SIERRA WIRELESS, INC.

RENEWAL ANNUAL INFORMATION FORM

for the financial year ended December 31, 2004

Dated: March 24, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

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

For the fiscal year ended December 31, 2004
Commission File No.: 0-30718

SIERRA WIRELESS, INC.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

13811 Wireless Way, Richmond
British Columbia, Canada V6V 3A4
(604) 231-1100
(Address and telephone number of principal executive offices)

Davis Wright Tremaine LLP
1300 SW Fifth Avenue, 24th Floor
Portland, OR 97201
(Agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**

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

Common Shares
(Title of Class)

Name of exchange on which securities are registered:
Toronto Stock Exchange, The Nasdaq Stock Market
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate by check mark the information filed with this Form:

[✓] Annual Information Form [✓] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital common stock as of the close of the period covered by the annual report:

25,357,231 Common Shares without par value as at December 31, 2004

Indicate by check mark whether the Registrant, by filing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the *Securities Exchange Act of 1934*, If "yes", is marked, indicate the filing number assigned to the Registrant in connection with such Rule. [ ] Yes 82 - ________ [✓] 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 [ ]

INCORPORATION BY REFERENCE

The Registrant's Annual Information Form and the Registrant's financial statements for the year ended December 31, 2004 are attached hereto as Appendix A and Appendix B, respectively, and are incorporated by reference herein.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the *Securities Exchange Act of 1934*, as amended, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

SIERRA WIRELESS, INC.
(Registrant)

"David G. McLennan"
David G. McLennan,
Chief Financial Officer and Secretary

Date: March 24, 2005

Annual Information Form
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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form, or incorporated by reference herein, that are not based on historical facts are "forward-looking statements" and are prospective. These statements appear in a number of different places in this Annual Information Form and can be identified by words such as "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the introduction or enhancement of our services and products, statements about future market conditions, supply conditions, end customer demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Many of these factors are beyond the control of the Company. Consequently, all forward-looking statements made in this Annual Information Form, or the documents incorporated by reference herein, are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

CORPORATE STRUCTURE

Unless the context otherwise indicates, references to "we", "our", "us", "the Company" or "Sierra Wireless" in this Annual Information Form means Sierra Wireless, Inc. and its subsidiaries.

Sierra Wireless was incorporated under the *Canada Business Corporations Act* on May 31, 1993. The Articles of Sierra Wireless were amended by a Certificate of Amendment issued March 29, 1999 to remove the private company provisions and restrictions on share transfer. The Articles of the Company were further amended by Certificates of Amendment issued May 13, 1999 and May 14, 1999 to: (i) re-designate and change all existing common shares in the capital of the Company to new common shares in the capital of the Company (the "Common Shares"); (ii) change the rights attached to all preference shares in the capital of the Company (the "Preference Shares") and to remove each existing series of Preference Shares; and (iii) consolidate the Common Shares on the basis of one post-consolidation Common Share for 1.5 pre-consolidation Common Shares.

The Company's registered and records office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1L3 and its head office and principal place of business is located at 13811 Wireless Way, Richmond, British Columbia, Canada, V6V 3A4.

The following table lists subsidiaries of Sierra Wireless and their jurisdictions of incorporation or organization. All such entities are 100% owned, directly or indirectly, by Sierra Wireless.

Name	**Jurisdiction of Incorporation or Organization**
Sierra Wireless America, Inc.	Delaware, U.S.A.
Sierra Wireless (UK) Limited	United Kingdom
Sierra Wireless (Asia-Pacific) Limited	Hong Kong

GENERAL DEVELOPMENT OF THE BUSINESS

General

We provide highly differentiated wireless solutions worldwide. We develop and market a broad range of products that include wireless modems for portable computers, embedded modules for original equipment manufacturers, or OEMs, rugged vehicle-mounted connectivity solutions and mobile phones. Our products permit users to access wireless data and voice networks using notebook computers, personal digital assistants, or PDAs, vehicle-based systems and mobile phones.

Wireless data communications is an expanding market positioned at the convergence of wireless communications, portable computing and the Internet, each of which we believe represents a growing market. Our products are based on open standards, including the Internet protocol, and operate on the networks of major wireless communications service providers.

Our products are primarily used by businesses and government organizations to enable their employees to access a wide range of wireless data applications including the Internet, e-mail, messaging, corporate intranet access, remote database inquiry and computer-aided dispatch. We sell our products primarily through indirect channels, including wireless operators, resellers and OEMs.

We sell our products worldwide, with emphasis on the North American, European and Asia-Pacific regions.

Following our considerable revenue and earnings growth in 2004, we expect a significant reduction in our business early in 2005. During the first quarter, we expect that our business will be negatively affected by:

- The reduction in our embedded module business volumes as a result of the completion of CDMA module shipments to palmOne for their Treo 600 Smartphone by the end of 2004;
- Channel inventory at some of our channel partners that is already sufficient to meet near term customer demand; and
- The near term impact of increased competition in EVDO and EDGE PC cards, including an expected loss of near term market share at Verizon Wireless.

During 2005, we expect to increase our research and development efforts to ensure that we are well-positioned with new products that will take advantage of market opportunities associated with the deployment of 3G networks. See "Our Products" for discussion of specific product development initiatives.

Three Year History

Fiscal 2004

- We began commercial shipments of six new products – the Voq professional phone, the Sierra Wireless AirCard 580 for CDMA 1X EVDO networks, the AirCard 555R for CDMA networks in Asia, the MP555 for CDMA 1X, the MP775 for EDGE networks and the AirCard 775 For EDGE networks.

- We announced distribution agreements for our CDMA embedded modules with Premier Wireless Solutions and for our CDMA PC cards with Tirumala Seven Hills Pvt Ltd in India and Beijing Putian Taili Telecom in China. We also announced supply agreements with Audiovox Communications Corporation for additional supply of our PC5220 1X EVDO PC card and with Symbol Technologies and Verifone for our EM3420 CDMA 1X embedded modules.

- We announced the availability of the PC3300 and the MP 555 GPS rugged wireless modem on the Sprint Nationwide PCS Network.

- We announced the availability of the Sierra Wireless AirCard 775 and the MP 775 GPS rugged wireless modem on the Cingular Wireless EDGE network. We also announced the availability of the Sierra Wireless AirCard 750 for customers in the United Kingdom and in India.

- We signed a distribution agreement with Onda Communication Spa for our EDGE/GPRS N775 PC card.

- We announced the commercial availability of the Voq professional phone in the Netherlands, Belgium, Luxembourg, Turkey, Austria, Germany, Switzerland, the Nordics, the United Kingdom, Italy, France and Spain.

- In North America, the Voq professional phone is available from Brightpoint, Cellstar, members of Intel's Product Dealer Program, Insight, MobilePlanet, RCS Computer Experience and USA.NET.

Fiscal 2003

- On August 12, 2003, we announced the completion of our acquisition of AirPrime, Inc. ("AirPrime"), a privately-held supplier of high-speed wireless data communications products. Under the terms of the acquisition, we issued 3,708,521 of our common shares to the shareholders of AirPrime. The acquisition provided us with additional knowledge and expertise in CDMA technology as well as a staff of over 70 research and development, engineering, product marketing, manufacturing and technical sales professionals and enabled us to offer a broader product line of wireless data communications products to a wider range of customers and also strengthens our engineering team to develop new products.

- In October 2003, we announced plans to introduce our Voq line of professional wireless cellular phones and value-added software to deliver a converged mobile telephony and e-mail solution, commonly referred to as a Smartphone, targeted at business users. Our new Voq phones are based on Microsoft Windows Mobile™ software for Smartphones and feature both a familiar cellular phone keypad and a unique flip-open QWERTY thumbpad. The first Voq-branded phone was made commercially available in the second quarter of 2004 in certain countries.

- In November 2003, we completed a new issue and secondary offering of 4,600,000 Common Shares, resulting in net proceeds of $67,400,000. Of the 4,600,000 Common Shares sold under this offering, 4,442,222 Common Shares were offered by the Company and 157,778 were offered by certain shareholders of the Company.

- We developed products for the new and expanding CDMA 1xEV-DO networks. Our PC 5220 PC Card for the Verizon Wireless CDMA 1xEV-DO network started commercially shipping in the third quarter of 2003. Our second CDMA 1xEV-DO product, the Sierra Wireless AirCard 580, began shipping commercially in the first quarter of 2004.

- We transferred global fulfillment and certain CDMA product manufacturing to Flextronics. By using their fully integrated supply chain services, we have reduced product costs, improved alignment with our international customer base and achieved operating efficiencies and scalability.

Fiscal 2002

- We received regulatory approvals for the AirCard 750 in Europe and China.

- We began commercial volume shipments of five new products – the Sierra Wireless AirCard 710 and AirCard 750 for use on GSM/GPRS networks and the AirCard 550, the AirCard 555 and the SB555 embedded module for use on the CDMA2000 1X networks.

- In Europe, we developed carrier channel relationships with Vodafone and Orange in the UK, KPN Mobile in the Netherlands, Telia in Sweden and Telefonica in Spain.

- In the Asia-Pacific region we launched the AirCard 750 with Hutchison Telecom in Hong Kong, StarHub in Singapore and AIS in Thailand. We also launched the AirCard 555 with China Unicom in China, Telstra in Australia and Telecom New Zealand.

- We were the first wireless data modem provider to supply CDMA2000 1X PC Card modems to four leading North American CDMA carriers: Bell Mobility, Sprint PCS, TELUS Mobility and Verizon Wireless.

- Sales growth was constrained by the slowdown in enterprise spending and by overall conditions affecting the wireless communications industry. We reduced operating expenses and asset levels as a result of our assessment of current and visible demand. Restructuring and other costs amounted to $37,707,000.

Industry Background and Future Trends

Wireless Data Growth

The wireless communications industry provides fixed and mobile voice and data communications. According to the Cellular Telecommunications Industry Association, the wireless data market continues to experience rapid growth. Research firm Gartner forecasts that by 2007, mobile data connections in North America will reach 143 million connections, from 64 million in 2004. Other regions are experiencing rapid data growth as well. For example in Western Europe, mobile data connections are expected to reach 182 million in 2007, from 84 million in 2004. Newer generation technologies such as Enhanced Data over GPRS Evolution (EDGE), CDMA 1x EV-DO, Universal Mobile Telecommunications System (UMTS), and upcoming UMTS with High Speed Downlink Packet Access (HSDPA) upgrades, are expected to support much of this growth.

To date, demand for wireless data has come primarily from corporations, public organizations and individuals seeking to improve customer service and productivity. Increased coverage, significant technological improvements to wireless data networks, devices and software, and price reductions for data communications have also contributed to growth in the wireless data communications industry. The ability to meet the demand for anytime, anyplace communications is made possible by the convergence of trends in portable computing, the growth of the Internet, and wireless communications. Gartner forecasts that by 2007, 65% of Fortune 2000 companies will support wireless wide-area wireless data access.

Portable Computing. Mobile PCs are now mainstream. Many business professionals utilize laptops as their primary computing device giving them the mobility required to work anywhere. Smaller handheld computers or PDAs continue to be popular, as are newer mobile phones that offer more advanced capabilities, such as access to personal information, Internet and e-mail. These include devices based on the Palm and Microsoft Windows platforms. Mobile PCs and Mobile Phones continue to be the leading devices that are accessing wireless data. The worldwide Smartphone market is forecast to experience significant growth over the next few years. The research firm ARCChart forecasts worldwide shipments of Smartphones to experience 90% compounded annual growth and to reach 272 million units by 2008.

The Internet. The Internet has become an indispensable tool for many business professionals, and the volume of Internet traffic has grown rapidly as new applications and e-commerce have become widely adopted. Wireline telecommunications carriers continue to make significant investments in Internet protocol-based networks to handle the expected growth in the volume of data traffic.

Wireless Communications. While wireline communications networks were historically dominated by voice traffic, data now comprises more than half of the traffic on these networks. A similar evolution is now occurring on wireless networks as wireless service providers address the growing demand for growing data communications with additional technical and commercial offerings.

Existing and Emerging Cellular and PCS Technology Standards

Data communications over cellular networks are currently being transmitted with various digital technologies, such as CDMA 2000 1X, CDMA2000 1X EVDO, Global System for Mobile (GSM), Generalized Packet Radio Service (GPRS), EDGE and UMTS.

CDMA is a digital technology that significantly improves the capacity and quality of both voice and data communications and supports a broader range of applications, including voice, wireless Internet and multimedia. Initially, second generation CDMA offered increased data rate capabilities of 14.4 kbps. In 2001, North American CDMA carriers, including Sprint PCS and Verizon Wireless, began deploying a 2.5G CDMA solution called CDMA2000 1X. Other CDMA carriers undertook similar efforts in Asia, Latin America and the Middle East. CDMA2000 1X supports faster wireless data transfers, typically ranging from 40 to 60 kbps, with a top nominal speed as currently deployed of 153 kbps.

Leading GSM carriers in North America, Europe and Asia also began shifting from first generation technology to 2G GPRS in 2001. Like 2G CDMA, GPRS improves the capacity and quality of data communications and supports a broader range of applications including voice, wireless Internet and multimedia. GPRS offers data speed capabilities ranging from 20 to 40 kbps with a top nominal speed of 56kbps.

Third generation, or 3G, systems, have been developed and launched, to replace and/or complement second generation and 2.5G digital cellular systems. In 2003, AT&T Wireless and Cingular began rolling out their EDGE networks in the U.S. EDGE offers significant increases in data rates ranging from 100 to 130 kbps, with burst speeds up to 200 kbps. In addition, a further 49 networks in 35 countries currently offer EDGE services with many more planned deployments. In 2004, UMTS rollouts, especially in Europe, have allowed GSM operators to offer average data speeds of 220-320 kbps to their customers. The first networks are expected to upgrade their UMTS networks to High Speed Downlink Packet Access (HSDPA), which increases speeds to 500-800 kbps, at the end of 2005. In 2004, deployments or expansions of EV-DO service, the next generation (3G) CDMA technology were underway with Verizon Wireless and other carriers. Sprint also announced that it would start rolling out the same technology in 2005. EV-DO supports wireless data speeds, typically ranging from 300 to 500 kbps, an experience similar to wired broadband connections. We expect that future deployment of commercial service will further increase this awareness and expand the market for wireless data products and services.

NARRATIVE DESCRIPTION OF THE BUSINESS

Our Solution

We provide highly differentiated wireless solutions worldwide. We develop and market a broad range of products that include wireless data modems for portable computers, embedded modules for wireless applications of OEMs, rugged vehicle-mounted modems and mobile phones. Our products permit users to access wireless data and voice communications networks using notebook computers, PDAs, vehicle-based systems or mobile phones.

Our Products

Our current product line of wireless solutions includes wide area wireless PC cards, embedded modules that are built into OEMs' computers and other devices, vehicle-mounted modems and enabling software. In addition, we have a number of new products under development.

Sierra Wireless PC Cards and Embedded Modules

The following table outlines our current product offerings for wireless wide area network PC cards and embedded modules:

Product Type	Product Class	Description	Products	Compatible Network/Territory
Wireless Network Cards	AirCard 700 Series	Wide-area wireless network interface cards, or NICs, providing local area network, or LAN-like connectivity for computer users on the GSM/GPRS/EDGE networks. Using these modems, mobile computer users have full access to e-mail, intranet, corporate applications and full Web browsing where network service is available.	AirCard 750 AirCard 775	Tri-band for GSM/GPRS networks worldwide. Quad-band for EDGE networks worldwide.
	AirCard 500 Series	Wide-area wireless NICs, providing LAN-like connectivity for computer users on the CDMA2000 1X and CDMA EVDO networks	AirCard 550 AirCard 555 AirCard 555R AirCard 580	Single-band for Sprint PCS CDMA2000 1X PCS networks. Dual-band North American cellular and PCS networks. Dual-band CDMA 1X for China networks. Dual-band CDMA2000 1X EV-DO networks.
	PC 5200 Series	Wide-area wireless modem card, providing users with access at broadband speeds from notebook computers to corporate applications, e-mail and the Internet.	PC 5220	Dual-band CDMA2000 1X EV-DO networks.

Product Type	Product Class	Description	Products	Compatible Network/Territory
Embedded Modules	SB Embedded Modules EM Embedded Modules	Embedded modules deliver wireless data and voice connectivity that OEMs integrate into products ranging from handheld computers, PDAs, laptops, Smartphones and mobile terminals, to fixed terminals including industrial meters, and monitoring equipment.	SB555 EM3420 EM5625	CDMA2000 1X. CDMA2000 1X. CDMA 1X EV-DO.

Sierra Wireless MP Modem Product Line

The Sierra Wireless MP product line consists of a group of rugged, high powered, vehicle-mounted modems, including the MP750 GPS, MP555 GPS and MP 775 GPS. Generally, these products are mounted in a vehicle and are physically connected to a computer or data terminal. The Sierra Wireless MP product line is designed to operate in harsh conditions, including extremes of temperature, humidity, vibration and vehicle ignition noise. All four of our MP products come with fully integrated global positioning system (or GPS) capability as a standard feature. The Sierra Wireless MP775 GPS is our newest addition to the MP product line. The MP775 GPS operates on high-speed EDGE, GPRS and GSM networks worldwide. The MP555 GPS operates on CDMA2000 1X networks and is designed to withstand the same harsh conditions as its MP predecessors. The MP750 GPS has capabilities nearly identical to that of the MP555 GPS and is designed to operate on GSM/GPRS networks worldwide. The MP775 GPS commenced commercial shipments in 2004, while the MP555 GPS and MP750 GPS commenced commercial shipments in 2003. These three products are intended to provide our existing MP200 GPS customers with a migration path to the latest wireless network technologies. Common applications for Sierra Wireless MP products include:

- Police officers looking up license plates, checking criminal databases, communicating with the dispatcher and other officers and filing service reports from a patrol car; and

- Utility field service technicians receiving dispatch instructions, consulting service instructions and diagrams, filing reports and time sheets.

Sierra Wireless Voq Professional Phone

During 2004, Sierra Wireless launched the Voq Professional Phone™, targeted to the mobile business professionals. This new class of mobile phone offers a flip-open QWERTY thumbpad and easy-to-use software solutions for business users, including secure, serverless, always-there e-mail. Based on the Microsoft Windows Mobile platform, the Voq Professional Phone™ incorporates the best features of a current mobile phone, a messaging device and a PDA in a single compelling “phone-first” device.

The current product line operates on the global GSM/GPRS mobile networks, with two discreet models available: the A10 for Europe/Asia Pacific and the A11 for the North American market. The Voq product line also includes other hardware and software innovations for easy information navigation and retrieval, text entry and e-mail that is automatically updated.

Enabling Software

Our line of software allows our modems and devices to work with notebook and handheld computers and other devices:

- *Sierra Wireless Watcher Software* is a graphical user interface designed for everyday use with our modems. While the modem is in use, the Watcher program provides ongoing information on registration status and signal strength and allows the user to switch operating modes where applicable. Sierra Wireless Watcher supports all major PC and handheld operating systems;

- *Sierra Wireless AirCard Manager* is a web-based software solution for the Sierra Wireless AirCard product line, designed to support enterprise customers that require an automated, seamless approach to software installation and end-user configuration; and

- *Developer's Central, including Sierra Wireless Software Development Kits*, provide tools and information that support developers in their integration of Sierra Wireless products into applications. Using these tools, developers can include important modem status information into their own user interface. This level of integration supports easy-to-use, complete bundled solutions.

Product Revenue

Our revenue by product for the two-year period ended December 31, 2004 is as follows:

Years ended December 31,	2003	2004
PC Card	70%	59%
Embedded modules	21	33
Mobile	6	5
Voq	-	1
Other	3	2
	100%	100%

Future Products

We continually evaluate and develop new products and technologies that will allow us to take advantage of the ever expanding and dynamic wireless market. Emerging wireless standards that are areas of significant new product development interest for us include:

- UMTS, especially with the HSDPA upgrade, is designed to offer transmission of text, digitized voice, video and multimedia at broadband speeds. Once fully implemented, it will allow customers to remain attached to the Internet at high-speeds while on the move. UMTS/HSDPA is an evolutionary path for GSM, TDMA, GPRS and EDGE networks. Our plan is to introduce new products during 2005 that support the new HSDPA airlink. We expect to launch our HSDPA PC card in the second half of 2005.

- EV-DO: As EV-DO deployments continue, newer upgrades are being developed to enhance the capabilities and experience for end-users. New capabilities will allow for improved video and multimedia transmissions while on the move. CDMA 2000 1X EV-DO Release 0 is an evolutionary path for CDMA IA95 and CDMA 2000 1X networks. EV-DO Release A brings significant uplink and downlink speed advantages to EV-DO. We have established a strong leadership position in EV-DO Release 0 PC cards over the past 18 months. We intend to extend our leadership position by accelerating the introduction of EV-DO Release A capability and speeds. We expect to launch our EV-DO Release A PC cards in the first half of 2006.

- Voq Professional Phone product line: We are developing the next generation Voq platform to take advantage of 3G high speed networks, such as HSDPA. Our next generation Voq phones will bring significant airlink, feature and ID enhancements to the product line. We expect the first of these products to be available during the first half of 2006.

- Embedded modules for laptop manufacturers and other OEMs: We intend to capitalize on our strong embedded modules experience and track record and meet the growing demand we expect from laptop manufacturers for embedded 3G capability. We will meet this demand by developing products and services specifically for this category.

Product Development

We have built a reputation in the wireless data industry for creating state-of-the-art, high-quality products within aggressive timeframes. Our development team of approximately 148 staff, located in Richmond, BC and in Carlsbad, CA, are skilled in the areas of radio frequency, hardware, embedded software, windows software and mechanical design. Combined, this team has several hundred person years of experience in the design of small form factor wireless data and voice devices. Our product development team combines leaders with extensive experience in their fields, with younger graduates from leading universities.

We take a "core team" approach to product development. Our goal is develop a "whole" product and to ensure products are managed closely throughout their entire life cycle. As part of this approach, individuals from our product development group form product-specific teams with employees from other functional areas, including product management, operations, technical support and quality. These teams work closely to bring new products through the development phase, while balancing the market requirements of performance, time to market and product cost. Concepts and prototypes are validated by working with lead customers, channel partners and industry consultants.

Products that result from this process are designed and tested to cellular industry standards and introduced to our high-volume contract manufacturing partners for production and delivery to our customers. Included in the development effort is the certification of our products with industry and regulatory standards bodies.

A group of senior engineers develops and monitors our development standards. These standards are applied across all development projects to ensure uniformity. For example, we have adopted a core - wireless engine design approach to leverage development efforts across multiple different products. This is also intended to help our customers to utilize our different products with minimal additional integration effort on their part.

Our product development staff stays current in technology by participating in industry groups such as the Personal Computer Communications Association (PCCA), the Cellular Telecommunications Industry Association (CTIA), the Mobile Advisory Council (MAC), the USB Forum, the PCI Special Interest Group (PCI-SIG), the European Telecommunications Standards Institute (ETSI), the PCS Type Certification Review Board (PTCRB), the Third Generation Partnership Project (3GPP), the Third Generation Partnership Project 2 (3GPP2) and the International Wireless Packaging Consortium, and through ongoing technical education. We maintain close relationships with local universities by hiring co-op students, giving lectures, supporting visiting professorships and participating in regular informal meetings with faculty members.

Distribution

Our products are used by a variety of end-users, ranging from sales people and mobile executives, to police officers and utility workers. We have built a distribution channel that responds to the unique purchasing and usage requirements of our customer base. Historically, a substantial majority of our sales have come from North American markets. As our wireless technology platforms have diversified, we have built sales and distribution teams to focus on developing our business outside of North America. Currently, we have dedicated sales and distribution teams for the European, Asia-Pacific and North American regions. Our approach to distribution takes advantage of our existing relationships with wireless operators, resellers and OEMs in order to maximize the productivity of our sales team.

Wireless Operators

Wireless operators play two key roles in our distribution strategy. First, wireless operators are often resellers for us, purchasing our products and then reselling them to end-user customers. Second, the wireless operator sales team often works with our sales team to jointly sell wireless solutions and our equipment to the end-user customer. The wireless operator channel provides us with extended customer reach, while the operators are able to leverage our wireless data expertise to help sell their products and services. We have invested a great deal of time and resources in cultivating our relationships with wireless operators and view these relationships as a critical success factor.

Resellers

Resellers purchase our products either directly from us or from a distributor and resell them to end-user customers. In order to support resellers who prefer to purchase through a distributor, we have selectively formed distribution relationships. Distributors ensure that our products are available to a large number of resellers that buy products.

Resellers generally combine our products with other elements of an overall solution, such as computer hardware and application software, and deliver a complete solution to the end-user customer. Resellers include computer resellers, wide area network resellers, application developers, system integrators, wireless Internet service providers, wireless application service providers and big box retailers. This channel provides us with direct access to markets and users that are often not served by the large wireless operators.

Original Equipment Manufacturers

Original equipment manufacturers represent companies that integrate our modem technology into devices they manufacture and sell to end-user customers through their own direct sales force and indirect distribution channels. Our modems have been integrated into a range of devices, such as industrial handheld computers, PDAs, Smartphones and notebook computers.

Direct Sales

A small percentage of our end-user customers choose to purchase products directly from us. Typically, these are accounts requiring direct sales and technical support, or existing customers ordering additional products or accessories. Direct sales are facilitated through our Web site, inside sales department and regionally organized sales team.

Customer Support

We provide customers, wireless operators and other channel partners with product and technical support in several languages using telephone, e-mail and our Web site. Online resources include product documentation, technical specifications, frequently asked questions, application notes, troubleshooting notes, troubleshooting tools, and software downloads.

Marketing

Our marketing team is responsible for providing product management, strategic marketing and marketing communications for our products on an increasingly global basis. Members of the product management team play an active role in our core team approach to developing and managing individual products through their entire product life cycle. Emphasis is placed on understanding customer needs, developing the business case, determining competitive positioning and pricing, and ensuring product completeness, which includes documentation, promotional material and marketing programs.

Strategic Marketing/Marketing Communications

We communicate our corporate and product positioning to channels and customers in our global markets in several ways, including:

- Actively seeking editorial coverage and placing advertisements in industry, business and trade publications;
- Through industry associations;
- By meeting with opinion leaders and industry analysts; and
- Participation in targeted conferences and trade shows.

We work with our channel partners to develop programs to encourage end-user adoption.

Manufacturing

We outsource most of our manufacturing services, including parts procurement, kitting, assembly and repair. We believe that outsourcing allows us to:

- Focus on our core competencies, including research and development, sales and marketing;
- Participate in contract manufacturer economies of scale;
- Access high quality manufacturing resources;
- Achieve rapid production scalability; and
- Reduce equipment capital costs and equipment obsolescence risk.

In addition, we perform certain manufacturing related functions in-house, including manufacturing engineering, and development of manufacturing test procedures and fixtures.

Our products are currently manufactured by Flextronics and Creation Technologies. We use Flextronics as our primary contract manufacturer and logistics partner to provide an end-to-end supply chain solution. This includes design support, procurement, low cost manufacturing and repair in China and global fulfillment services from Memphis, Tennessee. By using its fully integrated supply chain services, we expect to optimize product costs, improve alignment with our increasingly international customer base and achieve increased operating efficiencies and scalability. We expect that Creation Technologies in Canada will continue to build our lower unit volume products.

Employees

As of December 31, 2004 we had a total of 264 full time employees, 169 of whom are at our head office in Richmond, B.C., with the balance being located across the United States, Canada, the United Kingdom and the Asia-Pacific region. Of the 264 employees, 148 are involved in product development, 37 are involved in manufacturing, 34 are sales and support personnel, 20 are marketing personnel, and 25 are in finance and administration. Employees have access to corporate-funded ongoing training and professional development opportunities, both on-the-job and through outside educational programs. Cash compensation and our employee stock option plan are complemented by internal recognition programs and career advancement opportunities. We believe our relationships with our employees are good.

We have entered into non-disclosure agreements and confidentiality agreements with key management personnel and with substantially all of our employees.

Competition

Wireless data technologies are converging toward standardizing on a few key cellular technologies. Cellular handsets are becoming 'smart' with increased data functionalities and PDAs are becoming wireless through the integration of embedded wireless modules. With the advent of new cellular technologies such as CDMA 1xEV-DO, EDGE and UMTS, new competitors are emerging.

CDMA: Sierra Wireless is a market leader in CDMA PC Cards, embedded modules and mobile in-vehicle solutions. CDMA competition, both announced and actual, includes Novatel Wireless, Flextronics (acquired GTRAN), Wavecom, Kyocera Wireless, Hitachi, Sony Ericsson, AnyData, and BellWave. Sierra Wireless maintains its market leadership position in mobile in-vehicle solutions against competitors such as Bluetree Wireless and Enfora.

GSM: Sierra Wireless is a market leader in GSM/GPRS/EDGE PC cards. In these technologies, we face competition, both announced and actual, from Option NV, Novatel Wireless, Blue Tree Wireless, and Sony Ericsson. With the introduction of the Voq professional phone in the second quarter of 2004, Sierra Wireless expects to compete with Smartphone and wireless PDA suppliers such as Motorola, Nokia, palmOne, Research in Motion, Samsung, Siemens and SonyEricsson, among others.

We believe that by focusing on business and government customers and by providing products that are superior in quality, functionality, and value, together with excellent customer service and superior distribution partner relationships and programs, we will be successful in the long term.

Intellectual Property

We protect our intellectual property through a combination of patent protection, copyright, trademarks, trade secrets, licenses, non-disclosure agreements and contractual provisions. We generally enter into a non-disclosure and confidentiality agreement with each of our employees, consultants and third parties that have access to our proprietary technology.

We currently hold 37 United States patents and 31 international patents. Additional patent applications are pending. When we consider it to be advantageous, we utilize our intellectual property portfolio and access the intellectual property of third parties by entering into commercial licenses and cross-licenses.

Governmental Regulation

Our products are subject to certain mandatory regulatory approvals in the United States, Canada and other countries in which we operate. In the United States, the Federal Communications Commission regulates many aspects of communications devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone network. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada.

Wireless modems must be approved under these regulations by either the Federal Communications Commission or Industry Canada prior to these products being offered for sale. We have obtained all necessary Federal Communications Commission, Industry Canada and other required regulatory approvals for the products we currently sell.

Additional Information Concerning Our Business

Sierra Wireless's business is not subject to significant seasonal or cyclical fluctuations.

Sierra Wireless's operations do not have a significant impact upon the environment. We have not made, and are not required to make, any significant capital expenditures to comply with environmental regulations.

Risk Factors

Our business is subject to significant risks and past performance is no guarantee of future performance. Some of the risks we face are:

We have incurred net losses in the past and may not sustain profitability.

While we had earnings from operations for each of the last two years ended December 31, 2004, we have incurred a loss from operations in each of the three fiscal years ended December 31, 2002. As of December 31, 2004, our accumulated deficit was $46.4 million. While we had net earnings of $24.9 million for the year ended December 31, 2004, our ability to achieve and maintain profitability will depend on, among other things, the continued sales of our current products and the successful development and commercialization of new products.

We expect losses in Q1 2005. If we do not return to profitability, we may need to raise additional capital in the future. Additional financing may not be available, and even if available may not be on acceptable terms. We may seek to raise additional capital though an offering of common shares, preference shares or debt, which may result in dilution, and/or the issuance of securities with rights senior to the rights, of the holders of common shares. As a result, our share price may decline.

Our revenues and earnings may fluctuate from quarter to quarter, which could affect the market price of our common shares.

Our revenues and earnings may vary from quarter to quarter as a result of a number of factors, including:

- The timing of releases of our new products;
- The timing of substantial sales orders;
- Design win cycles in our embedded module business;

- The amount of inventory held by our channel partners
- Competition from other market participants;
- Possible seasonal fluctuations in demand;
- Possible cyclical fluctuations related to the evolution of wireless technologies;
- Possible delays in the manufacture or shipment of current or new products;
- Concentration in our customer base; and
- Possible delays or shortages in component supplies.

Because our operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in our revenues and earnings in any given quarter. Therefore, our quarterly results are not necessarily indicative of our overall business, results of operations and financial condition. However, quarterly fluctuations in our revenues and earnings may affect the market price of our common shares.

If demand for our current products declines and we are unable to launch successful new products, our revenues will decrease.

If the markets in which we compete fail to grow, or grow more slowly than we currently anticipate, or if we are unable to establish markets for our new products, it would significantly harm our business, results of operations and financial condition. In addition, demand for one or all of our current products could decline as a result of competition, technological change or other factors.

If we are unable to design and develop new products that gain sufficient commercial acceptance, we may be unable to maintain our market share or to recover our research and development expenses and our revenues could decline.

We depend on designing, developing and marketing new products to achieve much of our future growth. Our ability to design, develop and market new products depends on a number of factors, including, but not limited to the following:

- Our ability to attract and retain skilled technical employees;
- The availability of critical components from third parties;
- Our ability to successfully complete the development of products in a timely manner; and
- Our ability to manufacture products at an acceptable price and quality.

A failure by us, or our suppliers, in any of these areas, or a failure of new products, such as the Voq professional phone, to obtain commercial acceptance, could mean we receive less revenue than we anticipate and we are unable to recover our research and development expenses, and could result in a decrease in the market price for our shares.

The loss of any of our material customers could adversely affect our revenue and profitability, and therefore shareholder value.

We depend on a small number of customers for a significant portion of our revenues. In the last three fiscal years, there have been four different customers that individually accounted for more than 10% of our revenues. In the twelve months ended December 31, 2004, two customers individually accounted for more than 10% of our revenue and in the aggregate these two customers represented

51% of our revenue. If any of these customers reduce their business with us or suffer from business failure, our revenues and profitability could decline, perhaps materially. Shipments of our CDMA embedded modules to palmOne were completed in the fourth quarter of 2004 and we have no visibility on future revenue from this customer. As a result of channel inventory and increased competition, our business with Verizon Wireless is expected to be significantly lower than the previous quarter.

We may not be able to continue to design products that meet our customer needs and, as a result, our revenue and profitability may decrease.

We develop products to meet our customers' requirements but, particularly with original equipment manufacturers, current design wins do not guarantee future design wins. If we are unable or choose not to meet our customers' future needs, we may not win their future business and our revenue and profitability may decrease.

We depend on a few third parties to manufacture our products and supply key components. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, and our revenue and margins could decrease.

We outsource a substantial part of the manufacture of our products to third parties and depend heavily on the ability of these manufacturers to meet our needs in a timely and satisfactory manner. Some components used by us may only be available from a small number of suppliers, in some cases from only one supplier. We currently rely on two manufacturers, either of which may terminate the manufacturing contract with us at the end of any contract year. Our reliance on third party manufacturers and suppliers subjects us to a number of risks, including the following:

- The absence of guaranteed manufacturing capacity;
- Reduced control over delivery schedules, production yields and costs; and
- Inability to control the amount of time and resources devoted to the manufacture of our products.

If we are unable to successfully manage any of these risks or to locate alternative or additional manufacturers or suppliers in a timely and cost-effective manner, we may not be able to deliver products in a timely manner. In addition, our results of operations could be harmed by increased costs, reduced revenues and reduced margins.

We do not have fixed-term employment agreements with our key personnel and the loss of any key personnel may harm our ability to compete effectively.

None of our officers or other key employees has entered into a fixed-term employment agreement. Our success depends in large part on the abilities and experience of our executive officers and other key employees. Competition for highly skilled management, technical, research and development and other key employees is intense in the wireless communications industry. We may not be able to retain our current key employees or attract and retain additional key employees as needed. The loss of key employees could disrupt our operations and impair our ability to compete effectively.

We may have difficulty responding to changing technology, industry standards and customer preferences, which could cause us to be unable to recover our research and development expenses and lose revenues.

The wireless industry is characterized by rapid technological change. Our success will depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, changes and preferences. In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. We may be unable to successfully address these developments in a timely basis or at all. Our failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and reduce our revenues.

Competition from new or established wireless communication companies or from those with greater resources may prevent us from increasing or maintaining our market share and could result in price reductions and reduced revenues.

The wireless industry is intensely competitive and subject to rapid technological change. We expect competition to intensify. More established and larger companies with greater financial, technical and marketing resources sell products that compete with ours. We also may introduce new products that will put us in direct competition with major new competitors. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, our market share and revenues may be reduced.

We depend on third parties to offer wireless data and voice communications services for our products to operate.

Our products can only be used over wireless data and voice networks operated by third parties. In addition, our future growth depends, in part, on the successful deployment of next generation wireless data and voice networks by third parties for which we are developing products. If these network operators cease to offer effective and reliable service, or fail to market their services effectively, sales of our products will decline and our revenues will decrease.

Acquisitions of companies or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

As part of our business strategy, we may acquire additional assets and businesses principally relating to or complementary to our current operations. Any acquisitions and/or mergers by us will be accompanied by the risks commonly encountered in acquisitions of companies. These risks include, among other things:

- Exposure to unknown liabilities of acquired companies, including unknown litigation related to acts or omissions of our acquired company and/or its directors and officers prior to the acquisition;
- Higher than anticipated acquisition costs and expenses;

- Effects of costs and expenses of acquiring and integrating new businesses on our operating results and financial condition;
- The difficulty and expense of integrating the operations and personnel of the companies;
- Disruption of our ongoing business;
- Diversion of management's time and attention away from our remaining business during the integration process;
- Failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- The inability to implement uniform standards, controls, procedures and policies;
- The loss of key employees and customers as a result of changes in management;
- The incurrence of amortization expenses; and
- Possible dilution to our shareholders.

In addition, geographic distances may make integration of businesses more difficult. We may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions. If realized, these risks could reduce shareholder value.

Others could claim that we infringe on their intellectual property rights, which may result in substantial costs, diversion of resources and management attention and harm to our reputation.

It is possible that other parties may claim that we have violated their intellectual property rights. Rights to intellectual property can be difficult to verify. Competitors could assert, for example, that former employees of theirs whom we have hired have misappropriated their proprietary information for our benefit. A successful infringement claim against us could damage us in the following ways:

- We may be liable for damages and litigation costs, including attorneys' fees;
- We may be prohibited from further use of the intellectual property;
- We may have to license the intellectual property, incurring licensing fees; and
- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales.

Regardless of the outcome, an infringement claim could result in substantial costs, diversion of resources and management attention and harm to our reputation.

We are subject to certain alleged class action lawsuits, which if decided against us, could require us to pay substantial judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, we are currently, and may in the future be, subject to class actions and other securities litigation and investigations. Subsequent to our January 26, 2005 announcement of our forward looking financial guidance for Q1 2005, numerous class action complaints have been filed against the Company and certain officers of the Company. We expect that this litigation will be time consuming, expensive and distracting from the conduct of our daily business. We are unable at this time to estimate what our ultimate liability in these matters may be, if any, however, it is possible that we will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which include substantial fees of lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could adversely affect our cash position.

If we are successful in the design and development of our new products, and there is commercial acceptance of our existing or new products, others may claim that we infringe on their intellectual property rights, which may result in substantial costs, diversion of resources and management attention and harm our reputation.

Misappropriation of our intellectual property could place us at a competitive disadvantage.

Our intellectual property is important to our success. We rely on a combination of patent protection, copyrights, trademarks, trade secrets, licenses, non-disclosure agreements and other contractual agreements to protect our intellectual property. Third parties may attempt to copy aspects of our products and technology or obtain information we regard as proprietary without our authorization. If we are unable to protect our intellectual property against unauthorized use by others it could have an adverse effect on our competitive position.

Our strategies to deter misappropriation could be inadequate due to the following risks:

- Non-recognition of the proprietary nature or inadequate protection of our methodologies in the United States, Canada or foreign countries;
- Undetected misappropriation of our intellectual property;
- The substantial legal and other costs of protecting and enforcing our rights in our intellectual property; and
- Development of similar technologies by our competitors.

In addition, we could be required to spend significant funds and our managerial resources could be diverted in order to defend our rights, which could disrupt our operations.

As our business expands internationally, we will be exposed to additional risks relating to international operations.

Our expansion into international operations exposes us to additional risks unique to such international markets, including the following:

- Increased credit management risks and greater difficulties in collecting accounts receivable;
- Unexpected changes in regulatory requirements, wireless communications standards, exchange rates, trading policies, tariffs and other barriers;
- Uncertainties of laws and enforcement relating to the protection of intellectual property;
- Language barriers; and
- Potential adverse tax consequences.

Furthermore, if we are unable to further develop distribution channels in Europe and the Asia-Pacific region we may not be able to grow our international operations and our ability to increase our revenue will be negatively impacted.

Government regulation could result in increased costs and inability to sell our products.

Our products are subject to certain mandatory regulatory approvals in the United States, Canada and other countries in which we operate. In the United States, the Federal Communications Commission regulates many aspects of communications devices. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. Although we have obtained all the necessary Federal Communications Commission, Industry Canada and other required approvals for the products we currently sell, we may not obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries other than the United States and Canada in which we may desire to sell products in the future.

Fluctuations in exchange rates between the United States dollar and other currencies, including the Canadian dollar, may affect our operating results.

We are exposed to fluctuations in the exchange rate between the United States dollar and the Canadian dollar through our operations in Canada. To reduce our risk because of currency fluctuations, we purchase inventory, other cost of sales items and many of our services in United States dollars. If the Canadian dollar rises relative to the United States dollar, our operating results may be negatively impacted. To date, we have not entered into any foreign currency futures contracts as part of a hedging policy. We have entered into distribution agreements in Europe and the Asia-Pacific region that are denominated primarily in U.S. dollars. We expect that as our business expands in Europe and the Asia-Pacific region, we will also be exposed to additional foreign currency transactions and to the associated currency risk. To date, we have not entered into any futures contracts.

DIVIDENDS

Since incorporation, we have not paid any dividends on our common shares. Our current intention is to reinvest earnings to finance the growth of our business. We do not anticipate that we will pay any dividends on our common shares in the immediate or foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized capital consists of an unlimited number of common shares, of which, at March 24, 2005, 25,358,194 are issued and outstanding, and an unlimited number of preference shares, issuable in series, of which none are issued and outstanding. Our board of directors is authorized to determine the designation, rights and restrictions to be attached to the preference shares upon issuance.

Holders of common shares are entitled to receive notice of any meeting of shareholders and to attend and vote at those meetings, except those meetings at which only the holders of shares of another class or of a particular series are entitled to vote. Each common share entitles its holder to one vote. Subject to the rights of the holders of preference shares, the holders of common shares are entitled to receive on a proportionate basis such dividends as our board of directors may declare out of funds legally available therefor. In the event of the dissolution, liquidation, winding up or other distribution of our assets, the holders of the common shares are entitled to receive on a proportionate basis all of our assets remaining after payment of all of our liabilities, subject to the rights of holders of preference shares.

The common shares carry no pre-emptive or conversion rights other than rights granted to holders of common shares under the Shareholders Rights Plan implemented and ratified by our shareholders on April 27, 2000 and re-adopted by our shareholders on April 28, 2003. The Shareholder Rights Plan is designed to encourage the fair treatment of our shareholders in connection with any take-over offer for our outstanding common shares. The Shareholder Rights Plan provides our board of directors and shareholders with 45 days, which is longer than provided by applicable laws, to fully consider any unsolicited take-over bid without undue pressure, to allow our board of directors, if appropriate, to consider other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge. If a bid is made to all shareholders, is held open for at least 45 days and is accepted by shareholders holding more than 50% of the outstanding common shares, or is otherwise approved by our board of directors, then the Shareholder Rights Plan will not affect the rights of shareholders. Otherwise, all shareholders, except the parties making a take-over bid, will be able to acquire a number of additional common shares equal to 100% of their existing outstanding holdings at half the market price. Thus, any party making a take-over bid not permitted by the Shareholder Rights Plan could suffer significant dilution. The Shareholder Rights Plan will expire, unless it is re-adopted by our shareholders, in accordance with its terms upon the termination of our 2006 annual meeting of shareholders.

MARKET FOR SECURITIES

Our common shares have been listed on The Toronto Stock Exchange in the Province of Ontario, Canada, since May 17, 1999, and currently trade under the symbol “SW”. Our common shares are co-listed on The Nasdaq National Market under the symbol “SWIR”.

Set out below are the price ranges and volume of common shares of Sierra Wireless, Inc. that traded on the Toronto Stock Exchange for the year ended December 31, 2004.

2004	Low Cdn $	High Cdn $	Total Monthly Volume
January	19.95	36.45	7,731,700
February	32.50	38.50	5,370,800
March	36.01	48.32	5,869,400
April	30.25	61.33	9,739,400
May	29.15	39.20	6,873,400
June	35.76	50.35	7,458,100
July	34.25	50.41	6,891,500
August	22.79	41.68	7,160,100
September	20.00	25.51	11,104,100
October	18.72	24.27	6,300,700
November	20.52	24.05	5,936,500
December	21.03	27.20	6,860,400

DIRECTORS AND OFFICERS

The tables set forth below list the directors and senior officers of the Company as at March 24, 2005, indicating their name, municipalities of residence, their respective positions and offices held with the Company, the length of service and their principal occupations within the five preceding years.

Each director is elected at our annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier. To the knowledge of Sierra Wireless, the directors and executive officers as a group, beneficially own, directly or indirectly, or exercise control or discretion over, 342,763 common shares, (not including common shares issuable upon the exercise of stock options), representing as of March 24,2005 approximately 1.0% of the issued and outstanding common shares.

Directors

Name, Position and Province or State and Country of Residence	Principal Occupation in the Preceding Five Years[1]	Director Since
David B. Sutcliffe Chairman, Chief Executive Officer and Director British Columbia, Canada	Chairman and Chief Executive Officer of Sierra Wireless	June 1995
Gregory D. Aasen[3] Director British Columbia, Canada	Vice-President and General Manager, Communication Products Division of PMC-Sierra from 2004 to present; Chief Operating Officer of PMC-Sierra from 1997 to 2004 and Chief Technology Officer of PMC-Sierra from 2003 to 2004.	December 1997
S. Jane Rowe[2] Director Ontario, Canada	President and Chief Executive Officer of Roynat Capital from 2004 to present; Senior Vice President, Global Risk Management Division of Scotiabank from 2002 to 2004; Managing Director and Co-Head of Scotia Merchant Capital Corporation from 1997 to 2002	March 1998
Paul G. Cataford[2][4] Director Alberta, Canada	President and Chief Executive Officer of University Technologies International Inc. from April 2004 to present; Managing Partner of HorizonOne Asset Management from December 2002 to April 2004; Consultant from March 2002 to December 2002; Executive Managing Director of BMO Nesbitt Burns Equity Partners from 2001 to 2002; Managing Director and President of BCE Capital Inc. from 1997 to 2001	July 1998
Peter Ciceri[4] Lead Independent Director British Columbia, Canada	Corporate Director and Management Consultant from 2004 to present; Executive in residence at the Faculty of Commerce and Business Administration at the University of British Columbia from September 2001 to 2004; President of Rogers Telecom, Inc. from 2000 to 2001; Managing Director of	February 2000

Name, Position and Province or State and Country of Residence	Principal Occupation in the Preceding Five Years[1]	Director Since
	Compaq Canada Inc. and Vice-President Compaq Computer Corporation (US) from 1996 to 2000	
Nadir Mohamed[2] Director Ontario, Canada	President, Chief Executive Officer and Director of Rogers Wireless Communications Inc. from 2001 to present; President and Chief Operating Officer of Rogers Wireless Communications Inc. from 2000 to 2001; Senior Vice-President, Marketing and Sales of Telus Communications Inc. from 1999 to 2000; President and Chief Operating Officer of BC Tel Mobility from 1997 to 1999	March 2003
Charles E. Levine[3] Director California, USA	Independent Outside Director of @Road, Somera Communications, Viisage Technology and Lexar Media; President and Chief Operating Officer of Sprint PCS from 2000 to 2002; Chief Sales and Marketing Officer from 1997 to 2000	May 2003
Kent Thexton Director British Columbia, Canada	Co-Chief Executive Officer of SEVEN Networks, Inc. from 2004 to present; Chief Data and Marketing Officer of O2 and President of O2 Online from 2001 to 2004; President of Genie from 2000 to 2001; Sales and Marketing Director of BT Cellnet from 1998 to 2000	N/A

Notes:

(1) The information as to “principal occupation” has been furnished by the respective directors.
(2) Member of the Audit Committee
(3) Member of the Human Resources Committee
(4) Member of the Governance and Nominating Committee

Executive Officers

Name, Position and Province or State and Country of Residence	Principal Occupation in the Preceding Five Years[(1)]	Length of Service
David B. Sutcliffe Chairman, Chief Executive Officer and Director British Columbia, Canada	Chairman and Chief Executive Officer of the Corporation since May 2001; President and Chief Executive Officer of the Corporation from May 1995 to May 2001.	10 years
David G. McLennan Chief Financial Officer and Secretary British Columbia, Canada	Consultant to BCE Emergis from September 2002 to January 2003; Chief Financial Officer of Bell Canada from June 2002 to September 2002; President and Chief Operating Officer of Bell ExpressVu from November 1999 to June 2002.	1 year
Jason W. Cohenour Chief Operating Officer Washington, USA	Senior Vice-President, Worldwide Sales of the Corporation from 2003 to 2004; Senior Vice-President, Distribution of the Corporation from 2000 to 2003; Vice-President, Sales of the Corporation from 1996 to February 2000.	9 years
James B. Kirkpatrick Chief Technical Officer California, USA	Senior Vice-President, Engineering of the Corporation from August 2003 to October 2004; President and Chief Executive Officer of AirPrime, Inc. from July 2002 to August 2003; Senior Vice-President, Engineering of AirPrime, Inc. from September 2000 to March 2003; Vice-President of Wireless Technologies of DENSO International America, Inc. from June 2000 to October 2000.	2 years
Bill G. Dodson Senior Vice-President, Operations British Columbia, Canada	Vice-President, Manufacturing and Supply of the Corporation from 2002 to 2004; Vice-President, Global Operations of Gateway Computers from 2000 to 2002; Director of Operations of Toshiba America Information Systems from 1989 to 2000.	3 years

Notes:
(1) The information as to "principal occupation" has been furnished by the respective senior officers.

CODE OF BUSINESS CONDUCT AND ETHICS

In 2003, the Board of Directors adopted a Code of Business Conduct and Ethics applying to all directors, officers and employees of the Company to ensure that the Company conducts its business in accordance with the highest standards of business conduct and ethics. There have been no amendments to, or waivers granted from, the Code of Business Conduct and Ethics since its adoption. The Code of Business Conduct and Ethics is available on the Company's website at www.sierrawireless.com.

AUDIT COMMITTEE

Audit Committee Charter

Purpose

The audit committee (the "**Committee**") of the Company is appointed by the board of directors (the "**Board**") of the Company to assist the Board in fulfilling its oversight responsibilities with respect to:

(i) the Company's systems of internal and disclosure controls regarding finance, accounting and legal compliance;

(ii) the Company's auditing, accounting and financial reporting processes generally;

(iii) the Company's financial statements and other financial information provided by the Company to its shareholders, the public and others;

(iv) the Company's compliance with legal and regulatory requirements;

(v) the appointment, compensation, independence, oversight, communication with, performance and change of the Company's external and independent auditors (the "**Auditors**");

(vi) the Company's whistleblower process; and

(vii) the fulfillment of the other responsibilities set forth in the Charter.

Consistent with these functions, the Committee will encourage continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels.

Organization

Committee members shall meet the requirements of the Toronto Stock Exchange, the NASDAQ Exchange, the Securities and Exchange Commission, the securities commissions of each of the Provinces of Canada in which the Company is a reporting issuer and any other regulatory agency that may have jurisdiction over the operations of the Company from time to time. The Committee will be comprised of three or more directors as determined by the Board, each of whom shall be an Independent Director. Every Committee member must be a director of the Company.

All members of the Committee shall be Financially Literate, and at least one member of the Committee shall have accounting or related financial management expertise (such person or persons to be designated by the Board as a "financial expert" on the Committee).

No member shall be affiliated with the Company or any subsidiary.

Committee members shall be appointed by the Board on the recommendation from the Governance and Nominating Committee. A chair of the Committee shall be appointed by majority vote of the Committee.

Meetings

The Committee shall meet at least four times a year, and more frequently as necessary. An agenda shall be prepared and issued by the chair prior to each meeting. A quorum at any meeting shall be a majority of its members present.

The Committee shall require management of the Company ("**Management**"), the Auditors and others to attend meetings and to provide pertinent information, as necessary. As part of its mandate to foster open communications, the Committee shall meet in separate executive sessions during each of its four regularly scheduled meetings with Management and the Auditors to discuss any matters that the Committee (or any of these groups) believes should be discussed privately.

Responsibilities and Duties

The Committee shall have the sole authority and responsibility to recommend to the Board the Auditor to be nominated for shareholder approval and the compensation of the Auditors. The Committee shall approve in advance, all audit engagement fees and terms, and all non-audit services, engagements and fees with the Auditors. The Committee shall consult with Management but shall not delegate these responsibilities to Management.

To fulfill its responsibilities and duties, the Committee shall:

With respect to the Auditors:

- Be directly responsible for the appointment, compensation and oversight of the work of the Auditors (including resolution of disagreements between Management and the Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- Have the sole authority to review in advance and pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Auditors, as permitted by applicable governance rules and in particular Section 10A of the Securities Exchange Act of 1934 and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and pre-approve all disclosures required to be included in any public filings with respect to non-audit services. The Committee may delegate to one or more member the authority to pre-approve non-audit services, provided a report is made to the Committee at its next scheduled meeting.
- Have the authority to communicate directly with the Auditors.
- Review the performance of the Auditors on at least an annual basis.
- On an annual basis, review and discuss with the Auditors all relationships the Auditors have with the Company in order to evaluate the Auditors' continued independence. The Committee: (i) shall ensure that the Auditors submit to the Committee on an annual basis a written statement delineating all relationships and services that may impact the objectivity and independence of the Auditors; (ii) shall discuss with the Auditors any disclosed relationship or services that may impact the objectivity and independence of the Auditors; and (iii) shall satisfy itself as to the Auditors' independence.
- At least annually, obtain and review an annual report from the Auditors describing (i) the Auditors' internal quality control procedures and (ii) any material issues raised by the most recent internal quality control review, or peer review, of the Auditors, or by any inquiry or investigation

by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditors, and any steps taken to deal with any such issues.

- Confirm that the rotation of the lead audit partner, or the lead audit partner responsible for reviewing the audit, for the Company's Auditors complies with the requirements of the Canadian and US regulatory authorities.
- Review all reports required to be submitted by the Auditors to the Committee particularly including those required by Section 10A of the Securities Exchange Act of 1934.
- Review, based upon the recommendation of the Auditors and Management, the scope and plan of the work to be done by the Auditors for each fiscal year.

With respect to financial statements:

- Review and discuss with Management and the Auditors the Company's quarterly financial statements (including disclosures made in Management's Discussion and Analysis, as defined in Multilateral Instrument 51-102, and interim earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public.
- Review and discuss with Management and the Auditors the Company's annual audited financial statements (including disclosures made in Management's Discussion and Analysis and annual earnings press releases) prior to submission to shareholders, any governmental body, any stock exchange or disclosure to the public.
- Recommend to the Board, if appropriate, that the Company's annual audited financial statements be included in the Company's annual report for filing with appropriate securities regulatory agencies.
- Prepare any reports required to be included in the Company's annual meeting materials and any other Committee reports required by applicable securities laws or stock exchange listing requirements or rules.

With respect to periodic and annual reviews:

- Periodically review separately with each of Management and the Auditors (i) any significant disagreement between Management and the Auditors in connection with the preparation of the financial statements, (ii) any difficulties encountered during the course of the audit (including any restrictions on the scope of work or access to required information), and (iii) Management's response to each.
- Periodically discuss with the Auditors, without Management being present (i) their judgments about the quality, appropriateness, and acceptability of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of the Company's financial statements.
- Consider and approve, if appropriate, significant changes to the Company's accounting principles and financial disclosure practices as suggested by the Auditors or Management. Review with the Auditors and Management, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented.
- Review with Management, the Auditors and the Company's counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial

statements, including significant changes in accounting standards or rules as promulgated by the Canadian Institute of Chartered Accountants, the securities regulators having jurisdiction over the Company or other regulatory authorities with relevant jurisdiction.

- Obtain and review an annual report from Management relating to the accounting principles used in preparation of the Company's financial statements (including those policies for which Management is required to exercise discretion or judgments regarding the implementation thereof).

Discussions with Management:

- Review and discuss with Management the Company's annual and interim earnings press releases (including the use of "pro forma" or "adjusted" non-GAAP information), financial information and earnings guidance provided to analysts and rating agencies as well as all other material public disclosure documents such as the Company's AIF and any prospectuses.
- Review and discuss with Management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.
- Inquire about the application of the Company's accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) the Company's provisions for future occurrences which may have a material impact on the financial statements of the Company.
- Review and discuss with Management (i) the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures (including Management's risk assessment and risk management policies), and (ii) the program that Management has established to monitor compliance with its code of business ethics and conduct for directors, officers and employees.
- Review and discuss with Management all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company. The Committee will meet periodically and separately with the Company's counsel to review material legal affairs of the Company and the Company's compliance with applicable law and listing standards.
- Obtain explanations from Management for unusual variances in the Company's annual financial statements from year to year, and review annually the Auditors' letter of the recommendations to Management and Management's response.
- Review and discuss with Management any significant changes in areas of judgment, assumptions and estimates.

With respect to internal controls and disclosure:

- In consultation with the Auditors and Management: (i) review the adequacy of the Company's internal control structure and system, and the procedures designed to ensure compliance with laws and regulations, (ii) discuss the responsibilities, budget and staffing needs of the Company's internal accounting department, and (iii) review and consider whether there is any need for the Company to establish an internal audit department.
- Establish whistleblowing procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters,

and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.

With respect to reporting obligations:

- Ensure that all reporting obligations under Part 5 of Multilateral Instrument 52-110 are fully complied with.

Other:

- Review and approve all related-party transactions.
- Review and approve the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.
- Review any Management decision to seek a second opinion from Auditors other than the Company's regular Auditors with respect to any significant accounting issue.
- Review with Management and the Auditors the sufficiency and quality of the financial and accounting personnel of the Company.
- Review and reassess the adequacy of this Charter annually and recommend to the Board any changes the Committee deems appropriate.
- Conduct an annual performance evaluation of Committee operations.
- Set and pay the compensation for any advisors employed by the Committee.
- Perform any other activities consistent with this Charter, the Company's By-laws and governing law as the Committee or the Board deems necessary or appropriate.

Access to Records, Advisors and Others

The Committee shall have the authority to engage independent legal, accounting or other advisors to advise the Committee as it determines necessary to carry out its duties. The Committee may request any officer or employee of the Company or the Company's outside counsel or Auditors to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

The Committee will have full access to all books, records, facilities and personnel of the Company.

The Committee shall determine the extent of funding necessary for payment of compensation to the Auditors for purpose of rendering or issuing the annual audit report and to any independent legal, accounting and other advisors retained to advise the Committee.

Definitions

Capitalized terms used in the Charter and not otherwise defined therein shall have the following meanings:

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

"**Independent Director**" means a director who does not have a direct or indirect Material Relationship with the Company.

"**Material Relationship**" means a relationship which could, in the view of the Board, reasonably interfere with the exercise of the director's independent judgment, and includes those material relationships set out in section 1.4 of Multilateral Instrument 52-110.

Composition of the Audit Committee

S. Jane Rowe (Chair), Paul G. Cataford and Nadir Mohamed are the members of the Audit Committee. Each of them is an Independent Director and is Financially Literate. The Board of Directors has determined that Mr. Nadir Mohamed is the Audit Committee financial expert.

Relevant Education and Experience

S. Jane Rowe is the President and Chief Executive Officer of Roynat Capital, a merchant bank specializing in innovative long-term capital and business solutions for mid-sized companies. Ms. Rowe has an extensive background in the banking industry with over 17 years of experience with the Scotiabank Group. Ms. Rowe holds a Bachelor of Commerce degree with honours from Memorial University of Newfoundland and an MBA from York University.

Paul G. Cataford is the President and Chief Executive Officer of University Technologies Inc., a wholly-owned subsidiary of the University of Calgary that is responsible for the university's technology commercialization. Mr. Cataford's other experience includes consulting, Managing Director of BMO Nesbitt Burns Equity Parners Inc. from 2001 to 2002 and Managing Director and President of BCE Capital Inc. from 1997 to 2001. Mr. Cataford has extensive knowledge of venture capital investing and technology. Mr. Cataford completed a Mechanical Engineering Degree at Queen's University and an MBA at York University.

Nadir Mohamed is the President and Chief Executive Officer at Rogers Wireless Communications Inc., a wireless communications service provider that provides a complete range of wireless solutions to more than three million customers across Canada. Mr. Mohamed has been with Rogers Wireless Communications Inc. since 2000 in increasingly senior roles. Mr. Mohamed received a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Accountant.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completely financial year has the Company relied upon any exemption from MI 52-110 provided therein.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the board of directors of the Company.

Pre-approval Policies and Procedures

The Committee has the sole authority to review in advance and pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Auditor, as well as all fees and other terms of engagement. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided a report is made to the Committee at its next scheduled meeting. All of the audit-related, tax and all other fees below were pre-approved by the Committee.

Auditor Independence

Sierra Wireless's Audit Committee is satisfied with the independence of the Auditors and that the Auditors are free from conflicts of interest that could impair their objectivity in conducting the audit of Sierra Wireless. The Audit Committee is required to approve all non-audit related services performed by our Auditors, and our Auditors are not permitted to perform services for us prohibited for an independent auditor under applicable Canadian and United States regulations, including the Sarbanes-Oxley Act.

Auditors' Fees

In the 2004 and 2003 fiscal years, the fees paid to the Auditors were as follows:

	2004	2003
Audit Fees	$ 288,000	$ 462,000
Audit-Related Fees	31,000	nil
Tax Fees	205,000	222,000
All Other Fees	nil	nil

Audit Fees

Audit fees for 2003 include fees related to our secondary public offering of 4,600,000 common shares completed in November 2003 and our acquisition of AirPrime completed in August 2003.

Audit-Related Fees

Audit-related fees for 2004 are primarily for fees related to due diligence services as well as fees related to our Sarbanes-Oxley 404 documentation.

Tax Fees

Tax fees for 2004 and 2003 are primarily for the preparation of our Canadian and U.S. tax returns, assistance with tax planning and completion of transfer pricing studies.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the December 31, 2004, the effectiveness of the design and operation of our disclosure controls and procedures was evaluated. The principal executive and financial officers have concluded that the Company's disclosure controls and procedures are effective and timely in alerting them to material information required in the periodic reports to the Securities and Exchange Commission. In addition, there have been no significant changes in the internal controls or in other factors known to management that could significantly affect the internal controls subsequent to the most recent evaluation.

Management found no facts that would require the Company to take any corrective actions with regard to significant deficiencies. The Company is in the process of further evaluation and enhancement of internal controls as a result of work being completed in connection with Sarbanes-Oxley 404 requirements.

LEGAL PROCEEDINGS

Sierra Wireless America, Inc., as successor to AirPrime, Inc., along with other defendants, has been served with the first amended complaint filed September 13, 2004 and second amended complaint filed January 3, 2005 (collectively the "Complaint") of Joshua Cohen and David Beardsley on behalf of themselves and others similarly situated, which was filed in the U.S. District Court for the Central District of California for alleged violations of federal and state securities laws allegedly occurring prior to the time AirPrime, Inc. was acquired by the Company. On March 4, 2005, the defendants filed motions to dismiss the Complaint. The hearing is expected to occur in May 2005. We have given notice to our liability insurance carriers and submitted an escrow claim notice under the escrow agreement dated August 12, 2003 relating to the acquisition of AirPrime. Both the insurance carrier and the escrow shareholders are disputing their obligations with respect to this Complaint. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend them.

Subsequent to December 31, 2004, we became aware of certain alleged securities class action lawsuits filed against the Company and certain of our officers in the U.S. District Court Southern District of New York and the U.S. District Court Southern District of California. On February 22, 2005, we were served with one of the complaints filed in the Southern District of California. We are assessing the complaints and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the lawsuits.

On February 8, 2005, Sierra Wireless, Inc. was served with the first amended complaint of MLR, LLC filed in the U.S. District Court for the Northern District of Illinois Eastern Division for alleged patent infringement relating to our line of professional phones. We have been added as a defendant in existing civil action No. 04 C 7044 MLR, LLC v. Kyocera Wireless Corporation and Novatel Wireless, Inc. We are assessing the complaint and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action.

QUOROM EXEMPTION

Nasdaq requires each listed issuer to provide that a quorum for its shareholders' meetings be at least 33 1/3 percent of the issuer's outstanding shares. The Company has been granted an exemption from this requirement because it is contrary to generally accepted business practices in Canada, the Company's country of domicile. The Company has had the benefit of this exemption in the current and prior year.

In determining whether a requirement is contrary to generally accepted business practices, the Nasdaq generally looks to the requirements of the primary market in the issuer's country of domicile. The rules and policies of the Toronto Stock Exchange, the primary market in Canada, do not contain quorum requirements, and the *Canada Business Corporations Act*, the Corporation's governing statute, defers to the quorum requirements contained in an issuer's By-laws. Under the Company's By-laws, a quorum for a meeting of the Company's shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for the common shares in Canada is Computershare Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia, and in the United States is Computershare Trust Company, Inc., 12039 West Alameda Parkway, Suite Z-2, Lakewood, Colorado. These offices and the principal offices of Computershare Trust Company of Canada in the City of Toronto maintain the register of common shares and can effect transfers and make deliveries of certificates for common shares.

MATERIAL CONTRACTS

There are no material contracts entered into outside of the Company's ordinary course of business.

EXPERTS

KPMG LLP, independent chartered accountants, have audited our consolidated financial statements as at December 31, 2004 and 2003, and for each of the years in the three year period ended December 31, 2004 as set forth in their reports. As at March 24, 2005, KPMG LLP and its partners did not hold any registered or beneficial ownership interest, directly or indirectly, in the securities of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company:

(a) may be found on SEDAR on www.sedar.com;

(b) including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular for its most recent annual meeting of shareholders; and

(c) is provided in the Company's financial statements and MD&A for the financial year ended December 31, 2004.

EXHIBIT 99.1

CERTIFICATION PURSUANT TO SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, David B. Sutcliffe, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 24, 2005

/s/ DAVID B. SUTCLIFFE
David B. Sutcliffe
Chairman and Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION PURSUANT TO SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, David G. McLennan, certify that:

1. I have reviewed this annual report on Form 40-F of Sierra Wireless, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 24, 2005

/s/ DAVID G. MCLENNAN
David G. McLennan
Chief Financial Officer

EXHIBIT 99.3

CERTIFICATION PURSUANT TO 18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sierra Wireless, Inc. (the "Company") on Form 40-F for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, I, David B. Sutcliffe, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 24, 2005

/s/ DAVID B. SUTCLIFFE
David B. Sutcliffe
Chairman and Chief Executive Officer

EXHIBIT 99.4

CERTIFICATION PURSUANT TO 18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sierra Wireless, Inc. (the "Company") on Form 40-F for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, I, David G. McLennan, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 24, 2005

/s/ DAVID G. MCLENNAN
David G. McLennan
Chief Financial Officer

EXHIBIT 99.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated financial condition and results of operations, as of March 4, 2005, has been prepared in accordance with United States generally accepted accounting principles (GAAP) and, except where otherwise specifically indicated, all amounts are expressed in United States dollars.

Additional information related to Sierra Wireless, Inc., including our Annual Information Form, may be found on SEDAR at www.sedar.com.

Overview

We provide highly differentiated wireless solutions worldwide. We develop and market a broad range of products that include wireless data modems for portable computers, embedded modules for original equipment manufacturers, or OEMs, rugged vehicle-mounted modems and mobile phones. Our products permit users to access wireless data and voice networks using notebook computers, personal digital assistants, or PDAs, vehicle-based systems and mobile phones.

Wireless data communications is an expanding market positioned at the convergence of wireless communications, portable computing and the Internet, each of which we believe represents a growing market. Our products are based on open standards, including the Internet protocol, and operate on the networks of major wireless communications service providers.

Our products are primarily used by businesses and government organizations to enable their employees access to a wide range of wireless data applications, including Internet access, e-mail, messaging, corporate intranet access, remote database inquiry and computer aided dispatch. We sell our products through indirect channels, including wireless operators, resellers and OEMs.

Beginning in fiscal 2001, there was a slowdown in enterprise spending and an overall economic slowdown that adversely impacted our business. The trend intensified during fiscal 2002 and continued into fiscal 2003. Reasons for the market deterioration included a general economic slowdown, customer bankruptcies, network build-out delays and limited availability of capital. During the latter part of 2003 and throughout 2004, we experienced stronger than expected demand.

During 2004, we achieved a number of important objectives, including strong growth in revenue and earnings and significant generation of free cash flow. Our revenue increased 107.7% to $211.2 million in 2004, compared to $101.7 million in 2003, primarily as a result of strong revenue from our PC card and OEM products, including products formerly sold by AirPrime, Inc. (“AirPrime”) which we acquired on August 12, 2003. Net earnings increased to $24.9 million in 2004, or $0.96 per diluted share, compared to $2.3 million in 2003, or $0.12 per diluted share. Our improvement in net earnings was attributable to a number of factors, including our acquisition of AirPrime in 2003, an increase in PC Card and embedded modules revenue, operating cost control and a reduction in restructuring and integration costs that were related to the acquisition of AirPrime.

Our balance sheet remains strong, with $131.8 million of cash and cash equivalents, compared to $109.7 million of cash, cash equivalents, short and long-term investments at December 31, 2003. During 2004, we generated $29.1 million in cash from operations, compared to $14.3 million in 2003.

We believe prospects in the wireless communications industry remain strong, driven by advances in wireless network technologies such as the deployment of next generation 3G networks by carriers worldwide. We believe the deployment of these networks will be a catalyst to increasing the demand for wireless communications products such as those sold by us.

Following our considerable revenue and earnings growth in 2004, we expect a significant reduction in our business in early 2005. During the first quarter, we expect that our business will be negatively affected by:

- The reduction in our embedded module business volumes as a result of the completion of CDMA module shipments to palmOne for their Treo 600 Smartphone at the end of 2004;
- Channel inventory at some of our channel partners that is already sufficient to meet near term customer demand; and
- The near term impact of increased competition in EVDO and EDGE PC cards, including an expected loss of near term market share at Verizon Wireless.

During 2005 we expect to increase our research and development efforts to ensure we are well positioned with new products that will take advantage of market opportunities associated with the deployment of 3G networks. Specific product development initiatives include:

- HSDPA PC cards: We have accelerated the development of UMTS HSDPA PC cards, which we expect to launch in the second half of 2005.

- CDMA EVDO Release A PC Cards: Release A brings significant uplink and downlink speed advantages to EVDO. We have established a strong market position in EVDO PC Release 0 cards over the past 18 months. We intend to introduce EVDO Release A PC cards that we expect to be available during the first half of 2006.

- Embedded modules for laptop manufacturers and other OEMs: We intend to capitalize on our embedded modules experience and meet the potential demand from laptop and other manufacturers for embedded 3G capability. We intend to develop products and services specifically for this category.

- Voq professional phone product line: We are continuing to seed the corporate enterprise market and are engaged in a number of trial deployments with our current Voq professional phone. We are developing the next generation Voq platform to take advantage of 3G high speed networks, such as HSDPA. Our next generation Voq phones will bring significant airlink, feature and ID enhancements to the product line. We expect the first of these products to be available during the first half of 2006.

Results of Operations

The following table sets forth our operating results for the three years ended December 31, 2004, expressed as a percentage of revenue:

Years ended December 31,	**2002**	**2003**	**2004**
Revenue	100.0%	100.0%	100.0%
Cost of goods sold	89.6	59.5	60.4
Gross margin	10.4	40.5	39.6
Expenses			
Sales and marketing	15.0	11.4	9.5
Research and development, net	19.3	15.7	11.6
Administration	6.2	6.5	4.3
Restructuring and other charges	16.6	1.2	0.1
Integration costs	—	1.9	—
Amortization	3.0	2.3	1.1
	60.1	39.0	26.6
Earnings (loss) from operations	(49.7)	1.5	13.0
Other income	0.3	0.9	0.9
Net earnings (loss) before income taxes	(49.4)	2.4	13.9
Income tax expense	4.5	0.2	2.1
Net earnings (loss)	(53.9)%	2.2%	11.8%

Our revenue by product, by distribution channel and by geographical region is as follows:

Years ended December 31,	**2002**	**2003**	**2004**
Revenue by product			
PC card	58%	70%	59%
Embedded modules	25	21	33
Mobile	10	6	5
Voq	—	—	1
Other	7	3	2
	100%	100%	100%
Revenue by distribution channel			
Wireless carriers	43%	46%	24%
OEM	25	22	34
Resellers	25	31	41
Direct and other	7	1	1
	100%	100%	100%
Revenue by geographical region			
Americas	87%	73%	89%
Europe	7	13	6
Asia-Pacific	6	14	5
	100%	100%	100%

Results of Operations – Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenue

Revenue amounted to $211.2 million for the year ended December 31, 2004, compared to $101.7 million in 2003, an increase of 107.7%. The increase in revenue was due primarily to an increase in sales of PC cards and embedded modules, including sales of products formerly sold by AirPrime. During the year, we commenced commercial shipments of our new SmartPhone product, the Voq Professional Phone, as well as the AirCard 580 for CDMA 1xEV-DO networks, the AirCard 555R for CDMA networks in Asia, the MP555 for CDMA 1X, the MP775 for EDGE networks and the AirCard 775 for EDGE networks. We completed shipments of embedded modules to palmOne for the Treo 600 at the end of 2004. As a result, we expect that embedded module revenue as a percentage of revenue will decrease in the near term.

Our revenue from customers in the Americas, Europe and the Asia-Pacific region comprised 89%, 6% and 5%, respectively, of our total revenue in 2004 and 73%, 13% and 14%, respectively, in 2003. Our North American business has increased significantly compared to the prior year as a result of strong sales of our PC card and embedded module products to North American customers. Our North American business mix continues to be dominated by near term demand from channels rather than by long-term, large volume commitments. In Europe, the deployment of EDGE and UMTS networks have been gaining momentum and have negatively affected our GSM/GPRS sales in that region. We do have EDGE products and do not currently have a UMTS product. We expect to introduce our first UMTS/HSDPA product in the second half of 2005. In 2004, two customers individually accounted for more than 10% of our revenue and in aggregate these two customers represented 51% of our revenue.

Gross margin

Gross margin amounted to $83.6 million in 2004, compared to $41.2 million in 2003. Our gross margin percentage was 39.6% of revenue in 2004, compared to 40.5% of revenue in 2003. Changes in product mix resulted in a decline in margin for the year. During 2004, we sold $0.2 million of products that had a net book value after writedowns of nil.

We expect our gross margin to continue to fluctuate from quarter to quarter as a result of changes in product mix, competitive pressures, changes in geographical mix and changes in product cost due to new product introductions.

Sales and marketing

Sales and marketing expenses were $20.0 million in 2004, compared to $11.6 million in 2003, an increase of 72.9%. The increase is due primarily to an increase in marketing development costs and costs related to new products, such as the Voq professional phone and products for EDGE networks. The addition of staff from the AirPrime acquisition also contributed to the increase. Sales and marketing expenses as a percentage of revenue decreased to 9.5% in 2004, compared to 11.4% in 2003, due primarily to the increase in 2004 revenue. We expect to continue to make significant investments in sales and marketing as we market existing products, introduce new products and continue to expand our distribution channels in the Americas, Europe and the Asia-Pacific region.

Research and development, net

Research and development expenses, net of conditionally repayable government research and development funding, amounted to $24.5 million in 2004, compared to $16.0 million in 2003, an increase of 53.4%.

Gross research and development expenses, before government research and development funding, were $27.2 million or 12.9% of revenue in 2004, compared to $16.5 million, or 16.2% of revenue, in 2003. Repayment of TPC funding of $1.9 million was included in our gross research and development expenses in 2004, compared to nil in 2003. Gross research and development expenses increased due to the addition of staff and projects from the AirPrime acquisition and the development of new products, including EDGE products and the Voq professional phone. We expect our gross research and development expenses to continue to increase as we invest in next generation technology and develop new products.

During 2004, we signed a second agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program under which we are eligible to receive conditionally repayable research and development funding up to Cdn. $9.5 million to support the development of a range of third generation wireless technologies. The agreement is effective for development work commencing April 2003. Funding of $2.6 million was recognized during 2004, of which $1.1 million relates to the period from April 1, 2003 to December 31, 2003. We expect that our TPC funding will be based on research and development work completed in each quarter.

Administration

Administration expenses amounted to $9.0 million, or 4.3% of revenue, in 2004, compared to $6.6 million, or 6.5% of revenue, in 2003. The increase of $2.4 million is due primarily to an increase in professional fees, insurance costs and the addition of staff from the AirPrime acquisition. Included in administration expenses were recoveries from Metricom of $0.5 million in each of 2004 and 2003 that were related to the settlement agreement that is further described under the heading "Contingent Liabilities".

Restructuring and other charges

In 2004, we incurred restructuring and other charges of $0.3 million as a result of a change in estimate of the facilities restructuring charge that was originally announced in 2002. The change in estimate reflects the impact of changes in estimated operating costs of the facilities and foreign exchange rates.

In 2003, we incurred restructuring and other charges of $1.2 million as a result of our acquisition of AirPrime. The charges included writedowns of fixed and intangible assets, severance costs for workforce reductions and an additional facilities restructuring charge.

Integration costs

In 2004 we did not incur any integration costs. In 2003, we incurred integration costs of $1.9 million as a result of our acquisition of AirPrime. The charges include costs of existing staff and contractors retained for the transition period and costs related to integration activities. All of these employees and contractors completed their integration activities and were terminated by December 31, 2003.

Other income

Other income increased to $2.0 million in 2004, compared to $1.0 million in 2003. Other income includes interest income, interest expense and foreign exchange gains and losses. This increase is due to an increase in interest income from increased cash and investment balances and an increase in interest rates.

Income tax expense

Income tax expense amounted to $4.4 million in 2004, compared to $0.2 million in 2003. Income tax expense has increased primarily due to taxes payable in the United States resulting from our increased earnings.

Net earnings

Our net earnings amounted to $24.9 million, or diluted earnings per share of $0.96, in 2004, compared to net earnings of $2.3 million, or diluted earnings per share of $0.12, in 2003.

The weighted average diluted number of shares outstanding increased to 26.1 million in 2004, primarily due to the issuance of shares in August 2003 related to the AirPrime acquisition and to our public offering in November 2003, as compared to 19.0 million in the same period of 2003.

Results of Operations – Three Months Ended December 31, 2004 Compared to Three Months Ended December 31, 2003

During the fourth quarter of 2004, our revenue increased 70.1% to $58.8 million in 2004, compared to $34.6 million in the same period of 2003, due primarily to strong revenue from our PC card and embedded module products. In the fourth quarter of 2004, three customers individually accounted for more than 10% of our revenue, and in the aggregate, these three customers represented 62% of our revenue. Gross margin for the three months ended December 31, 2004 was 38.8%, compared to 41.1% in the same period of 2003. The decrease in gross margin is due primarily to changes in product mix.

Operating expenses were $15.8 million in the fourth quarter of 2004, compared to $13.0 million in the same period of 2003. Operating expenses increased primarily due to additional costs incurred in generating increased revenue and costs related to the development and marketing of new products, including products for EDGE networks and the Voq Professional Phone.

Net earnings increased to $7.3 million in 2004, or $0.28 per diluted share, compared to $1.9 million in 2003, or $0.08 per diluted share. Our improvement in net earnings was attributable to a number of factors, including an increase in PC card and embedded modules revenue and operating cost control.

Results of Operations – Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Follow-On Offering

On November 14, 2003, we completed a new issue and secondary public offering of 4.6 million common shares in the United States and Canada at a price of $16.25 per common share. The offering generated net proceeds of approximately $67.4 million. Of the 4.6 million common shares, 4.4 million common shares were sold by the Company and 0.2 million common shares were sold by retiring officers of the Company.

Acquisition of AirPrime, Inc.

On August 12, 2003, we acquired 100 percent of the outstanding securities of AirPrime, a privately-held supplier of high-speed CDMA wireless products located in Carlsbad, California. We subsequently changed the name of AirPrime to Sierra Wireless America, Inc. The results of AirPrime's operations have been included in our consolidated financial statements since that date. As a result of the acquisition, we believe the combined entity to be a well-positioned market leader with a broad product line, innovative engineering, blue chip customers, global distribution channels and a strong balance sheet.

The aggregate purchase price was $23.8 million including common shares valued at $22.4 million with costs related to the acquisition of $1.4 million. The value of the 3,708,521 common shares issued was determined based on the average market price of our common shares over the two-day period before and after June 16, 2003, which was the date the terms of the acquisition were agreed to and announced. Under the terms of the escrow agreement dated August 12, 2003, 927,129 common shares were deposited into escrow. Of that number, 309,064 common shares have been released and the balance continue to be held in escrow.

2003 Restructuring and Integration Costs

In the third quarter of 2003, we incurred restructuring and other charges as a result of our acquisition of AirPrime. During the year ended December 31, 2003, we recorded restructuring and other charges of $1.2 million as follows:

Fixed and intangible asset writedowns	$	0.6
Workforce reductions		0.3
Facilities restructuring		0.3
Total restructuring and other charges	$	1.2

The writedowns of fixed and intangible assets of $0.6 million were primarily for research and development equipment, test equipment and research and development licenses that are no longer required. These assets were written down to nil. Workforce reduction charges of $0.3 million were related to the cost of severance and benefits associated with 11 employees notified of termination. Of the 11 employees, seven were in product development and four were in manufacturing. As of September 30, 2003, there were no restructuring amounts remaining to be paid out related to workforce reductions. We also recorded an additional facilities restructuring charge of $0.3 million as we made little progress in 2003 on the facilities restructuring that was originally announced in 2002.

During 2003, we also incurred integration costs of $1.9 million related to travel, facilities and costs related to eight existing employees retained for the transition period. All of these employees completed their integration activities and were terminated as of December 31, 2003.

Revenue

Revenue amounted to $101.7 million in 2003, compared to $77.3 million in 2002, an increase of 31.6%. Included in our revenue was research and development funding of $0.7 million and freight revenue of $0.3 million in 2003, compared to $3.7 million and $0.1 million, respectively, in 2002. The increase in revenue was a result of sales of our 2.5G products as well as increasing sales to new channels in Europe and the Asia-Pacific region. During 2003, we commenced commercial shipment of the AirCard 575, MP 555 and MP 750 as well as the products formerly sold by AirPrime.

Gross margin

Gross margin amounted to $41.2 million in 2003, compared to $8.0 million in 2002. Included in our gross margin was research and development funding of $0.7 million and freight revenue of $0.3 million in 2003, compared to $3.7 million and $0.1 million, respectively, in 2002. During 2002, our gross margin was negatively affected by restructuring and other charges of $20.8 million. Our gross margin percentage was 40.5% of revenue in 2003, compared to 10.4% of revenue in 2002. Our gross margin, excluding restructuring and other charges, amounted to $41.2 million, or 40.5% of revenue in 2003, compared to $28.8 million, or 37.3% of revenue in 2002. The increase in gross margin was a result of a greater mix of 2.5G AirCard products, which yield a higher margin than OEM products, as well as product cost reductions. During 2003, we sold $1.4 million of products that had a book value after writedowns of nil.

Sales and marketing

Sales and marketing expenses were $11.6 million in 2003, unchanged from 2002. Sales and marketing expenses as a percentage of revenue decreased to 11.4% in 2003, compared to 15.0% in 2002. This decrease was due primarily to an increase in revenue without a corresponding increase in operating expenses.

Research and development, net

Research and development expenses, net of conditionally repayable government research and development funding and investment tax credits, amounted to $16.0 million in 2003, compared to $14.9 million in 2002, an increase of 7.4%. Gross research and development expenses, before government research and development funding and investment tax credits, were $16.5 million or 16.2% of revenue in 2003, compared to $16.8 million or 21.7% of revenue in 2002. Gross research and development expenses in 2003 decreased due to cost reductions under our restructuring plan implemented in the second quarter of 2002 and a reduction of costs related to the development of products based on CDMA and GPRS standards. These reductions were partially offset by the addition of staff and projects from the AirPrime acquisition and the development costs of the Voq professional phone.

Administration

Administration expenses amounted to $6.6 million in 2003, compared to $4.8 million in 2002. Included in administration expenses were recoveries from Metricom of $0.5 million in 2003 and $1.8 million in 2002. Excluding the Metricom recoveries, administration expenses were $7.1 million in 2003, compared to $6.6 million in 2002. This increase of 7.8% is due primarily to an increase in insurance costs that was partially offset by cost reductions under our restructuring plan. Administration expenses, excluding the Metricom recoveries, as a percentage of revenue amounted to 7.0% in 2003, compared to 8.5% in 2002.

Other income

Other income increased to $1.0 million in 2003, compared to $0.2 million in 2002. Other income includes interest income, interest expense and foreign exchange gains and losses. This increase is due to an increase in interest income from increased cash and investment balances from our secondary public offering, as well as net foreign exchange gains on our Canadian denominated currency.

Income tax expense (recovery)

Income tax expense amounted to $0.2 million in 2003, compared to $3.5 million in 2002. Our 2002 income tax recovery, excluding restructuring and other costs of $4.0 million, was $0.6 million. The income tax recovery recorded in 2002 is a recovery of taxes paid in prior periods.

Net earnings (loss)

Our net earnings amounted to $2.3 million in 2003, compared to a net loss of $41.7 million in 2002. Our net earnings amounted to $4.9 million in 2003, excluding restructuring and integration costs of $3.2 million and the Metricom recovery of $0.5 million, compared to a net loss of $5.8 million in 2002, excluding restructuring and other costs of $37.7 million and the Metricom recovery of $1.8 million. Our diluted earnings per share amounted to $0.12 in 2003, compared to a loss per share of $2.56 in 2002. Our diluted earnings per share, excluding the items referred to above, was $0.26 in 2003, compared to a loss per share of $0.35 in 2002. The weighted average number of shares outstanding increased to 19.0 million in 2003 due to the issuance of shares related to the AirPrime acquisition and to our public offering, as compared to 16.3 million in 2002.

Contingent Liabilities

Sierra Wireless America, Inc., as successor to AirPrime, Inc., along with other defendants, has been served with the first amended complaint filed September 13, 2004 and second amended complaint filed January 3, 2005 (collectively the "Complaint") of Joshua Cohen and David Beardsley on behalf of themselves and others similarly situated, which was filed in the U.S. District Court for the Central District of California for alleged violations of federal and state securities laws allegedly occurring prior to the time AirPrime, Inc. was acquired by the Company. On March 4, 2005, the defendants filed motions to dismiss the Complaint. The hearing is expected to occur in May 2005. We have given notice to our liability insurance carriers and submitted an escrow claim notice under the escrow agreement dated August 12, 2003 relating to the acquisition of AirPrime. Both the insurance carrier and the escrow shareholders are disputing their obligations with respect to this Complaint. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend them.

During 2002, we executed a settlement agreement with Metricom, one of our U.S. customers, in a Chapter 11 reorganization under U.S. bankruptcy laws, under which all claims and counterclaims were settled. We received the amount of $1.8 million that has been included in our net loss for 2002. We also received additional recoveries of $0.5 million in each of 2003 and 2004 that have been included in our results for each of 2003 and 2004.

Under license agreements, we are committed to royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation. When the agreements are finalized, the estimate will be revised accordingly.

We are engaged in other legal actions in the ordinary course of business and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

Subsequent Events

Subsequent to December 31, 2004, we became aware of certain alleged securities class action lawsuits filed against the Company and certain of our officers in the U.S. District Court Southern District of New York and the U.S. District Court Southern District of California. On February 22, 2005, we were served with one of the complaints filed in the Southern District of California. We are assessing the complaints and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the lawsuits. The Company has determined that it is not possible to establish a reasonable estimate of the possible loss, or range of possible loss, if any.

On February 8, 2005, Sierra Wireless, Inc. was served with the first amended complaint of MLR, LLC filed in the U.S. District Court for the Northern District of Illinois Eastern Division for alleged patent infringement relating to our line of professional phones. We have been added as a defendant in existing civil action no. 04 C 7044 MLR, LLC v. Kyocera Wireless Corporation and Novatel Wireless, Inc. We are assessing the complaint and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action. The Company has determined that it is not possible to establish a reasonable estimate of the possible loss, or range of possible loss, if any.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, and we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, adequacy of allowance for doubtful accounts, adequacy of inventory reserve, income taxes and adequacy of warranty reserve. We base our estimates on historical experience and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates. Senior management has discussed with our audit committee the development, selection, and disclosure of accounting estimates used in the preparation of our consolidated financial statements.

During the year ended December 31, 2004, we did not adopt any new accounting policies that have a material impact on our consolidated financial statements or make changes to existing accounting policies.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

- We recognize revenue from sales of products and services upon the later of transfer of title or upon shipment of the product to the customer or rendering of the service, so long as collectibility is reasonably assured. Customers include resellers, original equipment manufacturers, wireless service providers and end-users. We record deferred revenue when we receive cash in advance of the revenue recognition criteria being met.

  A significant portion of our revenue is generated from sales to resellers. We recognize revenue on the portion of sales to certain resellers that are subject to provisions allowing various rights of return and stock rotation when the rights have expired or the products have been reported as sold by the resellers.

  Funding from research and development agreements, other than government research and development arrangements, is recognized as revenue when certain criteria stipulated under the terms of those funding agreements have been met, and when there is reasonable assurance the funding will be received. Certain research and development funding will be repayable only on the occurrence of specified future events. If such events do not occur, no repayment would be required. We will recognize the liability to repay research and development funding in the period in which conditions arise that would cause research and development funding to be repayable.

Revenues from contracts with multiple-element arrangements, such as those including technical support services, are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements.

Revenue from licensed software is recognized at the inception of the license term and in accordance with Statement of Position 97-2, "Software Revenue Recognition". Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are recorded as deferred revenue.

- We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. We consider the following factors when determining if collection is reasonably assured: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms. If we have no previous experience with the customer, we typically obtain reports from credit organizations to ensure that the customer has a history of paying its creditors. We may also request financial information, including financial statements, to ensure that the customer has the means of making payment. If these factors indicate collection is not reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of any of our customers deteriorates, we may increase our allowance.

- We value our inventory at the lower of cost, determined on a first-in-first-out basis, and estimated net realizable value. We assess the need for an inventory writedown or an accrual for estimated losses on inventory purchase commitments based on our assessment of estimated market value using assumptions about future demand and market conditions. Our reserve requirements generally increase as our projected demand requirements decrease, due to market conditions, technological and product life cycle changes and longer than previously expected usage periods. If market conditions are worse than our projections, we may further writedown the value of our inventory or increase the accrual for estimated losses on inventory purchase commitments.

- We currently have intangible assets of $14.2 million and goodwill of $19.2 million generated from our acquisition of AirPrime in August 2003. Goodwill is tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss has been incurred.

  The initial goodwill impairment test was completed during the fourth quarter of 2003, which resulted in no impairment loss. We assessed the realizability of goodwill related to our reporting unit during the fourth quarter of 2004 and determined that the fair value amount exceeded the carrying amount of the reporting unit by a substantial margin. Therefore, the second step of the impairment test that measures an impairment loss by comparing the implied fair market value of the reporting unit goodwill with the carrying amount of the goodwill is not required.

- We evaluate our deferred income tax assets to assess whether their realization is more likely than not. If their realization is not considered more likely than not, we provide for a valuation allowance. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We consider projected future taxable income and tax planning strategies in making our assessment. If our assessment of our ability to realize our deferred tax assets changes, we may make an adjustment to our deferred tax assets that would be charged to income.

- We accrue product warranty costs in accrued liabilities to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and management's estimates. If we suffer a decrease in the quality of our products, we may increase our accrual.

- Under license agreements, we are committed to royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation in accrued liabilities. When the agreements are finalized, the estimate will be revised accordingly.

- We recorded a lease provision during 2002 as a result of our restructuring program by estimating the net present value of the future cash outflows over the remaining lease period. The estimate was based on various assumptions including the obtainable sublease rates and the time it will take to find a suitable tenant. These assumptions are influenced by market conditions and the availability of similar space nearby. If market conditions change, we will adjust our provision.

- We are engaged in certain legal actions and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position. We estimate the range of liability related to pending litigation where the amount and range of loss can be reasonably estimated. We record our best estimate of a loss when the loss is considered probable. As additional information becomes available, we assess the potential liability relating to our pending litigation and revise our estimates.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities amounted to $29.1 million in 2004, compared to cash provided by operating activities of $14.3 million in 2003, an improvement of $14.8 million. The source of cash in 2004 primarily resulted from earnings from operations of $24.9 million adjusted for non-cash items, inventory levels and changes in other operating assets and liabilities of $4.2 million. Our working capital has increased significantly from December 31, 2003 as a result of the significant growth in our business.

Investing Activities

Cash provided by investing activities was $29.4 million for 2004, compared to cash used by investing activities of $45.3 million in 2003. The source of cash during 2004 was due primarily to the disposal of long-term investments that were re-invested in investments with maturities less than 90 days. Expenditures on intangible assets were $2.1 million in 2004, compared to $4.1 million in 2003, and were primarily for license fees and patents. Capital expenditures were $7.1 million in 2004, compared to $2.0 million in 2003, and were primarily for tooling, research and development equipment, computer equipment and software.

We do not have any trading activities that involve any type of commodity contracts that are accounted for at fair value but for which a lack of market price quotations necessitate the use of fair value estimation techniques.

Financing Activities

Cash provided by financing activities was $3.0 million in 2004, compared to $66.5 million during the same period in 2003. The source of cash in 2004 was primarily from the issuance of common shares upon the exercise of stock options, offset slightly by repayments of our long-term obligations. The source of cash in 2003 was due to the completion of a public offering in the United States and Canada.

As of December 31, 2004, we did not have any off-balance sheet finance or special purpose entities.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, capital expenditures and other obligations discussed below. In the near term, we expect that our cash flow from operations will be negative. We believe our cash and cash equivalents of $131.8 million and cash generated from operations will be sufficient to fund our expected working and other capital requirements for the next twelve months based on current business plans. Our capital expenditures during 2005 are expected to be primarily for research and development equipment, tooling, licenses and patents. However, we cannot provide assurance that our actual cash requirements will not be greater than we currently expect.

The following table quantifies our future contractual obligations as of December 31, 2004:

Payments due in fiscal	**Operating Leases**	**Obligations under Capital Leases**	**Total**
2005	$ 2,844	$ 664	$ 3,508
2006	2,728	287	3,015
2007	2,802	—	2,802
2008	2,816	—	2,816
2009	2,146	—	2,146
Thereafter	3,432	—	3,432
Total	$ 16,768	$ 951	$ 17,719

We have entered into purchase commitments totaling approximately $12.6 million with certain contract manufacturers under which we have committed to buy a minimum amount of designated products. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases. The terms of the commitment may require us to purchase approximately $12.6 million of product from certain contract manufacturers between January 2005 and March 2005.

Sources and Uses of Cash

During 2004, we had an operating line of credit of $10.0 million, which bore interest at prime plus 1.25% per annum. This line of credit was secured by a general security agreement providing a first charge against all assets. On December 31, 2004, we renegotiated our line of credit and now have an unsecured revolving demand facility for $10.0 million that bears interest at prime per annum. The balance at December 31, 2004 was nil (2003 — nil).

In November 2003, we completed a public offering in the United States and Canada. Our net proceeds after selling commissions and expenses of the offering amounted to approximately $67.4 million. The net proceeds from the offering are to be used for product development, working capital and general corporate purposes, including acquisitions.

In the past, our revenue was dependent on us fulfilling our commitments in accordance with agreements with major customers. We have completed volume shipments on those contracts. We are now relying on purchase orders with these customers and these customers, like our other customers, will be under no contractual obligation to purchase our products. If they do not make such purchases, our future operating cash flow will be negatively impacted. We have a risk of impairment to our liquidity should there be any interruption to our business operations.

The source of funds for our future capital expenditures and commitments is cash, short-term investments, accounts receivable, research and development funding, borrowings and cash from operations, as follows:

- Net cash and short-term investments amounted to $131.8 million at December 31, 2004, compared to $85.1 million at December 31, 2003.
- Long-term investments amounted to nil at December 31, 2004, compared to $24.6 million at December 31,

2003.

- Accounts receivable amounted to $22.5 million at December 31, 2004, compared to $21.6 million at December 31, 2003.
- We have a $10.0 million unsecured revolving demand facility with a Canadian chartered bank that bears interest at prime. At December 31, 2004, there were no borrowings under this facility.

Market Risk Disclosure

During the year ended December 31, 2004, 86% of our revenue was earned from United States-based customers. Our risk from currency fluctuations between the Canadian and U.S. dollar is reduced by purchasing inventory, other costs of sales and many of our services in U.S. dollars. We are exposed to foreign currency fluctuations because a significant amount of our research and development, marketing, and administration costs are incurred in Canada. We monitor our exposure to fluctuations between the Canadian and U.S. dollars. For the three and twelve months ended December 31, 2004, we have recorded a foreign exchange gain of approximately $0.7 million and $0.3 million, respectively. As we have available funds and very little debt, we have not been adversely affected by significant interest rate fluctuations.

With our international operations in Europe and the Asia-Pacific region, we are transacting business in additional foreign currencies and the potential for currency fluctuations is increasing. The risk associated with currency fluctuations between the U.S. dollar and foreign currencies in Europe and the Asia-Pacific region has been minimal as such transactions have not been material to date. As our business expands in Europe, we expect that we will also continue to be exposed to Euro transactions. To date we have not entered into any futures contracts. To manage our foreign currency risks, we may enter into such contracts should we consider it to be advisable to reduce our exposure to future foreign exchange fluctuations.

Currently, we do not have any hedging activities or derivative instruments.

Related Party Transactions

During the year ended December 31, 2004, there were no material related party transactions.

Quarterly Results of Operations

The following tables set forth certain unaudited consolidated statements of operations data for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained in our fiscal 2004 Annual Report. The unaudited consolidated statements of operations data presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These operating results are not necessarily indicative of results for any future period. You should not rely on them to predict our future performance.

2004	Quarter Ended March 31	June 30	Sept. 30	Dec. 31	Year 2004
Revenue	$ 41,641	$ 51,595	$ 59,149	$ 58,820	$211,205
Cost of goods sold	24,839	30,680	36,107	35,974	127,600
Gross margin	16,802	20,915	23,042	22,846	83,605
Expenses:					
Sales and marketing	4,173	4,386	5,604	5,866	20,029
Research and development, net	4,739	5,991	6,566	7,231	24,527
Administration	2,064	2,534	2,354	2,041	8,993
Restructuring and other charges	—	—	289	—	289
Amortization	636	563	588	651	2,438
	11,612	13,474	15,401	15,789	56,276
Earnings from operations	5,190	7,441	7,641	7,057	27,329
Other income (expense)	84	(40)	694	1,251	1,989
Earnings before income taxes	5,274	7,401	8,335	8,308	29,318
Income tax expense	704	1,384	1,268	1,042	4,398
Net earnings	$ 4,570	$ 6,017	$ 7,067	$ 7,266	$ 24,920
Earnings per share:					
Basic	$ 0.18	$ 0.24	$ 0.28	$ 0.29	$ 0.99
Diluted	$ 0.18	$ 0.23	$ 0.27	$ 0.28	$ 0.96
Weighted average number of shares (in thousands):					
Basic	24,986	25,221	25,301	25,339	25,212
Diluted	26,027	26,248	26,087	25,891	26,064

2003	Quarter Ended March 31	June 30	Sept. 30	Dec. 31	Year 2003
Revenue	$ 20,150	$ 20,736	$ 26,250	$ 34,573	$101,709
Cost of goods sold	12,210	12,405	15,566	20,370	60,551
Gross margin	7,940	8,331	10,684	14,203	41,158
Expenses:					
Sales and marketing	2,729	2,590	2,653	3,613	11,585
Research and development, net	2,749	2,947	4,677	5,621	15,994
Administration	1,617	1,451	1,331	2,198	6,597
Restructuring and other charges	—	—	1,220	—	1,220
Integration costs	—	—	1,026	921	1,947
Amortization	553	546	590	638	2,327
	7,648	7,534	11,497	12,991	39,670
Earnings (loss) from operations	292	797	(813)	1,212	1,488
Other income (expense)	104	167	(74)	768	965
Earnings (loss) before income taxes	396	964	(887)	1,980	2,453
Income tax expense	35	54	54	55	198
Net earnings (loss)	$ 361	$ 910	$ (941)	$ 1,925	$ 2,255
Earnings (loss) per share:					
Basic	$ 0.02	$ 0.06	$ (0.05)	$ 0.09	$ 0.12
Diluted	$ 0.02	$ 0.05	$ (0.05)	$ 0.08	$ 0.12
Weighted average number of shares (in thousands):					
Basic	16,355	16,375	18,409	22,563	18,442
Diluted	16,718	16,754	18,409	23,383	18,989

Our quarterly results may fluctuate from quarter to quarter because our operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter. The impact of significant items incurred during the first three interim periods of each fiscal year are discussed in more detail and disclosed in our quarterly reports on Form 6-K. Items affecting our quarterly results were as follows:

- Revenues increased in each of the last eight quarters as a result of the introduction of new products and strong sales of PC card and OEM products.

- During the third quarter of 2003, we acquired AirPrime, a supplier of high-speed CDMA wireless products located in Carlsbad, California. The results of AirPrime's operations have been included in our consolidated financial statements since August 2003. In connection with the acquisition, we incurred restructuring and other charges in the amount of $1.2 million related to fixed and intangible asset writedowns, workforce reductions and facilities restructuring. We also incurred integration costs of $1.9 million related to the acquisition and these costs included travel, facilities and costs related to retaining existing employees for the transition period.

- During the first quarter of 2004, we signed a second agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program. The agreement is effective for development work commencing April 2003. Funding of $1.4 million was recognized in the first quarter of 2004, of which $1.1 million relates to the period from April 1, 2003 to December 31, 2003.

- During the third quarter of 2004, we incurred restructuring and other charges of $0.3 million as a result of a change in estimate of the facilities restructuring charge that was originally announced in 2002. The change in estimate reflects the impact of changes in estimated operating costs of the facilities and foreign exchange rates.

Selected Annual Information

Years ended December 31,	**2002**	**2003**	**2004**
Revenue	$ 77,259	$101,709	$211,205
Net earnings (loss)	(41,663)	2,255	24,920
Diluted earnings (loss) per share	(2.56)	0.12	0.96
Total assets	71,089	175,868	215,594
Total current and long-term portions of long term liabilities and obligations under capital lease	6,590	3,735	3,456

Forward-looking Statements

This report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement of our services and products, statements about future market conditions, supply and demand conditions, channel inventory and sell through, revenue, gross margin, operating expenses, profits, and other expectations, intentions and plans contained in this report that are not historical fact. Our expectations regarding future revenues and earnings depend in part upon our ability to develop, manufacture, supply and market products that we do not produce today and that meet defined specifications. When used in this report, the words “plan”, “expect”, ”believe”, and similar expressions generally identify forward-looking statements. These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including but not limited to, changes in technology and changes in the wireless communications market. In light of the many risks and uncertainties surrounding the wireless communications market, you should understand that we cannot assure you that the forward-looking statements contained in this report will be realized.

Risk Factors

Our business is subject to significant risks and past performance is no guarantee of future performance. Some of the risks we face are:

We have incurred net losses in the past and may not sustain profitability.

While we had earnings from operations for each of the last two years ended December 31, 2004, we have incurred a loss from operations in each of the three fiscal years ended December 31, 2002. As of December 31, 2004, our accumulated deficit was $46.4 million. While we had net earnings of $24.9 million for the year ended December 31, 2004, our ability to achieve and maintain profitability will depend on, among other things, the continued sales of our current products and the successful development and commercialization of new products.

We expect losses in Q1 2005. If we do not return to profitability, we may need to raise additional capital in the future. Additional financing may not be available, and even if available, may not be on acceptable terms. We may seek to raise additional capital through an offering of common shares, preference shares or debt, which may result in dilution, and/or the issuance of securities with rights senior to the rights, of the holders of common shares. As a result, our share price may decline.

Our revenues and earnings may fluctuate from quarter to quarter, which could affect the market price of our common shares.

Our revenues and earnings may vary from quarter to quarter as a result of a number of factors, including:

- The timing of releases of our new products;

- The timing of substantial sales orders;
- Design win cycles in our embedded module business;
- The amount of inventory held by our channel partners;
- Competition from other market participants;
- Possible seasonal fluctuations in demand;
- Possible cyclical fluctuations related to the evolution of wireless technologies;
- Possible delays in the manufacture or shipment of current or new products;
- Concentration in our customer base; and
- Possible delays or shortages in component supplies.

Because our operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter, any of the factors listed above could cause significant variations in our revenues and earnings in any given quarter. Therefore, our quarterly results are not necessarily indicative of our overall business, results of operations and financial condition. However, quarterly fluctuations in our revenues and earnings may affect the market price of our common shares.

If demand for our current products declines and we are unable to launch successful new products, our revenues will decrease.

If the markets in which we compete fail to grow, or grow more slowly than we currently anticipate, or if we are unable to establish markets for our new products, it would significantly harm our business, results of operations and financial condition. In addition, demand for one or all of our current products could decline as a result of competition, technological change or other factors.

If we are unable to design and develop new products that gain sufficient commercial acceptance, we may be unable to maintain our market share or to recover our research and development expenses and our revenues could decline.

We depend on designing, developing and marketing new products to achieve much of our future growth. Our ability to design, develop and market new products depends on a number of factors, including, but not limited to the following:

- Our ability to attract and retain skilled technical employees;
- The availability of critical components from third parties;
- Our ability to successfully complete the development of products in a timely manner; and
- Our ability to manufacture products at an acceptable price and quality.

A failure by us, or our suppliers, in any of these areas, or a failure of new products, such as the Voq professional phone, to obtain commercial acceptance, could mean we receive less revenue than we anticipate and we are unable to recover our research and development expenses, and could result in a decrease in the market price for our shares.

The loss of any of our material customers could adversely affect our revenue and profitability, and therefore shareholder value.

We depend on a small number of customers for a significant portion of our revenues. In the last three fiscal years, there have been four different customers that individually accounted for more than 10% of our revenues. In the twelve months ended December 31, 2004, two customers individually accounted for more than 10% of our revenue and in the aggregate these two customers represented 51% of our revenue. If any of these customers reduce their business with us or suffer from business failure, our revenues and profitability could decline, perhaps materially. Shipments of our CDMA embedded modules to palmOne were completed in the fourth quarter of 2004 and we have no visibility on future revenue from this customer. As a result of channel inventory and increased competition, our business with Verizon Wireless is expected to be significantly lower than the previous quarter.

We may not be able to continue to design products that meet our customer needs and, as a result, our revenue and profitability may decrease.

We develop products to meet our customers' requirements but, particularly with original equipment manufacturers, current design wins do not guarantee future design wins. If we are unable or choose not to meet our customers' future needs, we may not win their future business and our revenue and profitability may decrease.

We depend on a few third parties to manufacture our products and supply key components. If they do not manufacture our products properly or cannot meet our needs in a timely manner, we may be unable to fulfill our product delivery obligations and our costs may increase, and our revenue and margins could decrease.

We outsource a substantial part of the manufacture of our products to third parties and depend heavily on the ability of these manufacturers to meet our needs in a timely and satisfactory manner. Some components used by us may only be available from a small number of suppliers, in some cases from only one supplier. We currently rely on two manufacturers, either of which may terminate the manufacturing contract with us at the end of any contract year. Our reliance on third party manufacturers and suppliers subjects us to a number of risks, including the following:

- The absence of guaranteed manufacturing capacity;
- Reduced control over delivery schedules, production yields and costs; and
- Inability to control the amount of time and resources devoted to the manufacture of our products.

If we are unable to successfully manage any of these risks or to locate alternative or additional manufacturers or suppliers in a timely and cost-effective manner, we may not be able to deliver products in a timely manner. In addition, our results of operations could be harmed by increased costs, reduced revenues and reduced margins.

We do not have fixed-term employment agreements with our key personnel and the loss of any key personnel may harm our ability to compete effectively.

None of our officers or other key employees has entered into a fixed-term employment agreement. Our success depends in large part on the abilities and experience of our executive officers and other key employees. Competition for highly skilled management, technical, research and development and other key employees is intense in the wireless communications industry. We may not be able to retain our current key employees or attract and retain additional key employees as needed. The loss of key employees could disrupt our operations and impair our ability to compete effectively.

We may have difficulty responding to changing technology, industry standards and customer preferences, which could cause us to be unable to recover our research and development expenses and lose revenues.

The wireless industry is characterized by rapid technological change. Our success will depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, changes and preferences. In addition, wireless communications service providers require that wireless data systems deployed on their networks comply with their own standards, which may differ from the standards of other providers. We may be unable to successfully address these developments in a timely basis or at all. Our failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and reduce our revenues.

Competition from new or established wireless communication companies or from those with greater resources may prevent us from increasing or maintaining our market share and could result in price reductions and reduced revenues.

The wireless industry is intensely competitive and subject to rapid technological change. We expect competition to intensify. More established and larger companies with greater financial, technical and marketing resources sell products that compete with ours. We also may introduce new products that will put us in direct competition with major new competitors. Existing or future competitors may be able to respond more quickly to technological developments and changes or may independently develop and patent technologies and products that are superior to ours or achieve greater acceptance due to factors such as more favorable pricing or more efficient sales channels. If we are unable to compete effectively with our competitors' pricing strategies, technological advances and other initiatives, our market share and revenues may be reduced.

We depend on third parties to offer wireless data and voice communications services for our products to operate.

Our products can only be used over wireless data and voice networks operated by third parties. In addition, our future growth depends, in part, on the successful deployment of next generation wireless data and voice networks by third parties for which we are developing products. If these network operators cease to offer effective and reliable service, or fail to market their services effectively, sales of our products will decline and our revenues will decrease.

Acquisitions of companies or technologies may result in disruptions to our business or may not achieve the anticipated benefits.

As part of our business strategy, we may acquire additional assets and businesses principally relating to or complementary to our current operations. Any acquisitions and/or mergers by us will be accompanied by the risks commonly encountered in acquisitions of companies. These risks include, among other things:

- Exposure to unknown liabilities of acquired companies, including unknown litigation related to acts or omissions of our acquired company and/or its directors and officers prior to the acquisition;
- Higher than anticipated acquisition costs and expenses;
- Effects of costs and expenses of acquiring and integrating new businesses on our operating results and financial condition;
- The difficulty and expense of integrating the operations and personnel of the companies;
- Disruption of our ongoing business;
- Diversion of management's time and attention away from our remaining business during the integration process;
- Failure to maximize our financial and strategic position by the successful incorporation of acquired technology;
- The inability to implement uniform standards, controls, procedures and policies;
- The loss of key employees and customers as a result of changes in management;
- The incurrence of amortization expenses; and
- Possible dilution to our shareholders.

In addition, geographic distances may make integration of businesses more difficult. We may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions. If realized, these risks could reduce shareholder value.

Others could claim that we infringe on their intellectual property rights, which may result in substantial costs, diversion of resources and management attention and harm to our reputation.

It is possible that other parties may claim that we have violated their intellectual property rights. Rights to intellectual property can be difficult to verify. Competitors could assert, for example, that former employees of theirs whom we have hired have misappropriated their proprietary information for our benefit. A successful infringement claim against us could damage us in the following ways:

- We may be liable for damages and litigation costs, including attorneys' fees;
- We may be prohibited from further use of the intellectual property;
- We may have to license the intellectual property, incurring licensing fees; and
- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales.

Regardless of the outcome, an infringement claim could result in substantial costs, diversion of resources and management attention and harm to our reputation.

We are subject to certain alleged class action lawsuits, which if decided against us, could require us to pay substantial judgments, settlements or other penalties.

In addition to being subject to litigation in the ordinary course of business, we are currently, and may in the future be, subject to class actions and other securities litigation and investigations. Subsequent to our January 26, 2005 announcement of our forward looking financial guidance for Q1 2005, numerous class action complaints have been filed against the Company and certain officers of the Company. We expect that this litigation will be time consuming, expensive and distracting from the conduct of our daily business. We are unable at this time to estimate what our ultimate liability in these matters may be, if any, however, it is possible that we will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on our operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which include substantial fees of lawyers and other professional advisors and our obligations to indemnify officers and directors who may be parties to such actions, could adversely affect our cash position.

If we are successful in the design and development of our new products, and there is commercial acceptance of our existing or new products, others may claim that we infringe on their intellectual property rights, which may result in substantial costs, diversion of resources and management attention and harm our reputation.

Misappropriation of our intellectual property could place us at a competitive disadvantage.

Our intellectual property is important to our success. We rely on a combination of patent protection, copyrights, trademarks, trade secrets, licenses, non-disclosure agreements and other contractual agreements to protect our intellectual property. Third parties may attempt to copy aspects of our products and technology or obtain information we regard as proprietary without our authorization. If we are unable to protect our intellectual property against unauthorized use by others it could have an adverse effect on our competitive position.

Our strategies to deter misappropriation could be inadequate due to the following risks:

- Non-recognition of the proprietary nature or inadequate protection of our methodologies in the United States, Canada or foreign countries;
- Undetected misappropriation of our intellectual property;
- The substantial legal and other costs of protecting and enforcing our rights in our intellectual property; and
- Development of similar technologies by our competitors.

In addition, we could be required to spend significant funds and our managerial resources could be diverted in order to defend our rights, which could disrupt our operations.

As our business expands internationally, we will be exposed to additional risks relating to international operations.

Our expansion into international operations exposes us to additional risks unique to such international markets, including the following:

- Increased credit management risks and greater difficulties in collecting accounts receivable;
- Unexpected changes in regulatory requirements, wireless communications standards, exchange rates, trading policies, tariffs and other barriers;
- Uncertainties of laws and enforcement relating to the protection of intellectual property;
- Language barriers; and
- Potential adverse tax consequences.

Furthermore, if we are unable to further develop distribution channels in Europe and the Asia-Pacific region we may not be able to grow our international operations and our ability to increase our revenue will be negatively impacted.

Government regulation could result in increased costs and inability to sell our products.

Our products are subject to certain mandatory regulatory approvals in the United States, Canada and other countries in which we operate. In the United States, the Federal Communications Commission regulates many aspects of communications devices. In Canada, similar regulations are administered by the Ministry of Industry, through Industry Canada. Although we have obtained all the necessary Federal Communications Commission, Industry Canada and other required approvals for the products we currently sell, we may not obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries other than the United States and Canada in which we may desire to sell products in the future.

Fluctuations in exchange rates between the United States dollar and other currencies, including the Canadian dollar may affect our operating results.

We are exposed to fluctuations in the exchange rate between the United States dollar and the Canadian dollar through our operations in Canada. To reduce our risk because of currency fluctuations, we purchase inventory, other cost of sales items and many of our services in United States dollars. If the Canadian dollar rises relative to the United States dollar, our operating results may be negatively impacted. To date, we have not entered into any foreign currency futures contracts as part of a hedging policy. We have entered into distribution agreements in Europe and the Asia-Pacific region that are denominated primarily in U.S. dollars. We expect that as our business expands in Europe and the Asia-Pacific region, we will also be exposed to additional foreign currency transactions and to the associated currency risk. To date, we have not entered into any futures contracts.

EXHIBIT 99.6

AUDITED ANNUAL FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITIES

The management of Sierra Wireless, Inc. is responsible for the preparation of the accompanying consolidated financial statements and the preparation and presentation of information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded and that financial reports are properly maintained to provide accurate and reliable financial statements.

The Company's audit committee is comprised entirely of non-management directors and is appointed by the Board of Directors annually. The committee meets periodically with the Company's management and independent auditors to review the consolidated financial statements and the independent auditors' report. The audit committee reported its findings to the Board of Directors who have approved the consolidated financial statements.

The Company's independent auditors, KPMG LLP, have examined the consolidated financial statements and their report follows.

/s/ David B. Sutcliffe

David B. Sutcliffe
Chairman and Chief Executive Officer
January 21, 2005

/s/ David G. McLennan

David G. McLennan
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Sierra Wireless, Inc. as at December 31, 2004 and 2003 and the consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards established by 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 from 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with U.S. generally accepted accounting principles.

On January 21, 2005, except as to Notes 17(d)(i) and 20, which are as of March 4, 2005, we reported separately to the shareholders of the Company on the consolidated financial statements as at and for the periods presented above, which consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles.

/s/ KPMG LLP

Chartered Accountants
Vancouver, Canada
January 21, 2005, except as to Notes 17(d)(i) and 20, which are as of March 4, 2005.

SIERRA WIRELESS, INC.

Consolidated Statements of Operations
(Expressed in thousands of United States dollars, except per share amounts)
(Prepared in accordance with United States generally accepted accounting principles (GAAP))

	Years ended December 31,		
	2002	**2003**	**2004**
Revenue	$77,259	$101,709	$211,205
Cost of goods sold	69,261	60,551	127,600
Gross margin	7,998	41,158	83,605
Expenses:			
Sales and marketing	11,564	11,585	20,029
Research and development, net (note 15)	14,896	15,994	24,527
Administration	4,785	6,597	8,993
Restructuring and other charges (note 4)	12,869	1,220	289
Integration costs (note 5)	—	1,947	—
Amortization	2,331	2,327	2,438
	46,445	39,670	56,276
Earnings (loss) from operations	(38,447)	1,488	27,329
Other income	247	965	1,989
Earnings (loss) before income taxes	(38,200)	2,453	29,318
Income tax expense (note 14)	3,463	198	4,398
Net earnings (loss)	$(41,663)	$ 2,255	$ 24,920
Earnings (loss) per share (note 16):			
Basic	$ (2.56)	$ 0.12	$ 0.99
Diluted	$ (2.56)	$ 0.12	$ 0.96

See accompanying notes to consolidated financial statements.

SIERRA WIRELESS, INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars)
(Prepared in accordance with United States GAAP)

	December 31, 2003	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 70,358	$ 131,846
Short-term investments (note 6)	14,760	—
Accounts receivable, net of allowance for doubtful accounts of $2,468 (2003 — $2,230)	21,566	22,506
Inventories (note 7)	1,511	11,090
Prepaid expenses	2,223	5,021
	110,418	170,463
Long-term investments (note 6)	24,639	—
Fixed assets (note 8)	5,985	10,044
Intangible assets (note 9)	14,620	14,208
Goodwill (note 9)	19,706	19,227
Deferred income taxes (note 14)	500	500
Other	—	1,152
	$ 175,868	$ 215,594
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 5,966	$ 4,122
Accrued liabilities	22,221	33,890
Deferred revenue and credits	399	461
Current portion of long-term liabilities (note 10)	1,328	758
Current portion of obligations under capital lease (note 11)	141	664
	30,055	39,895
Long-term liabilities (note 10)	2,266	1,747
Obligations under capital lease (note 11)	—	287
Shareholders' equity:		
Share capital (note 12)		
Authorized		
Unlimited number of common and preference shares with no par value		
Common shares, 25,357,231 (2003 – 24,822,071) issued and outstanding	214,047	218,805
Additional paid-in capital	—	440
Warrants	1,538	1,538
Deficit	(71,309)	(46,389)
Accumulated other comprehensive loss		
Cumulative translation adjustments	(729)	(729)
	143,547	173,665
	$ 175,868	$ 215,594

Commitments and contingencies (note 17)
See accompanying notes to consolidated financial statements.

/s/ David B. Sutcliffe
DAVID B. SUTCLIFFE
Director

/s/ S. Jane Rowe
S. JANE ROWE
Director

SIERRA WIRELESS, INC.

Consolidated Statements of Shareholders' Equity
(Expressed in thousands of United States dollars, except number of shares)
(Prepared in accordance with United States GAAP)

	Common Shares		Additional Paid-in Capital	Warrants		Deficit	Accumulated Other Comprehensive (Loss)	Total
	Number	Amount		Number	Amount			
Balance December 31, 2001	16,185,770	$ 122,673	$ —	—	$ —	$ (31,901)	$ (729)	$ 90,043
Net and comprehensive loss	—	—	—	—	—	(41,663)	—	(41,663)
Stock option exercises	159,626	374	—	—	—	—	—	374
Balance December 31, 2002	16,345,396	123,047	—	—	—	(73,564)	(729)	48,754
Net and comprehensive earnings	—	—	—	—	—	2,255	—	2,255
Issued for acquisitions (note 3)	3,708,521	22,377	—	—	—	—	—	22,377
Issued for cash (note 12)	4,442,222	72,186	—	—	—	—	—	72,186
Share issue costs	—	(4,761)	—	—	—	—	—	(4,761)
Stock option exercises	325,932	1,198	—	—	—	—	—	1,198
Warrants issued	—	—	—	138,696	1,538	—	—	1,538
Balance December 31, 2003	24,822,071	214,047	—	138,696	1,538	(71,309)	(729)	143,547
Net and comprehensive earnings	—	—	—	—	—	24,920	—	24,920
Additional paid-in capital	—	—	440	—	—	—	—	440
Stock option exercises	535,160	4,758	—	—	—	—	—	4,758
Balance December 31, 2004	25,357,231	$ 218,805	$ 440	138,696	$ 1,538	$ (46,389)	$ (729)	$ 173,665

See accompanying notes to consolidated financial statements.

SIERRA WIRELESS, INC.
Consolidated Statements of Cash Flows

(Expressed in thousands of United States dollars)
(Prepared in accordance with United States GAAP)

	Years ended December 31,		
	2002	**2003**	**2004**
Cash flows from operating activities:			
Net earnings (loss)	$ (41,663)	$ 2,255	$ 24,920
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities			
Amortization	6,788	5,669	6,915
Tax benefit related to stock option deduction	—	—	440
Non-cash restructuring and other charges	28,593	895	289
Loss (gain) on disposal	597	2	(66)
Deferred income taxes	3,754	—	—
Accrued warrants	481	386	—
Changes in operating assets and liabilities			
Accounts receivable	(3,361)	(5,360)	(1,384)
Inventories	2,517	5,878	(9,579)
Prepaid expenses	159	(1,087)	(2,798)
Accounts payable	(1,339)	225	(1,844)
Accrued liabilities	(463)	5,296	12,148
Deferred revenue and credits	(753)	101	62
Net cash provided by (used in) operating activities	(4,690)	14,260	29,103
Cash flows from investing activities:			
Business acquisitions (note 3)	—	33	—
Proceeds on disposal	338	4	69
Purchase of fixed assets	(2,219)	(1,972)	(7,120)
Increase in intangible assets	(1,431)	(4,077)	(2,123)
Increase in other assets	—	—	(1,152)
Purchase of long-term investments	—	(24,639)	(21,369)
Proceeds on disposal of long-term investments	—	—	46,186
Purchase of short-term investments	(14,662)	(25,103)	(21,305)
Proceeds on maturity of short-term investments	46,541	10,492	36,247
Net cash provided by (used in) investing activities	28,567	(45,262)	29,433
Cash flows from financing activities:			
Issue of common shares, net of share issue costs	374	68,623	4,758
Repayment of long-term liabilities	(1,495)	(2,104)	(1,806)
Net cash provided by (used in) financing activities	(1,121)	66,519	2,952
Net increase in cash and cash equivalents	22,756	35,517	61,488
Cash and cash equivalents, beginning of year	12,085	34,841	70,358
Cash and cash equivalents, end of year	$ 34,841	$ 70,358	$ 131,846

See supplementary cash flow information (note 18)

See accompanying notes to consolidated financial statements.

SIERRA WIRELESS, INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2002, 2003 and 2004
(Expressed in thousands of United States dollars, except per share amounts and number of shares)
(Prepared in accordance with United States GAAP)

1. Nature of operations

We were incorporated under the Canada Business Corporations Act on May 31, 1993. We develop and market a broad range of products that include wireless data modems for portable computers, embedded modules for original equipment manufacturers, or OEMs, rugged vehicle-mounted modems and mobile phones. Our products permit users to access wireless data and voice networks using notebook computers, personal digital assistants, or PDAs, vehicle-based systems and mobile phones.

2. Significant accounting policies

Management has prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States.

(a) Principles of consolidation

Our consolidated financial statements include the accounts of Sierra Wireless, Inc. and its wholly-owned subsidiaries Sierra Wireless America, Inc. (formerly AirPrime, Inc. and Sierra Wireless Data, Inc.), Sierra Wireless (UK) Limited, Sierra Wireless (Asia Pacific) Limited, Sierra Wireless SRL and Sierra Wireless ULC from their respective dates of formation or acquisition. We have eliminated all significant intercompany balances and transactions.

(b) Use of estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets, particularly the recoverability of fixed assets, intangible assets, goodwill and deferred income taxes, and warranty accruals and other liabilities, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

(c) Cash equivalents

Cash equivalents include short-term deposits, which are all highly liquid securities having a term to maturity of three months or less when acquired. We value our short-term deposits at amortized cost.

(d) Short-term investments

Short-term investments, all of which we categorize as available-for-sale, are carried at quoted market value. We reflect unrealized holding gains (losses) related to available-for-sale investments, after deducting amounts allocable to income taxes, as part of accumulated other comprehensive income, a separate component of shareholders' equity. There were no significant unrealized holding gains or losses on available-for-sale securities during the three-year period ending December 31, 2004.

(e) Inventories

Inventories consist of electronic components and finished goods and are valued at the lower of cost, determined on a first-in-first-out basis, and estimated net realizable value.

(f) ***Research and development***

We expense research and development costs as they are incurred. To date we have had no significant software development costs that would be required to be capitalized pursuant to Financial Accounting Standards ("FAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed".

We follow the cost reduction method of accounting for government research and development funding, whereby the benefit of the funding is recognized as a reduction in the cost of the related expenditure when certain criteria stipulated under the terms of those funding agreements have been met, and there is reasonable assurance the research and development funding will be received. Certain research and development funding is repayable only on the occurrence of specified future events. If such events do not occur, no repayment is required. We recognize the liability to repay research and development funding in the period in which conditions arise that will cause research and development funding to be repayable.

(g) ***Long-term investments***

Long-term investments, all of which we categorize as available-for-sale, are carried at quoted market value. We reflect unrealized holding gains (losses) related to available-for-sale investments, after deducting amounts allocable to income taxes, as part of accumulated other comprehensive income, a separate component of shareholders' equity. There were no significant unrealized holding gains or losses on available-for-sale securities at December 31, 2004.

(h) ***Fixed assets***

We initially record fixed assets at cost. We subsequently provide amortization on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Research and development equipment	3 years
Tooling	3 years
Software	3-5 years
Office equipment	5 years

We amortize leasehold improvements on a straight-line basis over the lower of their useful lives or lease terms.

(i) ***Intangible assets***

Patents and trademarks

Consideration paid for patents and trademarks is amortized on a straight-line basis over three to five years commencing with the date the patents or trademarks are granted.

License fees

Consideration paid for license fees is amortized on a straight-line basis over the shorter of the term of the license or five years.

Intellectual property, customer relationships and databases

Consideration paid for intellectual property, customer relationships and databases is amortized on a straight-line basis over three to five years. Each of these intangible assets is subject to an impairment test as described in note 2(k).

(j) ***Goodwill***

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill is allocated as of the date of the business combination to the reporting units that are expected to benefit from the synergies of the business combination.

Goodwill has an indefinite life, is not amortized and is subject to a two-step impairment test at least annually. The first step compares the fair value of the reporting unit to its carrying amount, which includes the goodwill. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. If the carrying amount exceeds the fair value, the second part of the test is performed to measure the amount of the impairment loss. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of the goodwill. If the carrying amount exceeds the fair value of the goodwill, an impairment loss is recognized equal to that excess.

(k) ***Impairment of long-lived assets***

We monitor the recoverability of long-lived assets, which includes fixed assets and intangible assets, other than goodwill, based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use of the related assets. Our policy is to record an impairment loss in the period when we determine that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

(l) ***Income taxes***

We account for income taxes in accordance with FAS No. 109, "Accounting for Income Taxes", which requires the use of the asset and liability method. Under this method, deferred income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Changes in the net deferred tax asset or liability are generally included in earnings. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Deferred income tax assets are evaluated and if their realization is not considered "more likely than not", a valuation allowance is provided.

(m) ***Stock-based compensation***

We have elected under FAS No. 123, "Accounting for Stock-based Compensation", to account for employee stock options using the intrinsic value method. This method is described in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As we grant all stock options with an exercise price equal to the market value of the underlying common shares on the date of the grant, no compensation expense is required to be recognized under APB 25. FAS No. 123 uses a fair value method of calculating the cost of stock option grants. Had compensation cost for our employee stock option plan been determined by this method, our net earnings (loss) and earnings (loss) per share would have been as follows:

	Years ended December 31,		
	2002	2003	2004
Net earnings (loss):			
As reported	$ (41,663)	$ 2,255	$ 24,920
Less: Total stock-based employee compensation expense determined under fair value based method for all awards	(7,817)	(14,775)	(5,591)
Pro forma	$ (49,480)	$ (12,520)	$ 19,329
Basic earnings (loss) per share:			
As reported	$ (2.56)	$ 0.12	$ 0.99
Pro-forma	(3.03)	(0.68)	0.77
Diluted earnings (loss) per share:			
As reported	$ (2.56)	$ 0.12	$ 0.96
Pro-forma	(3.03)	(0.68)	0.75

We recognize the calculated benefit at the date of granting the stock options on a straight-line basis over the vesting period.

As a result of our voluntary option surrender initiative, the unrecognized stock compensation fair value of $5,956 related to the surrendered options was expensed in the year ended December 31, 2003 in our pro forma disclosure.

We have estimated the fair value of each option on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	Years ended December 31,		
	2002	2003	2004
Expected dividend yield	0	0	0
Expected stock price volatility	107%	102%	93%
Risk-free interest rate	4.48%	3.83%	3.76%
Expected life of options	4 years	4 years	4 years

The fair value of stock options granted during the year was $16.71 (2003 – $7.56, 2002 - $4.58).

(n) ***Revenue recognition***

We recognize revenue from sales of products and services upon the later of transfer of title or upon shipment of the product to the customer or rendering of the service, so long as collectibility is reasonably assured. Customers include resellers, original equipment manufacturers, wireless service providers and end-users. We record deferred revenue when we receive cash in advance of the revenue recognition criteria being met.

We recognize revenue on the portion of sales to certain resellers that are subject to provisions allowing various rights of return and stock rotation when the rights have expired or the products have been reported as sold by the resellers.

Funding from research and development agreements, other than government research and development arrangements, is recognized as revenue when certain criteria stipulated under the terms of those funding agreements have been met, and when there is reasonable assurance the funding will be received. Certain research and development funding will be repayable only on the occurrence of specified future events. If such events do not occur, no repayment would be required. We will recognize the liability to repay research and development funding in the period in which conditions arise that would cause research and development funding to be repayable.

Revenues from contracts with multiple-element arrangements, such as those including technical support services, are recognized as each element is earned based on the relative fair value of each element and only when there are no undelivered elements that are essential to the functionality of the delivered elements.

Revenue from licensed software is recognized at the inception of the license term and in accordance with Statement of Position 97-2, “Software Revenue Recognition”. Revenue from software maintenance, unspecified upgrades and technical support contracts is recognized over the period such items are delivered or services are provided. Technical support contracts extending beyond the current period are recorded as deferred revenue.

(o) ***Warranty costs***

We accrue warranty costs upon the recognition of related revenue, based on our best estimates, with reference to past experience.

(p) ***Market development costs***

We accrue for co-op advertising costs upon the later of the recognition date of the related revenue or date at which the co-op advertising is available. Market development costs are recorded as marketing expense in accordance with the criteria in Emerging Issues Task Force 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor’s Products)”.

(q) ***Share issue costs***

We reduce the value of consideration assigned to shares issued by the direct costs, net of income tax recoveries, of issuing the shares.

(r) ***Earnings (loss) per common share***

We calculate basic earnings (loss) per share based on the weighted-average number of common shares outstanding for the year. If, in a reporting period, we have had outstanding dilutive stock options and warrants, we calculate diluted earnings (loss) per share using the treasury stock method.

(s) ***Comprehensive income***

Under FAS No. 130, "Reporting Comprehensive Income", we are required to report comprehensive income (loss), which includes our net earnings (loss) as well as changes in equity from other non-owner sources. In our case, the other changes in equity included in comprehensive income (loss) comprise the foreign currency cumulative translation adjustments. Comprehensive income (loss) is presented in the consolidated statements of shareholders’ equity.

(t) ***Investment tax credits***

Investment tax credits are now accounted for using the flow through method whereby such credits are accounted for as a reduction of income tax expense in the period in which the credit arises. Prior to 2004, we used the cost reduction method whereby such credits are accounted for as a reduction of the related asset or expenditure. As no investment tax credits were claimed in 2002 or 2003, the change in policy has no impact on the amounts presented.

(u) ***Comparative figures***

We have reclassified certain of the figures presented for comparative purposes to conform to the financial statement presentation we adopted for the current year.

(v) ***Recent accounting pronouncements***

In December 2004, the Financial Accounting Standards Board (“FASB”) issued revised Statement of Financial Accounting Standards No. 123 entitled “Share-Based Payment” (“FAS No. 123”). This revised statement addresses accounting for stock-based compensation and results in the fair value of all stock-based compensation arrangements, including options, being recognized as an expense in a company’s financial statements as opposed to supplemental disclosure in the notes to financial statements. The revised Statement eliminates the ability to account for stock-based compensation transactions using APB Opinion No. 25. FAS No. 123 is effective for public entities that do not file as small business issuers as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151 entitled "Inventory Costs – an amendment of ARB No. 43, Chapter 4" ("FAS No. 151"). This statement amends the guidance in ARB No. 43 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and spoilage. FAS No. 151 requires that these items be recognized as current period charges. We have adopted FAS No. 151, which had no effect on our consolidated financial statements

3. Acquisition of AirPrime, Inc.

On August 12, 2003 we acquired 100 percent of the outstanding securities of AirPrime, Inc. ("AirPrime"), a privately-held supplier of high-speed CDMA wireless products located in Carlsbad, California. We subsequently changed the name of AirPrime to Sierra Wireless America, Inc. The results of AirPrime's operations have been included in our consolidated financial statements since that date.

The aggregate purchase price was $23,825, including common shares valued at $22,377 and costs related to the acquisition of $1,448. The fair value of the 3,708,521 common shares issued was determined based on the average market price of Sierra Wireless, Inc.'s common shares over the two-day period before and after June 16, 2003, which was the date the terms of the acquisition were agreed to and announced. Under the terms of the escrow agreement dated August 12, 2003, 927,129 common shares were deposited into escrow. Of that number, 309,064 common shares have been released and the balance continue to be held in escrow.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 4,716
Property and equipment	1,352
Intangible assets	5,270
Goodwill	19,706
Total assets acquired	31,044
Current liabilities	7,219
Net assets acquired	$ 23,825

The following table presents details of the purchased intangible assets:

	Estimated Useful Life (in years)	Aug 12, 2003 Amount	Accumulated Amortization	Net Amount
Intellectual property	5	$ 3,780	$ 1,040	$ 2,740
Customer relationships	5	940	258	682
Licenses	5	400	114	286
Databases	5	150	41	109
Total purchased intangible assets		$ 5,270	$ 1,453	$ 3,817

The estimated future amortization expense of purchased intangible assets is as follows:

Fiscal Year	Net Amount
2005	$ 1,054
2006	1,054
2007	1,054
2008	655
Total	$ 3,817

If the acquisition of AirPrime had occurred as of January 1, 2002, the pro forma operating results may have been as follows:

	2002	2003
Revenue	$ 96,282	$ 118,514
Net loss	(58,775)	(1,166)
Loss per share	$ (2.94)	$ (0.05)

4. Restructuring and other charges

In the third quarter of 2004, we recorded an additional facilities restructuring charge of $289 related to a change in estimate of the future operating expenses and the foreign exchange loss on the Canadian dollar denominated liability.

In the third quarter of 2003, we incurred restructuring and other charges as a result of our acquisition of AirPrime. During the year ended December 31, 2003, we recorded restructuring and other charges of $1,220 as follows:

Fixed and intangible asset writedowns	$ 605
Workforce reductions	325
Facilities restructuring	290
Total restructuring and other charges	$ 1,220

The writedowns of fixed and intangible assets of $605 were primarily for research and development equipment, test equipment and research and development licenses, which were no longer required. These assets were written down to nil. Workforce reduction charges of $325 were related to the cost of severance and benefits associated with 11 employees whose employment was terminated. Of the 11 employees, seven were in product development and four were in manufacturing. As of December 31, 2003, there were no remaining restructuring amounts to be paid out related to workforce reductions. We also recorded an additional facilities restructuring charge of $290 as we made little progress in 2003 on the facilities restructuring that was originally announced in 2002.

In the last half of 2003, we also incurred integration costs of $1,947 related to travel, facilities and costs related to eight existing employees who were retained for the transition period. These eight employees completed their integration activities and were terminated as of December 31, 2003 (see note 5).

In the second quarter of 2002, we announced and implemented a business restructuring program under which we reduced operating expenses and asset levels as a result of our assessment of current and visible future demand. During 2002, we recorded restructuring and other charges of $37,707 associated with the writedown of CDPD and 2G CDMA inventory, fixed and intangible asset impairment charges, workforce reductions, charges related to excess facilities and other assets, and an increase in our deferred tax asset valuation allowance. We substantially completed implementation of our restructuring program at December 31, 2002.

The following table summarizes the provision for the 2002 business restructuring program and the balance of the provision at December 31, 2004 and December 31, 2003.

	Facilities Restructuring	Workforce Reduction	Other	Total
Balance at December 31, 2002	$ 4,547	$ 54	$ 164	$ 4,765
Additional charges	290	—	—	290
Cash payments	(1,243)	(54)	(87)	(1,384)
Balance at December 31, 2003	3,594	—	77	3,671
Additional charges	289	—	—	289
Cash payments	(1,378)	—	(26)	(1,404)
Balance at December 31, 2004	$ 2,505	$ —	$ 51	$ 2,556

5. Integration costs

In the third quarter of 2003, we also incurred integration costs related to the AirPrime acquisition of $1,947, which included the costs of eight existing employees retained for the transition period. All of these employees have completed their integration activities and were terminated as of December 31, 2003.

6. Investments

Investments, all of which are classified as available-for-sale, were comprised as follows:

	Short-term		Long-term	
	2003	2004	2003	2004
Government treasury bills	$ 11,827	$ —	$ —	$ —
Bankers acceptances	1,937	—	—	—
Commercial paper	996	—	—	—
Government bonds	—	—	24,639	—
	$ 14,760	$ —	$ 24,639	$ —

In 2003, our short-term investments of $14,760 all had contractual maturities of less than one year. Our long-term investments of $24,639 all had contractual maturities of one to five years.

7. Inventories

	2003	2004
Electronic components	$ 782	$ 5,276
Finished goods	729	5,814
	$ 1,511	$11,090

8. Fixed assets

	2004		
	Cost	Accumulated Amortization and Writedown	Net Book Value
Furniture and fixtures	$ 2,825	$ 1,802	$ 1,023
Research and development equipment	11,393	8,324	3,069
Tooling	11,155	7,472	3,683
Software	6,095	4,401	1,694
Leasehold improvements	2,288	1,757	531
Office equipment	350	306	44
	$ 34,106	$ 24,062	$ 10,044

	2003		
	Cost	Accumulated Amortization and Writedown	Net Book Value
Furniture and fixtures	$ 2,478	$ 1,361	$ 1,117
Research and development equipment	9,047	7,622	1,425
Tooling	7,280	6,024	1,256
Software	5,450	3,452	1,998
Leasehold improvements	1,742	1,624	118
Office equipment	340	269	71
	$ 26,337	$ 20,352	$ 5,985

As at December 31, 2004, assets under a capital lease with a cost of $1,222 (2003 — $484) and accumulated amortization of $179 (2003 — $310) are included in fixed assets.

9. Goodwill and intangible assets

Goodwill was acquired in 2003 as a result of the acquisition of AirPrime (note 3). An annual impairment test has been performed which resulted in no impairment loss. We assessed the realizability of goodwill related to our reporting unit during the fourth quarter of 2004 and determined that the fair value amount exceeded the carrying value amount by a substantial margin, therefore the second step of the impairment test is not required. During 2004, goodwill decreased by $479 due to the utilization of previously unrecognized pre-acquisition tax losses and certain purchase price adjustments.

The components of intangible assets at December 31, 2004 and 2003 are as follows:

	2004		
	Cost	Accumulated Amortization and Writedown	Net Book Value
Patents and trademarks	$ 3,482	$ 382	$ 3,100
License fees	16,401	8,824	7,577
Intellectual property	4,214	1,474	2,740
Customer relationships	940	258	682
Databases	150	41	109
	$ 25,187	$ 10,979	$ 14,208

	2003		
	Cost	Accumulated Amortization and Writedown	Net Book Value
Patents and trademarks	$ 2,604	$ 241	$ 2,363
License fees	15,156	7,404	7,752
Intellectual property	4,214	718	3,496
Customer relationships	940	70	870
Databases	150	11	139
	$ 23,064	$ 8,444	$ 14,620

The estimated aggregate amortization expense for each of the next five years is expected to be $2,842 per year.

10. Long-term liabilities

	2003	2004
Facilities (note 4)	$ 3,594	$ 2,505
Less current portion	1,328	758
	$ 2,266	$ 1,747

11. Obligations under capital lease

We lease research and development equipment, computer equipment and office furniture under capital leases, denominated in Cdn. dollars, and expiring at various dates in 2006. As at December 31, 2004 our future minimum lease payments under capital leases were as follows:

	Cdn.$	U.S.$
2005	$ 859	$ 710
2006	355	293
	1,214	1,003
Less amount representing interest at approximately 8.3%	63	52
	1,151	951
Less current portion	803	664
	$ 348	$ 287

Interest expense on capital lease obligations for the year ended December 31, 2004 is $28 (2003 — $63).

12. Share capital

Public offering

On November 14, 2003, we completed a public offering of 4,600,000 common shares in the United States and Canada at a price of $16.25 per share. Under the offering, which included the shares issuable upon the exercise by the underwriters of the over-allotment option, we sold 4,442,222 common shares from treasury, and two retiring officers sold an aggregate of 157,778 common shares by way of a secondary offering.

Acquisition of AirPrime, Inc.

On August 12, 2003, we issued 3,708,521 common shares to acquire AirPrime. The value of the shares was determined based on the average market price of Sierra Wireless, Inc.'s common shares over the two-day period before and after June 16, 2003, which was the date the terms of the acquisition were agreed to and announced.

Stock option plan

Under the terms of our employee stock option plan, our board of directors may grant options to employees, officers and directors. The plan provides for the granting of options at the fair market value of our stock at the grant date. Options generally vest over four years, with the first 25% vesting at the first anniversary date of the grant and the balance vesting in equal amounts at the end of each month thereafter. We determine the term of each option at the time it is granted, with options having a five year or a ten year term. Since February 1999, options have been granted with a five year term. We have reserved 3,882,233 options for issuance under our employee stock option plan. Stock options have been granted in Canadian and U.S. dollars.

Stock option activity since December 31, 2001 is presented below:

	Number of Shares	Weighted Average Exercise Price	
		Cdn.$	**U.S.$**
Outstanding, December 31, 2001	2,443,449	$ 39.57	$ 24.78
Granted	732,250	9.79	6.20
Exercised	(159,626)	3.73	2.36
Forfeited	(465,509)	50.22	31.78
Outstanding, December 31, 2002	2,550,564	19.83	12.55
Granted	609,300	14.79	11.46
Exercised	(325,932)	4.90	3.80
Forfeited	(1,107,572)	54.86	42.53
Outstanding, December 31, 2003	1,726,360	11.58	8.98
Granted	566,813	30.77	25.43
Exercised	(535,160)	11.74	9.70
Forfeited	(52,442)	25.98	21.47
Outstanding, December 31, 2004	1,705,571	20.71	17.12

December 31,	Exercisable, end of year
2002	1,378,101
2003	714,345
2004	545,382

The following table summarizes the stock options outstanding at December 31, 2004:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life In years	Weighted Average Exercise Price Cdn.$	Weighted Average Exercise Price U.S.$	Number Exercisable	Weighted Average Exercise Price Cdn.$	Weighted Average Exercise Price U.S.$
$0.74 - $1.24 (Cdn.$0.90 - Cdn.$1.50).....	33,164	2.7	$ 1.30	$ 1.08	33,164	$ 1.30	$ 1.08
$1.25 - $2.89 (Cdn.$1.51 - Cdn.$3.50).....	323,115	2.6	3.34	2.76	161,395	3.29	2.72
$2.90 - $9.92 (Cdn.$3.51 - Cdn.$12.00)...	272,833	3.6	9.16	7.56	90,468	8.73	7.22
$9.93 - $16.53 (Cdn.$12.01 - Cdn.$20.00)	126,672	3.1	16.24	13.42	68,070	15.00	12.40
$16.54 - $24.79 (Cdn.$20.01 - Cdn.$30.00)	501,007	3.7	22.12	18.28	141,539	22.55	18.64
$24.80 - $145.50 (Cdn.$30.01 - Cdn.$176.05)	448,780	3.7	41.37	34.19	50,746	100.25	82.85
	1,705,571	3.4	20.71	17.12	545,382	19.55	16.16

The options outstanding at December 31, 2004 expire between March 9, 2005 and December 31, 2009.

Warrants

There are outstanding warrants to purchase 138,696 of our common shares at Cdn $20.49 per share. The warrants are exercisable for a term of five years from December 30, 2003. The warrants were issued under our agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program (note 17(b)).

13. Financial instruments

Fair value of financial instruments

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities and current portions of long-term liabilities, approximate their fair value due to their short maturities. Based on borrowing rates currently available to us for loans with similar terms, the carrying value of our obligations under capital lease and long-term liabilities approximates their fair value.

Concentrations of business risk

We depend on a small number of customers for a significant portion of our revenue. In the last three fiscal years, there have been four different customers that individually accounted for more than 10% of our revenue. In the twelve months ended December 31, 2004, two customers individually accounted for more than 10% of our revenue and in aggregate, these two customers represented 51% of our revenue.

We maintain substantially all of our cash and cash equivalents with major financial institutions or government instruments. Corporate paper is uninsured. Our deposits with banks may exceed the amount of insurance provided on such deposits.

We outsource manufacturing of our products to third parties. We are dependent upon the development and deployment by third parties of their manufacturing abilities. The inability of any supplier or manufacturer to fulfill our supply requirements could impact future results. We have supply commitments to our outsource manufacturers based on our estimates of customer and market demand. Where actual results vary from our estimates, whether due to execution on our part or market conditions, we are at risk.

Financial instruments that potentially subject us to concentrations of credit risk are primarily accounts receivable.

We perform on-going credit evaluations of our customer's financial condition and require letters of credit or other guarantees whenever deemed appropriate.

Although substantially all of our revenues are received in U.S. dollars, we incur operating costs and have obligations under capital leases that are denominated in Cdn. dollars. Fluctuations in the exchange rates between these currencies could have a material effect on our business, financial condition and results of operations. We mitigate this risk by denominating many of our payment obligations in U.S. dollars.

Line of credit

During 2004, we had an operating line of credit of $10,000, which bore interest at prime plus 1.25% per annum. This line of credit was secured by a general security agreement providing a first charge against all assets. On December 31, 2004, we renegotiated our line of credit and now have an unsecured revolving demand facility for $10,000, which bears interest at prime per annum. The balance at December 31, 2004 was nil (2003 — nil).

14. Income taxes

The composition of our deferred tax assets at December 31 is as follows:

	2003	2004
Deferred tax assets (liabilities)		
Fixed assets	$ (350)	$ (1,026)
Loss carryforwards	11,995	6,623
Scientific research and development expenses	10,538	9,975
Share issue costs	1,812	1,110
Reserves and other	3,708	3,357
Total gross deferred tax assets	27,703	20,039
Less valuation allowance	27,203	19,539
Net deferred tax assets	$ 500	$ 500

We believe that realization of our net deferred tax assets is more likely than not. In assessing the realizability of our deferred tax assets, we considered whether it is more likely than not that some portion or all of our deferred tax assets will not be realized. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. We considered projected future taxable income and tax planning strategies in making our assessment.

At December 31, 2004, we had approximately $22,174 of scientific research and development expenditures available to be deducted against future Canadian taxable income that may be carried forward indefinitely, and investment tax credits of approximately $18,468 available to offset future Canadian federal and provincial income taxes payable. The investment tax credits expire commencing in 2006 until 2014.

In addition, at December 31, 2004, net operating loss carryforwards for our foreign subsidiaries were $17,661 for United States income tax purposes and $2,061 for U.K. income tax purposes. These carryforwards expire in various amounts through 2019. Our foreign subsidiaries may be limited in their ability to use foreign net operating losses in any single year depending on their ability to generate significant taxable income.

Effective tax rate

Our income tax expense for the year ended December 31 differs from that calculated by applying statutory rates for the following reasons:

	2002	2003	2004
Combined Canadian federal and provincial income taxes at expected rate of 35.6% (2003 - 37.6%, 2002 – 39.6%)	$(15,127)	$ 923	$ 10,437
Permanent and other differences	1,381	(9)	(126)
Unrecognized tax assets	8,826	(635)	(5,780)
Change in enacted tax rates	—	—	—
Loss (income) subject to tax at rates lower than statutory rate	4,629	(81)	(133)
Writedown of deferred tax asset	3,754	—	—
	$ 3,463	$ 198	$ 4,398

Our provisions for income taxes consist of the following:

	2002	2003	2004
Current			
Canadian	$ 94	$ 198	$ 357
Foreign	(385)	—	4,041
Total current	(291)	198	4,398
Deferred			
Canadian	3,754	—	(500)
Foreign	—	—	500
Total deferred	3,754	—	—
Income tax expense	$3,463	$ 198	$4,398

15. Research and development

	2002	2003	2004
Research and development	$16,795	$16,471	$27,170
Less government research and development funding	1,899	477	2,643
	$14,896	$15,994	$24,527

Included in our gross research and development expense was a repayment of funding of $1,970 (2003 - $258; 2002 - $193).

16. Earnings (loss) per share

The weighted-average number of shares outstanding (in thousands) used in the computation of earnings (loss) per share were as follows:

	2002	2003	2004
Weighted-average shares used in computation of basic earnings (loss) per share	16,304	18,442	25,212
Weighted-average shares from assumed conversion of dilutive options	—	547	852
Weighted-average shares used in computation of diluted earnings (loss) per share	16,304	18,989	26,064

17. Commitments and contingencies

(a) Operating leases

We lease equipment and premises with minimum future lease payments denominated in Cdn. dollars at December 31, 2004 as follows:

	Cdn.$	U.S.$
2005	$ 3,441	$ 2,844
2006	3,301	2,728
2007	3,390	2,802
2008	3,407	2,816
2009	2,597	2,146
Thereafter	4,153	3,432
	$ 20,289	$ 16,768

(b) Contingent liability on sale of products

(i) Under license agreements, we are committed to royalty payments based on the sales of products using certain technologies. We recognize royalty obligations as determinable in accordance with agreement terms. Where agreements are not finalized, we have recognized our current best estimate of the obligation. When the agreements are finalized, the estimate will be revised accordingly.

(ii) We are a party to a variety of agreements in the ordinary course of business under which we may be obligated to indemnify a third party with respect to certain matters. Typically, these obligations arise as a result of contracts for sale of our products to customers where we provide indemnification against losses arising from matters such as potential intellectual property infringements and product liabilities. The impact on our future financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, we have not incurred material costs related to these types of indemnifications.

(iii) Under certain research and development funding agreements, we are contingently liable to repay up to $3,262. Repayment for certain of the research and development funding agreements is contingent upon reaching certain revenue levels for specified products.

(iv) Under an agreement with the Government of Canada's Technology Partnerships Canada ("TPC") program, we have received Cdn. $9,999 to support the development of a range of third generation wireless technologies. Under the terms of the agreement, an amount up to a maximum of Cdn. $13,000 is to be repaid based on annual sales, in excess of certain minimum amounts, of specified products commencing in 2004. During the year ended December 31, 2004, we claimed nil (2003 — $477) that has been recorded as a reduction of research and development expense. During the year ended December 31, 2004, we have recorded, in research and development expense, the repayment of $1,904 (2003 – nil). In addition, we issued warrants to TPC to purchase 138,696 common shares on December 30, 2003, valued at Cdn. $2,000 based on the Black-Scholes pricing model. The warrants are exercisable at Cdn $20.49 per share for a term of five years from December 30, 2003. As of December 31, 2004, no warrants have been exercised.

In March 2004, we entered into a second agreement with TPC under which we are eligible to receive conditionally repayable research and development funding up to Cdn. $9,540 to support the development of a range of third generation wireless technologies. The agreement is effective April 2003. During the year ended December 31, 2004, we have claimed $2,643 (2003 – nil), which has been recorded as a reduction of research and development expense. Under the terms of the agreement, repayment based on a percentage of annual sales, in excess of certain minimum amounts, will be made over the period from April 2003 to December 2011. If the payments during this period are less than Cdn. $16,455, payments will continue subsequent to December 2011 until the earlier of when the amount is reached or December 2014. No repayments were made in the year.

(v) We accrue product warranty costs, when we sell the related products, to provide for the repair or replacement of defective products. Our accrual is based on an assessment of historical experience and on management's estimates. An analysis of changes in the liability for product warranties follows:

Balance, January 1, 2002	$ 1,251
Provisions	819
Expenditures	(907)
Balance, December 31, 2002	1,163
Provisions	1,939
Increase due to acquisition (note 3)	418
Expenditures	(1,179)
Balance, December 31, 2003	2,341
Provisions	2,785
Expenditures	(2,185)
Balance, December 31, 2004	$ 2,941

(c) Other commitments

We have entered into purchase commitments totaling approximately $12,600 with certain contract manufacturers under which we have committed to buy a minimum amount of designated products between January 2005 and March 2005. In certain of these agreements, we may be required to acquire and pay for such products up to the prescribed minimum or forecasted purchases.

(d) Legal proceedings

(i) Sierra Wireless America, Inc., as successor to AirPrime, Inc., along with other defendants, has been served with the first amended complaint filed September 13, 2004 and second amended complaint filed January 3, 2005 (collectively the "Complaint") of Joshua Cohen and David Beardsley on behalf of themselves and others similarly situated, which was filed in the U.S. District Court for the Central District of California for alleged violations of federal and state securities laws allegedly occurring prior to the time AirPrime, Inc. was acquired by the Company. On March 4, 2005, the defendants filed motions to dismiss the Complaint. The hearing is expected to occur in May 2005. We have given notice to our liability insurance carriers and submitted an escrow claim notice under the escrow agreement dated August 12, 2003 relating to the acquisition of AirPrime. Both the insurance carrier and escrow shareholders are disputing their obligations with respect to this Complaint. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend them.

(ii) In July 2001, we learned that Metricom, Inc. ("Metricom"), one of our customers, had filed a Chapter 11 reorganization under the U.S. bankruptcy laws. We filed a proof of claim for amounts due to us totaling $13,745. Metricom objected to that claim asserting that all but $2,254 should be disallowed. Metricom also filed an adversary complaint against us in the U.S. bankruptcy court seeking return of payments totaling $1,900 made to us within 90 days of the bankruptcy filing, alleging that the payments are avoidable as "preferences". We contended that the payments were in the ordinary course of business and that we supplied additional product to Metricom after receiving the payments, which would offset any preference liability. During 2002, we executed a global settlement with the reorganized debtor under which we agreed to reduce our general unsecured claim to $10,250, and Metricom agreed to dismiss the preference claims. We received a settlement of $2,321 in 2003, of which $513 was included in the determination of our net income for 2003 (2002 — $1,808). In 2004, we received an additional $513 that was included in our net income for 2004.

(iii) We are engaged in certain legal actions in the ordinary course of business and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

18. Supplementary information

	2002	2003	2004
(a) Cash flow information:			
Cash received			
Interest	$ 912	$ 500	$ 1,660
Income taxes	905	24	4
Cash paid for			
Interest	323	62	32
Income taxes	57	62	2,649
Non-cash financing activities			
Purchase of fixed assets funded by obligations under capital lease	328	113	1,238
Issuance of common shares on acquisition (note 3)	—	22,377	—
(b) Allowance for doubtful accounts:			
Opening balance	$ 5,169	$ 3,068	$ 2,230
Acquisitions	—	62	—
Bad debt expense	623	375	366
Write offs and settlements	(2,724)	(1,275)	(128)
Closing balance	$ 3,068	$ 2,230	$ 2,468
(c) Other:			
Rent expense	$ 1,599	$ 1,603	$ 2,004
Foreign exchange gain	77	439	333

19. Segmented information

We operate in the wireless communications solutions industry and all sales of our products and services are made in this segment. Management makes decisions about allocating resources based on the one operating segment.

Revenues by product were as follows:

	2002	2003	2004
Mobile	$ 7,781	$ 6,183	$ 10,451
PC card	44,616	71,060	125,604
Embedded modules	19,025	20,961	70,044
Voq	—	—	1,893
Other	2,113	2,845	1,825
Research and development funding	3,724	660	1,388
	$ 77,259	$101,709	$211,205

47% (2003 — 65%) of our fixed assets are in Canada. Product sales in the Americas were 89% (2003 — 73%; 2002 — 87%).

We sell certain products through resellers, original equipment manufacturers, and wireless service providers who sell these products to end-users. The approximate sales to the significant channels are as follows:

	2002	2003	2004
Customer A	less than 10%	less than 10%	$ 55,718
Customer B	less than 10%	less than 10%	52,755
Customer C	$ 17,808	$ 18,044	less than 10%
Customer D	$ 15,605	less than 10%	less than 10%

20. Subsequent events

Subsequent to December 31, 2004, we became aware of certain alleged securities class action lawsuits filed against the Company and certain of our officers in the U.S. District Court Southern District of New York and the U.S. District Court Southern District of California. On February 22, 2005, we were served with one of the complaints filed in the Southern District of California. We are assessing the complaints and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the lawsuits. The Company has determined that it is not possible to establish a reasonable estimate of the possible loss, or range of possible loss, if any.

On February 8, 2005, Sierra Wireless, Inc. was served with the first amended complaint of MLR, LLC filed in the U.S. District Court for the Northern District of Illinois Eastern Division for alleged patent infringement relating to our line of professional phones. We have been added as a defendant in existing civil action no. 04 C 7044 MLR, LLC v. Kyocera Wireless Corporation and Novatel Wireless, Inc. We are assessing the complaint and have not yet been required to file our response. Although there can be no assurance that an unfavourable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action. The Company has determined that it is not possible to establish a reasonable estimate of the possible loss, or range of possible loss, if any.

EXHIBIT 99.7

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Sierra Wireless, Inc.

We consent to the use of our reports, both dated January 21, 2005, except as to Notes 17(d)(i) and 20, which are as of March 4, 2005, included in this annual report on Form 40-F

/s/ KPMG LLP

Vancouver, Canada
March 4, 2005