

QUALCOMM Contact:  
Julie Cunningham  
Sr. Vice President, Investor Relations  
1-(858) 658-4224 (ph) 1-(858) 651-9303 (fax)  
e-mail: juliec@qualcomm.com

**QUALCOMM Announces Second Quarter Results  
Pro Forma Earnings Per Share \$0.26**

*- Pro Forma Net Income Increased 74% from Second Quarter of Fiscal 1999 -*

SAN DIEGO – April 18, 2000 - QUALCOMM Incorporated (NASDAQ: QCOM) today reported pro forma revenues (see note below) of \$649 million for the second quarter of fiscal 2000, an increase of 16 percent compared to \$558 million in the year ago period. Pro forma earnings per share were \$.26 in the second quarter of fiscal 2000 compared to \$.18 per share in the year ago period, an increase of 44 percent. Pro forma earnings before taxes were \$334 million in the second quarter of fiscal 2000 compared to \$184 million in the year ago period, an increase of 82 percent. Pro forma net income was \$207 million in the second quarter of fiscal 2000 compared to \$119 million in the year ago period, an increase of 74 percent.

“During the quarter, we successfully completed the sale of our phone business to Kyocera. We also favorably settled a lengthy patent lawsuit with Motorola, resulting in the extension of its CDMA license to include QUALCOMM patents issued since 1995,” said Dr. Irwin M. Jacobs, chairman and CEO of QUALCOMM Incorporated.

“As expected, second quarter revenues reflected lower shipments in our chip business. However, we believe industry inventories have returned to normal levels and we expect a strong second half with record MSM chip shipments.”

Note: Pro forma results for the current period exclude acquisition-related costs, including a \$60 million one-time write-off of purchased in-process technology and \$21 million in ongoing amortization of goodwill and other intangible assets, \$50 million in losses incurred by the exited consumer phone business and \$56 million in charges related to the sale, \$12 million in employer payroll taxes on employee non-qualified stock option exercises, \$267 million in realized gains from sale of marketable securities and \$3 million in other non-operating charges. Pro forma results for the prior period exclude the results of exited businesses and related charges. Pro forma earnings differ from reported earnings presented in accordance with generally accepted accounting principles because they exclude these cost and income items.

“We are pleased with the rapidly increasing worldwide acceptance of CDMA and the exciting potential for wireless Internet access. Our 1xHDR technology to deliver data rates up to 2.4 Mbps in a spectrally-efficient, cost-effective manner using existing CDMA radio bandwidth continues on a rapid path through tests, trials, and chip development to commercialization,” Dr. Jacobs said. “We continue to strengthen our market position in our satellite and digital media businesses, with OmniTRACS growing well, Globalstar entering commercial expansion, our latest version of Eudora with advertiser support being well accepted, and digital cinema gathering increasing interest.”

Pro forma operating expenses (research and development and selling, general and administrative) for the second quarter of fiscal 2000 increased to 23 percent of revenues due to increased chipset and system software product initiatives and High Data Rate (HDR) development efforts compared to 20 percent of revenues during the year ago period.

Pro forma operating income as a percent of revenues increased to 42 percent for the second quarter of fiscal 2000 from 34 percent in the year ago period.

The Company currently estimates its pro forma annual effective income tax rate to be approximately 38 percent for fiscal 2000, compared to 35 percent for fiscal 1999.

Reported revenues for the second quarter of fiscal 2000 were \$728 million, compared to \$932 million in the year ago period. Reported earnings per share were \$.25 in the second quarter of fiscal 2000, compared to a loss of \$.07 per share in the year ago period.

Reported earnings before taxes were \$399 million and reported net income was \$200 million in the second quarter of fiscal 2000 compared to a loss before taxes of \$66 million and a net loss of \$43 million, respectively, in the year ago period.

## **Outlook**

Based on current indications and strong acceptance of newer MSM chip models, the Company expects third fiscal quarter MSM chip shipments to exceed first fiscal quarter shipments of 14.5 million. The Company expects its pro forma earnings per share to

meet the current analysts' consensus estimates of \$.27 for the third quarter of fiscal 2000 due principally to expected growth in chipset and system software revenues and profits.

### **Acquisitions and Investments**

During the quarter QUALCOMM acquired: 1) SnapTrack, a leader in wireless position location technology; 2) the technology development group of Tellit, a U.K.-based company with industry-leading expertise in European Radio Frequency (RF) handset design; and 3) Within Technology, a technology and systems consulting firm with expertise in collaborative workgroup software, interface design and document annotation techniques. These acquisitions were valued at over \$1 billion and are expected to significantly enhance QUALCOMM's future product offerings.

The Company has also increased its investment activities in other companies to further its strategic interests. These include start-up companies that have developed or are developing innovative wireless data applications, venture firms that invest in and incubate wireless Internet start-up companies and wireless carriers that promote the worldwide deployment of CDMA and HDR systems.

During the quarter, the Company recognized gains of \$267 million before taxes on sales of one investment in the portfolio. The Company will seek to leverage its strong position in the wireless voice and Internet markets to build the value of its strategic investment portfolio. These investments are intended to strengthen the market for CDMA and HDR products and enhance the Company's future product offerings.

### **Cash Flow**

QUALCOMM's cash, cash equivalents and investments totaled approximately \$2 billion at the end of the second quarter of fiscal 2000, an increase of \$470 million from the first quarter of fiscal 2000. The following table presents selected cash flow information for the second quarter of fiscal 2000 (in millions):

<u>Selected Cash Flow Information</u>	<u>Amount</u>
Earnings before taxes, depreciation and amortization	\$ 250
QCP sale to Kyocera and related items	360
Investment sale/Loan repayments/Other	294
Net cash inflows	<u>904</u>
Investments and capital expenditures	(284)
Bank loan paydown	(124)
Working capital changes	<u>(26)</u>
Net cash outflows	<u>(434)</u>
Net cash generated	<u><u>\$ 470</u></u>

“Our improved operating margins and focus on working capital management have generated and are expected to continue to generate significant cash flow to fund attractive new business opportunities in the growing CDMA and wireless data markets,” said Tony Thornley, executive vice president and chief financial officer for QUALCOMM.

### Pro Forma Results of Business Segments

The following tables present pro forma segment information for the second quarter of fiscal 2000 (in thousands):

#### Second Quarter - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (1)	Total QUALCOMM
Revenues	279,187	167,652	188,300	13,615	648,754
Change from prior year	6%	57%	5%	N/M	16%
Earnings before taxes	89,976	150,422	83,041	10,136	333,575
% of revenues	32%	90%	44%	N/M	51%
Change from prior year	-17%	60%	226%	N/M	82%

#### Second Quarter - Fiscal Year 1999

Segments	QCT	QTL	QWS (2)	Reconciling Items (1)	Total QUALCOMM
Revenues	263,411	106,476	178,490	9,321	557,698
Earnings before taxes	109,006	93,771	25,499	(44,522)	183,754
% of revenues	41%	88%	14%	N/M	33%

Historical pro forma trend information is available on QUALCOMM’s web site at <http://www.qualcomm.com> on the Investor Relations page.

- (1) **Reconciling Items related to revenues consist primarily of other non-reportable segment revenue less inter-segment eliminations. Reconciling Items related to earnings before taxes consist primarily of non-reportable segment results, unallocated net investment income, distributions on Trust Convertible Preferred Securities, and the elimination of inter-company profit.**
- (2) **QWS revenues and earnings before taxes for the second quarter of fiscal 1999 exclude \$24 million and \$50 million in revenues and losses before taxes, respectively, related to the Company's terrestrial CDMA wireless infrastructure business sold to Ericsson in May 1999.**

N/M – Not Meaningful

## **Highlights of Business Segments - Second Quarter Fiscal 2000**

### **QUALCOMM CDMA Technologies (QCT)**

- Recorded a book-to-bill ratio of greater than one at the end of the second quarter of fiscal 2000.
- Shipped over 11 million Mobile Station Modem (MSM) phone chips to customers worldwide during the second quarter of fiscal 2000, compared to 9 million units shipped during the same period last year. Shipments for the third quarter of fiscal 2000 are expected to exceed the first quarter level of 14.5 million units.
- Announced partnerships with Ericsson, Symbian, Microsoft and RF Micro Devices to drive development of next-generation CDMA products and services.
- Announced the development of the Wireless Internet Launchpad suite of applications and Internet services, including advanced multi-media, connectivity, position location, user interface and removable storage functionality.
- Introduced two new chipsets and system software, the first to support multimedia applications: the MSM3300 solution for IS-95A/B and the MSM5100 solution for 3G CDMA 1xMC.
- Shipped samples of the MSM5000 chipset and system software for handsets and the CSM5000 solution for infrastructure equipment on time. These chips are the first in the world to support the 3G CDMA 1xMC standard.

### **QUALCOMM Technology Licensing (QTL)**

- License, development and royalty fees totaled \$168 million, a 58 percent increase in the second quarter of 2000, compared to \$106 million for the same period a year ago. Royalty fees declined from the first quarter of fiscal 2000 as a result of the seasonal and other factors that also impacted the chip business in the quarter. Royalties are expected to increase in the third fiscal quarter. License, development and royalty fees from third parties were \$149 million in the second quarter of fiscal 2000.
- Extended Motorola's CDMA license to include certain patents filed after July 3, 1995 for standards including IS-95A/B, 1X MC, 1X Plus and 1Xtreme. Motorola agreed to pay royalties to QUALCOMM at rates consistent with those generally paid by the industry for using newly licensed patents.
- Extended Hitachi's CDMA license agreement, including a multi-million dollar up-front license fee and ongoing royalties as Hitachi begins selling third-generation CDMA equipment.

### **QUALCOMM Wireless Systems (QWS)**

- Shipped a record 16,460 OmniTRACS units and related products, a 54 percent increase in the second quarter of fiscal 2000 compared to the year ago quarter, for a cumulative total of over 335,000 units. International unit shipments increased to 5,400 or 124 percent, compared to 2,415 in the year ago quarter. QUALCOMM Wireless Business Solutions (QWBS) customers now include 37 of the top 40 domestic truckload carriers.
- Formed a strategic alliance with Wabtec Railway Electronics, a division of Wabtec Corporation, to market the OmniTRACS Mobile Information Management System for the rail industry.
- Formed a strategic relationship with Ryder System, Inc., a leader in logistics and transportation solutions worldwide, to purchase up to 10,000 OmniTRACS units.
- Announced the formation of eQ-COM to provide wireless communications-based fleet management solutions to the European freight transport industry and other transportation-based industries. Also signed an agreement with Vodafone Airtouch to provide Pan-European data services for eQ-COM.

- Shipped a cumulative total of approximately 40,000 Globalstar phones.
- Demonstrated Internet access and packet data capability on the Globalstar system to allow users to communicate with their corporate data networks, access the Internet, and send and receive email messages. Commercial field trials are slated for summer 2000 followed by a phased integration, which will be made available to all Globalstar Service Providers.

### **Other**

- QUALCOMM Digital Media (QDM) announced an agreement with Eastman Kodak Company to collaborate on testing core technologies for the creation of a high-quality digital cinema system. QUALCOMM's compression, encryption and watermarking techniques will be key technologies incorporated into Kodak's prototype digital projection system.
- Eudora announced the release of the new Eudora 4.3 email software providing email for free, sponsored by advertising.
  - Downloaded more than 500,000 copies of Eudora 4.3 in the first two months after commercial release.
  - Surpassed 100 million ad impressions delivered to users.

QUALCOMM Incorporated ([www.qualcomm.com](http://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 major businesses include integrated CDMA chipsets and system software; technology licensing; and satellite-based systems including OmniTRACS<sup>®</sup> and portions of the Globalstar<sup>™</sup> system. Headquartered in San Diego, Calif., QUALCOMM is included in the S&P 500 Index and is a 1999 FORTUNE 500<sup>®</sup> company traded on the NASDAQ 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 chip

inventory levels and the ability to increase shipments; risks associated with the ability to meet analyst consensus estimates in future periods; risks associated with the ability to sustain or improve operational efficiency and profitability; risks that the rate of growth in the CDMA subscriber population will decrease; risks associated with strategic investments, acquisitions or divestitures the Company may pursue; risks associated with the scale-up and operations of CDMA systems; 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.

###

QUALCOMM, OmniTRACS and Eudora are registered trademarks of QUALCOMM Incorporated. MSM, CSM, iMSM and TruckMAIL 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.

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

**ASSETS**

	<u>March 26,</u> <u>2000</u>	<u>September 26,</u> <u>1999</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 772,548	\$ 660,016
Investments	935,778	954,415
Accounts receivable, net	659,297	883,640
Finance receivables	23,597	26,377
Inventories, net	77,902	257,941
Other current assets	332,297	195,849
Total current assets	<u>2,801,419</u>	<u>2,978,238</u>
<b>Property, plant and equipment, net</b>	440,195	555,991
<b>Investments</b>	318,566	70,495
<b>Finance receivables, net</b>	784,297	548,482
<b>Goodwill, net</b>	942,293	1,833
<b>Deferred income taxes</b>	443,194	123,788
<b>Other assets</b>	413,760	256,123
<b>Total assets</b>	<u><u>\$ 6,143,724</u></u>	<u><u>\$ 4,534,950</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 507,532	\$ 705,208
Unearned revenue	81,617	56,070
Bank lines of credit	-	112,000
Current portion of long-term debt	200	3,099
Total current liabilities	<u>589,349</u>	<u>876,377</u>
<b>Long-term debt</b>	343	795
<b>Other liabilities</b>	49,085	74,872
Total liabilities	<u>638,777</u>	<u>952,044</u>
<b>Minority interest in consolidated subsidiaries</b>	<u>45,695</u>	<u>51,596</u>
<b>Company-obligated mandatorily redeemable Trust</b>		
<b>Convertible Preferred Securities of a subsidiary trust</b>		
<b>holding solely debt securities of the Company</b>	<u>-</u>	<u>659,555</u>
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.0001 par value	-	-
Common stock, \$0.0001 par value	74	65
Paid-in capital	4,897,967	2,587,899
Retained earnings	577,714	200,879
Accumulated other comprehensive income (loss)	(16,503)	82,912
Total stockholders' equity	<u>5,459,252</u>	<u>2,871,755</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 6,143,724</u></u>	<u><u>\$ 4,534,950</u></u>

Restated September 26, 1999 Stockholders' Equity for stock split on December 30, 1999.

QUALCOMM Incorporated

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

	Three Months Ended		Six Months Ended	
	March 26, 2000	March 28, 1999	March 26, 2000	March 28, 1999
<b>Revenues</b>	\$ 727,741	\$ 932,395	\$ 1,847,814	\$ 1,873,618
<b>Operating expenses:</b>				
Cost of revenues	350,396	623,775	999,144	1,266,165
Research and development	90,153	102,713	173,557	203,075
Selling, general and administrative	97,398	104,592	199,174	224,813
Amortization of goodwill and other acquisition-related intangible assets	20,536	302	20,608	604
Purchased in-process technology	60,030	-	60,030	-
Other	37,437	95,824	63,589	95,824
Total operating expenses	655,950	927,206	1,516,102	1,790,481
<b>Operating income</b>	71,791	5,189	331,712	83,137
<b>Interest expense</b>	(1,213)	(5,459)	(3,886)	(8,774)
<b>Investment income (expense), net</b>	333,749	(2,863)	369,996	3,887
<b>Distributions on Trust Convertible</b>				
Preferred Securities of subsidiary trust	(1,994)	(9,904)	(13,039)	(19,703)
<b>Other</b>	(3,265)	(52,531)	(3,265)	(52,531)
<b>Income (loss) before income taxes</b>	399,068	(65,568)	681,518	6,016
<b>Income tax (expense) benefit</b>	(199,352)	22,948	(304,683)	(106)
<b>Net income (loss)</b>	\$ 199,716	\$ (42,620)	\$ 376,835	\$ 5,910
<b>Net earnings (loss) per common share:</b>				
Basic	\$ 0.28	\$ (0.07)	\$ 0.55	\$ 0.01
Diluted	\$ 0.25	\$ (0.07)	\$ 0.48	\$ 0.01
<b>Shares used in per share calculations:</b>				
Basic	716,818	578,457	690,702	572,118
Diluted	801,388	578,457	796,107	586,103