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QUALCOMM Announces Third Quarter Fiscal 2002 Results with Record Shipments of MSM Phone Chips

QUALCOMM's third quarter fiscal 2002 earnings conference call will be broadcast live on July 25, 2002 beginning at 2:30 p.m. Pacific Daylight Time on the Company'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 20713120.

SAN DIEGO – July 25, 2002 – QUALCOMM Incorporated (NASDAQ: QCOM) today announced its third quarter fiscal 2002 results ended June 30, 2002. Pro forma revenues were \$721 million, an increase of 10 percent compared to \$657 million in the year ago quarter and 9 percent compared to \$659 million in the second quarter of fiscal 2002. Pro forma earnings per share were \$0.24 in the third quarter of fiscal 2002, an increase of 20 percent compared to \$0.20 per share in both the year ago quarter and the second quarter of fiscal 2002¹ (see page 11 for pro forma adjustments). GAAP reported revenues for the third quarter of fiscal 2002 were \$771 million compared to \$657 million in the year ago quarter and \$696 million in the second quarter of fiscal 2002. GAAP reported loss was \$14 million or \$0.02 per share in the third quarter compared to a loss per share of \$0.26 in the year ago quarter and earnings per share of \$0.05 in the second quarter of fiscal 2002.

GAAP reported losses for the third quarter were primarily due to \$194 million in charges related to Leap Wireless investments. Due to the significant decline in the market value of the Leap Wireless marketable securities during the third quarter and the percentage decline relative to their cost, we transferred \$167 million in cumulative unrealized losses recorded in equity to the earnings statement for the third quarter of fiscal 2002. This reclassification was made in

¹ Pro forma earnings exclude charges related to the values of marketable securities, amortization of goodwill, consolidated losses of the Vesper Companies in Brazil and other losses related to strategic investments. Pro forma results include the Company's core operating businesses, QUALCOMM CDMA Technologies (QCT), QUALCOMM Technology Licensing (QTL) and QUALCOMM Wireless & Internet (QWI). Reported earnings are presented in accordance with Generally Accepted Accounting Principles (GAAP) and include the QUALCOMM Strategic Initiatives (QSI) segment and other items excluded from pro forma.

accordance with the guidelines for “other than temporary losses” as required by Financial Accounting Standard (FAS) 115. We also recorded \$27 million in FAS 133 losses related to Leap Wireless warrants.

“The continued strength of commercial 3G CDMA2000 1X deployments is evident in our third quarter results, which exceeded our expectations for pro forma revenues and earnings,” said Dr. Irwin Mark Jacobs, chairman and CEO of QUALCOMM. “We achieved record shipments of MSM phone chips, CSM equivalent voice channels and gpsOne position location-enabled devices. We also reached a milestone of one million BREW users during the quarter and were pleased to see the commercial launch of two new BREW-enabled networks at KDDI in Japan and Verizon Wireless in the United States. As part of the rapid evolution with CDMA to high speed, low cost data, we experienced the first deployment of CDMA2000 1X EV-DO (data optimized) 2.4 Mbps service by SK Telecom and KTFreeTel at the World Cup games in South Korea.”

“In today’s environment where every capital expenditure dollar counts, we believe the combination of a CDMA2000 1X network and BREW applications provides CDMA carriers clear economic and service quality advantages over their competitors. We will continue to work closely with our chip customers, as well as the wireless carriers and applications developers, to rapidly deliver 3G CDMA of their preference to users across the globe,” said Dr. Jacobs.

Pro forma revenues increased to \$721 million in the third quarter of fiscal 2002 from \$657 million in the year ago quarter, and \$659 million in the second quarter of fiscal 2002. The increase in revenues compared to the year ago quarter is primarily related to an increasing demand for CDMA products across all major regions of CDMA deployment, with the exception of Latin America which has been impacted by the economic downturn in that market. Key drivers of demand are third generation (“3G”) CDMA2000 products, Binary Runtime Environment for Wireless™ (BREW™) applications and gpsOne™ position location capabilities.

Pro forma gross margin for the third quarter of fiscal 2002 was 67 percent compared to 65 percent in the year ago quarter and 67 percent in the second quarter of fiscal 2002. The increase in pro forma gross margin from the year ago quarter resulted from improved gross margins in the

QUALCOMM CDMA Technologies (QCT) business segment, primarily resulting from a change in product mix toward the higher end devices utilizing our 3G CDMA2000 1X Mobile Station Modem (MSM™) phone chips and an increase in royalty revenues in the QUALCOMM Technology Licensing (QTL) business segment.

Pro forma R&D expenses were \$114 million in the third quarter of fiscal 2002 compared to \$106 million in the year ago quarter and held constant to the second quarter of fiscal 2002. The increase in R&D expenses compared to the year ago quarter was primarily due to QCT product initiatives to support high-speed wireless Internet access and multi-mode, multi-band, multi-network chipsets using our radioOne™ direct conversion architecture.

Pro forma selling, general and administrative expenses were \$99 million in the third quarter of fiscal 2002 compared to \$102 million in the year ago quarter and \$97 million in the second quarter of fiscal 2002. The decrease in SG&A expense compared to the year ago quarter was primarily due to a reduction in bad debt expense, partially offset by the effects of increased head count and related expenses for our support and marketing efforts related to the BREW application development platform.

Pro forma investment income was \$28 million for the third quarter of fiscal 2002 compared to \$24 million in both the year ago quarter and the second quarter of fiscal 2002. Pro forma investment income is primarily comprised of interest income on corporate cash and marketable securities. The increase in interest income as compared to the year ago quarter was a result of higher average balances of cash and marketable securities.

The Company's pro forma annual effective income tax rate for fiscal 2002 is estimated to be 35 percent.

QUALCOMM Strategic Initiatives (Excluded from Pro Forma Results)

The QUALCOMM Strategic Initiatives (QSI) segment includes our strategic investments and related income and expenses from non-core businesses including the Vesper Companies. QSI revenues were \$49 million in the third quarter of fiscal 2002, primarily related to the consolidation of the Vesper Companies. QSI losses before taxes for the third quarter of fiscal

2002 were \$285 million compared to \$119 million in the second quarter of fiscal 2002, an increase of \$166 million primarily due to the \$167 million charge to record the difference between cost plus accrued interest and market value of Leap Wireless stock and bonds. Financial Accounting Standard (FAS) 133 losses, principally related to Leap Wireless warrants which have been marked to market through the earnings statement on a continuing basis, decreased by \$22 million compared to the second quarter of fiscal 2002. Vesper operations improved in the third quarter of fiscal 2002 with an \$11 million decrease in our share of losses. The decrease in QSI losses for Vesper and FAS 133 were offset by expanded Inquam operations to introduce CDMA2000 1X service in Europe (\$3 million); suspension of recognizing interest income on Leap Wireless bonds (\$8 million); increased expenses (\$5 million), primarily for our support of the Pegaso sale to Telefonica; and increased unrealized and realized losses in other assets (\$18 million), including the write-off of our Wingcast assets.

The financial markets for telecommunications investments, in general, have been very unfavorable for some time, but particularly in the most recent fiscal quarter. As a consequence, losses from investments recorded in the quarter are significant. We are working with the companies in which we have invested to achieve the objectives we established at the time of making the investments. In many cases, recovery from the current valuations may take considerable periods of time or may not occur at all, but we remain optimistic about the business models and strategies being executed by Leap Wireless and Vesper, which have given rise to the most significant losses in the current quarter. The cash invested and unfunded commitments balance for QSI is updated quarterly (see page 15 or www.qualcomm.com on the Investor Relations page under “Segment Reporting”).

Business Outlook

The following statements are forward-looking and actual results may differ materially. Please see page 9 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. We will disseminate our quarterly business outlook, based on current expectations, in conjunction with our quarterly earnings release and conference call. We will not provide further material guidance on analysts’ financial models beyond the information provided in our quarterly earnings release and conference call.

Outlook information is presented on a pro forma basis and excludes the QSI segment.

Fourth Quarter Fiscal 2002

- Based on the current business outlook, we expect fourth fiscal quarter pro forma revenues to increase by approximately 10-13 percent compared to the third quarter of fiscal 2002. We expect fourth fiscal quarter pro forma earnings per share to be approximately \$0.26-\$0.27. This estimate assumes shipments of approximately 18-19 million MSM phone chips during the quarter, including approximately 15 million 3G CDMA2000 1X MSM phone chips.

Fiscal 2002

- Based on the current business outlook, we expect pro forma revenue growth for fiscal 2002 to be approximately 7-8 percent and pro forma earnings per share to be approximately \$0.93-\$0.94.

Cash Flow

QUALCOMM’s cash, cash equivalents and marketable securities, excluding QSI, totaled approximately \$2.6 billion at the end of the third quarter of fiscal 2002. The following table presents selected cash flow information, including cash equivalents and marketable securities, for the third quarter and first nine months of fiscal 2002 (in millions):

Selected Cash Flow Information

	Third Quarter Fiscal 2002	Nine Months Fiscal 2002
Earnings before taxes, depreciation, amortization and asset impairments	\$ 316	\$ 904
Working capital changes and taxes paid	(129)	(122)
Additional share capital	51	103
Net cash inflows	238	885
Capital expenditures and acquisitions	(57)	(114)
Net cash provided	181	771
Decrease in fair value of marketable securities	(12)	(29)
Transfers to QSI	(139)	(551)
Net increase in cash, cash equivalents and marketable securities of QUALCOMM, excluding QSI	\$ 30	\$ 191

Results of Business Segments

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

Third Quarter - Fiscal Year 2002

Segments	QCT	QTL	QWI	Other/ Reconciling Items (1)	Pro Forma
Revenues	404,253	198,853	109,581	8,631	721,318
Change from prior quarter	18%	3%	(1%)	N/M	9%
Change from prior year	21%	10%	6%	N/M	10%
Earnings before taxes	117,524	174,450	(3,074)	8,906	297,806
% of revenues	29%	88%	(3%)	N/M	41%
Change from prior quarter	51%	2%	22%	N/M	18%
Change from prior year	67%	14%	(160%)	N/M	24%

Second Quarter - Fiscal Year 2002

Segments	QCT	QTL	QWI	Other/ Reconciling Items (1)	Pro Forma
Revenues	343,815	193,955	110,264	11,229	659,263
Earnings before taxes	77,724	171,535	(3,964)	6,533	251,828
% of revenues	23%	88%	(4%)	N/M	38%

Third Quarter - Fiscal Year 2001

Segments	QCT	QTL	QWI	Other/ Reconciling Items (1)	Pro Forma
Revenues	333,115	180,129	103,742	39,612	656,598
Earnings before taxes	70,582	152,890	5,101	11,369	239,942
% of revenues	21%	85%	5%	N/M	37%

Nine Months - Fiscal Year 2002

Segments	QCT	QTL	QWI	Other/ Reconciling Items (1)	Pro Forma
Revenues	1,107,212	603,611	329,140	33,306	2,073,269
Change from prior year	8%	2%	5%	N/M	2%
Earnings before taxes	282,189	534,673	(8,271)	28,492	837,083
% of revenues	25%	89%	(3%)	N/M	40%
Change from prior year	18%	0%	(128%)	N/M	0%

Nine Months - Fiscal Year 2001

Segments	QCT	QTL	QWI	Other/ Reconciling Items (1)	Pro Forma
Revenues	1,027,806	592,599	313,826	94,724	2,028,955
Earnings before taxes	239,628	533,692	29,081	38,778	841,179
% of revenues	23%	90%	9%	N/M	41%

- (1) Other/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 the amortization of goodwill and other acquisition-related intangible assets and 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 Segment Highlights

QUALCOMM Technology Licensing (QTL)

- Signed a total of three royalty-bearing CDMA license agreements during the third quarter of fiscal 2002, including one new licensee and two extensions to existing license agreements.
- Announced royalty-bearing license agreements with Alcatel (WCDMA and TD-SCDMA infrastructure equipment) and with NEC (WCDMA and TD-SCDMA applications specific integrated circuits), shortly after the third quarter of fiscal 2002.

QUALCOMM CDMA Technologies (QCT)

- Shipped over 16 million MSM phone chips to customers worldwide during the third quarter of fiscal 2002 compared to approximately 14 million units in both the year ago quarter and in the second quarter of fiscal 2002.
- Shipped approximately 11 million 3G CDMA2000 1X MSM phone chips during the third quarter of fiscal 2002 for a cumulative total of approximately 31 million.
- Shipped CSM infrastructure chips to support approximately 4 million equivalent voice channels compared to approximately 3 million equivalent voice channels in the year ago period and 2.5 million in the second quarter of fiscal 2002. The increase is primarily attributable to the growth in CDMA2000 1X deployments.
- Demonstrated the world's first live WCDMA and GSM calls using the complete radioOne direct conversion dual-mode solution.
- Announced an accelerated sampling schedule for customers of its highly integrated MSM6200™ solution, following successful live voice and data calls in public demonstrations using MSM6200-based test terminals.
- Completed a series of third-generation (3G) Universal Mobile Telecommunications System (UMTS) packet data calls, representing the first such demonstration of UMTS packet data services with commercial 3G infrastructure and chipsets for mobile devices.

QUALCOMM Wireless & Internet Group (QWI)

QUALCOMM Internet Services (QIS)

- Announced several BREW carrier developments, including:
 - Verizon Wireless, the largest wireless service provider in the United States launched BREW-enabled application download service nationwide in June 2002.
 - KTF, South Korea's second largest wireless service provider, launched BREW-enabled application download service in November 2001 and is currently offering 16 different BREW-enabled handsets and over 300 BREW applications.
 - U.S. carrier, ALLTEL, announced its plans to launch its BREW-based service before the end of 2002.
 - Telesp Celular, the largest mobile phone operator in Brazil, began a commercial user trial of BREW-based service in June 2002.
- Announced that more than one million end users around the world have purchased and activated BREW-enabled handsets since November 2001.
- Hosted more than 1,300 wireless industry professionals from 17 countries at the BREW 2002 Developers Conference in San Diego, June 3-5, 2002. At BREW 2002, Insignia Solutions demonstrated the first implementation of their Mobile Foundation™ software that enables the provisioning of Java™ technology-based mobile services for BREW.
- Announced plans to work with Oracle Corporation, the world's largest enterprise software company, to extend Oracle 9i™ Lite to support the BREW platform, allowing companies to develop and deploy mobile enterprise applications for BREW-enabled devices.

QUALCOMM Wireless Business Solutions (QWBS)

- Shipped approximately 12,000 OmniTRACS® units and related products in the third quarter of fiscal 2002, compared to approximately 11,000 units during the year ago quarter and 9,500 units during the second quarter of fiscal 2002.

- Acquired the equity interests of certain minority shareholders in its consolidated subsidiary, Corporación Nacional de Radiodeterminación (CNR), a Mexican corporation that has been the exclusive operator and distributor of the OmniTRACS system in Mexico since 1992. QUALCOMM's investment in CNR continues QWBS' strategic priority in expanding its business in the NAFTA-wide market for distribution of QWBS' products and services.
- Announced an agreement with Safeway Stores plc, one of the leading grocery retailers in the United Kingdom, to deploy the EutelTRACS™ mobile communications and tracking system throughout its entire fleet.
- Announced the availability of Driver Authentication, Wireless Panic Button and Tamper Detection features, three new security enhancements for the OmniTRACS system to help customers meet increased homeland security needs and to deter cargo theft.

QUALCOMM Strategic Initiatives (QSI)

- Announced the signing of definitive agreements by and among Telefonica Moviles, S.A., one of the world's leading wireless companies, Mexican wireless operator Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso), its shareholders, QUALCOMM and others. Telefonica Moviles agreed to acquire 65 percent of Pegaso's equity, subject to certain closing conditions and regulatory approvals. Two out of the three required approvals have been received. Under the agreements, the interim secured financing being provided by QUALCOMM is to be repaid in full approximately 30 days after the transaction closes and QUALCOMM's secured debt in Pegaso, exclusive of this interim secured financing, will be reduced in excess of \$200 million as a result of cash payments the Company expects to receive approximately 60 days after the transaction closes on a portion of its existing senior secured debt.

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. Headquartered in San Diego, Calif., QUALCOMM is included in the S&P 500 Index and 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; decreases in the rate of growth in CDMA-based wireless data and Internet access or the CDMA subscriber population; strategic investments, loans, acquisitions or divestitures the Company has or may pursue; the performance of the Vesper Companies business in Brazil; changes in the fair values of marketable securities and derivative instruments held; 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.

QUALCOMM®, QUALCOMM Wireless Business Solutions®, OmniTRACS®, FleetAdvisor®, OmniOne™, TruckMAIL™, OmniExpress™, EutelTRACS™, MSM™, MSM6200™, gpsOne™, radioOne™, SnapTrack® and BREW™ are trademarks and/or service marks of QUALCOMM Incorporated. All other trademarks are the property of their respective manufacturers.

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

	Three Months Ended						
	July 1, 2001	June 30, 2002	%	Pro Forma		June 30, 2002	
	Pro Forma	Pro Forma	Change	Adjustments	QSI	GAAP Reported	
Revenues	\$ 656,598	\$ 721,318	10%	\$ 143	(e)	\$ 49,456	\$ 770,917
Operating expenses:							
Cost of revenues	232,572	237,425	2%	(69)	(b)(c)(d)(e)	50,806	288,162
Research and development	106,336	114,415	8%	1,184	(b)	2,487	118,086
Selling, general and administrative	102,205	99,300	(3%)	500	(b)(e)	52,272	152,072
Amortization of goodwill and other acquisition-related intangible assets	-	-		65,024	(c)	-	65,024
Other	-	-		-		8,955	8,955
Total operating expenses	441,113	451,140	2%	66,639		114,520	632,299
Operating income (loss)	215,485	270,178	25%	(66,496)		(65,064)	138,618
Interest expense	17	(225)	(1424%)	-		(8,414)	(8,639)
Investment income (expense), net	24,440	27,853	(a)	-		(211,976)	(184,123)
Income (loss) before income taxes	239,942	297,806	24%	(66,496)		\$ (285,454)	(54,144)
Income tax (expense) benefit	(81,580)	(104,232)	(g)	144,608	(h)	N/A	40,376
Net income (loss)	\$ 158,362	\$ 193,574	22%	\$ 78,112		(h)	\$ (13,768)
Net earnings per common share:							
Diluted	\$ 0.20	\$ 0.24					\$ (0.02)
Shares used in per share calculations:							
Diluted	806,902	808,935		(35,808)	(j)		773,127

The Company generally excludes from pro forma results of certain non-operating items.

- (a) Includes \$28 million in interest income related to cash, cash equivalents and marketable debt securities, which are not part of the Company's strategic investment portfolio.
- (b) Excludes employer payroll taxes payable for employee income from non-qualified stock option exercises, as follows: \$0.5 million in cost of revenues, \$1.2 million in R&D expenses and \$0.6 million in SG&A expenses.
- (c) Excludes the amortization of goodwill and other acquisition-related intangible assets primarily associated with the purchase of SnapTrack, as follows: \$0.5 million in cost of revenues and \$65 million in amortization of goodwill and other acquisition-related intangible assets.
- (d) Excludes \$1 million in credits related to the Globalstar business.
- (e) Excludes certain revenues and credits related to the sale of the terrestrial-based CDMA wireless infrastructure business, as follows: \$.1 million in revenues, \$.1 million in cost of revenues and \$.1 million in SG&A credits.
- (f) Includes \$35 million loss, net of minority interest, of Vesper Holding from March 1, 2002 through May 31, 2002 due to the Company's practice of consolidating foreign subsidiaries one month in arrears.
- (g) The estimated fiscal year 2002 effective tax rate for pro forma results and GAAP reported results are 35% and 27%, respectively.
- (h) Estimated effective tax rates by segments are not presented. Hence the tax benefit for QSI is included in the "Pro Forma Adjustments" column.
- (i) Includes \$167 million in charges related to Leap Wireless stock and bonds, \$27 million in FAS 133 losses principally related to Leap Wireless warrants and \$22 million in equity losses.
- (j) The diluted share base used for the reported results excludes the potential dilutive effect of 35.8 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.

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(In thousands, except per share data)
(Unaudited)

	Nine Months Ended						
	July 1, 2001	June 30, 2002	%	Pro Forma		June 30, 2002	
	Pro Forma	Pro Forma	Change	Adjustments	QSI	GAAP Reported	
Revenues	\$ 2,028,955	\$ 2,073,269	2%	\$ 143	(e)	\$ 92,262	\$ 2,165,674
Operating expenses:							
Cost of revenues	740,760	692,350	(7%)	(434)	(b)(c)(d)(e)	133,357	825,273
Research and development	295,035	332,712	13%	2,763	(b)	6,234	341,709
Selling, general and administrative	266,007	286,773	8%	1,171	(b)(d)(e)	88,853	376,797
Amortization of goodwill and other acquisition-related intangible assets	-	-		192,437	(c)	-	192,437
Other	-	-		-		8,955	8,955
Total operating expenses	1,301,802	1,311,835	1%	195,937		237,399	1,745,171
Operating income (loss)	727,153	761,434	5%	(195,794)		(145,137)	420,503
Interest expense	(2,260)	(923)	(59%)	-		(16,434)	(17,357)
Investment income (expense), net	116,286	76,572	(a) (34%)	-		(247,670)	(171,098)
Income (loss) before income taxes	841,179	837,083	(0%)	(195,794)		\$ (409,241)	(f) 232,048
Income tax (expense) benefit	(286,001)	(292,979)	(g) 2%	230,326	(h)	N/A	(62,653) (g)
Net income	\$ 555,178	\$ 544,104	(2%)	\$ 34,532			\$ 169,395
Net earnings per common share:							
Diluted	\$ 0.69	\$ 0.67					\$ 0.21
Shares used in per share calculations:							
Diluted	806,599	809,169					809,169

The Company generally excludes from pro forma results of certain non-operating items.

- (a) Includes \$75 million in interest income related to cash, cash equivalents and marketable debt securities, which are not part of the Company's strategic investment portfolio.
- (b) Excludes employer payroll taxes payable for employee income from non-qualified stock option exercises, as follows: \$1.3 million in cost of revenues, \$2.8 million in R&D expenses and \$1.4 million in SG&A expenses.
- (c) Excludes the amortization of goodwill and other acquisition-related intangible assets primarily associated with the purchase of SnapTrack, as follows: \$1.5 million in cost of revenues and \$192.4 million in amortization of goodwill and other acquisition-related intangible assets.
- (d) Excludes credits related to the Globalstar business, as follows: \$3 million in cost of revenues and \$0.1 million in SG&A credits.
- (e) Excludes certain revenues and credits related to the sale of the terrestrial-based CDMA wireless infrastructure business, as follows: \$.1 million in revenues, \$.2 million in cost of revenues and \$.1 million in SG&A expenses.
- (f) Includes \$88 million loss, net of minority interest, of Vesper Holding from November 13, 2001 through May 31, 2002 due to the Company's practice of consolidating foreign subsidiaries one month in arrears.
- (g) The estimated fiscal year 2002 effective tax rate for pro forma results and GAAP reported results are 35% and 27%, respectively.
- (h) Estimated effective tax rates by segments are not presented. Hence the tax benefit for QSI is included in the "Pro Forma Adjustments" column.
- (i) Includes \$167 million in charges related to Leap Wireless stock and bonds, \$61 million in equity losses, and \$56 million in FAS 133 losses principally related to Leap Wireless warrants.

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

ASSETS

	QUALCOMM Excluding QSI	QSI (a)	QUALCOMM June 30, 2002	QUALCOMM September 30, 2001 (b)
Current assets:				
Cash and cash equivalents	\$ 1,258,144	\$ 22,732	\$ 1,280,876	\$ 1,388,602
Marketable securities	919,542	179,370	1,098,912	894,577
Accounts receivable, net	505,962	42,133	548,095	517,557
Finance receivables, net	3,363	-	3,363	10,345
Inventories, net	70,087	9,572	79,659	95,863
Other current assets	116,482	55,142	171,624	147,814
Total current assets	<u>2,873,580</u>	<u>308,949</u>	<u>3,182,529</u>	<u>3,054,758</u>
Marketable securities	395,222	50,445	445,667	297,333
Finance receivables, net	59	777,983	778,042	674,391
Other investments	4,729	288,381	293,110	245,220
Property, plant and equipment, net	453,225	289,637	742,862	431,396
Goodwill, net	404,287	4,469	408,756	585,046
Other assets	248,234	193,015	441,249	381,589
Total assets	<u>\$ 4,379,336</u>	<u>\$ 1,912,879</u>	<u>\$ 6,292,215</u>	<u>\$ 5,669,733</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Trade accounts payable	\$ 87,129	\$ 54,908	\$ 142,037	\$ 106,433
Payroll and other benefits related liabilities	90,162	12,583	102,745	117,795
Unearned revenue	192,346	9,588	201,934	184,461
Other current liabilities	101,863	22,342	124,205	112,300
Total current liabilities	<u>471,500</u>	<u>99,421</u>	<u>570,921</u>	<u>520,989</u>
Unearned revenue	251,822	2,369	254,191	295,005
Other liabilities	38,118	108,775	146,893	35,437
Total liabilities	<u>761,440</u>	<u>210,565</u>	<u>972,005</u>	<u>851,431</u>
Minority interest in consolidated subsidiaries	<u>50</u>	<u>74,698</u>	<u>74,748</u>	<u>5,887</u>
Stockholders' equity:				
Preferred stock, \$0.0001 par value	-	-	-	-
Common stock, \$0.0001 par value	78	-	78	76
Paid-in capital	4,898,420	-	4,898,420	4,791,559
Retained earnings	414,342	-	414,342	244,947
Accumulated other comprehensive (loss) income	(69,706)	2,328	(67,378)	(224,167)
Total stockholders' equity	<u>5,243,134</u>	<u>2,328</u>	<u>5,245,462</u>	<u>4,812,415</u>
Total liabilities and stockholders' equity	<u>\$ 6,004,624</u>	<u>\$ 287,591</u>	<u>\$ 6,292,215</u>	<u>\$ 5,669,733</u>

- (a) Includes the consolidated Vesper Holdings balance sheet at May 31, 2002. The Company reports foreign subsidiaries one month in arrears.
- (b) As adjusted to reflect (1) the adoption of SAB 101 as of the beginning of fiscal 2001 and (2) use of the equity method of accounting for the Company's 16% ownership interest in the Vesper Companies, as required by APB 18 due to the Company's acquisition of a controlling interest in the Vesper Companies during the first quarter of fiscal 2002.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30,</u> <u>2002</u>	<u>July 1,</u> <u>2001(a)</u>	<u>June 30,</u> <u>2002</u>	<u>July 1,</u> <u>2001(a)</u>
Revenues	\$ 770,917	\$ 656,598	\$ 2,165,674	\$ 2,028,955
Operating expenses:				
Cost of revenues	288,162	235,931	825,273	793,699
Research and development	118,086	107,414	341,709	299,790
Selling, general and administrative	152,072	104,175	376,797	271,411
Amortization of goodwill and other acquisition-related intangible assets	65,024	65,100	192,437	191,469
Asset impairment and related (credits) charges	-	(653)	-	472,030
Other	8,955	(5,855)	8,955	63,333
Total operating expenses	<u>632,299</u>	<u>506,112</u>	<u>1,745,171</u>	<u>2,091,732</u>
Operating income (loss)	138,618	150,486	420,503	(62,777)
Interest expense	(8,639)	16	(17,357)	(10,069)
Investment expense, net	(184,123)	(39,906)	(171,098)	(237,799)
Other	-	(119,862)	-	(176,428)
(Loss) income before income taxes and accounting changes	(54,144)	(9,266)	232,048	(487,073)
Income tax benefit (expense)	40,376	(184,250)	(62,653)	1,990
(Loss) income before accounting changes	(13,768)	(193,516)	169,395	(485,083)
Accounting changes, net of tax	-	-	-	(17,937)
Net (loss) income	<u>\$ (13,768)</u>	<u>\$ (193,516)</u>	<u>\$ 169,395</u>	<u>\$ (503,020)</u>
Basic net (loss) earnings per common share:				
(Loss) income before accounting changes	\$ (0.02)	\$ (0.26)	\$ 0.22	\$ (0.65)
Accounting changes, net of tax	-	-	-	(0.02)
Net (loss) income	<u>\$ (0.02)</u>	<u>\$ (0.26)</u>	<u>\$ 0.22</u>	<u>\$ (0.67)</u>
Diluted net (loss) earnings per common share:				
(Loss) income before accounting changes	\$ (0.02)	\$ (0.26)	\$ 0.21	\$ (0.65)
Accounting changes, net of tax	-	-	-	(0.02)
Net (loss) income	<u>\$ (0.02)</u>	<u>\$ (0.26)</u>	<u>\$ 0.21</u>	<u>\$ (0.67)</u>
Shares used in per share calculations:				
Basic	<u>773,127</u>	<u>758,050</u>	<u>768,663</u>	<u>754,055</u>
Diluted	<u>773,127 (b)</u>	<u>758,050 (b)</u>	<u>809,169</u>	<u>754,055 (b)</u>

- (a) As adjusted to reflect (1) the adoption of SAB 101 as of the beginning of fiscal 2001 and (2) use of the equity method of accounting for the Company's 16% ownership interest in the Vesper Companies, as required by APB 18 due to the Company's acquisition of a controlling interest in the Vesper companies during the first quarter of fiscal 2002.
- (b) 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.

QUALCOMM Incorporated
QUALCOMM Strategic Initiatives (QSI) Key Investments
(In thousands)
(Unaudited)

	As of June 30, 2002 (A)	
	Unfunded	Cash
CDMA Operators and Related Parties:	Commitments	Investment (B)
Vesper Holding (C)	\$ -	\$ 539,122
VeloCom (Investment)	\$ -	\$ 176,500
Leap Wireless		
Loan	\$ 125,274	\$ -
Investment	-	138,231
Total	\$ 125,274	\$ 138,231
Pegaso PCS:		
Bridge Loan	\$ -	\$ 360,000
Equipment Loan (D)	96,000	305,955
Interim Financing	89,183	50,817
Other (E)	13,378	3,518
Total	\$ 198,561	\$ 720,290
Ericsson (Carriers TBD) (D)	\$ 250,000	\$ -
Ericsson (Carriers TBD) (E)	\$ 118,190	\$ -
Reliance (Investment) (F)	\$ -	\$ -
KTFreeTel (Investment)	\$ -	\$ 195,534
Inquam (Investment)	\$ 48,600	\$ 149,956
Other (Loans)	\$ 13,000	\$ 43,889
Total Carrier Loans	\$ 705,025	\$ 764,179
Total Carrier Investments	\$ 48,600	\$ 1,199,343
Total Carrier Loans and Investments	\$ 753,625	\$ 1,963,522
Other Strategic Initiatives:		
Marketable Securities (G)	\$ -	\$ 179,505
Venture Investments (G)	28,507	110,606
Wireless Licenses	-	83,774
Other Investments (G)	3,677	92,480
Total Other	\$ 32,184	\$ 466,365
Total QSI Loans	\$ 705,025	\$ 764,179
Total QSI Investments	\$ 80,784	\$ 1,665,708
Total QSI	\$ 785,809	\$ 2,429,887

(A) Significant changes may occur subsequent to the period presented.

(B) Reflects cash amounts funded and not recorded values.

(C) Vesper Holding is a consolidated subsidiary effective November 13, 2001 and will require additional cash to fund operating losses and negative cash flows from operations. We expect Vesper Holding to require approximately \$25 to \$35 million in cash funding through the end of fiscal 2002.

(D) Unfunded commitments relate to an agreement to provide long-term financing to CDMA customers of Ericsson that expires on November 6, 2003.

(E) Unfunded commitments relate to an agreement to provide long-term financing to CDMA customers of Ericsson which is not subject to expiration, except that \$4.6 million of the Pegaso PCS Other Loans commitment is not related to the Ericsson agreement.

(F) At June 30, 2002, because certain conditions precedent under our agreement with Reliance had not been satisfied, our obligation to make this investment had become non-binding. However, we retain the option to purchase the shares contingent upon Reliance's completion of certain performance milestones.

(G) Cash investment balances could be reduced by sales of securities or liquidation of investees. Cash investment balance for Other Investments was reduced in the June Quarter primarily due to the dissolution of Wingcast, LLC.