



July 25, 2001

Novatel Wireless Announces Second Quarter Results

Operating Loss Reduced by \$2.6 Million from Immediately Preceding Quarter

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

Net revenues for the second quarter of 2001 were \$12.5 million, a 38% increase from the \$9.1 million reported for the second quarter of 2000. The second quarter 2001 revenues do not include approximately \$1.6 million in shipments made to Metricom which filed for bankruptcy in July. Pro forma net loss, excluding non-cash charges and a provision for excess inventory, for the second quarter was \$9.5 million, or \$0.17 per share. Despite lower revenues, this was a substantial improvement over the immediately preceding first quarter of \$12.1 million or \$0.22 per share and compared to a pro forma net loss of \$9.5 million, or \$0.25 per share for the second quarter of 2000.

"As we discussed on June 27th, our first quarter sales were impacted by the continued softness in the global economy and a temporary delay in shipments of our next generation products," commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. "CDPD modules for our OEM products showed solid sequential increases, but this was offset by weaker demand for PCMCIA and PDA products. While the market continues to be tough, we expect our sales to increase sequentially in the third quarter as we introduce a number of new products, including the Minstrel m500, the Merlin G100 for GPRS, and the Expedite EMF. We have already received orders for GPRS products from a leading wireless carrier in Canada and expect to see increasing shipments of 2.5G products as the quarter progresses. We maintain a significant first-to-market advantage in GPRS and our PC Card is the first product of its kind to be certified by the FCC, PTCRB, and Industry Canada. Additionally, our GPRS and CDMA products will continue to shift our customer base from emerging companies to established, leading carrier customers."

The Company increased its provision for excess inventory in the second quarter by \$13 million, due to the softness in sales and the bankruptcy filing of one of its customers. The excess inventory includes finished product already shipped to Metricom for which payment was not received. Reported net loss, including the provision for excess inventory and non-cash charges, was \$25.8 million, or \$0.48 per share, compared to \$9.7 million, or \$1.06 per share, in the same period of 2000.

"During the quarter, we made significant improvements to our business model," added Mr. Major. "Despite the decrease in revenues, we were able to increase gross margins by reducing both fixed manufacturing cost and operating expense from the immediately preceding first quarter. Additionally, we expect to report significantly increased product margins on our next generation products being introduced this quarter. The true impact of our restructuring efforts will be felt in the third and fourth quarter."

Novatel Wireless also announced today that it has begun shipments of the Minstrel m500, a CDPD Wireless Handheld Modem for Palm's m500 and m505. The m500 allows immediate connectivity to the Internet, e-mail and corporate databases and is compatible with POP3 e-mail and HTML web browsing software as well as with Palm's Mobile Connectivity Software, including "MyPalm" which allows streamlined access to web sites and services that are tailored for Palm users.

Net revenues for the six months ended June 30, 2001 were \$32.2 million, a 102% increase over the \$15.9 million reported for the six months ended June 30, 2000. Pro forma net loss, excluding restructuring and non-cash charges and a provision for excess inventory was \$21.6 million, or \$0.41 per share, compared to a pro forma net loss of \$15.7 million, or \$0.41 per share based on 38.6 million pro forma shares outstanding, for first six months of 2000. Reported net loss for the six month period, including the provision for excess inventory and non-cash charges, was \$51.1 million, or \$0.96 per share, compared to \$18.1 million, or \$1.80 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 July 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 quarter and six months ending June 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) June 30, 2001	December 31, 2000
ASSETS:		
Current assets:		
Cash and cash equivalents (Includes \$14,750,000 of restricted cash as of June 30, 2001)	\$ 32,672,000	\$ 66,826,000
Accounts receivable, net	6,581,000	8,093,000
Accounts receivable – related party	1,574,000	7,446,000
Inventories	16,841,000	13,123,000
Prepaid expenses and other	1,830,000	3,388,000
Total current assets	59,498,000	98,876,000
Property and equipment, net	11,748,000	8,986,000
Intangible assets	3,757,000	2,260,000
Other assets	456,000	702,000
TOTAL ASSETS	<u>\$ 75,459,000</u>	<u>\$ 110,824,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 14,829,000	\$ 23,829,000
Accrued liabilities	13,508,000	5,390,000
Line of credit payable	8,500,000	
Restructuring accrual	2,519,000	
Deferred revenue	505,000	1,996,000
Current portion of capital lease obligations	132,000	182,000
Total current liabilities	39,993,000	31,397,000
Capital lease obligations, net of current portion	131,000	205,000

Shareholders' equity:

Common stock	54,000	54,000
Additional paid-in capital	183,863,000	183,300,000
Deferred stock-based compensation	(11,596,000)	(18,234,000)
Accumulated Deficit	(136,986,000)	(85,898,000)
Total shareholders' equity	<u>35,335,000</u>	<u>79,222,000</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 75,459,000</u></u>	<u><u>\$ 110,824,000</u></u>
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NOVATEL WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue	\$11,173,000	\$9,094,000	\$28,833,000	\$15,931,000
Revenue — related party	<u>1,335,000</u>		<u>3,411,000</u>	
Total revenue	<u>12,508,000</u>	<u>9,094,000</u>	<u>32,244,000</u>	<u>15,931,000</u>
Cost of revenue(**)	23,991,000	10,149,000	47,293,000	18,014,000
Cost of revenue — related party	<u>936,000</u>		<u>2,555,000</u>	
Total cost of revenue	<u>24,927,000</u>	<u>10,149,000</u>	<u>49,848,000</u>	<u>18,014,000</u>
Gross margin	<u>(12,419,000)</u>	<u>(1,055,000)</u>	<u>(17,604,000)</u>	<u>(2,083,000)</u>
Operating costs and expenses:				
Research and development	5,054,000	3,127,000	11,676,000	5,203,000
Sales and marketing	3,453,000	4,153,000	8,088,000	6,472,000
General and administrative	1,884,000	1,246,000	4,271,000	2,192,000
Restructuring charges			3,900,000	
Amortization of deferred stock compensation(*)	<u>3,319,000</u>	<u>142,000</u>	<u>6,638,000</u>	<u>262,000</u>
Total operating costs and expenses	<u>13,710,000</u>	<u>8,668,000</u>	<u>34,573,000</u>	<u>14,129,000</u>
Operating loss	(26,129,000)	(9,723,000)	(52,177,000)	(16,212,000)
Other income (expense):				
Interest income	417,000	75,000	1,224,000	290,000
Interest expense	(72,000)	(9,000)	(136,000)	(20,000)
Other, net	<u>(2,000)</u>	<u>(11,000)</u>	<u>(4,000)</u>	<u>6,000</u>
Net loss	<u><u>\$(25,786,000)</u></u>	<u><u>\$(9,668,000)</u></u>	<u><u>\$(51,093,000)</u></u>	<u><u>\$(15,936,000)</u></u>

Per share data

Net loss applicable to common stockholders	\$(25,786,000)	\$(10,768,000)	\$(51,093,000)	\$(18,136,000)
Weighted average shares used in computation of basic and diluted net loss per common share	54,290,863	10,157,327	52,995,366	10,088,661
Basic and diluted net loss per common share	\$ (0.48)	\$ (1.06)	\$ (0.96)	\$ (1.80)
Shares used in computation of pro forma basic and diluted net loss per share	54,290,863	38,620,808	52,995,366	38,552,142
Pro forma basic and diluted net loss per share	\$ (0.48)	\$ (0.28)	\$ (0.96)	\$ (0.47)

(*) Amortization of deferred stock compensation:
Cost of revenue 125,000
Research and development 221,000

250,000
662,000

Research and development	551,000		662,000	
Sales and Marketing	322,000		644,000	
General and Administrative	2,541,000	142,000	5,082,000	262,000

(**) Includes \$13 Million and \$19 Million Excess and Obsolete Inventory Provision for the 3 months and 6 months ended June 30, 2001, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	\$11,173,000	\$9,094,000	\$28,833,000	\$15,931,000
Revenue — related party	<u>1,335,000</u>	<u></u>	<u>3,411,000</u>	<u></u>
Total revenue	<u>12,508,000</u>	<u>9,094,000</u>	<u>32,244,000</u>	<u>15,931,000</u>
Cost of revenue	10,991,000	10,149,000	28,293,000	18,014,000
Cost of revenue — related party	<u>936,000</u>	<u></u>	<u>2,555,000</u>	<u></u>
Total cost of revenue	<u>11,927,000</u>	<u>10,149,000</u>	<u>30,848,000</u>	<u>18,014,000</u>
Gross margin	<u>581,000</u>	<u>(1,055,000)</u>	<u>1,396,000</u>	<u>(2,083,000)</u>
Operating costs and expenses:				
Research and development	5,054,000	3,127,000	11,676,000	5,203,000
Sales and marketing	3,453,000	4,153,000	8,088,000	6,472,000
General and administrative	<u>1,884,000</u>	<u>1,246,000</u>	<u>4,271,000</u>	<u>2,192,000</u>
Total operating costs and expenses	<u>10,391,000</u>	<u>8,526,000</u>	<u>24,035,000</u>	<u>13,867,000</u>
Operating loss	(9,810,000)	(9,581,000)	(22,639,000)	(15,950,000)
Other income (expense):				
Interest income	417,000	75,000	1,224,000	290,000
Interest expense	(72,000)	(9,000)	(136,000)	(20,000)
Other, net	<u>(2,000)</u>	<u>(11,000)</u>	<u>(4,000)</u>	<u>6,000</u>
Net loss	<u><u>\$ (9,467,000)</u></u>	<u><u>\$ (9,526,000)</u></u>	<u><u>\$ (21,555,000)</u></u>	<u><u>\$ (15,674,000)</u></u>
Per share data				
Shares used in computation of pro forma basic and diluted net loss per share	54,290,863	38,620,808	52,995,366	38,552,142
Pro forma basic and diluted net loss per share	\$ (0.17)	\$ (0.25)	\$ (0.41)	\$ (0.41)