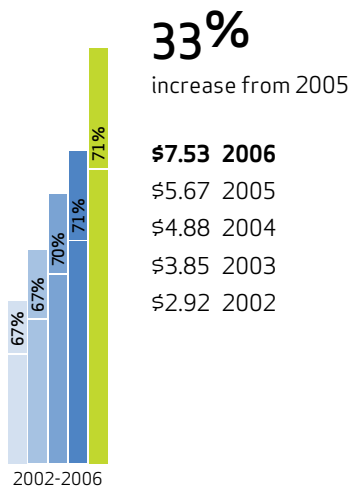


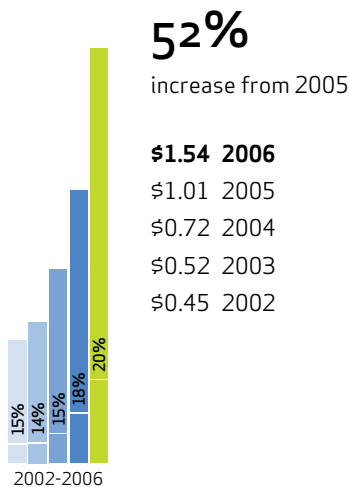
# We achieved record results in fiscal 2006.

## REVENUE AND GROSS MARGIN <sup>(1)(2)\*</sup> (\$ in billions)



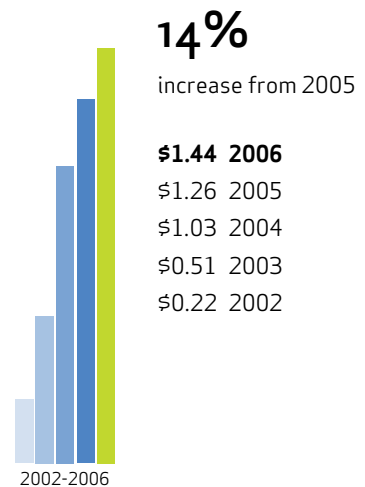
% = Gross Margin

## RESEARCH AND DEVELOPMENT \* (\$ in billions)

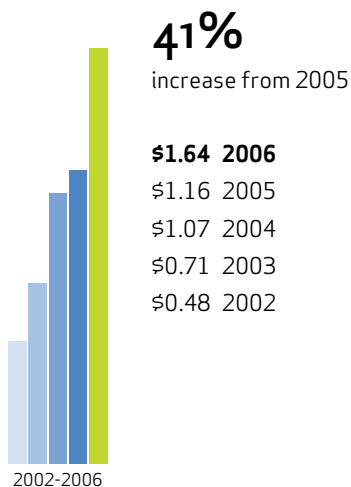


% = Percentage of Revenue

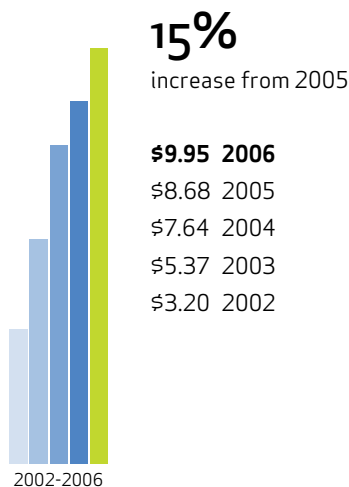
## DILUTED EARNINGS PER SHARE (GAAP) <sup>(2)(3)\*</sup>



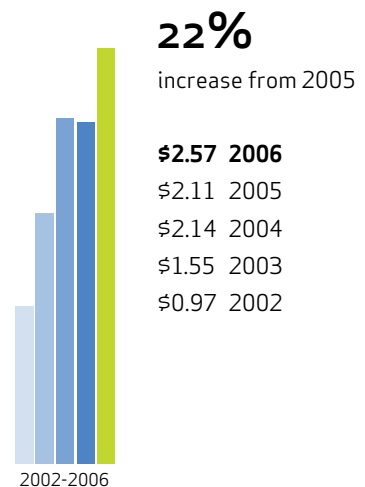
## PRO FORMA DILUTED EARNINGS PER SHARE <sup>(2)(3)\*\*</sup>



## CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES (\$ in billions)



## FREE CASH FLOW <sup>(4)(5)(6)\*\*</sup> (\$ in billions)



(1) (2) (3) (4) (5) (6) See notes on page 02.

\* Fiscal 2006 results presented reflect the impact of share based compensation related to our adoption of FAS 123R. Further details are located in our Notes to Consolidated Financial Statements.

\*\* See reconciliation to GAAP amounts on page 03.

## Financial Highlights Notes

<sup>(1)</sup> During fiscal 2004, the Company sold its consolidated subsidiaries, the Vesper Operating Companies, and the Vesper Towers and returned personal mobile service licenses to Anatel, the telecommunications regulatory agency in Brazil. The results of operations, including gains and losses realized on the sales transactions and the licenses, are presented as discontinued operations. As such, revenue and gross margin results presented do not include the results from these discontinued operations.

<sup>(2)</sup> In the fourth quarter of fiscal 2004, the Company adopted a new method of recording royalties, based solely on reports received from licensees for royalty bearing sales of equipment in the prior quarter. Under the prior method of recording royalties, the Company recorded an estimate of earned royalties for certain licensees in the quarter preceding its receipt of licensee reports. This change was made on a prospective basis in the fourth quarter of fiscal 2004 and as a result, GAAP results for fiscal 2004 reflect only partial economic performance of the Company's licensing business as royalty revenue that would have been recognized in the fourth quarter of fiscal 2004 was recognized in the first quarter of fiscal 2005.

<sup>(3)</sup> The Company effected a two-for-one stock split in August 2004. All references to per share amounts have been restated to reflect the stock split.

<sup>(4)</sup> See "Note Regarding Use of Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures".

<sup>(5)</sup> Free Cash Flow is calculated as net cash from operating activities less capital expenditures, both of which are presented in the GAAP statement of cash flows.

<sup>(6)</sup> Free Cash Flow for fiscal years 2002, 2003 and 2004 have been revised to combine cash flows from continuing operations with cash flows from discontinued operations, which resulted from the sale of the Company's former subsidiaries, the Vesper Operating Companies, and the Vesper Towers and the return of the personal mobile service licenses to Anatel, the telecommunications regulatory agency in Brazil.

## Reconciliation of Non-GAAP Financial Measures

### RECONCILIATION OF PRO FORMA AND GAAP NET INCOME AND DILUTED EARNINGS PER SHARE

(In millions, except per share data)	2006	2005	2004	2003	2002
Total GAAP net income <sup>(1)</sup>	\$2,470	\$2,143	\$1,720	\$ 827	\$ 360
Less: QSI net (loss) income	(32)	102	12	(334)	(180)
Less: Other pro forma adjustments, net of tax <sup>(2)</sup>	(302)	71	(92)	1	(237)
Pro forma net income	\$2,804	\$1,970	\$1,800	\$1,160	\$ 777
Total GAAP diluted earnings per share <sup>(1)</sup>	\$ 1.44	\$ 1.26	\$ 1.03	\$ 0.51	\$ 0.22
Less: QSI diluted (loss) earnings per share	(0.02)	0.06	0.01	(0.20)	(0.11)
Less: Other pro forma adjustments, net of tax per share <sup>(2)</sup>	(0.18)	0.04	(0.06)	0.00	(0.15)
Pro forma diluted earnings per share	\$ 1.64	\$ 1.16	\$ 1.07	\$ 0.71	\$ 0.48
Shares used in per share calculations: <sup>(3)</sup>					
Diluted shares	1,711	1,694	1,675	1,636	1,619

<sup>(1)</sup> In the fourth quarter of fiscal 2004, the Company adopted a new method of recording royalties, based solely on reports received from licensees for royalty bearing sales of equipment in the prior quarter. Under the prior method of recording royalties, the Company recorded an estimate of earned royalties for certain licensees in the quarter preceding its receipt of licensee reports. This change was made on a prospective basis in the fourth quarter of fiscal 2004, and consequently, GAAP results for fiscal 2004 reflect only partial economic performance of the Company's licensing business as royalty revenue that would have been recognized in the fourth quarter of fiscal 2004 was recognized in the first quarter of fiscal 2005.

<sup>(2)</sup> Other pro forma adjustments are comprised of:

	2006	2005	2004	2003	2002
Estimated share-based compensation	\$ (495)	\$ —	\$ —	\$ —	\$ —
Acquired in-process research and development	(22)	—	—	—	—
Adjustment to reflect the new method of recording royalty revenue <sup>(1)</sup>	—	—	(151)	1	28
Amortization of goodwill and other intangible assets	—	—	—	—	(259)
Stock option payroll tax expense	—	—	—	—	(6)
Globalstar	—	—	—	—	4
Other	—	—	—	—	8
Total pro forma adjustments before taxes	\$ (517)	\$ —	\$ (151)	\$ 1	\$ (225)
Tax adjustments related to prior years	40	71	—	—	—
Income tax benefit (expense) related to pro forma adjustments before taxes	175	—	59	—	(12)
Total pro forma adjustments, net of tax	\$ (302)	\$ 71	\$ (92)	\$ 1	\$ (237)
Net pro forma adjustments on a diluted per share basis	\$ (0.18)	\$ 0.04	\$ (0.06)	\$ 0.00	\$ (0.15)

<sup>(3)</sup> The Company effected a two-for-one stock split in August 2004. All references to number of shares and per share amounts have been restated to reflect this stock split.

### RECONCILIATION OF FREE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES

(In millions)	2006	2005	2004*	2003*	2002*
Net cash provided by operating activities (GAAP)	\$3,253	\$2,686	\$2,469	\$1,782	\$1,109
Less capital expenditures (GAAP)	(685)	(576)	(333)	(231)	(142)
Free cash flow	\$2,568	\$2,110	\$2,136	\$1,551	\$ 967

\* Cash flows for fiscal years 2004, 2003 and 2002 have been revised to combine cash flows from continuing operations with cash flows from discontinued operations, which resulted from the sale of the Company's former subsidiaries, the Vesper Operating Companies, and the Vesper Towers and the return of the personal mobile service licenses to Anatel, the telecommunications regulatory agency in Brazil.