

## **PRESS RELEASE**

For Immediate Release

### **Aastra Reports First Quarter Financial Results**

**TORONTO, ONTARIO (May 11, 2005)** -- Aastra Technologies Limited - (TSX: "AAH") today announced its unaudited financial results for the first quarter ended March 31, 2005. Net earnings for the three months ended March 31, 2005 were \$6.5 million or \$0.37 diluted earnings per share compared to \$4.6 million or \$0.27 diluted earnings per share in the same period last year. The first quarter results for this year include the results of operations for one month from the EADS Enterprise Telephony acquisition that was completed on February 28<sup>th</sup>. Excluding the impact of this acquisition, net earnings would have been \$8.5 million or \$0.48 diluted earnings per share, an increase of 85% for the comparable period last year.

Net sales for the three months ended March 31, 2005 were \$80.9 million compared to net sales of \$64.0 million for the same period last year, an increase of approximately 26%. Net sales from the recently acquired EADS Enterprise Telephony group were approximately \$17 million for the month of March. Excluding the impact of this acquisition, net sales would have been approximately \$64 million, consistent with the same period last year.

Net sales in the Enterprise Communications segment, including sales from the EADS acquisition, were \$76 million in the first quarter compared to \$55 million for the three months ended March 31, 2004. Excluding the acquisition, net sales in this segment increased by over 7% to \$59 million when compared to the same period last year. Net sales from the Network Access segment were \$5 million in the first quarter compared to \$9 million in the same period last year. Sales in this segment were primarily related to sales of the digital video products while revenue from the CVX product line continued to decline as expected.

Gross profit margin was 48% of sales for the three months ended March 31, 2005 consistent with the gross margin levels experienced in the same quarter last year. Continued improvements in the gross margin on our existing product lines was offset by the lower gross margins experienced on the new product lines acquired from EADS.

Research and development expenses in the first quarter of 2005 were \$7.9 million or 10% of sales, compared to \$6.4 million or 10% of sales in the comparable quarter of 2004. Excluding the impact of the EADS acquisition, research and development expenses would have declined by 10% to \$5.8 million.

Selling, general and administrative expenses were \$20.6 million or 25% of sales in the quarter compared to \$17.2 million or 27% of sales in the first quarter of 2004. Excluding the impact of the EADS acquisition, selling, general and administrative expenses would have declined by over 10% when compared to the last period last year.

Earnings before income taxes, amortization and interest for the quarter were \$11.6 million or 14% of sales compared to \$9.1 million or 14% of sales in the same period of 2004. Amortization of capital and intangible assets, excluding tooling, was \$3.3 million for the first quarter compared to \$2.9 million in the same period last year. Amortization of capital and intangible assets arising from the EADS acquisition was \$0.8 million during the first quarter.

Despite a significant decrease in the level of cash and short term investments upon the completion of the EADS acquisition in February, the Company recorded investment income of \$0.4 million in the first quarter compared to \$0.5 million for the first quarter last year as a result of higher average rates of return on its excess cash this quarter.

Income tax expense was \$1.4 million in the first quarter or 17% of pre-tax profits compared to \$0.5 million or 10% of pre-tax profits in the first quarter last year. While income tax rates have continued to be impacted by profits in lower tax jurisdictions, there was a continued shift towards more of the Company's taxable income coming from higher tax jurisdictions in Europe during the first quarter.

As a result of the payment of approximately \$88 million, net of acquired cash, on the EADS acquisition, Aastra experienced a decrease in cash and short-term investments to approximately \$44 million at the end of the first quarter from a balance of approximately \$129 million at the end of December 2004. During the first quarter, the Company generated approximately \$4 million of positive cash flow from operations, net of the addition of approximately \$6 million of working capital primarily related to the acquisition.

### **About Aastra Technologies Limited**

Aastra Technologies Limited (TSX: "AAH"), headquartered in Concord, Ontario, Canada, develops and markets products and systems for accessing communication networks. Aastra's products include a full range of residential and business telephone terminals, Enterprise Private Branch Exchanges (PBX), network access servers and high quality digital video gateways. Aastra serves the majority of telephone companies and certain broadcasters in North America and Europe, with a growing presence in South America and Asia. For more information on Aastra, visit our Web site at <http://www.aastra.com>.

*Certain information discussed in this press release is forward-looking and is subject to important risks and uncertainties. Forward-looking statements include statements of plans, objectives, strategies and expectations. The words "anticipate", "believe", "estimate", and "expect" and similar expressions are intended to identify forward looking statements. The results or events predicted in these statements may differ materially from actual results or events. Please refer to reports filed by Aastra with securities regulatory authorities in Canada for an identification of factors which could cause results or events to differ from current expectations. Aastra disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

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# AASTRA TECHNOLOGIES LIMITED

## CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

Stated in thousands of Canadian dollars except per share data

	1 <sup>st</sup> QUARTER Three months ended March 31 <sup>st</sup>	
	2005	2004
Sales	\$ 80,927	\$ 63,964
Cost of goods sold	41,845	32,979
	\$ 39,082	\$ 30,985
Selling, general and administrative	20,614	17,221
Research and development	7,860	6,428
Amortization	3,287	2,895
Foreign exchange loss (gain)	(80)	(194)
Investment Income	(491)	(519)
Earnings before income taxes	\$ 7,892	\$ 5,154
Income taxes	1,351	549
Net earnings for the period	\$ 6,541	\$ 4,605
Basic earnings per share for the period (note 4)	\$ 0.38	\$ 0.27
Diluted earnings per share for the period (note 4)	\$ 0.37	\$ 0.26

\* Actual common shares outstanding as at March 31, 2005 – 17,247,834 (2004 – 17,062,609)

\*\* Weighted average common shares outstanding for the three months ended March 31, 2005–17,227,692 (2004 – 17,047,698)

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Stated in thousands of Canadian dollars

	1 <sup>st</sup> QUARTER Three months ended March 31 <sup>st</sup>	
	2005	2004
Cash and cash equivalents provided by (used for) operations:		
Net earnings for the period	\$ 6,541	\$ 4,605
Amortization of capital assets	2,500	2,828
Amortization of intangible assets	1,711	1,613
Future income taxes	(1,053)	-
Stock compensation expense	107	62
Pension asset amortization	25	38
Net change in non-cash operating working capital	(5,778)	1,911
	4,053	11,057
Cash and cash equivalents provided by (used in) financing activities:		
Bank indebtedness	(163)	1,052
Issuance of common shares	391	327
	228	1,379
Cash and cash equivalents provided by (used for) investing activities:		
Short-term investments	57,581	41,633
Net purchase of capital assets	(876)	(452)
Business acquisition (note 2)	(87,535)	-
	(30,830)	41,181
Foreign exchange on cash held in foreign currency	(1,065)	7
Increase (decrease) in cash and cash equivalents	(27,614)	53,624
Cash and cash equivalents, beginning of period	64,181	25,879
Cash and cash equivalents, end of period	\$ 36,567	\$ 79,503

The interim Consolidated Financial Statements for the three months ended March 31, 2005 have not been reviewed by an auditor.

# AASTRA TECHNOLOGIES LIMITED

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Stated in thousands of Canadian dollars

	MARCH 31 <sup>ST</sup> 2005	DECEMBER 31 <sup>ST</sup> 2004	MARCH 31 <sup>ST</sup> 2004
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 36,567	\$ 64,181	\$ 79,503
Short-term investments	7,272	64,853	14,679
Accounts receivable	119,158	50,149	66,352
Income taxes receivable	2,039	2,039	-
Net investment in leases	1,160	756	399
Inventories	68,219	47,229	58,348
Deposits and prepaid expenses	7,697	2,193	1,596
Future income taxes	3,162	1,326	4,319
	\$ 245,274	\$ 232,726	\$ 225,196
Future income taxes	9,983	9,690	5,622
Net investment in leases	2,752	1,793	1,886
Capital assets, net	35,480	16,974	22,212
Accrued pension asset	982	1,046	1,101
Goodwill	6,353	6,353	6,353
Intangible assets	45,241	13,875	21,804
	\$ 346,065	\$ 282,457	\$ 284,174
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Indebtedness	1,118	-	7,662
Accounts payable and accrued liabilities	86,051	44,901	59,646
Income taxes payable	11,473	8,972	5,383
Deferred revenue	8,703	2,339	4,826
	\$ 107,345	\$ 56,212	\$ 77,517
Contingent consideration payable	6,060	6,300	6,180
Pension liability	4,361	-	-
Future income taxes	1,075	-	1,135
Other long term liability	5,341	-	-
	124,182	62,512	84,832
Shareholders' equity:			
Share capital	102,798	102,407	101,026
Contributed surplus	440	333	147
Cumulative foreign currency translation adjustment	(4,890)	211	768
Retained earnings	123,535	116,994	97,401
	221,883	219,945	199,342
	\$ 346,065	\$ 282,457	\$ 284,174

The interim Consolidated Financial Statements for the three months ended March 31, 2005 have not been reviewed by an auditor.

# AASTRA TECHNOLOGIES LIMITED

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

Stated in thousands of Canadian dollars

	Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Retained Earnings	Total
Balance, December 31, 2004	17,206,634	\$ 102,407	\$ 333	\$ 211	\$ 116,994	\$ 219,945
Shares issued on exercise of options	41,200	391	-	-	-	391
Stock option compensation	-	-	107	-	-	107
Translation of self sustaining operations	-	-	-	(5,101)	-	(5,101)
Net earnings	-	-	-	-	6,541	6,541
Balance, March 31, 2005	17,247,834	102,798	440	(4,890)	123,535	221,883
	Common Shares	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Retained Earnings	Total
Balance, December 31, 2003	17,032,109	100,699	85	1,101	92,796	194,681
Shares issued on exercise of options	30,500	327	-	-	-	327
Stock option compensation	-	-	62	-	-	62
Translation of self sustaining operations	-	-	-	(333)	-	(333)
Net earnings	-	-	-	-	4,605	4,605
Balance, March 31, 2004	17,062,609	\$ 101,026	\$ 147	\$ 768	\$ 97,401	\$ 199,342