

To Our Shareholders:

This has been a year of substantial progress for Novatel Wireless. In 2010, undertook one of the largest new product initiatives in our history, expanded our customer base with new wireless service providers and OEMs, and completed our first major acquisition.

In the face of highly competitive markets, we have continued to lead innovation in the next generation of wireless technology, with new products being developed across all our major form factors and major next-generation technologies. Our products are on the leading edge in terms of the dramatic increase in speed and bandwidth that 4G provides. And our technology maximizes these capabilities.

Enfora Acquisition

In 2010, we uniquely positioned Novatel Wireless to address the fast-growing machine-to-machine market with our acquisition of Enfora, Inc., a leading provider of intelligent asset management solutions utilizing wireless technology and M2M communications. Enfora is focused on adding value with customized software and services and fits with our business strategy of combining hardware and software into integrated solutions. Enfora approaches the market in a way that fits with our goal of building customer solutions, not just devices. It has taken a system-level approach to the M2M market, beyond basic wireless connectivity, with communications and management software platforms.

The acquisition of Enfora expanded our addressable market, broadened our range of complementary products, and diversified our customer base. It will also strengthen our competitive position by leveraging our combined research and development talent and customer relationships.

Key benefits of the acquisition include:

- Diversifying our customer base and product lines into adjacent markets.
- Advancing the company's strategy of providing intelligent devices to all end markets – enterprise, consumer, and vertical applications. Enfora has developed differentiated solutions for key market segments, including transportation, industrial automation, security, and healthcare.
- Creating a strong growth profile by bringing together long-term customer relationships with wireless carriers, cable operators, distributors, retailers, MVNOs, leading OEMs in both mobile computing and vertical markets, enterprises, and application service providers.

- Leveraging our combined research and development, product portfolios, and geographic reach.

Enfora's channel strategy has focused on key high-growth vertical markets, and a diversified customer base in each of those verticals. Enfora has more than 120 customers, with no one customer accounting for more than 15% of revenues.

With our deep carrier relationships, we expect to work aggressively to bring Enfora's technology to additional channels and geographic markets where we already have a significant presence. We're very excited about this acquisition and the opportunities that it creates.

Product Lines

Novatel Wireless is a world leader in wireless data. We have a growing portfolio of leading-edge technology solutions that enable data transmission and analysis via cellular wireless networks. Below are our major product lines:

Mobile Broadband Devices

- ***MiFi® Intelligent Mobile Hotspot*** has become one of the most exciting new product lines in a world of high-tech wonders. Introduced in 2009, MiFi has quickly developed into an established product category with an iconic brand in mobile communications. MiFi intelligent mobile hotspots are gaining acceptance as the best connectivity option for portable Wi-Fi-enabled devices -- allowing end-users to stay connected with up to five devices simultaneously. The critical acclaim to the MiFi platform points to our competitive differentiation, and we intend to further advance the product category in the future.
- ***USB and PC-Card Modems*** continue to be a very popular way to connect to the Internet. We introduced both of these connectivity devices to North American markets, and continue to provide the most advanced wireless access in the industry.

Embedded Modules

- ***Embedded Modules*** are built into PCs, notebooks, and various other devices, providing the capability to access a cellular network directly, without an external modem. The growth of new electronic devices, combined with the conversion to 4G cellular technology, offers new opportunities to provide embedded modules to OEMs. We are aggressively pursuing these opportunities, and have been actively engaged integrating our 4G embedded modules into platform launches with several device and laptop OEMs.

- Enfora also produces a variety of embedded modules that are built into various products or equipment that enable communication between different machines or machines and people. This is the essence of “machine-to-machine” applications – enabling back-end IT systems to receive data from remote assets, from the management of transportation fleets, to security surveillance, to industrial automation.

Solutions & Services

- Our line of integrated solutions brings together essential elements for monitoring and managing mobile and fixed assets, vehicle tracking and management, and workforce tracking and management. These solutions are based on a distributed intelligent architecture, making them comprehensive, customizable and scalable for virtually any application of wireless M2M technology.

A Review of 2010

Sales of our MiFi intelligent mobile hotspots and USB modems were strong in 2010, and were the largest components of revenue in 2010. Including one month of sales from the Enfora acquisition, revenue in 2010 was \$339 million, compared to \$337 million in 2009.

In terms of units sold, 2010 was clearly the highest volume year in our history. However, as 3G reached the mature phase of its life cycle, a very competitive market continues to put pressure on gross margins. We are doing a number of things to combat these competitive pressures, and to control expenses and run a lean operation. We continue to strive to differentiate our products from copy-cat imitations. We also are taking action to protect our patents and other intellectual property.

Our Entrepreneurial Culture

While expense control is a priority at Novatel Wireless, so is investment in our most important asset – our highly skilled employees. We create value through innovation and change, and a common thread through all of our products is the way we strive to solve the most difficult technology challenges. Our talented people love to solve problems. That’s what we do best. Our product lines reflect this, with breakthrough designs and leading-edge solutions. As a result, we believe our products are the best in the world.

Our engineers are supported by outstanding professionals across the breadth of capabilities necessary for success in this highly-competitive industry. To stay on the leading edge – not running to catch up – we strive to develop our talent and keep current with rapidly changing technology. This is the real foundation for future success.

A Bright Future

While we are proud of what we have created thus far at Novatel Wireless, this is just a springboard to our vision of the future. That vision is of a larger, more technically diverse company with broader marketplace participation, both domestic and international.

Looking ahead, we plan to continue to expand our product offerings, diversify our customer base, and seek opportunities for profitable growth. I see a bright future for Novatel Wireless and believe that we have the determination and capability to achieve these goals.

I thank you for your past support and look forward to reporting our continued progress.

Sincerely,

Peter V. Leparulo
Chairman of the Board and Chief Executive Officer

May 2, 2011