UNITED STATES
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

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

For the fiscal year ended February 28, 2017 **Commission File Number 0-29898**

BlackBerry Limited

(Exact name of Registrant as specified in its charter)

Ontario	3661	Not Applicable
(Province or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No)

2200 University Ave East
Waterloo, Ontario, Canada,
N2K 0A7
(519) 888-7465
(Address and telephone number of Registrant's principal executive offices)

BlackBerry Corporation
3001 Bishop Drive, Suite 400
San Ramon, California, USA 94583
(925) 242-5660
(Name, address and telephone number of agent for service in the United States)

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

Title of each class	Name of each exchange where registered
Common Shares, without par value	Toronto Stock Exchange
Common Shares, without par value	NASDAQ Stock Market, LLC

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:

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by this annual report.

The Registrant had 530,497,193 Common Shares outstanding as at February 28, 2017.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x 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 x No ¨

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 Registrant's disclosure controls and procedures as of the end of the period covered by this Annual Report and have determined that such disclosure controls and procedures were effective. 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 February 28, 2017, included in Exhibit 1.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls - Disclosure Controls and Procedures".

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

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 28, 2017, included in Exhibit 1.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls - Management's Report on Internal Control Over Financial Reporting".

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of Ernst & Young LLP ("EY") is included in EY's report, dated March 31, 2017, to the shareholders of the Registrant, which accompanies the Registrant's audited consolidated financial statements for the fiscal year ended February 28, 2017, filed as Exhibit 1.2 to this Annual Report.

D. Changes in Internal Control Over Financial Reporting

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 28, 2017, included in Exhibit 1.3 to this Annual Report, under the heading "Disclosure Controls and Procedures and Internal Controls – Changes in 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 February 28, 2017.

F. Audit Committee Financial Expert

The Registrant's Board of Directors has determined that Barbara Stymiest, an individual serving on the Audit and Risk Management Committee of the Registrant's Board of Directors, is an audit committee financial expert, within the meaning of General Instruction B(8)(b) of Form 40-F.

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 and Risk Management 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 and Risk Management Committee or Board of Directors.

G. Code of Ethics

The Registrant's Board of Directors has adopted a code of ethics (the "Code") that applies to all directors, officers and employees. A copy of the Code may be obtained at www.blackberry.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 EY, the Company's independent auditor, for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY for the audit of the Company's annual financial statements or services that are normally provided by EY in connection with statutory and regulatory filings or engagements for such fiscal years were $2,891,007 and $2,567,933, respectively.

Audit-Related Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for assurance and related services rendered by EY that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above as audit fees were $18,071 and $13,042, respectively. Professional services provided included procedures related to the audit of new systems implemented.

Tax Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY for tax compliance, tax advice, tax planning and other services were $69,363 and $36,180, respectively. Tax services provided included international tax compliance engagements.

All Other Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY for acquisition related due diligence were $80,277 and $422,200, respectively.

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 and Risk Management 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

Tabular disclosure of the Registrant's contractual obligations can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 28, 2017, included in Exhibit No. 1.3 to this Annual Report, under the heading "Financial Condition - Aggregate Contractual Obligations".

K. Identification of Audit Committee

The Registrant has an Audit and Risk Management Committee comprised of four individuals: Barbara Stymiest (Chair), Timothy Dattels, Dr. Laurie Smaldone Alsup and the Hon. Wayne Wouters. Each of the members of the Audit and Risk Management Committee is independent as that term is defined by the rules and regulations of the Nasdaq Stock Market, Inc. ("Nasdaq").

L. Critical Accounting Estimates

A discussion of the Registrant's critical accounting estimates can be found in its Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 28, 2017, included in Exhibit No. 1.3 to this Annual Report, under the heading "Accounting Policies and Critical Accounting Estimates - Critical Accounting Estimates".

M. Nasdaq Exemptions

On November 5, 2002, the Registrant requested an exemption from Nasdaq's quorum requirements (which provide that a quorum for a shareholder meeting of a Nasdaq-listed company must be at least 33-1/3% of the outstanding common shares of the company) on the basis that such requirements were contrary to generally accepted business practices in Canada. The Registrant's by-laws provide that the quorum requirements for the transaction of business at any meeting of shareholders shall be 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, holding or representing not less than 20% of the issued shares of the Registrant, of the class or classes respectively (if there is more than one class of shares outstanding at the time), enjoying voting rights at such meeting. The Registrant's quorum requirements comply with the requirements of the *Business Corporations Act* (Ontario) and are consistent with the quorum requirements of other Canadian public companies. On November 25, 2002, based on the Registrant's representations, Nasdaq granted the requested exemption.

N. Interactive Data File

The Registrant has submitted to the Commission, included in Exhibit 101 to this Annual Report, an Interactive Data File.

O. Mine Safety

The Registrant is not currently required to disclose the information required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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 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

The Registrant has previously filed with the Commission a Form F-X in connection with its Common Shares, as amended on Form F-X/A filed with the Commission on June 1, 2015 and on Form F-X/A filed with the Commission on June 24, 2016.

SIGNATURE

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.

BLACKBERRY LIMITED

Date: March 31, 2017

By: /s/ Steven Capelli

Name: Steven Capelli

Title: Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Document
1.1	Annual Information Form for the fiscal year ended February 28, 2017, dated March 31, 2017.
1.2	Audited Consolidated Financial Statements for the fiscal year ended February 28, 2017, prepared in accordance with U.S. generally accepted accounting principles.
1.3	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended February 28, 2017.
23.1	Consent of Ernst & Young 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.

BLACKBERRY LIMITED
2200 University Avenue East
Waterloo, Ontario
Canada
N2K 0A7

Annual Information Form
For the fiscal year ended
February 28, 2017

DATE: March 31, 2017

TABLE OF CONTENTS

CERTAIN INTERPRETATION MATTERS 3

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS 3

CORPORATE STRUCTURE 4

- THE COMPANY 4
- INTER-CORPORATE RELATIONSHIPS 4

GENERAL DEVELOPMENT OF THE BUSINESS 4

NARRATIVE DESCRIPTION OF THE BUSINESS 6

- OVERVIEW 6
- THE MOBILE COMMUNICATIONS INDUSTRY 6
- STRATEGY 7
- OPERATING SEGMENTS 8
- SALES, MARKETING, DISTRIBUTION AND CUSTOMERS 11
- COMPETITION 11
- PRODUCT DESIGN, ENGINEERING AND RESEARCH & DEVELOPMENT 13
- THIRD PARTY SOFTWARE DEVELOPERS 13
- INTELLECTUAL PROPERTY 14
- PRODUCTION 14
- INDUSTRY ASSOCIATIONS 14
- REGULATORY MATTERS 14
- ENVIRONMENTAL REGULATIONS 14
- CORPORATE RESPONSIBILITY 15
- EMPLOYEES 15
- FACILITIES 15

LEGAL PROCEEDINGS 15

ENTERPRISE RISK MANAGEMENT 16

RISK FACTORS 17

DIVIDEND POLICY AND RECORD 31

DESCRIPTION OF CAPITAL STRUCTURE 31

- COMMON SHARES 31
- CLASS A COMMON SHARES 31
- PREFERRED SHARES 31
- CONVERTIBLE DEBENTURES 32

MARKET FOR SECURITIES OF THE COMPANY 35

NORMAL COURSE ISSUER BID 36

DIRECTORS AND EXECUTIVE OFFICERS 36

- CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS 38
- CONFLICTS OF INTEREST 38

AUDIT AND RISK MANAGEMENT COMMITTEE 38

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 40

TRANSFER AGENTS AND REGISTRARS 40

MATERIAL CONTRACTS 40

INTERESTS OF EXPERTS 40

ADDITIONAL INFORMATION 40

APPENDIX A - CHARTER OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS 42

ANNUAL INFORMATION FORM

CERTAIN INTERPRETATION MATTERS

Unless the context otherwise requires, all references to the "Company" and "BlackBerry" include BlackBerry Limited (formerly, Research In Motion Limited) and its subsidiaries. All dollar references, unless otherwise noted, are in United States dollars.

BlackBerry®, BBM™, QNX®, Good® and related trademarks, names and logos are the property of BlackBerry Limited and are registered and/or used in the United States and countries around the world. All other trademarks are the property of their respective owners.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form ("AIF") contains forward-looking statements within the meaning of certain securities laws, including under the U.S. Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws, including statements relating to:

- the Company's plans, strategies and objectives, including the anticipated benefits of its strategic initiatives described below, and the anticipated opportunities and challenges for the Company;
- the Company's expectations regarding anticipated demand for, and the timing of, new product and service offerings, and the Company's plans and expectations relating to its existing and new product and service offerings, including BlackBerry Secure, BlackBerry-branded smartphones, the BlackBerry Messenger Enterprise Software Development Kit ("SDK"), BlackBerry Radar and the cloud-based BlackBerry Internet of Things platform (the "BlackBerry IoT Platform"), including software products offered by the Company's wholly-owned subsidiary, QNX Software Systems Limited ("BlackBerry QNX"); and
- the Company's expectations regarding the generation of revenue from its software, services and other technologies, including subscription-based licensing, as well as its expectations regarding the ability of such revenues to offset declining service access fees.

The words "expect", "anticipate", "estimate", "may", "will", "should", "could", "intend", "believe", "target", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, including but not limited to, the Company's expectations regarding its business, strategy, opportunities and prospects, including its ability to implement meaningful changes to address its business challenges, the launch of new products and services, general economic conditions, product pricing levels and competitive intensity, and the Company's expectations regarding the cash flow generation of its business and the sufficiency of its financial resources. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks and uncertainties facing the Company which are described in the "Risk Factors" section of this AIF.

Any statements that are forward-looking statements are intended to enable the Company's shareholders to view the anticipated performance and prospects of the Company from management's perspective at the time such statements are made, and they are subject to the risks that are inherent in all forward-looking statements, as described above. These forward-looking statements are made by the Company in light of its experience, its perception of historical and anticipated business trends, existing conditions in the business at the time and anticipated future developments, including competition and new product initiatives and expected timing, as well as the Company's current assessments of the risk factors that affect its business, including those identified in this AIF, and the likely success of mitigation strategies relating to such factors. These forward-looking statements are subject to the inherent risk of difficulties in forecasting the Company's financial results and performance for future periods, particularly over longer periods, given the ongoing transition in the Company's business strategy and the rapid technological changes, evolving industry standards, intense competition and short product life cycles that characterize the industries in which the Company operates. These difficulties in forecasting the Company's financial results and performance are magnified at the present time given the uncertainties related to the strategic initiatives described in this AIF. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

CORPORATE STRUCTURE

The Company

The Company was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on March 7, 1984 and commenced operations at that time. The Company has amalgamated with several of its wholly-owned subsidiaries, the last amalgamation occurring through the filing of articles of amalgamation under the OBCA on November 4, 2013. The Company's registered and principal business office is 2200 University Avenue East, Waterloo, Ontario, Canada N2K 0A7.

Inter-corporate Relationships

The Company has four material subsidiaries, all of which are wholly-owned, directly or indirectly, by the Company in each case as at February 28, 2017.

Name of Subsidiary	Jurisdiction of Incorporation or Organization
BlackBerry Corporation	Delaware, U.S.A.
BlackBerry UK Limited	England and Wales
Good Technology Corporation	Delaware, U.S.A.
QNX Software Systems Limited	Ontario, Canada

GENERAL DEVELOPMENT OF THE BUSINESS

The products, services and developments that have influenced the Company's business over the last three fiscal years are as follows:

Fiscal 2017:

Products, Services and Certifications

- Launched BlackBerry Secure, a comprehensive and fully integrated mobility security platform to connect people devices, processes, systems and organizations for the Enterprise of Things;
- Partnered with TCL Communication ("TCL") in its introduction of the BlackBerry-branded KEYone smartphone, offering the most secure Android smartphone experience with availability beginning in the first quarter of fiscal 2018;
- Launched DTEK60 and DTEK50 secure Android smartphones;
- Launched BlackBerry Radar, a new end-to-end asset tracking system for trucking companies and private fleet operators to optimize asset utilization, reduce theft and reduce operational costs;
- Announced plans to launch the BlackBerry Autonomous Vehicle Innovation Center ("AVIC") to focus on developing secure software for connected cars and autonomous driving, while launching under BlackBerry QNX the Secure Embedded Software Platform for autonomous drive and connected cars;
- Introduced the new Enterprise Partner Program to stimulate growth and drive profit for solutions providers, developers and training partners working with BlackBerry solutions;
- Achieved common criteria National Information Assurance Partnership ("NIAP") certification for BB 10.3.3;
- Announced plans to launch a Federal Cybersecurity Operations Center to support FedRAMP and other government security certification initiatives, led by former U.S. Coast Guard CIO, Rear Admiral Bob Day Jr. (retired); and
- Entered the Communications Platform as a Service (CPaaS) market with the launch of the BlackBerry Messenger ("BBM") Enterprise SDK, which will enable developers to integrate secure messaging, voice and video capabilities into applications and services.

Joint Ventures, Partnerships and Other Agreements

- Entered into agreements with TCL, Optiemus Infracom Ltd. ("Optiemus") and PT BB Merah Putih under which the Company has licensed its security software and service suite, as well as related brand assets, to these licensees who will design, manufacture, sell and provide customer support for BlackBerry-branded handsets featuring the Company's secure Android software;
- Entered into a strategic alliance and licensing agreement with PT Elang Mahkota Teknologi Tbk ("Emtek") to provide cross-platform consumer BBM users with access to enriched content and services; and
- Entered into a non-exclusive agreement with Ford Motor Company for expanded use of the BlackBerry QNX OS, hypervisor and audio processing software as well as Certicom and security software.

Financial Highlights

- Reduced leverage through the redemption of the Company's outstanding 6% convertible debentures (the "6% Debentures") through the issuance of $605 million aggregate principal amount of 3.75% convertible debentures of the Company (the "3.75% Debentures") (the "Debenture Refinancing");
- Completed a normal course issuer bid under which the Company repurchased for cancellation approximately 12.6 million common shares;
- Achieved positive adjusted EBITDA in each quarter of fiscal 2017; and
- Achieved non-GAAP total Company software and services revenues of $687 million for the year, and U.S. GAAP total Company software and services revenues of $622 million for the year.

Executive Officer Appointment

- Appointed Steven Capelli as Chief Financial Officer.

Fiscal 2016:

Acquisitions

- Acquired all of the issued and outstanding shares of Good Technology Corporation ("Good"), a provider of secure mobility solutions, including secure applications and containerization that protects end user privacy, in a significant acquisition for aggregate consideration of approximately $417 million;
- Acquired AtHoc, Inc. ("AtHoc"), a provider of secure, networked crisis communications;
- Acquired WatchDox Ltd. ("WatchDox"), a data security company offering secure enterprise file synchronization and sharing ("EFSS") solutions; and
- Acquired Encription Holdings Limited and Encription Ireland Limited ("Encription"), a cybersecurity consulting firm providing industry-leading assessments in penetration testing and security training services.

Products, Services and Approvals

- Launched the PRIV smartphone, running on the Android™ operating system;
- Announced the Good Secure EMM Suites by BlackBerry, a comprehensive set of mobile security, management, productivity and collaboration offerings;
- Announced the launch of a Professional Cybersecurity Services practice;
- Announced voice encryption solution SecuSUITE for Enterprise;
- Announced BES12 Cloud, a cloud-based, cross-platform enterprise mobility management ("EMM") solution;
- Obtained the approval of the United States Department of Defense ("DoD") for the use of Public Key Infrastructure credentials on BlackBerry OS and BlackBerry 10 smartphones;
- Unveiled a new QNX software platform for Advanced Driver Assistance Systems ("ADAS") to enable automakers to build autonomous drive features; and
- Showcased at the Consumer Electronics Show an IoT over-the-air software platform, as well as the development version of BlackBerry Radar.

Joint Ventures, Partnerships and Other Agreements

- Entered into a long-term patent cross-licensing agreement with Cisco;
- Entered into a joint development and manufacturing agreement with Wistron Corporation;
- Announced the planned integration of Samsung KNOX™ with WorkLife by BlackBerry and SecuSUITE; and
- Announced the availability of the Company's multi-OS EMM platform in the Microsoft Azure Marketplace.

Financial Highlights

- Achieved positive free cash flow and positive adjusted EBITDA in each quarter of fiscal 2016;
- Achieved non-GAAP revenue of $527 million from software and services for the year, and U.S. GAAP software and services revenue of $494 million for the year;
- Commenced a normal course issuer bid to purchase up to 27 million common shares of the Company; and
- Commenced the resource alignment program (the "Resource Alignment Program") with the objectives of reallocating Company resources to capitalize on growth opportunities and reaching sustainable profitability.

Director and Executive Officer Appointments

- Appointed the Honourable Wayne G. Wouters, PC, an executive leader in government relations, strategic leadership, international trade and economic policy, to the board of directors of the Company (the "Board");
- Appointed Laurie Smaldone Alsup, M.D., an executive leader in drug development, regulatory strategy, and regulatory approvals in the pharmaceutical and biotechnology industries, to the Board; and
- Appointed Carl Wiese as President of Global Sales.

Fiscal 2015:

Acquisitions

- Acquired Secusmart GmbH ("Secusmart"), a leader in high-security voice and data encryption and anti-eavesdropping solutions; and
- Acquired Movirtu Limited ("Movirtu"), a provider of virtual identity solutions for mobile operators.

Products, Services and Approvals

- Launched BES12, a cross-platform EMM solution by BlackBerry;
- Launched four new BlackBerry 10 smartphones, including the Classic, Passport, Z3 and the Porsche Design P'9983;
- Unveiled the BlackBerry IoT Platform, initially targeting the automotive and asset tracking industries, by combining technology from QNX, with the Company's secure network infrastructure and device lifecycle management software;
- Announced new value-added enterprise solutions, including BlackBerry Blend, WorkLife by BlackBerry, Enterprise Identity by BlackBerry and VPN Authentication by BlackBerry;
- Launched BBM Protected;
- Launched a substantial software update for BlackBerry 10 smartphones (version 10.3.1);
- Announced that BES10 and BES12 would be available as a hosted service through third-party partners worldwide;
- Received Security Technical Implementation Guide approval from the U.S. Defense Information Systems Agency for Secure Work Space for iOS® and Android; and
- Provided for mobile device management companies to directly manage devices with the BlackBerry 10 operating system.

Joint Ventures, Partnerships and Other Agreements

- Announced a partnership with Amazon.com Inc. making approximately 240,000 Android applications available to BlackBerry users through the Amazon Appstore;
- Announced that the Company is working with Google Inc. ("Google") to enable BES12 to manage devices equipped with Android for Work™;
- Announced a strategic partnership with Samsung Electronics Co., Ltd. ("Samsung") to provide an end-to-end secure solution that brings together BES12 with Samsung KNOX; and
- Announced an investment in healthcare information technology leader NantHealth LLC.

Financial Highlights

- Achieved break-even cash flow in the third quarter of fiscal 2015, one quarter sooner than anticipated;
- Completed the divestiture of the majority of the Company's real estate holdings in Canada; and
- Completed the Cost Optimization and Resource Efficiency program in the fourth quarter of fiscal 2015.

Director and Executive Officer Appointments

- Appointed Mike Daniels, a leading expert in cyber security with extensive experience in the U.S. government and the private sector, to the Board; and
- Appointed Dr. Sandeep Chennakeshu as President of the BlackBerry Technology Solutions ("BTS") unit, Marty Beard as Chief Operating Officer; Nita White-Ivy as Executive Vice President, Human Resources and Billy Ho as Executive Vice President, Enterprise Products and Value Added Solutions.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Company is a mobile-native security software and services company dedicated to securing the Enterprise of Things. Based in Waterloo, Ontario, the Company was founded in 1984 and operates in North America, Europe, Asia, the Middle East, Latin America and Africa. The Company trades under the ticker symbols "BB" on the Toronto Stock Exchange ("TSX") and "BBRY" on the NASDAQ Global Select Market.

The Mobile Communications Industry

Improvements in wireless network infrastructure and the rapid proliferation of mobile devices and applications in recent years are transforming the way that enterprises and individuals communicate and collaborate. In the enterprise, the mobile platform is becoming the primary computing platform and users now expect to be as productive on their mobile devices as they are on their desktop and laptop computers, with secure, reliable access to their data, applications and services. Enterprises are increasingly embracing mobility strategies by deploying devices internally and by enabling mobile-first interactions with

external business partners and customers. In implementing these mobility strategies, organizations demand solutions that deliver a rich, flexible user experience without compromising on centralized management or enterprise-grade security.

Security is increasingly important in the mobile environment, with cybercriminals developing ever more sophisticated methods of gaining access to sensitive intellectual property and personal information. Recent data breaches have exposed the potential for hacking to cause significant financial and reputational damage and even to threaten national security. Enterprises, and governments in particular, require hardware and software that can protect their data, ensure privacy and demonstrate compliance with applicable security regulations.

From a hardware perspective, the enterprise market for smartphones has become increasingly characterized by a combination of enterprise-deployed devices and devices that are purchased by consumers and also used in the enterprise environment, commonly referred to as the Bring Your Own Device or BYOD model. These consumer devices are supported in the enterprise environment by information technology ("IT") departments for access to corporate messaging and applications. As the market has evolved, IT departments now look for enterprise mobility solutions that can handle a variety of devices including laptops and a range of deployment models.

From a software perspective, EMM software solutions designed for centralized administration by enterprise IT departments typically include on-premise software products or cloud-based services that are deployed in conjunction with corporate messaging and application services. These products are used to manage and secure both company-issued and personally-owned devices within the enterprise environment. As this market continues to mature, these solutions have expanded beyond device management to include enhanced mobile enterprise applications focused on content security and protecting user privacy.

Recently, the Internet of Things ("IoT") has also emerged as a driving force for the expansion of new wireless applications, with many mobile communications industry participants establishing relationships, practices and partnerships focused around communication between devices. As the IoT continues to develop, companies enabling these connected devices will be faced with many of the same challenges faced by enterprises enabling smartphones in their workplaces. As the scope of devices to be managed in the IoT continues to expand, the EMM market category is evolving towards unified endpoint management ("UEM").

Information sharing software to support more efficient and secure enterprise collaboration is a growing area of investment and innovation closely associated with the mobile communications market. Enterprise document collaboration is increasingly moving to EFSS based solutions that can address the challenges of shared document security, manageability, tracking and compliance among multiple users in the enterprise. Crisis communications systems have also emerged with solutions that improve the content, accuracy and timeliness of information flows during times of crisis by leveraging mobile and social communication networks to enable the bidirectional collection and sharing of data.

Strategy

BlackBerry products and services are widely recognized for productivity and security, and the Company believes that it delivers the most secure end-to-end mobile enterprise solutions in the market. With these core strengths, the Company's broad portfolio of products and services is focused on serving enterprise customers, particularly in regulated industries.

The Company has been executing a strategy to leverage its strengths in mobility management and security to focus its business on software and services that secure, manage and connect the Enterprise of Things. The Company defines the Enterprise of Things as the network of devices, computers, sensors, equipment and other connected endpoints within the enterprise that communicate with each other to enable smart product development, distribution, marketing and sales. The Company leverages many elements of its extensive technology portfolio to extend best-in-class security and reliability to its solutions for the Enterprise of Things, including UEM, embedded systems, crisis communications, enterprise applications, and related services, with hosting available on the Company's global, scalable, secure network.

The Company intends to continue to increase and enhance its product and service offerings through strategic acquisitions and targeted growth in internal investments. The Company's goal is to maintain its market leadership in the enterprise mobility segment by continuing to extend the functionality of the BlackBerry Secure platform and, on top of this extensive foundation, deliver UEM solutions focused on strategic industry verticals.

The following five strategic pillars support the Company as it pursues its new software-focused strategy:

- **Product Platform.** The Company's new software platform, BlackBerry Secure, is a comprehensive mobile-native approach to security that addresses the entire enterprise from endpoint to endpoint. It is both a product platform and a standard of security. Enterprises can become BlackBerry Secure by leveraging the Company's solutions, which are informed by deep mobile security expertise and experience, continuous technical innovation, industry partnerships and academic collaborations, on-demand cyber-security expert services, and a point of view that recognizes vulnerability wherever it lies.

- **Substantial Target Markets.** The Company leverages its expertise in mobility and security to capitalize on opportunities in the cybersecurity, transportation, healthcare, financial services and government markets. BlackBerry intends to provide enterprises and governments with the highest standard of security, enabling them to be BlackBerry Secure.
- **Efficient Go-To-Market.** The Company's licensing, developer, partner, and sales strategy is now that of an enterprise software company. The Company licenses its brand and secure handset software and applications to select third-party manufacturers and others seeking the Company's software expertise. The Company is also building developer and channel partner programs for BlackBerry Secure to promote the growth of an enterprise endpoint security ecosystem and to bolster the Company's direct sales and marketing efforts. See also "Sales, Marketing, Distribution and Customers".
- **Operational Efficiency.** The Company is reconfiguring its operations to support its enterprise software focus with greater efficiency and speed in bringing new offerings to market, including by adjusting its R&D emphasis, reporting lines and administrative capabilities.
- **Growth and Profitability.** The Company intends to drive revenue growth through its software and services portfolio and to achieve margins that are consistent with those of other enterprise software companies.

Operating Segments

The Company is organized and managed as three operating segments: Software & Services, Mobility Solutions, and Service Access Fees ("SAF").

Software & Services

The Software & Services segment consists of operations relating to the Company's software products and service offerings, including:

Enterprise Software and Services

Security, reliability, productivity and collaboration are hallmark strengths of the Company's enterprise software offerings and are instrumental to the Company's success in the enterprise market.

With the acquisitions of Good and Watchdox in fiscal 2016, the Company expanded its ability to offer a unified, secure mobility platform with applications and services for any mobile device on any operating system, supported by security that has been certified by governments around the world and is embedded in every component of the mobility infrastructure. In fiscal 2017, the Company launched BlackBerry Secure, integrating BlackBerry UEM (formerly BES12) with BlackBerry Dynamics (formerly Good Dynamics) and other key acquired technologies such as BlackBerry Workspaces (formerly the WatchDox solution). BlackBerry Secure is the foundation of the Company's software strategy and combines mobile security, management, productivity and collaboration solutions in one platform with best-in-class application security and containerization, identity and access management, and EFSS with file level data protection.

BlackBerry UEM offers a "single pane of glass", or unified console view, for managing and securing devices, applications, identity, content, and IoT endpoints. BlackBerry UEM continues to be the core of the Company's enterprise software offerings, and supports all of the major operating systems and device ownership models employed in the enterprise. BlackBerry Dynamics offers a best-in-class secure development platform and container for mobile applications, including the Company's own enterprise applications such as BlackBerry Work and BlackBerry Connect for secure collaboration. BlackBerry Workspaces embeds digital rights management protection in shared files, giving organizations full visibility and control over how files are accessed, edited, copied, printed or forwarded across mobile and desktop devices.

The Company intends to maintain and strengthen its position as a leader in UEM and mobile security by continuing to expand its enterprise software portfolio through the internal development and acquisition of technologies focused on identity management, authentication and other value-added security and productivity solutions.

BlackBerry Technology Solutions

The BTS business comprises five units: BlackBerry QNX, Certicom, Paratek, BlackBerry Radar, and Intellectual Property and Licensing ("IP&L"). The BTS unit was created to position the Company's technology licensing businesses together under one leadership umbrella with a view to creating new revenue streams and enhancing value from the Company's technology.

The largest BTS business unit is BlackBerry QNX. BlackBerry QNX is a global provider of operating systems, middleware, development tools, and professional services for connected embedded systems, primarily in the automotive, medical and industrial automation markets. BlackBerry QNX is the recognized leader in software for automotive electronics, with products deployed in digital instrument clusters and in the infotainment and telematics systems of more than 60 million vehicles. Over 40 automotive original equipment manufacturers ("OEMs") use BlackBerry QNX technology in major car brands around the

world. With its field-proven technology and suite of safety certifications, BlackBerry QNX is also a preferred supplier for companies building medical devices, train-control systems, industrial robots, hardware security modules, building automation systems, green energy solutions, and other mission-critical and safety-critical applications.

BlackBerry QNX continues to attract new business through a growing portfolio of innovative products, including the following solutions announced during fiscal 2017:

- The QNX Software Development Platform 7.0: the most advanced and secure embedded software platform for autonomous drive and connected cars, powered by the next-generation 64-bit Neutrino® real-time operating system and built on existing safety certifications;
- The QNX SDK for Bluetooth Connectivity: a reliable and flexible software offering compliant with the Bluetooth Core Specification version 4.2 that can be enabled for interoperability with a variety of personal health devices; and
- The QNX Platform for Instrument Clusters: a platform upon which customers can build advanced digital instrument cluster solutions that offer a superior user experience while satisfying stringent safety requirements.

BlackBerry QNX also recently demonstrated automotive hypervisor software that manages safety-critical and non-safety-critical systems running on a single silicon chip in real-time, and is jointly developing a platform for advanced driver assistance systems and automated driving. In fiscal 2017, BlackBerry QNX announced the AVIC to advance technology innovation for connected and autonomous vehicles, independently as well as in collaboration with private and public sector organizations and research institutes.

Certicom specializes in applied elliptical curve-based cryptography, managed public key infrastructure and key management, offering both software components and end-to-end security solutions targeted at bandwidth and resource-constrained applications. Certicom's asset management technology is deployed in over 400 million high value ASICs (application specific integrated circuit customized for a particular use) and its certificates are used in over 100 million IoT devices. During fiscal 2016, Certicom launched the Certicom Managed Certificate Service, which is designed to help device manufacturers and service providers secure their IoT networks and ecosystems, ensuring that the devices they connect are known and trusted.

Paratek designs, develops and licenses its adaptive radio frequency ("RF") antenna tuning technology. With the growth of RF bands to be covered, increasingly stringent performance requirements and the advent of carrier aggregation, RF antenna tuning is becoming a key differentiator to improve the antenna performance of smartphones. Paratek technology has been adopted by numerous OEMs and had numerous handset design wins.

The BTS business is also developing applications for the BlackBerry IoT Platform. The Company's initial focus is on asset tracking for the transportation and logistics industry, including through the BlackBerry Radar device and web-based applications for tracking trailers, chassis, and containers, for reporting locations and sensor data, and for enabling custom alerts and fleet management analytics. The BlackBerry IoT Platform also provides the backbone for the cloud-based BlackBerry secure over-the-air ("OTA") software update management service that enables secure delivery of firmware, applications and content to a variety of devices deploying software, such as connected cars, consumer devices and embedded systems.

The IP&L unit is responsible for the management and monetization of the Company's global patent portfolio. The patent portfolio continues to provide a competitive advantage in the Company's core product areas as well as providing leverage in the development of future technologies and licensing programs in both core and adjacent vertical markets. The Company owns rights to an array of patented and patent pending technologies which include, but are not limited to, operating systems, networking infrastructure, acoustics, messaging, enterprise software, automotive subsystems, cybersecurity and wireless communications. As of February 28, 2017, the Company owned approximately 38,500 worldwide patents and applications, with an average life of about 11.5 years.

AtHoc

In fiscal 2016, the Company expanded its focus in the messaging business with the acquisition of AtHoc, a secure, networked crisis communications solutions market leader. The AtHoc software platform enables people, devices and organizations to exchange critical information in real time during business continuity and life safety operations. The platform securely connects with a diverse set of endpoints, including mobile devices running iOS and Android, PC and Mac desktops, digital displays, radios, IP phones, sirens, fire panels and speakers to facilitate collaboration and enhance situational awareness. The Company has continued to expand the AtHoc platform's global reach with localized software and global deployment options.

SecuSUITE for Enterprise

The acquisition of Secusmart in fiscal 2015 strengthened the Company's secure enterprise mobility portfolio by adding a leading secure voice and text messaging solution with Secusmart's advanced encryption and anti-eavesdropping capabilities. The Company has since expanded on Secusmart's original hardware-based offering by launching SecuSUITE for Enterprise, a multi-OS voice encryption software solution that protects mobile calls with a maximum level of security. With SecuSUITE for Enterprise, users are able to conduct secure conversations worldwide and to share voice and text messages protected with 128-bit encryption on the individual device level. SecuSUITE for Enterprise comes with a user-friendly, cloud-based portal that enables administrators to enroll or deactivate users and adjust settings without the need to set up additional IT infrastructure.

BBM

In fiscal 2017, the Company entered into a strategic alliance and licensing agreement with Emtek, a leading media company in Indonesia, to provide cross-platform consumer BBM users with access to enriched content and services. This arrangement enables Emtek to develop and commercialize new consumer BBM applications and services for Android, iOS and Windows Phone devices.

The Company continues to support and enhance the BBM Enterprise (formerly BBM Protected) platform, an enterprise-grade secure instant messaging service for all leading mobile operating systems. BBM Enterprise builds upon the Company's proven security model, protecting data both at rest and in transit and encrypting instant messages, voice calls, and video calls. In fiscal 2017, the Company entered the Communications Platform as a Service (CPaaS) market by launching the BBM Enterprise SDK to enable independent software vendors ("ISVs") to integrate the secure messaging, voice and video capabilities of BBM Enterprise into their applications and services.

Professional Cybersecurity Services

The acquisition of Encription in February 2016 led to the announcement of the Company's new Professional Cybersecurity Services practice, which further expanded the Company's security portfolio. The Company's cybersecurity consulting services and tools, combined with the Company's existing security solutions, help customers identify the latest cybersecurity threats, test for vulnerabilities, develop risk-appropriate mitigations, implement and maintain IT security standards and techniques, and defend against the risk of future attacks. This new practice leverages the Company's proven leadership in high-security environments and enables enterprises and governments to meet specific compliance goals by implementing customized strategies to protect business data, customer information, intellectual property and brand reputation.

Mobility Solutions

The BlackBerry brand, security and other product features continue to have appeal to a wide range of smartphone users and as such the Company is pursuing a new strategic direction in the Mobility Solutions segment that includes both the development and licensing of the Company's secure device software and the outsourcing of all handset hardware development to partners. As part of this new direction, in fiscal 2017 the Company entered into three license agreements, as noted above under "General Development of the Business", under which the Company has licensed its security software and service suite, as well as related brand assets, to third parties who will design, manufacture, sell and provide customer support for BlackBerry-branded handsets featuring the Company's secure Android software. TCL is the Company's exclusive licensee partner for all global markets other than India, Sri Lanka, Nepal and Bangladesh, where the Company's licensee partner is Optiemus, and Indonesia, where the Company's licensee partner is PT BB Merah Putih. The Company intends to expand its security software and brand licensing program to include a broader set of devices and other endpoints.

During fiscal 2017, the Company launched two all-touch secure Android smartphones, DTEK50 and DTEK60, and TCL announced the launch of the BlackBerry-branded KEYone smartphone, offering the most secure Android smartphone experience together with a physical keyboard, with availability beginning in the first quarter of fiscal 2018. The Company also continues to offer its PRIV secure Android smartphone and its Passport and Leap BlackBerry 10 smartphones, as well as smartphone accessories and non-warranty repair services.

The Company delivers BlackBerry productivity applications to Android smartphone users around the world via the Google Play store, and also continues to develop updates for its legacy BlackBerry 10 platform. During fiscal 2017, the Company released BlackBerry OS 10.3.3, which achieved NIAP certification and delivers the strictest government-grade security to customers who require the highest levels of protection for critical data.

SAF

The SAF segment consists of operations relating to subscribers using mobile devices with the Company's legacy BlackBerry 7 and prior operating systems. The Company continues to earn service access fees on these subscribers, whose network traffic utilizes the Company's infrastructure. The number of active subscribers under the SAF segment is in decline, and as a result SAF is a legacy business and not a part of the Company's strategic focus.

Sales, Marketing, Distribution and Customers

The Company primarily generates revenue from the licensing of enterprise software and sales associated services, as well as the licensing of BlackBerry smartphone branding and handset software. The Company also generates revenue from; (i) the embedded market through licensing BlackBerry QNX software products and providing professional services to support customers in developing their products, (ii) the Company's secure messaging products and services sold by AtHoc, Secusmart and through its BBM service; and (iii) technology licensing, accessories, and non-warranty repairs. For revenue and other financial information on the two most recently completed fiscal years, see the Company's Management Discussion and Analysis ("MD&A") for the fiscal year ended February 28, 2017, in the section entitled "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Revenue".

The Company licenses the BlackBerry Secure platform, including its individual components and applications, AtHoc and complementary third-party applications via its direct sales force and value added resellers. The Company also licenses its enterprise software and services through global wireless communications carriers, which are able to bill separately for BlackBerry UEM services, and other distribution partners around the world.

During fiscal 2017, the Company marketed and sold its BlackBerry smartphone products to both enterprise and consumer end users primarily through global wireless communications carriers as well as through third party distribution channels. The Company used a sales and marketing team that supported its partners through training, technical account management and field marketing initiatives. In fiscal 2017, the Company announced three device software licensing agreements, enabling selected partners to design, manufacture, sell and provide customer support for future BlackBerry-branded smartphones on a global basis. BlackBerry will continue to control and develop its handset security and software solutions, serve its customers and maintain trusted BlackBerry security software and the BlackBerry brand. In certain markets, BlackBerry 10 and Android smartphones are also available directly from the Company through direct sales, including on ShopBlackBerry.com and through third party online retailers.

The Company licenses BlackBerry QNX, Certicom and Paratek technology and provides professional engineering services to OEM customers in the automotive, mobile and other embedded software markets via a direct sales force and indirectly through channel partnerships. The licenses are monetized as royalties on units shipped and through project development, tools and maintenance fees.

The Company markets and sells its BlackBerry Radar secure asset tracking products and services to enterprise users through its internal sales force as well as through third party distribution channels. The Company also markets and sells its OTA software update management service through its internal sales force to enterprise customers building connected embedded systems.

The Company maintains a geographically-dispersed salesforce that is organized regionally and by channel.

For revenues by geographic region for the two most recently completed fiscal years, see the Company's MD&A for the fiscal year ended February 28, 2017, in the section entitled "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Revenue - Revenue by Geography".

For customer concentration information during the two most recently completed fiscal years, see the Company's MD&A for the fiscal year ended February 28, 2017, in the section entitled "Market Risk of Financial Instruments - Credit and Customer Concentration."

Competitive Strengths

The Company's competitive strengths include the following:

Enterprise Solutions and Services

The Company's enterprise software portfolio offers leading unified endpoint management, secure business productivity, application containerization, secure collaboration and DRM capabilities. The Company is recognized for attaining the highest levels of security certifications and approvals for many of its mobility and communications solutions. The inclusion of a sophisticated network operations centre in the BlackBerry infrastructure is also a key differentiator. The Company pioneered the use of this architecture to route messages reliably and efficiently to and from mobile devices, and over time has expanded capabilities to enable end-to-end secure communications between mobile devices and applications and enterprise networks.

BTS

The Company's competitive strengths in its BTS business are rooted in the Company's proprietary technology, including BlackBerry QNX's POSIX compliant micro-kernel architecture for embedded software applications, Certicom's cryptography applications, and Paratek's adaptive RF antenna tuning technology. In addition, BlackBerry QNX, as a trusted and recognized leader in software for automotive electronics, brings decades of accumulated knowledge and proven reliability to the embedded software market.

AtHoc

AtHoc is a leader in network-centric, interactive crisis communication and is the leading provider of such solutions to the DoD, the U.S. Department of Homeland Security, and leading healthcare, industrial and commercial organizations. The AtHoc platform has been certified by the U.S. Department of Homeland Security for its security, integrates with legacy systems, is mobile, and supports on-premise and cloud-based deployments.

BBM

BBM leverages the BlackBerry infrastructure to offer a rich messaging experience for iPhone, Android and BlackBerry users with features such as free voice calling over Wi-Fi, one-click sharing of files and photos, Dropbox integration, location sharing and BBM Channels. BBM Enterprise provides full end-to-end message encryption (using FIPS 140-2 validated cryptographic libraries) for enterprise customers, with no separate hardware required.

Mobility Solutions

BlackBerry-branded smartphones are designed with a unique focus on security and privacy, beginning with the manufacturing process that embeds security at the hardware level ("hardware root of trust") and continues through every layer of the device. BlackBerry 10 smartphones are used by governments and regulated industry customers with high security requirements. The latest BlackBerry 10 operating system (10.3.3) was certified for NIAP compliance. The Company's most recent BlackBerry-branded handsets are the most secure Android smartphones and feature platform hardening software as well as security features designed to protect personal privacy and sensitive data.

Competition

The Company is engaged in markets that are highly competitive and rapidly evolving. Frequent new product introductions and changes to mobile devices, operating systems, applications, security threats, industry standards and the overall technology landscape result in continuously evolving customer requirements for mobile solutions. The Company competes with a broad range of vendors in each of its businesses. Key competitive factors important to the Company across its businesses include product features (including security features), relative price and performance, product quality and reliability, compatibility across ecosystems, service and support, and corporate reputation.

In fiscal 2017, the Company pivoted its strategy to focus the business on software and services that secure, manage and connect the Enterprise of Things. Providers of enterprise software solutions that compete with the Company's enterprise solutions and services offerings include VMware Inc., Microsoft Corporation ("Microsoft"), MobileIron Inc., Citrix Systems, Inc., SOTI Inc., SAP SE, Box Inc. and IBM Corporation.

Manufacturers of mobile devices that compete with the BlackBerry-branded smartphones, whether designed by the Company or by its device software licensee partners, include Apple Inc. ("Apple"), Samsung, Microsoft, HTC Corporation, LG Electronics Inc., Huawei Technologies Co., Ltd., Lenovo Group Ltd., ZTE Corporation, and Xiaomi, Inc. Providers of major mobile operating system platforms that compete with the Company's BlackBerry 10 and BBOS platforms include Apple (iOS), Google (Android) and Microsoft (Windows 10 Mobile).

Products that compete with the Company's BBM service include Facebook's WhatsApp, Facebook Messenger, Microsoft's Skype, Line Corporation's LINE, Apple's iMessage, Tencent's WeChat, Viber, Kik, KakaoTalk, Telegram and Snapchat.

BBM Enterprise, along with its newly released SDK, is a unique services platform that combines messaging, voice and video communications over a secure, IP-based network. Competitors that offer some of these features in less secure solutions include Layer, Nexmo, Twilio, Pilvo and Sinch.

Providers of EFSS software that compete with BlackBerry Workspaces include: Accellion, Acronis, VMWare Inc., Box, Citrix, Dropbox, Egnyte, Huddle Intralinks (Synchronoss), Microsoft, Syncplicity (Skyview Capital), Thru, and Varonis.

Providers of embedded software that compete with the Company's BlackBerry QNX automotive business include Microsoft, which offers its Windows Embedded platform for automotive infotainment applications. Android and Linux operating systems also compete in the embedded computing space. Both Apple and Google have also demonstrated interest in the automotive sector. Apple's CarPlay™ software is resident on the iPhone® and enables its own infotainment user experience onto the screen in an automobile. Google has launched an Android application programming interface, Android Auto, for Android automobile applications. Other competitors of the Company's BlackBerry QNX business include Green Hills Software, Intel Corporation ("Intel"), MontaVista Software, Mentor Graphics Corporation, and Sysgo AG.

Providers of technologies that compete with the Company's OTA software update management service are Samsung, Delphi Automotive PLC, Intel and Verizon Telematics, as well as solutions internally developed by automotive OEMs.

Providers of solutions that compete with BlackBerry Radar are I.D. Systems, Inc., SkyBitz, ORBCOMM Inc., Spireon, Inc. and Omnitracs, LLC.

See also the Risk Factor entitled "The Company faces intense competition".

Product Design, Engineering and Research and Development

The Company's research and development ("R&D") strategy seeks to provide broad market applications for products derived from its technology base.

The Company dedicates a major portion of its R&D investments to the development of software products and services that meet the needs of both enterprise IT departments and individual customers. This includes enterprise solutions and services in mobile security, management, productivity and collaboration offerings, application security and containerization, IAM, and EFSS with file level data protection. Solutions include leading security capabilities at each level of the platform in order to address the needs of customers for securing devices, applications, content and work data - at rest and in transit.

The Company's software development also supports products and services for BlackBerry-branded smartphones, including the BlackBerry 10 operating system and Android operating system enhancements, such as advanced privacy controls, verified boot and secure bootchain, and Android kernel hardening. The Company is also expanding its mobile software expertise to develop highly secure operating system software enhancements for non-smartphone endpoints under the BlackBerry Secure brand.

To support its IoT and BlackBerry Radar initiatives, the Company creates innovative and robust hardware designs combined with proprietary software and firmware features. These tightly integrated solutions allow the Company to customize its proprietary technical solutions to address new applications and market demands.

Additionally, BlackBerry QNX has developed and continues to enhance an embedded computing platform utilizing its unique micro-kernel operating system, multimedia and infotainment platform-specific middleware, as well as acoustic processing products. BlackBerry QNX also recently announced the AVIC to advance technology innovation for connected and autonomous vehicles.

The Company's investment in longer term research is, in part, supported by taking advantage of specific government financial assistance programs where available. For example, the Company qualifies for investment tax credits on eligible expenditures on account of the Canadian scientific research and experimental development program. For additional information, see Note 9 to the Consolidated Financial Statements.

Third Party Software Developers

To facilitate the development of an application ecosystem for its products and services, the Company offers the BlackBerry Development Platform for third-party enterprise application developers and independent software developers, the BlackBerry QNX Car Platform for Infotainment and the BlackBerry 10 / BlackBerry OS application platform.

BlackBerry Development Platform

The Company offers the BlackBerry Development Platform, an enterprise grade toolset which enables enterprise application developers and ISVs to build secure, powerful and customized mobility solutions for almost every use case. The platform augments the capabilities of BlackBerry Dynamics for building secure applications, by adding tools for BlackBerry UEM, BlackBerry Workspaces, and other products, including BBM Enterprise. More than 4,000 third-party enterprise applications have been developed on the BlackBerry Development Platform.

Independent software vendors that use the BlackBerry Dynamics SDK to secure their applications, can make them available to the BlackBerry enterprise customer base on the Marketplace for Enterprise Software, which contains over 80 secure applications.

BlackBerry QNX Car Platform for Infotainment

BlackBerry QNX offers the BlackBerry QNX CAR Platform for Infotainment 2.2, based on the BlackBerry QNX 6.6 Software Development Platform that supports Android applications through integration with the BlackBerry QNX Hypervisor.

BlackBerry 10 / BlackBerry OS Application Platform

The Company provides a feature-rich open standards-based development platform, which allows third party commercial developers to build and deploy custom applications to run on BlackBerry 10 and BlackBerry OS smartphones. To facilitate this, the Company provides a number of products and technologies to third party developers, wireless carriers and enterprise customers to enable them to develop, distribute and manage these applications. For application development, the Company provides a suite of software development tools enabling applications to be developed using a variety of programming languages.

For distribution of personal and consumer applications, the Company provides wireless carriers with the ability to distribute select applications and rich media content to their customer base and also provides BlackBerry World as a direct storefront for BlackBerry 10 and BlackBerry OS customers.

Intellectual Property

The protection of intellectual property is an important part of the Company's operations. The policy of the Company is to apply for patents, acquire and/or seek other appropriate proprietary or statutory protection when it develops valuable new or improved technology. The Company believes that the rapid pace of technological change in the industries in which the Company operates makes patent and trade secret protection important, and that this protection must be supported by other means including the ability to attract and retain qualified personnel, new product introductions and frequent product enhancements.

The Company believes that its patent portfolio continues to provide a competitive advantage in its core product areas as well as provide leverage in the development of future technologies. The Company does not believe that it is dependent upon a single patent or even a few patents. Rather, the Company's success depends more upon its extensive know-how, innovative culture, and technical leadership. The Company does not rely primarily on patents or other intellectual property rights to protect or establish its market position; however, it is prepared to enforce its intellectual property rights in certain technologies when attempts to negotiate mutually agreeable licenses are not successful.

The Company protects its technology through a combination of patents, designs, copyrights, trade secrets, confidentiality procedures and contractual arrangements. The Company seeks to patent key concepts, components, protocols, processes and other inventions that it considers to have commercial value or that will likely give the Company a technological advantage. Although the Company applies for patent protection primarily in Canada, Europe and the United States, the Company has filed, and will continue to file, patent applications in other countries where there exists a strategic technological or business reason to do so. To broadly protect the Company's inventions, the Company has a team of in-house patent attorneys and also consults with outside patent attorneys who interact with employees, review invention disclosures and prepare patent applications on a broad array of core technologies and competencies. As a result, the Company owns rights to an array of patented and patent pending technologies relating to wireless communication technology and enterprise software. As of February 28, 2017, the Company owned approximately 38,500 worldwide patents and applications.

It is the Company's general practice to enter into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, customers, potential customers and others to attempt to limit access to, and distribution of, its proprietary information. In addition, the Company generally enters into agreements with employees that include an assignment to the Company of all intellectual property developed in the course of employment.

The Company also enters into various types of licensing agreements related to technology and intellectual property rights. The Company enters into certain of these agreements to obtain rights that may be necessary to produce and sell products. The Company also licenses its technology and intellectual property to other parties through various licensing agreements, including as part of the BTS business.

Production

The Company transitioned the Mobility Solutions segment from an outsourced handset manufacturing model to a software licensing model during fiscal 2017. The Company now licenses its device security software and service suite, as well as related brand assets, to TCL Communication, PT BB Merah Putih, and Optiemus. The design and manufacture of future BlackBerry-branded smartphones will be undertaken by these licensed partners, who have agreed to adhere to the Company's quality, security, and branding guidelines.

The Company outsources all of its other hardware manufacturing requirements, supporting IoT and BlackBerry Radar, to specialized global electronic manufacturing services and joint development manufacturing companies who are positioned to meet the volumes, scale, cost and quality requirements of the Company. The Company's hardware model also strives to provide a supply chain with speed advantages in designing for faster product life cycles, as well as to leverage scale and manufacturing strength beyond current volumes.

The Company generally provides sourcing guidance and decisions for materials are made jointly with the outsourcing partner. In most cases the ongoing supply is the sole responsibility of the outsourcing supplier. The Company relies on the outsourcing partner and its suppliers to supply functional components on a timely basis and in sufficient quantities.

Industry Associations

The Company is an active participant in numerous industry associations and standards bodies. The Company's involvement with leading associations includes standards development, government advocacy, joint marketing, participation in conferences and trade shows, training, technology licensing by the Company and business development.

Regulatory Matters

In addition to the regulatory requirements applicable to any business, a wireless device manufacturer must obtain certification from the radio/telecommunications regulatory authorities in most jurisdictions before commencing commercial sale of its products in those jurisdictions.

The Company's wireless devices, including the BlackBerry Radar device, must be approved by the Federal Communications Commission ("FCC") before they can be used in commercial quantities in the United States. In Canada, the relevant regulatory authority is Industry Canada/Innovation, Science and Economic Development Canada ("IC/ISED"). The European Union ("EU") defines requirements within the Radio and Telecommunications Terminal Equipment ("R&TTE") Directive for making wireless devices available in EU member states. Regulatory requirements are similar in other jurisdictions. All regulators require wireless devices to meet various standards, including limits with respect to interference with other electronic equipment and safety standards with respect to human exposure to electromagnetic radiation.

The Company's wireless devices, which are made commercially available by the Company across multiple markets, meet FCC, IC/ISED, and R&TTE requirements as the market requires.

Environmental Regulations

Some of the Company's operations, principally in its Mobility Solutions and IoT businesses, are subject to regulation under various provincial, state, federal and international laws relating to environmental protection and the proliferation of hazardous substances. In parts of Europe, North America, Asia-Pacific and Latin America, the Company is obligated to comply with substance restrictions, packaging regulations, energy efficiency ratings and certain product take-back and recycling requirements. In addition, the Company may be required to comply with emerging substance restrictions or energy efficiency requirements, as well as product take-back obligations in other jurisdictions that would make the Company responsible for recycling and/or disposing of products the Company has sold. These and other environmental laws may become more

stringent

over time, may be required in more places of the Company's business and may require the Company to incur additional compliance costs.

Corporate Responsibility

The Company is committed to operating in a sustainable way that respects the environment, Company employees, the communities in which the Company operates and the Company's business partners around the world. Product sustainability efforts include implementing design for environment principles, material selection processes, energy efficiency and packaging assessments, as well as product take-back programs. In addition, the Company engages with its suppliers to conduct due diligence into the source and chain of custody of the so-called "conflict minerals" (which currently include the minerals from which gold, tantalum, tin, and tungsten are derived) that are necessary to the functionality or production of the Company's hardware products.

The Company has formalized a number of policies to reflect the Company's commitment to responsible business practices, including a Responsible Minerals Policy, and periodically issues a Corporate Responsibility report. This report and other documents and policies relating to the Company's corporate responsibility initiatives can be viewed on the Company's website at http://ca.blackberry.com/company/about-us/corporate-responsibility.html and are not incorporated by reference in this AIF.

Employees

As of February 28, 2017, the Company had 4,044 full-time employees.

Facilities

The Company's headquarters are located in Waterloo, Ontario, Canada. The Company's main campus in Waterloo consists of three leased buildings. The Company also operates facilities in the United States, Latin America, Asia-Pacific, Europe, Middle East and Africa.

LEGAL PROCEEDINGS

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

Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum amount in the range. The Company does not provide for claims for which the outcome is not determinable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

As of February 28, 2017, there are no claims outstanding for which the Company has assessed the potential loss as both probable to result and reasonably estimable; therefore, no accrual has been made. Further, there are claims outstanding for which the Company has assessed the potential loss as reasonably possible to result; however, an estimate of the amount of loss cannot reasonably be made. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding does not require the claimant to specifically identify the patent that has allegedly been infringed; damages sought are unspecified, unsupportable, unexplained or uncertain; discovery has not been started or is incomplete; the facts that are in dispute are highly complex (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 have not engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of litigation.

Though they do not meet the test for accrual described above, the Company has included the following summaries of certain of its legal proceedings that it believes may be of interest to its investors.

Between October and December 2013, several purported class action lawsuits and one individual lawsuit were filed against the Company and certain of its former officers in various jurisdictions alleging that during the period from September 27, 2012 through September 20, 2013, the Company and certain of its officers made materially false and misleading statements regarding the Company's financial condition and business prospects and that certain of the Company's financial statements contain material misstatements. The individual lawsuit was voluntarily dismissed. In respect of the putative U.S. class actions, four motions for the appointment of a lead plaintiff were filed. On March 14, 2014, the Judge consolidated the proceedings in the U.S. District Court for the Southern District of New York. On May 27, 2014, the Consolidated Amended Class Action Complaint was filed. The Company filed a motion to dismiss the complaint. On March 13, 2015, the court issued an order granting the Company's motion to dismiss. The plaintiffs filed a motion for reconsideration and for leave to file an amended complaint, which was denied by the court on November 13, 2015. The plaintiffs filed a notice of appeal on December 11, 2015. The U.S. Court of Appeals for the Second Circuit affirmed the District Court order dismissing the complaint, but vacated the order denying leave to amend and remanded to the District Court for further proceedings in connection with plaintiffs' request for leave to amend. The plaintiffs filed their brief in support of their motion for leave to amend on November 17, 2016. The Company's opposition was filed on December 19, 2016, and the plaintiffs filed their brief in support of the motion on January 3, 2017. In respect of the putative Ontario class action, the plaintiffs filed a motion for certification and leave to pursue statutory misrepresentation claims. On November 16, 2015, the Ontario Superior Court of Justice issued an order granting the plaintiffs' motion for leave to file a statutory claim for misrepresentation. On December 2, 2015, the Company filed a notice of motion seeking leave to appeal this ruling. On January 22, 2016, the court postponed the hearing on the plaintiffs' certification motion to an undetermined date after asking the Company to file a motion to dismiss the claims of the U.S. plaintiffs for forum non conveniens. Proceedings are ongoing.

On October 12, 2015, a group of Good institutional investors filed a putative class action lawsuit on behalf of Good's common shareholders against members of Good's former board of directors (the "GTC Directors") related to the Company's acquisition of Good (the "GTC Lawsuit"). The plaintiffs allege that the GTC Directors breached their fiduciary duty by engaging in a self-interested transaction that benefited the preferred shareholders at the expense of the common shareholders. The plaintiffs are seeking monetary damages, as well as rescission of the merger agreement between Good and the Company. While neither Good nor the Company are parties to the GTC Lawsuit, Good has certain obligations to indemnify the defendants and is providing a defense. On October 29, 2015, Good filed a complaint alleging that the plaintiffs breached their contractual obligations under a voting agreement providing that, in the event of a sale transaction that was approved by both the GTC Directors and a majority of the Good preferred shareholders, the plaintiffs were required to vote their shares in favour of the transaction and refrain from exercising any appraisal or dissenter rights. Good alleges that the filing of the GTC Lawsuit was a breach of the voting agreement. On December 31, 2015, several Good shareholders filed a petition seeking appraisal against Good. On August 25, 2016, the Court granted the plaintiff's motion for leave to file an amended complaint naming additional defendants. Good and the Company are not named in the amended complaint. Proceedings are ongoing.

On April 20, 2016, the Company and Qualcomm entered into an agreement to arbitrate a dispute over the application of a royalty cap agreement related to a license agreement between the parties. The Company filed its Demand for Arbitration and Statement of Claim on May 2, 2016. Qualcomm filed its response on May 16, 2016. The arbitration hearing was held from February 27, 2017 to March 3, 2017. Proceedings are ongoing.

On April 28, 2016, one of the Company's licensors filed a Request for Arbitration with the International Chamber of Commerce International Court of Arbitration. The dispute relates to whether certain payments allegedly due under a patent agreement between the parties are in fact owed under the terms of the agreement. The Company filed its response on July 5, 2016. The Company filed a motion to dismiss on February 16, 2017, and a hearing on that motion is scheduled for March 30, 2017. Proceedings are ongoing.

ENTERPRISE RISK MANAGEMENT

The Company has defined and implemented an approach to manage its exposure to risk, consisting of: (i) a risk management framework to regularly identify, assess, treat, monitor and report on current and potential risks, and (ii) a governance structure that clearly defines the responsibilities of the Board, the senior leadership team, employees and other stakeholders to support the risk management framework. This approach to enterprise risk management is integral to the Company's business activities and is designed to:

- promote effective corporate governance and decision-making by enabling the consistent evaluation of risk on a consolidated basis;

- ensure that risks are managed responsibly in the context of the Company's strategy and objectives;
- support the development of internal controls;
- facilitate the reliability and transparency of financial and operational reporting;
- assist in compliance with laws, regulations, policies, and contracts; and
- reduce harm to financial performance and safeguard the Company's assets.

Risk Management Framework Policy and Risk Appetite

The Company's risk management framework policy defines responsibilities for the identification, assessment, management and reporting of risks, and sets out expectations for ownership, resource assignment and compliance. The scope of the framework embraces internal functions as well as those activities for which the Company engages support from third parties.

To support the risk management framework and risk oversight activities, the Company maintains a risk appetite statement that defines, by category of risk, the Company's tolerance for risk-taking having regard to potential rewards and overall business strategies and objectives. The Company risk profile is regularly assessed against the risk appetite statement. The risk appetite statement is reviewed and updated as the Company's business strategy and operating environment evolves.

Risk Governance and Oversight

The Company utilizes a "three lines of defense" governance structure to define how the responsibility for risk management activities is assigned:

- The first line of defense for managing risks resides with the management of each business unit. Risk exposures are identified and mitigated at a granular level through various ongoing management activities including business planning, operations management, reporting, and process improvement projects.
- Oversight of business unit management is provided by the second line of defense, the Security Risk and Compliance Committee ("SRCC"), which meets at least quarterly and is supported by various compliance, security and control functions. The SRCC is composed of manager representatives from each major business group and provides strategic direction by defining key policies, identifying emerging risk trends, and sponsoring training.
- The internal audit function comprises the third line of defense, providing independent assurance of the effectiveness of the Company's risk management activities and internal controls related to (i) financial reporting and integrity and (ii) other areas of risk as assigned by the Audit and Risk Management Committee from time to time. The internal audit function may also review the governance structures and mandates of the first two lines of defense.

Additional governance and oversight is provided by t he risk management council ("RMC"), a council of internal senior leaders which oversee the risk management activities undertaken by business group management and the SRCC. The RMC meets at least quarterly with the Chief Risk Officer serving as the Chair. The RMC reviews the Company's risk profile, risk criteria and limits, and monitors remediation activities to address gaps. The RMC also approves the risk appetite statement and promotes a culture of risk management and compliance across the Company.

The Chief Risk Officer provides regular reporting to the Board and the Audit and Risk Management Committee on the Company's risk profile and the activities overseen by the RMC. The Board is ultimately responsible for overseeing the Company's risk identification, assessment, management, monitoring and reporting activities. The Audit and Risk Management Committee assists the Board with the oversight of enterprise risk management at the Company, including risk assessment, risk compliance, the internal audit function and the controls, processes and policies used to manage the Company's risk. The Compensation, Nomination and Governance Committee of the Board also assists the Board with the oversight of risk management and controls with respect to the Company's compensation policies and practices, including the administration of the Company's equity-based compensation plans.

RISK FACTORS

Investors in the Company's securities should carefully consider the following risks, as well as the other information contained in this AIF and in the Company's MD&A for the fiscal year ended February 28, 2017. If any of the following risks actually occurs, the Company's business could be materially harmed. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is unaware or the Company deems immaterial, may also have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not be able to enhance, develop, introduce or monetize products and services for the enterprise market in a timely manner with competitive pricing, features and performance.

The industries in which the Company competes are characterized by increasingly rapid technological change, frequent new product introductions, frequent market price reductions, constant improvements in features and short product life cycles. The

Company's future success depends upon its ability to enhance its current products and services, including the BlackBerry Secure platform, to provide for their compatibility with evolving industry standards and operating systems, to address competing technologies and products developed by other companies, and to continue to develop and introduce new products and services offering enhanced performance and functionality on a timely basis at competitive prices.

The process of developing new technology is complex and uncertain, and involves time, substantial costs and risks, which are further magnified when the development process involves multiple operating platforms. The Company may be required to commit significant resources to developing new products, software and services before knowing whether such investment will result in products, software or services that the market will accept.

The Company's inability, for technological or other reasons, some of which may be beyond the Company's control, to enhance, develop, introduce and monetize products and services in a timely manner, or at all, in response to changing market conditions or customer requirements could have a material adverse effect on the Company's business, results of operations and financial condition or could result in its products and services not achieving market acceptance or becoming obsolete. In addition, if the Company fails to deliver a compelling customer experience or accurately predict emerging technological trends and the changing needs of customers and end users, or if the features of its new products and services do not meet the demands of its customers, the Company's business, results of operations and financial condition could be materially harmed.

The Company may not be able to maintain or expand its customer base for its software and services offerings to grow revenue, achieve sustained profitability or offset the decline in the Company's service access fees.

The Company has focused its strategy on software and services to grow revenue and generate sustainable profitability.

For the Company to increase its software and services revenues, it must continually grow its customer base by attracting new customers or, in the case of existing customers, deploying software and services across more end points or attracting additional users in such existing customers' businesses. The Company also needs to sell additional software and services over time to the same customers, or have customers upgrade their level of service. If the Company is unable to promote a compelling value proposition to customers and its efforts to sell or upsell software or services as described above are not successful, its results of operations could be materially impacted.

Existing customers that purchase the Company's software and services have no contractual obligation to renew their annual subscriptions or purchase additional solutions after the initial subscription or contract period. The Company's customers' expansion and renewal rates may decline or fluctuate as a result of a number of factors, including the perceived need for such additional software and services, the level of satisfaction with the Company's software and services, features or functionality, the reliability of the Company's software and services, the Company's customer support, customer budgets and other competitive factors, such as pricing and competitors' offerings. For smaller or simpler deployments, the switching costs and time are relatively minor compared to traditional enterprise software deployments and such a customer may more easily decide not to renew with the Company and switch to a competitor's offerings. Accordingly, the Company must invest significant time and resources in providing ongoing value to these customers and in enhancing its reputation as an enterprise software vendor. If these efforts fail, or if the Company's customers do not renew for other reasons, or if they renew on terms less favourable to the Company, the Company's revenue may decline and its results of operations could be materially impacted.

The Company's ability to grow software and service revenue is also dependent on its ability to expand its distribution capabilities with partners, resellers and licensees, as well as building a direct sales force, which requires significant time and resources, including investment in systems and training. There can be no assurance that the Company will be successful in implementing its distribution strategy. See also the Risk Factor entitled "The Company's success depends on its relationships with resellers and distributors".

In recent years, the Company has experienced continued significant erosion of service revenue from SAF charged to subscribers using BlackBerry 7 and prior BlackBerry operating systems. The Company expects that such revenue will continue to decline. If the Company is unable to develop, deliver and support a compelling integrated software and services offering that will mitigate the decline of service access fee revenue and enable the Company to recover the costs associated with its network infrastructure, this could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company faces intense competition.

The Company is engaged in markets that are highly competitive and rapidly evolving, and has experienced, and expects to continue to experience, intense competition from a number of companies. No technology has been exclusively or commercially adopted as the industry standard for many of the products and services offered by the Company. Accordingly, both the nature of the competition and the scope of the business opportunities afforded by the markets in which the Company competes are uncertain.

The Company's competitors, including new market entrants, may implement new technologies before the Company does, deliver new products and services earlier, or provide products and services that are disruptive or that are attractively priced or

enhanced or better quality compared to those of the Company, making it more difficult for the Company to win or preserve market share. Customers may also question the Company's ability to compete or remain viable as a provider of secure mobile and endpoint communication software solutions over the longer term and could decide to replace the Company's products and services with those of its competitors.

Some of the Company's competitors have greater name recognition, larger customer bases and significantly greater financial, technical, marketing, public relations, sales, distribution and other resources than the Company does. In particular, some of the Company's competitors have increased their focus on marketing and product development in the enterprise market. In addition, competition may intensify as the Company's competitors enter into business combinations or alliances and established companies in other market segments expand to become competitive with the Company's business.

The impact of the competition described above could result in fewer customer orders, loss of market share, pressure to reduce prices, commoditization of product and service categories in which the Company participates, reduced revenue and reduced margins. If the Company is unable to compete successfully, there could be a material adverse effect on the Company's business, results of operations and financial condition.

The Company's success depends on its continuing ability to attract new personnel, retain existing key personnel and manage its staffing effectively.

The Company's success is largely dependent on its continuing ability to identify, attract, develop, motivate and retain skilled employees, including members of its executive team. Competition for highly skilled management, technical, research and development and other employees is intense and increasing in the industries in which the Company participates, and the Company has experienced solicitations of its employees by its competitors.

The Company's ability to successfully execute its strategies and realize the anticipated benefits of those strategies, among other factors such as compensation programs, may impact the Company's ability to attract new, and retain existing, employees. For many employees, equity awards are a key element of total compensation, and certain equity awards contain conditions relating to the Company's share performance that make the future value of those awards uncertain. If the anticipated value of such performance-based equity awards does not materialize or if the Company does not obtain shareholder approval as needed from time to time to continue granting equity awards in amounts that are viewed to be competitive, the Company's ability to attract, retain and motivate executives and key employees could be weakened. Any failure by the Company to attract and retain key employees could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's recent restructuring activities, as well as the Company's decline in revenue, share price performance (particularly for those employees for whom equity-based compensation has been a key element of their total compensation) and perceived future prospects, among other factors, may impact the Company's ability to attract new, and retain existing, employees. In addition, as a result of its restructuring activities, the Company may experience a loss of continuity, loss of accumulated knowledge, internal compliance gaps or other inefficiencies during periods of internal reorganization. If the Company does not maintain appropriate staffing, mitigate turnover and effectively utilize employees with the right mix of skills and experience across the functions necessary to meet the current and future needs of its business, the financial and operational performance of the Company could suffer.

The Company's success depends on its relationships with resellers and distributors.

The Company's ability to maintain and expand its market reach is increasingly dependent on establishing, developing and maintaining relationships with third party resellers and distributors, including network carriers. The Company relies on these partners to promote and deliver the Company's current and future products and services and to grow its user base.

If the Company is not successful in identifying and establishing new relationships, or maintaining or enhancing existing relationships, with successful resellers and distributors, or if the Company's partners do not act in a manner that will promote the success of the Company's products and services, the Company's business, results of operations and financial condition could be materially adversely affected.

Many resellers and distributors sell products and services of the Company's competitors and may terminate their relationships with the Company with limited or no notice and limited or no penalty. If the Company's competitors offer their products and services to the resellers and distributors on more favorable contractual or business terms, have more products and services available, or those products and services are, or are perceived to be, in higher demand by end users, or are more lucrative for the resellers and distributors, there may be continued pressure on the Company to reduce the price of its products and services, or those resellers and distributors may stop offering the Company's products or de-emphasize the sale of its products and services in favor of the Company's competitors, which would have a material adverse effect on the Company's business, results of operations and financial condition.

The occurrence or perception of a breach of the Company's security measures or an inappropriate disclosure of confidential or personal information could harm its business.

BlackBerry products and services frequently involve the transmission, processing and storage of proprietary, confidential and personally identifiable information, and can include on-premise and cloud deployments. Although malicious attempts to gain access to such information affect many companies across various industries, the Company is at a relatively greater risk of being targeted because of its reputation for security and the nature of its network operations.

The Company is exposed to cyber threats through the actions of outside parties, such as hacking, computer viruses, denial of service attacks, industrial espionage and other unauthorized breaches of the Company's network or IT security. The Company is also exposed to risk as a result of employee error or malfeasance and through attempts by third parties to fraudulently induce employees to provide access to confidential or personal information.

The Company devotes significant resources to network security, encryption and authentication technologies and other measures, including security policies, procedures and awareness training, to mitigate cyber risk to its systems and data. The Company also mitigates risk by actively monitoring external threats, reviewing best practices and implementing appropriate internal controls. However, the techniques used to obtain unauthorized access or to disable or degrade service are constantly evolving and becoming more sophisticated in nature, and frequently are not recognized or identified until after they have been deployed against a target. The Company may not be able to anticipate these techniques, to implement adequate preventative measures or to identify and respond to them in a timely manner, and the Company's efforts to do so may have a material adverse impact on the Company's operating margins, the user experience or compatibility with third party products and services.

If the security measures implemented by the Company or its partners are breached, or perceived to be breached, or if there is an inappropriate disclosure of confidential or personal information from the Company's systems, the Company could be exposed to significant litigation, service disruptions, remediation costs, regulatory sanctions and fines from payment card providers. In addition, any such event could materially damage the Company's reputation, which is built in large measure on the security and reliability of BlackBerry products and services, and could lead customers to reduce or delay future purchases or to purchase products or services of the Company's competitors. The Company's insurance coverage may be insufficient to cover all losses or types of claims that may arise from cyber threats.

Sales to large enterprise customers and to customers in highly regulated industries and governmental entities can be highly competitive and require compliance with stringent regulation.

The Company is focused on serving enterprise customers, particularly large enterprise customers in highly regulated industries such as financial services, government, healthcare and transportation. Sales to large enterprise customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- more complicated IT systems, mobile environments, security protocols and regulatory compliance requirements, which result in more difficult and time-consuming implementation processes;
- increased purchasing power and leverage held by large customers in negotiating contracts, including more pressure for preferential pricing and other customer-favourable terms;
- longer sales cycles due to multi-level approval processes, lengthy contract negotiations, and unplanned administrative, processing and other delays;
- customer deferral of purchasing decisions pending large-scale adoption of technology by others or potential vendor consolidation;
- closer relationships with, and dependence upon, large technology competitors; and
- more intense and time-consuming customer support practices.

In addition, government demand and payment for the Company's products and services may be adversely impacted by public sector budgetary cycles and funding authorizations.

The Company devotes substantial time and resources to its sales activities without any assurance that its investments will generate sales in accordance with anticipated volumes and timelines, or any sales at all. Also, the additional costs associated with serving large enterprise customers, as well as changes to regulations affecting such customers, could have a material adverse effect on the Company's margins and on the Company's ability to grow or maintain its customer base. If the Company is unable to increase sales of its products and services to large enterprises while mitigating the associated risks, the Company's business and results of operations could be materially impacted.

The Company's products and services are dependent upon interoperability with rapidly changing systems provided by third parties.

The Company's platform depends on interoperability with operating systems, such as those provided by Apple, Google and Microsoft, as well as device manufacturers. Mobile operating systems are upgraded frequently in response to consumer demand and, in order to maintain the interoperability of its platform, the Company may need to release new software updates at a much

greater pace than a traditional enterprise software company that supports only a single platform. In addition, the Company typically receives limited advance notice of changes in features and functionality of operating systems and mobile devices, and therefore the Company may be forced to divert resources from its preexisting product roadmap to accommodate these changes.

If the Company fails to enable IT departments to support operating system upgrades upon release, the Company's business and reputation could suffer. This could further disrupt the Company's product roadmap and cause it to delay introduction of planned products and services, features and functionality, which could harm the Company's business. Furthermore, some of the features and functionality in the Company's products and services require interoperability with application programming interfaces ("APIs") of other operating systems, and if operating system providers decide to restrict the Company's access to their APIs, that functionality would be lost and the Company's business could be impaired.

Operating system providers have included, and may continue to include, features and functionality in their operating systems that are comparable to elements of the Company's products and services, thereby making the Company's platform less valuable. The inclusion of, or the announcement of an intent to include, functionality perceived to be similar to that offered by the Company's products and services in mobile operating systems may have an adverse effect on the Company's ability to market and sell its products and services.

The Company may not be able to generate revenue and profitability through the licensing of security software and services or the BlackBerry brand to device manufacturers.

Although the Company has pivoted its strategy to focus on growing its software and services revenue, the BlackBerry brand has historically been strongly associated with devices and the Company continues to operate its Mobility Solutions business. In fiscal 2017, the Company partnered with handset manufacturers for the development, distribution and marketing of BlackBerry-branded smartphones, such as the KEYone. Also, the Company continues to market and distribute DTEK50 and DTEK60 smartphones, as well as certain legacy models, and in fiscal 2018 intends to introduce a smartphone designed by the Company and manufactured by a third party.

The future success of the Company's Mobility Solutions business is primarily dependent on the successful commercialization of devices featuring licensed BlackBerry mobile security software and services. The Company's results of operations could be adversely affected if such devices, including BlackBerry-branded devices, do not achieve broad market acceptance. In addition, any failure by a licensee to act consistently with the Company's compliance, security or quality standards may erode the value of the BlackBerry brand, impair the Company's relationship with current and potential customers, and adversely affect the Company's ability to sell software products and services that are commercially viable.

Network disruptions or other business interruptions could have a material adverse effect on the Company's business and harm its reputation.

The Company's operations rely to a significant degree on the efficient and uninterrupted operation of complex technology systems and networks, which are in some cases integrated with those of carrier partners and third-party data centre operators. The Company's network operations and technology systems are potentially vulnerable to damage or interruption from a variety of sources, including by fire, earthquake, power loss, telecommunications or computer systems failure, cyber attack, human error, terrorist acts, war, and the threatened or actual suspension of BlackBerry services at the request of a government for alleged noncompliance with local laws or other events. The increased number of third party applications on the Company's network may also enhance the risk of network disruption or cyber attack for the Company. There may also be system or network interruptions if new or upgraded systems are defective or not installed properly, or if data centre operators fail to meet agreed service levels.

The Company has experienced network events in the past, and any future outage in a network or system or other unanticipated problem that leads to an interruption or disruption of BlackBerry services could have a material adverse effect on the Company's business, results of operations and financial condition, and could adversely affect the Company's longstanding reputation for reliability. As the Company moves to handle increased data traffic and support more applications or services, the risk of disruption and the expense of maintaining a resilient and secure network services capability may significantly increase.

Acquisitions, divestitures, investments and other business initiatives may negatively affect the Company's results of operations.

The Company has acquired, and continues to seek out opportunities to acquire or invest in, businesses, assets, products, services and technologies that expand, complement or are otherwise related to the Company's business or provide opportunities for growth. In addition, the Company is increasingly collaborating and partnering with third parties to develop technologies, products and services, as well as seek new revenue through partnering arrangements.

These activities involve significant challenges and risks, including: that they may not advance the Company's strategic objectives or generate a satisfactory return on investment; that the Company may have difficulty integrating and managing new employees, business systems, and technology; the potential loss of key employees of an acquired business; additional demands on the Company's management, resources, systems, procedures and controls; disruption of the Company's ongoing business;

and diversion of management's attention from other business concerns. Acquisitions, investments or other strategic collaborations or partnerships may involve significant commitments of financial and other resources of the Company. If these fail to perform as expected, or if the Company fails to enter into and execute the transactions or arrangements needed to succeed, the Company may not be able to bring its products, services or technologies to market successfully or in a timely manner, which would have a material adverse impact on results of operations.

Furthermore, an acquisition may have an adverse effect on the Company's cash position if all or a portion of the purchase price is paid in cash, and common shares issuable in an acquisition would dilute the percentage ownership of the Company's existing shareholders. Any such activity may not be successful in generating revenue, income or other returns to the Company, and the financial or other resources committed to such activities would not be available to the Company for other purposes. In addition, the acquisitions may involve unanticipated costs and liabilities, including possible litigation and new or increased regulatory exposure, which are not covered by the indemnity or escrow provisions, if any, of the relevant acquisition agreements.

As business circumstances dictate, the Company may also decide to divest itself of assets or businesses. The Company may not be successful in identifying or managing the risks involved in any divestiture, including its ability to obtain a reasonable purchase price for the assets, potential liabilities that may continue to apply to the Company following the divestiture, potential tax implications, employee issues or other matters. The Company's inability to address these risks could adversely affect the Company's business, results of operations and financial condition.

Failure to protect the Company's intellectual property could harm its ability to compete effectively and the Company may not earn the revenues it expects from intellectual property rights.

The Company's commercial success is highly dependent upon its ability to protect its proprietary technology. The Company relies on a combination of patents, copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights, all of which offer only limited protection. Despite the Company's efforts, the steps taken to protect its proprietary rights may not be adequate to preclude misappropriation of its proprietary information or infringement of its intellectual property rights, and the Company's ability to police such misappropriation or infringement is uncertain. The laws of certain countries in which the Company's products and services are sold or licensed do not protect intellectual property rights to the same extent as the laws of Canada or the United States.

With respect to patent rights, the Company cannot be certain whether any of its pending patent applications will result in the issuance of patents or whether the examination process will require the Company to narrow its claims. Furthermore, any patents issued could be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage. In addition, a number of the Company's competitors and other third parties have been issued patents, and may have filed patent applications or may obtain additional patents and proprietary rights, for technologies similar to those that the Company has made or may make in the future. Public awareness of new technologies often lags behind actual discoveries, making it difficult or impossible to know all relevant patent applications at any particular time. Consequently, the Company cannot be certain that it was the first to develop the technology covered by its pending patent applications or that it was the first to file patent applications for the technology. In addition, the disclosure in the Company's patent applications may not be sufficient to meet the statutory requirements for patentability in all cases. As a result, there can be no assurance that the Company's patent applications will result in patents being issued.

While the Company enters into confidentiality and non-disclosure agreements with its employees, consultants, contract manufacturers, customers, potential customers and others to attempt to limit access to, and distribution of, proprietary and confidential information, it is possible that:

- some or all of its confidentiality agreements will not be honoured;
- third parties will independently develop equivalent technology or misappropriate the Company's technology or designs;
- disputes will arise with the Company's strategic partners, customers or others concerning the ownership of intellectual property;
- unauthorized disclosure or use of the Company's intellectual property, including source code, know-how or trade secrets will occur; or
- contractual provisions may not be enforceable.

In addition, the Company expends significant resources to patent and manage the intellectual property it creates with the expectation that it will generate revenues by incorporating that intellectual property in its products or services. The Company is also monetizing its patent portfolio through outbound patent licensing. Changes in the law may weaken the Company's ability to collect royalty revenue for licensing its patents. Similarly, licensees of the Company's patents may fail to satisfy their obligations to pay royalties, or may contest the scope and extent of their obligations. Finally, the royalties the Company can obtain to monetize its intellectual property may decline because of the evolution of technology, changes in the selling price of products using licensed patents, or the difficulty of discovering infringements.

Detecting and protecting against the unauthorized use of the Company's products, technology proprietary rights, and intellectual property rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend the Company's intellectual property rights and could result in substantial costs and diversion of management resources, either of which could harm the Company's business, financial condition and results of operations, and there is no assurance that the Company will be successful.

The Company relies on third parties to manufacture and repair its hardware products.

Although the Company has focused its growth strategy on software and services, it continues to outsource the manufacturing and repair of hardware products to third parties. The resources devoted by these third parties to meet the Company's manufacturing and repair requirements are not within the Company's control and there can be no assurance that manufacturing or repair problems will not occur in the future.

The Company's reliance on outsourcing its manufacturing and repair requirements, directly and indirectly, to third parties may also involve the following risks:

- failure to satisfy the Company's requirements on a timely basis, including by failing to meet scheduled production and delivery deadlines;
- reduced ability to ensure product quality and reliability, and to monitor and manage quality controls;
- reduced control over costs as third parties procure inventory to build or repair our products;
- an inability to obtain additional or substitute components or vendors, when and if needed, and on a cost-effective basis;
- reduced control over the Company's intellectual property;
- increased risk of counterfeit and fraudulent activities giving rise to the availability of unauthorized devices;
- risk of bankruptcy or business interruption on the part of the manufacturer or repair partner; and
- early termination of, or failure to renew, contractual arrangements.

If the Company's partners fail to meet the Company's manufacturing and repair requirements on a timely basis, it could have an adverse effect on the Company's cost or quality of finished goods and its results of operations.

The Company may not be able to obtain rights to use software or components supplied by third parties.

Many of the Company's products include intellectual property which must be licensed from third parties. The termination of any of these licenses, or the failure of such third parties to adequately maintain, protect or update their software or intellectual property rights, could delay the Company's ability to offer its products while the Company seeks to implement alternative technology offered by other sources (which may not be available on commercially reasonable terms) or develop such technology internally (which would require significant unplanned investment on the Company's part).

In addition, certain software that the Company uses may be subject to open source licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that the Company make available source code for modifications or derivative works created by the Company based upon the type of open source software used. If the Company combines its proprietary solutions with open source software in a certain manner, the Company could, under certain of the open source licenses, be required to release the source code of the Company's proprietary solutions to the public or offer the Company's solutions to users at no cost. This could allow the Company's competitors to create similar solutions with lower development effort and time and ultimately could result in a loss of revenue to the Company.

The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on the Company's ability to commercialize its products and services. In such an event, the Company could be required to obtain licenses from third parties in order to continue offering its products and services, to re-engineer the Company's products or services, or to discontinue the sale of its products and services in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect the Company's business and operating results.

The Company faces substantial asset risk, including the potential for charges related to its long-lived assets and goodwill.

The Company's long-lived assets include items such as the Company's network infrastructure and certain intellectual property. As at February 28, 2017, the Company's long-lived assets had a carrying value of approximately $693 million. Under U.S. GAAP, the Company reviews its long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The Company's ability to generate sufficient cash flows to fully recover the current carrying value of these assets depends on the successful execution of its strategies. If it is determined that sufficient future cash flows do not exist to support the current carrying value, the Company will be required to record an impairment charge for long-lived assets in order to adjust the value of these assets to the newly established estimated value.

Goodwill represents the excess of the acquisition price over the fair value of identifiable net assets acquired. As at February 28, 2017, the Company's goodwill had a carrying value of approximately $559 million. Under U.S. GAAP, the Company tests goodwill for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired. These events and circumstances may include a significant change in legal factors or in the business climate, a significant decline in the Company's share price, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant disposal activity and the testing of recoverability for a significant asset group. If any such events or circumstances arise, the Company may be required to record an impairment charge in the value of its goodwill.

The Company's ability to maintain or increase its liquidity could be adversely affected by its ability to generate cash flow.

As of the end of fiscal 2017, the Company had cash, cash equivalents and investments of approximately $1.7 billion with $605 million principal amount of outstanding indebtedness as a result of the Debenture Refinancing. The Company generates cash from sales of its products and services and from investment income to fund its operations and investments. The Company's working capital requirements and cash flows historically have been, and are expected to continue to be, subject to quarterly and yearly fluctuations, depending on such factors as timing and success of new product introductions, levels of sales, returns on the Company's investment portfolio, timing of deliveries and collection of receivables, inventory levels, capital expenditures, operating expenses, and customer and supplier terms and conditions.

The Company's ability to maintain or increase its cash flow and working capital could be adversely affected if it is unable to successfully drive adoption of its new products and services or exploit other opportunities for revenue growth. In addition, if the Company fails to accurately predict emerging technological trends and the changing needs of customers and end users, or the features of its new products and services do not meet the expectations or achieve acceptance of its customers, its cash flow, liquidity and financial condition could be materially harmed.

If the Company is unable to maintain or increase its cash balance, it may be required to raise additional funds through the issuance of equity, additional debt or a combination of equity and debt, or may be required to reduce or delay capital expenditures, further reduce costs, reallocate resources within the Company or consider other alternatives. Access to additional capital may not, however, be available on terms acceptable to the Company or at all. Furthermore, any future equity or equity-linked offering could be dilutive to existing shareholders and any drawdown on any future debt financing would require the Company to dedicate a portion of its cash flow to payments on indebtedness, would require the Company to comply with restrictive covenants or to meet certain financial tests, and would limit the Company's flexibility in planning for, or reacting to, changes in its business. There can be no assurance that the Company's strategies will be successful or that it will be able to maintain or increase its cash balance.

The Company has incurred indebtedness, which could adversely affect its operating flexibility and financial condition.

The Company has, and may from time to time in the future have, third-party debt service obligations pursuant to its outstanding indebtedness, which currently includes $605 million aggregate principal amount of 3.75% Debentures. The degree to which the Company is leveraged could have important consequences, including:

- the Company's ability to obtain additional debt financing for working capital, capital expenditures, strategic initiatives or other business purposes in the future may be limited;
- a portion of the Company's cash flow from operations or other capital resources will be dedicated to the payment of the principal of, and/or interest on, indebtedness, thereby reducing funds available for working capital, capital expenditures, strategic initiatives or other business purposes;
- the Company may be more vulnerable to adverse economic and industry conditions as a result of its debt service obligations, including as a result of borrowings at variable rates of interest, which exposes the Company to the risk of increased interest rates;
- the Company's flexibility in planning for, or reacting to changes in, its business and industry may be limited; and
- the Company's earnings under U.S. GAAP may be negatively affected to the extent that any indebtedness, such as the 3.75% Debentures, are accounted for by the Company at fair value and include embedded derivatives which fluctuate in value from period to period.

The Company's ability to make scheduled payments of interest on its indebtedness will depend upon its future operating performance and cash flow, which are subject to prevailing economic conditions and financial, competitive, business and other factors, many of which are beyond the Company's control. If the Company does not have sufficient cash flow from operations, it could result in its inability to pay amounts due under its outstanding indebtedness or to fund other liquidity needs and it may be required to refinance all or part of its then existing indebtedness (including the 3.75% Debentures), sell assets, reduce or delay capital expenditures or seek to raise additional capital, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

The 3.75% Debentures are subject to restrictive and other covenants that may limit the discretion of the Company and its subsidiaries with respect to certain business matters. These covenants place restrictions upon, among other things, the Company's ability to incur additional indebtedness or provide guarantees in respect of obligations, create liens or other encumbrances, pay dividends, merge or consolidate with another entity and enter into any speculative hedging transaction. A breach of any of these covenants could result in a default under the Company's outstanding indebtedness, which would have a material adverse effect on the Company's business, results of operations and financial condition. In addition, certain of the Company's competitors may operate on a less leveraged basis, or without such restrictive covenants, and therefore could have greater generating and financing flexibility than the Company.

There can be no assurance that the Company will be able to repay, restructure or refinance its indebtedness, including the 3.75% Debentures, as principal amounts become due, or that it will be able to do so on terms as favourable as those currently in place. Any refinancing of the Company's indebtedness could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its operations. In addition, the terms of existing or future debt agreements, including the Indenture (as defined below in "Description of Capital Structure - Convertible Debentures"), may restrict the Company from adopting any of these alternatives. Further, upon the occurrence of a Change of Control (as defined in the Indenture), the Company would be obliged to make an offer to purchase the outstanding 3.75% Debentures at a premium, which may require the Company to secure capital. If the Company is unable to refinance its indebtedness, or is only able to refinance indebtedness on less favourable terms, this may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company could be found to have infringed on the intellectual property rights of others .

Companies in the software and technology industries, including some of the Company's current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. Although the Company believes that third-party software included in the Company's products is licensed from the entity holding the intellectual property rights and that its products do not infringe on the rights of third parties, third parties have and will continue to assert infringement claims against the Company in the future. The Company may be subject to these types of claims either directly or indirectly through indemnities that it provides to certain of its customers, partners and suppliers against these claims**.** As the Company continues to develop software products and expand its portfolio using new technology and innovation, its exposure to threats of infringement may increase.

Many intellectual property infringement claims are brought by entities whose business model is to obtain patent-licensing revenues from operating companies such as the Company. Because such entities do not typically generate their own products or services, the Company cannot deter their claims based on counterclaims that they infringe patents in the Company's portfolio or by entering into cross-licensing arrangements.

Regardless of whether patent or other intellectual property infringement claims against the Company have any merit, they could:

- adversely affect the Company's relationships with its customers;
- be time-consuming and expensive to evaluate and defend, including in litigation or other proceedings;
- result in negative publicity for the Company;
- divert management's attention and resources;
- cause product delays or stoppages;
- subject the Company to significant liabilities;
- require the Company to develop possible workaround solutions that may be costly and disruptive to implement; and
- require the Company to cease certain activities or to cease selling its products and services in certain markets.

In addition, any such claim may require the Company to enter into costly royalty agreements or obtain a license for the intellectual property rights of third parties. Such licenses may not be available or they may not be available on commercially reasonable terms.

Any of the foregoing infringement claims and related litigation could have a significant adverse impact on the Company's business and operating results, as well as the Company's ability to generate future revenues and profits. See also "Legal Proceedings" in this AIF.

Litigation against the Company may result in adverse outcomes.

In the course of its business, the Company receives general commercial claims related to the conduct of its business and the performance of its products and services, including product liability and warranty claims, employment claims and other litigation claims, which may potentially include claims relating to improper use of, or access to, personal data.

In addition, the Company is subject to potential litigation claims arising from its disclosure practices. The Company is committed to providing a high level of disclosure and transparency and provides commentary that highlights the trends and

uncertainties that the Company anticipates. Given the highly competitive and rapidly evolving mobile communications industry and the ongoing transition in the Company's business strategy, the Company's financial results may not follow any past trends, making it difficult to predict the Company's financial results. Consequently, actual results may differ materially from those expressed or implied by the Company's forward-looking statements and may not meet the expectations of analysts or investors, which can contribute to the volatility of the market price of the Company's common shares. Despite the Company's cautions in each earnings release, earnings conference call and securities filings that contain forward-looking statements, the Company may nevertheless be subject to potential securities litigation or enforcement actions.

Litigation resulting from these claims could be costly and time-consuming and could divert the attention of management and key personnel from the Company's business operations. The complexity of the technology involved and the inherent uncertainty of commercial, class action, securities, employment and other litigation increases these risks. In recognition of these considerations, the Company may enter into settlements resulting in material expenditures, the payment of which could have a material adverse effect on the Company's business, results of operation and financial condition. If the Company is unsuccessful in its defense of material litigation claims or is unable to settle the claims, the Company may be faced with significant monetary damages or injunctive relief against it that could have a material adverse effect on the Company's business, BlackBerry brand, results of operations and financial condition. Administrative or regulatory actions against the Company or its employees could also have a material adverse effect on the Company's business, BlackBerry brand, results of operations and financial condition. See also "Legal Proceedings" in this AIF.

Government regulations applicable to the Company's products and services, including products containing encryption capabilities, could negatively impact the Company's business.

Certain government regulations applicable to the Company's products and services may provide opportunities for competitors or limit growth. The impact of potential incremental obligations may vary based on the jurisdiction, but regulatory changes could impact whether the Company enters, maintains or expands its presence in a particular market, and whether the Company must dedicate additional resources to comply with these obligations.

Various countries have enacted laws and regulations, adopted controls, license or permit requirements, and restrictions on the export, import, and use of products or services that contain encryption technology. In addition, from time to time, governmental agencies have proposed additional regulations relating to encryption technology, such as requiring certification, notifications, review of source code, or the escrow and governmental recovery of private encryption keys. Governmental regulation of encryption technology, including the regulation of imports or exports, could harm the Company's sales in one or more jurisdictions and adversely affect the Company's revenues. Complying with such regulations could also require the Company to devote additional research and development resources to change the Company's software or services or alter the methods by which the Company makes them available, which could be costly. In addition, failure to comply with such regulations could result in penalties, costs and restrictions on import or export privileges or adversely affect sales to government agencies or government funded projects.

Some of the Company's competitors do not have the same level of encryption in their technology and some competitors may be subject to less stringent controls on the export, import, and use of encryption technologies in certain markets. Also, several countries have adopted legislation authorizing the circumvention of encryption measures in limited circumstances. These legislative provisions could potentially be used by competitors to attempt to reverse engineer or find vulnerabilities in the Company's products and services. As a result, these competitors may be able to compete more effectively than the Company can in those markets.

The use and management of user data and personal information could give rise to liabilities as a result of legal, customer and other third-party requirements.

This information is increasingly subject to legislation and regulations in numerous jurisdictions around the world that is intended to protect the privacy and security of personal information, as well as the collection, storage, transmission, use and disclosure of such information.

The interpretation of privacy and data protection laws and their application to the Internet and mobile communications in a number of jurisdictions is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from country to country and in a manner that is not consistent with the Company's current data protection practices. Complying with these varying international requirements could cause the Company to incur additional costs and change the Company's business practices. In addition, because the Company's services are accessible worldwide, certain foreign jurisdictions may claim that the Company is required to comply with their laws, even where the Company has no local entity, employees, or infrastructure. Non-compliance could result in penalties or significant legal liability and the Company's business, results of operations and financial condition may be adversely affected.

The Company's customers, partners and members of its ecosystem may also have differing expectations or impose particular requirements for the collection, storage, processing and transmittal of user data or personal information in connection with BlackBerry products and services. Such expectations or requirements could subject the Company to additional costs, liabilities

or negative publicity, and limit its future growth. In addition, governmental authorities may use the Company's products to access certain personal data of individuals without the Company's involvement, for example, through so-called lawful intercept capability of network infrastructure. Even a perception that the Company's products or practices do not adequately protect users' privacy or data collected by the Company, made available to the Company or stored in or through the Company's products, or that they are being used by third parties to access personal or consumer data, could impair the Company's sales or its reputation and brand value.

The Company's business is subject to risks inherent in foreign operations, including fluctuations in foreign currencies.

Sales outside of North America account for a significant portion of the Company's revenue. The Company maintains offices in a number of foreign jurisdictions and intends to continue to pursue international market growth opportunities. The Company has limited experience conducting business in some of these jurisdictions and it may not be aware of all the factors that may affect its business in these jurisdictions. The Company is subject to a number of risks associated with its foreign operations that may increase liability and costs, lengthen sales cycles and require significant management attention. These risks include:

- compliance with the laws of the United States, Canada and other countries that apply to the Company's international operations, including import and export legislation, lawful access, privacy laws and anti-corruption laws;
- reliance on third parties to establish and maintain foreign operations;
- complications in compliance with, and unexpected changes in, foreign regulatory requirements, including requirements relating to content filtering and requests from law enforcement authorities;
- trading and investment policies;
- consumer protection laws that impose additional obligations on the Company or restrict the Company's ability to provide limited warranty protection;
- instability in economic or political conditions, including inflation, recession and actual or anticipated military conflicts, social upheaval or political uncertainty;
- foreign exchange controls and cash repatriation restrictions;
- tariffs and other trade barriers;
- increased credit risk and difficulties in collecting accounts receivable;
- potential adverse tax consequences;
- uncertainties of laws and enforcement relating to the protection of intellectual property or secured technology;
- litigation in foreign court systems;
- cultural and language differences; and
- difficulty in managing a geographically dispersed workforce in compliance with local laws and customs that vary from country to country.

In addition, the Company is exposed to foreign exchange risk as a result of transactions in currencies other than its U.S. dollar functional currency. The majority of the Company's revenue and purchases of raw materials are denominated in U.S. dollars. However, some revenue, a substantial portion of operating costs, including salaries and manufacturing overhead, as well as capital expenditures, are incurred in other currencies, primarily Canadian dollars, Euros and British Pounds. If the Canadian dollar appreciates relative to the U.S. dollar, the Company's Canadian dollar denominated expenses will increase when converted to U.S. dollars for financial reporting purposes. If the Euro depreciates relative to the U.S. dollar, the Company's Euro denominated revenues will decrease when translated to U.S. dollars for financial reporting purposes. Foreign exchange rate fluctuations may materially affect the Company's results of operations in future periods. For more details, please refer to the discussion of foreign exchange and income taxes in the Company's MD&A for the fiscal year ended February 28, 2017.

All of the above factors may have a material adverse effect on the Company's business, results of operations and financial condition and there can be no assurance that the policies and procedures implemented by the Company to address or mitigate these risks will be successful, that Company personnel will comply with them, or that the Company will not experience these factors in the future.

Errors in the Company's products and services can be difficult to detect and remedy and could have a material adverse effect on the Company's business.

The Company's products and services are highly complex and sophisticated and may contain design defects, bugs or security vulnerabilities that are difficult to detect and correct. Errors may be found in new products or services or improvements to existing products or services after delivery to the Company's customers. If these errors are discovered, the Company may not be able to successfully correct them in a timely manner or at all. The occurrence of defects, bugs or vulnerabilities in the Company's products or services could result in the delay or the denial of their market acceptance and may harm the Company's reputation, and correcting them could require significant expenditures by the Company. In addition, the failure of the Company's products or services to perform to end user expectations could give rise to product liability and warranty claims, including class action litigations, or to the withdrawal of certifications. The consequences of any such defects, bugs,

vulnerabilities and claims could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's business could be negatively affected as a result of actions of activist shareholders.

Publicly-traded companies have increasingly become subject to campaigns by investors seeking to advocate certain governance changes or corporate actions such as financial restructuring, special dividends, share repurchases or even sales of assets or the entire company. Activist shareholders have publicly advocated for certain governance and strategic changes at the Company in the past, and the Company could be subject to additional shareholder activity or demands in the future. Given the challenges the Company has encountered in its business in recent years, recent changes to the Company's governance and strategic focus may not satisfy such shareholders who may attempt to promote or effect further changes, or acquire control over the Company. Responding to proxy contests, media campaigns and other actions by activist shareholders would be costly and time-consuming, disrupt the Company's operations and would divert the attention of the Board and senior management from the pursuit of its business strategies, particularly its ability to implement its new strategic initiatives, which could adversely affect the Company's results of operations, financial condition and prospects. If individuals are elected to the Board with a specific agenda to increase short-term shareholder value, it may adversely affect or undermine the Company's ability to effectively implement its strategic initiatives. Perceived uncertainties as to the Company's future direction as a result of shareholder activism could also result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners.

The Company may not be successful in fostering an ecosystem of third-party application developers.

The Company believes decisions by customers to purchase its products depend in part on the availability and compatibility of software applications and services that are developed and maintained by third-party developers. The Company may not be able to convince third parties to develop and maintain applications for the BlackBerry Secure platform. The loss of, or inability to maintain these developer relationships may materially and adversely affect the desirability of the Company's products and, hence, the Company's revenue from the sale of its products.

Failure of the Company's suppliers, subcontractors, third-party distributors and representatives to use acceptable ethical business practices or to comply with applicable laws could negatively impact the Company's business.

The Company expects its suppliers, subcontractors, licensees and other partners to operate in compliance with applicable laws, rules and regulations regarding working conditions, labour and employment practices, environmental compliance, anti-corruption, and patent and trademark licensing, as detailed in the Company's Supplier Code of Conduct. However, the Company does not directly control their labour and other business practices. If one of the Company's suppliers or subcontractors violates applicable labour, anti-corruption or other laws, or implements labour or other business practices that are regarded as unethical, or if a supplier or subcontractor fails to comply with procedures designed by the Company to adhere to existing or proposed regulations, the delivery of BlackBerry products could be interrupted, orders could be canceled, relationships could be terminated, the Company's reputation could be damaged, and the Company may be subject to liability. Any of these events could have a negative impact on the Company's business, results of operations and financial condition.

The Company is subject to risks related to health and safety and hazardous materials usage regulations, and to product certification risks.

The Company must comply with a variety of laws, standards and other requirements governing, among other things, health and safety, hazardous materials usage, packaging and environmental matters, and its products must obtain regulatory approvals and satisfy other regulatory concerns in the various jurisdictions in which they are sold. There can be no assurance that the costs of complying with such laws, standards and requirements will not adversely affect the Company's business, results of operations or financial condition. Any failure to comply with such laws, standards and requirements may subject the Company to regulatory or civil liability, fines or other additional costs, and reputational harm, and may in severe cases prevent it from selling its products in certain jurisdictions. In addition, any perceived risk of adverse health effects of mobile communication devices could materially adversely affect the Company through litigation or a reduction in sales.

In addition to complying with regulatory requirements, the Company must obtain certain product approvals and certifications from governmental authorities, regulated enterprise customers and network carrier partners. Failure to maintain such approvals or certifications for the Company's current products or to obtain such approvals or certifications for any new products on a timely basis could have a material adverse effect on the Company's business, results of operations and financial condition.

There are costs and other burdens associated with regulations regarding conflict minerals.

In fiscal 2015, the SEC adopted new disclosure requirements implementing Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* for issuers that manufacture or contract to manufacture products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries. These so-called "conflict minerals" are commonly found in materials used in the manufacture of certain of the Company's products. The disclosure requirements may limit the sourcing and availability, or may increase the costs, of some of the metals used in the manufacture

of certain of the Company's products. The effect may also reduce the number of suppliers who provide conflict-free metals, and may affect the ability of the Company or third party manufacturers to obtain products in sufficient quantities or at competitive prices. Also, since the Company's supply chain is complex, the Company may face reputational challenges if it is unable to sufficiently verify, through its due diligence procedures, the origins for all metals used in its products or if it discloses that it is unable to determine whether "conflict minerals" are contained in its products.

The Company may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses.

As a foreign private issuer, as defined in Rule 3b-4 under the Exchange Act, the Company is currently exempt from certain of the provisions of the U.S. federal securities laws. For example, the U.S. proxy rules and the Section 16 reporting and "short swing" profit rules do not apply to foreign private issuers. To be considered a foreign private issuer, a company must satisfy a United States shareholder test (less than 50% of the voting securities of a company must be held by residents of the United States) or a three part business contacts test. A substantial number of the outstanding voting securities of the Company are directly or indirectly held of record by residents of the United States. If the Company loses its status as a foreign private issuer, these regulations would apply and it would also be required to commence reporting on forms required of U.S. domestic companies, such as Forms 10-K, 10-Q and 8-K, rather than the forms currently available to the Company, such as Forms 40-F and 6-K. Compliance with the additional disclosure and timing requirements under these securities laws would likely result in increased expenses and would require the Company's management to devote substantial time and resources to comply with new regulatory requirements. The Company would also no longer be able to utilize the significant benefits afforded by the U.S./Canada multijurisdictional disclosure system, which generally permits eligible Canadian companies to use Canadian disclosure documents to satisfy continuous reporting requirements in both Canada and the United States, and allows Canadian companies to make offers and sales of securities to the public in the United States using a Canadian prospectus that is subject to review by the principal Canadian regulator, thereby avoiding the costs and delays associated with duplicative and sometimes conflicting regulatory requirements. In addition, the Company would not be able to benefit from certain exemptions available to foreign private issuers that it has used in the past, including its ability to comply with the rules of the TSX in lieu of certain NASDAQ listing requirements.

Copyright levies in numerous countries for the sale of products may negatively impact the Company's business.

The Company faces the possibility of copyright levies from collecting societies in European and other countries for the sale of certain BlackBerry products that might be used for the private copying of copyright protected works. The collecting societies argue that copyright levies should apply to such products because they include audio/video recording functionality, such as an MP3 player or storage capability, despite the fact that such products are not primarily intended to act as a recording device. If these levies are imposed, the Company's financial results may be negatively impacted. Furthermore, the Company may be required to pay copyright levies on products and services used by consumers to copy or stream copyrighted works. Non-compliance with these legal requirements could result in fines, imprisonment of local executives, and sanctions on the import and/or use of the Company's products or services.

Tax provision changes, the adoption of new tax legislation or exposure to additional tax liabilities could materially impact the Company's financial condition.

The Company is subject to income, indirect (such as sales tax, sales and use tax and value-added tax) and other taxes in Canada and numerous foreign jurisdictions. Significant judgment is required in determining its worldwide liability for income, indirect and other taxes, as well as potential penalties and interest. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Company believes that its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits will not be materially different from that which is reflected in historical income, indirect and other tax provisions and accruals. Should additional taxes or penalties and interest be assessed as a result of an audit, litigation or changes in tax laws, there could be a material adverse effect on the Company's current and future results and financial condition. In addition, there is a risk of recoverability of future deferred tax assets.

The Company's future effective tax rate will depend on the relative profitability of the Company's domestic and foreign operations, the statutory tax rates and taxation laws of the related tax jurisdictions, the tax treaties between the countries in which the Company operates, the timing of the release, if any, of the valuation allowance, and the relative proportion of research and development incentives to the Company's profitability.

The Company expects its quarterly revenue and operating results to fluctuate.

The Company's revenues can change from one quarter to the next, including due to unexpected developments late in a quarter, such as lower-than-anticipated demand for the Company's products and services, issues with new product or service introductions, an internal systems failure, or challenges with one of the Company's distribution channels or other partners (including licensees and manufacturers).

Gross margins on the Company's products and services vary across product lines and can change over time as a result of product transitions, pricing and configuration changes, and cost fluctuations. In addition, the Company's gross margin and operating margin percentages, as well as overall profitability, may be materially adversely impacted as a result of a shift in product/service, geographic or channel mix, component cost increases, price competition, or the introduction of new products and services, including those that have higher cost structures or reduced pricing.

The market price of the Company's common shares is volatile.

The market price of the Company's outstanding common shares has been and continues to be volatile, due in part to uncertainty relating to the Company's ability to implement and realize the benefits of its ongoing strategic initiatives. The market price of the Company's shares may fluctuate significantly in response to the risks described elsewhere in these Risk Factors, as well as numerous other factors, many of which are beyond the Company's control, including: (i) announcements by the Company or its competitors of new products and services, acquisitions, customer wins or strategic partnerships; (ii) forward-looking financial guidance provided by the Company, any updates to this guidance, or the Company's failure to meet this guidance; (iii) quarterly and annual variations in operating results, which are difficult to forecast, and the Company's financial results not meeting the expectations of analysts or investors; (iv) recommendations by securities analysts or changes in earnings estimates; (v) the performance of other technology companies or the increasing market share of such companies; (vi) results of existing or potential litigation; (vii) trading volume; or (viii) market rumours.

In addition, broad market and industry factors may decrease the market price of the Company's common shares, regardless of the Company's operating performance. The stock market in general, and the securities of technology companies in particular, have often experienced extreme price and volume fluctuations. Periods of volatility in the overall market and in the market price of the Company's securities may prompt securities class action litigation against the Company which, if not resolved swiftly, can result in substantial costs and a diversion of management's attention and resources. See also the Risk Factor entitled "Litigation against the Company may result in adverse outcomes" and the "Legal Proceedings" section in this AIF.

Adverse economic and geopolitical conditions may negatively affect the Company.

A slowdown in capital spending by end users of the Company's products and services, coupled with existing economic and geopolitical uncertainties globally and in the Company's target vertical markets, could substantially reduce the demand for the Company's products and services and adversely affect the Company's business, results of operations and financial condition.

Current and future conditions in the domestic and global economies remain uncertain, and it is difficult to estimate the level of economic activity for the economy as a whole. It is even more difficult to estimate growth in various parts of the economy, including the markets in which the Company participates. Because all components of the Company's budgeting and forecasting are dependent upon estimates of economic activity in the markets that the Company serves and demand for its products and services, economic uncertainties make it difficult to estimate future income and expenditures.

If economic or geopolitical uncertainties cause customers to reduce their IT budgets or to reduce or cancel orders for the Company's products and services, the Company's business, results of operations and financial condition may be adversely affected.

In addition, acts of terrorism and the outbreak of hostilities and armed conflicts within or between countries have created and may continue to create uncertainties that may affect the global economy and could have a material adverse effect on the Company's business, results of operations and financial condition.

A significant portion of the Company's assets are held in cash, cash equivalents, and short-term or long-term investments, all of which are subject to market and credit risk.

The Company had total cash, cash equivalents and investments of $1.7 billion as at February 28, 2017, compared to $2.6 billion as at February 29, 2016. Cash equivalents, short term and other investments are invested primarily in debt securities of varying maturities. Consequently, the Company is exposed to interest rate risk and its results of operations may be adversely affected by changes in interest rates. The fair value of short term and other investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates.

Additionally, the Company is exposed to credit risk on its investment portfolio. While the Company's investment policies include investing in liquid, investment-grade securities and limiting investments in any single issuer, there can be no assurance that such investment policies will reduce or eliminate market or credit risks. See "Market Risk of Financial Instruments" in the

Company's MD&A for the fiscal year ended February 28, 2017 for a discussion of credit risk related to the Company's investment portfolio.

Future issuances of common shares by the Company, including upon any conversion of the 3.75% Debentures, will be dilutive to existing shareholders.

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting Class A common shares and an unlimited number of preferred shares issuable in series on terms and conditions established by the Board, generally without the approval of shareholders. Existing shareholders have no pre-emptive rights in connection with such further issues. During fiscal 2017, the Company issued $605 million aggregate principal amount of 3.75% Debentures, which may be converted at the holders' option for up to 60,500,000 common shares (subject to adjustment in certain circumstances). If the 3.75% Debentures were converted in full as at February 28, 2017, the common shares issued would represent approximately 10.2% of the Company's then outstanding common shares. Subject to TSX and NASDAQ rules requiring shareholder approval, the Company may make future acquisitions or enter into financings or other transactions involving the issuance of common shares or securities convertible into common shares, which may be dilutive to existing shareholders. Sales or issuances of substantial numbers of common shares, or the perception that such sales could occur, may adversely affect prevailing market pricing for the Company's common shares.

There could be adverse tax consequences for the Company's shareholders in the United States if the Company is or was a passive foreign investment company.

Under U.S. federal income tax laws, if a company is, or for any past period was, a passive foreign investment company ("PFIC"), there could be adverse U.S. federal income tax consequences to U.S. shareholders even if the Company is no longer a PFIC. The determination of whether the Company is a PFIC is a factual determination made annually based on various facts and circumstances and thus is subject to change, and the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. While the Company does not believe that it is currently or has been a PFIC, there can be no assurance that the Company was not a PFIC in the past and will not be a PFIC in the future. U.S. shareholders are urged to consult their tax advisors concerning U.S. federal income tax consequences of holding the Company's common shares if the Company is or has been considered a PFIC.

DIVIDEND POLICY AND RECORD

The Company has not paid any cash dividends on its common shares during the last three fiscal years. The Company will consider paying dividends on its common shares in the future when circumstances permit, having regard to, among other things, the Company's earnings, cash flows and financial requirements, as well as relevant legal and business considerations.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of voting common shares without par value, an unlimited number of non-voting, redeemable, retractable class A common shares without par value, and an unlimited number of non-voting, cumulative, redeemable, retractable preferred shares without par value, issuable in series. Only common shares are issued and outstanding.

Common Shares

Each common share is entitled to one vote at meetings of the shareholders and to receive dividends if, as and when declared by the Board. Dividends which the Board determines to declare and pay shall be declared and paid in equal amounts per share on the common shares and class A common shares at the time outstanding without preference or distinction. Subject to the rights of holders of shares of any class of share ranking prior to the common shares and class A common shares, holders of common shares and class A common shares are entitled to receive the Company's remaining assets ratably on a per share basis without preference or distinction in the event that it is liquidated, dissolved or wound-up.

Class A Common Shares

The holders of class A common shares are not entitled to receive notice of, or attend or vote at, any meeting of the Company's shareholders, except as provided by applicable law. Each such holder is entitled to receive notice of, and to attend, any meetings of shareholders called for the purpose of authorizing the dissolution or the sale, lease or exchange of all or substantially all of the Company's property other than in the ordinary course of business and, at any such meeting, shall be entitled to one vote in respect of each class A common share on any resolution to approve such dissolution, sale, lease or exchange. Dividends are to be declared and paid in equal amounts per share on all the common shares and the class A common shares without preference or distinction. Subject to the rights of holders of any class of share ranking prior to the common shares and class A common shares, in the event that the Company is liquidated, dissolved or wound-up, holders of common shares and class A common shares are entitled to receive the remaining assets ratably on a per share basis without preference or distinction.

The Company authorized for issuance the class A common shares when the Company was a private company to permit employees to participate in equity ownership. Class A common shares previously issued by the Company to such employees were converted on a one-for-one basis into common shares in December 1996. At this time, the Company has no plans to issue further class A common shares.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, or to attend or vote at, any meeting of the Company's shareholders, except as provided by applicable law. Preferred shares may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that the Company is liquidated, dissolved or wound-up, rank prior to the common shares and the class A common shares. The Board has the authority to issue series of preferred shares and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, of each series without any further vote or action by shareholders. The holders of preferred shares do not have pre-emptive rights to subscribe to any issue of the Company's securities. At this time there are no preferred shares outstanding and the Company has no plans to issue any preferred shares.

Convertible Debentures

Debenture Refinancing

In fiscal 2014, the Company issued $1.25 billion of 6% Debentures in a private placement. The Company had an option to redeem the 6% Debentures after November 13, 2016 at specified redemption prices in specified periods. On August 26, 2016, the Company announced that, with the approval of the holders of the 6% Debentures, the indenture governing the 6% Debentures had been amended to permit optional redemption by the Company prior to November 13, 2016. On September 2, 2016, the Company redeemed all of the outstanding 6% Debentures for an aggregate redemption amount of approximately $1.33 billion.

On September 7, 2016, the Company issued the 3.75% Debentures in an aggregate principal amount of $605 million, which replaced the 6% Debentures in part. The following is a summary of the material attributes and characteristics of the 3.75% Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the terms of the Indenture (as defined below). Reference is made to the Indenture, which contains the complete description of the 3.75% Debentures, and which has been filed on SEDAR at www.sedar.com and with the SEC at www.sec.gov.

General

The 3.75% Debentures are direct, unsecured debt obligations of the Company and are issued under an indenture (the "Indenture") dated as of September 7, 2016 between the Company, as issuer, BlackBerry Corporation, BlackBerry UK Limited, BlackBerry Singapore Pte. Limited, Good Technology Corporation and QNX Software Systems Limited as guarantors (collectively, the "Guarantors") and BNY Trust Company of Canada, as trustee (the "Trustee"). The 3.75% Debentures are limited in the aggregate principal amount of $605,000,000.

The 3.75% Debentures have a maturity date of November 13, 2020 (the "Maturity Date"), subject to the prior conversion or payment thereof as provided by the Indenture.

Each of the Guarantors has separately guaranteed the payment of principal, premium (if any) and interest and other amounts due under the 3.75% Debentures, and the performance of all other obligations of the Company under the Indenture (the "Guarantees"). Other significant subsidiaries of the Company may be required to provide such Guarantees where they satisfy certain financial tests.

Interest

The 3.75% Debentures bear interest at a rate of 3.75% per annum, payable in equal quarterly instalments in arrears on the first day of March, June, September and December of each year. If an Event of Default (as defined below) has occurred and is continuing, the 3.75% Debentures will bear interest at a rate of 7.75% per annum during the period of the default.

Subordination

The 3.75% Debentures rank *pari passu* with one another, in accordance with their tenor without discrimination, preference or priority and, subject to statutory preferred exceptions, shall rank equally with all other present and future unsubordinated unsecured Indebtedness (as defined below) of the Company, other than the Specified Senior Indebtedness (as defined below) of the Company and the Guarantors. No payments shall be made on account of the 3.75% Debentures during any default of payment when due of any principal, interest or other amount owing with respect to Specified Senior Indebtedness, unless such Specified Senior Indebtedness shall first have been paid in full or provided for. The Trustee, on behalf of the holders of 3.75% Debentures (the "Holders"), may from time to time enter into subordination agreements with Senior Creditors (as defined below) to reflect the relative priorities of the Holders and such Senior Creditors.

Conversion Privilege

Each Holder shall have the right at its option to convert each $1,000 principal amount of its 3.75% Debentures into common shares at any time prior to the third business day prior to the Maturity Date. Common shares will be issued based on an initial conversion price of $10.00 principal amount of 3.75% Debentures per share (the "Conversion Price"), subject to adjustment in certain circumstances.

No Redemption

The 3.75% Debentures are not redeemable at the option of the Company prior to the Maturity Date.

Change of Control

If a change of control of the Company occurs involving: (i) the acquisition by any person or groups of persons acting jointly or in concert, directly or indirectly, in a single transaction or a series of related transactions, of voting control or direction over more than 35% of the then-outstanding common shares; (ii) the acquisition by any person (other than the Company or any of

the Guarantors) or one or more members of a group of persons acting jointly or in concert (other than a group consisting solely of two or more of the Company and any of the Guarantors), directly or indirectly, in a single transaction or a series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole; or (iii) the completion of a merger, amalgamation, arrangement or similar transaction which results in holders of the Company's common shares immediately prior to the completion of the transaction holding less than 50% of the then outstanding common shares of the resulting entity after the completion of the transaction (a "Change of Control"), the Company is required to make an offer (a "Repayment Offer") to purchase all or, at the option of the Holders, a portion (in integral multiples of $1,000) of the principal amount of the 3.75% Debentures held by such Holders, at a price equal to 115% of the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the Change of Control Repurchase Date (as defined in the Indenture) (the "Change of Control Repurchase Price"). The Company is not required to make that Repayment Offer to Fairfax Financial Holdings Limited ("Fairfax") or its affiliates, or any of their joint actors, if they caused such a Change of Control. Any 3.75% Debentures so repurchased will be cancelled and may not be reissued or resold.

Certain Covenants

The Company is bound by certain covenants under the Indenture. Positive covenants include: (i) payment of the Trustee's remuneration; (ii) maintenance of corporate existence and books of account; and (iii) payment of principal, premium (if any) and interest on the 3.75% Debentures when due and payable. Reporting covenants include: (i) provision of an annual compliance certificate regarding compliance with the terms of the Indenture and confirming that no Events of Default have occurred under the Indenture; (ii) provision of notice of an Event of Default or any event which, with the passing of time or giving of notice, would constitute an Event of Default; and (iii) provision of public disclosure documents to the Trustee or Holders in certain circumstances. Subject to customary exceptions, negative covenants include: (i) no liens on assets of the Company or its subsidiaries, except Permitted Liens (as defined in the Indenture, which include customary liens arising by operation of law, liens securing Specified Senior Indebtedness, Purchase Money Security Interests (as defined below) securing permitted Indebtedness, liens on real property incurred in connection with a sale and leaseback of permitted Indebtedness, and any other lien not prohibited by the Company's asset-backed lending facility (now terminated), subject to compliance with restrictions on incurring Indebtedness); (ii) a limitation on amalgamations and mergers except in compliance with customary successor entity provisions; and (iii) a limitation on dividends, dividend increases and speculative hedging transactions.

The Company and its subsidiaries are restricted, without consent of Holders of 66-2/3% of the outstanding 3.75% Debentures, from incurring any indebtedness or permitting any indebtedness to be outstanding, other than:

(a) the 3.75% Debentures and the Guarantees;
(b) Specified Senior Indebtedness in an aggregate principal amount at any one time outstanding not to exceed $550,000,000;
(c) Indebtedness in an aggregate principal amount at any one time outstanding not to exceed $450,000,000, comprised of:
    (i) Indebtedness secured by a Purchase Money Security Interest including Capital Leases (as defined below);
    (ii) Indebtedness incurred in connection with a sale and leaseback of real property;
    (iii) Indebtedness incurred under a securitization or factoring of receivables;
    (iv) Indebtedness of any subsidiary acquired by the Company or its subsidiaries that existed prior to such acquisition and not incurred in contemplation of such acquisition;
    (v) Indebtedness incurred to finance insurance premiums;
    (vi) other Indebtedness (other than Specified Senior Indebtedness) provided that such Indebtedness shall be unsecured; or
    (vii) Indebtedness incurred to refinance any Indebtedness referred to in clauses (i) through (iv) above.

Events of Default

The Indenture provides for such events of default as are customary for indebtedness of this type (each, an "Event of Default") including: (i) a default in payment of any principal amount, purchase price or any Change of Control Repurchase Price when due; (ii) a default in payment of interest on any 3.75% Debentures when due and the continuance of such default for 10 days; (iii) a default in maintaining the Company's reporting issuer status or the listing of the common shares, or in providing an opinion in respect of new Guarantors, and the continuance of such default for five business days; (iv) a default in the delivery of common shares or cash due upon conversion of 3.75% Debentures, and the continuance of such default for three business days; (v) a default by the Company or any Guarantor in performing or observing any of the other covenants, agreements or material obligations of the Company or the Guarantor under the Indenture, and the continuance of such default for 30 days after written notice to the Company by the Trustee or by the Holders of not less than 25% in principal amount of outstanding 3.75% Debentures requiring the same to be remedied; (vi) the failure to make a Repayment Offer following the occurrence of a Change of Control; (vii) certain events of bankruptcy or insolvency with respect to the Company or any Guarantor; (viii) any of

the Guarantees being held in any judicial proceeding to be unenforceable or invalid or ceasing for any reason to be in full force and effect or any Guarantor, or any person acting on behalf of a Guarantor, denying or disaffirming its obligations under its Guarantee; (ix) (A) if the Company or any Guarantor is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount on any Indebtedness that is outstanding in an aggregate principal amount of more than $50,000,000 (or its equivalent in the relevant currency of payment) beyond any period of grace provided with respect thereto, or (B) if the Company or any Guarantor is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of more than $50,000,000 (or its equivalent in the relevant currency of payment) or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and in each case as a consequence of such default or condition such Indebtedness has become or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment, or (C) as a consequence of the occurrence or continuation of any event or condition (other than (a) the passage of time or (b) the right of the holder of Indebtedness to convert such Indebtedness into equity interests or (c) any mandatory prepayment provisions in an agreement governing Indebtedness unless such provisions also require the permanent prepayment of all Indebtedness then outstanding and, if applicable, the permanent cancellation of all other amounts available to be borrowed under such agreement), the Company or any Guarantor has become obligated to purchase or repay Indebtedness (including any Specified Senior Indebtedness but excluding the 3.75% Debentures) before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of more than $50,000,000 (or its equivalent in the relevant currency of payment); and (x) if the Company or any of its subsidiaries fails to pay final judgments aggregating in excess of an amount greater than $50,000,000 in cash (net of any amounts for which an insurance company is liable) rendered against the Company or any of its subsidiaries by a court of competent jurisdiction, which judgments are not paid, discharged or stayed for a period of 30 days after such judgments become final and non-appealable.

If an Event of Default has occurred and is continuing (other than an Event of Default due to an event of bankruptcy or insolvency), the Trustee may, in its discretion, and shall, at the written request of Holders of not less than 25% of the aggregate principal amount of the 3.75% Debentures then outstanding, declare the principal of (and premium, if any), together with accrued interest on all outstanding 3.75% Debentures to be immediately due and payable. If an Event of Default due to an event of bankruptcy or insolvency occurs, the principal of (and premium, if any), together with accrued interest on all outstanding 3.75% Debentures will immediately become due and payable without any action on the part of the Trustee or any Holders of 3.75% Debentures. The Holders of more than 66-2/3% of the principal amount of outstanding 3.75% Debentures may, on behalf of the Holders of all outstanding 3.75% Debentures, waive an Event of Default in the manner set forth below under “Modification or Waiver”.

Modification or Waiver

The rights of the Holders may be modified or waived in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Holders resolutions passed at meetings of the Holders (which may be called by the Company or the Trustee upon not less than 21 days’ notice) by votes cast thereat by Holders of not less than 66-2/3% including waivers for certain events of default, or in the case of Extraordinary Resolutions (as defined in the Indenture) and waivers of certain defaults in payment or delivery of shares not less than 85%, of the aggregate principal amount of the 3.75% Debentures present at the meeting or represented by proxy, provided that a quorum for all meetings of Holders of 3.75% Debentures will be at least 25% of the aggregate principal amount of outstanding 3.75% Debentures represented in person or by proxy, or rendered by instruments in writing signed by the Holders of not less than 66-2/3%, or in the case of Extraordinary Resolutions not less than 85%, of the aggregate principal amount of the 3.75% Debentures then outstanding. In addition, without the approval of Holders by Extraordinary Resolution, the Indenture may not be amended to: (i) alter the manner of calculation of or rate of accrual of interest on the 3.75% Debentures or change the time of payment; (ii) make the 3.75% Debentures convertible into securities other than common shares; (iii) change the Maturity Date or any instalment of interest on the 3.75% Debentures; (iv) reduce the principal amount or Change of Control Repurchase Price with respect to the 3.75% Debentures; (v) make any change that adversely affects the rights of Holders to require the Company to purchase the 3.75% Debentures at the option of Holders; (vi) impair the right to institute suit for the enforcement of payments or the conversion of the 3.75% Debentures; (vii) change the currency of payment of principal of, or interest on, the 3.75% Debentures; (viii) except as contemplated by the Indenture, change the Conversion Price or otherwise adversely affect the Holders’ conversion rights; (ix) release any of the Guarantors from any of their obligations under a Guarantee provided for in the Indenture, except in accordance with the Indenture; or (x) change the provisions in the Indenture that relate to modifying or amending the Indenture.

Defined Terms

In the foregoing summary, the following terms have the meanings set forth below:

“**Capital Lease**” means, with respect to any Person (as defined in the Indenture), any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with U.S. GAAP (as in effect on the date of the Indenture), is required to be classified and accounted for as a capital lease on a balance sheet of such Person;

"**Indebtedness**" means, with respect to a person, and without duplication:

(a) indebtedness of such person for monies borrowed or raised, including any indebtedness represented by a note, bond, debenture or other similar instrument of such person;
(b) reimbursement obligations of such person arising from bankers' acceptance, letters of credit or letters of guarantee or similar instruments;
(c) indebtedness of such person for the deferred purchase price of property or services, other than for consumable non-capital goods and services purchased in the ordinary course of business, including arising under any conditional sale or title retention agreement, but excluding for greater certainty ordinary course accounts payable;
(d) obligations of such person under or in respect of Capital Leases, synthetic leases, Purchase Money Security Interests or sale and leaseback transactions;
(e) the aggregate amount at which shares in the capital of such person that are redeemable at fixed dates or intervals or at the option of the holder thereof may be redeemed; and
(f) guarantees or liens granted by such person in respect of Indebtedness of another person;

"**Purchase Money Security Interest**" means a lien created or incurred by the Company or one of its subsidiaries securing Indebtedness incurred to finance the acquisition of property (including the cost of installation thereof), provided that (i) such lien is created substantially simultaneously with the acquisition of such property, (ii) such lien does not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased subsequent to such acquisition, and (iv) the principal amount of Indebtedness secured by any such lien at no time exceeds 100% of the original purchase price of such property and the cost of installation thereof, and for the purposes of this definition the term "acquisition" includes a Capital Lease;

"**Senior Creditor**" means a holder or holders of Specified Senior Indebtedness and includes any representative or representatives or trustee or trustees of any such holder or holders; and

"**Specified Senior Indebtedness**" means, without duplication, such Indebtedness as the Company shall designate as "Specified Senior Indebtedness" by notice to the Trustee in writing; provided that the aggregate principal amount of Specified Senior Indebtedness shall not exceed $550,000,000 at any one time outstanding; provided, further, that all Specified Senior Indebtedness must constitute:

(a) Indebtedness referred to in paragraphs (a) and (b) of the definition of Indebtedness above;
(b) renewals, extensions, restructurings, refinancings and refundings of any such Indebtedness; and
(c) guarantees of any of the foregoing.

MARKET FOR SECURITIES OF THE COMPANY

The Company's common shares are listed and posted for trading on the TSX under the symbol "BB" and are listed on NASDAQ under the symbol "BBRY". The volume of trading and price ranges of the Company's common shares on the TSX and NASDAQ during the previous fiscal year are set out in the following table:

	Common Shares – TSX		Common Shares – NASDAQ	
Month	Price Range (CDN $)	Average Daily Volume	Price Range (US $)	Average Daily Volume
March 2016	$9.87-$11.09	1,400,592	$7.43-$8.36	4,933,441
April 2016	$8.78-$10.10	1,432,870	$6.93-$7.73	6,033,613
May 2016	$8.36-$9.57	1,072,356	$6.50-$7.32	3,508,086
June 2016	$8.15-$9.61	1,298,090	$6.23-$7.49	4,156,533
July 2016	$8.27-$10.18	1,222,163	$6.35-$7.74	4,068,284
August 2016	$9.93-$10.67	922,541	$7.57-$8.30	4,010,249
September 2016	$9.45-$11.18	1,208,776	$7.15-$8.46	4,650,368
October 2016	$9.39-$10.59	926,070	$7.00-$8.02	3,403,636
November 2016	$9.32-$10.50	982,160	$6.93-$7.83	4,076,808
December 2016	$9.21-$10.78	1,441,751	$6.86-$8.05	6,999,079
January 2017	$9.08-$9.69	912,780	$6.86-$7.35	3,195,503
February 2017	$9.06-$9.87	806,630	$6.93-$7.52	3,315,054

In addition, the 6% Debentures were listed on the TSX from May 2014 until their redemption on September 2, 2016 under the symbol “BB.DB.U”. There was limited trading in the 6% Debentures. During fiscal 2017, an aggregate of $30,549,138 principal amount of 6% Debentures was traded on only 23 days on the TSX, at prices ranging from $103.50 to $115.00 per $100 principal amount.

The 3.75% Debentures have been listed on the TSX since January 2017, under the symbol “BB.DB.V”. There is limited trading in the 3.75% Debentures. During fiscal 2017, an aggregate of $6,120,000 principal amount of 3.75% Debentures was traded on only one day on the TSX at a price of $102.00 per $100 principal amount.

NORMAL COURSE ISSUER BID

The normal course issuer bid commenced by the Company on June 29, 2015 expired on June 28, 2016. During fiscal 2016, the Company repurchased for cancellation 12,606,978 common shares at a cost of approximately $93 million. No common shares of the Company were repurchased during fiscal 2017.

On August 4, 2016, the Company announced a normal course issuer bid to purchase up to $125 million principal amount of the 6% Debentures. During the second quarter of fiscal 2017, the Company repurchased and canceled approximately $5.0 million principal amount of 6% Debentures for approximately $5.3 million. The balance of the outstanding 6% Debentures was redeemed by the Company on September 2, 2016.

DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, the Company currently has a Board comprised of eight persons. Pursuant to a special resolution of shareholders, the directors are authorized from time to time to increase the size of the Board and to fix the number of directors, up to the maximum of 15 persons, as currently provided under the articles of the Company, without the prior consent of the shareholders.

The Board has determined that each member of the Board except Mr. Chen is “independent” under the NASDAQ rules and applicable securities law requirements.

The Company made one executive officer appointment during fiscal 2017, naming Steven Capelli as Chief Financial Officer.

The following table sets forth the name, province or state, and country of residence of each director and executive officer of the Company and their respective positions and offices held with the Company and their principal occupations during the last five years. Each director is elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

Name and Residence	Current Position with Company	Principal Occupation During the Last Five Years (other than Current Position with Company)
John S. Chen California, USA	Chief Executive Officer; Executive Chair/Director (since 2013)	Chief Executive Officer, President and Chairman, Sybase (1998 to 2012)
Michael Daniels[(1)] Virginia, USA	Director (since 2014)	Chairman, Logistics Management Institute (2011 to present); Chairman, Invincea (2011 to present); and Chairman, Globallogic (2007 to 2013)
Timothy Dattels[(2)] California, USA	Director (since 2012)	Senior Partner, TPG Capital (current)
Richard Lynch[(1)] Pennsylvania, USA	Director (since 2013)	President, FB Associates, LLC (current)
Laurie Smaldone Alsup[(2)] New Jersey, USA	Director (since 2015)	Chief Operating Officer and Chief Scientific Officer, NDA Group (2016 to present); President and Chief Scientific Officer, PharmApprove (2011 to 2016)
Barbara Stymiest, FCPA, FCA[(1)(2)] Ontario, Canada	Director (since 2007)	Corporate Director (current)

V. Prem Watsa[1] Ontario, Canada	Lead Director (since 2013)[3]	Chief Executive Officer, Fairfax (current)
Wayne Wouters[2] Ontario, Canada	Director (since 2015)	Strategic and Policy Advisor, McCarthy Tétrault LLP (2015 to present); Clerk of the Privy Council of Canada (2009 to 2014)
Marty Beard California, USA	Chief Operating Officer	Chairman and Chief Executive Officer of LiveOps (2011 to 2014)
Steven Capelli California, USA	Chief Financial Officer	Corporate Director (2013 to 2016); President, Worldwide Field Operations, Sybase (1997 to 2012)
Sandeep Chennakeshu Texas, USA	President, BlackBerry Technology Solutions	President, PMP LLC (2012 to 2014); Owner, RSI Consulting LLC (2013 to 2014); Senior Advisor to CEO of Sony Corporation of America (2010 to 2012)
Sai Yuen (Billy) Ho California, USA	Executive Vice President, Enterprise Products and Value Added Solutions	Senior Vice President and General Manager, Sybase (2009 to 2012)
Nita White-Ivy California, USA	Executive Vice President, Human Resources	Chief People Officer, SuccessFactors (2012 to 2013); Vice President, Worldwide Human Resources, Sybase (1998 to 2012)
Carl Wiese Texas, USA	President, Global Sales	Senior Vice President, Global Collaboration Sales, Cisco Systems (2009 to 2015)
Steve Zipperstein California, USA	Chief Legal Officer & Corporate Secretary	

Notes:

1 Member of the Compensation, Nomination and Governance Committee (Chair - V. Prem Watsa).
2 Member of the Audit and Risk Management Committee (Chair - Barbara Stymiest).
3 Mr. Watsa first joined the Company as a director in January 2012, but then resigned on August 13, 2013 in connection with the formation of the Special Committee to explore strategic alternatives and rejoined the Company as a director in November 2013.

The Board has two active standing committees: an Audit and Risk Management Committee and a Compensation, Nomination and Governance Committee, the members of which are noted above.

As at February 28, 2017, the above directors and executive officers of the Company beneficially owned, or controlled or directed, directly or indirectly, 3,290,652 common shares of the Company representing approximately 0.62% of the issued and outstanding common shares of the Company. In addition, as of such date, Fairfax and certain of its wholly-owned or controlled subsidiaries beneficially owned approximately 46,724,700 common shares of the Company (the “Fairfax Shares”) representing approximately 8.81% of the issued and outstanding common shares of the Company, or 96,724,700 common shares of the Company representing approximately 16.6% of the issued and outstanding common shares of the Company assuming conversion of all of its 3.75% Debentures and after giving effect to the conversion. Mr. Watsa, a director of the Company, is the Chairman and Chief Executive Officer of Fairfax and may be deemed under applicable U.S. securities laws to beneficially own the Fairfax Shares by virtue of his position at Fairfax.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than set out below, none of the directors or executive officers is, as at the date of this AIF, or was within 10 years before the date of the AIF, a director or chief executive officer or chief financial officer of any company (including the Company) that:

a) was subject to an order (as defined in National Instrument 51-102F2 of the Canadian Securities Administrators) 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 a director, chief executive officer, or chief financial officer.

Other than as set out below, none of the directors, executive officers or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company,

a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) 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; or

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

On November 7, 2006, as a result of the Company failing to file its second quarter financial statements for fiscal 2007 before the statutory filing deadline of October 17, 2006, a management cease trade order (the “MCTO”) was issued by the Ontario Securities Commission (the “OSC”) that applied to certain of the Company’s senior officers and other insiders of the Company at that time, including Ms. Stymiest. The MCTO prohibited trading in the Company’s securities by its senior officers, directors and certain insiders during the time that the MCTO was in effect. The MCTO was revoked on May 23, 2007 after the required securities filings were made by the Company with the OSC.

On July 17, 2009, Luna Innovations Inc. (“Luna”) filed a voluntary petition for relief to reorganize under Chapter 11 of the United States Bankruptcy Code , including a proposed plan of reorganization with the United States Bankruptcy Court for the Western District of Virginia (the “Bankruptcy Court”). On January 12, 2010, the Bankruptcy Court approved the plan and Luna emerged from bankruptcy on that date. Mr. Daniels was a member of the board of Luna from June 2007 until his resignation on July 16, 2009.

On May 27, 2011, Phytomedics, Inc. (“Phytomedics”) filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of New Jersey. Dr. Smaldone Alsup was Chief Executive Officer, President and a member of the board of directors of Phytomedics from April 2008 until the date of the bankruptcy filing when a trustee was appointed.

On November 21, 2013, TranSwitch Corporation (“TranSwitch”) filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Connecticut. Mr. Lynch was a member of the board of directors of TranSwitch from November 2010 and the chairman of the board from July 2012, until termination of the board on the date of the bankruptcy filing when a trustee was appointed.

On December 28, 2015, Kalobios Pharmaceuticals, Inc. (“Kalobios”) filed a voluntary petition for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. Dr. Smaldone Alsup was a member of the board of directors of Kalobios from October 2013 until her resignation on November 19, 2015.

Conflicts of Interest

There is no existing or, to the Company’s knowledge, potential material conflict of interest between the Company or a subsidiary of the Company and any director or officer of the Company or a subsidiary of the Company. See also “Interest of Management and Others in Material Transactions” in this AIF.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee’s purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control, and legal compliance and risk management functions of the Company and its subsidiaries. It is the objective of the Audit and Risk Management Committee to maintain free and open means of communications among the Board, the independent auditors and the financial and senior management of the Company. The full text of the Audit and Risk Management Committee’s Charter is included as Appendix A to this AIF.

Applicable securities laws require that, subject to certain exceptions, all members of the Audit and Risk Management Committee be “independent” under Sections 1.4 and 1.5 of National Instrument 52-110 of the Canadian Securities Administrators - *Audit Committees* and the rules and regulations of NASDAQ, and “financially literate”, meaning that the committee member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those issues reasonably expected to be raised by the Company’s financial statements. Ms. Stymiest (Chair), Mr. Dattels, Dr. Smaldone Alsup and Mr. Wouters are the members of

the Audit and Risk Management Committee, and each is an independent director of the Company and financially literate, based on his or her education and experience as described below. The Audit and Risk Management Committee has also developed, in conjunction with the Company's Chief Financial Officer and other accounting personnel and representatives of the Company's external auditors, an orientation and continuing education program that will provide the new members of the Audit and Risk Management Committee with additional information and understanding about the accounting and financial presentation issues underlying the Company's financial statements.

The members of the Audit and Risk Management Committee bring significant skill and experience to their responsibilities including professional experience in accounting, business, management and governance, and finance. The specific education and experience of each member that is relevant to the performance of his or her responsibilities as such member of the Audit and Risk Management Committee are set out below:

Barbara Stymiest, FCPA, FCA (Chair) – Ms. Stymiest has an HBA from the Richard Ivey School of Business, University of Western Ontario and an FCA from the Chartered Professional Accountants of Ontario. From 2004 to 2011, Ms. Stymiest held various senior management positions in the Royal Bank of Canada and served as a member of the Group Executive responsible for the overall strategic direction of the Company. Prior to this, Ms. Stymiest held positions as Chief Executive Officer at TMX Group Inc., Executive Vice-President & CFO at BMO Capital Markets and Partner of Ernst & Young LLP. Ms. Stymiest is currently a Director of George Weston Limited, Sun Life Financial Inc., University Health Network and the Canadian Institute for Advanced Research.

Timothy Dattels – Mr. Dattels has an MBA from Harvard Business School and is a Senior Partner of TPG Capital. Prior to joining TPG, Mr. Dattels served as a partner and Managing Director of Goldman Sachs and was head of Investment Banking for all Asian countries other than Japan. Through these roles, Mr. Dattels has gained extensive experience with financial analysis, financial advisory, analytics for mergers and acquisitions, public valuations, and financial valuation.

Dr. Laurie Smaldone Alsup – Dr. Smaldone Alsup has an MD from Yale University, where she completed her residency in Internal Medicine and fellowship in Medical Oncology. She is Chief Operating Officer and Chief Scientific Officer of NDA Group AB (which recently merged with PharmApprove where Dr. Smaldone Alsup was President and Chief Scientific Officer), a leading drug development consulting company. She previously served in clinical and regulatory roles of increasing responsibility and scope while at Bristol Myers Squibb, including Senior Vice President of Global Regulatory Science, where she also developed and led Business Risk Management for the company. In addition, she served as CEO of Phytomedics, an early stage biopharmaceutical company focused on arthritis and inflammation. Dr. Smaldone Alsup has extensive risk management and executive leadership experience.

The Hon. Wayne Wouters – Mr. Wouters has a BComm (Honours) from the University of Saskatchewan and an MA in economics from Queen's University. From 2009 to 2014, Mr. Wouters was the Clerk of the Privy Council of Canada and held the roles of Deputy Minister to the Prime Minister, Secretary to the Cabinet and Head of the Public Service. Prior to his tenure as Clerk, Mr. Wouters was Secretary of the Treasury Board of Canada and served in deputy ministerial and other senior positions in the Canadian public service. He is currently Strategic and Policy Advisor to McCarthy Tétrault LLP and a director of Champion Iron Limited, and serves as a member of the Board of Trustees of United Way Worldwide. Mr. Wouters has extensive experience with economic policy and international trade matters, which included oversight of multi-billion dollar budgets on behalf of the Government of Canada.

The Board has also determined that Ms. Stymiest is an audit committee financial expert within the meaning of General Instruction B(8)(a) of Form 40-F under the U.S. *Securities Exchange Act of 1934*, as amended. The SEC 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 who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or the Board.

As set out in the Audit and Risk Management Committee's charter, the committee is responsible for pre-approving all non-audit services to be provided to the Company by its independent external auditor. The Company's practice requires senior management to report to the Audit and Risk Management Committee any provision of services by the auditors and requires consideration as to whether the provision of the services other than audit services is compatible with maintaining the auditor's independence. All audit and audit-related services are pre-approved by the Audit and Risk Management Committee.

Audit Fees

The aggregate fees billed by Ernst & Young LLP ("EY") chartered accountants, the Company's independent external auditor, for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY for the audit of the Company's annual financial statements or services that are normally provided by EY in connection with statutory and regulatory filings or engagements for such fiscal years were $2,891,007 and $2,567,933, respectively.

Audit-Related Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for assurance and related services rendered by EY that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above as "Audit Fees" were $18,071 and $13,042, respectively. The fees paid in this category relate to provision of assurance services related to certain contractual compliance clauses, as well as the Company's corporate social responsibility disclosures.

Tax Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY for tax compliance, tax advice, tax planning and other services were $69,363 and $36,180, respectively. Tax services provided included international tax compliance engagements.

All Other Fees

The aggregate fees billed by EY for the fiscal years ended February 28, 2017 and February 29, 2016, respectively, for professional services rendered by EY were $80,277 and $422,200, respectively.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the three-year period ending February 28, 2017 and during the current fiscal year up to the date hereof, none of the Company's directors, executive officers, 10 percent shareholders or any of their associates or affiliates had a material interest, directly or indirectly, in any transaction that has materially affected or is reasonably expected to materially affect the Company, other than Mr. Watsa, the Chairman and Chief Executive Officer, and a significant shareholder, of Fairfax, which participated in the debenture financing in 2013 and continues to hold a significant proportion of the outstanding 3.75% Debentures. See "Description of Capital Structure - Convertible Debentures" in this AIF.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar in Canada is Computershare Investor Services Inc. of Canada at its offices in Toronto, Ontario. The co-transfer agent and registrar for the common shares in the United States is Computershare Trust Company, Inc. at its offices in Denver, Colorado.

MATERIAL CONTRACTS

Other than as noted below, the Company has not entered into any material contracts, on or after January 1, 2002, that are required to be filed pursuant to NI 51-102 of the Canadian Securities Administrators:

- the Agreement and Plan of Merger among BlackBerry Corporation, Good, Greenbrier Merger Corp. and Shareholder Representative Services LLC dated September 4, 2015, providing for the acquisition of Good by the Company for a purchase price of $425 million. The Agreement and Plan of Merger is summarized in the Company's material change report filed on SEDAR on September 14, 2015, which is incorporated by reference in this AIF;
- the Subscription Agreement providing for the early redemption of the 6% Debentures, and the subscription for the 3.75% Debentures dated as of August 26, 2016, which has been filed on SEDAR and is summarized under "Description of Capital Structure - Convertible Debentures - Debenture Refinancing"; and
- the Indenture providing for the issuance and conversion of the 3.75% Debentures, dated as of September 7, 2016, which has been filed on SEDAR, and the terms of which are summarized under "Description of Capital Structure - Convertible Debentures".

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, is the external auditor who prepared the Independent Auditors' Report to Shareholders in respect of the audited annual consolidated financial statements of the Company for the year ended February 28, 2017 and the Report to Shareholders of an Independent Registered Public Accounting Firm on the Company's internal controls over financial reporting. Ernst & Young LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and applicable securities laws.

ADDITIONAL INFORMATION

Additional information related to the Company can be found on SEDAR at www.sedar.com or on the SEC's website at www.sec.gov. Additional financial information is provided in the Company's audited consolidated financial statements and the Company's MD&A for the year ended February 28, 2017, which can be found at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness to the Company, principal holders of the securities of the Company and securities authorized for issuance under equity compensation plans, is contained in the Company's most recent management information circular.

APPENDIX A

CHARTER OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS OF BLACKBERRY LIMITED AS ADOPTED BY THE BOARD ON MARCH 30, 2017

1. AUTHORITY

The Audit and Risk Management Committee (the "**Committee**") of the Board of Directors (the "**Board**") of BlackBerry Limited (the "**Corporation**") is established pursuant to Section 5.03 of the Corporation's Amended and Restated By-law No. A3 and Section 158 of the Ontario Business Corporations Act. The Committee shall be comprised of three or more directors as determined from time to time by resolution of the Board. Consistent with the appointment of other Board committees, the members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board or at such other time as may be determined by the Board, and shall serve until the earlier of (i) the death of the member; or (ii) the resignation, disqualification or removal of the member from the Committee or from the Board. The Chair of the Committee shall be a member of the Committee designated by the Board, provided that if the Board does not so designate a Chair, the members of the Committee, by majority vote, may designate a Chair. The duties of the Chair are included in Annex A.

The presence in person or by telephone of a majority of the Committee's members shall constitute a quorum for any meeting of the Committee. All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present. Any decision or determination of the Committee reduced to writing and signed by all members of the Committee who would have been entitled to vote on such decision or determination at a meeting of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

2. PURPOSE OF THE COMMITTEE

The Committee's purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries as well as with respect to the oversight of enterprise risk management, including risk compliance, the internal audit function, and the controls, processes and policies used by management to effectively manage the Corporation's risks. It is the objective of the Committee to maintain free and open means of communication among the Board, the independent auditors and the financial and senior management of the Corporation.

3. COMPOSITION OF THE COMMITTEE

Each member of the Committee shall be an "independent" director within the meaning of Section 301 of the Sarbanes-Oxley Act of 2002 ("**Sarbanes-Oxley**"), the rules promulgated thereunder by the Securities and Exchange Commission (the "**SEC**"), the rules of the Nasdaq Stock Market ("**Nasdaq**") and National Instrument 52-110 "Audit Committees" of the securities regulators in Canada, and, as such, shall be free from any relationship that may interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee shall be financially literate at the time of their election to the Committee. "Financial literacy" shall be determined by the Board in the exercise of its business judgment, and shall include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Corporation's financial statements. At least one member of the Committee shall be an "audit committee financial expert" with the meaning of Section 407 of Sarbanes-Oxley and the rules promulgated thereunder by the SEC. Members of the Committee may not serve, in the aggregate, on more than 3 audit committees of public companies, unless the Board has determined that such service will not impair the member's ability to serve on the Committee.

Committee members, if they or the Board deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm. At least annually, the Committee shall review its performance and the contribution of each of its members. This review will be completed on a confidential basis in conjunction with the annual Board performance review process.

4. MEETINGS OF THE COMMITTEE

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. The Chair or any member of the Committee may call meetings of the Committee by notifying the Corporate Secretary of the Corporation. Notice of meetings may be done through any efficient communication medium (i.e. email, facsimile, mail, etc.) provided the notification is capable of being received at least twenty-four (24) hours in advance of the meeting. Each member of the Committee shall be responsible for providing up-to-date contact information to the Corporate Secretary to ensure efficient and timely communication. All independent directors may attend Committee meetings, provided that directors who are

not members of the Committee shall not be entitled to vote, nor shall their attendance be counted as part of the quorum of the Committee.

As part of its purpose to foster open communications, the Committee shall meet at least annually with management and the Corporation's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. The Committee will have unrestricted access to management and employees of the Corporation in order to carry out its duties and responsibilities. In addition, the Committee should meet or confer with the independent auditors and management to review the Corporation's financial statements, MD&A, annual and interim earnings press releases and related filings prior to their public release and filing with the Ontario Securities Commission ("**OSC**"), the SEC or any other regulatory body. The Chair should work with the Chief Financial Officer and management to establish the agendas for Committee meetings. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary.

Minutes of the Committee will be recorded and maintained by the Corporate Secretary and presented to the Committee at the next Committee meeting for approval. The Corporate Secretary, or his/her designate as approved by the Committee Chair, shall act as secretary for the meetings. For in camera sessions of the Committee without management present, minutes will be recorded and maintained by the Chair of the Committee or his/her designate. Each member of the Board will have access to the minutes of the Committee's meetings, regardless of whether he or she is a member of the Committee, and the Chair shall report to the Board at its next meeting on the activities, findings and recommendations of the Committee following each meeting. Minutes relating to in camera sessions may be provided to Board members with the consent of the Chair.

5. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for the oversight of the Corporation's accounting, financial reporting and risk management processes, including (i) the Corporation's internal controls, and the nomination and appointment (subject to Board and shareholder approval), compensation, retention, evaluation and oversight of the work of the Corporation's independent auditors engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, (ii) the oversight of enterprise risk management activities and (iii) oversight of the Corporation's internal audit function as more particularly detailed below. The independent auditors and the leader of the internal audit function or his/her designee must report and otherwise communicate directly to the Committee and are accountable to the Committee. The Committee's oversight responsibilities include the authority to approve all audit engagement fees and terms, as well as all permitted non-audit engagements and resolution of disagreements between management and the independent auditors regarding financial reporting as well as oversight of the annual internal audit plan. The Committee shall take such actions as it may deem necessary to satisfy itself that the Corporation's auditors are independent of management within the meaning of applicable law.

While there is no "blueprint" to be followed by the Committee in carrying out its duties and responsibilities, the following should be considered within the authority of the Committee:

Selection and Evaluation of External Auditors

(1) Make recommendations to the Board as to the selection of the firm of independent public accountants to audit the books and accounts of the Corporation and its subsidiaries for each fiscal year;

(2) Review and approve the Corporation's independent auditors' annual engagement letter, including the proposed fees contained therein;

(3) Review the performance of the Corporation's independent auditors, including the lead partner, discuss the timing and process for implementing the rotation of the lead partner, and make recommendations to the Board regarding the replacement or termination of the independent auditors when circumstances warrant;

(4) Oversee the independence of the Corporation's independent auditors by, among other things:

  (i) requiring the independent auditors to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation;

  (ii) reviewing and approving hiring policies concerning partners, employees and former partners and employees of the present and former independent auditors; and

  (iii) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence;

(5) Instruct the Corporation's independent auditors that:

  (i) they are ultimately accountable to the Committee;

  (ii) they must report directly to the Committee; and

(iii) the Committee is responsible for the appointment (subject to Board and shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors;

(6) Review and pre-approve all audit and permitted non-audit services to be provided by the independent auditors to the Corporation, including tax services;

Oversight of Annual Audit and Quarterly Reviews

(1) Review and accept, if appropriate, the annual audit plan of the Corporation's independent auditors, including the scope of audit activities, and monitor such plan's progress and results during the year;

(2) Confirm through private discussions with the Corporation's independent auditors and the Corporation's management that no management restrictions are being placed on the scope of the independent auditors' work;

(3) Review the results of the year-end audit of the Corporation, including (as applicable):

(i) the audit reports on the Corporation's financial statements and management's assessment of internal control over financial reporting, the published financial statements, the management representation letter, the "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent auditors, any other pertinent reports and management's responses concerning such memorandum;

(ii) the qualitative judgments of the independent auditors about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates;

(iii) the selection and application of the Corporation's critical accounting policies;

(iv) the methods used to account for significant unusual transactions;

(v) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

(vi) management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

(vii) significant recorded and unrecorded audit adjustments;

(viii) any material accounting issues among management, the internal audit function and the independent auditors; and

(ix) other matters required to be communicated to the Committee under applicable auditing standards by the independent auditors;

(4) Review the Corporation's interim financial statements and quarterly earnings press releases and report thereon to the Board before such documents are approved by the Board and disclosed to the public;

(5) Review with management and the Corporation's independent auditors such accounting policies (and changes therein) of the Corporation, including any financial reporting issues which could have a material impact on the Corporation's financial statements, as are deemed appropriate for review by the Committee prior to any year-end or quarterly filings with the SEC, the OSC or other regulatory body;

Oversight of Risk Management

(1) Require the members of the Corporation's senior leadership team to identify and provide the Committee with a portfolio view of the major areas of risk facing the Corporation and management's strategies to manage those risks;

(2) At least annually, review management's risk appetite and evaluate the extent to which the Corporation's risk profile and business planning are aligned with the risk appetite;

(3) At least annually, review in light of the risk appetite, the Corporation's enterprise risk management processes, including key policies and procedures for the effective identification, assessment, reporting, monitoring and control of the Corporation's principal risks and the Corporation's compliance with such policies and procedures;

(4) Require, at least quarterly, management to update the Committee on any material or noteworthy changes relating to (1)-(3), immediately above, and the activities of the Corporation's Risk Management Council;

(5) Consult periodically with the Compensation, Nomination and Governance Committee on risk management matters within its purview;

(6) Encourage an open and constructive risk dialogue between the Board and management on areas relating to risk management, and seek assurances from management on the effectiveness of risk management practices and controls;

(7) Consider emerging industry and regulatory risk management issues and the possible impact on the Corporation;

Oversight of the Internal Audit Function and Quarterly Reviews

(1) Review the Committee's level of involvement and interaction with the Corporation's internal audit function, including the Committee's line of authority over the internal audit function;

(2) Review and advise on the appointment, replacement, reassignment, or dismissal of the leader of the internal audit function;

(3) Review and approve the engagement of any firm of external advisors to support the internal audit function, including the fees thereof;

(4) Review the resources, performance, effectiveness, degree of independence and objectivity of the internal audit function and the adequacy of its audit process, and approve changes to its charter;

(5) Review internal audit reports, as well as management's response to such reports, and review and approve the annual internal audit plan, including the proposed audit universe, priorities, resourcing, and, on a quarterly basis, the status of the audit plan and the then current assessment and management of risks subject to internal audit review;

(6) Review the effectiveness of the internal audit function's methodology relating to its assessment of risks subject to internal audit purview, including the factors considered and the relative weighting of such factors, and consider changes in management's assessment of such risks;

(7) Review with management the progress and results of all internal audit projects, approve procedures for implementing accepted recommendations, and, when deemed necessary or appropriate by the Committee, direct the Corporation's Chief Executive Officer to assign additional audit projects to the leader of the internal audit function;

(8) Meet privately with the leader of the internal audit function to discuss any areas of concern, and to confirm that (i) significant issues, including any material disagreements with the senior leadership team, are brought to the Committee's attention and (ii) the integrity of the Company's internal control and management information systems are satisfactory;

Oversight of Financial Reporting Process and Internal Controls

(1) Review the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and management of the Corporation;

(2) Review with management the Corporation's administrative, operational and accounting internal controls and internal control over financial reporting, including the controls, security and functionality of the financial information technology systems, and evaluate whether the Corporation is operating in accordance with its prescribed policies, procedures and codes of conduct;

(3) Review with management and the independent auditors any reportable conditions and material weaknesses affecting the Corporation's internal control and financial reporting;

(4) Receive periodic reports from the Corporation's independent auditors and management of the Corporation to assess the impact on the Corporation of significant accounting or financial reporting developments proposed by the Chartered Professional Accountants Canada, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, the SEC, the OSC or other regulatory body, or any other significant accounting or financial reporting related matters that may have a bearing on the Corporation;

(5) Establish and maintain free and open means of communication between and among the Board, the Committee, the Corporation's independent auditors, the internal audit function and management;

Other Matters

(1) In addition to meeting regularly with the general counsel, meet as needed with outside counsel to review legal and regulatory matters, including inquiries from governmental and regulatory authorities and any matters that may have a material impact on the financial statements of the Corporation;

(2) Review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve related party transactions as required by the Corporation's Code of Business Standards and Principles and applicable laws and listing rules, as well as policies and procedures with respect to officers' expense accounts and perquisites. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors;

(3) Oversee, review, and periodically update the Corporation's Code of Business Standards and Principles and the Corporation's system to monitor compliance with and enforcement of the Code of Business Standards and Principles;

(4) Review and approve capital and operating expenditure limits on an annual basis and review and approval of any exceptions to such limits proposed by the Corporation from time to time;

(5) Oversee areas under the responsibility of management, including the examination of securities trading by insiders;

(6) Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including retaining outside counsel or other consultants or experts for this purpose;

(7) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and

(8) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

With respect to the exercise of its duties and responsibilities, the Committee should:

(1) exercise reasonable diligence in gathering and considering all material information;

(2) remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions;

(3) understand and weigh alternative courses of conduct that may be available;

(4) focus on weighing the benefit versus harm to the Corporation and its shareholders when considering alternative recommendations or courses of action;

(5) if the Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Committee in fulfilling its duties and responsibilities; and

(6) provide management, the Corporation's independent auditors and the leader of the internal audit function with appropriate opportunities to meet privately with the Committee.

Nothing in this Charter is intended, or should be determined, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject at law. The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance, but not to ensure, that such activities are being conducted properly and effectively by the Corporation.

6. FUNDING

The Committee's effectiveness may be compromised if it is dependent on management's discretion to compensate the independent auditors or the advisors employed by the Committee. Consequently, the Corporation shall provide for appropriate funding, as determined by the Committee, for payment of any compensation (1) to any independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (2) to any independent counsel or other advisors employed by the Committee or engaged to support the internal audit function.

7. DISCLOSURE AND REVIEW OF CHARTER

The Charter shall be (1) published in the Corporation's annual report, information circular or annual information form, as required by law, and (2) be posted in an up-to-date format on the Corporation's web site. The Committee should review and reassess annually the adequacy of this Charter.

* * *

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's consolidated financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

ANNEX A

(Duties and Responsibilities of the Chair)

In addition to the duties and responsibilities set out in the Board of Directors Mandate and this Charter, the Chair will:

1. Provide overall leadership to enhance the effectiveness of the Committee, including:
   a. Recommend and oversee the appropriate structure, composition, membership, and activities delegated to the Committee;
   b. Chair all meetings of the Committee at which the Chair is in attendance and manage the meeting agenda so that appropriate time and consideration can be given to the agenda items;
   c. Lead discussions, foster candor among meeting participants and encourage Committee members to ask questions of senior management, its advisors and advisors of the Committee, and express viewpoints during meetings;
   d. Schedule and set the agenda for Committee meetings with input from other Committee members, the Committee's advisors, the Executive Chair and the Lead Director of the Board of Directors, the CEO, the Corporate Secretary and senior management as appropriate and consider, on a proactive basis, emerging matters that should be addressed by the Committee;
   e. Facilitate the timely, accurate and proper flow of information to and from the Committee and, with input from Committee members, maintain an open dialogue with the Corporate Secretary regarding the timeliness, quantity, quality and completeness of information provided by senior management and advisors to the Committee;
   f. Arrange for management, internal personnel, external advisors, and others to attend and present at Committee meetings as appropriate;
   g. Arrange sufficient time during Committee meetings to fully discuss agenda items and, as appropriate, defer matters that require more information or time for discussion to a subsequent meeting;
   h. In cooperation with the Corporate Secretary and/or the Assistant Corporate Secretary, identify, monitor and report back to the Committee on the status of matters requiring action by senior management or the Committee following the meeting with a view to ensuring that matters are acted upon in a timely manner;
   i. Review draft minutes of Committee meetings prior to their presentation to the Committee for approval and ensure that minutes are reviewed and approved by the Committee in accordance with this Charter;
   j. Carry out the responsibilities and duties of the Committee, as outlined in this Charter, and
   k. Review this Charter and duties and responsibilities with Committee members at least annually.
2. Foster responsible decision-making by the Committee and its individual members.
3. Provide for in-camera sessions at all scheduled meetings of the Committee without management present and, as appropriate, without the Corporate Secretary present.
4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.
5. Perform such other duties, within the scope of the Committee's duties and responsibilities, as may be assigned by the Board of Directors.

Exhibit 1.2

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of **BlackBerry Limited**

We have audited the accompanying consolidated financial statements of **BlackBerry Limited** [the "Company"], which are comprised of the consolidated balance sheets as at February 28, 2017 and February 29, 2016, the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the years ended February 28, 2017, February 29, 2016, and February 28, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2017 and February 29, 2016, and the results of its operations and its cash flows for each of the years ended February 28, 2017, February 29, 2016, and February 28, 2015, in accordance with United States generally accepted accounting principles.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of February 28, 2017, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated March 31, 2017, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada,
March 31, 2017

REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders of **BlackBerry Limited**

We have audited **BlackBerry Limited's** [the "Company"] internal control over financial reporting as of February 28, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company'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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 United States 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 consolidated 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, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2017, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as at February 28, 2017 and February 29, 2016, and the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the years ended February 28, 2017, February 29, 2016 and February 28, 2015 of the Company and our report dated March 31, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada,
March 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of BlackBerry Limited

Management of BlackBerry Limited is responsible for the preparation and presentation of the Consolidated Financial Statements and all of the financial information in this Annual Report. The Consolidated Financial Statements were prepared in accordance with United States generally accepted accounting principles and include certain amounts based upon estimates and judgments required for such preparation. The financial information appearing throughout this Annual Report is consistent with the Consolidated Financial Statements. The Consolidated Financial Statements have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors of BlackBerry Limited.

In fulfilling its responsibility for the reliability and integrity of financial information, management has developed and maintains systems of accounting and internal controls and budgeting procedures. Management believes these systems and controls provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for the preparation of accurate and timely Consolidated Financial Statements.

The Company's Audit and Risk Management Committee of the Board of Directors, which consists entirely of non-management independent directors, usually meets two times per fiscal quarter with management and the independent registered public accounting firm to ensure that each is discharging its respective responsibilities, to review the Consolidated Financial Statements and either the quarterly review engagement report or the independent registered public accounting firm's report and to discuss significant financial reporting issues and auditing matters. The Company's external registered public accounting firm has full and unrestricted access to the Audit and Risk Management Committee to discuss audit findings, financial reporting and other related matters. The Audit and Risk Management Committee reports its findings to the Board of Directors for consideration when the Board approves the Consolidated Financial Statements for issuance to the shareholders.

The Consolidated Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015 have been audited by Ernst & Young LLP, the independent registered public accounting firm appointed by the shareholders, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

/s/ John S. Chen
John S. Chen
President & CEO

Waterloo, Ontario
March 31, 2017

BlackBerry Limited
Incorporated under the Laws of Ontario
(United States dollars, in millions)

Consolidated Balance Sheets

	As at	
	February 28, 2017	February 29, 2016
Assets		
Current		
Cash and cash equivalents	$ 734	$ 957
Short-term investments	644	1,420
Accounts receivable, net	181	338
Other receivables	34	51
Inventories	26	143
Income taxes receivable	17	—
Other current assets	55	102
	1,691	3,011
Long-term investments	269	197
Restricted cash and cash equivalents	51	50
Property, plant and equipment, net	91	412
Goodwill	559	618
Intangible assets, net	602	1,213
Deferred income tax asset	—	33
	$ 3,263	$ 5,534
Liabilities		
Current		
Accounts payable	$ 103	$ 270
Accrued liabilities	258	368
Income taxes payable	—	9
Deferred revenue	245	392
	606	1,039
Long-term debt	591	1,277
Deferred income tax liability	9	10
	1,206	2,326
Shareholders' equity		
Capital stock and additional paid-in capital		
Preferred shares: authorized unlimited number of non-voting, cumulative, redeemable and retractable	—	—
Common shares: authorized unlimited number of non-voting, redeemable, retractable Class A common shares and unlimited number of voting common shares		
Issued - 530,497,193 voting common shares (February 29, 2016 - 521,172,271)	2,512	2,448
Retained earnings (deficit)	(438)	768
Accumulated other comprehensive loss	(17)	(8)
	2,057	3,208
	$ 3,263	$ 5,534

See notes to consolidated financial statements.
On behalf of the Board:

John S. Chen
Director

Barbara Stymiest
Director

BlackBerry Limited
(United States dollars, in millions)

Consolidated Statements of Shareholders' Equity

	Capital Stock and Additional Paid-in Capital	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total
Balance as at March 1, 2014	$ 2,418	$ (179)	$ 1,394	$ (8)	$ 3,625
Net loss	—	—	(304)	—	(304)
Other comprehensive loss	—	—	—	(15)	(15)
Shares issued:					
Exercise of stock options	6	—	—	—	6
Stock-based compensation	50	—	—	—	50
Excess tax benefit related to stock-based compensation	8	—	—	—	8
Sale of treasury stock	—	141	(80)	—	61
Treasury shares released for restricted share unit settlements	(38)	38	—	—	—
Balance as at February 28, 2015	2,444	—	1,010	(23)	3,431
Net loss	—	—	(208)	—	(208)
Other comprehensive income	—	—	—	15	15
Shares issued:					
Exercise of stock options	3	—	—	—	3
Stock-based compensation	60	—	—	—	60
Tax deficiencies related to stock-based compensation	(1)	—	—	—	(1)
Share repurchase	(59)	—	(34)	—	(93)
Employee share purchase plan	1	—	—	—	1
Balance as at February 29, 2016	2,448	—	768	(8)	3,208
Net loss	—	—	(1,206)	—	(1,206)
Other comprehensive loss	—	—	—	(9)	(9)
Shares issued:					
Exercise of stock options	1	—	—	—	1
Stock-based compensation	60	—	—	—	60
Tax deficiencies related to stock-based compensation	(1)	—	—	—	(1)
Employee share purchase plan	4	—	—	—	4
Balance as at February 28, 2017	$ 2,512	$ —	$ (438)	$ (17)	$ 2,057

See notes to consolidated financial statements.

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

Consolidated Statements of Operations

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Revenue			
Software, services and service access fees	$ 935	$ 1,276	$ 1,854
Hardware and other	374	884	1,481
	1,309	2,160	3,335
Cost of sales			
Software, services and service access fees	109	247	287
Hardware and other	433	936	1,349
Inventory write-down	150	36	95
	692	1,219	1,731
Gross margin	617	941	1,604
Operating expenses			
Research and development	306	469	711
Selling, marketing and administration	553	653	769
Amortization	186	277	298
Impairment of goodwill	57	—	—
Impairment of long-lived assets	501	—	—
Loss on sale, disposal and abandonment of long-lived assets	171	195	169
Debentures fair value adjustment	24	(430)	80
	1,798	1,164	2,027
Operating loss	(1,181)	(223)	(423)
Investment income (loss), net	(27)	(59)	38
Loss before income taxes	(1,208)	(282)	(385)
Recovery of income taxes	(2)	(74)	(81)
Net loss	$ (1,206)	$ (208)	$ (304)
Loss per share			
Basic	$ (2.30)	$ (0.40)	$ (0.58)
Diluted	$ (2.30)	$ (0.86)	$ (0.58)

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions)

Consolidated Statements of Comprehensive Loss

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Net loss	$ (1,206)	$ (208)	$ (304)
Other comprehensive income (loss)			
Net change in unrealized gains (losses) on available-for-sale investments	(7)	1	1
Net change in fair value of derivatives designated as cash flow hedges during the year, net of income tax recovery of nil (February 29, 2016 - income tax recovery of $2 million; February 28, 2015 - income tax recovery of $3 million)	2	(3)	(29)
Amounts reclassified to net loss during the year, net of income tax recovery of nil (February 29, 2016 - income tax recovery of $2 million; February 28, 2015 - income tax recovery of $2 million)	(1)	27	13
Foreign currency translation adjustment	(3)	(10)	—
Other comprehensive income (loss)	(9)	15	(15)
Comprehensive loss	$ (1,215)	$ (193)	$ (319)

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions)
Consolidated Statements of Cash Flows

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Cash flows from operating activities			
Net loss	(1,206)	(208)	(304)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization	239	616	694
Deferred income taxes	33	(105)	62
Stock-based compensation	60	60	50
Impairment of goodwill	57	—	—
Impairment of long-lived assets	501	—	—
Loss on sale, disposal and abandonment of long-lived assets	171	195	169
Debentures fair value adjustment	24	(430)	80
Other	—	16	3
Net changes in working capital items			
Accounts receivable, net	157	200	469
Other receivables	17	47	55
Inventories	117	(21)	123
Income tax receivable	(17)	166	204
Other current assets	45	257	116
Accounts payable	(167)	14	(240)
Accrued liabilities	(99)	(304)	(550)
Income taxes payable	(9)	9	—
Deferred revenue	(147)	(255)	(118)
Net cash provided by (used in) operating activities	(224)	257	813
Cash flows from investing activities			
Acquisition of long-term investments	(430)	(326)	(802)
Proceeds on sale or maturity of long-term investments	228	301	515
Acquisition of property, plant and equipment	(17)	(32)	(87)
Proceeds on sale of property, plant and equipment	95	4	348
Acquisition of intangible assets	(52)	(70)	(421)
Business acquisitions, net of cash acquired	(5)	(698)	(119)
Acquisition of short-term investments	(1,366)	(2,764)	(2,949)
Proceeds on sale or maturity of short-term investments	2,271	3,146	2,342
Net cash provided by (used in) investing activities	724	(439)	(1,173)
Cash flows from financing activities			
Issuance of common shares	5	4	6
Payment of contingent consideration from business acquisitions	(15)	—	—
Excess tax benefit (deficiency) related to stock-based compensation	(1)	(1)	8
Sale of treasury stock	—	—	61
Common shares repurchased	—	(93)	—
Effect of foreign exchange gains on restricted cash and cash equivalents	(3)	—	—
Repurchase of 6% Debentures	(1,315)	—	—
Issuance of 3.75% Debentures	605	—	—
Transfer from (to) restricted cash and cash equivalents	2	12	(59)
Net cash provided by (used in) financing activities	(722)	(78)	16
Effect of foreign exchange loss on cash and cash equivalents	(1)	(16)	(2)
Net decrease in cash and cash equivalents during the year	(223)	(276)	(346)
Cash and cash equivalents, beginning of year	957	1,233	1,579
Cash and cash equivalents, end of year	$ 734	$ 957	$ 1,233

See notes to consolidated financial statements.

1. BLACKBERRY LIMITED AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

BlackBerry Limited (the "Company") is a mobile-native security software and services company dedicated to securing the Enterprise of Things. Based in Waterloo, Ontario, the Company was founded in 1984 and operates in North America, Europe, Asia, Middle East, Latin America and Africa. The Company trades under the ticker symbols "BB" on the Toronto Stock Exchange and "BBRY" on the NASDAQ.

Basis of Presentation and Preparation

The consolidated financial statements include the accounts of all subsidiaries of the Company with intercompany transactions and balances eliminated on consolidation. All of the Company's subsidiaries are wholly owned. These consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles ("U.S. GAAP") on a basis consistent for all periods presented, except as described in Note 2. Certain of the comparative figures have been reclassified to conform to the current year's presentation.

Change in Fiscal Year

Effective in the fourth quarter of fiscal 2016, the Company changed its fiscal year from a 52- or 53-week year ending the last Saturday in February or the first Saturday in March to a calendar basis ending the last day of February. The purpose of this change was to be consistent with common practice in the software industry, given the Company's increased emphasis on software and its completed acquisitions of software companies with recurring revenue streams. The Company does not believe that the impact of the change was material.

Accordingly, the Company's 2017 fiscal year ended on February 28, 2017, its 2016 fiscal year ended on February 29, 2016, and its 2015 fiscal year ended on February 28, 2015.

Comparability between fiscal year-ends may be affected by varying lengths of the period. Accordingly, fiscal 2017 was one day shorter than fiscal 2016, and fiscal 2016 was two days longer than fiscal 2015.

Accounting Policies and Critical Accounting Estimates

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions with respect to the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the determination of reserves for various litigation claims, provisions for excess and obsolete inventories and liabilities for purchase commitments with contract manufacturers and suppliers, provisions for warranty, revenue-related estimates including vendor-specific objective evidence of selling price ("VSOE"), best estimated selling price ("BESP"), right of return and customer incentive commitments, royalties, implied fair value of goodwill, long-lived asset impairment, amortization expense, fair values of assets acquired and liabilities assumed in business combinations, provision for income taxes, realization of deferred income tax assets and the related components of the valuation allowance, allowance for doubtful accounts, and the fair values of financial instruments. Actual results could differ from these estimates.

The significant accounting policies used in these U.S. GAAP consolidated financial statements are as follows:

Foreign currency translation

The U.S. dollar is the functional and reporting currency of the Company and substantially all of the Company's subsidiaries.

Foreign currency denominated assets and liabilities of the Company and its U.S. dollar functional currency subsidiaries are translated into U.S. dollars. Accordingly, monetary assets and liabilities are translated using the exchange rates in effect as at the consolidated balance sheet dates, and revenues and expenses are translated at the rates of exchange prevailing when the transactions occurred. Re-measurement adjustments are included in income. Non-monetary assets and liabilities are translated at historical exchange rates.

Foreign currency denominated assets and liabilities of the Company's non-U.S. dollar functional currency subsidiaries are translated into U.S. dollars at the exchange rates in effect as at the consolidated balance sheet dates. Revenue and expenses are translated using monthly average exchange rates. Exchange gains or losses arising from translation of foreign currency denominated assets and liabilities are included as a currency translation adjustment within accumulated other comprehensive income (loss) ("AOCI").

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and liquid investments with maturities of three months or less at the date of acquisition.

Accounts receivable, net

The accounts receivable balance reflects invoiced and accrued revenue and is presented net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects estimates of probable losses in the accounts receivable balance. The Company is dependent on a number of significant customers and on large complex contracts with respect to the majority of its products, software and service revenue. The Company expects the majority of its accounts receivable balances to continue to come from large customers as it sells the majority of its software products, services, and devices through resellers and network carriers rather than directly.

The Company evaluates the collectability of its accounts receivable balance based upon a combination of factors on a periodic basis such as specific credit risk of its customers, historical trends and economic circumstances. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company (such as in the case of bankruptcy filings or material deterioration in the customer's operating results or financial position, and payment experiences), the Company records a specific bad debt provision to reduce the customer's related accounts receivable to its estimated net realizable value. If circumstances related to specific customers change, the Company's estimates of the recoverability of accounts receivables balances could be further adjusted.

Investments

The Company's cash equivalents and investments, other than cost method investments, consist of money market and other debt securities, which are classified as available-for-sale for accounting purposes and are carried at fair value. Unrealized gains and losses, net of related income taxes, are recorded in AOCI until such investments mature or are sold. The Company uses the specific identification method of determining the cost basis in computing realized gains or losses on available-for-sale investments, which are recorded in investment income. In the event of a decline in value that is other-than-temporary, the investment is written down to fair value with a charge to income. The Company does not exercise significant influence with respect to any of these investments.

Investments with maturities at time of purchase of three months or less are classified as cash equivalents. Investments with maturities of one year or less (but which are not cash equivalents), as well as any investments that management intends to hold for less than one year, are classified as short-term investments. Investments with maturities in excess of one year are classified as long-term investments.

The Company assesses individual investments that are in an unrealized loss position to determine whether the unrealized loss is other-than-temporary. The Company makes this assessment by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition, the near-term prospects of the individual investment and the Company's intent and ability to hold the investment. In the event that a decline in the fair value of an investment occurs and that decline in value is considered to be other-than-temporary, an impairment charge is recorded in investment income equal to the difference between the cost basis and the fair value of the individual investment as at the consolidated balance sheet date of the reporting period for which the assessment was made. The fair value of the investment then becomes the new cost basis of the investment.

If a debt security's market value is below its amortized cost and either the Company intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the Company records an other-than-temporary impairment charge to investment income for the entire amount of the impairment. For other-than-temporary impairments on debt securities that the Company does not intend to sell and it is not more likely than not that the entity will be required to sell the security before its anticipated recovery, the Company would separate the other-than-temporary impairment into the amount representing the credit loss and the amount related to all other factors. The Company would record the other-than-temporary impairment related to the credit loss as a charge to investment income, and the remaining other-than-temporary impairment would be recorded as a component of AOCI.

Derivative financial instruments

The Company uses derivative financial instruments, including forward contracts and options, to hedge certain foreign currency exposures. The Company does not use derivative financial instruments for speculative purposes.

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

For derivative instruments designated as cash flow hedges, the effective portion of the derivative's gain or loss is initially reported as a component of AOCI, net of tax, and subsequently reclassified into income in the same period or periods in which the hedged item affects income. The ineffective portion of the derivative's gain or loss is recognized in current income. In order for the Company to receive hedge accounting treatment, the cash flow hedge must be highly effective in offsetting changes in the fair value of the hedged item and the relationship between the hedging instrument and the associated hedged item must be formally documented at the inception of the hedge relationship. Hedge effectiveness is formally assessed, both at hedge inception and on an ongoing basis, to determine whether the derivatives used in hedging transactions are highly effective in offsetting changes in the value of the hedged items and whether they are expected to continue to be highly effective in future periods.

The Company formally documents relationships between hedging instruments and associated hedged items. This documentation includes: identification of the specific foreign currency asset, liability or forecasted transaction being hedged; the nature of the risk being hedged; the hedge objective; and the method of assessing hedge effectiveness. If an anticipated transaction is deemed no longer likely to occur, the corresponding derivative instrument is de-designated as a hedge and any associated unrealized gains and losses in AOCI are recognized in income at that time. Any future changes in the fair value of the instrument are recognized in current income.

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

Inventories

Raw materials, work in process and finished goods are stated at the lower of cost or market value. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead. Cost is determined on a first-in, first-out basis. Market is generally considered to be replacement cost; however, market is not permitted to exceed the ceiling (net realizable value) or be less than the floor (net realizable value less a normal markup). Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion and disposal.

Property, plant and equipment, net

Property, plant and equipment are stated at cost, less accumulated amortization. No amortization is provided for construction in progress until the assets are ready for use. Amortization is provided using the following rates and methods:

Buildings, leasehold improvements and other	Straight-line over terms between 5 and 40 years
BlackBerry operations and other information technology	Straight-line over terms between 3 and 5 years
Manufacturing equipment, research and development equipment and tooling	Straight-line over terms between 1 and 5 years
Furniture and fixtures	Declining balance at 20% per annum

Assets Held For Sale

When certain criteria are met, the Company reclassifies assets and related liabilities as held for sale at the lower of their carrying value or fair value less costs to sell and, if material, presents them separately on the Company's consolidated balance sheets. If the carrying value exceeds the fair value less costs to sell, a loss is recognized. If the plan to sell an asset includes a leaseback arrangement for which the Company will retain more than a minor portion of the use of the asset, then the asset is not reclassified as held for sale as the criteria are deemed not to have all been met. Assets classified as held for sale are no longer amortized. Comparative historical figures are reclassified to conform to the current year's presentation.

The Company applies judgment in determining whether the criteria for reclassifying assets as held for sale are met, including the assessment of sale leaseback arrangements included in the plan to sell. Further, in determining fair values less costs to sell, the Company utilizes bids received from prospective purchasers and third-party appraisals, based on

discounted cash flow or market comparable valuation approaches. The Company estimates costs to sell based on historical costs incurred for similar transactions. Should any of the estimates change, or if the actual proceeds of disposal differ from the estimates of fair value, it could have a material impact on net loss.

The Company had no assets held for sale at February 28, 2017.

Goodwill

Goodwill represents the excess of the acquisition price over the fair value of identifiable net assets acquired. Goodwill is allocated at the date of the business combination. Goodwill is not amortized, but is tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate the asset may be impaired. These events and circumstances may include a significant change in legal factors or in the business climate, a significant decline in the Company's share price, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant disposal activity and the testing of recoverability for a significant asset group.

As a result of the internal reporting reorganization and the Company's transition to segmented reporting as described in Note 15, the change in reporting unit structure necessitated a goodwill impairment assessment preceding and following the reorganization of reporting units. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. Following the reorganization, goodwill was assigned to the reporting units based upon the relative fair value allocation approach. The estimated fair value is determined utilizing multiple approaches based on the reporting units valued. In its analysis, the Company utilized multiple valuation techniques, including the income approach, discounted future cash flows, the market-based approach, and the asset value approach. The carrying amount of the Company's assets was assigned to reporting units using reasonable methodologies based on the asset type. When the carrying amount of a reporting unit exceeds its fair value, goodwill of the reporting unit is considered to be impaired and the second step is necessary. Different judgments could yield different results.

The completion of step one of the goodwill impairment test following the internal reporting reorganization provided indications of impairment in certain reporting units, necessitating step two.

In the second step, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The second step involves significant judgment in the selection of assumptions necessary to arrive at an implied fair value of goodwill. Different judgments could yield different results.

Using the impaired reporting units' fair value determined in step one as the acquisition prices in hypothetical acquisitions of the reporting units, the implied fair values of goodwill were calculated as the residual amount of the acquisition price after allocations made to the fair values of net assets, including working capital, property, plant and equipment and both recognized and unrecognized intangible assets. Based on the results of step two of the goodwill impairment test, it was concluded that the carrying value of goodwill was impaired. Consequently, the Company recorded total goodwill impairment charges of $5 million and $52 million in the Mobility Solutions and SAF operating segments, respectively (the "Goodwill Impairment Charge"), in the first quarter of fiscal 2017. The results of step one of the goodwill impairment test also indicated impairment in the asset groups associated with those reporting units resulting in the long-lived asset impairment test as discussed below.

Intangible assets

Intangible assets with definite lives are stated at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the following terms:

Acquired technology	Between 3 and 10 years
Intellectual property	Between 1 and 17 years
Other acquired intangibles	Between 2 and 10 years

Acquired technology consists of intangible assets acquired through business acquisitions. Intellectual property consists of patents (both purchased and internally generated) and agreements with third parties for the use of intellectual property. Other acquired intangibles include items such as customer relationships and brand. The useful lives of intangible assets are evaluated at least annually to determine if events or circumstances warrant a revision to their remaining period of amortization. Legal, regulatory and contractual factors, the effects of obsolescence, demand, competition and other economic factors are potential indicators that the useful life of an intangible asset may be revised.

Impairment of long-lived assets

The Company reviews long-lived assets ("LLA") such as property, plant and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. These events and circumstances may include significant decreases in the market price of an asset or asset group, significant changes in the extent or manner in which an asset or asset group is being used by the Company or in its physical condition, a significant change in legal factors or in the business climate, a history or forecast of future operating or cash flow losses, significant disposal activity, a significant decline in the Company's share price, a significant decline in revenue or adverse changes in the economic environment.

The LLA impairment requires the Company to identify its asset groups and test impairment of each asset group separately. To conduct the LLA impairment test, the asset group is tested for recoverability using undiscounted cash flows over the remaining useful life of the primary asset. If forecasted net cash flows are less than the carrying amount of the asset group, an impairment charge is measured by comparing the fair value of the asset group to its carrying value. Determining the Company's asset groups and related primary assets requires significant judgment by management. Different judgments could yield different results.

When indicators of impairment exist, LLA impairment is tested using a two-step process. The Company performs a cash flow recoverability test as the first step, which involves comparing the asset group's estimated undiscounted future cash flows to the carrying amount of its net assets. If the net cash flows of the asset group exceed the carrying amount of its net assets, LLA are not considered to be impaired. If the carrying amount exceeds the net cash flows, there is an indication of potential impairment and the second step of the LLA impairment test is performed to measure the impairment amount. The second step involves determining the fair value of the asset group. Fair values are determined using valuation techniques that are in accordance with U.S. GAAP, including the market approach, income approach and cost approach. If the carrying amount of the asset group's net assets exceeds the fair value of the Company, then the excess represents the maximum amount of potential impairment that will be allocated to the asset group, with the limitation that the carrying value of each separable asset cannot be reduced to a value lower than its individual fair value. The total impairment amount allocated is recognized as a non-cash impairment loss.

The Company reviews any changes in events and circumstances that have occurred on a quarterly basis to determine if indicators of LLA impairment exist. In the first quarter of fiscal 2017, as a result of step one of the goodwill impairment assessment, the Company performed an LLA impairment analysis on the asset groups associated with the impaired reporting units using the procedure described above, which included a cash flow recoverability test. The estimated undiscounted net cash flows of the asset groups showing indicators of impairment were determined utilizing the Company's internal forecasts. The Company concluded that the carrying value of certain asset groups exceeded the undiscounted net cash flows. Consequently, step two of the LLA impairment test was performed whereby the fair values of certain of the Company's assets were compared to their carrying values.

As a result of such LLA impairment test, the Company recorded a non-cash, pre-tax and after-tax charge against its LLA of approximately $501 million ($0.95 per share) (the "LLA Impairment Charge") in the first quarter of fiscal 2017, which was applicable to the intellectual property within the asset group associated with the Mobility Solutions segment.

Business acquisitions

The Company accounts for its acquisitions using the acquisition method whereby identifiable assets acquired and liabilities assumed are measured at their fair values as of the date of acquisition. The excess of the acquisition price over such fair value, if any, is recorded as goodwill, which is not expected to be deductible for tax purposes. The Company includes the operating results of each acquired business in the consolidated financial statements from the date of acquisition.

Royalties

The Company recognizes its liability for royalties in accordance with the terms of existing license agreements. Where license agreements are not yet finalized, the Company recognizes its current estimates of the obligation in accrued liabilities in the consolidated financial statements. When the license agreements are subsequently finalized, the estimate is revised accordingly. Management's estimates of royalty rates are based on the Company's historical licensing activities, royalty payment experience, and forward-looking expectations.

Warranty

The Company records the estimated costs of product warranties at the time revenue is recognized. BlackBerry devices are generally covered by a time-limited warranty for varying periods of time. The Company's warranty obligation is affected

by product failure rates, differences in warranty periods, regulatory developments with respect to warranty obligations in the countries in which the Company carries on business, freight expense, and material usage and other related repair costs. The Company does not have any warranty obligations associated with BlackBerry-branded smartphones sold by licensing partners.

The Company's estimates of costs are based upon historical experience and expectations of future return rates and unit warranty repair costs. If the Company experiences increased or decreased warranty activity, or increased or decreased costs associated with servicing those obligations, revisions to the estimated warranty liability would be recognized in the reporting period when such revisions are made.

Convertible debentures

The Company elected to measure its outstanding convertible debentures (collectively, the "Debentures" as defined in Note 10) at fair value in accordance with the fair value option. Each period, the fair value of the Debentures is recalculated and resulting gains and losses from the change in fair value of the Debentures are recognized in income. The fair value of the Debentures has been determined using the significant inputs of principal value, interest rate spreads and curves, embedded call option prices, the market price and volatility of the Company's listed common shares, and the Company's implicit credit spread.

Revenue recognition

The Company recognizes revenue as earned when the following four criteria have been met: (i) when persuasive evidence of an arrangement exists, (ii) the product has been delivered to a customer and title has been transferred or the services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collection is reasonably assured. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each of the Company's major categories of revenue.

Software and Services

Revenue from term licensed software and value-added services is recognized upon delivery or ratably over the license or subscription term. Revenue from perpetual licenses is recognized either upon delivery or over the estimated customer life, depending on whether the Company has obtained VSOE of fair value for the associated undelivered products bundled with the perpetual license. When an arrangement includes both term and perpetual software licenses, all revenue is recognized ratably over the longer of the service delivery periods applicable to the term and perpetual software licenses. All of the deliverables under these licenses are deemed to have been made in accordance with industry-specific software revenue recognition accounting guidance.

When the VSOE of fair value has not been established, the Company uses the residual method to recognize revenue if the VSOE of fair value of undelivered elements is determinable. Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period that such items are delivered or those services are provided.

Revenue from professional services can be part of software license arrangements or sold separately. When professional services are sold as part of software license arrangements, recognition of revenue for the entire transaction either occurs over the period in which the services are expected to be performed or does not commence until completion and acceptance of these professional services, depending on the facts and circumstances of the transaction. Revenue from professional services sold separately from software licenses is recognized upon completion of the services.

Revenue from renewals of support and maintenance contracts is recognized ratably over the contract term.

Hardware

Revenue for hardware products is recognized when the four revenue recognition criteria noted above are met. The Company records reductions to revenue for estimated commitments related to price protection, rights of return and customer incentive programs. If there is a risk of future pricing concessions and a reliable estimate cannot be made at the time of shipment, the Company recognizes the related revenue and costs of goods sold when its products are sold through to an end user.

Significant judgment is applied by the Company to determine whether shipments of devices have met the Company's revenue recognition criteria, as the analysis is dependent on many facts and circumstances. The Company recognizes revenue upon shipment provided that the Company is able to conclude that the price was fixed or determinable. Sales of the Company's devices to wireless carriers in certain regions are recognized as revenue at the time of shipment. Other shipments of devices are recognized as revenue only when the devices sell through to end users. For shipments where the Company recognizes revenue when the product is sold through to an end user, the Company determines the point at which

that happens based upon internally generated reporting indicating when the devices are activated on the Company's relay infrastructure.

Service Access Fees

Revenue from service access fees is recognized ratably on a monthly basis when the service is provided. In instances where the Company bills the customer prior to performing the service, the pre-billing is recorded as deferred revenue. Service access fee revenue also includes the recognition of previously deferred revenue related to multiple-element arrangements for non-software services and software upgrade rights related to BlackBerry 10 devices.

Intellectual Property

The Company's outbound patent licensing agreements provide for license fees that may be a single upfront payment or multiple payments representing all or a majority of the licensing revenue that will be payable to the Company. These agreements may be perpetual or term in nature and grant (i) a limited non-exclusive, non-transferable license to certain of the Company's patents, (ii) a covenant not to enforce patent rights against the licensee, and (iii) the release of the licensee from certain claims. Revenue from patent licensing agreements is recorded when the four major criteria of revenue recognition noted above are met. These criteria are generally fulfilled upon mutual signing of the license agreement.

From time to time, the Company may sell patents, which are typically non-strategic, to the Company's product and patent portfolio. These patent sales are a part of the technology and patent licensing strategy, and therefore represent a component of the Company's major or central operations. Revenue from patent sales is recorded when the four major criteria of revenue recognition noted above are met. For perpetual agreements, these criteria are generally fulfilled upon the beginning of the license period, coinciding with the mutual signing of the license agreement. For term-based agreements, these criteria are generally considered to be fulfilled over the life of the agreement and revenue is recognized ratably.

Mobility Licensing

In fiscal 2017, the Company entered into three license agreements under which the Company has licensed its security software and service suite, as well as related brand assets, to third parties who will design, manufacture, sell and provide customer support for BlackBerry-branded mobile handsets. Revenue is recognized when the four major criteria of revenue recognition noted above are met. Mobility license revenue for licensees, whose sales exceed contractual sales minimums, is recognized when licensed products are sold as reported by the Company's licensees. For licensees whose sales do not exceed contractual sales minimums, revenue is recognized ratably over the license term based on contractual minimum amounts.

Shipping and Handling Costs

Amounts billed to customers related to shipping and handling are classified as revenue, and the Company's shipping and handling costs are included in cost of sales. Shipping and handling costs that cannot be reasonably attributed to certain customers are included in selling, marketing and administration.

Multiple-element arrangements

The Company enters into revenue arrangements that may consist of multiple deliverables of its product and service offerings. The Company's typical multiple-element arrangements involve: (i) software with technical support services, and (ii) BlackBerry 10 or Android handheld devices with unspecified software upgrades on a when-and-if available basis along with undelivered non-software services.

For the Company's arrangements involving multiple deliverables, the consideration from the arrangement is allocated to each respective element based on its relative selling price, using VSOE. In certain limited instances when the Company is unable to establish the selling price using VSOE, the Company attempts to establish the selling price of each element based on acceptable third-party evidence of selling price ("TPE"); however, the Company is generally unable to reliably determine the selling prices of similar competitor products and services on a stand-alone basis. In these instances, the Company uses BESP in its allocation of arrangement consideration, where permitted. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service was sold on a stand-alone basis.

For arrangements involving multiple deliverables of software with technical support services, revenue is recognized based on the industry-specific software revenue recognition accounting guidance. If the Company is not able to determine VSOE for all of the deliverables of the arrangement, but is able to obtain VSOE for all undelivered elements, revenue is allocated using the residual method. Under the residual method, the amount of revenue allocated to delivered elements equals the total arrangement consideration, less the aggregate fair value of any undelivered elements. If VSOE of any

undelivered software element does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of: (i) delivery of those elements for which VSOE did not exist; or (ii) when VSOE can be established.

For arrangements involving multiple deliverables including the BlackBerry 10 or Android device and the essential operating system software, as well as unspecified software upgrade rights and non-software services for which the Company may not charge for separately, the consideration from the arrangement is allocated to each respective element based on the relative selling price, using the Company's BESP, as the device, unspecified software upgrade rights and non-software services are no longer sold separately. The consideration for the delivered hardware and the related essential operating system software are recognized at the time of sale provided that the four general revenue recognition criteria have been met. The consideration allocated to the unspecified software upgrade rights and non-software services is deferred and recognized on a straight-line basis over the estimated period during which the software upgrades and non-software services are expected to be provided.

The Company determines BESP for a product or service by considering multiple factors including, but not limited to, historical pricing practices for similar offerings, market conditions, competitive landscape, internal costs, gross margin objectives and pricing practices. The determination of BESP is made through consultation with, and formal approval by, the Company's management, taking into consideration the Company's marketing strategy. The Company regularly reviews VSOE, TPE and BESP, and maintains internal controls over the establishment and updates of these estimates. Based on the above factors, the Company's BESP for the unspecified software upgrade right and non-software services ranges from $4 to $20 per device based on the operating system and the region in which the service is provided.

Income taxes

The Company uses the liability method of income tax allocation to account for income taxes. Deferred income tax assets and liabilities are recognized based upon temporary differences between the financial reporting and income tax bases of assets and liabilities, and measured using enacted income tax rates and tax laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred income tax assets to the amount that is more likely than not to be realized. The Company considers both positive evidence and negative evidence, to determine whether, based upon the weight of that evidence, a valuation allowance is required. Judgment is required in considering the relative impact of negative and positive evidence.

Significant judgment is also required in evaluating the Company's uncertain income tax positions and provisions for income taxes. Liabilities for uncertain income tax positions are recognized based on a two-step approach. The first step is to evaluate whether an income tax position has met the recognition threshold by determining if the weight of available evidence indicates that it is more likely than not to be sustained upon examination. The second step is to measure the income tax position that has met the recognition threshold as the largest amount that is more than 50% likely of being realized upon settlement. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provisions, income taxes payable and deferred income taxes in the period in which the facts that give rise to a revision become known. The Company recognizes interest and penalties related to uncertain income tax positions as interest expense, which is then netted and reported within investment income.

The Company uses the flow-through method to account for investment tax credits ("ITCs") earned on eligible scientific research and experimental development expenditures. Under this method, the ITCs are recognized as a reduction to income tax expense.

Research and development

Research costs are expensed as incurred. Development costs for BlackBerry devices and licensed software to be sold, leased or otherwise marketed are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. The Company's products are generally released soon after technological feasibility has been established and therefore costs incurred subsequent to achievement of technological feasibility are not significant and have been expensed as incurred.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in net assets of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. The Company's reportable items of comprehensive income (loss) are the cumulative translation adjustment resulting from non-U.S. dollar functional currency subsidiaries as described under the foreign currency translation policy above, cash flow hedges as described in

Note 5, and changes in the fair value of available-for-sale investments as described in Notes 3 and 4. Realized gains or losses on available-for-sale investments are reclassified into investment income using the specific identification basis.

Earnings (loss) per share

Earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the fiscal year. The treasury stock method is used for the calculation of the dilutive effect of stock options. The if-converted method is used for the dilutive effect of the Debentures.

Stock-based compensation plans

The Company has stock-based compensation plans. Awards granted under the plans are detailed in Note 11(b).

The Equity Incentive Plan (the "Equity Plan") was adopted during fiscal 2014 and replaced the Company's previous Equity Incentive Plan and Restricted Share Unit Plan (the "Prior Plans"). Awards previously granted under the Prior Plans continue to be governed by the terms of the Prior Plans and by any amendments approved by the Company's Board of Directors (the "Board"). The Equity Plan provides for the grants of incentive stock options and restricted share units ("RSUs") to officers and employees of the Company or its subsidiaries. The number of common shares authorized for awards under the Equity Plan is 21,375,000 common shares. Any shares that are subject to options granted after fiscal 2013 are counted against this limit as 0.625 share for every one option granted, and any shares that are subject to RSUs granted after fiscal 2013 are counted against this limit as one share for every RSU. Awards previously granted under the Prior Plans and the Equity Plan that expire or are forfeited, or settled in cash, are added to the shares available under the Equity Plan. Options forfeited will be counted as 0.625 shares to the shares available under the Equity Plan. Shares issued as awards other than options (i.e., RSUs) that expire or are forfeited, settled in cash or sold to cover withholding tax requirements are counted as one share added to the shares available under the Equity Plan. In addition to awards under the Equity Plan, 10,521,418 RSUs were granted to Mr. Chen as an inducement to enter into a contract of full-time employment.

The Company measures stock-based compensation expense for options at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton ("BSM") option pricing model for stock options and the expense is recognized ratably over the vesting period. The BSM model requires various judgmental assumptions including volatility and expected option life. In addition, judgment is also applied in estimating the number of stock-based awards that are expected to be forfeited, and if actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations would be impacted.

Any consideration paid by employees on exercise of stock options, plus any recorded stock-based compensation within additional paid-in capital related to that stock option, is credited to capital stock.

RSUs are redeemed for common shares issued by the Company or the cash equivalent on the vesting dates established by the Board or the Compensation, Nomination and Governance Committee of the Board. The RSUs generally vest over a three-year period, either in equal annual installments or on the third anniversary date. The Company classifies RSUs as equity instruments as the Company has the ability and intent to settle the awards in common shares. The compensation expense for standard RSUs is calculated based on the fair value of each RSU as determined by the closing value of the Company's common shares on the business day of the grant date. The Company recognizes compensation expense over the vesting period of the RSU.

The Company expects to settle RSUs, upon vesting, through the issuance of new common shares from treasury.

The Company has a Deferred Share Unit Plan (the "DSU Plan"), originally approved by the Board on December 20, 2007, under which each independent director is credited with Deferred Share Units ("DSUs") in satisfaction of all or a portion of the cash fees otherwise payable to them for serving as a director of the Company. At a minimum, 60% of each independent director's annual retainer will be satisfied in the form of DSUs. After his or her first year of service, a director can elect to receive the remaining 40% in any combination of cash and DSUs. Within a specified period after a director ceases to be a member of the Board, DSUs will be redeemed for cash with the redemption value of each DSU equal to the weighted average trading price of the Company's shares over the five trading days preceding the redemption date. Alternatively, the Company may elect to redeem DSUs by way of shares purchased on the open market or issued by the Company.

DSUs are accounted for as liability-classified awards and are awarded on a quarterly basis. These awards are measured at their fair value on the date of issuance and re-measured at each reporting period until settlement.

Advertising costs

The Company expenses all advertising costs as incurred. These costs are included in selling, marketing and administration.

2. ADOPTION OF ACCOUNTING POLICIES

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard on the topic of revenue contracts, which replaces the existing revenue recognition standard. The new standard amends the number of requirements that an entity must consider in recognizing revenue and requires improved disclosures to help readers of financial statements better understand the nature, amount, timing and uncertainty of revenue recognized. For public entities, the new standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for annual reporting periods and interim periods therein beginning after December 15, 2016. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures. The Company expects that upon adoption of this standard, significant revenue which would otherwise have been recognized in future periods will instead be recognized either in retrospectively restated periods or in a cumulative adjustment to retained earnings, depending on the Company's chosen method of adoption. The Company also expects that upon adoption of this standard, certain revenues will be recognized earlier than they would be under the current standard.

In July 2015, the FASB issued a new accounting standard update on the topic of inventory. The amendments in this update provide guidance on the subsequent measurement of inventory from the lower of cost or market to the lower of cost and net realizable value for entities using the first-in, first-out or the average cost method. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. It should be applied prospectively with earlier application permitted as of the beginning of the interim or annual reporting period. The Company expects to adopt this guidance in the first quarter of fiscal 2018 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In January 2016, the FASB issued a new accounting standard on the topic of financial instruments. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the guidance clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for certain requirements. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In February 2016, the FASB issued a new accounting standard on the topic of leases. The new standards would require companies and other organizations to include lease obligations in their balance sheets, including a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The guidance is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2020 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In March 2016, the FASB issued a new accounting standard on the topic of revenue from contracts with customers. The amendments in this update clarify the implementation guidance on principal versus agent considerations. When another party, along with the reporting entity, is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (as a principal) or to arrange for the good or service to be provided to the customer by the other party (as an agent). The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In March 2016, the FASB issued a new accounting standard on the topic of stock compensation. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions, including the income tax

consequences, classification of awards as either equity or liabilities, and classification on the statements of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2018 and does not expect the adoption to significantly impact its results of operations, financial position, or disclosures.

In April 2016, the FASB issued an update that clarifies the implementation guidance on identifying promised goods or services and on determining whether an entity's promise to grant a license with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In May 2016, the FASB issued an update that rescinds various standards codified as part of Topic 605, *Revenue Recognition,* in relation to the future adoption of Topic 606, *Revenue from Contracts with Customers*. These rescissions include changes to topics pertaining to revenue and expense recognition for freight services in process, accounting for shipping and handling fees and costs, and accounting for consideration given by a vendor to a customer. The Company is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In May 2016, the FASB issued a new accounting standard on the topic of revenue contracts that aims to reduce the risk of diversity in practice, including collectibility, non-cash consideration, presentation of sales tax and transition. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In June 2016, the FASB issued a new accounting standard on the topic of financial instruments that replaces the "incurred loss" impairment methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for annual reporting periods and interim periods therein beginning after December 15, 2018. The Company will adopt this guidance in the first quarter of fiscal 2021 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In August 2016, the FASB issued a new accounting standard on the topic of statements of cash flows. The amendments in this update clarify the classification of certain cash receipts and cash payments. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In October 2016, the FASB issued a new accounting standard on the topic of income taxes. The amendments in this update improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company plans to early adopt this guidance in the first quarter of fiscal 2018 and does not expect the adoption to significantly impact its results of operations, financial position, or disclosures.

In November 2016, the FASB issued a new accounting standard on the topic of statements of cash flows. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this update should be applied using a retrospective transition method to each period presented. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In December 2016, the FASB issued a new accounting standard update on technical corrections and improvements that will affect a wide variety of topics in the Accounting Standards Codification (the "Codification"). This update will clarify the Codification, correct errors or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. The amendments in this update do not require transition guidance and are effective upon issuance of this update. The Company does not expect that this adoption will have a material impact on its results of operations, financial position and disclosures.

In January 2017, the FASB issued a new accounting standard update on the topic of business combinations. The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In January 2017, the FASB issued an accounting standard update on the topic of goodwill. The amendments in this update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. The guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2022 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In February 2017, the FASB issued a new accounting standard update on the topic of other income - gains and losses from the derecognition of non-financial assets. The amendments in this update clarify the scope of Subtopic 610-20, *Other Income - Gains and Losses from the Derecognition of Non-Financial Assets* and add guidance for partial sales of non-financial assets. The guidance is effective for fiscal years beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

The components of cash, cash equivalents and investments by fair value level as at February 28, 2017 were as follows:

	Cost Basis	Unrealized Gains	Unrealized Losses	Other-than-temporary Impairment	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments	Restricted Cash
Bank balances	$ 218	$ —	$ —	$ —	$ 218	$ 216	$ —	$ —	$ 2
Other investments	34	—	—		34	—	—	34	—
	252	—	—	—	252	216	—	34	2
Level 1:									
Equity securities	10	—	(5)	—	5	—	5	—	—
Level 2:									
Term deposits, certificates of deposits, and GICs	242	—	—	—	242	143	50	—	49
Bankers' acceptances	125	—	—	—	125	125	—	—	—
Commercial paper	274	—	—	—	274	212	62	—	—
Non-U.S. promissory notes	117	—	—	—	117	38	79	—	—
Non-U.S. government sponsored enterprise notes	49	—	—	—	49	—	49	—	—
Non-U.S. treasury bills/notes	300	—	—	—	300	—	300	—	—
U.S. treasury bills/notes	315	—	(1)	—	314	—	99	215	—
	1,422	—	(1)	—	1,421	518	639	215	49
Level 3:									
Corporate notes/bonds	1	—	—	—	1	—	—	1	—
Auction rate securities	20	2	—	(3)	19	—	—	19	—
	21	2	—	(3)	20	—	—	20	—
	$ 1,705	$ 2	$ (6)	$ (3)	$ 1,698	$ 734	$ 644	$ 269	$ 51

The components of cash, cash equivalents and investments by fair value level as at February 29, 2016 were as follows:

	Cost Basis	Unrealized Gains	Unrealized Losses	Other-than-temporary Impairment	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments	Restricted Cash and Cash Equivalents
Bank balances	$ 603	$ —	$ —	$ —	$ 603	$ 600	$ —	$ —	$ 3
Other investments	52	—	—	—	52	—	—	52	—
	655	—	—	—	655	600	—	52	3
Level 1:									
Auction rate securities	10	1	—	(1)	10	—	10	—	—
Level 2:									
Term deposits, certificates of deposits, and GICs	122	—	—	—	122	—	75	—	47
Bankers' acceptances	73	—	—	—	73	73	—	—	—
Commercial paper	402	—	—	—	402	104	298	—	—
Non-U.S. promissory notes	175	—	—	—	175	65	110	—	—
U.S. government sponsored enterprise notes	104	—	—	—	104	—	104	—	—
Non-U.S. government sponsored enterprise notes	232	—	—	—	232	—	232	—	—
Non-U.S. treasury bills/notes	395	—	—	—	395	115	280	—	—
U.S. treasury bills/notes	435	—	—	—	435	—	311	124	—
	1,938	—	—	—	1,938	357	1,410	124	47
Level 3:									
Corporate notes/bonds	2	—	—	—	2	—	—	2	—
Auction rate securities	21	2	—	(4)	19	—	—	19	—
	23	2	—	(4)	21	—	—	21	—
	$ 2,626	$ 3	$ —	$ (5)	$ 2,624	$ 957	$ 1,420	$ 197	$ 50

As at February 28, 2017, the Company's other investments consisted of cost method investments of $34 million (February 29, 2016 - $52 million). During the year ended February 28, 2017, the Company recorded an other-than-temporary impairment charges of approximately $8 million relating to certain of its cost method investments (nil for the years ended February 29, 2016 and February 28, 2015) and realized gains of $12 million relating to the sale of one of the Company's cost-based investments (nil for the years ended February 29, 2016 and February 28, 2015).

During the fiscal year ended February 28, 2017, the issuer of one of the Company's cost-based investments conducted an initial public offering on the NASDAQ Stock Market. The Company received the value of its investment in public equities and classified the investment as a Level 1 available-for-sale equity security.

During the fiscal year ended February 28, 2015, the Company received a distribution of proceeds out previously held equity method investments in the amount of $134 million and recorded investment income of $115 million (pre-tax and after-tax).

The Company has restricted cash, consisting of cash and securities pledged as collateral to major banking partners in support of the Company's requirements for letters of credit. These letters of credit support certain leasing arrangements entered into in the ordinary course of business, for terms ranging from one month to eight years. The Company is legally

restricted from accessing these funds during the term of the leases for which the letters of credit have been issued; however, the Company can continue to invest the funds and receive investment income thereon.

During the year ended February 28, 2017, the Company recognized realized gains on available-for-sale securities of nil (year ended February 29, 2016 - $1 million, year ended February 28, 2015 - $6 million). The Company has not recognized any realized losses on available-for-sale securities in the last three years.

The contractual maturities of available-for-sale investments as at February 28, 2017 were as follows:

	Cost Basis	Fair Value
Due in one year or less	$ 1,206	$ 1,206
Due in one to five years	217	216
Due after five years	17	19
No fixed maturity	10	5
	$ 1,450	$ 1,446

As at February 28, 2017 and February 29, 2016, the Company had no investments with continuous unrealized losses.

In valuing auction rate securities, the Company used a multi-year investment horizon and considered the underlying risk of the securities and the current market interest rate environment. The Company has the ability and intent to hold these securities until such time that market liquidity returns to normal levels, and does not consider the principal or interest amounts on these securities to be materially at risk. As there is uncertainty as to when market liquidity for auction rate securities will return to normal, the Company has classified the auction rate securities as long-term investments.

4. FAIR VALUE MEASUREMENTS

For a description of the fair value hierarchy, see Note 3.

Recurring Fair Value Measurements

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

In determining the fair value of investments held (other than those classified as Level 3), the Company primarily relies on an independent third party valuator for the fair valuation of securities. Pricing inputs used by the independent third party valuator are generally received from two primary vendors. The pricing inputs are reviewed for completeness and accuracy, within a set tolerance level, on a daily basis by the independent third party valuator. The Company also reviews and understands the inputs used in the valuation process and assesses the pricing of the securities for reasonableness after conducting its own internal collection of quoted prices from brokers. Fair values for all investment categories provided by the independent third party valuator that are in excess of 0.5% from the fair values determined by the Company are communicated to the independent third party valuator for consideration of reasonableness. The independent third party valuator considers the information provided by the Company before determining whether a change in the original pricing is warranted.

The Company's investments (other than those classified as Level 3) largely consist of securities issued by major corporate and banking organizations, the provincial and federal governments of Canada and the United States Department of the Treasury, and are all investment grade. The Company also holds equity securities following the initial public offering by the issuer of a previous cost-based investment.

For a description of how the fair value of currency forward contracts and currency option contracts and the fair value of the Debentures have been determined, see the "Derivative financial instruments" and "Convertible debentures" accounting policies in Note 1.

The following table summarizes the changes in fair value of the Company's Level 3 assets for the years ended February 28, 2017 and February 29, 2016:

	Level 3
Balance at February 28, 2015	$ 40
Principal payments	(12)
Change in fair value	3
Transfers out of Level 3 to Level 1	(10)
Balance at February 29, 2016	21
Principal repayments	(1)
Balance at February 28, 2017	$ 20

The Company recognizes transfers in and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurred. There were no significant transfers in or out of Level 3 assets during the year ended February 28, 2017. During the year ended February 29, 2016, $10 million of auction rate securities were publicly called at par with settlement dates in March of 2016 and transferred from Level 3 to Level 1.

The Company's Level 3 assets measured on a recurring basis include auction rate securities as well as corporate notes/bonds consisting of securities received in a payment-in-kind distribution from a former structured investment vehicle.

The auction rate securities are valued using a discounted cash flow method incorporating both observable and unobservable inputs. The unobservable inputs utilized in the valuation are the estimated weighted average life of each security based on its contractual details and expected pay down schedule based upon the underlying collateral, the value of the underlying collateral which would be realized in the event of a waterfall event, an estimate of the likelihood of a waterfall event, an estimate of the likelihood of a permanent auction suspension, and an estimate of the likelihood of the securities being called at par. Significant changes in these unobservable inputs would result in significantly different fair value measurements. Generally, a change in the assumption used for the probability of a waterfall event is accompanied by a directionally opposite change in the assumption used for the probability of a permanent auction suspension. A waterfall event occurs if the funded reserves of the securities become insufficient to make the interest payments, resulting in the disbursement of the securities' underlying collateral to the security holders.

The following table presents the significant unobservable inputs used in the fair value measurement of the auction rate securities, as well as the impact on the fair value measurement resulting from a significant increase in each input in isolation. A significant decrease in each input would produce the opposite impact as shown below:

As at February 28, 2017	Fair Value	Valuation Technique	Unobservable Input	Range (weighted average)	Effect of Significant Increase in Input on Fair Value
Auction rate securities	$ 19	Discounted cash flow	Weighted average life	16 years	Decrease
			Collateral value (as a % of fair value)	148%	Increase
			Probability of waterfall event	10%	Increase
			Probability of permanent suspension of auction	5%	Decrease
			Probability of being called at par	25%	Increase

5. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts and fair values of financial instruments outstanding were as follows:

	As at February 28, 2017				
	Balance Sheet Location	Fair Value of Derivatives Designated as Cash Flow Hedges	Fair Value of Derivatives Not Subject to Hedge Accounting	Total Estimated Fair Value	Notional Amount
Derivative Assets [1]:					
Currency forward contracts	Other current assets	$ —	$ 1	$ 1	$ 89
Currency option contracts	Other current assets	1	—	1	37
Total		$ 1	$ 1	$ 2	$ 126
Derivative Liabilities [1]:					
Currency forward contracts	Accrued liabilities	$ —	$ (1)	$ (1)	$ 28
Currency option contracts	Accrued liabilities	(1)	—	(1)	38
Total		$ (1)	$ (1)	$ (2)	$ 66
Currency option contracts - premium	Accumulated other comprehensive loss	$ —	$ —	$ —	$ —

[1] The fair values of derivative assets and liabilities are measured using Level 2 fair value inputs.

	As at February 29, 2016				
	Balance Sheet Location	Fair Value of Derivatives Designated as Cash Flow Hedges	Fair Value of Derivatives Not Subject to Hedge Accounting	Total Estimated Fair Value	Notional Amount
Derivative Assets [1]:					
Currency forward contracts	Other current assets	$ —	$ 2	$ 2	$ 118
Currency option contracts	Other current assets	1	—	1	43
Total		$ 1	$ 2	$ 3	$ 161
Derivative Liabilities [1]:					
Currency forward contracts	Accrued liabilities	$ —	$ (2)	$ (2)	$ 166
Currency option contracts	Accrued liabilities	—	—	—	23
Total		$ —	$ (2)	$ (2)	$ 189
Currency option contracts - premium	Accumulated other comprehensive loss	$ (2)	$ —	$ (2)	$ —

[1] The fair values of derivative assets and liabilities are measured using Level 2 fair value inputs.

Foreign Exchange

The Company's currency risk management objective in holding derivative instruments is to reduce the volatility of current and future income as a result of changes in foreign currency exchange rates. To limit its exposure to adverse movements in foreign currency exchange rates, the Company enters into foreign currency forward and option contracts.

The majority of the Company's revenue for the fiscal year ended February 28, 2017 was transacted in U.S. dollars. However, portions of the revenue are denominated in Canadian dollars, Euros, and British Pounds. Purchases of raw

materials are primarily transacted in U.S. dollars. Other expenses, consisting of the majority of salaries, certain operating costs and manufacturing overhead, are incurred primarily in Canadian dollars. The Company enters into forward and option contracts to hedge portions of these anticipated transactions to reduce the volatility on income associated with the foreign currency exposures. The Company also enters into forward and option contracts to reduce the effects of foreign exchange gains and losses resulting from the revaluation of certain foreign currency monetary assets and liabilities. As at February 28, 2017, approximately 8% of cash and cash equivalents, 35% of accounts receivable and 23% of accounts payable and accrued liabilities were denominated in foreign currencies (February 29, 2016 - 10%, 30% and 16%, respectively).

See “Derivative financial instruments” in Note 1 for the Company’s accounting policies on these instruments.

As at February 28, 2017 and February 29, 2016, the outstanding derivatives designated as cash flow hedges were considered to be fully effective. The maturity dates of these instruments range from March 2017 to July 2017. As at February 28, 2017, the net unrealized loss on these forward and option contracts (including option premiums paid) was nil (February 29, 2016 - net unrealized loss of $1 million). Unrealized gains associated with these contracts were recorded in other current assets and AOCI. Unrealized losses were recorded in accrued liabilities and AOCI. Option premiums were recorded in AOCI. As at February 28, 2017, the Company estimates that the net unrealized losses (including option premiums) on forward and option contracts that will be reclassified into income within the next 12 months will be approximately nil. For the fiscal years ended February 28, 2017 and February 29, 2016, there were no realized gains or losses on forward contracts that were ineffective upon maturity.

The following table shows the impact of derivative instruments designated as cash flow hedges on the consolidated statements of operations and the consolidated statements of comprehensive loss for the year ended February 28, 2017:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative Instruments (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Currency forward contracts	$ —	Selling, marketing and administration	$ (1)
Currency option contracts	—	Selling, marketing and administration	2
Total	$ —		$ 1

The following table shows the impact of derivative instruments designated as cash flow hedges on the consolidated statements of operations and the consolidated statements of comprehensive loss for the year ended February 29, 2016:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative Instruments (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Currency forward contracts	$ —	Selling, marketing and administration	$ (20)
Currency option contracts	(1)	Selling, marketing and administration	(10)
Total	$ (1)		$ (30)

As part of its currency risk management strategy, the Company may maintain net monetary asset and/or liability balances in foreign currencies. The Company enters into foreign exchange forward contracts to hedge certain monetary assets and liabilities that are exposed to foreign currency risk. The principal currencies hedged include the Canadian dollar, Euro, and British pound. These contracts are not subject to hedge accounting, and any realized and unrealized gains or losses are recognized in income each period, offsetting the change in the U.S. dollar value of the asset or liability. The maturity dates of these instruments range from March 2017 to May 2017. As at February 28, 2017, there were no net unrealized gains (net of premium paid) recorded in respect of these instruments (February 29, 2016 - net unrealized gain or losses of nil). Unrealized gains associated with these contracts were recorded in other current assets and selling, marketing and administration expenses. Unrealized losses were recorded in accrued liabilities and selling, marketing and administration expenses.

The following table shows the impact of derivative instruments that are not subject to hedge accounting on the consolidated statements of operations for the years ended February 28, 2017 and February 29, 2016:

	Location of Gain (Loss) Recognized in Income on Derivative Instruments	Amount of Gain (Loss) in Income on Derivative Instruments	
		February 28, 2017	February 29, 2016
Currency forward contracts	Selling, marketing and administration	$ 1	$ 44
Currency option contracts	Selling, marketing and administration	—	(4)
Total		$ 1	$ 40

For information concerning the impact of foreign exchange on the consolidated statement of operations net of the above derivative instruments, see Note 16.

Credit Risk

The Company is exposed to credit risk on derivative financial instruments arising from the potential for counterparties to default on their contractual obligations. The Company mitigates this risk by limiting counterparties to highly rated financial institutions and by continuously monitoring their creditworthiness. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. The Company measures its counterparty credit exposure as a percentage of the total fair value of the applicable derivative instruments. Where the net fair value of derivative instruments with any counterparty is negative, the Company deems the credit exposure to that counterparty to be nil. As at February 28, 2017, the maximum credit exposure to a single counterparty, measured as a percentage of the total fair value of derivative instruments with net unrealized gains, was 100% (February 29, 2016 - 82%; February 28, 2015 - 47%). As at February 28, 2017, the Company had a total credit risk exposure across all counterparties with outstanding or unsettled foreign exchange derivative instruments of nil on a notional value of $24 million (February 29, 2016 - $1 million total credit risk exposure on a notional value of $291 million).

The Company maintains Credit Support Annexes ("CSAs") with several of its counterparties. These CSAs require the outstanding net position of all contracts be made whole by the paying or receiving of collateral to or from the counterparties on a daily basis, subject to exposure and transfer thresholds. As at February 28, 2017, the Company had no collateral posted to or held with counterparties (February 29, 2016 - $2 million of collateral posted).

The Company is exposed to market and credit risk on its investment portfolio. The Company reduces this risk by investing in liquid, investment grade securities and by limiting exposure to any one entity or group of related entities. As at February 28, 2017, no single issuer represented more than 18% of the total cash, cash equivalents and investments (February 29, 2016 - no single issuer represented more than 17% of the total cash, cash equivalents and investments), and the largest single issuer was the U.S. Department of the Treasury.

Interest Rate Risk

Cash and cash equivalents and investments are invested in certain instruments of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company has also issued the 3.75% Debentures (as defined below) as described in Note 10 with a fixed 3.75% interest rate. The fair value of the 3.75% Debentures will fluctuate with changes in prevailing interest rates. Consequently, the Company is exposed to interest rate risk as a result of the long term of the 3.75% Debentures. The Company does not currently utilize interest rate derivative instruments to hedge its investment portfolio.

6. CONSOLIDATED BALANCE SHEET DETAILS

Accounts receivable, net

The allowance for doubtful accounts as at February 28, 2017 was $12 million (February 29, 2016 - $10 million).

There was one customer that comprised more than 10% of accounts receivable as at February 28, 2017 (February 29, 2016 – no customer that comprised more than 10%).

Inventories

Inventories comprised the following:

	As at	
	February 28, 2017	February 29, 2016
Raw materials	$ 4	$ 46
Work in process	1	32
Finished goods	21	65
	$ 26	$ 143

During fiscal 2017, the Company recorded non-cash, pre-tax charges of approximately $ 150 million relating to the write-down of inventory (fiscal 2016 - $36 million; fiscal 2015 - $95 million).

Other current assets

Other current assets include items such as deferred cost of sales and prepaid expenses, among other items, none of which were greater than 5% of the current assets balance in all years presented.

Property, plant and equipment, net

Property, plant and equipment comprised the following:

	As at	
	February 28, 2017	February 29, 2016
Cost		
Land	$ —	$ 26
Buildings, leasehold improvements and other	101	397
BlackBerry operations and other information technology	1,070	1,183
Manufacturing equipment, research and development equipment and tooling	87	120
Furniture and fixtures	15	18
	1,273	1,744
Accumulated amortization	1,182	1,332
Net book value	$ 91	$ 412

For the year ended February 28, 2017, amortization expense related to property, plant and equipment amounted to $76 million (February 29, 2016 - $124 million; February 28, 2015 - $184 million).

Sale, disposal and abandonment of LLA

As part of the Company's resource alignment program (the "RAP") and the cost optimization and resource efficiency ("CORE") program as described in Note 8, the Company has sold or disposed of a significant amount of property, plant and equipment. The Company incurred losses on the write-down of property, plant and equipment to fair value (as assets held for sale), the sale thereof, or disposal thereof of $171 million for the year ended February 28, 2017, which was primarily due to the sale of data center assets as described in Note 8 (February 29, 2016 - $195 million; February 28, 2015 - $169 million).

Intangible assets, net

Intangible assets comprised the following:

	As at February 28, 2017		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 676	$ 446	$ 230
Intellectual property	418	184	234
Other acquired intangibles	197	59	138
	$ 1,291	$ 689	$ 602

	As at February 29, 2016		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	$ 677	$ 367	$ 310
Intellectual property	1,437	704	733
Other acquired intangibles	197	27	170
	$ 2,311	$ 1,098	$ 1,213

Other acquired intangibles include items such as customer relationships and brand.

For the year ended February 28, 2017, amortization expense related to intangible assets amounted to $163 million (February 29, 2016 - $492 million; February 28, 2015 - $510 million).

Total additions to intangible assets in fiscal 2017 amounted to $57 million (fiscal 2016 - $477 million). During fiscal 2017, the additions to intangible assets primarily consisted of payments for intellectual property relating to patent registration, licenses and maintenance fees.

Based on the carrying value of the identified intangible assets as at February 28, 2017, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for each of the succeeding years is expected to be as follows: fiscal 2018 - $150 million; fiscal 2019 - $127 million; fiscal 2020 - $116 million; fiscal 2021 - $99 million; and fiscal 2022 - $81 million.

The weighted average remaining useful lives of the intangible assets are as follows:

	As at	
	February 28, 2017	February 29, 2016
Acquired technology	3.4 years	4.4 years
Intellectual property	8.5 years	7.7 years
Other acquired intangibles	5.0 years	6.0 years

Impairment of LLA

As discussed in Note 1, during fiscal 2017 the Company recorded an LLA Impairment Charge of $501 million, which was applicable to the intellectual property within the asset group associated with the Mobility Solutions segment. There were no LLA impairment charges taken in fiscal 2016 or fiscal 2015.

Sale, disposal and abandonment of long-lived assets

The Company conducts regular reviews of the individual patents, both organically generated and acquired, composing its patent portfolio. As a result of this review, for the year ended February 28, 2017, the Company ceased enforcement and abandoned legal right and title to patents with a cost of $62 million, accumulated amortization of $55 million, and a net book value of approximately $7 million (February 29, 2016 - $592 million, $456 million, and $136 million respectively; February 28, 2015 - $49 million, $15 million and $34 million, respectively).

Goodwill

Changes to the carrying amount of goodwill during the fiscal years ended February 28, 2017 and February 29, 2016 were as follows:

	Mobility Solutions	Software & Services	SAF	Corporate	Total
Carrying amount as at February 28, 2015	$ —	$ —	$ —	$ 85	$ 85
Effect of foreign exchange on non-U.S. dollar denominated goodwill	—	—	—	(7)	(7)
Goodwill acquired through business combinations during the year	—	—	—	540	540
Carrying amount as at February 29, 2016	—	—	—	618	618
Allocation of goodwill to segments based on relative fair value of reporting units	5	561	52	(618)	—
Goodwill Impairment Charge	(5)	—	(52)	—	(57)
Effect of foreign exchange on non-U.S. dollar denominated goodwill	—	(2)	—	—	(2)
Carrying amount as at February 28, 2017	$ —	$ 559	$ —	$ —	$ 559

As discussed in Note 1, the Company recorded the Goodwill Impairment Charge of $57 million during fiscal 2017.

Accrued liabilities

Accrued liabilities comprised the following:

	As at	
	February 28, 2017	February 29, 2016
Warranty	$ 8	$ 33
Accrued royalties	43	38
RAP liability	36	38
Other	171	259
	$ 258	$ 368

Other accrued liabilities include, among other items, accrued vendor liabilities, accrued carrier liabilities and payroll withholding taxes, among other items, none of which were greater than 5% of the current liabilities balance.

Product Warranty

The change in the Company's warranty expense and actual warranty experience from March 1, 2014 to February 28, 2017, as well as the accrued warranty obligations, are set forth in the following table:

Accrued warranty obligations as at March 1, 2014	$	204
Actual warranty experience during fiscal 2015		(140)
Fiscal 2015 warranty provision		82
Adjustments for changes in estimate		(23)
Accrued warranty obligations as at February 28, 2015		123
Actual warranty experience during fiscal 2016		(44)
Fiscal 2016 warranty provision		39
Adjustments for changes in estimate		(85)
Accrued warranty obligations as at February 29, 2016		33
Transfer of warranty contribution liability from other accrued liabilities		5
Actual warranty experience during fiscal 2017		(10)
Fiscal 2017 warranty provision		9
Adjustments for changes in estimate		(29)
Accrued warranty obligations as at February 28, 2017	$	8

During fiscal 2017, the Company's warranty balance declined significantly as a result of changes in estimate, leading to a recovery of $29 million or $0.06 per share (fiscal 2016 - $85 million or $0.16 per share). The change in estimate resulted from a sustained significant decline in the return rate of the Company's handheld devices.

7. BUSINESS ACQUISITIONS

In fiscal 2017, the Company paid consideration of $5 million in cash to acquire certain intellectual property and employees of a company, which constituted a business. The Company allocated $4.5 million to intellectual property and $0.5 million to goodwill. The operating results of the acquired business have been included in the year ended February 28, 2017, and are immaterial to the Company's operating results.

In fiscal 2016, the Company acquired the following businesses:

WatchDox Ltd.

On May 7, 2015, the Company acquired all of the issued and outstanding shares of WatchDox Ltd. ("WatchDox"), a data security company offering secure enterprise file-sync-and-share solutions, for approximately $59 million. The acquisition enhances the Company's commitment to allow organizations to securely connect employees and corporate information across all mobile and desktop platforms. WatchDox's technology is being offered independently and as a value-added service through BES12 that complements the Company's enterprise mobility management portfolio.

AtHoc, Inc.

On September 22, 2015, the Company acquired all of the issued and outstanding shares of AtHoc, Inc. ("AtHoc"), a leading provider of secure networked crisis communications, for approximately $250 million (including $10 million of future post-combination employment expense). The acquisition enhances the Company's strategy of providing secure communication solutions and complements the Company's enterprise portfolio of cross-platform solutions and trusted global network to enable new capabilities for safety, security and mission-critical business communications.

Good Technology Corporation

On October 30, 2015, the Company acquired all of the issued and outstanding shares of Good Technology Corporation ("Good"), a provider of secure mobility solutions, including secure applications and containerization that protects end user privacy, for approximately $425 million (including $2 million of acquisition related costs and $6 million of future post-combination employment expense). The acquisition expands the Company's ability to offer a unified, secure mobility platform with applications for any mobile device on any operating system. Good's technology is being integrated with BES12, providing multi-platform support for both mobile and desktop operating system devices.

Encription Limited

On February 19, 2016, the Company acquired all of the issued and outstanding shares of Encription Holdings Limited and Encription Ireland Limited ("Encription"), a cybersecurity firm based in the United Kingdom, for $8 million of cash consideration. The acquisition expands the Company's security portfolio and, combined with the Company's existing security solutions, helps customers identify the latest cybersecurity threats, develop risk appropriate mitigation strategies, implement and maintain IT security standards and techniques, and defend against the risk of future attacks.

The following table summarizes the preliminary fair value allocations of the acquisition price of the assets acquired and liabilities assumed during fiscal 2016:

	Good	AtHoc	WatchDox	Encription	Total
Non-cash assets acquired					
Current assets	$ 33	$ 11	$ 3	$ 1	$ 48
Property, plant and equipment, net and other long term assets	9	3	—	—	12
Intangible assets					
Acquired technology	148	55	30	—	233
Customer relationships	88	40	4	—	132
Brand	31	3	—	—	34
Other	9	—	—	—	9
Goodwill[1]	313	191	28	8	540
	631	303	65	9	1,008
Liabilities assumed					
Current liabilities	54	6	3	1	64
Debt	88	—	—	—	88
Deferred revenue[2]	156	15	7	—	178
Deferred tax liability	7	42	—	—	49
	305	63	10	1	379
Net non-cash assets acquired	326	240	55	8	629
Cash acquired	23	—	4	—	27
Restricted cash acquired	10	—	—	—	10
Net assets acquired	359	240	59	8	666
Settlement of acquiree debt[3]	88	—	—	—	88
Elimination of bridge loan[4]	(30)	—	—	—	(30)
	417	240	59	8	724
Consideration					
Cash consideration	329	240	59	8	636
Settlement of acquiree debt[3]	88	—	—	—	88
Total consideration	417	240	59	8	724
Acquisition-related costs (included in selling, general and administration expenses for the fiscal year ended February 29, 2016)	2	—	—	—	2
Future post-combination employment expense	6	10	—	—	16
Total purchase price	$ 425	$ 250	$ 59	$ 8	$ 742

(1) Goodwill represents the excess of the acquisition price over the fair value of net assets acquired, which is not expected to be deductible for tax purposes when goodwill results from share purchases.
(2) The fair value of deferred revenue represents the costs to service the assumed obligations, plus a normal profit margin as required under purchase accounting.
(3) $88 million in cash was paid to Good's existing debt holders to settle Good's debt outstanding at acquisition.
(4) During the three months ended November 28, 2015 and following the signing of the definitive purchase agreement on September 4, 2015, the Company provided Good with a bridge financing loan of $30 million in cash. The cash was reacquired on acquisition and the loan was eliminated.

The weighted average amortization period of the acquired technology and customer relationships related to the business acquisitions completed during the year ended February 29, 2016 was approximately six years and seven years, respectively.

The amounts of revenue and net loss before income taxes of the acquisitions above (excluding intercompany amounts) included in the consolidated statements of operations for the year ended February 29, 2016 are as follows:

	Good		WatchDox/AtHoc/Encription		Total	
	Revenue[1]	Net loss before income taxes[2]	Revenue[1]	Net loss before income taxes[2]	Revenue[1]	Net loss before income taxes[2]
Actuals from acquisition date to February 29, 2016	$ 48	$ (8)	$ 22	$ (11)	$ 70	$ (19)

(1) Includes revenue recognized related to deferred revenue, the fair value of which represents the costs to service the assumed obligations, plus a normal margin, as required under purchase accounting.
(2) Net loss before income taxes reflects costs associated with ongoing integration activities completed after the acquisition date.

Supplemental Pro Forma Combined Financial Statements

The following pro forma combined results for the years ended February 29, 2016 and February 28, 2015 reflect the consolidated statements of operations of the Company as if the acquisitions of Good, AtHoc, WatchDox and Encription had occurred at the beginning of fiscal 2014, the earliest comparative period previously presented by the Company in the year of the acquisition. These results combine the historical results of Good, AtHoc, WatchDox and Encription's consolidated statements of operations and are not necessarily indicative of the consolidated results of operations of the combined business had the acquisitions actually occurred at the beginning of fiscal 2014 or of the results of future operations of the combined business.

The supplemental pro forma information, as if the acquisitions had occurred on March 2, 2014, is as follows:

	For the Years Ended	
	February 29, 2016	February 28, 2015
Revenue	$ 2,332	$ 3,586
Net loss	(297)	(426)

The February 29, 2016 and February 28, 2015 supplemental pro forma results were adjusted to exclude $13 million and $20 million, respectively, of Good revenue that was recognized from the Company.

8. RESTRUCTURING AND INTEGRATION

Resource Alignment Program

During fiscal 2016, the Company commenced the RAP for its device software, hardware and applications business with the objectives of reallocating Company resources to capitalize on growth opportunities, providing the operational ability to better leverage contract research and development services relating to its handheld devices, and reaching sustainable profitability. Other charges and cash costs may occur as programs are implemented or changes are completed.

The following table sets forth the activity in the Company's RAP liability for fiscal 2017 and fiscal 2016:

	Employee Termination Benefits	Facilities Costs	Manufacturing Costs	Other Charges[1]	Total
Charges incurred	$ 73	$ 41	$ 16	$ 6	$ 136
Cash payments made	(61)	(15)	(16)	(6)	(98)
Balance as at February 29, 2016	12	26	—	—	38
Charges incurred	15	16	—	31	62
Cash payments made	(18)	(15)	—	(31)	(64)
Balance as at February 28, 2017	$ 9	$ 27	$ —	$ —	$ 36

[1] Other charges consist of costs associated with duplicate redundant systems from acquisitions that are being integrated into a single solution, and the effect of foreign exchange.

The RAP charges included employee termination benefits, facilities and manufacturing network simplification costs as well as integration costs related to the transition and alignment of facilities and systems to the Company's focus on its enterprise software business. Total charges, including non-cash charges incurred in fiscal 2017 and fiscal 2016, were as follows:

	For the year ended	
	February 28, 2017	February 29, 2016
Cost of sales	$ 25	$ 44
Research and development	4	47
Selling, marketing and administration	235	253
Total RAP charges	$ 264	$ 344

As discussed in Note 6, the Company completes reviews of the individual patents, both organically generated and acquired, comprising its patent portfolio. As a result of this review, the Company ceased enforcement and abandoned legal right and title to a number of patents. As part of the RAP, the Company classified certain of the charges associated with the selective abandonment of certain patents as restructuring activities, incurring a RAP charge of approximately $4 million for fiscal 2017 (fiscal 2016 - $136 million). The abandonment charges are included in the loss on sale, disposal and abandonment of long-lived assets line of the Company's consolidated statements of operations and included in the total RAP charges.

As part of the RAP, the Company decided to sell its data center assets to realize cost savings and efficiencies in the Company. The Company realized a loss on sale of approximately $165 million in fiscal 2017 in relation to the sale of these assets. The loss on sale has been included in the loss on sale, disposal and abandonment of long-lived assets line of the Company's consolidated statements of operations and included in the total RAP charges.

Cost Optimization and Resource Efficiency Program

In fiscal 2013, the Company commenced the CORE program with the objective of improving the Company's operations and increasing efficiency. During fiscal 2017, the Company incurred approximately $7 million in total pre-tax recoveries related to the CORE program, related to facilities and foreign exchange costs (fiscal 2016 and fiscal 2015 - charges of $11 million and $322 million, respectively). During fiscal 2017, the Company made cash payments of $6 million related to the CORE program, as shown in the table below.

The following table sets forth the activity in the Company's CORE program liability for fiscal 2017 and fiscal 2016:

	Employee Termination Benefits	Facilities Costs and Foreign Exchange	Manufacturing Costs and Foreign Exchange	Total
Balance as at February 28, 2015	$ 3	$ 30	$ 2	$ 35
Charges incurred (recovered)	—	12	(2)	10
Cash payments made	(3)	(26)	—	(29)
Balance as at February 29, 2016	—	16	—	16
Charges recovered	—	(7)	—	(7)
Cash payments made	—	(6)	—	(6)
Balance as at February 28, 2017	$ —	$ 3	$ —	$ 3

The CORE program charges (recoveries), including non-cash charges incurred in fiscal 2017, fiscal 2016 and fiscal 2015, were as follows:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Cost of sales	$ —	$ —	$ 23
Research and development	—	2	70
Selling, marketing and administration	(7)	9	229
Total CORE program charges (recoveries)	$ (7)	$ 11	$ 322

The fiscal 2017 CORE program recoveries relate to reconciliation of estimated accruals to actual costs incurred and do not represent charges for any activities during the quarter.

As part of the CORE program, the Company decided to sell certain redundant assets and discontinue certain operations to drive cost savings and efficiencies in the Company, which included divesting the majority of its Canadian commercial real estate portfolio (the "Real Estate Sale") in fiscal 2015. The Company recorded no losses in fiscal 2017 (no losses in fiscal 2016 and $12 million in fiscal 2015) related to the write-down to fair value less costs to sell of these assets held for sale.

In fiscal 2015, the Company completed the Real Estate Sale, offering properties comprising over three million square feet of space through a combination of sale-leaseback and vacant asset sales. The Company recorded proceeds of approximately $278 million and incurred a net loss on disposal of approximately $66 million on these properties for a total net loss on disposal of $137 million for the Real Estate Sale, the remainder of which was recorded in prior periods when certain of the properties were classified as held for sale and were written down to fair value less costs to sell.

All losses on disposal or on write-down to fair value less costs to sell under the CORE program have been included in the loss on sale, disposal and abandonment of long-lived assets line of the Company's consolidated statements of operations and included in the total CORE program charges.

9. INCOME TAXES

The difference between the amount of the provision for income taxes and the amount computed by multiplying net income before income taxes by the statutory Canadian tax rate is reconciled as follows:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Statutory Canadian tax rate	26.6%	26.6%	26.6%
Expected recovery of income taxes	$ (320)	$ (75)	$ (102)
Differences in income taxes resulting from:			
Valuation allowance	302	58	79
Investment tax credits	(20)	(29)	(51)
Canadian tax rate differences	1	2	(27)
Change in unrecognized income tax benefits	28	(9)	—
Foreign tax rate differences	6	6	11
Other differences	1	6	8
Withholding tax on unremitted earnings	—	(33)	1
	$ (2)	$ (74)	$ (81)

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Loss before income taxes:			
Canadian	$ (1,301)	$ (278)	$ (600)
Foreign	93	(4)	215
	$ (1,208)	$ (282)	$ (385)

The recovery of income taxes consists of the following:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Current			
Canadian	$ (3)	$ (10)	$ (153)
Foreign	(33)	38	21
Deferred			
Canadian	—	(35)	39
Foreign	34	(67)	12
	$ (2)	$ (74)	$ (81)

Deferred income tax assets and liabilities consist of the following temporary differences:

	As at	
	February 28, 2017	February 29, 2016
Assets		
Property, plant, equipment and intangibles	$ 180	$ 42
Non-deductible reserves	103	122
Minimum taxes	264	264
Convertible Debentures (see note 10)	12	7
Research and Development	259	244
Tax loss carryforwards	503	450
Other	81	60
Deferred income tax assets	1,402	1,189
Valuation allowance	1,361	993
Deferred income tax assets net of valuation allowance	41	196
Liabilities		
Property, plant, equipment and intangibles	(50)	(173)
Withholding tax on unremitted earnings	—	—
Deferred income tax liabilities	(50)	(173)
Net deferred income tax asset/(liability)	$ (9)	$ 23
Deferred income tax asset	$ —	$ 33
Deferred income tax liability	(9)	(10)
	$ (9)	$ 23

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will be realized. In evaluating the need for a valuation allowance, the Company noted that there were increases in deductible temporary differences that are not currently deductible for tax purposes and the Company has three years of cumulative losses for fiscal 2017. As a result, the Company was unable to recognize the benefit relating to a significant portion of deferred tax assets that arose in fiscal 2017 and earlier, which resulted in the recognition of a $1,361 million (February 29, 2016 - $993 million) valuation allowance against its deferred tax assets. The fiscal 2017 deferred tax recovery is partially offset by this deferred tax valuation allowance of $302 million and included in the income tax provision in fiscal 2017 (February 29, 2016 - $58 million). This accounting treatment has no effect on the Company's actual ability to utilize deferred tax assets to reduce future cash tax payments. The Company will continue to assess the likelihood that the deferred tax assets will be realizable at each reporting period and the valuation allowance will be adjusted accordingly.

The Company's total unrecognized income tax benefits as at February 28, 2017 and February 29, 2016 were $65 million and $37 million, respectively. A reconciliation of the beginning and ending amount of unrecognized income tax benefits that, if recognized, would affect the Company's effective income tax rate is as follows:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Unrecognized income tax benefits, opening balance	$ 37	$ 11	$ 8
Increase for income tax positions of prior years	28	—	3
Increase for income tax positions of current year	—	34	—
Settlement of tax positions	—	(8)	—
Other	—	—	—
Unrecognized income tax benefits, ending balance	$ 65	$ 37	$ 11

As at February 28, 2017, all of the unrecognized income tax benefits of $65 million have been netted against current income taxes and deferred income taxes on the Company's consolidated balance sheets.

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

Jurisdiction	
Canada[1]	Fiscal 2011 - 2017
United States[2]	Fiscal 2014 - 2017
United Kingdom	Fiscal 2016 - 2017

(1) Includes federal as well as provincial jurisdictions, as applicable.
(2) Pertains to federal tax years. Certain state jurisdictions remain open from fiscal 2013 through fiscal 2017.

The Company is subject to ongoing examination by tax authorities in the jurisdictions in which it operates. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income taxes, as well as the provisions for indirect and other taxes and related penalties and interest. The Company believes it is reasonably possible that approximately $31 million of its gross unrecognized income tax benefits will be realized in the next twelve months. While the final resolution of these audits is uncertain, the Company believes the ultimate resolution of these audits will not have a material adverse effect on its consolidated financial position, liquidity or results of operations.

The Company recognizes interest and penalties related to unrecognized income tax benefits as interest expense that is netted and reported within investment income (loss). The amount of interest accrued as at February 28, 2017 was approximately $2 million (February 29, 2016 - approximately $1 million). The amount of penalties accrued as at February 28, 2017 was nominal (February 29, 2016 - nominal).

As at February 28, 2017, the Company has the following net operating loss carryforwards and tax credits, which are scheduled to expire in the following years:

Year of Expiry	Net Operating Losses	Capital Losses	Research and Development Tax Credits	Minimum Taxes
2028	$ 2	$ —	$ —	$ —
2029	13	—	—	1
2030	—	—	—	109
2031	28	—	1	127
2032	—	—	—	27
2033	—	—	103	—
2034	—	—	110	—
2035	541	—	47	—
2036	822	—	37	—
2037	329		15	
Indefinite	19	12	10	—
	$ 1,754	$ 12	$ 323	$ 264

10. LONG-TERM DEBT

3.75% Convertible Debentures

On September 7, 2016, Fairfax Financial Holdings Limited ("Fairfax") and other institutional investors invested in the Company through a private placement of new debentures in an aggregate amount of $605 million (the "3.75% Debentures"), which partially replaced $1.25 billion aggregate principal amount of debentures issued in fiscal 2014 (the "6% Debentures") as described below (collectively, the "Debentures").

Interest on the 3.75% Debentures is payable quarterly in arrears at a rate of 3.75% per annum. The 3.75% Debentures mature on November 13, 2020, and each $1,000 of Debentures is convertible at any time into 100 common shares of the

Company, for a total of 60.5 million common shares at a price of $10.00 per share for all 3.75% Debentures, subject to adjustments. Covenants associated with the 3.75% Debentures include limitations on the Company's total indebtedness.

Under specified events of default, the outstanding principal and any accrued interest on the 3.75% Debentures become immediately due and payable upon request of holders holding not less than 25% of the principal amount of the Debentures then outstanding. During an event of default, the interest rate rises to 7.75% per annum.

The 3.75% Debentures are subject to a change of control provision whereby the Company would be required to make an offer to repurchase the 3.75% Debentures at 115% of par value if a person or group (not affiliated with Fairfax) acquires 35% of the Company's outstanding common shares, acquires all or substantially all of its assets, or if the Company merges with another entity and the Company's existing shareholders hold less than 50% of the common shares of the surviving entity.

As of February 28, 2017, the fair value of the 3.75% Debentures was determined to be $591 million. The difference between the fair value of the 3.75% Debentures and the unpaid principal balance of $605 million is $14 million. The fair value of the 3.75% Debentures is measured using Level 2 fair value inputs.

The Company recorded non-cash income associated with the change in the fair value of the 3.75% Debentures of $14 million in fiscal 2017. With the charges associated with the change in the fair value of the 6% Debentures of $38 million as described below, the Company recorded total charges associated with the change in the Debentures of $24 million in fiscal 2017. The Company recorded non-cash income of $430 million in fiscal 2016 (the "Fiscal 2016 Debentures fair value adjustments") and non-cash charges of $80 million in fiscal 2015. These adjustments are included in the Company's consolidated statements of operations.

The Company recorded interest expense related to the Debentures of $ 48 million, which has been included in investment loss on the Company's consolidated statements of operations in fiscal 2017 (fiscal 2016 - $75 million; fiscal 2015 - $75 million). The Company is required to make quarterly interest-only payments of approximately $6 million during the remaining term the 3.75% Debentures are outstanding.

Fairfax, a related party under U.S. GAAP, owned $500 million principal amount of the 6% Debentures and also purchased $500 million principal amount of the 3.75% Debentures. As such, the redemption of Fairfax's portion of the 6% Debentures, the investment by Fairfax in the 3.75% Debentures and the payment of interest on the 3.75% Debentures represent related-party transactions. Fairfax receives interest at the same rate as other Debenture holders.

6% Convertible Debentures

In fiscal 2014, the Company issued $1.25 billion of 6% Debentures. The terms of the 6% Debentures were substantially similar to those of the 3.75% Debentures, except for an interest rate of 6%, and the Company had an option to redeem the 6% Debentures after November 13, 2016 at specified redemption prices in specified periods.

As at February 29, 2016, the fair value of the 6% Debentures was $1.28 billion. The Company recorded non-cash charges associated with the change in the fair value of the 6% Debentures of $38 million in fiscal 2017 prior to the redemption as described below.

On August 4, 2016, the Company announced that the Toronto Stock Exchange had accepted notice of the Company's normal course issuer bid to purchase up to $125 million principal amount of the outstanding 6% Debentures, representing 10% of the outstanding 6% Debentures as at July 31, 2016. During the second quarter of fiscal 2017, the Company repurchased and canceled approximately $5.0 million principal amount of 6% Debentures for approximately $5.3 million.

On August 26, 2016, the Company announced that, with the approval of the holders of the 6% Debentures, the indenture governing the 6% Debentures had been amended to permit optional redemption by the Company prior to November 13, 2016, the first date the Company would have otherwise been able to redeem the 6% Debentures. The Company announced that it would redeem the 6% Debentures for a redemption amount of approximately $1.33 billion (the "Redemption Amount", which included approximately $19 million in accrued interest), which would settle all outstanding obligations of the Company in respect of the 6% Debentures. The redemption was completed on September 2, 2016. As the Company accounted for the 6% Debentures at fair value, the impact to the consolidated statements of operations of the redemption was recorded in the second quarter of fiscal 2017, as the Redemption Amount represented the fair value of the 6% Debentures at August 31, 2016.

11. CAPITAL STOCK

(a) Capital stock

The Company is authorized to issue an unlimited number of non-voting, redeemable, retractable Class A common shares, an unlimited number of voting common shares and an unlimited number of non-voting, cumulative, redeemable, retractable preferred shares. As at February 28, 2017 and February 29, 2016, there were no Class A common shares or preferred shares outstanding.

The following details the changes in issued and outstanding common shares for the years ended February 28, 2017, February 29, 2016 and February 28, 2015:

	Capital Stock and Additional Paid-in Capital		Treasury Stock	
	Stock Outstanding (000's)	Amount	Stock Outstanding (000's)	Amount
Common shares outstanding as at March 1, 2014	526,552	$ 2,418	7,660	$ (179)
Exercise of stock options	945	6	—	—
Common shares issued for RSU settlements	1,305	—	—	—
Stock-based compensation	—	50	—	—
Excess tax benefit related to stock-based compensation	—	8	—	—
Sale of treasury stock	—	—	(6,033)	141
Treasury shares released for RSU settlements	—	(38)	(1,627)	38
Common shares outstanding as at February 28, 2015	528,802	2,444	—	—
Exercise of stock options	402	3	—	—
Common shares issued for RSU settlements	4,320	—	—	—
Stock-based compensation	—	60	—	—
Tax deficiencies related to stock-based compensation	—	(1)	—	—
Share repurchase	(12,607)	(59)	—	—
Common shares issued for employee share purchase plan	183	1	—	—
Common shares issued on the redemption of deferred share units	72	—	—	—
Common shares outstanding as at February 29, 2016	521,172	2,448	—	—
Exercise of stock options	131	1	—	—
Common shares issued for RSU settlements	8,689	—	—	—
Stock-based compensation	—	60	—	—
Tax deficiencies related to stock-based compensation	—	(1)	—	—
Common shares issued for employee share purchase plan	505	4	—	—
Common shares outstanding as at February 28, 2017	530,497	$ 2,512	$ —	$ —

The Company had 531 million voting common shares outstanding, 2 million options to purchase voting common shares, 21 million RSUs and 0.5 million DSUs outstanding as at March 28, 2017.

On May 6, 2015, the Board authorized a share repurchase program (the "Repurchase Program") to purchase for cancellation up to 12 million common shares of the Company, or approximately 2.5% of the outstanding public float as of June 22, 2015. The Repurchase Program commenced on June 29, 2015 pursuant to a Notice of Intention to Make a Normal Course Issuer Bid dated June 25, 2015. On September 24, 2015, the Board authorized an increase in the number of common shares that may be purchased for cancellation under the Repurchase Program by up to 15 million common shares, subject to regulatory approval. On January 29, 2016, the Company sought and received regulatory approval from

the TSX to increase the maximum number of common shares that may be repurchased from 12 million common shares to 27 million common shares, or 5.8% of the public float as of June 22, 2015. The Company also announced that it had entered into an automatic purchase plan with its designated broker to allow for purchases of up to 2,685,524 common shares in connection with the Repurchase Program. During fiscal 2016, the Company repurchased 13 million common shares at a cost of approximately $93 million. The Company recorded a reduction of approximately $59 million to capital stock and the amount paid in excess of the per share paid-in capital of the common shares of approximately $34 million was charged to retained earnings. All common shares repurchased by the Company were canceled. The common share repurchase program that the Company commenced on June 29, 2015 expired on June 28, 2016. During fiscal 2017, the Company did not repurchase any common shares.

(b) Stock-based compensation

Stock Options

The Company recorded a charge to income and a credit to paid-in-capital of approximately $1 million in fiscal 2017 (fiscal 2016 - $1 million; fiscal 2015 - $2 million) in relation to stock option-based compensation expense.

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

Stock options previously granted under the Equity Plan and Prior Plans generally vest over a period of three years to a maximum of five years, and are generally exercisable over a period of five years to a maximum of seven years from the grant date. The Company issues new shares to satisfy stock option exercises. There are approximately nine million shares in the equity pool available for future grants under the Equity Plan as at February 28, 2017.

A summary of option activity since March 1, 2014 is shown below:

	Options Outstanding			
	Number (000's)	Weighted Average Exercise Price	Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (millions)
Balance as at March 1, 2014	3,267	$ 12.08		
Granted during the year	526	10.06		
Exercised during the year	(945)	7.13		
Forfeited/cancelled/expired during the year	(1,362)	17.10		
Balance as at February 28, 2015	1,486	9.34		
Granted during the year	772	6.30		
Exercised during the year	(402)	6.09		
Forfeited/cancelled/expired during the year	(382)	14.45		
Balance as at February 29, 2016	1,474	7.01		
Granted during the year	673	7.96		
Exercised during the year	(131)	6.14		
Forfeited/cancelled/expired during the year	(393)	7.44		
Balance as at February 28, 2017	1,623	$ 7.46	3.32	$ —
Vested and expected to vest as at February 28, 2017	1,558	$ 7.46	3.29	$ —
Exercisable as at February 28, 2017	603	$ 7.43	2.03	$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders if all in-the-money options had been exercised on February 28, 2017. The intrinsic value of stock options exercised during fiscal 2017, calculated using the average market price during the year, was approximately $1.20 per share.

A summary of unvested stock options since February 29, 2016 is shown below:

	Options Outstanding	
	Number (000's)	Weighted Average Grant Date Fair Value
Balance as at February 29, 2016	980	$ 2.95
Granted during the year	673	2.36
Vested during the year	(325)	3.09
Forfeited during the year	(308)	2.82
Balance as at February 28, 2017	1,020	$ 2.55

As at February 28, 2017, there was $2 million of unrecognized stock-based compensation expense related to unvested stock options that will be expensed over the vesting period, which, on a weighted average basis, results in a period of approximately 1.52 years. The total fair value of stock options vested during the year ended February 28, 2017 amounted to $1 million (February 29, 2016 - $2 million, February 28, 2015 - $3 million).

Cash received from the stock options exercised for the year ended February 28, 2017 amounted to $1 million (February 29, 2016 - $3 million; February 28, 2015 - $6 million). There were no tax deficiencies incurred by the Company related to stock options exercised at February 28, 2017 (February 29, 2016 – tax deficiency of nil; February 28, 2015 – tax deficiency of nil).

During the year ended February 28, 2017, there were 672,712 stock options granted (February 29, 2016 - 772,056; February 28, 2015 - 526,091). The weighted average fair value of these grants was calculated using the BSM option pricing model with the following assumptions:

	February 28, 2017	February 29, 2016	February 28, 2015
Weighted average grant date fair value of stock options granted during the period	$ 2.36	$ 2.49	$ 4.32
Assumptions:			
Risk-free interest rates	0.92%	1.00%	1.25%
Expected life in years	3.52	3.38	3.67
Expected dividend yield	—%	—%	—%
Volatility	38.86%	54.60%	56.59%

The Company has no current expectation of paying cash dividends on its common shares. The risk-free interest rates utilized during the life of the stock options are based on a U.S. Treasury security for an equivalent period. The Company estimates the volatility of its common shares at the date of grant based on a combination of the implied volatility of publicly traded options on its common shares and historical volatility, as the Company believes that this is a reasonable indicator of expected volatility going forward. The expected life of stock options granted under the Equity Plan is based on historical exercise patterns, which the Company believes are representative of future exercise patterns.

Restricted Share Units

The Company recorded compensation expense with respect to RSUs of approximately $59 million in the year ended February 28, 2017 (February 29, 2016 - $59 million; February 28, 2015 - $48 million).

A summary of RSU activity since March 1, 2014 is shown below:

	RSUs Outstanding			
	Number (000's)	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life in Years	Aggregate Intrinsic Value (millions)
Balance as at March 1, 2014	24,345	$ 8.15		
Granted during the year	9,530	9.72		
Vested during the year	(2,928)	13.73		
Forfeited/cancelled during the year	(4,946)	9.55		
Balance as at February 28, 2015	26,001	7.84		
Granted during the year	8,986	7.20		
Vested during the year	(4,320)	8.75		
Forfeited/cancelled during the year	(2,997)	8.84		
Balance as at February 29, 2016	27,670	7.38		
Granted during the year	5,126	7.77		
Vested during the year	(8,691)	7.69		
Forfeited/cancelled during the year	(3,273)	7.94		
Balance as at February 28, 2017	20,832	$ 7.26	1.44	$ 145
Vested and expected to vest February 28, 2017	19,893	$ 7.24	1.43	$ 138

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate closing share price of the Company's common shares on February 28, 2017, that would have been received by RSU holders if all RSUs had been vested on February 28, 2017).

Tax deficiencies incurred by the Company related to the RSUs vested was $1 million for the year ended February 28, 2017 (February 29, 2016 - tax deficiency of $1 million; February 28, 2015 - tax benefit of $8 million).

Previously, the Company contributed capital to a trust account to enable a trustee to purchase shares on the open market in connection with the vesting of certain RSUs awarded by the Company. The trustee no longer holds shares and the trust was terminated in fiscal 2016. The Company expects to settle vested RSUs by issuing new common shares from treasury.

As at February 28, 2017, there was $92 million of unrecognized compensation expense related to RSUs that will be expensed over the vesting period, which, on a weighted average basis, results in a period of approximately 1.43 years.

During the year ended February 28, 2017, there were 5,126,346 RSUs granted (February 29, 2016 - 8,986,019), all of which will be settled upon vesting by the issuance of new common shares.

Deferred Share Units

The Company issued 145,556 DSUs in the year ended February 28, 2017. There were 0.5 million DSUs outstanding as at February 28, 2017 (February 29, 2016 - 0.4 million). The Company had a liability of $3.8 million in relation to the DSU Plan as at February 28, 2017 (February 29, 2016 - $3.2 million).

12. EARNINGS (LOSS) PER SHARE

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

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Net loss for basic and diluted loss per share available to common shareholders	$ (1,206)	$ (208)	$ (304)
Less: Debentures fair value adjustment [1] [2]	—	(430)	—
Add: interest expense on Debentures [1] [2]	—	75	—
Net loss for diluted loss per share available to common shareholders	$ (1,206)	$ (563)	$ (304)
Weighted average number of shares outstanding (000's) - basic and diluted [2]	525,265	526,303	527,684
Effect of dilutive securities (000's) [3]			
Conversion of Debentures [1] [2]	—	125,000	—
Weighted average number of shares and assumed conversions (000's) - diluted	525,265	651,303	527,684
Loss per share - reported			
Basic	$ (2.30)	$ (0.40)	$ (0.58)
Diluted	$ (2.30)	$ (0.86)	$ (0.58)

[1] The Company has not presented the dilutive effect of the Debentures using the if-converted method in the calculation of loss per share for the years ended February 28, 2017 and February 28, 2015, as to do so would be antidilutive. See Note 10 for details on the Debentures.

[2] The Company has presented the dilutive effect of the 6% Debentures using the if-converted method, assuming conversion at the beginning of fiscal 2016 for the year ended February 28, 2016. Accordingly, to calculate diluted loss per share, the Company adjusted net loss by eliminating the Fiscal 2016 Debentures fair value adjustments and interest expense incurred on the 6% Debentures in the year ended February 29, 2016, and added the number of shares that would have been issued upon conversion to the diluted weighted average number of shares outstanding. See Note 10 for details on the 6% Debentures.

[3] The Company has not presented the dilutive effect of in-the-money options or RSUs that will be settled upon vesting by the issuance of new common shares in the calculation of loss per share for the years ended February 28, 2017, February 29, 2016 and February 28, 2015, as to do so would be antidilutive.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss are as follows:

	As at		
	February 28, 2017	February 29, 2016	February 28, 2015
Accumulated net unrealized gains (losses) on available-for-sale investments	$ (4)	$ 3	$ 3
Accumulated net unrealized losses on derivative instruments designated as cash flow hedges, net of tax	—	(1)	(26)
Foreign currency cumulative translation adjustment	(13)	(10)	—
Accumulated other comprehensive loss	$ (17)	$ (8)	$ (23)

During the year ended February 28, 2017, $1 million in gains (pre-tax and post-tax) associated with cash flow hedges was reclassified from AOCI into selling, marketing and administration costs.

14. COMMITMENTS AND CONTINGENCIES

(a) Credit facility and letters of credit

The Company has $43 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See the discussion of restricted cash in Note 3.

(b) Lease commitments

The Company is committed to future minimum annual lease payments related to real estate operating leases as follows:

For the fiscal years ending:	
2018	$ 46
2019	29
2020	24
2021	14
2022	13
Thereafter	37
	$ 163

For the year ended February 28, 2017, the Company incurred rental expense of $37 million (February 29, 2016 - $45 million; February 28, 2015 - $60 million).

(c) Litigation

The Company is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. The Company is subject to a variety of claims (including claims related to patent infringement, purported class actions and other claims in the normal course of business) and may be subject to additional claims either directly or through indemnities against claims that it provides to certain of its partners and customers. In particular, the industry in which the Company competes has many participants that own, or claim to own, intellectual property, including participants that have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. The Company has received, and may receive in the future, assertions and claims from third parties that the Company's products infringe on their patents or other intellectual property rights. Litigation has been, and will likely continue to be, necessary to determine the scope, enforceability and validity of third-party proprietary rights or to establish the Company's proprietary rights. Regardless of whether claims against the Company have merit, those claims could be time-consuming to evaluate and defend, result in costly litigation, divert management's attention and resources, subject the Company to significant liabilities and could have the other effects that are described in greater detail under "Risk Factors" in the Company's unaudited Annual Information Form for the fiscal year ended February 28, 2017, which is included in the Company's Annual Report on Form 40-F, including the risk factors entitled "Litigation against the Company may result in adverse outcomes" and "The Company could be found to have infringed on the intellectual property rights of others".

Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum amount in the range. The Company does not provide for claims for which the outcome is not determinable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

As of February 28, 2017, there are no claims outstanding for which the Company has assessed the potential loss as both probable to result and reasonably estimable; therefore, no accrual has been made. Further, there are claims outstanding for which the Company has assessed the potential loss as reasonably possible to result; however, an estimate of the amount of loss cannot reasonably be made. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding does not require the claimant to specifically identify the patent that has allegedly been infringed; damages sought are unspecified, unsupportable, unexplained or uncertain; discovery has not been started or is incomplete; the facts that are in dispute are highly complex (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 have not engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and the often slow pace of litigation.

Though they do not meet the test for accrual described above, the Company has included the following summaries of certain of its legal proceedings that it believes may be of interest to its investors.

Between October and December 2013, several purported class action lawsuits and one individual lawsuit were filed against the Company and certain of its former officers in various jurisdictions alleging that during the period from September 27, 2012 through September 20, 2013, the Company and certain of its officers made materially false and misleading statements regarding the Company's financial condition and business prospects and that certain of the Company's financial statements contain material misstatements. The individual lawsuit was voluntarily dismissed. In respect of the putative U.S. class actions, four motions for the appointment of a lead plaintiff were filed. On March 14, 2014, the Judge consolidated the proceedings in the U.S. District Court for the Southern District of New York. On May 27, 2014, the Consolidated Amended Class Action Complaint was filed. The Company filed a motion to dismiss the complaint. On March 13, 2015, the court issued an order granting the Company's motion to dismiss. The plaintiffs filed a motion for reconsideration and for leave to file an amended complaint, which was denied by the court on November 13, 2015. The plaintiffs filed a notice of appeal on December 11, 2015. The U.S. Court of Appeals for the Second Circuit affirmed the District Court order dismissing the complaint, but vacated the order denying leave to amend and remanded to the District Court for further proceedings in connection with plaintiffs' request for leave to amend. The plaintiffs filed their brief in support of their motion for leave to amend on November 17, 2016. The Company's opposition was filed on December 19, 2016, and the plaintiffs filed their brief in support of the motion on January 3, 2017. In respect of the putative Ontario class action, the plaintiffs filed a motion for certification and leave to pursue statutory misrepresentation claims. On November 16, 2015, the Ontario Superior Court of Justice issued an order granting the plaintiffs' motion for leave to file a statutory claim for misrepresentation. On December 2, 2015, the Company filed a notice of motion seeking leave to appeal this ruling. On January 22, 2016, the court postponed the hearing on the plaintiffs' certification motion to an undetermined date after asking the Company to file a motion to dismiss the claims of the U.S. plaintiffs for forum non conveniens. Proceedings are ongoing.

On October 12, 2015, a group of Good institutional investors filed a putative class action lawsuit on behalf of Good's common shareholders against members of Good's former board of directors (the "GTC Directors") related to the Company's acquisition of Good (the "GTC Lawsuit"). The plaintiffs allege that the GTC Directors breached their fiduciary duty by engaging in a self-interested transaction that benefited the preferred shareholders at the expense of the common shareholders. The plaintiffs are seeking monetary damages, as well as rescission of the merger agreement between Good and the Company. While neither Good nor the Company are parties to the GTC Lawsuit, Good has certain obligations to indemnify the defendants and is providing a defense. On October 29, 2015, Good filed a complaint alleging that the plaintiffs breached their contractual obligations under a voting agreement providing that, in the event of a sale transaction that was approved by both the GTC Directors and a majority of the Good preferred shareholders, the plaintiffs were required to vote their shares in favour of the transaction and refrain from exercising any appraisal or dissenter rights. Good alleges that the filing of the GTC Lawsuit was a breach of the voting agreement. On December 31, 2015, several Good shareholders filed a petition seeking appraisal against Good. On August 25, 2016, the Court granted the plaintiff's motion for leave to file an amended complaint naming additional defendants. Good and the Company are not named in the amended complaint. Proceedings are ongoing.

On April 20, 2016, the Company and Qualcomm entered into an agreement to arbitrate a dispute over the application of a royalty cap agreement related to a license agreement between the parties. The Company filed its Demand for Arbitration and Statement of Claim on May 2, 2016. Qualcomm filed its response on May 16, 2016. The arbitration hearing was held from February 27, 2017 to March 3, 2017. Proceedings are ongoing.

On April 28, 2016, one of the Company's licensors filed a Request for Arbitration with the International Chamber of Commerce International Court of Arbitration. The dispute relates to whether certain payments allegedly due under a patent agreement between the parties are in fact owed under the terms of the agreement. The Company filed its response on July 5, 2016. The Company filed a motion to dismiss on February 16, 2017, and a hearing on that motion is scheduled for March 30, 2017. Proceedings are ongoing.

(d) Concentrations in certain areas of the Company's business

The Company attempts to ensure that most components essential to the Company's business are generally available from

multiple sources; however, certain components are currently obtained from limited sources within a competitive market, which subjects the Company to significant supply, availability and pricing risks. The Company has also entered into various agreements for the supply of components, the manufacturing of its products and agreements that allow the Company to use intellectual property owned by other companies; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all. Therefore, the Company remains subject to risks of supply shortages and intellectual property litigation risk.

(e) Indemnifications

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

The Company has entered into indemnification agreements with its current and former directors and executive officers. Under these agreements, the Company agreed, subject to applicable law, to indemnify its current and former directors and executive officers against all costs, charges and expenses reasonably incurred by such individuals in respect of any civil, criminal or administrative action which could arise by reason of their status as directors or officers. The Company maintains liability insurance coverage for the benefit of its current and former directors and executive officers to reduce its exposure to such obligations. The Company has not encountered material costs as a result of such indemnifications in fiscal 2017. See the Company's Management Information Circular for fiscal 2016 for additional information regarding the Company's indemnification agreements with its directors and current and former executive officers.

15. SEGMENT DISCLOSURES

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by the chief operating decision maker ("CODM") for making decisions and assessing performance as a source of the Company's reportable operating segments. In the first quarter of fiscal 2017, the Company internally reorganized into multiple reporting units and, as a result, the CODM, who is the Executive Chairman and Chief Executive Officer of the Company, began making decisions and assessing the performance of the Company using three operating segments comprised of these reporting units, whereas the Company was previously a single operating segment.

The CODM does not evaluate operating segments using discrete asset information. The Company does not specifically allocate its assets to operating segments for internal reporting purposes, as these assets are mostly utilized across segments.

The operating segment results only include a minor amount of amortization or depreciation expenses associated with the Company's property, plant and equipment that directly related to an operating segment.

The Company is organized and managed as three operating segments: Software & Services, Mobility Solutions, and SAF.

The following table shows information by operating segment for the fiscal year ended February 28, 2017:

	Software & Services	Mobility Solutions	SAF	Segment totals
Revenue [1]	$ 652	$ 409	$ 313	$ 1,374
Gross margin	522	98	229	849
Operating income (loss) [1]	149	(4)	224	369

[1] A reconciliation of segment revenue and segment operating income (loss) to consolidated revenue and consolidated operating income (loss) is set forth below.

Operating income (loss) includes depreciation expense of $1 million in Software & Services, $3 million in Mobility Solutions and $2 million in SAF.

The following table shows information by operating segment for the fiscal year ended February 29, 2016 and February 28, 2015:

	For the Years Ended							
	February 29, 2016				February 28, 2015			
	Software & Services	Mobility Solutions	SAF	Segment totals	Software & Services	Mobility Solutions	SAF	Segment totals
Revenue	$ 530	$ 884	$ 779	$ 2,193	$ 249	$ 1,480	$ 1,606	$ 3,335
Gross margin	400	(46)	665	1,019	183	61	1,385	1,629

The Company has not presented comparative information for operating income (loss) by segment, as it cannot practically allocate past operating expenses for the comparative periods to the current segments due to a fundamental reorganization of the internal reporting structure of the Company. Prior to the reorganization into the current structure, operations for each segment were integrated and centralized, and the Company does not have a reasonable basis with which to determine how operating expenses under the current structure may have compared to the previous structure.

The Software & Services segment consists of operations relating to the Company's software products and service offerings, including:

- Enterprise software and services, which provides mobile-first security, productivity, collaboration and end-point management solutions for the Enterprise of Things through the BlackBerry Secure platform, which integrates BlackBerry Unified Endpoint Management ("UEM", formerly BES12), BlackBerry Dynamics (formerly Good Dynamics) and BlackBerry Workspaces (formerly WatchDox), among other products and applications;
- BlackBerry Technology Solutions, which includes BlackBerry QNX, Certicom, Paratek, BlackBerry Radar and Intellectual Property and Licensing (the Company's technology licensing business);
- AtHoc, which provides secure, networked crisis communications solutions;
- SecuSmart, which provides secure voice and text messaging solutions with advanced encryption and anti-eavesdropping capabilities;
- Licensing and services related to BlackBerry Messenger (BBM); and
- Professional Cybersecurity Services, which offers cybersecurity consulting services and tools.

The Mobility Solutions segment includes the development and licensing of the Company's secure device software and the outsourcing to partners of all design, manufacturing, sales and customer support for BlackBerry-branded handsets. The Mobility Solutions segment also includes the sale of the Company's DTEK60, DTEK50, Priv, Leap and Passport smartphones and smartphone accessories, as well as non-warranty repair services. In addition, the Company also continues to develop software updates for its legacy BlackBerry 10 platform, and delivers BlackBerry productivity applications to Android smartphone users via the Google Play store.

The SAF segment includes service access fees charged to subscribers using the Company's legacy BlackBerry 7 and prior BlackBerry operating systems, and an allocation of revenue relating to service obligations and unspecified future software upgrades associated with BlackBerry 10 devices.

The following table reconciles segment revenues, gross margin and operating income (loss) to the Company's consolidated totals:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Revenue			
Revenue for segments	$ 1,374	$ 2,193	$ 3,335
Adjustments	(65)	(33)	—
Consolidated revenue	$ 1,309	$ 2,160	$ 3,335
Gross margin			
Gross margin for reportable segments	$ 849	$ 1,019	$ 1,629
Adjustments to revenue	(65)	(33)	—
Adjustments to cost of goods sold	(167)	(45)	(25)
Consolidated gross margin	$ 617	$ 941	$ 1,604
Operating income (loss)			
Operating income for segments	$ 369		
Unallocated amounts:			
Operating expenses	(314)		
Adjustments:			
Revenue	(65)		
Cost of goods sold	(167)		
Operating expenses	(253)		
Impairment of goodwill	(57)		
Impairment of long-lived assets	(501)		
Loss on sale, disposal and abandonment of long-lived assets	(169)		
Debentures fair value adjustment	(24)		
Consolidated operating loss	$ (1,181)		

The CODM reviews segment information on an adjusted basis, which excludes certain amounts as described below:

Revenue

Software deferred revenue acquired - the Company has acquired businesses whose net assets include deferred revenue. In accordance with U.S. GAAP reporting requirements, the Company recorded write-downs of deferred revenue under arrangements pre-dating the acquisition to fair value, which resulted in lower recognized revenue than the original selling price until the related service obligations under such arrangements are fulfilled. Therefore, U.S. GAAP revenues after the acquisitions will not reflect the full amount of revenue that would have been reported if the acquired deferred revenue was not written down to fair value. The adjustment described reverses the acquisition-related deferred revenue write-downs so that the full amount of revenue booked by the acquired companies is included, which the CODM believes provides a more useful representation of revenue in a given period and, therefore, will provide more meaningful comparative results in future periods.

Cost of goods sold

Restructuring and integration charges - relating to employee termination benefits, facilities, and manufacturing network simplification costs pursuant to RAP and CORE. The CODM believes that restructuring and integration costs do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and are not meaningful in comparison to the Company's past operating performance.

Stock compensation expenses - equity compensation is excluded as it is non-cash in nature. The CODM believes that excluding this expense allows for improved comparability of results.

Inventory write-down - the write-down of inventory relating to certain hardware as a result of the Company's policy of recording inventory at the lower of cost or market. The CODM believes that excluding this expense will provide improved comparability of results.

Operating expenses

Restructuring and integration charges - relating to employee termination benefits, facilities, and manufacturing network simplification costs pursuant to RAP and CORE. The CODM believes that restructuring and integration costs do not reflect expected future operating expenses, are not indicative of the Company's core operating performance, and are not meaningful in comparison to the Company's past operating performance.

Stock compensation expenses - equity compensation is excluded as it is non-cash in nature. The CODM believes that excluding this expense allows for improved comparability of results.

Amortization of acquired intangible assets - relating to costs associated with the depreciation and amortization of intangible assets acquired through business combinations. The CODM believes that excluding this expense allows for improved comparability of results.

Business acquisition and integration costs - relating to costs associated with the acquisitions of businesses and include legal costs, audit and accounting fees, and other costs incurred related to acquiring and integrating the businesses acquired. These expenditures do not relate to the ongoing operation of the business, and they tend to vary significantly based on the timing of transactions. The CODM believes that excluding this expense allows for improved comparability of results.

Certain corporate overhead expenses are not allocated to segment operations. These generally relate to costs associated with the Company's corporate operations, including administration and shared services functions, information technology related costs, and legal operations. Amortization of property, plant and equipment and intangible assets within operating expenses is excluded as well, as noted above. For segment reporting purposes, the Goodwill Impairment Charge, LLA Impairment Charge, as well as the charges in associated with loss on sale, disposal and abandonment of LLA that are included in restructuring and integration are not allocated to any particular segment. The fluctuation in the fair value of the Debentures as described in Note 10 is not allocated to segments.

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

	For the Years Ended					
	February 28, 2017		February 29, 2016		February 28, 2015	
North America						
Canada	$ 146	11.1%	$ 238	11.0%	$ 216	6.4%
United States	572	43.7%	714	33.0%	775	23.2%
	718	54.8%	952	44.0%	991	29.6%
Europe, Middle East and Africa						
United Kingdom	113	8.6%	195	9.0%	292	8.8%
Other	312	23.8%	621	28.8%	1,139	34.2%
	425	32.4%	816	37.8%	1,431	43.0%
Latin America	35	2.7%	117	5.4%	380	11.4%
Asia Pacific	131	10.1%	275	12.8%	533	16.0%
	$ 1,309	100.0%	$ 2,160	100.0%	$ 3,335	100.0%

Total revenues, classified by product and service type, regardless of segment, were as follows:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Software and services	$ 622	$ 497	$ 249
Hardware and other	374	884	1,480
Service access fees	313	779	1,606
	$ 1,309	$ 2,160	$ 3,335

Property, plant and equipment, intangible assets and goodwill, classified by geographic segments in which the Company's assets are located, was as follows:

	As at			
	February 28, 2017		February 29, 2016	
	Property, Plant and Equipment, Intangible Assets and Goodwill	Total Assets	Property, Plant and Equipment, Intangible Assets and Goodwill	Total Assets
Canada	$ 312	$ 493	$ 1,002	$ 1,467
United States	871	2,490	1,024	3,429
United Kingdom	21	112	39	220
Other	48	168	178	418
	$ 1,252	$ 3,263	$ 2,243	$ 5,534

Information about major customers

There were no customers that comprised more than 10% of the Company's revenue in fiscal 2017 (fiscal 2016 - no customers that comprised more than 10%; fiscal 2015 - no customers that comprised more than 10%).

16. CASH FLOW AND ADDITIONAL INFORMATION

(a) Certain consolidated statements of cash flow information related to interest and income taxes paid is summarized as follows:

	For the Years Ended		
	February 28, 2017	February 29, 2016	February 28, 2015
Interest paid during the year	$ 48	$ 75	$ 75
Income taxes paid during the year	10	30	59
Income tax refunds received during the year	19	172	425

(b) Additional information

Advertising expense, which includes media, agency and promotional expenses totaling $38 million (February 29, 2016 - $102 million; February 28, 2015 - $141 million) is included in selling, marketing and administration expenses for the fiscal year ended February 28, 2017.

Selling, marketing and administration expenses for the fiscal year ended February 28, 2017 included $4 million with respect to foreign exchange losses (February 29, 2016 - losses of $12 million; February 28, 2015 - gains of $42 million).

BLACKBERRY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND FISCAL YEAR ENDED FEBRUARY 28, 2017

March 31, 2017

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of BlackBerry Limited (the "Company" or "BlackBerry"), for the fiscal year ended February 28, 2017**.** The Consolidated Financial Statements are presented in U.S. dollars and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). All financial information in this MD&A is presented in U.S. dollars, unless otherwise indicated.

The Company has prepared this MD&A with reference to *National Instrument 51-102* "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which are different from those of the United States. This MD&A provides information for the fiscal year ended February 28, 2017 and up to and including March 31, 2017.

Additional information about the Company, including the Company's Annual Information Form for the fiscal year ended February 28, 2017 (the "AIF"), which is included in the Company's Annual Report on Form 40-F for the fiscal year ended February 28, 2017 (the "Annual Report"), can be found on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

Cautionary Note Regarding Forward-Looking Statements

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

- the Company's plans, strategies and objectives, including the anticipated benefits of its strategic initiatives described below;
- the Company's expectations regarding anticipated demand for, and the timing of, product and service offerings, including the BlackBerry Secure platform for the Enterprise of Things, BlackBerry-branded smartphones and device software and BlackBerry Radar;
- the Company's expectations for its new strategic direction in the Mobility Solutions segment;
- the Company's plan to expand its security software and brand licensing program to include a broader set of devices and other endpoints beyond smartphones;
- the Company's expectations regarding its free cash flow and adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") for fiscal 2018;
- the Company's expected benefits from its plans to reallocate resources through its resource alignment program (the "RAP");
- the Company's expectations regarding the generation of software and services revenues;
- the Company's anticipated level of decline in service access fees revenue in the first quarter of fiscal 2018;
- the Company's expectations regarding non-GAAP consolidated and Software & Services segment gross margins in fiscal 2018;
- the Company's expectations regarding operating expenses in fiscal 2018;
- the Company's expectations regarding non-GAAP earnings per share for fiscal 2018;
- the Company's estimates of purchase obligations and other contractual commitments; and
- the Company's expectations with respect to the sufficiency of its financial resources;

The words "expect", "anticipate", "estimate", "may", "will", "should", "could", "intend", "believe", "target", "plan" and similar expressions are intended to identify forward-looking statements in this MD&A, including in the sections entitled "Business Overview - Strategy, Products and Services", "Fiscal 2017 Summary Results of Operations - Financial Highlights - Software and Service Revenues", "Fiscal 2017 Summary Results of Operations - Financial Highlights - Free Cash Flow",

"Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Consolidated Gross Margin", "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Gross Margin - Gross Margin by Segment - Software & Services", "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Operating Expenses", "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 - Net Income (Loss)", "Results of Operations - Three months ended February 28, 2017 compared to the three months ended February 29, 2016 - Revenue - Revenue by Segment - SAF", and "Financial Condition - Debenture Financing and Other Funding Sources". Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, including but not limited to, the Company's expectations regarding its business, strategy, opportunities and prospects, including its ability to implement meaningful changes to address its business challenges, the launch of new products and services, general economic conditions, product pricing levels and competitive intensity, and the Company's expectations regarding the cash flow generation of its business and the sufficiency of its financial resources. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, most of which are discussed in greater detail in the "Risk Factors" section of the AIF, which is included in the Annual Report, and the following:

- the Company's ability to enhance, develop, introduce or monetize products and services for the enterprise market in a timely manner with competitive pricing, features and performance;
- the Company's ability to maintain or expand its customer base for its software and services offerings to grow revenue, achieve sustained profitability or offset the decline in t Company's service access fees;
- the intense competition faced by the Company;
- risks related to the Company's ability to attract new personnel, retain existing key personnel and manage its staffing effectively;
- the Company's dependence on its relationships with resellers and distributors;
- the occurrence or perception of a breach of the Company's security measures, or an inappropriate disclosure of confidential or personal information;
- the risk that sales to large enterprise customers and to customers in highly regulated industries and governmental entities can be highly competitive and require compliance with stringent regulation;
- risks related to the Company's products and services being dependent upon the interoperability with rapidly changing systems provided by third parties;
- the Company's ability to successfully generate revenue and profitability through the licensing of security software and services or the BlackBerry brand to device manufacturers;
- the risk that network disruptions or other business interruptions could have a material adverse effect on the Company's business and harm its reputation;
- risks related to acquisitions, divestitures, investments and other business initiatives, which may negatively affect the Company's results of operations;
- the risk that failure to protect the Company's intellectual property could harm its ability to compete effectively and the Company may not earn the revenues it expects from intellectual property rights;
- the Company's reliance on third parties to manufacture and repair its hardware products;
- the Company's ability to obtain rights to use software or components supplied by third parties;
- the substantial asset risk faced by the Company, including the potential for additional charges related to its long-lived assets and goodwill;
- the risk that the Company's ability to maintain or increase its liquidity could be adversely affected by its ability to generate cash flow;
- risks related to the Company's indebtedness, which could adversely affect its operating flexibility and financial condition;
- the risk that the Company could be found to have infringed on the intellectual property rights of others;
- the risk that litigation against the Company may result in adverse outcomes;

- risks related to government regulations applicable to the Company's products and services, including products containing encryption capabilities, which could negatively impact the Company's business;
- risks related to the use and management of user data and personal information, which could give rise to liabilities as a result of legal, customer and other third-party requirements;
- risks related to foreign operations, including fluctuations in foreign currencies;
- risks associated with any errors in the Company's products and services, which can be difficult to remedy and could have a material adverse effect on the Company's business if they occur;
- the risk of a negative impact on the Company's business as a result of actions of activist shareholders;
- risks related to fostering an ecosystem of third-party application developers;
- risks related to the failure of the Company's suppliers, subcontractors, third-party distributors and representatives to use acceptable ethical business practices or comply with applicable laws;
- risks related to health and safety and hazardous materials usage regulations, and product certification risks;
- costs and other burdens associated with regulations regarding conflict minerals;
- risks related to the Company possibly losing its foreign private issuer status under U.S. federal securities laws;
- the potential impact of copyright levies in numerous countries;
- risks related to tax provision changes, the adoption of new tax legislation, or exposure to additional tax liabilities;
- risks related to the fluctuation of the Company's quarterly revenue and operating results;
- the volatility of the market price of the Company's common shares;
- risks related to adverse economic and geopolitical conditions;
- market and credit risk associated with the Company's cash, cash equivalents and short-term or long-term investments;
- the risk that future issuances of common shares by the Company, including upon any conversion of the Company's outstanding 3.75% convertible debentures, will be dilutive to existing shareholders; and
- the potential consequences for the Company's shareholders in the United States if the Company is or was a passive foreign investment company.

All of these factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. Any statements that are forward-looking statements are intended to enable the Company's shareholders to view the anticipated performance and prospects of the Company from management's perspective at the time such statements are made, and they are subject to the risks that are inherent in all forward-looking statements, as described above, as well as difficulties in forecasting the Company's financial results and performance for future periods, particularly over longer periods, given the ongoing transition in the Company's business strategy and the rapid technological changes, evolving industry standards, intense competition and short product life cycles that characterize the industries in which the Company operates. See "Business Overview - Strategy, Products and Services" in this MD&A.

The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Business Overview

The Company is a mobile-native security software and services company dedicated to securing the Enterprise of Things. Based in Waterloo, Ontario, the Company was founded in 1984 and operates in North America, Europe, Asia, Middle East, Latin America and Africa. The Company trades under the ticker symbols "BB" on the Toronto Stock Exchange and "BBRY" on the NASDAQ.

As a result of an internal reporting reorganization in the first quarter of fiscal 2017, the Company is now organized and managed as three operating segments: Software & Services, Mobility Solutions, and Service Access Fees ("SAF").

The Software & Services segment consists of operations relating to the Company's software products and service offerings, including:

- Enterprise software and services, which provides mobile-first security, productivity, collaboration and end-point management solutions for the Enterprise of Things through the BlackBerry Secure platform, which integrates BlackBerry Unified Endpoint Management ("UEM", formerly BES12), BlackBerry Dynamics (formerly Good Dynamics) and BlackBerry Workspaces (formerly WatchDox), among other products and applications;
- BlackBerry Technology Solutions, which includes BlackBerry QNX, Certicom, Paratek, BlackBerry Radar and

Intellectual Property and Licensing (the Company's technology licensing business);
- AtHoc, which provides secure, networked crisis communications solutions;
- SecuSmart, which provides secure voice and text messaging solutions with advanced encryption and anti-eavesdropping capabilities;
- Licensing and services related to BlackBerry Messenger (BBM); and
- Professional Cybersecurity Services, which offers cybersecurity consulting services and tools.

The Mobility Solutions segment includes the development and licensing of the Company's secure device software and the outsourcing to partners of all design, manufacturing, sales and customer support for BlackBerry-branded handsets. The Company intends to expand its security software and brand licensing program to include a broader set of devices and non-smartphone endpoints. In addition, the Company also continues to develop software updates for its legacy BlackBerry 10 platform, and delivers BlackBerry productivity applications to Android smartphone users via the Google Play store. The Mobility Solutions segment also includes the sale of the Company's DTEK60, DTEK50, Priv, Leap and Passport smartphones and smartphone accessories, as well as non-warranty repair services.

The SAF segment includes service access fees charged to subscribers using the Company's legacy BlackBerry 7 and prior BlackBerry operating systems, and an allocation of revenue relating to service obligations and unspecified future software upgrades associated with BlackBerry 10 devices.

BlackBerry products and services are widely recognized for productivity and security, and the Company believes that it delivers the most secure end-to-end mobile enterprise solutions in the market. With these core strengths, the Company's broad portfolio of products and services is focused on serving enterprise customers, particularly in regulated industries.

The Company experienced a significant decline in revenue due to intense competition and other factors, as discussed below under "Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016 – Revenue" and "Results of Operations – Three months ended February 28, 2017 compared to the three months ended February 29, 2016 – Revenue".

Strategy, Products and Services

The Company has been executing a strategy to leverage its strengths in mobility management and security to focus its business on software and services that secure, manage and connect the Enterprise of Things. The Company defines the Enterprise of Things as the network of devices, computers, sensors, equipment and other connected endpoints within the enterprise that communicate with each other to enable smart product development, distribution, marketing and sales. The Company leverages many elements of its extensive technology portfolio to extend best-in-class security and reliability to its solutions for the Enterprise of Things, including UEM, embedded systems, crisis communications, enterprise applications, and related services, with hosting available on the Company's global, scalable, secure network.

The Company intends to continue to increase and enhance its product and service offerings through strategic acquisitions and targeted growth in internal investments. The Company's goal is to maintain its market leadership in the enterprise mobility segment by continuing to extend the functionality of the BlackBerry Secure platform and, on top of this extensive foundation, deliver UEM solutions focused on strategic industry verticals. Please also see the "Narrative Description of the Business - Strategy" section in the AIF, which is included in the Annual Report.

The Company's core software and services offering is the BlackBerry Secure platform, which integrates BlackBerry UEM and BlackBerry Dynamics and supports BlackBerry 10 and legacy BlackBerry devices, iOS, Android and Windows Phone® devices, the QNX CAR Platform and Neutrino Operating System, AtHoc Alert, SecuSUITE, and BlackBerry Workspaces. The Company also licenses its secure handset software and its intellectual property assets and intends to increase recurring revenue from these programs. The Company continues to sell DTEK60, DTEK50, Priv, Leap and Passport smartphones and, as at the end of fiscal 2017, the Company had a smartphone user base of approximately 14 million.

Recent Developments

The Company has executed on its strategy in fiscal 2017 through the following initiatives:

- Launched BlackBerry Secure, a comprehensive and fully integrated mobility security platform to connect people devices, processes, systems and organizations for the Enterprise of Things;
- Partnered with TCL Communication ("TCL") in its introduction of the BlackBerry-branded KEYone smartphone, offering the most secure Android smartphone experience with availability beginning in the first quarter of fiscal 2018;
- Launched DTEK60 and DTEK50 secure Android smartphones;
- Launched BlackBerry Radar, a new end-to-end asset tracking system for trucking companies and private fleet operators to optimize asset utilization, reduce theft and reduce operational costs;

- Announced plans to launch the BlackBerry Autonomous Vehicle Innovation Center ("AVIC") to focus on developing secure software for connected cars and autonomous driving, while launching under BlackBerry QNX the Secure Embedded Software Platform for autonomous drive and connected cars;
- Introduced the new Enterprise Partner Program to stimulate growth and drive profit for solutions providers, developers and training partners working with BlackBerry solutions;
- Achieved common criteria National Information Assurance Partnership ("NIAP") certification for BB 10.3.3;
- Announced plans to launch a Federal Cybersecurity Operations Center to support FedRAMP and other government security certification initiatives, led by former U.S. Coast Guard CIO, Rear Admiral Bob Day Jr. (retired);
- Entered the Communications Platform as a Service (CPaaS) market with the launch of the BlackBerry Messenger ("BBM") Enterprise SDK, which will enable developers to integrate secure messaging, voice and video capabilities into applications and services;
- Entered into agreements with TCL, Optiemus Infracom Ltd. ("Optiemus") and PT BB Merah Putih under which the Company has licensed its security software and service suite, as well as related brand assets, to these licensees who will design, manufacture, sell and provide customer support for BlackBerry-branded handsets featuring the Company's secure Android software;
- Entered into a strategic alliance and licensing agreement with PT Elang Mahkota Teknologi Tbk ("Emtek") to provide cross-platform consumer BBM users with access to enriched content and services;
- Entered into a non-exclusive agreement with Ford Motor Company for expanded use of the BlackBerry QNX OS, hypervisor and audio processing software as well as Certicom and security software;
- Reduced leverage through the redemption of the Company's outstanding 6% convertible debentures (the "6% Debentures") through the issuance of $605 million aggregate principal amount of 3.75% convertible debentures of the Company (the "3.75% Debentures") (the "Debenture Refinancing");
- Completed a normal course issuer bid under which the Company repurchased for cancellation approximately 12.6 million common shares; and
- Appointed Steven Capelli as Chief Financial Officer.

Inventory Write-Down
The Company has experienced less than expected end customer demand for smartphones launched prior to the DTEK50 and DTEK60 ("BlackBerry-designed smartphones") due to the decline in the high-end smart phone market and intense competition. Based on these factors, the Company revised its future pricing assumptions for finished products, work-in-process and raw materials and the resulting estimated net realizable value of its inventory and recorded non-cash, non-GAAP, charges against inventory and supply commitments of approximately $141 million for fiscal 2017 relating to the write-down of BlackBerry-designed smartphones ($150 million, on a U.S. GAAP basis).

Data Center Assets Sale
As part of the RAP, the Company decided to sell its data center assets to drive cost savings and efficiencies in the Company, and designated those assets as held for sale. The fair values of the Company's assets held for sale were determined using bids from prospective purchasers and market appraisals conducted for the Company by certified appraisers. The Company recorded losses of approximately $165 million during fiscal 2017, related to the write-down to fair value less costs to sell and subsequent disposition of the assets held for sale. All such losses have been included in the loss on sale, disposal and abandonment expenses on the Company's consolidated statements of operations and included in the total RAP program charges. The sale of these assets was completed during fiscal 2017.

Debt Redemption and New Issuance
On August 26, 2016, the Company announced that, with the approval of the holders of the Company's 6% Debentures, the indenture governing the 6% Debentures had been amended to permit optional redemption by the Company prior to November 13, 2016, the first date the Company would have otherwise been able to redeem the 6% Debentures. The Company announced that it would redeem the 6% Debentures for a redemption amount of approximately $1.33 billion (the "Redemption Amount"), which would settle all outstanding obligations of the Company in respect of the 6% Debentures. The redemption was completed on September 2, 2016. As the Company accounted for the 6% Debentures at fair value, the Redemption Amount represented the fair value of the 6% Debentures at August 31, 2016 and therefore the impact to the consolidated statement of operations of the redemption was recorded in the second quarter of fiscal 2016. Also on August 26, 2016, the Company announced that it had reached an agreement with certain holders of the 6% Debentures to invest in the Company through a $605 million private placement of the 3.75% Debentures (collectively with the 6% Debentures, the "Debentures"), which replaced the 6% Debentures in part. The 3.75% Debentures were issued on September 7, 2016. The 3.75% Debentures have terms that are substantially identical to those of the 6% Debentures except that the Company does not have the option to redeem the 3.75% Debentures prior to maturity, and they bear a lower rate of interest at 3.75% per annum. Quarterly and annual interest expense on the 3.75% Debentures are approximately $6 million and $23 million, respectively.

Fairfax, a related party under U.S. GAAP, owned $500 million principal amount of the original 6% Debentures and also purchased $500 million principal amount of the 3.75% Debentures. As such, the redemption of Fairfax's portion of the 6% Debentures, the investment by Fairfax in the 3.75% Debentures and the payment of interest on the 3.75% Debentures represent related-party transactions. Fairfax receives interest at the same rate as other Debenture holders.

Segment Reporting
As disclosed in Note 15 to the Consolidated Financial Statements, the Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by the chief operating decision maker ("CODM") for making decisions and assessing performance as a source of the Company's reportable operating segments. In the first quarter of fiscal 2017, the Company internally reorganized into multiple reporting units and, as a result, the CODM, who is the Executive Chairman and Chief Executive Officer of the Company, began making decisions and assessing the performance of the Company using three operating segments comprised of these reporting units, whereas the Company was previously a single operating segment.

Goodwill Impairment Charge
As a result of the internal reporting reorganization, the Company now also consists of multiple reporting units within the three operating segments. This change in reporting unit structure necessitated an impairment assessment. In the first quarter of fiscal 2017, the Company conducted this impairment assessment and determined that the carrying value of goodwill in certain reporting units was impaired. Consequently, the Company recorded total goodwill impairment charges of $5 million and $52 million in the Mobility Solutions and SAF segments, respectively, for a total of $57 million (the "Goodwill Impairment Charge"). For additional information, see Note 1 to the Consolidated Financial Statements.

Long-lived Asset Impairment Charge
As a result of the goodwill impairment assessment, the Company determined that indicators of potential impairment in certain long-lived assets ("LLA") associated with the affected reporting units existed. Consequently, in the first quarter of 2017 the Company performed an LLA impairment analysis on the asset groups associated with the affected reporting units, using the procedure as described in Note 1 to the Consolidated Financial Statements. The Company concluded that the carrying value of certain asset groups was impaired and the Company recorded a non-cash, pre-tax and after-tax charge against its LLA of approximately $501 million (the "LLA Impairment Charge"), which was applicable to the intellectual property within the Mobility Solutions segment.

Change in Fiscal Year
Effective in the fourth quarter of fiscal 2016, the Company changed its fiscal year from a 52- or 53-week year ending the last Saturday in February or the first Saturday in March to a calendar basis ending the last day of February. The purpose of this change was to be consistent with common practice in the software industry, given the Company's increased emphasis on software and its completed acquisitions of software companies with recurring revenue streams. Accordingly, the Company's 2017 fiscal year ended on February 28, 2017, its 2016 fiscal year ended on February 29, 2016, and its 2015 fiscal year ended on February 28, 2015. The Company does not believe that the impact of the change was material.

For further information about the impact of the change in fiscal year, see Note 1 to the Consolidated Financial Statements.

Non-GAAP Financial Measures

The Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, and information contained in this MD&A is presented on that basis. On March 31, 2017, the Company announced financial results for the three months and fiscal year ended February 28, 2017, which included certain non-GAAP financial measures, including non-GAAP revenue, gross margin, gross margin percentage, income (loss) before income taxes, net income (loss) and earnings (loss) per share. The Company has included non-GAAP adjustments and has applied those adjustments to comparative periods. The Company believes this is appropriate due to its increased emphasis on software and its acquisitions of software firms with recurring revenue streams.

For the three months ended February 28, 2017, these measures were adjusted for the following (collectively, the " Q4 Fiscal 2017 Non-GAAP Adjustments") (all items pre-tax and after-tax):

- the Q4 Fiscal 2017 Debentures Fair Value Adjustment (as defined below under "Fiscal 2017 Summary Results of Operations – Financial Highlights – Debentures Fair Value Adjustment") consisting of income of approximately $16 million;
- the write-down of inventory in the amount of $4 million relating to certain BlackBerry-designed smartphones;
- selective patent abandonment of approximately $1 million;

- RAP charges, consisting of amounts associated with employee termination benefits, facilities, manufacturing network simplification costs, and certain other costs of approximately $24 million;
- software deferred revenue acquired but not recognized due to business combination accounting rules of approximately $11 million;
- stock compensation expense of approximately $15 million;
- amortization of intangible assets acquired through business combinations of approximately $28 million; and
- business acquisition and integration costs incurred through business combinations of approximately $3 million.

For the fiscal year ended February 28, 2017, these measures (collectively, the "Fiscal 2017 Non-GAAP Adjustments") consisted of the following (all items pre-tax and after-tax):

- the LLA Impairment Charge of $501 million;
- the Goodwill Impairment Charge of $57 million;
- the write-down of inventory in the amount of $141 million relating to BlackBerry-designed smartphones;
- the Fiscal 2017 Debentures Fair Value Adjustment (as defined below under "Fiscal 2017 Summary Results of Operations – Financial Highlights – Debentures Fair Value Adjustment") consisting of charges of approximately $24 million;
- selective patent abandonment of approximately $4 million;
- the write-down related to assets held for sale to fair value less costs to sell, and to the subsequent sale of these assets of approximately $165 million;
- RAP charges of approximately $95 million;
- Cost Optimization and Resource Efficiency ("CORE') program recoveries of approximately $7 million;
- software deferred revenue acquired but not recognized due to business combination accounting rules of approximately $65 million;
- stock compensation expense of approximately $60 million;
- amortization of intangible assets acquired through business combinations of approximately $112 million; and
- business acquisition and integration costs incurred through business combinations of approximately $19 million.

The Company believes that presenting non-GAAP financial measures that exclude the impact of those items enables it and its shareholders to better assess the Company's operating performance relative to its consolidated financial results in prior and future periods and improves the comparability of the information presented. Readers are cautioned that adjusted revenue, adjusted gross margin, adjusted gross margin percentage, adjusted income (loss) before income taxes, adjusted net income (loss), adjusted income (loss) per share and similar measures do not have any standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similarly titled measures reported by other companies. These non-GAAP financial measures should be considered in the context of the U.S. GAAP results, which are described in this MD&A. A reconciliation of these non-GAAP financial measures for the three months and fiscal year ended February 28, 2017 to the most directly comparable U.S. GAAP measures was included in the Company's March 31, 2017 press release, and is reflected in the tables below:

Q4 Fiscal 2017 Non-GAAP Adjustments		For the Three Months Ended February 28, 2017 (in millions)					
	Income statement location	**Revenue**	**Gross margin (before taxes)**	**Gross margin % (before taxes)**	**Income (loss) before income taxes**	**Net income (loss)**	**Basic earnings (loss) per share**
As reported		$ 286	$ 172	60.1%	$ (49)	$ (47)	$ (0.09)
Inventory write-down	Cost of sales [1]	—	4	1.4%	4	4	
Debentures fair value adjustment[2]	Debentures fair value adjustment	—	—	—%	(16)	(16)	
Selective patent abandonment [3]	Loss on sale, disposal and abandonment	—	—	—%	1	1	
RAP charges [3]	Cost of sales	—	6	2.1%	6	6	
RAP charges [3]	Research and development	—	—	—%	3	3	
RAP charges [3]	Selling, marketing and administration	—	—	—%	15	15	
Software deferred revenue acquired	Revenue[4]	11	11	1.4%	11	11	
Stock compensation expense	Cost of sales	—	1	0.3%	1	1	
Stock compensation expense	Research and development	—	—	—%	5	5	
Stock compensation expense	Selling, marketing and administration	—	—	—%	9	9	
Acquired intangibles amortization	Amortization	—	—	—%	28	28	
Business acquisition and integration costs	Selling, marketing and administration	—	—	—%	3	3	
		$ 297	$ 194	65.3%	$ 21	$ 23	$ 0.04

[1] Included within Mobility Solutions gross margin.
[2] See "Fiscal 2017 Summary Results of Operations - Financial Highlights - Debentures Fair Value Adjustment".
[3] See "Fiscal 2017 Summary Results of Operations - Financial Highlights - RAP".
[4] Included within Software & Services revenue.

Fiscal 2017 Non-GAAP Adjustments		For the Year Ended February 28, 2017 (in millions)					
	Income statement location	**Revenue**	**Gross margin (before taxes)**	**Gross margin % (before taxes)**	**Net income (loss) before income taxes**	**Net income (loss)**	**Basic earnings (loss) per share**
As reported		$ 1,309	$ 617	47.1%	$ (1,208)	$ (1,206)	$ (2.30)
LLA Impairment Charge [1]	Impairment of long-lived assets	—	—	—%	501	501	
Goodwill Impairment Charge [2]	Impairment of goodwill	—	—	—%	57	57	
Inventory write-down	Cost of sales [3]	—	141	10.8%	141	141	
Debentures fair value adjustment[4]	Debentures fair value adjustment	—	—	—%	24	24	
Selective patent abandonment [5]	Loss on sale, disposal and abandonment	—	—	—%	4	4	
Write-down of assets held for sale [5]	Loss on sale, disposal and abandonment	—	—	—%	165	165	
RAP charges [5]	Cost of sales	—	25	1.9%	25	25	
RAP charges [5]	Research and development	—	—	—%	4	4	
RAP charges [5]	Selling, marketing and administration	—	—	—%	66	66	
CORE program recoveries	Selling, marketing and administration	—	—	—%	(7)	(7)	
Software deferred revenue acquired	Revenue[6]	65	65	1.9%	65	65	
Stock compensation expense	Cost of sales	—	1	0.1%	1	1	
Stock compensation expense	Research and development	—	—	—%	17	17	
Stock compensation expense	Selling, marketing and administration	—	—	—%	42	42	
Acquired intangibles amortization	Amortization	—	—	—%	112	112	
Business acquisition and integration costs	Selling, marketing and administration	—	—	—%	19	19	
Adjusted		$ 1,374	$ 849	61.8%	$ 28	$ 30	$ 0.06

[1] See "Business Overview - Long-lived Asset Impairment Charge".
[2] See "Business Overview - Goodwill Impairment Charge".
[3] Included within Mobility Solutions gross margin.
[4] See "Fiscal 2017 Summary Results of Operations - Financial Highlights - Debentures Fair Value Adjustment".
[5] See "Fiscal 2017 Summary Results of Operations - Financial Highlights - RAP".
[6] Included within Software and Services revenue.

Similarly, on April 1, 2016, the Company announced financial results for the three months and fiscal year ended February 29, 2016, which included certain non-GAAP financial measures, including adjusted gross margin, adjusted gross margin percentage, adjusted loss before income taxes and adjusted net loss.

For the three months ended February 29, 2016, these measures were adjusted for the following (collectively, the " Q4 Fiscal 2016 Non-GAAP Adjustments") (all items pre-tax and after-tax):

- the 6% Debentures fair value adjustment of approximately $40 million;
- selective patent abandonment of approximately $127 million;
- RAP charges of approximately $53 million, which includes a loss on the disposal of long-lived assets of approximately $13 million;
- CORE program charges of approximately $2 million;
- software deferred revenue acquired but not recognized due to business combination accounting rules of approximately $23 million;

- stock compensation expense of approximately $17 million;
- amortization of intangible assets acquired through business combinations of approximately $28 million; and
- business acquisition and integration costs incurred through business combinations of approximately $10 million.

For the fiscal year ended February 29, 2016, these measures were adjusted for the following (collectively, the " Fiscal 2016 Non-GAAP Adjustments") (all items pre-tax and after-tax):

- the 6% Debentures fair value adjustment of approximately $430 million;
- patent abandonment of approximately $136 million;
- RAP charges of approximately $208 million, which includes a loss on the disposal of long-lived assets of approximately $59 million;
- CORE program charges of approximately $11 million;
- software deferred revenue acquired but not recognized due to business combination accounting rules of approximately $33 million;
- stock compensation expense of approximately $60 million;
- amortization of intangible assets acquired through business combinations of approximately $66 million; and
- business acquisition and integration costs incurred through business combinations of approximately $22 million.

A reconciliation of these non-GAAP financial measures for the three months and fiscal year ended February 29, 2016 to the most directly comparable U.S. GAAP measures was included in the Company's April 1, 2016 press release, and is reflected in the table below:

		For the Three Months Ended February 29, 2016 (in millions)			For the Year Ended February 29, 2016 (in millions)		
	Income Statement Location	**Gross Margin**	**Income (loss) before income taxes**	**Net income**	**Gross Margin**	**Loss before income taxes**	**Net loss**
As reported		$ 210	$ (256)	$ (238)	$ 941	$ (282)	$ (208)
Debentures fair value adjustment	Debentures fair value adjustment	—	(40)	(40)	—	(430)	(430)
Selective patent abandonment	Loss on sale, disposal and abandonment	—	127	127	—	136	136
RAP charges	Loss on sale, disposal and abandonment	—	13	13	—	59	59
RAP charges	Cost of sales	4	4	4	44	44	44
RAP charges	Research and development	—	18	18	—	47	47
RAP charges	Selling, marketing and administration	—	18	18	—	58	58
CORE program charges	Research and development	—	—	—	—	2	2
CORE program charges	Selling, marketing and administration	—	2	2	—	9	9
Software deferred revenue acquired	Revenue	23	23	23	33	33	33
Stock compensation expense	Cost of sales	—	—	—	1	1	1
Stock compensation expense	Research and development	—	5	5	—	17	17
Stock compensation expense	Selling, marketing and administration	—	12	12	—	42	42
Acquired intangibles amortization	Amortization	—	28	28	—	66	66
Business acquisition and integration costs	Selling, marketing and administration	—	10	10	—	22	22
Adjusted		$ 237	$ (36)	$ (18)	$ 1,019	$ (176)	$ (102)

The Company also reported adjusted EBITDA for the three months and fiscal year ended February 28, 2017 of $42 million and $182 million, respectively. This is a non-GAAP financial measure that does not have any standardized meaning as prescribed by U.S GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

	For the Three Months Ended February 28, 2017 (in millions)	For the Year Ended February 28, 2017 (in millions)
Operating loss	$ (57)	$ (1,181)
Non-GAAP adjustments to operating loss		
LLA Impairment Charge	—	501
Goodwill Impairment Charge	—	57
Inventory write-down	4	141
Debentures fair value adjustment	(16)	24
Selective patent abandonment	1	4
Write-down of assets held for sale	—	165
RAP charges	24	95
CORE program recoveries	—	(7)
Software deferred revenue acquired	11	65
Stock compensation expense	15	60
Acquired intangibles amortization	28	112
Business acquisition and integration costs	3	19
Total non-GAAP adjustments to operating loss	70	1,236
Non-GAAP operating income	13	55
Amortization	57	239
Acquired intangibles amortization	(28)	(112)
Adjusted EBITDA	$ 42	$ 182

Accounting Policies and Critical Accounting Estimates

Accounting Policies

See Note 1 to the Consolidated Financial Statements for a description of the Company's significant accounting policies.

Critical Accounting Estimates

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

The Company's critical accounting estimates have been reviewed and discussed with the Company's Audit & Risk Management Committee and are set out below. Except as noted, there have not been any changes to the Company's critical accounting estimates during the past three fiscal years.

Valuation of Long-Lived Assets

The long-lived assets ("LLA") impairment test prescribed by U.S. GAAP requires the Company to identify its asset groups and test impairment of each asset group separately. To conduct the LLA impairment test, the asset group is tested for recoverability using undiscounted cash flows over the remaining useful life of the primary asset. If forecasted net cash flows are less than the carrying amount of the asset group, an impairment charge is measured by comparing the fair value of the asset group to its carrying value. Determining the Company's asset groups and related primary assets requires significant judgment by management. Different judgments could yield different results.

The Company's determination of its asset groups, its primary asset and its remaining useful life, and estimated cash flows are significant factors in assessing the recoverability of the Company's assets for the purposes of LLA impairment testing. The

Company's share price can be affected by, among other things, changes in industry or market conditions, including the effect of competition, changes in the Company's results of operations, changes in the Company's forecasts or market expectations relating to future results, and the Company's strategic initiatives and the market's assessment of any such factors. See "Risk Factors - The market price of the Company's common shares is volatile" in the AIF. The current macroeconomic environment and competitive dynamics continue to be challenging to the Company's business and the Company cannot be certain of the duration of these conditions and their potential impact on the Company's future financial results and cash flows. A continued decline in the Company's performance, the Company's market capitalization and future changes to the Company's assumptions and estimates used in the LLA impairment test, particularly the expected future cash flows, remaining useful life of the primary asset and terminal value of the asset group, may result in further impairment charges in future periods of some or all of the assets on the Company's balance sheet. Although it does not affect the Company's cash flow, an impairment charge to earnings has the effect of decreasing the Company's earnings or increasing the Company's losses, as the case may be. The Company's share price could also be adversely affected by the Company's recorded LLA impairment charges.

The Company used various valuation techniques to determine the fair values of its assets to measure and allocate impairment. Techniques related to real estate, capital equipment and intangible assets included the direct capitalization method, market comparable transactions, the replacement cost method, discounted cash flow analysis, as well as the relief from royalty and excess earnings valuation methods. Determining valuations using these valuation techniques requires significant judgment and assumptions by management. Different judgments could yield different results.

Inventory and Inventory Purchase Commitments

The Company's policy for the valuation of inventory, including the determination of obsolete or excess inventory, requires management to estimate the future demand for the Company's products. Inventory purchases and purchase commitments are based upon such forecasts of future demand and scheduled rollout and life cycles of new products. The business environment in which the Company operates is subject to rapid changes in technology and customer demand. The Company performs an assessment of inventory during each reporting period, which includes a review of, among other factors, demand requirements, component part purchase commitments of the Company and certain key suppliers, product life cycle and development plans, component cost trends, product pricing and quality issues. If customer demand subsequently differs from the Company's forecasts, requirements for inventory write-offs that differ from the Company's estimates could become necessary. If management believes that demand no longer allows the Company to sell inventories above cost or at all, such inventory is written down to net realizable value or excess inventory is written off. Significant judgment was required in calculating the inventory charges, which involved forecasting future demand and the associated pricing at which the Company can realize the carrying value of its inventory.

Valuation Allowance Against Deferred Tax Assets

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. A valuation allowance is required for deferred tax assets if it is more likely than not that all or some portion of the asset will not be realized. All available evidence, both positive and negative, that may affect the realization of deferred tax assets must be identified and considered in determining the appropriate amount of the valuation allowance. Additionally, for interim periods, the estimated annual effective tax rate should include the valuation allowance for current year changes in temporary differences and losses or income arising during the year. For interim periods, the Company needs to consider the valuation allowance that it expects to recognize at the end of the fiscal year as part of the estimated annual effective tax rate. During interim quarters, the Company uses estimates including pre-tax results and ending position of temporary differences as at the end of the fiscal year to estimate the valuation allowance that it expects to recognize at the end of the fiscal year. This accounting treatment has no effect on the Company's actual ability to utilize deferred tax assets to reduce future cash tax payments. Different judgments could yield different results. See "Results of Operations - Three months ended February 28, 2017 compared to three months ended February 29, 2016 - Income Taxes".

Revenue Recognition

Hardware

Significant judgment is applied by the Company to determine whether shipments of devices have met the Company's revenue recognition criteria, as the analysis is dependent on many facts and circumstances. The Company is able to conclude that the price of its handheld devices is fixed or determinable on shipment in certain cases and, therefore, the four criteria as described in Note 1 to the Consolidated Financial Statements for revenue recognition were met upon shipment. As such, sales of the Company's Android device to wireless carriers in certain regions, sales of the Company's latest BlackBerry 10 devices to wireless carriers in certain regions, and sales of BlackBerry 7 devices to wireless carriers in certain regions are recognized as revenue at the time of shipment. Other shipments of handheld devices are recognized as revenue when the devices sell through to end users.

The Company's use of customer incentives requires management to use significant judgment in evaluating whether prices for handheld devices are fixed or determinable, which can impact the timing of when hardware revenue is recognized. When the price is not considered fixed or determinable, the Company recognizes revenue when the product is sold through to its end users. The Company must take into account its past history with its carrier and distribution partners to determine whether it can reliably estimate whether any future concessions will be provided on products it has previously sold into the channel. The Company also makes estimates of the level of channel inventory and the likelihood it will sell-through at the prices sold to its distribution partners. The Company also has to consider external factors such as end customer demand, market acceptance of its products, cannibalization of new product introductions, the competitive landscape, and technological obsolescence in determining whether the price is fixed or determinable at the time of shipment. These factors could result in the Company increasing its customer incentive programs which could impact the results of the Company's operations. The Company recognizes these customer incentives at the later of when the Company has recognized the product sale or when the program is offered.

The Company also uses estimates in determining return provisions for its hardware sales. The Company has limited rights of return for quality defects based on contractual terms and conditions. The Company's historical experience is that returns for defects are immaterial to the results of operations and represent only 0.5% to 1% of total units shipped. However, if defect rates were to increase beyond those estimated, the Company would be required to recognize additional reductions to revenue. If the defect rate were to change such that the Company could no longer reliably estimate the return rate, recognition of revenue could be delayed until a reliable estimate could be made or the return period lapses.

Multiple Element Arrangements

The Company's process for determining best estimated selling prices ("BESPs") as it relates to when and if available upgrade rights to the BlackBerry 10 and Android devices exist involves management's judgment and multiple factors are considered that may vary over time depending upon the unique facts and circumstances related to each deliverable. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service was sold on a stand-alone basis. Should future facts and circumstances change, the Company's BESPs and the future rate of related amortization for software upgrades and non-software services related to future sales of these devices could change. Factors subject to change include the unspecified software upgrade rights offered, change in pricing of elements sold separately by the Company in the future, the estimated value of unspecified software upgrade rights, the estimated or actual costs incurred to provide non-software services, and the estimated period software upgrades and non-software services expected to be provided. Management does not expect the estimate of BESP to increase in the future given the competitive nature of the industry and the downward trends on its pricing. It is more likely to decrease in the future, which would result in a positive impact on the results of operations on a go-forward basis. Management also uses historical data to determine the useful life of the device over which to amortize the upgrade value. If the life of the device increased, the rate at which revenue is recognized would decrease. Conversely, if the life of the device decreased, the rate at which revenue is recognized would increase. Management reviews its estimates on an annual basis unless other facts and circumstances arise to warrant a shorter review cycle.

Adoption of Accounting Policies

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard on the topic of revenue contracts, which replaces the existing revenue recognition standard. The new standard amends the number of requirements that an entity must consider in recognizing revenue and requires improved disclosures to help readers of financial statements better understand the nature, amount, timing and uncertainty of revenue recognized. For public entities, the new standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for annual reporting periods and interim periods therein beginning after December 15, 2016. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures. The Company expects that upon adoption of this standard, significant revenue which would otherwise have been recognized in future periods will instead be recognized either in retrospectively restated periods or in a cumulative adjustment to retained earnings, depending on the Company's chosen method of adoption. The Company also expects that upon adoption of this standard, certain revenues will be recognized earlier than they would be under the current standard.

In July 2015, the FASB issued a new accounting standard update on the topic of inventory. The amendments in this update provide guidance on the subsequent measurement of inventory from the lower of cost or market to the lower of cost and net realizable value for entities using the first-in, first-out or the average cost method. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. It should be applied prospectively with earlier application permitted as of the beginning of the interim or annual reporting period. The Company expects to adopt this guidance in the first quarter of fiscal 2018 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In January 2016, the FASB issued a new accounting standard on the topic of financial instruments. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the guidance clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The guidance is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for certain requirements. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In February 2016, the FASB issued a new accounting standard on the topic of leases. The new standards would require companies and other organizations to include lease obligations in their balance sheets, including a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The guidance is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2020 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In March 2016, the FASB issued a new accounting standard on the topic of revenue from contracts with customers. The amendments in this update clarify the implementation guidance on principal versus agent considerations. When another party, along with the reporting entity, is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (as a principal) or to arrange for the good or service to be provided to the customer by the other party (as an agent). The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In March 2016, the FASB issued a new accounting standard on the topic of stock compensation. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statements of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2018 and does not expect the adoption to significantly impact its results of operations, financial position, or disclosures.

In April 2016, the FASB issued an update that clarifies the implementation guidance on identifying promised goods or services and on determining whether an entity's promise to grant a license with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In May 2016, the FASB issued an update that rescinds various standards codified as part of Topic 605, *Revenue Recognition,* in relation to the future adoption of Topic 606, *Revenue from Contracts with Customers*. These rescissions include changes to topics pertaining to revenue and expense recognition for freight services in process, accounting for shipping and handling fees and costs, and accounting for consideration given by a vendor to a customer. The Company is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In May 2016, the FASB issued a new accounting standard on the topic of revenue contracts that aims to reduce the risk of diversity in practice, including collectibility, non-cash consideration, presentation of sales tax and transition. The guidance is effective for interim and annual periods beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In June 2016, the FASB issued a new accounting standard on the topic of financial instruments that replaces the "incurred loss" impairment methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted for annual reporting periods and interim periods therein beginning after December 15, 2018. The Company will adopt this guidance in the first quarter of fiscal 2021 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In August 2016, the FASB issued a new accounting standard on the topic of statements of cash flows. The amendments in this update clarify the classification of certain cash receipts and cash payments. The guidance is effective for interim and annual

periods beginning after December 15, 2017. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In October 2016, the FASB issued a new accounting standard on the topic of income taxes. The amendments in this update improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company plans to early adopt this guidance in the first quarter of fiscal 2018 and does not expect the adoption to significantly impact its results of operations, financial position, or disclosures.

In November 2016, the FASB issued a new accounting standard on the topic of statements of cash flows. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this update should be applied using a retrospective transition method to each period presented. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In December 2016, the FASB issued a new accounting standard update on technical corrections and improvements that will affect a wide variety of topics in the Accounting Standards Codification (the "Codification"). This update will clarify the Codification, correct errors or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. The amendments in this update do not require transition guidance and are effective upon issuance of this update. The Company does not expect that this adoption will have a material impact on its results of operations, financial position and disclosures.

In January 2017, the FASB issued a new accounting standard update on the topic of business combinations. The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In January 2017, the FASB issued an accounting standard update on the topic of goodwill. The amendments in this update modify the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. The guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company expects to adopt this guidance in the first quarter of fiscal 2022 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

In February 2017, the FASB issued a new accounting standard update on the topic of other income - gains and losses from the derecognition of non-financial assets. The amendments in this update clarify the scope of Subtopic 610-20, *Other Income - Gains and Losses from the Derecognition of Non-Financial Assets* and add guidance for partial sales of non-financial assets. The guidance is effective for fiscal years beginning after December 15, 2017. The Company will adopt this guidance in the first quarter of fiscal 2019 and is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

Fiscal 2017 Summary Results of Operations

The following table sets forth certain consolidated statements of operations data, as well as certain consolidated balance sheet data, as at and for the fiscal years ended February 28, 2017, February 29, 2016, and February 28, 2015:

	As at and for the Fiscal Years Ended *(in millions, except for share and per share amounts)*				
	February 28, 2017	February 29, 2016	Change	February 28, 2015	Change
Revenue[1][2]	$ 1,309	$ 2,160	$ (851)	$ 3,335	$ (1,175)
Gross margin[1][2]	617	941	(324)	1,604	(663)
Operating expenses[1][2]	1,798	1,164	634	2,027	(863)
Investment income (loss), net	(27)	(59)	32	38	(97)
Loss before income taxes	(1,208)	(282)	(926)	(385)	103
Recovery of income taxes	(2)	(74)	72	(81)	7
Net loss	$ (1,206)	$ (208)	$ (998)	$ (304)	$ 96
Loss per share - reported					
Basic	$ (2.30)	$ (0.40)		$ (0.58)	
Diluted	$ (2.30)	$ (0.86)		$ (0.58)	
Weighted-average number of shares outstanding (000's)					
Basic	525,265	526,303		527,684	
Diluted[3]	525,265	651,303		527,684	
Total assets	$ 3,263	$ 5,534	$ (2,271)	$ 6,558	$ (1,024)
Total long-term financial liabilities	$ 591	$ 1,277	$ (686)	$ 1,707	$ (430)

(1) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2017 Non-GAAP Adjustments on adjusted revenue, adjusted gross margin and adjusted operating expenses in fiscal 2017.
(2) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2016 Non-GAAP Adjustments on adjusted revenue, adjusted gross margin and adjusted operating expenses in fiscal 2016.
(3) Diluted loss per share on a U.S. GAAP basis for fiscal 2017 and fiscal 2015 do not include the dilutive effect of the Debentures as they would be anti-dilutive. See Note 12 to the Consolidated Financial Statements for the fiscal year ended February 28, 2017 for calculation of the diluted weighted average number of shares outstanding.

The following table shows information by operating segment for the years ended February 28, 2017 and February 29, 2016. The Company reports segment information in accordance with U.S. GAAP Accounting Standards Codification Section ("ASC") 280 based on the "management" approach. The management approach designates the internal reporting used by the CODM for making decisions and assessing performance of the Company's reportable operating segments. See "Business Overview" for a description of the Company's operating segments, as well as Note 15 to the Consolidated Financial Statements.

	For the Year Ended *(in millions)*											
	Software & Services			Mobility Solutions			SAF			Segment totals		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Revenue	$ 652	$ 530	$ 122	$ 409	$ 884	$ (475)	$ 313	$ 779	$ (466)	$ 1,374	$ 2,193	$ (819)
Cost of goods sold	130	130	—	311	930	(619)	84	114	(30)	525	1,174	(649)
Gross margin	522	$ 400	$ 122	98	$ (46)	$ 144	229	$ 665	$ (436)	849	$ 1,019	$ (170)
Operating expenses	373			102			5			480		
Operating income (loss)	$ 149			$ (4)			$ 224			$ 369		

The Company has not presented comparative information for operating income (loss) by segment, as it cannot practically allocate past operating expenses for the comparative periods to the current segments due to a fundamental reorganization of the internal reporting structure of the Company. Prior to the reorganization into the current structure, operations for each segment

were integrated and centralized, and the Company does not have a reasonable basis with which to determine how operating expenses under the current structure may have compared to the previous structure.

The following table reconciles the Company's segment results for fiscal 2017 to consolidated U.S. GAAP results:

	For the Year Ended February 28, 2017 *(in millions)*							
	Software & Services	Mobility Solutions	SAF	**Segment totals**	Corporate unallocated	**Subtotal**	Non-GAAP adjustments [1]	**Consolidated U.S. GAAP**
Revenue	$ 652	$ 409	$ 313	**$ 1,374**	$ —	**$ 1,374**	$ (65)	**$ 1,309**
Cost of goods sold	130	311	84	**525**	—	**525**	167	**692**
Gross margin	522	98	229	**849**	—	**849**	(232)	**617**
Operating expenses	373	102	5	**480**	314	**794**	1,004	**1,798**
Operating income (loss)	$ 149	$ (4)	$ 224	**$ 369**	$ (314)	**$ 55**	$ (1,236)	**$ (1,181)**

[1] See "Non-GAAP Financial Measures" for the Fiscal 2017 Non-GAAP Adjustments not included in segment revenue, segment gross margin and segment operating expenses in fiscal 2017.

Certain corporate overhead expenses are not allocated to segment operations. These generally relate to costs associated with the Company's corporate operations, including administrative and shared services functions, information technology related costs, legal operations, and amortization of property, plant and equipment and intangible assets.

The following table reconciles the Company's segment results for fiscal 2016 to consolidated U.S. GAAP results:

	For the Year Ended February 28, 2016 *(in millions)*							
	Software & Services	Mobility Solutions	SAF	**Segment totals**	Corporate unallocated	**Subtotal**	Non-GAAP adjustments [1]	**Consolidated U.S. GAAP**
Revenue	$ 530	$ 884	$ 779	**$ 2,193**	$ —	**$ 2,193**	$ (33)	**$ 2,160**
Cost of goods sold	130	930	114	**1,174**	—	**1,174**	45	**1,219**
Gross margin	$ 400	$ (46)	$ 665	**$ 1,019**	—	**1,019**	(78)	**941**
Operating expenses					1,136	**1,136**	28	**1,164**
Operating income (loss)					$ 1,136	**$ (117)**	$ (106)	**$ (223)**

[1] See "Non-GAAP Financial Measures" for the Fiscal 2016 Non-GAAP Adjustments impact on segment revenue, segment gross margin and segment operating expenses in fiscal 2016.

Financial Highlights

The Company had approximately $1.7 billion in cash, cash equivalents and investments as of February 28, 2017.

In fiscal 2017, the Company recognized revenues of $1.3 billion and incurred a net loss of $1.2 billion, or a $2.30 basic and diluted loss per share on a U.S. GAAP basis. As further discussed below, net loss reflects non-cash charges of $501 million associated with the LLA Impairment charge, the Goodwill Impairment Charge of $57 million, the write-down of inventory in the amount of $141 million, non-cash charge associated with the change in the fair value of the Debentures of $24 million, selective patent abandonment of $4 million, write-down of assets held for sale of $165 million, restructuring and integration charges of $95 million related to the RAP, restructuring recoveries of $7 million related to the CORE program, software deferred revenue acquired of $65 million, stock compensation expense of $60 million, acquired intangibles amortization of $112 million, and business acquisition and integration costs of $19 million recorded in fiscal 2017. See also "Non-GAAP Financial Measures" and "Financial Condition - Debenture Financing and Other Funding Sources" in this MD&A.

Software and Service Revenues

In fiscal 2017, the Company recognized software and service revenues of $622 million, which includes revenues in both the Software & Services segment and the Mobility Solutions segment. Including the impact of the relevant Fiscal 2017 Non-GAAP Adjustments, the Company recognized software and service revenues of $687 million.

Non-GAAP software and services revenues for fiscal 2017 increased by 30% compared to fiscal 2016 consistent with the Company's previously stated expectation.

The Company expects non-GAAP software and services revenues to grow at the high-end of the 10% to 15% growth rate of the enterprise mobility software markets in fiscal 2018.

Fourth Quarter Fiscal 2017 Compared to Third Quarter Fiscal 2017

Software and service revenues increased by $22 million, or 13.8%, to $182 million in the fourth quarter of fiscal 2017, compared to $160 million in the third quarter of fiscal 2017. Including the impact of the relevant Fiscal 2017 Non-GAAP Adjustments, software and services revenues increased by $21 million, or 12.2%, to $193 million in the fourth quarter of fiscal 2017, compared to $172 million in the third quarter of fiscal 2017.

Software and services gross margin increased by $11 million to $134 million, or 73.4% of software and services revenues, in the fourth quarter of fiscal 2017, compared to $123 million, or 76.6% of software and services revenues, in the third quarter of fiscal 2017. Including the impact of the relevant Fiscal 2017 Non-GAAP Adjustments, software and services revenues gross margin increased by $10 million to $145 million, or 74.9% of software and services revenues, in the fourth quarter of fiscal 2017, compared to $135 million, or 78.2% of software and services revenues, in the third quarter of fiscal 2017.

Mobility Solutions segment revenues increased by $12 million, or 17.1% to $82 million in the fourth quarter of fiscal 2017, compared to $70 million in the third quarter of fiscal 2017. Mobility Solutions segment gross margin decreased by $3 million to $28 million, or 34.1% of Mobility Solutions segment revenues, in the fourth quarter of fiscal 2017, compared to $31 million, or 44.3% of Mobility Solutions segment revenues, in the third quarter of fiscal 2017.

Software and services revenues increased by $22 million in the fourth quarter of fiscal 2017, which offset the decline in SAF revenue of $ 18 million in the fourth quarter of fiscal 2017, consistent with the Company's previously stated expectations.

Free Cash Flow

Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow does not have any standardized meaning as prescribed by U.S. GAAP and is therefore unlikely comparable to similar measures presented by other companies. For the three months ended February 28, 2017, the Company reported free cash flow of $16 million, which consisted of net cash provided in operating activities of $19 million minus capital expenditures of $3 million. The Company anticipates continuing to generate positive free cash flow and adjusted EBITDA for the 2018 fiscal year.

Debentures Fair Value Adjustment

As previously disclosed, the Company elected the fair value option to account for the 3.75% Debentures; therefore, periodic revaluation has been and continues to be required under U.S. GAAP. The fair value adjustment does not impact the terms of the 3.75% Debentures such as the face value, the redemption features or the conversion price. In the fourth quarter of fiscal 2017, the Company recorded income associated with the change in the fair value of the 3.75% Debentures of approximately $16 million (pre-tax and after tax) (the "Q4 Fiscal 2017 Debentures Fair Value Adjustment"). In fiscal 2017, the Company recorded net charge associated with the change in the fair value of the Debentures of approximately $24 million (pre-tax and after tax) (the "Fiscal 2017 Debentures Fair Value Adjustment").

RAP

During the first quarter of fiscal 2016, the Company commenced the RAP with the objectives of (i) reallocating resources to capitalize on growth opportunities, (ii) providing the operational ability to better leverage contract research and development services relating to its handheld devices, and (iii) reaching sustainable profitability. During the fourth quarter and fiscal 2017, the Company incurred approximately $25 million and $264 million, respectively, in total pre-tax charges related to this program for employee termination benefits, facilities costs, and losses on sale, disposal and abandonment of long-lived assets. This included the write-down to fair value less costs to sell of the assets held for sale of nil and $165 million, respectively, as described above in "Business Overview – Data Center Assets Sale" and selective patent abandonments of $1 million and $4 million, respectively. The Company incurred $24 million and $95 million in charges under the RAP in the fourth quarter and in fiscal 2017.

Results of Operations - Fiscal year ended February 28, 2017 compared to fiscal year ended February 29, 2016

The following table sets forth certain consolidated statements of operations data as at February 28, 2017 and February 29, 2016 under U.S. GAAP.

	For the Years Ended *(in millions, except for share and per share amounts)*				
	February 28, 2017		February 29, 2016		Change
Revenue[1][2]	$ 1,309	100.0%	$ 2,160	100.0%	$ (851)
Gross margin [1][2]	617	47.1%	941	43.6%	(324)
Operating expenses [1][2]	1,798	137.4%	1,164	53.9%	634
Loss before income taxes	(1,208)	(92.3%)	(282)	(13.1%)	(926)
Recovery of income taxes	(2)	(0.2%)	(74)	(3.4%)	72
Net loss	$ (1,206)	(92.1%)	$ (208)	(9.6%)	$ (998)
Loss per share - reported					
Basic	$ (2.30)		$ (0.40)		$ (1.90)
Diluted	$ (2.30)		$ (0.86)		$ (1.44)
Weighted-average number of shares outstanding (000's)					
Basic	525,265		526,303		
Diluted	525,265		651,303		

(1) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2017 Non-GAAP Adjustments on adjusted revenue, adjusted gross margin and adjusted operating expenses in fiscal 2017.
(2) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2016 Non-GAAP Adjustments on adjusted revenue, adjusted gross margin and adjusted operating expenses in fiscal 2016.

Consolidated Revenue

Consolidated revenue decreased by $851 million to approximately $1.3 billion in fiscal 2017 from $2.2 billion in fiscal 2016. The decrease was primarily due to a decrease of $510 million in hardware and other revenues to $374 million from $884 million and a decrease of $466 million in service access fee revenues to $313 million from $779 million, partially offset by an increase of $125 million in software and services revenues to $622 million from $497 million.

The decrease in hardware and other revenues of $510 million was attributable to decreased demand and the Company's aging product portfolio, which was partially offset by an increase in the average selling price of hardware. The decrease in service access fee revenues of $466 million, which is generated from users of BlackBerry 7 and prior BlackBerry operating systems, is primarily attributable to a lower number of BlackBerry 7 users, lower revenue from those users and a continued shift in the mix of the Company's customers from higher-tiered unlimited plans to prepaid and lower-tiered plans compared to fiscal 2016. The increase in software and services revenues of $125 million was primarily attributable to the acquisitions of Good Technology ("Good") and AtHoc Inc. ("AtHoc") in the third quarter of fiscal 2016.

Consolidated Gross Margin

Consolidated gross margin decreased by $324 million to approximately $617 million in fiscal 2017 from $941 million in fiscal 2016. The decrease was primarily due to the decline in gross margin associated with service access fees and hardware and other products.

The decrease in gross margin associated with service access fees was primarily attributable to the same reasons as discussed above in "Consolidated Revenue". The decrease in gross margin associated with hardware and other products is primarily attributable to the write-down of inventory relating to BlackBerry-designed smartphones, which was partially offset by an increase in the average selling price of hardware, as noted above under "Consolidated Revenue".

The Company expects non-GAAP consolidated gross margin to be approximately 70% in fiscal 2018.

Revenue

Revenue by Geography

Comparative breakdowns of the geographic regions are set forth in the following table:

	For the Fiscal Years Ended (in millions)					
	February 28, 2017		February 29, 2016		Change	
Revenue by Geography						
North America	$ 718	54.8%	$ 952	44.0%	$ (234)	(24.6)%
Europe, Middle East and Africa	425	32.4%	816	37.8%	(391)	(47.9)%
Latin America	35	2.7%	117	5.4%	(82)	(70.1)%
Asia Pacific	131	10.1%	275	12.8%	(144)	(52.4)%
	$ 1,309	100.0%	$ 2,160	100.0%	$ (851)	(39.4)%

North America Revenues

Revenues in North America were $718 million, or 54.8% of revenue in fiscal 2017, reflecting a decrease of $234 million compared to $952 million, or 44.0% of revenue in fiscal 2016. The decrease in North American revenue is primarily attributable to a decrease in revenue from the United States, which represented approximately 43.7% of total revenue in fiscal 2017, compared to 33.0% of total revenue in fiscal 2016. Sales in Canada represented approximately 11.1% of total revenue in fiscal 2017, compared to 11.0% of total revenue in fiscal 2016.

Revenues in North America decreased compared to fiscal 2016 primarily from a decrease in hardware and other revenues due to the reasons discussed above in "Consolidated Revenue", a decrease in technology licensing revenue and a decrease in service access fee revenues due to the reasons discussed above in "Consolidated Revenue", partially offset by revenue attributable to the acquisitions of Good and AtHoc midway through the third quarter of fiscal 2016, whose revenues are primarily derived from the North American market.

Europe, Middle East and Africa Revenues

Revenues in Europe, Middle East and Africa were $425 million, or 32.4% of revenue, in fiscal 2017, reflecting a decrease of $391 million compared to $816 million, or 37.8% of revenue, in fiscal 2016. The decrease in revenue is primarily from a decrease in hardware and other revenues due to the reasons discussed above in "Consolidated Revenue" and a decrease in service access fee revenues due to the reasons discussed above in "Consolidated Revenue", partially offset by revenue attributable to the acquisitions of Good and AtHoc midway through the third quarter of fiscal 2016,

Latin America Revenues

Revenues in Latin America were $35 million, or 2.7% of revenue, in fiscal 2017, reflecting a decrease of $82 million compared to $117 million, or 5.4% of revenue, in fiscal 2016. The decrease in revenues is primarily due to a reduction in service access fee revenues, as well as decreased hardware demand.

Asia Pacific Revenues

Revenues in Asia Pacific were $131 million, or 10.1% of revenue, in fiscal 2017, reflecting a decrease of $144 million compared to $275 million, or 12.8% of revenue, in fiscal 2016. The decrease in revenues is due is due to the reduction in service access fee revenues and decreased hardware demand, partially offset by revenue attributable to the acquisitions of Good and AtHoc midway through the third quarter of fiscal 2016.

Revenue by Segment

See "Business Overview" and "Fiscal 2017 Summary Results of Operations" for information about the Company's operating segments and the basis of operating segment results.

	For the Years Ended (in millions)											
	Software & Services			Mobility Solutions			SAF			Segment totals		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Revenue	$ 652	$ 530	$ 122	$ 409	$ 884	($475)	$ 313	$ 779	($466)	$ 1,374	$ 2,193	($819)

Software & Services

Software & Services segment revenue increased by $122 million, or 23.0%, to $652 million, or 47.5% of segment revenue, in fiscal 2017, compared to $530 million, or 24.2% of segment revenue, in fiscal 2016.

The $122 million increase in Software & Services segment revenue was primarily attributable to the acquisitions of Good and AtHoc in the third quarter of fiscal 2016, and an increase in revenues generated from BBM, which was partially offset by a decrease in revenue from intellectual property licensing due to the Company recognizing revenues relating to a significant licensing agreement in fiscal 2016.

Mobility Solutions

Mobility Solutions segment revenue was $409 million, or 29.8% of segment revenue, in fiscal 2017 compared to $884 million, or 40.3% of segment revenue, in fiscal 2016, representing a decrease of $475 million, or 53.73%.

The $475 million decrease in Mobility Solutions segment revenue was primarily attributable to decreased demand and the Company's aging product portfolio, which was partially offset by an increase in the average selling price of hardware.

SAF

SAF segment revenue decreased by $466 million, or 59.8%, to $313 million, or 22.8% of segment revenue, in fiscal 2017, compared to $779 million, or 35.5% of segment revenue, in fiscal 2016.

The decrease in SAF segment revenue is primarily attributable to a lower number of BlackBerry 7 users, lower revenue from those users and a continued shift in the mix of the Company's customers from higher-tiered unlimited plans to prepaid and lower-tiered plans, compared to fiscal 2016.

Gross Margin

Gross Margin by Segment

See "Business Overview" and "Fiscal 2017 Summary Results of Operations " for information about the Company's operating segments and the basis of operating segment results.

	For the Years Ended *(in millions)*											
	Software & Services			Mobility Solutions			SAF			Segment totals		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Gross Margin	$ 522	$ 400	$ 122	$ 98	$ (46)	$ 144	$ 229	$ 665	$ (436)	$ 849	$ 1,019	$ (170)

Total segment gross margin decreased by $170 million to $849 million in fiscal 2017, compared to $1.0 billion in fiscal 2016. Total segment gross margin percentage increased to 61.8% of segment revenue compared to 46.5% of segment revenue in fiscal 2016.

Software & Services

Software & Services segment gross margin increased by $122 million to $522 million, or 80.1% of Software & Services segment revenue, in fiscal 2017, compared to $400 million, or 75.5% of Software & Services segment revenue, in fiscal 2016. The increase was primarily attributable to the reasons specified under "Revenue by Segment", as well as a reduction in infrastructure costs within cost of goods sold.

The Company expects Software & Services segment gross margin to be approximately 80% in fiscal 2018.

Mobility Solutions

Mobility Solutions segment gross margin increased by $144 million to $98 million, or 24.0% of Mobility Solutions segment revenue, in fiscal 2017, compared to $(46) million, or (5.2)% of Mobility Solutions segment revenue, in fiscal 2016. The $144 million increase in Mobility Solutions segment gross margin was primarily attributable to a decrease in royalty expense resulting from the Company's LLA impairment recorded in fiscal 2017 and an increase in the average selling price of hardware.

SAF

SAF segment gross margin decreased by $436 million to $229 million, or 73.2% of SAF segment revenue, in fiscal 2017, compared to $665 million, or 85.4% of SAF segment revenue, in fiscal 2016.

The $436 million decrease in SAF gross margin was primarily due to the reasons discussed above in " Revenue by Segment". A significant proportion of SAF as cost of goods sold is fixed.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expense for fiscal 2017 compared to fiscal 2016.

	For the Fiscal Years Ended (in millions)					
	February 28, 2017		February 29, 2016		Change	
		% of Revenue		% of Revenue		% of Change
Revenue[1][2]	$ 1,309		$ 2,160		$ (851)	(39.4)%
Operating expenses						
Research and development[1][2]	306	23.4%	469	21.7 %	$ (163)	(34.8)%
Selling, marketing and administration[1][2]	553	42.2%	653	30.2 %	(100)	(15.3)%
Amortization[1][2]	186	14.2%	277	12.8 %	(91)	(32.9)%
Impairment of goodwill[1]	57	4.4%	—	— %	57	— %
Impairment of long-lived assets[1]	501	38.3%	—	— %	501	— %
Loss on sale, disposal and abandonment of long-lived assets[1][2]	171	13.1%	195	9.0 %	(24)	(12.3)%
Debentures fair value adjustment[1][2]	24	1.8%	(430)	(19.9)%	454	(105.6)%
Total	$ 1,798	137.4%	$ 1,164	53.8 %	$ 634	54.5 %

(1) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2017 Non-GAAP Adjustments on revenue and operating expenses in fiscal 2017.
(2) See "Non-GAAP Financial Measures" for the impact of the Fiscal 2016 Non-GAAP Adjustments on revenue and operating expenses in fiscal 2016.

Operating expenses increased by $634 million, or 54.5%, to $1.8 billion, or 137.4% of revenue in fiscal 2017, compared to $1.2 billion, or 53.8% of revenue, in fiscal 2016. The increase was primarily attributable to the impairment of long-lived assets and goodwill, and an increase in non-cash charges associated with a change in the fair value of the Debentures, partially offset by reduced salaries and benefits costs, a decrease in amortization expense, and reductions in marketing and advertising expense. Excluding the impact of the relevant Fiscal 2017 Non-GAAP Adjustments and Fiscal 2016 Non-GAAP Adjustments, operating expenses decreased by $342 million, or 30.1% due to the reasons discussed below in "Research and Development Expenses", "Selling, Marketing and Administration Expenses" and "Amortization Expense".

In fiscal 2018, the Company expects to increase operating expenses in certain areas of its business, but expects total operating expenses to decline.

Research and Development Expenses

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

Research and development expenses decreased by $163 million, or 34.8%, to $306 million, or 23.4% of revenue, in fiscal 2017, compared to $469 million, or 21.7% of revenue, in fiscal 2016. Excluding the impact of the relevant Fiscal 2017 Non-GAAP Adjustments and Fiscal 2016 Non-GAAP Adjustments, research and development expenses decreased by $118 million, or 29.3%. The decrease was primarily attributable to reduced salaries and benefits, a reallocation of costs to cost of sales associated with engineering services, reduced infrastructure costs and outsourcing costs compared to fiscal 2016.

Selling, Marketing and Administration Expenses

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

Selling, marketing and administration expenses decreased by $100 million, or 15.3%, to $553 million, or 42.2% of revenue, in fiscal 2017 compared to $653 million in fiscal 2016, or 30.2% of revenue. Excluding the impact of the relevant Fiscal 2017 Non-GAAP Adjustments and Fiscal 2016 Non-GAAP Adjustments, selling, marketing and administration expenses decreased by $89 million, or 17.0%. The decrease was primarily attributable to reduced marketing and advertising costs, a decrease in facilities costs, reduced salaries and benefits costs and a decrease in foreign exchanges losses compared to fiscal 2016.

Amortization Expense

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for fiscal 2017 compared to fiscal 2016. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Fiscal Years Ended *(in millions)*					
	Included in Amortization			**Included in Cost of sales**		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Property, plant and equipment	$ 33	$ 73	$ (40)	$ 43	$ 51	$ (8)
Intangible assets	153	204	(51)	10	288	(278)
Total	$ 186	$ 277	$ (91)	$ 53	$ 339	$ (286)

Amortization

Amortization expense relating to certain property, plant and equipment and intangible assets decreased by $91 million to $186 million for fiscal 2017, compared to $277 million for fiscal 2016. The decrease in amortization expense reflects the lower cost base of assets as a result of the RAP and the LLA Impairment Charge.

Excluding the impact of the relevant Fiscal 2017 Non-GAAP Adjustments and Fiscal 2016 Non-GAAP Adjustments, amortization decreased by $137 million.

Cost of sales

Amortization expense relating to certain property, plant and equipment and intangible assets employed in the Company's manufacturing operations and BlackBerry service operations decreased by $286 million to $53 million for fiscal 2017, compared to $339 million for fiscal 2016. This decrease primarily reflects the lower cost base of assets as a result of the LLA Impairment Charge and patent abandonments during fiscal 2017.

Investment Loss, Net

Investment loss, which includes the interest expense from the Debentures, decreased by $32 million to $27 million in fiscal 2017, from $59 million in fiscal 2016. The decrease is primarily attributable to the reduced principal balance of Debentures outstanding to the lower rate of interest on the 3.75% Debentures relative to the 6% Debentures, and to a gain on sale of a cost based investment, partially offset by the recognition of an other-than-temporary impairment on cost-based investments and a lower average cash and investments balance. See "Financial Condition - Liquidity and Capital Resources".

Income Taxes

For fiscal 2017, the Company's net effective income tax recovery rate was approximately 0%, compared to approximately 26% for the prior fiscal year. The Company's net effective income tax recovery rate reflects the fact that the Company has a significant valuation allowance against its deferred tax assets, and in particular, the gain from the change in fair value of the Debentures, amongst other items, was offset by a corresponding adjustment of the valuation allowance. During the second quarter of fiscal 2016, the Company made the determination that the cumulative undistributed earnings for certain foreign subsidiaries will be indefinitely reinvested, and as a result, the withholding tax accrual of $33 million recorded in respect of these subsidiaries was reversed. During the third quarter of fiscal 2016, in connection with the Company's acquisitions in the quarter, deferred tax liabilities were established, primarily related to the acquired identifiable intangible assets and these deferred tax liabilities exceeded the acquired deferred tax assets thus allowing the Company to realize a tax benefit by releasing the valuation allowance associated with the Company's overall deferred tax assets. The Company's net effective income tax recovery rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

Net Income (Loss)

The Company's net loss for fiscal 2017 was $1.2 billion, reflecting an increase in net loss of $998 million compared to a net loss of $208 million in fiscal 2016. Excluding the impact of the relevant Fiscal 2017 Non-GAAP Adjustments and Fiscal 2016 Non-GAAP Adjustments, the Company's non-GAAP net income for fiscal 2017 was $30 million compared to non-GAAP net loss of $102 million in fiscal 2016, reflecting an increase in non-GAAP net income of $132 million due to a reduction in operating expenditures and an increase in the Company's gross margin.

Basic and diluted loss per share on a GAAP basis was $2.30 in fiscal 2017, an increase in loss per share of 475.0% and an increase in loss per share of 167.4%, respectively, compared to basic loss per share on a GAAP basis of $0.40 and diluted loss per share on a GAAP basis of $0.86 in fiscal 2016.

The weighted average number of shares outstanding was 525 million common shares for basic and diluted loss per share for the fiscal year ended February 28, 2017 and 526 million common shares for basic loss per share and 651 million common shares for diluted loss per share for the fiscal year ended February 29, 2016.

In the third quarter of fiscal 2017, the Company stated that it expected to achieve non-GAAP earnings per share profitability in fiscal 2017. Non-GAAP basic earnings per share for fiscal 2017 was $0.06.

The Company expects positive adjusted EBITDA for fiscal 2018.

Common Shares Outstanding

On March 28, 2017, there were 531 million voting common shares, options to purchase 2 million voting common shares, 21 million restricted share units and 0.5 million deferred share units outstanding. In addition, 60.5 million common shares are issuable upon conversion in full of the Debentures.

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

Results of Operations - Three months ended February 28, 2017 compared to the three months ended February 29, 2016

The following table sets forth certain unaudited consolidated statements of operations data, which is expressed in millions of dollars, except for share and per share amounts and as a percentage of revenue, for the three months ended February 28, 2017 and February 29, 2016:

	For the Three Months Ended *(in millions, except for share and per share amounts)*				
	February 28, 2017		February 29, 2016		Change
Revenue [1][2]	286	100.0 %	464	100.0 %	(178)
Gross margin [1][2]	172	60.1 %	210	45.3 %	(38)
Operating expenses [1][2]	229	80.1 %	451	97.2 %	(222)
Investment income (loss), net	8	2.8 %	(15)	(3.2)%	23
Loss before income taxes	(49)	(17.1)%	(256)	(55.1)%	207
Recovery of income taxes	(2)	(0.7)%	(18)	(3.9)%	16
Net loss	$ (47)	(16.5)%	$ (238)	(51.3)%	$ 191
Loss per share - reported					
Basic and diluted	$ (0.09)		$ (0.45)		$ 0.36
Diluted	$ (0.10)		$ (0.45)		$ 0.35
Weighted-average number of shares outstanding (000's)					
Basic	530,352		524,627		
Diluted	590,852		524,627		

(1) See "Non-GAAP Financial Measures" for the impact of the Q4 Fiscal 2017 Non-GAAP Adjustments on revenue, gross margin and operating expenses in the fourth quarter of fiscal 2017.

(2) See "Non-GAAP Financial Measures" for the impact of the Q4 Fiscal 2016 Non-GAAP Adjustments on revenue, gross margin and operating expenses in the fourth quarter of fiscal 2016.

Consolidated Revenue

Consolidated revenue decreased by $178 million to approximately $286 million in the fourth quarter of fiscal 2017 from $464 million in the fourth quarter of fiscal 2016. The decrease was primarily due to a decrease of $136 million in hardware and other revenues to $55 million from $191 million and a decrease of $94 million in service access fee revenues to $49 million from $143 million, partially offset by a $52 million increase in software and services revenue to $182 million ($193 million on a non-GAAP basis) from $130 million.

The decrease in hardware and other revenues of $136 million was attributable to decreased demand, the Company's aging product portfolio and a decrease in the average selling price of hardware. The decrease in service access fee revenues of $94 million, which is generated from users of BlackBerry 7 and prior BlackBerry operating systems, is primarily attributable to a lower number of BlackBerry 7 users, lower revenue from those users and a continued shift in the mix of the Company's customers from higher-tiered unlimited plans to prepaid and lower-tiered plans, compared to the fourth quarter of fiscal 2016. The increase in software and services revenue of $52 million is primarily due to software engineering services and IP licensing revenues in the fourth quarter of fiscal 2017.

Consolidated Gross Margin

Consolidated gross margin decreased by $38 million to approximately $172 million in the fourth quarter of fiscal 2017 from $210 million in the fourth quarter of fiscal 2016. The decrease was primarily due to the decline in gross margin associated with service access fees, partially offset by an increase in gross margin from software and services, and hardware and other products.

The decrease in gross margin associated with service access fees was primarily attributable to the decline in service access fee revenues discussed above in "Consolidated Revenue". The increase in gross margin associated with software and services revenue is due to software engineering services and high margin IP licensing revenue not present in the fourth quarter in fiscal 2016. The increase in hardware and other products is primarily attributable to a decrease in royalty expenses resulting from the Company's LLA impairment charge recorded in the first quarter of fiscal 2017.

Revenue

Revenue by Geography

Comparative breakdowns of the geographic regions are set forth in the following table:

	For the Three Months Ended *(in millions)*					
	February 28, 2017		February 29, 2016		Change	
Revenue by Geography						
North America	$ 166	58.0%	$ 216	46.5%	$ (50)	(23.1)%
Europe, Middle East and Africa	83	29.0%	175	37.7%	(92)	(52.6)%
Latin America	5	1.8%	18	3.9%	(13)	(72.2)%
Asia Pacific	32	11.2%	55	11.9%	(23)	(41.8)%
	$ 286	100.0%	$ 464	100.0%	$ (178)	(38.4)%

North America Revenues

Revenues in North America were $166 million, or 58.0% of revenue, in the fourth quarter of fiscal 2017, reflecting a decrease of $50 million compared to $216 million, or 46.5% of revenue, in the fourth quarter of fiscal 2016. Sales in the United States represented approximately 49.7% of total revenue in the fourth quarter of fiscal 2017, compared to 33.8% of total revenue in the fourth quarter of fiscal 2016 and sales in Canada represented approximately 8.4% of revenue in the fourth quarter of fiscal 2017, compared to 12.7% of revenue in the fourth quarter of fiscal 2016.

Revenues in North America decreased compared to the fourth quarter of fiscal 2016 primarily from a decrease in hardware and other revenues due to the reasons discussed above in "Consolidated Revenue" and a decrease in service access fee revenues due to the reasons discussed above in "Consolidated Revenue", partially offset by an increase in IP licensing revenue and software engineering services revenue.

Europe, Middle East and Africa Revenues

Revenues in Europe, Middle East and Africa were $83 million or 29.0% of revenue in the fourth quarter of fiscal 2017, reflecting a decrease of $92 million compared to $175 million or 37.7% of revenue in the fourth quarter of fiscal 2016. The decrease in revenues is due to decreased hardware demand and the continued decrease of service access fees, partially offset by growth in software and services revenue.

Latin America Revenues

Revenues in Latin America were $5 million or 1.8% of revenue in the fourth quarter of fiscal 2017, reflecting a decrease of $13 million compared to $18 million or 3.9% of revenue in the fourth quarter of fiscal 2016. The decrease in revenues is primarily due to a reduction in service access fee revenues, as well as decreased hardware demand.

Asia Pacific Revenues

Revenues in Asia Pacific were $32 million or 11.2% of revenue in the fourth quarter of fiscal 2017, reflecting a decrease of $23 million compared to $55 million or 11.9% of revenue in the fourth quarter of fiscal 2016. The decrease in revenue is due to the reduction in service access fee revenues and decreased hardware demand, partially offset by growth in software and services revenue.

Revenue by Segment

Comparative breakdowns of revenues by operating segment are set forth below. See " Business Overview" and "Fiscal 2017 Summary Results of Operations" for information about the Company's operating segments and the basis of the operating segment results.

For the Three Months Ended
(in millions)

	Software & Services			Mobility Solutions			SAF			Segment totals		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Revenue	$ 166	$ 154	$ 12	$ 82	$ 190	($108)	$ 49	$ 143	($94)	$ 297	$ 487	($190)

Software & Services

Software & Services segment revenue, which includes fees from licensed enterprise software, client access licenses, maintenance and upgrades, software licensing revenues (other than device software licensing revenues), technology licensing revenues, software engineering services revenue and technical support revenues, increased by $12 million, or 7.8%, to $166 million, or 55.9% of segment revenue, in the fourth quarter of fiscal 2017, compared to $154 million, or 31.6% of segment revenue, in the fourth quarter of fiscal 2016. The $12 million increase in Software & Services segment revenue was primarily attributable to an increase in technology licensing revenue. The Company generated $15 million in technology licensing revenue in the fourth quarter of fiscal 2017.

The Company's Software & Services segment revenue, excluding IP licensing and professional services revenue, was approximately 80% recurring (subscription based) in the fourth quarter of fiscal 2017.

Mobility Solutions

Mobility Solutions segment revenue, which includes revenue from the sale of BlackBerry handheld devices, related accessories, non-warranty repairs, software engineering services and device software licensing revenues, was $82 million, or 27.6% of segment revenue, in the fourth quarter of fiscal 2017, compared to $190 million, or 39.0% of segment revenue, in the fourth quarter of fiscal 2016, representing a decrease of $108 million, or 56.8%. The $108 million decrease in Mobility Solutions segment revenue was primarily due to the reasons discussed above in "Consolidated Revenue", partially offset by software engineering services revenue.

SAF

SAF segment revenue decreased by $94 million, or 65.7%, to $49 million, or 16.5% of segment revenue, in the fourth quarter of fiscal 2017, compared to $143 million, or 29.4% of segment revenue, in the fourth quarter of fiscal 2016. The decrease was due to the reasons discussed above in "Consolidated Revenue".

SAF segment revenue for the fourth quarter of fiscal 2017 decreased by approximately 26% compared to the third quarter of fiscal 2017, compared to the Company's previously stated expectation of 25%. The decrease was higher than expected due to a greater than expected decline in revenue mix to lower tiered plans as noted above. The Company expects SAF segment revenue to decline by approximately 25% in the first quarter of fiscal 2018.

Gross Margin by Segment

Comparative breakdowns of gross margins by operating segment are set forth below. See " Business Overview" and "Fiscal 2017 Summary Results of Operations" for information about the Company's operating segments and the basis of operating segment results.

For the Three Months Ended
(in millions)

	Software & Services			Mobility Solutions			SAF			Segment totals		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Gross Margin	$ 132	$ 119	$ 13	$ 28	$ 1	$ 27	$ 34	$ 117	$ (83)	$ 194	$ 237	$ (43)

Total segment gross margin decreased by $43 million to $194 million, or 65.3% of segment revenue, in the fourth quarter of fiscal 2017, compared to $237 million, or 48.7% of segment revenue, in the fourth quarter of fiscal 2016.

Non-GAAP gross margin in the fourth quarter of fiscal 2017 was 65.3%, which was higher than the Company's previously stated expectation of 64% due to a greater proportion of the Company's segment revenue coming from Software & Services than expected, improved Mobility Solutions segment gross margins, and a more favourable revenue mix.

Software & Services

Software & Services segment gross margin increased by $13 million to $132 million, or 79.5% of Software & Services segment revenue, in the fourth quarter of fiscal 2017, compared to $119 million, or 77.3% of Software & Services segment revenue, in the fourth quarter of fiscal 2016. The increase was primarily attributable to an increase in technology licensing revenue, which has comparatively higher margins, and by a reduction in the infrastructure cost component of cost of goods sold.

Mobility Solutions

Mobility Solutions segment gross margin increased by $27 million to $28 million, or 34.1% of Mobility Solutions segment revenue, in the fourth quarter of fiscal 2017, compared to $1 million, or 0.5% of Mobility Solutions segment revenue, in the fourth quarter of fiscal 2016. The $27 million increase in Mobility Solutions segment gross margin was primarily due to the reasons discussed above in " Consolidated Gross Margin", and to an increase in software engineering services revenue.

SAF

SAF segment gross margin decreased by $83 million to $34 million, or 69.4% of SAF segment revenue, in the fourth quarter of fiscal 2017, compared to $117 million, or 81.8% of SAF segment revenue, in the fourth quarter of fiscal 2016.

The $83 million decrease in SAF segment gross margin was primarily due to the reasons discussed above in " Consolidated Gross Margin". A significant proportion of SAF cost of goods sold is fixed.

Operating Expenses

The table below presents a comparison of research and development, selling, marketing and administration, and amortization expenses for the quarter ended February 28, 2017, compared to the quarter ended November 30, 2016 and the quarter ended February 29, 2016. The Company believes it is meaningful to also provide a comparison between the fourth quarter of fiscal 2017 and the third quarter of fiscal 2017 given that the Company's quarterly operating results vary substantially.

	For the Three Months Ended *(in millions)*					
	February 28, 2017		November 30, 2016		February 29, 2016	
		% of Revenue		% of Revenue		% of Revenue
Revenue[1][2][3]	$ 286		$ 289		$ 464	
Operating expenses						
Research and development[1][2][3]	57	19.9 %	75	26.0%	108	23.3 %
Selling, marketing and administration[1][2][3]	144	50.3 %	141	48.8%	166	35.8 %
Amortization[1][2][3]	45	15.7 %	43	14.9%	77	16.6 %
Loss (gain) on sale, disposal and abandonment of long-lived assets[1][2][3]	(1)	(0.3)%	46	15.9%	140	30.2 %
Debentures fair value adjustment[1][2][3]	(16)	(5.6)%	2	0.7%	(40)	(8.6)%
Total	$ 229	80.1 %	$ 307	106.2%	$ 451	97.2 %

(1) See "Non-GAAP Financial Measures" for the impact of the Q4 Fiscal 2017 Non-GAAP Adjustments on revenue and operating expenses in the fourth quarter of fiscal 2017.

(2) In the third quarter of fiscal 2017, the Company had software deferred revenue acquired but not recognized due to business combination accounting rules of approximately $12 million, and also recorded a non-cash charge associated with a change in the fair value of the Debentures of approximately $2 million; a write-down of assets held for sale of $42 million in loss on sale, the disposal and abandonment of long-lived assets; selective patent abandonments of $1 million in loss on sale, disposal and abandonment of long-lived assets; RAP recoveries of approximately $1 million in research and development and RAP charges of approximately $19 million in selling, marketing and administration expenses; CORE program recoveries of approximately $2 million in selling, marketing and administration expenses; stock compensation expense of approximately $4 million and $11 million in research and development and selling, marketing and administration expenses, respectively; amortization of intangible assets acquired through business combinations of approximately $28 million in amortization expense; and business acquisition and integration costs incurred through business combinations of approximately $5 million in selling, marketing and administration expense (collectively the "Q3 Fiscal 2017 Non-GAAP Adjustments").

(3) See "Non-GAAP Financial Measures" for the impact of the Q4 Fiscal 2016 Non-GAAP Adjustments on revenue and operating expenses in the fourth quarter of fiscal 2016.

Operating expenses decreased by $78 million, or 25.4%, to $229 million, or 80.1% of revenue, in the fourth quarter of fiscal 2017, compared to $307 million, or 106.2% of revenue, in the third quarter of fiscal 2017. The decrease was primarily attributable to a decrease in loss on sale, disposal and abandonment of long-lived assets, a decrease in non-cash charges associated with a change in the fair value of the Debentures and a decrease in research and development costs.

Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q3 Fiscal 2017 Non-GAAP Adjustments, operating expenses decreased by $17 million, or 8.6%. The decrease was primarily attributable to decreases in foreign exchange losses, lower infrastructure costs, and reduced salaries and benefits costs.

Operating expenses decreased by $222 million, or 49.2%, to $229 million, or 80.1% of revenue, in the fourth quarter of fiscal 2017, compared to $451 million, or 97.2% of revenue, in the fourth quarter of fiscal 2016. The decrease was primarily attributable to a decrease in loss on sale, disposal and abandonment of long-lived assets, amortization expense, reduced salaries and benefits costs and reduced facilities costs in comparison to 2016.

Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q4 Fiscal 2016 Non-GAAP Adjustments, operating expenses decreased by $77 million, or 29.8%. This decrease was primarily attributable to decreases in amortization, lower salaries and benefits costs, a reallocation of costs to cost of sales associated with engineering services, and lower facilities costs, partially offset by increases in legal expenses compared to the fourth quarter of fiscal 2016.

In the third quarter of fiscal 2017, the Company stated its expectation that operating expenses would decline in the fourth quarter of fiscal 2017, compared to the third quarter of fiscal 2017. Operating expenses decreased by $78 million in the fourth quarter of fiscal 2017, compared to the third quarter of fiscal 2017. Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments, and Q3 Fiscal 2017 Non-GAAP Adjustments, operating expenses decreased by $17 million.

Research and Development Expense

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

Research and development expenses decreased by $51 million, or 47.2% to $57 million in the fourth quarter of fiscal 2017 compared to $108 million in the fourth quarter of fiscal 2016. Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q4 Fiscal 2016 Non-GAAP Adjustments, research and development expenses decreased by $36 million, or 42.4%. This decrease was primarily attributable to a reallocation of costs to cost of sales associated with engineering services and reduced salaries and benefits costs.

Selling, Marketing and Administration Expenses

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

Selling, marketing and administration expenses decreased by $22 million, or 13.3%, to $144 million in the fourth quarter of fiscal 2017 compared to $166 million in the fourth quarter of fiscal 2016. Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q4 Fiscal 2016 Non-GAAP Adjustments, selling, marketing and administration expenses decreased by $7 million, or 5.6%. This decrease was primarily attributable to decreases in salaries and benefits, a reduction in facilities costs, and reduced marketing and advertising expenses, partially offset by increased legal costs.

Amortization Expense

The table below presents a comparison of amortization expense relating to property, plant and equipment and intangible assets recorded as amortization or cost of sales for the quarter ended February 28, 2017 compared to the quarter ended February 29, 2016. Intangible assets are comprised of patents, licenses and acquired technology.

	For the Three Months Ended *(in millions)*					
	Included in Amortization			**Included in Cost of sales**		
	February 28, 2017	February 29, 2016	Change	February 28, 2017	February 29, 2016	Change
Property, plant and equipment	$ 7	$ 15	$ (8)	$ 9	$ 12	$ (3)
Intangible assets	38	62	(24)	3	38	(35)
Total	$ 45	$ 77	$ (32)	$ 12	$ 50	$ (38)

Amortization

Amortization expense relating to certain property, plant and equipment and certain intangible assets decreased by $32 million to $45 million for the fourth quarter of fiscal 2017 compared to $77 million for the fourth quarter of fiscal 2016. The decrease in amortization expense reflects the lower cost base of assets as a result of the RAP and the LLA Impairment Charge.

Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q4 Fiscal 2016 Non-GAAP Adjustments, amortization decreased by $32 million.

Cost of sales

Amortization expense relating to certain property, plant and equipment and certain intangible assets employed in the Company's manufacturing operations and BlackBerry service operations decreased by $38 million to $12 million for the fourth quarter of fiscal 2017 compared to $50 million for the fourth quarter of fiscal 2016. This decrease primarily reflects the lower cost base of assets as a result of the LLA Impairment Charge and patent abandonments during fiscal 2016.

Investment Income (Loss), Net

Investment income, which includes the interest expense from the Debentures, increased by $23 million to a gain of $8 million in the fourth quarter of fiscal 2017, compared to a loss of $15 million in the fourth quarter of fiscal 2016. The increase in investment income is primarily attributable a realized gains relating to the sale of one of the Company's cost-based investments

and to a lower rate of interest on the 3.75% Debentures relative to the 6% Debentures. See "Financial Condition - Liquidity and Capital Resources" below.

Income Taxes

For the fourth quarter of fiscal 2017, the Company's net effective income tax expense rate was approximately 4%, compared to approximately 7% for the same period in the prior fiscal year. The Company's income tax recovery rate also reflects the fact that the Company has a significant valuation allowance in place against its deferred tax assets, and in particular, due to this valuation allowance, the significant income statement impact of the gain from the change in fair value of the Debentures, amongst other items, was offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax recovery rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

Net Income (Loss)

The Company's net loss for the fourth quarter of fiscal 2017 was $47 million, or $0.09 basic loss per share and $0.10 diluted loss per share on a GAAP basis, reflecting a decrease in net loss of $191 million compared to a net loss of $238 million, or $0.45 basic and diluted earnings per share, in the fourth quarter of fiscal 2016. Excluding the impact of the relevant Q4 Fiscal 2017 Non-GAAP Adjustments and Q4 Fiscal 2016 Non-GAAP Adjustments, the Company's non-GAAP net income was $23 million compared to a non-GAAP net loss of $18 million, reflecting an increase in non-GAAP net income of $41 million due to a reduction in operating expenditures and an increase in the Company's gross margin.

The weighted average number of shares outstanding was 530 million common shares for basic loss per share and 591 million common shares for diluted loss per share for the fourth quarter of fiscal 2017. The weighted average number of shares outstanding was 525 million common shares for basic and diluted earnings per share for the fourth quarter of fiscal 2016.

Selected Quarterly Financial Data

The following table sets forth the Company's unaudited quarterly consolidated results of operations data for each of the eight most recent quarters, including the quarter ended February 28, 2017. The information in the table below has been derived from the Company's unaudited interim consolidated financial statements that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements of the Company and include all adjustments necessary for a fair presentation of information when read in conjunction with the audited consolidated financial statements of the Company. The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(in millions, except per share data)

	Fiscal Year 2017				Fiscal Year 2016			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenue	$ 286	$ 289	$ 334	$ 400	$ 464	$ 548	$ 490	$ 658
Gross margin	172	193	98	154	210	236	185	310
Operating expenses	229	307	453	809	451	340	152	221
Income (loss) before income taxes	(49)	(118)	(371)	(670)	(256)	(120)	21	73
Provision for (recovery of) income taxes	(2)	(1)	1	—	(18)	(31)	(30)	5
Net income (loss)	$ (47)	$ (117)	$ (372)	$ (670)	$ (238)	$ (89)	$ 51	$ 68
Earnings (loss) per share								
Basic earnings (loss) per share	$ (0.09)	$ (0.22)	$ (0.71)	$ (1.28)	$ (0.45)	$ (0.17)	$ 0.10	$ 0.13
Diluted loss per share	$ (0.10)	$ (0.22)	$ (0.71)	$ (1.28)	$ (0.45)	$ (0.17)	$ (0.24)	$ (0.10)
Research and development	$ 57	$ 75	$ 85	$ 89	$ 108	$ 100	$ 122	$ 139
Selling, marketing and administration	144	141	138	129	166	170	157	161
Amortization	45	43	44	54	77	68	67	65
Impairment of long-lived assets	—	—	—	501	—	—	—	—
Impairment of goodwill	—	—	—	57	—	—	—	—
Loss (gain) on sale, disposal and abandonment of long-lived assets	(1)	46	124	3	140	7	34	13
Debentures fair value adjustment	(16)	2	62	(24)	(40)	(5)	(228)	(157)
Operating expenses	$ 229	$ 307	$ 453	$ 809	$ 451	$ 340	$ 152	$ 221

Financial Condition

Liquidity and Capital Resources

Cash, cash equivalents, and investments decreased by $926 million to $1.7 billion as at February 28, 2017 from $2.6 billion as at February 29, 2016, primarily as a result of the net effect of the Company's redemption of the 6% Debentures and issuance of the 3.75% Debentures, and cash used in operations. The majority of the Company's cash, cash equivalents, and investments are denominated in U.S. dollars as at February 28, 2017.

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

	As at (in millions)		
	February 28, 2017	February 29, 2016	Change
Cash and cash equivalents	$ 734	$ 957	$ (223)
Restricted cash	51	50	1
Short-term investments	644	1,420	(776)
Long-term investments	269	197	72
Cash, cash equivalents, and investments	$ 1,698	$ 2,624	$ (926)

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

	As at (in millions)		
	February 28, 2017	February 29, 2016	Change
Current assets	$ 1,691	$ 3,011	$ (1,320)
Current liabilities	606	1,039	(433)
Working capital	$ 1,085	$ 1,972	$ (887)

Current Assets

The decrease in current assets of $1.3 billion at the end of fiscal 2017 from the end of fiscal 2016 was primarily due to decreases in short term investments of $776 million, cash and cash equivalents of $223 million, accounts receivable of $157 million, inventories of $117 million and other current assets of $47 million.

At February 28, 2017, accounts receivable was $181 million, a decrease of $157 million from February 29, 2016. The decrease reflects the lower revenues recognized during fiscal 2017, as well as a decrease in days sales outstanding to approximately 57 days in the fourth quarter of fiscal 2017 from approximately 68 days in the fourth quarter of 2016.

At February 28, 2017, inventories decreased by $117 million to $26 million compared to $143 million as at February 29, 2016. The decrease in inventories was primarily due to the write-down of inventories.

At February 28, 2017, other current assets was $55 million, a decrease of $47 million from February 29, 2016. The decrease in in other current assets was due to the recognition of previously deferred cost of goods sold, upon recognition of the related deferred revenue.

At February 28, 2017, income taxes receivable was $17 million, an increase of $17 million from February 29, 2016. The increase in income tax receivable was due to changes in tax liabilities previously recorded.

Current Liabilities

The decrease in current liabilities of $433 million at the end of fiscal 2017 from the end of fiscal 2016 was primarily due to a decrease in accounts payable of $167 million, deferred revenue of $147 million and accrued liabilities of $110 million. As at February 28, 2017, accounts payable were $103 million, reflecting a decrease of $167 million from February 29, 2016, which was primarily attributable to a decrease in amounts owing for the manufacturing of devices. Deferred revenues were $245 million, which reflects a decrease of $147 million compared to February 29, 2016 that was primarily attributable to the recognition of devices sold through to end users. Accrued liabilities were $258 million, reflecting a decrease of $110 million compared to February 29, 2016, which was primarily attributable to decreases in vendor liabilities, warranty liabilities and manufacturing accruals.

Cash flows for the fiscal year ended February 28, 2017 compared to the fiscal year ended February 29, 2016 were as follows:

	For the Fiscal Years Ended *(in millions)*		
	February 28, 2017	February 29, 2016	Change
Net cash flows provided by (used in):			
Operating activities	$ (224)	$ 257	$ (481)
Investing activities	724	(439)	1,163
Financing activities	(722)	(78)	(644)
Effect of foreign exchange loss on cash and cash equivalents	(1)	(16)	15
Net increase (decrease) in cash and cash equivalents	$ (223)	$ (276)	$ 53

Operating Activities

The decrease in net cash flows provided by operating activities of $481 million primarily reflects the Company's lower amount of net income after adjustments for non-cash items as well as net changes in working capital.

Investing Activities

During the fiscal year ended February 28, 2017, cash flows provided by investing activities were $724 million and included cash flows of $703 million provided by transactions involving the acquisition of short-term and long-term investments, net of the proceeds on sale or maturity and proceeds on sale of property, plant and equipment of $95 million, offset by intangible asset additions of $52 million, acquisitions of property, plant and equipment of $17 million, and business acquisitions, net of cash acquired of $5 million. For the same period of the prior fiscal year, cash flows used in investing activities were $439 million and included cash flows used in business acquisitions of $698 million, intangible asset additions of $70 million, and acquisitions of property, plant and equipment of $32 million, offset by proceeds on sale or maturity of short-term and long-term investments, net of the costs of acquisitions, in the amount of $357 million.

Financing Activities

The increase in cash flows used in financing activities was $644 million for fiscal 2017 and was primarily attributable to the net effect of the Company's redemption of the 6% Debentures and issuance of the 3.75% Debentures.

Aggregate Contractual Obligations

The following table sets out aggregate information about the Company's contractual obligations and the periods in which payments are due as at February 28, 2017:

	(in millions)				
	Total	Less than One Year	One to Three Years	Four to Five Years	Greater than Five Years
Operating lease obligations	$ 163	$ 46	$ 53	$ 27	$ 37
Purchase obligations and commitments	151	151	—	—	—
Long-term debt interest and principal payments	84	23	45	16	—
Total	$ 398	$ 220	$ 98	$ 43	$ 37

Purchase obligations and commitments amounted to approximately $398 million as at February 28, 2017, including future interest payments of $84 million on the 3.75% Debentures, and operating lease obligations of $163 million. The remaining balance consists of purchase orders or contracts with suppliers of raw materials, as well as other goods and services utilized in the operations of the Company, including payments on account of licensing agreements. Total aggregate contractual obligations as at February 28, 2017 decreased by $462 million as compared to the February 29, 2016 balance of approximately $860 million, which was primarily attributable to decreases in interest payments on the Debentures and purchase orders with contract manufacturers.

Debenture Financing and Other Funding Sources

See Note 10 to the Consolidated Financial Statements for a description of the Debentures.

The Company has $43 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business. See Note 3 to the Consolidated Financial Statements for further information concerning the Company's restricted cash.

Cash, cash equivalents, and investments were approximately $1.7 billion as at February 28, 2017. The Company's management remains focused on maintaining appropriate cash balances, efficiently managing working capital balances and managing the liquidity needs of the business. In addition, the Company continues to pursue opportunities to reallocate resources through the RAP and to attain further cost savings. Based on its current financial projections, the Company believes its financial resources, together with expected future operating cash generating and operating expense reduction activities and access to other potential financing arrangements, should be sufficient to meet funding requirements for current financial commitments and future operating expenditures not yet committed, and should provide the necessary financial capacity for the foreseeable future.

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

Legal Proceedings

The Company is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum amount in the range. The Company does not provide for claims for which the outcome is not determinable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

As of February 28, 2017, there are no claims outstanding for which the Company has assessed the potential loss as both probable to result and reasonably estimable, therefore no accrual has been made. See Note 14 to the Consolidated Financial Statements for a further discussion of the Company's legal matters.

Market Risk of Financial Instruments

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

Foreign Exchange

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. The majority of the Company's revenues in fiscal 2017 were transacted in U.S. dollars. Portions of the revenues were denominated in Canadian dollars, Euros and British Pounds. Purchases of raw materials were primarily transacted in U.S. dollars. Other expenses, consisting mainly of salaries, certain operating costs and manufacturing overhead were incurred primarily in Canadian dollars, but were also incurred in U.S dollars, Euros and British pounds. At February 28, 2017, approximately 8% of cash and cash equivalents, 35% of accounts receivables and 23% of accounts payable were denominated in foreign currencies (February 29, 2016 – 10%, 30% and 16%, respectively). These foreign currencies primarily include the Canadian dollar, Euro and British pound. As part of its risk management strategy, the Company maintains net monetary asset and/or liability balances in foreign currencies and engages in foreign currency hedging activities using derivative financial instruments, including currency forward contracts and currency options. The Company does not use derivative instruments for speculative purposes. See Note 5 to the Consolidated Financial Statements for information concerning the Company's foreign currency hedging activities.

Interest Rate

Cash and cash equivalents and investments are invested in certain instruments of varying maturities. Consequently, the Company is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. The Company has also issued the 3.75% Debentures with a fixed 3.75% interest rate. The fair value of the 3.75% Debentures will fluctuate with changes in prevailing interest rates. Consequently, the Company is exposed to interest rate risk as a result of the long term of the 3.75% Debentures. The Company does not currently utilize interest rate derivative instruments to hedge its investment portfolio.

Credit and Customer Concentration

The Company has historically been dependent on a number of significant telecommunication carriers and distribution partners and on larger more complex contracts with respect to sales of the majority of its products and services. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts ("AFDA") that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The AFDA as at February 28, 2017 was $12 million (February 29, 2016 - $10 million). The Company also purchases insurance coverage for a portion of its accounts receivable balances. There was one customer that comprised more than 10% of accounts receivable as at February 28, 2017 (February 29, 2016 – no customers that comprised more than 10%). Additionally, there were no customers that comprised more than 10% of

the Company's revenue in fiscal 2017, fiscal 2016 or fiscal 2015. During fiscal 2017, the percentage of the Company's receivable balance that was past due increased by 11.7% compared to the fourth quarter of fiscal 2016. Although the Company actively monitors and attempts to collect on its receivables as they become due, the risk of further delays or challenges in obtaining timely payments from its carrier and distributor partners of receivables exists. The occurrence of such delays or challenges in obtaining timely payments could negatively impact the Company's liquidity and financial condition.

Market values are determined for each individual security in the investment portfolio. The Company assesses declines in the value of individual investments for impairment to determine whether the decline is other-than-temporary. The Company makes this assessment by considering available evidence including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the fair value has been less than cost, the financial condition, the near-term prospects of the individual investment and the Company's ability and intent to hold the debt securities to maturity. During fiscal 2017, the Company recorded $8 million in other-than-temporary impairment charges related to certain cost-based investments (fiscal 2016 - nil).

See Note 5 to the Consolidated Financial Statements for additional information regarding the Company's credit risk as it pertains to its foreign exchange derivative counterparties.

Disclosure Controls and Procedures and Internal Controls

Disclosure Controls and Procedures

As of February 28, 2017, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Exchange Act. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of such date, the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the U.S. Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the U.S. Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Board, management and other personnel 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisitions, use or dispositions of the Company's assets that could have a material effect on the Company's financial statements.

On October 30, 2015 and September 22, 2015, the Company completed the acquisitions of Good and AtHoc, respectively, which are included in the fiscal 2016 consolidated financial statements of the Company and constituted 19% and 23% of total and net assets, respectively, as of February 29, 2016, and 3% and 13% of revenues and net loss before tax, respectively, for the year then ended. In conducting its evaluation of the effectiveness of the Company's internal controls over financial reporting, management excluded Good and AtHoc from its assessment of internal controls over financial reporting as of February 29, 2016 because they were acquired by the Company during fiscal 2016. Good and AtHoc were included in the Company's assessment of internal controls over financial reporting as of February 28, 2017.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway

Commission (COSO) in its Internal Control-Integrated Framework (2013). Based on this assessment, management believes that, as of February 28, 2017, the Company's internal control over financial reporting was effective.

The Company's independent auditors have issued an audit report on the Company's internal control over financial reporting. This report is included with the Consolidated Financial Statements.

Changes in Internal Control Over Financial Reporting

During the three months ended February 28, 2017, the Company completed the implementation of an enterprise resource planning system that supports the Company's focus on enterprise software solutions. In connection with the implementation, the Company updated the processes that constitute its internal control over financial reporting, as necessary, to accommodate related changes to its business processes and accounting procedures.

Although the processes that constitute the Company's internal control over financial reporting have been materially affected by the implementation of this system, the Company has completed the necessary testing of its internal control processes for effectiveness, and has concluded that the implementation did not have a material adverse effect on its internal control over financial reporting.

Exhibit 23.1

CONSENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Annual Report [Form 40-F] of **BlackBerry Limited** [the "Company"] for the year ended February 28, 2017 of our reports dated March 31, 2017 with respect to the consolidated financial statements of the Company included herein, and the effectiveness of internal control over financial reporting.

We also consent to the incorporation by reference in the Registration Statements [Form S-8 Nos. 333-85294, 333-100684, 333-150470, 333-177149, 333-189880, 333-192986, 333-192987, 333-197636, 333-206480 and 333-209525] pertaining to the Company's stock option plans of our reports dated March 31, 2017 with respect to the consolidated financial statements of the Company included herein, and the effectiveness of internal control over financial reporting.

Kitchener, Canada,
March 31, 2017

/s/ Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Exhibit 31.1

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Chen, certify that:

1. I have reviewed this annual report on Form 40-F of BlackBerry Limited;

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 function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ John Chen
Name: John Chen
Title: Chief Executive Officer

I, Steven Capelli, certify that:

1. I have reviewed this annual report on Form 40-F of BlackBerry Limited;

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 function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

/s/ Steven Capelli

Name: Steven Capelli

Title: Chief Financial Officer

Exhibit 32.1

Certification of CEO and CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of BlackBerry Limited (the "Registrant") on Form 40-F for the year ended February 28, 2017, as filed with the Commission on the date hereof (the "Report"), John Chen, as Chief Executive Officer of the Registrant, and Steven Capelli, as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ John Chen

Name: John Chen

Title: Chief Executive Officer

Date: March 31, 2017

/s/ Steven Capelli

Name: Steven Capelli

Title: Chief Financial Officer

Date: March 31, 2017

This certification accompanies the Report pursuant to § 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 Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.