



October 25, 2001

Novatel Wireless Announces Third Quarter Results

Company Ships its First GPRS PC Card Modem

SAN DIEGO, CA. - October 25, 2001--Novatel Wireless, Inc. (Nasdaq: NVTL), a leading provider of wireless data communications access solutions, today reported financial results for the third quarter and nine months ended September 30, 2001.

Net revenues for the third quarter were \$4.1 million, within its previously forecasted range and pro forma net loss, excluding non-cash charges, was \$10.1 million or \$0.19 per share. This compared to revenues of \$17.5 million and a pro forma net loss of \$8.1 million, or \$0.18 per share in the third quarter of 2000.

"As we noted on September 28th, our third quarter sales were impacted by delays in carrier certification for our next generation products," commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. "While we are disappointed that these product introductions have proved more difficult than we originally envisioned, we are pleased to say that these products are now shipping. With the current softness in the global economy, the key for Novatel Wireless is to execute on three main goals: introduce and commercially ship next generation 2.5 and 3.0G products, partner with leading wireless carriers and leading PDA and PC manufacturers and continue to improve our business model. Even in an extremely difficult quarter, I am pleased to announce progress on all three fronts."

Novatel Wireless has commenced shipping GPRS PC card modems and announced earlier in the week that it is shipping CDMA 2000 1X PC cards. The company currently has a backlog of significantly over \$50 million on its next generation products. On September 28th, Novatel Wireless announced that it had signed two contracts for GPRS products with one of the world's leading telecommunications carriers and with one of the largest PC manufacturers. These new contracts combined were valued at significantly over \$15 million. Additionally, the company has signed a licensing agreement for its device dialer software with Motorola, Inc.

"GPRS and 1X shipments and our first license deal with a major customer represents important milestones for us," Mr. Major added. "With a strong backlog and leading customers, we feel we are positioned to continue to execute on our vision as a leader in packet wireless connectivity. The progress we have made on improving our financial model is reflected in the fact that we were able to reduce operating expenses by over 12% sequentially and over 32% from the first quarter. In addition, while expenses continued to decrease, product margins for both our shipments and backlog increased."

Given its current backlog, Novatel Wireless currently anticipates revenues between \$7 and \$9 million in the fourth quarter and continued quarterly improvements in 2002.

Reported net loss, including the provision for excess inventory and non-cash charges, was \$17.4 million, or \$0.32 per share, compared to \$15.4 million, or \$1.51 per share, in the same period of 2000.

Net revenues for the nine months ended September 30, 2001 were \$36.4 million, a 9% increase over the \$33.4 million reported for the nine months ended September 30, 2000. Pro forma net loss for the nine months ended September 30, 2001, excluding restructuring and non-cash charges and a provision for excess inventory was \$31.7 million, or \$0.58 per share based on 54.3 million shares outstanding, compared to a pro forma net loss of \$23.7 million, or \$0.59 per share based on 40.6 million pro forma shares outstanding, for first nine months of 2000. Reported net loss for the nine month period, including the provision for excess inventory and non-cash charges, was \$68.5 million, or \$1.26 per share, compared to \$33.6 million, or \$3.31 per share, in the same period of 2000. Novatel Wireless will host a conference call for analysts and investors to discuss its quarterly results at 5:30 p.m. EDT on October 25, 2001. Open to the public, a live Web cast of the conference call will be accessible from the Investor Relations? section of Novatel Wireless?s Web site (www.novatelwireless.com). Following the live Web cast, an archived version will be available on the Novatel Wireless Web site for 5 days.

About Novatel Wireless

Novatel Wireless, Inc. is a leading provider of wireless data modems and software for use with handheld computing devices and portable personal computers. The Company delivers innovative and comprehensive solutions that enable businesses and consumers to access personal, corporate and public information through email, enterprise networks and the Internet. Novatel Wireless also offers wireless data modems and custom engineering services for hardware integration projects in a wide range of vertical applications. The Novatel Wireless product portfolio includes the Minstrel[®] family of Wireless Palmtop Modems, Merlin[™] Wireless PC Cards, Sage[®] Wireless Serial Modems, Lancer 3W[™] Wireless 3 Watt Modems and Expedite[™] family of

Wireless Embedded Modules. Headquartered in San Diego, California, Novatel Wireless is listed on the Nasdaq Stock Market (Nasdaq: NVTL). For more information, please visit the Novatel Wireless web site: www.novatelwireless.com or call 888-888-9231.

Safe Harbor Under the Private Securities Litigation Reform Act of 1995:

The results of operations for the third quarter and nine months ending September 30, 2001 are not necessarily indicative of the results that may be expected for any other future period. Period-to-period comparisons of results of operations should not be relied upon as indications of future performance. Certain statements made in this news release are forward-looking statements and, in some cases, can be identified by terms such as "may," "will," "expect," "plan," "believe," "estimate," "predict" or the like. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Factors that may cause future results to differ materially include, among other things: the timing of new product releases, our success in developing and producing new products, market acceptance of our products, competitive pressures including competition for limited source components and consistency of orders from significant customers. These and other risk factors that may affect Novatel Wireless's financial results in the future are discussed in Novatel Wireless's filings with the Securities and Exchange Commission. Novatel Wireless undertakes no obligation to update any forward-looking statements.

NOVATEL WIRELESS, INC. CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30,	December 31,
	2001	2000
ASSETS:		
Current assets:		
Cash and cash equivalents, including \$10,000,000 (2001) and \$0 (2000) of restricted cash	\$ 20,885,000	\$ 66,826,000
Accounts receivable, net	3,170,000	8,093,000
Accounts receivable – related parties	1,383,000	7,446,000
Inventories	11,654,000	13,123,000
Prepaid expenses and other	1,907,000	3,388,000
Total current assets	38,999,000	98,876,000
Property and equipment, net	11,033,000	8,986,000
Intangible assets	4,826,000	2,260,000
Other assets	268,000	702,000
	\$ 55,126,000	\$ 110,824,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 11,553,000	\$ 23,829,000
Accrued liabilities	11,252,000	5,390,000
Line of credit payable	8,500,000	
Restructuring accrual	2,438,000	
Deferred revenues	530,000	1,996,000
Current portion of capital lease obligations	161,000	182,000
Total current liabilities	34,434,000	31,397,000
Capital lease obligations, net of current portion	211,000	205,000
Stockholders' equity:		
Common stock	55,000	54,000
Additional paid-in capital	184,046,000	183,300,000
Deferred stock compensation	(9,195,000)	(18,234,000)
Accumulated Deficit	(154,425,000)	(85,898,000)
Total stockholders' equity	20,481,000	79,222,000

NOVATEL WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue	\$3,904,000	\$ 9,591,000	\$32,738,000	\$24,798,000
Revenue — related parties	<u>236,000</u>	<u>7,886,000</u>	<u>3,647,000</u>	<u>8,610,000</u>
Total revenue	<u>4,140,000</u>	<u>17,477,000</u>	<u>36,385,000</u>	<u>33,408,000</u>
Cost of revenue(**)	9,195,000	10,281,000	56,488,000	27,730,000
Cost of revenue — related parties	<u>213,000</u>	<u>6,675,000</u>	<u>2,768,000</u>	<u>7,240,000</u>
Total cost of revenue	<u>9,408,000</u>	<u>16,956,000</u>	<u>59,256,000</u>	<u>34,970,000</u>
Gross margin	<u>(5,268,000)</u>	<u>521,000</u>	<u>(22,871,000)</u>	<u>(1,562,000)</u>
Operating costs and expenses:				
Research and development	4,537,000	3,699,000	16,212,000	8,902,000
Sales and marketing	2,281,000	3,996,000	10,369,000	10,468,000
General and administrative	2,186,000	1,153,000	6,457,000	3,345,000
Restructuring charges	919,000		4,819,000	
Amortization of deferred stock compensation(*)	<u>2,401,000</u>	<u>6,261,000</u>	<u>9,039,000</u>	<u>6,523,000</u>
Total operating expenses	<u>12,324,000</u>	<u>15,109,000</u>	<u>46,896,000</u>	<u>29,238,000</u>
Operating loss	(17,592,000)	(14,588,000)	(69,767,000)	(30,800,000)
Other income (expense):				
Interest income	286,000	264,000	1,511,000	554,000
Interest expense	(133,000)	(10,000)	(269,000)	(30,000)
Other, net			<u>(2,000)</u>	<u>6,000</u>
Net loss	<u>\$(17,439,000)</u>	<u>\$(14,334,000)</u>	<u>\$(68,527,000)</u>	<u>\$(30,270,000)</u>
Per share data				
Net loss applicable to common stockholders	\$(17,439,000)	\$(15,435,000)	\$(68,527,000)	\$(33,573,000)
Weighted average shares used in computation of basic and diluted net loss per common share	54,551,178	10,237,675	54,316,762	10,138,695
Basic and diluted net loss per common share	\$ (0.32)	\$ (1.51)	\$ (1.26)	\$ (3.31)
Shares used in computation of pro forma basic and diluted net loss per share	54,551,178	44,505,841	54,316,762	40,551,194
Pro forma basic and diluted net loss per share	\$ (0.32)	\$ (0.35)	\$ (1.26)	\$ (0.83)
(*) Amortization of deferred stock compensation:				
Cost of revenue	425,000	46,000	675,000	46,000
Research and development	329,000	121,000	991,000	121,000
Sales and Marketing	320,000	118,000	964,000	118,000
General and Administrative	1,327,000	5,976,000	6,409,000	6,238,000

(**) Includes \$4 Million and \$23 Million Excess and Obsolete Inventory Provision for the three months and nine months ended September 30, 2001, respectively.

NOVATEL WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Pro forma, Excluding Amortization of Deferred Compensation, Restructuring and Inventory Expenses)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue	\$3,904,000	\$ 9,591,000	\$32,738,000	\$24,798,000
Revenue — related parties	<u>236,000</u>	<u>7,886,000</u>	<u>3,647,000</u>	<u>8,610,000</u>
Total revenue	<u>4,140,000</u>	<u>17,477,000</u>	<u>36,385,000</u>	<u>33,408,000</u>
Cost of revenue	5,189,000	10,281,000	33,482,000	27,730,000
Cost of revenue — related parties	<u>213,000</u>	<u>6,675,000</u>	<u>2,768,000</u>	<u>7,240,000</u>
Total cost of revenue	<u>5,402,000</u>	<u>16,956,000</u>	<u>36,250,000</u>	<u>34,970,000</u>
Gross margin	<u>(1,262,000)</u>	<u>521,000</u>	<u>135,000</u>	<u>(1,562,000)</u>
Operating costs and expenses:				
Research and development	4,537,000	3,699,000	16,212,000	8,902,000
Sales and marketing	2,281,000	3,996,000	10,369,000	10,468,000
General and administrative	<u>2,186,000</u>	<u>1,153,000</u>	<u>6,457,000</u>	<u>3,345,000</u>
Total operating expenses	<u>9,004,000</u>	<u>8,848,000</u>	<u>33,038,000</u>	<u>22,715,000</u>
Operating loss	(10,266,000)	(8,327,000)	(32,903,000)	(24,277,000)
Other income (expense):				
Interest income	286,000	264,000	1,511,000	554,000
Interest expense	(133,000)	(10,000)	(269,000)	(30,000)
Other, net			<u>(2,000)</u>	<u>6,000</u>
Net loss	<u>\$(10,113,000)</u>	<u>\$(8,073,000)</u>	<u>\$(31,663,000)</u>	<u>\$(23,747,000)</u>
Per share data				
Shares used in computation of pro forma basic and diluted net loss per share	54,551,178	44,505,841	54,316,762	40,551,194
Pro forma basic and diluted net loss per share	\$ (0.19)	\$ (0.18)	\$ (0.58)	\$ (0.59)