

# 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, 2013

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): 94-3338019**

**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:  
**Toronto Stock Exchange, 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: **31,097,844 Common Shares, without par value, as at December 31, 2013**

Indicate by check mark whether the Registrant, by filing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), If "yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

☐ Yes 82 - ☒ No

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 ☐

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#### **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, 2013, filed as Exhibit No. 1.3 to this Annual Report, under the heading "Disclosure Controls".

#### **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, 2013, 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 KPMG LLP ("KPMG"), the independent registered public accounting firm of the Registrant, is included in KPMG's report, dated February 27, 2014, to the shareholders of the Registrant, which accompanies the Registrant's audited consolidated financial statements for the fiscal year ended December 31, 2013, 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, 2013, 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, 2013.

## **F. Audit Committee Financial Expert**

The Registrant's Board of Directors has determined that Robin A. Abrams is the audit committee financial expert, within the meaning of General Instruction B(8)(b) of Form 40-F. Ms. Abrams 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, Inc. ("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 February 27, 2014, 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](http://www.sierrawireless.com). 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**

### ***Audit Fees***

The aggregate fees billed by KPMG, the Registrant's independent auditor, for the fiscal years ended December 31, 2013 and 2012, for professional services rendered by KPMG for the audit of the Registrant's annual financial statements or services that are normally provided by KPMG in connection with statutory and regulatory filings or engagements for such fiscal years were \$1,264,149 and \$1,226,373, respectively.

### ***Audit-Related Fees***

The aggregate fees billed by KPMG for the fiscal years ended December 31, 2013 and 2012, for assurance and related services rendered by KPMG 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 \$9,443 and \$nil, respectively.

### ***Tax Fees***

The aggregate fees billed by KPMG for the fiscal years ended December 31, 2013 and 2012, for professional services rendered by KPMG for tax compliance, tax advice, transfer pricing services, tax planning and other services were \$nil and \$45,000, respectively.

Tax fees for 2012 were primarily for tax compliance and transfer pricing services.

### ***All Other Fees***

There were no additional fees billed by KPMG for the fiscal years ended December 31, 2013 and 2012.

### ***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, 2013, 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: Robin A. Abrams (Chair), Paul G. Cataford, 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, 2013, 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

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David G. McLennan,

Chief Financial Officer and Secretary

Date: February 28, 2014

## EXHIBIT INDEX

Exhibit No.	Document
1.1	Annual Information Form for the fiscal year ended December 31, 2013, dated February 27, 2014
1.2	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2013, 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, 2013
23.1	Consent of KPMG LLP
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



**SIERRA WIRELESS, INC.**  
**ANNUAL INFORMATION FORM**  
For the Fiscal Year Ended December 31, 2013

DATED February 27, 2014



# ANNUAL INFORMATION FORM

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## 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 and our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We will not update or revise our forward-looking statements unless we are required to do so by securities laws. Forward-looking statements:

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

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

## CURRENCY

Unless otherwise indicated, all figures are stated in U.S. 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.

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 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 (UK) Limited	United Kingdom
Sierra Wireless (Asia-Pacific) Limited	Hong Kong
Sierra Wireless (Australia) Pty Limited	Australia
Sierra Wireless Technology (Shenzhen) Limited	China
Sierra Wireless Japan KK	Japan
Sierra Wireless France SAS	France
Sierra Wireless Luxembourg S.à.r.l.	Luxembourg
Sierra Wireless S.A.	France
Sierra Wireless Hong Kong Limited	Hong Kong
Sierra Wireless Solutions and Services S.A.	France
Sierra Wireless South Africa (Proprietary) Limited	South Africa
Wavecom Korea Co. Ltd.	Korea
Sierra Wireless Technology SAS	France
Sierra Wireless do Brasil Comunicacoes Ltda	Brazil
Sierra Wireless Deutschland GmbH	Germany
Sierra Wireless Korea Yuhan Hoesa	Korea

## **GENERAL DEVELOPMENT OF THE BUSINESS**

Sierra Wireless Inc. is the global leader in machine-to-machine ("M2M") devices and cloud services, delivering intelligent wireless solutions that simplify the connected world. We offer the industry's most comprehensive portfolio of 2G, 3G, and 4G LTE embedded modules and gateways, seamlessly integrated with our secure M2M cloud services. Customers worldwide, including OEMs, enterprises and mobile network operators, trust our innovative solutions to get their connected products and services to market faster.

We completed the sale of substantially all of the assets and operations related to our AirCard business in April 2013 - a transaction that marked a significant milestone in our transition into a pure-play leader in M2M and connected device solutions.

We also completed the acquisition of the M2M embedded modules and modem business of AnyDATA Corporation in October 2013. The acquired business includes 3G and 4G wireless modules and modems which are sold mainly in Korea and broadens our global reach, enhances our technical capabilities and expands our market share leadership.

Early in 2014 we announced that we had entered into a definitive agreement to purchase all of the shares of In Motion Technologies Inc. ("In Motion"). In Motion is a leader in mobile enterprise solutions, providing rugged in-vehicle mobile routers tightly integrated with an advanced mobile-optimized security system and a powerful management and application platform. The acquisition of In Motion will strengthen our leadership position in M2M and broaden our Enterprise Solutions portfolio. It is anticipated that this purchase will be completed in early March 2014.

We have two reportable segments. Our OEM Solutions segment includes our AirPrime® Embedded Wireless Modules portfolio, including embedded wireless modules for PC OEM customers. These products enable our OEM customers to integrate wireless connectivity into products and solutions. Our Enterprise Solutions segment includes AirLink® Intelligent Gateways and the AirVantage® M2M Cloud platform. These products enable Enterprise customers to get their M2M applications up and running quickly. Following closing, the acquired In Motion business will be integrated and reported within our Enterprise Solutions segment.

Our customers serve a broad range of industries, including automotive, networking, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare and consumer electronics, including leading PC and tablet manufacturers. We are the global market share leader in M2M today, with 34% of the M2M embedded wireless module market (source: ABI Research, 2012), and are widely recognized as the innovation leader as well. We are often first-to-market with new air interface standards, including fourth generation ("4G") wireless technologies such as Long Term Evolution ("LTE"), we support on-board embedded applications using the OpenAT and ALEOS Application Frameworks, and we offer tightly integrated, cloud-based device management software to simplify the deployment and operation of M2M and connected device solutions.

Product and customer developments that have recently influenced the general progression of the Company's business include the following:

### **OEM Solutions**

- We introduced the Legato™ platform, an open source embedded platform built on Linux and designed to simplify the development of M2M applications from the device to the cloud. Legato includes Wind River Linux, a commercial-grade Linux distribution with a rich set of capabilities based on the latest open source technologies, along with a fully integrated application framework and feature-rich tools. It makes M2M application development quicker, easier, and more flexible by providing a tested and validated solution on an established, well-supported open source foundation with built-in connectivity, security, and management. Legato provides embedded M2M developers with a head start, significantly reducing the time and cost to build their solutions. It provides existing customizable components needed for M2M solutions across a wide range of target markets, including connected cars, smart meters, and industrial

automation. Legato will be pre-integrated in all new smart modules from Sierra Wireless, starting with the AirPrime WP and AirPrime AR Series shipping later this year.

- We introduced the next generation of AirPrime modules, first in the world to combine a powerful multicore processor, built-in connectivity to secure cloud services, and an open application framework to offer an entire M2M ecosystem on a module. This entire M2M ecosystem on a module is a major step forward in simplifying the integration of embedded wireless communications, enabling developers to spend more time developing their core application and business model, and spend less time on the challenges of integrating wireless communication.
- We introduced the AirPrime AR7550 embedded wireless module, the first in the AirPrime AR7 series of automotive-grade modules for LTE networks. The module features a next generation multicore architecture which provides a dedicated application processor, an open-source application framework, and secure cloud services to simplify wireless integration and help reduce development cost. The AirPrime AR7550 is specifically developed for the Verizon Wireless 4G LTE network.
- We announced that the AirPrime MC7355 embedded wireless module is the first 4G LTE module to be certified on the Sprint network. Demonstrating technical leadership in the LTE space, the AirPrime MC7355 joins a wide range of Sierra Wireless modules available for Sprint. For OEM customers, Sierra Wireless is uniquely positioned to manage and facilitate Sprint certification through its CTA authorized laboratory, thereby eliminating the need for a third-party lab and significantly reducing time to market.
- We announced that our AirPrime EM7305 embedded wireless module had been selected and integrated into the Toshiba Protégé Z10t - a high performance, Windows 8, Ultrabook that is equipped with a detachable screen. The Toshiba Protégé Z10t with the AirPrime EM7305 module launched in June on the Telstra network in Australia.
- We announced the launch of the AirPrime® HL Series of embedded wireless modules for M2M applications. The new AirPrime HL devices are the smallest embedded wireless modules to be completely scalable across 2G, 3G and 4G technologies. The HL series also offers flexible mounting options and over-the-air firmware upgradability using our AirVantage Cloud.
- We announced the launch of AirPrime EM7340 and EM7345 for 4G LTE networks. These embedded wireless modules are based on Intel chipsets and designed for integration into notebook computers and tablets, with a standardized M.2 form factor ideal for small, thin devices.

### ***Enterprise Solutions***

- We launched a compact 3G intelligent gateway, the AirLink LS300, an all-in-one successor to the market-leading AirLink Raven line of rugged gateways. The AirLink LS300 is quick to deploy, simple to manage, and stands up for years in the harshest environments. It provides all the benefits customers have come to rely on in the AirLink product line, including best-in-class network connectivity, rugged military-spec design and ALEOS™ embedded intelligence.
- We announced the launch of the Sierra Wireless Solution Partner Program and the Sierra Wireless M2M Solution Exchange. The Sierra Wireless Solution Partner Program offers a streamlined, functional way for solution partners to work with Sierra Wireless to promote their solutions powered by Sierra Wireless technology to the market.
- We announced the launch of the AirLink ES440 4G LTE gateway and terminal server, providing mission-critical 4G LTE connectivity when primary wireline internet connections are unavailable, making it ideal for the distributed enterprise market.

### ***Acquisition of M2M business of Sagemcom***

On August 1, 2012, we completed the acquisition of the M2M business of Sagemcom for cash consideration of \$55.2 million plus assumed liabilities of \$4.8 million. Sagemcom is a France-based technology company active in broadband, telecom, energy, and document management. Its M2M business included 2G and 3G wireless modules, as well as industry-leading rugged terminals for railway applications. This acquisition extended our global leadership position in the growing M2M market as it provided us with a significantly enhanced market position in key segments, including payment, transportation and railways, as well as new geographical expansion into Brazil.

### ***Closure of Newark, California facility***

Our Newark, California facility was closed effective December 31, 2012 to drive greater efficiency and leverage. Our AirLink marketing, research and development, and customer support activities were transferred primarily to our Richmond, British Columbia facilities.

### ***Disposition of the AirCard business***

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business to Netgear, Inc. ("Netgear"). Under the terms of the sale agreement ("the Asset Purchase Agreement with Netgear"), approximately 160 employees, primarily in sales, marketing and research and development were transferred to Netgear, as well as certain facilities in Carlsbad, California and Richmond, British Columbia.

### ***Acquisition of the M2M business of AnyDATA***

On October 16, 2013, we completed the acquisition, for \$5.2 million, of substantially all of the M2M embedded module and modem related assets of AnyDATA. The acquired business included 3G and 4G wireless modules and modems that are sold mainly in Korea. This acquisition extended our global leadership position in the growing M2M market and provides us with a significantly enhanced market position in key segments, as well as a new geographical expansion into Korea.

### ***Acquisition of In Motion Technology***

On January 26, 2014, we entered into a definitive agreement ("the Share Purchase Agreement with In Motion") to purchase all of the shares of In Motion for \$21 million plus certain post-closing adjustments. In Motion is a leader in mobile enterprise networks that provides customers with fleets in mission critical environments with a secure, managed end-to-end communications system. This acquisition, which is expected to close in early March 2014 will strengthen our leadership position in M2M and broaden our Enterprise Solutions portfolio.

### **Highlights of the recent financial performance of our continuing business:**

We have recorded the operating results of the AirCard business as discontinued operations in accordance with U.S. Generally Accepted Accounting Principles. The revenues, costs and resulting net after tax operating results have been removed from the respective categories in the Statement of Operations and presented separately as Net earnings (loss) from discontinued operations. The following summary of the financial performance complies with this presentation.

In 2012, revenue increased by \$64.1 million, or 19.3% to \$397.3 million, compared to 2011, driven primarily by significant growth in our OEM Solutions segment, including a contribution from the acquired M2M business of Sagemcom. Gross margin from continuing operations was 31.5% in 2012, compared to 30.5% in 2011. The increase primarily related to product cost reductions and favorable product mix. Loss from operations was \$22.2 million in 2012, compared to loss from operations of \$54.3 million in 2011. Our loss from operations in 2012 included stock-based compensation of \$5.8 million, acquisition amortization of \$11.9 million, acquisition costs of \$3.2 million, and restructuring costs of \$2.3 million. Our loss from operations in 2011 included stock-

based compensation of \$5.5 million, acquisition amortization of \$12.9 million, certain restructuring and integration costs of \$2.3 million and an after-tax asset impairment charge of \$11.2 million. Our net loss from continuing operations was \$4.2 million, or loss per share of \$0.14, in 2012, compared to net loss from continuing operations of \$50.7 million, or loss per share of \$1.62, in 2011. Net earnings, including discontinued operations, was \$27.2 million, or earnings per share of \$0.88, in 2012, compared to net loss, including discontinued operations, of \$29.3 million, or loss per share of \$0.94, in 2011. Net earnings, including discontinued operations, in 2012 included a favorable tax adjustment as a result of the recognition of certain tax assets in connection with the sale of the AirCard business.

In 2013 our revenue was \$441.9 million, an increase of 11.2% from 2012. The increase in revenue was driven by continued growth in both our Enterprise Solutions and OEM Solutions segments, including a full year contribution from the M2M business of Sagemcom acquired in August 2012. Gross margin was 33.0% in 2013, compared to 31.5% in 2012 primarily driven by favorable product mix and product cost reductions. Loss from operations was \$17.7 million in 2013, compared to loss from operations of \$22.2 million in 2012. Our loss from operations in 2013 included stock-based compensation of \$8.4 million, acquisition amortization of \$13.7 million, acquisition costs of \$0.5 million, and restructuring costs of \$0.2 million. Our loss from operations in 2012 included stock-based compensation of \$5.8 million, acquisition amortization of \$11.9 million, acquisition costs of \$3.2 million, and restructuring costs of \$2.3 million. Our net loss from continuing operations was \$15.6 million, or loss per share of \$0.50, in 2013, compared to net loss from continuing operations of \$4.2 million, or loss per share of \$0.14, in 2012. Net earnings, including discontinued operations, was \$55.0 million, or earnings per share of \$1.79, in 2013, compared to net earnings, including discontinued operations, of \$27.2 million, or earnings per share of \$0.88, in 2012. Net earnings, including discontinued operations, in 2013 included an after-tax gain of \$70.2 million on the sale of the AirCard business. Net earnings, including discontinued operations, in 2012 included a favorable tax adjustment as a result of the recognition of certain tax assets in connection with the sale of the AirCard business.

As a result of the sale of the AirCard business, as well as our recent acquisition of the AnyDATA M2M business and our contemplated acquisition of In Motion, our segments have changed from those reported at December 31, 2012. We are now reporting two segments, OEM Solutions and Enterprise Solutions, and all prior periods have been retrospectively adjusted to reflect the two segments.

Our revenue by segment for the years ended December 31, 2013 and 2012 per quarter was as follows:

	2013					2012				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Continuing Operations</b>										
OEM Solutions	\$382,016	\$101,858	\$ 95,850	\$ 95,076	\$ 89,232	\$346,543	\$ 94,874	\$ 88,270	\$ 83,299	\$ 80,100
Enterprise Solutions	59,844	16,750	16,412	14,513	12,169	50,778	14,531	11,913	12,099	12,235
	<b>\$441,860</b>	<b>\$118,608</b>	<b>\$112,262</b>	<b>\$109,589</b>	<b>\$101,401</b>	<b>\$397,321</b>	<b>\$109,405</b>	<b>\$100,183</b>	<b>\$ 95,398</b>	<b>\$ 92,335</b>
<b>Discontinued Operations</b>										
	<b>\$ 46,701</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,652</b>	<b>\$ 45,049</b>	<b>\$246,845</b>	<b>\$ 54,416</b>	<b>\$ 62,455</b>	<b>\$ 72,043</b>	<b>\$ 57,931</b>

## NARRATIVE DESCRIPTION OF THE BUSINESS

### Industry Background

We operate in the wireless communications solutions industry, which involves providing voice and data services using cellular wireless technologies. These technologies include second generation ("2G") cellular standards such as GSM/GPRS/EDGE and CDMA/1xRTT, third generation ("3G") standards such as UMTS (including HSPDA and HSUPA) and EV-DO, fourth generation ("4G") standards such as HSPA+, LTE, LTE Advanced, WiMAX, and wireless local area network technologies such as Wi-Fi. 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 handsets, mobile broadband modems, and embedded wireless modules; and software application vendors, who offer the end user applications to enterprises and consumers that utilize the wireless networks. We have historically participated in this industry as a data device manufacturer, developing innovative mobile broadband devices principally for sale to mobile network operators and PC original equipment manufacturers. Our focus in recent years has progressively migrated towards the development of hardware, including embedded modules and intelligent gateways, as well as software solutions and services for the M2M market, which is an expanding market focused on new applications for connecting people and their devices to one another. With the sale of the assets and operations of the AirCard business, we have become a pure-play leader in M2M.

Recent market trends in the wireless communications industry include:

- *Increased wireless network coverage and data speeds.* Mobile network operators around the world continue to invest in network upgrades to support 4G technologies, enabling mobile broadband connectivity of up to 100 megabits per second ("Mbps"). Operators also continue to improve network coverage, improving the ubiquity of cellular wireless access around the world.
- *Technology improvements in devices and software.* Improvements in wireless chipset technology, including greater integration, higher speeds, and lower power consumption, are driving advances in cellular devices including on-board application processing, faster, more efficient data transfer, smaller form factors, lower hardware costs, and longer battery life. These advances have helped enable the significant growth in new wireless devices such as smartphones, mobile hotspots, embedded wireless modules, tablets, ultrabooks, and many other devices seeking to fill a growing demand for connected applications across many segments including automotive, networking, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare and consumer electronics.
- *Lower, more flexible service pricing.* Mobile network operators are introducing new wireless service pricing models to enable subscriber growth for M2M and connected device solutions.
- *Increasing focus and investment by large ecosystem participants.* Large ecosystem participants, such as mobile network operators and large system integrators, are increasing their investments in, and strategic focus on, M2M. Enterprises are increasingly incorporating wireless M2M solutions into their business models.

We expect these trends, and others, to stimulate growth in the M2M market. With higher speeds and more ubiquitous coverage in mobile networks, plus more ecosystem investment and innovative products from solution providers, the number of wireless connected devices is expected to increase. This growth is, in turn, driving demand for software solutions and cloud-based services that provide remote management and data collection, as well as API interfaces for custom application development.



## **Products and Solutions**

With sales, engineering, and research and development teams located in offices around the world, we offer the industry's most comprehensive portfolio of embedded modules and gateways, seamlessly integrated with our secure M2M cloud services. Our solutions are simple, scalable and secure, enabling customers to get their connected products and services to market faster. Our devices are currently operating on more than 80 networks globally and we have shipped more than 80 million M2M devices worldwide.

### ***OEM Solutions***

Our OEM Solutions segment includes embedded wireless modules and tools for OEM customers that are used to integrate wireless connectivity into products and solutions made by OEMs from a broad range of industries including automotive, networking, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare, and consumer electronics. Our PC OEM customers integrate AirPrime modules into notebooks, tablets, and other mobile computing devices to provide mobile broadband connectivity. Within our OEM Solutions segment, the Airprime Embedded Wireless modules product portfolio spans 2G, 3G and 4G technologies, and includes robust remote device management capability, as well as support for on-board embedded applications using the OpenAT Application Framework.

We believe that there are long-term profitable growth prospects in the embedded M2M market and we plan to continue to invest to expand our leadership position. Our acquisitions of Wavecom in 2009, the M2M business of Sagemcom in 2012, and the M2M modules and modems business of AnyDATA in 2013, combined with subsequent product launches and customer design wins, have allowed us to significantly expand our global position in wireless embedded solutions for M2M. Our line-up of embedded wireless modules spans 2G to 4G technologies and is the broadest in the industry. We also have several innovations that we believe further bolster our competitive position, including an internally developed protocol stack tailored to M2M, embedded SIM technology and a powerful embedded application framework. The OpenAT Application Framework consists of an M2M-specific operating system, a range of pre-integrated software libraries, and a comprehensive integrated development environment and tool suite. Unique in the market, this framework enables AirPrime embedded wireless modules to natively support a complete embedded application on the module, accelerating M2M application development and lowering total cost for OEMs.

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 M2M and connected device solutions to market.

Total revenue from our OEM Solutions segment's AirPrime products in 2013, increased 10% to \$382.0 million, compared to \$346.5 million in 2012. This increase was primarily due to a full year contribution from the M2M business of Sagemcom acquired on August 1, 2012, along with strong organic sales from certain market segments.

### ***Enterprise Solutions***

The Enterprise Solutions segment includes intelligent gateways, modems and tools for enterprise customers including a cloud-based platform for building, deploying and managing M2M applications. These products enable Enterprise customers to get their M2M applications up and running quickly. Within our Enterprise Solutions segment, the AirLink product portfolio includes 2G, 3G and 4G LTE gateways 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 Application Framework. Following closing in early March 2014, the acquired In Motion business will be integrated and reported within our Enterprise Solutions segment.

Also within our Enterprise Solutions segment, the AirVantage M2M Cloud, as part of the AirVantage Enterprise Platform, simplifies M2M solution deployment by providing a seamless connection between devices and the enterprise. The AirVantage Enterprise Platform can be used to collect, transmit and store machine data, and process and schedule events, from any number of devices, across any network operator around the world. M2M 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.

Total revenue from our Enterprise Solutions segment increased 17.7% to \$59.9 million in 2013 compared to \$50.8 million in 2012. The increase was largely driven by strong sales growth of our new 4G products.

#### ***Discontinued operations - AirCard mobile broadband devices***

Our discontinued operations comprised the design, manufacture and sale of AirCard-branded USB modems and mobile Wi-Fi hotspots. The sale of the assets and operations of the AirCard business was completed in early April 2013. AirCard products, sold to mobile network operators around the world, provide a simple way to connect notebooks, tablets and other electronic devices to the Internet, over 3G and 4G mobile broadband networks.

#### **Customers**

Our products are used by a variety of end-users and have many end-user applications. The users range from home consumers, to mobile employees, to law enforcement personnel and utility workers as well as personal vehicle owners, commercial drivers, health care professionals, utilities and other enterprises. We sell our products both directly and through indirect channels including OEMs, mobile network operators, distributors and value added resellers. As our wireless technology platforms and customer base have diversified, we have built sales and distribution teams to focus on developing our international business. We have dedicated sales and distribution teams for the Europe, Middle East and Africa ("EMEA"), Asia-Pacific, Latin American and North American regions.

#### ***Original Equipment Manufacturers***

OEMs are customers that integrate our embedded wireless modules or gateways into devices they manufacture and sell to end-user markets through their own direct sales force and indirect distribution channels. Our embedded wireless modules have been integrated into a range of OEM devices, such as tablets, notebooks, payment terminals, enterprise and SOHO routers, industrial handhelds, energy meters, alarm panels and automobiles. We sell to OEMs both directly and indirectly through distributor 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 hardware, application software and bundled 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***

Mobile Network operators play two key roles in our distribution strategy. Traditionally, wireless operators have been important resellers for us, purchasing our products (historically, primarily AirCard products) and then reselling them to end-user customers through their business and retail channels. More importantly, the wireless operator sales teams often work with our sales teams to jointly sell wireless solutions to OEMs and to 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 products and services.

## **Product Development**

We have built a reputation in the wireless industry for creating state-of-the-art, high-quality products within aggressive timeframes. Our development team of approximately 474 full time employees, located in Richmond, British Columbia, Carlsbad, California, Issy-Les-Moulineaux, France, Toulouse, France, Hong Kong and Shenzhen, China and Seoul, Korea, is skilled in the areas of radio frequency, hardware, embedded software, host software, cloud-based software and tools, semiconductor and mechanical design. Combined, this team is highly experienced in the design of small form factor, high performance, low cost wireless data and voice devices. Our product development team combines leaders with extensive experience in their fields with younger graduates from leading universities.

We take a “core team” approach to product development. Our goal is to develop a “whole” product and to ensure products are managed closely 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 product management, 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 core teams.

Products that result from our product development process are designed and tested to cellular industry standards, as well as customer requirements and are introduced to our high-volume 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 ISOTS16949 for automotive grade products. These processes are applied across all development projects to ensure uniformity.

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 visiting professorships and participating in regular informal meetings with faculty members.

## **Marketing**

Our marketing team is responsible for providing corporate marketing programs and support as well as product management, segment marketing, strategic marketing and marketing communications for our products on a global basis.

### ***Product Management & Vertical Segment Marketing***

Members of both the product management and vertical segment marketing teams play an active role in our core team approach to developing and managing individual products through their entire product life cycle. Emphasis is placed on understanding customer and market segment needs, developing the business case, determining competitive positioning and pricing, and ensuring product completeness, which includes documentation, packaging, collateral, promotional material and marketing programs. This team also develops and manages the

product portfolio roadmap and interfaces with customers regarding business opportunities and product requirements.

### ***Corporate Marketing***

We communicate our corporate and product positioning to channels and customers in our global markets in several ways, including:

- Global corporate and product branding, positioning and messaging;
- Product launch support with sales tools, presentations, and outbound launch programs;
- Providing sales and training tools for sales and distribution;
- Managing corporate web site content;
- Developing marketing and lead generation campaigns;
- Building vertical market or segment marketing programs;
- Actively seeking editorial coverage and placing advertisements in industry, business and trade publications;
- Actively participating in industry associations;
- Meeting with opinion leaders, media and industry analysts;
- Participating in targeted conferences and trade shows; and
- Managing the Sierra Wireless Developer Zone, an on-line community and forum for M2M solution developers.

We also work with our channel partners to develop programs to encourage customer adoption and promotion of our products. Through marketing strategies including market analysis, branding, design, and promotions, we launch products into the marketplace that complement customer launch timelines.

### **Manufacturing**

We outsource our manufacturing, including procurement of certain parts, kitting, logistics, assembly 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;
- Achieve rapid production scalability; and
- Control capital costs.

We perform certain manufacturing related functions in-house, including key component sourcing, manufacturing engineering, and development of manufacturing test software, procedures and fixtures.

We use several contract manufacturers and logistics partners to provide an end-to-end supply chain solution. This includes procurement, low cost manufacturing and repair in China and logistic services. We also use EMS partners to support regional manufacturing requirements and select products, including more complex, lower volume devices. By using the fully integrated supply chain services provided by these EMS partners, we expect to optimize product costs, improve alignment with our international customer base and achieve increased operating efficiencies and scalability.

## Competition

The M2M device and solutions markets, in which we now focus exclusively, are large and growing markets that we believe will continue to attract significant competition. Some of the competitors are large corporations with strong manufacturing scale and financial resources at their disposal. However, our market leadership and expertise, combined with rapidly evolving technology, we believe, creates an opportunity for us to effectively differentiate ourselves.

*AirPrime Wireless Embedded Modules:* We have established a technology leadership position by being early to market with leading edge, high performance, high quality, reliable products that support the latest wireless technologies. We are a global market leader in embedded wireless modules and enjoy significant competitive advantages, including a broad product portfolio, a global footprint, strong relationships with global OEMs and mobile network operators, and unique software differentiation. Our primary competitors include Gemalto NV, Telit Communications Plc, Huawei Technologies Corporation ("Huawei"), and Novatel Wireless, Inc. ("Novatel").

*AirLink intelligent Gateways:* The market for wireless intelligent gateways is fragmented from a market segment, customer and competition standpoint. In the segments where we compete, we believe that our market share is high, particularly in North America and we are expanding our position globally based on differentiated products and strong channel partnerships. Our competitors in this line of business vary by market segment and geography and include Digi International Inc., Cradlepoint, CalAmp Corp., and Multi-Tech Systems, Inc.

*AirVantage M2M Cloud Platform:* Our AirVantage services platform is a strategic differentiator of our M2M solutions overall. Depending on the customers served, our competitors include other device manufacturers who have developed their own device management systems, as well as stand-alone competitors such as Axeda Corporation.

## Employees

As of December 31, 2013 we had a total of 855 full time employees, 217 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 the 855 employees, 474 are involved in product development, 68 are involved in manufacturing, 174 are sales and support personnel, 39 are marketing personnel and 100 are in finance and administration. In connection with the sale of the AirCard business, on April 2, 2013, approximately 160 employees transferred to Netgear. Employees have access to corporate-funded ongoing training and professional development opportunities that are funded by the Company through on-the-job and outside educational programs. Cash compensation, our employee stock option plan, our employee restricted share unit plan 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 is resident in our intellectual property, the combined expertise of our teams, our inventions and our ability to apply quickly 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 76 United States patents and 324 international patents. Additional patent applications are pending. We utilize our intellectual property portfolio and 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, United States; Hong Kong and Shenzhen, China; and Seoul, Korea.

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

We use Flextronics International Ltd., a large global electronics manufacturing services ("EMS") provider with a factory located in China, as our primary contract manufacturer and logistics partner to provide an end-to-end supply chain solution. We 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. 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.

During 2013, we introduced a Conflict Minerals policy that 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. While it is our goal to use only materials that are conflict free in our products, we nevertheless recognize that our suppliers may not have immediate knowledge of their supply chains that is deep enough to fully understand the origin of the minerals that are used in their products. Because mining and smelting activities are multiple steps removed from the manufacture of market ready products, we recognize that for some suppliers it will take some time to fully comply with our requirements.

We are currently in the process of requesting confirmation from our suppliers regarding the conflict free status of the products that they provide to Sierra Wireless. We will be reporting 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 Management Discussion and Analysis for the year ended December 31, 2013, which can be found on our website at [www.sierrawireless.com](http://www.sierrawireless.com) or at [www.sedar.com](http://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 February 27, 2014, 31,358,264 are issued and outstanding, and an unlimited number of Preference Shares, issuable in series, of which none are 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 there for. 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 16, 2013. 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.

## Credit Facilities

On October 31, 2013, we renewed our \$10 million revolving term credit facility ("Revolving Facility") for a two year term expiring on October 31, 2015. The Revolving Facility with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce is for working capital requirements, is secured by a pledge against all of our assets and is subject to borrowing base limitations. Other terms of the Revolving Facility remain substantially unchanged. As at December 31, 2013, there were no borrowings under the Revolving Facility.

We have entered into a standby letter of credit facility agreement under which we have issued two performance bonds to third party customers in accordance with specified terms and conditions. At December 31, 2013, we had two Euro denominated performance bonds amounting to €50 thousand expiring in June 2014. The carrying value of these instruments approximates their fair market value.

## 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".

Set out below are the price ranges and volume of Common Shares of Sierra Wireless, Inc. that traded on the TSX for the year ended December 31, 2013.

2013	<u>Low (Cdn\$)</u>	<u>High (Cdn\$)</u>	<u>Total Monthly Volume</u>
January	7.47	11.63	2,814,600
February	10.61	12.12	4,391,600
March	10.59	12.20	1,515,400
April	11.69	11.69	948,400
May	10.80	12.00	1,274,500
June	11.22	13.62	1,225,300
July	12.92	14.50	1,147,400
August	12.57	14.33	1,203,800
September	12.53	17.18	2,849,800
October	16.66	21.00	3,304,100
November	16.27	22.08	2,241,100
December	19.00	25.76	1,994,900



Set out below are the price ranges and volume of Common Shares of Sierra Wireless, Inc. that traded on Nasdaq for the year ended December 31, 2013.

<b>2013</b>	<b><u>Low US\$</u></b>	<b><u>High US\$</u></b>	<b><u>Total Monthly Volume</u></b>
<b>January</b>	7.63	11.60	2,814,700
<b>February</b>	10.39	12.18	3,988,100
<b>March</b>	10.38	11.87	1,768,000
<b>April</b>	9.85	11.50	1,539,600
<b>May</b>	10.70	11.91	2,715,300
<b>June</b>	10.81	13.03	1,747,300
<b>July</b>	12.25	13.90	2,051,800
<b>August</b>	12.02	13.80	2,545,000
<b>September</b>	12.16	16.75	7,869,000
<b>October</b>	16.10	20.40	14,014,700
<b>November</b>	15.50	21.18	11,084,700
<b>December</b>	17.85	24.25	14,912,800

## ***DIRECTORS AND EXECUTIVE OFFICERS***

The tables set forth below list the directors and executive officers of the Company as at February 27, 2014, 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, 545,192 Common Shares (not including Common Shares issuable upon the exercise of stock options or unvested restricted stock units), representing as of February 27, 2014 approximately 1.7% of the issued and outstanding Common Shares.

## Directors

<b>Name, Position and Residence</b>	<b>Principal Occupation or Employment in the Preceding Five Years<sup>(1)</sup></b>	<b>Director Since</b>
<b>Jason W. Cohenour</b> President, CEO and Director Washington, U.S.A.	President and Chief Executive Officer of the Company	October 2005
<b>Gregory D. Aasen<sup>(3)</sup></b> Director British Columbia, Canada	Independent Outside Director	December 1997
<b>Robin Abrams<sup>(2)</sup></b> Director California, U.S.A.	Independent Outside Director	March 2010
<b>Paul G. Cataford<sup>(2)(4)</sup></b> Director Alberta, Canada	Independent Outside Director; President and Chief Executive Officer of Zephyr Sleep Technologies (a developer and manufacturer of sleep-related medical devices) from April 2010 to present; President and Chief Executive Officer of University Technologies International Inc. (a technology transfer and commercialization company) from 2004 to March 2009	July 1998
<b>Charles E. Levine<sup>(2)(3)(4)</sup></b> Chairman and Director California, U.S.A.	Independent Outside Director	May 2003
<b>Thomas Sieber<sup>(2)</sup></b> Director Zurich, Switzerland	Independent Outside Director; Chairman of the Board of Directors of Orange Switzerland 2012 to present; CEO of Orange Switzerland from 2009 to 2012	January 2014
<b>Kent P. Thexton<sup>(3)</sup></b> Director British Columbia, Canada	Independent Outside Director; Chairman of Redknee Solutions Inc.; CEO Plus Consulting, 2011 to present; Managing Partner, i-wireless LLC 2006-2011	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

<b>Name, Position and Province or State and Country of Residence</b>	<b>Principal Occupation in the Preceding Five Years</b>	<b>Length of Service</b>
<b>Jason W. Cohenour</b> President and Chief Executive Officer Washington, U.S.A.	President and Chief Executive Officer	17 years
<b>David G. McLennan</b> Chief Financial Officer and Secretary British Columbia, Canada	Chief Financial Officer	10 years
<b>Philippe Guillemette</b> Chief Technology Officer British Columbia, Canada	Chief Technology Officer from September 2010 to present; Senior Vice President, Advanced Technology from March 2009 to September 2010; Chief Technology Officer of Wavecom, S.A. from March 2003 to March 2009	5 years
<b>Bill Dodson</b> Senior Vice President, Operations British Columbia, Canada	Senior Vice President, Operations	11 years
<b>A. Daniel Schieler</b> Senior Vice President and General Manager, OEM Solutions California, U.S.A.	Senior Vice President and General Manager, OEM Solutions from August 2013 to present; Senior Vice President and General Manager, Mobile Computing Business Unit from September 2010 to August 2013; Senior Vice President, Worldwide Sales from January 2005 to September 2010	10 years
<b>Emmanuel Walckenaer</b> Senior Vice President and General Manager, Enterprise Solutions Issy-les-Moulineaux, France	Senior Vice President and General Manager, Enterprise Solutions from August 2013 to present; Senior Vice President and General Manager, Solutions and Services from September 2010 to August 2013; Senior Vice President and General Manager, Solutions and Services from March 2009 to September 2010; Vice President of Intelligent Device Services of Wavecom, S.A. from 2007 to March 2009	5 years
<b>Jason L. Krause</b> Senior Vice President, Corporate Development and Marketing British Columbia, Canada	Senior Vice President, Corporate Development and Marketing from January 2011 to present; Vice President, Corporate Development from January 2009 to January 2011; Director of Business Development from July 2007 to January 2009	6 years

None of the directors or executive officers of the Corporation is, as at the date of this Annual Information Form ("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 annual information form, 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 annual information form, 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 an updated version of the Code of Business Conduct in December 2005, October 2008, March 2011 and February 2014. 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](http://www.sierrawireless.com) or on SEDAR at [www.sedar.com](http://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 all reports required to be submitted by the Auditors to the Committee particularly including those required by Section 10A of the Securities Exchange Act of 1934.
- 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. Subject to delegation from the Board, 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).
- On a quarterly basis, 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.
- Obtain explanations from Management for unusual variances in the Company's annual financial statements from year to year, and review annually the Auditors' letter of the recommendations to Management and Management's response.
- 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 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
- 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"). Robin A. Abrams (Chair), Paul G. Cataford, 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 Firefly Mobile, a mobile products company for the youth market. Prior to that, she was president and CEO of BlueKite, a leading provider of bandwidth optimization software for wireless operators. She also served as president and CEO of Palm Computing, Inc., leading the launches of the Palm V and Palm VII handheld devices. Prior to Palm, Ms. Abrams was president and CEO of VeriFone, a global leader in debit and credit card payment solutions. Ms. Abrams has also held internationally focused executive positions at Apple and Unisys. 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.

The Board of Directors has determined that Ms. Abrams is the Audit Committee's financial expert within the meaning of General Instruction B(8)(b) of Form 40-F. Ms. Abrams has had extensive experience supervising chief financial officers in the preparation of financial statements, overseeing and assessing the performance of companies with respect to preparing and evaluating financial statements, and has served as a member of the audit committee of several publicly traded companies for over ten years.

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.

Paul G. Cataford is an independent director. Mr. Cataford is currently the President and Chief Executive Officer of Zephyr Sleep Technologies. Previously, he was the President and Chief Executive Officer of University Technologies Inc., a wholly-owned subsidiary of the University of Calgary that is responsible for the university's technology commercialization, from 2004 until March 2009. Mr. Cataford's other experience includes consulting, Executive Managing Director of BMO Nesbitt Burns Equity Partners Inc. from 2001 to 2002 and Managing Director and President of BCE Capital Inc. from 1997 to 2001. Mr. Cataford is also the Chair of the audit committee for Hemisphere GPS, Inc. (formerly CSI Wireless, Inc.). Mr. Cataford has extensive knowledge of venture capital investing and technology. Mr. Cataford completed a Mechanical Engineering Degree at Queen's University and an MBA, specializing in finance and international business, at York University. Mr. Cataford has received the Institute of Corporate Directors certified designation (ICD.D) from the Rotman School of Management.

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 (now Sprint Nextel) 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 PCS. 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.

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. He is currently the Chairman of the Board of Orange Switzerland. Mr. Sieber was the CEO of 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. 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 Economics at the University of St. Gallen (HSG) in Switzerland, graduating

in 1987. Mr. Sieber also currently serves on the board of directors of the Swiss software company Garaio AG and the Danish wireless technology company, RTX A/S.

### **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, 2013 and 2012, 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 KPMG 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**

	<u>2013</u>	<u>2012</u>
Audit fees	\$ 1,264,149	\$ 1,226,373
Tax fees	—	45,000
Audit-related fees	9,443	—
All other fees	—	—
Total	<u>\$ 1,273,592</u>	<u>\$ 1,271,373</u>

### ***Audit Fees***

Audit fees for 2013 and 2012 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, and services that are normally provided by our Auditors in connection with statutory and regulatory filings or engagements for such year.

### ***Tax Fees***

Tax fees for 2012 are primarily for tax compliance and transfer pricing services. No tax fees were billed by our Auditors in 2013.

### ***Audit-Related Fees***

Audit-related fees consist of fees for attestation services and are not reported above as Audit fees. No audit-related fees were billed by our Auditors in 2012.

### ***All Other Fees***

No other fees were billed by our Auditors in 2013 or 2012 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, 2013, which can be found on our website at [www.sierrawireless.com](http://www.sierrawireless.com) or at [www.sedar.com](http://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, 2013:

- 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., 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and in the United States is Computershare Trust Company, N.A., 350 Indiana Street, Suite 800, Golden, Colorado. 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"; and the Asset Purchase Agreement with Netgear and the Share Purchase Agreement with In Motion disclosed under the heading "General Development of the Business".

## **EXPERTS**

KPMG LLP, independent registered chartered accountants, have audited the Company's consolidated financial statements as at December 31, 2013 and 2012, and for each of the years in the three year period ended December 31, 2013 as set forth in their reports. KPMG LLP has advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and in accordance with the applicable rules and regulations of the SEC and the Public Company Accounting Oversight Board (United States).

## **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](http://www.sedar.com) and on the SEC's Electronic Document and Gathering Retrieval System ("EDGAR") at [www.sec.gov](http://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, 2013 and 2012.

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**MANAGEMENT'S STATEMENT OF RESPONSIBILITIES**

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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 29 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. KPMG LLP has direct access to the Audit Committee of the Board of Directors.

The consolidated financial statements have been independently audited by KPMG LLP, Chartered 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, 2013. 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

Vancouver, Canada  
February 27, 2014

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Sierra Wireless, Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for each of the years in the three-year period ended December 31, 2013. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sierra Wireless, Inc. as of December 31, 2013 and 2012 and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2013 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), Sierra Wireless, Inc.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

"KPMG LLP"  
Chartered Accountants  
Vancouver, Canada

February 27, 2014

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Sierra Wireless, Inc.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sierra Wireless, Inc.'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 Sierra Wireless, Inc.'s internal control over financial reporting 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 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our opinion, Sierra Wireless, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sierra Wireless, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings (loss), equity and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion on those consolidated financial statements.

"KPMG LLP"  
Chartered Accountants  
Vancouver, Canada

February 27, 2014



**SIERRA WIRELESS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands of U.S. dollars)*

	<b>As at December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 177,416	\$ 63,646
Short-term investments (note 8)	2,470	—
Accounts receivable (note 9)	112,490	108,624
Inventories (note 10)	8,253	12,675
Deferred income taxes (note 17)	2,391	22,199
Prepays and other (note 11)	28,741	24,252
Assets held for sale (note 7)	—	54,340
	<b>331,761</b>	<b>285,736</b>
Property and equipment (note 12)	21,982	20,039
Intangible assets (note 13)	43,631	56,357
Goodwill (note 14)	102,718	97,961
Deferred income taxes (note 17)	7,176	3,880
Other assets	4,732	790
	<b>\$ 512,000</b>	<b>\$ 464,763</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	\$ 124,846	\$ 128,216
Deferred revenue and credits	2,481	1,312
Liabilities held for sale (note 7)	—	10,353
	<b>127,327</b>	<b>139,881</b>
Long-term obligations (note 16)	21,550	26,526
Deferred income taxes (note 17)	127	300
	<b>149,004</b>	<b>166,707</b>
<b>Equity</b>		
Shareholders' equity		
Common stock: no par value; unlimited shares authorized; issued and outstanding:		
31,097,844 shares (December 31, 2012 — 30,592,423 shares)	329,628	322,770
Preferred stock: no par value; unlimited shares authorized; issued and outstanding: nil shares	—	—
Treasury stock: at cost; 507,147 shares (December 31, 2012 — 716,313 shares)	(5,137)	(5,172)
Additional paid-in capital	25,996	23,203
Retained earnings (deficit)	19,367	(35,283)
Accumulated other comprehensive loss (note 18)	(6,858)	(7,462)
	<b>362,996</b>	<b>298,056</b>
	<b>\$ 512,000</b>	<b>\$ 464,763</b>

Commitments and contingencies (note 28)

Subsequent event (note 30)

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/ Robin A. Abrams

Robin A. Abrams  
Director

**SIERRA WIRELESS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Years ended December 31,		
	2013	2012	2011
<b>Revenue</b>	<b>\$ 441,860</b>	<b>\$ 397,321</b>	<b>\$ 333,175</b>
Cost of goods sold	296,219	272,047	231,435
<b>Gross margin</b>	<b>145,641</b>	<b>125,274</b>	<b>101,740</b>
<b>Expenses</b>			
Sales and marketing	42,182	37,067	37,188
Research and development (note 19)	73,112	61,785	60,903
Administration	35,164	32,777	33,716
Acquisition costs (note 5, 6 and 30)	508	3,182	—
Restructuring (note 20)	171	2,251	837
Integration	27	—	1,426
Impairment of intangible asset	—	—	11,214
Amortization	12,141	10,418	10,709
	<b>163,305</b>	<b>147,480</b>	<b>155,993</b>
<b>Loss from operations</b>	<b>(17,664)</b>	<b>(22,206)</b>	<b>(54,253)</b>
Foreign exchange gain (loss)	3,823	3,326	(460)
Other income (expense) (note 21)	(98)	(196)	35
<b>Loss before income taxes</b>	<b>(13,939)</b>	<b>(19,076)</b>	<b>(54,678)</b>
Income tax expense (recovery) (note 17)	1,611	(14,874)	(3,968)
<b>Net loss from continuing operations</b>	<b>(15,550)</b>	<b>(4,202)</b>	<b>(50,710)</b>
Net earnings from discontinued operations (note 7)	70,588	31,401	21,338
<b>Net earnings (loss)</b>	<b>55,038</b>	<b>27,199</b>	<b>(29,372)</b>
Net loss attributable to non-controlling interest (note 25)	—	—	(57)
<b>Net earnings (loss) attributable to the Company</b>	<b>\$ 55,038</b>	<b>\$ 27,199</b>	<b>\$ (29,315)</b>
Basic and diluted net earnings (loss) per share attributable to the Company's common shareholders (in dollars) (note 22)			
Continuing operations	\$ (0.50)	\$ (0.14)	\$ (1.62)
Discontinued operations	2.29	1.02	0.68
	<b>\$ 1.79</b>	<b>\$ 0.88</b>	<b>\$ (0.94)</b>
Weighted average number of shares outstanding (in thousands) (note 22)			
Basic	30,771	30,788	31,275
Diluted	30,771	30,788	31,275

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

**SIERRA WIRELESS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)**

*(In thousands of U.S. dollars)*

	Years ended December 31,		
	2013	2012	2011
Net earnings (loss)	\$ 55,038	\$ 27,199	\$ (29,372)
Other comprehensive income (loss), net of taxes:			
Release of foreign currency translation relating to acquisition of non-controlling interest, net of taxes of \$nil	—	—	42
Foreign currency translation adjustments, net of taxes of \$nil	604	538	(2,571)
<b>Total comprehensive earnings (loss)</b>	<b>55,642</b>	<b>27,737</b>	<b>(31,901)</b>
Comprehensive loss attributable to non-controlling interest:			
Net loss	—	—	(57)
Foreign currency translation adjustments, net of taxes of \$nil	—	—	(49)
<b>Comprehensive earnings (loss) attributable to the Company</b>	<b>\$ 55,642</b>	<b>\$ 27,737</b>	<b>\$ (31,795)</b>

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

**SIERRA WIRELESS, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
*(in thousands of U.S. dollars)*

	Equity attributable to the Company										
	Common Stock		Treasury Shares		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non- controlling interest (deficit)		Total	
	# of shares	\$	# of shares	\$							
Balance as at December 31, 2010	31,222,786	\$ 327,668	643,042	\$ (3,908)	\$ 16,926	\$ (33,167)	\$ (5,471)	\$ 1,139	\$	303,187	
Purchase of Wavecom S.A. shares	—	—	—	—	(796)	—	42	(1,033)		(1,787)	
Stock option exercises (note 24)	83,906	772	—	—	(253)	—	—	—		519	
Stock-based compensation (note 24)	—	—	—	—	6,449	—	—	—		6,449	
Purchase of treasury shares for RSU distribution	—	—	613,638	(4,472)	—	—	—	—		(4,472)	
Distribution of vested RSUs	—	—	(379,121)	2,239	(2,239)	—	—	—		—	
Net loss	—	—	—	—	—	(29,315)	—	(57)		(29,372)	
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(2,571)	(49)		(2,620)	
Balance as at December 31, 2011	31,306,692	\$ 328,440	877,559	\$ (6,141)	\$ 20,087	\$ (62,482)	\$ (8,000)	\$ —	\$	271,904	
Common share cancellation (note 23)	(800,000)	(6,312)	—	—	—	—	—	—		(6,312)	
Stock option exercises (note 24)	85,051	637	—	—	(201)	—	—	—		436	
Stock-based compensation (note 24)	—	—	—	—	6,713	—	—	—		6,713	
Purchase of treasury shares for RSU distribution	—	—	336,638	(2,489)	—	—	—	—		(2,489)	
Distribution of vested RSUs	680	5	(497,884)	3,458	(3,467)	—	—	—		(4)	
Tax benefit from equity awards	—	—	—	—	71	—	—	—		71	
Net earnings	—	—	—	—	—	27,199	—	—		27,199	
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	538	—		538	
Balance as at December 31, 2012	30,592,423	\$ 322,770	716,313	\$ (5,172)	\$ 23,203	\$ (35,283)	\$ (7,462)	\$ —	\$	298,056	
Common share cancellation (note 23)	(510,439)	(5,384)	—	—	—	(388)	—	—		(5,772)	
Stock option exercises (note 24)	965,228	11,853	—	—	(3,747)	—	—	—		8,106	
Stock-based compensation (note 24)	—	—	—	—	9,347	—	—	—		9,347	
Purchase of treasury shares for RSU distribution	—	—	270,265	(3,433)	—	—	—	—		(3,433)	
Distribution of vested RSUs	50,632	389	(479,431)	3,468	(4,265)	—	—	—		(408)	
Tax benefit from equity awards	—	—	—	—	1,458	—	—	—		1,458	
Net earnings	—	—	—	—	—	55,038	—	—		55,038	
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	604	—		604	
Balance as at December 31, 2013	31,097,844	\$ 329,628	507,147	\$ (5,137)	\$ 25,996	\$ 19,367	\$ (6,858)	\$ —	\$	362,996	

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,		
	2013	2012	2011
<b>Cash flows provided by (used in):</b>			
<b>Operating activities</b>			
Net earnings (loss)	\$ 55,038	\$ 27,199	\$ (29,372)
Items not requiring (providing) cash			
Amortization	28,296	28,590	32,386
Stock-based compensation (note 24(a))	9,347	6,713	6,449
Gain on sale of AirCard business (note 7)	(94,078)	—	—
Deferred income taxes	16,339	(13,606)	(2,903)
Loss (gain) on disposal of property, equipment, and intangibles	(10)	107	40
Impairment of intangible assets	—	—	11,214
Impairment of assets related to discontinued operations	1,012	—	—
Tax benefit from equity awards	1,458	71	—
Other (note 2(w))	(2,687)	(2,414)	—
Taxes paid related to net settlement of equity awards	(408)	(4)	—
Changes in non-cash working capital			
Accounts receivable	10,897	(616)	9,067
Inventories	11,908	(4,019)	5,664
Prepaid expenses and other	(7,254)	(14,543)	4,248
Accounts payable and accrued liabilities	(13,139)	10,997	(13,783)
Deferred revenue and credits	1,147	(422)	733
Cash flows provided by operating activities	17,866	38,053	23,743
<b>Investing activities</b>			
Purchase of M2M business of Sagemcom (note 5)	—	(55,218)	—
Purchase of M2M business of AnyDATA (note 6)	(5,196)	—	—
Purchase of Wavecom S.A. shares	—	—	(1,787)
Additions to property and equipment	(11,359)	(15,845)	(14,268)
Proceeds from sale of property, equipment, and intangibles	32	139	31
Increase in intangible assets	(2,211)	(2,607)	(3,740)
Proceeds from sale of AirCard Business (note 7)	119,958	—	—
Net change in short-term investments	(2,470)	9,347	17,058
Cash flows provided by (used in) investing activities	98,754	(64,184)	(2,706)
<b>Financing activities</b>			
Issuance of common shares, net of share issue costs	8,106	436	519
Repurchase of common shares for cancellation	(5,772)	(6,312)	—
Purchase of treasury shares for RSU distribution	(3,433)	(2,489)	(4,472)
Decrease in other long-term obligations	(876)	(1,000)	(905)
Cash flows used in financing activities	(1,975)	(9,365)	(4,858)
Effect of foreign exchange rate changes on cash and cash equivalents (note 2(w))	(875)	(2,233)	(247)
Cash and cash equivalents, increase (decrease) in the year	113,770	(37,729)	15,932
Cash and cash equivalents, beginning of year	63,646	101,375	85,443
<b>Cash and cash equivalents, end of year</b>	<b>\$ 177,416</b>	<b>\$ 63,646</b>	<b>\$ 101,375</b>
<b>Supplemental disclosures:</b>			
Net income taxes paid (received)	\$ 5,746	\$ 2,022	\$ (1,926)
Interest paid	130	144	135
Non-cash purchase of property and equipment (funded by obligation under capital lease)	243	335	148

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

# SIERRA WIRELESS, INC.

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**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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. We are a global leader in providing cellular wireless solutions to the Machine-to-Machine (“M2M”) and connected device markets. We develop and market a range of wireless products that include embedded modules and embedded software for original equipment manufacturers (“OEMs”), intelligent gateways and routers for industrial, commercial and public safety applications, and an innovative cloud-based platform for delivering device management and enabling end-to-end applications. Our products, services and solutions connect people, their mobile computers and machines to wireless voice and data networks around the world. We have sales, engineering, and research and development teams located in offices around the world.

The company sold substantially all of the assets and operations related to its AirCard business on April 2, 2013 (note 7). During the fourth quarter of 2013, we acquired substantially all of the M2M embedded module and modem business of AnyDATA Corporation (note 6) and recently announced that we have entered into an agreement to acquire all of the shares of In Motion Technology Inc. (note 30). We have reevaluated our segmentation and determined that we have two reportable segments:

OEM Solutions	- includes AirPrime embedded wireless modules (including embedded wireless modules for PC OEM customers).
Enterprise Solutions	- includes Airlink Intelligent Gateways, AirVantage M2M Cloud. Effective August 1, 2012, also includes rugged terminals for railway applications (note 5).

The primary markets for our products are North America, Europe and Asia Pacific.

**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 wholly-owned subsidiaries from their respective dates of acquisition of control. All inter-company transactions and balances have been eliminated on consolidation. The ownership of the other non-controlling interest holders of consolidated subsidiaries is reflected as non-controlling interest and is not significant.

**(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 assets, valuation of intangible assets, goodwill, royalty and warranty accruals, lease provisions, other liabilities, stock-based compensation, bad debt and doubtful accounts, income taxes, restructuring costs, and commitments and contingencies, based on currently available information. Actual amounts could differ from estimates.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**(c) Translation of foreign currencies**

Our functional or primary operating 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 Euro 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 18, *Accumulated Other Comprehensive Loss*.

**(d) Cash and cash equivalents**

Cash and cash equivalents include cash and short-term deposits with original maturities of less than three months. Short-term deposits are valued at amortized cost. The carrying amounts approximate fair value due to the short-term maturities of these instruments.

**(e) Short-term investments**

Short-term investments, categorized as available-for-sale, are carried at fair value. Unrealized holding gains (losses) related to available-for-sale investments, after deducting amounts allocable to income taxes, are recorded as a component of accumulated other comprehensive income (loss). These gains (losses) are removed from comprehensive income (loss) when the investments mature or are sold on an item-by-item basis.

We regularly evaluate the realizable value of short-term investments, and if circumstances indicate that a decline in value is other-than-temporary, we recognize an impairment charge. To determine whether to recognize an impairment charge, we consider various factors, such as the significance of the decline in value, the length of time the investment has been below market value, changes that would impact the financial condition of the investee, and the likelihood that the investment will recover its value before it matures or is disposed of.

**(f) 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.



**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**(g) 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.

**(h) 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	3-5 years
Tooling	1.5-3 years
Computer equipment	1-5 years
Software	1-5 years
Office equipment	3-5 years

Research and development equipment related amortization is included in research and development expense. Tooling and production 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 initial 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 (expense)*.

**(i) Intangible assets**

The estimated useful life of intangible assets with definite life 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 a 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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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
Backlog	— 1-2 years
In-process research and development	— over the estimated life
Non-compete covenants	— over the term of the agreement

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

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

**(j) Goodwill**

Goodwill represents the excess of the purchase price of an acquired enterprise 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.

**(k) 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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**(l) Research and Development costs**

Research and development costs are expensed as they are incurred. Certain software development costs for costs associated with the development of computer software to be sold, leased or marketed are capitalized 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. Certain research and development funding is repayable on the occurrence of specified future events. We recognize the liability to repay research and development funding in the period in which conditions arise that will cause research and development funding to be repayable.

**(m) 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.

**(n) Royalty costs**

We have intellectual property license agreements which generally require us to make royalty payments based on a 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.

**(o) 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.

**(p) 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, so long as persuasive evidence of an arrangement exists, delivery has occurred, price is fixed or determinable, and collection is reasonably assured.

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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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.

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 will be repayable on the occurrence of specified future events. We recognize the liability to repay research and development funding in the period in which conditions arise that would cause research and development funding to be repayable.

**(q) 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 award's 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 award's vesting period using the straight-line method. Stock-based compensation is described further in note 24.

**(r) Income taxes**

Income taxes are accounted for using the asset and liability method. Future 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. Future 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 future 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 (recovery).

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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

We recognize the windfall tax benefits associated with the exercise of stock options and release of restricted share units to additional paid-in capital ("APIC") when realized. This tax benefit is not recognized until the deduction reduces taxes payable and all other available loss carryforwards and tax credits have been utilized.

**(s) Derivatives**

Derivatives, such as foreign currency forward and option contracts, are occasionally used to hedge the foreign exchange risk on cash flows from commitments denominated in a foreign currency. Derivatives that are not designated as hedging instruments are measured at fair value at each balance sheet date and any resulting gains and losses from changes in the fair value are recorded in other income (expense). Gains and losses from the effective portion of foreign currency forward and option contracts that are designated as cash flow hedges are recorded in other comprehensive income (loss). As at December 31, 2013 and 2012, we had no material derivative contracts in place.

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

Basic earnings (loss) per share is computed by dividing net earnings (loss) attributable to the company 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 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.

**(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 and unrealized gains or losses on available-for-sale investments. The reclassification adjustment for other-than-temporary losses on marketable securities included in net earnings (loss) results from the recognition of the unrealized losses in the statements of operations when they are no longer viewed as temporary. Comprehensive income (loss) is presented in the consolidated statements of shareholders' equity.

**(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. The company reclassified \$2,414 from *effect on foreign exchange rate changes on cash and cash equivalents* to *other non-cash operating item* for the year ended December 31, 2012 related to the unrealized foreign exchange gain on an intercompany loan.

**SIERRA WIRELESS, INC.**  
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**3. RECENTLY IMPLEMENTED ACCOUNTING STANDARDS**

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* (the revised standard). The revised standard is intended to reduce the cost and complexity of testing indefinite-lived intangible assets other than goodwill for impairment by providing entities with an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. The revised standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The standard did not have a material impact on our consolidated financial statements.

**4. CHANGES IN FUTURE ACCOUNTING STANDARDS**

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (ASC 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists* (Update). The update is intended to eliminate the diversity in practice of the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update is effective for annual and interim financial statements for fiscal years beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.

**5. ACQUISITION OF M2M BUSINESS OF SAGEMCOM**

On August 1, 2012, we completed the acquisition of the M2M business of Sagemcom. Sagemcom, based in France, is a leading technology company active in broadband, telecom, energy, and document management. Its M2M business included 2G and 3G wireless modules, as well as industry-leading rugged terminals for railway applications. The acquisition extended our leadership position in the growing M2M market and offered a significantly enhanced market position for us in key segments, including payment, transportation, and railways, as well as new geographical expansion into Brazil.

The acquisition included substantially all of the assets of the M2M business of Sagemcom for cash consideration of €44.9 million (\$55.2 million) plus assumed liabilities of €3.9 million (\$4.8 million).

Sagemcom’s results of operations and estimated fair value of assets acquired and liabilities assumed are included in our consolidated financial statements from the date of acquisition.

We accounted for the transaction using the acquisition method and accordingly, the consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values as at August 1, 2012. The excess of the purchase price over the final value assigned to the net assets acquired was recorded as goodwill.

**SIERRA WIRELESS, INC.**  
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*(In thousands of U.S. dollars, except where otherwise stated)*

The following table summarizes the final amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	€	\$
<b>Assets acquired</b>		
Inventory	786	967
Machinery and equipment	1,454	1,788
Identifiable intangible assets	21,272	26,160
Goodwill	25,295	31,107
	<b>48,807</b>	<b>60,022</b>
<b>Liabilities assumed</b>		
Accrued liabilities	2,439	2,999
Long-term obligations	1,468	1,805
<b>Fair value of net assets acquired</b>	<b>44,900</b>	<b>55,218</b>

The goodwill of €25.3 million (\$31.1 million) resulting from the acquisition consisted largely of the expectation that the acquisition will extend our leadership position in the growing M2M market and offer us a significantly enhanced market position. Goodwill was assigned to the OEM Solutions segment and it 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 (in years)	€	\$
Patents	8	5,259	6,468
Customer relationships	8-13	13,887	17,078
Backlog	1-2	1,382	1,699
In-process research and development	5	744	915
		<b>21,272</b>	<b>26,160</b>

The following table presents the unaudited pro forma results for the years ended 2012 and 2011. The pro forma financial information combines the results of operations of Sierra Wireless, Inc. and the M2M business of Sagemcom as though the businesses had been combined as of the beginning of fiscal 2011. 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 2011. The pro forma financial information presented includes amortization charges for acquired tangible and intangible assets, and related tax effects, based on the values assigned in purchase price allocation.

	2012	2011
<b>Pro Forma information</b>		
Revenue	\$ 423,653	\$ 385,049
Loss from operations	(21,462)	(48,406)
Net loss	(3,458)	(44,806)
Basic loss per share (in dollars)	\$ (0.11)	\$ (1.43)
Diluted loss per share (in dollars)	\$ (0.11)	\$ (1.43)

**SIERRA WIRELESS, INC.**  
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*(In thousands of U.S. dollars, except where otherwise stated)*

**6. ACQUISITION OF M2M BUSINESS OF ANYDATA**

On October 16, 2013, we completed the acquisition of substantially all of the M2M embedded module and modem related assets of AnyDATA Corporation ("AnyDATA"). Its M2M business includes 3G and 4G wireless modules and modems which are sold mainly in Korea. The acquisition extends our global leadership position in the growing M2M market and offers a significantly enhanced market position for us in key segments, as well as new geographical expansion into Korea.

The acquisition included substantially all of the assets of the M2M embedded module and modem related assets of AnyDATA for cash consideration of \$5.2 million plus minimal assumed liabilities.

AnyDATA's results of operations and fair value of assets acquired and liabilities assumed are included in our consolidated financial statements from the date of acquisition.

We accounted for the transaction using the acquisition method and accordingly, the consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective fair values, as at October 16, 2013. The excess of the purchase price over the final value assigned to the net assets acquired was recorded as goodwill.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	\$
<b>Assets acquired</b>	
Inventory	1,296
Machinery and equipment	68
Identifiable intangible assets	1,793
Goodwill	2,061
	<b>5,218</b>
<b>Liabilities assumed</b>	
Accrued liabilities	22
<b>Fair value of net assets acquired</b>	<b>5,196</b>

The goodwill of \$2.1 million resulting from the acquisition consists largely of the expectation that the acquisition will extend our leadership position in the growing M2M market and offer us a significantly enhanced market position. Goodwill was assigned to the OEM Solutions segment and it 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 (in years)	\$
Customer relationships	5	1,284
Existing technology	3	385
In-process research and development	2	124
		<b>1,793</b>



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

The amounts of revenue and net earnings of AnyDATA's M2M business included in our consolidated statements of operations from the acquisition date, through the period ended December 31, 2013, was as follows:

	October 16, 2013 to December 31, 2013
Revenue	\$ 1,653
Earnings	23

**7. DISPOSITION OF AIRCARD BUSINESS**

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business to Netgear, Inc. ("Netgear") for total proceeds of \$136.6 million (including \$13.8 million of proceeds held in escrow due April 2, 2014) after final inventory adjustments plus assumed liabilities. After transaction costs of \$2.8 million, we recorded an after tax gain on disposal of \$70.2 million. We expect to realize net cash proceeds of approximately \$114 million from the divestiture after giving consideration to related taxes, transaction costs and escrow retention for the purposes of indemnification. On the disposition, 160 employees, primarily in sales, marketing and research and development, were transferred to Netgear, as well as certain facilities in Carlsbad, California and Richmond, British Columbia.

The gain on sale of the AirCard business consisted of:

Cash proceeds received	\$ 122,807
Proceeds held in escrow	13,800
Total proceeds	\$ 136,607
Transaction costs	(2,849)
Net proceeds	\$ 133,758
Assets and liabilities held for sale	(39,680)
Gross gain on disposal	94,078
Income tax expense	(23,896)
Gain on disposal, net of taxes	\$ 70,182

The company utilized \$14.4 million of deferred income tax assets on the gain on sale of the AirCard business.

The assets and liabilities held for sale related to the AirCard disposition were as follows:

	April 2, 2013	December 31, 2012
Inventories	\$ 2,636	\$ 8,731
Prepays	9,030	10,847
Property and equipment	7,511	7,489
Intangible assets	1,305	1,317
Goodwill	25,956	25,956
<b>Assets held for sale</b>	<b>\$ 46,438</b>	<b>\$ 54,340</b>
<b>Liabilities held for sale</b>	<b>\$ 6,758</b>	<b>\$ 10,353</b>

**SIERRA WIRELESS, INC.**  
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*(In thousands of U.S. dollars, except where otherwise stated)*

The results related to the AirCard business have been presented as discontinued operations in the statement of earnings for the three years ended December 31 and were as follows:

	2013	2012	2011
Revenue	\$ 46,701	\$ 246,845	\$ 245,010
Cost of goods sold	32,978	177,147	183,300
Gross margin	\$ 13,723	\$ 69,698	\$ 61,710
Expenses	(12,918)	(36,653)	(37,369)
Gain on sale of AirCard business	94,078	—	—
Earnings before income taxes	\$ 94,883	\$ 33,045	\$ 24,341
Income tax expense	(24,295)	(1,644)	(3,003)
Net earnings from discontinued operations	\$ 70,588	\$ 31,401	\$ 21,338

We had no significant customers related to discontinued operations during the year ended December 31, 2013 that accounted for more than 10% of our aggregated revenue from continuing and discontinued operations (year ended December 31, 2012 - two significant customers comprising sales of \$88,689 and \$73,091; year ended December 31, 2011 - three significant customers comprising sales of \$77,216, \$68,361 and \$66,001).

**8. SHORT-TERM INVESTMENTS**

Short-term investments, all of which are classified as available-for-sale, are comprised of government treasury bills and securities. As at December 31, 2013, we had \$2,470 (December 31, 2012 - \$nil) in outstanding short-term investments.

**9. ACCOUNTS RECEIVABLE**

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

	2013	2012
Trade receivables	\$ 82,086	\$ 96,779
Less: allowance for doubtful accounts	(2,279)	(2,435)
	79,807	94,344
Sales taxes receivable	3,598	2,594
Proceeds from Aircard sale held in escrow	13,800	—
Other receivables	15,285	11,686
	\$ 112,490	\$ 108,624

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

	<b>2013</b>	2012
Balance, beginning of year	\$ 2,435	\$ 3,642
Bad debt expense	1,077	386
Write-offs and settlements	(1,242)	(1,608)
Foreign exchange	9	15
	<b>\$ 2,279</b>	<b>\$ 2,435</b>

**10. INVENTORIES**

The components of inventories at December 31 were as follows:

	<b>2013</b>	2012
Electronic components	\$ 2,930	\$ 7,206
Finished goods	5,323	5,469
	<b>\$ 8,253</b>	<b>\$ 12,675</b>

**11. PREPAIDS AND OTHER**

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

	<b>2013</b>	2012
Inventory advances	\$ 21,382	\$ 17,613
Insurance and licenses	4,735	2,374
Other	2,624	4,265
	<b>\$ 28,741</b>	<b>\$ 24,252</b>

**12. PROPERTY AND EQUIPMENT**

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

	<b>2013</b>		
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 1,595	\$ 928	\$ 667
Research and development equipment	28,264	21,966	6,298
Tooling	36,307	28,269	8,038
Computer equipment	5,253	3,862	1,391
Software	5,641	3,591	2,050
Leasehold improvements	3,156	865	2,291
Leased vehicles	1,332	796	536
Office equipment	3,013	2,302	711
	<b>\$ 84,561</b>	<b>\$ 62,579</b>	<b>\$ 21,982</b>

**SIERRA WIRELESS, INC.**  
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*(In thousands of U.S. dollars, except where otherwise stated)*

2012			
	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 4,557	\$ 3,755	\$ 802
Research and development equipment	21,875	16,504	5,371
Tooling	25,000	17,577	7,423
Computer equipment	7,614	6,048	1,566
Software	9,358	7,863	1,495
Leasehold improvements	4,973	3,070	1,903
Leased vehicles	1,206	587	619
Office equipment	3,144	2,284	860
	<u>\$ 77,727</u>	<u>\$ 57,688</u>	<u>\$ 20,039</u>

Amortization expense relating to property and equipment, including those related to discontinued operations, was \$10,057, \$12,583, and \$14,528 for the years ended December 31, 2013, 2012, and 2011, respectively.

**13. INTANGIBLE ASSETS**

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

2013			
	Cost	Accumulated amortization	Net book value
Patents and trademarks	\$ 16,465	\$ 7,638	\$ 8,827
Licenses	64,494	51,831	12,663
Intellectual property	7,130	7,019	111
Customer relationships	47,539	29,229	18,310
Backlog	1,906	1,906	—
Non-compete	2,955	2,955	—
In-process research and development	7,205	3,485	3,720
	<u>\$ 147,694</u>	<u>\$ 104,063</u>	<u>\$ 43,631</u>

2012			
	Cost	Accumulated amortization	Net book value
Patents and trademarks	\$ 15,466	\$ 5,317	\$ 10,149
Licenses	61,660	42,134	19,526
Intellectual property	7,006	6,995	11
Customer relationships	45,065	23,474	21,591
Backlog	1,823	538	1,285
Non-compete	2,827	2,827	—
In-process research and development	6,524	2,729	3,795
	<u>\$ 140,371</u>	<u>\$ 84,014</u>	<u>\$ 56,357</u>

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

2014	\$	<b>13,016</b>
2015		<b>6,791</b>
2016		<b>4,912</b>
2017		<b>4,592</b>
2018		<b>3,511</b>

During the fourth quarter of 2011, we recorded an impairment charge of \$11,214, primarily related to a software development program we decided not to complete. This asset was acquired through the acquisition of Wavecom. We did not record an impairment charge for the years ended December 31, 2013 and 2012.

Amortization expense relating to intangible assets, including those related to discontinued operations, was \$18,239, \$16,007, and \$17,858 for the years ended December 31, 2013, 2012, and 2011, respectively.

At December 31, 2013, a net carrying amount of \$1,175 included in intangible assets was not subject to amortization.

**14. GOODWILL**

We assessed the realizability of goodwill during the fourth quarter of 2013 and determined that the fair value of each reporting unit 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, 2013, 2012 and 2011.

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

	<b>2013</b>	2012
Balance at beginning of year	\$ <b>97,961</b>	\$ 89,961
Goodwill acquired during year (note 5 and 6)	<b>2,061</b>	31,107
Goodwill allocated to discontinued operations (note 7)	—	(25,956)
Foreign currency translation adjustments	<b>2,696</b>	2,849
	<b>\$ 102,718</b>	<b>\$ 97,961</b>
OEM Solutions	<b>87,356</b>	82,885
Enterprise Solutions	<b>15,362</b>	15,076
	<b>\$ 102,718</b>	<b>\$ 97,961</b>

**SIERRA WIRELESS, INC.**  
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**15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>2013</b>	2012
Trade payables	\$ <b>60,568</b>	\$ 64,351
Inventory commitment reserve	<b>1,797</b>	1,465
Accrued royalties	<b>22,960</b>	22,450
Accrued payroll and related liabilities	<b>11,087</b>	12,662
Taxes payable (including sales taxes)	<b>11,861</b>	9,181
Product warranties	<b>5,861</b>	4,169
Marketing development funds	<b>302</b>	38
Other	<b>10,410</b>	13,900
	<b>\$ 124,846</b>	<b>\$ 128,216</b>

**16. LONG-TERM OBLIGATIONS**

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

	<b>2013</b>	2012
Accrued royalties	\$ <b>17,605</b>	\$ 23,566
Other	<b>3,945</b>	2,960
	<b>\$ 21,550</b>	<b>\$ 26,526</b>

**17. INCOME TAXES**

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

	<b>2013</b>	2012	2011
Continuing operations:			
Canadian	\$ <b>6,497</b>	\$ 24,802	\$ (22,099)
Foreign	<b>(20,436)</b>	(43,878)	(32,579)
	<b>(13,939)</b>	(19,076)	(54,678)
Discontinued operations:			
Canadian	<b>80,395</b>	15,617	5,898
Foreign	<b>14,488</b>	17,428	18,443
	<b>94,883</b>	33,045	24,341
Earnings (loss) before income taxes	<b>\$ 80,944</b>	\$ 13,969	\$ (30,337)

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

The income tax expense (recovery) consists of:

	2013	2012	2011
Canadian:			
Current	\$ 64	\$ (106)	\$ 123
Deferred	10,614	(14,268)	1,981
	<u>10,678</u>	<u>(14,374)</u>	<u>2,104</u>
Foreign:			
Current	9,646	219	1,815
Deferred	5,582	925	(4,884)
	<u>15,228</u>	<u>1,144</u>	<u>(3,069)</u>
Total:			
Current	9,710	113	1,938
Deferred	16,196	(13,343)	(2,903)
	<u>\$ 25,906</u>	<u>\$ (13,230)</u>	<u>\$ (965)</u>
<b>Classification:</b>			
Income tax expense (recovery) — continuing operations	1,611	(14,874)	(3,968)
Income tax expense — discontinued operations	24,295	1,644	3,003
	<u>\$ 25,906</u>	<u>\$ (13,230)</u>	<u>\$ (965)</u>

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:

	2013	2012	2011
Income tax expense (recovery) at Canadian statutory income tax rates	\$ 20,872	\$ 3,499	\$ (8,023)
Increase (decrease) in income taxes for:			
Permanent and other differences	(2,339)	(5,279)	6,335
Change in statutory/foreign tax rates	(1,210)	(2,762)	(1,973)
Change in valuation allowance	8,875	(10,358)	1,805
Stock-based compensation expense	(150)	1,603	891
Adjustment to prior years	(142)	67	—
Income tax expense (recovery)	<u>\$ 25,906</u>	<u>\$ (13,230)</u>	<u>\$ (965)</u>

**SIERRA WIRELESS, INC.**  
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*(In thousands of U.S. dollars, except where otherwise stated)*

**Future tax assets and liabilities**

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

	2013	2012
Future income tax assets		
Property and equipment	\$ 3,664	\$ 4,165
Non capital loss carry-forwards	76,780	70,824
Capital loss carry-forwards	2,416	2,655
Scientific research and development expenses and credits	28,081	36,961
Reserves and other	14,201	8,974
Acquired Intangibles	1,178	—
	<u>126,320</u>	<u>123,579</u>
Future income tax liabilities		
Acquired intangibles	—	2,920
	<u>126,320</u>	<u>120,659</u>
Valuation allowance	116,880	94,880
	<u>\$ 9,440</u>	<u>\$ 25,779</u>

	2013	2012
<b>Classification:</b>		
<b>Assets</b>		
Current	\$ 2,391	\$ 22,199
Non-current	7,176	3,880
<b>Liabilities</b>		
Non-current	(127)	(300)
	<u>\$ 9,440</u>	<u>\$ 25,779</u>

At December 31, 2013, we have provided for a valuation allowance on our future tax assets of \$116,880 (2012 -\$94,880).

At December 31, 2013, we have Canadian allowable capital loss carry-forwards of \$11,287 that are available, indefinitely, to be deducted against future Canadian taxable capital gains. In addition, we have investment tax credits of \$22,352 and \$9,984 available to offset future Canadian federal and provincial income taxes payable, respectively. Of these amounts, \$216 and \$147, respectively, are associated with windfall tax benefits and will be recorded as additional paid-in-capital when realized. The investment tax credits expire between 2014 and 2033. At December 31, 2013, our U.S. subsidiary has \$6,445 of California research & development tax credits which may be carried forward indefinitely. The amounts are after the estimated utilization from the sale of AirCard business described below.



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At December 31, 2013, net operating loss carry-forwards for our foreign subsidiaries were \$10,363 for U.S. income tax purposes that expire between 2020 and 2032, \$79 for Hong Kong income tax purposes, \$233 for Korea income tax purposes, \$448 for Luxembourg income tax purposes, and \$210,912 for French income tax purposes. 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 French net operating losses deducted each year is limited to €1,000 plus 50% of French taxable income in excess of €1,000. 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 \$10,544 as at December 31, 2013. The French research tax credit may be used to offset against corporate income tax and if any credit is not fully utilized within a three year period following the year the research tax credit is earned, it may be refunded by the French tax authorities. Tax loss and research tax credit 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 future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future 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.

On the disposition of the AirCard assets to Netgear (note 7), we expect to utilize approximately \$20,946 of Canadian scientific research and development expenditures, approximately \$44 of Canadian allowable capital loss, approximately \$4,310 of Canadian Federal and Provincial investment tax credits, approximately \$4,401 of U.S. net operating loss, and approximately \$2,439 of U.S. Federal and California research & development tax credit. The estimated utilization is subject to change.

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 occurs in the future.

**Accounting for uncertainty in income taxes**

At December 31, 2013, we had gross unrecognized tax benefits of \$8,304 (2012 — \$8,227). Of this total, \$5,336 (2012 — \$5,349) 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:

	<b>2013</b>	2012
Unrecognized tax benefits, beginning of year	\$ 8,227	\$ 9,464
Increases — tax positions taken in prior periods	252	55
Increases (decreases) — tax positions taken in current period	138	(238)
Settlements and lapse of statute of limitations	(313)	(1,054)
Unrecognized tax benefits, end of year	\$ 8,304	\$ 8,227

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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, 2013, we had accrued \$1,590 (2012 -\$1,488) for 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 2013 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, 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, 2013 could be reduced by approximately \$2,059 in the next 12 months.

**18. ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

	<b>2013</b>	2012
Release of foreign currency translation relating to acquisition of non-controlling interest	\$ <b>178</b>	\$ 178
Translation adjustment related to change in functional currency	<b>(728)</b>	(728)
Foreign currency translation adjustments	<b>(6,308)</b>	(6,912)
	<b>\$ (6,858)</b>	\$ (7,462)

**19. RESEARCH AND DEVELOPMENT**

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

	<b>2013</b>	2012	2011
Gross research and development	\$ <b>75,980</b>	\$ 64,346	\$ 63,424
Government tax credits	<b>(2,868)</b>	(2,561)	(2,521)
	<b>\$ 73,112</b>	\$ 61,785	\$ 60,903

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**20. RESTRUCTURING**

The following table provides the activity in the restructuring liability:

<b>2013</b>			
	<b>Workforce Reduction</b>	<b>Facilities</b>	<b>Total</b>
Balance, beginning of year	\$ 472	\$ 182	\$ 654
Expensed in year	115	56	171
Disbursements	(548)	(191)	(739)
Foreign exchange	2	—	2
Balance, end of year	\$ 41	\$ 47	\$ 88
<b>Classification:</b>			
Accounts payable and accrued liabilities	\$ 41	\$ 47	\$ 88
<b>By restructuring initiative:</b>			
May 2009	—	47	47
Wavecom S.A. and prior	41	—	41
	\$ 41	\$ 47	\$ 88

<b>2012</b>			
	<b>Workforce Reduction</b>	<b>Facilities</b>	<b>Total</b>
Balance, beginning of period	\$ 625	\$ 562	\$ 1,187
Expensed in year	2,167	84	2,251
Disbursements	(2,340)	(464)	(2,804)
Adjustments	(21)	—	(21)
Foreign exchange	41	—	41
Balance, end of period	\$ 472	\$ 182	\$ 654
<b>Classification:</b>			
Accounts payable and accrued liabilities	\$ 472	\$ 149	\$ 621
Other long term obligations	—	33	33
	\$ 472	\$ 182	\$ 654
<b>By restructuring initiative:</b>			
September 2010	\$ 433	\$ —	\$ 433
May 2009	—	182	182
Wavecom S.A. and prior	39	—	39
	\$ 472	\$ 182	\$ 654

**April 2012**

In April 2012, we announced the closure of our Newark, California facility, effective December 31, 2012, to drive greater efficiency and leverage. Subsequently, our AirLink marketing, research and development, and customer support activities primarily transferred to the Richmond, British Columbia, facilities, and manufacturing operations transferred to our manufacturing partner in Suzhou, China. For the year ended December 31, 2013, we recorded \$115 (December 31, 2012 - \$1,980) in restructuring costs related to this initiative. The outstanding restructuring obligation was fully paid by July 31, 2013.

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**September 2010**

In September 2010, we implemented a new business unit structure that resulted in a reduction of our workforce by 60 employees. These reductions were substantially completed during the fourth quarter of 2010. For the year ended December 31, 2010, we recorded restructuring costs of \$4,420 primarily related to severance and benefits associated with the terminated employees. The restructuring obligation was fully paid by December 31, 2012.

**21. OTHER INCOME (EXPENSE)**

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Gain (loss) on disposal of property, equipment, and intangibles	\$ <b>10</b>	\$ (107)	\$ (40)
Interest income	<b>237</b>	108	199
Interest expense	<b>(345)</b>	(197)	(124)
	<b>\$ (98)</b>	\$ (196)	\$ 35

**22. EARNINGS (LOSS) PER SHARE**

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net loss from continuing operations	\$ <b>(15,550)</b>	\$ (4,202)	\$ (50,710)
Net earnings from discontinued operations	<b>70,588</b>	31,401	21,338
Net loss attributable to non-controlling interest	—	—	(57)
Net earnings (loss) attributable to the company	<b>\$ 55,038</b>	\$ 27,199	\$ (29,315)

Weighted average shares used in computation of:

Basic	<b>30,771</b>	30,788	31,275
Assumed conversion	—	—	—
Diluted	<b>30,771</b>	30,788	31,275
Basic and dilutive earnings (loss) per share attributable to the company's common shareholders (in dollars):			
Continuing operations	<b>(0.50)</b>	(0.14)	(1.62)
Discontinued operations	<b>2.29</b>	1.02	0.68
	<b>\$ 1.79</b>	\$ 0.88	\$ (0.94)

As the Company incurred a loss, all equity awards were anti-dilutive and are excluded from the diluted weighted average shares.

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**23. SHARE CAPITAL**

On February 6, 2013, we received regulatory approval allowing us to purchase for cancellation up to 1,529,687 of our common shares by a normal course issuer bid ("the Bid") on the Toronto Stock Exchange and NASDAQ Global Market. The Bid commenced on February 14, 2013 and terminated on February 13, 2014. During the year ended December 31, 2013, we purchased 510,439 common shares (year ended December 31, 2012 - 800,000 common shares) in the open market at an average price of \$11.31 per share (year ended December 31, 2012 - \$7.89 per share). The amount paid to acquire the shares over and above the average carrying value has been charged to retained earnings.

**24. STOCK-BASED COMPENSATION PLANS**

**(a) Stock-based compensation expense:**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cost of goods sold	\$ 406	\$ 304	\$ 385
Sales and marketing	1,862	1,149	1,075
Research and development	1,433	1,341	1,110
Administration	4,289	2,987	2,928
Continuing operations	7,990	5,781	5,498
Discontinued operations	1,357	932	951
	<b>\$ 9,347</b>	<b>\$ 6,713</b>	<b>\$ 6,449</b>
Stock option plan	2,548	2,121	2,844
Restricted stock plan	6,799	4,592	3,605
	<b>\$ 9,347</b>	<b>\$ 6,713</b>	<b>\$ 6,449</b>

**(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, 2013, stock options exercisable into 1,572,198 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.

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

	<b>2013</b>	2012	2011
Risk-free interest rate	<b>0.89%</b>	0.85%	2.07%
Annual dividends per share	<b>Nil</b>	Nil	Nil
Expected stock price volatility	<b>50%</b>	57%	60%
Expected option life (in years)	<b>4.0</b>	4.0	4.0
Estimated forfeiture rate	<b>3.5%</b>	3.5%	3.5%
Average fair value of options granted (in dollars)	<b>\$ 4.42</b>	\$ 3.42	\$ 5.11

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. We estimate forfeitures at the time of grant and, if necessary, revise that estimate if actual forfeitures differ and adjust stock-based compensation expense accordingly.

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, 2010	2,259,728	12.51	12.54	2.4	7,878
Granted	658,452	10.88	10.89		
Exercised	(83,906)	6.06	6.19		417
Forfeited	(536,399)	13.91	13.97		
Outstanding, December 31, 2011	2,297,875	12.11	11.86	2.5	705
Granted	636,963	7.85	7.82		
Exercised	(85,051)	5.16	5.12		297
Forfeited	(493,910)	17.58	17.42		
Outstanding, December 31, 2012	2,355,877	9.89	9.96	2.5	735
<b>Granted</b>	<b>642,025</b>	<b>11.92</b>	<b>11.22</b>		
<b>Exercised</b>	<b>(965,228)</b>	<b>8.81</b>	<b>8.29</b>		<b>5,425</b>
<b>Forfeited</b>	<b>(495,088)</b>	<b>15.14</b>	<b>14.25</b>		
<b>Outstanding, December 31, 2013</b>	<b>1,537,586</b>	<b>10.37</b>	<b>9.76</b>	<b>3.1</b>	<b>22,164</b>

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.

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The following table summarizes the stock options outstanding and exercisable at December 31, 2013:

Range of Exercise Prices	Options Outstanding				Options Exercisable		
	Number of Options	Weighted Average Remaining Option Life (years)	Weighted Average Exercise Price		Number Of options Exercisable	Weighted Average Exercise Price	
			Cdn.\$	U.S.\$		Cdn.\$	U.S.\$
\$3.98 – \$7.99 U.S. \$4.23 – \$8.48 Cdn	424,697	3.0	8.00	7.53	137,209	7.75	7.30
\$8.00 – \$10.51 U.S. \$8.49 – \$11.17 Cdn	378,070	1.7	10.08	9.49	276,615	9.89	9.31
\$10.52 – \$11.05 U.S. \$11.18 – \$11.74 Cdn	360,858	4.1	11.61	10.93	12,165	11.20	10.55
\$11.06 – \$11.87 U.S. \$11.75 – \$12.61 Cdn	373,961	3.6	12.15	11.44	44,649	11.83	11.14
	1,537,586	3.1	10.37	9.76	470,638	9.48	8.93

The options outstanding at December 31, 2013 expire between February 14, 2014 and May 16, 2018.

As at December 31, 2013, the unrecognized stock-based compensation cost related to the non-vested stock options was \$3,641 (2012 — \$3,836; 2011 — \$3,969), which is expected to be recognized over a weighted average period of 2.5 years (2012 — 2.4 years; 2011 — 2.6 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 further our growth and profitability objectives by providing long-term incentives to certain executives and other key employees and also encourage our objective of employee share ownership through the granting of restricted share units (“RSUs”). There is no exercise price or monetary payment required from the employees upon the grant of an RSU or upon the subsequent delivery of our common shares (or, in certain jurisdictions, cash in lieu at the option of the Company) to settle vested RSUs. The form and timing of settlement is subject to local laws. With respect to the treasury based RSP, the maximum number of common shares which the Company may issue from treasury is 1,000,000 common shares. With respect to the two market based RSPs, independent trustees purchase Sierra Wireless common shares over the facilities of the TSX and Nasdaq, which are used to settle vested RSUs. The existing trust funds are variable interest entities and are included in these consolidated financial statements as treasury shares held for RSU distribution.

Generally, RSUs vest over three years, in equal one-third amounts on each anniversary date of the date of the grant. 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. There were 1,415,922 unvested RSUs and 26,193 vested and not settled RSUs outstanding as at December 31, 2013.

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.

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

	Number of RSUs	Weighted Average Grant Date Fair Value		Weighted Average Remaining Contractual Life  In years	Aggregate Intrinsic Value  U.S.\$
		Cdn.\$	U.S.\$		
Outstanding, December 31, 2010	827,991	6.81	6.83	1.3	12,346
Granted	486,343	10.83	10.84		
Vested	(379,121)	11.10	11.11		4,170
Forfeited	(31,184)	8.54	8.43		
Outstanding, December 31, 2011	904,029	8.94	8.43	1.3	6,346
Granted	856,784	7.89	7.89		
Vested	(499,038)	7.67	7.67		3,835
Forfeited	(36,780)	9.09	9.00		
Outstanding, December 31, 2012	1,224,995	8.71	8.68	1.9	9,746
<b>Granted</b>	<b>843,592</b>	<b>12.09</b>	<b>11.38</b>		
<b>Vested</b>	<b>(573,613)</b>	<b>9.54</b>	<b>8.98</b>		<b>6,456</b>
<b>Forfeited</b>	<b>(52,859)</b>	<b>9.74</b>	<b>9.17</b>		
<b>Outstanding, December 31, 2013</b>	<b>1,442,115</b>	<b>10.59</b>	<b>9.98</b>	<b>1.8</b>	<b>34,867</b>
<b>Outstanding – vested and not settled</b>	<b>26,193</b>				
<b>Outstanding – unvested</b>	<b>1,415,922</b>				
<b>Outstanding, December 31, 2013</b>	<b>1,442,115</b>				

As at December 31, 2013, the total remaining unrecognized compensation cost associated with the RSUs totaled \$8,058 (2012 — \$5,950; 2011 — \$4,176), which is expected to be recognized over a weighted average period of 1.8 years (2012 — 1.6 years; 2011 — 1.9 years).

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

## 25. NON-CONTROLLING INTEREST

The non-controlling interest represents shares held by former Wavecom employees under their long-term incentive plan. The shares had vested, but were subject to a hold period for tax purposes. We had entered into a put/call agreement with these employees to purchase back the shares at €8.50 per share upon expiry of the tax hold period. Until that time, the shares were considered non-controlling interest. On June 8, 2011, the tax hold period expired on these vested shares. During the year ended December 31, 2013, no shares were acquired (year ended December 31, 2012 - 4,250 shares). The obligation for the remaining 500 shares at €8.50 per share has been recorded as at December 31, 2013 and is classified under accrued liabilities.



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**26. 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. Short-term investments are recorded at fair value and their carrying value as at December 31, 2013 was \$2,470 (December 31, 2012 — \$nil). Our short-term investments are classified within Level 1 of the valuation hierarchy. Based on borrowing rates currently available to us for loans with similar terms, the carrying values of our obligations under capital leases, long-term obligations and other long-term liabilities approximate their fair values.

On July 23, 2012, foreign currency forward exchange contracts for a notional US\$56.3 million to acquire €45.0 million in connection with the acquisition of the M2M business of Sagemcom settled. For twelve months ended December 31, 2012, we realized a loss of \$1,761, which is classified in *Foreign exchange gain (loss)* on these forward contracts.

**(b) Credit Facilities**

On October 31, 2013 we renewed our \$10 million revolving term credit facility ("Revolving Facility") for a two year term which expires on October 31, 2015. The Revolving Facility with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce is for working capital requirements, is secured by a pledge against all of our assets, and is subject to borrowing base limitations. Other terms of the Revolving Facility remain substantially unchanged. As at December 31, 2013, there were no borrowings under the Revolving Facility.

**(c) Letters of credit**

We have entered into a standby letter of credit facility agreement under which we have issued two performance bonds to third party customers in accordance with specified terms and conditions. At December 31, 2013, we had two Euro denominated performance bonds amounting to €50 thousand expiring in June 2014 (December 31, 2012 - €50 thousand) and no other performance bonds (December 31, 2012 - \$176). The carrying value of these instruments approximate their fair market value.

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**27. FINANCIAL INSTRUMENTS**

**Financial Risk Management**

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, 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 and have obligations related to our facilities restructuring 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. As at December 31, 2013 and 2012, we had no such contracts in place.

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.

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**28. 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:

<b>2014</b>	<b>\$ 5,032</b>
<b>2015</b>	<b>4,164</b>
<b>2016</b>	<b>3,970</b>
<b>2017</b>	<b>3,782</b>
<b>2018</b>	<b>3,672</b>
<b>Subsequent years</b>	<b>7,298</b>
	<b>\$ 27,918</b>

**(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, 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) In March 2004, we entered into an agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program, under which we were eligible to receive conditionally repayable research and development funding up to Cdn. \$9,540 to support the development of a range of third generation wireless technologies. Under the terms of the agreement, all or part of the contribution was repayable upon the occurrence of certain prescribed events of default. In March 2009, we signed an amended agreement under which we will repay a total of Cdn. \$2,500, with payments due on March 1 for each of the next five years beginning March 1, 2009, in full and final satisfaction of all amounts owing, or to be owed, to TPC under this agreement. During the year ended December 31, 2013, we made the final payment of Cdn. \$500.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

- (iv) 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:

	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ <b>4,169</b>	\$ 4,537
Provisions	<b>7,368</b>	9,399
Expenditures	<b>(5,676)</b>	(8,178)
Liability held for sale	—	(1,589)
Balance, end of year	\$ <b>5,861</b>	\$ 4,169

**(c) Other commitments**

We have entered into purchase commitments totaling approximately \$77,708 net of related electronic components inventory of \$2,155 (December 31, 2012 — \$54,850, net of electronic components inventory of \$7,697), with certain contract manufacturers under which we have committed to buy a minimum amount of designated products between January 2014 and March 2014. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

**(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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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 reasonably estimate any potential loss or range of loss could be material to our results of operations and financial condition.

In November 2013, we filed a complaint against Nokia Corporation in the EU Commission for breach of Article 102 of the European Union Treaty. The complaint alleges that Nokia Corporation abuses a dominant position, discriminates, applies unfair royalties and wrongfully refuses to grant a license to Sierra Wireless in the context of Nokia's essential patents licensing program. We also believe that Nokia Corporation violates section 5 of the FTC Act (United States) and have sent a notice to the Federal Trade Commission (FTC) setting out these violations. The EU Commission and FTC are each currently reviewing the materials we have submitted to them. On January 6 2014, we received notice from the International Chamber of Commerce of arbitration proceedings launched by Nokia Corporation against Sierra Wireless, for alleged unpaid royalties of approximately \$29 million. We believe Nokia's arbitration claims are without legal merit, and we will defend ourselves vigorously. Nonetheless, an unfavorable outcome could have a material adverse effect on our operating results, liquidity or financial position.

In December 2012, Concinnitas LLC filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by us. The lawsuit makes allegations concerning AirCard products. In September 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently dismissed with prejudice.

In April 2012, a patent holding company, Cell and Network Selection, LLC ("CNS"), filed a patent infringement lawsuit in the United States District Court for the District of Texas asserting patent infringement by us and our customer. In May 2013, this lawsuit was dismissed upon motion of CNS and a new lawsuit was filed by CNS in the same court. The lawsuit makes certain allegations concerning the LTE products sold by us, including the mobile hotspots and USB modems sold by us to AT&T prior to the transfer of the AirCard business to Netgear. In September 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently dismissed with prejudice.

In January 2012, a patent holding company, M2M Solutions LLC ("M2M"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the AirPrime embedded wireless module products, related AirLink products and related services sold by us for use in M2M communication applications. The lawsuit is in the discovery stage. The claim construction order has determined one of the two patents-in-suit to be indefinite and therefore invalid. Trial is anticipated to occur in September 2014. In February 2014, we filed a declaratory judgment action in the same court seeking a declaration of non-infringement with respect to a recently issued patent held by M2M, which patent is a continuation of the patents-in-suit in the original lawsuit filed against us by M2M.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

In September 2011, a patent holding company, Wi-Lan, Inc., filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by a number of parties, including us. The lawsuit makes certain allegations concerning the wireless communication products sold by us. In September 2012, the lawsuit was consolidated with another lawsuit commenced by Wi-Lan in the Eastern District of Texas concerning the same patents. In December 2012, Wi-Lan filed additional patent litigation lawsuits in the United States District Court for each of the Eastern District of Texas and the Southern District of Florida asserting patent infringement by us of additional patents not included in the first Wi-Lan suit. The lawsuit in the Southern District of Florida was transferred to the Southern District of California. The second lawsuit in the Eastern District of Texas had not yet been scheduled for trial; however certain claims in the patent-in-suit (US Patent No. 6,381,211) were recently found to be invalid, as well as not infringed, by a jury in a similar case in this district involving Wi-Lan as plaintiff and Ericsson Inc., Alcatel-Lucent USA Inc., HTC Corporation and Sony Mobile Communications as defendants. In October 2013, a mutually agreeable confidential settlement was entered into by the parties to resolve all pending lawsuits, which will not have a material adverse effect on our operating results.

In May 2010 and in February 2011, a patent holding company, Golden Bridge Technology Inc. ("GBT"), filed patent infringement lawsuits in the United States District Court for the District of Delaware asserting patent infringement of the same two patents by a number of parties, including us and certain of our customers. In both cases, the litigation makes certain allegations concerning the wireless modems sold by us and our competitors. Both lawsuits have been stayed against all defendants except Apple Inc. ("Apple"), pending the outcome of the first case against Apple in Delaware. In April 2013, the Court of Delaware issued its claim construction order, as well as an order granting Apple's motion for summary judgment on non-infringement and denying Apple's motion for summary judgment on invalidity. These orders have been appealed by GBT to the US Court of Appeals for the Federal Circuit. In May 2012, GBT filed a patent infringement lawsuit in the United States District Court for the Central District of California asserting patent infringement by us of a different patent from the other two lawsuits, but concerning essentially the same products. In September 2012, this lawsuit was dismissed in the Central District of California and re-filed in the District of Delaware. This lawsuit has been stayed against us pending the outcome of the case against Apple with respect to the same patent, which is set for trial in the Central District of California in May 2014. A claim construction order was issued in this case in June 2013.

In July 2009, a patent holding company, SPH America, LLC, filed a patent infringement lawsuit in the United States District Court for the Eastern District of Virginia asserting patent infringement by a number of device manufacturers, including us, and computer manufacturers, including certain of our customers. In January 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently 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.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

***IP Indemnification Claims***

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

In May 2013, a patent holding company, Adaptix, Inc., filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against one of our customers asserting patent infringement in relation to our customer's products, which may include certain LTE products which utilize modules sold to them by us. The lawsuit is in the early stages.

In January 2013, a patent holding company, Steelhead Licensing LLC, filed a patent infringement lawsuit in the United States District Court for the District of Delaware against one of our customers asserting patent infringement in relation to our customer's products and services, including the mobile hotspot devices sold to them by us prior to the transfer of the AirCard business to Netgear. In March 2013, we advised our customer that we had been granted a license with respect to the patents-in-suit, which license covers any of our products sold by our customers (including this customer). We believe this outcome will not have a material adverse effect on our operating results.

In February 2012, a patent holding company, Intellectual Ventures (comprised of Intellectual Ventures I LLC and Intellectual Ventures II LLC), filed a patent infringement lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to several of our customer's products and services, including the mobile hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. The lawsuit was split into several separate lawsuits and amended complaints were filed in October 2013. The lawsuits are in the early stages, and we are negotiating a stipulation of intervention in two cases with the plaintiff.

In September 2011, a patent holding company, Mayfair Wireless, LLC, filed a patent infringement lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to the wireless hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. In October 2013, the plaintiff objected to the Magistrate's report and recommendation that the Court grant the defense motion to dismiss for lack of subject matter jurisdiction; therefore, the matter is currently being reviewed by the District Court Judge.

In June 2011, Barnes and Noble, Inc. filed a declaratory judgment action in the United States District Court for the Northern District of California against LSI Corporation (and later added Agere Systems, Inc.) (collectively, "LSI"), seeking a declaration that certain patents were not infringed by their products, including the 3G Nook e-reader which incorporates wireless modules sold to them by us. LSI counterclaimed for patent infringement. There are currently 9 patents-in-suit, two of which relate to the 3G products which incorporate our modules. The lawsuit is currently in the discovery phase and the claim construction hearing is anticipated to occur in March 2014.

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

A patent holding company, Eon Corp. IP Holdings, LLC ("Eon"), filed a patent infringement lawsuit against one of our customers in October 2010 in the United States District Court for the Eastern District of Texas, which was subsequently transferred to the United States District Court for the Northern District of California. A claim construction order was issued in July 2013, and this case is scheduled for trial in October 2014. Eon filed a patent litigation lawsuit against another of our customers in January 2012 in the United States District Court for the District of Puerto Rico, which has been transferred in part to the District of Delaware with respect to claims related to one of the three patents-in-suit. A claim construction hearing was held in the Puerto Rico case in November 2013 and in the Delaware case in January 2014. In all the above Eon cases, assertions of patent infringement are being made in relation to the wireless modems sold to our customers by us prior to the transfer of the AIRCard business to Netgear.

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.

**29. SEGMENTED INFORMATION**

The Company sold substantially all of the assets and operations related to its AirCard business on April 1, 2013 (note 7).

During the fourth quarter of 2013, we acquired substantially all of the M2M embedded module and modem business of AnyDATA Corporation and recently announced that we have entered into an agreement to acquire In Motion Technology. We have reevaluated our segmentation and determined that we have two reportable segments.

- OEM Solutions
- Enterprise Solutions

The segmented information for the years ending December 31, 2012 and December 31, 2011 have been reclassified to conform to the segments presented in 2013.

As we do not evaluate the performance of our operating segment 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.



**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**REVENUE BY SEGMENT**

Year ended December 31, 2013			
	OEM Solutions	Enterprise Solutions	Total
Revenue	\$ 382,016	\$ 59,844	\$ 441,860
Cost of goods sold	266,867	29,352	296,219
Gross margin	115,149	30,492	\$ 145,641
Gross margin %	30.1%	51.0%	33.0%
Expenses			163,305
Loss from operations			\$ (17,664)
Total assets			\$ 512,000

Year ended December 31, 2012			
	OEM Solutions	Enterprise Solutions	Total
Revenue	\$ 346,543	\$ 50,778	\$ 397,321
Cost of goods sold	246,284	25,763	272,047
Gross margin	\$ 100,259	\$ 25,015	\$ 125,274
Gross margin %	28.9%	49.3%	31.5%
Expenses			147,480
Loss from operations			\$ (22,206)
Total assets			\$ 464,763

Year ended December 31, 2011			
	OEM Solutions	Enterprise Solutions	Total
Revenue	\$ 290,463	\$ 42,712	\$ 333,175
Cost of goods sold	210,138	21,297	231,435
Gross margin	\$ 80,325	\$ 21,415	\$ 101,740
Gross margin %	27.7%	50.1%	30.5%
Expenses			155,993
Loss from operations			\$ (54,253)
Total assets			\$ 422,887

**REVENUE BY GEOGRAPHICAL REGION**

	2013	2012	2011
Americas	\$ 135,560	\$ 101,240	\$ 83,890
Europe, Middle East and Africa	91,839	79,904	90,724
Asia-Pacific	214,461	216,177	158,561
	\$ 441,860	\$ 397,321	\$ 333,175

**SIERRA WIRELESS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**PROPERTY AND EQUIPMENT BY GEOGRAPHICAL REGION**

	<b>2013</b>	2012
Americas	\$ <b>9,584</b>	\$ 8,169
Europe, Middle East and Africa	<b>8,686</b>	8,580
Asia-Pacific	<b>3,712</b>	3,290
	<b>\$ 21,982</b>	\$ 20,039

**30. SUBSEQUENT EVENT**

On January 26, 2014 we entered into a definitive agreement to acquire all the shares of In Motion Technology ("In Motion") for \$21 million. The acquisition is expected to close in early March 2014 and is subject to certain post-closing adjustments. In Motion is a leader in mobile enterprise networks that provide customers with fleets in mission critical environments with a secure, managed end-to-end communications system. In Motion's solutions are used by public safety, transit and utility fleets across the US and Canada. This acquisition further strengthens our leadership position in M2M and will broaden our Enterprise Solutions segment product portfolio.



**SIERRA WIRELESS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Fiscal Year Ended December 31, 2013

DATED February 27, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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# 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 year ended December 31, 2013, and up to and including February 27, 2014. This MD&A should be read together with our audited consolidated financial statements and the accompanying notes for the year ended December 31, 2013 ("the consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.*

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

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

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

*Additional information about the Company, including our most recent consolidated financial statements and our Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).*

## Cautionary Note Regarding Forward-looking Statements

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

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

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

## OVERVIEW

### Business Overview

Sierra Wireless Inc. ("Sierra Wireless" or the "Company") is the global leader in machine-to-machine ("M2M") devices and cloud services, delivering intelligent wireless solutions that simplify the connected world. We offer the industry's most comprehensive portfolio of 2G, 3G, and 4G LTE embedded modules and gateways, seamlessly integrated with our secure M2M cloud services. Customers worldwide, including OEMs, enterprises and mobile network operators, trust our innovative solutions to get their connected products and services to market faster.

During 2013 we significantly advanced our strategy to become a leading M2M pure play. On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business for \$136.6 million in cash plus assumed liabilities (refer to the section on "Disposition of AirCard business" for additional details). During the year we also accelerated our revenue and profitability growth through an active acquisition strategy focused on M2M opportunities. In October 2013, we completed the acquisition of the M2M modules and modem assets of AnyDATA Corporation ("AnyDATA") for \$5.2 million. The M2M business of AnyDATA includes 3G and 4G wireless modules and modems which are sold mainly in Korea. This acquisition extends our global leadership position in the growing M2M market and provides us with a leading position in Korea.

On January 26, 2014 we entered into a definitive agreement to acquire all the shares of In Motion Technology Inc. ("In Motion") for \$21 million. The acquisition is expected to close in early March 2014 and is subject to certain post-closing adjustments. In Motion is a leader in mobile enterprise solutions, providing rugged in-vehicle mobile routers that are integrated with an advanced mobile-optimized security system and a powerful management and application platform. In Motion's solutions are used by public safety, transit and utility fleets across the United States and Canada. This acquisition further strengthens our leadership position in M2M and will broaden our product portfolio focused on enterprises.

As a result of the sale of the AirCard business, as well as our recent acquisition of the AnyDATA M2M business and our contemplated acquisition of In Motion, our segments have changed from those reported at December 31, 2012. We are now reporting two segments, OEM Solutions and Enterprise Solutions, and all prior periods have been retrospectively adjusted to reflect the two segments.

Our OEM Solutions segment includes embedded wireless modules and tools for OEM customers to integrate wireless connectivity into products and solutions across a broad range of industries, including automotive, networking, energy, security, sales and payment, industrial control and monitoring, fleet management, field service, healthcare, and consumer electronics, including leading PC and tablet manufacturers. Within our OEM Solutions segment, the AirPrime® Embedded Wireless Modules product portfolio spans 2G, 3G, and 4G technologies and includes robust remote device management capability, as well as support for on-board embedded applications using the OpenAT® Application Framework.

Our Enterprise Solutions segment includes intelligent gateways, modems and tools for enterprise customers including a cloud-based platform for building, deploying and managing M2M applications. These products enable Enterprise customers to get their M2M applications up and running quickly. Following closing, the acquired In Motion business will be integrated and reported within our Enterprise Solutions segment.

Within our Enterprise Solutions segment, the AirLink product portfolio includes 2G, 3G and 4G LTE gateways. AirLink® devices are rugged, intelligent wireless gateways 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 Application Framework.

Our Enterprise Solutions segment also includes the AirVantage M2M Cloud which provides a secure, scalable infrastructure for M2M applications. The AirVantage Enterprise Platform can be used to collect and store machine data, and process and schedule events from any number of devices, across any network operator around the world. M2M solution developers can use the latest cloud application programming interface (API) standards to quickly integrate machine data with their own enterprise applications and back-end systems. The AirVantage Management Service can be used to centrally deploy and monitor M2M devices, including configuring device settings, delivering firmware and embedded application updates, and administering airtime subscriptions across global networks.

## Strategy

The cellular M2M embedded module and gateway markets are expected to grow significantly over the next several years. Adoption of M2M solutions is driven by a number of enablers, such as lower wireless connectivity costs, higher wireless connection speeds, new devices and tools to simplify application development and increased focus and investment from many large ecosystem players. Key benefits for customers deploying M2M solutions, such as the ability to generate new revenue streams, improve cost efficiencies, gather important customer and market intelligence, as well as regulatory and security requirements, are also driving demand for M2M connectivity.

Management believes these factors create a substantial growth opportunity for the Company. We are the global leader in M2M embedded cellular devices today, with 34% market share (source: ABI Research, 2012). Going forward, we plan to build on this leadership position and expand our business across the M2M value chain. We intend to:

- Leverage our M2M leadership position to drive profitable organic growth;
- Leverage our innovative device to cloud product offering to capture more of the M2M value chain;
- Innovate and execute in order to expand into more M2M segments and geographical markets; and
- Accelerate revenue and profitability growth through focused acquisitions.

## Annual Overview — Financial highlights

Our 2013 revenue increased 11.2% to \$441.9 million compared to 2012. This increase was largely driven by continued growth in both the Enterprise Solutions and OEM Solutions segments, including a full year contribution from the acquisition of the M2M business of Sagemcom which was completed in August 2012. Gross margin percentage improved year-over-year due to favorable product mix and product cost reductions. Revenue growth and stronger gross margin led to adjusted EBITDA growth of 47.9% to \$18.7 million compared to 2012.

### Financial highlights for year ended December 31, 2013:

#### GAAP

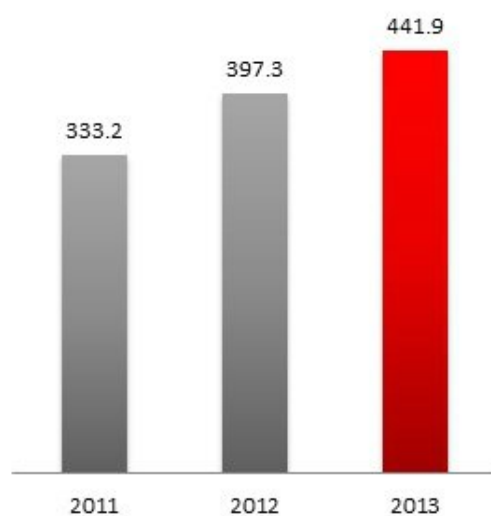
- Record revenue of \$441.9 million from our continuing business, up 11.2%, compared to \$397.3 million in 2012.
- Gross margin improved to 33.0%, compared to 31.5% in 2012.
- Operating loss from continuing operations was \$17.7 million, compared to an operating loss of \$22.2 million in 2012.
- Net earnings including discontinued operations were \$55.0 million and diluted earnings per share of \$1.79, up 102.4%, compared to \$27.2 million and diluted earnings per share of \$0.88 in 2012.

#### Non-GAAP

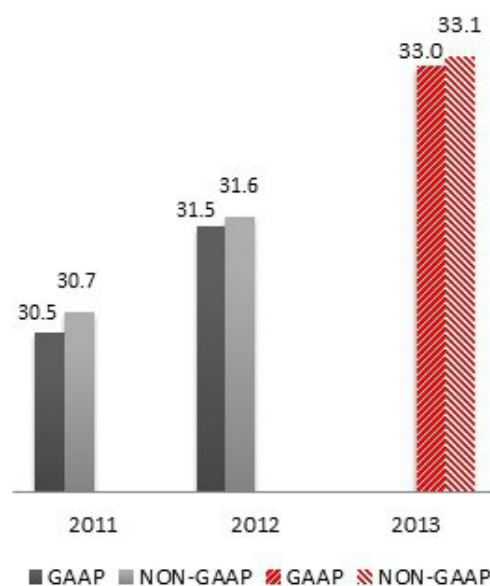
- Gross margin was 33.1%, compared to 31.6% in 2012.
- Operating earnings were \$5.0 million, up significantly from \$0.9 million in 2012.
- Adjusted EBITDA was \$18.7 million, compared to \$12.6 million in 2012.
- Net earnings from continuing operations of \$6.9 million and diluted earnings per share of \$0.23, improved significantly from a net loss from continuing operations of \$0.4 million and loss per share of \$0.01 in 2012.



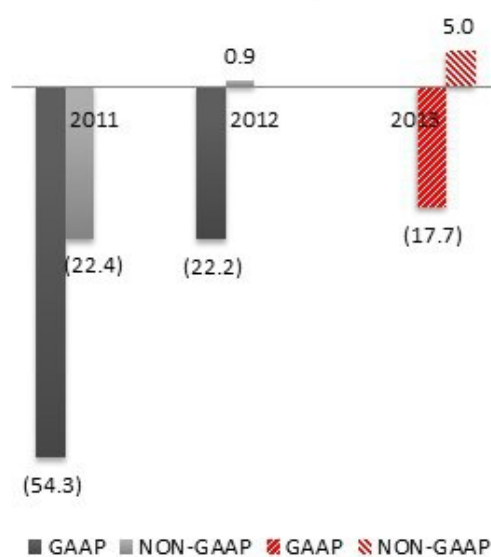
Revenue - continuing operations  
(\$ millions)



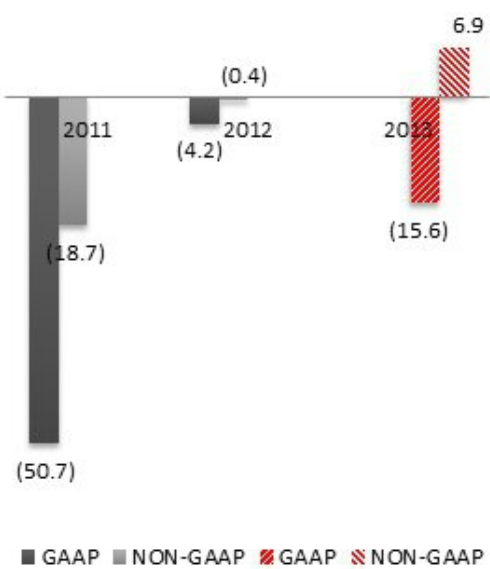
Gross margin - continuing operations (%)



Operating earnings (loss) - continuing operations  
(\$ millions)



Net earnings (loss) - continuing operations  
(\$ millions)



## Selected Annual Financial information:

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>			
	2013	2012	2011
<b>Statement of Operations data:</b>			
Revenue	\$ 441,860	\$ 397,321	\$ 333,175
Gross Margin			
- GAAP	\$ 145,641	\$ 125,274	\$ 101,740
- Non-GAAP <sup>(1)</sup>	146,047	125,578	102,125
Gross Margin %			
- GAAP	33.0%	31.5%	30.5%
- Non-GAAP <sup>(1)</sup>	33.1%	31.6%	30.7%
Earnings (loss) from operations			
- GAAP	\$ (17,664)	\$ (22,206)	\$ (54,253)
- Non-GAAP <sup>(1)</sup>	5,053	898	(22,390)
Net earnings (loss) from continuing operations			
- GAAP	\$ (15,550)	\$ (4,202)	\$ (50,710)
- Non-GAAP <sup>(1)</sup>	6,942	(444)	(18,681)
Net earnings from discontinued operations			
- GAAP	\$ 70,588	\$ 31,401	\$ 21,338
- Non-GAAP <sup>(1)</sup>	4,420	33,796	22,289
Net earnings (loss) attributable to the Company			
- GAAP	\$ 55,038	\$ 27,199	\$ (29,315)
- Non-GAAP <sup>(1)</sup>	11,362	33,352	3,633
Adjusted EBITDA	\$ 18,702	\$ 12,645	(9,629)
<b>Revenue by Segment:</b>			
OEM Solutions	\$ 382,016	\$ 346,543	\$ 290,463
Enterprise Solutions	59,844	50,778	42,712
	<u>\$ 441,860</u>	<u>\$ 397,321</u>	<u>\$ 333,175</u>
<b>Share and per share data:</b>			
Basic and diluted earnings (loss) from continuing operations per share (in dollars)			
- GAAP	\$ (0.50)	\$ (0.14)	\$ (1.62)
- Non-GAAP <sup>(1)</sup>	\$ 0.23	\$ (0.01)	\$ (0.60)
Basic and diluted earnings (loss) per share (in dollars)			
- GAAP	\$ 1.79	\$ 0.88	\$ (0.94)
- Non-GAAP <sup>(1)</sup>	\$ 0.37	\$ 1.08	\$ 0.12
Common shares (in thousands)			
At period-end	31,098	30,592	31,307
Weighted average - basic and diluted	30,771	30,788	31,275
<b>Balance sheet data:</b>			
Cash and cash equivalents and short-term investments	\$ 179,886	\$ 63,646	\$ 110,722
Total assets	512,000	464,763	422,887
Total long-term liabilities	21,677	26,826	25,379

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

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

**Other key business highlights for the year ended December 31, 2013 include:**

***OEM Solutions***

- We introduced the next generation of AirPrime modules, first in the world to combine a powerful multicore processor, built-in connectivity to secure cloud services, and an open application framework to offer an entire M2M ecosystem on a module. This M2M ecosystem on a module is a major step forward in simplifying the integration of embedded wireless communications, enabling developers to spend more time developing their core application and business model, and less time on the challenges of integrating wireless communications.
- We introduced the AirPrime AR7550 embedded wireless module, the first in the AirPrime AR7 series of automotive-grade modules for LTE networks. The module features a next generation multicore architecture which provides a dedicated application processor, an open-source application framework, and secure cloud services to simplify wireless integration and help reduce development cost. The AirPrime AR7550 is specifically developed for the Verizon Wireless 4G LTE network.
- We announced that the AirPrime MC7355 embedded wireless module is the first 4G LTE module to be certified on the Sprint network. Demonstrating technical leadership in the LTE space, the AirPrime MC7355 joins a wide range of Sierra Wireless modules available for Sprint. For OEM customers, Sierra Wireless is uniquely positioned to manage and facilitate Sprint certification through its CTA authorized laboratory, thereby eliminating the need for a third-party lab and significantly reducing time to market.
- We announced that our AirPrime EM7305 embedded wireless module had been selected and integrated into the Toshiba Protégé Z10t - a high performance, Windows 8, Ultrabook that is equipped with a detachable screen. The Toshiba Protégé Z10t with the AirPrime EM7305 module launched in June on the Telstra network in Australia.
- We announced the launch of the AirPrime® HL Series of embedded wireless modules for M2M applications. The new AirPrime HL devices are the smallest embedded wireless modules to be completely scalable across 2G, 3G and 4G technologies. The HL series also offers flexible mounting options and over-the-air firmware upgradability using our AirVantage Cloud.
- More recently, we announced the launch of our AirPrime EM7340 and EM7345 embedded wireless modules for 4G LTE networks. These devices are based on Intel chipsets and designed for integration into notebook computers and tablets, with a standardized M.2 form factor ideal for small, thin devices.
- Also recently, we introduced the Legato™ platform, an open source embedded platform built on Linux and designed to simplify the development of M2M applications from the device to the cloud. Legato includes Wind River Linux, a commercial-grade Linux distribution with a rich set of capabilities based on the latest open source technologies, along with a fully integrated application framework and feature-rich tools. It makes M2M application development quicker, easier, and more flexible by providing a tested and validated solution on an established, well-supported open source foundation with built-in connectivity, security, and management. Legato provides embedded M2M developers with a head start, significantly reducing the time and cost to build their solutions. It provides existing customizable components needed for M2M solutions across a wide range of target markets, including connected cars, smart meters, and industrial automation. Legato will be pre-integrated in all new smart modules from Sierra Wireless, starting with the AirPrime WP and AirPrime AR Series shipping later this year.

## **Enterprise Solutions**

- We launched a compact 3G intelligent gateway, the AirLink LS300, an all-in-one successor to the market-leading AirLink Raven line of rugged gateways. The AirLink LS300 is quick to deploy, simple to manage, and stands up for years in the harshest environments. It provides all the benefits customers have come to rely on in the AirLink product line, including best-in-class network connectivity, rugged military-spec design and ALEOS™ embedded intelligence.
- We announced the launch of the Sierra Wireless Solution Partner Program and the Sierra Wireless M2M Solution Exchange. The Sierra Wireless Solution Partner Program offers a streamlined, functional way for solution partners to work with Sierra Wireless to promote their solutions powered by Sierra Wireless technology to the market.
- More recently, we announced the launch of the AirLink ES440 4G LTE gateway and terminal server, providing mission-critical 4G LTE connectivity when primary wireline internet connections are unavailable, making it ideal for the distributed enterprise market.
- We also signed a formal teaming agreement to work collaboratively with Tech Mahindra Ltd. to develop and deploy end-to-end M2M solutions for customers worldwide. The collaboration leverages our device-to-cloud offerings and Tech Mahindra's system integration and application development expertise to offer cost-effective, turnkey solutions tailored for prospective M2M customers in markets such as energy, transportation, industrial, and healthcare.

## **Outlook**

In the first quarter of 2014, we expect solid year-over-year revenue and earnings growth. We expect gross margin to decrease slightly from fourth quarter 2013 due to a shift in product mix and we expect operating expenses to increase as a result of higher new product certification costs, investment in sales and marketing capabilities, and a full quarter of expenses related to the AnyDATA acquired business.

We believe that the market for wireless M2M solutions has strong long-term growth prospects. We anticipate strong growth in the number and type of devices being wirelessly connected, driven by a number of enablers, such as lower wireless connectivity costs, faster wireless connection speeds, new devices and tools to simplify the development of M2M applications, and increased focus and investment from large ecosystem players. More importantly, we see strong customer demand emerging in many of our target verticals driven by increasing recognition of the value created by deploying M2M 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;
- the level of success our OEM customers achieve with sales of connected solutions to end users;
- our ability to secure future design wins with both existing and new customers;
- wireless technology transitions and the timing of deployment of new, higher speed networks by wireless operators;
- the availability of components from key suppliers;
- general economic conditions in the markets we serve; and
- seasonality in demand.

We expect that product and price competition from other wireless device manufacturers will continue to play a role in the M2M 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, competitive selling prices and product costs.

## Disposition of AirCard Business

On April 2, 2013, we completed the sale of substantially all of the assets and operations related to our AirCard business to Netgear, Inc. ("Netgear"). Proceeds on disposition, after final inventory adjustments, were \$136.6 million plus assumed liabilities and comprised of cash proceeds of \$122.8 million, funds held in escrow of \$13.8 million and assumed liabilities. After transaction costs of \$2.8 million, we recorded an after tax gain on disposal of \$70.2 million. We expect to realize net cash proceeds of approximately \$114 million from the divestiture after giving consideration to related taxes, transaction costs and escrow retention for the purposes of indemnification. Approximately 160 employees, primarily in sales, marketing and research and development, were transferred to Netgear, as well as certain facilities in Carlsbad, California and Richmond, British Columbia. We intend to use a substantial portion of the net proceeds from the transaction to accelerate our M2M leadership position through acquisitions in the M2M market as evidenced by our recent acquisition of the AnyDATA M2M assets and the pending acquisition of In Motion.

In accordance with U.S. GAAP, the results of operations and the gain on sale of the AirCard business have been presented as discontinued operations in our consolidated statements of operations for the three years ended December 31, 2013. The historical consolidated statements of operations and related selected financial information have been retrospectively adjusted to distinguish between continuing operations and discontinued operations.

Summarized results from discontinued operations for the years ended December 31 were as follows:

<i>(in thousands of U.S. dollars)</i>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenue	\$ 46,701	\$ 246,845	\$ 245,010
Cost of goods sold	32,978	177,147	183,300
Gross margin	13,723	69,698	61,710
Expenses	12,918	36,653	37,369
Earnings from operations	805	33,045	24,341
Income tax expense	399	1,644	3,003
Earnings from operations, net of taxes	406	31,401	21,338
Gain on sale of AirCard business, net of taxes	70,182	—	—
Net earnings from discontinued operations	<u>\$ 70,588</u>	<u>\$ 31,401</u>	<u>\$ 21,338</u>

During the year ended December 31, 2013, no customer accounted for more than 10% of our aggregated revenue, from continuing and discontinued operations. During the year ended December 31, 2012, Sprint and AT&T each accounted for more than 10% of our aggregated revenue, from continuing and discontinued operations, and on a combined basis, accounted for 25% of the aggregated revenue.

## CONSOLIDATED ANNUAL RESULTS OF OPERATIONS

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

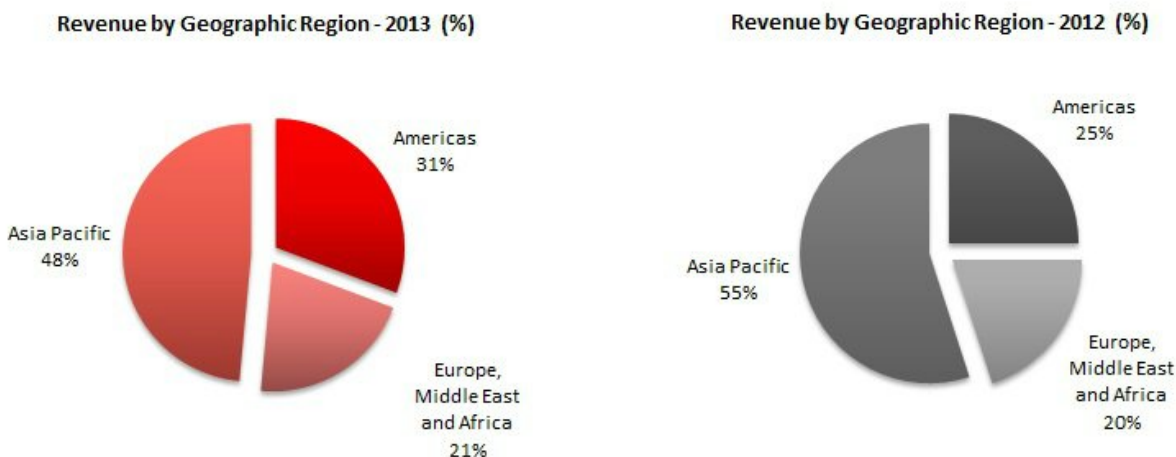
	2013		2012		2011	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
Revenue	441,860	100.0 %	397,321	100.0 %	333,175	100.0 %
Cost of goods sold	296,219	67.0 %	272,047	68.5 %	231,435	69.5 %
Gross margin	145,641	33.0 %	125,274	31.5 %	101,740	30.5 %
Expenses						
Sales and marketing	42,182	9.6 %	37,067	9.3 %	37,188	11.2 %
Research and development	73,112	16.5 %	61,785	15.6 %	60,903	18.3 %
Administration	35,164	8.0 %	32,777	8.2 %	33,716	10.1 %
Restructuring	171	— %	2,251	0.6 %	837	0.2 %
Integration	27	— %	—	— %	1,426	0.4 %
Acquisition	508	0.1 %	3,182	0.8 %	—	— %
Impairment of intangible assets	—	— %	—	— %	11,214	3.4 %
Amortization	12,141	2.8 %	10,418	2.6 %	10,709	3.2 %
	163,305	37.0 %	147,480	37.1 %	155,993	46.8 %
Loss from operations	(17,664)	(4.0)%	(22,206)	(5.6)%	(54,253)	(16.3)%
Foreign exchange gain (loss)	3,823		3,326		(460)	
Other income (expense)	(98)		(196)		35	
Loss before income taxes	(13,939)		(19,076)		(54,678)	
Income tax expense (recovery)	1,611		(14,874)		(3,968)	
Net loss from continuing operations	(15,550)		(4,202)		(50,710)	
Net earnings from discontinued operations	70,588		31,401		21,338	
Net earnings (loss)	55,038		27,199		(29,372)	
Less: non-controlling interest	—		—		(57)	
Net earnings (loss) attributable to the Company	55,038		27,199		(29,315)	
Net earnings (loss) per share attributable to the Company - Basic and diluted (in dollars)						
Continuing operations	(0.50)		(0.14)		(1.62)	
Discontinued operations	2.29		1.02		0.68	
	1.79		0.88		(0.94)	

### Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

#### **Revenue**

Revenue for the year ended December 31, 2013 increased by \$44.6 million or 11.2% to \$441.9 million, compared to the prior year. The year-over-year revenue increase was driven by continued growth in both our Enterprise Solutions and OEM Solutions segments, including a full year contribution from the M2M business of Sagemcom acquired in August 2012.

Our geographic revenue mix for the years ended December 31, 2013 and 2012 was as follows:



### **Gross margin**

Gross margin was 33.0% of revenue for the year ended December 31, 2013, compared to gross margin of 31.5% of revenue in 2012. The increase in gross margin was primarily related to favorable product mix and product cost reductions. Gross margin included \$0.4 million of stock-based compensation expense in 2013, compared to \$0.3 million in 2012.

### **Sales and marketing**

Sales and marketing expenses increased \$5.1 million, or 13.8%, to \$42.2 million in 2013, compared to 2012. The increase in sales and marketing expenses was primarily due to additional costs following the acquisition of the M2M business of Sagemcom ("Sagemcom") in August 2012, as well as investment in additional resources to support our go to market strategy. Sales and marketing expenses included \$1.9 million of stock-based compensation expense in 2013, compared to \$1.2 million in 2012.

### **Research and development**

Research and development ("R&D") expenses increased by \$11.3 million, or 18.3%, to \$73.1 million in 2013, compared to 2012. The increase in R&D expenses was primarily related to the additional R&D expenses we incurred following the Sagemcom acquisition, as well as higher certification costs on new products launched during the year and other net product development costs.

R&D expenses in 2013 included stock-based compensation expense of \$1.4 million and acquisition amortization of \$5.5 million. R&D expenses in 2012 included stock-based compensation expense of \$1.3 million and acquisition amortization of \$5.6 million.

### **Administration**

Administration expenses increased by \$2.4 million, or 7.3%, to \$35.2 million in 2013, compared to 2012 due to higher professional fees, bad debt expense and other personnel related costs. Administration expenses included stock-based compensation expense of \$4.3 million and \$3.0 million in 2013 and 2012, respectively.

### **Acquisition**

Acquisition costs of \$0.5 million in 2013 related to the acquisition of the M2M business of AnyDATA and In Motion. Acquisition costs of \$3.2 million in 2012 related to the Sagemcom acquisition.

### **Restructuring**

Restructuring costs were \$0.2 million in 2013, compared to \$2.3 million in 2012. Restructuring costs in 2013 and 2012 related primarily to the closure of our Newark, California facility, effective December 31, 2012.

***Amortization***

Amortization expense increased by \$1.7 million, or 16.5%, to \$12.1 million in 2013, primarily due to the Sagemcom acquisition. Amortization expense in 2013 included \$8.2 million of acquisition amortization compared to \$6.3 million in 2012.

***Foreign exchange gain (loss)***

Foreign exchange gain was \$3.8 million in 2013 compared to a gain of \$3.3 million in 2012. Foreign exchange gain in 2013 and 2012 included a net foreign exchange gain of \$2.7 million on revaluation of an intercompany loan to a self-sustaining subsidiary. Foreign exchange gain in 2012 was partially offset by a loss of \$1.8 million related to the settlement of foreign currency forward exchange contracts that we entered in connection with the acquisition of the M2M business of Sagemcom in 2012.

Foreign exchange rate changes also impacted our Euro and Canadian dollar denominated revenue and operating expenses. We estimate that net changes in exchange rates between 2013 and 2012 positively impacted our 2013 revenues by approximately \$1.0 million. We estimate that the negative impact on operating expenses during 2013 was approximately \$0.5 million.

***Income tax expense (recovery)***

Income tax expense increased by \$16.5 million to \$1.6 million, compared to 2012. This was driven by recognition of certain tax assets in 2012 that were realizable upon the sale of the AirCard business, resulting in a substantial income tax recovery in 2012.

***Net loss from continuing operations***

Net loss from continuing operations increased by \$11.3 million to a net loss of \$15.6 million, compared to 2012. Improved operating earnings, driven by higher revenues and gross margin were more than offset by the absence of significant tax recoveries in 2013 compared to 2012, associated with the sale of the AirCard business.

Net loss from continuing operations in 2013 included stock-based compensation expense of \$8.0 million and acquisition amortization of \$13.7 million. Net loss from continuing operations in 2012 included stock-based compensation expense of \$5.8 million and acquisition amortization of \$11.9 million.

***Net earnings (loss) attributable to the Company***

Net earnings attributable to the Company increased by \$27.8 million to \$55.0 million, compared to 2012. The after-tax gain of \$70.2 million on the sale of our AirCard business was partially offset by higher net loss from continuing operations.

***Weighted average number of shares***

The weighted average basic and diluted number of shares outstanding was 30.8 million for the years ended December 31, 2013 and 2012.

The number of shares outstanding was 31.1 million at December 31, 2013, compared to 30.6 million at December 31, 2012. The increase in number of shares outstanding was primarily due to issuance of common shares as a result of stock option exercises partially offset by purchases of 510,439 of the Company's common shares on the Toronto Stock Exchange ("TSX") and NASDAQ under our normal course issuer bid approved February 6, 2013.

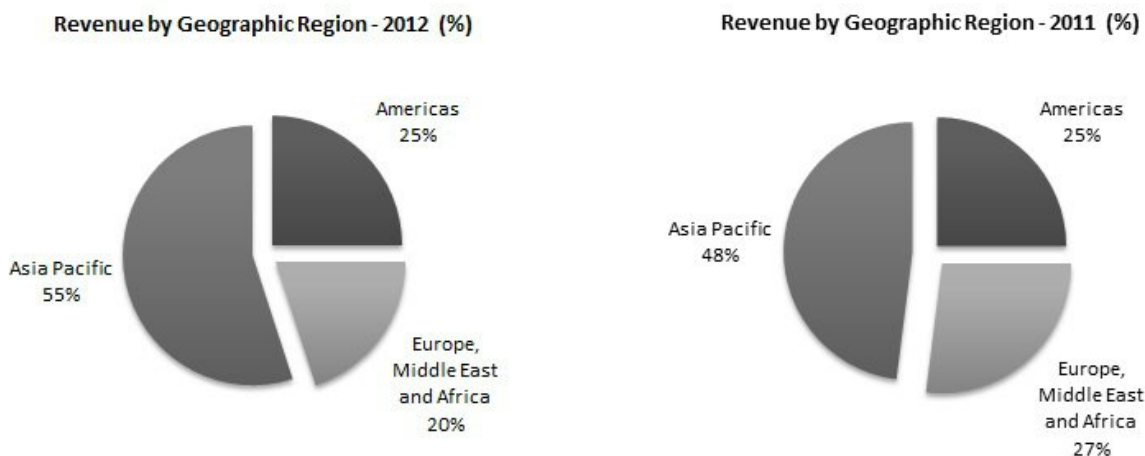


## **Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

### **Revenue**

In 2012, revenue increased by \$64.1 million, or 19.3% to \$397.3 million, compared to 2011, driven primarily by significant growth in our OEM Solutions segment, including a contribution from the acquired M2M business of Sagemcom.

Our geographic revenue mix for the years ended December 31, 2012 and 2011 was as follows:



### **Gross margin**

Gross margin was 31.5% of revenue for the year ended December 31, 2012, compared to 30.5% of revenue in 2011. The increase in gross margin was primarily related to product cost reductions and favorable product mix. Gross margin included \$0.3 million of stock-based compensation expense in 2012, compared to \$0.4 million in 2011.

### **Sales and marketing**

Sales and marketing expenses decreased by \$0.1 million, or 0.3%, to \$37.1 million in 2012, compared to 2011. Sales and marketing expenses included \$1.2 million of stock-based compensation expense in 2012, compared to \$1.1 million in 2011.

### **Research and development**

R&D expenses increased by \$0.9 million, or 1.4%, to \$61.8 million in 2012, compared to 2011. The increase in R&D expenses was primarily related to the additional R&D expenses we incurred as a result of the Sagemcom acquisition, partially offset by the positive impact of foreign exchange rates.

R&D expenses for 2012 included stock-based compensation expense of \$1.3 million and acquisition amortization of \$5.6 million. R&D expenses in 2011 included stock-based compensation expense of \$1.1 million and acquisition amortization of \$6.9 million.

### **Administration**

Administration expenses decreased by \$0.9 million, or 2.8%, to \$32.8 million in 2012, compared to 2011. Administration expenses included stock-based compensation expense of \$3.0 million and \$2.9 million in 2012 and 2011, respectively.

### **Acquisition**

Acquisition costs were \$3.2 million during 2012 and \$nil in 2011. Acquisition costs in 2012 were related to the acquisition of the M2M business of Sagemcom.

***Restructuring***

Restructuring costs were \$2.3 million in 2012 compared to \$0.8 million in 2011. Restructuring costs in 2012 related primarily to the closure of our Newark, California facility. Restructuring costs in 2011 represented costs incurred for reductions related to the new organizational structure announced in September 2010.

***Integration costs***

Integration costs were \$nil during 2012, compared to \$1.4 million in 2011. Integration costs in 2011 were primarily related to office space optimization in France.

***Impairment of intangible asset***

Impairment of intangible asset was \$nil during 2012 compared to \$11.2 million in 2011. The impairment charge in 2011 primarily related to a software development program we acquired through the acquisition of Wavecom, SA ("Wavecom"), which we abandoned in 2011.

***Amortization***

Amortization expense decreased by \$0.3 million, or 2.7%, to \$10.4 million in 2012 compared to 2011. Amortization expense in 2012 included \$6.3 million of acquisition amortization compared to \$6.0 million in 2011.

***Foreign exchange gain (loss)***

Foreign exchange gain was \$3.3 million in 2012 compared to foreign exchange loss of \$0.5 million in 2011. Foreign exchange gain in 2012 included a net foreign exchange gain of \$2.7 million on revaluation of an intercompany loan to a self-sustaining subsidiary and a loss of \$1.8 million related to the settlement of foreign currency forward exchange contracts that we had entered into in connection with the acquisition of the M2M business of Sagemcom.

Foreign exchange rate changes also impacted our Euro and Canadian dollar denominated revenue and operating expenses. We estimate that changes in exchange rates between 2011 and 2012 negatively impacted our 2012 revenues by approximately \$2.4 million. We estimate that the favorable impact on operating expenses during 2012 was approximately \$3.6 million.

***Income tax recovery***

Income tax recovery increased by \$10.9 million in 2012 to \$14.9 million compared to 2011, primarily driven by the recognition of certain tax assets that will be realizable as a result of the sale of the AirCard business.

***Net loss from continuing operations***

In 2012, net loss from continuing operations was \$4.2 million, an improvement of \$46.5 million, compared to 2011. This improvement reflects the positive impact of higher revenue and gross margin, combined with lower operating expenditures, as well as the impact of favorable foreign exchange and tax recoveries in 2012.

Net loss from continuing operations in 2012 included stock-based compensation expense of \$5.8 million and acquisition amortization of \$11.9 million. Net loss from continuing operations in 2011 included stock-based compensation expense of \$5.5 million, acquisition amortization of \$12.9 million, and an after-tax impairment charge of \$11.2 million.

***Net earnings (loss) attributable to the Company***

Net earnings attributable to the Company increased by \$56.5 million to net earnings of \$27.2 million in 2012, compared to 2011. This increase reflects the increase in net earnings from continuing operations, combined with a \$10.1 million increase in net earnings from discontinued operations.

***Weighted average number of shares***

The weighted average basic and diluted number of shares outstanding was 30.8 million for the year ended December 31, 2012, compared to 31.3 million for the year ended December 31, 2011.

The number of shares outstanding was 30.6 million at December 31, 2012, compared to 31.3 million at December 31, 2011. The reduction in number of shares outstanding was primarily due to purchases of 800,000 of the Company's common shares on the TSX and NASDAQ under our normal course issuer bid approved December 13, 2011.

## SEGMENTED INFORMATION

Revenue and gross margin by segment for the years ending December 31 were as follows:

<i>(in thousands of U.S. dollars)</i>			
	2013	2012	2011
<b>OEM Solutions</b>			
Revenue	\$ 382,016	\$ 346,543	\$ 290,463
Cost of goods sold	266,867	246,284	210,138
Gross margin	\$ 115,149	\$ 100,259	\$ 80,325
Gross margin %	30.1%	28.9%	27.7%
<b>Enterprise Solutions</b>			
Revenue	\$ 59,844	\$ 50,778	\$ 42,712
Cost of goods sold	29,352	25,763	21,297
Gross margin	\$ 30,492	\$ 25,015	\$ 21,415
Gross margin %	51.0%	49.3%	50.1%

Our OEM Solutions revenue increased by \$35.5 million, or 10.2%, to \$382.0 million in 2013 compared to 2012. This increase was primarily due to a full year contribution from the M2M business of Sagemcom acquired on August 1, 2012, along with strong organic sales in certain market segments. Gross margin percentage improved in 2013 as a result of product cost reductions and the addition of higher margin GSMR products acquired from Sagemcom, partially offset by greater mix of other lower margin embedded modules.

Our Enterprise Solutions revenue increased by \$9.1 million, or 17.9%, to \$59.9 million in 2013 compared to 2012. The increase was largely driven by strong sales growth of our new 4G products. Gross margin percentage improved in 2013, driven primarily by strong growth in new higher margin 3G and 4G products, as well as product cost reductions.

## FOURTH QUARTER OVERVIEW

In the fourth quarter of 2013 our revenue increased sequentially primarily driven by higher sales to certain market segments. Gross margin percentage was slightly lower than the third quarter of 2013 due to changes in product mix and stronger revenue contribution from higher volume customers. Operating expenses increased modestly compared to the third quarter of 2013, reflecting the addition of AnyDATA and targeted investments in sales and marketing, as well as R&D.

### Financial highlights for the fourth quarter of 2013:

#### GAAP:

- Record revenue of \$118.6 million from our continuing business, up 5.7%, compared to \$112.3 million in the third quarter of 2013.
- Gross margin of 32.4%, compared to 33.3% in the third quarter of 2013.
- Operating loss from continuing operations of \$3.5 million, in line with the third quarter of 2013.
- Net loss from continuing operations of \$1.9 million or \$0.06 per diluted share, compared to net earnings from continuing operations of \$1.1 million or \$0.03 per diluted share in the third quarter of 2013.

**NON-GAAP:**

- Gross margin of 32.5%, compared to 33.4% in the third quarter of 2013.
- Operating earnings from continuing operations of \$2.6 million, compared to \$2.4 million in the third quarter of 2013.
- Adjusted EBITDA of \$6.2 million, compared to \$5.9 million in the third quarter of 2013.
- Net earnings from continuing operations of \$3.1 million or \$0.10 per diluted share, in line with the third quarter of 2013.

**CONSOLIDATED FOURTH QUARTER RESULTS OF OPERATIONS**

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>				
	<b>Three months ended December 31,</b>			
	<b>2013</b>		<b>2012</b>	
	<b>\$</b>	<b>% of Revenue</b>	<b>\$</b>	<b>% of Revenue</b>
Revenue	118,608	100.0 %	109,405	100.0 %
Cost of goods sold	80,165	67.6 %	73,172	66.9 %
Gross margin	38,443	32.4 %	36,233	33.1 %
Expenses				
Sales and marketing	10,693	9.0 %	10,176	9.3 %
Research and development	19,074	16.1 %	16,294	14.9 %
Administration	8,841	7.5 %	7,743	7.1 %
Restructuring	14	— %	42	— %
Integration	—	— %	—	— %
Acquisition	369	0.3 %	387	0.4 %
Amortization	2,999	2.5 %	3,107	2.8 %
	41,990	35.4 %	37,749	34.5 %
Loss from operations	(3,547)	(3.0)%	(1,516)	(1.4)%
Foreign exchange gain	1,921		1,608	
Other income	26		35	
Earnings (loss) before income taxes	(1,600)		127	
Income tax expense (recovery)	345		(15,396)	
Net earnings (loss) from continuing operations	(1,945)		15,523	
Net earnings from discontinued operations	1,078		4,083	
Net earnings (loss)	(867)		19,606	
Net earnings (loss) per share - Basic and diluted (in dollars)				
Continuing operations	(0.06)		0.50	
Discontinued operations	0.03		0.14	
	(0.03)		0.64	

**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, 2013. The selected financial information presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These results are not necessarily indicative of results for any future period. You should not rely on these results to predict future performance.

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>								
	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Revenue</b>	\$ 118,608	\$ 112,262	\$ 109,589	\$ 101,401	\$ 109,405	\$ 100,183	\$ 95,398	\$ 92,335
Cost of goods sold	80,165	74,916	73,115	68,023	73,172	69,097	65,317	64,461
<b>Gross margin</b>	38,443	37,346	36,474	33,378	36,233	31,086	30,081	27,874
<i>Gross margin %</i>	32.4%	33.3%	33.3%	32.9%	33.1%	31.0%	31.5%	30.2%
Expenses								
Sales and marketing	10,693	10,452	10,681	10,356	10,176	8,572	8,998	9,321
Research and development	19,074	17,806	17,869	18,363	16,294	15,886	14,674	14,931
Administration	8,841	9,297	8,903	8,123	7,743	8,013	8,562	8,459
Restructuring costs	14	14	26	117	42	498	1,531	180
Integration costs	—	—	—	27	—	—	—	—
Acquisition costs	369	139	—	—	387	2,196	599	—
Amortization	2,999	2,939	2,927	3,276	3,107	2,649	2,275	2,387
	41,990	40,647	40,406	40,262	37,749	37,814	36,639	35,278
<b>Operating income (loss) from continuing operations</b>	(3,547)	(3,301)	(3,932)	(6,884)	(1,516)	(6,728)	(6,558)	(7,404)
Foreign exchange gain (loss)	1,921	2,563	1,709	(2,370)	1,608	1,176	336	206
Other income (expense)	26	(26)	34	(132)	35	(70)	10	(171)
Earnings (loss) from continuing operations before income tax	(1,600)	(764)	(2,189)	(9,386)	127	(5,622)	(6,212)	(7,369)
Income tax expense (recovery)	345	(1,839)	4,553	(1,448)	(15,396)	(2,010)	2,656	(124)
<b>Net earnings (loss) from continuing operations</b>	(1,945)	1,075	(6,742)	(7,938)	15,523	(3,612)	(8,868)	(7,245)
<b>Net earnings (loss) from discontinued operations</b>	1,078	(505)	68,152	1,863	4,083	7,279	12,449	7,590
<b>Net earnings (loss) attributable to the Company</b>	\$ (867)	\$ 570	\$ 61,410	\$ (6,075)	\$ 19,606	\$ 3,667	\$ 3,581	\$ 345
<b>Earnings (loss) per share - GAAP in dollars</b>								
Basic	\$ (0.03)	\$ 0.02	\$ 2.00	\$ (0.20)	\$ 0.64	\$ 0.12	\$ 0.12	\$ 0.01
Diluted	\$ (0.03)	\$ 0.02	\$ 2.00	\$ (0.20)	\$ 0.64	\$ 0.12	\$ 0.12	\$ 0.01
Weighted average number of shares (in thousands)								
Basic	30,804	30,688	30,768	30,695	30,591	30,573	30,817	31,175
Diluted	30,804	31,176	30,768	30,695	30,774	30,573	30,817	31,175

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. The impact of significant items incurred during the first three interim periods of year ended December 31, 2013 are discussed in more detail and disclosed in our quarterly reports and management's discussion and analysis. Factors affecting our quarterly results in 2013 were as follows:

In the first quarter of 2013, net earnings from continuing operations decreased \$23.5 million, or \$0.76 per common share to a loss of \$7.9 million, compared to the fourth quarter of 2012. The decrease was largely related to lower sequential revenue following an exceptionally strong fourth quarter of 2012, higher operating expenses as a result of higher new product certification costs and the absence of a large tax recovery related to the

disposition of the AirCard business that was recorded in the fourth quarter of 2012. Net earnings from discontinued operations were \$2.2 million lower than the prior quarter.

In the second quarter of 2013, net earnings from continuing operations improved by \$1.2 million, or \$0.04 per common share to a loss of \$6.7 million, compared to the first quarter of 2013 driven by sequential revenue growth and gross margin improvement. Net earnings from discontinued operations were \$66.3 million higher than the prior quarter due to the after-tax gain recorded on the sale of the AirCard business.

In the third quarter of 2013, net earnings from continuing operations improved by \$7.8 million, or \$0.25 per common share to \$1.1 million, compared to the second quarter of 2013, driven by a combination of higher revenue and a year-to-date income tax recovery. A portion of the recovery, amounting to \$0.5 million, related to the first half of the year. Net earnings from discontinued operations decreased by \$68.7 million from the prior quarter, reflecting the absence of the after-tax gain on the sale of the AirCard business recorded in the second quarter of 2013.

In the fourth quarter of 2013, net earnings from continuing operations decreased by \$3.0 million, or \$0.10 per common share to a loss of \$1.9 million, compared to the third quarter of 2013, primarily due to the absence of the year-to-date income tax recovery recorded in the prior quarter and a lower foreign exchange gain. The impact of higher revenues in the fourth quarter was offset by slightly lower percentage gross margin and modestly higher operating expenses.

## LIQUIDITY AND CAPITAL RESOURCES

Selected Financial Information:

<i>(in thousands of U.S. dollars)</i>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cash flows provided before changes in non-cash working capital:	\$ 14,307	\$ 46,656	\$ 17,814
Changes in non-cash working capital			
Accounts receivable	10,897	(616)	9,067
Inventories	11,908	(4,019)	5,664
Prepaid expense and other	(7,254)	(14,543)	4,248
Accounts payable and accrued liabilities	(13,139)	10,997	(13,783)
Deferred revenue and credits	1,147	(422)	733
	<u>3,559</u>	<u>(8,603)</u>	<u>5,929</u>
<b>Cash flows provided by (used in):</b>			
<b>Operating activities</b>	<b>\$ 17,866</b>	<b>\$ 38,053</b>	<b>\$ 23,743</b>
<b>Investing activities</b>	<b>\$ 98,754</b>	<b>\$ (64,184)</b>	<b>\$ (2,706)</b>
Net proceeds from sale of AirCard business	119,958	—	—
Acquisition of M2M business of AnyDATA	(5,196)	—	—
Acquisition of M2M business of Sagemcom	—	(55,218)	—
Capital expenditures and increase in intangible assets	(13,570)	(18,452)	(18,008)
Net change in short-term investments	(2,470)	9,347	17,058
Purchase of Wavecom S.A. shares	—	—	(1,787)
<b>Financing activities</b>	<b>\$ (1,975)</b>	<b>\$ (9,365)</b>	<b>\$ (4,858)</b>
Issue of common shares	8,106	436	519
Repurchase of common shares for cancellation	(5,772)	(6,312)	—
Purchase of treasury shares for RSU distribution	(3,433)	(2,489)	(4,472)

### **Operating Activities**

Cash provided by operating activities decreased \$20.2 million to \$17.9 million during the year ended December 31, 2013, compared to the same period of 2012. The decrease in cash provided was due to lower earnings from our discontinued operations partially offset by lower working capital requirements.

### **Investing Activities**

Cash provided by investing activities increased \$162.9 million to \$98.8 million during the year ended December 31, 2013, compared to the same period of 2012. The increase in cash provided by investing activities was mainly due to the sale of the AirCard business partially offset by the purchase of the M2M modules and modem business of AnyDATA, the impact of the acquisition of the M2M business of Sagemcom in the prior year, and net change in short-term investments.

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

### **Financing Activities**

Cash used for financing activities decreased \$7.4 million to \$2.0 million during the year ended December 31, 2013, compared to 2012. The decrease was primarily due to proceeds received on the issuance of common shares resulting from a higher number of stock option exercises.

In the year ended December 31, 2013, we purchased 510,439 common shares under our normal course issuer bid and purchased 270,265 of our common shares to satisfy obligations under our restricted share unit plan, in the amounts of \$5.8 million and \$3.4 million, respectively. In 2012, we purchased 800,000 common shares under our normal course issuer bid and purchased 336,638 of our common shares to satisfy obligations under our restricted share unit plan, in the amounts of \$6.3 million and \$2.5 million, respectively.

### **Cash Requirements**

Our near-term cash requirements are primarily related to funding our operations, capital expenditures, intellectual property ("IP") licenses, and other obligations discussed below. On October 16, 2013, we completed the acquisition of the M2M modules and modem business of AnyDATA, a transaction that was funded by \$5.2 million in cash. We expect to utilize approximately \$21 million plus ordinary course working capital, for the acquisition of In Motion. We continue to believe our cash, cash equivalents and short term investments balance of \$179.9 million at December 31, 2013 and cash generated from continuing operations will be sufficient to fund our expected working capital requirements for at least the next twelve months based on current business plans. Our capital expenditures during the first quarter of 2014 are expected to be primarily for research and development equipment, tooling, leasehold improvements, software licenses and patents. 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, 2013.

<i>Payments due by period (In thousands of dollars)</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Thereafter</b>
Operating lease obligations	\$ 5,032	\$ 4,164	\$ 3,970	\$ 3,782	\$ 3,672	\$ 7,298
Capital lease obligations	381	240	83	12	—	—
Purchase obligations <sup>(1)</sup>	77,708	—	—	—	—	—
Other long-term liabilities <sup>(2)</sup>	—	19,073	—	—	—	1,896
<b>Total</b>	<b>\$ 83,121</b>	<b>23,477</b>	<b>\$ 4,053</b>	<b>\$ 3,794</b>	<b>\$ 3,672</b>	<b>\$ 9,194</b>

<sup>(1)</sup> Purchase obligations represent obligations with certain contract manufacturers to buy minimum amount of designated products between January 2014 and March 2014. In certain of these arrangements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

<sup>(2)</sup> Other long-term liabilities include the long-term portions of accrued royalties.

## Capital Resources

(In thousands of dollars)	2013				2012			
	Dec 31	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31
Cash and cash equivalents	\$177,416	\$183,220	\$166,573	\$ 55,923	\$ 63,646	\$ 59,528	\$123,159	\$106,773
Short-term investments	2,470	5,221	10,000	—	—	—	2,153	—
	179,886	188,441	176,573	55,923	63,646	59,528	125,312	106,773
Unused credit facilities	10,000	10,000	10,000	50,000	50,000	10,000	10,000	10,000
<b>Total</b>	<b>\$189,886</b>	<b>\$198,441</b>	<b>\$186,573</b>	<b>\$105,923</b>	<b>\$113,646</b>	<b>\$ 69,528</b>	<b>\$135,312</b>	<b>\$116,773</b>

### Credit Facilities

On October 31, 2013, we renewed our \$10 million revolving term credit facility ("Revolving Facility") for a two year term expiring on October 31, 2015. The Revolving Facility with Toronto Dominion Bank and the Canadian Imperial Bank of Commerce is for working capital requirements, is secured by a pledge against all of our assets and is subject to borrowing base limitations. Other terms of the Revolving Facility remain substantially unchanged. As at December 31, 2013, there were no borrowings under the Revolving Facility.

### Letters of Credit

We have entered into a standby letter of credit facility agreement under which we have issued two performance bonds to third party customers in accordance with specified terms and conditions. At December 31, 2013, we had two Euro denominated performance bonds amounting to €50 thousand expiring in June 2014 (December 2012 - €50 thousand). The carrying value of these instruments approximates their fair market value.

### Normal Course Issuer Bid

On February 6, 2013, we received approval from the TSX of our Notice of Intention to make a Normal Course Issuer Bid (the "2013 Bid"). Pursuant to the 2013 Bid, we can purchase for cancellation up to 1,529,687 of our common shares, or approximately 5% of the common shares outstanding as of the date of the announcement. The 2013 Bid commenced on February 14, 2013 and terminated on February 13, 2014. During 2013, we purchased and canceled 510,439 common shares for an average price of \$11.31 per share.



## NON-GAAP FINANCIAL MEASURES

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

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

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

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

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>			
	2013	2012	2011
<b>Gross margin - GAAP</b>	\$ 145,641	\$ 125,274	\$ 101,740
Stock-based compensation	406	304	385
<b>Gross margin - Non-GAAP</b>	\$ 146,047	\$ 125,578	\$ 102,125
<b>Loss from operations - GAAP</b>	\$ (17,664)	\$ (22,206)	\$ (54,253)
Stock-based compensation	7,990	5,781	5,498
Acquisition	508	3,182	—
Restructuring	171	2,251	837
Integration	27	—	1,426
Impairment of intangible asset	280	—	11,214
Acquisition related amortization	13,741	11,890	12,888
<b>Earnings (loss) from operations - Non-GAAP</b>	\$ 5,053	\$ 898	\$ (22,390)
Amortization (excluding acquisition related amortization)	13,649	11,747	12,761
<b>Adjusted EBITDA</b>	\$ 18,702	\$ 12,645	\$ (9,629)
<b>Net loss from continuing operations attributable to the Company - GAAP</b>	\$ (15,550)	\$ (4,202)	\$ (50,653)
Stock-based compensation, restructuring and other, integration, and acquisition related amortization, net of tax	22,620	22,241	31,762
Unrealized foreign exchange loss (gain)	(3,912)	(3,139)	267
Income tax adjustments	3,784	(15,344)	—
Non-controlling interest	—	—	(32)
<b>Net earnings (loss) from continuing operations attributable to the Company - Non-GAAP</b>	\$ 6,942	\$ (444)	\$ (18,656)
<b>Net earnings from discontinued operations - GAAP</b>	\$ 70,588	\$ 31,401	\$ 21,338
Stock-based compensation and disposition costs	4,014	2,395	951
Gain on sale of AirCard business	(70,182)	—	—
<b>Net earnings from discontinued operations - Non-GAAP</b>	\$ 4,420	\$ 33,796	\$ 22,289
<b>Net earnings (loss) - GAAP</b>	\$ 55,038	\$ 27,199	\$ (29,315)
<b>Net earnings (loss) - Non-GAAP</b>	11,362	33,352	3,633
<b>Diluted earnings (loss) from continuing operations per share</b>			
GAAP - (in dollars)	\$ (0.50)	\$ (0.14)	\$ (1.62)
Non-GAAP - (in dollars)	\$ 0.23	\$ (0.01)	\$ (0.60)
<b>Net earnings (loss) per share attributable to the Company - diluted</b>			
GAAP - (in dollars)	\$ 1.79	\$ 0.88	\$ (0.94)
Non-GAAP - (in dollars)	\$ 0.37	\$ 1.08	\$ 0.12

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

<i>(in thousands of U.S. dollars, except where otherwise stated)</i>								
	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Gross margin - GAAP</b>	\$ 38,443	\$ 37,346	\$ 36,474	\$ 33,378	\$ 36,233	\$ 31,086	\$ 30,081	\$ 27,874
Stock-based compensation	119	117	95	75	61	82	78	83
<b>Gross margin - Non-GAAP</b>	\$ 38,562	\$ 37,463	\$ 36,569	\$ 33,453	\$ 36,294	\$ 31,168	\$ 30,159	\$ 27,957
<b>Loss from operations - GAAP</b>	\$ (3,547)	\$ (3,301)	\$ (3,932)	\$ (6,884)	\$ (1,516)	\$ (6,728)	\$ (6,558)	\$ (7,404)
Stock-based compensation	2,177	2,145	2,013	1,655	1,470	1,462	1,403	1,446
Acquisition	369	139	—	—	387	2,196	599	—
Restructuring	14	14	26	117	42	498	1,531	180
Integration	—	—	—	27	—	—	—	—
Impairment of intangible asset	—	—	—	280	—	—	—	—
Acquisition related amortization	3,580	3,405	3,363	3,393	3,338	2,906	2,665	2,981
<b>Earnings (loss) from operations - Non-GAAP</b>	\$ 2,593	\$ 2,402	\$ 1,470	\$ (1,412)	\$ 3,721	\$ 334	\$ (360)	\$ (2,797)
Amortization (excluding acquisition related amortization)	3,566	3,468	3,403	3,212	3,293	\$ 2,904	\$ 2,717	\$ 2,833
<b>Adjusted EBITDA</b>	\$ 6,159	\$ 5,870	\$ 4,873	\$ 1,800	\$ 7,014	\$ 3,238	\$ 2,357	\$ 36
<b>Net earnings (loss) from continuing operations - GAAP</b>	\$ (1,945)	\$ 1,075	\$ (6,742)	\$ (7,938)	\$ 15,523	\$ (3,612)	\$ (8,868)	\$ (7,245)
Stock-based compensation, restructuring and other, integration, and acquisition related amortization, net of tax	6,112	5,760	5,393	5,355	5,162	6,885	5,658	4,536
Unrealized foreign exchange loss (gain)	(1,970)	(2,457)	(1,359)	1,874	(1,655)	(1,218)	(165)	(101)
Income tax adjustments	925	(895)	3,754	—	(14,540)	(804)	—	—
<b>Net earnings (loss) from continuing operations - Non-GAAP</b>	\$ 3,122	\$ 3,483	\$ 1,046	\$ (709)	\$ 4,490	\$ 1,251	\$ (3,375)	\$ (2,810)
<b>Net earnings from discontinued operations - GAAP</b>	\$ 1,078	\$ (505)	\$ 68,152	\$ 1,863	\$ 4,083	\$ 7,279	\$ 12,449	\$ 7,590
Stock-based compensation and disposition costs	3	1,402	876	1,733	1,696	233	233	233
Gain on sale of AirCard business	(1,056)	(49)	(69,077)	—	—	—	—	—
<b>Net earnings from discontinued operations - Non-GAAP</b>	\$ 25	\$ 848	\$ (49)	\$ 3,596	\$ 5,779	\$ 7,512	\$ 12,682	\$ 7,823
<b>Net earnings (loss) - GAAP</b>	\$ (867)	\$ 570	\$ 61,410	\$ (6,075)	\$ 19,606	\$ 3,667	\$ 3,581	\$ 345
<b>Net earnings (loss) - Non-GAAP</b>	3,147	4,331	997	2,887	10,269	8,763	9,307	5,013
<b>Diluted earnings (loss) from continuing operations per share</b>								
GAAP - (in dollars)	\$ (0.06)	\$ 0.03	\$ (0.22)	\$ (0.26)	\$ 0.50	\$ (0.12)	\$ (0.29)	\$ (0.23)
Non-GAAP - (in dollars)	\$ 0.10	\$ 0.11	\$ 0.03	\$ (0.02)	\$ 0.15	\$ 0.04	\$ (0.11)	\$ (0.09)
<b>Net earnings (loss) per share attributable to the Company - diluted</b>								
GAAP - (in dollars)	\$ (0.03)	\$ 0.02	\$ 2.00	\$ (0.20)	0.64	\$ 0.12	\$ 0.12	\$ 0.01
Non-GAAP - (in dollars)	\$ 0.10	\$ 0.14	\$ 0.03	\$ 0.09	0.33	\$ 0.29	\$ 0.30	\$ 0.16

## OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements during the years ended December 31, 2013 and 2012.

## TRANSACTIONS BETWEEN RELATED PARTIES

We did not undertake any transactions with related parties during the year ended December 31, 2013 and 2012.

## 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, 2013 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 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 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 purchase price 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, 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, original equipment manufacturers and mobile network operators. 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 the portion of sales to certain resellers that are subject to contract provisions allowing various rights of return and stock rotation, upon the earlier of when the rights have expired or the products have been reported as sold by the resellers. 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.

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 will be repayable only on the occurrence of specified future events. We recognize the liability to repay research and development funding in the period in which conditions arise that would cause research and development funding to be repayable. Government research and development arrangements are recognized as a reduction of the related expense when the criteria stipulated under the terms of the 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, 2013, Accounts receivable comprised 22.0% of total assets. Included in this balance was a provision of \$2.3 million for doubtful accounts, or 2.0% of accounts receivable (as at December 31, 2012 - \$2.4 million for doubtful accounts, or 2.2% of accounts receivable). We believe our allowance for doubtful accounts as at December 31, 2013 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. 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.

We implemented a new organization structure during the fourth quarter of 2010 and effective January 1, 2011 we had three reporting units for the purposes of goodwill determination, until we disposed of our AirCard business reporting unit in the second quarter of 2013. Effective December 31, 2013, we have two reporting units for the purpose of goodwill determination. As the fair value in each reporting unit exceeded the respective carrying amounts, the second step of the impairment test that measures the amount of an impairment loss by comparing the implied fair market value of the reporting unit with the carrying amount of the goodwill of the reporting unit was not required. No impairment of goodwill was recorded during the years ended December 31, 2013 and 2012.

At December 31, 2013, our goodwill balance was \$102.7 million. We determined that there was no impairment as the fair values of each of our two reporting units exceeded their respective carrying values. 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 the current market capitalization of the Company which was approximately \$751.6 million at December 31, 2013 and exceeds the Company's book value of \$363.0 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 continuing operations, tax planning strategies, and transactions, including the pending disposition of the AirCard business, 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 plant 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 and management's estimates. If there is a change in the quality of our products, 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 finalized, we have recognized our current best estimate of the obligation in accrued liabilities and other long-term liabilities. When the agreements are finalized, the estimates are revised accordingly.

### 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 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 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 for those shares expected to vest on a straight-line basis over the requisite service period of the award.

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:

*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 the date of this MD&A, the Company had 31,358,264 common shares issued and outstanding, stock options exercisable into 1,582,138 common shares and 595,825 restricted treasury share units outstanding.

## **IMPACT OF ACCOUNTING PRONOUNCEMENTS AFFECTING FUTURE PERIODS**

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (ASC 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists* (Update). The update is intended to eliminate the diversity in practice of the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update is effective for annual and interim financial statements for fiscal years beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted.



## DISCLOSURE CONTROLS

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, 2013. 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, 2013 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.

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, 2013, based on the framework set forth in *Internal Control-Integrated Framework* (1992) 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.

KPMG LLP ("KPMG"), an independent registered public accounting firm, who audited and reported on our consolidated financial statements as at and for the year ended December 31, 2013, has issued an attestation report on our internal control over financial reporting as of December 31, 2013. The attestation report is included in our consolidated financial statements.

There were no changes in our internal control over financial reporting during the year ended December 31, 2013 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 November 2013, we filed a complaint against Nokia Corporation in the EU Commission for breach of Article 102 of the European Union Treaty. The complaint alleges that Nokia Corporation abuses a dominant position, discriminates, applies unfair royalties and wrongfully refuses to grant a license to Sierra Wireless in the context of Nokia's essential patents licensing program. We also believe that Nokia Corporation violates section 5 of the FTC Act (United States) and have sent a notice to the Federal Trade Commission ("FTC") setting out these violations. The EU Commission and FTC are each currently reviewing the materials we have submitted to them. On January 6 2014, we received notice from the International Chamber of Commerce of arbitration proceedings launched by Nokia Corporation against Sierra Wireless, for alleged unpaid royalties of approximately \$29 million. We believe Nokia's arbitration claims are without legal merit, and we will defend ourselves vigorously. Nonetheless, an unfavorable outcome could have a material adverse effect on our operating results, liquidity or financial position.

In December 2012, Concinnitas LLC filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by us. The lawsuit makes allegations concerning AirCard products. In September 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently dismissed with prejudice.

In April 2012, a patent holding company, Cell and Network Selection, LLC ("CNS"), filed a patent infringement lawsuit in the United States District Court for the District of Texas asserting patent infringement by us and our customer. In May 2013, this lawsuit was dismissed upon motion of CNS and a new lawsuit was filed by CNS in the same court. The lawsuit makes certain allegations concerning the LTE products sold by us, including the mobile hotspots and USB modems sold by us to AT&T prior to the transfer of the AirCard business to Netgear. In September 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently dismissed with prejudice.

In January 2012, a patent holding company, M2M Solutions LLC ("M2M"), filed a patent infringement lawsuit in the United States District Court for the District of Delaware asserting patent infringement by us and our competitors. The lawsuit makes certain allegations concerning the AirPrime embedded wireless module products, related AirLink products and related services sold by us for use in M2M communication applications. The lawsuit is in the discovery stage. The claim construction order has determined one of the two patents-in-suit to be indefinite and therefore invalid. Trial is anticipated to occur in September 2014. In February 2014, we filed a declaratory judgment action in the same court seeking a declaration of non-infringement with respect to a recently issued patent held by M2M, which patent is a continuation of the patents-in-suit in the original lawsuit filed against us by M2M.

In September 2011, a patent holding company, Wi-Lan, Inc. ("Wi-Lan"), filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas asserting patent infringement by a number of parties, including us. The lawsuit makes certain allegations concerning the wireless communication products sold by us. In September 2012, the lawsuit was consolidated with another lawsuit commenced by Wi-Lan in the Eastern District of Texas concerning the same patents. In December 2012, Wi-Lan filed additional patent litigation lawsuits in the United States District Court for each of the Eastern District of Texas and the Southern District of Florida asserting patent infringement by us of additional patents not included in the first Wi-Lan suit. The lawsuit in the Southern District of Florida was transferred to the Southern District of California. The second lawsuit in the Eastern District of Texas had not yet been scheduled for trial; however certain claims in the patent-in-suit (US Patent No. 6,381,211) were recently found to be invalid, as well as not infringed, by a jury in a similar case in this district involving Wi-Lan as plaintiff and Ericsson Inc., Alcatel-Lucent USA Inc., HTC Corporation and Sony Mobile Communications as defendants. In October 2013, a mutually agreeable confidential settlement was entered into by the parties to resolve all pending lawsuits, which will not have a material adverse effect on our operating results.

In May 2010 and in February 2011, a patent holding company, Golden Bridge Technology Inc. ("GBT"), filed patent infringement lawsuits in the United States District Court for the District of Delaware asserting patent infringement of the same two patents by a number of parties, including us and certain of our customers. In both cases, the litigation makes certain allegations concerning the wireless modems sold by us and our competitors. Both lawsuits have been stayed against all defendants except Apple Inc. ("Apple"), pending the outcome of the first case against Apple in Delaware. In April 2013, the Court of Delaware issued its claim construction order, as well as an order granting Apple's motion for summary judgment on non-infringement and denying Apple's motion for summary judgment on invalidity. These orders have been appealed by GBT to the United States Court of Appeals for the Federal Circuit. In May 2012, GBT filed a patent infringement lawsuit in the United States District Court for the Central District of California asserting patent infringement by us of a different patent from the other two lawsuits, but concerning essentially the same products. In September 2012, this lawsuit was dismissed in the Central District of California and re-filed in the District of Delaware. This Delaware lawsuit has been stayed against us pending the outcome of the case against Apple with respect to the same patent, which is set for trial in the Central District of California in May 2014. A claim construction order was issued in this case in June 2013.

In July 2009, a patent holding company, SPH America, LLC, filed a patent infringement lawsuit in the United States District Court for the Eastern District of Virginia asserting patent infringement by a number of device manufacturers, including us, and computer manufacturers, including certain of our customers. In January 2013, a mutually agreeable confidential settlement was entered into by the parties which will not have a material adverse effect on our operating results. The lawsuit was subsequently 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.

### ***IP Indemnification Claims***

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

In May 2013, a patent holding company, Adaptix, Inc., filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas against one of our customers asserting patent infringement in relation to our customer's products, which may include certain LTE products which utilize modules sold to them by us. The lawsuit is in the early stages.

In January 2013, a patent holding company, Steelhead Licensing LLC, filed a patent infringement lawsuit in the United States District Court for the District of Delaware against one of our customers asserting patent infringement in relation to our customer's products and services, including the mobile hotspot devices sold to them by us prior to the transfer of the AirCard business to Netgear. In March 2013, we advised our customer that we had been

granted a license with respect to the patents-in-suit, which license covers any of our products sold by our customers (including this customer). We believe this outcome will not have a material adverse effect on our operating results.

In February 2012, a patent holding company, Intellectual Ventures (comprised of Intellectual Ventures I LLC and Intellectual Ventures II LLC), filed a patent infringement lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to several of our customer's products and services, including the mobile hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. The lawsuit was split into several separate lawsuits and amended complaints were filed in October 2013. The lawsuits are in the early stages, and we are negotiating a stipulation of intervention in two cases with the plaintiff.

In September 2011, a patent holding company, Mayfair Wireless, LLC, filed a patent infringement lawsuit in the United States District Court for the District of Delaware against two of our customers asserting patent infringement in relation to the wireless hotspots sold to them by us prior to the transfer of the AirCard business to Netgear. In October 2013, the plaintiff objected to the Magistrate's report and recommendation that the Court grant the defense motion to dismiss for lack of subject matter jurisdiction; therefore, the matter is currently being reviewed by the District Court Judge.

In June 2011, Barnes and Noble, Inc. filed a declaratory judgment action in the United States District Court for the Northern District of California against LSI Corporation (and later added Agere Systems, Inc.), (collectively, "LSI"), seeking a declaration that certain patents were not infringed by their products, including the 3G Nook e-reader which incorporates wireless modules sold to them by us. LSI counterclaimed for patent infringement. There are currently 9 patents-in-suit, two of which relate to the 3G products which incorporate our modules. The lawsuit is currently in the discovery phase and the claim construction hearing is anticipated to occur in March 2014.

A patent holding company, Eon Corp. IP Holdings, LLC ("Eon"), filed a patent infringement lawsuit against one of our customers in October 2010 in the United States District Court for the Eastern District of Texas, which was subsequently transferred to the United States District Court for the Northern District of California. A claim construction order was issued in July 2013, and this case is scheduled for trial in October 2014. Eon filed a patent litigation lawsuit against another of our customers in January 2012 in the United States District Court for the District of Puerto Rico, which has been transferred in part to the District of Delaware with respect to claims related to one of the three patents-in-suit. A claim construction hearing was held in the Puerto Rico case in November 2013 and in the Delaware case in January 2014. In all the above Eon cases, assertions of patent infringement are being made in relation to the wireless modems sold to our customers by us prior to the transfer of the AirCard business to Netgear.

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

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

## **RISKS AND UNCERTAINTIES**

Our business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. The risks and uncertainties described below are those which we currently believe to be material, and do not represent all of the risks that we face. 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.

***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 or lost market share;
- Price and demand pressure on our products 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 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;
- Possible product 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;
- 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 the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of our common shares.

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

The wireless communications industry is highly competitive and we have experienced and expect to continue to experience intense competition. More established and larger companies with strong brands and greater financial, technical and marketing resources, or companies with different business models sell products that compete with ours and we expect this competition to intensify. Business combinations or strategic alliances by our competitors could weaken our competitive position. We may also introduce new products that will put us in direct competition with major new competitors. Existing or future competitors may be able to respond more quickly to technological developments and changes and introduce new products before we do or may independently develop and patent

technologies and products that are superior to ours or achieve greater acceptance due to factors such as more 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, resulting in reduced revenue and reduced gross margins.

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

We sell our products to OEMs, enterprises, 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, distributors, resellers and network operators. If certain of our significant customers, for any reason, discontinues their relationship with us or reduces or postpones current or expected purchase orders for products, or suffers from business failure, our revenues and profitability could decline, perhaps materially. In the year ended December 31, 2013, no customer individually accounted for more than 10% of our aggregated revenue, from continuing and discontinued operations. In the year ended December 31, 2012, two customers accounted for more than 10% of our aggregated revenue from continuing and discontinued operations, and on a combined basis, represented 25% of our aggregated revenue from continuing and discontinued operations.

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

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

Our industry has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future we may 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 business 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 on intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may be able to, and may choose to, pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- We may be 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 as a result of an injunction and may be required to cease selling our products that are subject to the claim;
- We may have to license third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;

- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- Management 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 our inability to either obtain a license from the third party on commercial terms or develop a non-infringing alternative, our business, operating results and financial condition may be materially adversely affected and we may have to cease the sale of certain products and restructure our business.

***We may be unable to continue to license necessary third party technology on commercially reasonable terms, if at all.***

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

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

Our products are comprised of components some of which are procured from single source suppliers, including where we have licensed certain software embedded in a component. From time to time, certain components used in our products have been, and may continue to be in short supply worldwide and shortages in allocation of components may result in a delay in filling orders from our customers, which may adversely affect our business. In addition, our single source suppliers may experience damage or interruption in their operations 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, we may lose business or customers and our operating results and financial condition may be materially adversely affected.

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

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

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

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

We develop products 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' future needs, we may not win their future business and our revenue and profitability may decrease.

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

***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. 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 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 this situation, we consider our customers' good faith, non-binding forecasts of demand for our products. As a result, if the number of actual products ordered by our customers is materially different from the number of products we have instructed our manufacturer to build (and 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.



***Failures of our products or services due to quality issues, design flaws, errors or other defects that result in product liability claims and product recalls could lead to unanticipated costs or otherwise harm our business.***

Our products comprise hardware and software that is technologically complex. In order to compete in the technologically advanced and rapidly changing wireless communication market, we must develop and introduce our products quickly. Despite the sophisticated testing and certification processes for our products, it is possible that our products may contain undetected errors or defects, especially when introduced or when new versions are released. As a result, our products may be rejected by 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.

***The Company may experience adverse effects relating to the divestiture of the assets and operations of the AirCard business.***

Difficulties associated with the divestiture of the assets and operations of the AirCard business could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares.

Divestiture execution is a difficult and complex undertaking that requires different skills than those required for day-to-day operations. As a result, we may experience adverse effects relating to the divestiture of the assets and operations of the AirCard business, including but not limited to:

- The carve-out of the AirCard business from the ongoing business may be disruptive to our ongoing business, place additional demands on our ongoing business and divert management attention from the ongoing business thereby diminishing the ability to maintain focus on the Company's key strategic and financial goals;
- The inability to restructure our existing business operations and/or grow the ongoing business without encountering difficulties and delays;
- The inability to perform those transition services required by the divested business in a timely and efficient manner and/or exit in prompt manner;
- Unanticipated costs and unforeseen liabilities; and
- Loss of key employees.

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

A significant portion of our business is in the United States, Europe and the Asia-Pacific region and we are particularly exposed to the downturns and current uncertainties 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, increased market volatility 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.

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

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other

than the United States dollar. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations.

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

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

We intend to continue to grow our international business operations. Our international operations expose us to additional risks unique to such international markets, including but not limited to the following:

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

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

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

Furthermore, 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, business and profitability.

***We rely on certain internal processes, infrastructure and information technology systems to efficiently operate and report on our business.***

The inability to continue to enhance or prevent a failure of certain internal processes, infrastructure or information technology systems could negatively impact our ability to operate or accurately report on our business.

***Acquisitions and divestitures of 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 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. For example, on August 1, 2012, we acquired Sagemcom's M2M business, on October 16, 2013 we completed the acquisition of AnyDATA's M2M modules and modem business and on January 26, 2014 we entered into a definitive agreement to acquire In Motion. 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 the 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 our acquired company and deficiencies in internal controls over financial reporting of our 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;
- Possible use of cash to support the operations of an acquired business;
- Possible increase in 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;
- A possible decrease in our share price, if, as a result of the growth of the Company, we decide to raise additional capital through an offering of common shares, preference shares or debt; and
- Possible dilution to our shareholders if the purchase price is paid in common shares or securities convertible into common shares.

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

As business circumstances dictate, the Company may also decide to divest assets, technologies or businesses. For example, on April 2, 2013 we completed the sale of our AirCard business. In doing so, the Company 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 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.

***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 in order to defend our rights, which could disrupt our operations.

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

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

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

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

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

Our products are subject to certain mandatory regulatory approvals in the United States, Canada, the European Union, the Asia-Pacific region and other regions in which we operate. For example, in the United States, the Federal Communications Commission regulates many aspects of communications devices. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. European Union directives provide comparable regulatory guidance in Europe. Although we have obtained all the necessary Federal Communications Commission, Industry Canada and other required approvals for the products we currently sell, we may not 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.

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, the Company is required to conduct certain country of origin and due diligence procedures in order to meet the reporting requirements for 2013 and future years. 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 the Company's products. Also, since the Company's supply chain is complex, the Company may be unable to sufficiently verify the origins for all metals used in the Company's products through its supplier due diligence procedures.

**CONSENT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

The Board of Directors  
Sierra Wireless, Inc.

We consent to the use of our reports, each dated February 27, 2014, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

We also consent to the incorporation by reference of each of the above reports into the Company's Registration Statement (No. 333-147872) on Form S-8 of Sierra Wireless, Inc.

"KPMG LLP"

Chartered Accountants

Vancouver, Canada  
February 27, 2014

**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: February 28, 2014

/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: February 28, 2014

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

**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, 2013, 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 February 28, 2014.

/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, 2013, 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 February 28, 2014.

/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.