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QUALCOMM Announces Second Quarter Fiscal 2001 Results
- Pro Forma Revenues \$713 Million, Pro Forma EPS \$.29 -

The Company's second quarter fiscal 2001 earnings conference call will be broadcast live on April 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 18332892.

SAN DIEGO – April 25, 2001 - QUALCOMM Incorporated (NASDAQ: QCOM) today reported pro forma revenues in the second quarter of fiscal 2001 of \$713 million compared to \$649 million in the year ago period and \$684 million in the first quarter of fiscal 2001. Pro forma earnings per share were \$0.29 in the second quarter of fiscal 2001 compared to \$0.26 per share in the year ago period and \$0.29 per share in the first quarter of fiscal 2001 (see page 12 for pro forma adjustments). Pro forma earnings differ from reported earnings, which are presented in accordance with generally accepted accounting principles.

“The worldwide market for CDMA continues to grow as subscribers are added to second generation cdmaOne networks, new markets are opened and third generation CDMA2000 1x networks are deployed,” said Dr. Irwin Jacobs, chairman and CEO of QUALCOMM. “We’re pleased to announce that we signed our first CDMA infrastructure license agreement in China with ZTE, one of the leading manufacturers designated by China’s Ministry of Information Industry (MII) to support CDMA deployment. We look forward to working closely with ZTE and others to help successfully deploy CDMA in China this calendar year. We have also been active in other worldwide markets consistent with our goal of growing CDMA, making investments in Australian spectrum and developing chips to enable manufacturers to build low-cost handsets for South America as well as other regions around the world.”

“During the second quarter, we met our goal of delivering a record 16 million MSM chips while continuing to focus on the development and production of a variety of new chips and software to support 3G CDMA,” Dr. Jacobs said. “Uncertainty in global economic conditions, however, has resulted in recent reductions in chip demand from our customers in the third and fourth fiscal quarters. As a result, we now expect MSM unit shipments in the third quarter to be approximately 14 million units. We anticipate that chipset demand will accelerate in succeeding quarters as CDMA2000 1x systems are deployed by numerous operators and many manufacturers introduce exciting wireless devices spanning the range from low-cost to feature-rich. Further, we expect our chipset market share to increase with our first-to-market 3G products and with further differentiation achieved by position-location and BREW-based applications.”

The Company expects to proceed with the previously announced spin-off of its semiconductor business, referred to as “QUALCOMM Spinco, Inc.,” by the fall of 2001 in the form of a 100 percent tax-free distribution of common stock to QUALCOMM shareholders as of a record date to be determined. The Company has ample cash to fund the new company and does not plan an Initial Public Offering (IPO) of Spinco stock prior to the spin-off.

Pro forma revenues increased to \$713 million or 10 percent in the second quarter of fiscal 2001 from \$649 million in the year ago period due to higher unit shipments of integrated circuits to wireless device manufacturers, higher royalties and license fees and higher OmniTRACS messaging revenues. These increases were offset by lower revenues related to the Company’s business with Globalstar, a decrease in OmniTRACS unit shipments and decreases in average selling prices of integrated circuits. Pro forma revenues in the second quarter of fiscal 2001 increased 4 percent from \$684 million in the first quarter of fiscal 2001, which was primarily attributable to growth in royalty revenues and higher unit shipments of MSM integrated circuits to wireless device manufacturers, partially offset by lower license fees.

Pro forma gross margin for the second quarter of fiscal 2001 increased to 65 percent compared to 64 percent in both the year ago period and the first quarter of fiscal 2001. The increase was primarily due to a higher percentage of revenues from royalties.

Pro forma operating expenses (research and development and selling, general and administrative) for the second quarter of fiscal 2001 were \$192 million compared to \$148 million in the year ago period and \$162 million in the first quarter of fiscal 2001. Pro forma R&D expenses were \$105 million in the second quarter of fiscal 2001 compared to \$72 million in the year ago period and \$84 million in the first quarter of fiscal 2001.

Investments in research and development were primarily associated with new product development to support high-speed wireless Internet access and multi-mode, multi-band, multi-network products including cdmaOne™, CDMA2000 1x/1xEV, GSM/GPRS, WCDMA and position location technologies. Pro forma selling, general and administrative expenses were \$87 million in the second quarter of fiscal 2001 compared to \$76 million in the year ago period and \$79 million in the first quarter of fiscal 2001. The increase in SG&A expenses compared to the year ago period was primarily associated with expanded international business in Japan, China, South Korea and Europe, higher marketing expenses for the QUALCOMM CDMA Technologies business, which has expanded its customer base and product portfolio, and marketing expenses for the introduction of the BREW (Binary Runtime Environment for Wireless) software platform for CDMA phones.

Pro forma investment income was \$91 million for the second quarter of fiscal 2001 compared to \$67 million in the year ago period and \$82 million in the first quarter of fiscal 2001. Higher pro forma results in the first and second quarters of fiscal 2001 were primarily attributable to higher cash and short-term investments and net realized gains on marketable securities. Net gains on equity investments included in investment income were \$10 million in the second quarter of fiscal 2001 compared to a net loss of \$1 million in the year ago period and a net gain of \$14 million in the first quarter of 2001. During the balance of fiscal 2001, the Company may reduce the planned sale of small portions of certain equity investments until market conditions improve.

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 outside of the United States.

Reported revenues for the second quarter of fiscal 2001 were \$713 million compared to \$728 million in the year ago period and \$684 million in the first quarter of fiscal 2001. For the second

quarter of fiscal 2000, reported revenues included \$79 million related to the terrestrial-based CDMA wireless consumer phone business that was sold in February 2000. Reported net income was \$149 million in the second quarter of fiscal 2001 compared to \$200 million in the year ago period and a net loss of \$229 million in the first quarter of fiscal 2001.

Business Outlook

The following statements are forward-looking and actual results may differ materially. Please see page 11 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 disseminates its quarterly business outlook, based on current expectations, in conjunction with its quarterly earnings release and conference call. The Company will not provide further material guidance on analysts' financial models beyond the information provided in its quarterly earnings release and conference call.

Third Quarter Fiscal 2001

- **MSM Unit Shipments** - The Company expects a decrease in MSM integrated circuit shipments to approximately 14 million units during the third quarter of fiscal 2001 due to recent reductions in demand from the Company's handset manufacturer customers. This compares to 16 million units in the second quarter of fiscal 2001 and 15 million units in the year ago period.
- **Earnings Per Share** – Based on the current business outlook, the Company expects pro forma earnings per share to be approximately \$0.21 in the third quarter of fiscal 2001. This estimate assumes shipments of approximately 14 million MSM units; decreased royalties and license fees from the second quarter of fiscal 2001; decreased investment income on lower equity gains and interest income due to lower interest rates; and an expected net loss of \$0.02 per share related to the Company's business with Globalstar.

Fiscal 2001

- Based on the current business outlook, the Company currently expects pro forma earnings per share for fiscal 2001 to be approximately \$1.05 including an expected net

loss of \$0.08 per share related to the Company's business with Globalstar. This new estimate is based on 80 million CDMA phones sold in calendar 2001, compared to the previous expectation of 90 million, and a 20 percent annual decrease in average selling prices of CDMA phones, upon which most royalties are calculated.

Fiscal 2002

- While the status of the global economy is currently uncertain, the Company is very optimistic concerning its growth prospects for fiscal 2002. The primary drivers for this growth include: extensive commercialization of CDMA2000 1x networks and availability of a wide variety of CDMA2000 1x products and BREW-enabled applications; the introduction of commercial CDMA2000 1xEV networks with high speed, wireless data transmission up to 2.4 mbps; growing CDMA deployments worldwide in new markets including China and India; the availability of the Company's new multi-mode/-band/-network integrated circuits and system software; and the introduction of the Company's radioOne™ Zero Intermediate Frequency (ZIF) technology which should substantially lower the cost, size and power requirements of CDMA devices and enable the efficient integration of cross-platform 3G products and global roaming.

Cash Flow

QUALCOMM's cash, cash equivalents and marketable securities totaled approximately \$2.3 billion at the end of the second quarter of fiscal 2001. The following table presents selected information on net cash used for the second quarter of fiscal 2001 (in millions):

<u>Selected Cash Flow Information</u>	<u>Amount</u>
Earnings before taxes, depreciation, amortization and non-cash charges	\$ 375
Working capital changes	(58)
Additional share capital	23
Net cash inflows	340
Strategic investments, financing and capital expenditures	(386)
Net cash generated	\$ (46)

Pro Forma Results of Business Segments

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

Second Quarter - Fiscal Year 2001

Segments	QCT	QTL	QWS (1)	Reconciling Items (2)	Total QUALCOMM
Revenues	363,741	229,456	94,613	25,445	713,255
Change from prior quarter	10%	3%	2%	N/M	4%
Change from prior year	30%	37%	(50%)	N/M	10%
Earnings before taxes	84,574	210,473	17,896	44,960	357,903
% of revenues	23%	92%	19%	N/M	50%
Change from prior quarter	1%	(0%)	127%	N/M	0%
Change from prior year	(6%)	40%	(78%)	N/M	7%

First Quarter - Fiscal Year 2001

Segments	QCT	QTL	QWS (1)	Reconciling Items (2)	Total QUALCOMM
Revenues	330,054	223,482	92,841	37,644	684,021
Earnings before taxes	83,771	210,797	7,870	53,866	356,304
% of revenues	25%	94%	8%	N/M	52%

Second Quarter - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (2)	Total QUALCOMM
Revenues	279,186	167,652	188,302	13,614	648,754
Earnings before taxes	89,977	150,423	83,034	10,141	333,575
% of revenues	32%	90%	44%	N/M	51%

Six Months - Fiscal Year 2001

Segments	QCT	QTL	QWS (1)	Reconciling Items (2)	Total QUALCOMM
Revenues	693,795	452,938	187,454	63,089	1,397,276
Change from prior year	10%	31%	(54%)	N/M	(1%)
Earnings before taxes	168,345	421,270	25,766	98,826	714,207
% of revenues	24%	93%	14%	N/M	51%
Change from prior year	(23%)	35%	(83%)	N/M	6%

Six Months - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (2)	Total QUALCOMM
Revenues	631,581	345,197	403,266	32,404	1,412,448
Earnings before taxes	217,667	313,013	149,181	(8,131)	671,730
% of revenues	34%	91%	37%	N/M	48%

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

N/M – Not Meaningful

Business Segments – Second Quarter Fiscal 2001

QUALCOMM Technology Licensing (QTL)

- Received record high royalties due to the substantial increase in shipments of CDMA subscriber equipment in the last calendar quarter of 2000.
- Received the first royalties on sales of initial 3G WCDMA equipment.
- Signed a total of six license agreements during the second quarter of fiscal 2001, consisting of two new companies and four extensions to existing license agreements, resulting in two new 3G infrastructure and two new 3G subscriber licensees.
- Approximately 50 companies are currently licensed for 3G CDMA (covering CDMA2000, WCDMA, and other CDMA modes) including Advantest, Agilent, Alps, Anritsu, DENSO, Ericsson, Fujitsu, Glenayre Electronics, Handspring, Hitachi, Hyundai, IFR Systems, Kyocera, LG Electronics, Lucent, Matsushita, Maxon, Mitsubishi, Motorola, NEC, Nortel, OKI, Philips, Rohde and Schwarz, Samsung, Sanyo, Sewon, Sharp, Sierra Wireless, 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.

QUALCOMM CDMA Technologies (QCT)

- Shipped approximately 16 million MSM integrated circuits to customers worldwide during the second quarter of fiscal 2001 compared to approximately 15 million units in the first quarter of fiscal 2001 and approximately 11 million units in the year ago period. Cumulative shipments of MSM integrated circuits were approximately 150 million and total cumulative integrated circuit shipments exceeded 445 million units.
- Shipped more than 1 million 3G CDMA2000 1x Mobile Station Modem (MSM) integrated circuits during the first six months of fiscal 2001.
- Announced an expansion of the Company's 3G CDMA chipsets to include the new MSM6xxx family of products, which will enable cost-effective global wireless roaming across multiple wireless networks:

QUALCOMM CDMA Technologies Third Generation (3G) Chipsets and Software Solutions

MSM Chipsets	Multi-mode Capabilities	Availability
MSM5000	CDMA2000 1x (entry level) cdmaOne AMPS	Sampling Q1 CY00 Production Q3 CY00
MSM5100	CDMA2000 1x (high end) cdmaOne AMPS	Sampling Q1 CY01 Production Q2 CY01
MSM5105	CDMA2000 1x (low cost) cdmaOne AMPS	Sampling Q4 CY00 Production Q1 CY01
MSM5200	WCDMA	Sampling Q3 CY01
MSM5500	CDMA2000 1x CDMA2000 1xEV cdmaOne AMPS	Sampling Q2 CY01
MSM6000*	CDMA2000 1x (entry level) cdmaOne	Sampling Q1 CY02 Production Q2 CY02
MSM6050*	CDMA2000 1x (low cost) cdmaOne	Sampling 1H CY02
MSM6100*	CDMA2000 1x (high end) cdmaOne	Sampling 2H CY02
MSM6300*	CDMA2000 1x cdmaOne GPRS GSM	Sampling 1H CY02
MSM6200*	WCDMA GPRS GSM	Sampling 1H CY02
MSM6500*	CDMA2000 1x CDMA2000 1xEV CdmaOne GPRS GSM	Sampling CY03
MSM6600*	WCDMA CDMA2000 1x cdmaOne GPRS GSM	Sampling CY03

* Include new ZIF Direct Conversion technology known as “radioOne™”

- Announced production shipments of the MSM3300, the world’s first multimedia CDMA integrated circuit and system software for wireless phones and devices.
- Announced acceptance by Samsung and Sanyo of the MSM5200 3G WCDMA integrated circuit and system software.
- Announced relationships with various technology providers and vendors including ChipPAC, SECOM, AP One Systems, Thomson, NeoMtel, Schlumberger and RFMD to enhance the features and delivery of QCT products.

- Announced that SnapTrack was awarded a patent for locating or tracking wireless devices via the Internet and client-server-based computer networks, and the release of SnapSmart v3.0 and SnapWARN products to support gpsOne deployments in North America.

QUALCOMM Wireless Systems (QWS)

- Shipped approximately 9,000 OmniTRACS units and related products in the second quarter of fiscal 2001, compared to 16,000 units during the year ago quarter, for a cumulative total of over 382,000 units. Lower volumes of OmniTRACS unit shipments in the second quarter of fiscal 2001 primarily resulted from U.S. economic conditions affecting the domestic long-haul trucking industry.
- Acquired the assets of Eaton Corporation's Trucking Information Services business unit, including FleetAdvisor, a leading transportation logistics management system. The FleetAdvisor system includes a broad set of applications to be offered on QUALCOMM's MVPc in-vehicle computer.
- Signed an agreement with Roadway Express, Inc., the nation's largest less-than-truckload carrier, for the purchase and deployment of QUALCOMM's OmniExpress mobile communications system for use in Roadway's network of vehicles and 20 of its terminals in North America.
- Shipped a cumulative total of 20,000 OmniTRACS C-Band units to Brazil's AUTOTRAC Comércio e Telecomunicações. AUTOTRAC is the exclusive distributor of OmniTRACS in Brazil, where the system is marketed under the name OmniSAT.
- Signed a licensing agreement with Globalstar USA, Globalstar Canada and Globalstar do Brasil to sell Globalstar commercial data services, two-way data satellite communications using the Globalstar Satellite Data Modem (GSP-1620) for Internet and e-mail access to encompass the Supervisory Control and Data Acquisition (SCADA), telemetry, fleet management and asset tracking markets.

Other Business Developments

- Introduced BREW, a new standard applications environment for wireless devices that greatly simplifies the process of writing applications for handsets, integrating those

applications onto handsets and deploying wireless Internet applications and services to consumers. Verizon, KT Freetel and KDDI, as well as other wireless carriers, several handset manufacturers and a large number of applications developers publicly indicated their support for BREW.

- Purchased two 10 MHz licenses covering major metropolitan areas in the Australian 3G wireless spectrum auctions through 3G Investments (Australia) Pty Limited, a wholly owned subsidiary of QUALCOMM. The Company is preparing to deploy 3G CDMA2000 1x/1xEV networks with commercial service planned in 2002. The Company believes that Australia has significant CDMA growth prospects. QUALCOMM's successful participation in numerous spectrum auctions in the past has resulted in nationwide CDMA networks being deployed in other countries, including Mexico, Chile and Brazil.
- Announced the successful completion of a 3G CDMA2000 1xEV trial with KDDI (DDI Corporation), one of Japan's leading mobile telecommunications operators, in cooperation with Hitachi, Sony and Kyocera.
- Announced the commercial launch of 3G CDMA2000 1xEV by KT Freetel in the major cities of South Korea during the second calendar quarter of 2002.
- Announced an agreement with Motorola Inc. for the design and development of 3G CDMA2000 1xEV infrastructure modem card equipment that will enable high-speed wireless Internet access.

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 2001 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: changing global economic conditions, particularly in the telecommunications and Internet-related industries and the resulting uncertainty in forecasting future results; timing and receipt of license fees and royalties; integrated circuit inventory and order levels; the Company's ability to execute additional 3G licenses; the scale-up, acceptance and operations of CDMA systems, including CDMA2000 1xEV systems and systems in new markets such as China and India; the ability to sustain or improve operational efficiency and profitability; the continued operation of the Globalstar system; decreases in the rate of growth in CDMA-based wireless data and Internet access or the CDMA subscriber population; strategic investments, acquisitions or divestitures the Company may pursue, including the pending distribution of QUALCOMM Spinco, Inc. shares to QUALCOMM shareholders; changes in the fair values of marketable securities and derivative instruments held; electricity outages or rolling blackouts; the development, deployment and commercial acceptance of evolving CDMA technology standards; developments in current or future litigation; customer receivables and performance guarantees; component shortages; and 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						
	April 1, 2001				April 1, 2001	March 26, 2000	%
	Reported	Adjustments		Pro Forma	Pro Forma	Change	
Revenues	\$ 713,255	\$ -		\$ 713,255	\$ 648,754	10%	
Operating expenses:							
Cost of revenues	253,497	(405)	(a)(b)(c)	253,092	231,159	9%	
Research and development	106,253	(1,298)	(a)	104,955	71,867	46%	
Selling, general and administrative	87,272	(702)	(a)(d)	86,570	76,180	14%	
Amortization of goodwill and other acquisition-related intangible assets	63,374	(63,374)	(c)	-	-		
Asset impairment and related (credits) charges	(8,095)	8,095	(b)(e)	-	-		
Other	-	-		-	-		
Total operating expenses	502,301	(57,684)		444,617	379,206	17%	
Operating income	210,954	57,684		268,638	269,548	(0%)	
Interest expense	(1,517)	-		(1,517)	(610)	149%	
Investment (expense) income, net	99,108	(8,326)	(f)	90,782	66,631	36%	
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-		-	(1,994)	(100%)	
Other	-	-		-	-		
Income before income taxes	308,545	49,358		357,903	333,575	7%	
Income tax expense	(159,473)	34,207		(125,266)	(126,759)	(1%)	
Net income	\$ 149,072	\$ 83,565		\$ 232,637	\$ 206,816	12%	
Net earnings per common share:							
Diluted	\$ 0.18			\$ 0.29	\$ 0.26	11%	
Shares used in per share calculations:							
Diluted	806,846			806,846	801,388		

- (a) Excludes employer payroll taxes payable for employee income from non-qualified stock option exercises, as follows: \$0.8 million in cost of revenues, \$1.3 million in R&D expenses and \$0.6 million in SG&A expenses.
- (b) Excludes certain adjustments to reduce reserves related to the Globalstar business, as follows: \$0.6 million in cost of revenues and \$5.3 million in asset impairment and related credits.
- (c) Excludes the amortization of goodwill and other acquisition-related intangible assets associated with the purchase of SnapTrack and other acquisitions, as follows: \$0.2 million in cost of revenues and \$63.4 million in amortization of goodwill and other acquisition-related intangible assets.
- (d) Excludes a \$0.3 million decrease in reserves established related to the sale of the terrestrial-based CDMA wireless infrastructure business, \$0.3 million in employee termination charges, a \$2.3 million gain on a sale of fixed assets, and \$2.4 million in initial public offering charges related to the cancellation of the QUALCOMM Spinco IPO.
- (e) Excludes a \$2.8 million adjustment to reduce reserves established related to the sale of the terrestrial-based CDMA wireless consumer phone business.
- (f) Excludes \$3.5 million in unrealized "other than temporary losses" on marketable securities and \$11.9 million in unrealized gain on derivative instruments.

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THE REPORTED RESULTS TO THE PRO FORMA RESULTS

(In thousands, except per share data)

	(Unaudited)					
	Six Months Ended					
	April 1, 2001 Reported	Adjustments		April 1, 2001 Pro Forma	March 26, 2000 Pro Forma	%
						Change
Revenues	\$ 1,397,276	\$ -		\$ 1,397,276	\$ 1,412,448	(1%)
Operating expenses:						
Cost of revenues	549,418	(49,583)	(a)(b)(c)	499,835	560,488	(11%)
Research and development	192,376	(3,675)	(b)	188,701	136,375	38%
Selling, general and administrative	167,236	(1,915)	(b)(d)	165,321	132,571	25%
Amortization of goodwill and other acquisition-related intangible assets	126,369	(126,369)	(c)	-	-	
Asset impairment and related charges	472,683	(472,683)	(a)(e)	-	-	
Other	69,188	(69,188)	(f)	-	-	
Total operating expenses	1,577,270	(723,413)		853,857	829,434	3%
Operating (loss) income	(179,994)	723,413		543,419	583,014	(7%)
Interest expense	(10,085)	7,800	(f)	(2,285)	(1,164)	96%
Investment (expense) income, net	(132,421)	305,494	(a)(g)(h)	173,073	102,919	68%
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-		-	(13,039)	(100%)
Other	(56,566)	56,566	(a)	-	-	
(Loss) income before income taxes and accounting change	(379,066)	1,093,273		714,207	671,730	6%
Income tax benefit (provision)	170,580	(420,552)		(249,972)	(255,258)	(2%)
(Loss) income before accounting change	(208,486)	672,721		464,235	416,472	11%
Accounting change, net of tax	128,815	(128,815)	(i)	-	-	
Net (loss) income	\$ (79,671)	\$ 543,906		\$ 464,235	\$ 416,472	11%
Net (loss) earnings per common share:						
Diluted	\$ (0.11)			\$ 0.58	\$ 0.53	9%
Shares used in per share calculations:						
Diluted	752,058	54,390	(j)	806,448	796,108	

- (a) Excludes certain asset impairment and other charges and credits related to the Globalstar business, as follows: \$47.0 million in cost of revenues, \$475.8 million in asset impairment and related charges, \$9.9 million in investment expense and \$56.6 million in other non-operating expenses.
- (b) Excludes the employer payroll taxes payable for employee income from non-qualified stock option exercises, as follows: \$2.4 million in cost of revenues, \$3.7 million in R&D expenses and \$1.8 million in SG&A expenses.
- (c) Excludes the amortization of goodwill and other acquisition-related intangible assets associated with the purchase of SnapTrack and other acquisitions, as follows: \$0.2 million in cost of revenues and \$126.4 million in amortization of goodwill and other acquisition-related intangible assets.
- (d) Excludes a \$2.1 million decrease in reserves established related to the sale of the terrestrial-based CDMA wireless infrastructure business, \$2.1 million in employee termination charges, a \$2.3 million gain on a sale of fixed assets, and \$2.4 million in initial public offering charges related to the cancellation of the QUALCOMM Spingo IPO.
- (e) Excludes a \$3.1 million adjustment to reduce reserves established related to the sale of the terrestrial-based CDMA wireless consumer phone business.
- (f) Excludes charges related to an arbitration decision against the Company, as follows: \$69.2 million in other operating expense and \$7.8 million in interest expense.
- (g) Excludes \$148.4 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.
- (h) Excludes \$147.2 million in unrealized "other than temporary" losses on marketable securities.
- (i) Excludes \$128.8 million for the cumulative effect of the adoption of FAS 133.
- (j) The diluted share base used for the reported results excludes the effect of 54.4 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

	<u>April 1,</u> <u>2001</u>	<u>September 24,</u> <u>2000</u>
Current assets:		
Cash and cash equivalents	\$ 1,114,277	\$ 716,871
Marketable securities	810,888	1,055,522
Accounts receivable, net	539,899	606,979
Finance receivables, net	200,975	128,515
Inventories, net	90,871	85,366
Other current assets	134,640	136,727
Total current assets	<u>2,891,550</u>	<u>2,729,980</u>
Property, plant and equipment, net	424,211	431,705
Marketable securities	390,178	748,521
Finance receivables, net	464,768	799,404
Goodwill, net	705,859	821,834
Other investments	588,577	311,015
Other assets	429,918	220,523
Total assets	<u>\$ 5,895,061</u>	<u>\$ 6,062,982</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Trade accounts payable	\$ 124,845	\$ 112,856
Payroll and other benefits related liabilities	120,058	128,836
Unearned revenue	51,361	68,419
Other current liabilities	127,073	162,182
Total current liabilities	<u>423,337</u>	<u>472,293</u>
Other liabilities	176,914	27,718
Total liabilities	<u>600,251</u>	<u>500,011</u>
 Minority interest in consolidated subsidiaries	 <u>48,766</u>	 <u>46,643</u>
 Stockholders' equity:		
Preferred stock, \$0.0001 par value	-	-
Common stock, \$0.0001 par value	76	75
Paid-in capital	4,555,688	4,653,818
Retained earnings	791,419	871,090
Accumulated other comprehensive loss	(101,139)	(8,655)
Total stockholders' equity	<u>5,246,044</u>	<u>5,516,328</u>
Total liabilities and stockholders' equity	<u>\$ 5,895,061</u>	<u>\$ 6,062,982</u>

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

	Three Months Ended		Six Months Ended	
	April 1, 2001	March 26, 2000	April 1, 2001	March 26, 2000
Revenues	\$ 713,255	\$ 727,741	\$ 1,397,276	\$ 1,847,814
Operating expenses:				
Cost of revenues	253,497	350,396	549,418	999,144
Research and development	106,253	90,153	192,376	173,557
Selling, general and administrative	87,272	97,398	167,236	199,174
Amortization of goodwill and other acquisition-related intangible assets	63,374	20,536	126,369	20,608
Purchased in-process technology	-	60,030	-	60,030
Asset impairment and related (credits) charges	(8,095)	20,151	472,683	45,743
Other	-	17,286	69,188	17,846
Total operating expenses	<u>502,301</u>	<u>655,950</u>	<u>1,577,270</u>	<u>1,516,102</u>
Operating (loss) income	210,954	71,791	(179,994)	331,712
Interest expense	(1,517)	(1,213)	(10,085)	(3,886)
Investment income (expense), net	99,108 (a)	333,749	(132,421) (a)	369,996
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	(1,994)	-	(13,039)
Other	-	(3,265)	(56,566)	(3,265)
Income (loss) before income taxes and accounting change	308,545	399,068	(379,066)	681,518
Income tax (provision) benefit	(159,473)	(199,352)	170,580	(304,683)
Income (loss) before accounting change	149,072	199,716	(208,486)	376,835
Accounting change, net of tax	-	-	128,815 (a)	-
Net income (loss)	<u>\$ 149,072</u>	<u>\$ 199,716</u>	<u>\$ (79,671)</u>	<u>\$ 376,835</u>
Basic net earnings (loss) per common share:				
Income (loss) before accounting change	\$ 0.20	\$ 0.28	\$ (0.28)	\$ 0.55
Accounting change, net of tax	-	-	0.17	-
Net income (loss)	<u>\$ 0.20</u>	<u>\$ 0.28</u>	<u>\$ (0.11)</u>	<u>\$ 0.55</u>
Diluted net earnings (loss) per common share:				
Income (loss) before accounting change	\$ 0.18	\$ 0.25	\$ (0.28)	\$ 0.48
Accounting change, net of tax	-	-	0.17	-
Net income (loss)	<u>\$ 0.18</u>	<u>\$ 0.25</u>	<u>\$ (0.11)</u>	<u>\$ 0.48</u>
Shares used in per share calculations:				
Basic	<u>754,634</u>	<u>716,818</u>	<u>752,058</u>	<u>690,702</u>
Diluted	<u>806,846</u>	<u>801,388</u>	<u>752,058 (b)</u>	<u>796,107</u>

(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 \$12 million in pre-tax unrealized gains and \$148 million in pre-tax unrealized losses on derivative instruments during

the three months and six months ended April 1, 2001, respectively, 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.