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QUALCOMM Announces Third Quarter Fiscal 2001 Results
– Pro Forma Revenues \$640 Million, Pro Forma EPS \$.22 –

The Company's third quarter fiscal 2001 earnings conference call will be broadcast live on July 26, 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 18872278.

SAN DIEGO – July 26, 2001 – QUALCOMM Incorporated (NASDAQ: QCOM) today reported pro forma revenues in the third quarter of fiscal 2001 of \$640 million compared to \$714 million in the year ago period and \$713 million in the second quarter of fiscal 2001. Pro forma earnings per share were \$0.22 in the third quarter of fiscal 2001 compared to \$0.27 per share in the year ago period and \$0.29 per share in the second 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.

“Despite global economic pressures, we expect to grow our revenues and profits in 2002 as second and third generation (2G/3G) CDMA systems are deployed around the world and take an increased share of the worldwide wireless market,” said Dr. Irwin M. Jacobs, chairman and CEO of QUALCOMM. “We signed our first three license agreements with Chinese manufacturers during the third quarter and are seeing the initial impact of China Unicom's deployment in China with strong infrastructure chip shipments and orders from several manufacturers. Our chip business (QCT) continues to execute on its product roadmap, staying well ahead of the competition. QCT shipped over two million CDMA2000 1x phone chips in the first nine months of the fiscal year and we expect to ship a cumulative total of six million CDMA2000 1x phone chips by fiscal year-end. During the third quarter, QCT announced that it had sampled the world's first 3G CDMA2000 1x chip to support phones with full multimedia capabilities on schedule. QCT also began sampling the first CDMA2000 1xEV-DO (Data Optimized) phone

- more -

and infrastructure chips that support data rates up to 2.4 Mbps. Several more products are underway including multi-mode chipsets for CDMA and GSM. QUALCOMM Internet Services (QIS) successfully completed its inaugural BREW developers' conference in May, has signed memoranda of understandings (MOUs) agreements with 11 carriers to date and has begun trial service with KT Freetel in South Korea. With continued investment in R&D, we are laying the groundwork necessary to create technology, products and intellectual property that will enable continued success."

Pro forma revenues decreased to \$640 million in the third quarter of fiscal 2001 from \$714 million in the year ago period primarily due to a decrease in business with Globalstar, lower license fees and lower unit shipments of certain integrated circuits and OmniTRACS units. These decreases were partially offset by higher royalties, higher Cell Station Modem (CSM) infrastructure integrated circuit revenues and higher OmniTRACS messaging revenues. Pro forma revenues in the third quarter of fiscal 2001 decreased 10 percent from \$713 million in the second quarter of fiscal 2001. This quarter-to-quarter decrease was primarily attributable to lower license fees and royalties from the Company's licensees and lower demand for integrated circuits from the Company's phone manufacturer customers resulting primarily from weakness in the global economy.

Pro forma gross margin for the third quarter of fiscal 2001 was 64 percent compared to 62 percent in the year ago period and 65 percent in the second quarter of fiscal 2001.

Pro forma operating expenses (research and development and selling, general and administrative) for the third quarter of fiscal 2001 were \$210 million compared to \$153 million in the year ago period and \$192 million in the second quarter of fiscal 2001.

Pro forma R&D expenses were \$106 million in the third quarter of fiscal 2001 compared to \$78 million in the year ago period and \$105 million in the second quarter of fiscal 2001. Investments in research and development were primarily associated with new product development to support high-speed wireless Internet access and to enable global roaming through multi-mode, multi-band, multi-network products including cdmaOne, CDMA2000 1x/1xEV-DO, GSM/GPRS, WCDMA and position location technologies.

Pro forma selling, general and administrative expenses were \$104 million in the third quarter of fiscal 2001 compared to \$75 million in the year ago period and \$87 million in the second quarter of fiscal 2001. The increase in SG&A expenses compared to the year ago period and the second quarter of fiscal 2001 was primarily due to increases in bad debt reserves and expanded international business activities in China, Japan, South Korea and Europe, offset by lower legal expenses.

Pro forma investment income was \$68 million for the third quarter of fiscal 2001 compared to \$64 million in the year ago period and \$91 million in the second quarter of fiscal 2001. Net gains on equity investments of \$3 million included in investment income in the third quarter of fiscal 2001 compared to a net loss of \$3 million in the year ago period and a net gain of \$10 million in the second quarter of 2001. Interest income was \$66 million in the third quarter of fiscal 2001 compared to \$69 million in the year ago period and \$71 million in the second quarter of fiscal 2001.

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 third quarter of fiscal 2001 were \$640 million compared to \$714 million in the year ago period and \$713 million in the second quarter of fiscal 2001. Reported net loss was \$275 million in the third quarter of fiscal 2001 compared to a net earnings of \$155 million in the year ago period and net earnings of \$149 million in the second quarter of fiscal 2001. Reported net loss of \$275 million in the third quarter of fiscal 2001 included \$241 million in pre-tax charges related to the Company's investment in the Vesper Companies (see below) and \$185 million in income tax expense. The rules that govern accounting for income taxes (APB 28 and FIN 18) require companies to record tax expense using an estimate of the tax rate for the year. In the second quarter of fiscal 2001, the Company's estimated tax rate on losses in the first six months of fiscal 2001 was 45 percent compared to the current estimate of negative 3 percent for fiscal 2001. This change results in a disproportionately higher tax expense for the third quarter of fiscal 2001, but the Company expects a low tax expense for the fourth quarter of fiscal 2001. QUALCOMM continues to add to its tax loss carry forward benefits as a result of tax deductions from non-qualified stock option exercises.

In January 1999, the Company made an initial investment in Vesper Holding S.A. and Vesper Sao Paulo S.A. (the Vesper Companies). The Vesper Companies were formed by a consortium of investors to provide wireless and wireline telephone services in the northern region and in the Sao Paulo state of Brazil. In December 2000, the Company executed a Term Loan Agreement with VeloCom, Inc. (VeloCom), an investor in the Vesper Companies. In May 2001, negotiations between the Vesper Companies' shareholders and potential new investors were terminated. As a result, the Company has reassessed the recoverability of its assets related to the Vesper Companies and VeloCom. During the three months ended July 1, 2001, the Company recorded total charges of \$241 million to establish additional reserves against certain Vesper-related assets (excluded from pro forma earnings). After these charges, the Company has approximately \$120 million in net assets remaining related to the Vesper Companies. QUALCOMM continues to believe that Brazil is a very important market, and that the Vesper Companies will be able to restructure their businesses successfully and develop new sources of capital. For these reasons, QUALCOMM is considering participation in new financing and capital restructuring, as well as assisting in the search for additional strategic partners, for the Vesper Companies.

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.

Fourth Quarter Fiscal 2001

- **Pro Forma Revenues and Earnings Per Share** – Based on the current business outlook, the Company expects pro forma revenues to increase by approximately 10 percent compared to the third quarter of fiscal 2001. The Company expects pro forma earnings per share to be approximately \$0.25 in the fourth quarter of fiscal 2001. Compared to the third quarter of fiscal 2001, this estimate assumes moderately lower shipments of Mobile

Station Modem (MSM) phone integrated circuits; continued strong shipments of CSM infrastructure integrated circuits; increased license fees; and decreased investment income resulting from lower interest income due to lower interest rates.

- **Integrated Circuit Shipments** – The Company expects continued progress in CDMA network deployment in China as well as CDMA2000 1x upgrades in Asia and North America, resulting in continued strong shipments of CSM infrastructure integrated circuits in the fourth quarter of fiscal 2001. Due to continued economic weakness, the Company expects MSM phone integrated circuit shipments in the fourth quarter of fiscal 2001 to be moderately lower than the 14 million units shipped in the third quarter of fiscal 2001. The Company expects to ship approximately four million 3G CDMA2000 1x MSM phone integrated circuits in the fourth quarter of fiscal 2001, bringing the cumulative total to six million 3G MSM units shipped during fiscal 2001.

Fiscal 2001

- Based on the current business outlook, QUALCOMM expects pro forma earnings per share for fiscal 2001 to be approximately \$1.04 including an expected net loss of \$0.07 per share related to the Company's business with Globalstar. This estimate is based on 75 million CDMA phones sold in calendar 2001 and a 15 percent annual decrease in average selling prices of CDMA phones, upon which royalties are calculated.

Fiscal 2002

- As is customary, QUALCOMM will provide its fiscal 2002 business outlook as part of its fourth quarter and fiscal year end earnings report on November 6, 2001. With the selection of CDMA as the industry's technology of choice for third generation systems, the fiscal 2002 outlook for the Company's 2G and 3G CDMA technology and product offerings continue to remain quite positive. The Company expects that its licensing and royalty business will continue to grow and its integrated circuit and system software business, QUALCOMM CDMA Technologies, will continue to enjoy an industry-leading market share as CDMA2000 1x networks are deployed and the proportion of CDMA2000 1x-capable wireless devices increases. QUALCOMM's Internet Services (BREW) is expected to begin generating revenues in fiscal 2002 as wireless carriers begin offering BREW applications on their CDMA2000 1x networks. Further, the

Company anticipates that sales of its OmniTRACS system and related products will improve as the U.S. economy recovers.

Cash Flow

QUALCOMM's cash, cash equivalents and marketable debt securities totaled approximately \$2.1 billion at the end of the third quarter of fiscal 2001. The following table presents selected cash flow information, including cash equivalents and marketable debt securities, for the third quarter and first nine months of fiscal 2001 (in millions):

<u>Selected Cash Flow Information</u>	<u>Third Quarter Fiscal 2001</u>	<u>Nine Months Fiscal 2001</u>
Earnings before taxes, depreciation, amortization and asset impairments	\$ 278	\$ 927
Working capital changes and taxes paid	(98)	(153)
Additional share capital	37	110
Net cash inflows	217	884
Strategic investments, financing and capital expenditures	(296)	(907)
Net cash used	(79)	(23)
Increase in fair value of marketable debt securities	1	6
Net decrease in cash, cash equivalents and marketable debt securities	\$ (78)	\$ (17)

Pro Forma Results of Business Segments

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

Third Quarter - Fiscal Year 2001

Segments	QCT	QTL	QWS (1)	Reconciling Items (2)	Total QUALCOMM
Revenues	333,274	170,083	104,695	31,975	640,027
Change from prior quarter	(8%)	(26%)	11%	N/M	(10%)
Change from prior year	(1%)	(2%)	(37%)	N/M	(10%)
Earnings before taxes	70,686	142,844	30,116	24,617	268,263
% of revenues	21%	84%	29%	N/M	42%
Change from prior quarter	(16%)	(32%)	68%	N/M	(25%)
Change from prior year	(35%)	(6%)	(54%)	N/M	(24%)

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
Earnings before taxes	84,574	210,473	17,896	44,960	357,903
% of revenues	23%	92%	19%	N/M	50%

Third Quarter - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (2)	Total QUALCOMM
Revenues	338,132	174,245	167,184	33,960	713,521
Earnings before taxes	109,573	152,384	65,129	24,653	351,739
% of revenues	32%	87%	39%	N/M	49%

Nine Months - Fiscal Year 2001

Segments	QCT	QTL	QWS (1)	Reconciling Items (2)	Total QUALCOMM
Revenues	1,027,069	623,021	292,149	95,064	2,037,303
Change from prior year	6%	20%	(49%)	N/M	(4%)
Earnings before taxes	239,031	564,114	55,882	123,443	982,470
% of revenues	23%	91%	19%	N/M	48%
Change from prior year	(27%)	21%	(74%)	N/M	(4%)

Nine Months - Fiscal Year 2000

Segments	QCT	QTL	QWS	Reconciling Items (2)	Total QUALCOMM
Revenues	969,713	519,442	570,450	66,364	2,125,969
Earnings before taxes	327,240	465,397	214,310	16,522	1,023,469
% of revenues	34%	90%	38%	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 impairment and other charges that are not allocated to the segments for management reporting purposes, unallocated net investment income, non-reportable segment results, interest expense and the elimination of intercompany profit.

N/M – Not Meaningful

Business Segments – Third Quarter Fiscal 2001

QUALCOMM Technology Licensing (QTL)

- Signed the Company's first three commercial license agreements with Chinese manufacturers, as follows: a subscriber unit license agreement with ZTE Corporation and infrastructure license agreements with ZTE Corporation and Great Dragon Information Technology Corporation, Ltd. In all three cases, the license agreements cover cdmaOne and CDMA2000 products.
- Signed a total of three license agreements during the third quarter of fiscal 2001, consisting of two new companies and one extension to an existing license agreement, resulting in one new WCDMA subscriber licensee. Subsequent to the end of the third quarter of fiscal 2001, the Company signed an infrastructure and subscriber license with Nokia covering all forms of second- and third-generation CDMA standards.
- Operating margin as a percentage of revenues in the QTL segment declined to 84 percent in the third quarter of fiscal 2001 due to higher expenses principally caused by increased bad debt reserves.

QUALCOMM CDMA Technologies (QCT)

- Shipped CSM infrastructure integrated circuits to support approximately five million equivalent voice channels in the first nine months of fiscal 2001, compared to approximately two million equivalent voice channels for the first nine months of fiscal 2000. Shipments of CSM equivalent voice channels nearly tripled from the second quarter of fiscal 2001 to the third quarter of fiscal 2001.
- Shipped approximately 14 million MSM phone integrated circuits to customers worldwide during the third quarter of fiscal 2001 compared to approximately 15 million units in the year ago period and approximately 16 million units in the second quarter of fiscal 2001. Cumulative shipments of MSM phone integrated circuits were approximately 163 million and total cumulative integrated circuit shipments exceeded 485 million units.
- Shipped more than two million 3G CDMA2000 1x MSM phone integrated circuits during the first nine months of fiscal 2001.
- Announced on-time sample shipments of the MSM5100 integrated circuit and system software, the world's first 3G CDMA2000 1x solution with advanced position location capabilities and support for data rates of up to 307 kbps. Also shipped on-time samples of

the MSM5500 and CSM5500 integrated circuits, the world's first 1xEV-DO handset and infrastructure solutions supporting data rates of up to 2.4 Mbps.

- Announced SnapTrack wireless location server agreement with NEOLINK Technologies.

QUALCOMM Wireless Systems (QWS)

- Shipped approximately 11,000 OmniTRACS units and related products in the third quarter of fiscal 2001, compared to 14,000 units during the year ago quarter, for a cumulative total of over 392,000 units. Lower volumes of OmniTRACS unit shipments in the third quarter of fiscal 2001 primarily resulted from U.S. economic conditions affecting the domestic long-haul trucking industry.
- Signed an agreement with Swift Transportation, one of the nation's largest truckload motor carriers, to deploy QUALCOMM's untethered TrailerTRACS asset management system units across its entire fleet.
- Announced the formation of a wireless heavy equipment consortium to establish wireless communications standardization. Signed agreements with Komatsu America International Company, a global construction equipment leader, United Rentals, the world's largest equipment rental company, and Terex, a global leader in earthmoving and lifting equipment, to join the consortium.
- Signed an agreement with EarthKing to distribute QUALCOMM's heavy equipment asset tracking products and services for installation on mining and construction equipment.

Other Business Developments

QUALCOMM Internet Services (QIS)

- Announced public trials of BREW-enabled services by South Korean wireless carrier KT Freetel. Signed MOU agreements with a total of 11 carriers to date to support BREW including: ALLTEL (U.S.), Bell Mobility (Canada), LG Telecom Ltd. (So. Korea) Leap (U.S.), KDDI (Japan), KTF (So. Korea), Movicom (Argentina), Pegaso (Mexico), Telecom New Zealand, Telesp (Brazil) and Verizon (U.S.).
- Signed MOU agreements to support BREW with a total of 12 device manufacturers including: Airprime, Appeal, Cyberlane Inc., Denso of America and Denso of Japan, eAnywhere Tech Inc., Hyundai, Kyocera, LG Electronics Inc., PC-Ephone, Samsung and Telson Electronics.

- Attracted more than 800 wireless application developers, device manufacturers, carriers and other wireless industry professionals from around the world to QUALCOMM's inaugural BREW developers' conference.
- Released commercial software developers' kit, SDK version 1.0, on schedule. To date there have been more than 2,600 SDK downloads.
- Announced an agreement with VeriSign, the leading provider of Internet trust services, to integrate VeriSign's enhanced code-signing service to ensure that BREW platform developers are authenticated.
- Announced that Insignia Solutions is offering Jeode "Sun Authorized Virtual Machine" Technologies for the BREW platform.
- Announced that QUALCOMM and HP demonstrated a complementary technology with the rapid integration of HP's MicroChaiVM to the BREW platform.

QUALCOMM Digital Media (QDM)

- Delivered pre-commercial Digital Cinema product to motion picture studios, exhibitors and test bed facilities for customer evaluation. During the third quarter, QDM began testing and integration of Digital Cinema systems.

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 100 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-DO 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 has or may pursue, including investments in the Vesper Companies; the potential that the Company gains significant influence through a strategic investment that results in the Company recognizing losses under the equity accounting method; 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				
	July 1, 2001 Reported	Adjustments	July 1, 2001 Pro Forma	June 25, 2000 Pro Forma	% Change
Revenues	\$ 640,027	\$ -	\$ 640,027	\$ 713,521	(10%)
Operating expenses:					
Cost of revenues	232,870	(3,361)	(a)(b)(c)(d) 229,509	272,475	(16%)
Research and development	107,414	(1,078)	(a) 106,336	78,024	36%
Selling, general and administrative	104,175	(620)	(a)(d)(e) 103,555	75,123	38%
Amortization of goodwill and other acquisition-related intangible assets	65,100	(65,100)	(b) -	-	
Asset impairment and related charges	31,104	(31,104)	(c)(f) -	-	
Other	(5,855)	5,855	(g) -	-	
Total operating expenses	534,808	(95,408)	439,400	425,622	3%
Operating income	105,219	95,408	200,627	287,899	(30%)
Interest expense	16	(255)	(g) (239)	(608)	(61%)
Investment (expense) income, net	(75,455)	143,330	(f)(h) 67,875	64,448	5%
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-	-	-	
Other asset impairment charges	(119,862)	119,862	(f) -	-	
(Loss) income before income taxes	(90,082)	358,345	268,263	351,739	(24%)
Income tax expense	(184,654)	90,762	(93,892)	(133,661)	(30%)
Net (loss) income	\$ (274,736)	\$ 449,107	\$ 174,371	\$ 218,078	(20%)
Net (loss) earnings per common share:					
Diluted	\$ (0.36)		\$ 0.22	\$ 0.27	(20%)
Shares used in per share calculations:					
Diluted	758,050	48,852	(i) 806,902	805,507	

The Company generally excludes from pro forma results certain non-operating items and unrealized changes or impairments in the fair value of assets. Such items are included in pro forma results if they are related to ongoing business operations or when assets are sold and a gain or loss is realized on the sale.

- (a) Excludes employer payroll taxes payable for employee income from non-qualified stock option exercises, as follows: \$0.7 million in cost of revenues, \$1.1 million in R&D expenses and \$0.5 million in SG&A expenses.
- (b) Excludes the amortization of goodwill and other acquisition-related intangible assets associated with the purchase of SnapTrack and other acquisitions, as follows: \$0.5 million in cost of revenues and \$65.1 million in amortization of goodwill and other acquisition-related intangible assets.
- (c) Excludes certain charges and credits related to the Globalstar business, as follows: \$3.8 million net charges in cost of revenues and \$0.7 million in credits related to the reduction of reserves in asset impairment and related charges.
- (d) Excludes certain credits related to the reduction of reserves established in connection with the sale of the terrestrial-based CDMA wireless infrastructure business, as follows: \$1.7 million in cost of revenues and \$0.4 million in SG&A credits.
- (e) Excludes \$0.5 million in SG&A in employee termination charges.
- (f) Excludes certain asset impairment and other charges related to the Vesper Companies and VeloCom, as follows: \$31.8 million in asset impairment and related charges, \$89.0 million in investment expense and \$119.9 million in other non-operating expenses.
- (g) Excludes credits related to a clarification of a prior arbitration decision against the Company, as follows: \$5.9 million in other operating expenses and \$0.3 million in interest expense.
- (h) Excludes \$22.0 million in unrealized other than temporary losses on other investments, \$32.8 million in unrealized losses on derivative instruments, and \$0.5 million in net realized gain on an investment resulting from the impairment of its cost basis in prior periods.
- (i) The diluted share base used for the reported results excludes the potential dilutive effect of 48.9 million 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
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)

	Nine Months Ended					
	July 1, 2001			July 1, 2001	June 25, 2000	%
	Reported	Adjustments		Pro Forma	Pro Forma	Change
Revenues	\$ 2,037,303	\$ -		\$ 2,037,303	\$ 2,125,969	(4%)
Operating expenses:						
Cost of revenues	782,288	(52,944)	(a)(b)(c)(d)	729,344	832,963	(12%)
Research and development	299,790	(4,753)	(b)	295,037	214,399	38%
Selling, general and administrative	271,411	(2,535)	(b)(d)(e)	268,876	207,694	29%
Amortization of goodwill and other acquisition-related intangible assets	191,469	(191,469)	(c)	-	-	
Asset impairment and related charges	503,787	(503,787)	(a)(f)(g)	-	-	
Other	63,333	(63,333)	(h)	-	-	
Total operating expenses	2,112,078	(818,821)		1,293,257	1,255,056	3%
Operating (loss) income	(74,775)	818,821		744,046	870,913	(15%)
Interest expense	(10,069)	7,545	(h)	(2,524)	(1,772)	42%
Investment (expense) income, net	(207,876)	448,824	(a)(g)(i)	240,948	167,367	44%
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-		-	(13,039)	(100%)
Other asset impairment charges	(176,428)	176,428	(a)(g)	-	-	
(Loss) income before income taxes and accounting change	(469,148)	1,451,618		982,470	1,023,469	(4%)
Income tax expense	(14,074)	(329,791)		(343,865)	(388,919)	(12%)
(Loss) income before accounting change	(483,222)	1,121,828		638,606	634,550	1%
Accounting change, net of tax	128,815	(128,815)	(j)	-	-	
Net (loss) income	\$ (354,407)	\$ 993,013		\$ 638,606	\$ 634,550	1%
Net (loss) earnings per common share:						
Diluted	\$ (0.47)			\$ 0.79	\$ 0.79	(0%)
Shares used in per share calculations:						
Diluted	754,055	52,544	(k)	806,599	799,241	

- (a) Excludes certain asset impairment and other charges and credits related to the Globalstar business, as follows: \$51.0 million in cost of revenues, \$475.2 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: \$3.1 million in cost of revenues, \$4.8 million in R&D expenses and \$2.3 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: \$0.7 million in cost of revenues and \$191.5 million in amortization of goodwill and other acquisition-related intangible assets.
- (d) Excludes certain credits related to the reduction of reserves established in connection with the sale of the terrestrial-based CDMA wireless infrastructure business, as follows: \$1.8 million in cost of revenues and \$2.5 million in SG&A credits.
- (e) Excludes a \$2.6 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.
- (f) Excludes a \$3.1 million adjustment to reduce reserves established related to the sale of the terrestrial-based CDMA wireless consumer phone business.
- (g) Excludes certain asset impairment and other charges related to the Vesper Companies and VeloCom, as follows: \$31.8 million in asset impairment and related charges, \$89.0 million in investment expense and \$119.9 million in other non-operating expenses.
- (h) Excludes charges related to an arbitration decision against the Company, as follows: \$63.3 million in other operating expense and \$7.5 million in interest expense.
- (i) Excludes \$181.2 million in unrealized losses of derivative instruments, \$169.2 million in unrealized other than temporary losses on marketable securities and other investments and \$0.5 million in net realized gain on a investment related to the impairment of its cost basis in prior periods.
- (j) Excludes \$128.8 million for the cumulative effect of the adoption of FAS 133.
- (k) The diluted share base used for the reported results excludes the potential dilutive effect of 52.5 million 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)

	July 1, 2001	September 24, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 965,417	\$ 716,871
Marketable securities	946,156	1,055,522
Accounts receivable, net	544,928	606,979
Finance receivables, net	425,384	128,515
Inventories, net	112,628	85,366
Other current assets	127,590	136,727
Total current assets	3,122,103	2,729,980
Marketable securities	421,344	748,521
Finance receivables, net	359,653	799,404
Other investments	347,353	311,015
Property, plant and equipment, net	440,924	431,705
Goodwill, net	646,836	821,834
Other assets	418,870	220,523
Total assets	<u>\$ 5,757,083</u>	<u>\$ 6,062,982</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 125,483	\$ 112,856
Payroll and other benefits related liabilities	89,319	128,836
Unearned revenue	56,720	68,419
Other current liabilities	105,565	162,182
Total current liabilities	377,087	472,293
Other liabilities	177,936	27,718
Total liabilities	555,023	500,011
Minority interest in consolidated subsidiaries	49,584	46,643
Stockholders' equity:		
Preferred stock, \$0.0001 par value	-	-
Common stock, \$0.0001 par value	76	75
Paid-in capital	4,758,203	4,653,818
Retained earnings	516,683	871,090
Accumulated other comprehensive loss	(122,486)	(8,655)
Total stockholders' equity	5,152,476	5,516,328
Total liabilities and stockholders' equity	<u>\$ 5,757,083</u>	<u>\$ 6,062,982</u>

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

	Three Months Ended		Nine Months Ended	
	July 1, 2001	June 25, 2000	July 1, 2001	June 25, 2000
Revenues	\$ 640,027	\$ 713,521	\$ 2,037,303	\$ 2,561,335
Operating expenses:				
Cost of revenues	232,870	274,952	782,288	1,274,096
Research and development	107,414	80,933	299,790	254,490
Selling, general and administrative	104,175	76,696	271,411	275,870
Amortization of goodwill and other acquisition-related intangible assets	65,100	63,506	191,469	84,114
Purchased in-process technology	-	-	-	60,030
Asset impairment and related charges	31,104	-	503,787	45,743
Other	(5,855)	-	63,333	17,846
Total operating expenses	534,808	496,087	2,112,078	2,012,189
Operating income (loss)	105,219	217,434	(74,775)	549,146
Interest expense	16	(608)	(10,069)	(4,494)
Investment (expense) income, net	(75,455) (b)	64,448	(207,876) (b)	434,444
Distributions on Trust Convertible Preferred Securities of subsidiary trust	-	-	-	(13,039)
Other asset impairment charges	(119,862)	-	(176,428)	(3,265)
(Loss) income before income taxes and accounting change	(90,082)	281,274	(469,148)	962,792
Income tax expense	(184,654)	(126,573)	(14,074)	(431,256)
(Loss) income before accounting change	(274,736)	154,701	(483,222)	531,536
Accounting change, net of tax	-	-	128,815 (a)	-
Net (loss) income	\$ (274,736)	\$ 154,701	\$ (354,407)	\$ 531,536
Basic net (loss) earnings per common share:				
(Loss) income before accounting change	\$ (0.36)	\$ 0.21	\$ (0.64)	\$ 0.75
Accounting change, net of tax	-	-	0.17	-
Net (loss) income	\$ (0.36)	\$ 0.21	\$ (0.47)	\$ 0.75
Diluted net (loss) earnings per common share:				
(Loss) income before accounting change	\$ (0.36)	\$ 0.19	\$ (0.64)	\$ 0.67
Accounting change, net of tax	-	-	0.17	-
Net (loss) income	\$ (0.36)	\$ 0.19	\$ (0.47)	\$ 0.67
Shares used in per share calculations:				
Basic	758,050	741,735	754,055	707,713
Diluted	758,050 (c)	805,507	754,055 (c)	799,241

- (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.
- (b) The Company recorded \$33 million in pre-tax unrealized losses and \$181 million in pre-tax unrealized losses on derivative instruments during the three months and first nine months of fiscal 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.
- (c) The diluted share base used for the reported results excludes the potential dilutive effect of common share equivalents related to outstanding stock options, calculated using the treasury stock method, as these shares are anti-dilutive.