MITEL NETWORKS CORP

FORM 10-K
(Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-34699

MITEL NETWORKS CORPORATION
(Exact name of Registrant as specified in its charter)

Canada	3661	98-0621254
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

350 Legget Drive
Ottawa, Ontario
Canada K2K 2W7
(613) 592-2122
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

Title of each class	Name of each exchange on which registered
Common Shares, no par value	NASDAQ Stock Market Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☒	Accelerated Filer	☐
Non-accelerated filer	☐ (do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the shares of the registrant's common stock held by non-affiliates on June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter) was $642,698,733.11.

As of February 27, 2017, there were 121,986,009 common shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2017 Annual Meeting of the shareholders of Mitel Networks Corporation are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2016.

MITEL NETWORKS CORPORATION
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All dollar amounts quoted in this Report are provided in United States dollars, unless otherwise stated. All references to websites contained herein do not constitute incorporation by reference of information contained on such websites and such information should not be considered part of this document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “continues,” “endeavors,” “strives,” “may,” variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under “Item 1A. Risk Factors,” and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Certain information contained in this Report, including information regarding future financial results, performance and plans, expectations, and objectives of management, constitute forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We refer to all of these as forward-looking statements. Statements that include the words “may,” “will,” “should,” “could,” “target,” “outlook,” “estimate”, “continue,” “expect,” “intend,” “plan,” “predict,” “potential,” “believe,” “project,” “anticipate” and similar statements of a forward-looking nature, or the negatives of those statements, identify forward-looking statements. In particular, this Report contains forward-looking statements pertaining to, among other matters: the inherent uncertainty associated with financial or other projections, the ability to recognize the anticipated benefits from the divestment of our Mobile Division; risks associated with the non-cash consideration to be received by us in connection with the divestment of the Mobile Division; the impact to our business that could result from the announcement of the divestment of the Mobile Division; the anticipated size of the markets and continued demand for our products and services; access to available financing on a timely basis and on reasonable terms; our ability to achieve or sustain profitability in the future; fluctuations in quarterly and annual revenues and operating results; fluctuations in foreign exchange rates; current and ongoing global economic instability, political unrest and related sanctions; intense competition; our reliance on channel partners for a significant component of our sales; our dependence upon a small number of outside contract manufacturers to manufacture our products; and, our ability to successfully implement and achieve our business strategies, including our growth of the company through acquisitions and the integration of recently acquired businesses and realization of synergies. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties, assumptions and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

These statements reflect our current views with respect to future events and are based on assumptions and factors and subject to risks and uncertainties. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. In making these statements we have made certain assumptions. While we believe our plans, intentions, expectations, assumptions and strategies reflected in these forward-looking statements are reasonable, we cannot assure you that these plans, intentions, expectations assumptions and strategies will be achieved. Our actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Report, as a result of various factors, including the risks and uncertainties discussed below.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in this Report. Except as required by law, we are under no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

Business Overview

We are a global provider of cloud and enterprise communications and collaboration solutions. Through our software product development, we help more than 60 million business end users, including more than three million cloud communications end users around the world, to seamlessly connect, collaborate and provide innovative solutions to their customers.

Our strategy is built on the principle of putting customers first by providing a seamless technology path that will enable businesses to communicate, collaborate and participate in the digital transformation that is reshaping business models and competition globally. In the past five years, we have fundamentally reoriented our company from a premise-based unified communications and telephony business to become a diverse global market leader with established positions in the cloud and enterprise markets. As a result of both our organic in-house development and our merger and acquisition activity, we believe that we are uniquely positioned to offer business customers a comprehensive portfolio of complementary and interoperable communications and collaborations solutions.

Our software enables customers to upgrade their communications environments at their own pace, whether in a cloud or enterprise environment. Our solutions generally interoperate with various systems supplied by other vendors, including global market leaders such as VMware, Microsoft, Salesforce.com and Google. This interoperability allows our customers to utilize their existing communications infrastructure and gives them the flexibility to choose the solutions that best address their individual business needs. We have also designed our software and end-user devices to allow access to our solutions from mobile devices. Our mobile applications are compatible and available for use on some of the world's leading mobile devices, including those from Apple and Samsung. We complement our communications solutions with support, professional and managed services for our customers, including channel partners, which range from planning and design through to implementation and support.

Our Cloud Division (reported as the Cloud segment) offers a full range of private, public, hybrid and mobile Software as a Service **("SaaS")** solutions for businesses of all sizes. This includes Unified Communications as a Service **(** " **UCaaS** " **)** solutions, which enable businesses to consume and pay for their communications services on a monthly subscription basis. We also offer cloud-based telephone and network services in the United States.

Our Enterprise Division (reported as the Enterprise segment) offers a broad range of unified communications and collaboration (" **UCC** ") solutions, which address and support the full spectrum of technology specifications - from digital to IP to cloud to mobile, and from platforms to applications to end-user devices. Our enterprise solutions include the latest virtualization capabilities and desktop and mobile applications to enable businesses of all sizes to take advantage of the most advanced technology developments while maximizing their current communications investments.

During the fourth quarter of 2016, we announced that we had entered into a definitive agreement to sell our Mobile Division to the parent company of Xura, Inc. This disposition represents our strategic shift to focus on our core business. The Mobile Division offers 4G Long Term Evolution ("LTE") mobile networking products to mobile carriers. The transaction closed on February 28, 2017.

We have invested heavily in the research and development (" **R&D** ") of our IP-based communications and collaboration solutions to take advantage of the worldwide shift from traditional digital communications systems to IP-based cloud, mobile and enterprise solutions. We believe our early and sustained R&D has positioned us to capitalize on the industry shift from legacy systems to IP and cloud communications solutions, including UCC solutions used in desktop and mobile environments. We control a global patent portfolio of over 1,600 patents and pending applications. We believe our R&D provides us with the enhanced knowledge to anticipate expected market trends and meet the current and future needs of our customers and channel partners.

With a global geographic footprint, we have customers in more than 100 countries. We are structured around three primary geographic markets defined as the Americas, which includes the United States, Canada and the Caribbean and Latin America; EMEA, which includes the continent of Europe, the Middle East and Africa; and Asia Pacific, which includes the continent of Asia and the Pacific region, including Australia and New Zealand.

Segments

Our business from continuing operations is organized into: Cloud and Enterprise segments. Our Cloud and Enterprise Divisions sell products primarily through an indirect distribution channel model, addressing the needs of business customers worldwide through approximately 2,000 channel partners.

Cloud Division

The Cloud Division portfolio includes a comprehensive family of cloud communications services that are designed to meet the complete communications requirements of our business customers. Offered under the "MiCloud" branding, the portfolio includes a full suite of cloud-based UCC solutions (voice services, dial plans, audio conferencing, voicemail, call center functionality, video conferencing, along with team collaboration applications) that provide seamless mobility and reliability, and are built to suit small and growing businesses along with large scale enterprises. MiCloud solutions and services are sold in a direct and indirect model for the consumption of end users and partners alike. Services, in most cases, are offered on a monthly subscription basis (as a fixed operational expense), aiming to eliminate the need for organizations to buy and maintain a phone system on their premises. The portfolio also enables partners and service providers to create highly optimized service offerings they can host themselves or through a Mitel operated data center.

Enterprise Division

The Enterprise Division portfolio integrates voice, unified communications and collaboration applications, and contact center applications on fixed and mobile networks across a wide range of end-user devices such as desk phones, mobile phones, tablets, desktop and laptop computers. The Enterprise Division sells and supports business communications products and services to customers that prefer premises-based or private cloud deployments. This includes our IP-based telephony platforms, desktop devices, in-building mobile devices, UCC and contact center applications that are primarily deployed on the customer's premises. Premises-based sales are typically sold as an initial sale of hardware and software, with ongoing recurring revenue from hardware and software maintenance and other managed services that we may also offer.

Mitel's Product Portfolio

In recent years, we have capitalized on acquisition opportunities to expand our capabilities and deliver an integrated product portfolio that enhances the offerings we can provide to our channel partners and customers. At the same time, we continue to focus on our R&D investments to ensure that we are in a position to offer a compelling path toward new functionality for our customers.

Our product portfolio includes premises and cloud-based enterprise communications infrastructure products and solutions, UCC and contact center applications and a variety of value-added service offerings.

Mitel Product Portfolio—Overview

Cloud	Enterprise
MiCloud Office	Business IP and digital phones (wired and wireless)
MiCloud Business	MiVoice communications platforms
MiCloud Enterprise	MiCollab UCC applications
MiCloud Contact Center	MiContact Center applications
MiCloud for Partners	Service offerings
MiCloud for Service Providers	

Partnerships

One important result of the evolution of integrated communications and cloud solutions is the simplicity with which products and services, from a variety of sources, can be easily integrated to provide a better solution for customers. By partnering with others, we can concentrate on our core areas of expertise while leveraging the capabilities of our channel partners for the benefit of customers. We have four key types of technology partnerships: strategic alliances, operational partners, affiliates and solution alliances.

Customers

Our customers include more than 60 million business end users, ranging from the smallest business to the largest enterprise, and include more than three million cloud communications end users. No single customer accounted for more than 10% of our revenues from continuing operations in fiscal 2016. We have also developed a comprehensive understanding of certain vertical markets, such as hospitality, education, government, healthcare, and retail. Our solutions can be tailored to meet the business communications needs of these and other vertical markets.

Competition

We compete in the cloud and enterprise communications markets, providing products and services for transporting data, voice and video traffic across intranets, extranets, mobile networks and the internet. These markets are characterized by rapid change, converging technologies and a migration to networking and communications solutions that offer relative advantages. These market factors represent both an opportunity and a competitive threat to us. We compete with numerous vendors in each product category. The overall number of our competitors providing niche product solutions may increase. Also, the identity and composition of competitors may change as we increase our activity in our new product markets. As we continue to expand globally, we may see new competition in different geographic regions.

Competitors for the Cloud Division include hosted and cloud services providers, such as Avaya Inc., Atos SE, Broadsoft, Inc., Cisco Systems, Inc., 8X8, Inc., J2 Global, Inc., Ring Central Inc., Sprint Nextel Corporation, ShoreTel, Inc., Verizon Communications Inc., Vonage, Inc., West IP Communications, Inc., and XO Holdings, Inc., and other hosted PBX providers. In our wholesale cloud offerings, we also face competition from AT&T, Inc., CBeyond Inc., U.S. Telepacific Corp., Verizon Communications Inc., XO Holdings, Inc. and other communications service providers.

Competitors for the Enterprise Division are primarily from two groups of vendors: traditional IP communications vendors and software vendors who are adding communications and collaboration solutions to their offerings. We compete against many traditional IP communications vendors, including Alcatel-Lucent Enterprise, Ascom Holding AG, Avaya Inc., Atos SE, Cisco Systems, Inc., Enghouse Interactive, Ericsson-LG, Genesys Telecommunications Laboratories, Inc., Grandstream Networks, Inc., Huawei Technologies Co. Ltd, NEC Corporation, Panasonic Corporation, Polycom, Inc., ShoreTel, Inc., Snom Technology AG, Toshiba Corporation, VTech Holdings Limited and Yealink Inc. We also compete with software vendors who, in recent years, have expanded their offerings to address the UCC market. This group of competitors includes Microsoft Corporation and Google Inc.

Some of these companies compete across many of our product lines, while others are primarily focused in a specific product area. New ventures to create products that do or could compete with our products are regularly formed. In addition, some of our competitors may have greater resources, including technical and engineering resources, than we do. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets. We also sometimes face competition from resellers and distributors of our products. Companies with which we have strategic alliances in some areas may be competitors in other areas, and in our view this trend may increase. In addition, because the market for our products is subject to rapid technological change as the market evolves, we may face competition in the future from companies that do not currently compete in our markets, including companies that currently compete in other sectors of information technology, communications and software industries.

Sales and Marketing

Our Cloud and Enterprise segments are primarily supported through an indirect distribution model, which addresses the needs of our customers in more than 100 countries through our channel partners worldwide. We believe our extensive channel partner network, which includes approximately 2,000 partners, combined with our corporate and regional support, allows us to scale our business for volume and sell our solutions globally, resulting in an efficient cost-of-sale model. We recruit our channel partners with a focus on expanding market coverage and securing the skills needed to successfully sell, implement and support our communications solutions.

Research and Development

We regularly seek to introduce new products and features to address the requirements of our markets. Our history of success in software-based cloud and enterprise communications solutions has provided us with the foundation for continued innovation. Our R&D personnel are skilled with deep domain expertise in the diverse areas of telecommunications, IP networking, Unified Communications, Contact Center solutions software and web technologies. We work to continuously improve our R&D efforts through operational measurement, adoption of best practices, effective partnerships and investment in our people. We put the customer experience at the center of everything we do. Further, we have initiated R&D investment on the intersection of our mobile, cloud and enterprise portfolios to provide our customers and channel added benefit as these technology markets converge.

At December 31, 2016, we had approximately 600 employees working in our R&D department on cloud and enterprise solutions. Our global R&D workforce is located predominately in North America, Europe, and India.

Please see Item 6, “Selected Financial Data”, of Part II in this Annual Report for the amount spent during each of the last five fiscal years on R&D activities determined in accordance with U.S. generally accepted accounting principles, or GAAP.

Manufacturing and Supply Chain Management

A significant amount of our enterprise and cloud portfolios consists of appliances and desktop devices. Our objective is to deliver high-quality and unique products to our channel partners and customers while optimizing our operational cost structure and ensuring continuity of supply. To meet this objective, we leverage our contract manufacturers and component suppliers, protect supply continuity and facilitate manufacturing portability across manufacturers.

We primarily use high-volume contract manufacturers and component suppliers. We require our component suppliers to make information visible so that we can assess their performance for technical innovation, financial strength, quality, support and operational effectiveness. Our primary contract manufacturers are Flextronics International Ltd. and Pegatron Corporation, with whom we have held manufacturing relationships since 2006 and 2012, respectively. We also utilize a number of smaller contract manufacturers for our legacy product portfolio. We do not have any long-term purchase commitments with any of our contract manufacturers.

In order to maintain our continuity of supply and reduce supply chain barriers, our strategy for several years has been to design our products for manufacturing portability and to procure our high-volume products from a number of contract manufacturers. We implement portable designs by limiting the use of custom and sole source components and by adhering to industry standard Design For Manufacture and Design For Test guidelines. We manage our own product distribution facilities either directly or through the use of third-party logistics management specialists, and, in some regions, wholesale distributors, all of which are managed by our logistics team. This is implemented with geographically diverse points of distribution, with our principal facilities being in the United States, Canada, the United Kingdom, France, Germany, Sweden and Switzerland.

Intellectual Property

Our intellectual property assets include patents, industrial designs, trademarks, proprietary software, copyrights, domain names, operating and instruction manuals, trade secrets and confidential business information. These assets are important to our competitiveness and we continue to expand our intellectual property portfolio in order to protect our rights in new technologies and markets. We have a broad portfolio of over 1,600 patents and pending applications, covering over 500 inventions, in areas such as Voice over IP, collaboration, presence, messaging and mobility.

We leverage our intellectual property by asserting our rights in certain patented technologies. Certain companies have licensed or offered to purchase patents within our portfolio.

Our solutions contain software applications and hardware components that are either developed and owned by us or licensed to us by third parties. The majority of the software code embodied in our products has been developed internally and is owned by us.

In some cases, we have obtained non-exclusive licenses from third parties to use, integrate and distribute with our products certain packaged software, as well as customized software. This third-party software is either integrated into our own software applications or sold as separate self-contained applications, such as voicemail or unified messaging. The majority of the software that we license is packaged software that is made generally available and has not been customized for our specific purpose. If any of our third-party licenses were to terminate, our options would be to either license a functionally equivalent software application or develop the functionally equivalent software application ourselves.

We have also entered into a number of non-exclusive license agreements with third parties to use, integrate and distribute certain operating systems, digital signal processors and semiconductor components as part of our communications platforms. If any of these third-party licenses were to terminate, we would look to license functionally equivalent technology from another supplier.

It is our general practice to include confidentiality and non-disclosure provisions in the agreements entered into with our employees, consultants, manufacturers, end users, channel partners and others to attempt to limit access to and distribution of our proprietary information. In addition, it is our practice to enter into agreements with employees that include an assignment to us of all intellectual property developed in the course of their employment.

The risks associated with patents and intellectual property are more fully discussed in “Item 1A. Risk Factors—Risks Related to Intellectual Property”.

Employees

We had a total of approximately 3,300 employees worldwide from continuing operations as of December 31, 2016. We consider our relationship with all of our employees to be positive. Competition for technical personnel in the industry in which we compete is intense. We believe that our future success depends in part on our continued ability to hire, integrate, and retain qualified personnel. To date, we believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future.

Mobile Division – Discontinued Operations

The Mobile Division portfolio includes solutions that deliver mobile voice and video, enhanced messaging and core network infrastructure. The Mobile Division was formed in connection with the Mavenir Acquisition and primarily sells and supports software-based telecommunications networking solutions that enable mobile network operators to deliver IP-based voice, video, rich communications and enhanced messaging services to their subscribers. Our broad range of software solutions for 4G Long Term Evolution ("LTE") mobile networks include Rich Communication Services (" **RCS** "), which enable enhanced mobile communications, such as group text messaging, multi-party voice or video calling, as well as next-generation voice services including Voice over LTE (" **VoLTE** ") and Voice over Wi-Fi (" **VoWi-Fi** "). Revenue in the Mobile Division is generated from sales of networking solutions. After the initial implementation of a networking solution, we may sell additional software licenses, which may include additional hardware to support the capacity licenses, and additional periods of post-contract support. Products include:

- Voice and video
- Converged Messaging
- SBCs and Border Gateways
- IMS Core
- Diameter Signaling
- Evolved Packet Core

Competitors for the Mobile Division include major network infrastructure suppliers, which include Telefonaktiebolaget LM Ericsson, Nokia Corporation and Huawei Technologies Co. Ltd., specialty or point solution suppliers, which include Oracle Corporation and Sonus Networks, Inc., voice application server suppliers such as Broadsoft, Inc. and Metaswitch Ltd., and messaging specialists such as Comverse, Inc. The Mobile Division also competes with some of our channel partners that sell our Equipment Identity Register. We believe that the areas in which we compete with these channel partners will have no material impact on existing resale arrangements.

At December 31, 2016, the mobile division had approximately 690 R&D employees, predominately located in North America, India and China.

On February 28, 2017, we completed the sale of our Mobile Division to the parent company of Xura, Inc.. See "Item 1. Business—Business Overview." The Mobile Division, previously reported as the Mobile segment, is deemed to be held for sale and the financial results of this business are presented as a discontinued operation.

For financial information on our business segments for the last three fiscal years, see "Item 8. Financial Statements and Supplementary Data."

Availability of Information

We were incorporated on January 12, 2001 under the Canada Business Corporations Act (" **CBCA** ") with our headquarters in Ottawa, Canada. The mailing address of our principal executive offices is 350 Legget Drive, Ottawa, Ontario Canada K2K 2W7, and our telephone number at that location is (613) 592-2122. Our website is www.mitel.com .

We make available, through our Internet website for investors (http://investor.mitel.com), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practical after electronically filing such material with the Securities and Exchange Commission (SEC) and with Canadian securities regulators. The reference to our website address does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document. All such filings are available free of charge.

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Item 1A. Risk Factors

You should carefully consider the risks below, as well as all of the other information contained in this Report and our financial statements and the related notes included elsewhere in this Report, in evaluating our company and our business. Any of these risks could materially adversely affect our business, financial condition and results of operations and the trading price of our common stock. See "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this Report for additional risks.

Risks Relating to our Business

Our quarterly and annual revenues and operating results have historically fluctuated and the results of one period may not provide a reliable indicator of our future performance .

Our quarterly and annual revenues and operating results have historically fluctuated and are not necessarily indicative of results to be expected in future periods. A number of factors may cause our financial results to fluctuate significantly from period to period, including:

- general economic and capital markets conditions;
- the fact that an individual order or contract can represent a substantial amount of revenues for that period;
- the size, timing and shipment of individual orders or customer subscriptions;
- changes in pricing or discount levels by us or our competitors;
- changes in foreign currency exchange rates;
- the mix of products and services sold by us;
- the timing of the announcement, introduction and delivery of new products, programs and services, product enhancements by us or our competitors;
- the ability to execute on our strategy and operating plans;
- the effect of acquisitions and dispositions;
- actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates used in determining the values of certain assets (including the amounts of related valuation allowances), liabilities and other items reflected in our consolidated financial statements
- changes in tax laws, regulations or accounting rules;
- our ability to maintain appropriate inventory levels and purchase commitments;
- the overall movement toward industry consolidation among both our competitors and our customers;
- slowing sales or variations in sales rates by our channel partners to their customers;
- changes to our global organization and retention of key personnel;
- fluctuations in our gross margins, and the factors that contribute to such fluctuations;
- changes in the underlying factors and assumptions used in determining stock-based compensation;
- long and variable sales cycles and or regulatory approval cycles, particularly in our mobile segment; and
- material security breaches or service interruptions due to cyberattacks or infrastructure failures or unavailability.

As a result of the above factors, a quarterly or yearly comparison of our results of operations is not necessarily meaningful. Prior results are not necessarily indicative of results to be expected in future periods. If our operating results are below the expectations of the stock market securities analysts or investors, or below any financial guidance we may provide to the market, our stock price will likely decline.

If we do not successfully execute our strategic operating plan, or if our strategic operating plan is flawed, our business could be negatively affected.

Each year, we review and update our strategic operating plan, which provides a road map for implementing our business strategy for the next three years. Allocation of resources, investment decisions, product life cycles, process improvements, strategic alliances and acquisitions are based on this plan. In developing the strategic plan, we make certain assumptions including, but not limited to, those related to the market environment, customer demand, evolving technologies, competition, market consolidation, the global economy and our overall strategic operating plan for the upcoming fiscal year. If we do not successfully execute on our strategic operating plan, or if actual results vary significantly from our assumptions, our business could be adversely impacted. Potential adverse impacts include, but are not limited to, investments made in research and development that do not develop into commercially successful products, lower revenues due to our sales focus not being aligned with customer demand or an inability to compete effectively against competitors, operating inefficiencies, or unsuccessful strategic alliances or acquisitions.

We have made strategic acquisitions and may make strategic acquisitions in the future. We may not be successful in operating or integrating these acquisitions or in completing acquisitions that we may agree to make in the future.

As part of our business strategy, we consider acquisitions of, or significant investments in, businesses that offer complementary or adjacent products, services and technologies. Mergers and acquisitions of technology companies are inherently risky. Strategic acquisitions or investments could materially adversely affect our operating results and the price of our common shares. Strategic acquisitions and investments involve significant risks and uncertainties, including:

- unanticipated costs and liabilities;
- difficulties in marketing and integrating new products, software, businesses, operations and technology infrastructure in an efficient and effective manner, including the integration of businesses where a portion or all of the business is in an adjacent industry;
- difficulties in maintaining customer relations;
- the potential loss of key employees of the acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position as a result of all or a portion of an acquisition purchase price being paid in cash;
- the potential significant increase of our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- the potential issuance of securities that would dilute our shareholders' percentage ownership;
- the potential to incur restructuring and other related expenses, including significant transaction costs that may be incurred regardless of whether a potential strategic acquisition or investment is completed;
- the inability to maintain uniform standards, controls, policies and procedures, including the inability to establish and maintain adequate internal controls over financial reporting;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in such markets have stronger market positions;
- potential impairment charges on higher levels of goodwill and intangible assets as a result of impairment testing performed on a regular basis;
- higher amortization expenses related to acquired definite-lived intangible assets; and
- becoming subject to intellectual property or other litigation.

In addition, as part of our business strategy, we may consider dispositions of assets that do not form part of our core business. Many of the risks described above can also apply to any such dispositions. As well, in connection with dispositions, we may be subject to additional risks, including risks relating to post-closing indemnification provisions and risks relating to the receipt by us of non-cash consideration, including risks related to our ability to realize on the expected value of any non-cash consideration received in connection with a disposition.

Our inability to successfully operate and integrate newly acquired businesses appropriately, effectively and in a timely manner, our inability to realize upon the expected benefits of any asset disposition, or our inability to successfully complete acquisitions or dispositions that we may agree to make in the future, could have a material adverse effect on our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins and expenses. No assurance can be given that any particular acquisition or disposition will be completed or that our previous or future acquisitions or dispoitions will be successful or will not materially adversely affect our financial condition or operating results. Prior acquisitions have resulted in a wide range of outcomes.

We may not achieve the anticipated benefits from the sale of our Mobile Division.

We completed the sale of the Mobile Division on February 28, 2017. Part of the consideration to be received by us upon completion of the transaction, is non-cash, namely a $35 million non-interest bearing promissory note and an equity interest in Sierra Private Investments LP, the limited partnership that will own the Mobile Division. We may not be able to realize on the expected value of the non-cash portion of the consideration, including because the promissory note may not be repaid in full, or at all, and we may not receive any distributions on the limited partnership units. In addition, our business could be adversely impacted as a result of the transaction. Further, we may not realize some or all of the anticipated strategic, financial or other benefits of the transaction.

Our operating results may be adversely affected by unfavorable economic and market conditions in key markets, particularly the United States, Germany, the United Kingdom, France, Switzerland, Sweden, and elsewhere in Europe.

Challenging economic conditions worldwide, particularly in the United States and in Europe, have, from time to time, contributed, and may continue to contribute, to slowdowns in the communications industry at large, as well as in specific segments and markets in which we operate, resulting in, but not limited to:

- reduced demand for our products;
- increased price competition for our products;
- risk of excess and obsolete inventories;
- risk of supply constraints;
- risk of manufacturing capacity;
- higher overhead costs as a percentage of revenue; and
- higher interest expense.

The global macroeconomic environment is challenging and volatile. Instability in the global credit markets, global central bank monetary policy, the instability in the geopolitical environment in many parts of the world and other disruptions, such as changes in energy costs, the recent United Kingdom “Brexit” referendum to withdraw from the European Union, changes resulting from the recent U.S. federal election, the current economic challenges in China and other disruptions, may adversely impact global economic conditions. If global economic and market conditions, or economic conditions in key markets remain uncertain, we may experience material impacts on our business, operating results, and financial condition.

Our financial results may be adversely affected by fluctuations in exchange rates.

Our financial statements are presented in U.S. dollars while a significant portion of our revenue is earned, and a substantial portion of our operating expenses are payable, in currencies other than the U.S. dollar, in particular the Euro, British pound sterling, Canadian dollar, Swedish krona, Australian dollar, Chinese yuan, Indian rupee, and Swiss franc. Due to the substantial volatility of currency exchange rates, exchange rate fluctuations may have an adverse impact on our future revenues or expenses presented in our financial statements.

We use financial instruments, principally forward foreign currency contracts, to partially mitigate our foreign currency exposure. These contracts generally require us to purchase or sell certain foreign currencies with or for U.S. dollars at contracted rates. These financial instruments only partially mitigate our foreign currency exposure, leaving a significant portion of our revenues and operating expenses subject to exchange rate fluctuations. As a result, foreign currency fluctuations may have an adverse impact on our future revenues, operating expenses and results of operations. In addition, we may be exposed to credit loss in the event of non-performance by the counterparties of the financial instruments.

We expect gross margin percentage to vary over time, and our level of product gross margin may not be sustainable.

Our gross margin percentage has historically fluctuated, primarily as the result of acquisitions, changes in product mix, changes in production costs and price competition. Our current gross margin percentage may not be sustainable and our gross margin percentage may decrease. A decrease in gross margin percentage can be the result of numerous factors, including:

- acquisitions with a lower gross margin percentage than Mitel;
- changes in customer, geographic, or product mix, including mix of configurations within each product group;
- introduction of new products, including products with price-performance advantages;
- our ability to reduce production costs;
- entry into new markets or growth in lower margin markets, including markets with different pricing and cost structures,;
- additional sales discounts;
- changes in the financial health of contract manufacturers or suppliers or increases in related material, component, labor or other manufacturing and inventory related costs;
- the timing of revenue recognition and revenue deferrals;
- lower than expected benefits from value engineering;
- increased price competition;
- changes in distribution channels;
- increased warranty costs; and
- overall execution of our strategy and operating plans.

If any of these factors, or other factors unknown to us at this time, occur, then our gross margin percentage could be adversely affected, which could lead to a material adverse effect on our business, financial condition and results of operations.

We rely on our channel partners (which includes our wholesale distribution channel) for a significant component of our sales and so disruptions to, or our failure to effectively develop and manage our distribution channel and the processes and procedures that support it, could have a material adverse effect on our ability to generate revenues.

Our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners. A substantial portion of our revenues is derived through and dependent upon our channel partners, most of which also sell our competitors' products. In addition, many potential channel partners have established relationships with our competitors and may not be willing to invest the time and resources required to train their staff to effectively market our solutions and services. The loss of, or reduction in, sales to these channel partners could materially reduce our revenues. Our competitors may in some cases be effective in causing our channel partners or potential channel partners to favor their products or prevent or reduce sales of our solutions. If we fail to maintain relationships with these channel partners, fail to develop new relationships with channel partners in new markets or expand the number of channel partners in existing markets, fail to manage, train or provide appropriate incentives to existing channel partners or if these channel partners are not successful in their sales efforts, sales of our solutions may decrease and our operating results would suffer.

We face intense competition from many competitors and we may not be able to compete effectively against these competitors.

The market for our solutions is highly competitive. In addition, because the market for our solutions is subject to rapidly changing technologies, we may face competition in the future from companies that do not currently compete in our business communications market, including companies that currently compete in other sectors of the information technology, communications or software markets, including mobile communications companies or communications companies that serve residential customers, rather than business customers.

Several of our existing competitors have, and many of our future potential competitors may have, greater financial, personnel, research, project management and other resources, more well-established brands or reputations and broader customer bases than we have. As a result, these competitors may be in a stronger position to respond more effectively to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. Some of these competitors may also have customer bases that are more diversified than ours and therefore may be less affected by an economic downturn in a particular region. Competitors with greater resources may also be able to offer lower prices, additional products or services or other incentives that we do not offer or cannot match.

Competition from existing and potential market entrants may take many forms:

- To the extent our competitors supply products that compete with our own, it is possible these competitors could design their technologies to be closed or proprietary systems that are incompatible with our products or work less effectively with our products than their own. As a result, customers would have an incentive to purchase products that are compatible with the products and technologies of our competitors over our products. A lack of interoperability may result in significant redesign costs, and harm relations with our customers;
- Our competitors may provide large bundled offerings that incorporate applications and products similar to those that we offer; and
- If our competitors offer deep discounts on certain products or services in an effort to recapture or gain market share, we may be required to lower our prices or offer other favorable terms to compete effectively, which would reduce our revenues and gross margins and could adversely affect our operating results and financial condition.

Please see Item 1, "Business—Competition" in Part I in this Annual Report for a list of our competitors.

Industry consolidation may lead to increased competition and may harm our operating results.

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue all or a portion of their operations. Companies that are strategic alliance partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results, and financial condition.

Our solutions may fail to keep pace with rapidly changing technology, evolving industry standards and customer demands and requirements.

The markets in which we operate are characterized by rapid, and sometimes disruptive, technological developments, evolving industry standards, frequent new product introduction and enhancements and changes in customer requirements. Our products and services, or third party solutions with which our products interface, can evolve rapidly and in ways we may not anticipate. The process of anticipating trends and evolving industry standards and developing new solutions is complex and uncertain, and if we fail to accurately identify, predict and respond to our customers' changing needs, and emerging technological trends, our business could be harmed. We commit significant resources to developing new solutions before knowing whether our investments will result in solutions that the market will accept.

Our operating results may be adversely affected if the market opportunity for our products and services does not develop in the ways that we anticipate, if our products become incompatible with third-party solutions or if other technologies become more accepted or standard in our industry.

We are dependent on our customers' decisions to purchase our solutions.

Our business remains dependent on customer decisions to migrate their legacy communications infrastructures to solutions based on newer technology. While these investment decisions are often driven by macroeconomic factors, customers may also delay the purchase of newer technology due to a range of other factors, including prioritization of other IT projects, delays or failures to meet certifications requirements of certain of our customers and the weighing of the costs and benefits of deploying new infrastructures and devices. The purchase of our solutions among new or existing customers may not grow at the rates we currently anticipate.

A breach of the security of our information systems, those of our third-party providers, or other parties that we do business with, could adversely affect our operating results.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. Computer hackers and others routinely attempt to breach the security of technology products, services, and systems such as ours, and those of customers, third-party contractors and vendors, and some of those attempts may be successful. We are not immune to these types of intrusions.

Our products, services, network systems, and servers may store, process or transmit proprietary information and sensitive or confidential data, including valuable intellectual property and personal information, of ours and of our employees, customers and other third parties. We are also subject to existing and proposed laws and regulations, as well as government policies and practices, related to cybersecurity, privacy and data protection worldwide.

Although we take cybersecurity seriously and devote significant resources and deploy protective network security tools and devices, data encryption and other security measures to prevent unwanted intrusions and to protect our systems, products and data, we have and will continue to experience cyber-attacks of varying degrees in the conduct of our business. As a result, our network may be subject to unauthorized access, viruses, embedded malware and other malicious software programs. Such intrusions may result in unauthorized access to or disclosure, modification, misuse, loss, or destruction of company, customer, or other third party data or systems, the theft of sensitive or confidential data including intellectual property and business and personal information, system disruptions, access to our financial reporting systems, operational interruptions, product or shipment disruptions or delays, and delays in or cessation of the services we offer.

Any such breaches or unauthorized access to our networks, our products or services, or those of third-party products incorporated into our solutions, could ultimately result in significant legal and financial exposure, litigation, regulatory and enforcement action, and loss of valuable company intellectual property. Such breaches could also cause damage to our reputation, impact the market's perception of us and of the products and services that we offer, and cause an overall loss of confidence in the security of our products and services, resulting in a potentially material adverse effect on our business, revenues and results of operations, as well as customer attrition.

In addition, the cost and operational consequences of investigating, remediating, eliminating and putting in place additional information technology (IT) tools and devices designed to prevent actual or perceived security breaches, as well as the costs to comply with any notification obligations resulting from such a breach, could be significant. Further, due to the growing sophistication of the techniques used to obtain unauthorized access to or to sabotage networks and systems, which change frequently and often are not detected immediately by existing antivirus and other detection tools, we may be unable to anticipate these techniques or to implement adequate preventative measures. We can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate such cyber-attacks or security breaches. Our cyber-risk insurance coverage and limits may not be sufficient to compensate for losses or damages that may occur.

Other risks that may result from interruptions to our business due to cyber-attacks are discussed in the risk factor entitled "Business interruptions could adversely affect our operations."

Our business may be harmed if we infringe intellectual property rights of third parties.

There is considerable patent and other intellectual property development activity in our industry. Our success depends, in part, upon our not infringing intellectual property rights owned by others. Our competitors, as well as a number of individuals, patent holding companies and consortiums, own, or claim to own, intellectual property relating to our industry. Our solutions may infringe the patents or other intellectual property rights of third parties. We cannot determine with certainty whether any existing third-party patent, or the issuance of new third-party patents, would require us to alter our solutions, obtain licenses, pay royalties or discontinue the sale of the affected applications and products. Our competitors may use their patent portfolios in an increasingly offensive manner in the future. We are currently and periodically involved in patent infringement disputes with third parties, including claims that have been made against us for the payment of licensing fees. We have received notices in the past, and we may receive additional notices in the future, containing allegations that our solutions are subject to patents or other proprietary rights of third parties, including competitors, patent holding companies and consortiums. Current or future negotiations with third parties to establish license or cross-license arrangements, or to renew existing licenses, may not be successful and we may not be able to obtain or renew a license on satisfactory terms, or at all. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could have a material adverse effect on our business.

Our success also depends upon our customers' ability to use our products. Claims of patent infringement have been asserted against some of our channel partners based on their use of our solutions. We generally agree to indemnify and defend our channel partners and direct customers to the extent a claim for infringement is brought against our customers with respect to our solutions.

Aggressive patent litigation is common in our industry and can be disruptive. Infringement claims (or claims for indemnification resulting from infringement claims) have been, are currently and may in the future be asserted or prosecuted against us, our channel partners or our customers by third parties. Some of these third parties, including our competitors, patent holding companies and consortiums, have, or have access to, substantially greater resources than we do and may be better able to sustain the costs of complex patent litigation. Whether or not the claims currently pending against us, our channel partners or our customers, or those that may be brought in the future, have merit, we may be subject to costly and time-consuming legal proceedings. Such claims could also harm our reputation and divert our management's attention from operating our business. If these claims are successfully asserted against us, we could be required to pay substantial damages (including enhanced damages and attorneys' fees if infringement is found to be willful). We could also be forced to obtain a license, which may not be available on acceptable terms, if at all, forced to redesign our solutions to make them non-infringing, which redesign may not be possible or, if possible, costly and time-consuming, or prevented from selling some or all of our solutions.

Our success is dependent on our intellectual property. Our inability or failure to secure, protect and maintain our intellectual property could seriously harm our ability to compete and our financial success.

Our success depends on the intellectual property in the solutions that we develop and sell. We rely upon a combination of copyright, patent, trade secrets, trademarks, confidentiality procedures and contractual provisions to protect our proprietary technology. Our present protective measures may not be enforceable or adequate to prevent misappropriation of our technology or independent third-party development of the same or similar technology. Even if our patents are held valid and enforceable, others may be able to design around these patents or develop products competitive to our products but that are outside the scope of our patents.

Any of our patents may be challenged, invalidated, circumvented or rendered unenforceable. We may not be successful should one or more of our patents be challenged for any reason. If our patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded to our solutions could be impaired, which could significantly impede our ability to market our products, negatively affect our competitive position and materially harm our business and operating results.

Pending or future patent applications held by us may not result in an issued patent, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, vendors, former employees and current employees, despite the existence of nondisclosure and confidentiality agreements and other contractual restrictions. Furthermore, many foreign jurisdictions offer less protection of intellectual property rights than the United States, Canada and the European Union, and the protection provided to our proprietary technology by the laws of these and other foreign jurisdictions may not be sufficient to protect our technology. Preventing the unauthorized use of our proprietary technology may be difficult, time consuming and costly, in part because it may be difficult to discover unauthorized use by third parties. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of our proprietary rights, or to defend against claims of unenforceability or invalidity. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversion of management resources and could have a material adverse effect on our business, results of operations and financial condition regardless of its outcome.

Some of the software used with our products, as well as that of some of our customers, may be derived from so-called "open source" software that is made generally available to the public by its authors and/or other third parties. Such open source software is often made available to us under licenses, such as the GNU General Public License, that impose certain obligations on us in the event we were to make derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, or license such derivative works under an open source license or another particular type of license, potentially granting third parties certain rights to the software, rather than the forms of license customarily used to protect our intellectual property. Failure to comply with such obligations can result in the termination of our distribution of products that contain the open source code or the public dissemination of any enhancements that we made to the open source code. We may also incur legal expenses in defending against claims that we did not abide by such open source licenses. In the event the copyright holder of any open source software or another party in interest were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be subject to potential damages and could be required to release the source code of that work to the public, grant third parties certain rights to the source code or stop distribution of that work. Any of these outcomes could disrupt our distribution and sale of related products and materially adversely affect our business.

We rely on trade secrets and other forms of non-patent intellectual property protection. If we are unable to protect our trade secrets, other companies may be able to compete more effectively against us.

We rely on trade secrets, know-how and technology that are not protected by patents to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our partners, collaborators, employees and consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights to the related or resulting know-how and inventions. If any of our trade secrets, know-how or other technologies not protected by a patent were to be disclosed to, or independently developed by, a competitor, our business, financial condition and results of operations could be materially adversely affected.

We may be subject to damages resulting from claims that we, or our employees, have wrongfully used or disclosed alleged trade secrets or other proprietary information of their former employers.

Many of our employees may have been previously employed at other companies which provide integrated communications solutions, including our competitors or potential competitors. We may be subject to claims that these employees, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying monetary claims, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to commercialize certain product candidates, which would adversely affect our commercial development efforts, business, financial condition and results of operations.

Our business requires a significant amount of cash and we may require additional sources of funds if our sources of liquidity are unavailable or insufficient to fund our operations.

We may not generate sufficient cash from operations to meet anticipated working capital requirements, execute our strategic operating plans, support additional capital expenditures or take advantage of acquisition opportunities. In order to finance our business, we may need to utilize available borrowings under our available credit facilities. Our ability to continually access our facilities is conditional upon our compliance with covenants contained in the terms governing these facilities. We may not be in compliance with such covenants in the future. We may need to secure additional sources of funding if our cash and borrowings under our revolving credit facility are unavailable or insufficient to finance our operations. Such funding may not be available on terms satisfactory to us, or at all. In addition, any proceeds from the issuance of debt may be required to be used, in whole or in part, to make mandatory payments under our credit agreements. If we were to incur higher levels of debt, we would require a larger portion of our operating cash flow to be used to pay principal and interest on our indebtedness. The increased use of cash to pay indebtedness could leave us with insufficient funds to finance our operating activities, such as R&D expenses and capital expenditures. In addition, any new debt instruments may contain covenants or other restrictions that affect our business operations. If we were to raise additional funds by selling equity securities, the relative ownership of our existing investors could be diluted or the new investors could obtain terms more favorable than previous investors.

We have a significant amount of debt. This debt contains customary default clauses, a breach of which may result in acceleration of the repayment of some or all of this debt.

As at December 31, 2016, we had $591.6 million outstanding on the term loan under our senior secured credit facility. The senior secured credit facility consists of the term loan, which matures in April 2022 and a $50.0 million undrawn revolving facility, which matures in April 2020. The credit agreement relating to this loan and the revolving credit facility have customary default clauses. In the event we were to default on this credit agreement, and were unable to cure or obtain a waiver of default, the repayment of our debt owing under this credit agreement may be accelerated. If acceleration were to occur, we would be required to secure alternative sources of equity or debt financing to be able to repay the debt. Alternative financing may not be available on terms satisfactory to us, or at all. New debt financing may require the cooperation and agreement of our existing lenders. If acceptable alternative financing were unavailable, we would have to consider alternatives to fund the repayment of the debt, including the sale of part or all of the business, which sale may occur at a distressed price.

Our working capital requirements and cash flows are subject to fluctuation which could have an adverse effect on us.

Our working capital requirements and cash flows have historically been, and are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. For example, if we are unable to effectively manage fluctuations in our cash flows, we may be unable to make required interest payments on our indebtedness. Key factors which could result in cash flow fluctuations include:

- the level of sales and the related margins on those sales;
- the timing of, and amount paid for, acquisitions;
- the collection of receivables;

- the timing and volume of sales of leases to third-party funding sources and the timing and volume of any repurchase obligations in respect of such sales;
- the timing and size of capital expenditures;
- the timing and size of purchase of inventory and related components;
- the timing of payment on payables and accrued liabilities;
- the effect of foreign exchange rate fluctuations on foreign currency cash flows;
- costs associated with potential restructuring actions; and
- customer financing obligations.

If any of these aforementioned factors were to occur, our cash flow could be negatively impacted and have a material adverse effect on our liquidity position and financial condition.

Because we depend upon a small number of outside contract manufacturers, our operations could be delayed or interrupted if we encounter problems with these contractors.

We do not have any internal manufacturing capabilities, and we rely upon a limited number of contract manufacturers. Our ability to ship products to our customers could be delayed or interrupted as a result of a variety of factors relating to our contract manufacturers, including:

- failure to effectively manage our contract manufacturer relationships;
- our contract manufacturers experiencing delays, disruptions or quality control problems in their manufacturing operations;
- lead-times for required materials and components varying significantly and being dependent on factors such as the specific supplier, contract terms and the demand for each component at a given time;
- under-estimating our requirements, resulting in our contract manufacturers having inadequate materials and components required to produce our products, or overestimating our requirements, resulting in charges assessed by the contract manufacturers or liabilities for excess inventory, each of which could negatively affect our gross margins; and
- the possible absence of adequate capacity and reduced control over component availability, quality assurances, delivery schedules, manufacturing yields and costs.

We are also exposed to risks relating to the financial viability of our contract manufacturers as a result of business and industry risks that affect those manufacturers. In order to finance their businesses during economic downturns or otherwise, our contract manufacturers may need to secure additional sources of equity or debt financing. Such funding may not be available on terms satisfactory to them, or at all, which could result in a material disruption to our production requirements.

If any of our contract manufacturers are unable or unwilling to continue manufacturing our products in required volumes and quality levels, we will have to identify, qualify, select and implement acceptable alternative manufacturers, which would likely be time consuming and costly. In particular, certain contract manufacturers are sole manufacturing sources for certain of our products. A failure of our contract manufacturers to satisfy our manufacturing needs on a timely basis, as a result of the factors described above or otherwise, could result in a material disruption to our business until another manufacturer is identified and able to produce the same products, which could take a substantial amount of time, during which our results of operations, financial condition and reputation among our customers and within our industry could be materially and adversely affected. In addition, alternate sources may not be available to us or may not be in a position to satisfy our production requirements on a timely basis or at commercially reasonable prices and quality. Therefore, any significant interruption in manufacturing could result in us being unable to deliver the affected products to meet our customer orders.

We depend on sole source and limited source suppliers for key components. If these components are not available on a timely basis, or at all, we may not be able to meet scheduled product deliveries to our customers.

We depend on sole source and limited source suppliers for key components of our products. In addition, our contract manufacturers often acquire these components through purchase orders and may have no long-term commitments regarding supply or pricing from their suppliers. Lead times for various components may lengthen, which may make certain components scarce. As component demand increases and lead-times become longer, our suppliers may increase component costs. We also depend on anticipated product orders to determine our materials requirements. Lead times for limited source materials and components can be as long as six months, vary significantly and depend on factors such as the specific supplier, contract terms and demand for a component at a given time. From time to time, shortages in allocations of components have resulted in delays in filling orders. Shortages and delays in obtaining components in the future could impede our ability to meet customer orders. Any of these sole source or limited source suppliers could stop producing the components, cease operations entirely, or be acquired by, or enter into exclusive arrangements with, our competitors. As a result, these sole source and limited source suppliers may stop selling their components to our contract manufacturers at commercially reasonable prices, or at all. Any such interruption, delay or inability to obtain these components from alternate sources at acceptable prices and within a reasonable amount of time would adversely affect our ability to meet scheduled product deliveries to our customers and reduce margins realized by us.

Delay in the delivery of, or lack of access to, software or other intellectual property licensed from our suppliers could adversely affect our ability to develop and deliver our solutions on a timely and reliable basis.

Our business may be harmed by a delay in delivery of software applications from one or more of our suppliers. Many of our solutions are designed to include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various components in our solutions. These licenses may not be available on acceptable terms, or at all. Moreover, the inclusion in our solutions of software or other intellectual property licensed from third parties on a non-exclusive basis could limit our ability to protect our proprietary rights to our solutions. Non-exclusive licenses also allow our suppliers to develop relationships with, and supply similar or the same software applications to, our competitors. Our software licenses could terminate in the event of a bankruptcy or insolvency of a software supplier or other third-party licensor. Our software licenses could also terminate in the event such software infringes third-party intellectual property rights. We have not entered into source code escrow agreements with every software supplier or third-party licensor, and we could lose the ability to use such licensed software or implement it in our solutions in the event the licensor breaches its obligations to us. In the event that software suppliers or other third-party licensors terminate their relationships with us, are unable to fill our orders on a timely basis or their licenses are otherwise terminated, we may be unable to deliver the affected products to meet our customer orders.

Our operations in international markets involve inherent risks that we may not be able to control.

We do business in over 100 countries. Accordingly, our results could be materially and adversely affected by a variety of uncontrollable and changing factors relating to international business operations, including:

- macroeconomic conditions adversely affecting geographies where we do business;
- foreign currency exchange rates;
- geopolitical developments, such as the recent United Kingdom “Brexit” referendum to withdraw from the European Union, changes resulting from the recent U.S. federal elections, the current economic challenges in China and other disruptions;
- political or social unrest or economic instability in a specific country or region;
- economic sanctions imposed by or against countries where we do business;
- higher costs of doing business in foreign countries;
- infringement claims on foreign patents, copyrights or trademark rights;
- difficulties in staffing and managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements and intellectual property rights through foreign legal systems;
- trade protection measures and other regulatory requirements;
- adverse tax consequences;
- unexpected changes in legal and regulatory requirements;
- military conflict, terrorist activities, natural disasters and medical epidemics; and
- our ability to recruit and retain channel partners in foreign jurisdictions.

Changes in our provision for income taxes or adverse outcomes resulting from examination of our income tax returns could adversely affect our results.

Our provision for income taxes is subject to volatility and could be adversely affected by numerous factors, including:

- earnings being lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates;
- changes in the valuation of our deferred tax assets and liabilities;

- expiration of R&D tax credits and loss carryforwards;
- expiration of or lapses in tax incentives;
- transfer pricing adjustments;
- tax effects of nondeductible compensation;
- tax costs related to intercompany realignments;
- changes in accounting principles; and
- changes in tax laws and regulations, treaties, or interpretations thereof, including possible changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, or the foreign tax credit rules.

Significant judgment is required to determine the recognition and measurement prescribed in the accounting guidance for uncertainty in income taxes. The Organization for Economic Co-operation and Development (OECD), an international association of countries including the United States, is contemplating changes to numerous long-standing tax principles. These contemplated changes, if finalized and adopted by countries, will increase tax uncertainty and may adversely affect our provision for income taxes. Further, as a result of certain of our ongoing employment and capital investment actions and commitments, our income in certain countries is subject to reduced tax rates. Our failure to meet these commitments could adversely impact our provision for income taxes.

We are also subject to the periodic examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from such examinations will not have an adverse effect on our operating results and financial condition.

Transfer pricing rules may adversely affect our income tax expense.

We conduct business operations in various jurisdictions and through legal entities in Canada, the United States, throughout Europe and elsewhere. We and certain of our subsidiaries provide solutions and services to, and undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of many of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Contemporaneous documentation must exist to support this pricing. The taxation authorities in the jurisdictions where we carry on business could challenge our transfer pricing policies. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging our transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalty charges. Any increase in our income tax expense and related interest and penalties could have a significant impact on our future earnings and future cash flows.

Credit and commercial risks and exposures could increase if the financial condition of our customers declines.

Most of our sales are on an open credit basis. We monitor individual customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts.

We provide or commit to financing, where appropriate, for our customers. Our ability to arrange or provide financing for our customers depends on a number of factors, including our credit rating, our level of available credit and our ability to sell off commitments on acceptable terms. Pursuant to certain of our customer contracts, we deliver solutions representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us or the recurring revenue stream from customer financings is lost, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

Impairment of our goodwill or other assets would negatively affect our results of operations.

As of December 31, 2016, our goodwill was $346.3 million and identifiable intangible assets were approximately $100.4 million, which together represent a significant portion of the assets recorded on our consolidated balance sheet. Goodwill and indefinite lived intangible assets are reviewed for impairment at least annually or sooner under certain circumstances. Other intangible assets that are deemed to have finite useful lives are amortized over their useful lives but must be reviewed for impairment when events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Screening for and assessing whether impairment indicators exist, or if events or changes in circumstances have occurred requires significant judgment. Therefore, we may be required to take a charge to operations as a result of future goodwill and intangible asset impairment tests. The decreases in revenue and stock price that have occurred as a result of global economic factors make such impairment more likely to result. If impairment is deemed to exist, we would write-down the recorded value of these intangible assets to their fair values and these write-downs could harm our business and results of operations. Further, we cannot be assured that future inventory, investment, license, fixed asset or other asset write-downs will not happen. If future write-downs do occur, they could harm our business and results of operations.

Quality issues, which may be difficult to detect, may occur in our solutions.

We sell highly complex solutions that included hardware, software and services. Our solutions may contain design flaws or other quality issues that can interfere with expected performance. Although we undertake a number of quality assurance measures to reduce such risks, product quality or service performance issues may arise and, as a result, negatively affect our reputation. Furthermore, if significant warranty obligations or remediation costs arise due to reliability or quality issues, our operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects, high service and warranty expenses, high inventory obsolescence expense, delays in collecting accounts receivable or declining sales to existing and new customers.

Our business may suffer if our strategic alliances are not successful.

We have a number of strategic alliances and continue to pursue strategic alliances with other companies. The objectives and goals for a strategic alliance can include one or more of the following: technology exchange, product development, joint sales and marketing, or new-market creation. If a strategic alliance fails to perform as expected or if the relationship is terminated, we could experience delays in product availability or impairment of our relationships with customers, and our ability to develop new solutions in response to industry trends or changing technology may be impaired. In addition, we may face increased competition if a third party acquires one or more of our strategic alliances or if our competitors enter into additional successful strategic relationships.

Business interruptions could adversely affect our operations.

Our operations and those of our contract manufacturers and outsourced service providers are vulnerable to interruption by fire, earthquake, hurricane, flood or other natural disaster, power loss, computer viruses, computer systems failure, telecommunications failure, quarantines, national catastrophe, terrorist activities, war and other events beyond our control. Our disaster recovery plans may not be sufficient to address these interruptions. The coverage or limits of our business interruption insurance may not be sufficient to compensate for any losses or damages that may occur.

We rely on carriers and network service providers to provide network capacity and connectivity, the absence or disruption of which may adversely affect our cloud segment.

We purchase network capacity wholesale from carriers, which we resell to our customers in various retail offerings. If any of these carriers or network service providers experience disruptions to their operations, even if only for a limited time, cease operations, or otherwise terminate the services that we depend on, the delay in switching our technology to another carrier or network service provider, if available, and qualifying them could have a material adverse effect on our business, financial condition or operating results. The rates we pay to our carriers and network service providers may also increase, which may reduce our profitability and increase the retail price of our service.

Any impairment of the performance of our solutions or problems in providing our network services to our customers, even if for a limited time, could have an adverse effect on our business, financial condition and operating results.

Changing laws and increasingly complex corporate governance and public disclosure requirements could have an adverse effect on our business and operating results.

Changing laws, regulations and standards, including those relating to corporate governance, social/environmental responsibility, import and export requirements, data privacy, global anticorruption and public disclosure and newly enacted SEC regulations, have created additional compliance requirements for us, our contract manufacturers, our OEM partners and certain other suppliers. Our efforts to comply with these requirements have resulted in an increase in expenses and a diversion of management's time from other business activities. While we believe we are compliant with laws and regulations in jurisdictions where we do business, we must continue to monitor and assess our compliance in the future, and we must also continue to expand our compliance procedures. For example, although we implement policies and procedures designed to facilitate compliance with global anticorruption laws, our employees, channel partners, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any failures in these procedures in the future, even if prohibited by our policies, could result in time-consuming and costly activities, potential fines and penalties, and diversion of management time, all of which could hurt our business.

Our products and services are subject to various federal, state, local, and foreign laws and regulations. Compliance with current laws and regulations has not had a material adverse effect on our financial condition. However, new laws and regulations or new or different interpretations of existing laws and regulations could deny or delay our access to certain markets or require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our financial condition and results of operations.

The telecommunications industry is regulated by the Federal Communications Commission in the United States and similar government agencies in other countries and is subject to changing political, economic, and regulatory influences. Changes in telecommunications requirements, or regulatory requirements in other industries in which we operate now or in the future, in the United States or other countries could materially adversely affect our business, operating results, and financial condition, including our managed services offering. Further, changes in the regulation of our activities, such as increased or decreased regulation affecting prices, could also have a material adverse effect upon our business and results of operations.

Adverse resolution of litigation or governmental investigations may harm our operating results or financial condition.

We are a party to lawsuits in the normal course of our business. We may also be the subject of governmental investigations from time to time. Litigation and governmental investigations can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings or governmental investigations are difficult to predict. An unfavorable resolution of lawsuits or governmental investigations could have a material adverse effect on our business, operating results or financial condition.

We are exposed to risks inherent in our defined benefit pension plans.

We operate defined benefit plans primarily in the U.K., France, Germany and Switzerland (the "U.K Plan", the "France Plan", the "Germany Plan" and the "Switzerland Plan", respectively). At December 31, 2016, the total projected benefit obligation for these plans of $404.4 million exceeded plan assets of $258.9 million resulting in a pension liability of $145.5 million.

The U.K. Plan is a partially funded defined benefit plan, which was closed to new members in 2001 and was closed to new service in November 2012. Under the France Plan, retirees generally benefit from a lump sum payment upon retirement or departure. Under the Germany Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement, based on their years of service and ending salary. The Switzerland Plan is a partially funded multiple-employer pension plan. Under the Switzerland Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement based on an accrued value at the date of retirement. The accrued value is related to the actual returns on contributions during the working period. As the plan is a multiple-employer plan, the consolidated financial statements include our pro-rata share of assets, projected benefit obligation and pension benefit cost. Our contributions and benefit payments for the defined benefit plans for the year ended December 31, 2016 are included in note 24 to the consolidated financial statements of Mitel in Item 8 of this Report (Consolidated Financial Statements). The contributions required to fund benefit obligations are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term operation of the plan, including mortality rates of members, the performance of financial markets and interest rates. Our funding requirements for future years will likely increase from current levels due to the net liability position of our plans. In addition, if the actual operation of the plans differ from our assumptions, the net liability could increase and additional contributions by us may be required. Changes to pension legislation in the respective countries may also adversely affect our funding requirements. Increases in the net pension liability or increases in future cash contributions would adversely affect our cash flows and results from operations.

Our operating results may be impacted by our ability to sell leases derived from our managed services offering, or a breach of our obligations in respect of such sales.

In the event of defaults by lease customers under leases that have been sold, financial institutions that purchased the pool of such leases may require us to repurchase the remaining unpaid portion of such sold leases, subject to certain annual limitations on recourse for credit losses. The size of credit losses may impact our ability to sell future pools of leases.

Under the terms of the program agreements governing the sale of these pools of leases, we are subject to ongoing obligations in connection with the servicing of the underlying leases. If we are unable to perform these obligations or are otherwise in default under a program agreement, and are unable to cure or obtain a waiver of such default, we could be required by the purchaser to repurchase the entire unpaid portion of the leases sold to such purchaser, which could have an adverse effect on our cash flows and financial condition.

Our future success depends on our existing key personnel.

Our success is dependent upon the services of key personnel throughout our organization, including the members of our senior management and software and engineering staff, as well as the expertise of our directors. Competition for highly skilled directors, management, R&D and other employees is intense in our industry and we may not be able to attract and retain highly qualified directors, management, and R&D personnel and other employees in the future. In order to improve productivity, a portion of our compensation to employees and directors is in the form of equity-based incentives such as restricted stock units and stock options, and as a consequence, a depression in the value of our common shares could make it difficult for us to motivate and retain employees and recruit additional qualified directors and personnel. All of the foregoing may negatively impact our ability to retain or attract employees, which may adversely impact our ability to implement a management succession plan as and if required and on a timely basis. We currently do not maintain corporate life insurance policies on the lives of our directors or any of our key employees. In addition, companies in our industry whose employees accept positions with competitors frequently claim that competitors have engaged in improper hiring practices. We have received these claims in the past and may receive additional claims to this effect in the future.

The risks associated with Sarbanes-Oxley regulatory compliance, particularly related to an acquisition, may have a material adverse effect on us.

We are required to document and test our internal control over financial reporting pursuant to Section 404 of the United States Sarbanes-Oxley Act of 2002, so that our management can certify as to the effectiveness of our internal controls over financial reporting and our public accounting firm can render an opinion on the effectiveness of our internal controls over financial reporting. Following any acquisitions, we will need to timely and effectively implement the internal controls necessary to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of internal controls over financial reporting. We may experience delays in implementing or be unable to implement the required internal financial reporting controls and procedures, which could result in enforcement actions, the assessment of penalties and civil suits, failure to meet reporting obligations and other material and adverse events that could have a negative effect on the market price for our common shares. In addition, if material weaknesses in our internal controls are identified or we acquire companies with a material weakness, we could be subject to regulatory scrutiny and a loss of public confidence.

Risks Related to our Common Shares

Our stock price in the past has been volatile, and may continue to be volatile or may decline regardless of our operating performance, and investors may not be able to resell shares at or above the price at which they purchased the shares.

Our stock is publicly traded on The NASDAQ Stock Market, or NASDAQ, and the Toronto Stock Exchange, or TSX. At times, the stock price has been volatile. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control and which may be accentuated due to the relatively low average daily trading volume in our common shares. The factors include:

- fluctuations in the overall stock market;
- our quarterly operating results;
- sales of our common shares by principal security holders;
- the exercise of options and subsequent sales of shares by option holders, including those held by our senior management and other employees;
- departures of key personnel;
- future announcements concerning our, or our competitors', businesses;
- the failure of securities analysts to cover our company and/or changes in financial forecasts and recommendations by securities analysts;
- a rating downgrade or other negative action by a ratings organization;
- fluctuations in foreign exchange rates;
- actual or anticipated developments in our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry, or both;

- general market, economic and political conditions;
- regulatory developments; and
- natural disasters, terrorist attacks and acts of war.

In addition, at various times, the stock markets, including NASDAQ and TSX, have experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have initiated securities class action litigation following declines in stock prices of technology companies. Any future litigation may subject us to substantial costs, divert resources and the attention of management from our business, which could harm our business and operating results.

Each of the Francisco Partners Group and the Matthews Group is a significant security-holder and together have the potential to exercise significant influence over matters requiring approval by our shareholders.

As at February 27, 2017, Francisco Partners Management, LLC and certain of its affiliates, or the Francisco Partners Group, and Dr. Matthews and certain entities controlled by Dr. Matthews, or the Matthews Group, beneficially controlled approximately 6.8% and 5.3%, respectively, of the voting power of our share capital. Pursuant to a shareholders' agreement, or the Shareholders' Agreement, between the Company, the Francisco Partners Group and the Matthews Group dated as of April 27, 2010, the Francisco Partners Group and the Matthews Group each have the right to nominate one of our directors, provided certain criteria are met.

Our shareholders , may have divergent or conflicting interests with our interests and the interests of our other shareholders.

We have a significant concentration of share ownership with certain other parties. This may adversely affect the trading price of our common shares because investors may perceive disadvantages in owning shares in companies with controlling shareholders. In addition, the Francisco Partners Group and the Matthews Group, and the persons whom they nominate to our board of directors, may have interests that conflict with, or are divergent from, our own interests and those of our other shareholders. Conflicts of interest between our principal investors and us or our other shareholders may arise. Our articles of incorporation do not contain any provisions designed to facilitate resolution of actual or potential conflicts of interest, or to ensure that potential business opportunities that may become available to our principal investors and us will be reserved for or made available to us.

Some of our directors have interests that may be different than our interests.

We do business with certain companies that are related parties, such as Wesley Clover International Corporation (" **WCIC** ") and its subsidiaries. WCIC is controlled by Dr. Matthews. Our directors owe fiduciary duties, including the duties of loyalty and confidentiality, to us. Our directors that serve on the boards of companies that we do business with also owe similar fiduciary duties to such other companies. The duties owed to us could conflict with the duties such directors owe to these other companies.

Our articles of incorporation and certain anti-trust and foreign investment legislation may reduce the likelihood of a change of control occurring.

Provisions of our articles of incorporation and Canadian and U.S. law may delay or impede a change of control transaction. Our articles of incorporation permit us to issue an unlimited number of common and preferred shares. Limitations on the ability to acquire and hold our common shares may be imposed under the *Hart-Scott-Rodino Act* , the *Competition Act* (Canada) and other applicable antitrust legislation. Such legislation generally permits the relevant governmental authorities to review any acquisition of control over or of significant interest in us, and grants the authority to challenge or prevent an acquisition on the basis that it would, or would be likely to, result in a substantial prevention or lessening of competition. In addition, the Investment Canada Act subjects an "acquisition of control" of a "Canadian business" (as those terms are defined therein) by a non-Canadian to government review if prescribed financial thresholds are exceeded. A reviewable acquisition may not proceed unless the relevant Minister is satisfied that the investment is likely to be of net benefit to Canada. The foregoing could prevent or delay a change of control and may deprive our shareholders of the opportunity to sell their common shares at a control premium.

You may be unable to bring actions or enforce judgments against us or certain of our directors and officers under U.S. federal securities laws.

We are incorporated under the laws of Canada, and our principal executive offices are located in Canada. Many of our officers reside principally in Canada and a substantial portion of our assets and all or a substantial portion of the assets of these persons are located outside the United States. Consequently, it may not be possible for you to effect service of process within the United States upon us or those persons. Furthermore, it may not be possible for you to enforce judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States against us or those persons. There is doubt as to the enforceability in original actions in Canadian courts of liabilities based upon the U.S. federal securities laws, and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. federal securities laws.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our world headquarters is a 264,000 square foot leased facility located in Ottawa, Canada, which also includes a sales office, warehouse and distribution facility, and research and development center. In addition, we lease a large number of sales offices, warehouse and distribution facilities and research and development centers throughout the world totaling an additional approximately 1,280,000 square feet, which include the following:

- Regional headquarters in Caldicot, the United Kingdom and Dallas, the United States.
- Sales offices, which often include demonstration and training centers, throughout the rest of the world, in particular throughout Europe and North America.
- Warehouse and distribution facilities, primarily in Canada, Germany, Sweden, Switzerland, the United Kingdom and the United States.
- Research and development centers, primarily in Canada, France, Germany, India, Sweden, Switzerland and the United States.

Item 3. Legal Proceedings

In March and April, 2015, we were named a defendant in three purported stockholder class actions, two of which were consolidated, that challenged the acquisition of Mavenir. Specifically, two stockholder actions challenging the acquisition of Mavenir—styled *Nakoa* v. *Kohli, et al.* , C.A. No. 10757-VCP and *Turberg* v. *Kohli, et al.* , C.A. No. 10779-VCP—were filed in the Delaware Court of Chancery on March 5 and 11, 2015, respectively. On March 23, 2015, the Court of Chancery entered an order consolidating these two complaints under the caption *In re Mavenir Systems, Inc. Stockholders Litigation* , Consol. C.A. No. 10757-VCP. On April 22, 2015, a Mavenir stockholder filed a separate complaint in the Delaware Court of Chancery in an action styled *Isabel S. Rivera Cruz* v. *Mitel Networks Corporation, et al.* , C.A. No. 10936-VCP. The plaintiff in the *Cruz* action did not effect service of the complaint on the Company or any other named defendant. These stockholder complaints alleged, in part, that Mavenir's directors breached their fiduciary duties in connection with the acquisition of Mavenir, and that we aided and abetted such alleged fiduciary breaches. On September 14, 2015 and January 22, 2016, the lead plaintiff in the consolidated action filed amended complaints, neither of which names us as a defendant. The operative complaint in the consolidated action, filed on January 22, 2016, named our subsidiary formerly known as Mavenir as a defendant. That complaint asserted a single cause of action against our subsidiary formerly known as Mavenir for an alleged breach of fiduciary duty relating to certain disclosures made to former Mavenir shareholders in connection with the acquisition of Mavenir. None of the complaints stated any amount of damages. On April 6, 2016, the parties to the consolidated action entered into a settlement term sheet which contemplated the settlement of the consolidated action and the release of various persons and entities, including but not limited to the Company and the defendants in the consolidated action (including our subsidiary formerly known as Mavenir), in consideration for which defendants and their insurer(s) would cause the sum of $3 million to be paid into a common fund for the class. Also on April 6, 2016, the parties to the consolidated action entered into a stipulation and proposed order regarding the payment of mootness attorneys' fees to counsel for the plaintiffs in the consolidated action, pertaining to certain claims mooted at an earlier stage of the consolidated action. The Court of Chancery granted that proposed order on April 8, 2016. The parties to the consolidated action subsequently negotiated a Stipulation and Agreement of Compromise, Settlement and Release, which encompassed the terms contained in the term sheet and was filed with the Court of Chancery on June 29, 2016. On October 12, 2016, the Court of Chancery entered an Order and Final Judgment approving the parties' settlement of the consolidated action. Subsequently, the thirty-day period to appeal the Order and Final Judgment in the consolidated action expired without an appeal being filed and, on October 18, 2016, the plaintiff in the Cruz action filed a notice voluntarily dismissing that action without prejudice.

In addition, we are a party to a number of legal proceedings, claims or potential claims arising in the normal course of and incidental to our business. Management expects that any monetary liability or financial impact of such claims or potential claims to which we might be subject after settlement agreement or final adjudication would not be material to our consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

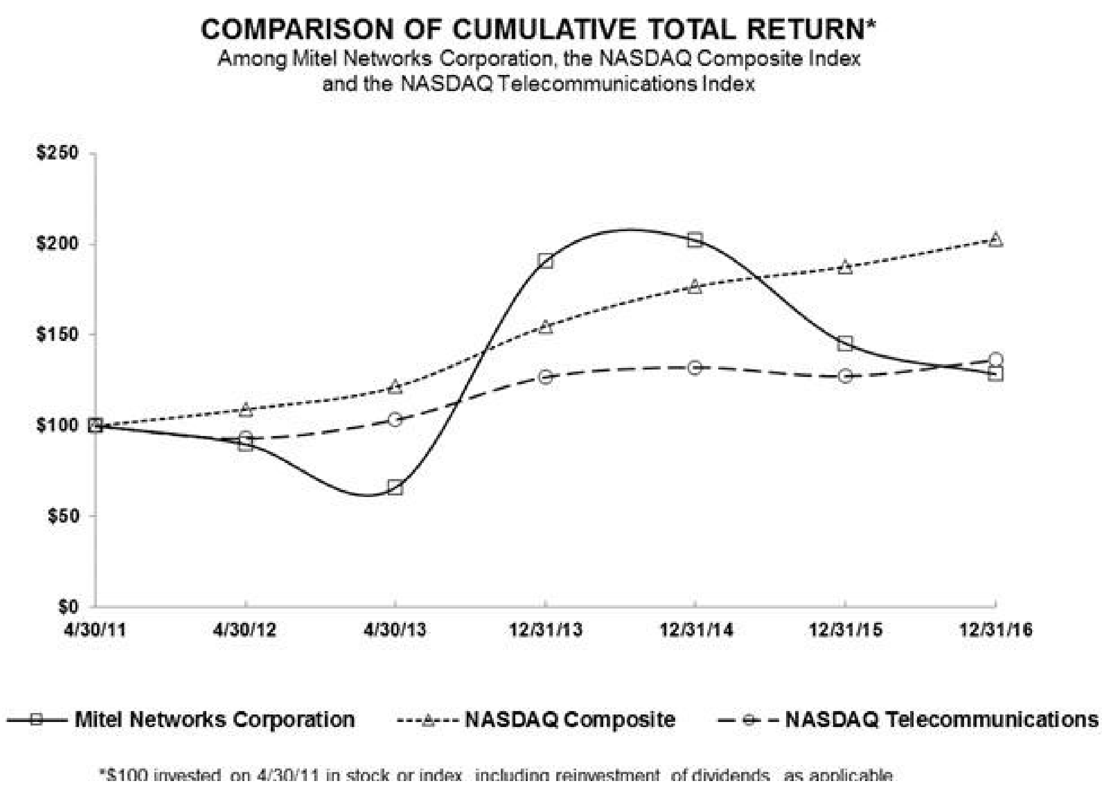
Our common shares are traded on the NASDAQ (trading symbol: MITL) and the TSX (trading symbol: MNW). The following table presents the high and low sale prices on the NASDAQ for our common shares for the periods indicated:

	High	Low
Year ended December 31, 2015		
First Quarter	$10.87	$8.52
Second Quarter	$10.69	$8.55
Third Quarter	$ 9.61	$6.43
Fourth Quarter	$ 8.90	$6.36
Year ended December 31, 2016		
First Quarter	$ 8.34	$5.91
Second Quarter	$ 8.35	$5.94
Third Quarter	$ 8.52	$5.81
Fourth Quarter	$ 7.91	$6.34

The following table presents the high and low sale prices on the TSX for our common shares for the periods indicated (in Canadian dollars):

	High	Low
Year ended December 31, 2015		
First Quarter	$14.00	$10.69
Second Quarter	$13.47	$10.35
Third Quarter	$12.61	$ 8.60
Fourth Quarter	$11.77	$ 8.43
Year ended December 31, 2016		
First Quarter	$10.79	$ 8.60
Second Quarter	$10.80	$ 7.78
Third Quarter	$11.10	$ 7.56
Fourth Quarter	$10.58	$ 8.50

The graph below shows the cumulative total stockholder return over a five-year period, assuming the investment of $100 on the date specified in each of our common stock, the NASDAQ Composite Index and the NASDAQ Telecommunications Index. The graph is furnished, not filed, and the historical return cannot be indicative of future performance.



Fiscal year ending April 30 or December 31, as applicable.

Shareholders

As of February 27, 2016, we had 1,456 shareholders of record (as registered shareholders), as determined by the Company based on information supplied by Computershare Investor Services, Inc.

Because many of our common shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial shareholders represented by these record holders.

Dividend Policy

We have never declared or paid, nor do we anticipate paying for the foreseeable future, cash dividends on our common shares. Any determination to pay dividends to holders of our common shares in the future will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, legal requirements and other factors as our board of directors deems relevant. In addition, our outstanding credit agreement limits our ability to pay dividends and we may in the future become subject to debt instruments or other agreements that further limit our ability to pay dividends.

Share Buyback Program

On December 19, 2016, we announced that our Board of Directors approved, subject to regulatory approvals, a share buyback program pursuant to a normal course issuer bid under Canadian securities laws and in compliance with safe harbors under applicable U.S. securities laws.

Item 6. Selected Financial Data

The following tables present our selected historical consolidated financial and other data and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical Consolidated Financial Statements and notes thereto included elsewhere in this Report. Our historical consolidated financial information may not be indicative of our future performance. Our Consolidated Financial Statements are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP ("GAAP").

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014 (1)	Eight Months Ended December 31, 2013 (2)	Year Ended April 30, 2013	Year Ended April 30, 2012
	(in millions, except per share data)					
Consolidated Statement of Operations Data						
Revenues	$ 987.6	$ 1,025.8	$ 1,104.0	$ 357.3	$ 576.9	$ 611.8
Cost of revenues	455.6	480.6	513.9	153.3	256.3	282.4
Gross margin	532.0	545.2	590.1	204.0	320.6	329.4
Expenses:						
Selling, general and administrative	339.8	331.0	344.7	132.1	198.7	200.6
Research and development	96.5	102.2	118.3	38.3	55.7	58.6
Special charges and restructuring costs	70.8	47.5	72.7	14.6	21.8	18.6
Amortization of acquisition-related intangible assets	35.1	48.2	53.4	16.5	22.3	22.3
Income from termination fee received	(60.0)	—	—	—	—	—
	482.2	528.9	589.1	201.5	298.5	300.1
Operating income	49.8	16.3	1.0	2.5	22.1	29.3
Interest expense	(16.8)	(17.8)	(21.0)	(17.1)	(19.7)	(18.8)
Debt retirement and other debt costs	(2.1)	(9.6)	(16.2)	(0.6)	(2.6)	—
Other income (expense), net	2.8	20.7	6.0	(0.4)	1.3	(0.7)
Income tax recovery (expense)	1.3	(3.1)	22.9	10.1	8.8	39.4
Net income (loss) from continuing operations	35.0	6.5	(7.3)	(5.5)	9.9	49.2
Net income (loss) from discontinued operations, net of income tax	(252.3)	(27.2)	—	—	(3.7)	0.6
Net income (loss)	$ (217.3)	$ (20.7)	$ (7.3)	$ (5.5)	$ 6.2	$ 49.8
Net income (loss) per common share — Basic:						
Net income (loss) per share from continuing operations	$ 0.29	$ 0.06	$ (0.08)	$ (0.10)	$ 0.19	$ 0.92
Net income (loss) per share from discontinued operations	$ (2.08)	$ (0.24)	$ —	$ —	$ (0.07)	$ 0.01
Net income (loss) per common share	$ (1.79)	$ (0.18)	$ (0.08)	$ (0.10)	$ 0.12	$ 0.93
Net income (loss) per common share — Diluted:						
Net income (loss) per share from continuing operations	$ 0.28	$ 0.06	$ (0.08)	$ (0.10)	$ 0.18	$ 0.88
Net income (loss) per share from discontinued operations	$ (2.01)	$ (0.24)	$ —	$ —	$ (0.07)	$ 0.01
Net income (loss) per common share	$ (1.73)	$ (0.18)	$ (0.08)	$ (0.10)	$ 0.11	$ 0.89
Other Financial Data						
Adjusted EBITDA (3):						
Adjusted EBITDA from continuing operations	$ 129.6	$ 149.1	$ 166.9	$ 46.2	$ 85.0	$ 86.9
Adjusted EBITDA from discontinued operations	32.0	19.0	—	—	(1.3)	1.1
Adjusted EBITDA	$ 161.6	$ 168.1	$ 166.9	$ 46.2	$ 83.7	$ 88.0
Consolidated Balance Sheet Data						
Cash and cash equivalents	$ 97.3	$ 82.2	$ 111.3	$ 40.2	$ 69.0	$ 78.7
Total assets	$ 1,561.4	$ 1,856.6	$ 1,278.8	$ 620.5	$ 656.4	$ 687.2
Total debt, including capital leases	$ 586.0	$ 645.3	$ 309.8	$ 269.5	$ 288.1	$ 311.8
Common shares	$ 1,425.1	$ 1,414.2	$ 1,216.3	$ 814.9	$ 810.4	$ 809.4
Warrants	$ 39.1	$ 39.1	$ 39.1	$ 39.1	$ 39.1	$ 55.6
Total shareholders' equity	$ 382.9	$ 604.9	$ 447.8	$ 118.4	$ 84.0	$ 89.8

(1) Includes the operations of Aastra from date of acquisition of January 31, 2014, as disclosed in note 3 to the Consolidated Financial Statements.
(2) In January 2014, Mitel changed its fiscal year end from April 30 to December 31, effective for the eight months ended December 31, 2013.
(3) The following table presents a reconciliation of Adjusted EBITDA, a non-GAAP measure, to net income (loss), the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Eight Months Ended December 31, 2013	Year Ended April 30, 2013	Year Ended April 30, 2012
				(in millions)		
Net income (loss)	$ (217.3)	$ (20.7)	$ (7.3)	$ (5.5)	$ 6.2	$ 49.8
Net loss (income) from discontinued operations	252.3	27.2	—	—	3.7	(0.6)
Net income (loss) from continuing operations	35.0	6.5	(7.3)	(5.5)	9.9	49.2
Adjustments:						
Interest expense	16.8	17.8	21.0	17.1	19.7	18.8
Income tax expense (recovery)	(1.3)	3.1	(22.9)	(10.1)	(8.8)	(39.4)
Amortization and depreciation	54.4	69.3	75.9	25.5	35.8	33.4
Foreign exchange loss (gain)	(1.9)	(18.8)	(3.9)	0.5	(0.2)	1.5
Special charges and restructuring costs	70.8	47.5	72.7	14.6	21.8	18.6
Stock-based compensation	13.7	11.2	6.1	3.1	4.2	4.8
Debt retirement and other debt costs	2.1	9.6	16.2	0.6	2.6	—
Purchase accounting adjustments (1)	—	2.9	9.1	—	—	—
Other (2)	(60.0)	—	—	0.4	—	—
Adjusted EBITDA from continuing operations	129.6	149.1	166.9	46.2	85.0	86.9
Adjusted EBITDA from discontinued operations (3)	32.0	19.0	—	—	(1.3)	1.1
Adjusted EBITDA	$ 161.6	$ 168.1	$ 166.9	$ 46.2	$ 83.7	$ 88.0

(1) In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions is recorded on the opening balance sheet at an amount that is generally lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it impacts the Company's reported GAAP revenue in the reporting periods following the acquisition. In order to provide investors with financial information that facilitates comparison of results, the Company provides non-GAAP financial measures which exclude the impact of the purchase accounting adjustments. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to compare reports of financial results of the Company as the revenue reductions related to acquired contracts will not recur when similar software maintenance and service contracts are recorded in future periods.
(2) Other for the year ended December 31, 2016 consists of income from termination fee received.
(3) The reconciliation of net income from discontinued operations to Adjusted EBITDA from discontinued operations for the year ended April 30, 2012 consists of an adjustment for income tax expense of $0.5 million. The reconciliation of net loss from discontinued operations to Adjusted EBITDA from discontinued operations for the year ended April 30, 2013 consists of special charges and restructuring costs of $1.6 million, impairment of goodwill of $1.9 million and income tax recovery of $1.1 million. The reconciliation of net loss from discontinued operations to Adjusted EBITDA from discontinued operations for the year ended December 31, 2015 consists of interest expense of $14.6 million, income tax recovery of $13.7 million, amortization and depreciation of $29.8 million, special charges and restructuring costs of $7.1 million, stock-based compensation of $1.6 million and purchase accounting adjustments of $6.8 million. The reconciliation of net loss from discontinued operations to Adjusted EBITDA from discontinued operations for the year ended December 31, 2016 consists of interest expense of $22.0 million, income tax recovery of $14.3 million, amortization and depreciation of $46.3 million, special charges and restructuring costs of $13.2 million, stock-based compensation of $3.1 million, purchase accounting adjustments of $1.2 million and goodwill impairment of $212.8 million.

We define Adjusted EBITDA as net income (loss), adjusted for the items as noted in the above tables. Adjusted EBITDA is not a measure calculated in accordance with GAAP. Adjusted EBITDA should not be considered as an alternative to net income, income from operations or any other measure of financial performance calculated and presented in accordance with GAAP. We prepare Adjusted EBITDA to eliminate the impact of items that we do not consider indicative of our core operating performance. You should evaluate these adjustments and the reasons we consider them appropriate, as well as the material limitations of non-GAAP measures and the manner in which we compensate for those limitations.

We use Adjusted EBITDA:

- as a measure of operating performance;
- for planning purposes, including the preparation of our annual operating budget;
- to allocate resources to enhance the financial performance of our business; and
- in communications with our board of directors concerning our financial performance.

We believe that the use of Adjusted EBITDA provides consistency and facilitates period to period comparisons, and may facilitate comparisons with other companies in our industry, many of which use similar non-GAAP financial measures to supplement their GAAP results. Where applicable, we also present and use Adjusted EBITDA from continuing operations and Adjusted EBITDA from discontinued operations, using the same methodology as described above.

We believe Adjusted EBITDA may also be useful to investors in evaluating our operating performance because securities analysts use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies. Our investor and analyst presentations also include Adjusted EBITDA. However, we also caution you that other companies in our industry may calculate Adjusted EBITDA or similarly titled measures differently than we do, which limits the usefulness of Adjusted EBITDA as a comparative measure.

Moreover, although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA and similar non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for an analysis of our results of operations as reported under GAAP.

Some of the limitations of Adjusted EBITDA are that it does not reflect:

- cash requirements for interest expense;
- cash requirements for income taxes;
- foreign exchange gains or losses;
- cash payments made in connection with litigation settlements;
- significant cash payments made in connection with special charges and restructuring costs;
- significant cash receipts related to termination fees received in connection with terminated acquisitions;
- employee stock-based compensation; and
- cash requirements for the replacement of assets that have been depreciated or amortized.

We compensate for the inherent limitations associated with using Adjusted EBITDA through disclosure of such limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income (loss).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements and accompanying notes included elsewhere in this Report. All amounts are expressed in U.S. dollars unless otherwise noted. The following discussion includes forward-looking statements that are not historical facts but reflect our current expectation regarding future results. Actual results may differ materially from the results discussed in the forward-looking statements because of a number of risks and uncertainties, including the matters discussed below. Please refer to "Risk Factors" included elsewhere in this Report for a further description of risks and uncertainties affecting our business and financial results. Historical trends should not be taken as indicative of future operations and financial results.

Overview

Mitel is a global provider of business communications and collaboration software, services and solutions. Our communications solutions meet the needs of customers in over 100 countries. We operate as three business units: Enterprise, Cloud and Mobile. In December 2016, we entered into an agreement to sell our Mobile business unit, and on February 28, 2017, the sale was completed, as described in note 4 to the Consolidated Financial Statements. As a result, the operations of our Mobile business unit have been recorded as discontinued operations.

Enterprise

The Enterprise segment sells and supports business communications products and services to customers that prefer premises-based solutions or private cloud deployments. This includes our premises-based IP telephony platforms, desktop devices, in-building mobile devices and unified communications and collaboration ("UCC") and contact center applications that are deployed on the customer's premise. Premises-based sales are typically sold as an initial sale of hardware and software, with ongoing recurring revenue from hardware and software maintenance and other managed services that we may also offer.

Cloud

The Cloud segment sells and supports products that are deployed in a cloud environment. The Cloud segment is comprised of a retail offering and a wholesale offering. The retail cloud offering, branded MiCloud, provides hosted cloud and related services directly to the end user. We are typically paid a monthly recurring fee for these services, which include UCC applications, voice and data telecommunications and desktop devices. The wholesale offering, branded Powered by Mitel, enables service providers to provide a range of hosted communications offerings to their end customers. The hosted offering includes hosted PBX, voice and video calling, SIP Trunking, voicemail, call center, audio conferencing and video and web collaboration services. The wholesale cloud offering is also sold to large enterprise customers who run their own data centers in private cloud or hybrid cloud networks with management provided by Mitel, or one of Mitel's channel partners. Revenue in the wholesale cloud offering is billed either as monthly recurring fees or as an upfront sale of hardware and software.

Mobile (recorded as discontinued operations, as described below)

The Mobile segment sells and supports software-based telecommunications networking solutions that enable mobile service providers to deliver IP-based voice, video, rich communications and enhanced messaging services to their subscribers. The networking solutions deliver Rich Communication Services ("RCS"), which enable enhanced mobile communications, such as group text messaging, multi-party voice or video calling and live video streaming as well as the exchange of files or images, over existing 2G and 3G networks and next generation 4G Long Term Evolution ("LTE") networks. The solutions can also deliver voice services over LTE technology and wireless networks, known respectively as Voice over LTE ("VoLTE") and Voice over Wi-Fi. The Mobile segment generates revenues from networking solutions and services. A networking solution generally consists of software licenses for a fixed number of subscribers, implementation services and an initial period of post-contract support. Networking solutions may also include standard hardware, such as servers. After the initial implementation of a networking solution, we may sell additional software licenses ("Capacity Licenses"), which may include additional hardware to support the Capacity Licenses, and additional periods of post-contract support.

Significant Events and Recent Development — 2016

Mitel enters into definitive agreement to divest the Mobile business unit — December 2016

On December 18, 2016, Mitel entered into a definitive agreement to divest its Mobile business unit to the parent company of Xura, Inc. ("Xura") for approximately $350 million in cash, a $35 million non-interest bearing promissory note and an equity interest in Sierra Private Investments L.P., the limited partnership that will own both Xura and the Mobile business unit. The transaction closed on February 28, 2017. The cash portion of the purchase price is subject to adjustments for closing working capital, indebtedness and net advances to the business unit between

December 31, 2016 and the closing of the transaction. The cash proceeds from the sale are expected to be used to repay amounts outstanding under Mitel's existing credit facility.

As a result of the definitive agreement, the operations of the Mobile business unit have been reclassified as discontinued operations on the consolidated statements of operations and the assets and liabilities of the Mobile business unit have been reclassified as assets and liabilities held for sale on the consolidated balance sheets. A description of the definitive agreement and the operating results of the Mobile business unit are further described in note 4 to the Consolidated Financial Statements.

Mitel receives $60.0 million termination fee — July 2016

On April 15, 2016, Mitel and Polycom, Inc. ("Polycom") (NYSE:PLCM) entered into a definitive merger agreement under which Mitel agreed to acquire all of the outstanding shares of Polycom common stock in a cash and stock transaction. On July 7, 2016, Polycom's board of directors notified Mitel that it had received a binding offer from a third party to acquire Polycom and that Polycom's board of directors concluded that such offer constituted a "Company Superior Proposal" under its merger agreement with Mitel. Later on July 7, 2016, Mitel waived its right to renegotiate the consideration payable to Polycom stockholders under the merger agreement. On July 8, 2016, Polycom paid Mitel a termination fee of $60.0 million and the merger agreement was terminated. The termination fee is recorded as Income from Termination Fee Received on the consolidated statement of operations.

Prepayments of term loan — January 2016, March 2016, June 2016 and July 2016

We made prepayments on our term loan of $25.0 million in January 2016, $15.0 million in March 2016, $13.6 million in June 2016 and $11.5 million in July 2016.

Significant Events and Recent Developments — 2015

Acquisition of Tiger — June 2015

On June 1, 2015, we completed the acquisition of TigerTMS Ltd. ("Tiger") for expected total estimated consideration of $6.6 million. Tiger is a global provider of software, cloud and applications-based solutions for the hospitality industry. Tiger's revenues were approximately $10.0 million for the year ended December 31, 2014, and were primarily generated in Europe, the Middle East and the United States. Mitel's financial results include the results of Tiger from the date of acquisition.

Acquisition of Mavenir and refinancing of credit agreement — April 2015

On April 29, 2015, we completed our exchange offer to acquire all of the outstanding shares of common stock of Mavenir. The aggregate consideration paid by us in connection with the acquisition of Mavenir was $545.3 million, which includes $353.3 million of cash and 19.7 million Mitel common shares valued at $189.2 million. In conjunction with the acquisition we refinanced our January 2014 Credit Facilities. The new credit facilities consist of a $660.0 million term loan and a $50.0 million revolving facility (the "April 2015 Credit Facilities"). Proceeds of $653.4 million (net of original discount of $6.6 million), along with cash on hand, were used to repay the remaining $279.1 million principal outstanding under the January 2014 Credit Facilities, to repay the remaining $26.9 million principal outstanding under Mavenir's credit facilities, for the cash consideration paid for the acquisition of Mavenir, as well as accrued interest, fees and expenses paid in connection with the refinancing and the acquisition of Mavenir. The financial results of Mitel's Mobile business unit consist of the results of Mavenir from the date of acquisition. Further details of the acquisition are included in note 3 to the Consolidated Financial Statements.

In September 2015, we amended the April 2015 Credit Facilities to provide the Company with additional operating flexibility. The amendment included, in part, an increase in the maximum Leverage Ratio financial covenant for the fiscal quarters ending September 30, 2015, December 31, 2015 and March 31, 2016 and an increase to the applicable margin on the term loan, as described in note 13 to the Consolidated Financial Statements.

In December 2016, we entered into a definitive agreement to divest the Mobile business unit, as described above, and, on February 28, 2017, the sale was completed.

Prepayment of term loan — February 2015

We made a prepayment on our prior term loan of $25.0 million in February 2015.

Significant Events and Recent Developments — 2014

Acquisition of Aastra and Refinancing of Credit Agreement — January 2014

On January 31, 2014, we completed the acquisition of Aastra Technologies Ltd. ("Aastra"). Aastra was a global provider of unified communications and collaboration software, solutions and services with annual revenues of approximately CAD $600 million for the year ended December 31, 2013, of which approximately 75% were generated in Europe. We acquired all of the outstanding Aastra common shares in exchange for $80.0 million cash as well as the issuance of 44.2 million Mitel common shares. In conjunction with the acquisition, we refinanced our then-existing credit facilities with a $355.0 million term loan and an undrawn revolving facility of $50.0 million. This credit facility was repaid in connection with the April 2015 acquisition of Mavenir, as described above.

Acquisition of Oaisys — March 2014

On March 4, 2014, we completed the acquisition of Oaisys, a leading developer of integrated call recording and quality management solutions. We believe the acquisition of Oaisys further strengthens our position in the growing contact center market. The cost of the acquisition was $7.9 million.

Secondary offering — May 2014

In the second quarter of 2014, a CAD $94.3 million secondary offering of common shares by Mitel shareholders was completed. We did not issue or sell any common shares and did not receive any proceeds from the offering.

Prepayments of prior term loan — May 2014 and August 2014

We made prepayments on our then-existing term loan of $25.0 million in May 2014 and $25.0 million in August 2014.

Operating Results

Our revenues for the year ended December 31, 2016 were $987.6 million, as compared to $1,025.8 million for the year ended December 31, 2015. The decrease in revenues is due primarily to changes in foreign exchange rates due to the strengthening of the U.S. dollar and lower volumes in our Enterprise segment, which was partially offset by continued growth in the cloud segment. Our operating income was $49.8 million for the year ended December 31, 2016 compared to $16.3 million for the year ended December 31, 2015. The increase in operating income was driven primarily by receipt of the $60.0 million termination fee from Polycom in July 2016 (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above) which was partially offset by higher special charges and restructuring costs due primarily to costs relating to the terminated Polycom transaction. Excluding the termination fee and special charges and restructuring costs, our operating results were lower as lower revenues were partially offset by a higher gross margin percentage and lower amortization of acquired intangibles, as described below.

Industry Trends

Our industry is dynamic and highly competitive, with changes in both technologies and business models. We believe that each industry shift is an opportunity to conceive new products, new technologies, or new ideas that can further transform the industry and our business. Through a broad range of research and development activities, we seek to identify and address the changing demands of customers, industry trends, and competitive forces.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: revenues, gross margins, operating costs, operating income, net income, cash flows from operations, and Adjusted EBITDA.

Revenue performance is evaluated from both a reportable segment and geographical perspective by comparing our actual results against both management forecasts and prior period results. Our revenues by geographic segment are described in note 22 to the Consolidated Financial Statements.

Gross margin performance is evaluated from a reportable segment perspective by comparing our actual results against both management forecasts and prior period results.

Operating expenses, operating income and net income are each evaluated by comparing our actual results against both management forecasts and prior period results.

Cash flow from operations is the key performance indicator with respect to cash flows. As part of monitoring cash flow from operations, we also monitor our days sales outstanding, our inventory turns and our days expenses in payables outstanding.

Adjusted EBITDA, a non-GAAP measure, is evaluated by comparing actual results to management forecasts and prior period results. For a definition and explanation of Adjusted EBITDA, as well as a reconciliation of Adjusted EBITDA to net income (loss), see Item 6 *, " Selected Financial Data "* .

In addition to the above indicators, from time to time, we also monitor performance in the following areas:

- status of key customer contracts;
- the achievement of expected milestones of our key R&D projects; and
- the achievement of our key strategic initiatives.

In an effort to ensure we are creating value for and maintaining strong relationships with our customers, we monitor the status of key customer contracts to monitor customer service levels. With respect to our R&D projects, we measure content, quality and timeliness against project plans.

Sources of Revenues and Expenses

The following describes our primary sources of revenues and expenses:

We generate revenues in our enterprise and cloud segments primarily from the sale of enterprise communications systems and related services (collectively, a "Solution"), through channel partners and directly to enterprise customers. A typical Solution consists of a combination of IP phones, switches, software applications and support, which may include installation and training. A Solution may be deployed on the customer's premises (premise-based solution) or deployed in a cloud environment (cloud-based solution).

We also generate revenues in the Mobile segment from sales of networking solutions. The Mobile segment revenues are disclosed in note 4 to the Consolidated Financial Statements as the operating results of the Mobile segment have been reclassified as discontinued operations, as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above.

Enterprise segment revenue

The Enterprise segment generates revenues primarily from sales of multiple-element Solutions, typically as an upfront sale. For each element of a typical Solution, revenue is recognized separately on the pro-rata share of the total sale price, based on the relative selling price of each element. The significant elements of a typical sale are as follows:

Enterprise segment product revenue — hardware and software:

The Company recognizes hardware and software revenue when the product is shipped or upon product acceptance where the agreement contains product acceptance terms that are more than perfunctory.

Enterprise segment service revenue — installation and training:

The Company recognizes revenue related to installation and training upon delivery of the services.

Enterprise segment service revenue — post-contract support:

Post-contract support consists primarily of maintenance revenue and software assurance revenue, which generate revenue under contracts that generally range from one to five years. For maintenance revenue, the Company provides various levels of support for installed systems for a fixed annual fee. For software assurance revenue, the Company provides software upgrades on a when and if available basis and software support for a fixed annual fee. In certain jurisdictions, maintenance and software assurance is bundled as post-contract support. Revenue from post-contract support is recognized ratably over the contractual period.

Cloud segment revenue

The Cloud segment generates revenues primarily from sales of multiple-element Solutions. These Solutions are sold either as a single upfront sale or under a monthly recurring billing model. A portion of the monthly recurring billing in the United States will also often include billing for voice and data telecommunication services. Where the Solution is sold as an upfront sale, the elements of a typical multiple-element Solution are recognized as revenue as described under the Enterprise segment revenue, above. When the Solution is sold as a monthly recurring billing model, the revenue is recognized monthly, as the services are provided.

Mobile segment – reclassified as discontinued operations

The Mobile segment generates revenue from sales of networking solutions. A networking solution generally consists of software licenses for a fixed number of subscribers, implementation services and an initial period of post-contract support. Networking solutions may also include standard hardware, such as servers. After the initial implementation of a networking solution, the Company may sell additional software licenses ("Capacity Licenses"), which may include additional hardware to support the Capacity Licenses, and additional periods of post-contract support.

Mobile segment revenues — Initial installations of networking solutions

The implementation of a networking solution generally requires significant customization and integration into a customer's network and often takes over six months to complete. We account for these networking solutions under industry-specific software guidance. Under this guidance, software licenses, implementation services and when applicable, hardware, are considered a single contract deliverable and revenue is recognized in accordance with contract accounting guidance.

For the deliverable recognized under contract accounting, the Company uses a percentage-of-completion method based on project hours incurred-to-date compared to total project hours expected under the contract. Under the percentage-of-completion method, management makes key judgments in areas such as estimated total project hours and total project costs. Changes in job performance, job conditions, and complications relating to the integration into a customer's network may result in changes to total project hours and total project costs from what was previously estimated.

Mobile segment revenues — Capacity licenses

Capacity Licenses may be sold separately or bundled together with hardware and/or post-contract support. When bundled, the Capacity Licenses, hardware and post-contract support are generally considered as separate deliverable elements. Revenue is recognized for Capacity Licenses when risks and rewards have been transferred, for hardware typically when the customer has accepted the hardware and for post-contract support over the term of the support period.

Mobile segment revenues — Post-contract support

Post-contract support is recognized ratably over the support period, as the service is provided. Where post-contract support is bundled with software elements in a transaction, a portion of the consideration is allocated to post-contract support based on the fair value of the post-contract support, where value is considered the price a customer would be required to pay if the post-contract support was sold separately and is calculated annually based on the historical experience of stand-alone sales of post-contract support to third parties.

Cost of revenues

Cost of revenues for the Enterprise, Cloud and Mobile segments is comprised of product and service costs. Product cost of revenues is primarily comprised of cost of goods purchased from third-party electronics manufacturing services as well as inventory provisions, engineering costs, warranty costs and other supply chain management costs. Depreciation of property and equipment relating to cost of revenues activities is also included in cost of revenues. Service cost of revenues is primarily comprised of labor costs. Cloud cost of revenues also includes amounts paid to network service providers for network services used by our customers.

Sales, General and Administrative Expenses ("SG&A")

SG&A expenses consist primarily of costs relating to our sales and marketing activities, including salaries and related expenses, advertising, trade shows and other promotional activities and materials, administrative and finance functions, legal and professional fees, insurance and other corporate and overhead expenses. Depreciation of property and equipment relating to SG&A activities is also included.

Research and Development Expenses

R&D expenses consist primarily of salaries and related expenses for engineering personnel, materials and subcontract service costs. Depreciation and amortization of assets relating to R&D activities are included in R&D expenses.

Special Charges and Restructuring Costs

Special charges and restructuring costs consist of costs related to restructuring and integration activities as well as acquisition-related costs. Restructuring and integration costs generally relate to workforce reductions and facility reductions incurred to eliminate duplication of activities as a result of acquisitions or to improve operational efficiency. Costs related to workforce reductions are recorded when we have committed to a plan of termination and we have notified employees of the terms of the plan. Costs related to facility reductions primarily consist of lease termination obligations for vacant facilities, which generally include the remaining payments on an operating lease. Lease termination obligations are reduced for probable future sublease income. In addition, restructuring and integration costs include professional services and consulting services incurred to complete the integration acquisitions, which are expensed as incurred. Acquisition-related costs consist of direct incremental costs incurred related to diligence activities and closing costs, and are expensed as incurred.

Income from termination fee received

Income from termination fee received consists of the $60.0 million termination fee from Polycom in July 2016 as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above.

Amortization of acquisition-related intangible assets

Amortization of acquisition-related intangible assets consists of the amortization of intangible assets acquired through acquisitions. The acquisition-related intangible assets consist primarily of trade names, developed technology and customer relationships and are amortized on a straight-line basis over their respective useful lives of up to seven years.

Comparability of Periods

Our functional currency is the U.S. dollar and our Consolidated Financial Statements are prepared with U.S. dollar reporting currency using the current rate method. Assets and liabilities of subsidiaries with a functional currency other than the U.S. dollar are translated into U.S. dollars at the exchange rates in effect at the balance sheet date while revenue and expense items are translated at the monthly average exchange rates for the relevant period. The resulting unrealized gains and losses have been included as part of the cumulative foreign currency translation adjustment which is reported as other comprehensive income. Changes in foreign-exchange rates from period to period can have a significant impact on our results of operations and financial position, which may also make the comparability of periods complex.

The results of operations from acquisitions are included in our results from operations from the date of acquisition. In addition, we have incurred various costs related to acquisitions and the integration of those acquisitions, which have been recorded in special charges and restructuring costs.

Results of Operations — Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table sets forth our comparative results of operations, both in dollars and as a percentage of total revenues:

	Year Ended December 31,				Change	
	2016		2015			
	Amounts	% of Revenue	Amounts	% of Revenue	Amount	%
	(in millions, except percentages and per share amounts)					
Revenues	$ 987.6	100.0%	$1,025.8	100.0%	$ (38.2)	(3.7)
Cost of revenues	455.6	46.1%	480.6	46.9%	(25.0)	(5.2)
Gross margin	532.0	53.9%	545.2	53.1%	(13.2)	(2.4)
Selling, general and administrative	339.8	34.4%	331.0	32.3%	8.8	2.7
Research and development	96.5	9.8%	102.2	10.0%	(5.7)	(5.6)
Special charges and restructuring costs	70.8	7.2%	47.5	4.6%	23.3	49.1
Amortization of acquisition-related intangible assets	35.1	3.6%	48.2	4.7%	(13.1)	(27.2)
Income from termination fee received	(60.0)	(6.1)%	—	—	(60.0)*	
	482.2	48.8%	528.9	51.6%	(46.7)	(8.8)
Operating income	49.8	5.0%	16.3	1.6%	33.5*	
Interest expense	(16.8)	(1.7)%	(17.8)	(1.7)%	1.0	(5.6)

	Year Ended December 31,				Change	
	2016		2015			
	Amounts	% of Revenue	Amounts	% of Revenue	Amount	%
	(in millions, except percentages and per share amounts)					
Debt retirement and other debt costs	(2.1)	(0.2)%	(9.6)	(0.9)%	7.5*	
Other income	2.8	0.3%	20.7	2.0%	(17.9)*	
Income tax recovery (expense)	1.3	0.1%	(3.1)	(0.3)%	4.4*	
Net income from continuing operations	35.0	3.5%	6.5	0.6%	28.5*	
Net loss from discontinued operations, net of income tax	(252.3)	(25.5)%	(27.2)	(2.7)%	(225.1)*	
Net loss	$ (217.3)	(22.0)%	$ (20.7)	(2.0)%	$(196.6)*	
Adjusted EBITDA (a non-GAAP measure)						
Adjusted EBITDA from continuing operations	$ 129.6	13.1%	$ 149.1	14.5%	$ (19.5)	(13.1)
Adjusted EBITDA from discontinued operations	32.0	3.3%	19.0	1.9%	13.0*	
Adjusted EBITDA	$ 161.6	16.4%	$ 168.1	16.4%	$ (6.5)	(3.9)
Net income (loss) per common share — Basic						
Net income per share from continuing operations	$ 0.29		$ 0.06			
Net loss per share from discontinued operations	$ (2.08)		$ (0.24)			
Net loss per common share	$ (1.79)		$ (0.18)			
Net income (loss) per common share —Diluted						
Net income per share from continuing operations	$ 0.28		$ 0.06			
Net loss per share from discontinued operations	$ (2.01)		$ (0.24)			
Net loss per common share	$ (1.73)		$ (0.18)			

* The comparison is not meaningful.

Revenues

Our reportable segments are determined in accordance with how our management views and evaluates our business and are described further in note 22 to the Consolidated Financial Statements. The following tables set forth revenues by business segment in dollars and as a percentage of total revenues:

	Year ended December 31,				Change	
	2016		2015			
	Revenues	% of Revenues	Revenues	% of Revenues	Amount	%
	(in millions, except percentages)					
Enterprise segment — product	$ 522.5	52.9%	$ 594.1	57.8%	$ (71.6)	(12.1)
Enterprise segment — recurring	190.7	19.3%	192.2	18.7%	(1.5)	(0.8)
Enterprise segment — service	90.0	9.1%	86.3	8.4%	3.7	4.3
Cloud segment — product	60.9	6.2%	48.8	4.7%	12.1	24.8
Cloud segment — recurring	121.0	12.3%	104.8	10.2%	16.2	15.5
Cloud segment — service	2.5	0.3%	2.5	0.2%	—	—
	987.6	100.0%	1,028.7	100.0%	(41.1)	(4.0)
Enterprise segment — purchase accounting adjustments	—		(2.9)		2.9*	
	$ 987.6		$1,025.8		$ (38.2)	(3.7)

* The comparison is not meaningful.

Our revenues for the year ended December 31, 2016 were $987.6 million compared to revenues of $1,025.8 million for the year ended December 31, 2015. Excluding the effect of purchase accounting adjustments, our revenues for the year ended December 31, 2015 were $1,028.7 million. The decrease in revenues excluding purchase accounting adjustments was due to lower volumes in our Enterprise segment and the effect of foreign exchange, which were partially offset by growth in our Cloud segment.

For the year ended December 31, 2016 when compared to the year ended December 31, 2015, there was a general weakening of foreign currencies when compared against the U.S. dollar. In particular, the British pound sterling was weaker against the U.S. dollar by an average of 11.0%. In June 2016, the U.K. held a European Union ("E.U.") membership referendum, the result of which was a majority vote in favor of the U.K. leaving the E.U. The British pound sterling weakened against the U.S. dollar by approximately 11% in the week following the referendum and continued to weaken throughout the rest of 2016. Please refer to the section entitled "Risk Factors" included in Part I, Item 1A of this Report for a discussion of certain risks and uncertainties affecting our business and financial results as a result of the U.K. referendum. In total, we estimate that the change in foreign exchange rates accounted for an absolute 1.7% of the 3.7% decrease in revenues.

Purchase accounting adjustments result in a reduction in revenue and are presented separately to reflect the nature of the adjustment. In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions was recorded on the opening balance sheet at an amount that was lower than the historical carrying value. The purchase accounting adjustment reflects the revenue that would have otherwise been recognized had the contract been recorded at the historical carrying value as the revenue reductions related to acquired contracts will not recur when similar software maintenance and service contracts are recorded in future periods. Although the purchase accounting adjustments have no impact on the Company's business or cash flow, they adversely impact the Company's reported GAAP revenue in the reporting periods following the acquisition. Purchase accounting adjustments for the year-ended December 31, 2015 relate to the Enterprise-based business of the January 2014 acquisition of Aastra.

Enterprise Segment

When compared to the year ended December 31, 2015, enterprise segment product revenues decreased by $71.6 million, or 12.1%, to $522.5 million as a result of the unfavorable impact of foreign exchange rates, lower volumes and customers migrating to a cloud recurring model, with monthly payments over a fixed term. When compared to the year ended December 31, 2015, our enterprise segment recurring revenues decreased by $1.5 million, or 0.8%, to $190.7 million due primarily to the unfavorable impact of foreign exchange rates while enterprise segment services revenues increased by $3.7 million, or 4.3%, to $90.0 million due to higher installation and professional services activity.

Cloud segment

For the year ended December 31, 2016, Cloud segment product revenues increased by $12.1 million, or 24.8%, to $60.9 million and Cloud segment recurring revenues increased by $16.2 million, or 15.5% to $121.0 million. The increased revenue in 2016 resulted from both new and existing customers transitioning to our recurring and non-recurring cloud solutions.

Gross Margin

The following table sets forth gross margin, both in dollars and as a percentage of revenues:

	Year ended December 31,				Change	
	2016		2015			
	Gross Margin	% of Segment Revenues	Gross Margin	% of Segment Revenues	Amount	Absolute %
	(in millions, except percentages)					
Enterprise segment – product	$290.3	55.6%	$329.7	55.5%	$ (39.4)	0.1
Enterprise segment – recurring	115.6	60.6%	110.5	57.5%	5.1	3.1
Enterprise segment – service	28.0	31.1%	29.7	34.4%	(1.7)	(3.3)
Cloud segment – product	37.1	60.9%	27.2	55.7%	9.9	5.2
Cloud segment – recurring	59.9	49.5%	49.7	47.4%	10.2	2.1
Cloud segment – service	1.1	44.0%	1.3	52.0%	(0.2)	(8.0)
	532.0	53.9%	548.1	53.3%	(16.1)	0.6
Enterprise segment – purchase accounting adjustments	—	—	(2.9)*		2.9*	
	$532.0	53.9%	$545.2	53.1%	$ (13.2)	0.8

* The comparison is not meaningful.

For the year ended December 31, 2016, overall gross margin percentage increased by an absolute 0.8% to 53.9% compared to 53.1% for the year ended December 31, 2015, due to stronger gross margins in the Enterprise and Cloud segments, as described below.

For the year ended December 31, 2016, Enterprise segment product gross margin percentage increased by an absolute 0.1% to 55.6% and Enterprise segment recurring gross margin percentage increased by an absolute 3.1% to 60.6% as realized synergies over the last 12 months were partially offset by the effect of unfavorable changes in foreign exchange rates (as a lower percentage of cost of sales is denominated in British pound sterling when compared to the percentage of revenues denominated in British pound sterling) and the effect of lower volumes as certain cost of sales are fixed. Enterprise segment services gross margin decreased by an absolute 3.3% to 31.1%, largely due to the mix of contracts completed.

For the year ended December 31, 2016, Cloud segment product gross margin percentage increased by an absolute 5.2% to 60.9% due primarily to a higher mix of software sales in 2016. Cloud segment recurring gross margin percentage increased by an absolute 2.1% to 49.5%, due largely to the effect of higher sales, as certain costs of sales are fixed.

We expect moderate improvement in gross margin percentage in the near term; however, gross margin percentage could be higher or lower as a result of a number of factors including variations in revenue mix, competitive pricing pressures, foreign currency movements in regions where revenues are denominated in currencies other than the U.S. dollar, utilization of our professional services personnel and efficiencies in installing our products, and global economic conditions, among other factors.

Operating Expenses

Selling, General and Administrative (“SG&A”)

SG&A expenses increased to 34.4% of revenues for the year ended December 31, 2016 compared to 32.3% of revenues for the year ended December 31, 2015, an increase of $8.8 million in absolute dollars. Our SG&A expenses for the year ended December 31, 2016 included $13.7 million of stock-based compensation expense (year ended December 31, 2015 — $11.2 million). The increase in stock-based compensation was due to the additional expense from restricted stock units granted during the year. The increase in SG&A in absolute dollars was primarily due to additional spending in the Cloud segment to support growth initiatives, which were partially offset by realized synergies from the integration of Aastra as well as the effect of changes in foreign currency exchange rates due to the stronger U.S dollar in 2016 when compared to 2015.

We continue to monitor our cost base closely in an effort to keep our future operating expenditures in line with future revenue levels. SG&A expenses as a percentage of revenues is highly dependent on revenue levels and could vary significantly depending on actual revenues achieved in future years.

Research and Development

R&D expenses decreased to 9.8% of revenues for the year ended December 31, 2016 compared to 10.0% of revenues for the year ended December 31, 2015, a decrease of $5.7 million in absolute dollars. The decrease was largely driven by realized synergies from the integration of acquisitions as well as the effect of changes in foreign currency exchange rates due to the stronger U.S dollar in 2016 when compared to 2015.

We have historically invested heavily in R&D, which we believe positions us well with a broad range of cloud and Enterprise-based communications solutions. Our R&D expenses in absolute dollars can fluctuate depending on the timing and number of development initiatives in any given period. R&D expenses as a percentage of revenues is highly dependent on revenue levels and could vary significantly depending on actual revenues achieved.

Special Charges and Restructuring Costs

We recorded special charges and restructuring costs of $70.8 million in the year ended December 31, 2016. The costs consisted of $20.2 million of employee-related charges, $1.6 million of facility-related charges, $19.5 million of integration-related charges as well as $29.5 million of acquisition-related charges. The employee-related charges consisted of termination and related costs in connection with headcount reductions of approximately 150 people, primarily in North America and Europe. Integration-related charges include professional fees and incidental costs relating to the integrations of acquisitions. Acquisition-related charges consisted primarily of legal and advisory fees, including termination payments incurred relating to the terminated acquisition of Polycom as discussed in “ *Significant Events and Recent Developments — 2016* ” under the “ *Overview* ” section above. In connection with the termination, the Company received a termination fee of $60.0 million from Polycom, which is recorded separately in the consolidated statement of operations.

At December 31, 2016, our remaining workforce reduction liability of $8.7 million consists primarily of salary and related benefits expected to be paid within one year. Our remaining lease termination obligations liability will be reduced over the remaining term of the leases, with $3.0 million of the outstanding $4.5 million balance expected to be paid within one year.

Special charges and restructuring costs of $47.5 million were recorded in the year ended December 31, 2015. The costs consisted of $16.4 million of employee-related charges, $1.7 million of facility-reduction related charges, $16.9 million of integration-related charges and $12.5 million of acquisition-related charges. The employee-related charges consisted of costs related to headcount reductions of approximately 150 people, primarily in North America and Europe. Facility-reduction related charges consisted primarily of lease termination obligations for facilities, primarily in North America. Integration-related charges primarily consist of professional fees and incidental costs relating to the integrations of acquisitions. Acquisition-related charges consisted primarily of legal and advisory fees incurred to close the April 2015 acquisition of Mavenir.

We expect to incur additional costs in the future to gain operating efficiencies. The timing and potential amount of such costs will depend on several factors, including future revenue levels and opportunities for operating efficiencies identified by management. In addition, we expect to incur additional costs for acquisition-related activities. The timing and potential amount of such costs will depend on several factors, including acquisition opportunities identified by management.

Amortization of acquisition-related intangible assets

In the year ended December 31, 2016 amortization of acquisition-related intangible assets decreased to $35.1 million compared to $48.2 million for the year ended December 31, 2015. The decrease is due primarily to certain acquired intangible assets from historical acquisitions becoming fully amortized over the last year.

Income from termination fee received

In July 2016, we received a $60.0 million termination fee from Polycom in connection with the termination of the transaction as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above. The fee was recorded as income in the third quarter of 2016.

Operating Income

We reported operating income of $49.8 million for the year ended December 31, 2016 compared to $16.3 million for the year ended December 31, 2015. The increase in operating income was driven by income from termination fee received in connection with the terminated Polycom acquisition, which was in excess of the special charges and restructuring costs recorded related to the transaction. Excluding special charges and restructuring costs and the income from the termination fee, operating income for the year ended December 31, 2016 decreased by $3.2 million compared with the 2015 comparable period primarily due to lower revenues, which were offset by a higher gross margin percentage and lower amortization of acquired intangibles, as described above.

Non-Operating Expenses

Interest Expense

Net proceeds from the sale of the Mobile business unit (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above) are expected to be used to repay our outstanding term loan. As a result, interest on the estimated net proceeds has been reclassified, along with the operations of the Mobile business unit, to discontinued operations for the years ended December 31, 2016 and 2015.

Interest expense for continuing operations was $16.8 million for the year ended December 31, 2016 compared to $17.8 million for the year ended December 31, 2015. In addition, for the year ended December 31, 2016, interest expense of $22.0 million was reclassified as discontinued operations, which consists of interest expense on the approximate $350.0 million of term loan that is expected to be repaid in connection with the sale of the Mobile business unit (year ended December 31, 2015 - $14.6 million of interest expense).

The increase in total interest expense was due to higher debt levels and a higher interest rate margin as the result of the refinancing of our credit facilities in April 2015.

Our interest expense for the first four months of the year ended December 31, 2015 related primarily to our January 2014 Credit Facilities (as described in note 13 to the Consolidated Financial Statements) that initially consisted of a $355.0 million term loan that bore interest based on the LIBOR (subject to a 1.00% floor), plus 4.25%. Our interest expense for the last eight months of the year ended December 31, 2015 and the full year ended December 31, 2016 related to our April 2015 Credit Facilities (as described in note 13 to the Consolidated Financial Statements) that initially consisted of a $660.0 million term loan that bore interest based on the LIBOR (subject to a 1.00% floor), plus 4.50%.

For the years ended December 31, 2016 and 2015, the average LIBOR applicable to our credit agreements was below the LIBOR floors and therefore the LIBOR floors were applicable.

Our interest expense may fluctuate from period to period depending on the movement in the LIBOR, when the LIBOR is above the 1.00 % floor in our April 2015 Credit Facilities and depending on our level of indebtedness.

Debt Retirement and Other Debt Costs

We recorded debt retirement costs of $2.1 million for the year ended December 31, 2016 due to write-offs of the pro-rata share of unamortized debt issue costs and original issue discount as a result of $65.1 million of prepayments of our term loan made during 2016, as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above.

We recorded debt retirement costs of $9.6 million for the year ended December 31, 2015 primarily as a result of the refinancing of our credit agreement in April 2015 as well as prepayments of our credit facilities during 2015. In the first quarter of 2015, we recorded debt retirement and other debt costs of $0.7 million relating to a write-off of the pro-rata share of unamortized debt issue costs and original issue discount as a result of a $25.0 million prepayment of our term loan in February 2015. In the second quarter of 2015, we recorded debt retirement and other debt costs of $8.4 million relating to a write-off of the unamortized debt issue costs and unamortized original issue discount as a result of the repayment of our prior credit facilities in April 2015. In the third quarter of 2015, we recorded debt retirement and other debt costs of $0.5 million for expenses relating to the September 2015 amendment of our April 2015 Credit Facilities as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above.

Other Income

For the year ended December 31, 2016, we recorded other income of $2.8 million compared to other income of $20.7 million during the year ended December 31, 2015. The other income for the years ended December 31, 2016 and 2015 was primarily due to foreign exchange gains of $1.9 million and $18.8 million, respectively. The $18.8 million foreign exchange gains for the year ended December 31, 2015 related primarily to intercompany balances and were fully offset by foreign currency translation adjustments recorded in other comprehensive loss, resulting in no net economic effect to the Company.

Income Tax Recovery (Expense)

We recorded a net tax recovery of $1.3 million for the year ended December 31, 2016 compared to a net tax expense of $3.1 million for the year ended December 31, 2015. The tax recovery was primarily due to research and development tax credits and the tax effect of restructuring.

During the years ended December 31, 2016 and December 31, 2015, there was no significant change in our assessment of the likelihood of the Company's ability to generate future taxable income to realize deferred tax assets in various jurisdictions. At December 31, 2016, there continues to be a valuation allowance of $27.3 million (December 31, 2015 — $28.2 million) against deferred tax assets, primarily in the U.K. and the U.S. Future changes in estimates of taxable income could result in a significant change to the valuation allowance.

Net Income from Continuing Operations

Our net income from continuing operations for the year ended December 31, 2016 was $35.0 million compared to net income of $6.5 million for the year ended December 31, 2015. The increase in net income from continuing operations was due primarily to higher operating income and lower debt retirement costs, partially offset by lower other income, as described above.

Net Loss from Discontinued Operations, net of income tax

In December 2016, Mitel entered into a definitive agreement to divest the Mobile business unit and, on February 28, 2017, the sale was completed (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above). As a result, the operations of the Mobile business unit have been reported on the consolidated statements of operations as discontinued operations. Summarized financial information for the Mobile business unit, up to the date of sale, are shown below, in millions:

	Year ended December 31, 2016	Year ended December 31, 2015 (1)
Operations		
Revenues	$ 186.4	$ 131.9
Loss from discontinued operations, before taxes	(266.6)	(40.9)
Income tax recovery	14.3	13.7
Net loss from discontinued operations, net of tax	$ (252.3)	$ (27.2)

(1) Represents the operations of the Mobile business unit from the date of acquisition of April 29, 2015.

Revenues for the mobile business unit increased from $131.9 million in fiscal 2015 to $186.4 in 2016. A portion of the increase is due to fiscal 2015 including results of operations only from the time of acquisition of the Mobile business unit on April 29, 2015. On a pro-forma basis, including the operations of the Mobile business unit for a full twelve months of operations in 2015, Mobile business unit revenues were $176.2 million. The increase in revenues in 2016 when compared to the pro forma results for 2015 is due primarily to new installations.

For the year ended December 31, 2016, the loss from discontinued operations, before taxes, consists of a loss from operations of $31.9 million, interest expense of $22.0 million, other income of $0.1 million and an impairment of goodwill of $212.8 million, as described under critical accounting policies, below. For the year ended December 31, 2015, the loss from discontinued operations, before taxes, consists of a loss from operations of $26.5 million, interest expense of $14.6 million and other income of $0.2 million.

Interest expense was allocated to discontinued operations based on the approximate $350.0 million of term loan that is expected to be repaid in connection with the sale of the Mobile business unit.

Further information on the divestiture is included in note 4 to the Consolidated Financial Statements.

Net Loss

Our net loss for the year ended December 31, 2016 was $217.3 million compared to a net loss of $20.7 million for the year ended December 31, 2015. The increase in net loss was due to the higher net loss from discontinued operations, which offset higher income from continuing operations, as described above.

Segment income

Enterprise segment income for the year ended December 31, 2016 was $99.9 million compared to $115.2 million for the year ended December 31, 2015. The decrease in Enterprise segment income was due to lower revenues, as described above, which were partially offset by lower SG&A and R&D costs due to restructuring and integration activities.

Cloud segment income for the year ended December 31, 2016 was $8.6 million compared to $2.2 million for the year ended December 31, 2015. The increase in Cloud segment income was due to higher revenues and gross margin percentage, as described above, which were partially offset by higher SG&A costs to support Cloud growth sales initiatives and higher R&D costs due to additional spend on cloud-related projects.

Also included in segment income are unallocated corporate costs. These costs represent costs previously allocated to the Mobile business unit that have not been reclassified to discontinued operations as they are not included in the business unit being sold. The unallocated corporate costs were $11.9 million for the year ended December 31, 2016 compared to $3.5 million for the year ended December 31, 2015. The increase in costs was due to a full year of operations of the Mobile business unit in 2016 as well as a higher allocation of corporate costs in 2016 as certain support functions moved to a corporate shared-services model in 2016.

Our segment income is further described in note 22 to the Consolidated Financial Statements.

Other Comprehensive Income (Loss)

Other comprehensive loss for the year ended December 31, 2016 includes a loss of $22.2 million related to pension liability adjustments and a loss of $1.5 million due to foreign currency translation adjustments. The increase in pension liability and corresponding other comprehensive loss was primarily due to an increase in the projected benefit obligation from a decrease in the discount rates. The discount rate assumption was determined using prevailing rates available on high-quality, fixed income debt instruments in the jurisdiction of each respective plan.

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Other comprehensive loss of $21.0 million for the year ended December 31, 2015 was due primarily to foreign currency translation adjustments of $29.1 million as result of significant changes in foreign currency exchange rates during the year, in particular the Euro and the British pound weakening against the U.S. dollar.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, was $161.6 million for the year ended December 31, 2016 compared to $168.1 million for the year ended December 31, 2015, a decrease of $6.5 million. The decrease was driven by lower Adjusted EBITDA from continuing operations. Adjusted EBITDA from continuing operations was $129.6 million for the year ended December 31, 2016 compared to $149.1 million for the year ended December 31, 2015, a decrease of $19.5 million. The decrease was primarily due to lower sales in our Enterprise segment, as described above. Adjusted EBITDA from discontinued operations was $32.0 million for the year ended December 31, 2016 compared to $19.0 million for the year ended December 31, 2015, an increase of $13.0 million. The increase was due primarily to 2016 including a full year of operations of the Mobile business unit, while 2015 only included the results of operations since the date of acquisition, April 29, 2015, as well as higher revenues, as described above.

For a definition and explanation of Adjusted EBITDA and why we believe it is useful in evaluating our financial condition, as well as a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, see Item 6, *"Selected Financial Data"* .

Results of Operations — Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table sets forth our comparative results of operations, both in dollars and as a percentage of total revenues:

	Year Ended December 31,				Change	
	2015		2014			
	Amounts	% of Revenue	Amounts	% of Revenue	Amount	%
	(in millions, except percentages and per share amounts)					
Revenues	$1,025.8	100.0%	$1,104.0	100.0%	$ (78.2)	(7.1)
Cost of revenues	480.6	46.9%	513.9	46.5%	(33.3)	(6.5)
Gross margin	545.2	53.1%	590.1	53.5%	(44.9)	(7.6)
Selling, general and administrative	331.0	32.3%	344.7	31.2%	(13.7)	(4.0)
Research and development	102.2	10.0%	118.3	10.7%	(16.1)	(13.6)
Special charges and restructuring costs	47.5	4.6%	72.7	6.6%	(25.2)	(34.7)
Amortization of acquisition-related intangible assets	48.2	4.7%	53.4	4.8%	(5.2)	(9.7)
	528.9	51.6%	589.1	53.4%	(60.2)	(10.2)
Operating income	16.3	1.6%	1.0	0.1%	15.3	*
Interest expense	(17.8)	(1.7)%	(21.0)	(1.9)%	3.2	(15.2)
Debt retirement costs	(9.6)	(0.9)%	(16.2)	(1.5)%	6.6	*
Other income	20.7	2.0%	6.0	0.5%	14.7	*
Income tax recovery (expense)	(3.1)	(0.3)%	22.9	2.1%	(26.0)	*
Net income (loss) from continuing operations	6.5	0.6%	$ (7.3)	(0.7)%	13.8	*
Net loss from discontinued operations, net of income tax	(27.2)	(2.7)%	—	—	(27.2)	*
Net loss	$ (20.7)	(2.0)%	$ (7.3)	(0.7)%	$ (13.4)	*
Adjusted EBITDA (a non-GAAP measure)						
Adjusted EBITDA from continuing operations	$ 149.1	14.5%	$ 166.9	15.1%	$ (17.8)	(10.7)
Adjusted EBITDA from discontinued operations	19.0	1.9%	—	—	19.0	*
Adjusted EBITDA	$ 168.1	16.4%	$ 166.9	15.1%	$ 1.2	0.7
Net income (loss) per common share — Basic						
Net income (loss) per share from continuing operations	$ 0.06		$ (0.08)			
Net loss per share from discontinued operations	$ (0.24)		$ —			
Net loss per common share	$ (0.18)		$ (0.08)			
Net income (loss) per common share — Diluted						
Net income (loss) per share from continuing operations	$ 0.06		$ (0.08)			
Net loss per share from discontinued operations	$ (0.24)		$ —			
Net loss per common share	$ (0.18)		$ (0.08)			

* The comparison is not meaningful

Revenues

The following tables set forth revenues by business segment in dollars and as a percentage of total revenues:

	Year ended December 31,				Change	
	2015		2014			
	Revenues	% of Revenues	Revenues	% of Revenues	Amount	%
	(in millions, except percentages)					
Enterprise segment — product	$ 594.1	57.8%	$ 708.5	63.7%	$(114.4)	(16.1)
Enterprise segment — recurring	192.2	18.7%	196.2	17.6%	(4.0)	(2.0)
Enterprise segment — service	86.3	8.4%	94.0	8.4%	(7.7)	(8.2)
Cloud segment — product	48.8	4.7%	29.1	2.6%	19.7	67.7
Cloud segment — recurring	104.8	10.2%	84.3	7.6%	20.5	24.3
Cloud segment — service	2.5	0.2%	1.0	0.1%	1.5	*
	1,028.7	100.0%	1,113.1	100.0%	(84.4)	(7.6)
Enterprise segment — purchase accounting adjustments	(2.9)		(9.1)		6.2	*
	$1,025.8		$1,104.0		$ (78.2)	(7.1)

* The comparison is not meaningful.

Our reported results include the operations of Aastra from the date of acquisition of January 31, 2014, as discussed in " *Significant Events and Recent Developments — 2014* " under the " *Overview* " section above. For discussion and analysis purposes, results for the year ended December 31, 2014 referred to below include Aastra's results of operations for the month of January 2014 on a pro-forma basis.

Excluding the effect of purchase accounting, our revenues for the year ended December 31, 2015 were $1,028.7 million, a decrease of $121.4 million or 10.6% when compared to the results for the year ended December 31, 2014, including the January 2014 results of Aastra on a pro-forma basis. The decrease in revenues was largely due to a general weakening of foreign currencies when compared against the U.S. dollar. In particular, the Euro and British pound sterling were weaker against the U.S. dollar by an average of 16.7% and 7.4%, respectively in the year ended December 31, 2015 when compared to the year ended December 31, 2014. We estimate that the change in foreign exchange rates accounted for an absolute 8.6% of the 10.6% decrease in revenues.

Enterprise Segment

For the year ended December 31, 2015, Enterprise segment product revenues decreased by $141.0 million, or 19.2%, to $594.1 million when compared to the year ended December 31, 2014, including the results of Aastra for January 2014. The decrease was driven primarily as a result of the unfavorable impact of foreign exchange rates and customers migrating to our cloud solutions, with monthly payments over a fixed term (our cloud recurring model).

For the year ended December 31, 2015, Enterprise segment recurring revenues decreased by $10.2 million, or 5.0%, to $192.2 million when compared to the year ended December 31, 2014 including the results of Aastra for January 2014 and Enterprise segment service revenues decreased by $10.2 million, or 10.6%, to $86.3 million largely driven by the unfavorable effects of changes in foreign currency exchange rates.

Enterprise segment purchase accounting adjustments relate to purchase accounting for deferred revenue. In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions is recorded on the opening balance sheet at an amount that is generally lower than the historical carrying value. Although this purchase accounting adjustment has no impact on the Company's business or cash flow, it adversely impacts the Company's reported GAAP revenue in the reporting periods following an acquisition.

Cloud segment

For the year ended December 31, 2015, Cloud segment product revenues increased by $19.7 million to $48.8 million and Cloud segment recurring revenues increased by $20.5 million to $104.8 million. The increased revenue in fiscal 2015 resulted primarily from both new and existing customers transitioning to the cloud.

Gross Margin

The following table sets forth gross margin, both in dollars and as a percentage of revenues:

	Year ended December 31,				Change	
	2015		2014			
	Gross Margin	% of Segment Revenues	Gross Margin	% of Segment Revenues	Amount	Absolute %
	(in millions, except percentages)					
Enterprise segment – product	$329.7	55.5%	$405.9	57.3%	$ (76.2)	(1.8)
Enterprise segment – recurring	110.5	57.5%	101.9	51.9%	8.6	5.6
Enterprise segment – service	29.7	34.4%	33.6	35.7%	(3.9)	(1.3)
Cloud segment – product	27.2	55.7%	16.4	56.4%	10.8	(0.7)
Cloud segment – recurring	49.7	47.4%	40.9	48.5%	8.8	(1.1)
Cloud segment – service	1.3	52.0%	0.5	50.0%	0.8	2.0
	548.1	53.3%	599.2	53.8%	(51.1)	(0.5)
Enterprise segment – purchase accounting adjustments	(2.9)	*	(9.1)	*	6.2	*
	$545.2	53.1%	$590.1	53.5%	$ (44.9)	(0.4)

* The comparison is not meaningful.

For the year ended December 31, 2015, Enterprise segment product gross margin percentage decreased by an absolute 1.8% to 55.5% compared to 57.3% for the year ended December 31, 2014. For the year ended December 31, 2015, Enterprise segment service gross margin percentage decreased by an absolute 1.3% to 34.4% compared to 35.7% for the year ended December 31, 2014. The decreases are primarily as a result of unfavorable foreign exchange rates (as a lower percentage of cost of sales is denominated in Euros and British pound sterling when compared to the percentage of revenues denominated in those currencies), which offset realized synergies relating to the acquisition of Aastra. For the year ended December 31, 2015, Enterprise segment recurring gross margin percentage increased by an absolute 5.6% to 57.5% compared to 51.9% for the year ended December 31, 2014 due to growth in software maintenance revenue, which generated a higher gross margin percentage.

Overall Cloud segment gross margin percentage remained relatively consistent for the year ended December 31, 2015 as compared to the year ended December 31, 2014.

Operating Expenses

Selling, General and Administrative ("SG&A")

SG&A expenses increased to 32.3% of revenues for the year ended December 31, 2015 compared to 31.2% of revenues for the year ended December 31, 2014, a decrease of $13.7 million in absolute dollars. Our SG&A expenses for the year ended December 31, 2015 included $11.2 million of stock-based compensation expense (year ended December 31, 2014 — $6.1 million). The increase in stock-based compensation was due to the additional expense from restricted stock units granted during the year.

SG&A expenses were $331.0 million, or 32.3% of revenues for the year ended December 31, 2015 compared to $358.4 million, or 31.4% for the year ended December 31, 2014 on a pro-forma basis including the January 2014 results of Aastra. The decrease in SG&A in absolute dollars was primarily due to realized synergies from the integration of Aastra as well as the effect of changes in foreign currency exchange rates due to the stronger U.S dollar in 2015 when compared to 2014.

Research and Development

R&D expenses decreased to 10.0% of revenues for the year ended December 31, 2015 compared to 10.7% of revenues for the year ended December 31, 2014 on an as-reported basis and compared to 10.9% of revenues in the year ended December 31, 2014 on a pro-forma basis including the January 2014 results of Aastra. The decrease in R&D in absolute dollars was primarily due to realized synergies from the integration of Aastra as well as the effect of changes in foreign currency exchange rates due to the stronger U.S dollar in 2015 when compared to 2014.

Special Charges and Restructuring Costs

Special charges and restructuring costs of $47.5 million were recorded in the year ended December 31, 2015. The costs consisted of $16.4 million of employee-related charges, $1.7 million of facility-reduction related charges, $16.9 million of integration-related charges and $12.5 million of acquisition-related charges. The employee-related charges consisted of costs related to headcount reductions of approximately 150 people, primarily in North America and Europe. Facility-reduction related charges consisted primarily of lease termination obligations for facilities, primarily in North America. Integration-related charges primarily consist of professional fees and incidental costs relating to integrations. Acquisition-related charges consisted primarily of legal and advisory fees incurred to close the acquisition of Mavenir.

Special charges and restructuring costs of $72.7 million were recorded in the year ended December 31, 2014. The costs consisted of $37.0 million of workforce reduction-related charges, $5.4 million of facility-reduction related charges, $25.3 million of integration-related charges as well as $5.0 million of acquisition-related charges. The employee-related charges consisted of costs related to headcount reductions of approximately 350 people, primarily in North America and Europe. Facility-related charges consisted primarily of lease termination obligations for facilities, primarily in North America. Integration-related charges consisted primarily of professional fees and incidental costs relating to the integration of the Aastra business. Acquisition-related charges consisted primarily of legal and advisory fees incurred to close the acquisition of Aastra in January 2014.

Amortization of acquisition-related intangible assets

In the year ended December 31, 2015 amortization of acquisition-related intangible assets decreased to $48.2 million compared to $53.4 million for the year ended December 31, 2014. The decrease is due primarily to certain acquired intangible assets from historical acquisitions becoming fully amortized over the last year.

Operating Income

We reported operating income of $16.3 million for the year ended December 31, 2015 compared to operating income of $1.0 million for the year ended December 31, 2014. The higher operating income was primarily due to lower operating expenses, amortization of acquisition-related intangible assets and special charges and restructuring costs, which were partially offset by lower gross margin due to lower sales.

Non-Operating Expenses

Interest Expense

Net proceeds from the sale of the Mobile business unit (as discussed in “ *Significant Events and Recent Developments — 2016* ” under the “ *Overview* ” section above) are expected to be used to repay our outstanding term loan. As a result, interest on the estimated net proceeds has been reclassified, along with the operations of the Mobile business unit, to discontinued operations for the years ended December 31, 2016 and 2015.

Interest expense for continuing operations was $17.8 million for the year ended December 31, 2015 compared to $21.0 million for the year ended December 31, 2014. The decrease in interest expense was due to lower debt levels relating to continuing operations due to debt repayments, partially offset by a higher interest rate margin as the result of the refinancing of our credit facilities in April 2015.

Our interest expense for the year ended December 31, 2015 excludes $14.6 million of interest expense relating to discontinued operations, which consists of interest expense on the approximate $350.0 million of term loan that is expected to be repaid in connection with the sale of the Mobile business unit.

Our interest expense for the first four months of the year ended December 31, 2015 and for the last 11 months of the year ended December 31, 2014 related primarily to our January 2014 Credit Facilities (as described in note 13 to the Consolidated Financial Statements) that initially consisted of a $355.0 million term loan that bore interest based on the LIBOR (subject to a 1.00% floor), plus 4.25%. Our interest expense for the last eight months of the year ended December 31, 2015 relates to our April 2015 Credit Facilities (as described in note 13 to the Consolidated Financial Statements) that initially consisted of a $660.0 million term loan that bore interest based on the LIBOR (subject to a 1.00% floor), plus 4.50%.

For the years ended December 31, 2015 and 2014, the average LIBOR applicable to our credit agreements was below the LIBOR floors and therefore the LIBOR floors were applicable.

Debt Retirement and Other Debt Costs

We recorded debt retirement costs of $9.6 million for the year ended December 31, 2015 primarily as a result of the refinancing of our credit agreement in April 2015 as well as prepayments of our credit facilities during 2015. In the first quarter of 2015, we recorded debt retirement and other debt costs of $0.7 million relating to a write-off of the pro-rata share of unamortized debt issue costs and original issue discount as a result of a $25.0 million prepayment of our term loan in February 2015. In the second quarter of 2015, we recorded debt retirement and other debt costs of $8.4 million relating to a write-off of the unamortized debt issue costs and unamortized original issue discount as a result of the repayment of our prior credit facilities in April 2015. In the third quarter of 2015, we recorded debt retirement and other debt costs of $0.5 million for expenses relating to the September 2015 amendment of our April 2015 Credit Facilities as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above.

We recorded debt retirement costs of $16.2 million for the year ended December 31, 2014 as a result of the refinancing of our credit agreement in January 2014 as well as prepayments of our then-existing credit facilities during 2014. In the first quarter of 2014, we recorded debt retirement costs of $14.7 million relating to the refinancing of our debt in January 2014. These costs consisted of $10.0 million of unamortized debt issue costs and unamortized original issue discount, $4.2 million of prepayment fees relating to repaying our prior credit facilities and $0.5 million of other costs relating to the refinancing. In the second and third quarters of 2014, we recorded debt retirement costs of $0.8 million and $0.7 million, respectively, relating to write-offs of the pro-rata share of unamortized debt issue costs and original issue discount as a result of two $25.0 million prepayments of our then-existing term loan made in May 2014 and August 2014.

Other Income (Expense)

For the year ended December 31, 2015, we recorded other income of $20.7 million compared to other income of $6.0 million during the year ended December 31, 2014. The other income for the years ended December 31, 2015 and 2014 was primarily due to foreign exchange gains of $18.8 million and $3.9 million, respectively. The $18.8 million foreign exchange gains for the year ended December 31, 2015 related primarily to intercompany balances and were fully offset by foreign currency translation adjustments recorded in other comprehensive loss, resulting in no net economic effect to the Company.

Income Tax Recovery

We recorded a net tax expense of $3.1 million for the year ended December 31, 2015 compared to a net tax recovery of $22.9 million for the year ended December 31, 2014. The tax recovery for year ended December 31, 2014 was primarily due to research and development tax credits and the tax effect of restructuring charges.

During the years ended December 31, 2015 and December 31, 2014, there was no significant change in our assessment of the likelihood of the Company's ability to generate future taxable income to realize deferred tax assets in various jurisdictions.

Net Income (Loss) from Continuing Operations

Our net income from continuing operations for the year ended December 31, 2015 was $6.5 million compared to a net loss from continuing operations $7.3 million for the year ended December 31, 2014. The increase in net income from continuing operations was due to higher operating income and higher other income, partially offset by a lower income tax recovery, as described above.

Net Loss from Discontinued Operations, net of income tax

In December 2016, Mitel entered into a definitive agreement to divest the Mobile business unit and, on February 28, 2017, the sale was completed (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above). The net loss from discontinued operations of $27.2 million in fiscal 2015 consists of the operations of the Mobile business unit from date of acquisition of April 29, 2015.

Net Loss

Our net loss for the year ended December 31, 2015 was $20.7 million compared to $7.3 million for the year ended December 31, 2014. The increase in net loss was due primarily to the loss from discontinued operations.

Segment income

Enterprise segment income for the year ended December 31, 2015 was $115.2 million compared to $131.3 million for the year ended December 31, 2014. The decrease in Enterprise segment income was due to lower revenues, as described above, which were partially offset by lower SG&A and R&D costs due to restructuring and integration activities and changes in foreign exchange rates during the year.

Cloud segment income for the year ended December 31, 2015 was $2.2 million compared to a segment loss of $2.1 million for the year ended December 31, 2014. The increase in Cloud segment income was due to higher revenues, as described above, which was partially offset by higher SG&A costs to support Cloud growth sales initiatives and higher R&D costs due to additional spend on cloud-related projects.

Also included in segment income are unallocated corporate costs. These costs represent costs previously allocated to the Mobile business unit that have not been reclassified to discontinued operations as they are not included in the business unit being sold. The unallocated corporate costs were $3.5 million for the year ended December 31, 2015, which represent the costs allocated to the Mobile business unit from the date of its acquisition, April 29, 2015.

Our segment income is further described in note 22 to the Consolidated Financial Statements.

Other Comprehensive Income (Loss)

Other comprehensive loss of $21.0 million for the year ended December 31, 2015 was due primarily to foreign currency translation adjustments of $29.1 million as result of significant changes in foreign currency exchange rates during the year, in particular the Euro and the British pound weakening against the U.S. dollar.

Other comprehensive loss of $67.4 million for the year ended December 31, 2014 was due primarily to pension liability adjustments of $53.9 million for our defined benefit pension plans. In particular, we recorded an increase in all defined benefit obligations due to a decrease in the discount rate used to value the obligations. The discount rate assumption was determined using prevailing rates available on high-quality, fixed income debt instruments in the jurisdiction of each respective plan.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP measure, was $168.1 million for the year ended December 31, 2015 compared to $166.9 million for the year ended December 31, 2014, an increase of $1.2 million. The increase was driven primarily by Adjusted EBITDA from discontinued operations. Adjusted EBITDA from discontinued operations was $19.0 million for the year ended December 31, 2015, which consisted of the operations of the Mobile business unit from the date of acquisition, April 29, 2015.

Adjusted EBITDA from continuing operations was $149.1 million for the year ended December 31, 2015 compared to $166.9 million for the year ended December 31, 2014, a decrease of $17.8 million. The decrease was primarily due to lower sales in our Enterprise segment driven by changes in foreign exchange rates, in particular the weakening of the Euro and British pound against the U.S. dollar.

For a definition and explanation of Adjusted EBITDA and why we believe it is useful in evaluating our financial condition, as well as a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net income, see Item 6, *“Selected Financial Data”* .

Cash Flows — Comparison of the Year Ended December 31, 2016 to Year Ended December 31, 2015

Below is a summary of results of cash flows and a discussion of results for the year ended December 31, 2016 compared to the year ended December 31, 2015.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Change
	(in millions)		
Net cash provided by (used in)			
Operating activities	$ 99.7	$ 54.6	$ 45.1
Investing activities	(17.3)	(362.9)	345.6
Financing activities	(69.0)	292.8	(361.8)
Effect of exchange rate changes on cash and cash equivalents	(4.2)	(4.2)	—
Increase (decrease) in cash and cash equivalents	$ 9.2	$ (19.7)	$ 28.9
Total cash and cash equivalents, end of year	$ 100.8	$ 91.6	$ 9.2

Cash Provided by Operating Activities

Cash generated from operating activities for the year ended December 31, 2016 was $99.7 million compared with $54.6 million for the year ended December 31, 2015. The higher cash flows from operations was largely due to the year ended December 31, 2015 having unfavorable changes in non-cash assets and liabilities, in particular due to changes in accounts payable and accrued liabilities due to the timing of cash payments.

Cash Used in Investing Activities

Net cash used for investing activities was $17.3 million for the year ended December 31, 2016 compared to net cash used of $362.9 million for the year ended December 31, 2015.

The cash used for investing for the year ended December 31, 2016 consisted of additions to property, plant and equipment.

The cash used in investing activities for the year ended December 31, 2015 consists of $346.7 million for acquisitions, consisting of $343.2 million for the April 2015 acquisition of Mavenir (cash paid of $353.3 million, net of cash acquired of $10.1 million) and $3.5 million for the June 2015 acquisition of Tiger (cash paid of $4.8 million net of cash acquired of $1.3 million), as well as additions to property, equipment and intangible assets of $16.2 million.

Cash Provided by (Used in) Financing Activities

For the year ended December 31, 2016, net cash used in financing activities was $69.0 million, compared to cash provided by financing activities of $292.8 million for the year ended December 31, 2015.

The use of cash for the year ended December 31, 2016 consisted primarily of repayments of our term loan during the year as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above.

The cash provided by financing activities in the year ended December 31, 2015 consisted primarily of net proceeds from the April 2015 refinancing as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above, partially offset by a $25.0 million repayment of our then-existing term loan made in February 2015.

During the year ended December 31, 2016, we drew and subsequently repaid various amounts of up to $21.0 million on our revolving facility. The total of all amounts drawn and subsequently repaid during the year was $83.0 million (years ended December 31, 2015 and 2014 — $21.0 million and nil, respectively).

Effect of Exchange Rate Changes on Cash

Our overall cash position was also impacted by exchange rate changes during the period, which decreased cash by $4.2 million for the year ended December 31, 2016 compared to a decrease of $4.2 million for the year ended December 31, 2015.

Cash Flows — Comparison of the Year Ended December 31, 2015 to Year Ended December 31, 2014

Below is a summary of results of cash flows and a discussion of results for the year ended December 31, 2015 compared to the year ended December 31, 2014.

	Year Ended December 31, 2015	Year Ended December 31, 2014	Change
		(in millions)	
Net cash provided by (used in)			
Operating activities	$ 54.6	$ 72.5	$ (17.9)
Investing activities	(362.9)	(21.7)	(341.2)
Financing activities	292.8	28.0	264.8
Effect of exchange rate changes on cash and cash equivalents	(4.2)	(7.7)	3.5
Increase (decrease) in cash and cash equivalents	$ (19.7)	$ 71.1	$ (90.8)
Cash and cash equivalents, end of year	$ 91.6	$ 111.3	$ (19.7)

Cash Provided by Operating Activities

Cash generated from operating activities for the year ended December 31, 2015 was $54.6 million compared with $72.5 million for the year ended December 31, 2014. The lower cash flows from operations was largely due to unfavorable changes in non-cash operating assets and liabilities, in particular accounts payable and accrued liabilities due to the timing of cash payments.

Cash Used in Investing Activities

Net cash used for investing activities was $362.9 million for the year ended December 31, 2015 compared to net cash used of $21.7 million for the year ended December 31, 2014.

The cash used in investing activities for the year ended December 31, 2015 consists of $346.7 million for acquisitions, consisting of $343.2 million for the April 2015 acquisition of Mavenir (cash paid of $353.3 million, net of cash acquired of $10.1 million) and $3.5 million for the June 2015 acquisition of Tiger (cash paid of $4.8 million net of cash acquired of $1.3 million), as well as additions to property, equipment and intangible assets of $16.2 million.

The cash used in investing activities for the year ended December 31, 2014 consists of $8.2 million for acquisitions consisting of $0.6 million for the January 2014 acquisition of Aastra (cash paid of $80.0 million, net of cash acquired of $79.4 million) and $7.6 million for the March 2014 acquisition of Oaisys (cash paid of $7.9 million net of cash acquired of $0.3 million), as well as additions to property, equipment and intangible assets of $13.5 million.

Cash Provided by (Used in) Financing Activities

For the year ended December 31, 2015, net cash provided by financing activities was $292.8 million, compared to cash provided by financing activities of $28.0 million for the year ended December 31, 2014.

The cash provided by financing activities in the year ended December 31, 2015 consisted primarily of net proceeds from the April 2015 refinancing as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above, partially offset by a $25.0 million repayment of our then-existing term loan made in February 2015.

Cash provided by financing for the year ended December 31, 2014 consists primarily of net proceeds from the January 2014 refinancing, partially offset by the $25.0 million prepayment of our term loan made in August 2014 and the $25.0 million prepayment of our term loan made in May 2014. The proceeds from the new credit facility of $353.2 million were partially offset by repayments of the prior credit facilities of $258.5 million as well as fees and costs related to the refinancing of $15.2 million.

Effect of Exchange Rate Changes on Cash

Our overall cash position was also impacted by exchange rate changes during the period, which decreased cash by $4.2 million for the year ended December 31, 2015 compared to a decrease of $7.7 million for the year ended December 31, 2014.

Liquidity and Capital Resources

As of December 31, 2016, our liquidity consisted primarily of cash and cash equivalents of continuing operations of $97.3 million and an undrawn $50.0 million revolving credit facility. At December 31, 2016, we had $591.6 million outstanding under our term loan and had stated shareholders' equity of $382.9 million.

We expect to repay approximately $350.0 million of our term loan with proceeds from the sale of the Mobile business unit, (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above).

Cash and Cash Equivalents

At December 31, 2016 and December 31, 2015, our cash equivalents consist of short-term, investment-grade commercial paper and government debt. We classify our cash equivalents as current based on their nature and their availability for use in current operations.

We follow an investment policy where our excess cash is invested in investment-grade commercial paper and government debt, generally with a maturity of less than three months. There is no limit on the investments in the federal governments of Canada, the U.S. or the U.K. We diversify our portfolio by limiting the amount invested in any other single institution.

April 2015 Credit Facilities

In April 2015, in conjunction with the acquisition of Mavenir (as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above), we refinanced our senior credit facilities. The new credit facilities consist of a $660.0 million term loan and a $50.0 million revolving facility (the "April 2015 Credit Facilities"). Proceeds of $653.4 million (net of original discount of $6.6 million), along with cash on hand, were used to repay the remaining $279.1 million outstanding on the then-existing credit facilities, the remaining $26.9 million principal outstanding under Mavenir's prior credit facilities, for the cash consideration paid for the acquisition of Mavenir (as described in note 3 to the Consolidated Financial Statements), as well as accrued interest, fees and expenses in connection with the refinancing and the acquisition of Mavenir.

In September 2015, we amended the April 2015 Credit Facilities to provide the Company with additional operating flexibility. The amendment included, in part, an increase in the maximum Leverage Ratio financial covenant for the fiscal quarters ending September 30, 2015, December 31, 2015 and March 31, 2016, as described below, and an increase to the applicable margin on the term loan.

The revolving credit facility bears interest at LIBOR plus an applicable margin, which is initially 4.0%, or, at the option of the Company, a base rate plus an applicable margin, and matures in April 2020. We may borrow Canadian dollars under the revolving credit facility. Such borrowings bear interest at the Canadian prime rate plus an applicable margin. The term loan bears interest at LIBOR (subject to a 1.0% floor) plus 4.5% or, at the option of the Company, a base rate plus an applicable margin, and matures in April 2022. The term loan requires quarterly principal repayments of 0.25% of the original outstanding principal.

We are also required to make annual principal repayments on the term loan based on a percentage of excess cash flow (as defined in the April 2015 Credit Facilities). The annual excess cash flow repayments are required to be paid within 100 days of the end of the fiscal year. The first annual excess cash flow payment is required to be paid within 100 days of December 31, 2016. At December 31, 2016, the expected excess cash flow payment was $11.3 million.

We can make prepayments on the term loan without premium or penalty. Voluntary prepayments can be applied against our mandatory quarterly debt repayments.

The April 2015 Credit Facilities have customary default clauses, such that repayment of the credit facilities may be accelerated in the event of an uncured default. The proceeds from the issuance of debt, and proceeds from the sale of Company assets, may also be required to be used, in whole or in part, to make mandatory prepayments under the April 2015 Credit Facilities. The cash proceeds from the sale of the Mobile business unit (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above) are expected to be used to repay amounts outstanding under Mitel's existing credit facility.

The April 2015 Credit Facilities contain affirmative and negative covenants, including: (a) periodic financial reporting requirements, (b) a maximum ratio of Consolidated Total Debt (net of up to $75.0 million of unrestricted cash) to the trailing twelve months of Consolidated EBITDA, as specified in the April 2015 Credit Facilities ("Leverage Ratio"), (c) limitations on the incurrence of subsidiary indebtedness and also the borrowers themselves, (d) limitations on liens, (e) limitations on investments, (f) limitations on the payment of dividends and (g) limitations on capital expenditures. The maximum Leverage Ratio, as amended in September 2015, applies to the Company for the period ending September 30, 2015 and for all fiscal quarters thereafter until maturity, and is as follows:

Fiscal Quarters Ending	Maximum Consolidated Leverage Ratio
September 30, 2015 through December 31, 2015	5.25:1.00
March 31, 2016	4.75:1.00
June 30, 2016 through September 30, 2016	4.25:1.00
December 31, 2016 through September 30, 2017	3.25:1.00
December 31, 2017 through September 30, 2018	3.00:1.00
December 31, 2018 through September 30, 2019	2.75:1.00
December 31, 2019 and thereafter	2.50:1.00

The maximum Leverage Ratio, as amended in September 2015, and actual Leverage Ratio are as follows:

Period Ending	Maximum Leverage Ratio	Actual Leverage Ratio
September 30, 2015	5.25	3.87
December 31, 2015	5.25	4.23
March 31, 2016	4.75	3.89
June 30, 2016	4.25	4.10
September 30, 2016	4.25	2.87
December 31, 2016	3.25	2.98

For purposes of calculating the Leverage Ratio, the $60.0 million termination fee received in July 2016 from Polycom (as discussed in " *Significant Events and Recent Developments — 2016* " under the " *Overview* " section above) will be included in the calculation of the trailing twelve months Consolidated EBITDA, as specified in the April 2015 Credit Facilities, for the periods ending September 30, 2016, December 31, 2016, March 31, 2017 and June 30, 2017.

Defined Benefit Plans

We have defined benefit plans, primarily in the U.K., France, Germany and Switzerland. The total liability increased to $145.5 million at December 31, 2016 from $126.6 million at December 31, 2015 due primarily to a decrease in the discount rate during 2016.

Our defined benefit pension plan in the U.K. is in place for a number of our past and present employees in the U.K. The plan has been closed to new members since 2001 and closed to new service since 2012. The plan is partially funded. At December 31, 2016, the plan had an unfunded pension liability of $98.7 million (December 31, 2015 — $79.6 million). Contributions to fund the benefit obligations under this plan are based on actuarial valuations, which themselves are based on certain assumptions about the long-term operations of the plan, including the life expectancy of members, the performance of the financial markets and interest rates. The amount of annual employer contributions required to fund the pension deficit annually is determined every three years, in accordance with U.K. regulations and is based on a calendar year. In June 2013, the Company's annual funding requirement to fund the pension deficit for 2014 was determined to be $3.9 million (£3.2 million), and increases at an annual rate of 3% for the calendar years 2015 and 2016. In September 2016, the Company's annual funding requirement to fund the pension deficit was determined to be $6.7 million (£5.5 million) for the remainder of 2016 (on a pro-rata basis) and for 2017, 2018 and 2019.

We have a partially funded multiple-employer pension plan in Switzerland. In Switzerland, retirees generally benefit from the receipt of a perpetual annuity at retirement based on an accrued value at the date of retirement. The accrued value is related to the actual returns on contributions during the working period. At December 31, 2016, a liability of $22.6 million was recorded for Mitel's pro-rata share of the pension liability (December 31, 2015 – $22.1 million).

At December 31, 2016, we had unfunded pension liabilities in other jurisdictions, including France and Germany, totaling $24.2 million (December 31, 2015 – $24.9 million). In France, retirees generally benefit from a lump sum payment upon retirement or departure. In Germany, retirees generally benefit from the receipt of a perpetual annuity at retirement, based on their years of service and ending salary.

Liquidity

We believe that with our existing cash balances and undrawn revolving credit facility we will have sufficient liquidity to support our business operations for the next 12 months. However, we may elect to seek additional funding at any time. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent of spending on restructuring and integration actions, the timing and extent of spending to support product development efforts and expansion of sales and marketing, the timing of introductions of new products and enhancements to existing products, market acceptance of our products, changes in foreign exchange rates and the cost, timing and success of potential acquisitions. Additional equity or debt financing may not be available on acceptable terms or at all. In addition, any proceeds from the issuance of debt may be required to be used, in whole or in part, to make mandatory payments under the applicable existing credit agreement.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2016:

Contractual Obligations	Payments Due by Fiscal Year (in millions) 2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt obligations (1)	$64.6	$30.7	$30.7	$30.7	$30.7	$ 568.0	$755.4
Capital lease obligations (2)	5.5	3.7	2.4	1.1	—	—	12.7
Operating lease obligations (3)	21.1	16.0	11.8	9.5	5.6	10.9	74.9
Defined benefit plan contributions (4)	6.7	6.7	6.7	—	—	—	20.1
Other	1.8	1.0	—	—	—	—	2.8
Total	$99.7	$58.1	$51.6	$41.3	$36.3	$ 578.9	$865.9

(1) Represents the principal and interest payments on our term loan. Interest on our term loan is based on LIBOR plus 4.50% with LIBOR subject to a 1.00% floor. For the purposes of estimating the variable interest, the greater of the average 3-month LIBOR from the last three years (0.4%) and the LIBOR floor (1.00%) has been used. No amounts have been included for potential repayments relating to the annual repayment of excess cash flows after the current year as an estimate is not practicable. Long-term debt principal obligations for 2017 consist of the $22.6 million prepayment made in January 2017 and the estimated excess cash flow payment of $11.3 million due in April 2017. Long-term debt principal obligations for 2017 excludes proceeds of approximately $350.0 million from the sale of the Mobile business unit that are expected to be used to repay debt in the first quarter of 2017.

(2) Represents the principal and interest payments for capital lease obligations. Interest rates on these obligations range from 5.1% to 7.0%.

(3) Operating lease obligations exclude payments to be received by us under sublease arrangements.

(4) Represents the expected contribution to our U.K. defined benefit pension plan. The amount of annual employer contributions required to fund the U.K. plan's deficit is determined every three years in accordance with U.K. regulations. Future funding requirements after calendar year 2019 are dependent on the unfunded pension liability and the time period over which the deficit is amortized and have been excluded from the table. Total estimated employer cash contributions under the unfunded defined benefit plans in France and Germany and the multiple-employer plan in Switzerland are dependent on the timing of benefit payments and plan funding levels and have been excluded from the above tables. Further information on these plans is included in note 24 to the Consolidated Financial Statements.

Total contractual obligations listed do not include contractual obligations recorded on the balance sheet as current liabilities, except for those associated with a long-term liability. Contractual obligations also exclude $21.2 million of non-current tax liabilities primarily relating to uncertain tax positions due to the uncertainty of the timing of any potential payments.

Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations as, in many instances, purchase orders may represent authorizations to purchase rather than binding agreements.

Off-Balance Sheet Arrangements

We have the following significant off-balance sheet arrangements:

Letters of Credit

We had \$11.0 million in letters of credit, bank guarantees or similar instruments outstanding as of December 31, 2016 (December 31, 2015 — \$10.0 million), of which \$4.8 million relate to the discontinued operations of the Mobile business unit.

Intellectual Property Indemnification Obligations

We enter into agreements on a regular basis with customers and suppliers that include limited intellectual property indemnification obligations that are customary in the industry. These obligations generally require us to compensate the other party for certain damages and costs incurred as a result of third-party intellectual property claims arising from these transactions. The nature of these intellectual property indemnification obligations prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay to our customers and suppliers. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the Consolidated Financial Statements with respect to these obligations.

Off-balance Sheet Lease Obligations

We offer our customers lease financing and other services under our managed services offering. We fund this offering, which we have branded as the *TotalSolution* ® program, in part through the sale to financial institutions of rental payment streams under the leases. Such financial institutions have the option to require us to repurchase such income streams, subject to limitations, in the event of defaults by lease customers and, accordingly, we maintain reserves based on loss experience and past due accounts. In addition, such financial institutions have the option to require us to repurchase such income streams upon any uncured breach by us under the terms of the underlying sale agreements. At December 31, 2016, sold payments remaining unbilled net of lease recourse reserves, which represents the total balance of leases that is not included in our balance sheet, were \$38.3 million (December 31, 2015 — \$45.7 million).

Critical Accounting Policies

The preparation of our Consolidated Financial Statements and related disclosures in conformity with GAAP requires us to make estimates and assumptions about future events that can have a material impact on the amounts reported in our Consolidated Financial Statements and accompanying notes. The determination of estimates requires the use of assumptions and the exercise of judgment and as such actual results could differ from those estimated. Our significant accounting policies are described in note 2 to our Consolidated Financial Statements. The following critical accounting policies are those that we believe require a high level of subjectivity and judgment and have a material impact on our financial condition and operating performance:

Revenue Recognition

Our sales arrangements in all of our segments often involve multiple elements, including hardware, software, installation and other professional services and post-contract technical support. Unbundling the multiple-element arrangements using the relative selling price hierarchy requires a significant amount of judgment. In particular, to determine the relative selling price of each element in a multiple-element arrangement, we first determine whether Vendor Specific Objective Evidence (“VSOE”) of selling price exists for each element. Where VSOE of selling price does not exist for an element, we then look to third-party evidence of selling price. However, third-party evidence is not generally available as our product offerings differ from those of our competitors and competitor pricing is often not available. In such cases where VSOE and third-party evidence cannot establish a selling price, we estimate the selling price for an element by determining the price at which we would transact if the products or services were to be sold on a standalone basis. In establishing the estimated selling price, management judgment is involved and we consider a number of factors including, but not limited to, geographies, customer segments and pricing practices.

Sales-Type Leases

In a sales-type lease transaction, hardware revenues are recognized at the present value of the payments allocated to the equipment lease element at the time of system sale. The costs of systems installed under these sales-type leases are recorded as costs of sales. The net rental streams are sold to financial institutions on a regular basis with the income streams discounted by prevailing like-term rates at the time of sale. Gains or losses resulting from the resale of net rental payments from such leases are recorded as net sales. We establish and maintain reserves against potential recourse following the sale of sales-type leases based upon historical loss experience, past due accounts and specific account analysis. The allowance for uncollectible minimum lease payments and recourse liability at the end of the year represents reserves against the entire lease portfolio. Management reviews the adequacy of the allowance on a regular basis and adjusts the allowance as required. These reserves are either netted in the accounts receivable, netted in the current and long term components of "Net investments in sales-type leases" on the balance sheet, or, for off-balance sheet leases, recorded as a lease recourse liability and included in long term liabilities on our balance sheet.

Our total reserve for losses related to the entire lease portfolio, including amounts classified as accounts receivable on our balance sheet, was 4.7% of the ending aggregate lease portfolio as of December 31, 2016 compared to 4.4% at December 31, 2015. The reserve is based on a review of past write-off experience and a review of the accounts receivable aging as of December 31, 2016. We believe our reserves are adequate to cover future potential write-offs. Should, however, the financial condition of our customers deteriorate in the future, additional reserves in amounts that could be material to the financial statements could be required.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is based on our assessment of the collectability of customer accounts. A considerable amount of judgment is required in order to make this assessment, including a detailed analysis of the aging of our accounts receivable and the current credit worthiness of our customers and an analysis of historical bad debts and other adjustments. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than our historical experience, our estimate of the recoverability of amounts due could be adversely affected. We review in detail our allowance for doubtful accounts on a quarterly basis and adjust the allowance amount estimate to reflect actual portfolio performance and change in future portfolio performance expectations. As of December 31, 2016 and 2015, the provision represented 6.0% and 6.6% of gross receivables, respectively.

Goodwill

We assess goodwill for impairment on an annual basis, or more frequently if circumstances warrant. An impairment charge is recorded if the implied fair value of goodwill of a reporting unit is less than the carrying value of goodwill for that unit. At December 31, 2016, our reporting units were our reported operating segments: Enterprise, Cloud and Mobile.

Our methodology for estimating the fair value of the Enterprise and Cloud reporting units primarily considers estimated future revenues and cash flows for those reporting units along with many other assumptions, as quoted stock market prices are not available for these individual reporting units. Our valuation approach includes a detailed valuation analysis of both the Company as a whole and the reporting units.

In performing the annual goodwill impairment test we considered three generally accepted approaches for valuing a business: the income, market and cost approaches. Based on the nature of our business and the Enterprise and Cloud reporting units' current and expected financial performance, we determined that the market approach was the most appropriate method for estimating the fair value of these reporting units under the first step of the analysis. For the market approach, we analyzed the valuation indicators that our market capitalization implies, including enterprise value to EBITDA and enterprise value to revenue. Consideration of these factors inherently involves a significant amount of judgment, and significant changes in the underlying assumptions used may result in fluctuations in the value of goodwill that is supported.

We have historically performed our annual goodwill impairment test the first day of our fiscal fourth quarter. The result of our annual impairment tests, performed on October 1, 2016 and 2015, resulted in no impairment charge for our Enterprise and Cloud segments. The fair value of each of these reporting units exceeded its carrying value by a significant margin.

Erosion in capital markets, material reductions in our expected cash flow forecasts, significant reductions in our market capitalization or a significant decline in economic conditions, in addition to changes to the underlying assumptions used in our valuation approach described above, could all lead to future impairment in goodwill.

On December 18, 2016, Mitel entered into a definitive agreement to divest its Mobile business unit and, on February 28, 2017, the sale was completed, as discussed in " *Significant Events and Recent Developments — 2015* " under the " *Overview* " section above. Based on the definitive agreement, the fair value of the Mobile business unit was determined to be approximately $375.0 million, consisting of cash proceeds of $350.0 million, fair value of the $35.0 million non-interest bearing promissory note and units acquired of $10.0 million and working capital and other adjustments of approximately $15.0 million.

The fair value of the promissory note was determined using a 10-year term and a discount rate based on management's estimate of notes of similar risk and as a result is classified as Level 2 in the fair value measurement categories, as described in note 26 to the Consolidated Financial Statements. The determination of the discount rate based on notes of similar risk required management judgment. However, management considered a reasonable range of interest rates and determined that changes within that range did not result in a material change to the fair value of the notes.

The fair value of the units was determined using certain unobservable inputs, including managements estimate of the value of the entity and as a result is classified as Level 3 in the fair value measurement categories, as described in note 26. Management considered a reasonable range for the significant inputs, generally 20% above and 20% below managements estimate, and determined that changes within that range did not result in material changes to the fair value of the units.

As a result of the fair value of consideration to be received being lower than the carrying value of the business unit, the company completed the second step of its goodwill impairment test for the reporting unit. The second step consists of allocating the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. This implied fair value of goodwill was less than the carrying value of goodwill and, as a result, a goodwill impairment charge of $212.8 million was recorded in the fourth quarter of 2016 to reduce the carrying value of goodwill to the implied fair value.

The operations of the Mobile business unit, including the impairment of goodwill, have been reclassified as discontinued operations on the consolidated statements of operations.

Special Charges and Restructuring Costs

Special charges and restructuring costs consist of costs related to restructuring and integration activities as well as acquisition-related costs. Restructuring and integration costs generally relate to workforce reductions and facility reductions incurred to eliminate duplication of activities as a result of acquisitions or to improve operational efficiency. Costs related to workforce reductions are recorded when the company has committed to a plan of termination and notified the employees of the terms of the plan. Costs related to facility reductions primarily consist of lease termination obligations for vacant facilities, which generally include the remaining payments on an operating lease. Lease termination obligations are reduced for probable future sublease income. Because we are required to project sublease income for many years into the future, management used considerable judgment in determining certain estimates relating to the timing, availability and amount of sublease income that we expect to receive. In addition, restructuring and integration costs include professional services and consulting services incurred to complete the integration acquisitions, which are expensed as incurred. Acquisition-related costs consist of direct incremental costs incurred related to diligence activities and closing costs, and are expensed as incurred.

Income Taxes

We have significant net deferred tax assets resulting from operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income in future periods. Valuation allowances have been established for deferred tax assets based on a “more likely than not” threshold. We assess the likelihood that our deferred tax assets will be recovered from our ability to generate sufficient future taxable income, and to the extent that recovery is not believed to be more likely than not, a valuation allowance is recorded. Future changes in estimates of taxable income could result in a significant change to the valuation allowance.

In the year ended December 31, 2016, we updated our assessment of the realizability of our deferred tax assets. At December 31, 2016, as a result of uncertainty regarding the future utilization of certain deferred tax assets, there continues to be a valuation allowance of $27.3 million (December 31, 2015 — $28.2 million) against deferred tax assets primarily in the United Kingdom and United States.

Numerous taxing authorities in the jurisdictions in which we do business are increasing their scrutiny of various tax positions taken by businesses. We believe that we maintain adequate tax reserves to offset the potential tax liabilities that may arise upon audit in these jurisdictions. If such amounts ultimately prove to be unnecessary, the resulting reversal of such reserves would result in tax benefits being recorded in the period the reserves are no longer deemed necessary. If such amounts ultimately prove to be less than the ultimate assessment, a future charge to expense would result.

Pension Costs

We operate a defined benefit plans primarily in the U.K. (“U.K. Plan”), France (“France Plan”), Germany (“Germany Plan”) and Switzerland (“Switzerland Plan”).

Our U.K. Plan is partially funded and was closed to new members in 2001 and was closed to new service in November 2012. Under the France Plan, retirees generally benefit from a lump sum payment upon retirement or departure. Under the Germany Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement, based on their years of service and ending salary.

The Switzerland Plan is a partially funded multiple-employer pension plan in Switzerland. Under the Switzerland Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement based on an accrued value at the date of retirement. The accrued value is related to the actual returns on contributions during the working period. As the plan is a multiple-employer plan, the Consolidated Financial Statements include our pro-rata share of assets, projected benefit obligation and pension benefit cost.

For all of our defined benefit plans, the pension liability and pension costs are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, inflation rates, expected return on plan assets and life expectancy of the members. In estimating the discount rates and expected returns, we considered market conditions at the valuation date of December 31, 2016. Material changes in our pension benefit costs may occur in the future as a result of changes to these assumptions or market conditions.

Stock-Based Compensation for Stock options

The fair value of the stock options granted is estimated on the grant date using the Black-Scholes option-pricing model for each award, net of estimated forfeitures, and is recognized over the employees' requisite service period, which is generally the vesting period. We estimate the volatility of our common shares using the historical volatility of our common shares.

Based on these assumptions, stock-based compensation expense reduced our results of operations by $16.8 million for the year ended December 31, 2016 (year ended December 31, 2015 — $12.8 million). As of December 31, 2016, there was $31.8 million of unrecognized stock-based compensation expense (December 31, 2015 — $34.2 million). We expect these awards to be recognized over a weighted average period of 2.5 years (December 31, 2015 — 3.1 years).

Significant Recent Accounting Pronouncements

Revenue recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU supersedes most current revenue recognition guidance, including industry-specific guidance. The FASB subsequently issued ASU 2015-14, ASU 2016-08 and ASU 2016-12, which clarified the guidance, provided scope improvements and amended the effective date of ASU 2014-09. As a result, ASU 2014-09 becomes effective for the Company in the first quarter of 2018, with early adoption permitted. We expect to adopt these ASUs in the first quarter of 2018.

The ASU permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). We currently anticipate adopting the standard using the full retrospective method to restate each prior reporting period presented. We are in the process of completing our initial assessment of the standard, which could impact the timing of revenue recognition and the timing of the recognition of expenses directly related to revenue contracts. We expect to complete our initial assessment in the second quarter of 2017.

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For operating leases, the ASU requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The ASU retains the current accounting for lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. The ASU is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We continue to evaluate the effect the adoption of this ASU but expect the adoption will result in an increase in the assets and liabilities on our consolidated balance sheets for operating leases and will likely have an insignificant impact on our consolidated statements of earnings.

Credit losses on financial instruments

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses" to improve information on credit losses for financial instruments. The ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted beginning in fiscal years beginning after December 15, 2018. We are currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss in our future earnings due to adverse changes in financial markets. We are exposed to market risk from changes in foreign exchange rates and interest rates. Inflation has not had a significant impact on our results of operations.

Foreign Currency Risk

We are exposed to currency rate fluctuations related primarily to our future net cash flows from operations in Euros, British pounds sterling, Canadian dollars, Swedish krona, Australian dollars, Indian Rupees and Swiss francs. We have used, and may use in the future, foreign currency forward contracts to mitigate the short-term impact of currency fluctuations on certain foreign currency receivables, payables and intercompany balances. These contracts are not entered into for speculative purposes, and are not treated as hedges for accounting purposes. We also have used, and may use in the future, forward contracts to hedge certain probable future cash flows. These forward contracts are not entered into for speculative purposes and, when qualifying, are treated as hedges for accounting purposes.

At December 31, 2016, the Company had a net unrealized loss on fair value adjustments on the outstanding forward contracts used for cash flow hedging of $0.2 million. As of December 31, 2016, a 5.0% appreciation in the U.S. dollar would have resulted in an additional unrealized loss of $4.1 million on those foreign currency forward contracts. As at December 31, 2016, a 5.0% depreciation in the U.S. dollar would have resulted in an additional unrealized gain of $4.1 million on those foreign currency forward contracts.

Interest Rate Risk

In accordance with our corporate policy, cash equivalent and short-term investment balances are primarily comprised of high-grade commercial paper and money market instruments with original maturity dates of less than three months. Due to the short-term maturity of these investments, we are not subject to significant interest rate risk with respect to these investments.

We are exposed to interest rate risk on our April 2015 Credit Facilities consisting of a revolving facility and a term loan. The $50.0 million undrawn revolving credit facility bears interest at a rate of LIBOR plus an applicable margin and matures in April 2020. If the entire revolving credit facility were utilized, each 1.0% adverse change in LIBOR would currently result in an additional $0.5 million in interest expense per year. The term loan, with $591.6 million outstanding at December 31, 2016, matures in April 2022 and bears interest at a rate of LIBOR plus an applicable margin, with LIBOR subject to a floor of 1.00%. The impact of each 1.0% adverse change in LIBOR on the first lien term loan, would result in an additional $5.9 million in interest expense per year. However, we would not be affected by adverse changes in interest rates until LIBOR exceeds the 1.00% floor.

In addition, our defined benefit pension plans are exposed to changes in interest rate risk through their investment in bonds and the discount rate assumption. The interest rates on our obligations under capital leases are fixed and therefore not subject to interest rate risk.

Credit Risk

Our financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivables, sales-type lease receivables as well as assets held by our defined benefit pension plans. In addition, we are exposed to credit risk through our recourse obligations on sold sales-type leases. Cash equivalents are invested in government and commercial paper with investment grade credit rating. We are exposed to normal credit risk from customers. In our Enterprise and Cloud segments, we have a large number of diverse customers to minimize concentrations of credit risk and no customer represented greater than 10% of our accounts receivable or revenues.

Item 8. Financial Statements and Supplementary Data

Management is responsible for preparation of the Consolidated Financial Statements and other related financial information included in this Report. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States, incorporating management's reasonable estimates and judgments, where applicable.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Mitel Networks Corporation

We have audited the accompanying consolidated balance sheets of Mitel Networks Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2016, 2015 and 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mitel Networks Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years ended December 31, 2016, 2015 and 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

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 December 31, 2016, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
March 1, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Mitel Networks Corporation

We have audited the internal control over financial reporting of Mitel Networks Corporation and subsidiaries (the "Company") as of December 31, 2016, based on the criteria established in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, 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 generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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 December 31, 2016, based on the criteria established in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated March 1, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
March 1, 2017

MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
CONSOLIDATED BALANCE SHEETS
(in U.S. dollars, millions)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97.3	$ 82.2
Accounts receivable (net of allowance for doubtful accounts of $11.8 and $14.7, respectively)	186.3	209.3
Sales-type lease receivables (net) (note 5)	5.8	12.6
Inventories (net) (note 6)	74.9	87.1
Other current assets (note 7)	57.7	44.2
Assets of component held for sale, current (note 4)	121.3	117.1
	543.3	552.5
Non-current portion of sales-type lease receivables (net) (note 5)	6.7	17.0
Deferred tax asset (note 23)	185.2	173.4
Property and equipment (net) (note 8)	39.1	43.9
Identifiable intangible assets (net) (note 9)	100.4	134.2
Goodwill (note 10)	346.3	346.3
Other non-current assets	7.9	7.7
Assets of component held for sale, non-current (note 4)	332.5	581.6
	$ 1,561.4	$ 1,856.6
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 200.6	$ 200.7
Current portion of deferred revenue	88.0	90.3
Current portion of long-term debt (note 13)	38.9	11.7
Liabilities of component held for sale, current (note 4)	58.3	70.7
	385.8	373.4
Long-term debt (note 13)	547.1	633.6
Long-term portion of deferred revenue	39.4	38.0
Deferred tax liability (note 23)	10.0	16.4
Pension liability (note 24)	145.5	126.6
Other non-current liabilities	25.9	28.3
Liabilities of component held for sale, non-current (note 4)	24.8	35.4
	1,178.5	1,251.7
Commitments, guarantees and contingencies (notes 14 and 15)		
Shareholders’ equity:		
Common shares, without par value — unlimited shares authorized; issued and outstanding: 122.0 and 120.8, respectively (note 16)	1,425.1	1,414.2
Warrants (note 18)	39.1	39.1
Additional paid-in capital	57.1	49.0
Accumulated deficit	(946.7)	(729.4)
Accumulated other comprehensive loss	(191.7)	(168.0)
	382.9	604.9
	$ 1,561.4	$ 1,856.6

(The accompanying notes are an integral part of these Consolidated Financial Statements)

MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
CONSOLIDATED STATEMENTS OF OPERATIONS
(in U.S. dollars, millions, except per share amounts)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Revenues	$ 987.6	$ 1,025.8	$ 1,104.0
Cost of revenues	455.6	480.6	513.9
Gross margin	532.0	545.2	590.1
Expenses (income):			
Selling, general and administrative	339.8	331.0	344.7
Research and development	96.5	102.2	118.3
Special charges and restructuring costs (note 20)	70.8	47.5	72.7
Amortization of acquisition-related intangible assets	35.1	48.2	53.4
Income from termination fee received (note 28)	(60.0)	—	—
	482.2	528.9	589.1
Operating income	49.8	16.3	1.0
Interest expense	(16.8)	(17.8)	(21.0)
Debt retirement and other debt costs (note 13)	(2.1)	(9.6)	(16.2)
Other income, net (note 27)	2.8	20.7	6.0
Income (loss) from continuing operations, before income taxes	33.7	9.6	(30.2)
Current income tax recovery (expense) (note 23)	(15.7)	(15.6)	(7.7)
Deferred income tax recovery (expense) (note 23)	17.0	12.5	30.6
Net income (loss) from continuing operations	35.0	6.5	(7.3)
Net loss from discontinued operations, net of income tax (note 4)	(252.3)	(27.2)	—
Net loss	$ (217.3)	$ (20.7)	$ (7.3)
Net income (loss) per common share — Basic:			
Net income (loss) per share from continuing operations	$ 0.29	$ 0.06	$ (0.08)
Net loss per share from discontinued operations	$ (2.08)	$ (0.24)	—
Net loss per share	$ (1.79)	$ (0.18)	$ (0.08)
Net income (loss) per common share — Diluted:			
Net income (loss) per share from continuing operations	$ 0.28	$ 0.06	$ (0.08)
Net loss per share from discontinued operations	$ (2.01)	$ (0.24)	—
Net loss per share	$ (1.73)	$ (0.18)	$ (0.08)
Weighted-average number of common shares outstanding (note 19):			
Basic	121.5	113.7	95.6
Diluted	125.5	118.0	95.6

(The accompanying notes are an integral part of these Consolidated Financial Statements)

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MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in U.S. dollars, millions)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Net loss	$ (217.3)	$ (20.7)	$ (7.3)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(1.5)	(29.1)	(13.5)
Pension liability adjustments, net of tax of $4.7, $4.4 and $2.2, respectively (note 24)	(22.2)	8.1	(53.9)
	(23.7)	(21.0)	(67.4)
Comprehensive loss	$ (241.0)	$ (41.7)	$ (74.7)

(The accompanying notes are an integral part of these Consolidated Financial Statements)

MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in U.S. dollars, millions)

	Common Shares			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount	Warrants				
Balance at December 31, 2013, as previously reported	54.4	$ 814.9	$ 39.1	$ 35.3	$ (691.3)	$ (79.6)	$ 118.4
Prior-period adjustment (note 1)	—	—	—	—	(10.1)	—	(10.1)
Balance at December 31, 2013, as revised	54.4	$ 814.9	$ 39.1	$ 35.3	$ (701.4)	$ (79.6)	$ 108.3
Comprehensive loss	—	—	—	—	(7.3)	(67.4)	(74.7)
Exercise of stock options	1.5	10.1	—	(3.4)	—	—	6.7
Stock-based compensation	—	—	—	6.1	—	—	6.1
Issuance of shares (note 3)	44.2	391.3	—	—	—	—	391.3
Balance at December 31, 2014	100.1	$1,216.3	$ 39.1	$ 38.0	$ (708.7)	$ (147.0)	$ 437.7
Comprehensive loss	—	—	—	—	(20.7)	(21.0)	(41.7)
Exercise of stock options and vesting of restricted stock units	1.0	8.7	—	(4.6)	—	—	4.1
Stock-based compensation	—	—	—	12.8	—	—	12.8
Issuance of shares (note 3)	19.7	189.2	—	—	—	—	189.2
Stock options issued as consideration for the acquisition of Mavenir (note 3)	—	—	—	2.8	—	—	2.8
Balance at December 31, 2015	120.8	$1,414.2	$ 39.1	$ 49.0	$ (729.4)	$ (168.0)	$ 604.9
Comprehensive loss	—	—	—	—	(217.3)	(23.7)	(241.0)
Exercise of stock options and vesting of restricted stock units	1.2	10.9	—	(8.7)	—	—	2.2
Stock-based compensation	—	—	—	16.8	—	—	16.8
Balance at December 31, 2016	122.0	$1,425.1	$ 39.1	$ 57.1	$ (946.7)	$ (191.7)	$ 382.9

(The accompanying notes are an integral part of these Consolidated Financial Statements)

MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in U.S. dollars, millions)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
CASH PROVIDED BY (USED IN)			
Operating activities:			
Net loss	$ (217.3)	$ (20.7)	$ (7.3)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization and depreciation	100.7	99.1	75.9
Stock-based compensation	16.8	12.8	6.1
Deferred income tax recovery	(27.3)	(24.0)	(30.6)
Goodwill impairment (note 4)	212.8	—	—
Non-cash portion of debt retirement and other debt costs	2.1	9.6	15.7
Non-cash movements in provisions	8.2	2.7	(2.0)
Change in non-cash operating assets and liabilities, net (note 21)	3.7	(24.9)	14.7
Net cash provided by operating activities	99.7	54.6	72.5
Investing activities:			
Additions to property, equipment and intangible assets	(17.3)	(16.2)	(13.5)
Acquisitions, net of cash acquired (note 3)	—	(346.7)	(8.2)
Net cash used in investing activities	(17.3)	(362.9)	(21.7)
Financing activities:			
Proceeds from issuance of long-term debt (note 13)	—	653.4	353.2
Repayment of senior credit facilities (note 13)	(65.1)	(307.4)	(309.4)
Repayment of acquired long-term debt (note 3)	—	(30.4)	—
Borrowings under the revolving credit facility	83.0	21.0	—
Repayments of the revolving credit facility	(83.0)	(21.0)	—
Prepayment fees related to repayment of senior credit facilities (note 13)	—	—	(4.2)
Payment of deferred financing costs and other debt costs (note 13)	—	(19.6)	(11.0)
Repayment of capital lease liabilities and other long-term debt	(6.1)	(7.3)	(7.3)
Proceeds from issuance of common shares from option exercises	2.2	4.1	6.7
Net cash provided by (used in) financing activities	(69.0)	292.8	28.0
Effect of exchange rate changes on cash and cash equivalents	(4.2)	(4.2)	(7.7)
Increase (decrease) in cash and cash equivalents	9.2	(19.7)	71.1
Total cash and cash equivalents, beginning of year	91.6	111.3	40.2
Total cash and cash equivalents, end of year	100.8	91.6	111.3
Less: cash and cash equivalents classified as assets of component held for sale, end of year	3.5	9.4	—
Cash and cash equivalents of continuing operations, end of year	$ 97.3	$ 82.2	$ 111.3

(Note 21 contains supplemental cash flow information)

(The accompanying notes are an integral part of these Consolidated Financial Statements)

MITEL NETWORKS CORPORATION
(incorporated under the laws of Canada)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in U.S. dollars, millions, except per share amounts)

1. BACKGROUND AND NATURE OF OPERATIONS

Mitel Networks Corporation ("Mitel" or the "Company") is a global provider of enterprise and cloud collaboration software and services. Through direct and indirect channels as well as strategic technology partnerships, the Company serves customers in the United States and the rest of North and South America (collectively, the "Americas"), Europe, Middle East and Africa (collectively, "EMEA") and Asia-Pacific regions.

Divestiture of the Mobile business unit

On December 18, 2016, Mitel entered into a definitive agreement to divest the Mobile business unit, as described in note 4. The transaction closed on February 28, 2017. As a result, the results of operations of the Mobile business unit have been reclassified as discontinued operations on the consolidated statements of operations and the assets and liabilities of the Mobile business unit have been reclassified as assets and liabilities held for sale on the consolidated balance sheets.

Prior-period adjustment

Opening accumulated deficit at January 1, 2014 has been increased by $10.1, net of income tax effect of $1.0, to retrospectively correct balance sheet amounts with respect to an immaterial noncash error related to the cumulative accrual of unbilled revenue that was overstated at that date in accounts receivable. This error was the result of an overstatement of revenue in the fiscal periods 2009 to 2013 and was not material to any of the fiscal periods affected. The Company discovered the error in the fourth quarter of 2016. As a result of this correction, the previously reported balance sheet at December 31, 2015 has been adjusted such that accounts receivable, income tax receivable and accumulated deficit have been reduced by $11.1, increased by $1.0 and increased by $10.1, respectively.

2. ACCOUNTING POLICIES

a) Basis of Presentation

These Consolidated Financial Statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") for the preparation of financial statements.

b) Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and of its subsidiary companies. Intercompany transactions and balances have been eliminated on consolidation.

c) Use of Estimates

The preparation of the Company's Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting periods.

Estimates and assumptions are used for, but not limited to, the determination of the fair values of assets and liabilities acquired through acquisitions, the fair value of investments, allowance for doubtful accounts, inventory allowances, goodwill impairment assessments, estimated useful lives of property, equipment and intangible assets, accruals, lease recourse liability, warranty costs, sales returns, pension liability, contingencies, special charges and restructuring costs, income taxes, the valuation of stock options and estimated selling prices for certain elements in multiple-element arrangements. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Consolidated Financial Statements in the period that they are determined. Actual results and outcomes could differ from these estimates.

d) Foreign Currency Translation

The parent company's functional currency is the U.S. dollar and the Consolidated Financial Statements of the Company are prepared with the U.S. dollar as the reporting currency. Assets and liabilities of foreign operations with a functional currency other than the U.S. dollar are translated from foreign currencies into U.S. dollars at the exchange rates in effect at the balance sheet date while revenue and expense items are translated at the average exchange rate for the period. The resulting unrealized gains and losses are included as part of the cumulative foreign currency translation adjustment that is reported as part of other comprehensive income.

Monetary assets and liabilities denominated in currencies foreign to the functional currency of each entity are translated into the functional currency using exchange rates in effect at the balance sheet date. All non-monetary assets and liabilities are translated at the exchange rates prevailing at the date the assets were acquired or the liabilities incurred. Revenue and expense items are translated at the average exchange rate for the period. Foreign exchange gains and losses resulting from the translation of these accounts are included in the determination of net income for the period. For the year ended December 31, 2016, the Company recorded a foreign exchange gain of $1.9 (years ended December 31, 2015 and 2014 — gain of $18.8 and $3.9, respectively), which is included in other income (expense) on the consolidated statement of operations. The foreign exchange gain for the year ended December 31, 2015 related primarily to intercompany balances and was offset by foreign currency translation adjustments recorded in other comprehensive loss, resulting in no significant net economic effect to the Company.

e) Revenue Recognition

General

The Company generates revenues in the Enterprise and Cloud segments primarily from the sale of enterprise communications systems and related services (collectively, a “Solution”), through channel partners and directly to enterprise customers. A typical Solution consists of a combination of IP phones, switches, software applications and support, which may include installation and training. A Solution may be deployed on the customer’s premise (premise-based solution) or deployed in a cloud environment (cloud-based solution).

The operations of the Mobile segment are presented as discontinued operations, as described in note 4. The Mobile segment generates revenues primarily from the sale of networking solutions to wireless communication service providers (or carriers). A networking solution generally consists of software licenses for a fixed number of subscribers, implementation services and an initial period of post-contract support. Networking solutions may also include standard hardware, such as servers. After the initial implementation of a networking solution, the Company may sell additional software licenses (“Capacity Licenses”), which may include additional hardware to support the Capacity Licenses, and additional periods of post-contract support.

For multiple-element arrangements, the Company allocates the total arrangement consideration to each separable element of an arrangement based upon the relative selling price of each element and revenue is recognized upon delivery or completion of each element. The relative selling price is determined using Vendor Specific Objective Evidence (“VSOE”) of selling price, when available. Where VSOE of selling price cannot be established, the Company attempts to determine the selling price for the deliverables using third-party evidence. Generally, third-party evidence is not available as the Company’s product offerings differ from those of its competitors and competitor pricing is often not available. In such cases where VSOE and third-party evidence cannot establish a selling price, the Company estimates the selling price for an element by determining the price at which the Company would transact if the products or services were to be sold on a standalone basis. In establishing the estimated selling price, the Company considers a number of factors including, but not limited to, geographies, customer segments and pricing practices.

The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, title and risk of loss have been transferred to the customer, the fee is fixed or determinable, and collection is reasonably assured. The Company recognizes service revenue when persuasive evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable, and collection is reasonably assured.

In the Enterprise and Cloud segments, the Company’s core enterprise software (“essential software”) is integrated with hardware and function together to deliver the essential functionality of the integrated system product. The Company also sells software applications (“non-essential software”), which provide increased features and functions but are not essential to the overall functionality of the integrated system products.

Enterprise segment revenue

The Enterprise segment generates revenues primarily from sales of multiple-element Solutions, typically as an upfront sale. The elements of a typical multiple-element Solution are as follows:

Product Revenue — Hardware and Essential Software

The Company recognizes hardware and essential software revenue when the product is shipped or upon product acceptance where the agreement contains product acceptance terms that are more than perfunctory. Where hardware and essential software is an element in a multiple-element arrangement, relative selling price is established using an estimated selling price.

Non-Essential Software

The Company recognizes non-essential software revenue when delivery has occurred in accordance with the terms and conditions of the contract. Where non-essential software deliverables are an element in a multiple-element arrangement, relative selling price of all non-essential software as a group is established using an estimated selling price. The Company then recognizes revenue for the non-essential software deliverables using industry-specific software revenue recognition guidance. In particular, where VSOE of fair value is not available for post-contract support sold with non-essential software, the relative selling price of the non-essential software is deferred and recognized ratably over the contractual period of the post-contract support.

Installation and Training

The Company recognizes revenue related to installation and training upon delivery of the services. Where installation and training are elements in a multiple-element arrangement, relative selling price is established using an estimated selling price.

Post-Contract Support

Post-contract support consists primarily of maintenance revenue and software assurance revenue, which generate revenue under contracts that generally range from one to five years. For maintenance revenue, the Company provides various levels of support for installed systems for a fixed annual fee. For software assurance revenue, the Company provides software upgrades on a when and if available basis and software support for a fixed annual fee. In certain jurisdictions, maintenance and software assurance is bundled as post-contract support. Revenue from post-contract support is recognized ratably over the contractual period.

Where post-contract support is an element in a multiple-element arrangement, relative selling price is established using VSOE of selling price based on volume and pricing of standalone sales within a narrow range. Where VSOE of selling price is not available, generally third-party evidence of selling price is also not available and the Company establishes an estimated selling price by determining the price at which the Company would transact if the service was to be sold on a standalone basis.

Return Rights

Sales to the Company's channel partners generally provide for 30-day return rights, and include a restocking fee. In addition, certain agreements with distributors include stock rotation rights. A reserve for estimated product returns and stock rotation rights is recorded based on historical experience as a reduction of sales at the time product revenue is recognized.

Sales-type leases

A portion of the Company's direct sales of Solutions in the United States and Europe is made through sales-type leases. The discounted present values of minimum rental payments, net of provisions for continuing administration and other expenses over the lease period, are allocated to each element of the sale and recorded as revenue consistent with the revenue recognition policies described above.

After the initial sale, the rental streams in the United States are often sold to funding sources with the income streams discounted by prevailing like-term rates at the time of sale. Gains or losses resulting from the sale of net rental payments from such leases are recorded as net revenues. The Company establishes and maintains reserves against potential recourse following the re-sales based upon historical loss experience, past due accounts and specific account analysis. The allowance for uncollectible minimum lease payments and recourse liability at the end of the period represents reserves against the entire lease portfolio. Management reviews the adequacy of the allowance on a regular basis and adjusts the allowance as required. These reserves are either netted in the accounts receivable, current and long-term components of sales-type lease receivables on the consolidated balance sheets, or included in the other non-current liabilities on the consolidated balance sheets for the estimated recourse liability for lease streams sold.

Cloud segment revenue

The Cloud segment generates revenues primarily from sales of multiple-element Solutions. These Solutions are sold either as a single upfront sale or under a monthly recurring billing model. A portion of the monthly recurring billing in the United States will also often include billing for voice and data telecommunication services. Where the Solution is sold as an upfront sale, the elements of a typical multiple-element Solution are recognized as revenue as described under the Enterprise segment revenue, above. When the Solution is sold as a monthly recurring billing model, the revenue is recognized monthly, as the services are provided.

Mobile segment revenue (reclassified as discontinued operations, see note 4)

Networking solutions

The implementation of a networking solution generally requires significant customization and integration into the customer's network and often takes over six months to complete. The Company accounts for these networking solutions under industry-specific software guidance. Under this guidance, software licenses, implementation services and when applicable, hardware, are considered a single contract deliverable and revenue is recognized in accordance with contract accounting guidance. Where VSOE of fair value of post-contract support is available, post-contract support is considered a separate element and is recognized ratably over the support period. A portion of the consideration is allocated to post-contract support based on the VSOE of fair value, while the residual amount is allocated to the other contract deliverable. If VSOE of fair value for post-contract support is not available, the entire arrangement is allocated ratably over the period of post-contract support.

For the deliverable recognized under contract accounting, the Company uses a percentage-of-completion method based on project hours incurred to date compared to total project hours expected under the contract. Under the percentage-of-completion method, management makes key judgments in areas such as estimated total project hours and total project costs. Changes in job performance, job conditions, and complications relating to the integration into a customer's network may result in changes to total project hours and total project costs from what was previously estimated.

Capacity Licenses

Capacity Licenses may be sold separately or bundled together with hardware and/or post-contract support. When bundled, the Capacity Licenses, hardware and post-contract support are generally considered as separate deliverable elements. Revenue is recognized for Capacity Licenses when risks and rewards have been transferred, for hardware typically when the customer has accepted the hardware and for post-contract support over the term of the support period. The consideration is first allocated to the hardware and software elements based on the relative selling price of each. The estimated selling price of the Capacity Licenses is based on management's best estimate, the selling price of the hardware is based on third party evidence of fair value and the selling price for post-contract support is based on VSOE of fair value. The consideration allocated to the software elements is then further bifurcated with VSOE of fair value determining the amount allocated to post-customer support and the residual being allocated to the Capacity Licenses.

Post-contract support

Post-contract support is recognized ratably over the support period, as the service is provided. Where post-contract support is bundled with software elements in a transaction, a portion of the consideration is allocated to post-contract support based on the VSOE of fair value of the post-contract support. VSOE of fair value is considered the price a customer would be required to pay if the post-contract support was sold separately and is calculated annually based on the historical experience of stand-alone sales of post-contract support to third parties.

f) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments that have terms to maturity of three months or less at the time of acquisition, and generally consist of cash on hand and investment-grade marketable securities. Cash equivalents are carried at amortized cost, which approximates their fair value. At December 31, 2016, the Company had cash of $96.2 (December 31, 2015 — $81.1) and cash equivalents of $1.1 (December 31, 2015 — $1.1). In addition, cash and cash equivalents of $3.5 relating to our Mobile segment (note 4) are included in assets held for sale (December 31, 2015 — $9.4).

g) Restricted Cash

Restricted cash represents cash provided to support letters of credit outstanding and to support certain of the Company's credit facilities. Restricted cash is presented within other current assets on the consolidated balance sheets.

h) Allowance for Doubtful Accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses that may result from the inability of its customers to make required payments. Additional provisions or allowances for doubtful accounts are recorded for sales-type leases, discussed in part *(e)* of this note under *Enterprise segment revenue — Sales-type leases* . Reserves are established and maintained against estimated losses based upon historical loss experience, past due accounts, and specific account analysis. The Company regularly reviews the level of allowances for doubtful accounts and adjusts the level of allowances as needed. Consideration is given to accounts past due as well as other risks in the current portion of the accounts.

i) Inventories

Inventories are valued at the lower of cost (calculated on a first-in, first-out basis, which is approximated by standard cost) and net realizable value. The Company provides inventory allowances based on estimated excess and obsolete inventories.

j) Property and Equipment

Property and equipment are initially recorded at cost. Depreciation is provided on a straight-line basis over the anticipated useful lives of the assets. Estimated lives range from three to ten years for equipment. Amortization of leasehold improvements is computed using the shorter of the remaining lease term or five years. The Company performs reviews for the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the impairment, the Company compares projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful life against their carrying amounts. If the projected undiscounted net cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on expected discounted cash flows. Changes in the estimates and assumptions used in assessing projected cash flows could materially affect the results of management's evaluation.

Assets leased on terms that transfer substantially all of the benefits and risks of ownership to the Company are accounted for as capital leases, as though the asset had been purchased outright and a liability incurred. All other leases are accounted for as operating leases.

k) Identifiable Intangible Assets and Goodwill

Intangible assets include patents, trademarks, customer relationships and acquired technology. Amortization is provided on a straight-line basis over the estimated useful lives of the assets. The Company periodically evaluates intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed based on the carrying value of the asset and the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable.

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and intangible assets acquired in business combinations. Goodwill is not amortized, but is subject to annual impairment tests, or more frequently if circumstances indicate that it is more likely than not that the fair value of the reporting unit is below its carrying amount. The Company performs its annual goodwill impairment test on the first day of its fourth fiscal quarter, or October 1, of each year.

The Company performs a goodwill impairment test by comparing the fair value of each reporting unit against each reporting unit's carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment charge is recorded. If the fair value is less than the carrying amount, the Company compares the implied fair value of the goodwill, determined as if a purchase had just occurred, to the carrying amount to determine the amount of impairment charge to be recorded. Changes in the estimates and assumptions used in assessing the projected cash flows could materially affect the results of management's evaluation.

In December 2016, the fair value of the Mobile reporting unit was determined based on a definitive agreement to divest the business. As a result of the fair value being below the unit's carrying value, including goodwill, an impairment of goodwill was recorded. The transaction and the impairment of goodwill is further described in note 4.

l) Derivative Financial Instruments

The Company uses foreign currency forward contracts to manage the impact of currency fluctuations, primarily for fair value hedges on foreign currency receivables and payables and for cash flow hedges on probable future cash flows in foreign currencies. Derivative instruments that are not designated as accounting hedges or designated as fair value hedges are originally recorded at fair market value, with subsequent changes in fair value recorded in other income (expense) during the period of change. For derivative instruments that qualify for hedge accounting (generally cash flow hedges), gains or losses for the effective portion of the hedge are initially reported as a separate component of other comprehensive income (loss) and subsequently recorded in income when the hedged transaction occurs or when the hedge is no longer deemed effective. The Company does not hold or issue derivative financial instruments for speculative or trading purposes. The Company also utilizes non-derivative financial instruments including letters of credit and commitments to extend credit.

m) Income Taxes

Income taxes are accounted for using the asset and liability method. Under this approach, deferred tax assets and liabilities are determined based on differences between the carrying amounts and the tax basis of assets and liabilities, and are measured using enacted tax rates and laws. Deferred tax assets are recognized only to the extent that it is more likely than not that the future tax assets will be realized in the future.

The Company calculates certain tax liabilities based on the likely outcome of uncertain tax positions ("UTPs") and records this amount as an expense or recovery during the year in which UTPs are identified. The Company also records interest and penalties associated with these UTPs. The Company classifies penalties and accrued interest related to income tax liabilities in income tax expense.

n) Research and Development

Research costs are charged to expense in the periods in which they are incurred. Software development costs are deferred and amortized when technological feasibility has been established, or otherwise are expensed as incurred. The Company has not deferred any software development costs during the years ended December 31, 2016, 2015 and 2014.

o) Defined Benefit Pension Plan

Pension expense under defined benefit pension plans are actuarially determined using the projected benefit method, and management's best estimate assumptions. Pension plan assets are valued at fair value. The excess of any cumulative net actuarial gain (loss) over ten percent of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of its members, or in the case where the plan no longer grants service, over the life expectancy of its members. The under-funded status of the defined benefit pension plans is recognized as a liability on the consolidated balance sheets, with an offsetting adjustment made to accumulated other comprehensive income. The Company measures its plan assets and obligations at the year-end balance sheet date.

The discount rate assumption used reflects prevailing rates available on high-quality, fixed-income debt instruments. The assumption for long-term rate of return is based on the yield available on long-dated government and corporate bonds at the measurement date with an allowance for outperformance based on historical returns of each asset class.

p) Stock-Based Compensation

The Company has stock-based compensation plans for employees that consist of stock options and restricted share units ("RSUs"), as described in note 16.

The Company grants stock options for a fixed number of shares with an exercise price at least equal to fair market value of the shares at the date of grant. Stock-based compensation expense for stock options is based on the fair value estimate made on the grant date using the Black-Scholes option-pricing model for each award, net of estimated forfeitures, and is recognized on a straight-line basis over the employee service period, which is the vesting period. The Company estimates the volatility of its stock for the Black-Scholes option-pricing model using historical volatility of the Company's stock.

An RSU, once vested, entitles the holder to a Mitel common share issued out of treasury. RSUs vest one-quarter annually over 4 years. As RSUs are equity-settled, the grant-date fair value of RSUs is expensed on a straight-line basis over the vesting period of the award. The grant-date fair value is generally equal to the closing Mitel stock price on the day of grant.

q) Net Income per Common Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per common share is calculated using the treasury stock method when the impact is considered to be dilutive. To compute diluted net income per share, the weighted-average number of common shares outstanding is increased by the number of common shares that would be issued assuming the exercise of stock options and warrants and the issuance of outstanding RSUs.

r) Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes unrealized gains and losses excluded from the consolidated statements of operations. These unrealized gains and losses consist of foreign currency translation adjustments, which are not adjusted for income taxes since they relate to indefinite investments in foreign subsidiaries, unrealized gains and losses on cash flow hedges, and changes in the unfunded status of defined benefit pension plans.

s) Advertising Costs

The cost of advertising is expensed as incurred, except for cooperative advertising obligations, which are expensed at the time the related sales are recognized and the advertising credits are earned. Cooperative advertising obligations are recorded as a reduction to revenue when the co-operative advertising obligation is estimated to be used for Mitel product or services and are recorded as selling, general and administrative expenses when the co-operative advertising obligation is estimated to be used for co-operative advertising of Mitel products and services. Advertising costs are recorded in selling, general and administrative expenses. For the year ended December 31, 2016, the Company incurred $9.1 in advertising costs (years ended December 31, 2015 and 2014 — $10.1 and $13.2, respectively), of which $5.3 related to cooperative advertising expenses (years ended December 31, 2015 and 2014 — $5.4 and $7.6, respectively).

t) Product Warranties

At the time revenue is recognized, a provision for estimated warranty costs is recorded as a component of cost of sales. The warranty accrual represents the Company's best estimate of the costs necessary to settle future and existing claims on products sold as of the balance sheet date based on the terms of the warranty, which vary by customer and product, historical product return rates and estimated average repair costs. The Company periodically assesses the adequacy of its recorded warranty provisions and adjusts the amounts as necessary.

u) Special Charges and Restructuring Costs

Special charges and restructuring costs consist of costs related to restructuring and integration activities as well as acquisition-related costs. Restructuring and integration costs generally relate to workforce reductions and facility reductions incurred to eliminate duplication of activities as a result of acquisitions or to improve operational efficiency. Costs related to workforce reductions are recorded when the company has committed to a plan of termination and notified the employees of the terms of the plan. Costs related to facility reductions primarily consist of lease termination obligations for vacant facilities, which generally include the remaining payments on an operating lease. Lease termination obligations are reduced for probable future sublease income. In addition, restructuring and integration costs include professional services and consulting services incurred to complete the integration of acquisitions, which are expensed as incurred. Acquisition-related costs consist of incremental costs incurred related to diligence activities and closing costs, and are expensed as incurred.

v) Recently Issued Accounting Pronouncements Not Yet Effective

Revenue recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers" to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU supersedes most current revenue recognition guidance, including industry-specific guidance. The FASB subsequently issued ASU 2015-14, ASU 2016-08 and ASU 2016-12, which clarified the guidance, provided scope improvements and amended the effective date of ASU 2014-09. As a result, ASU 2014-09 becomes effective for the Company in the first quarter of 2018, with early adoption permitted. The Company expects to adopt these ASUs in the first quarter of 2018.

The ASU permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The company currently anticipates adopting the standard using the full retrospective method to restate each prior reporting period presented. The Company is in the process of completing its initial assessment of the standard, which could impact the timing of revenue recognition and the timing of the recognition of expenses directly related to revenue contracts. The company expects to complete its initial assessment in the second quarter of 2017.

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For operating leases, the ASU requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The ASU retains the current accounting for lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. The ASU is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company continues to evaluate the effect the adoption of this ASU but expects the adoption will result in an increase in the assets and liabilities on the consolidated balance sheets for operating leases and will likely have an insignificant impact on the consolidated statements of earnings.

Stock-based compensation

In March 2016, the FASB issued ASU 2016-09 "Compensation – Stock Compensation" to simplify and improve accounting for stock-based compensation. The ASU, among other changes, allows for a policy election such that an entity can continue to estimate forfeitures at the time of grant or can account for forfeitures as they occur. The amendment becomes effective for the Company in the first quarter of 2017. Early adoption is permitted. The Company is currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

Credit losses on financial instruments

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses" to improve information on credit losses for financial assets and net investment in leases that are not accounted for at fair value through net income. The ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted beginning in fiscal years beginning after December 15, 2018. The Company is currently evaluating the effect the adoption of this ASU will have on its consolidated financial statements.

Statement of cash flows

In August 2016, the FASB issued ASU 2016-15 "Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments" to address diversity in practice on certain specific cash flow issues. The ASU is effective for the Company for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption to have an effect on the consolidated financial statements.

Simplifying the test for goodwill impairment

In January 2017, the FASB issued ASU 2017-04 "Intangibles – Goodwill and Other – Simplifying the Test for Goodwill Impairment" to simplify how an entity is required to test for goodwill impairment. As a result, an entity will perform its goodwill impairment test by comparing the carrying value of a reporting unit against the fair value and will record an impairment for the amount that the carrying value of a reporting unit exceeds the fair value. The ASU is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted on January 1, 2017. The Company expects to adopt this ASU on January 1, 2017.

3. ACQUISITIONS

a) Mavenir – April 2015

On April 29, 2015, Mitel acquired Mavenir Systems, Inc. ("Mavenir") (NYSE:MVNR), a global provider of software-based networking solutions for mobile carriers. Mitel acquired all of the outstanding common shares of Mavenir in exchange for $325.2 cash and 19.7 million Mitel shares. In addition, Mitel agreed to cash out all in-the-money, vested Mavenir stock options and, in exchange for all out-of-the-money and unvested Mavenir stock options, issue 2.5 million Mitel stock options with economically similar terms.

Mavenir's results of operations were initially recorded in the Mobile segment from the date of acquisition. In December 2016, the Company entered into a definitive agreement to sell the Mobile segment, as described in note 4. As a result, the results of operations of the Mobile segment since the date of acquisition have been reclassified as discontinued operations on the consolidated statements of operations and the assets and liabilities of the Mobile segment have been reclassified as assets and liabilities held for sale on the consolidated balance sheets.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill. The purchase price and allocation of the purchase price is as follows:

	April 29, 2015
Net assets:	
Cash and cash equivalents	$ 10.1
Accounts receivable (1)	35.1
Inventories (2)	7.3
Other current assets	38.2
Property and equipment	9.0
Intangible assets – customer relationships (3)(6)	109.7
Intangible assets – developed technology (4)(6)	172.9
Goodwill (5)(6)	312.3
Other non-current assets	3.8
Accounts payable and accrued liabilities	(60.5)
Deferred revenue, current	(20.0)
Current portion of long-term debt (7)	(27.2)
Deferred revenue, non-current	(0.3)
Deferred tax liability	(37.3)
Other non-current liabilities	(7.8)
Net assets acquired	$ 545.3
Consideration given:	
Cash paid to Mavenir shareholders	$ 325.2
Cash paid to Mavenir optionholders (8)	28.1
Value of Mitel common shares issued to Mavenir shareholders (9)	189.2
Value of Mitel options relating to past service issued to Mavenir optionholders (10)	2.8
Total consideration given	$ 545.3

(1) Fair value of accounts receivable consists of gross contractual amounts receivable of $36.3, less best estimate of amounts not expected to be collected of $1.2.
(2) Fair value of inventory consists of inventory with a historical cost of $8.5 less a historical provision of $1.2.
(3) Intangible assets – customer relationships are expected to be amortized over the estimated useful life of the asset of 7 years.
(4) Intangible assets – developed technology is expected to be amortized over the estimated useful life of the asset of 7 years.
(5) Goodwill is allocated to the Mobile segment.
(6) Neither the goodwill nor the intangible assets are deductible for tax purposes.
(7) Long-term debt of Mavenir was repaid at closing.
(8) Cash paid to Mavenir optionholders for vested, in-the-money options.
(9) Fair value of the 19.7 million Mitel common shares issued to Mavenir shareholders valued at $189.2 based on the closing price of a Mitel common share on the NASDAQ stock market on April 28, 2015.
(10) In exchange for all unvested in-the-money Mavenir stock options and all vested and unvested out-of-the-money Mavenir stock options, Mitel issued 2.5 million Mitel stock options with economically similar terms. Using a Black-Scholes valuation with assumptions consistent with grants made in the normal course as described in note 16, the fair value of the 2.5 million stock options totaled $13.0. Based on the vesting period of the original Mavenir stock options, $2.8 was determined to relate to past service and is considered part of the total consideration. The remaining amount is being recorded as stock-based compensation expense by Mitel based on the vesting period.

b) Tiger TMS – June 2015

On June 1, 2015, Mitel acquired all of the outstanding equity of Tiger TMS ("Tiger"), a global provider of software, cloud and applications-based solutions for the hospitality industry. Tiger recorded revenues of approximately $10.0 for the year ended December 31, 2014, which were primarily generated in Europe, the Middle East and the United States. Total consideration for the acquisition is estimated to be $6.6, consisting of $1.8 of cash paid on June 1, 2015, $3.0 paid in October 2015, $1.4 paid in January 2017 and an estimate of contingent consideration of $0.4. In addition, Mitel repaid $3.2 of long-term debt of Tiger at closing. Tiger's results of operations are included in the consolidated statements of operations from the date of acquisition, June 1, 2015 and are included in the Enterprise segment.

c) Aastra — January 2014

On January 31, 2014, Mitel acquired Aastra, a global provider of unified communications and collaboration software, solutions and services with annual revenues of approximately $600.0 Canadian Dollars ("CAD") for the year ended December 31, 2013, of which approximately 75% were generated in Europe. The total value of consideration given by Mitel was $471.3, consisting of $80.0 of cash and 44.2 million Mitel common shares valued at $391.3, based on Mitel's publicly-traded stock price on the NASDAQ Stock Market on January 31, 2014. In conjunction with the acquisition the Company completed a refinancing of its long-term senior debt, as described in note 13.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values is recorded as goodwill. The purchase price and allocation of the purchase price is as follows:

	January 31, 2014
Net assets:	
Cash and cash equivalents	$ 79.4
Accounts receivable (1)	111.8
Sales-type lease receivables, current	10.1
Inventories (2)	62.6
Other current assets	31.9
Sales-type lease receivables, non-current	13.3
Deferred tax asset	11.4
Property and equipment	24.7
Intangible assets — customer relationships (3)(7)	13.0
Intangible assets — developed technology (4)(7)	152.6
Intangible assets — trade name (5)(7)	9.0
Goodwill (6)(7)	187.5
Other non-current assets	0.5
Accounts payable and accrued liabilities	(122.6)
Deferred revenue, current	(28.9)
Current portion of long-term debt	(1.8)
Deferred revenue, non-current	(15.2)
Pension liability(8)	(31.8)
Deferred tax liability	(23.1)
Other non-current liabilities	(13.1)
Net assets acquired	$ 471.3
Consideration given:	
Amount paid, cash	$ 80.0
Value of Mitel common shares issued	391.3
Total consideration given	$ 471.3

(1) Fair value of accounts receivable consists of gross contractual amounts receivable of $119.0, less best estimate of amounts not expected to be collected of $7.2.
(2) Fair value of inventory consists of inventory with a historical cost of $89.7 less a historical provision of $27.1.
(3) Intangible assets — customer relationships are expected to be amortized over the estimated useful life of the asset of 7 years.
(4) Intangible assets — developed technology is expected to be amortized over the estimated useful life of the asset of 6 years.
(5) Intangible assets — trade name is expected to be amortized over the estimated useful life of the asset of 4 years.
(6) Goodwill was allocated to the segments as follows: Cloud $14.1; Enterprise $173.4.
(7) Neither the goodwill nor the intangible assets are deductible for tax purposes.
(8) The amounts recorded for pension liability consist primarily of unfunded defined benefit pension plans in France and Germany as well as a pro-rata share of liability for a multiple-employer defined benefit plan in Switzerland. Additional information on these plans is included in note 24.

Aastra's results of operations are included in the consolidated statements of operations of the combined entity from the date of acquisition. The amount of revenue from the acquisition included in the Company's results of operations for year ended December 31, 2014 was $524.9. The amount of net loss from the acquisition included in the Company's results of operations for year ended December 31, 2014 was $16.1.

d) Oaisys — March 2014

On March 4, 2014, Mitel completed the acquisition of Oaisys, a developer of integrated call recording and quality management solutions, with annual revenues of approximately $8.0 for the year ended December 31, 2013. Mitel paid $7.9 for a 100% equity ownership of Oaisys. Oaisys' results of operations are included in the consolidated statements of operations from the date of acquisition.

4. DISCONTINUED OPERATIONS

On December 18, 2016, Mitel entered into a definitive agreement to divest its Mobile business unit to the parent company of Xura, Inc. ("Xura") for approximately $350.0 in cash, a $35.0 non-interest bearing promissory note and an equity interest in Sierra Private Investments L.P. ("Sierra"), the limited partnership that will own both Xura and the Mobile business unit ("Combined Company"). The transaction closed on February 28, 2017. The cash portion of the purchase price is subject to adjustments for closing working capital, indebtedness and net advances to the business unit between December 31, 2016 and the closing of the transaction. The $35.0 non-interest bearing note is repayable at the earlier of a re-financing or replacement in full of Sierra's existing credit facility, and 10 years from the date of closing. The equity interest in Sierra is represented by units that have a right to participate in future distributions of Sierra, on a pro rata basis with other equity holders of Sierra, but that right to participate is only effective after substantially all other equity holders of Sierra have received distributions equivalent to an 8.5% internal rate of return on their invested capital and is subject to a cap on distributions of $125.0. Mitel does not have significant participatory rights and will not have significant influence over the Combined Company.

The disposal of the Mobile business unit is considered a strategic shift away from the sale of software-based network solutions for mobile carriers. As a result, the operations of the Mobile business unit have been reclassified as discontinued operations on the consolidated statements of operations and the assets and liabilities of the Mobile business unit have been reclassified as assets and liabilities held for sale on the consolidated balance sheets.

Assets and liabilities held for sale for the Mobile business unit are as follows:

	December 31, 2016	December 31, 2015
Assets of component held for sale, current:		
Cash and cash equivalents	$ 3.5	$ 9.4
Accounts receivable	83.2	69.8
Inventories	7.1	5.7
Other current assets	27.5	32.2
	$ 121.3	$ 117.1
Assets of component held for sale, non-current:		
Property and equipment (net)	13.8	10.8
Identifiable intangible assets (net)	215.3	255.7
Goodwill	99.5	312.3
Other non-current assets	3.9	2.8
	$ 332.5	$ 581.6
Liabilities of component held for sale, current:		
Accounts payable and accrued liabilities	$ 43.3	$ 48.7
Current portion of deferred revenue	14.6	22.0
Current portion of long-term debt – capital leases	0.4	—
	$ 58.3	$ 70.7
Liabilities of component held for sale, non-current:		
Long-term debt – capital leases	0.9	—
Long-term portion of deferred revenue	1.7	2.1
Deferred tax liability	14.3	25.8
Other non-current liabilities	7.9	7.5
	$ 24.8	$ 35.4

Summarized results of operations for the Mobile business unit are as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015 (1)
Revenues	$ 186.4	$ 131.9
Cost of revenues	(81.8)	(63.2)
Selling, general and administrative expenses and	(34.5)	(32.0)
Research and development expenses	(48.4)	(29.2)
Special charges and restructuring costs	(13.2)	(7.1)
Amortization of acquisition-related intangible assets	(40.4)	(26.9)
Interest expense (2)	(22.0)	(14.6)
Goodwill impairment	(212.8)	—
Other income	0.1	0.2
Loss from discontinued operations, before income taxes	(266.6)	(40.9)
Income tax recovery	14.3	13.7
Net loss from discontinued operations, net of income tax	(252.3)	(27.2)

(1) Operating results for the year ended December 31, 2015 consist of the operations from the date of acquisition, April 29, 2015.

(2) Interest expense allocated to discontinued operations consists of the pro-rata allocation of interest expense on long-term debt that is expected to be repaid from the net proceeds of the sale of the Mobile business unit.

For the year ended December 31, 2016 the loss from discontinued operations includes amortization and depreciation of $46.3 and stock based compensation of $3.1 (year ended December 31, 2015 — $29.8 and $1.6, respectively). The Mobile business unit incurred capital expenditures of $6.0 for the year ended December 31, 2016 (year ended December 31, 2015 — $4.4). No other significant investing or financing cash flow items were recorded relating to the operations of the Mobile business unit since its acquisition on April 29, 2015.

Fair value of the business unit and goodwill impairment

At December 31, 2016, based on the definitive agreement, the fair value of the Mobile business unit was determined to be approximately $375.0, consisting of cash proceeds of $350.0, fair value of the $35.0 non-interest bearing promissory note and units acquired of $10.0 and working capital and other adjustments of approximately $15.0. The fair value of the promissory note was determined using a 10-year term and a discount rate based on management's estimate of notes of similar risk and as a result is classified as Level 2 in the fair value measurement categories, as described in note 26. The fair value of the units was determined using certain unobservable inputs, including management's estimate of the value of the combined entity and as a result is classified as Level 3 in the fair value measurement categories, as described in note 26.

As a result of the fair value of the business unit being lower than the carrying value of the business unit, the company completed the second step of its goodwill impairment test for the reporting unit. The second step consists of allocating the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had been acquired in a business combination and the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. This implied fair value of goodwill was less than the carrying value of goodwill and, as a result, a goodwill impairment charge was recorded in the fourth quarter of 2016 to reduce the carrying value of goodwill to the implied fair value. After recording the goodwill impairment charge, the Mobile business unit's carrying value is equal to its fair value less costs to sell.

Transition services agreement

In connection with the divestiture, Mitel has agreed to provide transition services to the buyer on a cost-recovery basis for a period of six months, with a further six-month extension available at the buyer's option. The transition services consist primarily of support services relating to information technology, human resource and finance. Both the cost and recovery are not expected to be material.

Representations, warranties and indemnifications

The Company has provided the buyer with certain representations, warranties and indemnifications relating to the operations of the Mobile business unit, in particular relating to income taxes and sales taxes. As a result, the Company expects to retain a liability for certain tax liabilities and uncertain tax positions relating to the Mobile business unit. The Company does not expect the amounts to be material to the Consolidated Financial Statements.

5. NET INVESTMENT IN SALES-TYPE LEASES

Net investment in sales-type leases represents the value of sales-type leases held under the TotalSolution ® program in the U.S., as well as sales-type leases in Europe. The Company currently sells the rental payments due to the Company from some of the sales-type leases. The Company maintains reserves against its estimate of potential recourse for the balance of sales-type leases (recorded net, against the receivable) and for the balance of sold rental payments remaining unbilled (recorded separately as a lease recourse liability included in other non-current liabilities). The following table provides detail on the sales-type leases:

	December 31, 2016			December 31, 2015		
	Gross	Allowance	Net	Gross	Allowance	Net
Lease balances included in accounts receivable	$ 4.7	$ (1.0)	$ 3.7	$ 5.6	$ (0.9)	$ 4.7
Current portion of investment in sales-type leases	6.0	(0.2)	5.8	13.0	(0.4)	12.6
Non-current portion of investment in sales-type leases	6.9	(0.2)	6.7	17.5	(0.5)	17.0
Total unsold sales-type leases (recorded as assets, net, on the consolidated balance sheets)	17.6	(1.4)	16.2	36.1	(1.8)	34.3
Sold rental payments remaining unbilled	39.6	(1.3) (1)	38.3	47.6	(1.9) (1)	45.7
Total of sales-type leases unsold and sold	$57.2	$ (2.7)	$54.5	$83.7	$ (3.7)	$80.0

(1) Allowance for sold rental payments is recorded as a lease recourse liability and included in other non-current liabilities on the consolidated balance sheets.

A sale of rental payments represents the total present value of the payment stream on the sale of the rental payments to third parties. For the year ended December 31, 2016, the Company sold $29.2 of rental payments and recorded gains on sale of those rental payments of $2.4 (years ended December 31, 2015 and 2014 – sold $16.1 and $17.0, respectively and recorded gains of $2.6 and $2.9, respectively). Sold rental payments remaining unbilled at the end of the period represents the total balance of leases that are not included on the consolidated balance sheets. The Company is compensated for administration and servicing of rental payments sold.

At December 31, 2016, future minimum lease payments related to the sold rental streams remaining unbilled are: 2017 — $17.3, 2018 — $11.7, 2019 — $6.8, 2020 — $3.2 and 2021 — $0.6.

At December 31, 2016, future minimum lease receipts due from customers related to the lease portfolio included in the December 31, 2016 consolidated balance sheet are: 2017 — $5.7, 2018 — $2.8, 2019 — $1.7, 2020 — $1.1 and 2021 — $0.9.

Financing Receivables

The Company considers its lease balances included in accounts receivable and its investment in sales-type leases to be financing receivables. Additional disclosures on the credit quality of the Company's sold and unsold sales-type leases and lease balances included in accounts receivable are as follows:

Aging Analysis as of December 31, 2016

	Not past due	1-90 days past due	Greater than 90 days past due	Total past due	Total sales-type leases
Lease balances included in accounts receivable	$ 2.0	$ 1.7	$ 1.0	$ 2.7	$ 4.7
Investment in sold and unsold sales-type lease receivables	43.5	8.9	0.1	9.0	52.5
Total gross sales-type leases	45.5	10.6	1.1	11.7	57.2
Allowance	(1.1)	(0.8)	(0.8)	(1.6)	(2.7)
Total net sales-type leases	$ 44.4	$ 9.8	$ 0.3	$ 10.1	$ 54.5

Aging Analysis as of December 31, 2015

	Not past due	1-90 days past due	Greater than 90 days past due	Total past due	Total sales-type leases
Lease balances included in accounts receivable	$ 3.1	$ 1.6	$ 0.9	$ 2.5	$ 5.6
Investment in sold and unsold sales-type lease receivables	67.6	10.2	0.3	10.5	78.1
Total gross sales-type leases	70.7	11.8	1.2	13.0	83.7
Allowance	(1.5)	(1.1)	(1.1)	(2.2)	(3.7)
Total net sales-type leases	$ 69.2	$ 10.7	$ 0.1	$ 10.8	$ 80.0

Allowance for Credit Losses

The Company's allowance for credit losses is based on management's assessment of the collectability of customer accounts. A considerable amount of judgment is required in order to make this assessment including a detailed analysis of the aging of the lease receivables and the current credit worthiness of customers and an analysis of historical bad debts and other adjustments. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than historical experience, the estimate of the recoverability of amounts due could be adversely affected. The Company reviews in detail the allowance for credit losses at each reporting period and adjusts the allowance estimate to reflect actual portfolio performance and any changes in future portfolio performance expectations.

The following table shows the activity of the allowance for credit losses on sales-type leases during the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Allowance for credit losses on sales-type leases, opening	$ (3.7)	$ (4.3)
Write-offs	0.8	0.6
Recoveries	0.2	—
Provision	—	—
Allowance for credit losses on sales-type leases, closing	$ (2.7)	$ (3.7)
Individually evaluated for impairment		
Sales-type leases individually evaluated for impairment, gross	$ 3.2	$ 4.2
Allowance against sales-type leases individually evaluated for impairment	(1.4)	(1.9)
Sales-type leases individually evaluated for impairment, net	$ 1.8	$ 2.3
Collectively evaluated for impairment		
Sales-type leases collectively evaluated for impairment, gross	$ 54.0	$ 79.5
Allowance against sales-type leases collectively evaluated for impairment	(1.3)	(1.8)
Sales-type leases collectively evaluated for impairment, net	$ 52.7	$ 77.7

6. INVENTORIES

	December 31, 2016	December 31, 2015
Raw materials	$ 7.3	$ 5.9
Finished goods (1)	69.7	81.1
Service inventory	6.4	6.4
Less: provision for excess and obsolete inventory (1)	(8.5)	(6.3)
	$ 74.9	$ 87.1

(1) At December 31, 2016, finished goods are recorded net of approximately $11.5 of historical inventory provision, remaining primarily from the acquisition of Aastra, as discussed in note 3 (December 31, 2015 — $17.0). This amount will decrease as the related inventory acquired is sold or written off.

7. OTHER CURRENT ASSETS

	December 31, 2016	December 31, 2015
Prepaid expenses and deferred charges	$ 26.0	$ 20.9
Unbilled receivables	5.3	4.2
Due from related parties (note 12)	0.3	0.5
Income tax receivable	10.5	9.5
Other receivables	14.7	8.9
Restricted cash	0.9	0.2
	$ 57.7	$ 44.2

8. PROPERTY AND EQUIPMENT

	December 31, 2016			December 31, 2015		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Property and Equipment	$163.0	$ (123.9)	$39.1	$150.2	$ (106.3)	$43.9

Depreciation expense on property and equipment recorded in the year ended December 31, 2016 amounted to $17.5 (years ended December 31, 2015 and 2014 — $19.3 and $20.5, respectively).

As of December 31, 2016, equipment included leased assets with cost of $24.5 (December 31, 2015 —$21.7) and net book value of approximately $11.7 (December 31, 2015 — $10.6).

9. IDENTIFIABLE INTANGIBLE ASSETS

	December 31, 2016			December 31, 2015		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Developed technology	$169.9	$ (87.3)	$ 82.6	$169.9	$ (57.6)	$112.3
Customer relationships	17.2	(6.6)	10.6	17.2	(4.1)	13.1
Patents, trademarks and other	34.6	(27.4)	7.2	32.1	(23.3)	8.8
	$221.7	$ (121.3)	$100.4	$219.2	$ (85.0)	$134.2

The cost amounts for customer relationships and developed technology represent the fair value of intangible assets upon acquisition. The assets are being amortized on a straight-line basis over their estimated useful lives of four to seven years. Patents, trademarks and other consists primarily of the cost to register and defend patents and are primarily amortized on a straight-line basis over their estimated useful lives of four to five years.

Amortization of identifiable intangible assets in the year ended December 31, 2016 was $36.9 (years ended December 31, 2015 and 2014 — $50.0 and $55.4, respectively). The estimated amortization expense, related to intangible assets in existence as of December 31, 2016, over the next five fiscal years is as follows: 2017 — $34.3, 2018 — $29.8, 2019 — $29.0, 2020 — $5.4 and 2021 — $1.0.

10. GOODWILL

The following table shows the activity relating to goodwill for the last three years:

Goodwill, December 31, 2013	$147.3
Acquisition of Aastra (note 3)	187.5
Acquisition of Oaisys (note 3)	5.5
Goodwill, December 31, 2014	$340.3
Acquisition of Tiger (note 3)	6.0
Goodwill, December 31, 2015 and 2016	$346.3

In addition, goodwill relating to the Mobile segment is included in assets held for sale, as described in note 4.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables	$ 45.5	$ 53.3
Employee-related payables	39.6	40.1
Accrued liabilities	75.5	63.4
Restructuring, warranty and other provisions	18.9	25.6
Due to related parties (note 12)	0.8	0.8
Other payables	20.3	17.5
	$ 200.6	$ 200.7

12. RELATED PARTY TRANSACTIONS

Significant related party transactions not otherwise disclosed in the Consolidated Financial Statements consist of the following:

The Matthews Group

Dr. Terence Matthews ("Dr. Matthews"), a director of the Company, and certain entities controlled by Dr. Matthews (collectively, the "Matthews Group") is a shareholder of the Company and is party to a Shareholders' Agreement, as disclosed in note 16. Significant transactions with the Matthews Group include the following:

Leased Properties

The Company leases its Ottawa-based headquarter facilities from the Matthews Group. For the year ended December 31, 2016, Mitel recorded lease payments for base rent and operating costs of $4.6 (years ended December 31, 2015 and 2014 — $4.3 and $5.0, respectively). The current lease expires on April 30, 2021.

Other

Other sales to and purchases from the Matthews Group arising in the normal course of the Company's business were $1.5 and $3.4, respectively, for the year ended December 31, 2016 (year ended December 31, 2015 — $2.5 and $3.7, respectively; year ended December 31, 2014 — $1.3 and $4.6, respectively).

The amounts receivable and payable as a result of all of the above transactions are included in note 7 and note 11, respectively.

13. LONG-TERM DEBT

	December 31, 2016	December 31, 2015
Term loan, seven-year term, maturing April 2022	591.6	656.7
Unamortized original issue discount, recorded net against term loans	(4.7)	(6.1)
Unamortized debt issue costs, recorded net against term loans	(12.6)	(16.1)
Capital leases, at interest rates varying from 5.1% to 7.0%, maturity dates of up to four years, secured by the leased assets	11.7	10.6
Other	—	0.2
	586.0	645.3
Less: current portion	(38.9)	(11.7)
	$ 547.1	$ 633.6

Our current senior credit facilities consist of a $591.6 term loan and a $50.0 revolving facility (the "April 2015 Credit Facilities", as described below). At December 31, 2016, no amounts were drawn on the revolving facility (December 31, 2015 — nil).

In 2016, Mitel made prepayments on its term loan of $25.0 in January, $15.0 in March, $13.6 in June and $11.5 in July and recorded debt retirement costs totaling $2.1 for the write-off of the pro-rata portion of unamortized debt issue costs and original issue discount relating to the prepayments. During the year ended December 31, 2016, the Company drew and subsequently repaid various amounts of up to $21.0 on the revolving facility. The total of all amounts drawn and subsequently repaid during the year was $83.0 (years ended December 31, 2015 and 2014 — $21.0 and nil, respectively).

The Company is required to make quarterly principal repayments on the term loan of 0.25% of the initial principal on the term loan and, in addition, annual principal repayments on the term loan based on a percentage of excess cash flow (as defined in the April 2015 Credit Facilities). The annual excess cash flow repayments are required to be paid within 100 days of the end of the fiscal year. The first annual excess cash flow payment is required to be paid within 100 days of December 31, 2016. Voluntary debt repayments can be applied against mandatory quarterly principal repayments. At December 31, 2016, $11.3 has been recorded as the current portion of long-term debt to reflect the estimated excess cash flow payment due within 100 days of December 31, 2016.

Subsequent to the year ended December 31, 2016, in January 2017, Mitel made prepayments on its term loan of $22.6. The prepayments were made in accordance with the terms of the credit facilities using $19.9 of proceeds from the sale of accounts receivable in December 2016 and $2.7 from the sale of a property in January 2017 and have been included in the current portion of long-term debt on the consolidated balance sheet.

April 2015 credit facilities

In conjunction with the acquisition of Mavenir, as described in note 3, Mitel refinanced its January 2014 credit facilities. The new credit facilities consisted of an initial $660.0 term loan and a $50.0 revolving facility (the "April 2015 Credit Facilities"). Costs relating to the April 2015 Credit Facilities were $17.2, in addition to an original issue discount of $6.6. Costs of $15.5 and original issue discount of $6.6 related to the term loan are recorded net against the term loan and are amortized over the term of the term loan. Costs of $1.7 relating to the revolving facility are recorded as other non-current assets and are amortized on a straight-line basis over the term of the revolving facility. In addition, the Company expensed $8.4 of unamortized debt issue costs and unamortized original issue discount relating to the refinancing of the January 2014 credit facilities.

In September 2015, the Company amended the April 2015 Credit Facilities to provide the Company with additional operating flexibility. The amendment included, in part, an increase in the maximum Leverage Ratio financial covenant for the fiscal quarters ended September 30, 2015, December 31, 2015 and March 31, 2016, as described below, and an increase to the applicable margin on the term loan. The company incurred $1.9 of consent fees payable to the lenders and other costs, which are deferred and amortized over the remaining term of the term loan, as well as other fees and expenses of $0.5, which were expensed as debt retirement and other debt costs as incurred.

The $50.0 revolving credit facility bears interest at LIBOR plus an applicable margin, which is initially 4.0%, or, at the option of the Company, a base rate plus an applicable margin, and matures in April 2020. The Company may borrow Canadian dollars under the revolving credit facility. Such borrowings bear interest at the Canadian prime rate plus an applicable margin. The term loan bears interest at LIBOR (subject to a 1.0% floor) plus 4.5% or, at the option of the Company, a base rate plus an applicable margin, and matures in April 2022.

The term loan can be repaid without premium or penalty. The April 2015 Credit Facilities have customary default clauses, such that repayment of the credit facilities may be accelerated in the event of an uncured default. The proceeds from the issuance of debt, and proceeds from the sale of Company assets, may also be required to be used, in whole or in part, to make mandatory prepayments under the April 2015 Credit Facilities.

The April 2015 Credit Facilities contain affirmative and negative covenants, including: (a) periodic financial reporting requirements, (b) a maximum ratio of Consolidated Total Debt (net of up to $75.0 of unrestricted cash) to the trailing twelve months of Consolidated EBITDA, as specified in the April 2015 Credit Facilities ("Leverage Ratio"), (c) limitations on the incurrence of subsidiary indebtedness and also the borrowers themselves, (d) limitations on liens, (e) limitations on investments, (f) limitations on the payment of dividends and (g) limitations on capital expenditures. The Company is in compliance with these covenants at December 31, 2016. The maximum Leverage Ratio, as amended in September 2015, applies to the Company for the period ended September 30, 2015 and for all fiscal quarters thereafter until maturity, and is as follows:

Fiscal Quarters Ending	Maximum Consolidated Leverage Ratio
September 30, 2015 through December 31, 2015	5.25:1.00
March 31, 2016	4.75:1.00
June 30, 2016 through September 30, 2016	4.25:1.00
December 31, 2016 through September 30, 2017	3.25:1.00
December 31, 2017 through September 30, 2018	3.00:1.00
December 31, 2018 through September 30, 2019	2.75:1.00
December 31, 2019 and thereafter	2.50:1.00

The maximum Leverage Ratio, as amended in September 2015, and actual Leverage Ratio are as follows:

Period Ending	Maximum Leverage Ratio	Actual Leverage Ratio
September 30, 2015	5.25	3.87
December 31, 2015	5.25	4.23
March 31, 2016	4.75	3.89
June 30, 2016	4.25	4.10
September 30, 2016	4.25	2.87
December 31, 2016	3.25	2.98

February 2015 debt repayment

In February 2015, Mitel made a prepayment of $25.0 on its then-existing term loan under the January 2014 Credit Facilities. As a result, the Company recorded debt retirement and other debt costs of $0.7 in the first quarter of 2015 for the write-off of the pro-rata portion of unamortized debt issue costs and original issue discount.

2014 debt repayments

In each of May 2014 and August 2014 Mitel made prepayments of $25.0 on its then-existing term loan under the January 2014 Credit Facilities. As a result, the Company recorded debt retirement costs of $1.5 for the write-off of the pro-rata portion of unamortized debt issue costs and original issue discount.

January 2014 refinancing

On January 31, 2014, in conjunction with the acquisition of Aastra, as described in note 3, Mitel refinanced its senior secured credit facilities. The new credit facilities initially consisted of a $355.0 term loan and a $50.0 revolving facility (the "January 2014 Credit Facilities"). Proceeds of $353.2 (net of original discount of $1.8), along with cash on hand, were used to repay the remaining $258.5 outstanding on the February 2013 credit facilities, the $80.0 of cash consideration paid for the acquisition of Aastra, as well as fees and expenses in connection with the refinancing and the acquisition of Aastra.

Total fees and expenses related to the January 2014 Credit Facilities of $11.0 as well as original issue discount of $1.8 were deferred and amortized over the initial term of the credit facilities. The unamortized portion of the fees and expenses and original issue discount was expensed when the February 2013 Credit Facilities were repaid in April 2015.

The undrawn $50.0 revolving credit facility bore interest at LIBOR plus 4.25%, or, at the option of the Company, a base rate plus an applicable margin, and would have matured in January 2019. The term loan bore interest at LIBOR (subject to a 1.00% floor) plus 4.25%, or, at the option of the Company, a base rate plus an applicable margin, and would have matured in January 2020. The January 2014 Credit Facilities contained affirmative and negative covenants.

C apital leases

Interest expense related to capital leases was $0.6 for the year ended December 31, 2016 (years ended December 31, 2015 and 2014 — $0.7 and $0.8, respectively). Future minimum lease payments as of December 31, 2016 under capital leases total $12.7 of which $5.5, $3.7, $2.4 and $1.1 relate to years 2017 to 2020, respectively. Total interest costs of $1.0 are included in the total future lease payments.

Other

The Company has additional credit facilities totaling $16.9, of which $9.3 was utilized at December 31, 2016, primarily to provide letters of credit (December 31, 2015 — credit facilities totaling $16.7, of which $5.2 was utilized).

14. COMMITMENTS AND GUARANTEES

Operating Leases

The Company leases certain equipment and facilities under third-party operating leases. The Company is also committed under a related party facilities lease (see note 12). Rental expense for operating leases was as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Rental expense (1)			
Arms-length	$ 17.1	$ 17.0	$ 22.9
Related party	4.6	4.3	5.0
Total	$ 21.7	$ 21.3	$ 27.9

(1) Includes amounts paid to lessors for operating costs and is presented net of amounts that have been provided for under restructuring provisions.

Future minimum operating lease payments, primarily consisting of base rent for facilities, are as follows:

	Future Lease Payments(1)	
Fiscal year	Arms-length	Related Party
2017	18.9	2.2
2018	13.8	2.2
2019	9.7	2.1
2020	7.5	2.0
2021	4.9	0.7
Thereafter	10.9	—
	$ 65.7	$ 9.2

(1) Future lease payments are shown gross of the lease restructuring provision, as described in note 20.

Guarantees

The Company has the following major types of guarantees:

Product Warranties

The Company provides its customers with standard warranties on hardware and software for periods up to 15 months. The following table details the changes in the warranty liability:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Balance, beginning of year	$ 4.1	$ 5.3
Warranty costs paid	(2.4)	(2.3)
Warranties expense	0.8	1.1
Balance, end of year	$ 2.5	$ 4.1

Intellectual Property Indemnification Obligations

The Company enters on a regular basis into agreements with customers and suppliers that include limited intellectual property indemnification obligations that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party intellectual property claims arising from these transactions. The nature of these intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to its customers and suppliers. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the Consolidated Financial Statements with respect to these guarantees.

Letters of Credit and Guarantees

Letters of credit, financial guarantees and other similar instruments are reviewed regularly, and the results of these reviews are considered in assessing the adequacy of the Company's reserve for possible credit and guarantee losses. Letters of credit, bank guarantees and other similar instruments amounted to $11.0 as of December 31, 2016 (December 31, 2015 — $10.0) of which $4.8 relate to the discontinued operations of the Mobile business unit, as described in note 4 (December 31, 2015 — $3.8). The estimated fair value of letters of credit, bank guarantees and similar instruments, which is equal to the fees paid to obtain the obligations, was not significant as of December 31, 2016 and 2015.

15. CONTINGENCIES

The Company is party to a small number of legal proceedings, claims or potential claims arising in the normal course of business. The Company's management and legal counsel estimates that any monetary liability or financial impact of such claims or potential claims to which the Company might be subject after final adjudication would not be material to the Consolidated Financial Statements. In circumstances where the outcome of the lawsuit is expected to be unfavorable, the Company has recorded a provision for the expected settlement amount. Where the expected settlement amount is a range, the Company has provided for the best estimate within that range. If no amount within the range is more likely, then the Company has provided for the minimum amount of the range.

16. COMMON SHARES

At December 31, 2016, there were an unlimited number of common shares authorized and 122.0 million shares issued and outstanding (December 31, 2015 — 120.8 million shares issued and outstanding). The holders of common shares are entitled to one vote per share and are entitled to dividends if and when declared by the Board of Directors.

Shareholders' Agreement

The Company, Francisco Partners GP II Management, LLC and certain of their affiliates (collectively, "the Francisco Group") and the Matthews Group are parties to a shareholders' agreement ("the Shareholders' Agreement"). Under the Shareholders' Agreement, the Francisco Group is entitled to nominate three members to the Board of Directors provided the Francisco Group controls at least 15% of the outstanding common shares. In addition, the Matthews Group is entitled to nominate one member to the Board of Directors provided the Matthews Group controls at least 5% of the outstanding common shares. In addition, the Francisco Group and the Matthews Group will nominate the Company's Chief Executive Officer to serve as a member of the Board of Directors, provided the Francisco Group and the Matthews Group each control at least 5% of the outstanding common shares. The Matthews Group and Francisco Group agree to vote their shares in favor of the election of the other party's nominees. The number of members on the Board of Directors shall be no more than ten.

If the Francisco Group controls less than 15% but more than 10% of the outstanding common shares, it can nominate two directors and if it controls less than 10% but more than 5%, it can nominate one director.

The Shareholders' Agreement also provides that the Company will not take certain significant actions without the approval of the Francisco Group, so long as the Francisco Group controls greater than 15% of the outstanding common shares. The significant actions include actions related to:

- amendments to the Company's articles or by-laws;
- issuance of securities, with certain exceptions such as the issuance of securities under Equity Incentive Plans and in acquisitions that involve an issuance of securities of less than $25.0;
- declaring or paying dividends or distributions on any securities;
- incurring additional indebtedness;
- mergers, acquisitions and sales of assets or subsidiaries; and
- any liquidation, winding-up, dissolution, or other distribution of assets of the Company to its shareholders.

Stock Options Plans

2014 Equity Incentive Plan

In the second quarter of 2014, the 2014 Equity Incentive Plan (the "2014 Plan") was approved by the Company's shareholders. The 2014 Plan permits grants of stock options, deferred share units, restricted stock units, performance share units and other stock-based awards. Under the 2014 Plan, options are generally granted for a fixed number of shares with an exercise price at least equal to the fair market value of the shares at the date of grant. Options granted vest 1/16 over each of the first 16 quarters, and expire seven years after the date of grant. In addition, under the 2014 Plan, Restricted Stock Units ("RSUs") vest 25% each year over four years. An RSU, once vested, entitles the holder to a Mitel common share issued out of treasury.

The Company's Board of Directors has the discretion to amend general vesting provisions and the term of any award, subject to limits contained in the 2014 Plan. The aggregate number of common shares that may be issued for all purposes pursuant to the 2014 Plan must not exceed 8.9 million common shares. Common shares subject to outstanding awards under the 2014 Plan which lapse, expire or are forfeited or terminated will, subject to plan limitations, again become available for grants under the 2014 Plan.

The number of stock-based awards available for grant under the Company's 2014 Equity Incentive Plan at December 31, 2016 was 2.7 million (December 31, 2015 — 4.6 million).

2006 Equity Incentive Plan

The 2006 Equity Incentive Plan (the "2006 Plan") permitted grants of stock options, deferred share units, restricted stock units, performance share units and other stock-based awards. Upon approval of the 2014 Plan, no further grants under the 2006 Plan can be made, however the 2006 Plan will continue to govern outstanding stock options and RSUs granted under the 2006 Plan. The Company's Board of Directors has the discretion to amend general vesting provisions and the term of any award granted under the 2006 Plan, subject to limits contained in the 2006 Plan.

Under the 2006 Plan, options were granted for a fixed number of shares with an exercise price at least equal to the fair market value of the shares at the date of grant. Options granted vest 1/16 over each of the first 16 quarters, and expire seven years after the date of grant. Under the 2006 Plan, RSUs vest 25% each year over approximately four years. An RSU, once vested, entitles the holder to a Mitel common share issued out of treasury.

Stock Option Information

The following is a summary of the Company's stock option activity:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options:						
Balance, beginning of year	9.4	$ 6.97	6.8	$ 6.12	7.2	$ 5.10
Granted in the normal course	1.0	7.17	1.6	9.19	1.3	9.78
Granted in connection with the acquisition of Mavenir	—	—	2.5	7.50	—	—
Exercised (1)	(0.5)	4.55	(0.8)	5.14	(1.5)	4.58
Forfeited	(0.6)	8.62	(0.5)	7.86	(0.1)	5.05
Expired	(1.0)	7.09	(0.2)	7.64	(0.1)	5.76
Balance, end of year	8.3	$ 7.01	9.4	$ 6.97	6.8	$ 6.12
Number of options exercisable	5.9	$ 6.58	5.2	$ 6.36	3.8	$ 5.91

(1) The total intrinsic value of options exercised during the year ended December 31, 2016 was $1.4 (years ended December 31, 2015 and 2014 — $2.9 and $8.6, respectively).

The following table summarizes information about the Company's stock options outstanding and exercisable at December 31, 2016:

	Total outstanding			Total exercisable		
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (3)	Number of Options	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (3)
$3.80	0.5	3.5 years	$ 1.6	0.4	3.5 years	$ 1.3
$4.00	0.5	1.5 years	1.3	0.5	1.5 years	1.3
$5.16	1.4	1.1 years	2.3	1.4	1.1 years	2.3
$7.17	0.7	6.2 years	—	0.1	6.2 years	—
$8.79	0.8	1.3 years	—	0.7	1.3 years	—
$9.70	0.8	5.2 years	—	0.4	5.2 years	—
$10.11	0.6	4.3 years	—	0.4	4.3 years	—
Other in-the-money options (1)	1.5	3.7 years	2.9	1.1	3.4 years	2.6
Other out-of-the-money options (2)	1.5	5.3 years	—	0.9	5.2 years	—
	8.3		$ 8.1	5.9		$ 7.5

(1) Other in-the-money options consists of all other remaining options outstanding where the exercise price is below the closing price of the Company's common shares on December 31, 2016. No individual tranche included has more than 0.5 million options outstanding. The weighted average exercise price of options included in Other in-the-money options was $4.43 per share.

(2) Other out-of-the-money options consists of all other remaining options outstanding where the exercise price is above the closing price of the Company's common shares on December 31, 2016. No individual tranche included has more than 0.5 million options outstanding. The weighted average exercise price of options included in Other in-the-money options was $9.32 per share.

(3) The aggregate intrinsic value of outstanding and exercisable stock options represents the amount by which the fair value of the common shares exceeds the exercise price of in-the-money options. The amount is based on the fair value of the shares at December 31, 2016 which is assumed to be the price that would have been received by the optionholders had all stock optionholders exercised and sold their options on December 31, 2016.

Additional information with respect to unvested stock option activity is as follows:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options:						
Unvested, beginning of year	4.2	$ 7.71	3.0	$ 6.39	3.4	$ 4.80
Granted in the normal course	1.0	7.17	1.6	9.19	1.3	9.78
Granted in connection with the acquisition of Mavenir (note 3)	—	—	2.5	7.50	—	—
Vested	(2.2)	6.79	(2.4)	6.80	(1.6)	5.84
Forfeited	(0.6)	8.59	(0.5)	7.86	(0.1)	5.05
Unvested, end of year	2.4	$ 8.11	4.2	$ 7.71	3.0	$ 6.39

Restricted Stock Unit Information

Restricted stock units ("RSUs") vest one-quarter annually over 4 years. An RSU, once vested, entitles the holder to a Mitel common share issued out of treasury. Additional information with respect to RSU activity is as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Number of RSUs outstanding:			
Beginning of year	2.6	0.7	—
Granted	1.8	2.2	0.7
Exercised	(0.7)	(0.2)	—
Forfeited	(0.6)	(0.1)	— (1)
End of year	3.1	2.6	0.7

(1) Number of RSUs is less than 0.1.

Stock-based compensation expense

Stock-based compensation expense for stock options is based on the fair value of the stock options on the date of grant, calculated using the Black-Scholes option-pricing model, which is expensed on a straight-line basis over the vesting period. Assumptions used in the Black-Scholes option-pricing model are summarized as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Risk-free interest rate	1.3%	1.5%	1.6%
Dividends	0.0%	0.0%	0.0%
Expected volatility	52.0%	52.0%	55.0%
Annual forfeiture rate	10.0%	10.0%	10.0%
Expected life of the options	5 years	5 years	5 years
Weighted average fair value per option	$ 3.14	$ 4.18	$ 4.57

Stock-based compensation expense for RSUs is based on the fair value on the date of grant, using the closing price of the Company's stock on the day of grant, which is expensed on a straight-line basis over the vesting period.

Total stock-based compensation expense was $16.8 for the year ended December 31, 2016 (years ended December 31, 2015 and 2014 — $12.8 and $6.1, respectively). As of December 31, 2016, there was $31.8 of unrecognized stock-based compensation expense (December 31, 2015 — $34.2) that is expected to be recognized over a weighted average period of 2.5 years (December 31, 2015 — 3.1 years).

17. PREFERRED SHARES

At December 31, 2016 and December 31, 2015, there were an unlimited number of preferred shares authorized, issuable in series. At December 31, 2016 and December 31, 2015, there were nil preferred shares outstanding.

18. WARRANTS

The following table outlines the carrying value of warrants outstanding:

	December 31, 2016	December 31, 2015
Warrants issued in connection with government funding (1)	$ 39.1	$ 39.1

(1) At December 31, 2016, there were 2.48 million warrants outstanding that were issued in connection with government funding (December 31, 2015 — 2.48 million). The warrants have an exercise price of nil, are exercisable at any time at the option of the holder and have no expiry date.

19. WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

The following table sets forth the basic and diluted weighted average common shares outstanding for earnings per share calculations as disclosed on the consolidated statements of operations:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Weighted average number of common shares outstanding, basic	121.5	113.7	95.6
Dilutive effect of options	1.3	1.8	—
Dilutive effect of RSUs	0.2	—	—
Dilutive effect of warrants	2.5	2.5	—
Weighted average number of common shares outstanding, diluted	125.5	118.0	95.6

The following securities have been excluded in the computation of diluted earnings per share because to do so would have been anti-dilutive based on the terms of the securities:

(Average number outstanding, in millions)	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Stock options	5.1	4.4	0.9
RSUs	2.0	2.2	—

The following securities have been excluded from the diluted weighted average common shares outstanding because they were anti-dilutive based on having a net loss attributable to common shareholders from continuing operations for the following period:

(Average number outstanding, in millions)	Year Ended December 31, 2014
Stock options	5.6
Warrants	2.5
RSUs	0.4

20. SPECIAL CHARGES AND RESTRUCTURING COSTS

Special charges and restructuring costs of $70.8 were recorded in the year ended December 31, 2016. The costs consisted of $20.2 of employee-related charges, $1.6 of facility-reduction related charges, $19.5 of integration-related charges and $29.5 of acquisition-related charges. The employee-related charges consisted of termination and related costs in connection with headcount reductions of approximately 150 people, primarily in North America and Europe. Integration-related charges include professional fees and incidental costs relating to the integrations of acquisitions. Acquisition-related charges consisted primarily of legal and advisory fees, including termination payments incurred relating to the terminated acquisition of Polycom. In connection with the termination, the Company received a termination fee of $60.0 from Polycom, which is recorded separately in the consolidated statement of operations and is further described in note 28.

Special charges and restructuring costs of $47.5 were recorded in the year ended December 31, 2015. The costs consisted of $16.4 of employee-related charges, $1.7 of facility-reduction related charges, $16.9 of integration-related charges and $12.5 of acquisition-related charges. The employee-related charges consisted of costs related to headcount reductions of approximately 150 people, primarily in North America and Europe. Facility-reduction related charges consisted primarily of lease termination obligations for facilities, primarily in North America. Integration-related charges primarily consist of professional fees and incidental costs relating to the integration of Aastra. Acquisition-related charges consisted primarily of legal and advisory fees incurred to close the acquisition of Mavenir, as described in note 3.

Special charges and restructuring costs of $72.7 were recorded in the year ended December 31, 2014. The costs consisted of $37.0 of employee-related charges, $5.4 of facility-reduction related charges, $25.3 of integration-related charges and $5.0 of acquisition-related charges. The employee-related charges consisted of costs related to headcount reductions of approximately 350 people, primarily in North America and Europe. Facility-reduction related charges consisted primarily of lease termination obligations for facilities, primarily in North America. Integration-related charges primarily consist of professional fees and incidental costs relating to the integration of Aastra. Acquisition-related charges consisted primarily of legal and advisory fees incurred to close the acquisition of Aastra, as described in note 3.

At December 31, 2016, the workforce reduction liability of $8.7 and the current portion of the lease termination obligation liability of $3.0 are included in accounts payable and accrued liabilities, with the remaining non-current portion of the lease termination obligation liability of $1.5 included in other non-current liabilities. Employee-related and workforce reduction costs for the years ended December 31, 2016, 2015 and 2014 relate primarily to the Enterprise segment.

The following table summarizes details of the Company’s restructuring liabilities:

Description	Workforce Reduction	Facility-Reduction Related, Including Lease Termination Obligations	Total
Balance of provision as of December 31, 2013	$ 1.7	$ 5.4	$ 7.1
Year ended December 31, 2014:			
Restructuring liabilities acquired relating to the acquisition of Aastra	2.0	0.3	2.3
Charges	37.0	5.4	42.4
Cash payments	(25.2)	(3.5)	(28.7)
Balance of provision as of December 31, 2014	$ 15.5	$ 7.6	$ 23.1
Year ended December 31, 2015:			
Charges	16.4	1.7	18.1
Cash payments	(18.2)	(3.7)	(21.9)
Balance of provision as of December 31, 2015	$ 13.7	$ 5.6	$ 19.3
Charges	20.2	1.6	21.8
Cash payments	(25.2)	(2.7)	(27.9)
Balance of provision as of December 31, 2016	$ 8.7	$ 4.5	$ 13.2

21. SUPPLEMENTARY CASH FLOW INFORMATION

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Change in non-cash operating assets and liabilities:			
Accounts receivable and sales-type lease receivables	$ 13.3	$ (20.1)	$ (23.2)
Inventories	0.4	(0.3)	5.2
Other current assets	(13.9)	14.2	2.5
Other non-current assets	(1.4)	5.3	0.4
Accounts payable and accrued liabilities	12.3	(41.9)	15.2
Deferred revenue	(2.6)	18.8	15.9
Other non-current liabilities	(1.2)	0.5	(1.2)
Change in pension liability	(3.2)	(1.4)	(0.1)
	$ 3.7	$ (24.9)	$ 14.7
Interest payments	$ 36.5	$ 26.1	$ 18.3
Income tax payments	$ 13.0	$ 16.3	$ 17.3
Disclosure of non-cash activities during the period:			
Property and equipment additions financed through capital lease	$ 8.3	$ 4.0	$ 5.7
Property and equipment additions of leasehold improvements as a result of leasehold inducements	$ —	$ —	$ 2.3

In addition, in April 2015, the Company acquired Mavenir for cash and share consideration and in January 2014, acquired Aastra for cash and share consideration, as disclosed in note 3.

22. SEGMENT INFORMATION

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the segments and allocates resources based on information provided by the Company's internal management system on the following three key business units, Enterprise, Cloud and Mobile.

In December 2016, Mitel entered into a definitive agreement to sell the operations of the Mobile business unit.The transaction closed on February 28, 2017. As a result, the operations of the Mobile business unit have been reclassified as discontinued operations in the consolidated statements of operations. However, certain costs previously allocated to the Mobile segment were not part of the operations of the business unit that was sold. As a result, these allocated costs remain in continuing operations. These costs have been listed separately in the segment information as management's allocation method has not changed. The allocation method is expected to be revised in the first quarter of 2017.

The primary measure of segment profit and loss used by the chief operating decision maker is segment income, which is gross margin less selling, general and administrative expenses, research and development expenses and other expense (income), excluding foreign exchange loss (gain). The accounting policies of reported segments are the same as those described in note 2. Revenue is directly attributed to the segments. The cost of revenue and expenses are primarily directly charged to the segment. In certain cases, cost of revenue and expenses are allocated to the segment on a pro-rata basis using an appropriate allocation method.

Total asset and long-lived asset information by segment is not presented because the CEO does not use such segmented measures to allocate resources and assess performance.

The Enterprise segment sells and supports products and services for premise-based customers. This includes the Company's premise-based IP and TDM telephony platforms, desktop devices and unified communications and collaboration ("UCC") and contact center applications that are deployed on the customer's premise. Premise-based sales are typically sold as an initial sale of hardware and software, with ongoing recurring revenue from hardware and software maintenance and other managed services that we may also offer.

The Cloud segment sells and supports products that are deployed in a cloud environment. The Cloud segment is comprised of a retail offering and a wholesale offering. The retail cloud offering, branded MiCloud, provides hosted cloud and related services directly to the end user. The Company is typically paid a monthly recurring fee for these services, which include UCC applications, voice and data telecommunications and desktop devices. The wholesale offering, branded Powered by Mitel, enables service providers to provide a range of hosted communications offerings to their end customers. The hosted offering includes hosted PBX, voice and video calling, SIP Trunking, voicemail, call center, audio conferencing and video and web collaboration services. The wholesale cloud offering is also sold to large enterprise customers who run their own data centers in private cloud or hybrid cloud networks with management provided by Mitel, or one of Mitel's channel partners. Revenue in the wholesale cloud offering is billed either as monthly recurring fees or as an upfront sale of hardware and software.

Operating segments

Financial information by operating segment is summarized below.

	Year Ended December 31, 2016			
	Enterprise	Cloud	Unallocated corporate costs (1)	Total (2)
Revenues				
Product	$ 522.5	$ 60.9	$ —	$ 583.4
Recurring	190.7	121.0	—	311.7
Services	90.0	2.5	—	92.5
Total revenues	803.2	184.4	—	987.6
Gross margin				
Product	290.3	37.1	—	327.4
Recurring	115.6	59.9	—	175.5
Services	28.0	1.1	—	29.1
Total gross margin	433.9	98.1	—	532.0
Selling, General and Administrative	263.7	64.2	11.9	339.8
Research and Development	71.1	25.4	—	96.5
Other income (3)	(0.8)	(0.1)	—	(0.9)
Segment income (loss)	$ 99.9	$ 8.6	$ (11.9)	$ 96.6
Other information				
Depreciation and amortization	$ 14.3	$ 3.3	$ 1.7	$ 19.3
Stock-based compensation	$ 11.7	$ 2.0	—	$ 13.7

(1) Represents costs previously allocated to the Mobile business unit that have not been reclassified to discontinued operations as they are not included in the business unit that was sold.

(2) Total amounts for revenues, gross margin, selling, general and administrative expenses, and research and development expenses are as reported on the consolidated statement of operations.

(3) Other income consists of other income, as reported on the consolidated statement of operations, excluding foreign exchange gain of $1.9.

	Year Ended December 31, 2015			
	Enterprise	Cloud	Unallocated corporate costs (1)	Total (2)
Revenues				
Product	$ 594.1	$ 48.8	$ —	$ 642.9
Recurring	192.2	104.8	—	297.0
Services	86.3	2.5	—	88.8
	872.6	156.1	—	1,028.7
Purchase accounting adjustments (3)	(2.9)	—	—	(2.9)
Total revenues	869.7	156.1	—	1,025.8
Gross margin				
Product	329.7	27.2	—	356.9
Recurring	110.5	49.7	—	160.2
Services	29.7	1.3	—	31.0
	469.9	78.2	—	548.1
Purchase accounting adjustments (3)	(2.9)	—	—	(2.9)
Total gross margin	467.0	78.2	—	545.2
Selling, General and Administrative	273.0	54.5	3.5	331.0

	Year Ended December 31, 2015			
	Enterprise	Cloud	Unallocated corporate costs (1)	Total (2)
Research and Development	80.4	21.8	—	102.2
Other income (4)	(1.6)	(0.3)	—	(1.9)
Segment income (loss)	$ 115.2	$ 2.2	$ (3.5)	$113.9
Other information				
Depreciation and amortization	$ 16.9	$ 3.0	$ 1.2	$ 21.1
Stock-based compensation	$ 9.6	$ 1.6	—	$ 11.2

(1) Represents costs previously allocated to the Mobile business unit that have not been reclassified to discontinued operations as they are not included in the business unit that was sold.

(2) Total amounts for revenues, gross margin, selling, general and administrative expenses, and research and development expenses are as reported on the consolidated statement of operations.

(3) In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions is recorded on the opening balance sheet of the acquired company at an amount that is generally lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's revenue and cost of sales in the reporting periods following the acquisition and has been presented separately.

(4) Other income consists of other income, as reported on the consolidated statement of operations, excluding foreign exchange gain of $18.8.

	Year Ended December 31, 2014		
	Enterprise	Cloud	Total (1)
Revenues			
Product	$ 708.5	$ 29.1	$ 737.6
Recurring	196.2	84.3	280.5
Services	94.0	1.0	95.0
	998.7	114.4	1,113.1
Purchase accounting adjustments (2)	(9.1)	—	(9.1)
Total revenues	989.6	114.4	1,104.0
Gross margin			
Product	405.9	16.4	422.3
Recurring	101.9	40.9	142.8
Services	33.6	0.5	34.1
	541.4	57.8	599.2
Purchase accounting adjustments (2)	(9.1)	—	(9.1)
Total gross margin	532.3	57.8	590.1
Selling, General and Administrative	298.8	45.9	344.7
Research and Development	104.1	14.2	118.3
Other income (3)	(1.9)	(0.2)	(2.1)
Segment income (loss)	$ 131.3	$ (2.1)	$ 129.2
Other information			
Depreciation and amortization	$ 20.2	$ 2.3	$ 22.5
Stock-based compensation	$ 5.4	$ 0.7	$ 6.1

(1) Total amounts for revenues, gross margin, selling, general and administrative expenses, and research and development expenses are as reported on the consolidated statement of operations.

(2) In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions is recorded on the opening balance sheet of the acquired company at an amount that is generally lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's revenue and cost of sales in the reporting periods following the acquisition and has been presented separately.

(3) Other income consists of other income, as reported on the consolidated statement of operations, excluding foreign exchange gain of $3.9.

Goodwill allocated to the Mobile segment is included in assets held for sale, as described in note 4. Goodwill information by segment for our continuing operations is as follows:

	December 31, 2016	December 31, 2015
Enterprise	$ 297.8	$ 297.8
Cloud	48.5	48.5
	$ 346.3	$ 346.3

Geographic Information

In conjunction with the reorganization of the business, the Company now reviews revenues by geography as follows:

- Americas, consisting of the continents of North America and South America;
- EMEA, consisting of the continent of Europe, including Russia, as well as the Middle East and Africa;
- Asia-Pacific, consisting of the continent of Asia and the pacific region, including Australia and New Zealand.

Revenues from external customers are attributed to the following countries based on location of the customers:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Canada	$ 29.9	$ 34.1	$ 39.2
United States	430.0	431.6	422.6
Rest of Americas	12.2	17.4	24.0
Americas	472.1	483.1	485.8
Germany	118.5	118.3	136.7
U.K.	93.3	94.4	121.0
Rest of EMEA	272.4	304.8	333.8
EMEA	484.2	517.5	591.5
Asia-Pacific	31.3	28.1	35.8
Purchase price accounting (1)	—	(2.9)	(9.1)
	$ 987.6	$ 1,025.8	$ 1,104.0

(1) In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue relating to acquisitions is recorded on the opening balance sheet of the acquired company at an amount that is generally lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's revenue and cost of sales in the reporting periods following the acquisition and has been presented separately.

Concentrations

The Company sells its products and services to a broad set of enterprises ranging from large, multinational enterprises, to small and mid-sized enterprises. Management believes that the Company is exposed to minimal concentration risk since the majority of its business is conducted with companies in numerous diverse industries. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable. In some cases, the Company will require payment in advance or security in the form of letters of credit or third-party guarantees. As at and for the years ended December 31, 2016, 2015 and 2014 no single customer accounted for more than 10 percent of the Company's revenues or accounts receivable.

Four independent suppliers manufacture a significant portion of the Company's products. The Company is not obligated to purchase products from these specific suppliers in any specific quantity, except as the Company outlines in forecasts or orders for products required to be manufactured by these companies. The Company's supply agreements with these suppliers results in a concentration that, if suddenly eliminated, could have an adverse effect on the Company's operations. While the Company believes that alternative sources of supply would be available, disruption of its primary sources of supply could create a temporary, adverse effect on product shipments.

23. INCOME TAXES

Details of income taxes are as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Income (loss) from continuing operations before income taxes:			
Canadian	$ 88.9	$ 176.2	$ 118.0
Foreign	(55.2)	(166.6)	(148.2)
	$ 33.7	$ 9.6	$ (30.2)
Current income tax recovery (expense):			
Canadian	$ (0.1)	$ (1.1)	$ 5.6
Foreign	(15.6)	(14.5)	(13.3)
	$ (15.7)	$ (15.6)	$ (7.7)
Deferred income tax recovery (expense):			
Canadian	$ (14.2)	$ (3.5)	$ (2.9)
Foreign	31.2	16.0	33.5
	$ 17.0	$ 12.5	$ 30.6

The income tax recovery (expense) reported differs from the amount computed by applying the Canadian rates to the income (loss) before income taxes. The reasons for these differences and their tax effects are as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Expected tax rate	26.5%	26.5%	26.5%
Expected tax recovery (expense)	$ (8.9)	$ (2.5)	$ 8.0
Foreign tax rate differences	2.1	4.4	2.1
Net change in valuation allowance on deferred tax assets	3.2	2.5	3.2
Permanent differences	(5.2)	(2.7)	(4.5)
Tax credits and other adjustments	10.1	(4.8)	14.1
Income tax recovery (expense)	$ 1.3	$ (3.1)	$ 22.9

The tax effect of components of the deferred tax assets and liabilities are as follows:

	December 31, 2016	December 31, 2015
Assets (liabilities):		
Net operating loss and credit carryforwards	$ 101.3	$ 103.3
Allowance for doubtful accounts	1.9	3.8
Inventories	3.5	1.3
Restructuring and other provisions	18.0	10.6
Pension liability	25.8	24.3
Revenue recognition	21.9	22.8
Intangibles	15.8	4.4
Long-term debt and other	—	0.7
Lease obligations	13.7	9.6
Property and equipment	0.6	4.4
Total gross deferred tax assets net of total deferred tax liabilities	202.5	185.2
Valuation allowance	(27.3)	(28.2)
Net deferred tax assets	$ 175.2	$ 157.0

The Company updates its assessment of the realizability of its deferred tax assets at each reporting period. At December 31, 2016, as a result of uncertainty regarding the future utilization of certain deferred tax assets, there is a valuation allowance of $27.3 against deferred tax assets primarily in the United Kingdom and United States (December 31, 2015 — $28.2). Future changes in estimates of taxable income could result in a significant change to the valuation allowance.

For the years ended December 31, 2016, 2015 and 2014, there were no significant changes to the assessment of the realizability of the Company's deferred tax assets.

Excluded from the above table is a $69.0 deferred tax asset relating to capital losses expected from the sale of the Mobile business unit, as discussed in note 4. The Company expects to record a full valuation allowance against these losses as the use of the capital losses are expected to be limited to capital gains.

The Company had the following tax-effected loss carryforwards and tax credits:

	December 31, 2016	
Year of Expiry	Tax Losses	Tax Credits
2018	$ 0.1	$ 0.8
2019	2.7	0.9
2020-2033	8.0	57.6
Indefinite	31.2	—
Total	$ 42.0	$ 59.3

These tax loss carryforwards primarily relate to operations in the United States, France and Brazil. The United States has an annual restriction on the utilization of $2.6 of tax-effected loss carryforwards related primarily to a change in ownership in 2001.

Tax credit carryforwards of $52.0 and $7.3 relate to the Canadian and United States operations, respectively. These credits consist primarily of investment tax credits that can be used to offset future federal, provincial and state income taxes payable.

The Company operates in multiple jurisdictions throughout the world and its returns are subject to ongoing examinations by certain taxing authorities in those jurisdictions. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provisions for income taxes. The Company believes that it has adequately provided for tax adjustments that are probable as a result of any ongoing or future examinations.

The Company has undistributed earnings of its foreign subsidiaries which are considered to be indefinitely reinvested and accordingly no provision for income taxes has been provided. The determination of the amount of unrecognized deferred income tax liability for undistributed earnings is not practicable. If circumstances change and it becomes apparent that some or all of the undistributed earnings of the Company's foreign subsidiaries will be remitted to a parent company, the Company will record a tax liability.

Uncertain Tax Positions

The following table reconciles the activity related to the Company's unrecognized tax benefits, which are included in other non-current liabilities in the consolidated balance sheets:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Opening balance	$ 19.0	$ 19.2
Increase related to current year tax positions	4.8	4.4
Reductions due to lapse in statute of limitations	(1.4)	(4.1)
Settlements	(1.3)	—
Other, including effect of foreign exchange	0.1	(0.5)
Closing balance (1)	$ 21.2	$ 19.0

(1) At December 31, 2016 and 2015, $9.5 and $10.1, respectively of the closing unrecognized tax benefits are recorded net against deferred tax assets.

The amount of unrecognized tax benefits at December 31, 2016 that would affect the effective tax rate, if recognized, were approximately $11.7 (December 31, 2015 — $8.9).

The Company recognizes any interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2016, in addition to the unrecognized tax benefits above, the Company has a balance of $3.1 (December 31, 2015 — $2.1) for the potential payment of interest and penalties. For the year ended December 31, 2016, the Company expensed $0.8 (years ended December 31, 2015 and 2014 — $0.7 and $0.5, respectively) for the potential payment of interest and penalties.

The Company routinely engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions throughout the year. The Company believes it is reasonably possible that certain federal, foreign, and state tax matters may be concluded in the next 12 months. The Company estimates that the unrecognized tax benefits inclusive of interest at December 31, 2016 are expected to be reduced by approximately $1.1 in the next 12 months.

The Company or its subsidiaries file income tax returns in a significant number of countries. These tax returns are subject to examination by local taxing authorities. The following summarizes the open years by major jurisdiction: Canada — 2011 to 2016 and for specific types of transactions from 2010 to 2012; the U.S. — 2013 to 2016; Germany — 2013 to 2016; France — 2013 to 2016; Sweden — 2010 to 2016; Switzerland — 2011 to 2016; and the U.K. — 2010 to 2016.

At December 31, 2016, the Company is presently under audit in France for the 2011 tax year, Canada for the 2011 through 2014 tax years and in the United States for 2013 and 2014. The resolution of tax matters in these jurisdictions is not expected to be material to the Consolidated Financial Statements. During the year, the Company settled a tax audit in Italy, which did not have a material impact on the Consolidated Financial Statements.

24. PENSION PLANS

The Company maintains defined contribution pension plans or defined benefit plans that cover a significant portion of its employees.

Defined Contribution Plans

The Company contributes to defined contribution pension plans on the basis of the percentage specified in each plan. The costs of the defined contribution plans are expensed as incurred. For the year ended December 31, 2016, the Company made contributions to these plans of $12.1 (years ended December 31, 2015 and 2014 — $11.9 and $14.3, respectively).

Defined Benefit Plans

Description of defined benefit plans

The Company's projected benefit obligation and plan assets, by defined benefit plan, at December 31, 2016 were as follows:

	U.K. Plan	Switzerland Plan	All Other	Total
Projected benefit obligation	$ 269.3	$ 110.9	$ 24.2	$404.4
Plan assets	170.6	88.3	—	258.9
Pension liability	$ 98.7	$ 22.6	$ 24.2	$145.5

The Company's projected benefit obligation and plan assets, by defined benefit plan, at December 31, 2015 were as follows:

	U.K. Plan	Switzerland Plan	All Other	Total
Projected benefit obligation	$ 248.0	$ 119.3	$ 24.9	$392.2
Plan assets	168.4	97.2	—	265.6
Pension liability	$ 79.6	$ 22.1	$ 24.9	$126.6

U.K Plan

The Company operates a partially funded defined benefit plan in the U.K. ("U.K. Plan"), which was closed to new members in 2001 and was closed to new service in November 2012.

Switzerland Plan

The Company operates a partially funded multiple-employer pension plan in Switzerland ("Switzerland Plan"). Under the Switzerland Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement based on an accrued value at the date of retirement. The accrued value is related to the actual returns on contributions during the working period. As the plan is a multiple-employer plan, the Consolidated Financial Statements include the Company's pro-rata share of assets, projected benefit obligation and pension benefit cost.

Other

The Company operates unfunded defined benefit plans related to France, Italy and Germany ("France Plan", "Italy Plan" and "Germany Plan", respectively). Under the France Plan and Italy Plan, retirees generally benefit from a lump sum payment upon retirement or departure. Under the Germany Plan, retirees generally benefit from the receipt of a perpetual annuity at retirement, based on their years of service and ending salary.

The defined benefit plan disclosures below are provided in aggregate for all defined benefit plans, unless otherwise noted.

Plan assets and projected benefit obligation information

The change in aggregate projected benefit obligation and plan assets was as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$ 392.2	$ 406.2	$ 226.4
Acquisition of Aastra	—	—	130.2
Service cost	2.6	3.3	2.2
Interest cost	10.5	11.5	13.2
Employee contributions	1.6	1.9	1.9
Actuarial loss (gain)	69.9	(8.0)	72.3
Benefits paid	(9.0)	(8.5)	(8.9)
Plan curtailment	(4.2)	(0.3)	(1.2)
Settlements	(2.9)	—	—
Foreign exchange	(56.3)	(13.9)	(29.9)
Benefit obligation at end of year	$ 404.4	$ 392.2	$ 406.2

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 265.6	$ 270.1	$ 169.1
Acquisition of Aastra	—	—	98.4
Actual return on plan assets	32.1	2.3	21.1
Employer contributions	7.3	7.1	7.3
Employee contributions	1.6	1.9	1.9
Benefits paid	(8.7)	(8.2)	(7.2)
Settlements	(3.2)	—	—
Foreign exchange	(35.8)	(7.6)	(20.5)
Fair value of plan assets at end of year	$ 258.9	$ 265.6	$ 270.1
Net pension liability	$ 145.5	$ 126.6	$ 136.1

The following table provides the Company's aggregate accumulated benefit obligation:

	December 31, 2016	December 31, 2015	December 31, 2014
Accumulated benefit obligation	395.2	380.8	394.3

Periodic benefit cost

The aggregate net periodic benefit cost was as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Current service cost — defined benefit	$ 2.6	$ 3.3	$ 2.2
Interest cost	10.5	11.5	13.2
Expected return on plan assets	(10.3)	(10.9)	(13.2)
Curtailment and settlement loss (gain), net of unrecognized actuarial loss	0.2	(0.3)	(0.7)
Recognized actuarial loss	2.2	2.1	0.8
Net periodic defined benefit cost	$ 5.2	$ 5.7	$ 2.3

Assumptions

The following assumptions were used to determine the periodic pension expense for the U.K. Plan:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Discount rate	3.95%	3.70%	4.70%
Inflation rate	3.15%	3.00%	3.30%
Investment returns assumption	5.15%	4.85%	6.00%

The following assumptions were used to determine the net present value of the projected pension obligation for the U.K. Plan:

	December 31, 2016	December 31, 2015	December 31, 2014
Discount rate	2.70%	3.95%	3.70%
Inflation rate	3.25%	3.15%	3.00%

(1) As a result of the U.K. Plan's November 2012 pension curtailment, members no longer earn benefits for current service and therefore the compensation rate increase and average remaining service life are not factors in determining the net present value of accrued pension benefits.

The following assumptions were used to determine the periodic pension expense for the Switzerland Plan:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014 (1)
Discount rate	0.85%	1.20%	2.25%
Inflation rate	1.00%	1.40%	1.50%
Investment returns assumption	2.30%	2.50%	3.50%

(1) Assumptions were applicable from the date of the acquisition of Aastra on January 31, 2014.

The following assumptions were used to determine the net present value of the projected pension obligation for the Switzerland Plan:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Discount rate	0.60%	0.85%
Inflation rate	1.00%	1.00%
Compensation increase rate	1.50%	1.50%
Average remaining service life of employees	10 years	11 years

Estimated future benefit payments

The table below reflects the total benefits expected to be paid in each of the next five years and in the aggregate for the subsequent five years.

	Benefit Payments
2017	7.2
2018	7.3
2019	7.5
2020	7.4
2021	7.9
2022-2025	45.1

Contributions

The Company expects to make annual employer contributions of $6.7 (£5.5) to fund the U.K. Plan deficit in 2017, 2018 and 2019. The amount of annual employer contributions required to fund the pension deficit is determined every three years in accordance with U.K. regulations. The Company expects to make employer contributions of $1.4 to fund the Switzerland Plan in 2017.

Plan assets

The Company's target allocation and actual pension plan asset allocation by asset category for the U.K Plan were as follows:

	December 31, 2016 Actual	December 31, 2016 Target (1)	December 31, 2015 Actual	December 31, 2015 Target (1)
Cash	2%	0%	2%	0%
Equities	64%	58%	71%	65%
Debt securities	34%	42%	27%	35%

(1) Under the current statement of investment principles of the plan, the target allocation includes a 25% allocation to liability-driven investments ("LDI" funds) and 30% to diversified target return funds. These allocations have been assigned to the equity and debt security targets based on the investments held at December 31, 2016 and December 31, 2015.

The Company's target allocation and actual pension plan asset allocation by asset category for the Switzerland Plan were as follows:

	December 31, 2016 Actual	December 31, 2016 Target	December 31, 2015 Actual	December 31, 2015 Target
Cash	8%	2%	9%	2%
Debt securities	20%	32%	19%	32%
Real estate	42%	40%	42%	40%
Equities	23%	20%	21%	20%
Other	7%	6%	9%	6%

The investment objectives of the pension portfolio of assets (the "Fund") are designed to generate returns that will enable the Fund to meet its future obligations. The performance benchmark for the investment managers is to earn in excess of the index return in those asset categories, which are actively managed. In setting the overall expected rate of return, the various percentages of assets held in each asset class together with the investment return expected from that class are taken into account. For cash and bonds, the rate used is that derived from an appropriate index at the valuation date. For equities and real estate, a model is used based on historical outperformance compared to bonds. For the year ended December 31, 2016, the assumption of equity outperformance compared to bonds was 3.5% (years ended December 31, 2015 and 2014 — 3.5% and 3.5%, respectively) and the assumption of real estate outperformance compared to bonds was 2.0% (years ended December 31, 2015 and 2014 – 2.0% and 2.0%, respectively).

The following table discloses the major category of fair value (as described in note 26):

	Fair Value Measurement at December 31, 2016			
	Quoted Price in Active Markets for Identical Instruments Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Cash	$ 11.3	$ —	$ —	$ 11.3
Equities	—	129.3	—	129.3
Bonds	—	75.0	—	75.0
Real estate	—	—	37.1	37.1
Other	—	—	6.2	6.2
	$ 11.3	$ 204.3	$ 43.3	$258.9

	Fair Value Measurement at December 31, 2015			
	Quoted Price in Active Markets for Identical Instruments Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets				
Cash	$ 11.8	$ —	$ —	$ 11.8
Equities	—	139.6	—	139.6
Bonds	—	64.6	—	64.6
Real estate	—	—	40.8	40.8
Other	—	—	8.8	8.8
	$ 11.8	$ 204.2	$ 49.6	$265.6

25. FOREIGN CURRENCY, CREDIT AND INTEREST RATE RISK

Foreign currency risk

The Company operates globally, and therefore incurs expenses in currencies other than its various functional currencies and its U.S. dollar reporting currency. The Company has used, and may use in the future, foreign currency forward contracts to hedge the fair value of certain assets and liabilities as well as to hedge likely future cash flows denominated in a currency other than the functional currency of the entity. The Company does not enter into forward contracts for speculative purposes.

Fair value hedging

The Company has used, and may use in the future, foreign currency forward contracts to minimize the short-term impact of currency fluctuations on foreign currency receivables, payables and intercompany balances. Foreign currency contracts used to hedge the fair value of foreign currency receivables, payables and intercompany balances are recorded at fair value, with changes in the fair value recorded as other income (expense) in the consolidated statements of operations.

At December 31, 2016, to hedge the fair value of certain assets and liabilities, the Company held forward contracts to buy Canadian dollars, Indian rupee, Indonesia rupiah and U.S. dollars at fixed rates on a notional amount of $7.8, $7.4, $3.8 and $81.4 U.S. dollars, respectively and to sell Australian dollars, Euros, Swiss francs, Singapore dollars and Swedish kronor at fixed rates on a notional amount of $8.4, $54.8, $10.2, $10.3 and $16.7 U.S. dollars, respectively. At December 31, 2016 all of the Company's outstanding forward contracts used for fair value hedging had a term of one month or less. At December 31, 2016, the Company had a net unrealized loss on fair value adjustments on the outstanding forward contracts used for fair value hedging of $0.2.

At December 31, 2015, to hedge the fair value of certain assets and liabilities, the Company held forward contracts to buy Canadian dollars, Swiss francs and Swedish kronor at fixed rates on a notional amount of $9.9, $10.1 and $8.4 U.S. dollars, respectively and to sell Australian dollars, British pounds sterling, Euros and U.S. dollars at fixed rates on a notional amount of $2.5, $7.4, $2.6 and $15.9 U.S. dollars, respectively. At December 31, 2015 all of the Company's outstanding forward contracts used for fair value hedging had a term of one month or less. At December 31, 2015, the Company had a net unrealized gain on fair value adjustments on the outstanding forward contracts used for fair value hedging of $0.1.

Cash flow hedging

The Company has used, and may use in the future, foreign currency forward contracts to hedge probable future cash flows. Cash flow hedges are assessed for effectiveness at the time of inception and again at each reporting period. Foreign currency forward contracts that are assessed as effective are recorded at fair value at each reporting period, with changes in the fair value recorded through other comprehensive income (loss) in the consolidated statements of operations, net of tax. When foreign currency forward contracts are settled, the unrealized gain or loss is removed from accumulated other comprehensive income (loss) and recorded as an increase or decrease to the hedged transaction.

At December 31, 2016 and 2015, the Company did not have any forward contracts used for cash flow hedging.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, other receivables, sales-type lease receivables, sold rental payments remaining unbilled and assets held by the defined benefit pension plan. Cash is generally held in banks with an investment grade rating. Cash equivalents are invested in government and commercial paper with investment grade credit rating. The Company is exposed to normal credit risk from customers. However, the Company has a large number of diverse customers to minimize concentrations of credit risk. As at and for the years ended December 31, 2016, 2015 and 2014 no single customer accounted for more than 10 percent of the Company's revenues or accounts receivable.

Interest rate risk

As described in note 13, the Company is exposed to interest rate risk primarily on its credit facilities which bear interest at LIBOR, subject to a LIBOR floor. As a result, the Company is exposed to changes in interest rates above the LIBOR floor. The Company periodically reviews its exposure to interest rate risk and determines what actions, if any, should be taken to mitigate the risk.

In addition, the Company's defined benefit plans, as described in note 24, are exposed to changes in interest rate risk through their investment in bonds and the discount rate assumptions.

The Company is not exposed to any other significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. The Company's sales-type lease receivables have fixed future cash flows and are therefore not exposed to significant interest rate risk.

26. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities carried at fair value are measured using one of the following three categories:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The Company's cash equivalents, as described in note 2, are valued using the category Level 2. The Company does not have any other significant financial assets or liabilities measured at fair value on a recurring basis, other than the investments held by defined benefit pension plans, as described in note 24.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable, amounts due to (from) related parties, net investment in sales-type leases and long-term debt. Due to the short-term maturity of cash, restricted cash, accounts receivable, accounts payable and amounts due to (from) related parties, the carrying value of these instruments is a reasonable estimate of their fair value. At December 31, 2016, the fair value of the term loan, as described in note 13, was approximately 101% of the principal balance.

27. OTHER INCOME, NET

Other income for the year ended December 31, 2016 includes a foreign exchange gain of $1.9 (years ended December 31, 2015 and 2014 — gains of $18.8 and $3.9, respectively). The foreign exchange gain for the year ended December 31, 2015 related primarily to intercompany balances and was offset by foreign currency translation adjustments recorded in other comprehensive loss, resulting in no significant net economic effect to the Company.

28. INCOME FROM TERMINATION FEE RECEIVED

On April 15, 2016, Mitel and Polycom, Inc. ("Polycom") (NYSE:PLCM) entered into a definitive merger agreement under which Mitel agreed to acquire all of the outstanding shares of Polycom common stock in a cash and stock transaction. On July 7, 2016, Polycom's board of directors notified Mitel that it had received a binding offer from a third party to acquire Polycom and that Polycom's board of directors concluded that such offer constituted a "Company Superior Proposal" under its merger agreement with Mitel. Later on July 7, 2016, Mitel waived its right to renegotiate the consideration payable to Polycom stockholders under the merger agreement. On July 8, 2016, Polycom paid Mitel a termination fee of $60.0 and the merger agreement was terminated. The termination fee has been recorded as Income from Termination Fee Received on the consolidated statement of operations.

29. SUBSEQUENT EVENT

On December 18, 2016, Mitel entered into a definitive agreement to divest its Mobile business unit. The transaction closed on February 28, 2017. Further details of the transaction are included in note 4.

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
AS OF DECEMBER 31, 2016
(in U.S. dollars, millions)

Description	Balance, Beginning of Year (1)	Additions: Charged to expenses	Additions: Other (2)	Deductions	Balance, End of Year (1)
Year Ended December 31, 2014					
Allowance for doubtful accounts, excluding amounts related to lease receivables	$ 4.8	$ 3.0	$ 6.1	$ (1.9)	$ 12.0
Allowance for sales-type leases and lease recourse liability	$ 5.0	$ 0.4	$ 1.1	$ (2.2)	$ 4.3
Provision for excess and obsolete inventory	$ 5.7	$ 0.6	$ —	$ (0.9)	$ 5.4
Year Ended December 31, 2015					
Allowance for doubtful accounts, excluding amounts related to lease receivables	$ 12.0	$ 4.0	$ —	$ (2.2)	$ 13.8
Allowance for sales-type leases and lease recourse liability	$ 4.3	$ —	$ —	$ (0.6)	$ 3.7
Provision for excess and obsolete inventory	$ 5.4	$ 1.9	$ —	$ (1.0)	$ 6.3
Year Ended December 31, 2016					
Allowance for doubtful accounts, excluding amounts related to lease receivables	$ 13.8	$ 3.1	$ —	$ (6.1)	$ 10.8
Allowance for sales-type leases and lease recourse liability	$ 3.7	$ (0.2)	$ —	$ (0.8)	$ 2.7
Provision for excess and obsolete inventory	$ 6.3	$ 3.0	$ —	$ (0.8)	$ 8.5

(1) Excludes assets and liabilities of components held for sale
(2) Primarily relates to acquisitions

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, with the participation of the CEO and Chief Financial Officer, or CFO, of the effectiveness of our disclosure controls and procedures as of December 31, 2016. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time period specified in the rules and forms of the SEC.

For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting.

Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, or persons performing similar functions, and effected by our board of directors, 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. 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.

As of December 31, 2016, our management, including the CEO and CFO, completed their evaluation of the effectiveness of our internal control over financial reporting. This evaluation was based on the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management identified no material weaknesses that existed in the design or operation of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Deloitte LLP, independent registered public accounting firm, as stated in their report on internal control over financial reporting, which is included in Part II, Item 8 of this Report.

Changes in internal controls over financial reporting

During the fourth quarter of 2016, we identified and remediated a material weakness in the operating effectiveness of our internal control over financial reporting related to accruing revenue for services performed, but not yet billed. The control was not operating effectively as the control owner was not operating the control as designed as they did not validate certain data underlying the amount of revenue that was being accrued. The remediation included replacing the control owner with an individual with appropriate qualifications. The material weakness was not pervasive and was confined to one of the Company's smaller operating entities. We concluded the foregoing efforts have remediated the material weakness as these procedures have been operating effectively for a sufficient period of time in 2016. We have completed our testing of the design and operating effectiveness of this control as of December 31, 2016.

Other than the above remediation of internal control, there were no significant changes in the Company's internal control over financial reporting during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of the shareholders of Mitel (the "Annual Meeting") to be filed with the SEC within 120 days of our fiscal year ended December 31, 2016.

Our board of directors has adopted a Code of Business Conduct of the Company (the "Code") applicable to all officers, directors and employees (including our Chief Executive Officer and Chief Financial Officer), which is available on our website (http://investor.mitel.com/) under "Corporate Governance." If we make any substantive amendments to the Code or grant any waiver, including any implicit waiver, from a provision of the Code to our Chief Executive Officer or Chief Financial Officer, we will disclose the nature of the amendment or waiver on that website or in a report on Form 8-K.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the Annual Meeting to be filed with the SEC within 120 days of our fiscal year ended December 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the Annual Meeting to be filed with the SEC within 120 days of our fiscal year ended December 31, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the Annual Meeting to be filed with the SEC within 120 days of our fiscal year ended December 31, 2016.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for the Annual Meeting to be filed with the SEC within 120 days of our fiscal year ended December 31, 2016.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. **(1) and (2) — The following Consolidated Financial Statements of the Company are included in Item 8 herein.**

   (A) Reports of Independent Registered Public Accounting Firm

   (B) Consolidated Balance Sheets — As of December 31, 2016 and December 31, 2015

   (C) Consolidated Statements of Operations — Years ended December 31, 2016, December 31, 2015, and December 31, 2014.

   (D) Consolidated Statements of Comprehensive Income (Loss) — Years ended December 31, 2016, December 31, 2015, and December 31, 2014.

   (E) Consolidated Statements of Shareholders' Equity — Years ended December 31, 2016, December 31, 2015, and December 31, 2014.

   (F) Consolidated Statements of Cash Flows — Years ended December 31, 2016, December 31, 2015, and December 31, 2014.

   (G) Notes to the Consolidated Financial Statements.

   (3) Listing of Exhibits — See Exhibit Index.

   The management contracts or compensatory plans or arrangements required to be filed as exhibits to this Report are denoted in the Exhibit Index.

2. **Our consolidated valuation of qualifying accounts (Schedule II) financial statement schedule is included in Item 8 herein.**

   All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable, or the information has been disclosed elsewhere.

3. **Exhibits filed with this report are listed in the Exhibit Index.**

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 1, 2017.

MITEL NETWORKS CORPORATION

By: **/s/ Steven E. Spooner**

Steven E. Spooner
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dated indicated.

Signature	Title	Date
/s/ Richard D. McBee **Richard D. McBee**	Chief Executive Officer & President (Principal Executive Officer) and Director	March 1, 2017
/s/ Dr. Terence H. Matthews **Dr. Terence H. Matthews**	Chairman of the Board	March 1, 2017
/s/ Peter D. Charbonneau **Peter D. Charbonneau**	Director	March 1, 2017
/s/ Benjamin H. Ball **Benjamin H. Ball**	Director	March 1, 2017
/s/ Sudhakar Ramakrishan **Sudhakar Ramakrishan**	Director	March 1, 2017
/s/ John P. McHugh **John P. McHugh**	Director	March 1, 2017
/s/ David Williams **David Williams**	Director	March 1, 2017

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EXHIBIT INDEX

3.1	Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registrant's Registration Statement on Form F-1, filed with the SEC on April 16, 2010)
3.2	Articles of Amalgamation, dated January 31, 2014, as amended (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K/A, filed with the SEC on December 5, 2014)
3.3	By-laws of the Company,, as amended and restated on December 16, 2016 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on December 22, 2016) 4.1 Form of Common Share Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registrant's Registration Statement on Form F-1, filed with the SEC on April 16, 2010)
10.1	Credit Agreement dated as of April 29, 2015, among Mitel Networks Corporation and Mitel U.S. Holdings, Inc., as the borrowers, Bank of America, N.A. as the administrative agent and collateral agent, Bank of America N.A. (acting through its Canada branch) as the Canadian administrative agent and Canadian collateral agent, Bank of America, N.A. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners, HSBC Canada, Export Development Canada and Societe Generale as Co-Documentation Agents and the lenders named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on May 1, 2015)
10.1 (a)	First Amendment to Credit Agreement, dated as of September 29, 2015, by and among Mitel Networks Corporation, Mitel US Holdings, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on September 30, 2015)
10.2	Agreement and Plan of Merger, dated as of February 28, 2015, by and among Mavenir Systems, Inc., Mitel Networks Corporation and Roadster Subsidiary Corporation (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on March 3, 2015)
10.2 (a)	Amendment No. 1, dated as of April 10, 2015, to the Agreement and Plan of Merger, dated as of February 28, 2015, by and among Mavenir Systems Inc., Mitel Networks Corporation and Roadster Subsidiary Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 10, 2015)
10.2 (b)	Amendment No. 2, dated as of April 20, 2015, to the Agreement and Plan of Merger, dated as of February 28, 2015, by and among Mavenir Systems Inc., Mitel Networks Corporation and Roadster Subsidiary Corporation (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed with the SEC on April 21, 2015)
10.3	Form of Global Mitel Employment Agreement (incorporated by reference to Exhibit 10.37 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, filed with the SEC on July 6, 2006)
10.4	2006 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 4.43 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)
10.5	2014 Equity Incentive Plan, (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on May 9, 2014)
10.6	Amended and Restated 2005 Stock Plan of Mavenir Systems, Inc. (incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)
10.7	Amended and Restated 2013 Equity Incentive Plan of Mavenir Systems, Inc. (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)
10.8	Employment Agreement between Mitel and Joe Vitalone effective as of March 5, 2013 (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-KT, filed with the SEC on March 31, 2014)
10.9	Amended and Restated Employment Agreement effective as of March 12, 2010, between Mitel and Steven Spooner (incorporated by reference to Exhibit 10.40 to Amendment No. 2 to the Registrant's Registration Statement on Form F-1, filed with the SEC on March 17, 2010)
10.9(a)*	Amendment No. 1 to the Amended and Restated Employment Agreement effective as of November 10, 2016, between Mitel and Steven Spooner
10.9(b)*	Amendment No. 2 to the Amended and Restated Employment Agreement effective as of December 16, 2016, between Mitel and Steven Spooner

10.10* Employment Agreement effective as of November 10, 2016, between Mitel (Delaware), Inc. and Graham Bevington

10.11 Amended and Restated Employment Agreement between Mitel and Ron Wellard effective as of March 12, 2010 (incorporated by reference to Exhibit 10.43 to Amendment No. 2 to the Registrant's Registration Statement on Form F-1, filed with the SEC on March 17, 2010)

10.12 Employment Contract dated as of January 13, 2011, between Mitel and Richard McBee (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on January 13, 2011)

10.12(a)* Amendment No. 1 to the Employment Agreement effective as of November 10, 2016, between Mitel and Richard McBee

10.13 Integrated Communications Solutions R&D Project Agreement (the "R&D Project Agreement") between Mitel, Mitel Knowledge Corporation, March Networks Corporation, March Healthcare and Her Majesty the Queen in Right of Canada dated October 10, 2002 (incorporated by reference to Exhibit 4.36 to Amendment No. 3 to the Registrant's Registration Statement on Form 20-F, filed with the SEC on February 12, 2003) +

10.13 (a) Amendment No. 1 to the R&D Project Agreement dated as of March 27, 2003 (incorporated by reference to Exhibit 4.26 to the Registrant's Annual Report on Form 20-F, filed with the SEC on August 31, 2004)

10.13 (b) Amendment No. 2 to the R&D Project Agreement dated as of May 2, 2004 (incorporated by reference to Exhibit 4.38 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)

10.13 (c) Amendment No. 3 to the R&D Project Agreement dated as of September 16, 2004 (incorporated by reference to Exhibit 4.38 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)

10.13 (d) Amendment No. 4 to the R&D Project Agreement dated as of June 27, 2005 (incorporated by reference to Exhibit 4.38 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)

10.13 (e) Amendment No. 5 to the R&D Project Agreement dated as of October 3, 2005 (incorporated by reference to Exhibit 4.38 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)

10.13 (f) Amendment No. 6 to the R&D Project Agreement dated as of October 31, 2006 (incorporated by reference to Exhibit 10.65 to the Registrant's Registration Statement on Form F-1, filed with the SEC on November 8, 2006)

10.13 (g) Amendment No. 7 to the R&D Project Agreement dated as of March 10, 2010 (incorporated by reference to Exhibit 10.16(g) to the Registrant's Annual Report on Form 10-K, filed with the SEC on July 1, 2011)

10.13 (h) Amendment No. 8 to the R&D Project Agreement dated as of March 10, 2010 (incorporated by reference to Exhibit 10.14(h) to the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)

10.14 Form of Warrant granted to Her Majesty in Right of Canada (incorporated by reference to Exhibit 2.5 to the Registrant's Annual Report on Form 20-F, filed with the SEC on October 31, 2006)

10.15 Master Manufacturing Services Agreement between Mitel and its subsidiaries and BreconRidge Corporation and its subsidiaries (acquired by Sanmina-SCI in May 2010) dated June 20, 2008 (incorporated by reference to Exhibit 10.59 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, filed with the SEC on February 4, 2010)

10.16 Master Manufacturing Services Agreement between Mitel and Flextronics Telecom Systems, Ltd. dated as at May 1, 2007 (incorporated by reference to Exhibit 10.60 to Amendment No. 1 to the Registrant's Registration Statement on Form F-1, filed with the SEC on February 4, 2010)

10.17 Shareholder Agreement among Mitel, Terence H. Matthews, Wesley Clover and Francisco Partners dated as of April 27, 2010 (incorporated by reference to Exhibit 99.3 to the Registrant's Report on Form 6-K, filed with the SEC on April 28, 2010)

10.18 Amended and Restated Registration Rights Agreement among Mitel, Terence H. Matthews, Wesley Clover, EdgeStone, Francisco Partners and Morgan Stanley dated as of April 27, 2010 (incorporated by reference to Exhibit 99.4 to the Registrant's Report on Form 6-K, filed with the SEC on April 28, 2010)

10.19 Lease Agreement between Mitel and Kanata Research Park Corporation dated as of November 1, 2010 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on February 2, 2011)

	10.19(a)	Partial Surrender of Lease and First Amendment to Lease between Mitel and Kanata Research Park Corporation dated as of November 1, 2010 (incorporated by reference to Exhibit 10.20(a) of the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)
	10.19(b)	Second Amendment to Lease between Mitel and Kanata Research Park Corporation dated as of March 3, 2014 (incorporated by reference to Exhibit 10.20(b) of the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)
	10.19(c)	Third Amendment to Lease between Mitel and Kanata Research Park Corporation dated as of February 11, 2015 (incorporated by reference to Exhibit 10.20(c) of the Registrant's Annual Report on Form 10-K, filed with the SEC on February 29, 2016)

10.20	Arrangement Agreement, dated November 10, 2013, between Mitel Networks Corporation and Aastra Technologies Limited (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on November 14, 2013)
10.21	Memorandum of Understanding, dated as of April 20, 2015, between the Plaintiffs, Mavenir Systems, Inc. Mitel Networks Corporation, Roadster Subsidiary Corporation, certain Mitel Directors and Morgan Stanley & Co. (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the SEC on April 20, 2015)
10.22	Form of Tender Support Agreement, dated as of February 28, 2015, by and among Mitel Networks Corporation, Roadster Subsidiary Corporation, and certain stockholders of Mavenir Systems, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on March 3, 2015)
10.23	Form of Shareholder Lock-Up Agreement, dated as of February 28, 2015, by and between Mitel Networks Corporation and certain shareholders of Mitel Networks Corporation (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed with the SEC on March 3, 2015)
10.24	Amended and Restated Employment Agreement between Mavenir Systems, Inc. and Pardeep Kohli effective as of February 25, 2015 (incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K/A, filed with the SEC on April 27, 2016)
10.25	Agreement and Plan of Merger, dated as of April 15, 2016, and amendment thereto, dated June 10, 2016, by and among Polycom, Inc., Mitel Networks Corporation and Meteor Two, LLC (f/k/a Meteor Two, Inc.) (incorporated by reference to Annex A to the proxy statement/prospectus contained in Amendment No. 1 to the Registrant's Registration Statement on Form S-4, filed with the SEC on June 10, 2016). Also see Exhibit 10.29 hereto.
10.26	Voting Agreement, dated as of April 15, 2016, by and among Mitel Networks Corporation, Meteor Two, Inc. and Elliott Associates, L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on May 5, 2016)
10.27	Form of Voting Agreement, dated as of April 15, 2016, by and among Mitel Networks Corporation, Meteor Two, Inc. and each director and certain officers of Polycom, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed with the SEC on April 18, 2016)
10.28	Commitment Letter, dated as of April 15, 2016, by and among Mitel Networks Corporation, Meteor Two, Inc., Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed with the SEC on April 18, 2016)
10.29	Notice of Termination and Waiver dated July 7, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on July 8, 2016)
10.30	Form of Indemnification Agreement of Mitel, as amended and restated on December 16, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on December 16, 2016)
10.31	Stock Purchase Agreement, dated as of December 18, 2016, by and among Mitel Mobility Inc., Mitel US Holdings, Inc., Mitel Networks Corporation, Sierra Private Holdings III LLC and, solely for the purposes of certain sections, Sierra Private Investments, L.P. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed with the SEC on December 18, 2016)
21.1*	Subsidiaries of Mitel
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2*	Certification by CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following materials from Mitel Network Corporation's Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2014 and December 31, 2013; (ii) Consolidated Statements of Operations for the year ended December 31, 2014, eight months ended December 31, 2013 and years ended April 30, 2013 and 2012; (iii) Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2014, eight months ended December 31, 2013 and years ended April 30, 2013 and 2012; (iv) Consolidated Statements of Shareholders' Equity for the year ended December 31, 2014, eight months ended December 31, 2013 and years ended April 30, 2013 and 2012; (v) Consolidated Statements of Cash Flows for the year ended December 31, 2014, eight months ended December 31, 2013 and years ended April 30, 2013 and 2012; and (vi) Notes to the Consolidated Financial Statements

+ Portions of this document have been granted "Confidential Treatment" by the Secretary of the SEC.
* Filed herewith.

<u>AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT</u>

This Amendment is made effective as of the **10 th** day of **November** , 2016.

BETWEEN:

MITEL NETWORKS CORPORATION

(hereinafter referred to as the "Employer" or "Mitel")

- and -

STEVEN SPOONER

(hereinafter referred to as the "Employee")

WHEREAS:

i) Employer and the Employee entered into an Amended and Restated Employment Agreement dated March 12, 2010, (the "Restated Agreement") and,

ii) Employer and Employee now wish to amend the Restated Agreement on the terms set out below, as of the effective date hereof;

NOW THEREFORE, in consideration of the sum of $5.00 and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby mutually covenant and agree as follows:

1. The Restated Agreement shall be amended as follows:

(a) Section 4 (a) of the Restated Agreement will be deleted and replaced by the following:

"For services rendered by the Employee in the course of the employment hereunder, the Employee shall, from time to time, be eligible to receive certain equity based compensation, including but not limited to restricted stock units {"RSUs") and options to purchase common share of Mitel. All such equity based compensation will be subject to the terms and conditions of the grant and the terms and conditions of the plan under which they are granted. In the event of conflict between the terms of this Agreement, the terms of the grant and the terms of the Plan under which they are granted, precedence shall be in that order."

(b) Section 4 (b) of the Restated Agreement will be deleted and replaced by the following:

"All equity based compensation becomes 100% fully vested and payable upon a Change of Control, as defined in section 4(c) of this Employment Agreement, and any performance-based targets shall be deemed to have been satisfied at 100%."

2. All other terms and conditions of the Restated Agreement remain in full force and effect.

3. The Employee has been provided with the opportunity to obtain independent legal advice with respect to this Amendment.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

MITEL NETWORKS CORPORATION	**STEVEN SPOONER**
By: /s/ Greg Hiscock	By: /s/ Steven Spooner
Greg Hiscock VP – Legal, General Counsel, Corporate Secretary	

Exhibit 10.9(b)

2 ND AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This 2 nd Amendment to the Amended and Restated Employment Agreement is made effective as of the 16 th day of December, 2016.

BETWEEN:

MITEL NETWORKS CORPORATION

(hereinafter referred to as the "Employer" or "Mitel")

- and -

STEVEN SPOONER

(hereinafter referred to as the "Employee")

WHEREAS:

i) Employer and the Employee entered into an Amended and Restated Employment Agreement dated March 12, 2010, which was subsequently amended on November 10 th , 2016 (the "Restated Agreement") and,

ii) Employer and Employee now wish to amend the Restated Agreement on the terms set out below, as of the effective date hereof;

NOW THEREFORE, in consideration of the sum of $5.00 and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby mutually covenant and agree as follows:

1. The Restated Agreement shall be amended such that the following language will be deleted from the definition of Change of Control in Section 4(c)(i):

   "provided that such transaction(s) shall not constitute a Change of Control to the extent that (i) the transaction is an acquisition by the company of another entity, (ii) such acquisition is financed by the issuance of equity by the company to a financial sponsor, and (iii) neither Terence Matthews, Francisco Partners or any of their respective affiliates disposes of any shares of the company as a result of such transaction(s);";

2. All other terms and conditions of the Restated Agreement remain in full force and effect.

3. The Employee has been provided with the opportunity to obtain independent legal advice with respect to this Amendment.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

MITEL NETWORKS CORPORATION	**STEVEN SPOONER**
By: /s/ Greg Hiscock	By: /s/ Steven Spooner
Greg Hiscock Vice President, General Counsel and Corporate Secretary	

Exhibit 10.10

EMPLOYMENT AGREEMENT (the “Agreement”)

THIS EMPLOYMENT AGREEMENT is made as of the l0th day of November, 2016 (the “Effective Date”).

BETWEEN:

MITEL (DELAWARE), INC.

(hereinafter referred to as the (“Employer” or “Mitel”)

- and -

GRAHAM BEVINGTON

(hereinafter referred to as the “Employee”)

WHEREAS, the Employer and the Employee wish to enter into an agreement pursuant to which the Employee will provide the Employee’s services to the Employer as hereinafter set forth, and the Employer will hire and retain the services of the Employee as an employee of the Employer.

NOW THEREFORE in consideration of the premises and mutual covenants and agreements hereinafter contained, the parties hereto hereby mutually covenant and agree as follows:

1. EMPLOYMENT

a. The Employee is employed on a full-time basis as Executive Vice President and Chief Sales Officer. The Employee shall report directly to Rich McBee.

b. The Employee is employed on a full-time basis for the Employer and it is understood that the hours of work involved will vary and may be irregular. The Employee acknowledges that this clause constitutes an agreement to work such hours.

c. The Employee acknowledges and hereby agrees to carry out all lawful instructions given to the Employee by the Employer.

d. The Employee acknowledges and hereby agrees to observe all policies of the Employer as the Employer may in its absolute discretion create from time to time and to perform all services associated with the position herein.

e. The Employee acknowledges and agrees that, during the currency of this Agreement, the Employee shall devote the Employee’s full-time and skill to the duties and responsibilities contemplated herein and shall not be engaged in any other employment in any other capacity or any other activity that interferes with the provision of the services contemplated herein or that is for the benefit of any person, corporation or enterprise whose business interests are either competitive or in conflict with those of the Employer. The Employee is a fiduciary of the Employer and shall act at all times in the Employer’s best interests.

f. The Employee represents and warrants to the Employer that the execution and delivery of this Agreement by the Employee and the performance by the Employee of the services hereunder will not (with or without the giving of notice or lapse of time, or both) violate or breach any term or condition of, or constitute a default under, any agreement, document or instrument to which the Employee is a party or by which the Employee is bound including any non-competition or non-solicitation agreement.

g. The location of employment shall be Employer's offices at 5850 Granite Parkway, Suite 600, Plano, Texas 75024, in the United States.

2. EMPLOYMENT TERM

Subject to being terminated pursuant to the provisions of paragraph 6 hereof, your employment shall be indefinite. The parties acknowledge and agree that Employee's original date of hire by Mitel, its subsidiaries or parent entities was January 4 th 2000. However, it is the intention of the parties that this Agreement shall govern Employee's services as of the Effective Date.

3. COMPENSATION FOR SERVICES

a. For services rendered by the Employee in the course of the employment hereunder, the Employee shall receive an annual base salary of $390,000 (three hundred and ninety thousand dollars) ("Base Salary"). The Base Salary shall be paid at such times and in such fashion as in keeping with the ordinary practices and policies of the Employer, as such may exist from time to time. The Base Salary may be reviewed periodically by the compensation committee of the Employer. Future increases, if any, shall be entirely discretionary without the necessity of an amendment hereto.

b. For services rendered by the Employee in the course of the employment hereunder and depending on the achievement of business goals, the Employee may be eligible to receive an annual variable, at-risk payment (the "Bonus") equating to 75% of base salary. There is no guarantee of a Bonus in any particular year and under no circumstances is the Bonus to be considered part of the Employee's Base Salary or other regular employment income.

c. The Employee shall be entitled to a car allowance of $8,000 (eight thousand dollars) per year for the performance of services hereunder. This car allowance is intended to cover the costs of purchasing or leasing a vehicle for use in connection with the Employee's employment, and is subject to the Employer's car allowance policy.

d. The Employee shall be entitled to participate in any and all such additional benefits as are enjoyed from time to time by other employees, including senior executive employees, in accordance with the established practices and policies of the Employer as the Employer may in its absolute discretion create from time to time. The Employee shall be entitled to all perquisites offered to senior executives of the Employer. The Employer reserves the right to alter, amend or terminate all such benefits and perquisites at any time with or without notice.

e. The Employee shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses that are incurred by the Employee in furtherance of the Employer's business in accordance with the policies adopted from time to time by the Employer and subject to receipt of appropriate documentation.

f. The Employer will reimburse the Employee for expenses incurred by the Employee in connection with tax planning advice and preparation of annual individual tax return(s), up to a maximum of $3,000 (three thousand dollars) per year.

4. EQUITY GRANTS

For services rendered by the Employee in the course of the employment hereunder, the Employee shall, from time to time, be eligible to receive certain equity based compensation, including but not limited to restricted stock units (“RSUs”) and options to purchase common share of Mitel. All such equity based compensation will be subject to the terms and conditions of the grant and the terms and conditions of the plan under which they are granted. In the event of conflict between the terms of this Agreement, the terms of the grant and the terms of the Plan under which they are granted, precedence shall be in that order.

5. VACATION

The Employee shall be entitled to accrue 5 (five) weeks’ vacation annually in accordance with Mitel’s policies.

6. TERMINATION

Subject to Section 10, for purposes of base salary, incentive compensation, benefit entitlement and accrual, vesting and perquisites, the date of termination of services or employment (the “Termination Date”) shall be the earlier of:

(a) the date on which the Employee gives notice of resignation to the Employer; or

(b) the actual date of termination of employment (whether or not for cause).

a. Termination without Notice

Notwithstanding anything herein to the contrary, this Agreement and the Employee’s employment with the Employer may be terminated, without the Employer being obligated to provide the Employee with advance notice of termination or pay in lieu of such notice, whether under contract, statute, common law or otherwise if:

i. the Employee retires;

ii. the Employee is unable to perform substantially all of the Employee’s employment related duties for a period of more than either three (3) consecutive months, or six (6) months in the aggregate during any twelve (12) month period. Failure by the Employer to strictly rely upon this provision in any given instance or instances, shall not in any way constitute a waiver of the Employer’s rights as stated herein;

iii. the Employee’s employment is terminated for Cause. For purposes of this Section 6(a)(iii), “Cause” includes, without limitation, the following:

(A) the Employee’s breach of a material term of this Agreement;

(B) the Employee’s repeated and demonstrated failure to perform the material duties of the Employee’s position in a competent manner;

(C) the conviction of the Employee for a criminal offence involving fraud or dishonesty, or which otherwise adversely impacts the reputation of the Employer;

(D) the Employee or any member of the Employee’s immediate family making personal profit out of or in connection with a transaction or business opportunity to which the Employer is involved or otherwise associated with, without making disclosure to and seeking the prior written consent;

(E) the Employee's failure to act honestly and in the best interests of the Employer;

(F) the Employee's failure to comply with any Employer rules or policies of a material nature;

(G) the Employee's failure to obey reasonable instructions provided to the Employee in the course of employment, within five (5) calendar days of receiving written notice of such disobedience; or

(H) any actions or omissions on the part of the Employee constituting gross misconduct or negligence resulting in material harm to the Employer; or

iv. the Employee dies.

Upon any termination under this Section 6(a), the Employee or the Employee's estate will not be entitled to receive any further compensation or benefits pursuant to the terms of this Agreement other than those which have accrued up to the date of the Employee's termination, subject to those death benefits which may be payable in accordance with applicable insurance policies. For greater certainty, subject to Section 7, the Employee's entitlement with respect to equity based compensation at the date of the termination of employment under this Section 6(a) shall be governed by the terms and conditions under which they have been granted.

b. Termination Without Cause

The employment of the Employee hereunder may be terminated at any time by the Employer without Cause, or, within 12 months following a Change of Control (as defined in Section 6 (c) below), by the Employee for Good Reason (as defined in Section 6 (d) below), in which event the Employer shall have no further obligation to the Employee other than the following:

i. The Employee will receive severance (the "Severance Payment") equal to:

(A) Sixteen (16) months' where the Employee is terminated by the Employer without Cause; or

(B) Twelve (12) months' where the Employee is terminated either by the Employer without Cause within twelve (12) months of a Change of Control or by the Employee for Good Reason within twelve (12) months of a Change of Control.

The number of months for which the Severance Payment is paid, as per (i)(A) or (i)(B) above, shall be referred to as the "Severance Period".

ii. For the purposes of subparagraph (i) above, a month's compensation will be equal to:

(A) the Employee's then current monthly base salary, plus

(B) monthly bonus equal to 1/36 th of the total of all Bonuses paid to the Employee during the three (3) most recently completed fiscal years, plus

(C) the monthly car allowance.

iii. Subject to the terms and conditions of the applicable plans, Mitel will subsidize the medical and dental COBRA costs for the Severance Period. The elected medical and dental benefits on the date of termination are the items that Mitel will subsidize. All other benefits, such as disability, life, AD&D and travel accident, will cease effective as of the Termination Date.

iv. Upon termination under this Section 6(b):

(A) by the Employer without Cause, any equity based compensation granted to the Employee shall continue to be governed by the terms under which they were granted, or

(B) by the Employer without Cause within 12 months following a Change of Control or by the Employee within 12 months following a Change of Control (as defined in Section 6(c) below) and for Good Reason (as defined in Section 6(d) below), all equity based compensation shall become 100% fully vested upon a Change of Control, and any performance-based targets shall be deemed to have been satisfied at 100%.

The Employee acknowledges that the foregoing benefits are conditioned on the Employee's execution (within forty-five days) and non-revocation of the Employer's standard release and waiver.

The payments under this Section 6 include the Employee's entitlements under any applicable employment standards legislation and regulations and shall be in full settlement of all severance payments to the Employee under this agreement or any other employment, termination or severance agreement between the Company and the Employee or any severance plan or policy of the Company. Subject to the provisions of Sections 7 and 10, any payments under this Section 6 will be paid by the Employer in a series of equal instalments according to the Employer's regular payroll schedule, over the Severance Period, commencing with the first payroll after the date of termination of employment.

(c) "Change of Control" shall mean:

i. the closing of a merger or consolidation of such company with or into another entity or other transaction or series of related transactions in which the holders of voting securities of such party, immediately prior to such transaction(s), will hold less than 50% of the voting securities of the surviving entity, immediately after such transaction(s);or

ii. the closing of the sale of all or substantially all of the assets of such company in one or a series of transactions,

provided however that any such Change in Control event shall also meet the definition of "change in ownership" or "change in control" within the meaning of Section 409A of the Internal Revenue Code.

(d) " *Good* Reason" shall mean any of the following, unless the Employee gives his express written consent thereto:

i. a material adverse change in the Employee's status or position as an employee of the Company, as in effect immediately prior to a Change of Control. Such material adverse change shall include, without limitation, any material adverse change in status or position as a result of a material diminution in the Employee's duties or responsibilities, the assignment to the Employee of any duties or responsibilities which are materially inconsistent with such status or position;

ii. a material reduction by the Company in the Employee's annual base salary as in effect immediately prior to a Change of Control;

iii. a material failure by the Company to continue in effect any employee benefit or bonus program in which the Employee is participating at the time of a Change of Control other than as a result of the normal expiration of any such program in accordance with its terms as in effect at the time of a Change of Control or replacement of such program with a comparable program, or the taking of any action, or the failure to act, by the Company which would materially and adversely affect the Employee's continued participation in any such employee benefit or bonus program on at least as favorable a basis to the Employee as on the date of a Change of Control;

iv. the Company requiring the Employee to be based anywhere other than within thirty-five (35) miles of where the Employee is based at the time of a Change of Control, except for required travel on the Company's business to an extent substantially consistent with the Employee's business travel obligations in the ordinary course of business immediately prior to the Change of Control;

Notwithstanding the foregoing, the Employee must give notice to the Company within 60 days following the Employee's knowledge of an event constituting Good Reason describing the alleged failure or action by the

Company and advising of the Employee's intention to terminate the Employee's employment for Good Reason. The Company shall have 14 business days to correct such failure or action following the delivery by the Employee of such written notice. If the Employee fails to provide such notice within 60 days, such event shall not constitute Good Reason under this Agreement.

c. Termination by the Employee

This Agreement and the employment of the Employee hereunder may be terminated at any time by the Employee giving to the Employer three (3) months written notice of resignation, which period may be waived in whole or in part by the Employer. The Employee shall continue to accrue and receive the Employee's base salary and benefits through to the date of termination indicated in the termination notice (to a maximum of three months) and shall have no further entitlements. Upon any termination under this Section 6(c), any equity based compensation received by the Employee shall continue to be governed by the terms of the grant or Plan under which they were granted.

d. Resignation

The Employee will be deemed to resign from any director, officer or other positions held with Mitel or any of its subsidiaries immediately upon the termination of employment for any reason, whether or not for Cause.

e. Payment of Accrued Vacation

As of the Termination Date, the Employee will receive a payout of any accrued unused vacation pay, subject to and in accordance with Company policy.

7. EMPLOYEE COVENANTS

a. **Acknowledgement:** In the course of employment with the Employer, the Employee will maintain close working relationships with the customers, clients, suppliers, distributors, consultants, agents and employees of both the Employer and its affiliates. Due to the sensitive nature of the Employee's position and the special access that the Employee will have to both the Employer's Confidential Information (as hereinafter defined) and Intellectual Property (as hereinafter defined),the Employee will be in a position to irreparably harm the Employer should the Employee (either during the Employee's term of employment with the Employer, or subsequent to the termination of such employment) enter into competition with the Employer (directly or indirectly) or otherwise make use of the specialized knowledge, contacts and connections obtained during the Employee's employment to the detriment of the Employer. The Employee acknowledges that the unauthorized use or disclosure of such information could irreparably damage the Employer's interests if made available to a competitor, or if used against the Employer for competitive purposes.

The Employee agrees that the covenants and restrictions contained in this Section 7 are reasonable and valid in terms of time, scope of activities and geographical limitations and understands and agrees that they are vital consideration for the purposes of the Employer entering into this Agreement. If the covenants and restrictions contained in this Section 7 are found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of Section 7, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of competent jurisdiction, requested to make such a declaration.

b. **Confidential Information and Intellectual Property:** During the course of the Employee's employment with the Employer, the Employee will have access to and be entrusted with confidential information relating to the Employer, its customers, suppliers and employees (the “Confidential Information”), the particulars of which, if disclosed to competitors of the Employer or to the general public, would be detrimental to the best interests of the Employer. The Employee, therefore, agrees that the Confidential Information is the exclusive property of the Employer, and that while employed by the Employer and at all times thereafter, the Employee will not, without the prior written consent of the Employer, (i) reveal, disclose or make known any Confidential Information to any person, or (ii) use the Confidential Information for any purpose, other than for the purpose of the Employer. In addition, all worldwide rights, title and interest in any and all advances, computer programs, concepts, compositions, data, database technologies, designs, discoveries, domain names, drawings, formulae, ideas, improvements, integrated circuit typographies, inventions, know-how, mask works, sketches, software, practices, processes, research materials, trade-secrets, work methods, patents, trade-marks, copyright works and any other intellectual property (whether registrable or not) produced, made, composed, written, performed, or designed by the Employee, either alone or jointly with others, in the course of the Employee’s employment with the Employer and in any way relating to the business of the Employer (the “Intellectual Property”), shall vest in and be the exclusive property of the Employer. The Employer shall have the sole and exclusive ownership of and right of control over any and all business, customers, and goodwill created or developed by the Employee in the course of the Employee’s employment with the Employer, including all information, records, and documents concerning business and customer accounts and all other instruments, documents, records, data, and information concerning or relating to the Employer’s business activities, interests and pursuits.

c. **IPR and Confidentiality Agreement:** Without limiting the generality of the foregoing, the Employee shall execute and be bound by the Mitel *lntellectual Property Rights and Confidentiality Agreement,* attached hereto as Schedule “A”.

d. **Restrictive Covenants:** The Employee agrees that without the express prior written consent of the Employer, during the Employee’s employment with the Employer and for a period of twelve (12) months thereafter, the Employee will not, anywhere in Canada, the United States, the United Kingdom or any other territory where Employee has worked over the last twenty-four months, either alone or in conjunction with any individual, partnership, firm, association, syndicate, company or other entity, either as an individual or as a partner or joint-venturer or as an employee, principal, consultant, agent, lender, shareholder (other than a passive holding of shares listed on a recognized North American stock exchange that does not exceed two percent of the outstanding shares so listed), officer, director, or in any other manner, whatsoever, directly or indirectly:

   i. solicit or attempt to obtain the withdrawal from the Employer or any of its affiliates of any of their respective employees, contractors or consultants (provided, however, that any general public recruitment responded to by such employees, contractors or consultants will not breach this subparagraph);

   ii. approach, solicit or attempt to solicit any customer/client or potential customer/client, wherever situated, of the Employer or any of its affiliates, with whom the Employee had dealings on behalf of the Employer within the twelve (12) months prior to the cessation of the Employee’s employment with the Employer, in order to attempt to direct any such customer/client or potential customer/client away from the Employer or any of its affiliates;

   iii. engage in any Competitive Business, or in any way be employed by, associated or in any manner connected with any Competitor, in any position, role or area of responsibility similar to those for which the Employee had responsibilities in his last five (5) years of employment with the Employer. For the purposes of this paragraph, a Competitive Business or a Competitor means any business which engages in or proposes to engage in: (A) the same core business as that which is carried on by the Employer or by such affiliate; or (B) that business which is the subject of the Employer's or such affiliate's actual or demonstrably anticipated research and development. The Employer may in its absolute discretion from time to time designate any partnership, firm, association, syndicate, company or other entity as a directly competitive business for purposes of this paragraph 7, upon providing written notice of such designation to the Employee; or

iv. divert, attempt to divert, derive a benefit from or otherwise profit from any maturing business opportunities which to the knowledge of the Employee were pursued or advanced by the Employer or any of its affiliates at any time within the twelve (12) months prior to the cessation of the Employee's employment with the Employer.

e. In the event that the Employee breaches any of the Employee's ongoing obligations under this Section 7, then notwithstanding anything to the contrary in the terms under which they were granted or in this Agreement:

i. any equity based compensation, including but not limited to stock options or RSUs, granted to the Employee hereunder that are not yet expired, whether or not such equity based compensation has vested or remains unvested, shall immediately expire; and

ii. the Employee will immediately forfeit the already paid Severance Payment, and will not be entitled to receive any portion of, any unpaid remainder of the Severance Payment.

f. Each subparagraph or sub-subparagraph of this Section 7 shall be (and shall be construed as) a separate and distinct covenant, independent of and severable from all other subparagraphs or sub-subparagraphs of this Section 7.

g. The provisions of this paragraph 7 shall survive the cessation for any reason whatsoever of the employment relationship between the Employer and the Employee and shall be enforceable notwithstanding the existence of any claim or cause of action of Employee against the Employer whether predicated upon this Agreement or otherwise. Any such claim or cause of action will not constitute a defense to any injunction action, application or motion brought against the Employee by the Employer for purposes of enforcing the provisions of this paragraph 7.

8. DISCLOSURE

The Employee undertakes and agrees that, for a period of twelve months after the termination of the Employee's employment hereunder and prior to entering into any contractual relationship with any other party to serve as an officer, director, employee, partner, advisor, joint-venturer or in any other capacity with any other business, undertaking, association, partnership, firm, enterprise or venture that competes with Mitel or its affiliates, the Employee shall disclose to such other party the terms of this Agreement.

9. RESOLUTION OF DISPUTES

Any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the state of Texas, county of Collin. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue. Both parties knowingly waive the right to a jury to decide any dispute.

10. U.S.TAX PROVISIONS

a. *Six-month delay:* For purposes of this Agreement, the terms "termination", "cessation of employment", "cessation of services" and "termination of employment" mean a separation from service as defined in Section 409A of the Internal Revenue Code of 1986, as amended and the applicable guidance thereunder ("Section 409A"). Notwithstanding the provisions of this Agreement, if on the date of Employee's termination, Employee is a "specified employee" as defined in Section 409A, and an exception from Section 409A's requirements is not available as to any one or more payments or installments under this Agreement or otherwise, Employee shall not receive a distribution of such payment or installment, until six months after the date of termination. If Employee is subject to the restriction described in the previous sentence, Employee will be paid on the first day of the seventh month after termination an amount equal to the benefit that Employee would have been paid during such six-month period absent such restriction. In furtherance of the application of all possible exceptions to requirements of Section 409A, each payment or installment shall be treated as a separate payment in order to maximize the application of payments during the "short term deferral period" under Section 409A.

b. *Expenses:* To the extent any indemnification payment, expense reimbursement, tax gross-up payment or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any life-time or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed or tax gross-up payment made after the last day of the calendar year following the calendar year in which the Employee incurred such indemnification payment or expenses, or, in the case of a tax gross-up payment, remitted the related taxes, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

c. *Section 409A Compliance.* The payments under this Agreement shall be interpreted to be exempt from Section 409A to the maximum extent possible, and if not exempt, shall be interpreted to comply with Section 409A. Notwithstanding the foregoing, the Employer makes no representation to Employee about 409A compliance and does not guarantee any tax result to the Employee. Employee is responsible for obtaining advice from a personal tax advisor.

11. CURRENCY AND DEDUCTIONS

All payments under this Agreement shall be in United States dollars and shall be subject to applicable and authorized withholdings and deductions.

12. APPLICABLE LAW

This Agreement and the rights and obligations of the parties hereunder shall be construed and governed in accordance with the laws of State of Texas, without regards to the principles of conflict of laws.

13. ENTIRE AGREEMENT

This Agreement, including its Schedule A, contain the entire understanding and agreement between the parties hereto with respect to the employment of the Employee and the subject matter hereof and any and all previous agreements and representations, written or oral, express or implied, including, without limitation the prior agreements and letters between the parties hereto or on their behalf, relating to the employment of the Employee by the Employer and the subject matter hereof, are hereby terminated and cancelled and Employee hereby releases and forever discharges the Employer of and from all manner of actions, causes of action, claims and demands whatsoever under or in respect of any such prior agreements and representations. Except as provided herein, no amendment or variation of any of the provisions of this Agreement shall be valid unless made in writing and signed by each of the parties hereto. Sections 7 and 8 hereof shall survive termination of this Agreement for the period necessary to carry out the intent and enforce those provisions.

14. SEVERABILITY

In the event that any provision herein or part thereof shall be deemed void, invalid, illegal or unenforceable by a court or other lawful authority of competent jurisdiction, this Agreement shall continue in force with respect to the enforceable provisions and all rights accrued under the enforceable provisions shall survive any such declaration, and any non-enforceable provision shall, to the extent permitted by law, be replaced by a provision which, being valid, comes closest to the intention underlying the invalid, illegal or unenforceable provision.

15. ASSIGNMENT

The Employer may assign its rights and obligations hereunder to any successor or transferee and this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties' respective heirs, executors, administrators, successors and assigns.

16. NOTICES

Any consent, approval, notice, request, or demand required or permitted to be given by one party to the other shall be in writing to be effective and shall be deemed to have been given on the earlier of receipt or the fifth day after mailing by registered mail as follows:

a. If to the Employer, to it at:

MITEL (DELAWARE) INC.
c/o Mitel Networks Corporation
5850 Granite Parkway, Ste. 600
Plano, TX 75078
Attention: Vice President, Total Rewards
CC: Corporate Counsel

b. If to the Employee, at:

Graham Bevington
4725 Augusta Drive,
Frisco, TX 75034

Delivery shall be sufficient if left with an adult person at the above address of the Employee in the case of the Employee, and if left with the receptionist at the above address of the Employer in the case of the Employer. The Employer or the Employee may change its address for service, from time to time, by notice given in accordance with the foregoing.

17. INDEPENDENT LEGAL ADVICE

The Employee acknowledges that the Employee is aware that the Employee has the right to obtain independent legal and tax advice before signing this Agreement. The Employee hereby acknowledges and agrees that either such advice has been obtained or that the Employee does not wish to seek or obtain such advice. The Employee further acknowledges and agrees that the Employee has read this Agreement and fully understands the terms of this Agreement, and further agrees that all such terms are reasonable and that the Employee signs this Agreement freely, voluntarily and without duress.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

MITEL (DELAWARE) INC.

By: /s/ Rich McBee

Rich McBee
President and CEO

By: /s/ Greg Hiscock

Greg Hiscock
Secretary

GRAHAM BEVINGTON

By: /s/ Graham Bevington

SCHEDULE A

Mitel lntellectual Property Rights and Confidentiality Agreement

In consideration of my employment with Mitel Networks Corporation “MNC”), Mitel Networks, Inc., Mitel Networks Limited., or any affiliates or subsidiaries of MNC (“Mitel”), my new or continued employment, the salary and wages and salary increase(s) paid to me in connection with my employment, the access provided to me to proprietary information of Mitel, its suppliers and customers and other good and valuable consideration, the adequacy of which is hereby acknowledged, I agree as follows:

1.0 BEST EFFORTS

1.1 I agree to devote my full time and attention and to use my best efforts to perform the duties associated with my position, including the duty to create and invent (“Work”). I agree not to work for or provide any services to a third party (other than as required by my position) without the prior written consent of Mitel.

2.0 OWNERSHIP OF INVENTIONS

2.1 Every invention and discovery, (whether patentable or not), work of authorship (including software code), technology and know-how and any improvement and revision to any of the foregoing (collectively “Inventions”) made or created by me, either alone or in collaboration with others, during the period of my employment with Mitel which uses Information (as defined below) or is within the scope of the actual or anticipated business of Mitel, including its research and development activities, its manufacturing, its products and services, and all intellectual and industrial property rights (“PRs”) arising with respect to any of the above will be the exclusive property of Mitel. I agree to hold all Inventions in a fiduciary capacity for the benefit of Mitel and hereby agree to assign all my rights and interests in the Inventions made or created by me to Mitel and its nominees and to promptly disclose in writing to my manager or to any person specifically designated by Mitel from time to time complete information concerning all Inventions made or created by me. This section shall not apply to any inventions I developed entirely on my own time without using any of Mitel’s employees, equipment, supplies, facilities, or trade secrets or confidential information, except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the Mitel’s business, or actual or demonstrably anticipated research or development of Mitel; or (2) result from any work performed by me for Mitel. I agree that this obligation survives the termination of my employment with respect to any Invention made or created by me during my employment with Mitel.

2.2 I acknowledge that I am being permitted by Mitel to use its premises, facilities, equipment and tools, supplies and other resources to do my Work which may involve making or creating various Inventions and that I am receiving Mitel’s assistance in performing my Work.

2.3 I agree that I may perform my Work at home or at other than Mitel locations during as well as outside regular Mitel business hours. I agree that the Work so performed will be considered part of and within the scope of my regular Work for Mitel.

3.0 AGREEMENT TO ASSIST

3.1 I will, during and after the period of my employment with Mitel, without charge to Mitel, but at its request and expense, assist Mitel and its nominees in every reasonable way to obtain and vest in it or them title to all IPRs arising with respect to all such Inventions in all countries by executing all necessary or desirable documents, including applications for patents, copyrights, topography rights and assignments thereof. I will also co-operate with Mitel and its nominees in the prosecution or defense of any claims, lawsuits or other proceedings arising in connection with any such Inventions, without charge to MiteI, but at its expense and request.

3.2 I hereby unconditionally and irrevocably waive all my moral rights under applicable legislation arising in connection with all Inventions.

4.0 RECORDS

4.1 I will keep and maintain adequate and current records of all Inventions made or created by me and agree that these records will be and remain the property of and available to Mitel at all times. I agree that on termination of my employment with Mitel and at any other time requested by Mitel, I will (1) promptly hand over to Mitel's designated representative all such records, and all copies of such records, in a tangible form such as notes, sketches, drawings, tables, lists, correspondence, computer diskettes, engineering books provided by Mitel, and other written, printed or photographed material in my possession, power or control relating to such Inventions and will not retain any such records; and (2) permanently delete all such records residing on any computer, phone or other electronic device, computer program, and any third party internet service provider or email provider in my possession or under my control.

5.0 TRADE SECRETS & CONFIDENTIALITY

5.1 I recognize that during the period of my employment with Mitel, I will receive, develop or otherwise acquire trade secrets (as defined by applicable law) and confidential information. Confidential information is data and information relating to the business of Mitel (whether constituting a trade secret or not) which is or has been disclosed to me or of which I became aware through my employment with Mitel, and which has value to Mitel and is not generally known to Mitel's competitors. Confidential information does not include any data or information that has been voluntarily disclosed to the public by Mitel (except where such public disclosure has been made by me without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means. During my employment, I will only use trade secrets and confidential information to perform my job duties, and I will only disclose trade secrets or confidential information when I have been authorized by Mitel to do so. I will not use, disclose or reveal trade secrets at any time after my employment ends. I will not use or disclose confidential information for a period of three (3) years after my employment with Mitel ends. I also recognize that during the period of my employment with Mitel, I may receive, develop or otherwise acquire confidential information of third parties. I will not use or disclose confidential information of a third party for a period of three (3) years after my employment with Mitel ends.

6.0 USE OF MITEL COMPUTERS & COMMUNICATIONS SYSTEMS

6.1 I agree to adhere to all Mitel policies and guidelines regarding the use of Mitel's computers, communications systems (voice, data, and video), databases or files, and I agree not to make any unauthorized use of such computers, communications systems, databases or files or the information they contain. I agree that I have no expectation of privacy with respect to such use.

7.0 AGREEMENT NOT TO SOLICIT

7.1 I agree that while I am an employee of Mitel, and for twelve (12) months thereafter:

(a) I will not directly or indirectly, either for my own benefit or for the benefit of any person, firm or corporation, solicit any of Mitel's employees to induce them to leave their employment with Mitel. This restriction is limited to employees of Mitel with whom I had contact for the purpose of performing my job duties at Mitel;

(b) I will not directly or indirectly solicit any Mitel customer for the purpose of offering or providing services or products that compete with those offered by Mitel. This restriction is limited to customers with whom I had contact while performing my job duties and circumstances which would require the use of Mitel confidential information. This restriction is further limited to customers with whom I had contact during the last twenty-four (24) months of my employment.

8.0 REASONABLENESS OF RESTRICTIONS

8.1 I have carefully read and considered the provisions of this Agreement and agree that the restrictions set forth herein are fair and reasonable and are reasonably required for the protection of the interests of Mitel, its officers, directors, shareholders and other employees.

9.0 TERM

9.1 This Agreement will be effective upon the commencement of my employment with Mitel. The rights and obligations of the parties arising under this Agreement with respect to Inventions, IPRs and information, and Agreement Not to Solicit, will survive the termination of my employment with Mitel and this Agreement until they expire according to their terms.

10.0 SUCCESSORS, ASSIGNS, ETC.

10.1 This Agreement will inure to the benefit of the successors and assigns of Mitel and be binding upon my heirs, executors and administrators.

11.0 US EMPLOYEES ONLY

11.1 I acknowledge and agree that nothing in this Agreement shall be construed as creating a contract of employment or changing the “at will” relationship between Mitel and its employees in the United States.

12.0 GOVERNING LAW & SEVERABILITY

12.1 I acknowledge and agree that the courts of the state of New York in the United States shall have jurisdiction over all matters arising under this Agreement for all Mitel employees in the United States, the courts of England shall have exclusive jurisdiction over all matters arising under this Agreement for all employees in the United Kingdom, and the courts of the province of Ontario, Canada shall have exclusive jurisdiction over all matters arising under this Agreement for all other Mitel employees. This Agreement will be governed by and construed in accordance with the laws of the applicable jurisdiction as described above. If any provision of this Agreement, or any part thereof, shall be held to be invalid or unenforceable, such provision, or part thereof, shall be severable and shall be modified to the minimal extent possible and enforced as modified.

I AGREE THAT MITEL MAY PROVIDE A COPY OF THIS AGREEMENT TO ANY FUTURE EMPLOYER OF MINE.

By: /s/ Graham Bevington
Graham Bevington

Date: November l0 th , 2016

Exhibit 10.12(a)

AMENDMENT NO.1 TO EMPLOYMENT AGREEMENT

This Amendment is made effective as of the 10th day of November, 2016.

BETWEEN:

MITEL NETWORKS CORPORATION

(hereinafter referred to as the "Employer" or "Mitel")

-and-

RICHARD MCBEE

(hereinafter referred to as the "Employee")

WHEREAS:

i) Employer and the Employee entered into an Employment Agreement dated January 13th, 2011, (the "Employment Agreement") and,

ii) Employer and Employee now wish to amend the Employment Agreement on the terms set out below, as of the effective date hereof;

NOW THEREFORE, in consideration of the sum of $5.00 and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed, the parties hereto hereby mutually covenant and agree as follows:

1. The Employment Agreement shall be amended as follows:

(a) Section 4 of the Employment Agreement shall be renamed "Equity Based Compensation" and a new Section 4(d) shall be added:

"For services rendered by the Employee in the course of the employment hereunder, the Employee shall, from time to time, be eligible to receive certain equity based compensation, including but not limited to restricted stock units ("RSUs") and options to purchase common share of Mitel. All such equity based compensation will be subject to the terms and conditions of the grant and the terms and conditions of the plan under which they are granted. In the event of conflict between the terms of this Agreement, the terms of the grant and the terms of the Plan under which they are granted, precedence shall be in that order."

(b) The following provision will be added as Section 4 (e) to the Employment Agreement:

"All equity based compensation becomes 100% fully vested and payable upon a Change of Control, as defined in section 6(e) of this Employment Agreement, and any performance-based targets shall be deemed to have been satisfied at 100%."

(c) The definition for Change of Control under Section 6(e) shall be amended to:

(i) delete the following language from (i):

"provided that such transaction(s) shall not constitute a Change of Control to the extent that (i) the transaction is an acquisition by the company of another entity, (ii) such acquisition is financed by the issuance of equity by the company to a financial sponsor, and (iii) neither Terence Matthews, Francisco Partners or any of their respective affiliates disposes of any shares of the company as a result of such transaction(s);"

(ii) delete (iii) entirely, which states "the complete liquidation or dissolution of the Employer":

(iii) add of the following at the end of the definition:

"provided however that any such Change in Control event shall also meet the definition of "change in ownership" or "change in control" within the meaning of Section 409A of the Internal Revenue *Code.*

(d) Section 7(e), under the heading "Employee Covenants", will be deleted and replaced with the following:

"In the event that the Employee breaches any of the Employee's ongoing obligations under this Section 7, then notwithstanding anything to the contrary in the terms under which they were granted or in this Agreement:

i. any equity based compensation, including but not limited to stock options or RSUs, granted to the Employee hereunder that are not yet expired, whether or not such equity based compensation has vested or remains unvested, shall immediately expire; and

ii. the Employee will immediately forfeit the already paid Severance Payment, and will not be entitled to receive any portion of, any unpaid remainder of the Severance Payment."

(e) References in Section 11, under the heading "Clawback" to "Option Plan" will be deleted and replaced with "Equity Plan".

2. All other terms and conditions of the Employment Agreement remain in full force and effect.

3. The Employee has been provided with the opportunity to obtain independent legal advice with respect to this Amendment.

(Signature Page Follows)

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

MITEL NETWORKS CORPORATION	**RICHARD MCBEE**
By: /s/ Gregory Hiscock	By: /s/ Richard McBee
Gregory Hiscock VP, General Counsel and Corporate Secretary	

(Signature Page to Amendment No. 1 to McBee Employment Agreement)

Exhibit 21.1

SUBSIDIARIES

The full corporate name, jurisdiction of incorporation and registered and beneficial ownership of the issued and outstanding shares of each direct and indirect Subsidiary is as follows:

Name of Subsidiary	Jurisdiction of Incorporation	Ownership of Securities
Mitel U.S. Holdings, Inc.	Delaware	Wholly-owned by the Corporation
Mitel (Delaware), Inc.	Delaware	Wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Cloud Services, Inc.	Texas	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Communications Inc.	Delaware	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Technologies, Inc.	Arizona	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Leasing, Inc.	Arizona	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Business Systems, Inc.	Arizona	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel U.S. Holdings, Inc., which is in turn wholly-owned by the Corporation
Mitel Networks, Inc.	Delaware	Wholly-owned by Mitel (Delaware), Inc., which is in turn wholly-owned by Mitel US Holdings, Inc. which is in turn wholly-owned by the Corporation
Mitel Europe Limited	United Kingdom	Wholly-owned by the Corporation
Mitel Networks Holdings Limited	United Kingdom	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Networks Limited	United Kingdom	Wholly-owned by Mitel Networks Holdings Limited, which is in turn wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Deutschland GmbH	Germany	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
DeTeWe Communications GmbH	Germany	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel France SAS	France	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Italia SpA	Italy	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Schweiz AG	Switzerland	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Aastra Telecom Europe A/S	Denmark	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Spain, S.L.	Spain	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation

Name of Subsidiary	Jurisdiction of Incorporation	Ownership of Securities
Mitel Belgium SA	Belgium	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Lease SA	Belgium	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Sweden AB	Sweden	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Telepo Limited	United Kingdom	Wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Telepo Holding AB	Sweden	Wholly-owned by Telepo Limited, which is in turn wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel Communications AB	Sweden	Wholly-owned by Telepo Holding AB, which is in turn wholly-owned by Telepo Limited, which is in turn wholly-owned by Mitel Europe Limited, which is in turn wholly-owned by the Corporation
Mitel do Brasil Comercio e Servicos de Telecomunicacoes Ltda.	Brasil	Wholly-owned by the Corporation
Mitel Incorporated Mexico S.A. de C.V.	Mexico	Wholly-owned by the Corporation
Mitel Mobility Inc.	Delaware	Wholly-owned by Mitel US Holdings, Inc., which is wholly-owned by the Corporation
Mitel Mobility UK Limited	United Kingdom	Wholly-owned by Mavenir Systems Holdings Limited, which is wholly-owned by Mitel Mobility Inc. which is wholly-owned by Mitel US Holdings, Inc., which is in turn wholly-owned by the Corporation
TigerTMS Limited	United Kingdom	Wholly-owned by Connected Guests Limited, which is wholly-owned by Connected Hotels Limited, which is wholly-owned by Mitel Europe Limited, which is wholly-owned by the Corporation
Mitel Communication Technologies (Beijing) Company Limited	China	Wholly-owned by Mitel (Far East) Limited, which is wholly-owned by the Corporation
Mitel Mobility Co., Ltd (Shanghai)	China	Wholly-owned by Mitel Mobility Inc. which is wholly-owned by Mitel US Holdings, Inc., which is in turn wholly-owned by the Corporation
Mavenir Systems Private Limited	India	Wholly-owned by Mitel Mobility Inc. which is wholly-owned by Mitel US Holdings, Inc., which is in turn wholly-owned by the Corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements Nos. 333-173617, 333-147625, 333-132229, 333-120816, 333-176768, 333-189572, 333-196665, 333-182256 and 333-204122 on Form S-8 and No. 333-206763 on Form S-3ASR of our reports dated March 1, 2017 relating to the consolidated financial statements and financial statement schedule of Mitel Networks Corporation and subsidiaries and the effectiveness of Mitel Networks Corporation and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K of Mitel Networks Corporation for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Ottawa, Canada

March 1, 2017

Exhibit 31.1

Certification

I, Richard McBee, certify that:

1. I have reviewed this Report on Form 10-K of Mitel Networks Corporation for the year ended December 31, 2016;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

Date: March 1, 2017

/s/ Richard McBee

Name: Richard McBee
Title: Chief Executive Officer & President

Exhibit 31.2

Certification

I, Steven Spooner, certify that:

1. I have reviewed this Report on Form 10-K of Mitel Networks Corporation for the year ended December 31, 2016;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

Date: March 1, 2017

/s/ Steven E. Spooner

Name: Steven E. Spooner
Title: Chief Financial Officer

Exhibit 32.1

Certification by Chief Executive Officer of Annual Report

I, Richard McBee, Chief Executive Officer of Mitel Networks Corporation (“Mitel”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report on Form 10-K of Mitel, for the year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Mitel.

Dated: March 1, 2017

/s/ Richard McBee

Name: Richard McBee
Title: Chief Executive Officer & President

Exhibit 32.2

Certification by Chief Financial Officer of Annual Report

I, Steven Spooner, Chief Financial Officer of Mitel Networks Corporation ("Mitel"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report on Form 10-K of Mitel, for the year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Mitel.

Dated: March 1, 2017

/s/ Steven E. Spooner

Name: Steven E. Spooner
Title: Chief Financial Officer