



February 22, 2005

## **PCTEL Posts \$15.3 Million In Fourth Quarter Revenue**

### **Wireless Revenue Up 305% Over Fourth Quarter Last Year**

### **2004 Revenue Climbs To \$48.2 Million**

CHICAGO, Feb 22, 2005 (BUSINESS WIRE) -- PCTEL, Inc. (NASDAQ:PCTI), a global leader in simplifying mobility, today announced financial results for the fourth quarter ended December 31, 2004. Total revenue was \$15.3 million for the fourth quarter of 2004, including \$14.2 million of wireless product revenue and \$1.1 million of licensing revenue. This compares to \$18.3 million of revenue in the fourth quarter 2003, which included \$3.5 million of wireless revenue and \$14.8 million of licensing revenue. The increase in wireless revenue was primarily due to the acquisition of MAXRAD in the first quarter 2004 and several antenna product lines from Andrew Corporation (NASDAQ: ANDW) in the fourth quarter 2004.

Net income for the fourth quarter of 2004 was \$1.1 million, or \$0.05 per diluted share, compared to net income of \$8.0 million, or \$0.39 per diluted share reported in the fourth quarter of 2003. Both the fourth quarter of 2004 and 2003 contained significant one-time items that positively impacted net income. The fourth quarter of 2004 included a \$3.2 million reversal of a modem royalty expense reserve made possible by the settlement of the company's patent litigation with 3Com. The fourth quarter of 2003 included \$13.5 million in net licensing revenue and gross profit related to an intellectual property settlement with Intel.

The company previously announced the acquisition of several antenna product lines from Andrew Corporation (NASDAQ: ANDW). That transaction closed on October 29, 2004 and the results from these operations for November and December are reported in the fourth quarter 2004 results.

The company realized strong sales for its Wi-Fi Antennas and its new CLARIFY™ Interference Management System (IMS). During the quarter, the company released its secure Roaming Client for wireless connectivity and realized software licensing revenue through carrier sales.

For the year ended December 31, 2004, the company's total revenue was \$48.2 million, comprised of \$42.3 million of wireless revenue and \$5.9 million of licensing revenue. In 2003 the company had \$45.6 million of total revenue, comprised of \$9.6 million of wireless revenue, \$18.1 million of licensing revenue and \$17.9 million of HSP modem revenue. The HSP modem product line was sold to Conexant in May of 2003. Net loss for 2004 was \$(2.7) million, or \$(0.14) per diluted share, compared to net income of \$5.9 million, or \$0.28 cents per diluted share in 2003.

"We are excited about our strong fourth quarter results," said Marty Singer, PCTEL's Chairman and CEO. "We achieved consistency in our software sales, established CLARIFY as a leading cellular optimization tool, and immediately integrated our recent antenna product acquisitions into our core operations. Our efforts to simplify mobility now extend to both RFID and satellite radio as we continue to expand our antenna product line. We look forward to continuing our corporate development activities and increasing revenue in 2005," added Singer.

Cash and short-term investments on December 31, 2004 were \$84.1 million, a decrease of \$18.2 million from the third quarter of 2004. The decrease is primarily attributed to the purchase of the Andrew product lines, the purchase of a new building for the Antenna Product Group, and the stock buyback program. The company repurchased 135,400 of its shares during the quarter just ended. As of December 31, 2004, the company has repurchased 2.0 million out of the 2.5 million shares authorized by the Board of Directors under its share buyback program.

In connection with its evaluation and testing activities under Section 404 of the Sarbanes Oxley Act of 2002, the company has concluded that a control deficiency in its internal controls over financial reporting as of December 31, 2004 constitutes a "material weakness" within the meaning of the Public Company Accounting Oversight Board Auditing Standard No. 2. The material weakness relates to the company's accounting for income taxes in the fourth quarter as part of the year-end reporting process. The financial statements presented have been appropriately adjusted and reflect the correct income tax expense and income tax accrual. Because the error relates to our tax accounting, it has no effect on our business or customers, and has no impact on our revenues, our cash flows or our financial condition. To remediate the deficiency, the company has engaged an

outside tax consultant and is implementing an internal training program to enhance the capabilities of its internal tax personnel. Management will disclose the material weakness in internal controls in its 2004 annual Form 10-K and indicate that the company's internal controls over financial reporting were not effective as of year-end. In addition, the company expects that the material weakness will result in an adverse opinion by the company's independent registered public accountants on the effectiveness of the company's internal controls.

## CONFERENCE CALL / WEBCAST

The company will hold a conference call at 4:00 PM CST (5:00 PM EST) today with Marty Singer, chairman and chief executive officer, and John Schoen, chief operating officer and chief financial officer. The session will include brief remarks, and can be accessed by calling (800) 545-9583 (U.S. / Canada) or (913) 981-4910 (international).

To listen via the Internet, please visit, [www.pctel.com](http://www.pctel.com), or <http://www.shareholder.com/pctel/MediaList.cfm>

REPLAY: A replay will be available for two weeks after the call on PCTEL's web site at [www.pctel.com](http://www.pctel.com) or by calling (888) 203-1112 (U.S. / Canada) or (719) 457-0820 (international) access code: 3254384.

## ABOUT PCTEL

PCTEL (NASDAQ:PCTI), founded in March 1994, is a global leader in simplifying mobility. PCTEL's Mobility Solution Group's (<http://mobilitysolutions.pctel.com>) software tools provide secure, access independent, remote connectivity. PCTEL's RF Solution Group's (<http://rfsolutions.pctel.com>) portfolio of OEM receivers and receiver-based products are used to measure and monitor cellular networks. PCTEL's Antenna Products Group (<http://antenna.pctel.com>) designs, distributes, and supports innovative antenna solutions that facilitate and simplify wireless communications. PCTEL protects its leadership position with a portfolio of more than 130 analog and broadband communications and wireless patents, issued or pending, including key and essential patents for modem technology. PCTEL's products are sold or licensed to wireless carriers, wireless ISPs, distributors, wireless test and measurement companies, system integrators, PC manufacturers and PC card and board manufacturers. PCTEL headquarters are located at 8725 West Higgins Road, Suite 400, Chicago, IL 60631. Telephone: 773-243-3000. For more information, please visit our web site at: <http://www.pctel.com>.

## PCTEL Safe Harbor Statement

This press release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Specifically, the statements regarding PCTEL's expectations regarding its future business prospects and the future growth of its wireless and licensing businesses are forward looking statements within the meaning of the safe harbor. These statements are based on management's current expectations and actual results may differ materially from those projected as a result of certain risks and uncertainties, including the ability to successfully grow the wireless products business, the ability to implement new technologies and obtain protection for the related intellectual property, and the risks inherent in potential acquisitions. In addition, there is no certainty that, in connection with the required compliance activities under Section 404 of the Sarbanes-Oxley Act of 2002, PCTEL or its independent auditors will not identify additional control deficiencies in the company's internal controls over financial reporting, including deficiencies that constitute additional material weaknesses within the meaning of the accounting requirements. These and other risks and uncertainties are detailed in PCTEL's Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and PCTEL disclaims any obligation to update or revise the information contained in any forward-looking statement, whether as a result of new information, future events or otherwise.

PCTEL, Inc.  
Condensed Consolidated Statements of Operations  
(unaudited, in thousands, except per share information)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2004	2003	2004	2003
REVENUES	\$15,298	\$18,311	\$48,221	\$45,600
COST OF REVENUES	7,335	592	19,786	13,464
MODEM INVENTORY AND ROYALTY EXPENSE RECOVERY	(3,208)	-	(3,208)	(1,800)

GROSS PROFIT	11,171	17,719	31,643	33,936
OPERATING EXPENSES:				
Research and development	2,376	1,715	8,506	7,808
Sales and marketing	2,863	1,848	10,944	7,503
General and administrative	4,243	3,092	14,402	10,387
Amortization of other intangible assets	840	343	2,972	1,124
Acquired in-process research and development	-	-	-	1,100
Restructuring charges	129	522	(66)	3,462
Gain on sale of assets and related royalties	(500)	(500)	(2,000)	(5,476)
Stock Based Payments	385	210	1,425	958
Total operating expenses	10,336	7,230	36,183	26,866
INCOME (LOSS) FROM OPERATIONS	835	10,489	(4,540)	7,070
OTHER INCOME, NET	402	263	1,261	1,383
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	1,237	10,752	(3,279)	8,453
PROVISION (BENEFIT) FOR INCOME TAXES	173	2,730	(541)	2,575
NET INCOME (LOSS)	\$ 1,064	\$ 8,022	\$(2,738)	\$ 5,878
Basic earnings (loss) per share	\$ 0.05	\$ 0.41	\$ (0.14)	\$ 0.29
Shares used in computing basic earnings (loss) per share	20,064	19,722	19,857	20,145
Diluted earnings (loss) per share	\$ 0.05	\$ 0.39	\$ (0.14)	\$ 0.28
Shares used in computing diluted earnings (loss) per share	20,408	20,403	19,857	20,975

PCTEL, Inc.  
Consolidated Condensed Balance Sheets  
(unaudited, in thousands)

	December 31, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 83,887	\$ 106,007
Restricted cash	208	278
Short-term investments	-	19,177
Accounts receivable, net	10,819	3,630
Inventories, net	8,554	1,267
Prepaid expenses and other assets	2,969	1,929
Total current assets	106,437	132,288
PROPERTY AND EQUIPMENT, net	9,746	1,197
GOODWILL	14,114	5,561
OTHER INTANGIBLE ASSETS, net	11,628	4,140
OTHER ASSETS	180	55
TOTAL ASSETS	\$ 142,105	\$ 143,241

# LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES:

Accounts payable	\$ 1,085	\$ 333
Accrued royalties	11	3,208
Income taxes payable	5,692	7,359
Deferred revenue	1,920	2,960
Accrued liabilities	10,140	5,739

Total current liabilities	18,848	19,599
LONG-TERM LIABILITIES	334	736

Total liabilities	19,182	20,335
-------------------	--------	--------

## STOCKHOLDERS' EQUITY:

Common stock	21	20
Additional paid-in capital	160,180	155,548
Deferred compensation	(4,422)	(2,552)
Accumulated deficit	(32,938)	(30,201)
Accumulated other comprehensive income	82	91

Total stockholders' equity	122,923	122,906
----------------------------	---------	---------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 142,105	\$ 143,241
--	------------	------------

SOURCE: PCTEL, Inc.

PCTEL, Inc.  
 John Schoen, 773-243-3000  
 or  
 Jack Seller, 773-243-3016  
 jack\_seller@pctel.com

Copyright © 2005 Business Wire. All rights reserved.

News Provided by COMTEX