

Novatel Wireless Announces Third Quarter Results

SAN DIEGO, CA. - October 28, 2002--Novatel Wireless, Inc. (Nasdaq: NVTL), a leading provider of wireless data communications access solutions, today reported financial results for the third quarter ended September 30, 2002.

Net revenues for the third quarter were approximately \$5.9 million, which compares to \$4.1 million in the same period of the prior year. Net loss under GAAP was \$4.9 million, or \$0.06 (\$0.94 split adjusted) per basic and diluted share, compared to \$17.4 million, or \$0.32 (\$4.80 split adjusted) per basic and diluted share for the third quarter of 2001. Net loss applicable to common shareholders under GAAP was \$5.8 million, or \$0.07 (\$1.11 split adjusted) per basic and diluted share, which includes \$931,000 million for the accretion of dividends and beneficial conversion feature on our December 2001 Series A Preferred Stock issuance. The Company's one-for-fifteen reverse stock split of its common stock will become effective at the start of trading on October 29, 2002.

Pro forma net loss excluding non-cash charges was \$3.6 million, or \$0.05 (\$0.68 split adjusted) per share. This compared to a pro forma net loss of \$10.1 million, or \$0.19 (\$2.78 split adjusted) per share in the third quarter of 2001. Pro forma numbers exclude amortization of deferred stock compensation of \$637,000 and restructuring charges of \$694,000. Third quarter results were negatively impacted by a \$1.4 million product return of GPRS units from a European distributor. The Company intends to upgrade these units and sell them directly to carriers and other distributors. Third quarter results include revenues for cash received in the Metricom bankruptcy settlement of approximately \$1.4 million. Revenues related to the original product shipments that give rise to this settlement had been deferred pending the outcome of bankruptcy proceedings.

Our revenues were affected by slower GPRS sales, shipping delays at the end of the quarter and the product return, commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. Despite this, we are clearly making progress in a number of key areas. First, demand for CDMA 1X products from carriers like Sprint has been and continues to be impressive. Second, sell-through on GPRS is improving and this, combined with robust CDMA 1X demand, gives us confidence that the market is picking up for advanced wireless data. Third, we announced deals over the last three months with industry leaders who are committed to the future of wireless data, including IBM, Lucent and Toshiba, along with distributors and/or carriers in Brazil, China, India, and Portugal. Fourth and finally, our financial model is improving. Margins increased, our loss was cut significantly and our cash increased sequentially before debt. Moving forward, we have signed a new agreement to partner with LG Innotek Co., Ltd., a subsidiary of electronics giant, LG Electronics, that will allow us to lower our costs, improve our margins and increase visibility for our products. Recent highlights include:

Key Carrier and Technology Deals

- Recently, Novatel Wireless teamed with Toshiba Computer Systems (CSG) and Sprint in an agreement to allow the mobile workforce to further enhance their wireless data capabilities with the Merlin C201™.
- In August, Sprint and Novatel Wireless announced the availability of the PCS Connection Card™ by Novatel Wireless
- the first 3G 1X wireless PC card certified for Sprint's network.
- On August 14th, Novatel Wireless and Lucent Technologies announced a joint development agreement to create next-generation, high-speed wireless data products designed for 3G UMTS networks.

Key Distribution Agreements

- Novatel Wireless' Merlin G201™ dual band GPRS PC card modem was granted type approval in Australia and Malaysia
- On October 18th, Novatel Wireless and Convergent Communications Pvt. Ltd. partnered to expand the Merlin G201™ into India, one of the fastest growing markets for wireless products, making the card now available in 18 countries around the world.
- The Company disclosed a supply agreement with IBM to deliver the new PCS Connection Card™ by Novatel Wireless through Ingram Micro.
- This September, Novatel Wireless and Centertap, a value added distributor in Brazil, announced a supply agreement under which Centertap has agreed to sell Novatel Wireless products in Brazil and other parts of South America.
- This quarter, the Company expanded the availability of its market-leading CMDA 1X products throughout the United States in an agreement with Global Wireless Data for distribution of its PCS Connection Card™.
- Novatel Wireless' Merlin G201 was chosen by Chongqing Mobile, a subsidiary of China Mobil, the largest GSM operator in mainland China, to be offered to its mobile data customer base.
- At the end of July, Novatel Wireless expanded its distribution into Portugal with M.M. Vaquinhas, Lda, utilizing a wide range of sales channels for GSM/GPRS products.

Product Enhancements

- On October 10th, QUALCOMM Incorporated, pioneer and world leader of Code Division Multiple Access (CDMA) digital wireless technology, announced Novatel Wireless has selected the MSM6200™ Mobile Station Modem (MSM™) chip and system software for the development of 3G wireless PC card modems.
- This quarter, Novatel Wireless announced a product collaboration with PCTEL whereby PCTEL's Wi-Fi™ Roaming Client will be offered as an option with all Novatel Wireless GPRS and CDMA 1X Merlin™ PC Card modems.
- Recently, Novatel Wireless announced an agreement with BVRP Software under which Novatel Wireless will bundle BVRP's Mobile PhoneTools connectivity software with its Merlin G201™ and Merlin G301™ Wireless PC modems.

Financial News

- On October 21st, Novatel Wireless announced it had completed a \$2.75 million private placement in the third quarter of shares of its common stock for \$0.186 per share.
- On October 21st, Novatel Wireless announced a 1-for-15 reverse stock split effective October 29th.
- Novatel Wireless ranked Number 301 on the 2002 Deloitte & Touche Technology Fast 500.

Despite the disappointing sales, product and gross margins increased on both a sequential and year-over-year basis, Melvin Flowers, Chief Financial Officer of Novatel Wireless added. Additionally, we were able to decrease operating expenses by over 31% or \$2.6 million from the immediately preceding quarter. This improvement enabled us to cut our cash burn. During the quarter, we reduced current liabilities by over \$7.2 million, while seeing our cash drop by less than \$1.3 million. These positive steps give us confidence that we can continue to improve our business model in upcoming quarters.

Novatel Wireless will host a conference call for analysts and investors to discuss its quarterly results at 5:00 p.m. EDT on October 28th, 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, 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 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

	(Unaudited)	
	September 30,	December 31,
	2002	2001
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 6,633,000	\$ 29,229,000
Accounts receivable, net	3,463,000	6,706,000
Accounts receivable – related parties	291,000	778,000
Inventories	5,380,000	6,470,000
Prepaid expenses and other	806,000	2,194,000
Total current assets	16,573,000	45,377,000
Property and equipment, net	4,731,000	7,744,000
Intangible assets	6,174,000	6,596,000
Other assets	192,000	192,000
	\$ 27,670,000	\$ 59,909,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 4,281,000	\$ 12,321,000
Accrued liabilities	1,513,000	2,261,000
Current portion of inventory purchase commitments	4,983,000	11,749,000
Line of credit	740,000	1,560,000
Restructuring accrual	1,167,000	1,764,000
Deferred revenues	982,000	336,000
Current portion of capital lease obligations	154,000	159,000
Total current liabilities	13,820,000	30,150,000
Long-term inventory purchase commitments		4,000,000
Capital lease obligations, net of current portion	57,000	171,000
Convertible and redeemable Series A preferred stock	2,039,000	161,000
Stockholders' equity:		
Common stock	92,000	55,000
Additional paid-in capital	228,374,000	208,649,000
Deferred stock-based compensation	(2,203,000)	(6,341,000)
Accumulated Deficit	(214,509,000)	(176,936,000)
Total stockholders' equity	11,754,000	25,427,000
	\$ 27,670,000	\$ 59,909,000

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>2001</u>	<u>September 30,</u>	<u>2001</u>
<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue	\$5,905,000	\$3,904,000	\$20,909,000	\$32,738,000
Revenue — related parties		<u>236,000</u>		<u>3,647,000</u>
Total revenue	<u>5,905,000</u>	<u>4,140,000</u>	<u>20,909,000</u>	<u>36,385,000</u>
Cost of revenue(**)	4,504,000	9,195,000	18,535,000	56,488,000
Cost of revenue — related parties		<u>213,000</u>		<u>2,768,000</u>
Total cost of revenue	<u>4,504,000</u>	<u>9,408,000</u>	<u>18,535,000</u>	<u>59,256,000</u>
Gross margin	<u>1,401,000</u>	<u>(5,268,000)</u>	<u>2,374,000</u>	<u>(22,871,000)</u>
Operating costs and expenses:				
Research and development	2,718,000	4,537,000	10,726,000	16,212,000
Sales and marketing	989,000	2,281,000	3,684,000	10,389,000
General and administrative	1,141,000	2,186,000	4,558,000	6,457,000
Restructuring charges	694,000	919,000	1,303,000	4,819,000
Amortization of deferred stock compensation(*)	<u>637,000</u>	<u>2,401,000</u>	<u>3,082,000</u>	<u>9,039,000</u>
Total operating expenses	<u>6,179,000</u>	<u>12,324,000</u>	<u>23,353,000</u>	<u>46,896,000</u>
Operating loss	(4,778,000)	(17,592,000)	(20,979,000)	(69,767,000)
Other income (expense):				
Interest income	25,000	286,000	198,000	1,511,000
Interest expense	(149,000)	(133,000)	(436,000)	(269,000)
Other, net				<u>(2,000)</u>
Net loss	<u>\$(4,902,000)</u>	<u>\$(17,439,000)</u>	<u>\$(21,217,000)</u>	<u>\$(68,527,000)</u>
Per share data				
Net loss applicable to common stockholders	\$(5,833,000)	\$(17,439,000)	\$(37,573,000)	\$(68,527,000)
Weighted average shares used in computation of basic and diluted net loss per common share	78,581,915	54,551,178	70,739,232	54,316,762
Basic and diluted net loss per common share	\$ (0.07)	\$ (0.32)	\$ (0.53)	\$ (1.26)
Weighted average shares used in computation of basic and diluted net loss per common share, split adjusted	5,238,794	3,636,745	4,715,948	3,621,117
Basic and diluted net loss per common share, split adjusted	\$ (1.11)	\$ (4.80)	\$ (7.97)	\$ (18.92)
(*) Amortization of deferred stock compensation:				
Cost of revenue	25,000	425,000	342,000	675,000
Research and development	66,000	329,000	260,000	991,000
Sales and Marketing	64,000	320,000	252,000	964,000
General and Administrative	482,000	1,327,000	2,228,000	6,409,000

(**) Includes \$4 Million and \$23 Million Excess and Obsolete Inventory Provision for the 3 months and 9 months ended September 30, 2001, respectively.