



February 6, 2001

## Novatel Wireless Announces Record Revenues for Fourth Quarter and Full Year 2000

### Revenues increase over 59% sequentially and 540% year-over-year

SAN DIEGO, CA.--Feb. 6, 2000--Novatel Wireless, Inc. (Nasdaq: NVTL), a provider of wireless data communications access solutions, today reported financial results for the fourth quarter and year ended December 31, 2000.

Net revenues for the fourth quarter of 2000 were \$27.7 million, a 587% increase from the \$4.04 million reported for the fourth quarter of 1999 and a 59% increase over the immediately preceding third quarter. Pro forma net loss, excluding non-cash charges for amortization of deferred stock-based compensation, a one-time fourth quarter beneficial conversion charge and the accretion of preferred stock dividends, for the fourth quarter was \$8.1 million, or \$0.16 per share based on 49.7 million pro forma shares outstanding (assuming the preferred shares which converted into common shares at the IPO were outstanding the entire year) after the November 15th 2000 IPO, compared to a pro forma net loss of \$8.9 million, or \$0.33 per share based on 27.3 million pro forma shares outstanding, for the fourth quarter of 1999.

Pro forma net loss, excluding non-cash charges for the one-time fourth quarter beneficial conversion charge and accretion of preferred stock dividends, for the fourth quarter was \$14.4 million, or \$0.29 per share based on 49.7 million pro forma shares outstanding, compared to a pro forma net loss of \$8.9 million, or \$0.33 per share based on 27.3 million pro forma shares outstanding, for the fourth quarter of 1999.

Reported net loss, including stock-based compensation of \$6.3 million, a one-time fourth quarter beneficial conversion charge of \$2.3 million and accretion of preferred stock dividends of \$0.6 million, was \$17.2 million, or \$0.53 per share, compared to \$9.3 million, or \$0.95 per share, in the same period of 1999.

"We are very pleased with our strong performance in the fourth quarter, as sales were up both sequentially and year over year, we saw substantial improvements in gross margins, and we experienced increased demand for our wireless solutions from major customers like OmniSky and Hewlett-Packard," commented John Major, Chairman and Chief Executive Officer of Novatel Wireless. "While fourth quarter sales growth was primarily driven by strong demand for our Minstrel V solution for Palm handholds, we successfully introduced several new products during the quarter that accounted for over 44% of our revenues. These products included the Minstrel 540 for the HP Jornada Pocket PC, the Minstrel S for the Handspring™ Visor™ and the Merlin Wireless PC Card for Metricom's 128 kbps Ricochet network. Additionally, we continue to diversify our customer base and will look to continue to partner with leading telecommunications companies in upcoming quarters."

Mr. Major continued, "In the first half of 2001, we are on track to introduce a number of exciting new products for GPRS and CDMA 1xRTT, as well as new products for existing CDPD networks. Along with momentum for our existing products, we believe these introductions will help position the Company to take advantage of growing demand for higher bandwidth wireless networks. With our new products and the continued strong demand for our existing product lines, we enter 2001 in a strong market and financial position to continue our growth in the coming year."

Novatel Wireless' Chief Financial Officer, Melvin Flowers, added, "In the fourth quarter of 2000, we continued to realize significant cost reductions as a result of productivity increases related to process improvements and efficiencies associated with volume manufacturing. Based on our strong financial results in the fourth quarter and our focus on gross margin improvement, we believe we are on track to reach breakeven by the end of 2001."

Net revenues for the year ended December 31, 2000 were \$61.2 million, a 540% increase over the \$9.6 million reported for the year ended December 31, 1999. Pro forma net loss, excluding non-cash charges for amortization of deferred stock-based compensation for the one-time fourth quarter beneficial conversion charge and accretion of preferred stock dividends, for the year was \$31.8 million, or \$0.69 per share based on 46.1 million pro forma shares outstanding after the November 15th 2000 IPO, compared to a pro forma net loss of \$18.2 million, or \$0.67 per share based on 27.2 million pro forma shares outstanding, for the year ending December 31, 1999.

Pro forma net loss, excluding non-cash charges for the one-time fourth quarter beneficial conversion charge and accretion of preferred stock dividends, for the year ending December 31, 2000 was \$44.6 million, or \$0.97 per share based on 46.1 million pro forma shares outstanding, compared to a pro forma net loss of \$18.5 million, or \$0.68 per share based on 27.2 million pro forma shares outstanding, for the year ending December 31, 1999.

Reported net loss, including stock-based compensation for the one-time fourth quarter beneficial conversion charge and accretion of preferred stock dividends, was \$50.8 million, or \$3.24 per share, compared to \$19.9 million, or \$2.04 per share, in

the same period of 1999.

Novatel Wireless will host a conference call for analysts and investors to discuss its quarterly results at 5:00 p.m. EDT on February 6, 2001. 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, an archived version will be available on the Novatel Wireless Web site for 5 days.

#### About Novatel Wireless

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<sup>®</sup> family of Wireless Palmtop Modems, Merlin<sup>™</sup> Wireless PC Cards, Sage<sup>®</sup> Wireless Serial Modems, Lancer 3W<sup>™</sup> Wireless 3 Watt Modems and Expedite<sup>™</sup> family of Wireless Embedded Modules. 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.

#### Safe Harbor Under the Private Securities Litigation Reform Act of 1995:

The results of operations for the quarter or fiscal year ending December 31, 2000 are not necessarily indicative of the results that may be expected for any other future period. Period-to-period comparisons of results of operations should not be relied upon as indications of future performance. Certain statements made in this news release are forward-looking statements and, in some cases, can be identified by terms such as "may," "will," "expect," "plan," "believe," "estimate," "predict" or the like. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Factors that may cause future results to differ materially include, among other things: the timing of new product releases, our success in developing and producing new products, market acceptance of our products, competitive pressures including competition for limited source components and consistency of orders from significant customers. These and other risk factors that may affect Novatel Wireless's financial results in the future are discussed in Novatel Wireless's final Prospectus dated November 15, 2000, as filed with the Securities and Exchange Commission in connection with Novatel Wireless's initial public offering. Novatel Wireless undertakes no obligation to update any forward-looking statements.

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

	<b>(Unaudited)</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2000</b>	<b>1999</b>
	<hr/>	<hr/>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 66,826,000	\$ 25,455,000
Accounts receivable, net	8,093,000	1,345,000
Accounts receivable – related party	7,446,000	—
Due from contract manufacturers	5,340,000	4,732,000
Inventories	7,783,000	4,706,000
Prepaid expenses and other	3,388,000	480,000
Total current assets	<hr/> 98,876,000	<hr/> 36,718,000
<b>Property and equipment, net</b>	8,986,000	1,346,000
<b>Intangible assets</b>	2,260,000	—
<b>Other assets</b>	703,000	54,000
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 110,824,000</b> <hr/>	<hr/> <b>\$ 38,118,000</b> <hr/>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT):</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 23,829,000	\$ 11,560,000
Accrued liabilities	5,390,000	1,174,000
Deferred revenue	1,996,000	8,134,000
Current portion of capital lease obligations	182,000	81,000
Total current liabilities	<hr/> 31,397,000	<hr/> 20,949,000
Capital lease obligations, net of current portion	205,000	106,000
Convertible and redeemable minority interest	—	4,386,000
Convertible and redeemable preferred stock	—	43,805,000
<b>Shareholders' equity (deficit):</b>		
Common stock	54,000	10,000
Additional paid in capital	182,769,000	4,784,000
Deferred stock-based compensation	(17,703,000)	(800,000)
Accumulated Deficit	(85,898,000)	(35,122,000)
Total shareholders' equity (deficit)	<hr/> 79,222,000	<hr/> (31,128,000)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/> <b>\$ 110,824,000</b> <hr/>	<hr/> <b>\$ 38,118,000</b> <hr/>

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

	(UNAUDITED)			
	Three months ended		Year ended	
	December 31,		December 31,	
	2000	1999	2000	1999
Revenue	\$ 10,794,000	\$ 4,042,000	\$ 36,947,000	\$ 9,556,000
Revenue - related party	16,953,000	—	24,207,000	—
Total revenue	<u>27,747,000</u>	<u>4,042,000</u>	<u>61,154,000</u>	<u>9,556,000</u>
Cost of revenue	9,375,000	6,204,000	37,113,000	11,955,000
Cost of revenue - related party	15,243,000	—	22,475,000	—
Total cost of revenue	<u>24,618,000</u>	<u>6,204,000</u>	<u>59,588,000</u>	<u>11,955,000</u>
Gross margin	<u>3,129,000</u>	<u>(2,162,000)</u>	<u>1,566,000</u>	<u>(2,399,000)</u>
Operating costs and expenses:				
Research and development	4,586,000	1,791,000	13,488,000	3,717,000
Sales and marketing **	7,795,000	1,850,000	18,262,000	4,480,000
General and administrative	1,682,000	1,120,000	5,027,000	4,443,000
Amortization of deferred stock compensation*	6,311,000	42,000	12,833,000	220,000
Total operating expenses	<u>20,374,000</u>	<u>4,803,000</u>	<u>49,610,000</u>	<u>12,860,000</u>
Operating loss	(17,245,000)	(6,965,000)	(48,044,000)	(15,259,000)
Other income (expense):				
Interest income	603,000	14,000	1,156,000	47,000
Interest expense	(13,000)	(1,999,000)	(43,000)	(3,267,000)
Other, net	—	11,000	7,000	10,000
Net loss	<u>\$ (16,655,000)</u>	<u>\$ (8,939,000)</u>	<u>\$ (46,924,000)</u>	<u>\$ (18,469,000)</u>
Net loss applicable to common stockholders, including accretion of Preferred Stock dividends through November 15, 2000.	\$ (17,194,000)	\$ (9,290,000)	\$ (50,766,000)	\$ (19,873,000)
Pro forma net loss excluding amortization of deferred compensation expense, the \$2,283,000 one-time beneficial conversion charge and the accretion of Preferred Stock dividends.	\$ (8,061,000)	\$ (8,897,000)	\$ (31,809,000)	\$ (18,249,000)
Weighted average shares used in computation of basic and diluted net loss per common share	32,405,012	9,742,315	15,654,079	9,728,421
Shares used in computation of pro forma basic and diluted net loss per share	49,696,249	27,302,778	46,059,946	27,199,269
Pro forma basic and diluted net loss per share, excluding amortization of deferred compensation expense, the \$2,283,000 one-time beneficial conversion charge and the accretion of Preferred Stock dividends.	\$ (0.16)	\$ (0.33)	\$ (0.69)	\$ (0.67)
Pro forma basic and diluted net loss per share, excluding \$2,283,000 one-time charge for the beneficial conversion feature and excluding accretion of Preferred Stock dividends	\$ (0.29)	\$ (0.33)	\$ (0.97)	\$ (0.68)
Pro forma basic and diluted net loss per share	\$ (0.35)	\$ (0.34)	\$ (1.10)	\$ (0.73)
Basic and diluted net loss per common share	\$ (0.52)	\$ (0.65)	\$ (2.24)	\$ (0.64)

Basic and diluted net loss per common share	\$	(0.22)	\$	(0.22)	\$	(2.24)	\$	(2.04)
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(\*) Amortization of deferred stock compensation:

Cost of revenue	324,000	—	370,000	—
Research and development	309,000	—	430,000	—
Sales and marketing	301,000	—	419,000	—
General and administrative	5,377,000	42,000	11,614,000	220,000

(\*\*) Includes \$2,283,000 one-time charge for the beneficial conversion feature relating to the 434,782 Preferred Series D shares issued for \$5.75 at a discount of \$5.25 in October 2000.