

## **NovAtel Inc. Reports Record Financial Results for the Third Quarter 2004**

(Calgary, Alberta, Canada, October 28, 2004)— NovAtel Inc. (NASDAQ: NGPS), a global positioning systems manufacturer, today announced its financial results for the third quarter ended October 2, 2004<sup>1</sup>.

Revenues in the third quarter 2004 were CDN \$13.8 million (US \$10.4 million) compared to CDN \$10.9 million (US \$7.9 million) in the similar period a year ago. The Company is reporting net income for the third quarter 2004 of CDN \$2.9 million (US \$2.2 million) or CDN \$0.36 (US \$0.27) per share – basic compared to a net income of CDN \$1.7 million (US \$1.2 million) or CDN \$0.22 (US \$0.16) per share – basic in the similar period a year ago.

Revenues in the nine months ended October 2, 2004 were CDN \$39.6 million (US \$29.7 million) compared to CDN \$27.3 million (US \$18.9 million) in the similar period a year ago. The Company is reporting net income for the nine months ended October 2, 2004 of CDN \$7.0 million (US \$5.3 million) or CDN \$0.88 (US \$0.66) per share - basic compared to a net income of CDN \$2.4 million (US \$1.7 million) or CDN \$0.31 (US \$0.21) per share – basic, in the similar period a year ago.

"This quarter's results represent our fourth consecutive quarter of record revenue and the highest quarterly net income from continuing operations in NovAtel's history," said Jon Ladd, President and CEO. "Revenue for the quarter was driven by strong sales in our Special Applications as well as our Aerospace and Defence categories. We believe we have laid a foundation for our revenue growth by focusing on a true OEM strategy of providing core precision positioning components and subsystems to a wide range of markets. Additionally, our Q3 financial results were noticeably augmented due to hardware sales in the Aerospace and Defence category, which tend to rely on the timing of large government contracts."

"In our Special Applications category, our third quarter 2004 revenue grew 32% year over year. The majority of this year over year increase is attributable to shipments to our customer Leica Geosystems, increased product shipments into China, and higher revenue from the L1 product line we acquired in May of 2003 from CMC Electronics," continued Ladd. "Demand for our precision positioning components and subsystems continues to be strong and is expected to be the long-term growth engine for NovAtel."

"In our Aerospace and Defence category, our third quarter revenue grew by 41% over the similar period a year ago, largely due to increased revenues from Raytheon Company for three contracts related to the next generation Wide Area Augmentation System (WAAS) program. Hardware deliveries to Raytheon Company contributed almost \$1.8 million to our third quarter 2004 revenues," continued Ladd. "These sales reflect our leadership in GPS-based ground infrastructure in support of future air traffic control systems."

"Geomatics revenue in the third quarter of 2004 decreased slightly over the similar period a year ago, primarily due to the negative impact on our revenues of the weaker US dollar," concluded Ladd.

"We view the third quarter of 2004 as a particularly strong quarter for NovAtel from a financial performance perspective," commented Werner Gartner, NovAtel's Executive Vice President and CFO. "A number of factors, particularly increased revenue, including the aviation hardware shipments, and higher gross margins as a percentage of revenue contributed to net income of CDN \$2.9 million for the third quarter of 2004."

"In addition, the strong operating results allowed us to continue to strengthen our balance sheet. We generated positive operating cash flow for the twelfth consecutive quarter and increased our cash/short-term investments balance to over \$21 million as of October 2<sup>nd</sup>," concluded Gartner.

The Company is revising its previously issued guidance for the full year 2004 to reflect the results of the first nine months of 2004. The Company is currently forecasting revenue of CDN \$51.0 to \$53.0 million, compared to earlier guidance of between CDN \$49 and \$50.5 million; and net income of CDN \$8.0 to \$8.8 million, compared to earlier guidance of between CDN \$6.0 and \$6.5 million. This guidance assumes that the US dollar relative to the Canadian dollar remains at current levels of approximately \$1.22 Canadian dollar per US dollar.

The US dollar financial information presented above is translated from the Canadian dollar financial information at the average rates in effect during the relevant reporting periods, as follows:

	Three months ended		Nine months ended	
	Oct. 2, 2004	Sep. 28, 2003	Oct. 2, 2004	Sep. 28, 2003
Canadian dollar per US dollar	\$1.327	\$1.380	\$1.332	\$1.450

<sup>1</sup>The third quarter 2004 ended on October 2, 2004, based on the company's general practice, subject to timing constraints, of closing interim quarters on the Saturday closest to the calendar quarter end (September 30, 2004). The third quarter 2004 included 94 days of operating activities, compared to 91 days in the third quarter of 2003.

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During the conference call scheduled for this afternoon, the Company will be providing updates and further information on the following: revenues from the Special Applications, Aerospace & Defence and Geomatics categories; the recent shipments to Raytheon Company; Point, Inc.; and the Company's outlook for the remainder of 2004.

The Company will have a conference call today at 4:30 p.m. ET. Participants may access the NovAtel Inc. conference call by dialing 888-334-7880 (North America) or 416-695-9722 (International). This call is also being web cast and can be accessed at NovAtel's web site [www.novatel.com](http://www.novatel.com) or at [www.fulldisclosure.com](http://www.fulldisclosure.com).

A replay of the conference call will be available until November 4, 2004 by dialing 1-866-518-1010 (North America) or 416-695-5275 (International), or until January 15, 2005 at the web addresses noted above.

The web cast is also being distributed over CCBN's Investor Distribution Network to both institutional and individual investors. Individual investors can listen to the call through CCBN's individual investor centre at [www.fulldisclosure.com](http://www.fulldisclosure.com) or by visiting any of the investor sites in CCBN's Individual Investor Network such as America Online's Personal Finance Channel, Fidelity Investments® (Fidelity.com) and others. Institutional investors can access the call via CCBN's password-protected event management site, StreetEvents ([www.streetevents.com](http://www.streetevents.com)).

NovAtel designs, markets and sells high-precision GPS and other positioning components and sub-systems used in a wide variety of commercial applications principally in the aviation, geomatics (surveying and mapping), mining, precision agriculture, marine and defence industries. NovAtel's solutions combine hardware, such as receivers and antennas, with software to enable its customers to fully integrate the Company's high-

precision GPS technology into their respective products and systems. The Company is focused on supplying core high-precision positioning technology to OEMs and system integrators who build systems for various end market applications. For more information, visit [www.novatel.com](http://www.novatel.com).

*Certain statements in this news release, including those about the Company's future plans and intentions, financial guidance, long-term growth prospects, levels of activity or other future events, are forward-looking statements. These forward-looking statements are not based on historical facts but rather on management's current expectations regarding NovAtel's future growth, results of operations, performance, future capital and other expenditures, competitive advantages, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "may", "could", "will", "potential", "intend", "estimate", "should", "plan", "predict" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements, including operating results of Point, establishing and maintaining effective distribution channels, certification and market acceptance of NovAtel's new products, impact and timing of large orders, credit risks of customers and Point, pricing pressures in the market and other competitive factors, maintaining technological leadership, timing of revenue recognition in connection with certain contracts, U.S. dollar to Canadian dollar exchange rate fluctuations, actions by governmental authorities, and other factors described in our Form 20-F and other SEC filings, many of which are beyond the control of NovAtel. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. These forward-looking statements are made as of the date of this news release, and NovAtel assumes no obligation to update or revise them to reflect new events or circumstances.*

**NOVATEL INC.**

**CONSOLIDATED BALANCE SHEETS**  
**(in Canadian \$ thousands)**  
**(Unaudited)**

	<b>Oct. 2, 2004</b>	<b>Dec. 31, 2003</b>
<b>ASSETS</b>		
Current assets:		
Cash and short term investments.....	\$21,081	\$13,000
Accounts receivable .....	7,299	6,383
Related party receivables .....	1,439	1,081
Related party notes receivable.....	1,683	1,721
Inventories .....	4,851	4,782
Prepaid expenses and deposits .....	<u>359</u>	<u>357</u>
Total current assets.....	36,712	27,324
Capital assets.....	3,800	3,700
Intangible assets .....	2,187	1,991
Deferred development costs .....	<u>2,485</u>	<u>2,557</u>
Total assets.....	<u>\$45,184</u>	<u>\$35,572</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities .....	\$8,114	\$5,868
Related party payables .....	448	935
Notes payable .....	1,683	1,721
Deferred revenue.....	698	312
Provision for future warranty costs.....	513	410
Capital lease obligations – current portion .....	<u>1</u>	<u>100</u>
Total current liabilities .....	11,457	9,346
Deferred gain on sale/leaseback of capital assets .....	481	567
Related party payables – long-term portion .....	<u>102</u>	<u>212</u>
Total liabilities .....	<u>12,040</u>	<u>10,125</u>
Shareholders' equity:		
Capital stock .....	37,615	37,012
Contributed surplus.....	528	13
Deficit .....	<u>(4,999)</u>	<u>(11,578)</u>
Total shareholders' equity .....	<u>33,144</u>	<u>25,447</u>
Total liabilities and shareholders' equity .....	<u>\$45,184</u>	<u>\$35,572</u>

**NOVATEL INC.**

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

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>Oct. 2,</u> <u>2004</u>	<u>Sep. 28,</u> <u>2003</u>	<u>Oct. 2,</u> <u>2004</u>	<u>Sep. 28,</u> <u>2003</u>
Revenues:				
Product sales .....	\$12,743	\$ 9,172	\$35,194	\$22,222
NRE fees .....	<u>1,034</u>	<u>1,752</u>	<u>4,367</u>	<u>5,115</u>
Total revenues.....	<u>13,777</u>	<u>10,924</u>	<u>39,561</u>	<u>27,337</u>
Cost of sales:				
Cost of product sales.....	4,763	4,155	13,884	10,321
Cost of NRE fees.....	<u>646</u>	<u>842</u>	<u>2,418</u>	<u>2,605</u>
Total cost of sales .....	<u>5,409</u>	<u>4,997</u>	<u>16,302</u>	<u>12,926</u>
Gross profit .....	<u>8,368</u>	<u>5,927</u>	<u>23,259</u>	<u>14,411</u>
Operating expenses:				
Research and development .....	2,394	2,095	6,830	5,185
Selling and marketing .....	1,485	1,376	4,533	3,790
General and administration .....	1,325	1,175	3,935	3,038
Share offering costs .....	<u>20</u>	<u>—</u>	<u>742</u>	<u>—</u>
Total operating expenses .....	<u>5,224</u>	<u>4,646</u>	<u>16,040</u>	<u>12,013</u>
Operating income .....	3,144	1,281	7,219	2,398
Interest income, net .....	87	48	195	146
Other income (expense) .....	<u>(342)</u>	<u>(28)</u>	<u>(327)</u>	<u>(434)</u>
Income from continuing operations before income taxes.....	2,889	1,301	7,087	2,110
Provision for income taxes .....	<u>18</u>	<u>14</u>	<u>52</u>	<u>35</u>
Net income from continuing operations	2,871	1,287	7,035	2,075
Income (loss) from discontinued operations .....	<u>—</u>	<u>372</u>	<u>—</u>	<u>344</u>
Net income .....	<u>\$ 2,871</u>	<u>\$ 1,659</u>	<u>\$ 7,035</u>	<u>\$ 2,419</u>
Net income per share (basic)				
Continuing operations.....	\$ 0.36	\$ 0.17	\$ 0.88	\$ 0.27
Discontinued operations.....	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>	<u>0.04</u>
Net income per share (basic).....	<u>\$ 0.36</u>	<u>\$ 0.22</u>	<u>\$ 0.88</u>	<u>\$ 0.31</u>
Weighted average shares outstanding (basic) .....	<u>8,069</u>	<u>7,696</u>	<u>8,033</u>	<u>7,690</u>
Net income per share (diluted)				
Continuing operations.....	\$ 0.33	\$ 0.16	\$ 0.82	\$ 0.26
Discontinued operations.....	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>	<u>0.04</u>
Net income per share (diluted) .....	<u>\$ 0.33</u>	<u>\$ 0.21</u>	<u>\$ 0.82</u>	<u>\$ 0.30</u>
Weighted average shares outstanding (diluted).....	<u>8,584</u>	<u>8,017</u>	<u>8,562</u>	<u>7,957</u>