# PRESS RELEASE

For Immediate Release

# Aastra Reports Second Quarter Financial Results

**TORONTO, ONTARIO (July 26, 2005)** -- Aastra Technologies Limited - (TSX: "AAH") today announced its unaudited financial results for the second quarter ended June 30, 2005. Net earnings for the three months ended June 30, 2005 were $7.0 million or $0.39 diluted earnings per share compared to $5.8 million or $0.33 diluted earnings per share in the same period last year. The second quarter results for this year include the results of operations from the EADS Enterprise Telephony acquisition that was completed on February 28th of this year. Excluding the impact of this acquisition, net earnings would have been $9.8 million or $0.55 diluted earnings per share, an increase of 67% over the comparable period last year.

Net sales for the three months ended June 30, 2005 were $125.8 million compared to net sales of $64.9 million for the same period last year, an increase of approximately 94%. Net sales from the recently acquired EADS Enterprise Telephony group were approximately $56 million for the second quarter. Excluding the impact of this acquisition, net sales would have been approximately $69.8 million, an increase of 7.5% from the same period last year.

Net sales in the Enterprise Communications segment, including sales from the EADS acquisition, were $117.4 million in the second quarter compared to $55.4 million for the three months ended June 30, 2004. Excluding the acquisition, net sales in this segment increased by 10.8% to $61.4 million when compared to the same period last year. Net sales from the Network Access segment were $8.4 million in the second quarter compared to $9.5 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 44% of sales for the three months ended June 30, 2005 compared to 49% of sales in the same quarter last year. While the gross margin on our existing product lines continued to improve when compared to last year, these stronger margins were offset by the expected lower gross margins experienced on the new product lines.

Research and development expenses in the second quarter of 2005 were $12.4 million or 9.9% of sales, compared to $6.1 million or 9.3% of sales in the comparable quarter of 2004. Excluding the impact of the EADS acquisition, research and development expenses would have $6.1 million, consistent with the same period last year.

Selling, general and administrative expenses were $29.8 million or 23.7% of sales in the quarter compared to $16.8 million or 25.8% of sales in the second quarter of 2004. Excluding the impact of the EADS acquisition, selling, general and administrative expenses would have declined slightly to $16.7 million when compared to the last period last year.

Earnings before income taxes, amortization and interest for the quarter were $13.6 million or 10.8% of sales compared to $9.2 million or 14.1% of sales in the same period of 2004. Amortization of capital and intangible assets, excluding tooling, was $4.9 million for the second quarter compared to $2.9 million in the same period last year. Amortization of capital and intangible assets arising from the EADS acquisition was $2.5 million during the second quarter.

As a result of the completion of the EADS acquisition in February, the Company's excess cash and short term investment balances were significantly lower during the second quarter and as a result Aastra recorded investment income of $0.1 million in the second quarter compared to $0.5 million for the second quarter last year.

Income tax expense was $1.7 million in the second quarter or 19.3% of pre-tax profits compared to $0.6 million or 8.7% of pre-tax profits in the second 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 second quarter.

Cash and short-term investments totaled approximately $64.5 million at the end of the second quarter compared to a balance of approximately $129.0 million at the end of December 2004. During the second quarter, the Company generated approximately $23.2 million of positive cash flow from operations, including working capital improvements of $9.0 million primarily related to the EADS acquisition.

After the completion of the second quarter, the Company and EADS agreed on certain adjustments that resulted in a €6.8 million or approximately $11.1 million reduction in the previously announced purchase price of €68.4 million or approximately $112.0 million. As a result of finalizing the completion adjustment with EADS, Aastra now anticipates that it will be in a position to file its business acquisition report ("BAR") relating to the EADS acquisition in September 2005. Based on securities legislation, the BAR filing related to this acquisition was due to be filed by the Company on or before May 15, 2005. The delay was primarily attributed to the purchase price adjustment process wherein certain audit opinions would not be available until a settlement was concluded.

Finally, as previously announced, the Company expects to complete its acquisition of DeTeWe's telecommunication business during the third quarter and will fund this acquisition with its internal cash resources.

**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.

For further information contact: **Allan Brett, CFO**
**905-760-4160**
**abrett@aastra.com**

# AASTRA TECHNOLOGIES LIMITED

## *CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)*

***Stated in thousands of Canadian dollars except per share data***

| | YEAR-TO-DATE Six months ended June 30TH | | 2nd QUARTER Three months ended June 30TH | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Sales | $ **206,705** | $ 128,865 | $ **125,778** | $ 64,901 |
| Cost of goods sold | **112,259** | 66,014 | **70,414** | 33,035 |
| | $ **94,446** | $ 62,851 | $ **55,364** | $ 31,866 |
| Selling, general and administrative | **50,442** | 33,990 | **29,828** | 16,769 |
| Research and development | **20,292** | 12,493 | **12,432** | 6,065 |
| Amortization | **8,147** | 5,760 | **4,860** | 2,865 |
| Foreign exchange loss (gain) | **(424)** | 129 | **(344)** | 323 |
| Investment Income | **(605)** | (1,013) | **(114)** | (494) |
| Earnings before income taxes | $ **16,594** | $ 11,492 | $ **8,702** | $ 6,338 |
| Income taxes | **3,031** | 1,099 | **1,680** | 550 |
| Net earnings for the period | $ **13,563** | $ 10,393 | $ **7,022** | $ 5,788 |
| Basic earnings per share for the period *(note 4)* | $ **0.79** | $ 0.61 | $ **0.41** | $ 0.34 |
| Diluted earnings per share for the period *(note 4)* | $ **0.76** | $ 0.59 | $ **0.39** | $ 0.33 |

* *Actual common shares outstanding as at June 30, 2005 – 17,309,459 (2004 – 17,086,684)*

** *Weighted average common shares outstanding for the six months and three months ended June 30, 2005–17,253,140 and 17,278,308 (2004 – 17,061,180 and 17,074,514)*

## *CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)*

***Stated in thousands of Canadian dollars***

| | YEAR-TO-DATE Six months ended June 30TH | | 2nd QUARTER Three months ended June 30TH | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Cash and cash equivalents provided by (used for) operations: | | | | |
| Net earnings for the period | $ **13,563** | $ 10,393 | $ **7,022** | $ 5,788 |
| Amortization of capital assets | **6,413** | 5,457 | **3,913** | 2,629 |
| Amortization of intangible assets | **3,691** | 2,829 | **1,980** | 1,216 |
| Future income taxes | **108** | (831) | **1,161** | (344) |
| Stock compensation expense | **282** | 124 | **175** | 62 |
| Pension asset amortization | **51** | 53 | **26** | 27 |
| Net change in non-cash operating working capital | **3,180** | 10,135 | **8,958** | 7,725 |
| | **27,288** | 28,160 | **23,235** | 17,103 |
| Cash and cash equivalents provided by (used in) financing activities: | | | | |
| Bank indebtedness | **984** | (5,827) | **593** | (6,879) |
| Issuance of common shares | **48** | 555 | **211** | 228 |
| | **1,032** | (5,272) | **804** | (6,651) |
| Cash and cash equivalents provided by (used for) investing activities: | | | | |
| Short-term investments | **64,736** | 28,973 | **7,155** | (12,660) |
| Net purchase of capital assets | **(3,398)** | (1,015) | **(2,522)** | (563) |
| Business acquisition *(note 2)* | **(86,809)** | - | **726** | - |
| | **(25,471)** | 27,958 | **5,359** | (13,223) |
| Foreign exchange on cash held in foreign currency | **(2,606)** | 299 | **(1,541)** | 292 |
| Increase (decrease) in cash and cash equivalents | **243** | 51,145 | **27,857** | (2,479) |
| Cash and cash equivalents, beginning of period | **64,181** | 25,879 | **36,567** | 79,503 |
| Cash and cash equivalents, end of period | $ **64,424** | $ 77,024 | $ **64,424** | $ 77,024 |

The interim Consolidated Financial Statements for the six months and three months ended June 30, 2005 have not been reviewed by an auditor.

# AASTRA TECHNOLOGIES LIMITED

## *CONSOLIDATED BALANCE SHEETS (UNAUDITED)*

***Stated in thousands of Canadian dollars***

| | | **JUNE 30TH 2005** | | DECEMBER 31ST 2004 | | JUNE 30TH 2004 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ | **64,424** | $ | 64,181 | $ | 77,024 |
| Short-term investments | | **117** | | 64,853 | | 27,339 |
| Accounts receivable | | **131,749** | | 50,149 | | 50,573 |
| Income taxes receivable | | **-** | | 2,039 | | - |
| Net investment in leases | | **753** | | 756 | | 628 |
| Inventories | | **56,533** | | 47,229 | | 55,808 |
| Deposits and prepaid expenses | | **4,246** | | 2,193 | | 2,390 |
| Future income taxes | | **3,143** | | 1,326 | | 4,313 |
| | $ | **260,965** | $ | 232,726 | $ | 218,075 |
| Future income taxes | | **8,842** | | 9,690 | | 5,413 |
| Net investment in leases | | **1,786** | | 1,793 | | 1,864 |
| Capital assets, net | | **32,865** | | 16,974 | | 20,146 |
| Investments | | **68** | | - | | - |
| Accrued pension asset | | **915** | | 1,046 | | 1,116 |
| Goodwill | | **6,353** | | 6,353 | | 6,353 |
| Intangible assets | | **40,723** | | 13,875 | | 20,588 |
| | $ | **352,517** | $ | 282,457 | $ | 273,555 |
| **Liabilities and Shareholders' Equity** | | | | | | |
| Current liabilities: | | | | | | |
| Indebtedness | | **1,258** | | - | | 783 |
| Accounts payable and accrued liabilities | | **95,863** | | 44,901 | | 50,302 |
| Income taxes payable | | **9,919** | | 8,972 | | 4,658 |
| Deferred revenue | | **7,658** | | 2,339 | | 4,951 |
| | $ | **114,698** | $ | 56,212 | $ | 60,694 |
| Contingent consideration payable | | **5,770** | | 6,300 | | 6,420 |
| Pension liability | | **4,204** | | - | | - |
| Future income taxes | | **1,076** | | - | | 1,265 |
| Long term liability | | **3,446** | | - | | - |
| | | **129,194** | | 62,512 | | 68,379 |
| Shareholders' equity: | | | | | | |
| Share capital | | **103,391** | | 102,407 | | 101,254 |
| Contributed surplus | | **615** | | 333 | | 209 |
| Cumulative translation adjustments | | **(11,240)** | | 211 | | 524 |
| Retained earnings | | **130,557** | | 116,994 | | 103,189 |
| | | **223,323** | | 219,945 | | 205,176 |
| | $ | **352,517** | $ | 282,457 | $ | 273,555 |

The interim Consolidated Financial Statements for the six months and three months ended June 30, 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 income | - | - | - | - | 6,541 | 6,541 |
| Balance, March 31, 2005 | 17,247,834 | 102,798 | 440 | (4,890) | 123,535 | 221,883 |
| Shares issued on exercise of options | **61,625** | **593** | **-** | **-** | **-** | **593** |
| Stock option compensation | **-** | **-** | **175** | **-** | **-** | **175** |
| Translation of self sustaining operations | **-** | **-** | **-** | **(6,350)** | **-** | **(6,350)** |
| Net income | **-** | **-** | **-** | **-** | **7,022** | **7,022** |
| Balance, June 30, 2005 | **17,309,459** | **$ 103,391** | **$ 615** | **$ (11,240)** | **$ 130,557** | **$ 223,323** |

| | 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 income | - | - | - | - | 4,605 | 4,605 |
| Balance, March 31, 2004 | 17,062,609 | 101,026 | 147 | 768 | 97,401 | 199,342 |
| Shares issued on exercise of options | 24,075 | 228 | - | - | - | 228 |
| Stock option compensation | - | - | 62 | - | - | 62 |
| Translation of self sustaining operations | - | - | - | (244) | - | (244) |
| Net income | - | - | - | - | 5,788 | 5,788 |
| Balance, June 30, 2004 | 17,086,684 | $ 101,254 | $ 209 | $ 524 | $ 103,189 | $ 205,176 |