

METRICOM, WHO WE ARE...

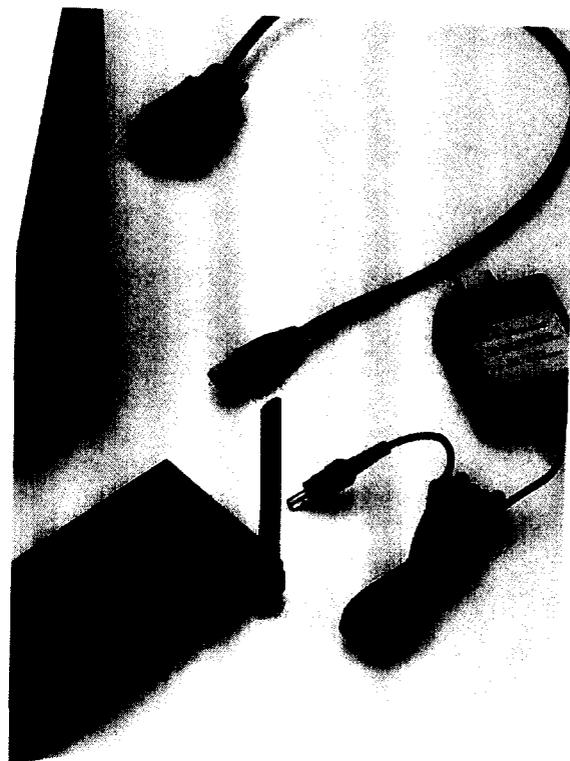
Q: *What business is Metricom in?*

A: Metricom is a wireless data communications company. Metricom has developed and supplied wireless data communication networks to a variety of electric and water utility companies over the last eight years. Ricochet represents the latest application of Metricom's wireless data communications expertise and is being deployed as a personal computing network for wide-spread use for a wide variety of applications.

Q: *Who supplies Ricochet service?*

A: Metricom currently develops, manufactures and supplies portable modems and accessories necessary for Ricochet wireless connectivity. Additionally, Metricom designs and manufactures all the devices necessary to operate the MicroCellular Data Network infrastructure. Current distribution plans include Value Added Resellers (VARs) and computer resellers.

Prices and specifications referred to above are subject to change without advance notice from Metricom.

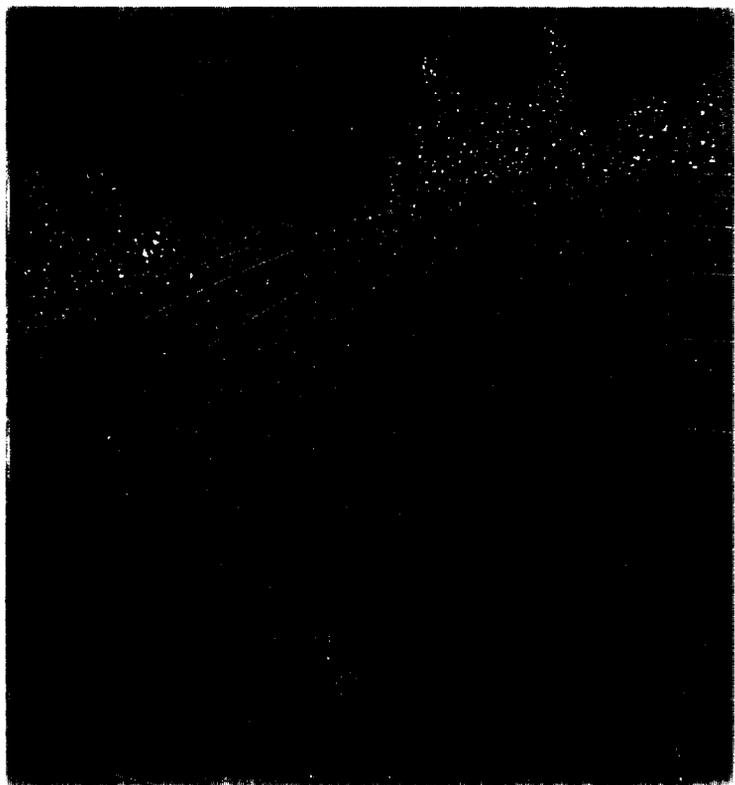


THE RICOCHET MODEM

Metricom

1-800-556-6123

METRICOM, INC. 980 UNIVERSITY AVENUE LOS GATOS CALIFORNIA 95030-2375
TEL: 408-399-8200 FAX: 408-354-5147 INFO@METRICOM.COM



Founded in 1985, Metricom, Inc. set out to design, manufacture, and market wireless data communications networks primarily for the electric utility industry. Today, Metricom's radio-based networks provide cost-effective, flexible, and license-free communications for a wide range of applications - from commercial and industrial installations to communications services for personal computer users. Metricom's goal is to lead the wireless revolution. The company employs more than 90 people and has corporate and manufacturing headquarters located in Los Gatos, California. Metricom's stock is traded under the Nasdaq symbol MCOM.

welcome to the **wireless generation.** Look no further than the headline of a recent *Fortune* Magazine article that forecasts the trend toward two-way wireless communication. It says, "It's not just **data,** not voice phone calls, not a steady stream of e-mail. For the Americans will use wireless services in a big way by the end of the decade. These new networks will network together, the dawn of a new generation, the wireless generation."

Without having to **connect** through a phone line, you can communicate and transfer data, access corporate computer files and your database, surf the Internet, and connect to on-line services such as America Online, Prodigy or CompuServe. You'll be able to do all this with a portable computer or personal digital assistant (PDA) wherever you are—whether at work, at home, or on the go. And, the fact that all these wireless phones have changed the way you communicate via wireless technology will soon dramatically change the way you access data—giving you a new wireless freedom. **Enter Metricom.**



The **wireless**

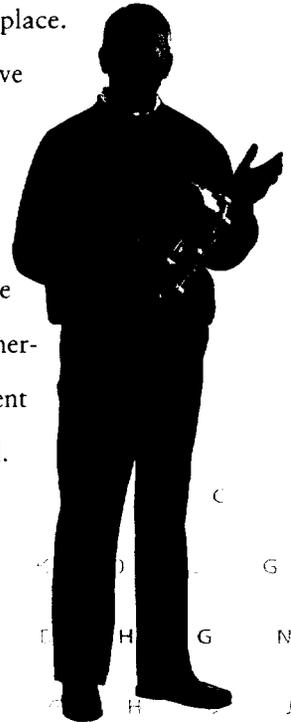




If 1993 is any indication – and we believe it is – Metricom’s technology, products, and services will play an increasingly important role in the now-emerging wireless world. To broaden our focus beyond selling private communications networks to utilities, we’ve made substantial investments over the past year in the development of a wireless data communications service that will support a broad spectrum of wireless applications.

of applications and to place this capability into the hands of a much broader audience. Our long-term strategy is to become the major player in the personal wireless data communications marketplace.

We recognize that we have much work ahead of us. We’re confident, however, that we now have the technology, and we’re putting in place the partnerships, and the management to help us reach our goal.



LeRoy Nosbaum

generation is here.

⤴ We made significant progress during the year with our Utilinet business establishing the widespread viability of wireless solutions for 15 electric utility companies across the U.S., and we’re just as pleased that this innovative technology is now being used in the wastewater and natural gas industries. Even more promising is the progress we’ve made in the development of our MicroCellular Data Network called Ricochet™. Metricom’s goal is to use Ricochet to make wireless data communications possible for a broad range

Financial Summary.

Notable in 1993 was a \$17.5-million equity investment from Vulcan Ventures, Inc., an affiliate of Paul Allen, a Seattle investor and co-founder of Microsoft Corporation. We plan to use the capital for the development and initial roll-out of Ricochet services in the largest metropolitan areas in the United States, beginning with the San Francisco Bay Area during 1994.

⤴ For the year ending December 31, 1993, Metricom reported revenue of

\$10.1 million compared with \$6.4 million in 1992, and a net loss of \$6.1 million, or \$0.74 per share, compared with a net loss of \$4.5 million, or \$0.61 per share, for the same period last year. This loss represents Metricom's investment in the development of the UtiliNet business and the development of Ricochet products.

☞ In March 1994, we completed an additional common stock offering. Net proceeds from this offering will be used to finance the further development, deployment, and start-up costs of the Ricochet business.

UtiliNet Business Gains Momentum.

During 1993, Metricom's private wireless solutions for utility and industrial applications gained momentum. Current trial customers began expanding their networks – moving from pilot to large-scale projects – and we successfully forged into two new markets: wastewater and natural gas. Product revenue to date has been obtained primarily from the electric utility industry, an area of our business that we believe will continue to provide solid growth. We received initial orders from two new electric utility customers during the fourth quarter: Potomac Electric Power Co. and Scarborough Public Utility Commission in Canada. The year ended with a \$7-million contract extension supporting first quarter 1994 shipments for Southern California Edison's two-year project to install a wireless data communications network across its service territory.

☞ We delivered our first UtiliNet communications pilot networks for the natural gas industry to Halliburton Energy Services and Tenneco Gas. In the wastewater industry, we won contracts from the Metropolitan Sewer District of Cincinnati and the Oakland County Department of Public Works in Michigan. In each application, the UtiliNet data network set new standards in cost-effective wireless solutions for sophisticated data communication networks. As we continue commercial deployment of our UtiliNet products, we are establishing a partners program that will encourage third-party equip-

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B 5 1 V H
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ment manufacturers to offer UtiliNet compatible products.

Ricochet Plans Progress Rapidly.

During 1993, we made significant progress in Ricochet product development. We also received considerable media and analyst attention regarding our plans for providing wide-area wireless data communications services to a variety of subscribers, including portable computer users remotely accessing corporate networks, electronic mail systems, the Internet, and on-line services. During the year, we completed our alpha test at Apple Computer and began beta testing of Ricochet at a number of locations – including Stanford University, Apple Computer, Compaq Computer Corporation, and Microsoft Corporation. Ricochet will provide service at higher data rates, lower costs, and be more easily used than other currently available wireless data communications services. In addition, it will provide us with a monthly recurring revenue stream, and be priced to the customer at a flat monthly rate based on speed and priority.

⤴ In late December, we announced that Brian Salisbury, formerly president of Bell Mobility ARDIS, would join Metricom in the new year as president of our newly created Wireless Services Division. During his tenure at Bell Mobility ARDIS – Canada's national wireless data network – Salisbury helped

grow the business from a specialized regional operation to a nationwide public network. His experience will be instrumental in the commercialization of our Ricochet business.

⤴ As always, we will continue to invest heavily in development of our technology. We are positioning Metricom for long-term growth as a dominant provider of wide-area wireless data communications solutions. To further encourage the acceptance of Ricochet services and UtiliNet products, we will continue to pursue partnerships and alliances that will enable us to leverage our existing resources and to accelerate product development and deployment. Internationally, we're pursuing other joint ventures and strategic alliances as well.

⤴ It was a great year for Metricom – thanks to the efforts of an outstanding group of employees. We're confident that the efforts of this dedicated team will ensure our success in the wireless world. There can be little doubt that the wireless generation is here.



Robert Dilworth
President and Chief Executive Officer



The new **wireless generation**
will have instant access t





It's 8 a.m. You're already late for a client appointment and don't have a minute to spare. The one document you need is at the office, where you left it last night, but you're still at home. As you prepare to head out the door, you tap a button on your laptop computer and select the name of the document from a list that appears on your screen. By the time you've backed the car out of the driveway, the file has been transferred to you wirelessly, and you confidently head off to your meeting. A few hours later, you have some idle time at a customer site. Sitting in your car in the parking lot, you enter new leads into your laptop computer's customer "hot" list. It is here that inspiration strikes. You've got a great idea for marketing your latest product and you need an audience now. You quickly compose an e-mail note,

to information – anywhere, anytime.

and wirelessly transmit it to the LAN at the home office. No plugs, no phone jacks, no modem lines are in sight. This is just part of the potential of wireless data communications from Metricom. And it will be here sooner than you think. We've devoted this year's annual report to talking about our core technology and our plans to bring wireless data communications solutions to individuals and businesses around the corner – and around the world.

s Applications

Forrester Research, Inc., Cambridge, Mass. asked: "Can Metricom start a revolution? Yes. Metricom has touched a nerve. This outrageously

cheap approach will carve out a niche for small regional nets. By doing so, it will prove that some customers do not care what radio is under the covers, or how large the network is. Instead, it will show what customers want ... faster wireless, low-cost service, and an alternative to dial-up."

From the start, we took a different approach to wide-area wireless data communications. We used spread spectrum technology, so our networks could operate in a part of the radio spectrum set aside by the FCC for license-free use. We quickly realized that the very low-cost, mesh networking technology we had initially developed for the electric utility industry could be used to provide wide-area wireless data communications services for a variety of applications. We increased the data rate to 77 kilobits per second – several times faster than other existing or announced wireless data communications networks – and provided transparent interfaces (telephone modem, TCP/IP) that allow the use of off-the-shelf software packages such as Lotus cc:Mail Mobile, AppleLink Remote, America Online, and Internet access software such as Chameleon.

The result is our wireless networking service that is faster, easier to use, and far less expensive than any other wide-area wireless service.

☛ Ricochet will operate as a subscriber-based, wide-area wireless data communications service designed for users of portable computers – those who require access to corporate networks, electronic mail systems, and on-line services. Other applications will include point of sale, delivery service dispatch, and workgroup communications. Initially, we will install small, localized networks, utilizing network radios in the density required to meet actual subscriber demand. Next, we will merge these localized networks into metropolitan area networks, and expand the Metricom service to the largest metropolitan areas in the United States. Through the use of high-speed, third-party wired networks, we'll establish links between metropolitan areas and support subscribers who roam outside of their particular metropolitan area.

☛ Individual subscribers will access the Metricom network via compact wireless radio modems about the size of a TV remote control. We're also working on smaller radio modems as well. Already, we have beta test sites at Stanford University, Apple Computer, Compaq Computer, Microsoft Corporation, with more planned in the future.

Students and professors can send messages and files from mobile terminals. They can also attend classes and conduct research.

The Metricom network will consist of a hierarchy of networks. It will be a multi-tiered system. It will be a multi-tiered system. It will be a multi-tiered system.

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Educational Oppor

Rush hour descends. The day has been long, the hour is late. You're caught in bumper-to-bumper traffic. Rather than fume or fret, you consult your PDA for messages. Your son has sent you an urgent message via the Internet from his dormitory at college. Send money, he asks. And your mother-in-law has sent you a message too – she's coming to stay for just a few weeks. You send an urgent wireless reply home, telling your spouse about the son requesting funds, the mother-in-law already en-route, and, perhaps, the prospect of immediately leaving town. When you arrive home, you find your daughter access-



"Everyone we know who has e the world of v

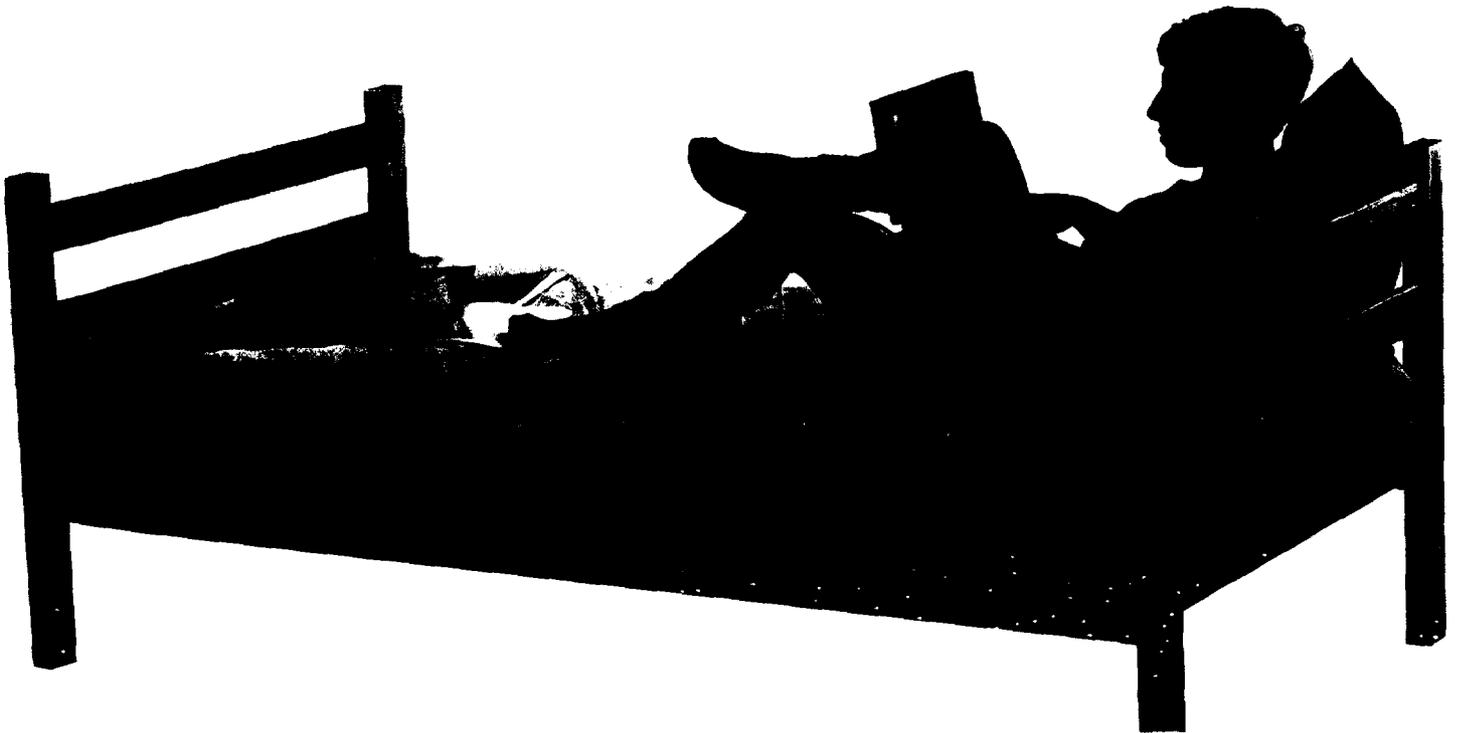
ing homework assignments and grades via the school server. Straight A's, she reported. Not bad, you think, but then she is your kid. While the late night news wraps up, you're on the couch with your laptop, checking for replies to the various e-mail messages that you sent during your day away from the office. You then check the price of your favorite stock. Good news. The stock you bought a month ago is up three points. As you doze off to sleep, you wonder, was that the stock I sold?





s experienced
wireless communication
has become **hooked!**"

— Andrew M. Seybold, Seybold's Outlook on Mobile Computing.



Utilities



Customer-owned UtiliNet networks and Metricom-operated Ricochet installations share the same innovative network architecture. What

distinguishes Metricom's wireless networks from others is our innovative "mesh" networking topology. Low-cost packet radios, the fundamental network building blocks, are installed geographically in a mesh pattern. Unlike traditional wireless networks and telephone connections that rely on a single communications path, the radio mesh provides multiple alternative communications paths – routing data packets around busy or non-functioning radios. In addition, Metricom's networks can be reconfigured, expanded or scaled back simply by adding or subtracting radios.

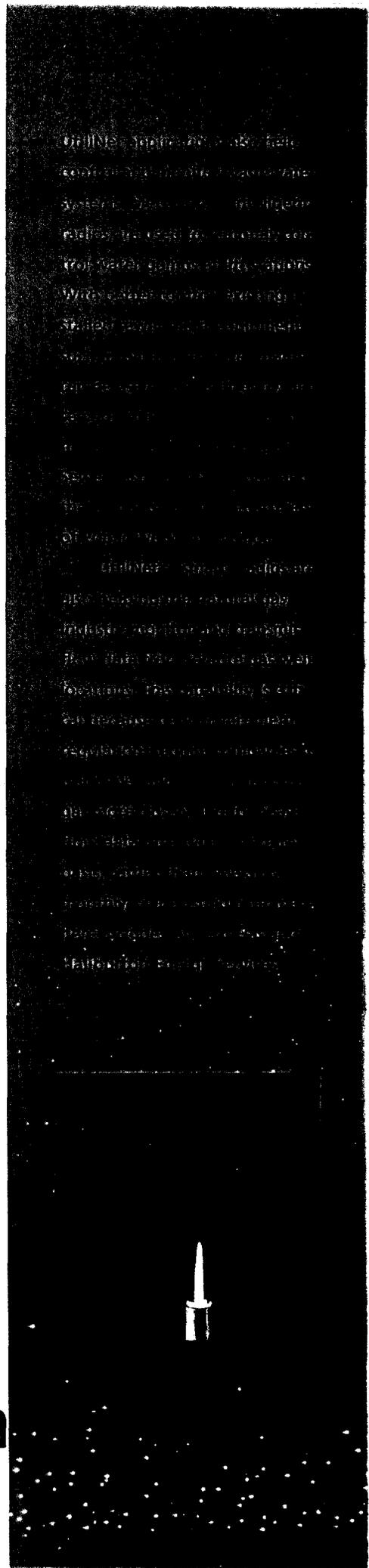
Another important differentiation between our wireless approach and that of our competitors is that we are certified for license-free operation in the 902-928 MHz frequency band. This means our wireless networks can be installed and operated anywhere in the U.S. without FCC licensing – eliminating the costs and constraints associated with licensed networks.

UtiliNet and Ricochet are rugged, reliable, and easily expandable wireless data communications solutions. Both networks provide

three key benefits: First, they represent a low-cost wireless solution. Our networks use inexpensive system components that are easy to install and maintain. And our use of the license-free spectrum further contributes to the network's low cost. Second, our networks offer capacity-rich, reliable, and secure data transmission features resulting in high performance capability for the particular application. And third, Metricom wireless networks are designed specifically to be easy to use with UtiliNet being compatible with many third-party devices and Ricochet permitting the use of applications that communicate over dial-up telephone lines.

↑ At Metricom, we believe that the ability to access and communicate data efficiently – regardless of location – is becoming increasingly important to both organizations and individuals. We believe that the wireless generation is the future and that our products and services will play an important role.

Other In



SELECTED CONSOLIDATED FINANCIAL DATA*(in thousands, except per share data)*

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and the notes thereto included herein. The consolidated statement of operations data for the years ended December 31, 1993, 1992 and 1991, and the consolidated balance sheet data as of December 31, 1993 and 1992, are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Report and should be read in conjunction with those financial statements and notes thereto. The consolidated statement of operations data for the years ended December 31, 1990 and 1989, and the consolidated balance sheet data as of December 31, 1991, 1990 and 1989 are derived from audited financial statements not included herein.

Years Ended December 31,	1993	1992	1991	1990	1989
Statements of Operations Data:					
Revenues:					
Product revenues	\$ 8,173	\$ 3,423	\$ 4,074	\$ 2,774	\$ 1,937
Development contract revenues	1,884	2,982	6,623	6,377	5,594
Total revenues	10,057	6,405	10,697	9,151	7,531
Cost and expenses:					
Cost of product revenues	6,401	3,197	3,715	2,225	1,601
Cost of development contract revenues	1,932	2,894	5,458	5,098	4,649
Company-funded research and development	3,256	1,809	145	107	98
Selling, general and administrative	5,027	3,366	2,989	2,170	1,713
Total costs and expenses	16,616	11,266	12,307	9,600	8,061
Loss from operations	(6,559)	(4,861)	(1,610)	(449)	(530)
Other income (expense)	410	408	275	(115)	36
Net loss	\$ (6,149)	\$ (4,453)	\$ (1,335)	\$ (564)	\$ (494)
Net loss per share	\$ (0.74)	\$ (0.61)	\$ (0.23)	\$ (0.11)	\$ (0.08)
Shares used in per share calculation	8,353	7,286	5,904	5,245	5,951

As of December 31, (In thousands)	1993	1992	1991	1990	1989
Balance Sheet Data:					
Working capital	\$28,545	\$14,626	\$9,664	\$2,891	\$5,157
Total assets	32,483	17,472	13,053	8,117	6,619
Long-term debt	-	-	-	-	3,000
Stockholders' equity	29,171	15,739	11,222	3,234	2,455

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

From its inception in December 1985 through December 1992, Metricom was a development stage company primarily engaged in research and development. Through 1992, the Company received approximately 70% of its total revenues from development contracts with electric utility companies and approximately 30% of its total revenues from early product shipments relating to UtiliNet. The Company received substantially all of its development contract revenues from its primary electric utility customer, Southern California Edison (SCE). The Company's development contract revenues offset significant portions of its research and development costs. Development contract revenues are recognized when the related development costs are incurred. See Note 2 of Notes to Consolidated Financial Statements. Development contracts are subject to periodic renewal and to termination at the option of the electric utility companies, typically upon 30-days prior notice. The Company does not expect development contract revenues to achieve historical levels. During 1993, the Company began shipments of UtiliNet products in commercial quantities and emerged from the development stage. Although the Company has received limited commercial orders for UtiliNet, product revenues represented 81% of total revenues in 1993.

During 1993, the Company made initial test installations of MCDN*, a subscriber-based, wide area wireless data communications service. The Company believes that significant expenditures will be required to commercialize MCDN. See "Liquidity and Capital Resources." MCDN revenues are expected to be derived principally from subscription fees. To date, the Company has not received any revenues from MCDN. The ability of the Company to achieve profitability will depend in part upon the successful and timely deployment of MCDN and the successful marketing of its MCDN service, as to which there can be no assurance.

Since its inception, the Company has incurred significant operating losses. The Company expects that net losses will increase during the commercialization of MCDN, primarily as a result of the continued development of MCDN, its commercial deployment and efforts to attract MCDN subscribers. There can be no assurance that MCDN will develop to a level that would permit the Company to operate profitably.

Results of Operations

The following table sets forth, for the periods indicated, certain operational data as a percentage of total revenues:

Years Ended December 31,	1993	1992	1991
Revenues:			
Product revenues	81%	53%	38%
Development contract revenues	<u>19</u>	<u>47</u>	<u>62</u>
Total revenues	100	100	100
Cost and expenses:			
Cost of product revenues	64	50	35
Cost of development contract revenues	19	45	51
Company-funded research and development	32	28	1
Selling, general and administrative	<u>50</u>	<u>53</u>	<u>28</u>
Total costs and expenses	<u>165</u>	<u>176</u>	<u>115</u>
Loss from operations	(65)	(76)	(15)
Other income	<u>4</u>	<u>6</u>	<u>3</u>
Net loss	<u>(61)%</u>	<u>(70)%</u>	<u>(12)%</u>

*MCDN: Metricom's MicroCellular Data Network, referred to as "MCDN" throughout the financial section of this report, will be marketed under the name Ricochet.

Revenues. Total revenues increased to \$10.1 million in 1993 from \$6.4 million in 1992, which was a decrease from \$10.7 million in 1991. The increase in total revenues in 1993 from the prior year was due to an increase in product revenues from UtiliNet, partially offset by decreases in development contract revenues, while the decrease in total revenues in 1992 from the prior year was primarily due to a decrease in development contract revenues. Product revenues increased to \$8.2 million in 1993 from \$3.4 million in 1992, which was a decrease from \$4.1 million in 1991. The Company attributed the increase in product revenues in 1993 primarily to shipments of UtiliNet products to SCE for deployment in a distribution automation program. The decrease in product revenues in 1992 was due primarily to general business conditions in the United States, particularly those affecting the electric utility industry. Development contract revenues decreased to \$1.9 million in 1993 from \$3.0 million in 1992 and from \$6.6 million in 1991. The decrease in development contract revenues in 1993 resulted from SCE continuing to reduce funding support for the Company's development activities. The decrease in revenues in 1992 was primarily due to a delay in contract renegotiations with SCE and a reduction of SCE-funded development activities. The Company expects the overall levels of development funding from its electric utility customers to continue to decline.

Cost of Revenues. Cost of product revenues as a percentage of product revenues decreased to 78% in 1993 from 93% in 1992, which was an increase from 91% in 1991. These high percentages are primarily due to a high level of fixed manufacturing costs relative to the volume of product shipments. The percentage decreased in 1993 primarily due to a higher volume of product shipments and also from a more favorable product mix. Although the Company plans to improve its product gross margin through a combination of engineering improvements and production economies resulting from increased sales, there can be no assurance that the Company will achieve its cost objectives. The cost of development contract revenues as a percentage of development contract revenues increased to 103% in 1993 from 97% in 1992 and from 82% in 1991. These increases were primarily due to the new development contract with SCE, which does not fully reimburse overhead costs, and the completion of development contracts with other utility customers which contained higher margins.

Company-Funded Research and Development. Company-funded research and development increased to \$3.3 million in 1993 from \$1.8 million in 1992 and from \$145,000 in 1991. These increases were primarily the result of the Company initiating development of MCDN and lower levels of research and development funding by SCE and other electric utilities, which had funded substantially all of the Company's research and development efforts prior to 1992. The Company plans to continue to increase significantly its Company-funded research and development in future periods.

Selling, General and Administrative. Selling, general and administrative expenses increased to \$5.0 million in 1993 from \$3.4 million in 1992 and from \$3.0 million in 1991, primarily as a result of marketing and promotional activity. In addition, administrative expenses increased, primarily as a result of professional fees associated with developing strategic relationships, addressing regulatory matters and obtaining patents, and as a result of increases in personnel.

Liquidity and Capital Resources. From its inception through December 31, 1993, Metricom has financed operations with development contract revenues totalling approximately \$31.0 million, private placements of Preferred Stock with net proceeds to the Company of approximately \$18.9 million, of which \$3.0 million was repurchased and the balance converted to Common Stock at the time of the initial public offering in 1992, an initial public offering of Common Stock with net proceeds to the Company of approximately \$8.8 million, and private placements of Common Stock with net proceeds to the Company of approximately \$18.6 million in 1993. As a result of both the private and public offerings, the Company's working capital increased to \$28.5 million as of December 31, 1993 from \$14.6 million as of December 31, 1992 and from \$9.7 million as of December 31, 1991. The Company had cash and equivalents and short-term investments of \$24.8 million as of December 31, 1993. In January 1994, Vulcan Ventures exercised a warrant for 408,333 shares of Common Stock with net proceeds to the Company of approximately \$8.2 million.

The Company's accounts receivable increased to \$3.3 million as of December 31, 1993 from \$2.2 million as of December 31, 1992, due primarily to increased revenues in the fourth quarter of 1993 as compared to the fourth quarter of 1992. Inventories increased to \$2.7 million as of December 31, 1993 from \$1.8 million as of December 31, 1992, primarily due to expected increases in UtiliNet product shipments in the first quarter of 1994 as compared to the first quarter of 1993. The Company believes that both accounts receivable and inventories will increase in the future in order to support the continued commercial sale and deployment of the Company's networks.

The Company expects to make significant capital expenditures in connection with the deployment of MCDN. The timing and amount of such expenditures may vary significantly depending on numerous factors including demonstration of technical feasibility, market acceptance, availability of radios and portable radio modems and availability of sufficient management, technical and marketing resources. The Company also intends to make additional expenditures to support the growth of its UtiliNet business. The Company anticipates that its existing available cash, together with estimated net proceeds of a public offering of common stock in March 1994, and certain other equity transactions occurring concurrent therewith, will be adequate to satisfy its working capital and capital expenditure requirements at least through 1994. The Company believes that additional capital will be required in the future to fund further deployment of MCDN, and may also be required to support further growth of the UtiliNet business. There can be no assurance that such additional funds will be available on commercially reasonable terms or at all.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

December 31,	1993	1992
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,784	\$ 11,488
Restricted cash and cash equivalents	260	400
Short-term investments	14,976	-
Accounts receivable	3,327	2,234
Inventories	2,686	1,802
Prepaid expenses and other	432	216
Total current assets	31,465	16,140
Fixed assets, net	858	882
Other assets	160	450
Total assets	<u>\$ 32,483</u>	<u>\$ 17,472</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,500	\$ 607
Accrued payroll and related	286	217
Other accrued liabilities	740	398
Customer deposits	394	292
Total current liabilities	2,920	1,514
Long-term obligations	392	219
Commitments (Note 3)		
Stockholders' equity:		
Preferred Stock \$.001 par value Authorized - 2,000,000 shares; Issued and outstanding - none	-	-
Common Stock, \$.001 par value Authorized - 20,000,000 shares; Issued and outstanding - 9,389,486 shares in 1993 and 7,974,237 shares in 1992	9	8
Additional paid-in capital	44,517	25,027
Notes receivable from sale of common stock	-	(90)
Accumulated deficit	(15,355)	(9,206)
Total stockholders' equity	29,171	15,739
Total liabilities and stockholders' equity	<u>\$ 32,483</u>	<u>\$ 17,472</u>

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

19

Years Ended December 31,	1993	1992	1991
Revenues:			
Product revenues	\$ 8,173	\$ 3,423	\$ 4,074
Development contract revenues	1,884	2,982	6,623
Total revenues	<u>10,057</u>	<u>6,405</u>	<u>10,697</u>
Costs and expenses:			
Cost of product revenues	6,401	3,197	3,715
Cost of development contract revenues	1,932	2,894	5,458
Company-funded research and development	3,256	1,809	145
Selling, general and administrative	5,027	3,366	2,989
Total costs and expenses	<u>16,616</u>	<u>11,266</u>	<u>12,307</u>
Loss from operations	(6,559)	(4,861)	(1,610)
Other income (expense):			
Interest income	421	396	378
Other, net	(11)	12	(103)
Total other income (expense)	<u>410</u>	<u>408</u>	<u>275</u>
Net loss	<u>\$ (6,149)</u>	<u>\$ (4,453)</u>	<u>\$ (1,335)</u>
Net loss per common share	<u>\$ (.74)</u>	<u>\$ (.61)</u>	<u>\$ (.23)</u>
Weighted average common and common equivalent shares outstanding	<u>8,353</u>	<u>7,286</u>	<u>5,904</u>

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands)

For the Years Ended December 31, 1993, 1992 and 1991	Preferred Stock		Common Stock		Additional Paid-in Capital	Notes Receivable From Sale of Common Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 1990	2,435,005	\$3	2,365,760	\$2	\$ 6,734	\$(87)	\$(3,418)	\$3,234
Sale of Series C preferred stock	1,224,692	1	-	-	9,338	-	-	9,339
Exercise of common stock options	-	-	6,870	-	10	-	-	10
Repurchase of common stock	-	-	(938)	-	-	-	-	-
Interest converted to principal on shareholder notes	-	-	-	-	-	(26)	-	(26)
Net loss	-	-	-	-	-	-	(1,335)	(1,335)
Balance, December 31, 1991	3,659,697	4	2,371,692	2	16,082	(113)	(4,753)	11,222
Proceeds from initial public offering	-	-	1,725,000	2	8,815	-	-	8,817
Conversion of preferred to common	(3,659,697)	(4)	3,798,063	4	-	-	-	-
Repurchase of common stock	-	-	(10,275)	-	(2)	-	-	(2)
Exercise of common stock options	-	-	89,757	-	132	-	-	132
Repayment of notes receivable	-	-	-	-	-	23	-	23
Net loss	-	-	-	-	-	-	(4,453)	(4,453)
Balance, December 31, 1992	-	-	7,974,237	8	25,027	(90)	(9,206)	15,739
Sale of common stock	-	-	1,241,667	1	18,596	-	-	18,597
Common stock issued to employees	-	-	44,241	-	248	-	-	248
Exercise of common stock warrants	-	-	57,648	-	419	-	-	419
Exercise of common stock options	-	-	71,693	-	227	-	-	227
Repayment of notes receivable	-	-	-	-	-	90	-	90
Net loss	-	-	-	-	-	-	(6,149)	(6,149)
Balance, December 31, 1993	-	\$-	9,389,486	\$9	\$44,517	\$-	\$(15,355)	\$29,171

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

Years Ended December 31,	1993	1992	1991
Cash flows from operating activities:			
Net loss	\$ (6,149)	\$ (4,453)	\$ (1,335)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	419	356	201
Rent expenses in excess of rent payments	173	219	-
(Increase) decrease in accounts receivable, prepaid expenses and other current assets	(1,309)	295	(262)
(Increase) decrease in inventories	(884)	527	(797)
(Increase) decrease in other assets	290	521	(903)
Increase (decrease) in accounts payable, accrued liabilities and customer deposits	1,406	(317)	(52)
Net cash used in operating activities	<u>(6,054)</u>	<u>(2,852)</u>	<u>(3,148)</u>
Cash flows from investing activities:			
Purchase of fixed assets	(395)	(651)	(512)
Decrease (increase) in short-term investments and restricted cash and cash equivalents	(14,836)	(400)	250
Net cash used in investing activities	<u>(15,231)</u>	<u>(1,051)</u>	<u>(262)</u>
Cash flows from financing activities:			
Repayment of note payable	-	-	(3,000)
Proceeds from issuance of preferred stock	-	-	9,339
Proceeds from issuance of common stock, net of notes receivable and repurchases	19,581	8,970	11
Net cash provided by financing activities	<u>19,581</u>	<u>8,970</u>	<u>6,350</u>
Net increase (decrease) in cash and cash equivalents	(1,704)	5,067	2,940
Cash and cash equivalents, beginning of period	11,488	6,421	3,481
Cash and cash equivalents, end of period	<u>\$ 9,784</u>	<u>\$ 11,488</u>	<u>\$ 6,421</u>

The accompanying notes are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and significant accounting policies:

Organization Metricom, Inc. (the "Company") is a leader in wide area wireless data communications technology. The Company's basic technology provides the foundation for low-cost, high performance, easy-to-use, wide area wireless data communications networks. The Company was originally incorporated as a California corporation and was reincorporated in the State of Delaware in April 1992. During 1993, the Company began shipments of UtiliNet product in commercial quantities and emerged from the development stage. Although no longer in the development stage, the Company is subject to the risks associated with such companies, particularly with respect to its MicroCellular Data Network, a subscriber-based, wide area wireless data communications service, which is currently in beta test. These risks include dependence on key individuals, the need for continued additional financing and the successful development and marketing of its products.

Consolidation The consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of significant intercompany accounts and transactions.

Revenue Recognition and Accounts Receivable Product revenues are generally recognized upon shipment. Cash received from customers in advance of product shipment is deferred as customer deposits in the accompanying consolidated balance sheets. Development contract revenues are recognized when the related development costs are incurred (see Note 2). Accounts receivable are primarily for product and development contract revenues due from a small number of electric utilities. Provision for doubtful accounts is made at the time such accounts are determined to be uncollectible. To date, the Company has not incurred any significant losses due to uncollectible accounts receivable. An allowance for estimated future warranty costs is provided at the time product sales are recognized.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of bank deposits, money market accounts and commercial paper investments with an original maturity of ninety days or less. As of December 31, 1993, the Company had a \$250,000 certificate of deposit included in restricted cash relating to leasehold improvements funded by the lessor of its principal facility. The certificate of deposit secures a standby letter of credit which expires in January 1994.

Short-term Investments Short-term investments consist of commercial paper, government obligations and certificates of deposit and are stated at cost, which approximates market value.

Supplemental Cash Flow Information Cash paid during fiscal 1993, 1992 and 1991 for interest and income taxes is as follows (in thousands):

Years Ended December 31,	1993	1992	1991
Interest	\$ -	\$2	\$172
Income taxes	-	-	-