contract life on a straight line basis. Revenue from cloud and connectivity subscription services are generally billed monthly and recognized when earned.

Revenue from licensed software is recognized at the inception of the license term. Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are recorded as deferred revenue and amortized into income over the applicable earning period.

Funding from certain research and development agreements is recognized as revenue when certain criteria stipulated under the terms of those funding agreements have been met, and when there is reasonable assurance the funding will be received. Certain research and development funding may be repayable on the occurrence of specified future events.

(d) **Research and development costs**

Research and development costs are expensed as they are incurred. We capitalize certain software development costs principally related to software coding, designing system interfaces and installation, and testing of the software, once technological feasibility is reached.

We follow the cost reduction method of accounting for certain agreements, including government research and development funding, whereby the benefit of the funding is recognized as a reduction in the cost of the related expenditure when certain criteria stipulated under the terms of those funding agreements have been met, and there is reasonable assurance the research and development funding will be received.

(e) **Warranty costs**

Warranty costs are accrued upon the recognition of related revenue, based on our best estimates, with reference to past and expected future experience. Warranty obligations are included in accounts payable and accrued liabilities in our consolidated balance sheet.

(f) **Royalty costs**

We have intellectual property license agreements which generally require us to make royalty payments based on a combination of fixed fees and percentage of the revenue generated by sales of products incorporating the licensed technology. We recognize royalty obligations in accordance with the terms of the respective royalty agreements. Royalty costs are recorded as a component of cost of goods sold in the period when incurred.

Where agreements are not in place, we recognize our current best estimate of the royalty obligation in cost of goods sold, accrued liabilities and long-term liabilities. Historically (prior to October 1, 2016), in determining this estimate, we based our calculations on an assumption that royalty calculations could be based on a percentage of the entire value of an end-product (i.e., revenue). This conformed with our legacy license agreements.

Significant legal precedent now exists in the United States supporting the smallest saleable unit ("SSU") principle (i.e., the principle that any royalty obligations should be no more than a portion of the profits for a component within the product that implements the patented technology) as the appropriate methodology for determining FRAND standard essential patent ("SEP") royalties. Using this principle, the royalty accrual on our products is based on the value of the patented technology in the chipset, representing the SSU that implements the technology, and not on the entire value of the end-product.

The cumulative effect of these legal changes to the licensing landscape, combined with supportive legislative initiatives and broad industry support for the SSU principle, at the time of the expiry of one of our significant legacy IP licenses, prompted management to reassess its contingent royalty obligation estimate during the fourth quarter of the year ended December 31, 2016. The use of the SSU principle as the basis to determine the estimate, as opposed to value of end-product, resulted in a reduction of $13.0 million to our estimated royalty obligation effective October 1, 2016.

(g) **Market development costs**

Market development costs are charged to sales and marketing expense to the extent that the benefit is separable from the revenue transaction and the fair value of that benefit is determinable. To the extent that such costs either do not provide a separable benefit, or the fair value of the benefit cannot be reliably estimated, such amounts are recorded as a reduction of revenue.

(h) **Income taxes**

Income taxes are accounted for using the asset and liability method. Deferred income tax assets and liabilities are based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and non-capital loss, capital loss, and tax credits carry-forwards are measured using the enacted tax rates and laws expected to apply when these differences reverse. Deferred tax benefits, including non-capital loss, capital loss, and tax credits

carry-forwards, are recognized to the extent that realization of such benefits is considered more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that enactment occurs.

We include interest and penalties related to income taxes, including unrecognized tax benefits, in *income tax expense.*

Liabilities for uncertain tax positions are recorded based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, income taxes payable and deferred taxes in the period in which the facts that give rise to a revision become known.

We recognize the tax effects related to share-based payments at settlement or expiration in *Income tax expense*.

(i) **Stock-based compensation and other stock-based payments**

Stock options and restricted share units granted to the company's key officers, directors and employees are accounted for using the fair value-based method. Under this method, compensation cost for stock options is measured at fair value at the date of grant using the Black-Scholes valuation model, and is expensed over the awards' vesting period using the straight-line method. Any consideration paid by plan participants on the exercise of stock options or the purchase of shares is credited to common stock together with any related stock-based compensation expense. Compensation cost for restricted share units is measured at fair value at the date of grant which is the market price of the underlying security, and is expensed over the awards' vesting period using the straight-line method. In the third quarter of 2016, we early adopted ASU 2016-09 and elected to make an entity-wide election to account for forfeitures in compensation expense when they occur. The application of this election did not have a material impact on our financial statements.

(j) **Earnings (loss) per common share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) for the period by the weighted average number of company common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. When the effect of options and other securities convertible into common shares is anti-dilutive, including when the company has incurred a loss for the period, basic and diluted earnings (loss) per share are the same.

Under the treasury stock method, the number of dilutive shares, if any, is determined by dividing the average market price of shares for the period into the net proceeds of in-the-money options.

(k) **Translation of foreign currencies**

Our functional and reporting currency is the U.S. dollar.

Revenue and expense items denominated in foreign currencies are translated at exchange rates prevailing during the period. Monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities are translated at exchange rates in effect when the assets are acquired or the obligations are incurred. Foreign exchange gains and losses are reflected in net earnings (loss) for the period.

We have foreign subsidiaries that are considered to be self-contained and integrated within their foreign jurisdiction, and accordingly, use the respective local currency as their functional currency. The assets and liabilities of the foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the balance sheet dates, equity is translated at historical rates, and revenue and expenses are translated at exchange rates prevailing during the period. The foreign exchange gains and losses arising from the translation are reported as a component of other comprehensive income (loss), as presented in note 21, *Accumulated Other Comprehensive Loss*.

(l) **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term deposits with original maturities of three months or less. The carrying amounts approximate fair value due to the short-term maturities of these instruments.

(m) **Allowance for doubtful accounts receivable**

We maintain an allowance for our accounts receivable for estimated losses that may result from our customers' inability to pay. We determine the amount of the allowance by analyzing known uncollectible accounts, aged receivables, economic conditions, historical losses, insured amounts, if any, and changes in customer payment cycles and credit-worthiness. Amounts later determined and specifically identified to be uncollectible are charged against this allowance.

If the financial condition of any of our customers deteriorates resulting in an impairment of their ability to make payments, we may increase our allowance.

(n) **Financing receivables**

We lease certain hardware devices to a small number of hardware distributors under sales-type leases which have terms ranging from two to four years and bear interest at 2%. Because the devices are not functional on our network without an active service agreement with us, we can de-activate devices for non-payment.

We evaluate the credit quality of our financing receivables on an ongoing basis utilizing an aging of the accounts and write-offs, customer collection experience, the customer's financial condition, known risk characteristics impacting the respective customer base, and other available economic conditions, to determine the appropriate allowance.

(o) **Derivatives**

Derivatives, such as foreign currency forward contracts, may be used to hedge the foreign exchange risk on cash flows from commitments denominated in a foreign currency. Derivatives are recorded in *Accounts receivable* or *Accounts payable and accrued liabilities* and measured at fair value at each balance sheet date. Any resulting gains and losses from changes in the fair value are recorded in *Foreign exchange gain (loss)*.

(p) **Inventories**

Inventories consist of electronic components and finished goods and are valued at the lower of cost or estimable realizable value, determined on a first-in-first-out basis. Cost is defined as all costs that relate to bringing the inventory to its present condition and location under normal operating conditions.

We review the components of our inventory and our inventory purchase commitments on a regular basis for excess and obsolete inventory based on estimated future usage and sales. Write-downs in inventory value or losses on inventory purchase commitments depend on various items, including factors related to customer demand, economic and competitive conditions, technological advances and new product introductions that vary from current expectations. We believe that the estimates used in calculating the inventory provision are reasonable and properly reflect the risk of excess and obsolete inventory. If customer demands for our inventory are substantially less than our estimates, additional inventory write-downs may be required.

(q) **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization. We amortize our property and equipment on a straight-line basis over the following estimated economic lives:

Furniture and fixtures	3-5 years
Research and development equipment	3-10 years
Production equipment	2-7 years
Tooling	1.5-3 years
Computer equipment	1-5 years
Software	1-5 years
Office equipment	3-5 years
Monitoring equipment	3-5 years
Network equipment	3-7 years

Research and development equipment related amortization is included in research and development expense. Tooling, production, monitoring and certain network equipment related amortization is included in cost of goods sold. All other amortization is included in amortization expense.

Leasehold improvements and leased vehicles are amortized on a straight-line basis over the lesser of their expected average service life or term of the lease.

When we sell property and equipment, we net the historical cost less accumulated depreciation and amortization against the sale proceeds and include the difference in *Other income*.

(r) **Intangible assets**

The estimated useful life of intangible assets with definite lives is the period over which the assets are expected to contribute to our future cash flows. When determining the useful life, we consider the expected use of the asset, useful life of any related intangible asset, any legal, regulatory or contractual provisions that limit the useful life, any legal, regulatory, or contractual renewal or extension provisions without substantial costs or modifications to the existing terms and conditions, the effects of obsolescence, demand, competition and other economic factors, and the expected level of maintenance expenditures relative to the cost of the asset required to obtain future cash flows from the asset.

We amortize our intangible assets on a straight-line basis over the following specific periods:

Patents and trademarks	—	3-5 years
Licenses	—	over the shorter of the term of the license or an estimate of their useful life, ranging from three to ten years
Intellectual property and customer relationships	—	3-13 years
Brand	—	over the estimated life
In-process research and development	—	over the estimated life

In-process research and development ("IPRD") are intangible assets acquired as part of business combinations. Prior to their completion, IPRD are intangible assets with indefinite life and they are not amortized but subject to impairment test on an annual basis.

Research and development related amortization is included in research and development expense. All other amortization is included in amortization expense.

(s) **Goodwill**

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed in a business combination.

Goodwill has an indefinite life, is not amortized, and is subject to a two-step impairment test on an annual basis. The first step compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. If the carrying amount exceeds the implied fair value of the goodwill, the second step measures the amount of the impairment loss. If the carrying amount exceeds the fair value of the goodwill, an impairment loss is recognized equal to that excess.

(t) **Impairment of long-lived assets**

Long-lived assets, including property and equipment, and intangible assets other than goodwill, are assessed for potential impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset.

Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired.

(u) **Comprehensive income (loss)**

Comprehensive income (loss) includes net earnings (loss) as well as changes in equity from other non-owner sources. The other changes in equity included in comprehensive income (loss) are comprised of foreign currency cumulative translation adjustments.

(v) **Investment tax credits**

Investment tax credits are accounted for using the flow-through method whereby such credits are accounted for as a reduction of income tax expense in the period in which the credit arises.

(w) **Comparative figures**

Certain figures presented in the consolidated financial statements have been reclassified to conform to the presentation adopted for the current year.

3. RECENTLY IMPLEMENTED ACCOUNTING STANDARDS

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update is to address diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. This requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents by including restricted cash and restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal periods. Early adoption is permitted, and any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. In the fourth quarter of 2017, we early adopted ASU 2016-18 and there was no material impact to our financial statements and business.

4. 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 will 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 have commenced the development of appropriate changes to our business processes, systems, and controls to support recognition and disclosure under the new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update is to improve transparency and comparability among organizations by requiring lessees to recognize right-of-use assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This update will replace the incurred loss impairment methodology for credit losses on financial instruments with a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The update addresses eight specific cash flow issues with the objective of reducing diversity in practice. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal periods. Early application is permitted. We will adopt the standard in the first quarter of 2018. The update does not have a material impact on our financial statements.

5. ACQUISITIONS

(a) Numerex Corp.

On December 7, 2017, we completed the stock-for-stock merger transaction to acquire Numerex Corp. ("Numerex"). In accordance with the Agreement and Plan of Merger dated August 2, 2017, by and among the company, Numerex and Wireless Acquisition Sub, Inc. we issued 3,580,832 common shares as merger consideration in exchange for all of the outstanding shares of Numerex common stock and certain outstanding Numerex equity awards and warrants. Additionally, approximately $20.2 million in aggregate was paid at closing to retire outstanding Numerex debt.

Total consideration for the acquisition is as follows:

	$
Issuance of common shares	**77,346**
Debt extinguishment	**20,155**
	97,501

We accounted for the transaction using the acquisition method and accordingly, recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective preliminary fair values as at December 7, 2017. The excess of the purchase price over the preliminary value assigned to the net assets acquired is recorded as goodwill.

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

	$
Cash	**1,430**
Deferred income tax asset	**1,049**
Property and equipment	**7,244**
Identifiable intangible assets	**45,700**
Goodwill	**50,642**
Other working capital	**(7,417)**
Long-term obligations	**(1,147)**
Fair value of net assets acquired	**97,501**

The goodwill of $50.6 million resulting from the acquisition consists largely of the expectation that the acquisition will expand our position as a leading global IoT pure-play and significantly increase our subscription-based recurring services revenue. Goodwill has been assigned to the IoT Services segment and approximately $5.8 million is deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life	$
Customer relationships	**9 years**	**26,270**
Existing technology	**3 years**	**10,210**
Brand	**13 years**	**9,220**
		45,700

The amount of revenue of Numerex included in our consolidated statements of operations from the acquisition date, through the period ended December 31, 2017, was $3.1 million. The amount of net loss of Numerex included in our consolidated statements of operations for the aforementioned period was $0.8 million. We recorded transaction costs of $4.0 million in *acquisition-related and integration* for the year ended December 31, 2017; transaction cost of $0.1 million related to issuance cost was recorded in *common stock* during the year ended December 31, 2017.

The following table presents the unaudited pro forma results for the year ended December 31, 2017 and 2016. The pro forma financial information combines the results of operations of Sierra Wireless, Inc. and Numerex as though the businesses had been combined as of the beginning of fiscal 2016. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2016. The unaudited pro forma financial information presented includes amortization charges for acquired tangible and intangible assets, and related tax effects.

	2017	2016
Pro forma information		
Revenue	**$ 747,719**	$ 686,252
Loss from operations	**(8,973)**	(5,205)
Net loss	**(3,577)**	(7,334)
Basic and diluted loss per share (in dollars)	**$ (0.10)**	$ (0.21)

(b) 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 $3.1 million. 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.

The transaction is accounted for using the acquisition method and accordingly, we have recorded the tangible and intangible assets acquired and liabilities assumed on the basis of their respective fair values as at March 31, 2017. The excess of the purchase price over the final value assigned to the net assets acquired is recorded as goodwill.

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

	$
Assets acquired	
Inventory	**604**
Property and equipment	**175**
Identifiable intangible assets	**1,160**
Goodwill	**1,206**
Fair value of net assets acquired	**3,145**

Goodwill of $1.2 million resulting from the acquisition consists largely of the expectation that the acquisition will expand our embedded solution portfolio for OEM customers in the key markets we serve. Goodwill is deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired:

	Estimated useful life	$
Customer Relationships	**5 years**	**640**
Existing Technology	**3 years**	**410**
Backlog	**11 months**	**110**
		1,160

The amount of revenue and net earnings from the GNSS business included in our consolidated statements of operations from the acquisition date, through the year ended December 31, 2017, was $3.4 million and $nil, respectively. There was no significant impact on the Company's revenue and net earnings on a pro forma basis for all periods presented.

(c) 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.

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 their respective fair values as at November 2, 2016.

In accordance with ASC 805, *Business Combinations,* the earn-out has been recognized as acquisition-related costs over the earn-out period.

The following table summarizes the values assigned to the assets acquired and liabilities assumed at the acquisition date:

	$
Assets acquired	
Cash	**3,563**
Accounts receivable	**237**
Other assets	**111**
Identifiable intangible assets	**2,540**
Goodwill	**920**
	7,371
Liabilities assumed	
Accounts payable and accrued liabilities	**392**
Deferred income taxes	**534**
Fair value of net assets acquired	**6,445**

Goodwill of $0.9 million resulting from the acquisition will strengthen our strategic position within our OEM Solutions segment. Goodwill is not deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired:

	Estimated useful life	$
Customer relationships	**3.5 years**	**2,090**
Existing technology	**4 years**	**450**
		2,540

(d) GenX Mobile Inc.

On August 3, 2016, we completed the acquisition of all of the outstanding shares of GenX Mobile Incorporated ("GenX") for total cash consideration of $7.8 million ($5.9 million, net of cash acquired), plus contingent consideration for inventory consumption in excess of $1.0 million, up to a maximum of $1.4 million.

At acquisition date, we recognized the fair value of the contingent consideration at $1.4 million based on a probability estimate of consumption of acquisition date inventory within the specified 12 month period of the contingent consideration.

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 their respective fair values as at August 3, 2016. The excess of the purchase price over the value assigned to the net assets acquired is recorded as goodwill.

Total consideration for the acquisition is as follows:

	$
Cash	**7,752**
Contingent consideration	**1,375**
	9,127

The following table summarizes the values assigned to the assets acquired and liabilities assumed at the acquisition date:

	$
Assets acquired	
Cash	**1,852**
Accounts receivable	**1,754**
Inventory	**2,375**
Other assets	**124**
Identifiable intangible assets	**3,926**
Goodwill	**1,782**
	11,813
Liabilities assumed	
Accounts payable and accrued liabilities	**1,458**
Deferred income taxes	**1,228**
Fair value of net assets acquired	**9,127**

Goodwill of $1.8 million resulting from the acquisition consists largely of the expectation that the acquisition will further strengthen our Enterprise Solutions segment. Goodwill is not deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired:

	Estimated useful life	$
Customer relationships	**5 years**	**2,640**
Existing technology	**4 years**	**973**
In-process research and development		**313**
		3,926

(e) MobiquiThings SAS

On September 2, 2015, we acquired all of the shares of MobiquiThings SAS ("MobiquiThings") for cash consideration of €13.5 million ($15.2 million), plus a maximum contingent consideration of €12 million under a performance-based earn-out formula. MobiquiThings is a France-based mobile virtual network operator dedicated exclusively to the Machine-to-Machine and Telematics marketplace.

At acquisition date, we recognized the contingent consideration at fair value based on a weighted probability estimate of achievement of the earn-out within the specified periods of the contingent consideration. In accordance with ASC 805, *Business Combinations*, $0.5 million was recognized as purchase price consideration and the remaining balance is being expensed to acquisition-related costs over the earn-out period. The change in fair value at each reporting period is recognized in earnings.

Total consideration for the acquisition is as follows:

	€	$
Cash	**13,506**	**15,216**
Contingent consideration	**470**	**529**
	13,976	**15,745**

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 September 2, 2015. The excess of the purchase price over the value assigned to the net assets acquired is recorded as goodwill.

The following table summarizes the values assigned to the assets acquired and liabilities assumed at the acquisition date:

	€	$
Assets acquired		
Cash	**214**	**241**
Accounts receivable	**1,026**	**1,156**
Prepaids and other assets	**107**	**120**
Property and equipment	**1,041**	**1,173**
Identifiable intangible assets	**5,071**	**5,713**
Goodwill	**9,922**	**11,179**
	17,381	**19,582**
Liabilities assumed		
Accounts payable and accrued liabilities	**1,715**	**1,932**
Deferred income tax	**1,690**	**1,905**
Fair value of net assets acquired	**13,976**	**15,745**

Goodwill of $11.2 million resulting from the acquisition consists largely of the expectation that the acquisition will further solidify our device-to-cloud strategy. Goodwill is not deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life	€	$
Customer relationships	**11 years**	**3,379**	**3,807**
Existing technology	**4.5 years**	**1,692**	**1,906**
		5,071	**5,713**

The acquisition had no significant impact on revenues and net earnings for the year ended December 31, 2015. There was also no significant impact on the Company's revenues and net income on a pro forma basis for all periods presented.

(f) Accel Networks LLC

On June 18, 2015, we acquired substantially all of the assets of Accel Networks LLC ("Accel") for cash consideration of $9.5 million, plus a maximum contingent consideration of $1.5 million under a performance-based earn-out formula. Accel is a leader in managed cellular broadband technology and connectivity services in North America.

At acquisition date, we recognized the fair value of the contingent consideration at $0.8 million based on a weighted probability estimate of achievement of the earn-out within the specified 12 month period of the contingent consideration. At December 31, 2015, management determined that the achievement of the earn-out will not be attained and recorded the reversal of the fair value of the contingent consideration in *acquisition-related costs*.

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 their respective fair values as

at June 18, 2015. The excess of the purchase price over the final value assigned to the net assets acquired is recorded as goodwill.

Total consideration for the acquisition is as follows:

	$
Cash	**9,471**
Contingent consideration	**753**
	10,224

The following table summarizes the final values assigned to the assets acquired and liabilities assumed at the acquisition date:

	$
Assets acquired	
Accounts receivable	**551**
Prepaid and other assets	**59**
Inventory	**133**
Property and equipment	**1,388**
Identifiable intangible assets	**5,499**
Goodwill	**3,706**
	11,336
Liabilities assumed	
Accounts payable and accrued liabilities	**1,034**
Deferred revenue	**78**
Fair value of net assets acquired	**10,224**

Goodwill of $3.7 million resulting from the acquisition consists largely of the expectation that the acquisition will strengthen our IoT Services segment. Goodwill is deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life	$
Brand	**20 years**	**1,169**
Customer relationships	**10 years**	**2,352**
Existing technology	**5 years**	**1,978**
		5,499

The acquisition had no significant impact on revenues and net earnings for the year ended December 31, 2015. There was also no significant impact on the Company's revenues and net income on a pro forma basis for all periods presented.

(g) Wireless Maingate AB

On January 16, 2015, we acquired all of the shares of Wireless Maingate AB ("Maingate") for cash consideration of $91.6 million ($88.4 million, net of cash acquired). Maingate is a Sweden-based provider of M2M connectivity and data management services.

We accounted for the transaction using the acquisition method and accordingly, recorded the tangible and intangible assets acquired and liabilities assumed on the basis of our estimates of their respective fair values as at January 16, 2015. The excess of the purchase price over the final value assigned to the net assets acquired is recorded as goodwill.

The following table summarizes the final values assigned to the assets acquired and liabilities assumed at the acquisition date:

	$
Assets acquired	
Cash	**3,139**
Accounts receivable	**2,795**
Prepaid and other assets	**270**
Inventory	**75**
Property and equipment	**275**
Identifiable intangible assets	**50,231**
Goodwill	**45,593**
	102,378
Liabilities assumed	
Accounts payable and accrued liabilities	**4,437**
Deferred revenue	**172**
Deferred income tax	**6,181**
Fair value of net assets acquired	**91,588**

Goodwill of $45.6 million resulting from the acquisition consists largely of the expectation that the acquisition will strengthen our business and offer us significantly enhanced market position in Europe. Goodwill is not deductible for tax purposes.

The following table provides the components of the identifiable intangible assets acquired that are subject to amortization:

	Estimated useful life	$
Brand	**20 years**	**4,820**
Customer relationships	**12 years**	**34,571**
Existing technology	**4 years**	**3,411**
In-process research and development	**8 years**	**7,429**
		50,231

The following table presents the unaudited pro forma results for the year ended December 31, 2015 and 2014. The pro forma financial information combines the results of operations of Sierra Wireless, Inc. and Maingate as though the businesses had been combined as of the beginning of fiscal 2014. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2014. The unaudited pro forma financial information presented includes amortization charges for acquired tangible and intangible assets, and related tax effects.

	2015	2014
Pro forma information		
Revenue	$ 608,516	$ 569,340
Earnings (loss) from operations	8,861	(4,719)
Net loss	(3,652)	(15,339)
Basic and diluted loss per share (in dollars)	$ (0.11)	$ (0.49)

6. SEGMENTED INFORMATION

As our chief operating decision maker does not evaluate the performance of our operating segments based on segment assets, management does not classify asset information on a segmented basis. Despite the absence of discrete financial information, we do measure our revenue based on other forms of categorization such as by the geographic distribution in which our products are sold.

REVENUE AND GROSS MARGIN BY SEGMENT

	Year ended December 31, 2017			
	OEM Solutions	Enterprise Solutions	IoT Services	Total
Revenue	$ 555,887	$ 101,535	$ 34,655	$ 692,077
Cost of goods sold	384,872	53,014	19,244	457,130
Gross margin	$ 171,015	$ 48,521	$ 15,411	$ 234,947
Gross margin %	30.8%	47.8%	44.5 %	33.9%
Expenses				235,306
Loss from operations				$ (359)
Total assets				$ 689,106

	Year ended December 31, 2016			
	OEM Solutions	Enterprise Solutions	IoT Services	Total
Revenue	$ 516,517	$ 71,486	$ 27,604	$ 615,607
Cost of goods sold	349,921	31,537	16,406	397,864
Gross margin	$ 166,596	$ 39,949	$ 11,198	$ 217,743
Gross margin %	32.3%	55.9%	40.6 %	35.4%
Expenses				196,395
Earnings from operations				$ 21,348
Total assets				$ 578,459

	Year ended December 31, 2015			
	OEM Solutions	Enterprise Solutions	IoT Services	Total
Revenue	$ 523,366	$ 63,072	$ 21,360	$ 607,798
Cost of goods sold	371,559	29,945	12,439	413,943
Gross margin	$ 151,807	$ 33,127	$ 8,921	$ 193,855
Gross margin %	29.0%	52.5%	41.8 %	31.9%
Expenses				183,741
Loss from operations				$ 10,114
Total assets				$ 546,332

REVENUE BY GEOGRAPHICAL REGION

	2017	2016	2015
Americas	**$ 219,453**	$ 194,019	$ 196,476
Europe, Middle East and Africa	**157,975**	137,803	116,686
Asia-Pacific	**314,649**	283,785	294,636
	$ 692,077	$ 615,607	$ 607,798

PROPERTY AND EQUIPMENT BY GEOGRAPHICAL REGION

	2017	2016
Americas	**$ 26,608**	$ 18,001
Europe, Middle East and Africa	**11,136**	10,814
Asia-Pacific	**5,233**	5,365
	$ 42,977	$ 34,180

7. RESEARCH AND DEVELOPMENT

The components of research and development costs consist of the following:

	2017	2016	2015
Gross research and development	**$ 84,246**	$ 73,695	$ 74,599
Government tax credits	**(885)**	(618)	(579)
	$ 83,361	$ 73,077	$ 74,020

8. RESTRUCTURING

In February 2017, we made a decision to relocate the customer support and network operations within the IoT Services segment from Sweden to France and the United States to achieve operational efficiencies. As a result, 19 employees were impacted and we recorded $1.1 million in *restructuring costs* for the year ended December 31, 2017. As at December 31, 2017, outstanding liability of $0.5 million is included in *accounts payable and accrued liabilities* and is expected to be paid by February 2019.

9. OTHER INCOME

The components of other income for the years ended December 31 were as follows:

	2017	2016	2015
Interest income	**$ 245**	$ 163	$ 269
Interest expense	**(159)**	(71)	(154)
Other	**(19)**	(9)	—
	$ 67	$ 83	$ 115

10. INCOME TAXES

The components of earnings (loss) before income taxes consist of the following:

	2017	2016	2015
Canadian	**$ 7,205**	$ 15,480	$ 2,611
Foreign	**53**	4,215	(4,225)
Earnings (loss) before income taxes	**$ 7,258**	$ 19,695	$ (1,614)

The income tax expense (recovery) consists of:

	2017	2016	2015
Canadian:			
Current	**$ 28**	$ (287)	$ 11
Deferred	**1,665**	401	(2,086)
	$ 1,693	$ 114	$ (2,075)
Foreign:			
Current	**$ 2,347**	$ 7,304	$ 5,511
Deferred	**(917)**	(3,108)	(2,376)
	$ 1,430	$ 4,196	$ 3,135
Total:			
Current	**$ 2,375**	$ 7,017	$ 5,522
Deferred	**748**	(2,707)	(4,462)
	$ 3,123	$ 4,310	$ 1,060

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision for the years ended December 31 was as follows:

	2017	2016	2015
Income tax expense (recovery) at Canadian statutory income tax rates of 26.01% (2016 - 26.01%; 2015 - 26.01%)	**$ 1,903**	$ 5,122	$ (421)
Increase (decrease) in income taxes for:			
Permanent and other differences	**(1,452)**	(2,192)	(464)
Change in statutory/foreign tax rates and foreign exchange rates	**1,049**	11,581	(979)
Change in valuation allowance	**1,571**	(11,403)	1,952
Stock-based compensation expense	**1,633**	1,039	1,206
Adjustment to prior years	**(1,581)**	163	(234)
Income tax expense (recovery)	**$ 3,123**	$ 4,310	$ 1,060

Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to significant deferred tax assets and deferred tax liabilities were as follows at December 31:

	2017	2016
Deferred income tax assets (liabilities)		
Property and equipment	**$ 1,470**	$ 2,223
Non capital loss carry-forwards	**87,854**	63,094
Capital loss carry-forwards	**3,166**	4,321
Scientific research and development expenses and credits	**23,829**	25,651
Reserves and other	**14,927**	13,201
Investments	**(16,611)**	—
Acquired intangibles	**(13,761)**	(9,102)
	100,874	99,388
Valuation allowance	**96,379**	94,807
	$ 4,495	$ 4,581

		2017		2016
Classification:				
Assets				
Non-current	**$**	**12,197**	$	16,039
Liabilities				
Non-current		**(7,702)**		(11,458)
	$	**4,495**	$	4,581

At December 31, 2017, we have provided for a valuation allowance on our deferred tax assets of $96,379 (2016 - $94,807).

At December 31, 2017, we have Canadian allowable capital loss carry-forwards of $11,519 that are available, indefinitely, to be deducted against future Canadian taxable capital gains. In addition, we have investment tax credits of $22,029 and $9,902 available to offset future Canadian federal and provincial income taxes payable, respectively. The investment tax credits expire between 2018 and 2037. At December 31, 2017, our U.S. subsidiary has $6,445 of California research & development tax credits which may be carried forward indefinitely.

At December 31, 2017, net operating loss carry-forwards for our foreign subsidiaries were $49,682 for U.S. income tax purposes that expire between 2020 and 2037, $599 for Brazil income tax purposes, $15,659 for Sweden income tax purposes, $23 for Norway income tax purposes, $68,430 for Luxembourg income tax purposes, and $214,853 for French income tax purposes. The Brazil, Sweden, Norway, Luxembourg and French net operating loss carry-forward may be carried forward indefinitely. Our foreign subsidiaries may be limited in their ability to use foreign net operating losses in any single year depending on their ability to generate significant taxable income. In addition, the utilization of the U.S. net operating losses is also subject to ownership change limitations provided by U.S. federal and specific state income tax legislation. The amount of Brazil net operating losses deducted each year is limited to 30% of each year's taxable income. The amount of French net operating losses deducted each year is limited to €1.0 million plus 50% of French taxable income in excess of €1.0 million. Our French net operating losses carry-forward is subject to the “continuity of business” requirement. Our French subsidiaries also have research tax credit carried forward of $4,092 as at December 31, 2017. The French tax credits may be used to offset against corporate income tax and if any tax credits are not fully utilized within a three year period following the year the tax credits are earned, it may be refunded by the French tax authorities. Tax loss and tax credits carry-forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss and research tax credit carry forwards in future years.

In assessing the realizability of our deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible and the loss carry-forwards or tax credits can be utilized. Management considers projected future taxable income and tax planning strategies in making our assessment.

No provision for taxes have been provided on undistributed foreign earnings, as it is the company’s intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. It is not practical to estimate the income tax liability that might be incurred if there is a change in management’s intention in the event that a remittance of such earnings occur in the future.

The Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the US federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. At December 31, 2017, we have not completed our accounting for the tax effects of enactment of the Act; however, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. Based on a reasonable estimate, we recognized a provisional amount of $1,127, which is included as a component of income tax expense.

Provisional amounts

We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally at a 24% combined rate. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of our deferred tax balance was $1,066.

The one-time transition tax is based on our total post-1986 earnings and profits (E&P) for which we have previously deferred from US income taxes. We recorded a provisional amount for our one-time transition tax liability for our foreign subsidiaries, resulting in an increase in income tax expense of $61. We have not yet completed our calculation of the total post-1986 foreign E&P for these foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when we finalize the calculation of post-1986 foreign E&P previously deferred from US federal taxation and finalize the amounts held in cash or other specified assets. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax and any additional outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations.

Accounting for uncertainty in income taxes

At December 31, 2017, we had gross unrecognized tax benefits of $4,418 (2016 — $4,329). Of this total, $747 (2016 — $1,859) represents the amount of unrecognized tax benefits that, if recognized, would favorably impact our effective tax rate.

Below is a reconciliation of the total amounts of unrecognized tax benefits for the years ended December 31:

		2017		2016
Unrecognized tax benefits, beginning of year	**$**	**4,329**	$	4,346
Increases — tax positions taken in prior periods		**36**		633
Increases — tax positions taken in current period		**61**		74
Settlements and lapses of statute of limitations		**(8)**		(724)
Unrecognized tax benefits, end of year	**$**	**4,418**	$	4,329

We recognize interest expense and penalties related to unrecognized tax benefits within the provision for income tax expense on the consolidated statement of operations. At December 31, 2017, we had reversed $642 (2016 - $1,058) for accruals of interest and penalties.

In the normal course of business, we are subject to audit by the Canadian federal and provincial taxing authorities, by the U.S. federal and various state taxing authorities and by the taxing authorities in various foreign jurisdictions. Tax years ranging from 2004 to 2017 remain subject to examination in Canada, the United States, the United Kingdom, France, Germany, Australia, China, Hong Kong, Brazil, South Africa, Japan, Korea, Taiwan, Italy, Sweden, Norway, India, Spain, and Luxembourg.

The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. The Company believes it is reasonably possible that certain tax matters may be concluded in the next 12 months. The Company estimates that the unrecognized tax benefits at December 31, 2017 could increase by approximately $46 in the next 12 months.

11. STOCK-BASED COMPENSATION PLANS

(a) Stock-based compensation expense:

	2017	2016	2015
Cost of goods sold	**$ 461**	$ 420	$ 630
Sales and marketing	**2,503**	1,714	2,151
Research and development	**2,038**	1,375	1,422
Administration	**5,339**	4,120	4,739
	$ 10,341	$ 7,629	$ 8,942
Stock option plan	**3,297**	2,170	2,090
Restricted stock plan	**7,044**	5,459	6,852
	$ 10,341	$ 7,629	$ 8,942

(b) Stock option plan

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 December 31, 2017, stock options exercisable into 2,122,670 common shares are available for future allocation under the Plan.

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

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

	2017	2016	2015
Risk-free interest rate	**1.37%**	0.73%	0.97%
Annual dividends per share	**Nil**	Nil	Nil
Expected stock price volatility	**55%**	51%	44%
Expected option life (in years)	**4.0**	4.0	4.0
Average fair value of options granted (in dollars)	**$ 11.09**	$ 4.40	$ 10.64

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.

The following table presents stock option activity for the years ended December 31:

	Number of Options	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		Cdn.$	U.S.$	In Years	U.S.$
Outstanding, December 31, 2014	1,144,057	13.94	12.00	2.9	40,550
Granted	218,331	41.62	29.94		
Exercised	(357,136)	14.42	10.37		6,813
Forfeited	(39,341)	23.74	17.09		
Outstanding, December 31, 2015	965,911	21.47	15.44	2.5	3,541
Granted	651,357	14.72	10.95		
Exercised	(231,704)	11.76	8.75		1,608
Forfeited	(69,941)	19.25	14.32		
Outstanding, December 31, 2016	1,315,623	19.65	14.61	2.9	4,687
Granted	**685,936**	**32.16**	**25.58**		
Exercised	**(500,184)**	**14.91**	**11.86**		**6,997**
Forfeited	**(37,894)**	**24.58**	**19.55**		
Outstanding, December 31, 2017	**1,463,481**	**26.38**	**20.98**	**3.2**	**4,788**

The intrinsic value of outstanding 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 following table summarizes the stock options outstanding and exercisable at December 31, 2017:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Option Life (years)	Weighted Average Exercise Price Cdn.$	Weighted Average Exercise Price U.S.$	Number of Options Exercisable	Weighted Average Exercise Price Cdn.$	Weighted Average Exercise Price U.S.$
$9.26 - $11.46 U.S. $11.64 - $14.41 Cdn	**430,255**	**3.0**	**13.60**	**10.81**	**138,865**	**13.57**	**10.79**
$11.47 - $25.15 U.S. $14.42 - $31.62 Cdn	**501,534**	**3.2**	**27.79**	**22.10**	**138,343**	**21.33**	**16.97**
$25.16 - $28.34 U.S. $31.63 - $35.64 Cdn	**351,879**	**4.2**	**32.79**	**26.08**	**—**	**—**	**—**
$28.35 - $33.60 U.S. $35.65 - $42.25 Cdn	**179,813**	**2.1**	**40.44**	**32.16**	**127,550**	**40.44**	**32.16**
	1,463,481	**3.2**	**26.38**	**20.98**	**404,758**	**24.69**	**19.64**

The options outstanding at December 31, 2017 expire between February 26, 2018 and November 6, 2022.

As at December 31, 2017, the unrecognized stock-based compensation cost related to the non-vested stock options was $7,879 (2016 — $3,754; 2015 — $3,171), which is expected to be recognized over a weighted average period of 2.8 years (2016 — 2.5 years; 2015 — 2.4 years).

(c) Restricted share plans

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 restricted share units ("RSUs"). There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of 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, during the second quarter of 2017, the Board of Directors amended the maximum number of share units outstanding under the Plan to not exceed 2.6% (reduced from 3.5%) of the number of issued and outstanding shares. Based on the number of shares outstanding as at December 31, 2017, 410,751 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 some vest at 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 intrinsic value of outstanding RSUs is calculated as the quoted market price of the stock at the balance sheet date, or date of vesting.

The following table summarizes the RSU activity for the years ended December 31:

	Number of RSUs	Weighted Average Grant Date Fair Value Cdn.$	Weighted Average Grant Date Fair Value U.S.$	Weighted Average Remaining Contractual Life In years	Aggregate Intrinsic Value U.S.$
Outstanding, December 31, 2014	1,161,765	14.56	12.54	1.7	55,118
Granted	230,689	42.16	30.33		
Vested / settled	(590,720)	14.20	10.21		19,494
Forfeited	(23,501)	30.02	21.60		
Outstanding, December 31, 2015	778,233	25.08	18.04	1.8	12,219
Granted	354,517	15.08	11.21		
Vested / settled	(358,497)	19.57	14.56		4,477
Forfeited	(28,279)	21.85	16.26		
Outstanding, December 31, 2016	745,974	22.59	16.81	2.1	11,689
Granted	**454,685**	**32.02**	**25.47**		
Vested / settled	**(284,888)**	**22.86**	**18.18**		**6,098**
Forfeited	**(39,030)**	**21.10**	**16.77**		
Outstanding, December 31, 2017	**876,741**	**26.80**	**21.31**	**2.1**	**17,919**
Outstanding – vested and not settled	**142,726**				
Outstanding – unvested	**734,015**				
Outstanding, December 31, 2017	**876,741**				

As at December 31, 2017, the total remaining unrecognized compensation cost associated with the RSUs totaled $9,346 (2016 — $5,408; 2015 — $6,838), which is expected to be recognized over a weighted average period of 1.6 years (2016 — 1.6 years; 2015 — 1.3 years).

12. EARNINGS (LOSS) PER SHARE

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

	2017	2016	2015
Net earnings (loss)	**$ 4,135**	$ 15,385	$ (2,674)
Weighted average shares used in computation of:			
Basic	**32,356**	32,032	32,166
Assumed conversion	**537**	303	—
Diluted	**32,893**	32,335	32,166
Net earnings (loss) per share (in dollars):			
Basic	**$ 0.13**	$ 0.48	$ (0.08)
Diluted	**0.13**	0.48	(0.08)

As the Company incurred a loss for the year ended December 31, 2015, all equity awards for that year were anti-dilutive and were excluded from the diluted weighted average shares.

13. ACCOUNTS RECEIVABLE

The components of accounts receivable at December 31 were as follows:

		2017		2016
Trade receivables	**$**	**137,963**	$	121,384
Less: allowance for doubtful accounts		**(1,827)**		(2,486)
		136,136		118,898
Sales taxes receivable		**3,120**		2,808
R&D tax credits		**4,408**		5,331
Financing receivables		**1,442**		—
Other receivables		**23,397**		16,761
	$	**168,503**	$	143,798

The movement in the allowance for doubtful accounts during the years ended December 31 were as follows:

		2017		2016		2015
Balance, beginning of year	**$**	**2,486**	$	2,088	$	2,275
Bad debt expense (recovery)		**(535)**		383		615
Write-offs and settlements		**(194)**		15		(792)
Foreign exchange		**70**		—		(10)
	$	**1,827**	$	2,486	$	2,088

14. INVENTORIES

The components of inventories at December 31 were as follows:

		2017		2016
Electronic components	**$**	**32,753**	$	29,043
Finished goods		**20,273**		11,870
	$	**53,026**	$	40,913

15. PREPAIDS AND OTHER

The components of prepaids and other at December 31 were as follows:

		2017		2016
Inventory advances	**$**	**93**	$	902
Insurance and licenses		**608**		634
Deposits		**2,161**		1,667
Other		**5,144**		3,327
	$	**8,006**	$	6,530

16. PROPERTY AND EQUIPMENT

The components of property and equipment at December 31 were as follows:

	2017		
	Cost	**Accumulated amortization**	**Net book value**
Furniture and fixtures	**$ 2,495**	**$ 1,477**	**$ 1,018**
Research and development equipment	**35,589**	**25,831**	**9,758**
Production equipment and tooling	**39,426**	**23,229**	**16,197**
Computer equipment	**9,611**	**7,279**	**2,332**
Software	**6,859**	**4,346**	**2,513**
Leasehold improvements	**6,399**	**3,950**	**2,449**
Leased vehicles	**1,122**	**752**	**370**
Office equipment	**1,460**	**971**	**489**
Monitoring equipment	**3,881**	**106**	**3,775**
Network equipment	**5,503**	**1,427**	**4,076**
	$ 112,345	**$ 69,368**	**$ 42,977**

	2016		
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 1,885	$ 1,209	$ 676
Research and development equipment	31,896	23,544	8,352
Production equipment and tooling	48,685	32,766	15,919
Computer equipment	9,845	8,063	1,782
Software	8,463	6,108	2,355
Leasehold improvements	5,850	3,208	2,642
Leased vehicles	1,127	915	212
Office equipment	1,050	594	456
Network equipment	2,535	749	1,786
	$ 111,336	$ 77,156	$ 34,180

Amortization expense relating to property and equipment was $14,032, $12,492, and $8,479 for the years ended December 31, 2017, 2016, and 2015, respectively.

17. INTANGIBLE ASSETS

The components of intangible assets at December 31 were as follows:

	2017		
	Cost	**Accumulated amortization**	**Net book value**
Patents and trademarks	**$ 15,404**	**$ 12,077**	**$ 3,327**
Licenses	**51,859**	**50,434**	**1,425**
Intellectual property	**28,411**	**13,541**	**14,870**
Customer relationships	**124,706**	**53,627**	**71,079**
Brand	**15,153**	**1,318**	**13,835**
In-process research and development	**11,012**	**6,949**	**4,063**
	$ 246,545	**$ 137,946**	**$ 108,599**

	2016		
	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 14,181	$ 9,638	$ 4,543
Licenses	45,714	44,667	1,047
Intellectual property	16,966	10,864	6,102
Customer relationships	91,156	41,679	49,477
Brand	5,451	665	4,786
In-process research and development	14,422	5,514	8,908
	$ 187,890	$ 113,027	$ 74,863

Estimated annual amortization expense for the next 5 years ended December 31 are as follows:

2018	**16,908**
2019	**10,062**
2020	**8,247**
2021	**5,835**
2022	**5,034**

In the first quarter of 2017, we recorded an impairment of $3,668 related to an intangible asset recorded on the acquisition of Maingate as a result of a decision to terminate a service offering that has now been superseded by a more technologically advanced offering in our integrated IoT Services business.

Amortization expense relating to intangible assets was $16,471, $13,402, and $11,737 for the years ended December 31, 2017, 2016, and 2015, respectively.

The weighted-average remaining useful lives of intangible assets was 6.9 years as at December 31, 2017.

At December 31, 2017, a net carrying amount of $313 (December 31, 2016 - $2,425) included in intangible assets was not subject to amortization.

18. GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31 were as follows:

		2017		2016
Balance at beginning of year	**$**	**154,114**	$	156,488
Goodwill acquired (note 5(a) and 5(b))		**51,848**		2,702
Foreign currency translation adjustments		**12,554**		(5,076)
	$	**218,516**	$	154,114
OEM Solutions	**$**	**111,348**	$	101,404
Enterprise Solutions		**27,405**		26,469
IoT Services		**79,763**		26,241
	$	**218,516**	$	154,114

We assessed the recoverability of goodwill as at October 1, 2017 for each of the identified reporting units and determined that the fair value of each of the three reporting units exceeded its carrying value. Therefore, the second step of the impairment test that measures the amount of an impairment loss by comparing the implied fair market value with the carrying amount of goodwill for each reporting unit was not required.

There was no impairment of goodwill during the years ended December 31, 2017, 2016 and 2015.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities at December 31 were as follows:

		2017		2016
Trade payables	**$**	**94,775**	$	109,236
Inventory commitment reserve		**1,440**		3,850
Accrued royalties		**14,548**		13,042
Accrued payroll and related liabilities		**17,572**		13,009
Deferred rent		**2,597**		965
Professional services		**4,153**		1,496
Taxes payable (including sales taxes)		**4,070**		4,922
Product warranties (note 26(b)(iii))		**8,235**		7,637
Other		**25,005**		13,343
	$	**172,395**	$	167,500

20. LONG-TERM OBLIGATIONS

The components of long-term obligations at December 31 were as follows:

		2017		2016
Accrued royalties	**$**	**24,318**	$	22,763
Other		**12,319**		9,891
	$	**36,637**	$	32,654

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss at December 31, net of taxes, were as follows:

		2017		2016
Balance, beginning of period	**$**	**(14,426)**	$	(7,978)
Foreign currency translation adjustments		**5,416**		(4,891)
Gain (loss) on long term intercompany balances		**6,534**		(1,557)
	$	**(2,476)**	$	(14,426)

22. 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 could 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.

During the year ended December 31, 2017, we purchased and canceled 170,217 common shares (2016 — 809,872 common shares) at an average price of $16.35 per share (2016 — $12.61). The excess purchase price over and above the average carrying value in the amount of $954 (2016 - $1,507) were charged to retained earnings.

23. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes supplemental cash flow information and non-cash activities:

	2017	2016	2015
Net income taxes paid	**$ 6,100**	$ 4,181	$ 3,093
Interest paid	**105**	127	137
Non-cash property and equipment additions	**—**	200	—
Non-cash additions funded by obligation under capital leases	**143**	544	237
Non-cash additions related to asset retirement obligations	**75**	520	—

As at December 31, 2017, restricted cash of $221 is held in escrow related to certain vendor obligations.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

	2017	2016	2015
Cash and cash equivalents	**$ 65,003**	$ 102,772	$ 93,936
Restricted cash	**221**	—	—
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	**$ 65,224**	$ 102,772	$ 93,936

24. FAIR VALUE MEASUREMENT

(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 December 31, 2017, we were committed to foreign currency forward contracts totalling $15.6 million Canadian dollars with an average forward rate of 1.290, maturing between January to December 2018. We recorded unrealized gain of $307 in *Foreign exchange gain* for those outstanding contracts in the year ended December 31, 2017 (2016 — nil).

We have contingent consideration related to the acquisitions of MobiquiThings in 2015 that was measured using unobservable inputs which represents a Level 3 measurement within the fair value hierarchy. The contingent consideration is measured at each reporting period and any changes in the fair value are recorded in earnings. In the twelve months ended December 31, 2017, a nominal amount (2016 — $303) was recognized in "Acquisition-related and integration" expense related to the change in the fair value of the contingent consideration.

(b) Credit Facilities

On May 30, 2017, our $10 million revolving term credit facility ("Revolving Facility") with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce expired. Subsequently, the Revolving Facility was renewed with the same financial institutions on an uncommitted basis. The Revolving Facility is for general corporate purposes, is secured by a pledge against substantially all of our assets and is subject to borrowing base limitations. As at December 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 and guarantees and is guaranteed by Export Development Canada. As at December 31, 2017, there were two letters of credit issued against the revolving standby letter of credit facility for a total value of $0.1 million.

25. FINANCIAL INSTRUMENTS

Financial Risk Management

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, derivatives such as foreign currency forward and option contracts, accounts payable and accrued liabilities.

We have exposure to the following business risks:

We maintain substantially all of our cash and cash equivalents with major financial institutions or invest in government instruments. Our deposits with banks may exceed the amount of insurance provided on such deposits.

We outsource manufacturing of our products to third parties and, accordingly, we are dependent upon the development and deployment by third parties of their manufacturing abilities. The inability of any supplier or manufacturer to fulfill our supply requirements could impact future results. We have supply commitments to our contract manufacturers based on our estimates of customer and market demand. Where actual results vary from our estimates, whether due to execution on our part or market conditions, we are at risk.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. We perform on-going credit evaluations of our customer's financial condition and require letters of credit or other guarantees whenever deemed appropriate.

Although a significant portion of our revenues are in U.S. dollars, we incur operating costs that are denominated in other currencies. Fluctuations in the exchange rates between these currencies could have a material impact on our business, financial condition and results of operations.

We are generating and incurring an increasing portion of our revenue and expenses, respectively, outside of North America including Europe, the Middle East and Asia. To manage our foreign currency risks, we may enter into foreign currency forward and options contracts should we consider it to be advisable to reduce our exposure to future foreign exchange fluctuations.

We are subject to risks typical of an international business including, but not limited to, differing economic conditions, changes in political climate, differing tax structures other regulations and restrictions and foreign exchange rate volatility. Accordingly, our future results could be materially affected by changes in these or other factors.

26. COMMITMENTS AND CONTINGENCIES

(a) Operating leases

We have entered into operating leases for property and equipment. The minimum future payments under various operating leases for our continuing operations in each of the years ended December 31 is as follows:

2018	**$**	**7,164**
2019		**6,157**
2020		**5,863**
2021		**5,804**
2022		**3,140**
Subsequent years		**4,465**
	$	**32,593**

(b) 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 potential 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. An analysis of changes in the liability for product warranties follows:

		2017		2016
Balance, beginning of year	**$**	**7,637**	$	7,362
Provisions		**4,431**		4,214
Expenditures		**(3,833)**		(3,939)
Balance, end of year	**$**	**8,235**	$	7,637

(c) Other commitments

We have entered into purchase commitments totaling approximately $133,407 net of related electronic components inventory of $5,206 (December 31, 2016 — $105,523, net of electronic components inventory of $9,264), with certain contract manufacturers under which we have committed to buy a minimum amount of designated products between January 2018 and June 2018. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

We have also entered into purchase commitments totaling approximately $33,122 with certain mobile network operators, under which we have committed to buy a minimum amount of wireless data and wireless data services between January 2018 and March 2021.

(d) 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. 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 patent that 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., once a patent is identified, the analysis of the patent and a comparison to the activities of the company is a labor-intensive and highly technical process); the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of patent litigation.

We are required to apply judgment with respect to any potential loss or range of loss in connection with litigation. While we believe we have meritorious defenses to the claims asserted against us in our currently outstanding litigations, and intend to defend ourselves vigorously in all 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 the alleged use of data transmission error checking technology in our wireless products. The lawsuit is in the discovery stage. In August 2017, we filed a motion to dismiss the lawsuit pursuant to 35 U.S.C. § 101, and a decision on the motion is pending. In December 2017, we filed a Petition for *Inter Partes* Review of the patent-in-suit with the United States Patent and Trial Appeal Board and a decision on institution of the proceeding is pending.

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 one of our US subsidiaries. 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 Solutions"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us, one of our US subsidiaries, 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 Solutions filed a second patent infringement lawsuit against us in the same court with respect to a recently issued patent held by M2M Solutions (US Patent No. 8,648,717), which patent is a continuation of one of the patents-in-suit in the original lawsuit filed against us by M2M Solutions. The lawsuit was administratively closed in September 2015 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 March 2017, the PTAB issued its decisions in the instituted proceedings, invalidating all independent claims and several dependent claims in the single patent-in-suit. In June 2017, Blackbird Tech LLC ("Blackbird") was joined as a plaintiff in the lawsuit. The lawsuit has been administratively re-opened. In October 2017, a motion to dismiss the lawsuit pursuant to 35 U.S.C. § 101 was filed and has been briefed.

In October 2017, Numerex, its board of directors, the Company and one of our U.S. subsidiaries, Wireless Acquisition Sub, Inc. were named as defendants in a class action lawsuit filed by purported stockholders of Numerex alleging, among other things, that the defendants issued or caused to be issued a materially misleading and incomplete Registration Statement on Form F-4 with the U.S. Securities and Exchange Commission in connection with the Transaction. In October 2017, Numerex and its board of directors were also named as defendants in a separate class action lawsuit filed by purported stockholders of Numerex. Both lawsuits were voluntarily dismissed in December 2017.

In October 2017, a patent holding company, Iron Oak Technologies, LLC ("Iron Oak"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and one of our U.S. subsidiaries. The lawsuit makes certain allegations concerning our embedded wireless module products. The lawsuit has been dismissed with prejudice.

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.

Exhibit 1.3

SIERRA WIRELESS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended December 31, 2017

DATED March 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information for the years ended December 31, 2017, 2016 and 2015 and up to and including March 7, 2018. This MD&A should be read together with our audited consolidated financial statements and the accompanying notes for the year ended December 31, 2017 ("the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP" or "GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

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

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

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

In this MD&A, unless the context otherwise requires, references to "the Company", "Sierra Wireless", "we", "us" and "our" refer to Sierra Wireless, Inc. and its subsidiaries.

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

Cautionary Note Regarding Forward-looking Statements

This MD&A contains certain statements and information that are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws (collectively, "forward-looking statements"), including our business outlook for the short and longer term; statements regarding our strategy, plans and future operating performance; the Company's liquidity and capital resources; the Company's financial and operating objectives and strategies to achieve them; general economic conditions; expectations regarding the recent acquisition of Numerex Corp. ("Numerex"); estimates of our expenses, future revenues, non-GAAP earnings per share and capital requirements; our expectations regarding the legal proceedings we are involved in; statements with respect to the Company's estimated working capital; expectations with respect to the adoption of IoT solutions; expectations in respect of our next generation Narrowband IoT; expectations regarding trends in the IoT market and wireless module market; expectations regarding product and price competition from other wireless device manufacturers and solution providers; and our ability to implement effective control procedures. Forward-looking statements are provided to help you understand our views of our short and longer term plans, expectations and prospects. We caution you that forward-looking statements may not be appropriate for other purposes.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are not promises or guarantees of future performance, they represent our current views and may change significantly. Forward-looking statements are based on a number of material assumptions, including, but not limited to, those listed below, which could prove to be significantly incorrect:

- *our ability to develop, manufacture and sell new products and services that meet the needs of our customers and gain commercial acceptance;*
- *our ability to continue to sell our products and services in the expected quantities at the expected prices and expected times;*
- *expected cost of goods sold;*
- *potential component supply constraints;*
- *our ability to win new business;*
- *our ability to integrate the business, operations and workforce of Numerex and to return the Numerex business to profitable growth and realize the expected benefits of the acquisition;*
- *our ability to integrate other acquired businesses and realize expected benefits;*
- *expected deployment of next generation networks by wireless network operators;*
- *our operations not being adversely disrupted by other developments, operating or regulatory risks; and*
- *expected tax rates and foreign exchange rates.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ significantly from those expressed or implied in our forward-looking statements, including, without limitation:

- *competition from new or established competitors or from those with greater resources;*
- *risks related to the recent acquisition of Numerex;*
- *disruption of, and demands on, our ongoing business and diversion of management's time and attention in connection with other acquisitions or divestitures;*
- *the loss of or significant demand fluctuations from any of our significant customers;*
- *cyber-attacks or other breaches of our information technology security;*
- *our financial results being subject to fluctuation;*
- *our ability to respond to changing technology, industry standards and customer requirements;*
- *our ability to attract or retain key personnel;*
- *risks related to infringement on intellectual property rights of others;*
- *our ability to obtain necessary rights to use software or components supplied by third parties;*
- *our ability to enforce our intellectual property rights;*
- *difficult or uncertain global economic conditions;*
- *our reliance on single source suppliers for certain components used in our products;*
- *failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects or other quality issues;*
- *our dependence on a limited number of third party manufacturers;*
- *unanticipated costs associated with litigation or settlements;*
- *our dependence on mobile network operators to offer and promote acceptable wireless service programs;*
- *risks related to contractual disputes with counterparties;*
- *risks related to governmental regulation;*
- *risks related to the transmission, use and disclosure of user data and personal information; and*
- *risks inherent in foreign jurisdictions.*

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to below under "Risks and Uncertainties" and those referred to in our other regulatory filings with the U.S. Securities and Exchange Commission (the "SEC") in the United States and the provincial securities commissions in Canada.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

OVERVIEW

Business Overview

Sierra Wireless is an Internet of Things ("IoT") pioneer, empowering businesses and industries to transform and thrive in the connected economy. Customers start their IoT deployments with Sierra Wireless because we provide an integrated device-to-cloud solution comprised of embedded and networking solutions seamlessly connected with our IoT services. Original Equipment Manufacturers ("OEMs") and enterprises worldwide rely on our expertise in delivering fully-integrated solutions to reduce complexity, turn edge network data into intelligent decisions and get their connected products and services to market faster.

We operate our business under three reportable segments: (i) OEM Solutions; (ii) Enterprise Solutions; and (iii) IoT Services. Effective December 11, 2017, our former Cloud and Connectivity Services segment was renamed IoT Services to coincide with the acquisition of Numerex which is now included in our IoT Services segment.

OEM Solutions

As a leading embedded module vendor, we provide standards-based wireless technologies and support open source initiatives that help OEMs and system integrators get their products to market faster. We make it easy to embed cellular, Wi-Fi, Bluetooth and Global Navigation Satellite System ("GNSS") technologies, as well as manage connectivity, devices and data through our cloud platform. Our OEM Solutions segment includes embedded cellular modules, short range wireless modules, software and tools for OEM customers who integrate wireless connectivity into their products and solutions across a broad range of industries, including automotive, transportation, energy, enterprise networking, sales and payment, mobile computing, security, industrial monitoring, field services, smart home, healthcare and others. Within our OEM Solutions segment, our embedded wireless module product portfolio spans second generation ("2G"), third generation ("3G"), fourth generation ("4G") Long-Term Evolution ("LTE") and Low Power Wide Area ("LPWA") cellular technologies, short range modules focused on Bluetooth and Wi-Fi technologies and GNSS. Our broad product portfolio also includes cloud-based remote device and data management capability, as well as support for our embedded application framework called Legato which is an open source, Linux-based platform. We are also advancing our capabilities at the edge of the network to enable intelligent data orchestration through additional software that enhances our integrated IoT offering.

Enterprise Solutions

Our Enterprise Solutions segment provides secure networking solutions comprised of routers and gateways complemented by cloud-based or on-premise software for secure device and network management. Our networking solutions address a range of key segments within the mobility, industrial and enterprise markets.

Sierra Wireless AirLink gateways and routers have strong brand recognition with network operators, value added resellers and end customers. Our gateways and routers are known for their high reliability and technical capability in mission critical applications deployed in hostile environmental conditions. The gateways leverage Sierra Wireless' expertise in wireless technologies and offer the latest capabilities in LTE networking. The acquisition of GenX Mobile Incorporated ("GenX") in 2016 has added vehicle tracking (telematics) devices to our product portfolio, which are sold through large fleet management partners.

We sell our AirLink gateways and routers through channel partners in a two-tier distribution model worldwide. Our Enterprise Solutions team also includes a direct sales force and an expert technical team which engages with key customers in each of our target segments.

IoT Services

Our IoT Services segment enables the digital transformation of enterprises through integrated IoT services and comprises three main areas of operation: (i) our cloud services, which provide a secure and scalable cloud platform for deploying and managing IoT subscriptions, over-the-air updates, devices and applications; (ii) our global cellular connectivity services, which include our Smart SIM and core network platforms; and (iii) our managed broadband cellular services, which include a combination of hardware, high speed connectivity and cloud services. These cloud, connectivity and broadband services have been integrated to support our device-to-cloud strategy and enable worldwide IoT deployments by our customers. Our solution makes it simple to rapidly build and scale IoT applications while de-risking the deployment process. Sierra Wireless offers the broadest array of cloud and connectivity services to connect customers to the mobile network, manage devices and power their IoT services.

Our AirVantage cloud platform is used to collect, manage and process data from any number of connected devices. It allows our customers to centrally deploy and monitor IoT devices at the edge of the network, including configuring device settings and delivering firmware and embedded application updates remotely over the air. Our connectivity services offering, which includes our flexible Smart SIM technology, utilizes global, multi-operator subscriptions with unique benefits for IoT deployments including quality of service improvements and multi-operator network coverage. Our managed broadband services provide network connectivity solutions for distributed enterprises utilizing cellular broadband gateways, routers and advanced antennas.

We significantly advanced our device-to-cloud capabilities in 2015 by completing three acquisitions and rapidly expanding our IoT services business. These acquisitions included: Wireless Maingate AB ("Maingate"), a Sweden-based provider of IoT connectivity and data management services; Accel Networks LLC ("Accel"), a provider of secure managed cellular broadband connectivity services for distributed enterprises in North America and MobiquiThings SAS ("MobiquiThings"), a France-based mobile virtual network operator providing intelligent global connectivity services to the IoT marketplace. These businesses have been integrated into our IoT services segment, which now also includes the operations of Numerex, described below.

Acquisition of Numerex

On December 7, 2017, in accordance with the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of August 2, 2017, we acquired all of the outstanding shares of Numerex in a stock-for-stock merger transaction (the "Transaction") whereby Numerex stockholders received a fixed exchange ratio of 0.18 common shares of Sierra Wireless for each share of Numerex common stock. On closing of the Transaction, Sierra Wireless issued 3,580,832 common shares as merger consideration in exchange for all of the outstanding shares of Numerex common stock and certain outstanding Numerex equity awards and warrants. Concurrent with closing, approximately $20.2 million in the aggregate was paid to retire outstanding Numerex debt for total consideration of $97.5 million.

Numerex is a provider of enterprise solutions enabling IoT deployments. Numerex’s solutions produce new revenue streams and create operating efficiencies for its customers. Numerex provides its technology and services through its integrated platforms, which are generally sold on a subscription basis. Numerex offers a portfolio of managed end-to-end IoT solutions including smart devices, network connectivity and service applications capable of addressing the needs of a wide spectrum of vertical markets and industrial customers. Numerex’s mission is to empower enterprise operations with world-class, managed IoT solutions that are simple, scalable, and secure. We expect the acquisition of Numerex to expand our position as a leading global IoT pure-play and significantly increase our subscription-based recurring services revenue.

Numerex is now a wholly owned subsidiary of Sierra Wireless and its operations are being integrated with those of our IoT Services segment. For the period from December 8, 2017 to December 31, 2017, the results of the operations of Numerex have been consolidated into the Company's results and the balance sheet of Numerex as at

December 31, 2017 is consolidated with the balance sheet of Sierra Wireless. Numerex contributed $3.1 million in revenue and incurred a $1.5 million operating loss during the period from December 8, 2017 to December 31, 2017.

Other Acquisitions in 2017

During the second quarter, we acquired the technology assets of Flow Search Corp. ("FlowThings"), a small start-up based in Brooklyn, New York for total cash consideration of $0.2 million. The assets acquired provide a data orchestration platform for rapid application development at the edge and in the cloud. We believe this platform and the hiring of the FlowThings research and development ("R&D") team will help strengthen our device-to-cloud offering and accelerate time-to-market for our customers.

On March 31, 2017, we completed the acquisition of substantially all of the assets of the GNSS embedded module business of GlobalTop Technology Inc. ("GlobalTop") for total cash consideration of $3.1 million. GlobalTop is a Taiwan-based business that specializes in the development and manufacture of a wide variety of embedded GNSS modules and serves OEM customers around the world. GlobalTop's products and technologies are complementary to our OEM Solutions portfolio. The acquisition builds on our strategy to expand our embedded solution portfolio for OEM customers in the key IoT markets we serve.

We continue to seek opportunities to acquire or invest in businesses, products and technologies that help us drive our strategy forward and expand our position in the IoT market.

Our Mission, Vision and Values

Our mission is to be the IoT partner of choice for wireless device-to-cloud solutions and our vision is to empower businesses to reimagine their future in the connected world. Our core values are:

- Innovation: We develop intelligent wireless solutions based on superior technology that provides value to our customers.
- Execution: We deliver on our commitments together as a team, and focus on quality and excellence in everything we do.
- Trust: We are responsive and collaborative with our customers to help them grow their businesses.

Our Strategy

The global IoT market is growing significantly and new IoT applications are helping people and organizations to increase productivity, save energy costs, create new business models and provide value-added services to their customers. An integral factor in the growth of IoT applications is cellular connectivity, which enables the transmission of data from connected devices and machines, through advanced mobile networks and cloud services, to the enterprise or consumer. Cellular connectivity supports applications such as the connected car, the connected enterprise and the connected factory, as well as smart cities and the smart grid. Adoption of IoT solutions is driven by a number of factors including lower wireless connectivity costs, higher wireless connection speeds, new wireless technologies designed specifically for the IoT, new tools to simplify application development and higher levels of focus on data analytics, artificial intelligence and machine learning.

We believe these factors will continue to create attractive growth opportunities for the Company going forward. Based on third-party industry research, we are the global leader in embedded cellular wireless modules with 30% global market share (source: ABI Research, September 2017) and we are widely recognized as an innovation leader in the cellular IoT sector as well. We are also a leading provider of gateway and router solutions for industrial, enterprise and mobile applications, ranking as the worldwide market leader in shipment volume (source: IHS Research, December 2017). We have developed an IoT services platform that is tightly integrated with our devices and connectivity services.

Our corporate strategy is to drive growth and value creation by:

- Solidifying our leadership position in IoT devices;
- Leveraging our leading position in IoT devices to build and scale our device-to-cloud solutions business; and
- Building a scalable company with the right systems, processes and talent to support our growth.

In 2017, we continued to deliver on our corporate strategy by:

- Launching our first embedded cellular modules for the LPWA market;
- Securing many new customer wins with global OEMs and enterprises, which significantly expanded our customer program pipeline;
- Closing and/or integrating a number of acquisitions including Numerex, GlobalTop and Blue Creation;
- Delivering on our Smart SIM technology, which enables Sierra Wireless to deliver highly differentiated connectivity services; and
- Strengthening our broader organizational capability, including new leadership for our IoT Services segment and additional go-to-market resources to support our continued revenue growth.

We continue to seek opportunities to acquire or invest in businesses, products and technologies that accelerate our strategy and growth.

Annual Overview — Financial highlights

Our 2017 revenue was $692.1 million, up from $615.6 million in 2016. The increase in revenue was driven by solid year-over-year growth in each of our three reportable segments: our OEM Solutions segment experienced growth from automotive and enterprise customers (including mobile computing); our Enterprise Solutions segment revenues grew as a result of the acquired GenX business and the continuing ramp of new AirLink gateway and router products; and our IoT Services segment revenues grew as a result of subscriber expansion.

Gross margin was 33.9% in 2017 compared to 35.4% in 2016. In 2016, gross margin was favorably impacted by a change in estimate of our Intellectual Property ("IP") royalty accrual ("Change in Estimate") (see Royalty obligations under "Critical Accounting Policies and Estimates" below) and two legal settlements. On a comparable year-over-year basis these items added 210 basis points to gross margin in 2016 compared to 2017. In 2017, gross margin benefited from product cost reductions that were partially offset by unfavorable product mix.

Net earnings decreased in 2017 compared to the prior year due to the above mentioned Change in Estimate, higher operating expenses driven by growth in the business, the added cost structure of acquired businesses, transaction and integration costs associated with acquisitions and an asset impairment, partially offset by foreign exchange gains on balance sheet items and lower income taxes.

Foreign exchange rate changes in 2017 increased our foreign currency denominated revenue by $0.9 million and operating expenses by $1.6 million compared to 2016.

GAAP

- Revenue increased by $76.5 million, or 12.4%, compared to 2016.
- Gross margin was 33.9%, down 150 basis points from 2016.
- Loss from operations was $0.4 million compared to earnings from operations of $21.3 million in 2016.
- Net earnings decreased by $11.3 million, or $0.35 per share, compared to 2016.
- Cash and cash equivalents were $65.0 million at the end of the year, down $37.8 million compared to December 31, 2016, primarily reflecting usage of cash for working capital, and acquisition-related activities which included approximately $20.2 million for retiring outstanding Numerex debt.

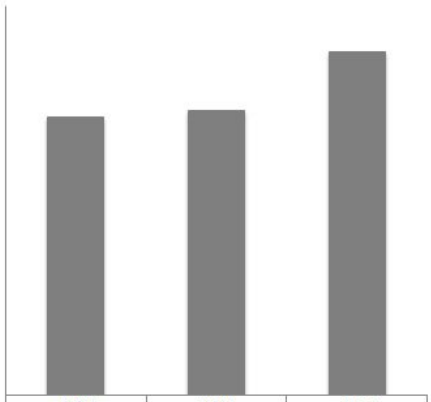
Non-GAAP[(1)]

- Gross margin was 34.0%, up 70 basis points from 2016 as a result of component cost savings and lower manufacturing costs, partially offset by unfavorable product mix within our Enterprise Solutions segment.
- Operating earnings increased by $9.1 million, or 30.0%, compared to 2016, as a result of higher revenue and gross margin, partially offset by higher operating expenses driven by growth in the business and the added cost structure of acquired businesses.
- Adjusted EBITDA increased by $10.3 million, or 23.4%, compared to 2016.
- Net earnings increased by $12.2 million, or 55.4%, compared to 2016, mainly driven by growth in the business and lower income taxes.

[(1)]Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition-related amortization, impairment, acquisition-related costs, integration costs, restructuring costs, certain other nonrecurring costs or recoveries, foreign exchange gains or losses on translation of balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts and certain tax adjustments. Refer to the section titled "Non-GAAP Financial Measures" for additional details and reconciliations to the applicable GAAP financial measures.

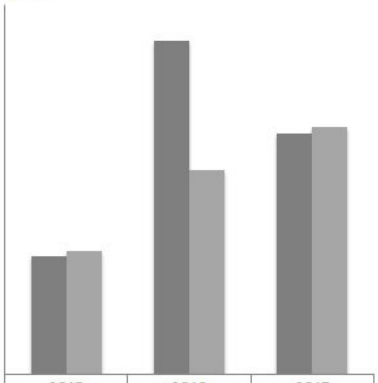
Select Annual Financial Highlights

Revenue ($ millions)



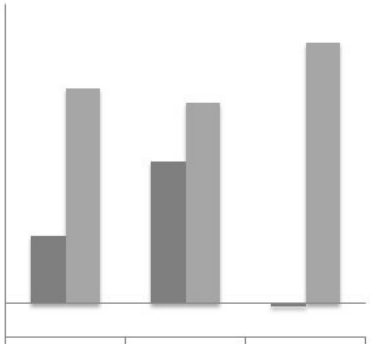
	2015	2016	2017
Revenue	607.8	615.6	692.1

Gross margin (%)



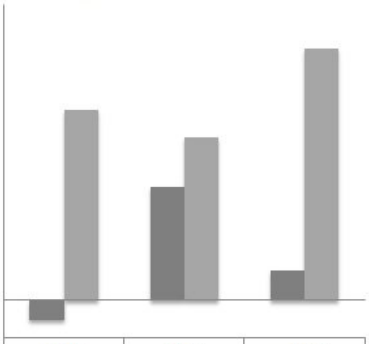
	2015	2016	2017
GAAP	31.9%	35.4%	33.9%
NON-GAAP(1)	32.0%	33.3%	34.0%

Earnings (loss) from operations ($ millions)



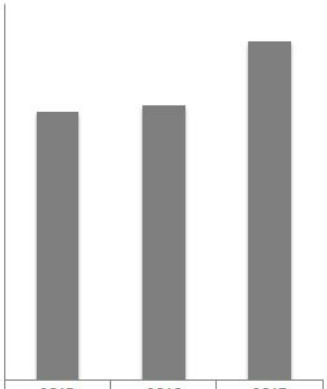
	2015	2016	2017
GAAP	10.1	21.3	(0.4)
NON-GAAP(1)	32.4	30.1	39.2

Net earnings (loss) from operations ($ millions)



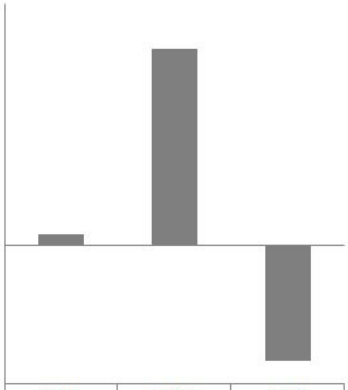
	2015	2016	2017
GAAP	(2.7)	15.4	4.1
NON-GAAP(1)	25.8	22.0	34.1

Adjusted EBITDA ($ millions)



	2015	2016	2017
Adjusted EBITDA(1)	42.9	43.9	54.2

Free Cash Flow ($ millions)



	2015	2016	2017
Free Cash Flow(1)	1.7	28.6	(16.7)

(1)Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition-related amortization, impairment, acquisition-related costs, integration costs, restructuring costs, certain other nonrecurring costs or recoveries, foreign exchange gains or losses on translation of balance sheet accounts, unrealized foreign gains or losses on forward contracts and certain tax adjustments. Refer to the section titled "Non-GAAP Financial Measures" for additional details and reconciliations to the applicable GAAP financial measures.

Selected Annual Financial information:

(In thousands of U.S. dollars, except where otherwise stated)	2017	2016	2015
Statement of Operations data:			
Revenue	**$ 692,077**	$ 615,607	$ 607,798
Gross Margin			
- GAAP	**$ 234,947**	$ 217,743	$ 193,855
- Non-GAAP [1]	**235,431**	205,118	194,502
Gross Margin %			
- GAAP	**33.9%**	35.4%	31.9%
- Non-GAAP [1]	**34.0%**	33.3%	32.0%
Earnings (loss) from operations			
- GAAP	**$ (359)**	$ 21,348	$ 10,114
- Non-GAAP [1]	**39,177**	30,127	32,361
Adjusted EBITDA	**$ 54,194**	$ 43,919	$ 42,911
Net earnings (loss)			
- GAAP	**$ 4,135**	$ 15,385	$ (2,674)
- Non-GAAP [1]	**34,136**	21,969	25,774
Revenue by Segment:			
OEM Solutions	**$ 555,887**	$ 516,517	$ 523,366
Enterprise Solutions	**101,535**	71,486	63,072
IoT Services	**34,655**	27,604	21,360
Share and per share data:			
Basic and diluted earnings (loss) per share (in dollars)			
- GAAP	**$ 0.13**	$ 0.48	$ (0.08)
- Non-GAAP [1]	**$ 1.04**	$ 0.68	$ 0.80
Common shares (in thousands)			
At period-end	**35,862**	31,860	32,337
Weighted average - basic	**32,356**	32,032	32,166
Weighted average - diluted	**32,893**	32,335	32,166
Balance sheet data (end of period):			
Cash and cash equivalents	**$ 65,003**	$ 102,772	$ 93,936
Total assets	**689,106**	578,459	546,332
Total long-term obligations	**36,637**	32,654	44,353

[1] Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition-related amortization, impairment, acquisition-related costs, integration costs, restructuring costs, certain other nonrecurring costs or recoveries, foreign exchange gains or losses on translation of balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts and certain tax adjustments. Refer to the section titled "Non-GAAP Financial Measures" for additional details and reconciliations to the applicable GAAP financial measures.

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

Key highlights for the year ended December 31, 2017:

- We entered into a joint business relationship with PwC Canada to help enterprises around the world develop and launch transformative IoT services and new business models.

OEM Solutions

- Volkswagen selected our AirPrime AR Series modules with our Legato embedded software platform for its next generation of connected cars. Our automotive solutions will deliver high-speed cellular connectivity for the Volkswagen Car-Net platform.

- We were recently selected by Nauto, Inc. ("Nauto") as the wireless connectivity solution for the North American launch of Nauto's flagship artificial intelligence-powered auto network.

- We launched the world's first 'plug-and-play' cellular modules and routers with pre-integrated global connectivity, IoT operation management and security.

- We delivered early modules for Telstra Corporation Limited's upcoming LTE Cat-M1 network to Landis+Gyr, enabling their industry-first live Cat-M1 smart meter trial.

- We announced one of the industry's first global, dual-mode LPWA cellular modules. Our AirPrime WP77 smart wireless modules simplify LPWA deployments for customers developing products that need to seamlessly connect to different LPWA technologies.

- In collaboration with industry leaders and developers, we announced mass-market availability of the mangOH Red open-source hardware platform to drive the next phase of IoT commercialization.

- We announced the industry's first global LTE-Advanced Pro cellular modules, enabling the world's fastest IoT applications for the mobile computing, networking, and industrial segments.

- We announced the BX Series Wi-Fi and Bluetooth combo modules with built-in cloud services and security features. The AirPrime BX Series now provides AirVantage cloud services and secure boot in our CF3 form factor to enable scalable Wi-Fi/Bluetooth solutions optimized for industrial IoT applications.

- Testing is underway for our next-generation Narrowband IoT ("NB-IoT") embedded cellular modules which are expected to be certified for T-Mobile's NB IoT network in early 2018.

- Recently, our mangOH Red open source hardware platform has been recognized with the IoT Breakthrough Award for IoT Development Tool of the Year.

- We announced the industry's smallest, lowest power, multi-mode LPWA cellular modules targeted at rapidly growing markets in asset tracking and connected industrial equipment, smart city, healthcare, agriculture and wearables.

Enterprise Solutions

- We announced that our industry-leading AirLink MP70 LTE-Advanced vehicle routers now support the most advanced, integrated vehicle telemetry, inertial navigation, and driver behavior features to improve fleet operations and vehicle maintenance.

- We signed a distribution agreement with Ingram Micro Inc., one of the largest technology distributors in the world. Through this agreement, Ingram Micro is authorized to distribute our complete AirLink

portfolio of networking solutions, including cellular routers, gateways, and management services to its channel partners in the United States.

- We announced the release of the AirLink Connection Manager (ACM) 2.0 VPN appliance for vehicle networking use cases.

IoT Services

- We announced support for Google Cloud IoT Core, a fully managed service that allows users to easily and securely connect and manage devices at global scale, through integration of our AirVantage IoT Platform with Google Could services.

- We announced that Nube has selected our device-to-cloud IoT solution and Microsoft Azure Cloud Services to reinvent consumer gas delivery.

Outlook

In the first quarter of 2018, we expect revenue to be in the range of $181 million to $189 million and non-GAAP earnings per share to be in the range of $0.04 to $0.10. Our guidance for the first quarter of 2018 includes a full quarter of Numerex following the acquisition of the company on December 7, 2017. We expect the first quarter of 2018 to be impacted by some unusual and mainly non-recurring items, including higher one-time costs related to a Numerex network upgrade and customer migration, and tight component supply constraining revenue and adding to cost of goods sold.

Additionally, with the integration of Numerex, we have commenced various efficiency and effectiveness initiatives. These initiatives are focused on capturing synergies as we integrate Numerex and efficiency gains in other areas of our business. The initiatives being undertaken are expected to reduce cost of goods sold, as well as on-going operating expenses. As a result of implementing these initiatives, we are targeting a quarterly non-GAAP operating expense run rate of $56.5 million in the fourth quarter of 2018, down from approximately $59 million in non-GAAP operating expense that is included in our guidance for the first quarter of 2018. We expect these initiatives will result in a one-time non-GAAP restructuring charge of approximately $4.5 million.

We believe that the market for wireless IoT solutions has strong long-term growth prospects. We anticipate strong long-term growth in the number of devices being wirelessly connected, driven by key enablers, such as lower wireless connectivity costs, faster wireless connection speeds, new wireless technologies designed specifically for the IoT, new devices and tools to simplify the development of IoT applications, and increased focus and investment from large ecosystem players. More importantly, we see emerging customer demand in many of our target verticals driven by increasing recognition of the value created by deploying IoT solutions, such as new revenue streams and cost efficiencies.

Key factors that we expect will affect our results in the near term are:

- the strength of our competitive position in the market;
- the timely ramp up of sales of our new products recently launched or currently under development;
- our ability to integrate Numerex's business, operations and workforce with ours and our ability to return the Numerex business to profitable growth and to realize the anticipated benefits of the acquisition;
- contributions to our operating results from the other acquisitions we completed in 2015, 2016 and 2017;
- the level of success our customers achieve with sales of connected solutions;
- fluctuations in customer demand and inventory levels, particularly large customers;
- our ability to manage component supply issues when they arise;
- our ability to attract and retain effective channel partners;
- the timely launch and ramp up of new customer programs;
- our ability to secure future design wins with both existing and new customers;
- the end-of-life of existing customer programs;
- manufacturing capacity at our various manufacturing sites;
- our ability to manage component and product quality compliance;
- fluctuations in foreign exchange rates;
- general economic conditions in the markets we serve; and
- seasonality in demand.

We expect that product and price competition from other wireless device manufacturers and solution providers will continue to play a role in the IoT market. As a result of these factors, we may experience volatility in our results on a quarter-to-quarter basis. Gross margin percentage may fluctuate from quarter-to-quarter depending on product and customer mix, average selling prices and product costs.

See "Cautionary Note Regarding Forward-Looking Statements".

CONSOLIDATED ANNUAL RESULTS OF OPERATIONS

(In thousands of U.S. dollars, except where otherwise stated)	2017		2016		2015	
	$	% of Revenue	$	% of Revenue	$	% of Revenue
Revenue	692,077	*100.0 %*	615,607	*100.0%*	607,798	*100.0%*
Cost of goods sold	457,130	*66.1 %*	397,864	*64.6%*	413,943	*68.1%*
Gross margin	234,947	*33.9 %*	217,743	*35.4%*	193,855	*31.9%*
Expenses						
Sales and marketing	75,594	*10.9 %*	64,242	*10.4%*	54,144	*8.9%*
Research and development	83,361	*12.0 %*	73,077	*11.9%*	74,020	*12.2%*
Administration	42,904	*6.2 %*	40,956	*6.7%*	40,321	*6.6%*
Restructuring	1,076	*0.2 %*	—	*—%*	951	*0.2%*
Acquisition-related and integration	8,195	*1.2 %*	843	*0.1%*	1,945	*0.3%*
Impairment	3,668	*0.5 %*	—	*—%*	—	*—%*
Amortization	20,508	*3.0 %*	17,277	*2.8%*	12,360	*2.0%*
	235,306	*34.0 %*	196,395	*31.9%*	183,741	*30.2%*
Earnings (loss) from operations	(359)	*(0.1)%*	21,348	*3.5%*	10,114	*1.7%*
Foreign exchange gain (loss)	7,550		(1,736)		(11,843)	
Other income	67		83		115	
Earnings (loss) before income taxes	7,258		19,695		(1,614)	
Income tax expense	3,123		4,310		1,060	
Net earnings (loss)	4,135		15,385		(2,674)	
Net earnings (loss) per share - basic and diluted (in dollars)	0.13		0.48		(0.08)	

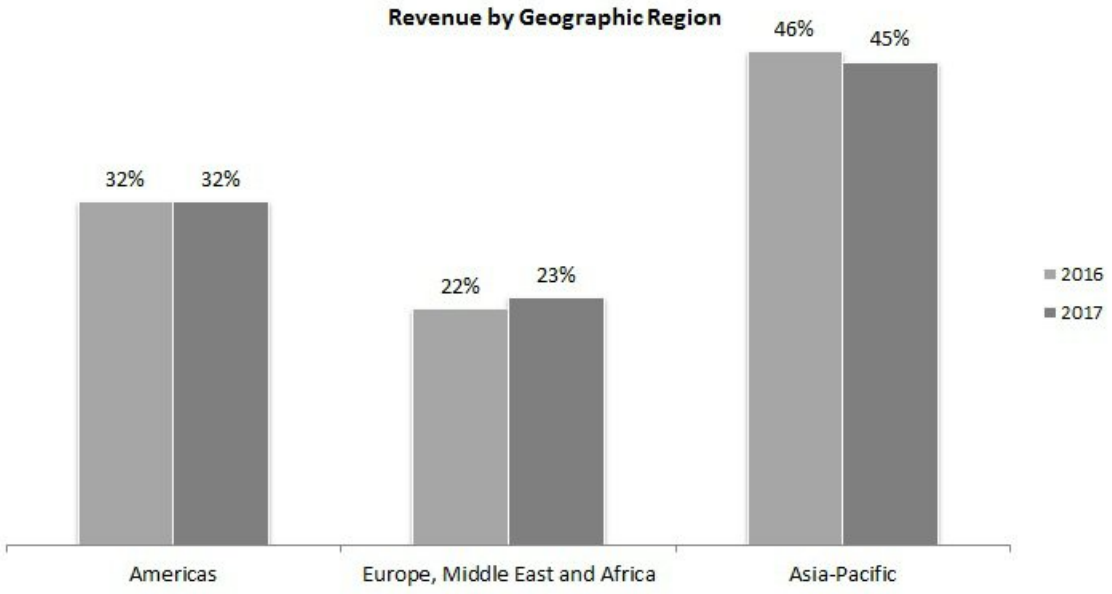
Fiscal Year 2017 Compared to Fiscal Year 2016

Revenue

Revenue increased by $76.5 million, or 12.4%, in 2017 compared to 2016. The increase was driven by contributions from each of our three reportable segments which all experienced solid year-over-year growth:

- OEM Solutions experienced notable year-over-year increases in automotive and enterprise segment module sales;
- Enterprise Solutions experienced a strong contribution from fleet management products and other mobile and industrial gateway products; and
- IoT Services experienced solid subscriber additions and contribution from Numerex which was acquired late in the year.

Our geographic revenue mix for the years ended December 31, 2017 and 2016 was as follows:



During the years ended December 31, 2017 and 2016, no customer accounted for more than 10% of our aggregated revenue.

Gross margin

Gross margin was 33.9% of revenue in 2017, compared to 35.4% in 2016. In 2016 gross margin was favorably impacted by the Change in Estimate and two legal settlements. On a comparable year-over-year basis these items added 210 basis points to gross margin in 2016 compared to 2017. In 2017, gross margin benefited from product cost reductions that were partially offset by unfavorable product mix. Gross margin included stock-based compensation expense and related social taxes of $0.5 million and $0.4 million in 2017 and 2016, respectively.

Sales and marketing

Sales and marketing expenses increased by $11.4 million, or 17.7%, in 2017, compared to 2016, primarily as a result of targeted investments in our go-to-market capabilities to drive growth, costs added as a result of acquisitions and the unfavorable impact of foreign exchange. Sales and marketing expenses included stock-based compensation and related social taxes of $2.5 million in 2017, compared to $1.7 million in 2016.

Research and development

R&D expenses increased by $10.3 million, or 14.1%, in 2017, compared to 2016. The increase in R&D expenses was primarily due to costs associated with new product development programs, the unfavorable impact of foreign exchange and additional expenses added as a result of acquisitions.

R&D expenses included stock-based compensation and related social taxes of $2.0 million in 2017, compared to $1.4 million in 2016. R&D expenses also included acquisition-related amortization of $0.4 million in 2017, compared to $0.5 million in 2016.

Administration

Administration expenses increased by $1.9 million, or 4.8%, in 2017, compared to 2016, primarily due to higher stock-based compensation expense and the unfavorable impact of foreign exchange, partially offset by lower bad debt expense. Administration expenses included stock-based compensation expense and related social taxes of $5.3 million in 2017, compared to $4.1 million in 2016.

Restructuring
Restructuring costs were $1.1 million in 2017. These costs are related to the relocation of our IoT Services customer support operations from Sweden to France and the United States.

Acquisition-related and integration
Acquisition-related and integration costs increased by $7.4 million in 2017, compared to 2016. The increase was primarily due to the acquisition of Numerex, integration activities and higher accruals of acquisition-related contingent consideration.

Impairment
We recorded an impairment of $3.7 million related to an intangible asset recorded on the acquisition of Maingate. The resulting change, which was recorded in the first quarter of 2017, was due to the decision to terminate a service offering that has now been superseded by a more technologically advanced offering in our integrated IoT Services business.

Amortization
Amortization expense increased by $3.2 million, or 18.7%, in 2017, compared to 2016 primarily due to higher acquisition-related amortization. Amortization expense in 2017 included $15.1 million of acquisition-related amortization compared to $11.6 million in 2016.

Foreign exchange gain (loss)
Foreign exchange gain was $7.6 million in 2017, compared to a loss of $1.7 million in 2016. This gain was primarily the result of an increase in the value of the Euro compared to the U.S. dollar.

Income tax expense (recovery)
Income tax expense was $3.1 million in 2017, compared to $4.3 million in 2016. This decrease was due to a recovery related to the impairment charge in the first quarter of 2017 and a shift of earnings between jurisdictions.

Net earnings (loss)
Net earnings were $4.1 million in 2017, compared to $15.4 million in 2016. The decrease of $11.3 million in net earnings reflects decreased earnings from operations as a result of higher operating expenses driven by growth in the business, the added cost structure of acquired businesses, transaction and integration costs associated with acquisitions and an asset impairment, partially offset by foreign exchange gains on balance sheet items and lower income tax expense.

Net earnings in 2017 included stock-based compensation expense and related social taxes of $10.4 million and acquisition-related amortization of $15.1 million. Net earnings in 2016 included stock-based compensation expense and related social taxes of $7.6 million and acquisition-related amortization of $12.1 million.

Weighted average number of shares
The weighted average basic and diluted shares outstanding were 32.4 million and 32.9 million, respectively, for the year ended December 31, 2017 and 32.0 million and 32.3 million for the year ended December 31, 2016.

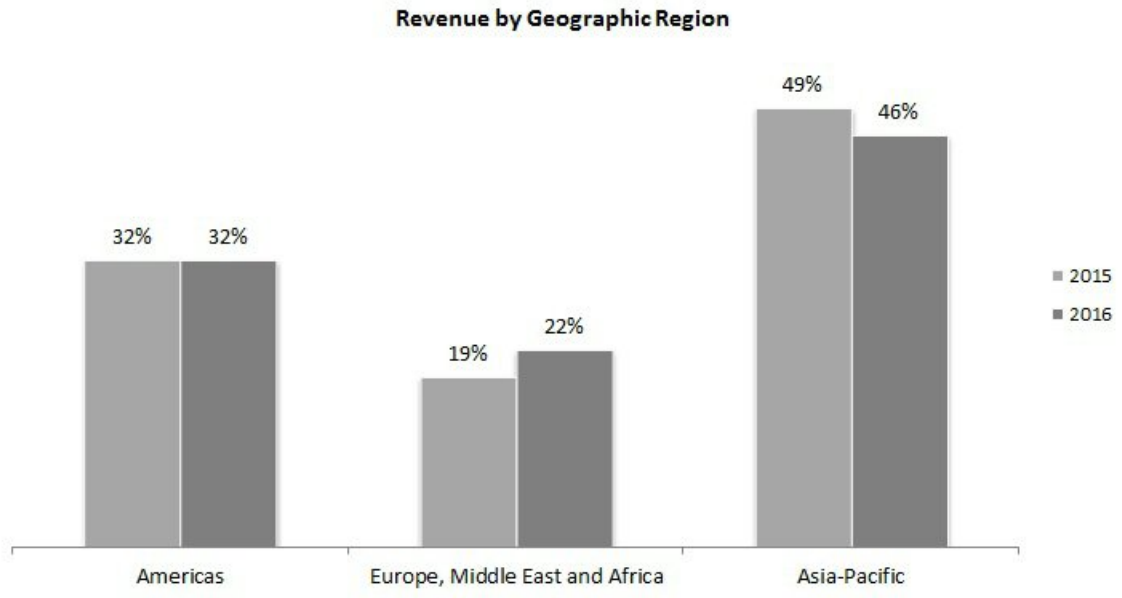
The number of shares outstanding was 35.9 million at December 31, 2017, compared to 31.9 million at December 31, 2016. The increase in the number of shares outstanding was primarily due to the shares issued for the acquisition of Numerex.

Fiscal Year 2016 Compared to Fiscal Year 2015

Revenue

Revenue increased by $7.8 million, or 1.3%, in 2016 compared to 2015. The increase was mainly driven by contributions from businesses acquired in 2016 and 2015 and higher revenues from our new Enterprise gateway products, partially offset by weaker revenues in our OEM Solutions segment.

Our geographic revenue mix for the years ended December 31, 2016 and 2015 was as follows:



During the years ended December 31, 2016 and 2015, no customer accounted for more than 10% of our aggregated revenue.

Gross margin

Gross margin was 35.4% of revenue in 2016, compared to 31.9% in 2015. The significant increase in gross margin was due to the favorable impact on cost of goods sold of the Change in Estimate, product cost reductions in our OEM Solutions segment, improved margins in our Enterprise Solutions segment and the favorable impact of cost recoveries as a result of two legal settlements received in the first half of 2016. Gross margin included stock-based compensation expense and related social taxes of $0.4 million and $0.6 million in 2016 and 2015, respectively.

Sales and marketing

Sales and marketing expenses increased $10.1 million, or 18.7%, in 2016, compared to 2015, primarily as a result of targeted investments to strengthen our go-to-market capability and costs added as a result of the acquisitions undertaken in 2015 and 2016. Sales and marketing expenses included stock-based compensation and related social taxes of $1.7 million in 2016, compared to $2.2 million in 2015.

Research and development

R&D expenses decreased by $0.9 million, or 1.3%, in 2016, compared to 2015. The decrease in R&D expenses was primarily due to lower costs related to development parts and certification fees, lower acquisition-related amortization costs and the favorable impact of foreign exchange. This was partially offset by higher compensation costs and additional expenses associated with acquired businesses.

R&D expenses included stock-based compensation and related social taxes of $1.4 million in 2016, compared to $1.5 million in 2015. R&D expenses also included acquisition-related amortization of $0.5 million in 2016, compared to $1.3 million in 2015.

Administration
Administration expenses increased by $0.6 million, or 1.6%, in 2016, compared to 2015, primarily due to higher compensation costs, including certain termination expenses, partially offset by lower professional fees, stock-based compensation expense and the favorable impact of foreign exchange. Administration expenses included stock-based compensation expense and related social taxes of $4.1 million in 2016, compared to $5.3 million in 2015.

Restructuring
Restructuring costs were $nil in 2016. Restructuring costs in 2015 were related to the implementation of a plan to realign responsibilities within our Enterprise Solutions segment to reflect the evolution of our business and to provide dedicated focus on our enterprise gateways and recently acquired IoT services businesses.

Acquisition-related and integration
Acquisition-related and integration costs decreased by $1.1 million in 2016, compared to 2015. The decrease was primarily due to the lower level of acquisition and integration activities and a decrease in the fair value of acquisition-related contingent consideration.

Amortization
Amortization expense increased by $4.9 million, or 39.8%, in 2016, compared to 2015 primarily due to higher acquisition-related amortization driven by the acquisitions undertaken in 2015 and reflects a change in the estimate of the useful life of some of our assets, including assets related to our office relocation in France. Amortization expense in 2016 included $11.6 million of acquisition-related amortization compared to $8.4 million in 2015.

Foreign exchange gain (loss)
Foreign exchange loss was $1.7 million in 2016, compared to a loss of $11.8 million in 2015. The foreign exchange loss in 2015 included the impact of an unrealized loss of $6.2 million on revaluation of a Euro denominated loan ("Intercompany Loan") to a self-sustaining subsidiary. We classified the Intercompany Loan as a net investment in a foreign subsidiary in the second quarter of 2015 when we determined the loan was permanent. As a result, the foreign exchange gain or loss from revaluation of the Intercompany Loan, since that time, is being recognized in other comprehensive income.

Income tax expense (recovery)
Income tax expense was $4.3 million in 2016, compared to $1.1 million in 2015. The additional expense was due to higher earnings and the impact of a shift of earnings between jurisdictions.

Net earnings (loss)
Net earnings were $15.4 million in 2016, compared to a net loss of $2.7 million in 2015. The increase in net earnings reflects improved earnings from operations as a result of the Change in Estimate and lower foreign exchange losses partially offset by higher income tax expenses.

Net earnings in 2016 included stock-based compensation expense and related social taxes of $7.6 million and acquisition-related amortization of $12.1 million. Net loss in 2015 included stock-based compensation expense and related social taxes of $9.7 million and acquisition-related amortization of $9.7 million.

Weighted average number of shares
The weighted average basic and diluted shares outstanding were 32.0 million and 32.3 million, respectively, for the year ended December 31, 2016 and 32.2 million for the year ended December 31, 2015.

The number of shares outstanding was 31.9 million at December 31, 2016, compared to 32.3 million at December 31, 2015. The decrease in the number of shares outstanding was primarily due to the impact of share repurchases made under our Normal Course Issuer Bid ("NCIB") program (refer to "Liquidity and Capital Resources" section below), partially offset by issuance of common shares as a result of stock option exercises and restricted share unit releases.

SEGMENTED INFORMATION

OEM Solutions

(In thousands of U.S. dollars, except where otherwise stated)	**2017**	**2016**	**2015**	*% change* *2017 vs 2016*	*% change* *2016 vs 2015*
Revenue	$ 555,887	$ 516,517	$ 523,366	*7.6%*	*(1.3)%*
Cost of goods sold	384,872	349,921	371,559	*10.0%*	*(5.8)%*
Gross margin	$ 171,015	$ 166,596	$ 151,807	*2.7%*	*9.7 %*
Gross margin %	*30.8%*	*32.3%*	*29.0%*		
Non-GAAP [1]					
Gross Margin	$ 171,402	$ 154,988	$ 152,368	*10.6%*	*1.7 %*
Gross Margin %	*30.8%*	*30.0%*	*29.1%*		

[1] See section titled "Non-GAAP Financial Measures" for additional details and a reconciliation to the applicable GAAP financial measure.

Fiscal Year 2017 compared to 2016
Revenue increased by $39.4 million, or 7.6%, in 2017, compared to 2016. This increase was primarily due to strong demand from automotive and enterprise customers and programs.

In 2016, gross margin was favorably impacted by the Change in Estimate and a legal settlement. On a comparable year over year basis these items added 190 basis points to gross margin in 2016 compared to 2017. In 2017, gross margin benefited from product cost reductions that were partially offset by unfavorable product mix.

Our non-GAAP gross margin percentage of 30.8% increased in comparison to 2016 reflecting the impact of cost reduction programs, including lower manufacturing and component costs, partially offset by unfavorable product mix principally driven by the ramp up of a new high volume automotive program at lower gross margin which replaced an existing program that went end of life.

Fiscal Year 2016 compared to 2015
Revenue decreased by $6.8 million, or 1.3%, in 2016, compared to 2015. This decrease was primarily due to demand softness from certain established customers and programs, partially offset by contribution from new programs.

Higher gross margin percentage in 2016 compared to the prior year reflects a $12.9 million reduction of cost of goods sold, representing the portion of the Change in Estimate that is attributable to our OEM Solutions segment. In addition, our cost reduction initiatives during the year, together with the reimbursement of $1.9 million in

certain legal costs pursuant to a favorable arbitration decision on a contract dispute with an IP licensor, of which $1.7 million was attributable to our OEM Solutions segment, also had a positive impact on the gross margin.

Our non-GAAP gross margin percentage of 30.0% excludes $11.7 million of the Change in Estimate attributable to OEM Solutions related to the one-time reduction in our accrued royalties obligations effective October 1, 2016. The $1.2 million balance of the Change in Estimate attributable to the OEM Solutions segment is included in non-GAAP gross margin as it relates to products sold during the fourth quarter of 2016.

Enterprise Solutions

(In thousands of U.S. dollars, except where otherwise stated)	**2017**	**2016**	**2015**	*% change* *2017 vs 2016*	*% change* *2016 vs 2015*
Revenue	$ 101,535	$ 71,486	$ 63,072	*42.0%*	*13.3%*
Cost of goods sold	53,014	31,537	29,945	*68.1%*	*5.3%*
Gross margin	$ 48,521	$ 39,949	$ 33,127	*21.5%*	*20.6%*
Gross margin %	*47.8%*	*55.9%*	*52.5%*		
Non-GAAP [1]					
Gross Margin	$ 48,593	$ 38,913	$ 33,192	*24.9%*	*17.2%*
Gross Margin %	*47.9%*	*54.4%*	*52.6%*		

[1] See section titled "Non-GAAP Financial Measures" for additional details and a reconciliation to the applicable GAAP financial measure.

Fiscal Year 2017 compared to 2016

Revenue increased by $30.0 million, or 42.0%, in 2017, compared to 2016 mainly driven by revenue from fleet management products acquired from GenX in 2016 and the growth in sales of gateway products, including the RV50 and MG90, which were launched in the latter half of 2016 and ramped up during 2017.

Gross margin percentage decreased in 2017 in comparison to 2016. In 2016, gross margin was favorably impacted by the Change in Estimate and two legal settlements. On a comparable year over year basis these items added 390 basis points to gross margin in 2016 compared to 2017. In 2017, gross margin percentage was unfavorably impacted by the inclusion of lower margin fleet management revenues from GenX, partially offset by product cost reductions.

Our non-GAAP gross margin percentage of 47.9% decreased in comparison to 2016 because of the unfavorable product mix noted above.

Fiscal Year 2016 compared to 2015

Revenue increased by $8.4 million, or 13.3%, in 2016, compared to 2015 mainly driven by revenue from the acquisition of GenX and the impact of new AirLink gateway product introductions in 2016.

Gross margin increased in 2016, reflecting a $1.5 million reduction of cost of goods sold, representing the portion of the Change in Estimate that is attributable to our Enterprise Solutions segment. In addition, a $1.9 million recovery from a legal settlement with a supplier related to a component quality issue received in the first quarter of 2016 and improved product mix resulting from increased sales of higher margin gateway products, also had a positive impact on our Enterprise Solutions segment gross margin.

Our non-GAAP gross margin percentage of 54.4% excludes $1.3 million of the Change in Estimate attributable to Enterprise Solutions related to the one-time reduction in our accrued royalties obligations effective October 1, 2016. The $0.2 million balance of the Change in Estimate attributable to the Enterprise Solutions segment is included in non-GAAP gross margin as it relates to products sold during the fourth quarter of 2016.

IoT Services

(In thousands of U.S. dollars, except where otherwise stated)	**2017**	**2016**	**2015**	% change 2017 vs 2016	% change 2016 vs 2015
Revenue	$ 34,655	$ 27,604	$ 21,360	*25.5%*	*29.2%*
Cost of goods sold	19,244	16,406	12,439	*17.3%*	*31.9%*
Gross margin	$ 15,411	$ 11,198	$ 8,921	*37.6%*	*25.5%*
Gross margin %	44.5%	40.6%	41.8%		
Non-GAAP [1]					
Gross Margin	$ 15,436	$ 11,217	$ 8,942	*37.6%*	*25.4%*
Gross Margin %	*44.5%*	*40.6%*	*41.9%*		

[1] *See section titled "Non-GAAP Financial Measures" for additional details and a reconciliation to the applicable GAAP financial measure.*

Fiscal Year 2017 compared to 2016

Revenue increased by $7.1 million, or 25.5%, in 2017, compared to 2016 as a result of continuing subscriber growth and the inclusion of Numerex revenue which was acquired late in the year.

Gross margin increased in 2017 due to favorable mix from cloud and connectivity services and the fact that there were several one-time charges to cost of sales in 2016 that reduced gross margin compared to 2017.

Fiscal Year 2016 compared to 2015

Revenue increased by $6.2 million, or 29.2%, in 2016, compared to 2015 mainly as a result of the inclusion of a full year of revenue resulting from the acquisitions of Maingate, MobiquiThings and Accel in 2015.

Gross margin percentage was slightly lower in 2016 due to the increased revenue impact of Accel's broadband services, which have gross margins that are lower than the average gross margin for IoT Services.

FOURTH QUARTER OVERVIEW

Consolidated Results of Operations:

(in thousands of U.S. dollars, except where otherwise stated)	Three months ended December 31, 2017		2016	
	$	**% of Revenue**	**$**	**% of Revenue**
Revenue	183,533	100.0 %	163,021	100.0%
Cost of goods sold	121,719	66.3 %	94,225	57.8%
Gross margin	61,814	33.7 %	68,796	42.2%
Expenses				
Sales and marketing	20,456	11.2 %	17,048	10.4%
Research and development	21,828	11.9 %	18,047	11.1%
Administration	11,379	6.2 %	9,708	6.0%
Restructuring	245	0.1 %	—	—%
Acquisition-related and integration	4,792	2.6 %	376	0.2%
Amortization	6,073	3.3 %	4,372	2.7%
	64,773	35.3 %	49,551	30.4%
Earnings (loss) from operations	(2,959)	(1.6)%	19,245	11.8%
Foreign exchange gain (loss)	1,267		(3,547)	
Other income	38		2	
Earnings (loss) before income taxes	(1,654)		15,700	
Income tax expense (recovery)	1,876		(18)	
Net earnings (loss)	(3,530)		15,718	
Net earnings (loss) per share - Basic and diluted (in dollars)	(0.11)		0.49	

GAAP:

- In the fourth quarter of 2017, revenue increased by $20.5 million, or 12.6%, compared to the same period of 2016 primarily as a result of higher sales of telematics devices, gateways and routers, module sales to automotive and enterprise customers and a contribution from Numerex, which we acquired on December 7, 2017.
- Gross margin was 33.7% in the fourth quarter of 2017, which represents a more normalized level compared to the same period of 2016 when gross margin of 42.2% was favorably impacted as a result of a $13.0 million (800 basis point) reduction of cost of goods sold as a result of the Change in Estimate effective October 1, 2016. In the fourth quarter of 2017, gross margin was slightly lower than the normalized 2016 gross margin due to unfavorable mix in our OEM segment driven by the ramp up of a new high volume automotive program at lower gross margin which replaced a previous program and in our Enterprise segment driven by lower gross margin from telematics products, partially offset by favorable mix due to a larger IoT Services contribution.
- Earnings from operations decreased by $22.2 million in the fourth quarter of 2017 compared to the fourth quarter of 2016 as a result of lower gross margin, higher operating expenses as a result of continued targeted investments in our go-to-market capabilities, the impact of unfavorable foreign exchange on operating expenses and added costs as a result of recent acquisitions.

- Net earnings decreased by $19.2 million in the fourth quarter of 2017, compared to the fourth quarter of 2016. Lower operating income in the fourth quarter of 2017 was partially offset by foreign exchange gains on balance sheet items, partially offset by higher income tax expense.
- Cash and cash equivalents at the end of the fourth quarter of 2017 were $65.2 million, a decrease of $9.0 million compared to $74.2 million at the end of the third quarter of 2017. The decrease in cash was mainly due to the acquisition of Numerex and capital expenditures, partially offset by cash flows from operating activities.

NON-GAAP[(1)]:

- Gross margin was 33.8% in the fourth quarter of 2017, compared to 34.3% in the fourth quarter of 2016. The decrease in gross margin was primarily attributable to the impact of unfavorable mix in our OEM segment driven by the ramp up of a new high volume automotive program at lower gross margin which replaced a previous program that went end of life and lower gross margin from telematics products in our Enterprise segment, partially offset by favorable mix due to a larger IoT Services contribution.
- Earnings from operations decreased by $2.3 million compared to the fourth quarter of 2016 due to higher operating expenses, partially offset by higher revenues and gross margin.
- Adjusted EBITDA decreased by $1.5 million compared to the fourth quarter of 2016. This decrease mainly reflects lower earnings from operations and higher amortization expense in the fourth quarter of 2017.
- Net earnings increased by $0.4 million, compared to the fourth quarter of 2016. This increase was mainly due to lower income tax expense partially offset by the lower earnings from operations.

[(1)]Non-GAAP financial measures exclude the impact of stock-based compensation expense and related social taxes, acquisition-related amortization, impairment, acquisition-related costs, integration costs, restructuring costs, certain other nonrecurring costs or recoveries, foreign exchange gains or losses on translation of balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts and certain tax adjustments. Refer to the section titled "Non-GAAP Financial Measures" for additional details and reconciliations to the applicable GAAP financial measures.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following tables highlight selected financial information for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2017. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period. You should not rely on these results to predict future performance.

(In thousands of U.S. dollars, except where otherwise stated)	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$ 183,533	$ 173,241	$173,510	$ 161,793	$163,021	$153,560	$156,229	$142,797
Cost of goods sold	121,719	115,466	113,813	106,132	94,225	104,192	103,465	95,982
Gross margin	61,814	57,775	59,697	55,661	68,796	49,368	52,764	46,815
Gross margin %	*33.7%*	*33.3%*	*34.4%*	*34.4%*	*42.2%*	*32.1%*	*33.8%*	*32.8%*
Expenses								
Sales and marketing	20,456	18,127	18,844	18,167	17,048	15,519	16,046	15,629
Research and development	21,828	21,525	20,531	19,477	18,047	18,015	18,237	18,778
Administration	11,379	10,560	10,579	10,386	9,708	11,435	10,286	9,527
Restructuring	245	199	259	373	—	—	—	—
Acquisition-related and integration	4,792	2,077	875	451	376	34	59	374
Impairment	—	—	—	3,668	—	—	—	—
Amortization	6,073	5,049	4,760	4,626	4,372	4,418	4,725	3,762
	64,773	57,537	55,848	57,148	49,551	49,421	49,353	48,070
Earnings (loss) from operations	(2,959)	238	3,849	(1,487)	19,245	(53)	3,411	(1,255)
Foreign exchange gain (loss)	1,267	1,667	3,517	1,099	(3,547)	590	(1,071)	2,292
Other income (expense)	38	32	(12)	9	2	23	32	26
Earnings (loss) before income taxes	(1,654)	1,937	7,354	(379)	15,700	560	2,372	1,063
Income tax expense (recovery)	1,876	710	705	(168)	(18)	2,329	1,654	345
Net earnings (loss)	$ (3,530)	$ 1,227	$ 6,649	$ (211)	$ 15,718	$ (1,769)	$ 718	$ 718
Earnings (loss) per share - GAAP in dollars								
Basic	$ (0.11)	$ 0.04	$ 0.21	$ (0.01)	$ 0.49	$ (0.06)	$ 0.02	$ 0.02
Diluted	$ (0.11)	$ 0.04	$ 0.20	$ (0.01)	$ 0.49	$ (0.06)	$ 0.02	$ 0.02
Weighted average number of shares (in thousands)								
Basic	33,136	32,200	32,167	31,909	31,962	32,043	31,966	32,156
Diluted	33,136	32,735	32,766	31,909	32,367	32,043	32,430	32,500

Our quarterly results may fluctuate from quarter-to-quarter, driven by variation in sales volume, product mix and the combination of variable and fixed operating expenses, as well as from the impact of acquisitions completed in the quarter. The impact of significant items incurred during the first three interim periods of the year ended December 31, 2017 are discussed in more detail and disclosed in our quarterly reports and management's discussion and analysis. Certain of the factors that affected our quarterly results are listed below.

- In the fourth quarter of 2017, net earnings decreased by $4.8 million, compared to the third quarter of 2017, primarily due to lower earnings from operations as a result of increased operating expenses and higher acquisition and integration related expenses, as well as higher income tax expenses compared to the third quarter of 2017.

- In the third quarter of 2017, net earnings decreased by $5.4 million, compared to the second quarter of 2017, driven by a combination of lower earnings from operations and lower foreign exchange gains compared to the second quarter of 2017.

- In the second quarter of 2017, net earnings increased by $6.9 million compared to the first quarter of 2017. The increase in the second quarter of 2017 was attributable to higher earnings from operations and foreign exchange gains, partially offset by higher income tax expenses compared to the first quarter of 2017.

- In the first quarter of 2017, net loss was $0.2 million compared to net earnings of $15.7 million in the fourth quarter of 2016, driven by seasonally lower revenue, lower gross margin primarily due to the $13.0 million reduction of cost of goods sold related to the change in estimate of our IP royalty accrual recorded in the fourth quarter of 2016 and higher operating expenses, as well as the impact of the impairment in the first quarter of 2017 of $3.7 million related to an intangible asset, partially offset by foreign exchange gains in the first quarter of 2017.

- In the fourth quarter of 2016, net earnings increased by $17.5 million, or $0.54 per common share, to $15.7 million, compared to the third quarter of 2016, primarily due to higher revenue and gross margin partially offset by higher foreign exchange loss.

- In the third quarter of 2016, net earnings decreased by $2.5 million, or $0.08 per common share, compared to $0.7 million, in the second quarter of 2016, driven by a combination of lower revenue and gross margin, and higher income tax expenses partially offset by foreign exchange gains.

- In the second quarter of 2016, net earnings were comparable to the first quarter of 2016. Higher revenue and associated gross margin in the second quarter was offset by higher operating expenses, foreign exchange losses and higher income tax expenses compared to the first quarter.

- In the first quarter of 2016, net earnings increased $1.1 million, or $0.03 per common share, to $0.7 million, compared to the fourth quarter of 2015. The increase in net earnings was largely related to a foreign exchange gain in Q1, 2016 compared to Q4, 2015 partially offset by lower operating earnings and higher income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information:

(in thousands of U.S. dollars)	2017	2016	2015
Cash flows provided before changes in non-cash working capital:	$ 40,833	$ 31,991	$ 29,089
Changes in non-cash working capital			
Accounts receivable	(10,584)	(26,475)	(8,437)
Inventories	(6,806)	(5,785)	(16,262)
Prepaids and other	(4,875)	6,970	(5,748)
Accounts payable and accrued liabilities	(18,932)	38,601	18,612
Deferred revenue and credits	(564)	1,203	(451)
	(41,761)	14,514	(12,286)
Cash flows provided by (used in):			
Operating activities	**$ (928)**	**$ 46,505**	**$ 16,803**
Investing activities	**$ (37,641)**	**$ (26,636)**	**$ (127,969)**
Acquisitions	(21,870)	(8,782)	(112,895)
Capital expenditures and increase in intangible assets	(15,806)	(17,857)	(15,079)
Financing activities	**$ (271)**	**$ (13,689)**	**$ (5,317)**
Issue of common shares, net of issue costs	5,708	2,048	3,837
Repurchase of common shares for cancellation	(2,779)	(10,203)	—
Purchase of treasury shares for RSU distribution	—	(4,214)	(6,584)
Taxes paid related to net settlement of equity awards	(1,367)	(909)	(2,344)
Payment for contingent consideration	(1,397)	(16)	—
Free Cash Flow [1]	**$ (16,734)**	**$ 28,648**	**$ 1,724**

[1] *See section titled "Non-GAAP Financial Measures" for additional details and a reconciliation to the applicable GAAP financial measure.*

Operating Activities

Cash used for operating activities increased by $47.4 million in 2017 compared to 2016, primarily due to higher working capital requirements driven by additional stocking of component inventory in order to reduce manufacturing costs.

Investing Activities

Cash used for investing activities increased by $11.0 million in 2017 compared to 2016. Higher cash requirements in 2017 were driven by increased business acquisition activity, including the acquisitions of GlobalTop and Numerex during 2017.

Capital expenditures of $15.8 million in 2017 were utilized primarily for production and tooling equipment, R&D equipment, computer equipment and software, while cash used for intangible assets was driven primarily by software license costs.

Financing Activities
Cash used for financing activities decreased by $13.4 million in 2017 compared to 2016, primarily due to higher proceeds from issue of common shares and a lower level of repurchase of common shares under our NCIB program which expired in February 2017.

Free Cash Flow
Our free cash flow decreased by $45.4 million in 2017 compared to 2016 as a result of the significant requirement to fund working capital throughout 2017 as noted above. See "Non-GAAP Financial Measures".

Cash Requirements
Our near-term cash requirements are primarily related to funding our operations, including inventory and other working capital items, capital expenditures, and other obligations discussed below. Cash may also be used to finance acquisitions of businesses in line with our long-term strategy. We continue to believe that our cash and cash equivalents of $65.2 million at December 31, 2017 and cash generated from operations will be sufficient to fund our expected working capital requirements, restructuring costs, and costs to integrate Numerex into our operations for at least the next twelve months. However, we cannot be certain that our actual cash requirements will not be greater than we currently expect.

The following table presents the aggregate amount of future cash outflows for contractual obligations as of December 31, 2017.

Payments due by period (In thousands of dollars)	**Total**	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**
Operating lease obligations	$ 32,593	$ 7,164	$ 6,157	$ 5,863	$ 5,804	$ 3,140	$ 4,465
Capital lease obligations	1,492	636	467	314	75	—	—
Purchase obligations - Contract Manufacturers [1]	133,407	133,407	—	—	—	—	—
Purchase obligations - Mobile Network Operators [2]	33,122	14,047	7,100	8,900	3,075	—	—
Acquisition contingent considerations [3]	1,263	1,263	—	—	—	—	—
Other long-term liabilities	853	391	56	18	13	375	—
Total	**$ 202,730**	**$ 156,908**	**$ 13,780**	**$ 15,095**	**$ 8,967**	**$ 3,515**	**$ 4,465**

[1] Purchase obligations represent obligations with certain contract manufacturers to buy a minimum amount of designated products between January 2018 and June 2018. In certain of these arrangements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

[2] Purchase obligations represent obligations with certain mobile network operators to purchase a minimum amount of wireless data and wireless data services.

[3] Acquisition contingent considerations relate to expected payments to be made under the performance-based earnout formulas for the MobiquiThings and Blue Creation acquisitions.

Normal Course Issuer Bid
On February 4, 2016, we received approval from the TSX of our Notice of Intention to make a Normal Course Issuer Bid. Pursuant to the NCIB, we were permitted to 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. During 2017, we purchased and canceled 170,217 common shares at an average price of $16.35 per common share.

Capital Resources

The source of funds for our future capital expenditures and commitments includes cash, accounts receivables, cash from operations and borrowings under our credit facilities.

	2017				2016			
(In thousands of dollars)	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
Cash and cash equivalents	$ 65,003	$ 74,206	$ 89,012	$ 92,545	$102,772	$112,054	$ 98,433	$ 86,120
Unused credit facilities	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total	**$ 75,003**	**$ 84,206**	**$ 99,012**	**$102,545**	**$112,772**	**$122,054**	**$108,433**	**$ 96,120**

At December 31, 2017, we have committed capital expenditures of $4.3 million. Our capital expenditures during the first quarter of 2018 are expected to be primarily for production and R&D equipment.

Credit Facilities

On May 30, 2017, our $10.0 million revolving term credit facility ("Revolving Facility") with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce expired. Subsequently, the Revolving Facility was renewed with the same financial institutions on an uncommitted basis. The Revolving Facility is for general corporate purposes, is secured by a pledge against substantially all of our assets and is subject to borrowing base limitations. As at December 31, 2017, there were no borrowings under the Revolving Facility.

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 and guarantees and is guaranteed by Export Development Canada. As at December 31, 2017, there were two letters of credit issued against the revolving standby letter of credit facility for a total value of $0.1 million.

NON-GAAP FINANCIAL MEASURES

Our consolidated financial statements are prepared in accordance with U.S. GAAP on a basis consistent for all periods presented. In addition to results reported in accordance with U.S. GAAP, we use non-GAAP financial measures as supplemental indicators of our operating performance. The term "non-GAAP financial measure" is used to refer to a numerical measure of a company's historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP in a company's statement of earnings, balance sheet or statement of cash flows; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Our non-GAAP financial measures include non-GAAP gross margin, non-GAAP earnings (loss) from operations, non-GAAP net earnings (loss), non-GAAP earnings (loss) per share, adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and free cash flow.

Non-GAAP gross margin excludes the impact of stock-based compensation expense and related social taxes and certain other nonrecurring costs or recoveries.

Non-GAAP earnings (loss) from operations excludes the impact of stock-based compensation expense and related social taxes, acquisition-related amortization, acquisition-related and integration costs, restructuring costs, impairment and certain other nonrecurring costs or recoveries.

In addition to the above, Non-GAAP net earnings (loss) and non-GAAP earnings (loss) per share exclude the impact of foreign exchange gains or losses on translation of certain balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts and certain tax adjustments.

We use the above-noted non-GAAP financial measures for planning purposes and to allow us to assess the performance of our business before including the impacts of the items noted above as they affect the comparability of our financial results. These non-GAAP measures are reviewed regularly by management and the Board of Directors as part of the ongoing internal assessment of our operating performance. We also use non-GAAP earnings from operations as one component in determining short-term incentive compensation for management employees.

Adjusted EBITDA is defined as net earnings (loss) plus stock-based compensation expense and related social taxes, acquisition-related and integration costs, restructuring costs, impairment, certain other nonrecurring costs or recoveries, amortization, foreign exchange gains or losses on translation of certain balance sheet accounts, unrealized foreign exchange gains or losses on forward contracts, interest and income tax expense. Adjusted EBITDA is a metric used by investors and analysts for valuation purposes and is an important indicator of our operating performance and our ability to generate liquidity through operating cash flow that will fund future working capital needs and capital expenditures.

Free cash flow is defined as cash flow from operating activities less capital expenditures and increases in intangibles. We believe that disclosure of free cash flow provides a good measure of our ability to internally generate cash that can be used for investment in the business and is an important indicator of our financial strength and performance. We also believe that certain investors and analysts use free cash flow to assess our business.

We disclose these non-GAAP financial measures as we believe they provide useful information to investors and analysts to assist them in their evaluation of our operating results and to assist in comparisons from one period to another. Readers are cautioned that non-GAAP financial measures do not have any standardized meaning

prescribed by U.S. GAAP and therefore may not be comparable to similar measures presented by other companies. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure. We therefore believe that despite these limitations, it is appropriate to supplement the U.S. GAAP measures with certain non-GAAP measures defined in this section of our MD&A.

The following table provides a reconciliation of the non-GAAP financial measures to our most directly comparable U.S. GAAP results for years ended December 31:

(In thousands of U.S. dollars, except where otherwise stated)	**2017**	**2016**	**2015**
Gross margin - GAAP	**$ 234,947**	$ 217,743	$ 193,855
Stock-based compensation and related social taxes	**461**	420	647
Realized gains (losses) on hedge contracts	**23**	—	—
Other nonrecurring costs (recoveries)	—	(13,045)	$ —
Gross margin - Non-GAAP	**$ 235,431**	$ 205,118	$ 194,502
Earnings (loss) from operations - GAAP	**$ (359)**	$ 21,348	$ 10,114
Stock-based compensation and related social taxes	**10,374**	7,596	9,685
Acquisition-related and integration	**8,195**	843	1,945
Restructuring	**1,076**	—	951
Impairment	**3,668**	—	—
Other nonrecurring costs (recoveries)	**318**	(11,762)	—
Realized gains (losses) on hedge contracts	**419**	—	—
Acquisition-related amortization	**15,486**	12,102	9,666
Earnings from operations - Non-GAAP	**$ 39,177**	$ 30,127	$ 32,361
Net earnings (loss)- GAAP	**$ 4,135**	$ 15,385	$ (2,674)
Stock-based compensation and related social taxes, restructuring, impairment, acquisition-related, integration, realized gain (loss) on hedge contracts and other nonrecurring costs (recoveries)	**23,631**	(3,323)	12,581
Amortization	**30,503**	25,894	20,216
Interest and other, net	**(67)**	(83)	(115)
Foreign exchange losses (gains)	**(7,131)**	1,736	11,843
Income tax expense (recovery)	**3,123**	4,310	1,060
Adjusted EBITDA	**$ 54,194**	$ 43,919	$ 42,911
Amortization (exclude acquisition-related amortization)	**(15,017)**	(13,792)	(10,550)
Interest and other, net	**67**	83	115
Income tax expense - Non-GAAP	**(5,108)**	(8,241)	(6,702)
Net earnings - Non-GAAP	**$ 34,136**	$ 21,969	$ 25,774
Net earnings (loss) - GAAP	**$ 4,135**	$ 15,385	$ (2,674)
Net earnings (loss) - Non-GAAP	**34,136**	43,919	25,774
Diluted earnings (loss) per share			
GAAP - (in dollars)	**$ 0.13**	$ 0.48	$ (0.08)
Non-GAAP - (in dollars)	**$ 1.04**	$ 0.68	$ 0.80

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

	2017				2016			
(In thousands of U.S. dollars, except where otherwise stated)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Gross margin - GAAP	$ 61,814	$ 57,775	$ 59,697	$ 55,661	$ 68,796	$ 49,368	$ 52,764	$ 46,815
Stock-based compensation and related social taxes	122	123	108	108	99	108	107	106
Realized gains (losses) on hedge contracts	11	12	—	—	—	—	—	—
Other nonrecurring costs (recoveries)	—	—	—	—	(13,045)	—	—	—
Gross margin - Non-GAAP	$ 61,947	$ 57,910	$ 59,805	$ 55,769	$ 55,850	$ 49,476	$ 52,871	$ 46,921
Earnings (loss) from operations - GAAP	$ (2,959)	$ 238	$ 3,849	$ (1,487)	$ 19,245	$ (53)	$ 3,411	$ (1,255)
Stock-based compensation and related social taxes	2,869	2,780	2,577	2,148	1,845	1,856	1,902	1,993
Acquisition-related and integration	4,792	2,077	875	451	376	34	59	374
Restructuring	245	199	259	373	—	—	—	—
Impairment	—	—	—	3,668	—	—	—	—
Realized gains (losses) on hedge contracts	209	210	—	—	—	—	—	—
Other nonrecurring costs (recoveries)	—	—	42	276	(13,045)	1,283	—	—
Acquisition-related amortization	4,306	3,845	3,694	3,641	3,308	3,206	3,058	2,530
Earnings (loss) from operations - Non-GAAP	$ 9,462	$ 9,349	$ 11,296	$ 9,070	$ 11,729	$ 6,326	$ 8,430	$ 3,642
Net earnings (loss) - GAAP	$ (3,530)	$ 1,227	$ 6,649	$ (211)	$ 15,718	$ (1,769)	$ 718	$ 718
Stock-based compensation and related social taxes, restructuring, impairment, acquisition-related, integration, realized gains (losses) on hedge contracts and other nonrecurring costs (recoveries)	7,906	5,056	3,753	6,916	(10,824)	3,173	1,961	2,367
Amortization	8,764	7,548	7,194	6,997	7,043	6,577	6,706	5,568
Interest and other, net	(38)	(32)	12	(9)	(2)	(23)	(32)	(26)
Foreign exchange loss (gain)	(1,058)	(1,457)	(3,517)	(1,099)	3,547	(590)	1,071	(2,292)
Income tax expense (recovery)	1,876	710	705	(168)	(18)	2,329	1,654	345
Adjusted EBITDA	$ 13,920	$ 13,052	$ 14,796	$ 12,426	$ 15,464	$ 9,697	$ 12,078	$ 6,680
Amortization (exclude acquisition-related amortization)	(4,458)	(3,703)	(3,500)	(3,356)	(3,735)	(3,371)	(3,648)	(3,038)
Interest and other, net	38	32	(12)	9	2	23	32	26
Income tax expense - Non-GAAP	(308)	(1,791)	(1,591)	(1,418)	(2,900)	(2,208)	(2,086)	(1,047)
Net earnings - Non-GAAP	$ 9,192	$ 7,590	$ 9,693	$ 7,661	$ 8,831	$ 4,141	$ 6,376	$ 2,621
Diluted earnings (loss) per share								
GAAP - (in dollars)	$ (0.11)	$ 0.04	$ 0.20	$ (0.01)	$ 0.49	$ (0.06)	$ 0.02	$ 0.02
Non-GAAP - (in dollars)	$ 0.28	$ 0.23	$ 0.30	$ 0.24	$ 0.27	$ 0.13	$ 0.20	$ 0.08

The following table provides a reconciliation of segmented gross margin:

(In thousands of U.S. dollars)	2017	2016	2015
OEM Solutions:			
Gross margin - GAAP	**$ 171,015**	$ 166,596	$ 151,807
Stock-based compensation and related social taxes	**370**	352	561
Realized gains (losses) on hedge contracts	**17**	—	—
Other nonrecurring costs (recoveries)	**—**	(11,960)	—
Gross margin - Non-GAAP	**$ 171,402**	$ 154,988	$ 152,368
Enterprise Solutions:			
Gross margin - GAAP	**$ 48,521**	$ 39,949	$ 33,127
Stock-based compensation and related social taxes	**68**	49	65
Realized gains (losses) on hedge contracts	**4**	—	—
Other nonrecurring costs (recoveries)	**—**	(1,085)	—
Gross margin - Non-GAAP	**$ 48,593**	$ 38,913	$ 33,192
IoT Services:			
Gross margin - GAAP	**$ 15,411**	$ 11,198	$ 8,921
Stock-based compensation and related social taxes	**23**	19	21
Realized gains (losses) on hedge contracts	**2**	—	—
Other nonrecurring costs (recoveries)	**—**	—	—
Gross margin - Non-GAAP	**$ 15,436**	$ 11,217	$ 8,942

The following table provides a reconciliation of free cash flow:

(In thousands of U.S. dollars)	2017	2016	2015
Cash flows from operating activities	**$ (928)**	$ 46,505	$ 16,803
Capital expenditures and increase in intangible assets	**(15,806)**	(17,857)	(15,079)
Free Cash Flow	**$ (16,734)**	$ 28,648	$ 1,724

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements during the years ended December 31, 2017 and 2016.

TRANSACTIONS BETWEEN RELATED PARTIES

We did not undertake any transactions with related parties during the years ended December 31, 2017 and 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with U.S. GAAP and we make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosure of contingent liabilities. Note 2, *Summary of significant accounting policies*, in the December 31, 2017 consolidated financial statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. While all of the significant accounting policies are important to the annual consolidated financial statements, some of these policies may be viewed as involving a high degree of judgment.

On an ongoing basis, we evaluate our estimates and judgments, including those related to business combinations, revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, valuation of goodwill and intangible assets, income taxes, useful lives of long-lived assets, adequacy of warranty reserve, royalty obligations, contingencies, stock-based compensation, and fair value measurement. We base our estimates on historical experience, anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ materially from our estimates.

The following critical accounting policies require management's most difficult, subjective and complex judgments, and are subject to measurement uncertainty.

Business combinations

We account for our business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of acquired assets and liabilities assumed include judgments in our determinations of acquired intangible assets and assessment of the fair value of existing property and equipment. Assumed liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the fair value of consideration transferred over the estimated fair values of net identifiable assets acquired and liabilities assumed at their acquisition date. Acquisition related expenses are separately recognized from business combination and are expensed as incurred.

When establishing fair values, we make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by us may include patents, intellectual property, customer relationships, brand, backlog and in-process research and development. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, we may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Our estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

Revenue recognition

We recognize revenue from sales of products and services upon the later of transfer of title or upon shipment of the product to the customer or rendering of the service, so long as persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable, and collection is reasonably assured. Customers include resellers and distributors, OEMs, mobile network operators, other enterprises and public sector entities. We record deferred revenue when we receive cash in advance of the revenue recognition criteria being met. A significant portion of our revenue is generated from sales to resellers. We recognize revenue on sales to resellers based on the sell-in model. Where certain products are subject to contract provisions allowing various rights of return and stock rotation, a portion of the revenues may be deferred based on historical return rates. Where certain resellers are subject to provisions allowing for a future discount based on the final sales channel under which the products have been reported as sold by the resellers, a reduction of revenue is recorded upon invoicing

for the expected discounts to be earned. Such rates are based on historical trends. Adjustments to the expected discounts are booked to revenues as the expected rates fluctuate or upon issuance of the final discount.

Revenues from contracts with multiple-element arrangements, such as those including technical support services, are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements. Revenue from licensed software is recognized at the inception of the license term. Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are recorded as deferred revenue and amortized into income over the applicable earning period.

Revenue from activation or set up fees charged in advance of contracted monthly recurring revenue is deferred and recognized over the estimated customer life on a straight line basis. Revenue from IoT subscription services are generally billed monthly and recognized when earned.

Funding from certain research and development agreements is recognized as revenue when certain criteria stipulated under the terms of those funding agreements have been met and when there is reasonable assurance the funding will be received.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. We consider the following factors when determining whether collection is reasonably assured: customer credit-worthiness, past transaction history with the customer, insured amounts, if any, current economic industry trends and changes in customer payment terms. If we have no previous experience with the customer, we typically obtain reports from credit organizations to ensure that the customer has a history of paying its creditors. We may also request financial information, including financial statements, to ensure that the customer has the means of making payment. If these factors indicate collection is not reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of any of our customers deteriorates, we may increase our allowance.

As at December 31, 2017, accounts receivable comprised 24.5% of total assets. Included in this balance was a provision of $1.8 million for doubtful accounts, or 1.1% of accounts receivable compared to $2.5 million for doubtful accounts, or 1.7% of accounts receivable as at December 31, 2016. We believe our allowance for doubtful accounts as at December 31, 2017 is adequate to provide for probable losses existing in accounts receivable.

Inventory

We value our inventory at the lower of cost, determined on a first-in-first-out basis, and estimated net realizable value. We assess the need for an inventory write-down and/or an accrual for estimated losses on inventory purchase commitments based on our assessment of estimated market value using assumptions about future demand and market conditions. Our reserve requirements generally increase as our projected demand requirements decrease, due to market conditions, technological and product life cycle changes and longer than previously expected usage periods. If market conditions are worse than our projections, we may further write-down the value of our inventory or increase the accrual for estimated losses on inventory purchase commitments.

Goodwill and intangible assets

Goodwill and intangible assets are assessed for impairment on an annual basis and between annual tests whenever circumstances indicate that the carrying value of the goodwill and intangible assets might be impaired. We performed our annual test on October 1, 2017. Circumstances may include an adverse change in business climate or a more likely than not expectation that a reporting unit will be sold or disposed. On at least a quarterly basis, we assess whether such circumstances exist. An evaluation of recoverability of goodwill requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the estimated fair value of each reporting unit. Significant judgments that are required on our part to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates, consideration of appropriate control premium, market conditions, and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit and may result in impairment charges in future periods.

At December 31, 2017, our goodwill balance was $218.5 million. We determined that there was no impairment as the fair values of each of our reporting units exceeded their respective carrying values as at October 1, 2017. Our analysis took into consideration an income valuation approach using the expected discounted cash flows for each reporting unit. The principal factors used in the discounted cash flow analysis were the projected results of operations, the discount rate based on our estimated weighted average cost of capital, and terminal value assumptions for each reporting unit. The discounted cash flow model used was based on our business plan, as approved by our Board of Directors. For years subsequent to those contained in our business plan, we analyzed third party forecasts and other macro-economic indicators that impact our reporting units to provide a reasonable estimate of revenue growth in future periods. Our gross margins and operating expense estimates were consistent with those generated in recent historical periods. We also developed assumptions for the amount of working capital and capital expenditures needed to support each reporting unit.

In addition to the income valuation approach noted above, we also considered our current market capitalization, which was approximately $733.4 million at December 31, 2017 and exceeds our book value of $466.9 million.

Income taxes

We recognize and measure each tax position related to income tax positions taken or expected to be taken in a tax return. We have reviewed our tax positions to determine which should be recognized and measured according to the more likely than not threshold requirement. The tax benefits recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. If the realization of a tax position is not considered more likely than not, we provide for a valuation allowance. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We consider projected future taxable income from operations, tax planning strategies and transactions in making our assessment. If our assessment of our ability to realize our deferred tax assets changes, we may make an adjustment to our deferred tax assets that would be charged to income (loss).

We do not provide for taxes on foreign earnings as it is our intention to indefinitely reinvest undistributed earnings of our foreign subsidiaries. It is not practical to estimate the income tax liability that might be incurred if there is a change in management's intention in the event that a remittance of such earnings occurs in the future.

The ultimate amount of future income taxes and income tax provision could be materially different from those recorded, as it is influenced by our future operating results and our tax interpretations.

Amortization

Amortization of property and equipment and intangible assets incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change impacting the operation of property and equipment and intangible assets.

Warranty costs

We accrue product warranty costs in accrued liabilities to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience, product quality and management's estimates. If there is a change in these factors, we adjust our accrual accordingly.

Royalty obligations

Under certain license agreements we are committed to 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 in place, we recognize our current best estimate of the royalty obligation in accrued liabilities and long-term liabilities. Historically (prior to October 1, 2016), in determining this estimate, we based our calculations on an assumption that royalty calculations could be based on a percentage of the entire value of an end-product (i.e., revenue). This conformed with our legacy license agreements.

Significant legal precedent now exists in the United States supporting the smallest saleable unit ("SSU") principle (i.e., the principle that any royalty obligations should be no more than a portion of the profits for a component within the product that implements the patented technology) as the appropriate methodology for determining FRAND standard essential patent ("SEP") royalties. Using this principle, the royalty accrual on our products is based on the value of the patented technology in the chipset, representing the SSU that implements the technology, and not on the entire value of the end-product.

The cumulative effect of these legal changes to the licensing landscape, combined with supportive legislative initiatives and broad industry support for the SSU principle, at the time of the expiry of one of our significant legacy IP licenses, prompted management to reassess its contingent royalty obligation estimate during the fourth quarter of the year ended December 31, 2016. The use of the SSU principle as the basis to determine the estimate, as opposed to value of end-product, resulted in a reduction of $13.0 million to our estimated royalty obligation effective October 1, 2016.

Contingencies

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 an amount of 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 the 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, management believes that the amount of any such additional loss would not be material to our results of operations or financial condition.

In some instances, we are unable to reasonably estimate any potential loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company. There are many reasons 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 patent that 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., once a patent is identified, the analysis of the patent and a comparison to our activities is a labour-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 litigation, 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.

Stock-based compensation

We recognize stock-based compensation expense for all stock-based compensation awards based on the fair value at grant date. We recognize stock-based compensation expense on a straight-line basis over the requisite service period of the award and account for forfeitures as they occur.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires subjective assumptions. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Fair value measurement

We measure our short-term investments at fair value, defined as the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements, we consider the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance.

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 both available and significant to the fair value measurement. Three levels of inputs may be used to measure fair value as detailed below.

- *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 determination of fair value requires judgments, assumptions and estimates and may change over time.

OUTSTANDING SHARE DATA

As of March 6, 2018, we had 35,972,276 common shares issued and outstanding, stock options exercisable into 1,728,679 common shares at a weighted average exercise price of $20.16 and 702,435 restricted treasury share units outstanding.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING CURRENT PERIOD

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update is to address diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. This requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents by including restricted cash and restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal periods. Early adoption is permitted, and any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. In the fourth quarter of 2017, we early adopted ASU 2016-18 and there was no material impact to our financial statements and business.

IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS

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 will 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 have commenced the development of appropriate changes to our business processes, systems, and controls to support recognition and disclosure under the new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update is to improve transparency and comparability among organizations by requiring lessees to recognize right-of-use assets and lease liabilities on the balance sheet and requiring additional disclosure about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted. We are in the process of evaluating the impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This update will replace the incurred loss impairment methodology for credit losses on financial instruments with a methodology that requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are in the process of evaluating the

impact of this update and cannot reasonably estimate the effect on our financial statements and business at this time.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The update addresses eight specific cash flow issues with the objective of reducing diversity in practice. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal periods. Early application is permitted. We will adopt the standard in the first quarter of 2018. The update does not have a material impact on our financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures for the Company. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with securities regulatory authorities is recorded, processed, summarized and reported within time periods specified in applicable securities regulations, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted an evaluation of the effectiveness of our disclosure controls and procedures, which was carried out under the supervision of, and with the participation of, our management, including our Chief Executive Officer and our Chief Financial Officer, as of December 31, 2017. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2017 to ensure that information required to be disclosed by us in the reports we file or submit under applicable securities laws and regulations is recorded, processed, summarized, and reported within the time periods specified thereby.

As permitted by SEC guidance and applicable Canadian securities laws, the Company has excluded Numerex controls, policies and procedures from the scope of design of the disclosure controls and procedures for the year ended December 31, 2017. The Company completed the purchase of Numerex on December 7, 2017. Additional information regarding this acquisition is included above and in Note 5 to the consolidated financial statements. Numerex will be included in management's evaluation of disclosure controls for the fiscal year ending December 31, 2018

We do not expect that our disclosure controls and procedures will prevent all errors and all fraud. Control procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedures are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. We considered these limitations during the development of our disclosure controls and procedures and will periodically re-evaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Securities Exchange Act of 1934 and has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2017, based on the framework set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

Ernst & Young LLP ("EY"), an independent registered public accounting firm, who audited and reported on our consolidated financial statements as at and for the year ended December 31, 2017, has issued an attestation report on our internal control over financial reporting as of December 31, 2017. Their attestation report is included with our consolidated financial statements.

As permitted by SEC guidance and applicable Canadian securities laws, the Company has excluded Numerex controls, policies and procedures, from management's evaluation of the system of internal control over financial reporting for the year ended December 31, 2017. The Company completed the purchase of Numerex on December 7, 2017 and Numerex's total assets and revenues constituted 3.47% and 0.45% respectively, of the Company's consolidated total assets and revenues as shown on our consolidated financial statements as of and for the period ended December 31, 2017. Additional information regarding this acquisition is included above and in Note 5 to the consolidated financial statements. Numerex will be included in management's evaluation of internal controls over financial reporting for the fiscal year ending December 31, 2018

There were no changes in our internal control over financial reporting during the year ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

LEGAL PROCEEDINGS

In January 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 U.S. subsidiary. The lawsuit makes certain allegations concerning the alleged use of data transmission error checking technology in our wireless products. The lawsuit is in the discovery stage. In August 2017, we filed a motion to dismiss the lawsuit pursuant to 35 U.S.C. §101, and a decision on the motion is pending. In December 2017, we filed a Petition for *Inter Partes* Review of the patent-in-suit with the United States Patent and Trial Appeal Board and a decision on institution of the proceeding is pending.

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 one of our U.S. subsidiaries. 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 Solutions"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us, one of our US subsidiaries, 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 Solutions filed a second patent infringement lawsuit against us in the same court with respect to a recently issued patent held by M2M Solutions (US Patent No. 8,648,717), which patent is a continuation of one of the patents-in-suit in the original lawsuit filed against us by M2M Solutions. The lawsuit was administratively closed in September 2015 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 March 2017, the PTAB issued its decisions in the instituted proceedings, invalidating all independent claims and several dependent claims in the single patent-in-suit. In June 2017, Blackbird Tech LLC ("Blackbird") was joined as a plaintiff in the lawsuit. The lawsuit has been administratively re-opened. In October 2017, a motion to dismiss the lawsuit pursuant to 35 U.S.C. § 101 was filed and has been briefed.

In October 2017, Numerex, its board of directors, the Company and one of our U.S. subsidiaries, Wireless Acquisition Sub, Inc. were named as defendants in a class action lawsuit filed by purported stockholders of Numerex alleging, among other things, that the defendants issued or caused to be issued a materially misleading and incomplete Registration Statement on Form F-4 with the U.S. Securities and Exchange Commission in connection with the Transaction. In October 2017, Numerex and its board of directors were also named as defendants in a separate class action lawsuit filed by purported stockholders of Numerex. Both lawsuits were voluntarily dismissed in December 2017.

In October 2017, a patent holding company, Iron Oak Technologies, LLC ("Iron Oak"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and one of our U.S. subsidiaries. The lawsuit makes certain allegations concerning our embedded wireless module products. The lawsuit has been dismissed with prejudice.

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.

FINANCIAL RISK MANAGEMENT

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, derivatives such as foreign currency forward and option contracts, accounts payable and accrued liabilities.

We have exposure to the following business risks:

We maintain substantially all of our cash and cash equivalents with major financial institutions or invest in government instruments. Our deposits with banks may exceed the amount of insurance provided on such deposits.

We outsource manufacturing of our products to third parties and, accordingly, we are dependent upon the development and deployment by third parties of their manufacturing abilities. The inability of any supplier or manufacturer to fulfill our supply requirements could impact future results. We have supply commitments to our contract manufacturers based on our estimates of customer and market demand. Where actual results vary from our estimates, whether due to execution on our part or market conditions, we are at risk.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable. We perform on-going credit evaluations of our customer's financial condition and require letters of credit or other guarantees whenever deemed appropriate.

Although a significant portion of our revenues are in U.S. dollars, we incur operating costs that are denominated in other currencies. Fluctuations in the exchange rates between these currencies could have a material impact on our business, financial condition and results of operations.

We are generating and incurring an increasing portion of our revenue and expenses, respectively, outside of North America including Europe, the Middle East and Asia. To manage our foreign currency risks, we enter into foreign currency forward contracts to reduce our exposure to future foreign exchange fluctuations. As of December 31, 2017, we had foreign currency forward contracts totalling $15.6 million Canadian dollars with an average forward rate of 1.290, maturing between January to December 2018. Subsequent to December 31, 2017, we entered into additional foreign currency forward contracts totalling $17.4 million Canadian dollars with an average forward rate of 1.255, maturing between February to December 2018.

We are subject to risks typical of an international business including, but not limited to, differing economic conditions, changes in political climate, differing tax structures other regulations and restrictions and foreign exchange rate volatility. Accordingly, our future results could be materially affected by changes in these or other factors.

RISKS AND UNCERTAINTIES

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

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

The market for IoT products and services is highly competitive and rapidly evolving. We have experienced and expect to continue to experience the impact on our business of intense competition including:

- competition from more established and larger companies with strong brands and greater financial, technical and marketing resources or companies with different business models;
- business combinations or strategic alliances by our competitors which could weaken our competitive position;
- introduction of new products or services by us that put us in direct competition with major new competitors;
- existing or future competitors who may be able to respond more quickly to technological developments and changes and introduce new products or services before we do; and
- competitors who may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing, more desired or better-quality features or more efficient sales channels.

If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, we may lose customer orders and market share and we may need to reduce the price of our products and services, resulting in reduced revenue and reduced gross margins. In addition, new market entrants or alliances between customers and suppliers could emerge to disrupt the markets in which we operate through disintermediation of our modules business or other means. There can be no assurance that we will be able to compete successfully and withstand competitive pressures.

Our recent acquisition of Numerex is subject to certain risks and uncertainties

As noted above, on December 7, 2017, we acquired Numerex. In connection with our deliberations relating to the Transaction, we considered potential risks and negative factors concerning the Transaction and the other transactions contemplated by the Merger Agreement, including, but not limited to, the following:

- the potential distraction to our current business and specific initiatives;
- the difficulties and management challenges inherent in integrating the business, operations and workforce of Numerex with those of Sierra Wireless;
- the difficulties and management challenges inherent in returning the Numerex business to profitable growth;
- our assessment of the achievability of Numerex's financial projections and our expectation that the Transaction will not be accretive to earnings per share until approximately 12 months after the closing, assuming efficiencies and anticipated growth are fully realized;
- the risk that the anticipated benefits of the Transaction will not be realized in full or in part, including the risk that expected synergies, expected growth and expected cost savings will not be achieved or not achieved in the expected time frame;

- the risk of diverting the attention of our senior management from other strategic priorities to implement the Transaction and make arrangements for integration of Sierra Wireless' and Numerex's operations and infrastructure following the Transaction;
- risks associated with managing the technology transitions; and
- other risks relating to acquisitions generally described below under *"Risk Factors - Acquisitions and divestitures of businesses or technologies may result in disruptions to our business or may not achieve the anticipated benefits"*.

Acquisitions and divestitures of other businesses or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

The growth of our Company through the successful acquisition and integration of complementary businesses is an important and active component of our business strategy. We continue to seek opportunities to acquire or invest in businesses, products and technologies that expand, complement or otherwise relate to our business. Any acquisitions, investments or business combinations by us may be accompanied by risks commonly encountered including, but not limited to, the following:

- exposure to unknown liabilities or risks of acquired companies, including unknown litigation related to acts or omissions of an acquired company and/or its directors and officers prior to the acquisition, deficiencies in disclosure controls and procedures of the acquired company and deficiencies in internal controls over financial reporting of the acquired company;
- higher than anticipated acquisition and integration costs and expenses;
- the difficulty and expense of integrating the operations and personnel of the acquired companies;
- use of cash to support the operations of an acquired business;
- increased foreign exchange translation risk depending on the currency denomination of the revenue and expenses of the acquired business;
- disruption of, and demands on, our ongoing business as a result of integration activities including diversion of management's time and attention from the ongoing business;
- failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- the inability to implement uniform standards, disclosure controls and procedures, internal controls over financial reporting and other procedures and policies in a timely manner;
- the potential loss of key employees and customers;
- decrease in our share price if the market perceives that an acquisition does not fit our strategy, the price paid is excessive in light of other similar transactions or that the terms of the acquisition are not favorable to our earnings growth;
- failure to anticipate or adequately address regulatory requirements that may need to be satisfied as part of a business acquisition or disposition;
- litigation and settlement costs if shareholders bring lawsuits triggered by acquisition or divestiture activities;
- decrease in our share price, if, as a result of our acquisition strategy or growth, we decide to raise additional capital through an offering of securities; and
- dilution to our shareholders if the purchase price is paid in common shares or securities convertible into common shares.

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

As business circumstances dictate, we may also decide to divest assets, technologies or businesses. In a divestiture, we may not be successful in identifying or managing the risks commonly encountered, including: higher than anticipated costs; disruption of, and demands on, our ongoing business; diversion of management's time and attention; adverse effects on existing business relationships with suppliers and customers and employee

issues. We may not be successful in overcoming these risks or any other problems encountered in connection with a divestiture of assets, technologies or businesses which, if realized, could reduce shareholder value.

In addition, we may be unsuccessful at bringing to conclusion proposed transactions. Negotiations and closing activities, including regulatory review, of transactions are complex functions subject to numerous unforeseen events that may impede the speed at which a transaction is closed or even prevent a transaction from closing. Failure to conclude transactions in an efficient manner may prevent us from advancing other opportunities or introduce unanticipated transition costs.

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

We sell our products and services to OEM's, enterprises, government agencies, distributors, resellers and network operators, and we are occasionally party to sales agreements with customers comprising a significant portion of our revenue. Accordingly, our business and future success depends on our ability to maintain and build on existing relationships and develop new relationships with OEMs, enterprises, government agencies, distributors, resellers and network operators. If certain of our significant customers, for any reason, discontinues their relationship with us, reduces or postpones current or expected purchase orders for products, reduces or postpones initiation or usage of our services or suffers from business loss, our revenues and profitability could decline materially.

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

Cyber-attacks or other breaches of information technology security could have an adverse impact on our business.

We rely on certain internal processes, infrastructure and information technology systems to efficiently operate our business in a secure manner, including infrastructure and systems operated by third parties. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact our ability to operate our business. Our IoT services depend on very high levels of network reliability and availability in order to provide our customers with the ability to continuously monitor and receive data from their devices.

Cyber-attacks or other breaches of network or IT systems security may cause disruptions to our operations including the ability to provide connectivity, device management and other cloud-based services to our customers. The prevalence and sophistication of these types of threats are increasing and our security measures may not be sufficient to prevent the damage that such threats can inflict on our assets and information. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives and/or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' confidential information or disruption of service to our customers, we may incur liability, be subject to legal action and suffer damage to our reputation. Our insurance may not be adequate to fully reimburse us for these costs and losses.

Our financial results are subject to fluctuations that could have a material adverse effect on our business and that could affect the market price of our common shares.

Our revenue, gross margin, operating earnings and net earnings may vary from quarter-to-quarter and could be significantly impacted by a number of factors, including but not limited to the following:

- price and product competition which may result in lower selling prices for some of our products and services or lost market share;
- price and demand pressure on our products and services from our customers as they experience pressure in their businesses;
- demand fluctuation based on the success of our customers in selling their products and solutions which incorporate our wireless products, services and software;
- development and timing of the introduction of our new products including the timing of sales orders, OEM and distributor customer sell through and design win cycles in our embedded wireless module business;
- transition periods associated with the migration to new technologies;
- potential commoditization and saturation in certain markets;
- our ability to accurately forecast demand in order to properly align the purchase of components and the appropriate level of manufacturing capability;
- product mix of our sales (our products have different gross margins - for example the embedded wireless module product line has lower gross margins than the higher margin rugged mobile product line);
- possible delays or shortages in component supplies;
- possible delays in the manufacture or shipment of current or new products and the introduction of new services;
- possible product or service quality or factory yield issues that may increase our cost of goods sold;
- concentration in our customer base;
- seasonality in demand;
- amount of inventory held by our channel partners;
- possible fluctuations in certain foreign currencies relative to the U.S. dollar that may affect foreign denominated revenue, cost of goods sold and operating expenses;
- impairment of our goodwill or intangible assets which may result in a significant charge to earnings in the period in which an impairment is determined;
- achievement of milestones related to our professional services contracts; and
- operating expenses that are generally fixed in the short-term and therefore difficult to rapidly adjust to different levels of business.

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

Quarterly variations in operating results or any of the other factors listed above, changes in financial estimates by securities analysts, or other events or factors may result in wide fluctuations in the market price of our common shares. Broad market fluctuations or any failure of our operating results in a particular quarter to meet market expectations may adversely affect the market price of our common shares.

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

The wireless communications industry is subject to rapid technological change, including evolving industry standards, frequent new product inventions, constant improvements in performance characteristics and short product life cycles. Our business and future success will depend, in part, on our ability to accurately predict and anticipate evolving wireless technology standards and develop products and services that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, preferences and requirements. Our ability to design, develop and commercially launch new products and services depends on a number of factors including, but not limited to, the following:

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

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

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

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

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

Our success depends in large part on the skills and experience of our executive officers and other key employees. The loss of key employees or deterioration in overall employee morale and engagement as a result of organizational change could have an adverse impact on our growth, operations and profitability.

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

We may be found to infringe on the intellectual property rights of others.

The industry has many participants that own, or claim to own, proprietary intellectual property. We license technology, intellectual property and software from third parties for use in our products and may be required to license additional technology, intellectual property and software in the future. In some cases, these licenses provide us with certain pass-through rights for the use of other third party intellectual property. There is no assurance that we will be able to maintain our third-party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products.

In the past we have received, and in the future, we are likely to continue to receive, assertions or claims from third parties alleging that our products violate or infringe their intellectual property rights. We may be subject to these claims directly or through indemnities against these claims which we have provided to certain customers and other third parties. Our component suppliers and technology licensors do not typically indemnify us against these claims and therefore we do not have recourse against them in the event a claim is asserted against us or a customer we have indemnified. This potential liability, if realized, could materially adversely affect our operating results and financial condition.

Activity in this area by third parties, particularly those with tenuous claims, is increasing, resulting in us taking a more aggressive defensive approach, which may result in increased litigation. In the last few years, patent claims have been brought against us by third parties whose primary (or sole) business purpose is to acquire patents and other intellectual property rights, and not to manufacture and sell products and services. These entities aggressively pursue patent litigation, resulting in increased litigation costs for us. We expect that this recent development will continue for the foreseeable future. Infringement of intellectual property can be difficult to verify and litigation may be necessary to establish if we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may choose to pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

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

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

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

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

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

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

Continued difficult or uncertain global economic conditions could adversely affect our operating results and financial condition.

A significant portion of our business is in the United States, Europe and the Asia-Pacific region and we are particularly exposed to the downturns and current uncertainties that impact the wireless communications industry in those economies. Economic uncertainty may cause an increased level of commercial and consumer delinquencies, lack of consumer confidence resulting in delayed purchases or reduced volumes by our customers, credit tightening by lenders, increased market volatility, fluctuations in foreign exchange rates and widespread reduction of business activity generally. To the extent that we experience further economic uncertainty, or deterioration in one of our large markets in the United States, Europe or the Asia-Pacific region, the resulting economic pressure on our customers may cause them to end their relationship with us, reduce or postpone current or expected orders for our products or services, or suffer from business failure, resulting in a material adverse impact to our revenues, profitability, cash flow and bad debt expense.

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

We depend on single source suppliers for some components used in our products and if these suppliers are unable to meet our demand, the delivery of our products to our customers may be interrupted.

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

Failures of our products or services due to design flaws and errors, component quality issues, manufacturing defects, network service interruptions or other quality issues that may result in product liability claims and product recalls could lead to unanticipated costs or otherwise harm our business.

Our products are comprised of hardware and software that is technologically complex and we are reliant on third parties to provide important components for our products. It is possible that our products and IoT services may contain undetected errors, defects or security vulnerabilities. As a result, our products or IoT services may be rejected by our customers or our services may be unavailable to our customers leading to loss of business, loss of revenue, additional development and customer service costs, unanticipated warranty claims, payment of monetary damages under contractual provisions and damage to our reputation.

In addition, our IoT services, including information systems and telecommunications infrastructure, could be disrupted by technological failures or cyber-attacks which could result in the inability of our customers to receive our services for an indeterminate period of time. Any disruption to our services, such as failure of our network operations centers to function as required, or extended periods of reduced levels of service could cause us to lose customers or revenue, result in delays or cancellations of future implementations of our products and services, result in failure to attract customers, require customer service or repair work that would involve substantial costs, result in loss of customer data, result in litigation, payment of monetary damages under contractual provisions and distract management from operating our business.

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

We outsource the manufacturing of our products to several contract manufacturers and depend on these manufacturers to meet our needs in a timely and satisfactory manner at a reasonable cost. Third party manufacturers, or other third parties to which such third-party manufacturers in turn outsource our manufacturing requirements, may not be able to satisfy our manufacturing requirements on a timely basis, including by failing to meet scheduled production and delivery deadlines or to meet our product quality requirements or the product quality requirements of our customers. Insufficient supply or an interruption or stoppage of supply from such third-party manufacturers or our inability to obtain additional or substitute manufacturers when and if needed, and on a cost-effective basis, could have a material adverse effect on our business, results of operations and financial condition. Our reliance on third party manufacturers subjects us to a number of risks, including but not limited to the following:

- potential business interruption due to unexpected events such as natural disasters, labor unrest, cyber-attacks, technological issues or geopolitical events;
- the absence of guaranteed or adequate manufacturing capacity;
- potential violations of laws and regulations by our manufacturers that may subject us to additional costs for duties, monetary penalties, seizure and loss of our products or loss of our import privileges, and damage to our reputation;
- reduced control over delivery schedules, production levels, manufacturing yields, costs and product quality;
- the inability of our contract manufacturers to secure adequate volumes of components in a timely manner at a reasonable cost; and
- unexpected increases in manufacturing costs.

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

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

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

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

We depend on mobile network operators to promote and offer acceptable wireless data services.

Our products and our wireless connectivity services can only be used over wireless data networks operated by third parties. Our business and future growth depends, in part, on the successful deployment by mobile network operators of next generation wireless data networks and appropriate pricing of wireless data services. We also depend on successful strategic relationships with our mobile network operator partners and our operating results and financial condition could be harmed if they increase the price of their services or experience operational issues with their networks.In certain cases, our mobile network operator partners may also offer services that compete with our IoT Services business.

Contractual disputes could have a material adverse effect on our business.

Our business is exposed to the risk of contractual disputes with counterparties and as a result we may be involved in complaints, claims and litigation. We cannot predict the outcome of any complaint, claim or litigation. If a dispute cannot be resolved favorably, it may delay or interrupt our operations and may have a material adverse effect on our operating results, liquidity or financial position.

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

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

change or we may not be able to receive regulatory approvals from countries in which we may desire to sell products in the future. If we fail to comply with the applicable regulatory requirements, we may be subject to regulatory and civil liability, additional costs (including fines), reputational harm, and in severe cases, we may be prevented from selling our products in certain jurisdictions.

We may also incur additional expenses or experience difficulties selling our products associated with complying with the SEC rules and reporting requirements related to conflict minerals. In August 2012, the SEC adopted new disclosure requirements implementing Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for manufacturers of products containing certain minerals that may originate from the Democratic Republic of Congo and adjoining countries. As a result, since 2013 we have been required to conduct certain country of origin and due diligence procedures to meet the SEC reporting requirements. The impact of the regulations may limit the sourcing and availability, or may increase the costs, of some of the metals used in the manufacture of our products. Also, since our supply chain is complex, we may be unable to sufficiently verify the origins for all metals used in our products through our supplier due diligence procedures. As governments change in any of the markets in which we operate, there could be further uncertainties with respect to certain of our regulatory obligations in the near term, including with respect to fiscal and trade-related matters.

The transmission, use and disclosure of user data and personal information could give rise to liabilities or additional costs as a result of laws, governmental regulations and mobile network operator and other customer requirements or differing views of personal privacy rights.

Our products and services are used to transmit a large volume of data and potentially including personal information. This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world that is intended to protect the privacy and security of personal information, as well as the collection, storage, transmission, use and disclosure of such information.

The interpretation of privacy and data protection laws in a number of jurisdictions is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from country to country. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. In addition, because our products and services are sold and used worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, even where we have no local entity, employees, or infrastructure.

We could be adversely affected if legislation or regulations are expanded to require changes in our products, services or business practices, if governmental authorities in the jurisdictions in which we do business interpret or implement their legislation or regulations in ways that negatively affect our business or if end users allege that their personal information was misappropriated because of a defect or vulnerability in our products or services. If we are required to allocate significant resources to modify our products, services or our existing security procedures for the personal information that our products and services transmit, our business, results of operations and financial condition may be adversely affected. The Company is currently assessing its systems and processes regarding compliance with the European Union General Data Protection Regulation (GDPR) when that regulation comes into force in May 2018. The GDPR may result in increased costs and may impact our ability to sell our products and services.

We are subject to risks inherent in foreign operations.

Sales outside North America represented approximately 69% of our revenues in 2017 and and approximately 70% and 69% of our revenue in fiscal 2016 and 2015, respectively. We maintain offices in a number of foreign jurisdictions. We have limited experience conducting business in some of the jurisdictions outside North America and we may not be aware of all the factors that may affect our business in foreign jurisdictions. We are subject to a number of risks associated with our international business operations that may increase liabilities, costs, lengthen sales cycles and require significant management attention. These risks include:

- compliance with the laws of the United States, Canada and other countries that apply to our international operations, including import and export legislation, lawful access and privacy laws;
- compliance with existing and emerging anti-corruption laws, including the Foreign Corrupt Practices Act of the United States, the *Corruption of Foreign Public Officials Act* of Canada and the UK Bribery Act;
- increased reliance on third parties to establish and maintain foreign operations;
- the complexities and expense of administering a business abroad;
- complications in compliance with, and unexpected changes in, foreign regulatory requirements, including requirements relating to content filtering and requests from law enforcement authorities;
- trading and investment policies;
- consumer protection laws that impose additional obligations on us or restrict our ability to provide limited warranty protection;
- instability in economic or political conditions, including inflation, recession and actual or anticipated military conflicts, social upheaval or political uncertainty;
- foreign currency fluctuations;
- foreign exchange controls and cash repatriation restrictions;
- tariffs and other trade barriers;
- difficulties in collecting accounts receivable;
- potential adverse tax consequences;
- uncertainties of laws and enforcement relating to the protection of intellectual property or secured technology;
- litigation in foreign court systems;
- cultural and language differences;
- difficulty in managing a geographically dispersed workforce in compliance with local laws and customs that vary from country to country; and
- other factors, depending upon the country involved.

There can be no assurance that the policies and procedures implemented by us to address or mitigate these risks will be successful, that our personnel will comply with them, that we will not experience these factors in the future or that they will not have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance the policies and procedures implemented by us to address or mitigate these risks will be successful, that our personnel will comply with them or that we will not experience these factors in the future or that they will not have a material adverse effect on our business, results of operations and financial condition.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Annual Report on Form 40-F of our reports dated March 7, 2018 on the consolidated financial statements of Sierra Wireless, Inc. as at December 31, 2017 and 2016 and for the years then ended, and the effectiveness of internal control over financial reporting of Sierra Wireless, Inc. as of December 31, 2017 filed with the Securities and Exchange Commission.

We also consent to the incorporation by reference of each of the above reports in the Registration Statement (No. 333-210315) on Form S-8 of Sierra Wireless, Inc.

Vancouver, Canada
March 7, 2018

/s/ Ernst & Young LLP
Chartered Professional Accountants

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Sierra Wireless, Inc.

We consent to the use of our report dated February 29, 2016 with respect to the consolidated financial statements included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such report in the Registration Statement (No. 333-210315) on Form S-8 of Sierra Wireless, Inc.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 7, 2018

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jason W. Cohenour, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and
5. The issuer’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer’s auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: March 7, 2018

/s/ Jason W. Cohenour
Jason W. Cohenour
Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, David G. McLennan, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 7, 2018

/s/ David G. McLennan
David G. McLennan
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sierra Wireless, Inc. (the "Corporation") on Form 40-F for the fiscal year ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason W. Cohenour, Chief Executive Officer of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Richmond, British Columbia, Canada this March 7, 2018.

/s/ Jason W. Cohenour

Jason W. Cohenour

Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATE OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Sierra Wireless, Inc. (the "Corporation") on Form 40-F for the fiscal year ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David G. McLennan, Chief Financial Officer of the Corporation, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated at Richmond, British Columbia, Canada this March 7, 2018.

/s/ David G. McLennan___
David G. McLennan
Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.