



February 5, 2002

Novatel Wireless Announces Fourth Quarter Results

Revenues Increase Sequentially as Company Commences Shipments of GPRS and CDMA 1xRTT

SAN DIEGO, CA.-February 5, 2002--Novatel Wireless, Inc. (Nasdaq: NVTL), a leading provider of wireless data communications access solutions, today reported financial results for the fourth quarter ended December 31, 2001.

Net revenues for the fourth quarter improved sequentially by over 75% from the third quarter to approximately \$7.3 million, and pro forma net loss excluding non-cash charges was \$7.3 million or \$0.13 per share. This compared to revenues of \$4.1 million and a pro forma net loss of \$10.1 million or \$0.19 per share in the previous quarter and revenues of \$27.7 million and a pro forma net loss of \$8.1 million, or \$0.16 per share in the fourth quarter of 2000.

Reported net loss applicable to common shareholders for the fourth quarter of 2001 was \$22.5 million, or \$0.41 per share, compared to \$17.2 million, or \$0.53 per share, in the same period of 2000. In the fourth quarter of 2001, the Company incurred inventory charges of \$11.5 million and asset impairment charges of \$2.2 million, as well as amortization of deferred stock compensation of \$1.3 million.

"During the quarter, Novatel Wireless became the first company to commence volume shipments of both GPRS for North America, Europe and Asia and CDMA 1xRTT wireless modems, while completing a private placement that strengthened our balance sheet and returning to sequential revenue growth," commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. "Carrier interest continues to be strong as major wireless service providers worldwide move forward with efforts to monetize their 2.5G investments and our contracted backlog reaches well over \$50 million."

Recent highlights include:

- On December 4th, Novatel Wireless announced a distribution agreement with BT Cellnet for GSM/GPRS, valued at over \$10 million. Initial shipments have begun of the Company's Merlin G201™ Wireless PC Card Modem.
- During the quarter, Novatel Wireless announced their first commercial shipment of the Merlin C201™ Wireless PC Card Modem to Monet Mobile Networks. The first shipment is based upon a two-year supply agreement, which includes the Merlin C201™ and future 1xEV-DO home access terminals and PC card modems.
- On December 13th, Novatel Wireless announced they had delivered the first North American GPRS PC Card - Merlin G100™ Wireless PC Card - to AT&T Wireless. The Merlin G100 enables high-speed wireless access to the Internet, email, and corporate data bases at speeds up to 53.6 kbps in GPRS coverage.
- During the quarter, the Company licensed its device dialer software to Motorola, Inc. to introduce an accessory solution consisting of Novatel Wireless' software and a data cable for Motorola's wireless phones. The new product will provide a comprehensive solution for adding wireless connectivity to Palm powered handheld devices.
- In December, Novatel Wireless completed a private placement with net proceeds of \$25.9 million of newly-issued Series A Convertible Preferred Stock of the Company and warrants to acquire shares of common stock. The investor group was led by Special Situations Funds and includes new investors RS Investments, LLC and other money management firms. As a result of the transaction, the Company will incur a Beneficial Conversion charge to its GAAP results.
- During the quarter, the Company also received a \$10 million Secured Line of Credit with Silicon Valley Bank.

"In a difficult economic environment, plenty of challenges lie ahead for Novatel Wireless but we are excited about the progress we made in the fourth quarter," Mr. Major added. "Our successful private placement backed by leading financial institutions is a strong testament to our intellectual property and customer relationships. As we continue to partner with industry leaders like BT Cellnet, Sprint PCS, VoiceStream, Hugh Symons and Brightpoint, we demonstrate that Novatel Wireless is ideally positioned to help bring 2.5G wireless data services to businesses and consumers throughout the world."

Melvin Flowers, Chief Financial Officer added, "Our financial model improved in the fourth quarter, as product margins reached 34% and we reduced SG&A by 27% or \$1.2 million sequentially from the third quarter of 2001. Looking forward, we expect to see increasing gross margins and decreasing expenses in upcoming quarters and we closed the quarter with over \$29 million in cash."

Net revenues for the year ended December 31, 2001 were \$43.6 million, which compares to \$61.2 million reported for the year ended December 31, 2000. Pro forma net loss for the year ended December 31, 2001, excluding restructuring charges, asset impairments and other non-cash charges such as the amortization of deferred stock compensation and a provision for excess inventory was \$39.0 million, or \$0.71 per share based on 55.3 million shares outstanding, compared to a pro forma net loss of \$31.8 million, or \$0.69 per share based on 46.1 million pro forma shares outstanding, for the year ended December 31, 2000. Reported net loss applicable to common shareholders for the end of the year was \$91.0 million, or \$1.67 per share, compared to \$50.8 million, or \$3.24 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 5:00 p.m. EDT on February 5, 2002. 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 fourth quarter and fiscal year ending December 31, 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

	<u>December 31,</u> <u>2001</u>	<u>December 31,</u> <u>2000</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 29,229,000	\$ 66,826,000
Accounts receivable, net	6,563,000	8,093,000
Accounts receivable – related parties	921,000	7,446,000
Inventories	6,470,000	13,123,000
Prepaid expenses and other	2,194,000	3,388,000
Total current assets	<u>45,377,000</u>	<u>98,876,000</u>
Property and equipment, net	7,744,000	8,986,000
Intangible assets	6,596,000	2,260,000
Other assets	192,000	702,000
	<u>\$ 59,909,000</u>	<u>\$ 110,824,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 12,759,000	\$ 23,829,000
Accrued liabilities	17,904,000	5,390,000
Line of credit payable	1,560,000	
Restructuring accrual	1,432,000	
Deferred revenues	336,000	1,996,000
Current portion of capital lease obligations	159,000	182,000
Total current liabilities	34,150,000	31,397,000
Capital lease obligations, net of current portion	171,000	205,000
Convertible and redeemable preferred stock	161,000	
Stockholders' equity:		
Common stock	55,000	54,000
Additional paid-in capital	208,649,000	183,300,000
Deferred stock compensation	(6,341,000)	(18,234,000)
Accumulated Deficit	(176,936,000)	(85,898,000)
Total stockholders' equity	<u>25,427,000</u>	<u>79,222,000</u>
	<u>\$ 59,909,000</u>	<u>\$ 110,824,000</u>

NOVATEL WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	(unaudited)			
	2001	2000	2001	2000
Revenue	\$7,258,000	\$10,794,000	\$39,996,000	\$36,947,000
Revenue — related parties		<u>16,953,000</u>	<u>3,647,000</u>	<u>24,207,000</u>
Total revenue	<u>7,258,000</u>	<u>27,747,000</u>	<u>43,643,000</u>	<u>61,154,000</u>
Cost of revenue(**)	18,183,000	9,375,000	74,671,000	37,113,000
Cost of revenue — related parties		<u>15,243,000</u>	<u>2,768,000</u>	<u>22,475,000</u>
Total cost of revenue	<u>18,183,000</u>	<u>24,618,000</u>	<u>77,439,000</u>	<u>59,588,000</u>
Gross margin	<u>(10,925,000)</u>	<u>3,129,000</u>	<u>(33,796,000)</u>	<u>1,566,000</u>
Operating costs and expenses:				
Research and development	4,624,000	4,586,000	20,836,000	13,488,000
Sales and marketing	1,893,000	7,795,000	12,262,000	18,262,000
General and administrative	1,380,000	1,682,000	7,837,000	5,027,000
Restructuring and asset impairment charges	2,231,000		7,050,000	
Amortization of deferred stock compensation(*)	<u>1,321,000</u>	<u>6,311,000</u>	<u>10,360,000</u>	<u>12,833,000</u>
Total operating expenses	<u>11,449,000</u>	<u>20,374,000</u>	<u>58,345,000</u>	<u>49,610,000</u>
Operating loss	(22,374,000)	(17,245,000)	(92,141,000)	(48,044,000)
Other income (expense):				
Interest income	87,000	603,000	1,598,000	1,156,000
Interest expense	(63,000)	(13,000)	(332,000)	(43,000)
Other, net			<u>(2,000)</u>	<u>7,000</u>
Net loss	<u>\$(22,350,000)</u>	<u>\$(16,655,000)</u>	<u>\$(90,877,000)</u>	<u>\$(46,924,000)</u>
Per share data				
Net loss applicable to common stockholders	\$(22,511,000)	\$(17,194,000)	\$(91,038,000)	\$(50,766,000)
Weighted average shares used in computation of basic and diluted net loss per common share	54,622,724	32,405,012	54,393,881	15,654,079
Basic and diluted net loss per common share	\$ (0.41)	\$ (0.53)	\$ (1.67)	\$ (3.24)
Shares used in computation of pro forma basic and diluted net loss per share	58,212,080	49,696,249	55,298,596	46,059,946
Pro forma basic and diluted net loss per share	\$ (0.39)	\$ (0.35)	\$ (1.65)	\$ (1.10)
(*) Amortization of deferred stock compensation:				
Cost of revenue	234,000	324,000	909,000	370,000
Research and development	181,000	309,000	1,172,000	430,000
Sales and Marketing	176,000	301,000	1,140,000	419,000
General and Administrative	730,000	5,377,000	7,139,000	11,614,000

(**) Includes \$11.5 Million and \$34.5 Million Excess and Obsolete Inventory provision for the three months and twelve months ended December 31, 2001, respectively.

NOVATEL WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Pro forma, Excluding Amortization of Deferred Compensation, Restructuring, Asset Impairment and Inventory Expenses)

	<u>Three Months Ended</u> <u>December 31,</u> <u>(unaudited)</u>		<u>Twelve Months Ended</u> <u>December 31,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue	\$7,258,000	\$10,794,000	\$39,996,000	\$36,947,000
Revenue — related parties		<u>16,953,000</u>	<u>3,647,000</u>	<u>24,207,000</u>
Total revenue	<u>7,258,000</u>	<u>27,747,000</u>	<u>43,643,000</u>	<u>61,154,000</u>
Cost of revenue	6,708,000	9,375,000	40,190,000	37,113,000
Cost of revenue — related parties		<u>15,243,000</u>	<u>2,768,000</u>	<u>22,475,000</u>
Total cost of revenue	<u>6,708,000</u>	<u>24,618,000</u>	<u>42,958,000</u>	<u>59,588,000</u>
Gross margin	<u>550,000</u>	<u>3,129,000</u>	<u>685,000</u>	<u>1,566,000</u>
Operating costs and expenses:				
Research and development	4,624,000	4,586,000	20,836,000	13,488,000
Sales and marketing	1,893,000	5,512,000	12,262,000	15,979,000
General and administrative	<u>1,380,000</u>	<u>1,682,000</u>	<u>7,837,000</u>	<u>5,027,000</u>
Total operating expenses	<u>7,897,000</u>	<u>11,780,000</u>	<u>40,935,000</u>	<u>34,494,000</u>
Operating loss	(7,347,000)	(8,651,000)	(40,250,000)	(32,928,000)
Other income (expense):				
Interest income	87,000	603,000	1,598,000	1,156,000
Interest expense	(63,000)	(13,000)	(332,000)	(43,000)
Other, net			<u>(2,000)</u>	<u>7,000</u>
Net loss	<u>\$(7,323,000)</u>	<u>\$(8,061,000)</u>	<u>\$(38,986,000)</u>	<u>\$(31,808,000)</u>
Per share data				
Shares used in computation of pro forma basic and diluted net loss per share	58,212,080	49,696,249	55,298,596	46,059,946
Pro forma basic and diluted net loss per share	\$ (0.13)	\$ (0.16)	\$ (0.71)	\$ (0.69)