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QUALCOMM Announces First Quarter Fiscal 2001 Results

- Pro Forma Revenues $684 Million, Pro Forma EPS $.29 -

> The Company's first quarter fiscal 2001 earnings conference call will be broadcast live on January 25, 2001 beginning at 2:30 p.m. pacific standard time on QUALCOMM's web site at: www.qualcomm.com. This conference call may contain forward-looking financial information. The taped audio replay will be available for five business days. To listen to the replay, U.S. callers may dial (800) 633-8284 and international callers may dial (858) 812-6440. Both U.S. and international callers should use reservation number 17516369.

SAN DIEGO – January 25, 2001 - QUALCOMM Incorporated (NASDAQ: QCOM) today reported pro forma revenues in the first quarter of fiscal 2001 of $684 million, compared to $635 million in the fourth quarter of fiscal 2000 and $764 million in the year ago period. Pro forma earnings per share were $0.29 in the first quarter of fiscal 2001 compared to $0.25 per share in the fourth quarter of fiscal 2000 and $0.27 per share in the year ago period (see note below).

The Company updated its plans with respect to the proposed spin-off and Initial Public Offering (IPO) of its semiconductor business, referred to as "QUALCOMM Spinco, Inc." Given current uncertainties in the financial markets, the Company is evaluating the need for and timing of an IPO. Regardless of the IPO decision, the Company continues to plan for the spin-off with full distribution of QUALCOMM Spinco, Inc. shares expected to occur by the fall of 2001, subject to approval by QUALCOMM's Board of Directors and other factors.

Note:
First Quarter Fiscal 2001 - Pro forma results (see page 11) exclude asset impairment and other charges related to the Globalstar business, amortization of goodwill and other acquisition-related intangible assets, employer payroll taxes on employee non-qualified stock option exercises, charges related to an arbitration decision against the Company, unrealized changes in market values of derivative instruments, unrealized other than temporary impairment of marketable securities and the cumulative effect of an accounting change. Pro forma results include gains from the sale of marketable securities.

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Fourth Quarter Fiscal 2000 – Pro forma results exclude amortization of goodwill and other acquisition-related intangible assets, employer payroll taxes on employee non-qualified stock option exercises, adjustments to charges related to the sale of the consumer phone business and employee termination charges.

First Quarter Fiscal 2000 - Pro forma results exclude employer payroll taxes on employee non-qualified stock option exercises, operating losses incurred by the exited consumer phone business and charges related to the sale of this business, one-time realized gains from the sale of marketable securities and employee termination charges.

Pro forma earnings exclude the abovementioned items and, therefore, differ from reported earnings, which are presented in accordance with generally accepted accounting principles.

"Our technology licensing and semiconductor businesses are benefiting from strong demand for CDMA technology and products. We anticipate further growth domestically and internationally during fiscal 2001 with increasing focus on third-generation CDMA deployment," said Dr. Irwin M. Jacobs, chairman and CEO of QUALCOMM. "Our satellite businesses, however, have been impacted by economic and capital market conditions, and by Globalstar's recent decision to suspend payments on its funded debt and to study its options including restructuring. Based on the demonstrated quality, flexibility and unique capabilities of the Globalstar system, we remain optimistic that the system will continue to operate and gain revenue from new vertical markets with the addition of the high-speed Globalstar data modules currently under development."

On January 16, 2001, Globalstar announced that it has suspended indefinitely principal and interest payments on all of its debt, including its vendor financing obligations. As a result, Globalstar did not make a principal and interest payment of approximately $22 million due to QUALCOMM on January 15, 2001. Globalstar retained The Blackstone Group as its financial adviser to assist in developing initiatives, including debt restructuring, identifying funding opportunities and pursuing other strategic alternatives.

Due to the revised status of Globalstar, the Company recorded total charges of $595 million relating to reserves against certain Globalstar-related assets and for related obligations (excluded from pro forma earnings). After these charges, the Company has approximately $56 million in net assets remaining related to the Globalstar business. In addition, the Company did not recognize revenues from its business with Globalstar other than cash payments received, resulting in a $0.03 loss per share on the Globalstar-related business included in pro forma earnings in the first quarter of fiscal 2001.

Pro forma revenues increased to $684 million in the first quarter of fiscal 2001 from $635 million in the fourth quarter of fiscal 2000. This increase was primarily attributable to growth in royalty revenues, significant license fees from third generation amendments to existing license agreements, and new license agreements and higher unit shipments of MSM integrated circuits to wireless device manufacturers, offset by lower revenues related to the Company's business with Globalstar. Pro forma revenues declined from the year ago period due to substantially lower revenues related to the Company's business with Globalstar, a decrease in OmniTRACS unit shipments due to U.S. economic conditions and lower average selling prices of integrated circuits. Revenues from the Company's business with Globalstar decreased significantly to $7 million for the first quarter of fiscal 2001 compared to $61 million for the fourth quarter of fiscal 2000 and $124 million for the year ago period. These revenues are included in the QWS reporting segment.

Pro forma gross margin for the first quarter of fiscal 2001 was 64 percent compared to 63 percent in the fourth quarter of fiscal 2000 and 57 percent in the year ago period. The increase was primarily due to a higher percentage of revenues from royalties and license fees.

Pro forma operating expenses (research and development and selling, general and administrative) for the first quarter of fiscal 2001 was $162 million compared to $159 million in the fourth quarter of fiscal 2000 and $121 million in the year ago period. Pro forma R&D expenses were $84 million in the first quarter of fiscal 2001 compared to $85 million in the fourth quarter of fiscal 2000 and $65 million in the year ago period. Investments in research and development were primarily associated with new product development to support high-speed wireless Internet access and mobile data applications. Pro forma selling, general and administrative expenses were $79 million in the first quarter of fiscal 2001 compared to $75 million in the fourth quarter of fiscal 2000 and $56 million in the year ago period. The increase in SG&A expenses compared to the year ago period was primarily associated with expanded international business in China and other regions, and higher expenses for the QUALCOMM CDMA Technologies business, which has expanded its customer base and product portfolio.

Pro forma investment income increased to $82 million for the first quarter of fiscal 2001 compared to $60 million in the fourth quarter of fiscal 2000 and $36 million in the year ago period. This increase in pro forma results in the first quarter of fiscal 2001 was primarily attributable to higher cash and short-term investments, higher interest rates and net gains from equity investments.

The Company's pro forma annual effective income tax rate for fiscal 2001 is estimated to be 35 percent compared to 37 percent for fiscal 2000 due to lower taxes related to earnings from outside of the United States.

Reported revenues for the first quarter of fiscal 2001 were $684 million compared to $635 million in the fourth quarter of fiscal 2000 and $1.1 billion in the year ago period. Total revenues for the year ago period included $356 million in revenues related to the terrestrial-based CDMA wireless consumer phone business that was sold in February 2000. Reported loss before income taxes and accounting change was $688 million in the first quarter of fiscal 2001 compared to an income before income taxes and accounting change of $234 million in the fourth quarter of fiscal 2000 and $282 million in the year ago period. Reported net loss was $229 million in the first quarter of fiscal 2001 compared to net income of $139 million in the fourth quarter of fiscal 2000 and $177 million in the year ago period.

Business Outlook

The following statements are forward-looking and actual results may differ materially. Please see page 10 of this press release for a description of certain risk factors and QUALCOMM's quarterly reports on file with the Securities and Exchange Commission (SEC) for a more complete description of risks. In response to SEC Regulation FD (Fair Disclosure), the Company plans to disseminate its quarterly business outlook, based on current expectations, in conjunction with its quarterly earnings release and conference call. The Company will not provide any further material guidance on analysts' financial models beyond the information provided in its quarterly earnings release and conference call.

Second Quarter Fiscal 2001

- **Unit Shipments -** The Company expects to ship approximately 16 million MSM integrated circuits during the second quarter of fiscal 2001 compared to 15 million units in the first quarter of fiscal 2001 and 11 million units in the year ago period. Customer orders for MSM integrated circuits are substantially higher than 16 million units. However, the Company anticipates shipments in the second quarter to be constrained by a capacity limitation at one of its suppliers. The Company expects the supply constraint to be substantially resolved by the third quarter of fiscal 2001.

- **Earnings Per Share –** Based on the current business outlook, the Company is comfortable with the current analyst consensus estimate of $0.29 pro forma earnings per share in the second quarter of fiscal 2001. This estimate includes an expected net loss of $0.02 per share related to the Company's business with Globalstar. License fees in the first quarter of fiscal 2001 were strong and the Company expects to receive additional license fees during fiscal 2001; however, total license fees can fluctuate from quarter to quarter.

Fiscal 2001

- Based on the current business outlook, the Company is comfortable with the current analyst consensus estimate of $1.27 pro forma earnings per share for fiscal 2001. This estimate includes an expected net loss of $0.07 pro forma earnings per share related to the Company's business with Globalstar. The Company expects its Globalstar-related revenues to be significantly lower for the balance of fiscal 2001 despite ongoing sales of equipment and services to support both continued operations and the addition of high-speed data capability.
- The demand for CDMA integrated circuits remains strong and the Company expects the introduction of third-generation cdma2000 1x networks to accelerate growth in the second half of fiscal 2001. As stated in the prior quarter, the Company continues to assume a forecast of 90 million CDMA phones sold in calendar 2001 and a 20 percent decrease in the average selling prices of CDMA phones, upon which most royalties are calculated.

Cash Flow

QUALCOMM's cash, cash equivalents and marketable securities totaled approximately $2.4 billion at the end of the first quarter of fiscal 2001. The following table presents selected cash flow information for the first quarter of fiscal 2001 (in millions):

Selected Cash Flow Information	**Amount**
Earnings before taxes, depreciation, amortization and non-cash charges	**$ 290**
Working capital changes	**55**
Additional share capital	**50**
Net cash inflows	**395**
Strategic investments and capital expenditures	**(287)**
Net cash generated	**$ 108**

Pro Forma Results of Business Segments

The following tables present pro forma segment information (in thousands):

First Quarter - Fiscal Year 2001

Segments	QCT	QTL	QWS (2)	Reconciling Items (1)	Total QUALCOMM
Revenues	330,054	223,482	92,841	37,644	684,021
Change from prior quarter	23%	20%	(38%)	N/M	8%
Change from prior year	(6%)	26%	(57%)	N/M	(10%)
Earnings before taxes	83,771	210,797	7,870	53,866	356,304
% of revenues	25%	94%	8%	N/M	52%
Change from prior quarter	30%	26%	(86%)	N/M	18%
Change from prior year	(34%)	30%	(88%)	N/M	5%

Fourth Quarter - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (1)	Total QUALCOMM
Revenues	268,989	186,041	150,458	29,957	635,445
Earnings before taxes	64,281	167,939	57,887	12,397	302,504
% of revenues	24%	90%	38%	N/M	48%

First Quarter - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (1)	Total QUALCOMM
Revenues	352,395	177,545	214,964	18,791	763,695
Earnings before taxes	127,690	162,590	66,147	(18,272)	338,155
% of revenues	36%	92%	31%	N/M	44%

(1) Reconciling Items related to revenues consist primarily of other non-reportable segment revenues less intersegment eliminations. Reconciling Items related to earnings before taxes consist primarily of non-reportable segment results, unallocated net investment income, interest expense and the elimination of intercompany profit.

(2) The Company decided to not recognize revenues on business with Globalstar before cash is received starting in the first quarter of fiscal 2001.

N/M – Not Meaningful

Business Segments – First Quarter Fiscal 2001

QUALCOMM Technology Licensing (QTL)

- Entered into license agreements with ten new companies in the first quarter of fiscal 2001. This brings the cumulative total to over 95 companies now licensed to manufacture and sell CDMA products worldwide.
- Signed 18 third generation (3G) CDMA agreements (covering cdma2000, WCDMA and other CDMA modes) in the first quarter of fiscal 2001, including four new modem card agreements, one new subscriber agreement and 13 amendments expanding the scope of existing agreements to include 3G technologies. The current list of more than 40 companies licensed for all 3G CDMA ITU standard modes include Advantest, Agilent, Alps, Anritsu, Ericsson, Fujitsu, Glenayre Electronics, Handspring, Hitachi, Hyundai, IFR Systems, Kyocera, LG Electronics, Lucent, Matsushita Communication Industrial Co., Ltd., Maxon, Mitsubishi, Motorola, NEC, Nortel, OKI, Philips, Samsung, Sanyo, Sewon, Sharp, Sony, Standard Telecom, Synertek, Tektronix, Inc., Telson Electronics, Toshiba, Wide Telecom and Willtech, among others. In all cases, the royalty rate to be paid by a licensee for 3G CDMA products is no less than the rate that company will pay for second-generation cdmaOne™ products.
- Announced a new program to expand the CDMA market and enable new licensees by investing in or accepting equity from start-up companies as partial payment of license fees. To date, QUALCOMM has taken equity in the following licensees: Axesstel, Com Dev and others not yet announced.

QUALCOMM CDMA Technologies (QCT)

- Shipped approximately 15 million Mobile Station Modem (MSM) integrated circuits to customers worldwide during the first quarter of fiscal 2001, compared to approximately 11 million units in the fourth quarter of fiscal 2000 and approximately 15 million units shipped in the year ago period. Cumulative shipments of MSM integrated circuits exceeded 133 million and total cumulative integrated circuit shipments exceeded 395 million units.
- Announced radioOne™, a new technology for CDMA transceivers using Zero Intermediate Frequency (ZIF), or direct conversion, architecture for the wireless handset market.

- Announced the CSM5500™ integrated circuit and system software for wireless infrastructure and the MSM5500™ integrated circuit and system software for CDMA phones. This complete solution supports data rates of up to 2.4 Mbps for the cdma2000 1x and cdma2000 1xEV standards and offers backward compatibility with cdmaOne systems.
- Announced the world's first end-to-end solution for WCDMA with the CSM5200™ integrated circuit and system software for wireless infrastructure and the MSM5200™ integrated circuit and system software for CDMA phones. The MSM5200 solution incorporates wireless Internet and multi-media applications, including the integrated features of the Wireless Internet Launchpad™ suite.
- Shipped samples of the RFR3300™, the first front-end receiver to integrate GPS capability with CDMA position location-enabled phones and the PA3300™ series, QCT's second generation of power amplifier modules — both part of a complete MSM3300™ family solution.
- Performed the first demonstration of over-the-air technology that enables wireless handsets to meet the FCC E9-1-1 mandate, while supporting a wide range of wireless location-based consumer information services.
- Cooperated with Toshiba and Ericsson Microelectronics in the world's first over-the-air demonstration of a Bluetooth-equipped laptop communicating via Bluetooth with a CDMA cellular phone operating over a dial-up network. Web surfing was accomplished without the need for cables or wired connections of any type.
- Announced the commercial availability of SnapTrack's SnapCore™ multi-mode GPS wireless location product.

QUALCOMM Wireless Systems (QWS)

- Shipped approximately 10,000 OmniTRACS units and related products in the first quarter of fiscal 2001 for a cumulative total of over 370,000 units. This compares to approximately 14,000 units during the year ago quarter. The lower volume of OmniTRACS unit shipments in the first quarter of fiscal 2001 resulted from higher fuel prices and general economic conditions affecting the domestic long-haul trucking industry.
- Announced the commercial release of iTruckMAIL™ web-based service. iTruckMAIL enhances QUALCOMM's existing TruckMAIL™ mobile

communications system to allow access to mapping and messaging capabilities via the Internet. Features include street-level mapping, free form messaging, vehicle position reporting and history, easier IT implementation, multiple user connectivity, multiple platform access and laptop connectivity.

- Signed an agreement with XATA Corporation, a supplier of on-board computer systems for transportation companies, that will provide key applications for use on the new QUALCOMM MVPc™ in-vehicle computer, including those used for automated driver logs, monitoring of state line crossings and accurate fuel tax calculation.
- Announced the commercial release of its new MVPc™ in-vehicle computer and the signing of its first contracts with Alan Ritchey, Inc. and E. Stewart Mitchell, Inc.

Other Business Developments

- Signed a Memorandum of Understanding (MOU) with China's Ministry of Information Industry (MII), confirming MII's support of QUALCOMM's Framework Agreement with China Unicom dated January 28, 2000. This MOU supports the deployment in China of a nationwide network based on CDMA technology with continued migration to advanced CDMA technology supporting higher data rates.
- Formed QUALCOMM Ventures, an organization that will make strategic investments in start-up companies globally to support the adoption of CDMA and drive usage of the wireless Internet. QUALCOMM is making a $500 million commitment to this strategic initiative that will be invested over a period of four years.
- Announced the formation of a Korean partnership fund, QUALCOMM/Hansol iV CDMA Fund, with Hansol i Ventures Co., Ltd. to invest in Korean start-up companies engaged in the development of CDMA products to support the adoption of CDMA and the usage of the wireless Internet.

QUALCOMM Incorporated (www.qualcomm.com) 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 business areas include integrated circuits and system software; technology licensing; Eudora® email software for Windows® and Macintosh® computing platforms; satellite-based systems including portions of the Globalstar™ system and wireless fleet management systems, OmniTRACS® and OmniExpress™. QUALCOMM owns patents that are essential to all of the CDMA wireless telecommunications standards that have been adopted or proposed for adoption by standards-setting bodies worldwide. QUALCOMM has licensed its essential CDMA patent portfolio to more than 95 telecommunications equipment manufacturers worldwide. Headquartered in San Diego, Calif., QUALCOMM is included in the S&P 500 Index and is a 2000 FORTUNE 500® company traded on The Nasdaq Stock Market® under the ticker symbol QCOM.

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 risks associated with component shortages; risks associated with integrated circuit inventory and order levels; risks associated with the Company's ability to execute additional 3G licenses; risks associated with the ability to sustain or improve operational efficiency and profitability; risks relating to the continued operation of the Globalstar system; risks that the rate of growth in CDMA-based wireless data and Internet access or the CDMA subscriber population will decrease; risks associated with strategic investments, including fluctuations in value, acquisitions or divestitures the Company may pursue, including the pending distribution of QUALCOMM Spinco, Inc. shares to QUALCOMM shareholders; risks associated with the scale-up, acceptance and operations of CDMA systems, including cdma2000 1xEV technology; risks associated with the development, deployment and commercial acceptance of evolving CDMA technology standards; risks associated with developments in current or future litigation; risks associated with customer receivables and performance guarantees; risks associated with timing and receipt of license fees and royalties; and risks associated with international business activities, as well as the other risks detailed from time to time in the Company's SEC reports.

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QUALCOMM Incorporated
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THIS SCHEDULE IS TO ASSIST THE READER IN RECONCILING FROM
THE REPORTED RESULTS TO THE PRO FORMA RESULTS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended					
	December 31, 2000 Reported	Adjustments		December 31, 2000 Pro Forma	December 26, 1999 Pro Forma	% Change
Revenues	$ 684,021	$ -		$ 684,021	$ 763,695	(10%)
Operating expenses:						
Cost of revenues	295,921	(49,178)	(a)(b)	246,743	329,329	(25%)
Research and development	86,123	(2,377)	(b)	83,746	64,508	30%
Selling, general and administrative	79,964	(1,213)	(b)	78,751	56,391	40%
Amortization of goodwill and other acquisition-related intangible assets	62,995	(62,995)	(c)	-	-	
Asset impairment and related charges	480,778	(480,778)	(a)	-	-	
Other	69,188	(69,188)	(d)	-	-	
Total operating expenses	1,074,969	(665,729)		409,240	450,228	(9%)
Operating (loss) income	(390,948)	665,729		274,781	313,467	(12%)
Interest expense	(8,568)	7,800	(d)	(768)	(554)	39%
Investment (expense) income, net	(231,529)	313,820	(a)(e)(f)	82,291	36,287	127%
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-		-	(11,045)	(100%)
Other	(56,566)	56,566	(a)	-	-	
(Loss) income before income taxes and accounting change	(687,611)	1,043,915		356,304	338,155	5%
Income tax benefit (provision)	330,053	(454,759)		(124,706)	(128,499)	(3%)
(Loss) income before accounting change	(357,558)	589,156		231,598	209,656	10%
Accounting change, net of tax	128,815	(128,815)	(g)	-	-	
Net (loss) income	$ (228,743)	$ 460,341		$ 231,598	$ 209,656	10%
Net (loss) earnings per common share:						
Diluted	$ (0.31)			$ 0.29	$ 0.27	7%
Shares used in per share calculations:						
Diluted	749,482	56,567	(h)	806,049	790,827	

There are 8 major categories of adjustments made to arrive at the pro forma results. Notes (a) through (h) below explain the adjustments made. Please note that (a), (b) and (d) are reflected in more than one line on the pro forma condensed consolidated statements of income.

(a) Asset impairment and other charges related to the Globalstar business. The adjustments column includes $48 million in cost of revenues, $481 million in other operating expenses, $10 million in investment expense and $57 million in other non-operating expenses.

(b) To exclude the employer payroll taxes payable for employee income from non-qualified stock option exercises. The adjustments column includes $2 million in cost of revenues, $2 million in R&D expenses and $1 million in SG&A expenses.

(c) To exclude the amortization of goodwill and other acquisition-related intangible assets associated with the purchase of SnapTrack and other acquisitions.

(d) Charges related to an arbitration decision against the Company. The adjustments column includes $69 million in other operating expense and $8 million in interest expense.

(e) Q1 impact of the adoption of FAS 133, excludes $160 million in unrealized losses on derivative instruments. The Company adopted FAS 133, “Accounting for Derivative Instruments and Hedging Activities,” as of the beginning of fiscal 2001. FAS 133 requires certain derivative instruments to be recorded at fair value. Unrealized gains and losses on these derivative instruments after adoption of FAS 133 are recorded in the income statement.

(f) To exclude a $144 million unrealized loss related to “other than temporary impairment” of certain marketable securities.

(g) Cumulative effect of the adoption of FAS 133, excludes $129 million in unrealized gains, net of tax, related to this accounting change.

(h) The diluted share base used for the reported results excludes the effect of 57 million potential common share equivalents related to outstanding stock options, calculated using the treasury stock method, as these shares are anti-dilutive. For pro forma results these shares are dilutive and are, therefore, included in the pro forma per share calculation.

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

	December 31, 2000	September 24, 2000
Current assets:		
Cash and cash equivalents	$ 826,338	$ 716,871
Marketable securities	1,146,854	1,055,522
Accounts receivable, net	537,667	606,979
Finance receivables	131,055	128,515
Inventories, net	77,801	85,366
Other current assets	129,112	136,727
Total current assets	2,848,827	2,729,980
Property, plant and equipment, net	423,429	431,705
Marketable securities	436,586	748,521
Finance receivables, net	402,145	799,404
Goodwill, net	764,467	821,834
Other assets	704,971	531,538
Total assets	$ 5,580,425	$ 6,062,982

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2000	September 24, 2000
Current liabilities:		
Trade accounts payable	$ 129,052	$ 112,856
Payroll and other benefits related liabilities	89,009	128,836
Unearned revenue	61,850	68,419
Other current liabilities	218,305	162,182
Total current liabilities	498,216	472,293
Other liabilities	24,196	27,718
Total liabilities	522,412	500,011
Minority interest in consolidated subsidiaries	47,871	46,643
Stockholders' equity:		
Preferred stock, $0.0001 par value	-	-
Common stock, $0.0001 par value	75	75
Paid-in capital	4,424,010	4,653,818
Retained earnings	642,347	871,090
Accumulated other comprehensive loss	(56,290)	(8,655)
Total stockholders' equity	5,010,142	5,516,328
Total liabilities and stockholders' equity	$ 5,580,425	$ 6,062,982

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31, 2000		Three Months Ended December 26, 1999
Revenues	$ 684,021		$ 1,120,073
Operating expenses:			
Cost of revenues	295,921		648,748
Research and development	86,123		83,404
Selling, general and administrative	79,964		101,777
Amortization of goodwill and other acquisition-related intangible assets	62,995		71
Asset impairment and related charges	480,778		26,152
Other	69,188		-
Total operating expenses	1,074,969		860,152
Operating (loss) income	(390,948)		259,921
Interest expense	(8,568)		(2,673)
Investment (expense) income, net	(231,529)	(a)	36,247
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-		(11,045)
Other	(56,566)		-
(Loss) income before income taxes and accounting change	(687,611)		282,450
Income tax benefit (provision)	330,053		(105,331)
(Loss) income before accounting change	(357,558)		177,119
Accounting change, net of tax	128,815	(a)	-
Net (loss) income	$ (228,743)		$ 177,119
Basic net (loss) earnings per common share:			
(Loss) income before accounting change	$ (0.48)		$ 0.27
Accounting change, net of tax	0.17		-
Net (loss) income	$ (0.31)		$ 0.27
Diluted net (loss) earnings per common share:			
(Loss) income before accounting change	$ (0.48)		$ 0.23
Accounting change, net of tax	0.17		-
Net (loss) income	$ (0.31)		$ 0.23
Shares used in per share calculations:			
Basic	749,482		664,586
Diluted	749,482	(b)	790,827

(a) The Company adopted Statement of Financial Accounting Standards No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities" as of the beginning of fiscal 2001. FAS 133 requires certain derivative instruments to be recorded at fair value. After adoption of FAS 133, unrealized gains and losses on derivative instruments are recorded in the income statement. The Company recorded a $129 million gain, net of taxes, as the cumulative effect of the change in accounting principle. The cumulative effect of the accounting change related primarily to the unrealized gain on a warrant to purchase 4,500,000 shares of Leap Wireless International, Inc. (Leap Wireless) common stock issued to the Company in connection with its spin-off of Leap Wireless in September 1998. Additionally, the Company recorded $160 million in pre-tax unrealized losses on derivative instruments during the first quarter of fiscal 2001, primarily resulting from a decline in the market price of Leap Wireless stock, which directly affected the fair value of the Leap Wireless warrant. The $160 million unrealized loss is recorded as a component of investment expense.

(b) The diluted share base excludes incremental shares related to outstanding stock options due to their anti-dilutive effect as a result of the Company's loss before accounting change.