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QUALCOMM Reports First Quarter Results

— Revenues \$941 Million, \$.65 EPS —

SAN DIEGO – January 19, 1999 - QUALCOMM Incorporated (NASDAQ: QCOM) today reported the highest quarterly revenues in its 13-year history. Revenues were \$941 million for the first quarter of fiscal 1999, an increase of 20 percent over the first quarter of fiscal 1998. Communications systems revenues in the first quarter of fiscal 1999 were \$817 million compared to \$677 million in the first quarter of fiscal 1998, with strong sales of Code Division Multiple Access (CDMA) phones, Application Specific Integrated Circuits (ASICs), Globalstar Gateways and OmniTRACS units.

Net income for the first quarter was \$49 million compared to \$37 million for the first quarter of fiscal 1998, a 32 percent increase. Earnings per share for the first quarter of fiscal 1999 were \$.65 per share (diluted) compared with \$.50 per share (diluted) for the first quarter of fiscal 1998.

Dollars in thousands except per share data	1999 1 st Qtr	1998 1 st Qtr	Change %
Revenue	\$941,223	\$785,854	20%
Gross Profit	\$298,833	\$232,239	29%
Gross Profit %	32%	30%	--
Operating Profit	\$77,948	\$52,895	47%
Operating Profit %	8%	7%	--
Earnings Before Taxes	\$71,584	\$56,557	27%
Net Income	\$48,530	\$36,762	32%
EPS (Diluted)	\$0.65	\$0.50	30%

“As we began a new fiscal year, we intensified efforts to increase our efficiency and improve profitability,” said Dr. Irwin Mark Jacobs, chairman and CEO of QUALCOMM. “We made

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progress in improving gross margins on our phone products and in keeping operating expenses essentially flat from the fourth quarter of fiscal 1998. We will continue these efforts to enhance shareholder value.”

“In a key development for our industry, digital wireless phone sales in the U.S. exceeded analog wireless phone sales during the first three calendar quarters of 1998,” Jacobs said. “Further, operators and consumers are recognizing the clear voice quality and other unique advantages of CDMA compared to competing digital technologies for use today and into the future. During the first quarter of fiscal 1999, we shipped a record-breaking 1.6 million phones and over 5 million MSM chips. We also recently completed the first calls using our compact QCell™ base stations on the US West network. In other important areas for the company, sales of the OmniTRACS system continued to be robust with more than 269,000 cumulative units deployed worldwide, and we progressed on schedule with our Globalstar deployment, having now shipped a cumulative total of 38 gateways.”

During the quarter, *PC Computing* magazine awarded QUALCOMM’s Q™ phone the prestigious “1998 Most Valuable Product” (MVP) award in the Digital Office Business Tools division for Best Cell Phone. In addition, the Company ranked 47th in *Fortune* magazine’s “100 Best Companies to Work for in America.”

Highlights of Financial Performance

Communications systems revenues increased 21 percent to \$817 million from \$677 million during the first quarter of fiscal 1998, with strong sales of CDMA phones, ASICs, Globalstar Gateways and OmniTRACS units. Communications systems gross margin for the first quarter of fiscal 1999 was 28 percent compared to 25 percent in the first quarter of fiscal 1998, reflecting improved margins in all product areas with the exception of infrastructure products.

The Company has signed more than 65 royalty-bearing licenses with telecommunications manufacturers worldwide. License, royalty and development fees were \$44 million during the first quarter of fiscal 1999 compared to \$45 million for the year ago quarter. In the first

fiscal quarter of 1999, shipments of CDMA equipment by licensees increased, resulting in increased royalty payments to the Company. This was offset by a decline in up-front license payments.

Contract services revenues were \$80 million in the first quarter of fiscal 1999 compared to \$64 million for the year ago quarter. The increase in revenues was attributable to increased activity on the development agreement with Globalstar.

Operating expenses, including research and development, selling and marketing and general and administrative, for the first quarter of fiscal 1999 increased to \$221 million compared to \$179 million during the year ago period, but held constant at 23 percent of total revenues.

Operating profits increased 47 percent to \$78 million in the first quarter of fiscal 1999 compared to \$53 million during the year ago quarter due to higher revenues and gross profit as a percentage of sales. In total, non-operating income and expense items were unchanged from the year ago period. The Company's income tax provision for the first quarter of fiscal 1999 reflects an adjustment for the retroactive reinstatement of the R&D tax credit. Excluding this adjustment, the Company currently estimates its annual effective income tax rate to be approximately 35 percent for fiscal 1999.

QUALCOMM Incorporated (NASDAQ: QCOM) is a leader in developing and delivering innovative digital wireless communications products and services based on the Company's CDMA digital technology. The Company's major business areas include CDMA phones; Application Specific Integrated Circuits (ASICs); wireless infrastructure; technology licensing; and satellite-based systems including OmniTRACS® and portions of the Globalstar™ system. QUALCOMM is headquartered in San Diego, Calif. QUALCOMM's fiscal 1998 revenues exceeded U.S. \$3 billion. For more information, please visit the Company's web site at <<http://www.qualcomm.com>>.

Except for the historical information contained herein, this news release contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially from those referred to herein due to a number of factors, including but not limited to the risk that the rate of growth in the CDMA subscriber population will decrease, the risks associated with the scale-up and operations of CDMA systems, developments in current or future litigation, risks associated with vendor financing, timing and receipt of license fees and royalties, and changes in economic conditions of the various markets the Company serves, as well as the other risks detailed from time to time in the Company's SEC reports.

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QUALCOMM Incorporated
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Uaudited)

	ASSETS	
	<u>December 27, 1998</u>	<u>September 27, 1998</u>
Current assets:		
Cash and cash equivalents	\$ 131,940	\$ 175,846
Investments	105,483	127,478
Accounts receivable, net.....	852,488	612,209
Finance receivables.....	66,461	56,201
Inventories, net.....	335,072	386,536
Other current assets.....	<u>171,418</u>	<u>178,950</u>
Total current assets	1,662,862	1,537,220
Property, plant and equipment, net	631,048	609,682
Finance receivables, net	307,357	287,751
Other assets	<u>161,508</u>	<u>132,060</u>
Total assets	<u>\$ 2,762,775</u>	<u>\$ 2,566,713</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 657,338	\$ 660,428
Unearned revenue	58,490	67,123
Bank lines of credit.....	288,000	151,000
Current portion of long-term debt.....	<u>3,057</u>	<u>3,058</u>
Total current liabilities	1,006,885	881,609
Long-term debt	3,116	3,863
Other liabilities	<u>36,032</u>	<u>25,115</u>
Total liabilities	<u>1,046,033</u>	<u>910,587</u>
 Minority interest in consolidated subsidiaries	 42,057	 38,530
 Company-obligated mandatorily redeemable trust convertible preferred securities of a subsidiary trust holding solely debt securities of the Company	 660,000	 660,000
 Stockholders' equity:		
Preferred stock, \$0.0001 par value.....	--	--
Common stock, \$0.0001 par value.....	7	7
Paid-in capital	966,148	957,589
Retained earnings.....	<u>48,530</u>	<u>--</u>
Total stockholders' equity	<u>1,014,685</u>	<u>957,596</u>
Total liabilities and stockholders' equity	<u>\$ 2,762,775</u>	<u>\$ 2,566,713</u>

QUALCOMM Incorporated
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share data)
 (Unaudited)

	Three months ended	
	December 27, 1998	December 28, 1997
Revenues:		
Communications systems.....	\$ 817,054	\$ 676,885
Contract services	79,814	64,031
License, royalty and development fees	44,355	44,938
Total revenues	941,223	785,854
Operating expenses:		
Communications systems.....	584,924	507,339
Contract services	57,466	46,276
Research and development	100,362	74,801
Selling and marketing	69,736	56,098
General and administrative	50,787	36,469
Other	--	11,976
Total operating expenses	863,275	732,959
Operating income	77,948	52,895
Interest income	5,806	12,190
Interest expense	(3,315)	(2,689)
Net gain on sale of investments	5,663	2,950
Distributions on trust convertible preferred securities		
of subsidiary trust	(9,799)	(9,798)
Minority interest in (income) loss of consolidated subsidiaries	(3,698)	3,781
Equity in losses of investees	(1,021)	(2,772)
Income before income taxes	71,584	56,557
Income tax expense	(23,054)	(19,795)
Net income	\$ 48,530	\$ 36,762
Net earnings per common share:		
Basic	\$ 0.69	\$ 0.54
Diluted	\$ 0.65	\$ 0.50
Shares used in per share calculation:		
Basic	70,722	68,475
Diluted	74,219	74,126