

July 24, 2002

Novatel Wireless Announces Second Quarter Results

SAN DIEGO, CA. - July 24, 2002--Novatel Wireless, Inc. (Nasdaq: NVTL), a leading provider of wireless data communications access solutions, today reported financial results for the second quarter ended June 30, 2002.

Net revenues for the second quarter were approximately \$7.7 million, above our previous guidance of \$7.5 million. This represents an increase of 6% from \$7.3 million reported in the immediately preceding quarter and compares to \$12.5 million in the same period of the prior year.

Pro forma net loss excluding non-cash charges was \$6.9 million, or \$0.09 per share, within the range of analyst estimates. This compared to a pro forma net loss of \$6.4 million, or \$0.11 per share in the previous quarter and a pro forma net loss of \$9.5 million, or \$0.17 per share in the second quarter of 2001.

Net loss under Generally Accepted Accounting Principles was \$8.4 million, or \$0.11 per basic and diluted share, compared to \$8.0 million, or \$0.13 per basic and diluted share, for the immediately preceding quarter and \$25.8 million, or \$0.48 per basic and diluted share for the second quarter of 2001. In the second quarter of 2002, the Company incurred amortization of deferred stock compensation of \$1.1 million and restructuring costs of \$360,000.

Net loss applicable to common shareholders under Generally Acceptable Accounting Principles was \$15.6 million, or \$0.21 per basic and diluted share, which includes \$7.3 million for the accretion of dividends and beneficial conversion feature on our December 2001 Series A Preferred Stock Offering.

"We closed the second quarter with sales momentum and shippable orders for over \$2.5 million," commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. "We now work with four of the top six wireless carriers in the United States and have announced over 25 distribution and carrier deals for 2.5G and 3G technology throughout the world. In addition, we just signed an agreement with a major telecom equipment manufacturer. These agreements are a strong testament to our technology and market leadership."

"Network rollout and national marketing campaigns for 2.5G and 3G products have been slower than originally anticipated, but we are starting to see a pick-up in sell-through at major carriers and distributors. This improvement combined with the new roll-outs of wireless service by major carriers, such as Sprint's summer launch of a national CDMA 1X, makes us optimistic that we are starting to see an uptick in demand in our marketplace."

Recent highlights include:

Carrier Deals and New Products

- In May, Novatel Wireless and Sprint unveiled plans for the 3G1X PC Card that enables high-speed wireless connectivity via Sprint's third generation nationwide PCS network. They detailed plans to co-brand and jointly market the PCS Connection Card™ by Novatel Wireless' Merlin C201™.
- During the quarter, the Company announced that the Merlin C201™ had passed certification with the largest wireless carrier headquartered in the Caribbean, Centennial PCS, and one of the first carriers world-wide to roll-out CDMA2000 1X.
- Recently, Novatel Wireless received carrier certification from three independent mm02 European operators in Ireland, Germany and the Netherlands. Combined these operators reach over 6 million subscribers.
- In June, Novatel Wireless introduced its first embedded module for the CDMA20001X Network, the Expedite C201™. The Expedite C201 leads the market with Mobile IP capabilities allowing it to move seamlessly across the networks with no interruption for the end user.

Key Distribution Agreements

- Last week, the Company announced that it had teamed with Aspective, Europe's leading eBusiness solution provider, to help offer one-stop mobile eBusiness services throughout Europe with the Merlin G201™.
- In May, the Company announced an expansion of CDMA product distribution with two of the world's largest distributors, Ingram Micro and Tech Data.
- The Company disclosed a new distribution agreement with Israel Technology Trading, Inc., to deliver Novatel Wireless' Merlin GSM/GPRS Family of Wireless PC Cards, including the Merlin G200™ and G300™ series and future products, throughout Israel.

- In June, Novatel Wireless expanded into Italy with Speeka S.r.l, a top wireless distribution company selling products nationwide.
- Novatel Wireless also moved into Spain with GPRS agreements with two of the country's leading distributors, Grupo CYS, and Mobile System Communications.
- Novatel Wireless and Trio Teknologies signed a new agreement to expand the sales channel for the PCS Connection card designed to operate on Sprint's Third Generation PCS Network.

"We reduced SG&A expenses for the second quarter of 2002 by 37% or approximately \$2 million as compared to the same period in the prior year and closed the quarter with \$7.9 million in cash, despite slightly higher Account Receivables," Melvin Flowers, Chief Financial Officer added. "While product margins and gross margins increased over last year, they were impacted by product mix and the initial ramp-up costs of CDMA 1X production. Moving forward, we expect to increase these margins significantly on a sequential basis, while continuing to decrease costs. Cash used for operations were approximately \$5.1 million for the quarter and, over the next two quarters, Novatel Wireless expects to reduce its negative operating cash flow to below \$5 million for the entire second half of the year."

Novatel Wireless will host a conference call for analysts and investors to discuss its quarterly results at 5:00 p.m. EDT on July 24th, 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 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 Handheld Modems, Merlin[™] Family of Wireless PC Card 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) June 30, 2002	December 31, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,895,000	\$ 29,229,000
Accounts receivable, net	9,105,000	6,706,000
Accounts receivable – related parties	501,000	778,000
Inventories	5,922,000	6,470,000
Prepaid expenses and other	1,201,000	2,194,000
Total current assets	24,624,000	45,377,000
Property and equipment, net	5,511,000	7,744,000
Intangible assets	6,417,000	6,596,000
Other assets	192,000	192,000
	<u>\$ 36,744,000</u>	<u>\$ 59,909,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 7,702,000	\$ 12,321,000
Accrued liabilities	2,198,000	2,261,000
Current portion of inventory purchase commitments	5,977,000	11,749,000
Line of credit	3,294,000	1,560,000
Restructuring accrual	1,106,000	1,764,000
Deferred revenues	586,000	336,000
Current portion of capital lease obligations	162,000	159,000
Total current liabilities	21,025,000	30,150,000
Long-term inventory purchase commitments		4,000,000
Capital lease obligations, net of current portion	89,000	171,000
Convertible and redeemable Series A preferred stock	1,369,000	161,000
Stockholders' equity:		
Common stock	76,000	55,000
Treasury stock	(1,600,000)	
Additional paid-in capital	227,302,000	208,649,000
Deferred stock-based compensation	(2,839,000)	(6,341,000)
Accumulated Deficit	(208,678,000)	(176,936,000)
Total stockholders' equity	14,261,000	25,427,000
	<u>\$ 36,744,000</u>	<u>\$ 59,909,000</u>

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue	\$7,731,000	\$11,173,000	\$15,004,000	\$28,833,000
Revenue — related parties		<u>1,335,000</u>		<u>3,411,000</u>
Total revenue	<u>7,731,000</u>	<u>12,508,000</u>	<u>15,004,000</u>	<u>32,244,000</u>
Cost of revenue(**)	7,311,000	23,991,000	14,031,000	47,293,000
Cost of revenue — related parties		<u>936,000</u>		<u>2,555,000</u>
Total cost of revenue	<u>7,311,000</u>	<u>24,927,000</u>	<u>14,031,000</u>	<u>49,848,000</u>
Gross margin	<u>420,000</u>	<u>(12,419,000)</u>	<u>973,000</u>	<u>(17,604,000)</u>
Operating costs and expenses:				
Research and development	3,860,000	5,054,000	8,008,000	11,676,000
Sales and marketing	1,277,000	3,453,000	2,696,000	8,088,000
General and administrative	2,106,000	1,884,000	3,416,000	4,271,000
Restructuring charges	360,000		609,000	3,900,000
Amortization of deferred stock compensation(*)	<u>1,102,000</u>	<u>3,319,000</u>	<u>2,445,000</u>	<u>6,638,000</u>
Total operating expenses	<u>8,705,000</u>	<u>13,710,000</u>	<u>17,174,000</u>	<u>34,573,000</u>
Operating loss	(8,285,000)	(26,129,000)	(16,201,000)	(52,177,000)
Other income (expense):				
Interest income	69,000	417,000	172,000	1,224,000
Interest expense	(146,000)	(72,000)	(287,000)	(136,000)
Other, net		<u>(2,000)</u>		<u>(4,000)</u>
Net loss	<u>\$(8,362,000)</u>	<u>\$(25,786,000)</u>	<u>\$(16,316,000)</u>	<u>\$(51,093,000)</u>
Per share data				
Net loss applicable to common stockholders	\$(15,633,000)	\$(25,786,000)	\$(31,742,000)	\$(51,093,000)
Weighted average shares used in computation of basic and diluted net loss per common share	74,102,506	54,290,863	66,752,896	52,995,366
Basic and diluted net loss per common share	\$ (0.21)	\$ (0.48)	\$ (0.48)	\$ (0.96)
(*) Amortization of deferred stock compensation:				
Cost of revenue	36,000	125,000	317,000	250,000
Research and development	97,000	331,000	194,000	662,000
Sales and Marketing	94,000	322,000	188,000	644,000
General and Administrative	875,000	2,541,000	1,746,000	5,082,000

(**) 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)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue	\$7,731,000	\$11,173,000	\$15,004,000	\$28,833,000
Revenue — related parties		<u>1,335,000</u>		<u>3,411,000</u>
Total revenue	<u>7,731,000</u>	<u>12,508,000</u>	<u>15,004,000</u>	<u>32,244,000</u>
Cost of revenue	7,311,000	10,991,000	14,031,000	28,293,000
Cost of revenue — related parties		<u>936,000</u>		<u>2,555,000</u>
Total cost of revenue	<u>7,311,000</u>	<u>11,927,000</u>	<u>14,031,000</u>	<u>30,848,000</u>
Gross margin	<u>420,000</u>	<u>581,000</u>	<u>973,000</u>	<u>1,396,000</u>
Operating costs and expenses:				
Research and development	3,860,000	5,054,000	8,008,000	11,676,000
Sales and marketing	1,277,000	3,453,000	2,696,000	8,088,000
General and administrative	<u>2,106,000</u>	<u>1,884,000</u>	<u>3,416,000</u>	<u>4,271,000</u>
Total operating expenses	<u>7,243,000</u>	<u>10,391,000</u>	<u>14,120,000</u>	<u>24,035,000</u>
Operating loss	(6,823,000)	(9,810,000)	(13,147,000)	(22,639,000)
Other income (expense):				
Interest income	69,000	417,000	172,000	1,224,000
Interest expense	(146,000)	(72,000)	(287,000)	(136,000)
Other, net		<u>(2,000)</u>		<u>(4,000)</u>
Net loss	<u>\$(6,900,000)</u>	<u>\$(9,467,000)</u>	<u>\$(13,262,000)</u>	<u>\$(21,555,000)</u>
Per share data				
Shares used in computation of pro forma basic and diluted net loss per share	74,102,506	54,290,863	66,752,896	52,995,366
Pro forma basic and diluted net loss per share	\$ (0.09)	\$ (0.17)	\$ (0.20)	\$ (0.41)