

## NOVATEL INC

# Precise Thinking and Innovation

Founded in 1983, NovAtel was originally a telecommunications company and since Initial Public Offering in 1997 has been a public company (NASDAQ: NGPS) entirely focused on GNSS and precise-positioning technology. Based in Calgary, Alberta, Canada, it currently employs 250 people.

An ISO 9001-certified company, we develop Original Equipment Manufacturer (OEM) products including receivers, antennas, enclosures and software for integration into high-precision positioning applications worldwide. These include surveying, GIS mapping, precision-agriculture machine guidance, port automation, mining and marine industries. Our reference receivers are also at the core of national aviation ground networks in the US, Japan, Europe, China and India. Our strategy is based on achieving profitable growth through Rol-based decision-making, creating value for stakeholders and developing strategic partnerships and ventures with best-of-breed companies offering complementary technologies and/or markets. We also focus on customer satisfaction through product cost/performance, rapid integration ability and support.

### Shipping to China

Special applications form our core business, made up primarily of sales to large OEMs and system integrators who incorporate NovAtel technology into end-user solutions. Revenue from our special-applications category grew 29% in 2005 over 2004 and contributed CDN\$42.6 million. A significant driver of growth in special applications has been our business in China, which grew 62% in 2005 compared to 2004. China has a developing OEM integration market addressing domestic surveying, mapping, port automation and other applications requiring precise positioning and navigation. As of the third quarter of 2006, year-to-date revenue in our special-applications category grew by 32% over the similar period in 2005. The majority of this increase is attributable to higher product shipments into the surveying and mapping market and to the company's US and European dealer network, higher shipments of OEM product into China and the addition of the Waypoint product-line.

### Steady Growth

We continue to expand in all areas: sales, marketing, administration, manufacturing, research and development. The number of full-time employees at NovAtel increased 20% in 2005 compared to 2004, and we recently opened new offices in Europe and Australia to expand our dealer network and provide regional sales support. The most successful year in NovAtel's history so far was 2005 when we achieved revenue growth of 17% to a record CDN\$63.3million, and net income growth of 30% to a record CDN\$16.7 million. As of the third quarter of 2006 we are on track for another successful year. Year-to-date revenues for the first nine months were CDN\$58.4 million compared to CDN\$47.1 million for the same period of 2005. We reported a net income for the first nine months 2006 of CDN\$16.3 million compared to CDN\$11.6 million for the same period of 2005.

### New Receivers

Our line of precise positioning engines, enclosures and antennas is developed to meet a wide range of accuracy and cost requirements. Our positioning engines are designed for ease of integration, with low power consumption and comprehensive message suites for configuration and data logging. Our newest OEMV family of receivers, announced in 2006, delivers high-quality GNSS positioning performance and many key features, including Glonass measurements, GPS modernisation, API (Application Programming Interface) and integrated L-band. They are RoHS-compliant and incorporate the new AdVance RTK engine developed to enhance the performance of our OEMV product family. The new engine is customised for OEMV hardware and features fast initialisation times and positional accuracy for a large range of usable baseline lengths. The OEMV-2 and OEMV-3 models are drop-in replacements for OEM4 receivers.

### More is Better

OEMV technology includes the capability to precisely track next-generation "modernised" GPS signals, including the third L5 frequency, L2C and dual-frequency signals from the growing Russian Glonass satellite constellation. In 2006 we also released a single-board, dual-frequency GPS+Galileo receiver. The European Union's future Galileo system and Russia's Glonass are complementary to GPS. This is significant because the more satellites and frequencies can be simultaneously tracked, the more available and reliable the positioning and navigation solution, especially in partially obstructed environments. For conditions in which GPS alone is less reliable we have developed SPAN (Synchronised Position Attitude & Navigation) Technology, an Inertial Measurement Unit (IMU) that provides continuous positioning and attitude. GPS+Inertial post-processing software complements SPAN through our Waypoint Products Group. Our GPS-700 antenna series offers access to the GPS L1 and L2, and Glonass L1/L2 frequencies, and the L-band frequencies used by the OmniSTAR and Canada-wide Differential GPS (CDGPS) correction services. We also develop and supply GPS navigational receivers for national Satellite-Based Augmentation Systems (SBAS) worldwide. These complex receivers incorporate Narrow Correlator tracking technology, MEDLL multipath mitigation and Signal Quality Monitoring. They also receive and process WAAS L1/L5 GEO and GPS L1/L2/L5 signals.

### Future

Both GPS and Glonass satellites are currently orbiting the Earth. Within the next few years Galileo satellites launched by the EU will join them. The three systems are together referred to as the Global Navigation Satellite System, or GNSS. GNSS heralds a new era in satellite

navigation. More mature markets, such as geomatics, may grow more quickly than previously expected thanks to true and measurable benefits to customers of multi-constellation receivers. Our advanced positioning technology results from significant research and development investment focused on the modernised GPS, the revitalised Glonass and the emerging Galileo satellite systems, as well as integration of complementary technologies such as IMUs. The European Space Agency expects Galileo to be operational in 2008 to 2011. Late in 2005 NovAtel was selected as a key technology contributor to the development team responsible for the ground-based segment; we also participate in Galileo receiver development and are a member of Galileo Services. We are marketing our EuroPak-15, a configurable sixteen-channel GPS+Galileo receiver which has successfully acquired and tracked the L1 BOC(1,1) signal transmitted by the Galileo GIOVE-A test satellite. This receiver has been developed in Canada by NovAtel under a Canadian Space Agency Space Technology Development Program and is awaiting licence by the Galileo programme.

## Outlook

NovAtel research focuses on its core technology. This approach positions us as a technological leader in the GNSS industry. By searching for true innovation in RF (Radio Frequency) and digital design, signal-processing and embedded software we continue to strengthen our technology portfolio.

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