
FOR RELEASE 07/27/98
5:00 a.m. E.T.

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NovAtel Reports Second Quarter Results

(Calgary, Alberta, Canada, July 27, 1998)—NovAtel Inc. (NASDAQ: NGPSF) today announced results for the second quarter ended July 4, 1998.

Revenues in the second quarter were CDN \$5.7 million (US \$3.8 million), compared to CDN \$6.7 million (US \$4.5 million) in the same period a year ago. Loss from continuing operations was CDN \$610,000 (US \$408,000) or CDN \$0.08 per share (US \$0.05), versus income from continuing operations of CDN \$1.6 million a year ago.

For the first six months of 1998, NovAtel reported revenues of CDN \$10.5 million (US \$7.0 million), down from CDN \$12.1 million (US \$8.1 million) in the same period a year ago. For the first half of 1998 the company recorded a loss from continuing operations of CDN \$1.8 million (US \$1.2 million), or CDN \$0.23 per share (US \$0.15), versus income from continuing operations of CDN \$2.3 million (US \$1.5 million) in the same period a year ago.

“The year-to-year change in revenues reflects lower sales in all three of our key market segments – OEM, aviation, and survey/mapping,” said Pascal E. Spothelfer, President and Chief Executive Officer. “The drop in aviation was anticipated since fewer deliveries were required for the current cycle of the FAA’s Wide Area Augmentation System (WAAS) program implementation. We also did not replace these WAAS revenues with our new survey and mapping products as quickly as expected. Nonetheless, while we are not entirely pleased with our sales performance in the second quarter, we are very encouraged by the rebound we are now seeing in key market segments as measured by gains over the first quarter of this year.

“In particular, we saw strong OEM sales, which were up 21% from the first quarter. Again, surveying and mapping products were not up to our goals, but performance is improving, and we expect sales in this area to accelerate given the recent successful tests by Japanese regulators of a new survey product. We will be shipping this product in Japan through our Nikon distribution network in the third quarter.

“In the aviation market, we have made excellent progress,” Spothelfer added. “As we announced this morning, NovAtel received a CDN \$3.2 million contract to supply advanced ground positioning receivers for the Japanese MSAS civil aviation system, which is now being rolled out. We recently shipped our first receivers under this contract.

“Our gross margin has improved compared to the first quarter of this year, but is still below our target of around 65%. This is a priority for us in the third quarter,” Spothelfer continued. “We have continued to expand our Research and Development and Sales and Marketing resources to push product portfolio growth and market presence. This is reflected in higher expenses for the quarter.”

NovAtel Inc. designs, markets and supports a broad range of products that determine precise geographic locations using the Global Positioning System (“GPS”). NovAtel’s GPS products are

used principally for applications in high-end markets such as surveying, geographic information systems, aviation, marine, mining and machine control and agriculture.

Certain statements in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's industry, to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, certification and market acceptance of the Company's new products, impact and timing of large orders, pricing pressures in the market and other competitive factors and maintaining technological leadership, together with the other risks and uncertainties described in public filings.

NOVATEL INC.

CONSOLIDATED BALANCE SHEETS
(in Canadian \$ thousands)

	July 4. 1998	December 31. 1997
ASSETS		
Current assets:		
Cash and short term investments	\$ 6,004	\$10,732
Accounts receivable	7,328	4,892
Inventories	2,220	2,066
Prepaid expenses and deposits	<u>702</u>	<u>131</u>
Total current assets	16,254	17,821
Capital assets	10,154	10,610
Capital leased assets	1,529	---
Intangible assets	3,639	3,948
Deferred development costs	<u>123</u>	<u>---</u>
Total assets	<u>\$31,699</u>	<u>\$32,379</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,461	\$ 7,246
Provision for future warranty costs	97	60
Deferred gain on sale/leaseback of fixed assets		
– current portion	42	---
Capital lease obligation – current portion	<u>338</u>	<u>---</u>
Total current liabilities	5,938	7,306
Deferred gain on sale/leaseback of fixed assets		
– long-term portion	101	---
Capital lease obligation – long-term portion	<u>1,101</u>	<u>---</u>
Total liabilities	<u>7,140</u>	<u>7,306</u>
Shareholders' equity:		
Capital stock	35,602	35,559
Deficit	<u>(11,043)</u>	<u>(10,486)</u>
Total shareholders' equity	<u>24,559</u>	<u>25,073</u>
Total liabilities and shareholders' equity	<u>\$31,699</u>	<u>\$32,379</u>

NOVATEL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in Canadian \$ thousands, except per share data)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>July 4, 1998</u>	<u>June 28, 1997</u>	<u>July 4, 1998</u>	<u>June 28, 1997</u>
Revenues				
Product sales.....	\$ 5,705	\$ 6,585	\$10,418	\$11,988
NRE fees	<u>39</u>	<u>74</u>	<u>91</u>	<u>77</u>
Total revenues	<u>5,744</u>	<u>6,659</u>	<u>10,509</u>	<u>12,065</u>
Cost of sales				
Cost of product sales.....	2,351	1,905	4,617	3,694
Cost of NRE	<u>16</u>	<u>28</u>	<u>41</u>	<u>30</u>
Total cost of sales	<u>2,367</u>	<u>1,933</u>	<u>4,658</u>	<u>3,724</u>
Gross profit.....	<u>3,377</u>	<u>4,726</u>	<u>5,851</u>	<u>8,341</u>
Operating expenses:				
Research and development.....	2,098	1,465	3,987	2,865
Selling and marketing	1,027	766	1,988	1,511
General and administration	<u>955</u>	<u>975</u>	<u>1,824</u>	<u>1,802</u>
Total operating expenses.....	<u>4,080</u>	<u>3,206</u>	<u>7,799</u>	<u>6,178</u>
Operating income (loss)	(703)	1,520	(1,948)	2,163
Interest income/(expense).....	66	66	125	73
Other income	<u>27</u>	<u>25</u>	<u>39</u>	<u>75</u>
Income (loss) from continuing operations.....	(610)	1,611	(1,784)	2,311
Income from discontinued operations	<u>7</u>	<u>5</u>	<u>1,227</u>	<u>33</u>
Income (loss)	<u>\$ (603)</u>	<u>\$ 1,616</u>	<u>\$ (557)</u>	<u>\$ 2,344</u>
Income (loss) per share (basic):				
Continuing operations.....	\$ (0.08)	\$ 0.21	\$ (0.23)	\$ 0.32
Discontinued operations.....	<u>0.00</u>	<u>0.00</u>	<u>0.16</u>	<u>0.01</u>
Income (loss) per share	<u>\$ (0.08)</u>	<u>\$ 0.21</u>	<u>\$ (0.07)</u>	<u>\$ 0.33</u>
Weighted average shares outstanding (basic)....	<u>7,674</u>	<u>7,670</u>	<u>7,673</u>	<u>7,159</u>
Income (loss) per share (fully diluted):				
Continuing operations.....	\$ (0.08)	\$ 0.20	\$ (0.23)	\$ 0.31
Discontinued operations.....	<u>0.00</u>	<u>0.00</u>	<u>0.16</u>	<u>0.01</u>
Income (loss) per share	<u>\$ (0.08)</u>	<u>\$ 0.20</u>	<u>\$ (0.07)</u>	<u>\$ 0.32</u>
Weighted average shares outstanding (fully diluted)	<u>8,633</u>	<u>8,331</u>	<u>8,623</u>	<u>7,668</u>

