



March 26, 2003

## **Novatel Wireless Announces Fourth Quarter Results**

### **Revenues Increase 35% Sequentially**

SAN DIEGO, CA. - March 26, 2003--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, 2002.

Net revenues for the fourth quarter were approximately \$8.0 million, which represents a 35% increase over \$5.9 million reported for the immediately preceding third quarter and a 10% increase over \$7.3 million for the same period of the prior year. Net loss under GAAP was \$7.1 million, or \$1.13 per basic and diluted share, compared to \$22.4 million, or \$6.14 per basic and diluted share for the fourth quarter of 2001. 2002 fourth quarter results were impacted by a write-down of \$1.0 million of the Company's older generation CDPD products, an asset impairment charge of \$870,000 and a restructuring charge of \$478,000. Net loss applicable to common shareholders under GAAP was \$15.9 million, or \$2.54 per basic and diluted share, which includes \$8.8 million for the accretion of dividends and beneficial conversion feature on our December 2001 Series A Preferred Stock issuance.

The fourth quarter revenue increase was driven by over 60% sequential growth in CDMA2000 1X sales and a modest rebound in GPRS sales, commented Peter Leparulo, Chief Executive Officer of Novatel Wireless. Importantly, product margins improved, especially on CDMA2000 1X products, as we started to realize the benefits of our partnership with LG Innotek Co., Ltd., a subsidiary of electronics giant, LG Electronics. With the announcement of our new financing, we are accelerating the pace of change at Novatel Wireless. Over the coming months, we will seek to achieve three main objectives: strengthen our sales initiatives, improve our gross margins and continue to cut costs as a percentage of sales. As we accomplish these objectives, we will move forward toward our goal of turning profitable as soon as possible.

Recent highlights include:

### **Key Carrier and Technology Deals**

- Novatel Wireless announced first commercial shipments of the Expedite C201™ Wireless Embedded Modem and Sprint announced that they had certified the product to provide wireless modems that enterprise customers can use as part of their new high-speed wireless PCS Telemetry(SM) Services.
- In February, the Company announced first commercial shipments of the Merlin G300™ Wireless PC Card Modem to Cingular Wireless.
- Novatel Wireless announced its first volume shipments into a major carrier in mainland China and commercial availability of the Merlin G201 in the Israeli wireless market.

### **Key Product Announcements and Distribution Agreements**

- On February 18th, Lucent Technologies and Novatel Wireless, unveiled the jointly developed Merlin U530™ Wireless PC Card Modem, a high-speed data device designed to enable mobile users to access the Internet and corporate networks over third-generation (3G) Universal Mobile Telecommunications System (UMTS) networks.
- In the fourth quarter, the Company announced sales and distribution deals serving Africa, Australia, Belgium, Eastern Europe, the Middle East, New Zealand, Russia and the United States.

### **Financial News**

- On March 13th, Novatel Wireless announced a \$6.7 million financing. The Company received \$1.2 million in cash in return for issuing secured convertible subordinated short-term debt and warrants to purchase common stock; pending stockholder approval, the Company expects to issue \$3.505 million of secured subordinated convertible debt which will be used to satisfy liabilities that the investor group plans to purchase on behalf of the Company, and to receive \$2.05 million in cash in return for issuing shares of Series B Convertible Preferred Stock and warrants to purchase common

stock.

- On January 13th, Novatel Wireless announced the appointment of Peter Leparulo as Chief Executive Officer and Mark Rossi as Chairman of the Board of Directors of Novatel Wireless. Prior to his appointment, Mr. Leparulo was Senior Vice President of Novatel Wireless and General Manager of its CDMA Business Unit for two years. Mr. Rossi, a member of the Board since December of 1999, is a Managing Director at Cornerstone Equity Investors, a New York-based private equity firm.
- On November 22nd, Novatel Wireless announced it has appointed Daniel E. Pittard to its Board of Directors. Mr. Pittard has over 30 years operational, marketing and business strategy experience at leading companies including Amoco Corporation, Pepsico, Inc. and McKinsey & Company where he was a partner.

“While the benefit of product margin increase was hidden by the CDPD write-down, we believe it is an important step in achieving our future business model,” commented Melvin Flowers, Chief Financial Officer of Novatel Wireless. “Looking forward, the first quarter is our seasonally softest quarter and our visibility has been impacted by the continued economic uncertainty. Based on these factors, we are conservatively projecting a modest decline in first quarter revenues as compared to the prior year, balanced by steadily improving gross margins and bottom line results.”

Mr. Flowers added, “Since the end of the quarter, we have completed the first stage of our \$6.7 million financing and expect this deal to considerably bolster our balance sheet and provide us with the capital to accomplish our goals.”

Net revenues for the year ended December 31, 2002 were \$28.9 million, which compares to \$43.6 million reported for the year ended December 31, 2001. Reported net loss applicable to common shareholders for the end of the year was \$53.5 million, or \$10.47 per share, compared to \$91.0 million, or \$25.11 per share, in the same period of 2001.

Due to the fact that Novatel Wireless is currently in its normal end-of quarter quiet period and is also restricted as it solicits shareholder votes by a proxy, the Company will postpone hosting a conference call for analysts and investors until it releases its first quarter results on April 30, 2003. 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](http://www.novatelwireless.com)). Following the live Web cast at 5:00 p.m. ET, an archived version will be available on the Novatel Wireless Web site for 5 days.

## **ABOUT NOVATEL WIRELESS, INC.**

Novatel Wireless, Inc. is a leading provider of wireless data modems and software for use with portable personal computers and handheld computing devices. The company delivers innovative and comprehensive solutions that enable businesses and consumers to access personal, corporate and public information through email (including attachments), 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, Merlin™ Family of Wireless PC Card Modems, the Minstrel® Family of Wireless Handheld Modems, Sage® Wireless Serial Modems, Lancer 3W™ Family of Ruggedized Modems and Expedite™ Family of Wireless Embedded Modems. 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](http://www.novatelwireless.com) or call 888/888-9231.

Note to Editors: The Novatel Wireless logo, Minstrel, Merlin, Sage, Lancer 3W and Expedite are trademarks of Novatel Wireless, Inc. Minstrel and Sage are registered with the U.S. Patent and Trademark Office. All other brands, products and company names mentioned herein are trademarks of their respective holders. This release may contain forward-looking statements, which are made pursuant to the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties. A number of important factors could cause actual results to differ materially from those in the forward-looking statements. These factors include risks relating to technological changes, continued acceptance of Novatel Wireless' products and dependence on intellectual property rights. These factors, as well as other factors that could cause actual results to differ materially, are discussed in more detail in Novatel Wireless' filings with the United States Securities and Exchange Commission and other regulatory agencies.

**NOVATEL WIRELESS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2002</b>	<b>December 31, 2001</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,571,000	\$ 29,129,000
Restricted Cash	105,000	100,000
Accounts receivable, net	6,937,000	6,706,000
Accounts receivable –related parties	276,000	778,000
Inventories	4,230,000	6,470,000
Prepaid expenses and other	1,561,000	2,194,000
Total current assets	<u>14,700,000</u>	<u>45,377,000</u>
Property and equipment, net	4,101,000	7,744,000
Intangible assets, net	5,054,000	6,596,000
Other assets	192,000	192,000
	<u>\$ 24,047,000</u>	<u>\$ 59,909,000</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 6,919,000	\$ 12,321,000
Accrued liabilities	1,266,000	2,261,000
Current portion of inventory purchase commitments	3,983,000	11,749,000
Line of credit	2,234,000	1,560,000
Restructuring accrual	1,331,000	1,764,000
Deferred revenues	977,000	336,000
Current portion of capital lease obligations	133,000	159,000
Total current liabilities	<u>16,843,000</u>	<u>30,150,000</u>
Long-term inventory purchase commitments		4,000,000
Capital lease obligations, net of current portion	38,000	171,000
Convertible and redeemable Series A preferred stock	665,000	161,000
<b>Stockholders' equity:</b>		
Common stock	7,000	4,000
Additional paid-in capital	238,640,000	208,700,000
Deferred stock-based compensation	(1,729,000)	(6,341,000)
Accumulated Deficit	<u>(230,417,000)</u>	<u>(176,936,000)</u>
Total stockholders' equity	6,501,000	25,427,000
	<u>\$ 24,047,000</u>	<u>\$ 59,909,000</u>

**NOVATEL WIRELESS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Three Months Ended</u> <u>December 31,</u> <u>(unaudited)</u>		<u>Twelve Months Ended</u> <u>December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue	\$7,945,000	\$7,258,000	\$28,825,000	\$39,996,000
Revenue — related parties	18,000		47,000	3,647,000
Total revenue	<u>7,963,000</u>	<u>7,258,000</u>	<u>28,872,000</u>	<u>43,643,000</u>
Cost of revenue(**)	8,347,000	18,183,000	26,862,000	74,671,000
Cost of revenue — related parties	12,000		32,000	2,768,000
Total cost of revenue	<u>8,359,000</u>	<u>18,183,000</u>	<u>26,894,000</u>	<u>77,439,000</u>
Gross margin	<u>(396,000)</u>	<u>(10,925,000)</u>	<u>1,978,000</u>	<u>(33,796,000)</u>
Operating costs and expenses:				
Research and development	2,690,000	4,624,000	13,416,000	20,836,000
Sales and marketing	956,000	1,893,000	4,640,000	12,262,000
General and administrative	1,158,000	1,380,000	5,717,000	7,837,000
Restructuring charges	1,348,000	2,231,000	2,650,000	7,050,000
Amortization of deferred stock compensation(*)	474,000	1,321,000	3,556,000	10,360,000
Total operating expenses	<u>6,626,000</u>	<u>11,449,000</u>	<u>29,979,000</u>	<u>58,345,000</u>
Operating loss	(7,022,000)	(22,374,000)	(28,001,000)	(92,141,000)
Other income (expense):				
Interest income	23,000	87,000	221,000	1,598,000
Interest expense	(102,000)	(63,000)	(538,000)	(332,000)
Other, net				(2,000)
Net loss	<u><u>\$7,101,000</u></u>	<u><u>\$22,350,000</u></u>	<u><u>\$28,318,000</u></u>	<u><u>\$90,877,000</u></u>
Per share data				
Net loss applicable to common stockholders	<u><u>\$(15,909,000)</u></u>	<u><u>\$(22,511,000)</u></u>	<u><u>\$(53,481,000)</u></u>	<u><u>\$(91,038,000)</u></u>
Weighted average shares used in computation of basic and diluted net loss per common share	6,266,136	3,641,515	5,106,681	3,626,258
Basic and diluted net loss per common share	<u><u>\$ (2.54)</u></u>	<u><u>\$ (6.18)</u></u>	<u><u>\$ (10.47)</u></u>	<u><u>\$ (25.11)</u></u>
(*) Amortization of deferred stock compensation:				
Cost of revenue	21,000	273,000	363,000	1,884,000
Research and development	55,000	74,000	307,000	1,068,000
Sales and Marketing	57,000	77,000	316,000	1,039,000
General and Administrative	341,000	897,000	2,570,000	6,269,000

(\*\*) Includes \$11.5 Million and \$34.5 Million Excess and Obsolete Inventory Charge for the 3 months and 12 months ended December 31, 2001, respectively. Includes \$1.0 Million Excess and Obsolete Charge for the 3 months and 12 months ended December 31, 2002.