

Contact:
Julie Cunningham
Vice President, Investor Relations
Ph: 619-658-4224
Fax: 619-651-9303
E-mail: juliec@qualcomm.com

QUALCOMM Reports Second Fiscal Quarter Earnings
\$.82 Operating EPS, Excluding Non-Recurring Charges

SAN DIEGO - April 20, 1999 - QUALCOMM Incorporated (NASDAQ: QCOM) today reported revenues of \$932 million and a net loss of \$43 million, or \$.59 per share (diluted), for the second quarter of fiscal 1999 (see Financial Data comparisons, pg. 6). Excluding non-recurring charges of \$166 million associated primarily with the sale of the Company's terrestrial Code Division Multiple Access (CDMA) wireless infrastructure business and the restructuring of its workforce, the Company reported record net income in the second quarter of \$65 million, or \$.82 earnings per share (diluted). This represents an increase in net income excluding non-recurring items of 250 percent over second quarter of fiscal 1998. Revenues in the second quarter of fiscal 1999 increased 23 percent over the second quarter of fiscal 1998. The growth was primarily due to improved communications systems revenues consisting of strong sales of CDMA phones, Application Specific Integrated Circuits (ASICs) and OmniTRACS, as well as increased royalties.

“The events of this quarter proved to be pivotal in our Company’s 14-year history. We entered into a series of agreements with Ericsson which will result in a global resolution of our mutual patent disputes and the sale of our infrastructure business,” said Dr. Irwin M. Jacobs, chairman and CEO of QUALCOMM Incorporated. “We saw robust demand for CDMA phones and chip sets and we announced innovative new products, including the Thin Phone™ and our sixth generation MSM™ phone chip. Our royalty revenues grew significantly as a result of increased CDMA product shipments by our licensees, which we believe is a clear indicator of the growth of CDMA technology around the globe. Our focus

is to continue to support the growth of CDMA, to strengthen and grow our core businesses and to improve operational efficiency and profitability.”

Pro Forma Financial Information

Pro forma financial information is provided for the purpose of evaluating what the Company's operating results would have been excluding both non-recurring charges and operating results of the terrestrial CDMA wireless infrastructure business being sold to Ericsson. For the second quarter of fiscal 1999, pro forma revenues were \$908 million, pro forma gross profit was 36 percent, pro forma net income was \$98 million, and pro forma earnings per share were \$1.20 (diluted). The financial results of the third quarter of fiscal 1999 will include operations of the infrastructure business until the closing date of the Ericsson transaction, which is expected on or after May 24, 1999 following receipt of the necessary regulatory approvals and other customary closing conditions. The Company also plans to report pro forma information for the third quarter of fiscal 1999.

On March 25, 1999, QUALCOMM announced a series of definitive agreements with Ericsson. These agreements included (a) the purchase by Ericsson of certain assets and the assumption of certain liabilities related to the Company's terrestrial CDMA wireless infrastructure business, (b) joint support of a single world CDMA standard with three optional modes for the next generation of wireless communications, (c) the signing of cross-licensing agreements, and (d) the settlement of legal disputes between QUALCOMM and Ericsson.

Non-recurring pre-tax charges of \$166 million were reported primarily in connection with the sale of the terrestrial CDMA wireless infrastructure business, write-down of certain infrastructure business related assets not being acquired by Ericsson, restructuring of the workforce and loss on cancellation of a portion of Leap Wireless warrants. In the third quarter of fiscal 1999, the Company expects additional non-recurring expenses of

approximately \$100 million relating to the sale of the infrastructure business. This includes compensation expenses related to employees being transferred to Ericsson.

Highlights of Financial Performance

Communications Systems

Communications systems revenues increased 24 percent to \$774 million in the second quarter of fiscal 1999 from \$626 million in the year ago quarter, with strong sales of CDMA phones, ASICs and OmniTRACS units. Communications systems gross margin for the second quarter of fiscal 1999 excluding non-recurring charges was 28 percent compared to 22 percent in the second quarter of fiscal 1998, reflecting improved margins in all product areas with the exception of infrastructure products. Total product shipments for the second fiscal quarter of 1999 were over 1.7 million CDMA phones (over 10 million cumulatively), nine million MSM phone chips (over 40 million cumulatively), and approximately 11,000 OmniTRACS units (280,000 cumulatively). In addition to substantial growth in the shipment of MSM phone chips, the book-to-bill ratio for the ASICs business was 1.7 for the second quarter of fiscal 1999. The book-to-bill ratio means the Company has \$1.70 in ASICs orders for every \$1.00 of product shipped.

License and Royalty Fees

License, royalty and development fees for the second quarter of fiscal 1999 were \$77 million, comprised substantially of royalties, compared to \$70 million for the year ago quarter. However, the \$70 million of license, royalty and development fees for the year ago quarter included a significant amount of one-time license fees, as well as an upward adjustment of \$18 million due to the Company's adoption in that quarter of accrual-based royalty revenue recognition. The \$77 million in license, royalty and development fees for the second quarter of fiscal 1999 also represents a 73 percent increase over the \$44 million in license, royalty and development fees for the first quarter of fiscal 1999.

Contract Services

Contract services revenues were \$81 million in the second quarter of fiscal 1999 compared to \$65 million for the year ago quarter. The increase in revenues was attributable to activity on the development agreement with Globalstar.

Operating Income/Expenses

Operating income excluding non-recurring charges more than doubled, increasing 125 percent to \$115 million in the second quarter of fiscal 1999 compared to \$51 million during the year ago quarter. The increase was attributable to higher revenues and improved gross margins in all product areas with the exception of infrastructure products. Operating income as a percent of revenues nearly doubled, increasing to 12 percent for the second quarter of fiscal 1999 from 7 percent in the year ago period.

Operating expenses (research and development, selling and marketing and general and administrative) excluding non-recurring charges for the second quarter of fiscal 1999 increased to \$203 million compared to \$175 million during the year ago period, but held constant at 22 percent of total revenues.

Taxes

The Company's effective tax rate for fiscal 1999 is currently estimated to be 35 percent compared to an effective tax rate of 29 percent in fiscal 1998.

Stock Split

On April 14, 1999, QUALCOMM's Board of Directors declared a two-for-one stock split of the Company's Common Stock. The non-taxable stock dividend will be distributed on May 10, 1999 to stockholders of record on April 21, 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); technology licensing; and satellite-based systems including OmniTRACS[®] and portions of the Globalstar[™] system. Headquartered in San Diego, Calif., QUALCOMM is a FORTUNE 500[®] company with fiscal 1998 revenues in excess of U.S. \$3 billion. For more information, please visit the Company's web site at [<http://www.qualcomm.com>](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 closing conditions to agreements signed with Ericsson will not be satisfied, the risk that the rate of growth in the CDMA subscriber population will decrease, risks associated with the scale-up and operations of CDMA systems, risks associated with the ability to improve operational efficiency and profitability, risks associated with developments in current or future litigation, risks associated with timing and receipt of license fees and royalties, risks associated with vendor financing and risks associated with 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.

###

QUALCOMM, OmniTRACS and Eudora are registered trademarks of QUALCOMM Incorporated. MSM and Thin Phone are trademarks of QUALCOMM Incorporated. Globalstar is a trademark of Loral QUALCOMM Satellite Services, Incorporated. All other trademarks are the property of their respective manufacturers.

Financial Data – Second Quarter Fiscal 1999

| Dollars in thousands except per share data | 1999 2 nd Qtr As Reported | Non-Recurring Charges | 1999 2 nd Qtr As Adjusted |
|---|--|--------------------------|--|
| Revenue | \$932,395 | | \$932,395 |
| Gross Profit | \$308,620 | \$10,123 | \$318,743 |
| Gross Profit % | 33% | | 34% |
| R&D | \$102,713 | \$3,063 | \$99,650 |
| Selling & Marketing | \$53,628 | \$459 | \$53,169 |
| G&A | \$51,266 | \$665 | \$50,601 |
| Other Operating Expenses | \$95,824 | \$95,824 | \$0 |
| Total Operating Expenses | \$927,206 | \$100,011 | \$827,195 |
| Operating Income | \$5,189 | \$110,134 | \$115,323 |
| Operating Income % | 1% | | 12% |
| Other Non-Operating Expense | \$70,757 | \$55,804 | \$14,953 |
| Income (Loss) Before Taxes | (\$65,568) | (\$165,938) | \$100,370 |
| Net Income (Loss) | (\$42,620) | (\$107,860) | \$65,240 |
| EPS (Diluted) | (\$0.59) | (\$1.49) | \$0.82 |

Financial Data - Second Quarter Fiscal 1999 vs. Second Quarter Fiscal 1998

Excluding Non-Recurring Charges/Gains

| Dollars in thousands except Per share data | 1999 2 nd Qtr | 1998 2 nd Qtr | Change % | 1999 1 st Half | 1998 1 st Half | Change % |
|---|-----------------------------|-----------------------------|-------------|------------------------------|------------------------------|-------------|
| Revenue | \$932,395 | \$760,553 | 23% | \$1,873,618 | \$1,546,407 | 21% |
| Gross Profit | \$318,743 | \$226,221 | 41% | \$617,576 | \$458,460 | 35% |
| Gross Profit % | 34% | 30% | | 33% | 30% | |
| Operating Income | \$115,323 | \$51,301 | 125% | \$193,271 | \$116,172 | 66% |
| Operating Income % | 12% | 7% | | 10% | 8% | |
| Income Before Taxes | \$100,370 | \$26,222 | 283% | \$166,291 | \$91,805 | 81% |
| Net Income | \$65,240 | \$18,618 | 250% | \$110,089 | \$69,181 | 59% |
| EPS (Diluted) | \$0.82 | \$0.25 | 228% | \$1.44 | \$0.94 | 60% |

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

(Unaudited)

| ASSETS | | |
|--|---------------------|-----------------------|
| | March 28, 1999 | September 27, 1998 |
| Current assets: | | |
| Cash and cash equivalents | \$ 121,253 | \$ 175,846 |
| Investments | 83,395 | 127,478 |
| Accounts receivable, net | 814,213 | 612,209 |
| Finance receivables | 59,457 | 56,201 |
| Inventories | 254,477 | 386,536 |
| Other current assets | 215,514 | 178,950 |
| Total current assets | 1,548,309 | 1,537,220 |
| Property, plant and equipment, net | 557,899 | 609,682 |
| Finance receivables, net | 352,525 | 287,751 |
| Other assets | 162,663 | 132,060 |
| Total assets | \$ 2,621,396 | \$ 2,566,713 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 662,781 | \$ 660,428 |
| Unearned revenue | 62,858 | 67,123 |
| Bank lines of credit | 64,000 | 151,000 |
| Current portion of long-term debt | 3,062 | 3,058 |
| Total current liabilities | 792,701 | 881,609 |
| Long-term debt | 2,360 | 3,863 |
| Other liabilities | 44,411 | 25,115 |
| Total liabilities | 839,472 | 910,587 |
| Minority interest in consolidated subsidiaries | 45,073 | 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 | 1,102,313 | 959,267 |
| Retained earnings | 5,910 | -- |
| Accumulated other comprehensive loss | (31,379) | (1,678) |
| Total stockholders' equity | 1,076,851 | 957,596 |
| Total liabilities and stockholders' equity | \$ 2,621,396 | \$ 2,566,713 |

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

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|-----------------|-------------------------|-----------------|
| | March 28 | March 29 | March 28 | March 29 |
| | 1999 | 1998 | 1999 | 1998 |
| Revenues: | | | | |
| Communications systems..... | \$774,308 | \$625,572 | \$1,591,362 | \$1,302,457 |
| Contract services | 81,452 | 64,927 | 161,266 | 128,958 |
| License, royalty and development fees | 76,635 | 70,054 | 120,990 | 114,992 |
| Total revenues | 932,395 | 760,553 | 1,873,618 | 1,546,407 |
| Operating expenses: | | | | |
| Communications systems..... | 568,441 | 485,279 | 1,153,365 | 992,618 |
| Contract services | 55,334 | 49,053 | 112,800 | 95,329 |
| Research and development | 102,713 | 76,946 | 203,075 | 151,747 |
| Selling and marketing | 53,628 | 59,728 | 123,364 | 115,826 |
| General and administrative | 51,266 | 38,246 | 102,053 | 74,715 |
| Other | 95,824 | -- | 95,824 | 11,976 |
| Total operating expenses | 927,206 | 709,252 | 1,790,481 | 1,442,211 |
| Operating income | 5,189 | 51,301 | 83,137 | 104,196 |
| Interest income | 8,229 | 9,573 | 14,035 | 21,763 |
| Interest expense | (5,459) | (1,685) | (8,774) | (4,374) |
| Net gain on sale of investments | -- | -- | 5,663 | 2,950 |
| Net loss on cancellation of warrants | (3,273) | -- | (3,273) | -- |
| Other | (52,531) | -- | (52,531) | -- |
| Distributions on trust convertible preferred securities of subsidiary trust | (9,904) | (9,927) | (19,703) | (19,725) |
| Minority interest in income of consolidated subsidiaries | (2,845) | (21,642) | (6,543) | (17,861) |
| Equity in losses of investees | (4,974) | (1,398) | (5,995) | (4,170) |
| Income (loss) before income taxes | (65,568) | 26,222 | 6,016 | 82,779 |
| Income tax benefit (expense) | 22,948 | (211) | (106) | (20,006) |
| Net income (loss) | <u>(\$42,620)</u> | <u>\$26,011</u> | <u>\$5,910</u> | <u>\$62,773</u> |
| Net earnings (loss) per common share: | | | | |
| Basic | <u>\$ (0.59)</u> | <u>\$ 0.38</u> | <u>\$ 0.08</u> | <u>\$ 0.91</u> |
| Diluted | <u>\$ (0.59)</u> | <u>\$ 0.36</u> | <u>\$ 0.08</u> | <u>\$ 0.85</u> |
| Shares used in per share calculation: | | | | |
| Basic | <u>72,307</u> | <u>68,934</u> | <u>71,515</u> | <u>68,705</u> |
| Diluted | <u>72,307</u> | <u>73,143</u> | <u>73,263</u> | <u>73,643</u> |