



liabilities	12,101	15,359
Total liabilities	70,781	66,239
Stockholders' equity:		
Common stock	32	31
Additional paid-in capital	421,585	416,579
Accumulated other comprehensive income	30	15
Accumulated deficit	(213,003)	(180,470)
Treasury stock at cost	208,644	236,155
Total stockholders' equity	183,644	211,155
Total liabilities and stockholders' equity	254,425	277,394

NOVATEL WIRELESS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended	
	September 30,	
	2010	2009
Net revenues	575,602	594,233
Cost of revenues	62,412	64,488
Gross profit	513,190	529,745
Operating costs and expenses:		
Research and development	11,578	11,707
Sales and marketing	4,163	5,462
General and administrative	3,893	5,386
Total operating costs and expenses	19,634	22,555
Operating income (loss)	(6,382)	7,250
Other income (expense):		
Interest income (expense), net	(2,292)	271
Other income, net	420	174
Income (loss) before income taxes	(8,254)	7,695
Income tax expense (benefit)	(1,149)	1,472
Net income (loss)	\$(7,105)	\$6,223
Per share data:		
Net income (loss) per share:		
Basic	\$(0.22)	\$0.20
Diluted	\$(0.22)	\$0.20
Weighted average shares used in computation of net income (loss) per share:		
Basic	31,615	30,694
Diluted	31,615	31,508

	Nine Months Ended	
	September 30,	
	2010	2009
Net revenues	\$219,664	\$248,786
Cost of revenues	179,111	184,369
Gross profit	40,553	64,417
Operating costs and expenses:		
Research and development	34,070	33,419
Sales and marketing	15,258	14,817
General and administrative	14,309	14,237
Total operating costs and expenses	63,637	62,473
Operating income (loss)	(19,084)	1,944
Other income (expense):		
Interest income (expense), net	(2,698)	1,122
Other income, net	1,071	171
Income (loss) before income taxes	(20,711)	3,237
Income tax expense (benefit)	12,420	277
Net income (loss)	\$(18,291)	\$3,514
Per share data:		
Net income (loss) per share:		
Basic	\$(1.04)	\$0.10
Diluted	\$(1.04)	\$0.10
Weighted average shares used in computation of net income (loss) per share:		
Basic	31,414	30,539
Diluted	31,414	31,078

NOVATEL WIRELESS, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(in thousands)  
(unaudited)

	Nine Months Ended	
	September 30,	
	2010	2009
Cash flow from operating activities:		
Net income (loss)	\$(18,291)	\$3,514
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of debt issuance costs	541	-
Loan fees recognized on extinguishment of debt	2,370	-
Depreciation and amortization	7,970	10,236
Impairment loss on equipment	145	-
Provision for bad debts	141	107
Inventory provision	1,030	1,910
Share-based compensation expense	4,695	5,035
Expense tax benefits from equity based compensation	(89)	(282)
Deferred income tax expense	11,579	(76)
Changes in assets and liabilities:		
Accounts receivable	3,739	(8,654)
Inventories	7,941	(3,443)
Prepaid expenses and other assets	(284)	5,707
Accounts payable	10,569	20,757
Accrued expenses, income taxes, and other	(3,887)	(57)
Net cash provided by operating activities	13,948	34,200
Cash flow from investing activities:		
Purchase of property and equipment	(5,585)	(4,225)
Purchase of intangible assets	(110)	(24)
Purchase of securities	(155,009)	(59,131)
Securities maturities/sales	144,187	55,718
Net cash provided (used) by investing activities	3,483	(8,222)
Cash flow from financing activities:		
Proceeds from the issuance of short-term debt, net of issuance costs	27,415	-
Principal payments of short-term debt	(30,000)	-
Principal payments under capital lease obligations	(105)	(178)
Proceeds from stock option exercises net of taxes paid on vested restricted stock units	580	1,799
Expense tax benefits from equity based compensation	89	282
Deposit of restricted funds	(188,890)	-
Repayments from restricted funds	188,890	-
Net cash (used in) provided by financing activities	(2,021)	1,903

Effect of exchange rates on cash and cash equivalents	682	283
	---	---
Net increase in cash and cash equivalents	14,092	28,143
Cash and cash equivalents, beginning of period	100,025	77,733
	---	---
Cash and cash equivalents, end of period	216,117	205,896
	-----	-----
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	224	210
Income taxes	299	294
Supplemental disclosures of non-cash financing activities:		
Accrued debt issuance costs	326	-

Novatel Wireless, Inc.  
Reconciliation of GAAP Net Loss to Non-GAAP Net Loss  
Three and Nine Months Ended September 30, 2010  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended September 30, 2010	
	Net Loss	Earnings (Loss) Per Share, Diluted
GAAP net loss	\$(7,155)	\$(0.22)
Adjustments:		
Share-based compensation expense (a)	1,552	0.05
Acquisition bid costs (b):		
(1) Professional fees	\$(662)	
(2) Bridge loan costs - fee amortization and interest expense	2,378	
(3) Foreign exchange gains on Euro denominated currency, net of hedging costs	1,716	0.05
Total bid costs	---	---
Deferred tax asset valuation allowance (c)	(501)	(0.02)
Non-GAAP net loss	\$(4,338)	\$(0.14)
	-----	-----

	Nine Months Ended September 30, 2010	
	Net Loss	Earnings (Loss) Per Share, Diluted
GAAP net loss	\$(32,533)	\$(1.04)
Adjustments:		
Share-based compensation expense (a)	4,695	0.15
Acquisition bid costs (b):		
(1) Professional fees	\$1,387	
(2) Bridge loan costs - fee amortization and interest expense	3,065	
(3) Foreign exchange gains on Euro denominated currency, net of hedging costs (1,753)	2,699	0.09
Total bid costs	---	---
Deferred tax asset valuation allowance (c)	14,192	0.45
Non-GAAP net loss	\$(10,947)	\$(0.35)
	-----	-----

(a) Adjustments reflect share-based compensation expense recorded under ASC Topic 718.

(b) The company incurred the following expenses related to M&A activities:

- Professional fees to perform due diligence procedures. Activity for the quarter ended September 30, 2010 reflects a reduction in estimated professional fees.
- Amortization of financing costs and interest expense related to a \$10 million short-term loan facility. The Company repaid the loan in full on July 1, 2010.
- The Company realized a foreign exchange gain of \$2.9 million upon the conversion of Euro denominated funds. The Euro denominated funds were held to fund the proposed acquisition price for the transaction. The foreign exchange gains were offset by \$1.2 million in premiums paid for protective puts to hedge the Company's Euro exposure during the bidding process.

(c) During the second quarter of 2010, the company recorded a valuation allowance of \$15.8 million against the book value of deferred tax assets generated prior to 2010. During the third quarter of 2010, we determined that the valuation allowance recorded during the second quarter included an over accrual of \$0.8 million attributable to deferred tax assets previously reserved. We have also determined

certain other uncertain tax liabilities that were over accrued by a cumulative amount of \$0.5 million as of December 31, 2009, which had accumulated over a number of years. We have analyzed the potential impact of these items and concluded that

while the accumulation of these two errors was significant to the three months ended September 30, 2010, the correction of these errors would not be material to any

individual periods. As a result we have recorded \$0.8 million as an adjustment to the three and nine months ended September 30, 2010 while the correction the \$0.8 million

error is included as an adjustment to the nine months ended September 30, 2010, as provided by the applicable accounting literature.

See "Non-GAAP Financial Measures" for information regarding our use of Non-GAAP financial measures.

Novatel Wireless, Inc.  
Reconciliation of GAAP Operating Costs and Expenses to Non-GAAP Operating Costs and Expenses  
Three Months Ended September 30, 2010  
(in thousands)  
(unaudited)

	GAAP	Share-based compensation expense (a)
Cost of revenues	\$62,412	\$156
	-----	-----
Operating costs and expenses:		
Research and Development	11,576	545
Sales and marketing	4,163	266
General and administrative	3,833	585
Total operating costs and expenses	219,872	1,396
	-----	-----
Total		\$1,552
		-----

	Bid Costs (b)	Non-GAAP
Cost of revenues	\$-	\$62,256
	---	-----
Operating costs and expenses:		
Research and Development	-	11,031
Sales and marketing	-	3,897
General and administrative	(642)	3,910
Total operating costs and expenses	2,662	218,838
	-----	-----
Total		

(a) Adjustments reflect share-based compensation expense recorded under ASC Topic 718.  
 (b) Professional fees to perform due diligence procedures. Activity for the quarter ended September 30, 2010 reflects a reduction in estimated professional fees.

See "Non-GAAP Financial Measures" for information regarding our use of Non-GAAP financial measures.

Novatel Wireless, Inc.  
 Reconciliation of GAAP Operating Costs and Expenses to Non-GAAP Operating Costs and Expenses  
 Nine Months Ended September 30, 2010  
 (in thousands)  
 (unaudited)

	GAAP ---	Share-based compensation expense (a) -----
Cost of revenues	\$175,113	\$473
	-----	----
Operating costs and expenses:		
Research and development	34,070	1,487
Sales and marketing	15,258	838
General and administrative	14,309	1,697
Total operating costs and expenses	\$63,637	4,222
	-----	----
Total		\$4,695
		-----

	SIC Costs (b) -----	Non-GAAP -----
Cost of revenues	\$-	\$174,640
	---	-----
Operating costs and expenses:		
Research and development	-	32,383
Sales and marketing	-	14,420
General and administrative	1,387	11,225
Total operating costs and expenses	1,387	\$58,028
	-----	-----
Total		

(a) Adjustments reflect share-based compensation expense recorded under ASC Topic 718.  
 (b) Professional fees to perform due diligence procedures. Activity for the quarter ended September 30, 2010 reflects a reduction in estimated professional fees.

See "Non-GAAP Financial Measures" for information regarding our use of Non-GAAP financial measures.

Novatel Wireless, Inc.  
 Reconciliation of GAAP Loss before Income Taxes to EBITDA  
 Three Months Ended September 30, 2010  
 (in thousands)  
 (unaudited)

	Three Months Ended September 30, 2010 -----
Loss before income taxes	\$(8,254)
Depreciation and amortization charges	2,561
Share-based compensation expense	1,552
R&D related activities	(661)
Other expense (income)	1,872
EBITDA	\$12,911
	-----

See "Non-GAAP Financial Measures" for information regarding our use of Non-GAAP financial measures.