

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

Consolidated Balance Sheets

	As at	
	November 30, 2017	February 28, 2017
Assets		
Current		
Cash and cash equivalents	\$ 529	\$ 734
Short-term investments	1,894	644
Accounts receivable, net	164	200
Other receivables	33	27
Inventories	3	26
Income taxes receivable	22	31
Other current assets	36	55
	<u>2,681</u>	<u>1,717</u>
Long-term receivables	30	7
Long-term investments	55	269
Restricted cash and cash equivalents	45	51
Property, plant and equipment, net	68	91
Goodwill	567	559
Intangible assets, net	502	602
	<u>\$ 3,948</u>	<u>\$ 3,296</u>
Liabilities		
Current		
Accounts payable	\$ 63	\$ 128
Accrued liabilities	357	258
Income taxes payable	19	14
Deferred revenue	190	239
	<u>629</u>	<u>639</u>
Long-term debt	816	591
Deferred income tax liability	7	9
	<u>1,452</u>	<u>1,239</u>
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 - 536,307,360 voting common shares (February 28, 2017 - 530,497,193)	2,546	2,512
Deficit	(37)	(438)
Accumulated other comprehensive loss	(13)	(17)
	<u>2,496</u>	<u>2,057</u>
	<u>\$ 3,948</u>	<u>\$ 3,296</u>

See notes to consolidated financial statements.

On behalf of the Board:

John S. Chen
 Director

Barbara Stymiest
 Director

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Consolidated Statements of Shareholders' Equity

	Capital Stock and Additional Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss	Total
Balance as at February 28, 2017	\$ 2,512	\$ (438)	\$ (17)	\$ 2,057
Net income	—	415	—	415
Other comprehensive income	—	—	4	4
Shares issued:				
Stock-based compensation	36	—	—	36
Exercise of stock options	3	—	—	3
Employee share purchase plan	4	—	—	4
Cumulative impact of adoption of ASU 2016-16	—	(5)	—	(5)
Share repurchase	(9)	(9)	—	(18)
Balance as at November 30, 2017	\$ 2,546	\$ (37)	\$ (13)	\$ 2,496

See notes to consolidated financial statements.

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

Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Revenue	\$ 226	\$ 289	\$ 699	\$ 1,023
Cost of sales				
Cost of sales	58	94	206	432
Inventory write-down	—	2	—	146
	58	96	206	578
Gross margin	168	193	493	445
Operating expenses				
Research and development	60	75	181	249
Selling, marketing and administration	118	141	337	411
Amortization	37	43	116	141
Impairment of goodwill	—	—	—	57
Impairment of long-lived assets	—	—	11	501
Loss on sale, disposal and abandonment of long-lived assets	2	46	6	170
Debentures fair value adjustment	77	2	225	40
Arbitration charges (awards)	132	—	(683)	—
	426	307	193	1,569
Operating income (loss)	(258)	(114)	300	(1,124)
Investment income (loss), net	(17)	(4)	120	(35)
Income (loss) before income taxes	(275)	(118)	420	(1,159)
Provision for (recovery of) income taxes	—	(1)	5	—
Net income (loss)	\$ (275)	\$ (117)	\$ 415	\$ (1,159)
Earnings (loss) per share				
Basic	\$ (0.52)	\$ (0.22)	\$ 0.78	\$ (2.21)
Diluted	\$ (0.52)	\$ (0.22)	\$ 0.76	\$ (2.21)

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Net income (loss)	\$ (275)	\$ (117)	\$ 415	\$ (1,159)
Other comprehensive income (loss)				
Net change in unrealized losses on available-for-sale investments	—	(2)	(3)	(5)
Net change in fair value of derivatives designated as cash flow hedges during the period, net of income taxes of nil for the three and nine months ended November 30, 2017 (three and nine months ended November 30, 2016 - income taxes of nil)	(2)	(2)	—	2
Amounts reclassified to net income (loss) during the period for derivatives designated as cash flow hedges, net of income taxes of nil for the three and nine months ended November 30, 2017 (three and nine months ended November 30, 2016 - income taxes of nil)	(1)	—	(1)	(2)
Foreign currency translation adjustment	—	(3)	9	(2)
Actuarial losses associated with other post-employment benefit obligations	—	—	(1)	—
Other comprehensive income (loss)	<u>(3)</u>	<u>(7)</u>	<u>4</u>	<u>(7)</u>
Comprehensive income (loss)	<u>\$ (278)</u>	<u>\$ (124)</u>	<u>\$ 419</u>	<u>\$ (1,166)</u>

See notes to consolidated financial statements.

BlackBerry Limited
(United States dollars, in millions) (unaudited)

Consolidated Statements of Cash Flows

	Nine Months Ended	
	November 30, 2017	November 30, 2016
Cash flows from operating activities		
Net income (loss)	\$ 415	\$ (1,159)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization	138	182
Deferred income taxes	(3)	32
Stock-based compensation	36	45
Impairment of goodwill	—	57
Impairment of long-lived assets	11	501
Loss on sale, disposal and abandonment of long-lived assets	6	170
Other-than-temporary impairment on cost-based investments	—	8
Debentures fair value adjustment	225	40
Long-term receivables	(23)	—
Other	(3)	6
Net changes in working capital items:		
Accounts receivable, net	36	147
Other receivables	(6)	10
Inventories	23	99
Income taxes receivable	4	1
Other current assets	17	31
Accounts payable	(65)	(181)
Income taxes payable	5	(29)
Accrued liabilities	99	(84)
Deferred revenue	(49)	(118)
Net cash provided by (used in) operating activities	866	(242)
Cash flows from investing activities		
Acquisition of long-term investments	(27)	(429)
Proceeds on sale or maturity of long-term investments	77	215
Acquisition of property, plant and equipment	(11)	(14)
Proceeds on sale of property, plant and equipment	3	4
Acquisition of intangible assets	(22)	(28)
Business acquisitions, net of cash acquired	—	(5)
Acquisition of short-term investments	(2,715)	(901)
Proceeds on sale or maturity of short-term investments	1,626	1,985
Conversion of cost-based investment to equity securities	—	10
Net cash provided by (used in) investing activities	(1,069)	837
Cash flows from financing activities		
Issuance of common shares	7	5
Payment of contingent consideration from business acquisitions	—	(15)
Common shares repurchased	(18)	—
Effect of foreign exchange loss on restricted cash and cash equivalents	—	(3)
Transfer from restricted cash and cash equivalents	6	2
Repurchase of 6% Debentures	—	(1,315)
Issuance of 3.75% Debentures	—	605
Net cash used in financing activities	(5)	(721)
Effect of foreign exchange gain (loss) on cash and cash equivalents	3	(1)
Net decrease in cash and cash equivalents during the period	(205)	(127)
Cash and cash equivalents, beginning of period	734	957
Cash and cash equivalents, end of period	\$ 529	\$ 830

See notes to consolidated financial statements.

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Notes to the Consolidated Financial Statements

(In millions of United States dollars, except share and per share data, and except as otherwise indicated) (unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Basis of Presentation and Preparation

These interim consolidated financial statements have been prepared by management in accordance with United States generally accepted accounting principles (“U.S. GAAP”). They do not include all of the disclosures required by U.S. GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements of BlackBerry Limited (the “Company”) for the year ended February 28, 2017 (the “Annual Financial Statements”), which have been prepared in accordance with U.S. GAAP. In the opinion of management, all normal recurring adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Operating results for the three and nine months ended November 30, 2017 are not necessarily indicative of the results that may be expected for the full year ending February 28, 2018.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

In the first quarter of fiscal 2018, the Company made adjustments to its reporting structure in line with its business shift towards focusing on software and services that secure, manage and connect the Enterprise of Things, the transition of its hardware strategy from an outsourced handset manufacturing model to a licensing model, and the continued reduction in its service access fees (“SAF”). As a result, the Chief Operating Decision Maker (the “CODM”), who is the Chief Executive Officer of the Company, began making decisions and assessing the performance of the Company as a single operating segment. For additional information concerning the Company’s segment reporting, see Note 14.

Significant Accounting Policies and Critical Accounting Estimates

There have been no material changes to the Company’s accounting policies or critical accounting estimates from those described in the Annual Financial Statements, except as described below.

In October 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-16 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, and the Company chose to early adopt this guidance in the first quarter of fiscal 2018. As a result of the adoption of ASU 2016-16, the Company recognized approximately \$5 million in tax expense on past intra-entity transfers that had previously been deferred, through a cumulative adjustment to retained earnings in the first quarter of fiscal 2018.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued a new accounting standard on the topic of revenue contracts, which replaces the existing revenue recognition standard (“ASC 606”). 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 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. The Company plans to adopt the new revenue recognition standard utilizing the modified retrospective approach, which will result in a cumulative transition adjustment in the first quarter of fiscal 2019, which is expected to be material. The Company has established a cross-functional coordinated team to conduct the implementation of the revenue recognition standard. This team is responsible for identifying and implementing the appropriate changes to the Company’s business processes, systems and controls surrounding the adoption of ASC606 in order to support the relevant recognition and disclosure changes, and the Company is currently completing its assessment of the impact of adoption.

In May 2017, the FASB issued a new accounting standard on the topic of stock compensation. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. 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 does not expect the impact to have a material effect on its results of operations, financial position and disclosures.

In August 2017, the FASB issued a new accounting standard on the topic of derivatives and hedging. The amendments in this update expand and refine the designation and measurement guidance for qualifying hedging relationships and the presentation of those hedge results. The guidance is effective for interim and annual periods beginning after December

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15, 2018. The Company will adopt this guidance in the first quarter of fiscal 2020 and does not expect the impact to have a material effect on its results of operations, financial position and disclosures.

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2. 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 November 30, 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 and Cash Equivalents
Bank balances	\$ 168	\$ —	\$ —	\$ —	\$ 168	\$ 166	\$ —	\$ —	\$ 2
Other investments	35	—	—	—	35	—	—	35	—
	<u>203</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>203</u>	<u>166</u>	<u>—</u>	<u>35</u>	<u>2</u>
Level 1:									
Equity securities	10	—	(8)	—	2	—	2	—	—
Level 2:									
Term deposits, certificates of deposits and GICs	371	—	—	—	371	4	324	—	43
Bankers' acceptances/bearer deposit notes	234	—	—	—	234	138	96	—	—
Commercial paper	391	—	—	—	391	45	346	—	—
Non-U.S. promissory notes	245	—	—	—	245	115	130	—	—
Non-U.S. government sponsored enterprise notes	268	—	—	—	268	61	207	—	—
Non-U.S. treasury bills/notes	405	—	—	—	405	—	405	—	—
U.S. treasury bills/notes	385	—	(1)	—	384	—	384	—	—
	<u>2,299</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>2,298</u>	<u>363</u>	<u>1,892</u>	<u>—</u>	<u>43</u>
Level 3:									
Corporate bonds	1	—	—	—	1	—	—	1	—
Auction rate securities	20	2	—	(3)	19	—	—	19	—
	<u>21</u>	<u>2</u>	<u>—</u>	<u>(3)</u>	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>—</u>
	<u>\$ 2,533</u>	<u>\$ 2</u>	<u>\$ (9)</u>	<u>\$ (3)</u>	<u>\$ 2,523</u>	<u>\$ 529</u>	<u>\$ 1,894</u>	<u>\$ 55</u>	<u>\$ 45</u>

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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 and Cash Equivalents
Bank balances	\$ 218	\$ —	\$ —	\$ —	\$ 218	\$ 216	\$ —	\$ —	\$ 2
Other investments	34	—	—	—	34	—	—	34	—
	<u>252</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>252</u>	<u>216</u>	<u>—</u>	<u>34</u>	<u>2</u>
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	—
	<u>1,422</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>1,421</u>	<u>518</u>	<u>639</u>	<u>215</u>	<u>49</u>
Level 3:									
Corporate notes/bonds	1	—	—	—	1	—	—	1	—
Auction rate securities	20	2	—	(3)	19	—	—	19	—
	<u>21</u>	<u>2</u>	<u>—</u>	<u>(3)</u>	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>—</u>
	<u>\$ 1,705</u>	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ (3)</u>	<u>\$ 1,698</u>	<u>\$ 734</u>	<u>\$ 644</u>	<u>\$ 269</u>	<u>\$ 51</u>

As at November 30, 2017, the Company's other investments consisted of cost method investments of \$35 million (February 28, 2017 - \$34 million). During the three and nine months ended November 30, 2017, there were no other-than-temporary impairment charges (three and nine months ended November 30, 2016 - other-than-temporary impairment charges of \$1 million and \$8 million relating to certain cost-based investments).

During the three and nine months ended November 30, 2017, there were realized losses of \$1 million on available-for-sale securities (three and nine months ended November 30, 2016 - realized gains or losses of nil).

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 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.

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(In millions of United States dollars, except share and per share data, and except as otherwise indicated) (unaudited)

The contractual maturities of available-for-sale investments as at November 30, 2017 and February 28, 2017 were as follows:

	As at			
	November 30, 2017		February 28, 2017	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Due in one year or less	\$ 2,299	\$ 2,298	\$ 1,206	\$ 1,206
Due in one to five years	1	1	217	216
Due after five years	17	19	17	19
No fixed maturity	10	2	10	5
	<u>\$ 2,327</u>	<u>\$ 2,320</u>	<u>\$ 1,450</u>	<u>\$ 1,446</u>

As at November 30, 2017, the Company had investments with continuous unrealized losses totaling \$9 million, consisting of \$8 million in unrealized losses on equity securities holdings and \$1 million in unrealized losses on U.S. treasury bills (February 28, 2017 - no investments with continuous unrealized losses). The Company has the ability and intent to hold these securities until such time that their value recovers or the investments mature, and as such does not consider their current impairments to be other-than-temporary. For a full description of how the Company assesses its investments for other-than-temporary impairment, please see Note 1 to the Annual Financial Statements.

3. FAIR VALUE MEASUREMENTS

For a description of the fair value hierarchy, see Note 2.

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 a single primary vendor. 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 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, international government banking organizations and the United States Department of the Treasury, and are all investment grade. The Company also holds a limited amount of 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 (as defined in Note 9) have been determined, see the "Derivative financial instruments" and "Convertible debentures" accounting policies in Note 1 to the Annual Financial Statements.

The following table summarizes the changes in fair value of the Company's Level 3 assets for the three and nine months ended November 30, 2017 and November 30, 2016:

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Balance, beginning of period	\$ 20	\$ 20	\$ 20	\$ 21
Principal repayments	—	—	—	(1)
Balance, end of period	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>

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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 three and nine months ended November 30, 2017 or November 30, 2016.

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. For a detailed description on the Company's valuation of auction rate securities, see Note 4 to the Annual Financial Statements.

4. DERIVATIVE FINANCIAL INSTRUMENTS

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

As at November 30, 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	\$ 74
Currency option contracts	Other current assets	1	—	1	34
Total		<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 108</u>
Derivative Liabilities ⁽¹⁾:					
Currency forward contracts	Accrued liabilities	\$ —	\$ (1)	\$ (1)	\$ 81
Currency option contracts	Accrued liabilities	(2)	—	(2)	52
Total		<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (3)</u>	<u>\$ 133</u>

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

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		<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 126</u>
Derivative Liabilities ⁽¹⁾:					
Currency forward contracts	Accrued liabilities	\$ —	\$ (1)	\$ (1)	\$ 28
Currency option contracts	Accrued liabilities	(1)	—	(1)	38
Total		<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ 66</u>

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

Foreign Exchange

For a description of the Company's usage of derivatives and related accounting policy for these instruments, see Note 1 to the Annual Financial Statements.

The Company enters into forward and option contracts to hedge exposures relating to anticipated foreign currency transactions. These contracts have been designated as cash flow hedges, with the effective portion of the change in fair value initially recorded in accumulated other comprehensive loss ("AOCI") and subsequently reclassified to income in the period in which the cash flows from the associated hedged transactions affect income. Any ineffective portion of the change in fair value of the cash flow hedge is recognized in current period income (loss). As at November 30, 2017 and

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November 30, 2016, the outstanding derivatives designated as cash flow hedges were considered to be fully effective. The maturity dates of these instruments range from December 2017 to September 2018. As at November 30, 2017, the net unrealized loss on these forward and option contracts (including option premiums paid) was \$1 million (February 28, 2017 - net unrealized loss of nil). 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 November 30, 2017, the Company estimates that approximately \$1 million of net unrealized gains including option premiums on these forward and option contracts will be reclassified into income (loss) within the next 12 months.

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 income (loss) for the three and nine months ended November 30, 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)	
			Three Months Ended November 30, 2017	Nine Months Ended November 30, 2017
Currency forward contracts	\$ —	Selling, marketing and administration	\$ —	\$ —
Currency option contracts	(1)	Selling, marketing and administration	1	1
Total	\$ (1)		\$ 1	\$ 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 income (loss) for the three and nine months ended November 30, 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)	
			Three Months Ended November 30, 2016	Nine Months Ended November 30, 2016
Currency forward contracts	\$ —	Selling, marketing and administration	\$ —	\$ (1)
Currency option contracts	(1)	Selling, marketing and administration	—	3
Total	\$ (1)		\$ —	\$ 2

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 economically 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 December 2017 to February 2018. As at November 30, 2017, there were unrealized losses of nil recorded in respect of these instruments (February 28, 2017 - 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.

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The following table shows the impact of derivative instruments that are not subject to hedge accounting on the consolidated statements of operations for the three and nine months ended November 30, 2017 and November 30, 2016:

	Location of Gain (Loss) Recognized in Income on Derivative Instruments	Amount of Gain (Loss) in Income on Derivative Instruments			
		Three Months Ended		Nine Months Ended	
		November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Currency forward contracts	Selling, marketing and administration	\$ 1	\$ 5	\$ (7)	\$ (1)
Total		\$ 1	\$ 5	\$ (7)	\$ (1)

Selling, marketing and administration expense for the three and nine months ended November 30, 2017 included \$1 million in gains and \$4 million in losses, respectively, with respect to foreign exchange net of balance sheet revaluation (three and nine months ended November 30, 2016 - losses of \$6 million and \$4 million, respectively).

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 November 30, 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 nil (February 28, 2017 - 100%). As at November 30, 2017, the Company had no credit risk exposure to any counterparties (February 28, 2017 - total credit risk exposure of nil on a notional value of \$24 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 November 30, 2017, the Company had nil in collateral posted to counterparties (February 28, 2017 - no collateral posted or held).

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 November 30, 2017, no single issuer represented more than 16% of the total cash, cash equivalents and investments (February 28, 2017 - no single issuer represented more than 18% of the total cash, cash equivalents and investments), and the largest single issuer was the Government of Canada.

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 in Note 9) 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 nature of the 3.75% Debentures. The Company does not currently utilize interest rate derivative instruments to hedge its investment portfolio.

5. CONSOLIDATED BALANCE SHEETS DETAILS

Accounts receivable, net

The allowance for doubtful accounts as at November 30, 2017 was \$20 million (February 28, 2017 - \$12 million).

There was one customer that comprised more than 10% of accounts receivable as at November 30, 2017 (February 28, 2017 - one customer that comprised more than 10%). There was one customer and no customers that comprised more than 10% of revenue during the three and nine months ended November 30, 2017, respectively (three and nine months ended November 30, 2016 - no customers and no customers, respectively).

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Inventories

Inventories comprised the following:

	As at	
	November 30, 2017	February 28, 2017
Raw materials	\$ —	\$ 4
Work in process	—	1
Finished goods	3	21
	\$ 3	\$ 26

For the three and nine months ended November 30, 2017, the Company recorded non-cash, pre-tax charges of nil relating to the write-down of certain inventories (three and nine months ended November 30, 2016 - \$2 million and \$146 million, respectively).

Other current assets

As at November 30, 2017, 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 periods presented.

Property, plant and equipment, net

Property, plant and equipment comprised the following:

	As at	
	November 30, 2017	February 28, 2017
Cost		
Buildings, leasehold improvements and other	\$ 89	\$ 101
BlackBerry operations and other information technology	1,008	1,070
Repair and research and development equipment	78	87
Furniture and fixtures	13	15
	1,188	1,273
Accumulated amortization	1,120	1,182
Net book value	\$ 68	\$ 91

Sale, disposal and abandonment of long-lived assets - Property, plant and equipment, net

There was \$1 million in losses associated with the sale, disposal and abandonment of property, plant and equipment during the nine months ended November 30, 2017.

As part of the Company's resource alignment program (the "RAP") as described in Note 7, the Company 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 \$165 million during the nine months ended November 30, 2016.

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Intangible assets, net

Intangible assets comprised the following:

	As at November 30, 2017		
	Cost	Accumulated Amortization	Net Book Value
Acquired technology	\$ 680	\$ 496	\$ 184
Intellectual property	407	204	203
Other acquired intangibles	197	82	115
	\$ 1,284	\$ 782	\$ 502

	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

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

For the nine months ended November 30, 2017, amortization expense related to intangible assets amounted to \$108 million (nine months ended November 30, 2016 - \$122 million). During the nine months ended November 30, 2017, additions to intangible assets primarily consisted of patent registration and maintenance fees.

Based on the carrying value of the identified intangible assets as at November 30, 2017 and assuming no subsequent impairment of the underlying assets, the annual amortization expense for the remainder of fiscal 2018 and each of the four succeeding years is expected to be as follows: 2018 - \$64 million; 2019 - \$117 million; 2020 - \$101 million; 2021 - \$82 million; and 2022 - \$52 million.

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

	As at	
	November 30, 2017	February 28, 2017
Acquired technology	3.4 years	3.4 years
Intellectual property	7.4 years	8.5 years
Other acquired intangibles	4.6 years	5.0 years

Impairment of long-lived assets

A long-lived asset (“LLA”) impairment charge is recognized when the carrying value exceeds the fair value of an asset group. The Company recorded a charge of \$11 million relating to long-lived asset impairment during the second quarter of fiscal 2018, applicable to certain prepaid royalty arrangements associated with the Company’s sale of handheld devices. See Note 1 to the Annual Financial Statements for a description of the Company’s process of assessing impairment of long-lived assets.

The Company recorded \$501 million relating to long-lived asset impairment (the “Fiscal 2017 LLA Impairment Charge”) during the first quarter of fiscal 2017. For further discussion of the Fiscal 2017 LLA Impairment Charge, see Note 1 to the Annual Financial Statements.

Sale, disposal and abandonment of LLA - Intangible assets, net

The Company conducts regular reviews of the individual patents, both organically generated and acquired, composing its patent portfolio. As a result of this review, during the nine months ended November 30, 2017, the Company ceased enforcement and abandoned the legal right and title to patents with a cost of \$11 million, accumulated amortization of \$6 million, and a net book value of approximately \$5 million (nine months ended November 30, 2016 - \$53 million, \$48 million, and \$5 million, respectively).

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Goodwill

Changes to the carrying amount of goodwill were as follows:

	Carrying Amount
Carrying amount as at February 28, 2017	\$ 559
Effect of foreign exchange on non-U.S. dollar denominated goodwill	8
Carrying amount as at November 30, 2017	<u>\$ 567</u>

Long-term receivables

The Company's long-term receivables comprised the following:

	As at	
	November 30, 2017	February 28, 2017
Mortgage receivable	\$ 7	\$ 7
Long-term intellectual property licensing receivable	23	—
	<u>\$ 30</u>	<u>\$ 7</u>

The Company's long-term intellectual property licensing receivable is comprised of a series of future amounts owing from a single customer. As the amounts of the receivable are long-term in nature, the Company initially measured the payments at present value using an effective interest rate of 4.5%, and will record interest income over time to arrive at the total face value of the remaining payments of \$27 million.

Accrued liabilities

Accrued liabilities comprised the following:

	As at	
	November 30, 2017	February 28, 2017
Warranty	\$ 2	\$ 8
Accrued royalties	15	43
Resource Alignment Program liability	30	36
Variable incentive accrual	33	29
Nokia arbitration decision	149	—
Other	128	142
	<u>\$ 357</u>	<u>\$ 258</u>

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

Product warranty

The changes in the Company's warranty expense and actual warranty experience for the nine months ended November 30, 2017 as well as the accrued warranty obligations as at November 30, 2017 are set forth in the following table:

Accrued warranty obligations as at February 28, 2017	\$ 8
Warranty costs incurred for the nine months ended November 30, 2017	(5)
Adjustments for changes in estimates for the nine months ended November 30, 2017	(1)
Accrued warranty obligations as at November 30, 2017	<u>\$ 2</u>

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6. BUSINESS ACQUISITIONS

There have been no business acquisitions during fiscal 2018.

On August 16, 2016, the Company paid consideration of \$5 million in cash to acquire certain intellectual property and employees of a company, which constituted a business. \$4.5 million was allocated to intellectual property and \$0.5 million was allocated to goodwill.

7. RESTRUCTURING AND INTEGRATION

Resource Alignment Program

In 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 the nine months ended November 30, 2017:

	Employee Termination Benefits	Facilities Costs	Other Charges ⁽¹⁾	Total
Balance as at February 28, 2017	\$ 9	\$ 27	\$ —	\$ 36
Charges incurred	11	9	24	44
Cash payments made	(17)	(9)	(24)	(50)
Balance as at November 30, 2017	<u>\$ 3</u>	<u>\$ 27</u>	<u>\$ —</u>	<u>\$ 30</u>

(1) Other charges consist of costs associated with 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 costs and manufacturing network simplification costs as well as integration costs related to the transition of facilities and systems to align with the Company's focus on its enterprise software business. Total charges, including non-cash charges incurred in the three and nine months ended November 30, 2017 and November 30, 2016, were as follows:

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Cost of sales	\$ 2	\$ 5	\$ 8	\$ 19
Research and development	1	(1)	5	1
Selling, marketing and administration	17	19	39	49
Total RAP charges	<u>\$ 20</u>	<u>\$ 23</u>	<u>\$ 52</u>	<u>\$ 69</u>

Assets held for sale

As part of the RAP, in the second quarter of fiscal 2017 the Company decided to sell certain data center assets to drive cost savings and efficiencies in the Company. As a result, certain property, plant and equipment assets relating to the Company's infrastructure were classified as held for sale on the Company's consolidated balance sheet as at November 30, 2016, valued at \$87 million, the lower of carrying value and fair value less estimated costs to sell. Further, for the three and nine months ended November 30, 2016, the Company recorded losses of approximately \$42 million and \$165 million, respectively, related to the write-down to fair value less estimated costs to sell off the assets held for sale. All losses on write-down to fair value less estimated costs to sell have been included in the loss on sale, disposal and abandonment of long-lived assets line on the Company's consolidated statements of operations.

8. INCOME TAXES

For the nine months ended November 30, 2017, the Company's net effective income tax expense rate was approximately 1% compared to a net effective income tax rate of 0% for the nine months ended November 30, 2016. The Company's income tax rate reflects the fact that the Company has a significant valuation allowance against its deferred tax assets, and in particular, the change in fair value of the Debentures (as defined in Note 9), the net impact of the Qualcomm and

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Nokia arbitrations (as set out in Note 13), amongst other items, are offset by a corresponding adjustment of the valuation allowance. The Company's net effective income tax rate also reflects the geographic mix of earnings in jurisdictions with different income tax rates.

The Company's total unrecognized income tax benefits as at November 30, 2017 were \$69 million (February 28, 2017 - \$65 million). \$54 million of the unrecognized income tax benefits have been netted against deferred income tax assets and \$15 million has been recorded within income taxes payable on the Company's consolidated balance sheets.

As set out in Note 13, the Company resolved two arbitration proceedings during the nine months ended November 30, 2017. The Company has sufficient tax carry-forward balances to ensure that these amounts offset net taxable income resulting from the arbitrations. The net effect of the arbitrations has caused gross deferred tax assets to decrease by approximately \$213 million, subject to other movements throughout the current fiscal year.

The Company is subject to ongoing examination by tax authorities in certain 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. While the final resolution of 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.

9. 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 a private placement 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 at November 30, 2017, the fair value of the 3.75% Debentures was determined to be \$816 million. The difference between the fair value of the 3.75% Debentures and the unpaid principal balance of \$605 million is \$211 million. The fair value of the 3.75% Debentures is measured using Level 2 fair value inputs.

The Company recorded a non-cash charge associated with the change in the fair value of the 3.75% Debentures of \$77 million in the third quarter of fiscal 2018 (the "Q3 Fiscal 2018 Debentures fair value adjustment") and a non-cash charge of \$225 million for the nine months ended November 30, 2017 (three and nine months ended November 30, 2016 - charges of \$2 million and \$40 million, respectively, associated with the Debentures). These adjustments are included in the Company's consolidated statements of operations.

For the three and nine months ended November 30, 2017, the Company recorded interest expense related to the 3.75% Debentures of \$6 million and \$17 million, respectively, which has been included in investment income (loss) in the Company's consolidated statements of operations (three and nine months ended November 30, 2016 - \$5 million and \$43 million, respectively, related to the Debentures).

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 payment of interest on the 3.75% Debentures represents a related-party transaction. Fairfax receives interest at the same rate as other Debenture holders.

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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.

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.

10. CAPITAL STOCK

The following details the changes in issued and outstanding common shares for the nine months ended November 30, 2017:

	Capital Stock and Additional Paid-in Capital	
	Stock Outstanding (000's)	Amount
Common shares outstanding as at February 28, 2017	530,497	\$ 2,512
Stock-based compensation	—	36
Exercise of stock options	475	3
Common shares issued for restricted share units ("RSUs") settlements	6,892	—
Common shares issued for employee share purchase plan	435	4
Share repurchase	(1,992)	(9)
Common shares outstanding as at November 30, 2017	<u>536,307</u>	<u>\$ 2,546</u>

The Company had 536 million common shares, 1 million options to purchase common shares, 15 million RSUs and 0.6 million deferred share units outstanding as at December 18, 2017. In addition, 60.5 million common shares are issuable upon conversion in full of the 3.75% Debentures as described in Note 9.

On June 23, 2017, the Company announced that it received acceptance from the Toronto Stock Exchange with respect to a normal course issuer bid to purchase for cancellation up to 31 million common shares of the Company, or approximately 6.4% of the outstanding public float at May 31, 2017. During the nine months ended November 30, 2017, the Company repurchased approximately 2 million common shares at a cost of approximately \$18 million. The Company recorded a reduction of approximately \$9 million to capital stock and the amount paid in excess of the per share paid-in capital of the common shares of approximately \$9 million was charged to deficit. All common shares repurchased by the Company pursuant to the normal course issuer bid have been canceled.

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11. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Net income (loss) for basic earnings (loss) per share available to common shareholders	\$ (275)	\$ (117)	\$ 415	\$ (1,159)
Less: Debentures fair value adjustment ⁽¹⁾	—	—	—	—
Add: Interest expense on Debentures ⁽¹⁾	—	—	—	—
Net income (loss) for diluted earnings (loss) per share available to common shareholders	\$ (275)	\$ (117)	\$ 415	\$ (1,159)
Weighted average number of shares outstanding (000's) - basic	532,496	526,102	531,651	523,601
Effect of dilutive securities (000's) ⁽²⁾⁽³⁾				
Stock-based compensation ⁽²⁾⁽³⁾	—	—	16,863	—
Conversion of Debentures ⁽²⁾⁽³⁾	—	—	—	—
Weighted average number of shares and assumed conversions (000's) - diluted	532,496	526,102	548,514	523,601
Earnings (loss) per share - reported				
Basic	\$ (0.52)	\$ (0.22)	\$ 0.78	\$ (2.21)
Diluted	\$ (0.52)	\$ (0.22)	\$ 0.76	\$ (2.21)

(1) The Company has not presented the dilutive effect of the Debentures using the if-converted method in the calculation of earnings (loss) per share for the three months ended November 30, 2017 and November 30, 2016, and the nine months ended November 30, 2017 and November 30, 2016 as to do so would be antidilutive. See Note 9 for details on the Debentures.

(2) The Company has presented the dilutive effect of in-the-money options and RSUs that will be settled upon vesting by the issuance of new common shares in the calculation of earnings (loss) per share for the nine months ended November 30, 2017. As at November 30, 2017, there were 644,895 options and 13,568,395 RSUs outstanding that were in-the-money and may have a dilutive effect on earnings (loss) per share in future periods.

(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 earnings (loss) per share for the three months ended November 30, 2017 and November 30, 2016 and the nine months ended November 30, 2016, as to do so would be antidilutive.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in AOCI by component, net of tax, for the nine months ended November 30, 2017 were as follows:

	Foreign Currency Cumulative Translation Adjustment	Accumulated Net Unrealized Gains (Losses) on Cash Flow Hedges	Other Post-Employment Benefit Obligations	Accumulated Net Unrealized Losses on Available-for-Sale Investments	Total
AOCI as at February 28, 2017	\$ (13)	\$ —	\$ —	\$ (4)	\$ (17)
Other comprehensive income (loss) before reclassifications	9	—	(1)	(3)	5
Amounts reclassified from AOCI into income	—	(1)	—	—	(1)
Other comprehensive loss for the period	9	(1)	(1)	(3)	4
AOCI as at November 30, 2017	\$ (4)	\$ (1)	\$ (1)	\$ (7)	\$ (13)

During the three and nine months ended November 30, 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.

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13. COMMITMENTS AND CONTINGENCIES**(a) Letters of credit**

The Company had \$39 million in collateralized outstanding letters of credit in support of certain leasing arrangements entered into in the ordinary course of business as of November 30, 2017. See the discussion of restricted cash in Note 2.

(b) Qualcomm arbitration award

On April 20, 2016, the Company and Qualcomm Incorporated (“Qualcomm”) entered into an agreement to arbitrate a dispute regarding whether Qualcomm’s agreement to cap certain royalties applied to payments made by the Company under a license between the parties. The binding arbitration hearing was held from February 27, 2017 to March 3, 2017 under the Judicial Arbitration and Mediation Services rules in San Diego, California. On April 11, 2017, the arbitration panel issued an interim decision, finding in favour of the Company. Subsequently, the Company reached an agreement with Qualcomm resolving all amounts payable in connection with the interim arbitration decision. Following a joint stipulation by the parties, the arbitration panel issued a final award on May 26, 2017 providing for the payment by Qualcomm to the Company of a total amount of \$940 million including interest and attorneys’ fees, which was net of \$22 million in certain royalties owed by the Company to Qualcomm for calendar 2016 and the first quarter of calendar 2017 previously recorded within accrued liabilities on the consolidated balance sheets.

Approximately \$815 million of the arbitration award represents the return of royalty overpayments. This amount was recorded within Arbitration charges (awards) on the consolidated statements of operations in the first quarter of fiscal 2018. The Company also recorded on the consolidated statements of operations, recoveries of legal expenses of approximately \$8 million included in selling, marketing and administration, and \$139 million of interest income within investment income (loss), net, for a total gain associated with the award of \$962 million in the first quarter of fiscal 2018.

(c) Nokia arbitration decision

On April 28, 2016, Nokia Corporation (“Nokia”) filed a Request for Arbitration with the International Chamber of Commerce International Court of Arbitration. The dispute related to whether certain payments due under a patent agreement between the parties were in fact owed under the terms of the agreement. An arbitration hearing was held May 8-9, 2017 in New York and on November 29, 2017, the arbitration panel issued a decision, finding in favour of Nokia and awarding it approximately \$137 million. On December 12, 2017, Nokia submitted a Petition for Correction to the arbitrators requesting correction of a computational error in the amount of pre-award interest provided for in the original award. In reviewing the Petition, the Company determined that it was probable that the arbitrators would agree a computational error had been committed and the Company will owe an additional \$12 million in pre-award interest, effective as of November 30, 2017. As a result, the Company recorded \$149 million on the consolidated balance sheets within accrued liabilities, and \$132 million within Arbitration charges (awards) and \$17 million in interest expense within investment income (loss), net (consisting of \$5 million in originally awarded interest and a contingent amount of \$12 million) on the consolidated statements of operations.

(d) Contingencies***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 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”.

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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 make a provision 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 provisioned for when reasonably determinable.

As of November 30, 2017, with the exception as noted below relating to the Good Technology Corporation ("Good") matter, there are no claims outstanding for which the Company has assessed the potential loss as both probable to result and reasonably estimable, therefore the Company has provisioned for no accrual. 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 estimates, 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, unsupported, 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 in the U.S. and Canada alleging that 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.

On March 14, 2014, the four putative U.S. class actions were consolidated in the U.S. District Court for the Southern District of New York, and on May 27, 2014, the Consolidated Amended Class Action Complaint was filed. On March 13, 2015, the Court issued an order granting the Company's motion to dismiss. The Court denied plaintiffs' motion for reconsideration and for leave to file an amended complaint on November 13, 2015. On August 24, 2016, 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 Court granted the plaintiffs' motion for leave to amend on September 13, 2017. Plaintiffs filed the Second Consolidated Amended Class Action Complaint ("Second Amended Complaint"), which added the Company's Chief Legal Officer as a defendant, on September 29, 2017. The Company filed a motion to dismiss the Second Amended Complaint on November 20, 2017.

On July 23, 2014, the plaintiffs in the putative Ontario class action 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 in both the U.S. and Ontario class actions are ongoing.

On October 12, 2015, a group of Good's 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 some of 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 ("Voting Rights Lawsuit"). Good alleges that the filing of the GTC Lawsuit was a breach of

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the voting agreement. On December 31, 2015, several Good shareholders filed a petition seeking appraisal against Good (“Appraisal Lawsuit”). On August 25, 2016, the Court granted the plaintiff’s motion for leave to file an amended complaint in the GTC Lawsuit naming additional defendants, including JP Morgan Chase and various venture capital funds whose designees were Good directors (the “Fund Defendants”). Good and the Company are not named in the amended complaint. On May 23, 2017, plaintiffs reached a tentative settlement with the GTC Directors and Fund Defendants of the GTC Lawsuit. On May 31, 2017, the plaintiffs and JP Morgan Chase reached a tentative settlement of the GTC Lawsuit. On July 24, 2017, Good, the Petitioners in the Appraisal Lawsuit and the Defendants in the Voting Rights Lawsuit entered into an Agreement of Settlement, Dismissal, and Release and filed with the Court. On August 8, 2017, the Court issued an order granting the Parties’ settlement terms. On August 18, 2017, the Company and JP Morgan Chase entered into a Settlement Funding Agreement, by which the Company agreed to fund JP Morgan Chase’s settlement with plaintiffs. On August 22, 2017, JP Morgan Chase and plaintiffs filed a Stipulation and Agreement of Compromise and Settlement with the Court. On November 9, 2017, the Company filed a demand for arbitration seeking the release of funds from an escrow fund account established when the Company acquired Good to indemnify the Company for certain costs incurred in connection with the defense and settlement of the GTC Lawsuit and the Appraisal Lawsuit.

The GTC Lawsuit is stayed pending court approval of all tentative settlements. During the first quarter of fiscal 2018, the Company accrued \$10 million for legal costs related to litigation arising out of its acquisition of Good.

(e) 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.

(f) 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. The Company has not encountered material costs as a result of such indemnifications in the current period. See the Company’s Management Information Circular for fiscal 2017 for additional information regarding the Company’s indemnification agreements with its current and former directors and executive officers.

14. SEGMENT DISCLOSURES

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by the CODM for making decisions and assessing performance as a source of the Company’s reportable operating segments. In the first quarter of fiscal 2018, the Company made adjustments to its reporting structure in line with its business shift towards focusing on software and services that secure, manage and connect the Enterprise of Things, the transition of its hardware strategy from an outsourced handset manufacturing model to a licensing model, and the continued reduction in its SAF. As a result, the CODM, who is the Chief Executive Officer of the Company, now reviews financial information, makes decisions and assesses the performance of the Company as a single operating segment.

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Revenues classified by major geographic regions in which the Company's customers are located, was as follows:

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
North America ⁽¹⁾	\$ 133	\$ 146	\$ 393	\$ 493
Europe, Middle East and Africa	69	99	215	377
Latin America	3	7	11	30
Asia Pacific	21	37	80	123
Total	\$ 226	\$ 289	\$ 699	\$ 1,023
North America	58.8%	50.5%	56.2%	48.2%
Europe, Middle East and Africa	30.5%	34.3%	30.8%	36.9%
Latin America	1.3%	2.4%	1.6%	2.9%
Asia Pacific	9.3%	12.8%	11.4%	12.0%
Total	100.0%	100.0%	100.0%	100.0%

(1) North America includes all revenue from the Company's intellectual property arrangements, due to the global applicability of the patent portfolio and licensing arrangements thereof.

Total revenues, classified by product and service type, were as follows:

	Three Months Ended		Nine Months Ended	
	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Enterprise software and services	\$ 97	\$ 87	\$ 280	\$ 254
BlackBerry Technology Solutions	43	43	117	115
Licensing, IP and other	50	30	138	71
Handheld devices	9	62	62	319
SAF	27	67	102	264
Total	\$ 226	\$ 289	\$ 699	\$ 1,023

Enterprise software and services includes revenues from the Company's security, productivity, collaboration and end-point management solutions through the BlackBerry Secure platform, which includes BlackBerry Unified Endpoint Manager (UEM), BlackBerry Workspaces and BBM Enterprise, among other products and applications, as well as revenues from the sale of the Company's AtHoc Alert secure networked crisis communications solution, its Secusmart SecuSUITE secure voice and text solution, and professional services from BlackBerry Cybersecurity Services.

BlackBerry Technology Solutions includes revenues from the Company's QNX CAR Platform and Neutrino Operating System, as well as revenues from the Company's BlackBerry Radar asset tracking solution, Paratek antenna tuning technology, and Certicom cryptography and key management products.

Licensing, IP and other includes revenues from the Company's mobility licensing software arrangements, including revenue from licensed hardware sales, the Company's Intellectual Property and Licensing business, and from its BBM Consumer licensing arrangement.

Handheld devices includes revenues from the sale of the DTEK60 and all prior BlackBerry smartphone models to carriers and distributors, accessories and repair services of handheld devices.

SAF includes revenues associated with the Company's legacy SAF business, relating to subscribers utilizing the Company's legacy BlackBerry 7 and prior operating systems, as well as revenues relating to unspecified future software upgrade rights for devices sold by the Company.

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Property, plant and equipment and intangible assets and goodwill, classified by geographic regions in which the Company's assets are located, were as follows:

	As at			
	November 30, 2017		February 28, 2017	
	Property, Plant and Equipment, Intangible Assets and Goodwill	Total Assets	Property, Plant and Equipment, Intangible Assets and Goodwill	Total Assets
Canada	\$ 264	\$ 493	\$ 312	\$ 526
United States	787	3,192	871	2,490
Other	86	263	69	280
	<u>\$ 1,137</u>	<u>\$ 3,948</u>	<u>\$ 1,252</u>	<u>\$ 3,296</u>