QUALCOMM®

2003 ANNUAL REPORT

Launchpad Applications

BREWapi

BREW Distribution System

gpsOne

CDMA Chipsets

Homeland Security Initiatives

Fleet Management Solutions

CDMA2000 1X

CDMA2000 1xEV-DO

CDMA2000 1xEV-DV

WCDMA/UMTS

Application Solutions

Mobile Processors

Base Station Processors

Radio Processors

CDMA University

Network Optimization

Software Tools

Development Tools

QCTest Tools

Client Software

Digital Cinema

Advanced Security Solutions

Australia • Austria • Belarus • Brazil • Canada • Chile • China • Colombia • Denmark • Dominican Republic • Ecuador • Guatemala • India • Indonesia • Israel • Italy • Japan • Mexico •

QUALCOMM CDMA Technologies

QUALCOMM Technology Licensing

QUALCOMM Wireless and Internet Group

QUALCOMM Strategic Initiatives

TABLE OF CONTENTS

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, California, QUALCOMM is included in the S&P 500 Index and is a 2003 FORTUNE 500® company traded on The Nasdaq Stock Market® under the ticker symbol QCOM.

QCT QUALCOMM CDMA Technologies (QCT) develops and supplies CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning systems products.

QTL QUALCOMM Technology Licensing (QTL) grants licenses to use the Company's intellectual property portfolio, which includes certain patent rights essential to or useful in the manufacture and sale of CDMA products.

QWI QUALCOMM Wireless & Internet (QWI) Group is comprised of:

- **QIS** QUALCOMM Internet Services (QIS) provides technology to support and accelerate the convergence of wireless data, Internet and voice services, including BREW™ (Binary Runtime Environment for Wireless™) products and services.
- **QWBS** QUALCOMM Wireless Business Solutions (QWBS) provides satellite and terrestrial-based two-way data messaging, application and position reporting services to transportation companies, private fleets, construction equipment fleets and other enterprises.
- **QDM** QUALCOMM Digital Media (QDM) provides products, research and development and analytical expertise to United States government agencies involving wireless communications technologies.

QSI QUALCOMM Strategic Initiatives (QSI) makes strategic investments to promote worldwide adoption of CDMA products and services for wireless voice and data communications.

QUALCOMM is the world's leading designer and supplier of 3G CDMA technology

THE MARKET FOR 3G WIRELESS TECHNOLOGY CONTINUES TO EXPAND

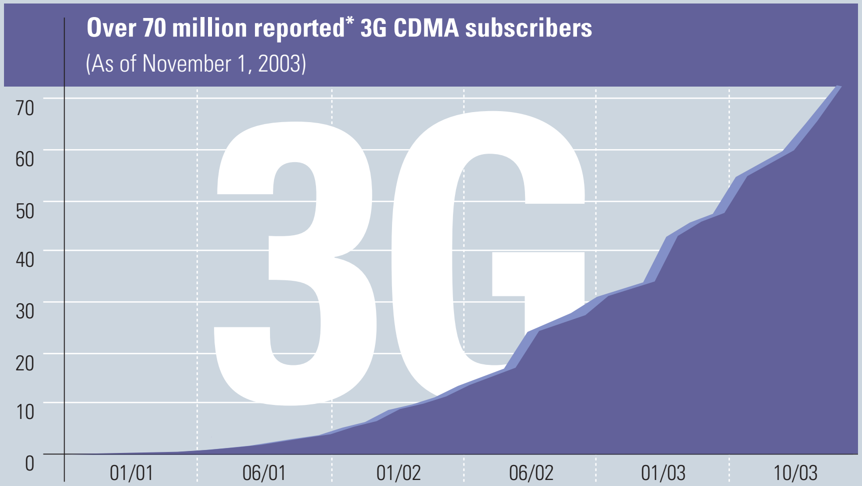
Over 70 million people around the world now subscribe to advanced wireless networks based on 3G CDMA, the digital wireless communications technology pioneered by QUALCOMM. The 3G market is growing as more operators upgrade their networks to expand capacity and meet rising demand for high-speed, low-cost data capabilities. As of September 2003, the combined number of subscribers to 2G and 3G CDMA totalled approximately 174 million.

QUALCOMM TECHNOLOGY ENABLES ALL 3G CDMA NETWORKS

CDMA2000® 1X is an International Telecommunications Union (ITU) approved 3G wireless communications standard[1] that provides voice and data capabilities within a standard 1.25 MHz CDMA channel for outstanding spectral efficiency and flexibility. CDMA2000 builds on earlier CDMA technology (known as cdmaOne™) to provide a natural evolution to 3G services. It nearly doubles voice capacity over second-generation (2G) cdmaOne networks and supports high-speed data services offering a peak data rate of 153 kbps.

CDMA2000 1xEV-DO is an evolution of CDMA2000 and an approved 3G standard for fixed, portable and mobile applications. CDMA2000 1xEV-DO is "data optimized," providing a peak data rate of 2.4 Mbps, which is comparable to DSL or cable modem.

Wideband CDMA (WCDMA/UMTS) is an approved 3G standard that uses 5 MHz channels for both voice and data, offering a peak data rate of 384 kbps.



*Source: Public reports made available at www.3GToday.com.

* Source: Total CDMA (including WCDMA) handsets and devices shipped as reported by licensed CDMA manufacturers.

[1] In 1999, the ITU selected CDMA as the basis for new third-generation (3G) wireless systems.

THE TECHNOLOGY INSIDE 3G WIRELESS DEVICES

QUALCOMM owns many patents essential to 3G CDMA and QUALCOMM Technology Licensing (QTL) has licensed 3G technology to major device and infrastructure manufacturers worldwide. As a result, QUALCOMM supports the design and commercial development of a wide variety of 3G wireless devices. Key to the effort is QUALCOMM's BREW technology, which allows each mobile device to be easily upgraded to support new applications and services.

Wireless 3G devices include:

- Multimedia and gaming devices
- Camera phones
- Video phones
- High-accuracy position-location phones and dedicated tracking devices
- Smartphones
- Wireless personal digital assistant (PDA) devices

In addition, 3G technology and products enabled by QUALCOMM accelerate development of low-cost voice phones that allow network operators to provide high-quality voice service, leveraging the superior network capacity provided by CDMA-based standards, such as WCDMA and CDMA2000.

MADE POSSIBLE BY A ROBUST PATENT PORTFOLIO

QUALCOMM has more than 3,000 United States patents and patent applications applicable to CDMA and other technologies, most of which have also been filed in key foreign jurisdictions around the world. QUALCOMM's extensive patent portfolio has been recognized as essential to existing and proposed international CDMA standards, including cdmaOne, CDMA2000 (1X, 1xEV-DO and 1xEV-DV), WCDMA and TD-SCDMA.

QUALCOMM has now entered into patent license agreements with more than 125 manufacturers covering cdmaOne and CDMA2000 standards and with more than 50 manufacturers covering WCDMA and TD-SCDMA standards. Approximately 85%-90% of QUALCOMM's royalty revenues generated under its patent license agreements are derived from sales by its licensees of subscriber equipment.

Royalty payments to QUALCOMM for subscriber equipment are ongoing and generally based on a percentage of the licensee's selling price of the subscriber equipment. Each licensee's subscriber equipment royalty rate to QUALCOMM for 3G CDMA, including WCDMA, CDMA2000 and TD-SCDMA, is the same as that licensee's royalty rate for cdmaOne subscriber equipment. Since the first commercial deployment of CDMA technology in 1995, the total license fee and royalty revenues have grown each year and are expected to continue to grow with the rapid expansion of the CDMA market around the world.

QUALCOMM was first-to-market with multimode, full-featured 3G chipsets for CDMA2000 and WCDMA

THE MOST EXPERIENCED CDMA TEAM ANYWHERE

In 1995, QUALCOMM revolutionized the digital wireless industry with a 2G chipset that dramatically improved voice capacity and quality for wireless telecommunications networks. QUALCOMM has since become the world's leading producer of the CDMA chipsets that are at the heart of a great majority of the world's CDMA devices and network infrastructures.

WITH COMPLETE AND PROVEN SOLUTIONS

Today, QUALCOMM CDMA Technologies (QCT) provides complete semiconductor solutions for CDMA wireless devices, including all digital functions, full radio frequency (RF) and power management capability combined with superior system software. An integrated circuit called a Mobile Station Modem™ (MSM™) now includes multimode CDMA, GSM (Global System for Mobile Communications) and GPRS (General Packet Radio Service) functionality, as well as assisted GPS (Global Positioning System) location capability, two digital signal processors and a powerful microprocessor, plus a range of integrated multimedia functions, peripheral interfaces and memory all on a single chip.

CREATING VALUE THROUGH TECHNOLOGICAL INNOVATION

To drive the adoption of 3G, QUALCOMM has provided a seamless path to interoperability between 2G and 3G systems. QUALCOMM is the only company to have commercially deployed fully integrated direct conversion radio solutions that enable handsets to function in both 2G and 3G networks. Using Zero Intermediate Frequency (ZIF) architecture, QUALCOMM provides cost-effective chipset solutions that consume less power, require fewer components and enable smaller handset designs.

STRONGLY POSITIONED FOR FURTHER GROWTH

QCT's leadership and innovation in chipset design and development is complemented by its world-class execution capabilities. Sixteen different chipset solutions are currently available to customers, including the latest 3G chipsets. CDMA2000, WCDMA and GSM/GPRS are all supported. QCT works closely with more than 50 major manufacturers worldwide, earning strong customer loyalty and contributing significant revenues for QUALCOMM.

PAVING THE WAY FOR 3G WORLDWIDE

QUALCOMM is working industry-wide to promote the vision of 3G wireless voice and data in all parts of the globe. In addition to the Company's leading performance in CDMA2000, QUALCOMM was first to complete interoperability testing of its WCDMA solution covering voice, circuit data and packet data for handsets with all of the industry's infrastructure providers. The Company has also completed the testing and verification programs required for commercial acceptance of its GSM and GPRS solutions to allow 2G and 3G roaming.

6000 SERIES CHIPSET SOLUTIONS FOR 3G STANDARDS

CDMA 2000	CDMA2000 and GSM/GPRS	WCDMA and GSM/GPRS
QUALCOMM 6000 San Diego, CA USA	QUALCOMM 6300 San Diego, CA USA	QUALCOMM 6200 San Diego, CA USA
QUALCOMM 6025 San Diego, CA USA	QUALCOMM 6500 San Diego, CA USA	QUALCOMM 6250 San Diego, CA USA
QUALCOMM 6050 San Diego, CA USA	QUALCOMM 6550 San Diego, CA USA	QUALCOMM 6275 San Diego, CA USA
QUALCOMM 6100 San Diego, CA USA	QUALCOMM 6700 San Diego, CA USA	
QUALCOMM 6150 San Diego, CA USA	QUALCOMM 6800 San Diego, CA USA	

Integral to the growth of 3G wireless data

ADVANCED APPLICATIONS ARE DRIVING MARKET GROWTH

The world is embracing wireless data services enabled by an expanding variety of multimedia and other applications. The promise of 3G is a world in which a handset can be a compass for navigation; a viewing screen for quick-streaming video; a player for high-quality stereo audio; a news source with market updates; a personal tool for sending photo and video e-mails; and even a device for making secure transactions. As the industry leader, QUALCOMM is working to ensure that all of these features, and more, will be accessible and affordable to the widest possible audience.

A PARTNERING APPROACH TO COMMERCIAL SUCCESS

The dramatic growth in new wireless data applications and services brings with it additional complexities in delivering new features for devices. Leveraging its unique relationships with wireless operators worldwide, as well as the largest customer base of device manufacturers in the wireless industry, QUALCOMM has established itself as the leader in bringing exciting new uses for wireless to commercial success.

Today, our customers are succeeding in establishing new segments for their products, and in turn assisting operators in developing new services for consumers and business customers to utilize.

QUALCOMM is working to ensure the success of its partners by providing fully integrated solutions that support new applications, maximize performance and limit cost. The benefits extend to device manufacturers, network operators and application developers, our partners in making wireless data a reality.

ENSURING BROAD AVAILABILITY OF EXCITING NEW APPLICATIONS

QUALCOMM's innovative Launchpad™ suite of integrated applications provides the industry with the most cost-effective solution to deliver multimedia and position-location features to wireless devices. Select Launchpad features are seamlessly incorporated into each QUALCOMM chipset solution, closely matching the specific feature and cost-target objectives developed by the manufacturer. Today, without the need for additional components, the Launchpad platform, accessed via the BREWapi™ (Binary Runtime Environment for Wireless Application Programming Interface), supports high-quality MP3 audio, MPEG-4 video running at 15 frames per second, high-resolution screen displays and even 3D gaming.

LAUNCHPAD

MULTIMEDIA
Gaming
3D Graphics
Music
Video

USER INTERFACE
Voice recognition
Global roaming
Identity transfer

POSITION LOCATION (gpsOne™)
E-911
Privacy
Information
Entertainment

CONNECTIVITY
Bluetooth®
USB
Multimedia Messaging Service (MMS)
Secure e-commerce

STORAGE
Data on the go
File sharing
Extra storage for photos, music, video clips and downloadable applications

APPLICATION SUPPORT WITH BREWapi

J2ME™	HTML
C	XHTML
C++	WML
XML	

(Other languages on an as needed basis through over-the-air download-able BREW extensions)

BREW is an all-encompassing technical solution and business system

THE ONLY OPEN END-TO-END APPROACH TO DISTRIBUTION

Complementing all air interface technologies, QUALCOMM's far-reaching BREW initiative is empowering application developers, equipment manufacturers and network operators in the wireless data arena by helping them work faster and more efficiently. Connecting the dots all along the mobile marketplace value chain, BREW touches on virtually every segment of the wireless industry. An open end-to-end system of technology, support tools and services, BREW is accelerating time-to-market for an increasing array of downloadable applications and data-enabled devices.

ELEMENTS OF BREW

BREW Porting Kit • BREW Application Manager, MobileShop and iDownload • BREWShop • BREW Porting Evaluation Kit • BREW Software Development Kit (BREW SDK™) • Internal BREW Extensions • BREW Developer Commercialization Tools • BREW Distribution System (BDS) • Unified Application Manager (UAM) • Application Download Server (ADS) • Group Manager • Transaction Manager (TXN) • BREW Billing (BB) • Catalog Manager (CatMan) • TrueBREW® Testing (TBT) • Application Signing • BREW Developer Commercialization Tools • Developer Relations • OEM Support • BREW Product Support • BDS Hosting Service • BREWapi

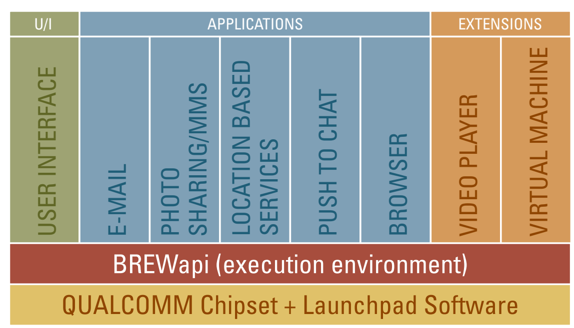
THE FOUNDATION FOR BUILDING A BUSINESS

In addition to being a technology solution, BREW provides a whole business model for facilitating application development and distribution, device configuration and even billing and payment strategies. Wireless subscribers are increasingly demonstrating their interest in downloading over-the-air applications and paying for them as part of their monthly service fees. They are also increasingly motivated to purchase devices that can be personalized with a growing variety of applications.

THE JOURNEY HAS ONLY JUST BEGUN

Since the first commercial BREW launch three years ago, QUALCOMM has been committed to providing an "open" solution with universal appeal and potential. Today BREW works on all air interface technologies.

Looking ahead, BREW is becoming increasingly focused on allowing manufacturers to create impressive devices with significant time-to-market advantages. Using the BREW platform, manufacturers can easily create a customized user interface and BREW extensions make it easy to expand capabilities without developing applications from scratch. This flexibility and power benefits equipment manufacturers and network operators who are able to offer branded user interfaces and resolve problems with easy-to-implement over-the-air fixes or upgrades. By addressing the specific needs of each key segment in the wireless industry, BREW provides a comprehensive technical and business solution that delivers on the promise of wireless data.



BREW operates seamlessly with WCDMA/UMTS, cdmaOne and CDMA2000 1X/1xEV-DO and GSM/GPRS.

APPLICATION DEVELOPERS Aalayance • Acroband Games • Activate • ActiveSky • Agetec • Air2Web • Airborne Entertainment • ALK Technologies, Inc. • Anicom • AppAbove • ASEG, Inc. • Bandai • BigWheel
DotPhoto • Dragonlord Enterprises • Dwango • Eizel • ekkosoft • Elkware • eMbience • Entelepon • esmertec • Expand Cellular • Faith • Flarb Development • FluxNetwork, Inc. •
• iFone • Indiagames Ltd. • Inetcam, Inc. • Infobank • Infospace • In-Fusio • Inphonic • IntroMobile • Intumit • JAMDAT • Javagame • Jinitec Co,. Ltd. • JSmart Technologies, Inc. • Jumbuck • Justsystem
M-Dream • Message Vine • Meta Media • Metaplay • Mforma Americas Inc. • Microjocs Mobile • MIG • Mitsui Comtek Corp. • MjoyNET • Mobile-Mind, Inc. • Mobilescope • Mobliss • Monkey Business • Monkeystone
• Pobros • PolygonSheep • Premium Wireless Mobile • Rovenet • Satyam • Sega Mobile • Sennari Interactive • Single Touch • Smart 421 • SmartServ • Softnyx • Solorien • Sonera Zed • Sony Online Entertainment
• Thin Multimedia • Thumbworks • THQ • TKO Software • Togabi • Tourmaline Networks • ToySoft Co., LTD • Transient Wireless • Trilibis, Inc. • Twelve Signs Inc. • UIEvolution, Inc. • VEL Technologies • Verizon Directories

"A fundamental advantage of BREW is that all members of the downloadable applications value chain–from developers and publishers through wireless network operators and their subscribers–are participating in creating the global BREW marketplace and driving the growth of the wireless applications market."

—Dr. Paul E. Jacobs,
Executive Vice President and President,
QUALCOMM Wireless and Internet Group

AN EXPANDING GLOBAL PRESENCE

>16	More than 16.5 million BREW-enabled devices have been sold
>70	More than 70 million BREW applications have been downloaded worldwide
>100	More than 100 different BREW handset models are now available
>20	More than 20 manufacturers offer commercial BREW devices
25	25 commercial operators now offer BREW services

WINNING PRAISE FROM DEVELOPERS

JAMDAT mobile

"Since the launch of BREW, we've had 5.7 million game downloads. We're very excited about that. It has allowed us to create a viable business. We actually have 10 applications that have paid downloads with revenues in excess of $250,000 each."

—Mitch Lasky, Chief Executive Officer, JAMDAT Mobile Inc.

vindigo®

"In 2003, in the United States, BREW applications will make four times more revenue than Java applications."

—Jason Devitt, Chief Executive Officer, Vindigo Studios

FusionOne

"Using the BREW platform, we were able to develop and commercialize our MightyPhone synchronization service in record time and have quickly experienced real results. Together, QUALCOMM and FusionOne are enabling wireless subscribers to easily update their contacts and calendars no matter where they are, and at the same time are providing operators with another viable revenue opportunity."

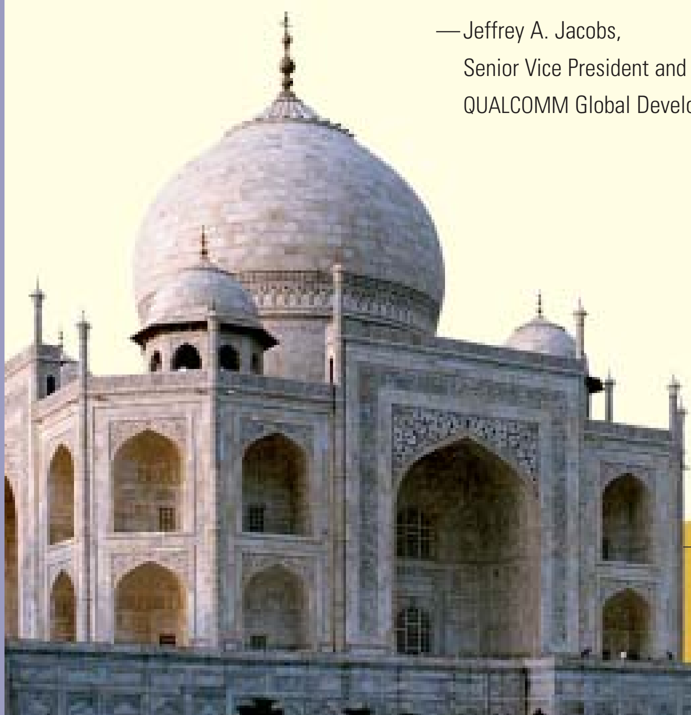
—Rick Onyon, President and CEO, FusionOne, Inc.

Creative • BitFlash Inc. • BLAM! • Blue Heat Games • Centerscore • Chasma • Codistics • Com2Us • Comverse • Cybiko Advanced Technologies, Inc. • Cybird • DASC, Inc. • Digital Aria • Digital Bridges • Flying Tiger Development • Followap • Four Corners • FunMail • FusionOne • Gaeasoft • Gameloft • GenerationPIX • Geotel Corporation • GOSUB 60 • Great Dragon Sanhe • HI Corp. • Hudson Soft • IBM • IBSnet • ICO • Kama Digital Entertainment Inc. • K-lab • Knockabout Games • Lavastorm • Lightsurf • Locate-it Info • LocatioNet • Logitech • LUDIGAMES • Lycos • M7 Networks • Macrospace • Magus Soft • Mattel • Games • Monytel SA • MorphInk • Moviso LLC • MySkyWeb • Namco • Navitime • NDS • NuvoStudios, Inc. • Opentown • Oracle • PacketVideo • PalmGear • Penultimate Wireless • Phoenix Soft • Pick Up And Play • • Sony Pictures Mobile • Sophia Cradle, Inc. • Sorrent • Square Enix • Statim d.o.o. • Steep Technology • Summus • Taito Corporation • TDK Mediactive • Telcontar • Televigation • The Weather Channel Interactive, Inc. • Versaly • Vicarious Visions • Vindigo • Visto • Walt Disney Internet Group • WebMessenger • Webraska • Wimos • Wipro Technologies • Xpherix Corporation • Zaxis Technologies • ZIO-interactive, Inc.

A mobile revolution in India

"QUALCOMM's diligent efforts in India over the past several years began to show significant results in 2003. India is expected to achieve approximately eight million CDMA subscribers in 2003 and is poised to go far beyond that number in 2004. We look forward to India's rapid emergence as one of the industry leading markets for 3G CDMA services."

—Jeffrey A. Jacobs,
Senior Vice President and President,
QUALCOMM Global Development



NOW OFFERING FULL MOBILITY CDMA SERVICES

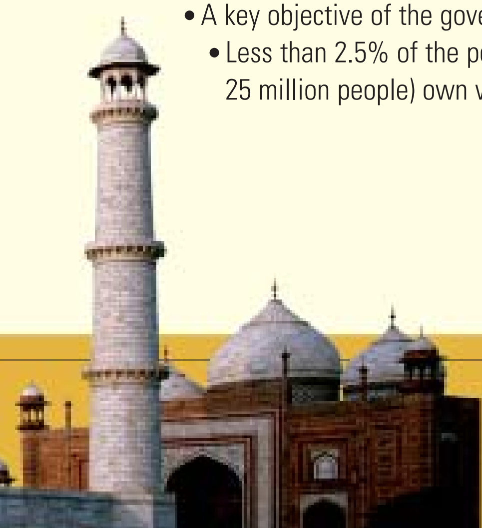
3G network operators in India were initially authorized to provide limited mobility wireless services within a SDCA (short-distance charging area) of a local telecommunications "circle." In the fall of 2003, the government granted these operators the option to convert their "wireless local loop" (WLL) licenses. The government has recently approved the new "unified" license, which will allow the operators to provide their subscribers with full mobility wireless services.

All WLL operators have opted to migrate to the unified license. This includes Reliance Infocomm Ltd., India's largest CDMA operator, which now serves over five million subscribers. Fully operational in 2003, the CDMA networks built by Reliance quickly gained traction, thanks to extremely competitive pricing and Reliance's countrywide coverage. Reliance was able to offer full mobility to its subscribers within four days of migrating to the unified license and the network is expected to continue to grow at a rapid pace.

Price is an important differentiator in all developing markets, and CDMA network operators in India have proven that 3G CDMA technology provides them with distinct cost advantages. The CDMA service has proven to be very popular. The operators are now working to enhance the network for additional data services and applications to utilize CDMA technology to its full potential.

A COUNTRY WITH TREMENDOUS MARKET POTENTIAL

- India is home to approximately 1.03 billion people
- The Indian economy has been growing steadily
- A key objective of the government is to improve teledensity
- Less than 2.5% of the population (approximately 25 million people) own wireless handsets



CDMA WIRELESS NETWORK OPERATORS IN INDIA

- BSNL (Bharat Sanchar Nigam Ltd.)
- HFCL (Himachal Futuristic Communications, Ltd.)
- MTNL (Mahangar Telephone Nigam Ltd.)
- Reliance IndiaMobile (Reliance Infocomm Ltd.)
- Shyam Telelink Ltd.
- Tata Indicom (Tata Teleservices Ltd.)

A POWERFUL VISION AT RELIANCE

As part of its vision for making communications affordable to the people of India, Reliance Infocomm Ltd. launched its nationwide CDMA2000-based mobile service, Reliance IndiaMobile, in May 2003. By October, the service was commercially available in nearly 500 cities. IndiaMobile will expand to all of India by 2004, linking thousands of villages and hundreds of towns and cities nationwide. To realize the full potential of CDMA technology, Reliance IndiaMobile is now working to enhance the network for additional data services and applications.

CONTINUING EXPANSION AT TATA

Tata Indicom, along with other operators in India, is expanding its CDMA network capabilities by migrating to unified licenses that include full mobility services. When fully operational across all six circles in its service area, Tata Indicom will be able to provide voice and data services to approximately 70% of India's population. Additionally, Tata Indicom has applied for licenses in seven more circles under the unified license, to become a nationwide mobile operator.

DELIVERING A RICH USER EXPERIENCE

- **BREW-enabled services.** Thanks to an agreement with QUALCOMM this year, Reliance IndiaMobile subscribers will be the first wireless users in India with the capability of downloading BREW-based applications over the air. The BREW system is a complete wireless data solution that enables Reliance IndiaMobile subscribers to personalize their mobile phones virtually anytime, anywhere.

- **GARUDA 1X Service.** Taking advantage of the high-speed data capabilities of its CDMA2000 network, MTNL launched a new service called "GARUDA 1X" this year, billing it as the most advanced and affordable mobile data service in New Delhi.

- **Short Message Service (SMS).** Reliance IndiaMobile was first-to-market with an SMS offering. Tata Indicom is offering SMS to its customers free of charge.

- **Prepaid Cards.** As 2003 drew to a close, Reliance IndiaMobile and Tata Indicom both planned to offer pre-paid cards to the subscribers on their 3G mobile networks.

INDIA

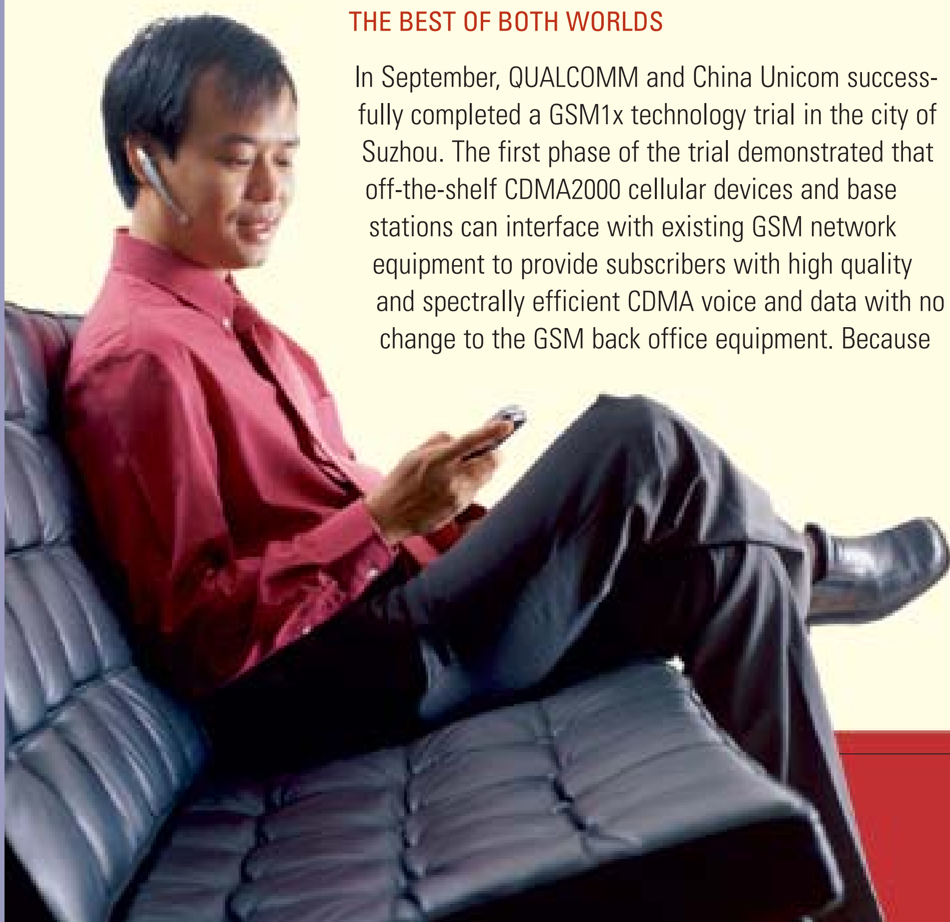
Hitting the mark in China

A NATIONWIDE 3G NETWORK FOR THE WORLD'S LARGEST MOBILE MARKET

CDMA2000 wireless technology continues to gain momentum in China, the world's largest mobile market. China Unicom (China United Telecommunications Corporation), the country's second largest mobile telecom operator, completed phase two of its nationwide CDMA2000 network this year. China Unicom has already achieved nearly 20 million subscribers. When phase three is completed in 2004, its network will have a total capacity of 50 million subscribers in 31 provinces throughout the country.

THE BEST OF BOTH WORLDS

In September, QUALCOMM and China Unicom successfully completed a GSM1x technology trial in the city of Suzhou. The first phase of the trial demonstrated that off-the-shelf CDMA2000 cellular devices and base stations can interface with existing GSM network equipment to provide subscribers with high quality and spectrally efficient CDMA voice and data with no change to the GSM back office equipment. Because CDMA2000 requires only 1.25 MHz of radio spectrum to receive and transmit, it can be used by operators in a 1G, 2G or 3G spectrum assignment, while preserving operator investment in their GSM network equipment.



The second phase used a dual mode CDMA and GSM phone (world phone) to demonstrate full roaming capability with a single phone number (and UIM card) by using the phone to send and receive calls over existing CDMA and GSM networks. The trial also demonstrated the capability to transparently switch between the GSM network (for a voice call) and the CDMA network (for a data call). This technology makes it possible for GSM operators to preserve their investment in the 2G GSM radio network, while providing their subscribers with advanced data capabilities not available on GSM. For this trial, QUALCOMM provided a prototype world phone with a single QUALCOMM MSM6300™ multi-mode chip supporting both CDMA and GSM.

OFFERING A GROWING VARIETY OF CHOICES

- **More devices.** The China Unicom network features many different models of CDMA devices. A large number are CDMA2000 devices, ranging from low-end voice and data handsets to mid- and high-level devices with features such as an integrated camera, high-resolution color graphics and support

Superstar. The Yao Ming Basketball Game by Sorrent is a BREW application featuring the popular NBA superstar from China.

for multimedia services. To meet growing demand, China Unicom provided customers with handsets in significant volume from domestic and foreign mobile phone makers to stimulate the market. This also helped manufacturers adopt new technologies and produce more models targeting different market segments.

- **More services.** The first phase of China Unicom's gpsOne-based position location service was launched commercially in eight regions in China this year, including Beijing, Shanghai and Guanzhou. CDMA subscribers in these regions can now access a range of location-based information services and plans are underway for expanding the service nationwide. The second phase of the project will expand the gpsOne service to the rest of the country.
- **More data applications.** Demonstrating its commitment to providing value-added high-speed data services to its subscribers, China Unicom launched its nationwide BREW-based "U-Magic" service in 2003. By the end of September 2003, there were more than 20 BREW-enabled handsets to choose from and nearly 100 applications available for downloading. QUALCOMM and China Unicom also launched a joint venture aimed at developing new BREW software applications. Numerous Chinese developers are using the BREW platform to develop more applications for its U-Magic offering.

CHINA

South Korean operators were first-to-market with CDMA2000 1xEV-DO, the world's fastest 3G service

THE FIRST COMMERCIAL HIGH-SPEED "DATA OPTIMIZED" NETWORKS

South Korea's largest wireless service provider, SK Telecom (SKT), is credited with launching the world's first commercial CDMA2000 1xEV-DO service in 2002. By September 2003, SKT reported 2.5 million subscribers to its high-speed data network. Another world-class 3G wireless network operator in South Korea, KT Freetel (KTF), also launched CDMA2000 1xEV-DO service in 2002, reaching over 437,000 subscribers by September 2003.

ADVANCED DATA SERVICES MADE POSSIBLE BY BREW

3G service providers in South Korea are now offering their subscribers some of the most advanced data services available anywhere. KTF sold more than 5.1 million BREW-enabled handsets and devices in South Korea this year.

"Video-on-demand services on the CDMA2000 1xEV-DO network pushed subscribers to use more data. SK Telecom's CDMA2000 1xEV-DO average revenue per user for data alone reached 16,800 won ($13.87) while KTF secured 11,818 won ($9.87) in CDMA2000 1xEV-DO data ARPU."

Source: *Korea Herald,* August 12, 2003 - KTF and SKT ARPU data for the month of August 2003.

DELIVERING ON THE PROMISE OF WIRELESS DATA

- **Multimedia.** Using QUALCOMM's BREW technology, KTF now offers subscribers a complete multimedia experience, including streaming video, music, traffic reports, text messaging and broadcast TV on demand.
- **Navigation.** Position-location services enabled by QUALCOMM's gpsOne solution are planned or now offered by KTF, SKT and LG Telecom.
- **Choice.** The first operator in the world to commercially deploy BREW-based applications, KTF now offers subscribers more than 45 BREW-enabled handsets and more than 800 applications to choose from as part of the "magic n multipack™" service. This year KTF also became the first operator to become a BREW Global Publisher (BGP), making the applications in its magic n multipack catalog available to wireless subscribers around the world.

SOUTH KOREA

Solid advances in Asia Pacific region

NEXT-GENERATION NETWORKS

- **Australia.** Australia's first fully operational 3G network, Telstra Mobile, achieved more than 755,000 subscribers on its CDMA2000 network in June 2003. Another first took place in Australia this year when Hong Kong-based Hutchison Whampoa began a nationwide roll out of its WCDMA service under the brand name "3 Australia."

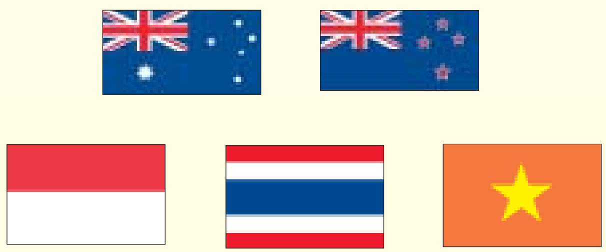
- **Indonesia.** The emergence of CDMA2000 operators is helping to increase teledensity in Indonesia. PT Bakrie Telecom's "ESIA" service achieved 6,000 subscribers shortly after the launch of its 3G CDMA2000 network in September 2003. PT Telkom's "TelkomFLEXI" CDMA2000 service reached 178,000 subscribers by October 2003. PT Mobile-8 Telecom launched 3G CDMA2000 commercial service in December 2003, and PT Wireless Indonesia, PT Indosat and PT Mobile Seluler Indonesia are planning 3G CDMA launches in 2004.

- **New Zealand.** Telecom New Zealand launched its 3G CDMA2000 network marketed as "Mobile JetStream" in its fiscal year 2003 and reported a 114% increase in mobile data revenues.

- **Taiwan.** Taiwan's Asia Pacific Broadband Wireless Communications, Inc. (APBW) was first-to-market with island-wide 3G CDMA2000 services in August 2003. APBW plans to launch CDMA2000 1xEV-DO services in the Taipei metropolitan area. Others in the region that are now planning 3G launches in 2004 include Vibo Telecom, Taiwan Cellular Group, Chunghwa Telecom and Yuan-Ze Telecom.

- **Thailand.** In February 2003, Hutchison CAT Wireless MultiMedia Ltd. launched the first 3G CDMA2000 network in Thailand. Among the enhanced features offered is seamless international roaming coverage in China, Hong Kong, South Korea, Taiwan and New Zealand. BREW service was launched in November 2003.

- **Vietnam.** S-Telecom, operating under the brand name "S-Fone," launched Vietnam's first 3G CDMA2000 network, with coverage in two major cities and 10 provinces in July 2003. As part of the nationwide buildout, S-Telecom is working with QUALCOMM to create a domestic CDMA development center in Vietnam.



Australian operators are taking advantage of 3G CDMA technology to provide coverage not just for major cities, but also for areas of the vast outback regions.

ASIA PACIFIC

Network operators in Japan continue to deliver innovative wireless data services

THE UBIQUITOUS SOLUTION COMPANY

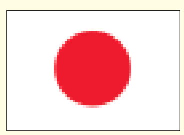
Japan's largest 3G service provider, KDDI Corporation, achieved a major milestone in September of this year when it surpassed the 10 million mark for accumulated subscribers to its high-speed CDMA2000 wireless Internet-access service. The service called "au" is delivered on KDDI's nationwide CDMA2000 network, which is enabled by QUALCOMM technology.

Among the features of the au service are Movie Mail and Photo Mail for sending video and still images, and position-location functions taking advantage of QUALCOMM's gpsOne solution. KDDI was the first operator in the world to deploy a nationwide gpsOne position-location service, and among the first to make downloadable wireless applications commercially available to consumers using QUALCOMM's BREW system.

Now positioning itself as the "ubiquitous solution company," KDDI states in its 2003 annual report that it envisions a world in which mobile handsets take on many new functions in lieu of keys, wallets, train tickets, etc. Executing on that vision of a high-speed wireless world, KDDI stopped signing up customers for its slower packet data communications (PDC) service in March 2003. As 2003 drew to a close, KDDI posted another first in Japan with the launch of its CDMA2000 1xEV-DO high-speed data service on November 28, 2003.

WCDMA NETWORKS MAKING PROGRESS

Vodafone KK (formerly named J-Phone) and NTT DoCoMo also reported progress in the ongoing effort to add subscribers to their WCDMA-based networks. NTT DoCoMo achieved its target of more than one million subscribers for its high-speed data service called FOMA by September 2003. Among the new data service offerings this year by Vodaphone KK, is the ability to make international videophone calls between Japan and the United Kingdom..



There are over 40 commercial 3G CDMA devices and over 84 BREW applications available in Japan today.

"Taking advantage of QUALCOMM's gpsOne and BREW technology, Japan has been a true pioneer in the wireless position-location services arena."

—Peggy L. Johnson,
Senior Vice President
and President, QUALCOMM Internet Services

JAPAN

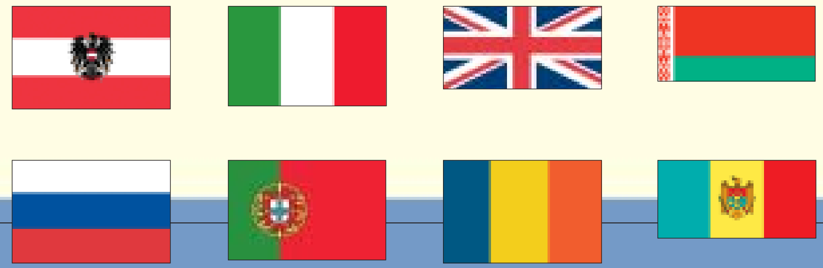
Gaining momentum in Europe

AN INNOVATIVE WCDMA DATA SOLUTION

- **Austria.** Two networks based on the WCDMA standard were launched in Austria this year. Austria Mobilkom launched in April 2003. 3 Austria, a unit of Hong Kong-based Hutchison Whampoa, launched in May 2003.
- **Italy.** Another unit of Hutchinson Whampoa, 3 Italia's WCDMA network is capable of transmitting data up to 10 times faster than over a GPRS network. In August 2003, it reported healthy increases in data revenues and reached 300,000 subscribers. Also in this market, Telecom Italia Mobile (TIM) projects significant sales of 3G WCDMA phones in 2004, following the launch of a nationwide 3G WCDMA network.
- **United Kingdom.** 3 UK, Europe's first 3G wireless network operator, reports that video calls are the most popular service among its 3G subscribers in the United Kingdom. Also a unit of Hutchison Whampoa, 3 UK serves England, Scotland, Wales and Northern Ireland. Vodafone Group Plc, based in the United Kingdom, has reported that it will expand 3G services in Europe in 2004.

AND AN ALTERNATIVE 3G UPGRADE OPTION

- **Belarus.** Wireless operator Belcel covers 62% of the Belarusian territory. This year it upgraded its NMT 450 MHz network to launch the first commercial 3G CDMA2000 service in the country.
- **Moldova.** JSC Interdnestrcom completed a regional 3G upgrade in 2003 without having to significantly change its existing infrastructure.
- **Portugal.** Inquam, with an investment by QUALCOMM, is promoting 3G CDMA2000 deployment in Portugal. Commercial launch of this 450 MHz network is slated for 2004.
- **Romania.** Since its launch in 2002, Romanian 3G CDMA2000 operator Zapp Mobile, posted steady growth, reporting that it has achieved 85% coverage of the Romanian urban population and a subscriber base of over 170,000. Inquam, owner of Zapp Mobile, has promoted market growth in the region.
- **Russia.** Russia Delta Telecom (Delta) is the first Russian operator to implement a 3G CDMA2000 network on the 450 MHz frequency band. Branded as "Skylink," the network provides service to the country's two largest metropolitan areas.



EUROPE

Rapid growth in Latin America and the Caribbean

LOW-COST MIGRATION PATH HELPS OPERATORS MOVE QUICKLY TO 3G

The market for 3G CDMA is expanding rapidly in Latin America, including the Caribbean. 3G technology and products provide a smooth migration path for upgrading network infrastructure equipment. Rapid 3G CDMA growth in the region is also helped by the availability of a wide variety of QUALCOMM-enabled handsets designed to meet growing demand for voice services and high-speed data capabilities.

ACCELERATED EXPANSION IN BRAZIL

In Brazil, Vivo more than doubled its 3G subscriber base and increased its data revenue by 131% in the second quarter of its fiscal 2003 compared with the second quarter of its fiscal 2002. In addition to expanding its services, Vivo is migrating its 2G TDMA networks to 3G CDMA networks.

Vivo now offers high-speed data services in over 22 Brazilian cities. Vivo also launched BREW and Multimedia Messaging Services (MMS) this year. In September, Vivo offered its customers movie trailers, music and videos using 3G CDMA technology and the BREW system.

Another major first occurred in Brazil in 2003 when Vésper launched Latin America's CDMA2000 1xEV-DO commercial service in the city of São Paulo.

ADVANCED DATA SERVICES ARRIVING ON THE SCENE

- BellSouth International has now launched in Columbia, Panama, Ecuador and Chile commercial BREW services and is expected to launch additional BREW-based 3G services in five of its other wireless operating companies.
- Telefónica Móviles Perú has signed up to offer BREW-based services to its customers.
- Vivo now offers four BREW-enabled devices and more than 40 BREW applications via its 3G CDMA2000 network in Brazil.

3G LAUNCHES THROUGHOUT THE REGION

- Argentina (Movicom BellSouth)
- Brazil (Tmais, Vésper and Vivo)
- Chile (BellSouth Chile and Smartcom)
- Colombia (BellSouth Colombia and EPM Bogotá)
- Dominican Republic (CODETEL and Centennial Dominicana)
- Ecuador (BellSouth Ecuador and Telecsa)
- Guatemala (BellSouth Guatemala and PCS)
- Mexico (Grupo Iusacell)
- Nicaragua (BellSouth Nicaragua)
- Panama (BellSouth Panama)
- Peru (Telefónica Móviles Perú)
- Puerto Rico (Verizon Wireless Puerto Rico, Centennial de Puerto Rico and Sprint PCS)
- Venezuela (BellSouth International and Movilnet)

LATIN AMERICA

Taking center stage in North America

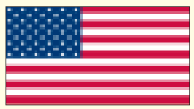
"The camera phone craze appears to have officially hit the United States, with Sprint PCS and Verizon Wireless both boasting of millions of picture messages passing over their networks every month…"

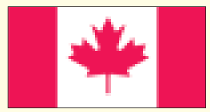
— *RCR Wireless News,* August 18, 2003

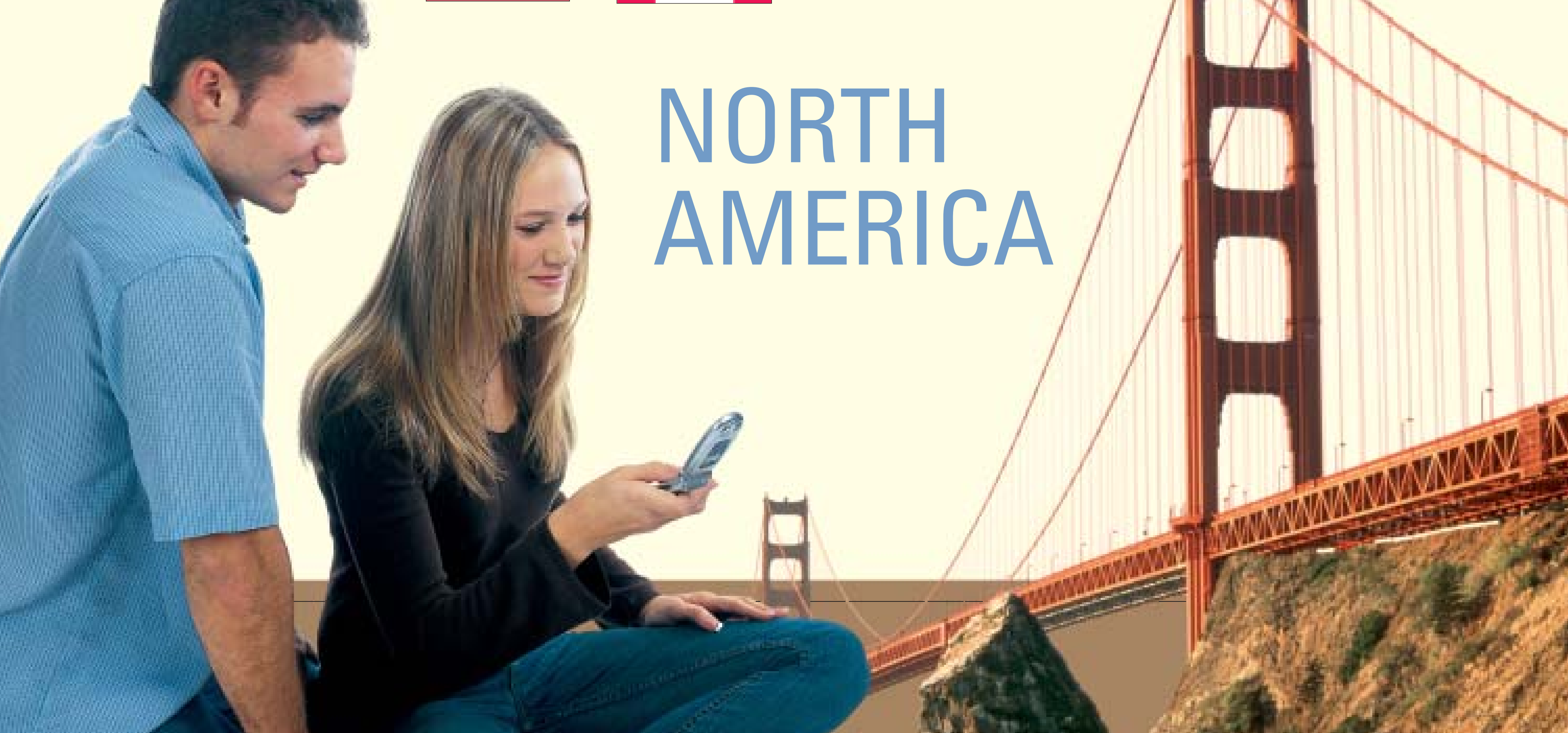
OUTSTANDING PERFORMANCE IN THE UNITED STATES AND CANADA

CDMA has become the technology of choice in the rapidly growing North American wireless telecommunications market. Wireless network operators such as Verizon Wireless and Sprint PCS made significant investments in their nationwide networks this year.

Taking advantage of the high-speed capabilities of their 3G CDMA2000 networks, wireless operators are now delivering a broad array of exciting new services to subscribers in the United States and Canada. These include the ability to take photos, send and receive messages, and download games, ring tones, navigation directions, news and even video on an ever-growing number of camera phones and other multimedia handsets and devices.







The fastest wireless networks in North America

SETTING THE SPEED RECORD

In October 2003, Verizon Wireless commercially launched its CDMA2000 1xEV-DO network in the United States. The service, which launched in San Diego, California and Washington, D.C., is being marketed to business users under the brand name "BroadbandAccess." Using data-optimized technology, the networks in these two locations are capable of delivering typical data transmission speeds comparable to DSL or cable modem.

CDMA2000 1xEV-DO allows wireless network operators to differentiate their services and increase data revenues by offering customers broadband access to downloadable applications, "always on" Internet services and the most advanced wide area wireless data technology available today.

OPERATORS AND SUBSCRIBERS BENEFIT AS MORE 3G SERVICES ARE ADDED

- **ALLTEL.** ALLTEL now offers subscribers over 225 BREW applications. ALLTEL is the first operator to offer BREW Shop software, which enables an application download service for PDA applications. The Kyocera 7135 smartphone will allow ALLTEL subscribers to shop over the air for Palm OS-based applications as part of its BREW-based "Axcess" service.
- **Bell Mobility.** Canada's largest telecommunications company provides wireless services to over four million subscribers. 3G CDMA2000 services are available in major cities across Canada and the network continues to expand. Wireless revenues were up 16% in the third quarter of its fiscal 2003 due to strong growth in subscribers nationwide and higher average revenue per user (ARPU). Customers can access high speed data services through the DATA To Go, Text Messaging and Mobile Browser offerings.
- **Midwest Wireless.** In August 2003, Minnesota-based Midwest Wireless' seamless launch of BREW-enabled services on its CDMA2000 network in less than two months demonstrated the unparalleled time-to-market and business advantages of the BREW solution. This deployment spans 68 counties in Minnesota, Iowa and Wisconsin. The service features three BREW-enabled devices and more than 70 BREW applications.

On the beach or at QUALCOMM Stadium in San Diego, Verizon Wireless customers can now enjoy high-speed data connectivity thanks to CDMA2000 1xEV-DO.

OPERATORS AND SUBSCRIBERS BENEFIT AS MORE 3G SERVICES ARE ADDED

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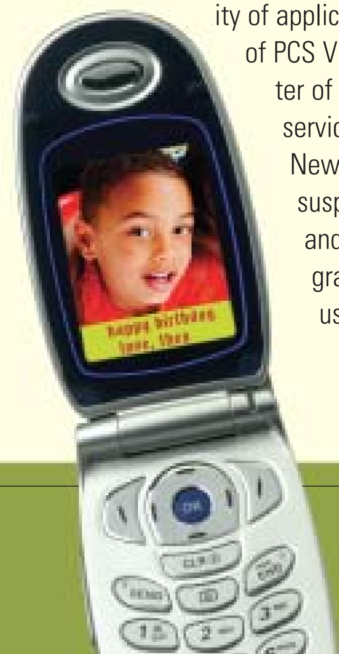
- **Sprint PCS.** Sprint celebrated the one-year anniversary of its PCS Vision℠ service, which offers "always on" advanced multimedia services. The popularity of applications like Picture Mail℠ drove the total number of PCS Vision subscribers to 2.7 million by the third quarter of Sprint's fiscal 2003. This service received media attention this year when a New Jersey teen grew suspicious of a man attempting to lure him into a car and used his Sprint PCS camera phone to photograph the man and his license plate. The police used the pictures to arrest the man. Whether for serious purposes or just plain fun, Sprint subscribers sent more than 10 million pictures over its 3G CDMA2000 network in the second quarter of its fiscal 2003.

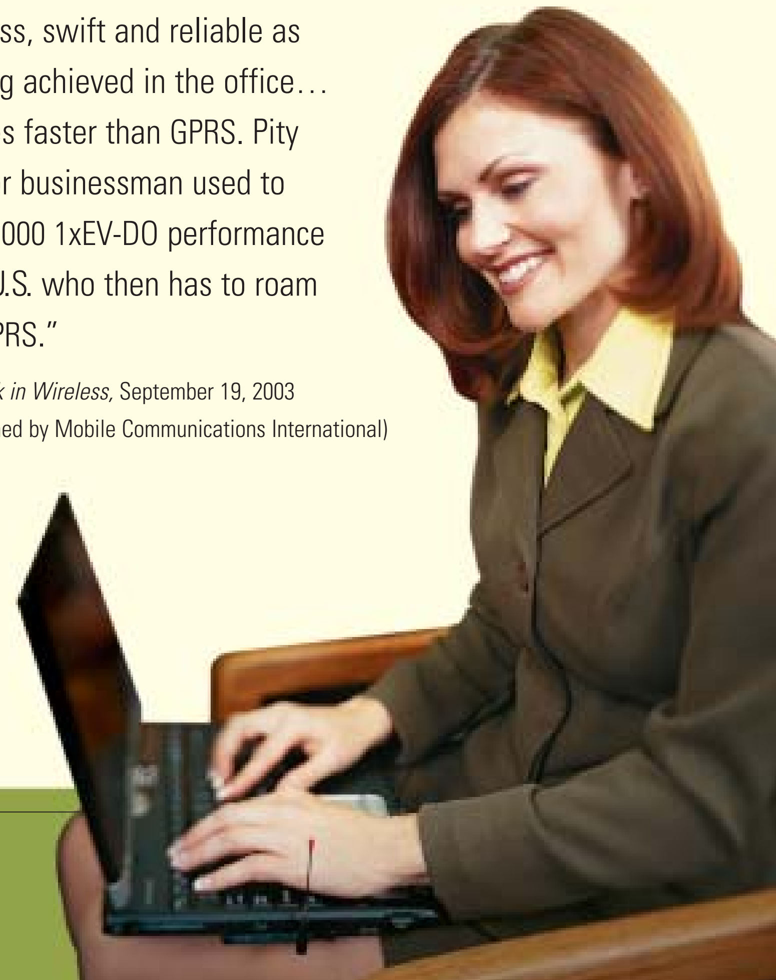


- **TELUS Mobility.** TELUS Mobility first launched 3G service in 2002 in Halifax

At a technology demonstration during the pre-launch trial of Verizon's CDMA2000 1xEV-DO service in San Diego, QUALCOMM provided a European journalist with a laptop that could access the high-speed network.

"Suspend your disbelief readers, this was 3G as it was supposed to be. The connection was as effortless, swift and reliable as anything achieved in the office… 10 times faster than GPRS. Pity the poor businessman used to CDMA2000 1xEV-DO performance in the U.S. who then has to roam onto GPRS."

—*A Week in Wireless,* September 19, 2003
(published by Mobile Communications International)



Turning up the volume on security and safety

THE INDUSTRY LEADER IN WIRELESS POSITION LOCATION TECHNOLOGY

Wireless position-location technology is a key driver for the growth of wireless data services, and QUALCOMM's gpsOne solution features industry-leading accuracy and reliability in virtually any environment. Enhanced by technology from SnapTrack®, a wholly-owned subsidiary of QUALCOMM, the hybrid Assisted Global Positioning System (A-GPS) pinpoints the location of a mobile phone or wireless device. A fully integrated end-to-end solution, the high-performance capabilities of the gpsOne solution enable superior location-based services, while minimizing cost and complexity. The gpsOne precision wireless location solution supports millions of users worldwide.

CONTRIBUTING TO NATIONAL DEFENSE AND HOMELAND SECURITY

QUALCOMM Digital Media (QDM) provides the United States government with wireless communication solutions using CDMA, OmniTRACS® and other QUALCOMM technologies. Through government funded R&D, QDM is creating leading edge security technology with the development of the QSec®-2700, a 3G secure phone. Using a specialized design capable of securing classified information and enhanced by features such as A-GPS and BREW, this handset will offer a flexible platform that can be customized to meet a wide variety of wireless requirements for the Department of Defense, Homeland Security and other federal, state and local agencies. In other arenas, QDM also continues to customize existing QUALCOMM products and technologies for the United States government, such as the military use of OmniTRACS to help protect United States forces in Europe and the Middle East.

The QSec-2700 provides secure communications to the U.S. government.

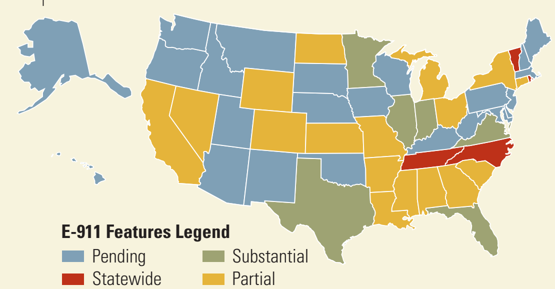
MEETING THE E-911 PERSONAL SAFETY CHALLENGE

There was continuing progress this year in the effort to implement an enhanced 911 (E-911) wireless emergency location service, as mandated by the United States Federal Communications Commission (FCC). The world's most broadly deployed wireless position-location solution, QUALCOMM's gpsOne system is also the most accurate. The A-GPS solution combines both satellite and terrestrial-based location technologies. It is capable of locating wireless devices within the FCC's mandated accuracy limits for handset-based E-911 solutions and it is twice as accurate as competing solutions. Wireless network operators across the United States are taking advantage of the QUALCOMM solution to meet the challenge. As of November 2003, the Verizon Wireless E-911 coverage area is serving 65 million subscribers and Sprint PCS has sold more than 11 million A-GPS handsets.

Wireless E-911 Implementation Status

As of July 31, 2003

28 states with phase two implementation
1,200 Public Safety Answering Points*
480 markets



* A communication center that receives emergency 911 telephone calls and directs those calls to emergency service providers.
Source: Public reports compiled by QUALCOMM.

PERSONAL SECURITY To comply with the FCC mandate calling for wireless emergency location services, network operators throughout the United States are taking advantage of the A-GPS technology innovated by QUALCOMM. Major operators such as Sprint, Verizon, ALLTEL, U.S. Cellular and Metro PCS are leading the way and additional deployments are underway through more than 40 other operators around the country. Outside of the United States, a growing number of international network operators are also benefiting from A-GPS deployments by making innovative personal security applications such as "child finder" available to subscribers.

QUALCOMM serves mobile workers worldwide

THE LEADER IN WIRELESS BUSINESS SOLUTIONS

When QUALCOMM introduced the OmniTRACS mobile communications system in 1988, it changed the way freight companies operated and communicated. Through QUALCOMM Wireless Business Solutions (QWBS), QUALCOMM has become the global leader in providing high-value wireless data solutions to the transportation and logistics industry.

Today, QWBS is a multiproduct, multimarket wireless solutions provider that continually evolves its products and leverages its expertise into new markets such as enterprise services, construction equipment and private and service fleets. Headquartered in San Diego, QWBS has nine Network Operating Centers worldwide, facilitating data flow among customers and mobile workers via satellite and terrestrial communications, vehicle terminals and handheld devices.

QWBS also offers solutions for transportation security that increase driver and cargo security by using real-time nationwide communications, high-value and hazardous load tracking and features like driver authentication, wireless panic buttons and tamper detection warnings.

PRODUCTS THAT ARE CHANGING INDUSTRIES

- **OmniTRACS**® satellite-based mobile communications system offers continuous data communications and automatic positioning for improved fleet productivity and customer service, as well as increased vehicle, equipment and cargo security.
- **FleetAdvisor**® fleet management system provides enterprise-wide benefits to companies with private fleets, collecting and integrating operational data with critical business systems for improved efficiencies, streamlined regulatory compliance and reduced operational costs.
- **OmniOne**™ mobile communications system is an enterprise application for BREW-enabled CDMA2000 handsets that facilitates mobile worker assignments and tracking status updates for industries including transportation/logistics, utilities and service fleets.
- **QConnect**™ wireless network management services utilizes QUALCOMM's CDMA technology and network capabilities to provide connectivity and data communications for customers such as CardioNet, a provider of outpatient cardiac telemetry technology and services.
- **GlobalTRACS**™ equipment management system is the first fully integrated and reliable mobile data solution for the construction industry, providing wireless access to equipment operating data and location, regardless of equipment type or manufacturer.

MEETING MOBILE DATA NEEDS

- Serving businesses in 39 countries on four continents
- Over seven million domestic transactions sent and received daily
- More than 490,000 mobile communications units shipped worldwide (as of October 2003)

Rewarding innovation in the Enterprise

QUALCOMM's 3G cdmA-List™ Award highlights the successful ways in which enterprises are integrating 3G wireless data solutions into their organizations. The A-List is a testament to the increasing number of companies that have already deployed 3G CDMA2000 wireless data enterprise solutions to improve their business processes. The accelerated adoption of wireless data will continue as many enterprises augment their existing wireless data solutions with additional applications and services to achieve a more compelling return on investment.

This year, the A-List honored winners of all types and sizes for their innovative wireless data deployments that yielded meaningful financial, humanitarian or industry results. A Best of Show Award was presented to the organization that set the best example and compelled other companies, public agencies or non-profit organizations to take advantage of wireless mobility. The A-List is slated to become an annual event where QUALCOMM honors mobility at work.

CDMALIST™

WINNERS

"3G cdmA-List winners are dramatically changing their business practices through the benefits of CDMA2000-based wireless services. As more enterprises adopt CDMA2000 and WCDMA, the breadth and depth of wireless enterprise applications will change the nature of mobile workforces worldwide."

—Jeffrey K. Belk,
Senior Vice President of Marketing,
QUALCOMM

	A-LIST INNOVATION	A-LIST IMPACT
SMALL COMPANIES	**Global Vision Interactive, Inc.** A CDMA2000-enabled interactive touch-screen for the passenger section of taxicabs to provide passengers in major U.S. cities with various services, including real-time news, sports and weather information.	**Camping Companies, Inc.** Using ruggedized, CDMA2000-enabled laptops mounted in vehicles and custom patented software, field and office employees can access lien holder accounts and update them with real-time information, eliminating a paper-based system.
MEDIUM COMPANIES	**Crossmark** A consumer packaged goods sales force automation solution uses handheld devices equipped with CDMA2000, enabling its national sales force to increase speed to shelf at retail locations and drive market share at the point of purchase.	**Momentum Group** A sales force automation solution using a lightweight laptop with a CDMA2000 modem enables sales agents to search databases for fabrics, display fabric samples and fulfill customer orders at the point of sale.
LARGE COMPANIES	**PPL Electric Utilities** Based on machine-to-machine communications, this automated meter reading solution uses firmware and embedded CDMA2000 telemetry modules to transport real-time data from meters in the field back to the operations center.	**Ohio Casualty Group** Using a laptop equipped with a CDMA2000 modem, auto insurance field adjusters and appraisers can download new cases, update claims records and respond to customer queries, providing faster customer response and reduced cycle times.
GOVERNMENT	**Ontario Police Department** Using a custom-built handheld CDMA2000 device and a biometric application that uses fingerprint identification, police officers can positively identify questionable subjects and check individuals for outstanding warrants at the site of investigation.	**Broward Sheriff's Office** A laptop equipped with a CDMA2000 modem and access to Florida's child reporting database replaces a manual system, allowing child protective investigators to immediately alert officials about children at risk while expediting reporting on child abuse cases.
NON-PROFIT	**Youth Places** Using CDMA2000 connectivity and bar code scanning technology, youth coordinators can track the attendance and activities of more than 5,000 children annually.	**MOXXI-Medical Office of the Future** A field force automation solution using CDMA2000 handhelds allows physicians and pharmacists to exchange secure patient information, helping doctors to reduce the risk of adverse drug reactions.
BEST OF SHOW	**CSX Transportation, Inc.** Railroad conductors wear mobile computers equipped with CDMA2000, allowing the wireless exchange of work order completion and scheduling information between the conductors and railroad offices.	

Extraordinary things are possible when outstanding people join forces

QUALCOMM IS COMMITTED TO CREATING LASTING VALUE

QUALCOMM has earned a distinguished reputation that goes beyond technology innovation. In exchange for good ideas and hard work, the Company provides an environment that fosters creativity and recognizes achievements. A continuous learning organization, the Company is dedicated to promoting the growth of the people who work inside the organization as well as the people who live in the communities where QUALCOMM does business. As a global organization, QUALCOMM works with people from around the world, helping create and transform technologies to meet the needs of people wherever they live, work and play.

"QUALCOMM Cares" is the name of the Company's volunteer group. The efforts of QUALCOMM people who donate their energies to doing good work in the community are numerous. The Company cares too, supporting local civic, charitable and educational groups and programs ranging from corporate giving to wiring schools for Internet access, to giving hundreds of kids each year the opportunity to see major sporting events at QUALCOMM Stadium.

Whether executing on our business vision or trying to make a difference outside of the workplace, QUALCOMM believes that extraordinary things are possible when outstanding people join forces.

QUALCOMM Cares

RECOGNITION

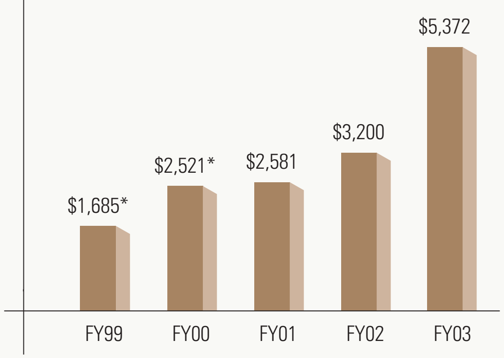
- *AARP*'s "Best Employers for Workers Over 50"
- BestJobsUSA.com's "Employers of Choice 500"
- *Black Collegian's* "Top 100 Employers"
- *BusinessWeek*'s "IT 100/200"
- *BusinessWeek*'s "Global 1000"
- *CIO's* "Top 100 Award"
- Fabless Semiconductor Association's "Best Financially Managed Company"
- *Finanical Times* "List of Most Valuable Global Companies"
- *Forbes* 500 Company
- *Forbes* Platinum List "The Best Big Companies"
- *Fortune* 500® Company
- *Fortune*'s "America's Most Admired Companies"
- *Fortune*'s "100 Best Companies to Work For"
- NASDAQ 100™ Company
- S&P 500 Index
- *Training Magazine*'s "Training Top 100"
- U.S. Department of Labor's "Secretary of Labor's Opportunity Award"

Financial Highlights*

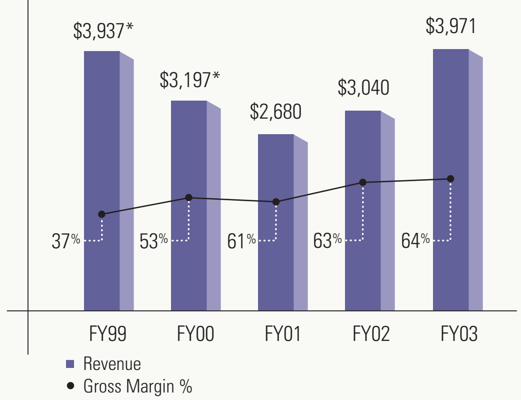
QUALCOMM IS POSITIONED FOR GROWTH

QUALCOMM announced its first-ever quarterly dividend and share repurchase program in fiscal 2003. The Company paid $135 million in cash dividends and invested $158 million in net stock repurchases in fiscal 2003.

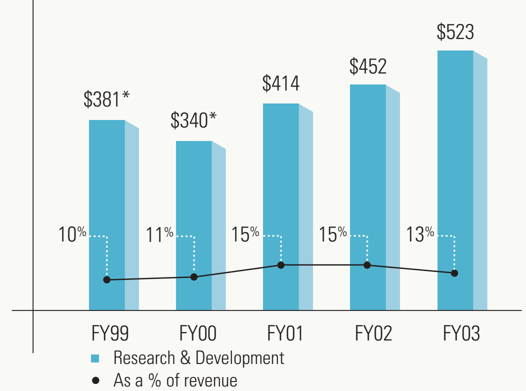
Cash, Cash Equivalents & Marketable Securities ($ millions)



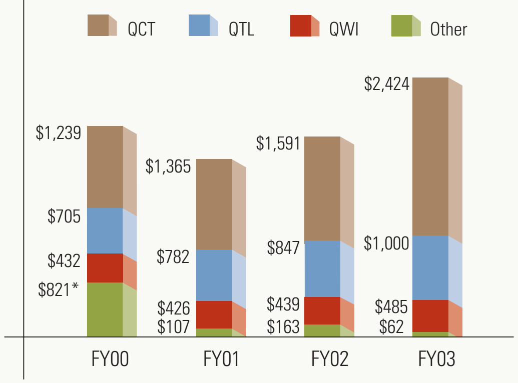
Revenue & Gross Margin ($ millions)



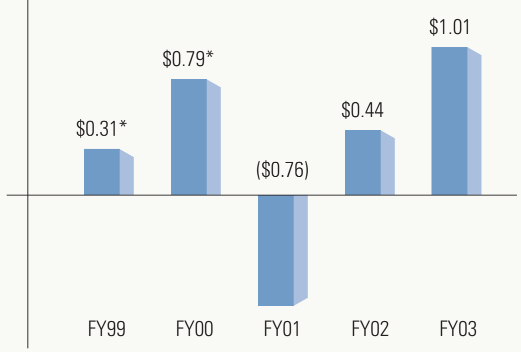
Research & Development ($ millions)



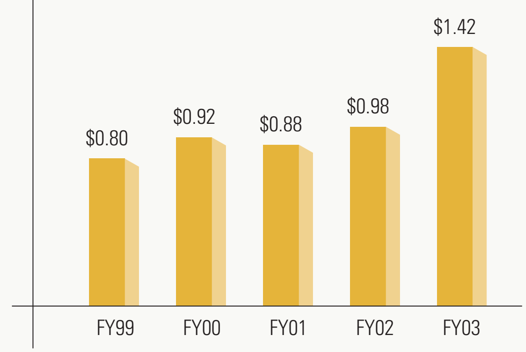
Revenue by Segment ($ millions)



Diluted Net Income (Loss) (per share)



Pro Forma Diluted Net Income** (per share)



* Includes financial results of the terrestrial wireless consumer phone business and the terrestrial wireless infrastructure business prior to the sales of these businesses. In February 2000, the Company completed the sale of the terrestrial wireless consumer products business to Kyocera Wireless. In May 1999, the Company completed the sale of the terrestrial wireless infrastructure business to Ericsson.

** See "Note Regarding Use of Non-GAAP Financial Measures" and reconciliations on page 29.

To our stockholders:

QUALCOMM enjoyed record revenues and earnings in fiscal 2003 as the CDMA wireless communications sector experienced excellent growth. 3G CDMA is now a proven commercial success, with over 70 million subscribers attracted by high quality voice and data and the continually growing variety of rich data applications. As of September 2003, the number of subscribers of CDMA technology, including 2G and 3G, reached approximately 174 million (source: CDMA Development Group).

We generated significant positive cash flow this year, allowing us to invest $158 million in net stock repurchases and to pay $135 million in cash dividends to stockholders. Despite a slow worldwide economy, we continued to invest in R&D to increase our leadership in all areas of wireless and to support operators worldwide in their adoption of 3G CDMA technology, whether CDMA2000 or WCDMA.

Dr. Irwin Mark Jacobs
Chairman & CEO

Anthony S. Thornley
President & COO

WORKING AT ALL LEVELS OF THE WIRELESS VALUE CHAIN

A high-speed barrier was crossed when “data optimized” networks, based on CDMA2000 1xEV-DO, rolled out commercially in Asia in 2002 and in the Americas this year. CDMA2000 1xEV-DO delivers a peak data rate of 2.4 Megabits per second, enabling lower transmission costs and new consumer and enterprise services. Many CDMA wireless devices came to market, ranging from inexpensive starter handsets to wireless computing devices and three-dimensional color displays, feature-rich smartphones supporting position location, video and camera capabilities.

Our BREW system has now proven its power as the only open end-to-end applications development and distribution system in wide commercial use. Hundreds of BREW application developers located around the world are taking advantage of the broad support offered to them by QUALCOMM, including software development kits and marketing support available via the Internet. The rich variety of their applications allowed 13 major regional operators to differentiate service offerings and increase average revenue per user (ARPU). Wireless subscribers in North America, Japan, South Korea, China, Brazil and elsewhere demonstrated their willingness to pay for these services, registering more than 70 million downloads of a multitude of data applications worldwide.

Generating profits is key to growing our company, and we are pleased to report that QUALCOMM results were very strong this year.

We are one of the few companies in the world now supplying multi-mode, multiband technology that integrates wireless interoperability into one full-featured chip.

THE FIRST COMMERCIAL 3G CDMA CHIPSET SOLUTION

QUALCOMM CDMA Technologies (QCT) provides manufacturers with highly integrated and broadly segmented chips and software they need to design and produce first-to-market, compelling products that people want to buy. Central to our business model is our commitment to develop new technology that is backwards compatible, facilitating performance upgrades while extending the return on investment for existing equipment. Older generation phones continue to work on upgraded networks and new phones work on existing networks. This year we provided samples of multimode chips to our customers that extend this capability to allow phones to work on 3G CDMA2000 or WCDMA networks while maintaining backwards compatibility to 2G GSM and 2.5G GPRS networks.

UNIQUELY POSITIONED FOR GROWTH

Through the combined efforts of QCT, QUALCOMM Internet Services (QIS) and SnapTrack, QUALCOMM is adding low cost GPS receiving capability to 3G CDMA phones and certain 2G phones, with full support for wireless E-911 and for enhanced location-based services. Developers worldwide are adding to the variety of BREW applications that exploit gpsOne capability to provide visual and spoken directions, locate services in the vicinity and find nearby friends. Since key functions of gpsOne are performed in the handset, location privacy is under the control of the user.

QUALCOMM's technology leadership and success in the 3G market is derived in part from the strength of our ever-growing patent portfolio. More than 125 manufacturers have license agreements with QUALCOMM Technology Licensing (QTL) covering cdmaOne and CDMA2000 applications, and more than 50 manufacturers have licenses covering WCDMA and TD-SCDMA standards.

MAKING WIRELESS DATA USEFUL

The QUALCOMM Wireless Internet Group (QWI) includes QUALCOMM Wireless Business Solutions (QWBS), which offers our OmniTRACS family of products, providing wireless tracking and other services. We continue to grow this business, partly by extending our core competencies into other markets such as reliable data communications for outpatient cardiac patients, heavy industrial equipment tracking and support for the Homeland Security Initiative in the United States.

Another key part of QWI is QIS, whose mission is to make the wireless Internet ever more useful for consumers and enterprise. In addition to its market-leading BREW offering, QIS released a significant upgrade to its world-class Eudora® e-mail software this year. It also made good progress in commercializing QChat™, the QUALCOMM push-to-chat system that takes advantage of the BREW application development platform.

Also part of the QWI Group, QUALCOMM Digital Media (QDM) provides CDMA and other QUALCOMM technologies to the United States government and has played a leadership role in the emerging digital cinema industry. This year, with delays in the launch of digital cinema, we shifted our strategy, selling our business interest in Technicolor Digital Cinema to Thomson, a French technology company. QDM continues to focus on developing innovative and specialized capabilities for National Defense and Homeland Security, such as the QSec-2700 cellular phone. These innovative capabilities have often been applied to the commercial sector for new business opportunities.

DRIVING DATA REVENUES

BREW is a powerful engine for helping wireless operators increase data revenue by extending and differentiating the services they offer to customers. We saw strong evidence that the strategy is working when Verizon Wireless announced in April 2003 that their BREW-based data service called “Get It Now” earned an incremental increase in average revenue per user of $7.50.

More than 1,400 developers and other interested parties attended the sold-out Third Annual BREW Developers Conference hosted by QUALCOMM in San Diego in April 2003. One highlight was a demonstration of multimedia messaging service (MMS) interoperability between CDMA and GSM networks, an industry first, accomplished with a downloadable BREW application.

COMPREHENSIVE SOLUTIONS

A key tenet of the QUALCOMM business model is our commitment to listen carefully to our customers, manufacturers, operators and subscribers to ensure that we bring useful and proven solutions early to market. To that end, we provide a comprehensive and segmented semiconductor technology roadmap to our customers, together with a segmented application platform to drive broader adoption of data.

QUALCOMM is well positioned to benefit from increasing global demand for wireless communications. We are leading the industry by supplying multimode, multiband technology that integrates wireless interoperability into one full-featured chip. Among the significant milestones this year, our QCT business shipped samples of the MSM6300™ chip, enabling the first true multimode, multiband phone incorporating GSM and CDMA technologies. We believe that high and mid-tier phones will increasingly use multimode, multiband capability to allow users to roam globally.

INROADS INTO NEW MARKETS

A number of operators have launched, or are preparing to launch, commercial services based on WCDMA, which provides one transition path to high-speed data capability for the very large base of GSM operators. By being early to market with full-featured WCDMA chips and software that follow the industry standard and by leveraging our experience with CDMA networks, QUALCOMM has taken a leadership role in facilitating interoperability testing with key WCDMA and GSM/GPRS operators and infrastructure vendors.

A second transition path for GSM operators is provided by our GSM1x solution, which interfaces commercially proven CDMA2000 radio equipment and phones to GSM core network equipment. GSM1x, which requires only 1.25 MHz of spectrum for the transmission of highly efficient voice and data, can be introduced in existing 1G and 2G spectrum (where allowed by regulators), as well as in 3G spectrum. This greatly reduces the cost of upgrading to 3G services. Successful GSM1x field trials were conducted this year with China Unicom.

A GROWING WORLDWIDE FOOTPRINT

In the world’s largest wireless market, China Unicom is approaching 20 million CDMA subscribers and is in the third phase of network expansion. The government is evaluating and considering 2.1 GHz 3G license awards. China Telecom and China Netcom are anxious to supplement their wireline offerings with 3G CDMA wireless services.

In just a few months, India has added over five million CDMA subscribers with limited mobility and is poised for explosive growth given the intense consumer demand in its largely untapped market and the recent approval of unified licenses which authorize full mobility using CDMA technology.

The launch by Verizon Wireless of CDMA2000 1xEV-DO service in San Diego and Washington, D.C. heralds growth of a whole new range of services, already proven in South Korea, and recently launched in Japan.

WCDMA service is now available in Australia, Austria, Ireland, Italy, Japan, Sweden and the United Kingdom. A number of operators are preparing to launch in 2004. In several countries, including Romania and Russia, operators have launched CDMA service at frequencies previously designated for 1G analog service.

Through QUALCOMM Strategic Initiatives (QSI), our company makes strategic investments to further the worldwide growth of CDMA. This year we scaled back on these investments and in fact realized significant net cash inflows from previous investments. QUALCOMM remains committed to providing small amounts of financial assistance, where appropriate, to stimulate market growth while earning reasonable returns.

In December 2003, we finalized our sale of Vésper to Embratel Participações S.A. in the Brazilian market. This transaction was a positive strategic move for all parties involved, as Embratel's financial strength, Brazilian telecom expertise, and ability to realize significant synergies from its existing operations will help Vésper enhance its voice and data service offerings. In particular, we are encouraged by Embratel's plans to extend and expand Vésper's position in Brazil's high-speed broadband Internet access market as it grows Latin America's first, and largest, 3G CDMA 1xEV-DO network.

WE ARE FOCUSED ON STOCKHOLDER VALUE

Generating profits is key to growing our company, and in fiscal 2003, QUALCOMM achieved record results. Total GAAP revenue in fiscal 2003 grew to $4.0 billion, up 31%, compared to $3.0 billion in fiscal 2002. GAAP net income was $827 million this fiscal year, a 130% increase over the previous year. GAAP earnings per share in fiscal 2003 were $1.01, a 130% increase over 2002. Earnings per share excluding QSI were $1.42 (see note regarding use of non-GAAP financial measures and reconciliations on page 29). And we generated excellent cash flows in fiscal 2003, increasing our cash, cash equivalents and marketable securities balances from $3.2 billion to $5.4 billion.

In the second quarter of fiscal 2003, as a result of our strong cash position, we announced our first-ever quarterly dividend of $0.05 per share. In July, with recent changes in United States tax law making the distribution of dividends more efficient, we increased the quarterly dividend to $0.07 per share, a 40% increase. We also embarked on a $1 billion share repurchase program in March 2003 to be executed over the next two years whenever purchase conditions are believed to be accretive. In fiscal 2003, we made net stock repurchases of $158 million. QUALCOMM is intently focused on stockholder value. We believe that returning capital to stockholders in the form of dividends and stock repurchases is a prudent way to increase stockholder value.

Key to promoting stockholder value is our successful effort to employ and retain the finest people in our industry. Our stock option plans have been very effective to date, contributing to an extremely high employee retention rate. We believe stock options, properly handled and controlled, allow us to attract and retain talented employees and directors, and help align stockholder and employee interests. Since the founding of QUALCOMM, we have been strong advocates of business transparency and integrity and have strived to embrace best practices in all areas of our business and corporate governance.

In closing, we extend best wishes and gratitude to Don Schrock, who retired this year as president of QCT after many years of exceptional service. And we would like to thank all of the people of QUALCOMM who contribute their talent and passion in executing a broadly shared vision for growing a great company.

Irwin Mark Jacobs

Dr. Irwin Mark Jacobs
Chairman & CEO

Anthony S. Thornley

Anthony S. Thornley
President & COO

NOTE REGARDING USE OF NON-GAAP FINANCIAL MEASURES

The Company presents financial information excluding certain items in addition to GAAP results in order to provide supplemental information on the Company's operating performance. Pro forma results have been presented for financial comparisons and have primarily excluded the QUALCOMM Strategic Initiatives (QSI) segment, amortization of goodwill and other acquisition-related intangible assets, payroll expenses on stock option exercises and other charges that were unrelated to the Company's ongoing operating performance. Beginning in fiscal 2003, the goodwill provisions of FASB Statement No.142 resulted in a substantial reduction in the difference between GAAP and pro forma earnings. Therefore, in fiscal 2003, QUALCOMM began reporting results excluding only the QSI segment.

Beginning in fiscal 2003, the Company presents financial information excluding the QUALCOMM Strategic Initiatives (QSI) segment to facilitate evaluation by management, investors and analysts of its ongoing core operating businesses, including QUALCOMM CDMA Technologies (QCT), QUALCOMM Technology Licensing (QTL) and QUALCOMM Wireless & Internet (QWI). QSI results relate to strategic investments for which the Company has exit strategies of varying durations. Management believes that the information excluding QSI presents a more representative measure of the operating performance of the Company because it excludes the effect of fluctuations in value of investments that are unrelated to the Company's operational performance. Pro forma financial information should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Reconciliations between pro forma results and total QUALCOMM results are as follows:

Reconciliation Between Pro Forma and GAAP Earnings (Loss)

(In thousands, except per share data)	2003	2002	2001	2000	1999
Pro Forma Earnings:					
Earnings before taxes	$ 1,733,381	$ 1,221,116	$ 1,075,620	$ 1,155,840	$ 849,962
Income tax expense	(572,016)	(427,391)	(365,711)	(427,662)	(297,487)
Net income	$ 1,161,365	$ 793,725	$ 709,909	$ 728,178	$ 552,475
Earnings per share(a)	$ 1.42	$ 0.98	$ 0.88(b)	$ 0.92(c)	$ 0.80(d)
QSI					
(Loss) earnings before taxes	$ (448,234)	$ (506,978)	$ (1,125,206)	$ 342,894	$ –
Income tax benefit (expense)	114,310	326,653	193,705	(153,181)	–
Net (loss) income	$ (333,924)	$ (180,325)	$ (931,501)	$ 189,713	$ –
(Loss) earnings per share(a)	$ (0.41)	$ (0.22)	$ (1.23)(b)	$ 0.24	$ –(d)
Other pro forma adjustments:					
Amortization of goodwill and other intangible assets	$ –	$ (258,572)	$ (256,382)	$ (205,601)	$ –
Stock option payroll tax expense	–	(5,963)	(12,687)	(26,580)	–
Sale of infrastructure business	–	7,527	–	–	(428,257)
Globalstar	–	3,995	(57,324)	–	–
Legal settlement	–	–	(69,219)	–	–
Sale of phone business	–	–	–	(147,952)	(62,990)
SAB 101 adjustments	–	–	–	49,203	–
Exit of analog-only cellular-untethered trailer-tracking business	–	–	(9,074)	–	–
Employee termination charges	–	–	–	(14,411)	–
Metrosvyaz investment write-off	–	–	–	–	(51,343)
Other	–	–	(1,368)	(4,653)	(686)
Total pro forma adjustments	–	(253,013)	(406,054)	(349,994)	(543,276)
Income tax benefit (expense)	–	(710)	67,505	54,249	191,680
Net loss	$ –	$ (253,723)	$ (338,549)	$ (295,745)	$ (351,596)
Loss per share(a)	$ –	$ (0.31)	$ (0.45)(b)	$ (0.37)	$ (0.54)(d)
GAAP Earnings (Losses)					
Earnings (loss) before taxes	$ 1,285,147	$ 461,125	$ (455,640)	$ 1,148,740	$ 306,686
Income tax expense	(457,706)	(101,448)	(104,501)	(526,594)	(105,807)
Income (loss) before accounting change	827,441	359,677	(560,141)	622,146	200,879
Accounting changes, net of tax	–	–	(17,937)	–	–
Net income (loss)	$ 827,441	$ 359,677	$ (578,078)	$ 622,146	$ 200,879
Earnings (loss) before accounting changes	$ 1.01	$ 0.44	$ (0.74)(b)	$ 0.79(c)	$ 0.31(d)
Accounting changes, net of tax	$ –	$ –	$ (0.02)(b)	$ –	$ –(d)
Earnings (loss) per share(a)	$ 1.01	$ 0.44	$ (0.76)(b)	$ 0.79(c)	$ 0.31(d)
Shares used in per share calculations(a):					
Diluted Shares	817,755	809,329	755,969	800,121	649,889

(a) We effected a two-for-one stock split in May 1999 and a four-for-one stock split in December 1999. All references to number of shares and per share amounts have been restated to reflect these stock splits.
(b) The diluted share base used for the GAAP results excludes the potential dilutive effect of 51.2 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.
(c) Net income in the computation of diluted EPS for fiscal 2000 was increased by $7 million, representing the assumed savings of distributions, net of taxes, on Trust Convertible Preferred Securities.
(d) The diluted share base used for the GAAP results excludes the potential dilutive effect of 72.6 million common share equivalents related to the conversion of Trust Convertible Preferred Securities. For pro forma results, these shares are dilutive and are, therefore, included in the pro forma per share calculation.
(e) Net income in the computation of pro forma diluted EPS for fiscal 1999 was increased by $26 million, representing interest on Trust Convertible Preferred Securities, net of tax.

In this document, the words "we," "our," "ours" and "us" refer only to QUALCOMM Incorporated and not any other person or entity.

FINANCIAL INFORMATION

The following is certain financial information of the Company that was originally filed with the Securities and Exchange Commission (SEC) on November 5, 2003 as part of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2003. The Company has not undertaken any updates or revision to such information since the date it was originally filed with the SEC. Accordingly, you are encouraged to review such financial information together with subsequent information filed by the Company with the SEC, if any, and other publicly available information.

We operate and report using a 52–53 week fiscal year ending the last Sunday in September. Our 52 week fiscal years consist of four equal quarters of 13 weeks each, and our 53 week fiscal years consist of three 13 week quarters and one 14 week quarter. The financial results for our 53 week fiscal years and our 14 week fiscal quarters will not be exactly comparable to our 52 week fiscal years and our 13 week fiscal quarters. For presentation purposes, all fiscal periods presented or discussed in this report have been presented as ending on September 30. For example, our 2003 fiscal year ended on September 28, 2003, but we present our 2003 fiscal year as ending on September 30, 2003.

Market for Registrant's Common Equity and Related Stockholder Matters

Market Information. Our common stock is traded on the NASDAQ National Market under the symbol "QCOM." The following table sets forth the range of high and low sales prices on the National Market of the common stock for the periods indicated, as reported by NASDAQ. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High ($)	Low ($)
Fiscal 2002		
First Quarter	62.49	38.31
Second Quarter	53.34	31.03
Third Quarter	40.35	24.49
Fourth Quarter	31.39	23.21
Fiscal 2003		
First Quarter	42.89	27.33
Second Quarter	39.95	32.63
Third Quarter	38.18	29.58
Fourth Quarter	46.05	34.33

As of November 3, 2003, there were 10,324 holders of record of our common stock. On November 3, 2003, the last sale price reported on the NASDAQ National Market for our common stock was $48.25 per share.

On February 11, 2003, we committed up to $1 billion to repurchase shares of our common stock over a two year period. During fiscal 2003, we bought 4,915,000 shares at a net aggregate cost of $158 million.

On February 11, 2003, we announced our first common stock dividend of $0.05 per share. On July 16, 2003, we announced an increase in our quarterly dividend from $0.05 to $0.07 per share on our common stock. Cash dividends announced in fiscal 2003 were as follows (in thousands, except per share data):

	Fiscal 2003		
	Per Share	Total	Cumulative
First Quarter	$ –	$ –	$ –
Second Quarter	$0.05	39,461	39,461
Third Quarter	$0.05	39,546	79,007
Fourth Quarter	$0.07	55,769	134,776
Total	$0.17	$134,776	

On October 8, 2003, we announced a cash dividend of $0.07 per share, payable on December 26, 2003 to stockholders of record at the close of business on November 28, 2003. We intend to continue to pay quarterly dividends subject to continued capital availability and a determination that cash dividends continue to be in the best interests of the stockholders. Our dividend policy may be affected by, among other items, our views on potential future capital requirements, including those relating to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs and challenges to our business model.

Employee Stock Options

Our stock option plans are part of a broad-based, long-term retention program that is intended to attract and retain talented employees and directors and align stockholder and employee interests.

Pursuant to our 2001 Stock Option Plan (2001 Plan), we may grant options to selected employees, directors and consultants to purchase shares of our common stock at a price not less than the fair market value of the stock at the date of grant. The 2001 Plan provides for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding six years and are exercisable for up to ten years from the grant date. We also may grant options pursuant to our 2001 Non-Employee Directors' Stock Option Plan (the 2001 Directors' Plan). This plan provides for non-qualified stock options to be granted to non-employee directors at an exercise price of not less than fair market value of the stock at the date of grant, vesting over periods not exceeding five years and exercisable for up to ten years from the grant date. The Board of Directors may terminate the 2001 Plan and/or the 2001 Directors' Plan at any time though it must nevertheless honor any stock options previously granted pursuant to the plans.

Additional information regarding our stock option plans and plan activity for fiscal 2003, 2002 and 2001 is provided in our consolidated financial statements. See "Notes to Consolidated Financial Statements, Note 8 – Employee Benefit Plans."

Equity Compensation Plans Approved by Stockholders

Information about our equity compensation plans at September 30, 2003 that were either approved or not approved by our stockholders was as follows (number of shares in thousands):

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by stockholders[a]	106,150	$34.66	21,744
Equity compensation plans not approved by stockholders[b]	336	$ 2.03	66
Total	106,486	$34.56	21,810

(a) Consists of six plans: our 1991 Stock Option Plan, 2001 Stock Option Plan, 1998 Non-Employee Directors' Stock Option Plan, 2001 Non-Employee Directors' Stock Option Plan, 2001 Employee Stock Purchase Plan and the Executive Retirement Matching Contribution Plan.

(b) Consists of two plans: our 1996 Non-Qualified Employee Stock Purchase Plan and the SnapTrack, Inc. 1995 Stock Option Plan. See "Notes to Consolidated Financial Statements, Note 8 – Employee Benefit Plans."

Selected Consolidated Financial Data

The following balance sheet data and statements of operations for the five years ended September 30, 2003 were derived from our audited consolidated financial statements. Consolidated balance sheets at September 30, 2003 and 2002 and the related consolidated statements of operations and of cash flows for each of the three years in the period ended September 30, 2003 and notes thereto appear elsewhere herein. The data should be read in conjunction with the annual consolidated financial statements, related notes and other financial information appearing elsewhere herein.

	Years Ended September 30,[1]				
(In thousands except per share data)	2003	2002	2001	2000	1999
STATEMENT OF OPERATIONS DATA:					
Revenues	$3,970,636	$3,039,560	$2,679,786	$3,196,780	$3,937,299
Operating income	1,310,235	673,268	38,687	722,638	405,140
Income (loss) before accounting change	827,441	359,677	(560,141)	622,146	200,879
Accounting changes, net of tax	–	–	(17,937)	–	–
Net income (loss)	$ 827,441	$ 359,677	$ (578,078)	$ 622,146	$ 200,879
Basic earnings (loss) per common share[2]:					
Income (loss) before accounting change	$ 1.05	$ 0.47	$ (0.74)	$ 0.87	$ 0.34
Accounting change, net of tax	–	–	(0.02)	–	–
Net income (loss)	$ 1.05	$ 0.47	$ (0.76)	$ 0.87	$ 0.34
Diluted earnings (loss) per common share[2]:					
Income (loss) before accounting change	$ 1.01	$ 0.44	$ (0.74)	$ 0.79	$ 0.31
Accounting change, net of tax	–	–	(0.02)	–	–
Net income (loss)	$ 1.01	$ 0.44	$ (0.76)	$ 0.79	$ 0.31
Cash dividends per share	$ 0.17	$ –	$ –	$ –	$ –
Shares used in earnings per share calculations[2]:					
Basic	789,586	770,887	755,969	717,205	594,714
Diluted	817,755	809,329	755,969	800,121	649,889
Pro forma effect of change in accounting principle[3]:					
Net income				$ 595,116	$ 209,062
Net earnings per common share – basic				$ 0.83	$ 0.35
Net earnings per common share – diluted				$ 0.75	$ 0.32
BALANCE SHEET DATA:					
Cash, cash equivalents and marketable securities	$5,371,751	$3,199,512	$2,580,512	$2,520,914	$1,684,926
Total assets	8,822,436	6,506,048	5,669,733	6,014,917	4,534,950
Long-term debt	123,302	94,288	235	266	795
Company-obligated mandatorily redeemable Trust Convertible Preferred Securities of a subsidiary trust holding solely debt securities of the Company	–	–	–	–	659,555
Total stockholders' equity	$7,598,572	$5,391,956	$4,812,415	$5,468,263	$2,871,755

(1) Our fiscal year ends on the last Sunday in September. As a result, fiscal 2001 includes 53 weeks.

(2) We effected a two-for-one stock split in May 1999 and a four-for-one stock split in December 1999. All references to number of shares and per share amounts have been restated to reflect these stock splits.

(3) The pro forma effect of change in accounting principle reflects the impact of SAB 101 on previously reported results assuming it had been in effect in those periods.

Management's Discussion and Analysis of Financial Condition and Results of Operation

In addition to historical information, the following discussion 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 described in this Annual Report and in the section entitled Risk Factors and elsewhere in our Form 10-K for the fiscal year ended September 30, 2003. Our consolidated financial data includes SnapTrack, Inc., Vésper Holding Ltd. and other consolidated subsidiaries.

OVERVIEW

We design, manufacture and market digital wireless telecommunications products and services based on CDMA and other technologies. We derive revenue principally from sales of integrated circuit products, from license fees and royalties from our intellectual property, from services and related hardware sales and from software development and related services. Operating expenses primarily consist of cost of equipment and services revenues, research and development, selling, general and administrative, amortization of acquisition-related intangible assets, and asset impairment charges.

Our QUALCOMM CDMA Technologies (QCT) segment is a leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning system products. QCT software products are the interface link between the operating system that controls the phone and the functionality embedded in our integrated circuit products. QCT products are sold to many of the world's leading wireless phone and infrastructure manufacturers. QCT revenues comprised 61%, 52% and 51% of total consolidated revenues in fiscal 2003, 2002 and 2001, respectively.

Our QUALCOMM Technology Licensing (QTL) segment grants licenses to use our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of CDMA (including cdmaOne, CDMA2000 1X/1xEV-DO/1xEV-DV, TD-SCDMA and WCDMA) products. QTL receives license fees as well as ongoing royalties based on worldwide sales by licensees of products incorporating our intellectual property. QTL revenues comprised 25%, 28% and 29% of total consolidated revenues in fiscal 2003, 2002 and 2001, respectively.

Our QUALCOMM Wireless & Internet (QWI) segment, which includes QUALCOMM Wireless Business Solutions (QWBS), QUALCOMM Internet Services (QIS) and QUALCOMM Digital Media (QDM), generates revenue primarily through mobile communication products and services, software, and software development aimed at support and delivery of wireless applications. QWBS provides satellite and terrestrial-based two-way data messaging and position reporting services to transportation companies, private fleets and construction equipment fleets. QIS provides the BREW product and services for the development and over-the-air deployment of data services on wireless devices. QIS also provides QChat, which enables virtually instantaneous push-to-talk functionality on wireless devices. The QDM division is comprised of the Government Systems and Digital Cinema businesses. The Government Systems business provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies. The Digital Cinema business develops technologies to support the processing, transmission and management of content for a variety of media applications, including the delivery of digitized motion pictures. QWI revenues comprised 12%, 14% and 16% of total consolidated revenues in fiscal 2003, 2002 and 2001, respectively.

Our QUALCOMM Strategic Initiatives (QSI) segment makes strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications. Our strategy is to invest in CDMA operators, licensed device manufacturers and start-up companies that we believe open new markets for CDMA technology, support the design and introduction of new CDMA-based products or possess unique capabilities or technology to promote Internet data communications. QSI's revenues relate primarily to the consolidation of our investment in Vésper Holding. QSI revenues comprised 3% and 4% of total consolidated revenues in fiscal 2003 and 2002, respectively. QSI did not generate revenues in 2001.

Global economic weakness can have wide-ranging effects on markets that we serve, particularly wireless communications equipment manufacturers and network operators. The wireless communications industry recently appears to be recovering from an industry-wide recession. We cannot predict whether a recovery will continue, the rate of such recovery, or what effects negative events, such as war, may have on the economy. Further, an economic recovery may not benefit us in the near term. If it does not, our ability to increase or maintain our revenues and operating results may be impaired. To increase our revenues and market share in future periods, we are dependent upon the adoption and commercial deployment of 3G wireless communications equipment, products and services based on our CDMA technology. Although network operators have commercially deployed CDMA2000 1X, we cannot predict the timing or success of other commercial deployments. If existing deployments are not commercially successful, or if new commercial deployments of CDMA2000 1X are delayed or unsuccessful, our business and financial results may be harmed.

We currently face significant competition in our markets and expect that competition will continue. This competition may result in reduced average selling prices for our products and those of our customers and licensees. Reductions in the average selling price of our licensees' products generally result in reduced average royalties. While pricing pressures resulting from competition may, to a large extent, be mitigated by the introduction of new features and functionality in our licensees' products, there is no guarantee that such mitigation will occur.

We will continue to expand our international sales operations and enter new international markets. This expansion will require significant management attention and financial resources to successfully develop direct and indirect international sales and support channels, and we cannot assure you that we will be successful or that our expenditures in this effort will not exceed the amount of any resulting revenues. If we are not able to maintain or increase international market demand for our products and technologies, then we may not be able to maintain an acceptable rate of growth in our business.

Revenues from customers in South Korea, the United States, and Japan comprised 43%, 22% and 15%, respectively, of total consolidated revenues in fiscal 2003, as compared to 37%, 30%, and 18%, respectively, in fiscal 2002, and 35%, 35% and 22%, respectively, in fiscal 2001. We distinguish revenue from external customers by geographic areas based on customer location. The increase in revenues from customers in South Korea, as a percentage of the total, is primarily attributed to higher chipset sales to phone manufacturers in South Korea who have leading CDMA market share in South Korea and worldwide. The decrease in revenues from customers in the United States and Japan, as a percentage of the total, is primarily attributed to overall increases in revenues in geographic regions other than the United States and Japan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, adequacy of allowances for doubtful accounts, valuation of intangible assets and investments, income taxes, and litigation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from our estimates could have a significant adverse effect on our operating results and financial position. We believe that the following significant accounting policies and assumptions may involve a higher degree of judgment and complexity than others.

Revenue Recognition

We derive revenue principally from sales of integrated circuit products, from royalties, from messaging and other services and related hardware sales, from software development and related services, and from license fees for intellectual property. The timing of revenue recognition and the amount of revenue actually recognized in each case depends upon a variety of factors, including the specific terms of each arrangement and the nature of our deliverables and obligations. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but it is possible that actual results may differ from our estimates.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements" which we adopted in the fourth quarter of fiscal 2001 and applied retroactively to the first quarter of fiscal 2001. We recognized $44 million, $66 million and $95 million during fiscal 2003, 2002 and 2001, respectively, in operating income related to revenue and expense that were recognized in prior years.

In November 2002, the Emerging Issues Task Force (EITF) issued Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" which we adopted in the fourth quarter of fiscal 2003. This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting. Beginning with the adoption of SAB 101 until the fourth quarter of fiscal 2003, we recognized revenues and expenses from sales of certain satellite and terrestrial-based two-way data messaging and position reporting hardware and related software products by our QWBS division ratably over the shorter of the estimated useful life of the hardware product or the expected messaging service period, which is typically five years. SAB 101 required the ratable recognition of these sales because the messaging service was considered integral to the functionality of the hardware and software. Because EITF Issue No. 00-21 does not require the deferral of revenue when an undelivered element is considered integral to the functionality of a delivered element and because EITF Issue No. 00-21 otherwise requires separate unit accounting, we began recognizing revenues and expenses from such sales starting in the fourth quarter of fiscal 2003 at the time of shipment, or when title and risk of loss pass to the customer and other criteria for revenue recognition are met, if later. We have elected to adopt EITF Issue No. 00-21 prospectively for revenue arrangements entered into after the third quarter of fiscal 2003, rather than reporting the change in accounting as a cumulative-effect adjustment. As a result, during the fourth quarter of fiscal 2003, we recognized certain revenue and related cost of sales for QWBS equipment sales upon shipment, while continuing to amortize unearned revenue and cost of sales, with an $11 million gross margin effect, for units shipped in prior periods. Deferred revenues and expenses related to the historical QWBS sales that will continue to be amortized in future periods were $183 million and $102 million, respectively, at September 30, 2003. Gross margin related to these prior sales is expected to be recognized as follows: $37 million in fiscal 2004, $24 million in fiscal 2005, $13 million in fiscal 2006, $6 million in fiscal 2007 and $1 million in fiscal 2008.

We license rights to use our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of CDMA (including cdmaOne, CDMA2000 1X/1xEV-DO/1xEV-DV, TD-SCDMA and WCDMA) products. Licensees typically pay a non-refundable license fee in one or more installments and on-going royalties based on their sales of products incorporating our intellectual property. License fees are generally recognized over the estimated period of future benefit to the average licensee, typically five to seven years. We recognize royalty revenue as earned when reasonable estimates of such amounts can be made.

Revenues from sales of our CDMA-based integrated circuits are recognized at the time of shipment, or when title and risk of loss pass to the customer and other criteria for revenue recognition are met, if later. Revenues from providing services are recorded when earned. Revenues from long-term contracts are generally recognized using the percentage-of-completion method of accounting, based on costs incurred compared with total estimated costs. The percentage-of-completion method relies on estimates of total contract revenue and costs. Revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged or credited to income in the period in which the facts that give rise to the revision become known. If actual contract costs are greater than expected, reduction of contract profit would be required. Billings on uncompleted contracts in excess of incurred cost and accrued profits are classified as unearned revenue. Estimated contract losses are recognized when determined. If substantive uncertainty related to customer acceptance exists or the contract's duration is relatively short, we use the completed-contract method.

Revenues from software license fees are recognized when all of the following criteria are met: the written agreement is executed; the software is delivered; the license fee is fixed and determinable; collectibility of the license fee is probable; and if applicable, when vendor-specific objective evidence exists to allocate the total license fee to elements of multiple-element arrangements, including post-contract customer support. When contracts contain multiple elements wherein vendor-specific objective evidence exists for all undelivered elements, we recognize revenue for the delivered elements and defer revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. If vendor-specific objective evidence does not exist for all undelivered elements, revenue for the delivered and undelivered elements is deferred until remaining obligations have been satisfied, or if the only undelivered element is post-contract customer support, revenue is recognized ratably over the support period. Significant judgments and estimates are made in connection with the recognition of software license revenue, including assessments of collectibility and the fair values of deliverable elements. The amount or timing of our software license revenue may differ as a result of changes in these judgments or estimates.

Unearned revenue consists primarily of fees related to software products and license fees for intellectual property for which delivery is not yet complete and to hardware products sales with a continuing service obligation.

Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We consider the following factors when determining if collection of a fee is reasonably assured: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms. If we have no previous experience with the customer, we typically obtain reports from various credit organizations to ensure that the customer has a history of paying its creditors. We may also request financial information, including financial statements or other documents (e.g., bank statements) to ensure that the customer has the means of making payment. If these factors do not indicate collection is reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of our customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required.

We also maintain allowances for doubtful accounts for estimated losses resulting from the inability of entities we have financed to make required payments. We evaluate the adequacy of allowances for doubtful finance and note receivables based on analyses of the financed entities' credit-worthiness, current economic trends or market conditions, review of the entities' current and projected financial and operational information, and consideration of the fair value of collateral to be received, if applicable. From time to time, we may consider third party evaluations, valuation reports or advice from investment banks. If the financial condition of the financed entities were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required.

Valuation of Intangible Assets and Investments

Our business acquisitions typically result in goodwill and other intangible assets, and the recorded values of those assets may become impaired in the future. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements. We assess potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of our acquired businesses, market conditions and other factors. Future events could cause us to conclude that impairment indicators exist and that goodwill or other intangible assets associated with our acquired businesses is impaired. Any resulting impairment loss could have an adverse impact on our results of operations.

We hold minority strategic investments in publicly-traded companies whose share prices may be highly volatile. We record impairment charges when we believe an investment has experienced a decline that is other than temporary. The determination that a decline is other than temporary is subjective and influenced by many factors. Future adverse changes in market conditions or poor operating results of investees could result in losses or an inability to recover the carrying value of the investments, thereby possibly requiring impairment charges in the future. When assessing a publicly-traded investment for an other-than-temporary decline in value, we consider such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, the performance of the investee's stock price in relation to the stock price of its competitors within the industry and the market in general and analyst recommendations. We also review the financial statements of the investee to determine if the investee is experiencing financial difficulties. Any resulting impairment loss could have an adverse impact on our results of operations.

We hold minority strategic investments in private companies whose values are difficult to determine. We record impairment charges when we believe an investment has experienced a decline that is other than temporary. The determination that a decline is other than temporary is subjective and influenced by many factors. Future adverse changes in market conditions or poor operating results of investees could result in losses or an inability to recover the carrying value of the investments, thereby possibly requiring impairment charges in the future. When assessing investments in private companies for an other-than temporary decline in value, we consider such factors as, among other things, the share price from the investee's latest financing round, the performance of the investee in relation to its own operating targets and its business plan, the investee's revenue and cost trends, the liquidity and cash position, including its cash burn rate and market acceptance of the investee's products and services. From time to time, we may consider third party evaluations, valuation reports or advice from investment banks. We also consider new products/services that the investee may have forthcoming, any significant news that has been released specific to the investee or the investee's competitors and/or industry and the outlook of the overall industry in which the investee operates. Any resulting impairment loss could have an adverse impact on our results of operations.

Income Taxes

Our income tax provision is based on calculations and assumptions that will be subject to examination by the Internal Revenue Service and other tax authorities. We regularly assess the potential outcomes of these examinations in determining the adequacy of our provision for income taxes. Should the actual results differ from our estimates, we would have to adjust the income tax provision in the period in which the facts that give rise to the revision become known. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

We reversed approximately $1.1 billion of our valuation allowance on substantially all of our United States deferred tax assets during fiscal 2003 as a credit to stockholders' equity. We now believe that we will more likely than not have sufficient taxable income after stock option deductions to utilize our deferred tax assets. We continue to provide a valuation allowance on substantially all of our foreign deferred tax assets because of uncertainty regarding their realization due to a history of losses from operations.

We can only use our capital losses and capital loss carrybacks or carryforwards to offset capital gains. We expect that our future capital gains will be sufficient to utilize the capital losses that we have incurred through fiscal 2002. Beginning in fiscal 2003, we have provided a valuation allowance for new deferred tax assets related to capital loss items through our statement of operations. We expect that any additional capital losses in future years will also require the provision of a valuation allowance through the statement of operations, if we are unable to generate sufficient future capital gains to utilize these additional capital losses through our tax planning strategies. If capital losses are utilized and any portion of the valuation allowance is removed, the release would be accounted for as a reduction of the income tax provision.

We consider the operating earnings of non-United States subsidiaries to be indefinitely invested outside the United States. No provision has been made for United States federal and state, or foreign taxes that may result from future remittances of undistributed earnings of foreign subsidiaries. Should we repatriate foreign earnings, we would have to adjust the income tax provision in the period in which the decision to repatriate earnings of foreign subsidiaries is made.

Litigation

We are currently involved in certain legal proceedings. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the claim. As additional information becomes available, we assess the potential liability related to our pending litigation and revise our estimates. Revisions in our estimates of the potential liability could materially impact our results of operations.

LICENSING

We grant licenses to use our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of CDMA (including cdmaOne, CDMA2000 1X/1xEV-DO/1xEV-DV, TD-SCDMA and WCDMA) products. Licensees typically pay a non-refundable license fee in one or more installments and on-going royalties based on their sales of products incorporating our intellectual property. License fees are recognized over the estimated period of future benefit to the average licensee, typically five to seven years. We earn royalties on CDMA products sold worldwide by our licensees in the period that the licensees' sales occur. Our licensees, however, do not report and pay royalties owed until the subsequent quarter and, in some instances, payment is on a semi-annual basis. Therefore, we estimate the royalty revenues from certain licensees (the Estimated Licensees) in the current quarter when reasonable estimates of such amounts can be made. Not all royalties earned are estimated. Royalties for licensees for which we have minimal history and certain licensees that do not buy our integrated circuit products are recorded one quarter in arrears when they are reported to us by those licensees. Estimates of royalty revenues for the Estimated Licensees are based on analyses of our sales of integrated circuits to our Estimated Licensees, historical royalty data by Estimated Licensee, the relationship between the timing of our sales of integrated circuits to our Estimated Licensees and our Estimated Licensees' sales of CDMA products, average sales price forecasts, and current market and economic trends. Once royalty reports are received from the Estimated Licensees, the variance between such reports and the estimate is recorded in royalty revenue in the period the reports are received. The recognition of this variance in most cases lags the royalty estimate by one quarter.

The following table summarizes royalty related data for fiscal 2003, 2002 and 2001 (in millions):

	Fiscal Year		
	2003	2002	2001
Components of royalty revenues			
Estimate at end of prior year*	$150	$122	$100
Royalties reported in first quarter related to prior year estimate	167	146	133
Variance included in current year revenues	17	24	33
Other royalties reported in current year	670	551	506
Estimate at year end	151	150	122
Total royalty revenues from licensees	$838	$725	$661

*This amount is the estimate for the fourth quarter of the previous fiscal year.

For example, for fiscal 2002, we estimated royalties of $150 million from the Estimated Licensees for the fourth quarter of fiscal 2002. The actual royalties reported to us by the Estimated Licensees, on a one quarter lag basis, during the first quarter of fiscal 2003 were $167 million. The variance of $17 million was recorded in royalty revenues in the first quarter of fiscal 2003. Therefore, total royalty revenues from licensees for fiscal 2003 of $838 million included: 1) the variance of $17 million, 2) other royalties reported during fiscal 2003 of $670 million, and 3) the estimate made in the fourth quarter of fiscal 2003 of $151 million based upon Estimated Licensees' estimated sales during the fourth quarter of fiscal 2003, which we believe will be reported by the Estimated Licensees in the first quarter of fiscal 2004.

STRATEGIC INVESTMENTS AND FINANCING

Our QSI segment makes strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications. In general, we enter into strategic relationships with CDMA wireless operators and developers of innovative technologies or products for the wireless communications industry. As part of the agreement to sell our infrastructure equipment business to Ericsson in 1999, we have provided equipment financing to customers of Ericsson on a shared basis with respect to Ericsson's sale of CDMA infrastructure. Due to financial and competitive challenges facing CDMA wireless operators, we cannot assure you that our investments will generate financial returns or that they will result in increased adoption or continued use of CDMA technologies. Domestic and international CDMA wireless operators to whom we have provided financing have limited operating histories, are faced with significant capital requirements, are highly leveraged and/or have limited financial resources. If these CDMA wireless operators are not successful, we may have to write down our investments in or loans to these wireless operators.

Our QSI segment maintains strategic holdings of various issuers and types. These securities include available-for-sale equity securities and derivative investments that are recorded on the balance sheet at fair value. We strategically invest in companies in the high-technology industry and typically do not attempt to reduce or eliminate our exposure to market risks in these investments. Available-for-sale equity securities and derivative investments recorded at fair value subject us to equity price risk. The fair values of these strategic investments are subject to substantial quarterly and annual fluctuations and to significant market price volatility. Our strategic investments in specific companies and industry segments may vary over time, and changes in concentrations may affect price volatility. In general, our investments in available-for-sale equity securities and derivative investments suffered significant decreases in market value during the last three years. Downward fluctuations and market trends could further adversely affect our operating results. In addition, the realizable value of these securities and derivative investments is subject to market and other conditions.

QSI also makes strategic investments in privately held companies, including early stage companies and venture funds. These investments are recorded at cost or under the equity method, but the recorded values may be written down due to changes in the companies' conditions or prospects. These strategic investments are inherently risky as the market for the technologies or products the investees are developing may never materialize. As a result, we could lose all or a portion of our investments in these companies, which could negatively affect our financial position and operating results. Most of these strategic investments will not become liquid until more than one year from the date of investment, if at all. To the extent such investments become liquid and meet strategic and price objectives, we may sell the investments and recognize the realized gain (loss) in investment income (expense).

We regularly monitor and evaluate the realizable value of our investments in both marketable and private securities. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, we will record a charge to investment income (expense). During fiscal 2003, 2002 and 2001, we recognized $138 million, $230 million and $198 million, respectively, in charges related to other-than-temporary losses on marketable and private securities. In some cases, we make strategic investments that require us to consolidate or record our equity in the losses of early stage companies. The consolidation of these losses can adversely affect our financial results until we exit from or reduce our exposure to the investments.

From time to time, we may accept an equity interest in a licensee as consideration for a portion or all of the license fee payable under our CDMA license agreement. We record license fee revenue based on the fair value of the equity instruments received, if determinable. The measurement date for determination of fair value is the earlier of the date at which a performance commitment is made or the date at which the performance is complete. The evaluation procedures used to determine fair value include, but are not limited to, examining the current market price for the shares if the licensee is publicly traded, examining recent rounds of financing and the licensee's business plan if not publicly traded, and performing other due diligence procedures. This equity program does not affect the licensees' obligations to pay royalties under their CDMA license agreements. The amount of cash consideration and the timing of revenue recognition vary depending on the terms of each agreement. As of September 30, 2003, ten licensees have participated in this program. We recognized $5 million, $6 million and $7 million of revenue in fiscal 2003, 2002 and 2001, respectively, related to equity received as consideration for license fees.

Vésper Holding, Ltd.

In fiscal 1999, we acquired an ownership interest in Vésper São Paulo S.A. and Vésper S.A. (the Vésper Operating Companies or collectively, Vésper). The Vésper Operating Companies were formed by a consortium of investors to provide fixed wireless and wireline telephone services in the northern, northeast and eastern regions of Brazil and in the state of São Paulo. In addition, we extended long-term financing to Vésper in fiscal 2000. In November 2001, we consummated a series of transactions resulting in an overall financial restructuring (the Restructuring) of the Vésper Operating Companies, which resulted in our obtaining a controlling financial interest in Vésper.

Pursuant to the Restructuring, we invested $266 million, and VeloCom, Inc. (VeloCom) invested $80 million, in a newly formed holding company called Vésper Holding, Ltd. (Vésper Holding). Vésper Holding acquired certain liabilities of the Vésper Operating Companies from their vendors for $135 million and the issuance of warrants to purchase an approximate 7% interest in Vésper Holding, and the vendors released in full any claims that they might have against us, VeloCom, Vésper, its direct and indirect parent companies and other related parties arising from or related to the acquired liabilities. In a series of related transactions, Vésper Holding agreed to contribute the acquired liabilities to the Vésper Operating Companies in exchange for equity securities and to cancel the contributed liabilities.

On November 29, 2001, we forgave $119 million under our debt facility with VeloCom. We also converted our remaining $56 million convertible promissory note into equity securities of VeloCom in conjunction with our acquisition of Vésper Holding. The conversion increased our equity interest in VeloCom to 49.9%. We used the equity method to account for our investment in VeloCom. On July 2, 2003, we transferred to VeloCom all of our equity interest in VeloCom in exchange for (a) 49.9% of the shares of Vésper Holding held by VeloCom, which represented approximately 11.9% of the issued and outstanding shares of Vésper Holding, and (b) elimination of VeloCom's minority consent rights with respect to Vésper Holding. We recorded a net loss of $7 million on the exchange resulting primarily from the recognition of cumulative translation losses, previously included in stockholders' equity, in the statement of operations during the fourth quarter of fiscal 2003. After giving effect to the exchange, we own an approximate 83.9% direct interest in Vésper Holding and hold no continuing interest in VeloCom at September 30, 2003.

On November 19, 2002, we won bids to acquire personal mobile service (SMP) licenses in the state of São Paulo (excluding São Paulo metro), the state of Minas Gerais, and in the Northeast region of Brazil. Approximately $8 million of the approximate $82 million purchase price for the SMP licenses was paid in December 2002. The remaining Brazilian real-denominated obligation is financed by the Brazilian government at an interest rate of 12% per annum, plus an adjustment for inflation, payable in six equal annual installments starting in fiscal 2006. At September 30, 2003, the outstanding license fee obligation was approximately $111 million, having increased as a result of accrued interest and the strengthening of the Brazilian real against the U.S. dollar.

Due to a series of adverse regulatory developments that negatively affected Vésper's prospects, we are pursuing an expedited exit strategy whereby Vésper and/or its assets will be sold or otherwise disposed of. In accordance with this strategy, on September 25, 2003, Embratel Participações S.A. (Embratel) entered into an agreement to acquire from us for nominal consideration the Vésper Operating Companies (the Embratel sale transaction), excluding the tower and rooftop antennae assets and related property leases (Tower Sites). Concurrent with the closing, Vésper will enter into a multi-year arrangement whereby it pays a monthly fee to us to use the Tower Sites. The sum of these fees, net of certain pass through expenses, is expected to exceed $77 million over the life of the arrangement. The SMP licenses also are not included in the Embratel sale transaction, except for a right of first refusal of Embratel to purchase the SMP licenses in the event of a sale to a third party or return of the SMP licenses to Anatel, the telecommunications regulatory agency in Brazil. We are evaluating our options with respect to the SMP licenses, including a possible return of the licenses to Anatel.

The closing of the Embratel sale transaction is contingent upon a number of events being completed prior to or concurrent with closing. The status of certain of these items follows:

Regulatory Approval. Regulatory approval from Anatel, which was requested on October 14, 2003, is required before a sale can be consummated. We anticipate a response within approximately 60 days.

Vésper Bank Forbearance. On September 15, 2003, we and Vésper entered into an agreement with local bank creditors of and lessors to Vésper (the Vésper Banks) concerning Vésper's defaults under secured bank loans and leases with such creditors, which defaults occurred and have been continuing since May, 2003. Pursuant to this agreement, the Vésper Banks waived existing defaults and agreed to forbear from exercising any remedies under the loans and leases, including forbearing from calling for payment in full of all amounts due under such loans and leases until December 15, 2003. The Brazilian real equivalent of approximately $85 million was outstanding under such loans and leases at September 30, 2003. Notwithstanding the respective waiver and forbearance from the Vésper Banks, the Vésper Operating Companies were charged a 2% default penalty and are continuing to charge an additional 1% in interest per month on the amount in default. The bank loans and leases that are in default are presented on our balance sheet as current liabilities at September 30, 2003.

Vésper Bank Settlement and Release. The Vésper Banks also agreed to discharge all outstanding loans and leases, including default penalties and interest accrued on such amounts, settle all outstanding claims and grant a full and complete release for all obligations with respect to such loans and leases in exchange for a payment of approximately $46.6 million concurrent with the consummation of the Embratel sale transaction. Bell Canada International (BCI), a former shareholder in Vésper and a guarantor of a portion of the Vésper Banks' outstanding loans and leases to Vésper, is expected to fund $12 million of this amount. On October 7, 2003, BCI received the requisite court order to perform its obligations under agreements in connection with payment of the $12 million settlement, as required under the liquidation laws governing BCI in Canada.

Tower Usage Agreement. In connection with the Embratel sale transaction, the Vésper Operating Companies will enter into a 10-year tower usage rights agreement, with two consecutive 5-year renewal options, to use specified amounts of space on the Tower Sites that we will retain. We will have the ability to sell some or all of our interests in the Tower Sites and assign the associated rights under this usage rights agreement.

Funding. We are required to provide $6 million in interim funding to Vésper on, or prior to, closing of the Embratel sale transaction.

Given the uncertainty associated with the closing contingencies, we have not presented the Vésper-related assets and liabilities as "held for sale" in our September 30, 2003 balance sheet. Further, we do not expect to present Vésper's historical operations as discontinued operations in our consolidated statements of operations in future financial statements because of our expectation of a continuing involvement in the Vésper business by way of an on-going tower usage arrangement. In the near term, prior to the close of the Embratel sale transaction, Vésper will continue to operate its existing fixed wireless and wireline network. Vésper will continue to undertake significant cost cutting measures to preserve the value of its core assets and existing business while reducing cash expenditures.

As a result of adverse regulatory developments, and after an evaluation of the potential acquirers and the valuations that they may ascribe to Vésper given the regulatory situation, we recorded a $160 million impairment loss on our long-lived assets related to Vésper during the second quarter of fiscal 2003. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values at that date. At September 30, 2003, the carrying values of assets and liabilities related to Vésper totaled $265 million and $307 million, respectively.

Assuming the requisite government approvals are received and all conditions to close are satisfied, we anticipate providing approximately $40 million to $45 million in aggregate funding (including the $6 million of interim funding) by the closing date to facilitate the Embratel sale transaction. We expect to recognize cumulative foreign currency translation losses, previously included in stockholders' equity, as part of the gain or loss on a sale or other disposition of Vésper. We expect to record an approximate $35 million to $45 million loss if and when the transaction closes, including the cumulative foreign currency translation losses.

We may incur additional losses related to Vésper if we are not successful in closing the sale transaction with Embratel or, in that event, if we are unable to realize the estimated fair value of Vésper's assets upon their sale to another party or other disposition or if we are unable to effect such a sale or other disposition of Vésper and/or its assets quickly.

Additional risks and uncertainties specific to Vésper include risks associated with:

- the ability of the Vésper banks to call their loans to Vésper and exercise their rights in connection with certain lease obligations of Vésper if the Embratel sale transaction does not close by December 15, 2003;
- the liquidity and value of the assets, which may be diminished prior to the close of a sale transaction or other disposal of Vésper;
- continuing regulatory uncertainty and further adverse rulings, and uncertainty of success on any related legal challenges, increasing risk and reducing our ability to execute an orderly and fair market disposition;
- the inability to retain key employees during the sale/disposition process;
- the inability to maintain certain services, and quality of service levels during or prior to the sale/disposition that may lead to increased pressure related to regulatory compliance;
- the ability of certain trade creditors with significantly delayed payments to seek immediate court induced payments which, if called, in aggregate exceed the current cash available to Vésper;
- the inability to secure immediate financial relief in the form of adjustments in current key contracts and/or loan provisions that may lead to reduced valuations;
- the Embratel sale transaction does not receive regulatory approval in a timely manner;
- the conditions under which we would return the SMP licenses are unclear, which may result in additional costs;

- following the close of the Embratel sale transaction, Vésper defaults on any of its obligations under the tower usage agreement, including making the tower usage payments;
- we are unable to sell all, or any portion, of our interest in the tower assets; and
- following the close of the Embratel sale transaction, we are unable to comply with our obligations to Vésper under the tower usage rights agreement or the cost of fulfilling such obligations is higher than projected.

Pegaso Telecomunicaciones, S.A. de C.V.

We have had various financing arrangements, including a bridge loan facility, an equipment loan facility and interim and additional interim loan facilities, with Pegaso Comunicaciones y Sistemas S.A. de C.V., a wholly owned subsidiary of Pegaso Telecomunicaciones, S.A. de C.V., a CDMA wireless operator in Mexico (collectively referred to as Pegaso). On September 10, 2002, Telefónica Móviles (Telefónica) acquired a 65% controlling interest in Pegaso. On October 10, 2002, Pegaso paid $82 million in full satisfaction of the interim and additional interim loans. On November 8, 2002, Pegaso paid $435 million in full satisfaction of the bridge loan facility. We used approximately $139 million of the bridge loan proceeds to purchase outstanding vendor debt owed by Pegaso to other lenders. On March 31, 2003, Pegaso paid $4 million on the equipment loan facility. On June 13, 2003, Pegaso prepaid $281 million of the equipment loan facility, including accrued interest, in accordance with certain terms of the equipment loan facility. As a result of these transactions, finance receivables from Pegaso decreased by $663 million.

At September 30, 2003, amounts outstanding, net of deferred interest, under the Pegaso equipment loan facility were $181 million, including the acquired vendor debt, as compared to $821 million outstanding under the various financing arrangements with Pegaso at September 30, 2002. The remaining equipment loan facility outstanding with Pegaso, including the acquired vendor debt, is payable quarterly starting in March 2006 through December 2008 and bears interest at the London Interbank Offered Rate (LIBOR) plus 1% through September 9, 2004, LIBOR plus 3% thereafter through September 9, 2007 and LIBOR plus 6% thereafter. We recognized $41 million, $9 million and $90 million in interest income related to the Pegaso financing arrangements during fiscal 2003, 2002 and 2001, respectively, including $23 million of deferred interest income recorded as a result of the prepayment in fiscal 2003.

Pegaso is an early stage wireless operator facing significant competition in Mexico. Based on current information and available evidence, including the acquisition of Pegaso by Telefónica, we believe that we will ultimately be able to collect the remaining long-term financing due from Pegaso, however Pegaso may not succeed. Failure to collect our finance receivables could have a material adverse effect on our operating results and financial condition.

Inquam Limited

In October 2000, we agreed to invest $200 million in the convertible preferred shares of Inquam Limited (Inquam) for an approximate 42% ownership interest in Inquam. Inquam owns, develops and manages wireless communications systems, either directly or indirectly, with the primary intent of deploying CDMA-based technology, primarily in Europe. We provided the final $27 million under this equity commitment during fiscal 2003 and had no remaining equity funding commitment at September 30, 2003.

On March 26, 2003, we agreed to extend $25 million of bridge loan financing to Inquam. Another investor in Inquam also agreed to provide $25 million in bridge loan financing. We provided the $25 million in funding during fiscal 2003 and had no remaining commitment under the bridge loan at September 30, 2003.

On July 14, 2003, we approved an additional $50 million investment in Inquam, subject to certain conditions, including a matching $50 million investment by another existing investor in Inquam. No commitments related to these potential investments were in place at September 30, 2003. On September 19, 2003, we agreed, along with this other existing investor, to provide an additional $5 million each in bridge financing to enable Inquam to meet its cash flow requirements while the terms of a new equity investment are being negotiated. It is the intention of both parties that this second $10 million bridge loan will be repaid with the proceeds from the anticipated equity investment. We provided $2 million under this second bridge loan during fiscal 2003 and had a remaining funding commitment of $3 million at September 30, 2003.

On September 22, 2003, we agreed, along with another investor in Inquam, to guarantee the payment of amounts due by Inquam under a bank credit agreement. Our maximum liability under the guarantee is limited to an amount equal to 50% of the amounts outstanding under Inquam's credit agreement, up to a maximum of $10 million. No amounts were outstanding under the bank credit agreement as of September 30, 2003.

We use the equity method to account for our investment in Inquam. During fiscal 2003, we recorded an $11 million other-than-temporary impairment loss related to our investment in Inquam. The impairment loss was the difference between the carrying value of the investment and its estimated fair value. At September 30, 2003, our equity and debt investment in Inquam was $68 million, net of equity in losses and impairment. We expect that Inquam will focus its resources on the development of CDMA properties in the 450MHz frequency band in Romania and western Europe and will transfer its non-CDMA operations to one or more of Inquam's other shareholders. Inquam is expected to use approximately $70 million to $80 million in cash through the first half of calendar 2004. Inquam's management does not expect Inquam to be cash flow positive until calendar 2007 with its current business plan. If the Inquam operating companies cannot raise debt financing as expected or new investors cannot be found, Inquam's growth potential and the value of our investment in Inquam may be negatively affected.

FISCAL 2003 COMPARED TO FISCAL 2002

Total revenues for fiscal 2003 were $3,971 million, compared to $3,040 million for fiscal 2002. Revenues from Samsung, LG Electronics, Motorola, and Kyocera, customers of our QCT, QTL and other nonreportable segments, comprised an aggregate of 17%, 13%, 13% and 9% of total consolidated revenues, respectively, in fiscal 2003 as compared to 15%, 11%, 7% and 14% of total consolidated revenues, respectively, in fiscal 2002. The percentages for Kyocera included 1% and 3% in fiscal 2003 and 2002, respectively, related to services provided to Kyocera by employees from our terrestrial-based CDMA wireless consumer phone business which was sold to Kyocera in February 2000. This arrangement expired in February 2003.

Revenues from sales of equipment and services for fiscal 2003 were $2,986 million, compared to $2,205 million for fiscal 2002. Revenues from sales of equipment and services for fiscal 2003 included $123 million related to the consolidation of Vésper Holding, compared to $125 million in fiscal 2002. Revenues from sales of integrated circuits increased $828 million, primarily due to an increase in unit shipments of Mobile Station Modem (MSM) and accompanying radio frequency (RF) integrated circuits.

Revenues from licensing and royalty fees for fiscal 2003 were $985 million, compared to $835 million for fiscal 2002. The increase resulted from higher QTL segment royalties, resulting primarily from an increase in phone sales by our licensees.

Cost of equipment and services revenues for fiscal 2003 was $1,430 million, compared to $1,137 million for fiscal 2002. The increase primarily resulted from an increase in revenues from sales of equipment and services. Cost of equipment and services revenues as a percentage of equipment and services revenues was 48% for fiscal 2003, compared to 52% for fiscal 2002. The margin percentage improvement in fiscal 2003 compared to fiscal 2002 was primarily due to the increase in QCT revenues as a percentage of total equipment and services revenues, resulting in increased QCT margin relative to the total. Cost of equipment and services revenues for fiscal 2003 included $162 million related to the consolidation of Vésper Holding, compared to $183 million in fiscal 2002. Cost of equipment and services revenues as a percentage of equipment and services revenues may fluctuate in future quarters depending on the mix of products sold and services provided, competitive pricing, new product introduction costs and other factors.

For fiscal 2003, research and development expenses were $523 million or 13% of revenues, compared to $452 million or 15% of revenues for fiscal 2002. The dollar increase in research and development expenses was primarily due to an $88 million increase in costs primarily related to increased engineering resources for integrated circuit product initiatives to support multimedia applications, high-speed wireless Internet access and multimode, multiband, multinetwork products, including CDMA2000 1X/1xEV-DO/1xEV-DV, GSM/GPRS, WLAN, WCDMA and radioOne technologies, partially offset by an $11 million reduction in research and development efforts supporting the QDM division of the QWI segment and a $3 million reduction of support efforts related to the Globalstar business.

For fiscal 2003, selling, general and administrative expenses were $535 million or 13% of revenues, compared to $509 million or 17% of revenues for fiscal 2002. The dollar increase was primarily due to a $27 million increase in employee-related expenses, a $12 million increase in depreciation and amortization expense, a $6 million increase in professional fees, primarily patent administration, and outside services and a $6 million increase related to international marketing and support efforts, partially offset by a $45 million decrease in Vésper expenses, including the effects of foreign currency fluctuations. Selling, general and administrative expenses for fiscal 2003 included $62 million related to the consolidation of Vésper Holding, compared to $107 million in fiscal 2002.

Amortization of goodwill and other acquisition-related intangible assets was $9 million for fiscal 2003, compared to $259 million in fiscal 2002. Starting in fiscal 2003, we no longer record goodwill amortization as a result of the adoption of Statement of Financial Accounting Standards No. 142. Amortization charges were primarily related to the acquisition of SnapTrack in March 2000.

For fiscal 2003, asset impairment and related charges were $194 million, compared to less than $1 million of such charges in fiscal 2002. Asset impairment and related charges during fiscal 2003 were comprised of a $160 million impairment loss on long-term assets related to Vésper and a $34 million impairment loss on our wireless licenses in Australia due to recent developments that affected potential strategic alternatives for using the spectrum. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values.

For fiscal 2003, other operating income was $31 million, compared to other operating expenses of $9 million in fiscal 2002. Other operating income during fiscal 2003 resulted from $47 million of other income related to the transfer of a portion of the Federal Communications Commission (FCC) auction discount voucher's value to two wireless operators, offset by a $16 million charge related to the write down of notes receivable from an early stage CDMA wireless operator and an early stage media company. Other operating expenses during fiscal 2002 resulted from the write down of a note receivable from an early stage CDMA wireless operator.

Interest expense was $31 million for fiscal 2003, compared to $26 million for fiscal 2002. Interest expense was primarily related to the $226 million and $113 million Vésper-related long-term debt at September 30, 2003 and 2002, respectively.

Net investment income was $6 million for fiscal 2003 compared to net investment expense of $186 million for fiscal 2002. The change was primarily comprised as follows (in millions):

	Years Ended September 30, 2003	2002	Change
Interest income:			
Corporate	$ 112	$ 102	$ 10
QSI	51	33	18
Net realized gains on investments:			
Corporate	17	–	17
QSI	56	2	54
Other-than-temporary losses on marketable securities	(100)	(206)	106
Other-than-temporary losses on other investments	(38)	(24)	(14)
Change in fair values of derivative investments	(3)	(58)	55
Minority interest in loss (income) of consolidated subsidiaries	37	52	(15)
Equity in losses of investees	(126)	(87)	(39)
	$ 6	$(186)	$192

The increase in interest income on corporate cash and marketable securities was a result of higher average cash and marketable securities balances, partially offset by the impact of lower interest rates earned on these balances. The increase in QSI interest income was primarily the result of $23 million of deferred interest income recorded as a result of a prepayment on Pegaso debt facilities in fiscal 2003. The other-than-temporary losses on marketable securities during fiscal 2003 primarily related to an $81 million impairment of our investment in KTF and a $16 million impairment of our investment in a provider of semiconductor packaging, test and distribution services. The increase in other-than-temporary losses on other investments is primarily related to an $11 million impairment of our investment in Inquam and a $9 million impairment of our investment in a development stage CDMA wireless operator. The change in fair values of derivative investments during fiscal 2002 primarily resulted from movements in the price of Leap Wireless stock, which affected the fair values of our warrants to acquire Leap Wireless stock. Equity in losses of investees primarily increased due to a $43 million increase in our equity in losses incurred by Inquam.

Income tax expense was $458 million for fiscal 2003, compared to $101 million for fiscal 2002. The annual effective tax rate was approximately 36% for fiscal 2003, compared to a rate of 22% for fiscal 2002. The annual effective tax rate for fiscal 2003 was lower than the combined federal and state statutory tax rate of approximately 39% primarily due to the U.S. tax write-off of investments in certain foreign subsidiaries that became worthless during the year and foreign earnings that were taxed at less than the federal rate. The reductions were partially offset by foreign and capital losses for which we are not recording a tax benefit. The fiscal 2003 effective tax rate was higher than the fiscal 2002 effective tax rate due to higher foreign losses in fiscal 2003 for which we are not recording a tax benefit and the reduction of valuation allowances in fiscal 2002 that were previously charged to tax expense, partially offset by the amortization of non-deductible goodwill in fiscal 2002.

OUR SEGMENT RESULTS FOR FISCAL 2003 COMPARED TO FISCAL 2002

QUALCOMM CDMA Technologies Segment (QCT)

QCT segment revenues for fiscal 2003 were $2,424 million, compared to $1,591 million for fiscal 2002. Earnings before taxes for fiscal 2003 were $797 million, compared to $441 million for fiscal 2002. QCT's operating income as a percentage of its revenues (operating margin percentage) was 33% in fiscal 2003, compared to 28% in fiscal 2002. Revenues and earnings before taxes increased primarily due to an increase in unit shipments of MSM and accompanying RF integrated circuits. Approximately 99 million MSM integrated circuits were sold during fiscal 2003, compared to approximately 65 million for fiscal 2002. Research and development and selling, general and administrative expenses were $62 million higher and $19 million higher, respectively, for fiscal 2003 as compared to fiscal 2002 primarily associated with new integrated circuit product and technology initiatives to support multimedia applications, high-speed wireless Internet access and multiband, multimode, multinetwork products including CDMA2000 1X/1xEV-DO/1xEV-DV, GSM/GPRS, WLAN, WCDMA and radioOne technologies. The increase in operating margin percentage in fiscal 2003 as compared to fiscal 2002 was primarily related to the 52% increase in revenue as compared to the 18% increase in research and development and selling, general and administrative expenses. QCT inventories were $75 million at September 30, 2003, representing a 48% increase from September 30, 2002, primarily as a result of anticipated future demand for 1X products.

QUALCOMM Technology Licensing Segment (QTL)

QTL segment revenues for fiscal 2003 were $1,000 million, compared to $847 million for fiscal 2002. Royalty revenues from licensees were $838 million in fiscal 2003, compared to $725 million in fiscal 2002. Revenues from license fees were $59 million in fiscal 2003, compared to $55 million in fiscal 2002. Other revenues were comprised of intersegment royalties. Royalty revenues include an estimate of royalties from certain licensees that have been earned, but will not be reported by those licensees to us until after the end of the fiscal year. Once royalty reports are received from those licensees, the variance between such reports and the estimate is recorded in royalty revenue in the period the reports are received, usually the following quarter. Royalties for fiscal 2003 included $151 million in estimated royalties for the fourth quarter of fiscal 2003 and $17 million in royalties earned, but not estimated, in the fourth quarter of fiscal 2002. By comparison, royalties for fiscal 2002 included $150 million in estimated royalties for the fourth quarter of fiscal 2002 and $24 million in royalties earned, but not estimated, in the fourth quarter of fiscal 2001. Earnings before taxes for fiscal 2003 were $897 million, compared to $756 million for fiscal 2002. QTL's operating margin percentage was 89% in both fiscal 2003 and 2002. The increase in revenues and earnings before taxes was primarily due to an increase in sales of CDMA products by licensees resulting from higher demand for CDMA products across all major regions of CDMA deployment. During fiscal 2003, we recognized $5 million in revenue related to equity received as consideration for license fees, compared to $6 million in fiscal 2002.

QUALCOMM Wireless & Internet Segment (QWI)

QWI segment revenues for fiscal 2003 were $485 million, compared to $439 million for fiscal 2002. Earnings before taxes for fiscal 2003 were $27 million, compared to losses before taxes of $9 million for fiscal 2002. QWI's operating margin was 6% in fiscal 2003, compared to negative 2% in fiscal 2002. Revenues increased primarily due to a $19 million increase in QWBS revenue, an $11 million increase in revenue related to the sale of test equipment used primarily in testing WCDMA networks, a $10 million increase in QDM revenue, primarily as a result of license revenue related to the sale of the TDC joint venture, and a $7 million increase in software and services revenue related to our QChat and BREW products. The increase in QWBS revenue was attributable to $23 million in revenue amortized in the fourth quarter of fiscal 2003 related to equipment sales in prior periods, while equipment sales during the fourth quarter were recognized as revenue upon shipment. (See "Notes to Consolidated Financial Statements, Note 1 – The Company and its Significant Accounting Policies.") The increase in earnings before taxes and improvement in operating margin were primarily due to a $25 million increase in QWBS gross margin and an $11 million decrease in QDM research and development spending. The increase in QWBS gross margin was primarily attributable to $11 million in gross margin amortized in the fourth quarter of fiscal 2003 related to equipment sales in prior periods, while equipment sales during the fourth quarter were recognized upon shipment, a $12 million increase resulting from an increase in higher margin messaging services and the effect of a $6 million release of warranty reserves resulting from the substantial completion of a QWBS warranty program. We shipped approximately 38,000 OmniTRACS and other related communications systems during fiscal 2003, compared to approximately 46,000 in fiscal 2002.

QUALCOMM Strategic Initiatives Segment (QSI)

QSI segment revenues for fiscal 2003 were $124 million, compared to $126 million in fiscal 2002. QSI segment revenues were primarily related to the consolidation of Vésper Holding. QSI segment losses before taxes for fiscal 2003 were $448 million, compared to $507 million for fiscal 2002. During fiscal 2003, we recorded a $238 million loss, net of minority interest, due to the consolidation of Vésper Holding and $24 million of equity in losses of VeloCom, as compared with a $130 million loss, net of minority interest, due to the consolidation of Vésper Holding and $30 million of equity in losses of VeloCom and the Vésper Operating Companies (pre-acquisition) in fiscal 2002. We recorded a $43 million increase in our equity in losses incurred by Inquam and a $14 million increase in other-than-temporary losses on other investments, partially offset by a $97 million decrease in other-than-temporary losses on marketable securities and a $56 million decrease in the change in fair values of derivative investments, during fiscal 2003 as compared to fiscal 2002.

During fiscal 2003, we also recorded other income of $47 million related to the transfer of portions of the FCC auction discount voucher value to two wireless operators, partially offset by a $34 million impairment loss on our wireless licenses in Australia due to recent developments that affected strategic alternatives for using the spectrum.

For additional financial information relating to our reportable business segments, see Note 10 of the Consolidated Financial Statements.

FISCAL 2002 COMPARED TO FISCAL 2001

Total revenues for fiscal 2002 were $3,040 million, compared to $2,680 million for fiscal 2001. Revenues from Samsung, Kyocera, and LG Electronics, customers of our QCT, QTL and other nonreportable segments, comprised an aggregate of 15%, 14% and 11% of total consolidated revenues, respectively, in fiscal 2002. In fiscal 2001, revenues from Samsung, Kyocera and LG Electronics, comprised an aggregate of 14%, 12% and 10% of total consolidated revenues, respectively. The percentages for Kyocera included 3% and 4% in fiscal 2002 and 2001, respectively, related to services provided to Kyocera by employees from our terrestrial-based CDMA wireless consumer phone business which was sold to Kyocera in February 2000.

Revenues from sales of equipment and services for fiscal 2002 were $2,205 million, compared to $1,908 million for fiscal 2001. Revenues from sales of equipment and services for fiscal 2002 included $125 million related to the consolidation of Vésper Holding effective in November 2001 and $8 million related to the Globalstar business. Revenues from sales of equipment and services for fiscal 2001 included $54 million related to Globalstar. Revenues from sales of integrated circuits increased by $218 million, primarily due to an increase in unit shipments of MSM integrated circuits, and the effect of the change in product mix toward the higher end devices utilizing our 3G CDMA2000 1X integrated circuits products. Software development services revenues related to the QChat licensing agreement increased $34 million.

Revenues from licensing and royalty fees for fiscal 2002 were $835 million, compared to $772 million for fiscal 2001. QTL segment royalty revenues from licensees increased $64 million.

Cost of equipment and services revenues for fiscal 2002 was $1,137 million, compared to $1,035 million for fiscal 2001. Cost of revenues for fiscal 2002 included $183 million related to the consolidation of Vésper Holding and $11 million related to our on-going obligation to Globalstar. Cost of revenues for fiscal 2001 included $129 million related to Globalstar. Cost of revenues as a percentage of revenues was 52% for fiscal 2002, compared to 54% for fiscal 2001. The margin improvement in fiscal 2002 was primarily due to the change in product mix toward the higher end devices utilizing our CDMA2000 1X integrated circuits products and the increase in revenues from royalties in the QTL segment.

For fiscal 2002, research and development expenses were $452 million or 15% of revenues, compared to $415 million or 15% of revenues for fiscal 2001. The dollar increase in research and development expenses was primarily due to $41 million in increased integrated circuit product initiatives to support high-speed wireless Internet access and multimode, multiband, multinetwork products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/GPRS, WCDMA and position location technologies and $14 million in increased QWBS research and development initiatives, partially offset by a $29 million reduction of development efforts related to the Globalstar business.

For fiscal 2002, selling, general and administrative expenses were $509 million or 17% of revenues, compared to $367 million or 14% of revenues for fiscal 2001. Selling, general and administrative expenses for fiscal 2002 included $107 million related to the consolidation of Vésper Holding. The remaining dollar increase was primarily due to a $33 million increase in marketing and support efforts related to products and services of our QIS division, including the BREW product, $23 million associated with the expansion of our integrated circuit customer base and international business development activities, particularly in China, and $13 million resulting from the consolidation of Wireless Knowledge, Inc. (Wireless Knowledge), partially offset by a $22 million reduction in support efforts related to the Globalstar business and a $14 million reduction in bad debt expense.

Amortization of goodwill and other acquisition-related intangible assets was $259 million for fiscal 2002, compared to $255 million in fiscal 2001. Amortization charges were primarily related to the acquisition of SnapTrack in March 2000.

For fiscal 2002, asset impairment and related charges were less than $1 million, compared to $518 million of such charges in fiscal 2001. Asset impairment and related charges during fiscal 2001 were comprised primarily of $519 million in charges resulting from management's determination that certain assets related to the Globalstar business were impaired.

For fiscal 2002, other operating expenses were $9 million, compared to $51 million in fiscal 2001. Other operating expenses for fiscal 2002 resulted from the write down of a note receivable from a development stage CDMA carrier. Other operating expenses for fiscal 2001 were comprised of a $62 million arbitration decision against us, offset by $11 million in other income related to the irrevocable transfer of a portion of an FCC auction discount voucher to a third party.

Interest expense was $26 million for fiscal 2002, compared to $10 million for fiscal 2001. Interest expense for fiscal 2002 was primarily related to the long-term debt of Vésper Holding. Interest expense for fiscal 2001 was primarily related to interest charges resulting from the arbitration decision made against us.

Net investment expense was $186 million for fiscal 2002 compared to $317 million for fiscal 2001. The change was primarily comprised as follows (in millions):

	Years Ended September 30,		
	2002	2001	Change
Interest income:			
Corporate	$ 102	$ 135	$ (33)
QSI	33	108	(75)
Net realized gains on investments:			
Corporate	–	11	(11)
QSI	2	59	(57)
Other-than-temporary losses on marketable securities	(206)	(147)	(59)
Other-than-temporary losses on other investments	(24)	(51)	27
Change in fair values of derivative investments	(58)	(243)	185
Minority interest in loss (income) of consolidated subsidiaries	52	(4)	56
Equity in losses of investees	(87)	(185)	98
	$(186)	$(317)	$131

The decline in interest income on corporate cash and marketable debt securities was a result of lower interest rates. The decline in QSI interest income was a result of the cessation of interest income recognition on Pegaso debt facilities starting in the fourth fiscal quarter of fiscal 2001 and on Leap Wireless bonds starting in the third quarter of fiscal 2002. The other-than-temporary losses on marketable securities during fiscal 2002 primarily related to $162 million and $18 million in losses on our investments in Leap Wireless bonds and common stock, respectively. We determined that the declines in fair values were other than temporary, as the market values of the bond and common stock had significantly declined during fiscal 2002 as a result of unfavorable developments in Leap Wireless' business. The other-than-temporary losses on marketable securities during fiscal 2001 primarily related to a $134 million loss on our investment in NetZero, Inc., which subsequently completed a merger with Juno Online Services, Inc. and became United Online, Inc. The change in fair values of derivative instruments primarily resulted from $59 million in losses resulting from declines in the price of Leap Wireless common stock, which reduced the fair values of our warrants to acquire Leap Wireless common stock. The warrants had insignificant value at September 30, 2002. Equity in losses of investees decreased as a result of the consolidation of Vésper Holding effective November 13, 2001, as these losses are now included in operations.

For fiscal 2002 there were no other non-operating charges, compared to $167 million in fiscal 2001. Other non-operating charges in fiscal 2001 were primarily comprised of a $120 million write-down of the note receivable from VeloCom to its fair value and $58 million in write-downs of recorded values of a note receivable from Globalstar and warrants to acquire partnership interests in Globalstar to their estimated fair values.

Income tax expense was $101 million for fiscal 2002, compared to $105 million for fiscal 2001. The annual effective tax rate was 22% for fiscal 2002, compared to a negative 23% rate for fiscal 2001. The annual effective tax rate for fiscal 2002 was lower than the statutory rate due to the reduction of deferred tax assets and the related valuation allowance that was previously charged to tax expense, partially offset by foreign losses for which we are not recording a tax benefit. The fiscal 2001 effective tax rate was the result of pre-tax losses for which no tax benefit was recorded and foreign tax expense. The annual effective tax rate on profits for fiscal 2002 cannot be meaningfully compared to the effective tax rate on losses for the prior fiscal year.

We recorded an $18 million loss, net of taxes, in fiscal 2001 as the net cumulative effect of changes in accounting principles at September 30, 2000. The cumulative effect of the adoption of SAB 101 was a $147 million loss, net of taxes, offset by a $129 million gain, net of taxes, resulting from the cumulative effect of the adoption of FAS 133. The gain resulting from the adoption of FAS 133 related primarily to the unrealized gain on a warrant to purchase 4,500,000 shares of Leap Wireless common stock issued to us in connection with our spin-off of Leap Wireless in September 1998.

OUR SEGMENT RESULTS FOR FISCAL 2002 COMPARED TO FISCAL 2001

QUALCOMM CDMA Technologies Segment (QCT)

QCT segment revenues for fiscal 2002 were $1,591 million, compared to $1,365 million for fiscal 2001. Earnings before taxes for fiscal 2002 were $441 million, compared to $306 million for fiscal 2001. Revenues and earnings before taxes increased primarily due to an increase in unit shipments of MSM integrated circuits and the effect of the change in product mix toward the higher end devices utilizing our CDMA2000 1X products. Approximately 65 million MSM integrated circuits were sold during fiscal 2002, compared to approximately 58 million for fiscal 2001. Approximately 10 million CSM infrastructure integrated circuits equivalent voice channels were sold during fiscal 2002, compared to approximately 9 million for fiscal 2001. Both research and development and selling and marketing expenses were $22 million higher for fiscal 2002 as compared to fiscal 2001 primarily associated with new integrated circuit product and technology initiatives to support high-speed wireless Internet access and multiband, multimode, multinetwork products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/GPRS, WCDMA and position location technologies. QCT inventories decreased by 27% during fiscal 2002 primarily as a result of strong demand for 1X products across our customer base and improved component availability.

QUALCOMM Technology Licensing Segment (QTL)

QTL segment revenues for fiscal 2002 were $847 million, compared to $782 million for fiscal 2001. Royalty revenues from licensees were $725 million in fiscal 2002, compared to $661 million in fiscal 2001. Revenues from license fees were $55 million in fiscal 2002, compared to $67 million in fiscal 2001. Other revenues were comprised of intersegment royalties. Earnings before taxes for fiscal 2002 were $756 million, compared to $706 million for fiscal 2001. The increase in revenues and earnings before taxes was primarily due to an increase in sales of CDMA products by licensees resulting from higher demand for CDMA products across all major regions of CDMA deployment. During fiscal 2002, we recognized $6 million in revenue related to equity received as consideration for license fees, compared to $7 million in fiscal 2001.

QUALCOMM Wireless & Internet Segment (QWI)

QWI segment revenues for fiscal 2002 were $439 million, compared to $426 million for fiscal 2001. Losses before taxes for fiscal 2002 were $9 million, compared to earnings before taxes of $33 million for fiscal 2001. Revenues increased primarily due to an increase in software development and services revenues related to our BREW products and QChat licensing agreement. Earnings before taxes decreased primarily due to a $35 million increase in our development, support and marketing efforts related to products and services of our QIS division, including the BREW product and a $14 million increase in QWBS research and development expenditures. We shipped approximately 46,000 OmniTRACS and other related communications systems during fiscal 2002, compared to approximately 43,000 in fiscal 2001.

QUALCOMM Strategic Initiatives Segment (QSI)

QSI segment revenues for fiscal 2002 were $126 million, primarily related to the consolidation of Vésper Holding. QSI segment losses before taxes for fiscal 2002 were $507 million, compared to $1,125 million for fiscal 2001. The decrease in losses was primarily due to $568 million in charges incurred in fiscal 2001 related to Globalstar. During fiscal 2002, we recorded a $130 million loss, net of minority interest, due to the consolidation of Vésper Holding and $30 million of equity losses in the Vésper Operating Companies (pre-acquisition) and VeloCom, as compared with $150 million of equity losses for the Vésper Operating Companies in fiscal 2001. During fiscal 2002, we recorded $180 million in other-than-temporary losses on Leap Wireless marketable securities, compared to an $11 million realized gain in fiscal 2001. We also recorded $59 million in losses related to changes in the fair values of Leap Wireless derivative investments in fiscal 2002, compared to $213 million in losses in fiscal 2001. Losses on Leap Wireless derivative investments resulted from declines in the market price of Leap Wireless common stock during those fiscal years. During fiscal 2001, we recorded a $120 million charge to write down a note receivable from VeloCom to its fair value as a result of the reorganization of the Vésper Operating Companies initiated during fiscal 2001.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents and marketable securities were $5.4 billion at September 30, 2003, an increase of $2.2 billion from September 30, 2002. The increase during fiscal 2003 was primarily the result of $1.8 billion in cash provided by operating activities, $663 million in net collections received on finance receivables, mainly comprised of payments from Pegaso, $191 million in net proceeds from the issuance of common stock under our stock option and employee stock purchase plans and $37 million in net marketable securities purchases pending cash settlement, partially offset by $231 million in capital expenditures, $158 million in net purchases of our common stock and $135 million in dividend payments.

Accounts receivable decreased by 10% during fiscal 2003. The decrease in accounts receivable was primarily due to the timing of cash receipts and the expiration of our services arrangement with Kyocera in February 2003. Days sales outstanding, on a consolidated basis, were 46 days at September 30, 2003 compared to 54 days at September 30, 2002. The change in days sales outstanding is consistent with the increase in revenue and improved cash collections resulting in the decrease in the accounts receivable balance.

In February 2003, we committed up to $1 billion to repurchase shares of our common stock over a two year period. During fiscal 2003, we bought 4,915,000 shares at a net aggregate cost of $158 million. At September 30, 2003, $834 million remains to be expended. Repurchased shares are retired upon repurchase. In connection with our stock repurchase program, we sold put options in March 2003 that could have required us to purchase three million shares of our common stock upon exercise. All of these written put options expired unexercised. We recorded $7 million in premiums received for the put options as additions to paid-in capital. We declared dividends totaling approximately $135 million or $0.17 per share during fiscal 2003.

We believe our current cash and cash equivalents, marketable securities and cash generated from operations will satisfy our expected working and other capital requirements for the foreseeable future based on current business plans, including investments in other companies and other assets to support the growth of our business, financing for customers of CDMA infrastructure products in accordance with the agreements with Ericsson, financing under agreements with CDMA telecommunications carriers, other commitments, the payment of dividends and possible additional stock buy backs. In fiscal 2003, we began construction on two new facilities in San Diego, California totaling one million square feet to meet the requirements projected in our long-term business plan. The cost of these new facilities is expected to approximate $250 million.

We intend to continue our strategic investment activities to promote the worldwide adoption of CDMA products and the growth of CDMA-based wireless data and wireless Internet products. As part of these investment activities, we may provide financing to facilitate the marketing and sale of CDMA equipment by authorized suppliers. In the event additional needs for cash arise, we may raise additional funds from a combination of sources including potential debt and equity issuance.

On September 25, 2003, Embratel entered into an agreement to acquire from us for nominal consideration the Vésper Operating Companies, excluding the tower and rooftop antennae assets and related property leases (Tower Sites). Concurrent with the closing, Vésper will enter into a multi-year arrangement whereby it pays a monthly fee to us to use the Tower Sites. The sum of these fees, net of certain pass through expenses, is expected to exceed $77 million over the life of the arrangement. The closing of the Embratel sale transaction is contingent upon a number of events being completed prior to or concurrent with closing. We are required to provide $6 million in interim funding to Vésper on, or prior to, closing of the Embratel sale transaction. Assuming the requisite government approvals are received and all conditions to close are satisfied, we anticipate providing approximately $40 million to $45 million in aggregate funding (including the $6 million of interim funding) by the closing date to facilitate the Embratel sale transaction.

On July 14, 2003, we approved an additional $50 million investment in Inquam, subject to certain conditions, including a matching $50 million investment by another existing investor in Inquam. We are currently negotiating the terms and conditions of the investment agreement. No commitments related to these potential investments were in place at September 30, 2003.

CONTRACTUAL OBLIGATIONS

We have no significant contractual obligations not fully recorded on our Consolidated Balance Sheets or fully disclosed in the Notes to our Consolidated Financial Statements. We have no off-balance sheet arrangements as defined in S-K 303(a)(4)(ii).

At September 30, 2003, our outstanding contractual obligations included (in millions):

	Contractual Obligations Payments Due By Period					
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	No Expiration Date
Long-term financing under Ericsson arrangement[1]	$ 464	$346	$ –	$ –	$ –	$118
Purchase obligations	377	327	50	–	–	–
Operating leases	135	42	57	25	11	–
Equity investments[1]	24	1	19	–	4	–
Inquam bridge loan and guarantee	13	13	–	–	–	–
Other commitments	1	1	–	–	–	–
Total commitments	1,014	730	126	25	15	118
Long-term debt	179	68	17	34	60	–
Capital leases	47	35	5	–	7	–
Other long-term liabilities[2]	55	3	1	4	–	47
Total recorded liabilities	281	106	23	38	67	47
Total	$1,295	$836	$149	$63	$82	$165

(1) The majority of these commitments do not have fixed funding dates, and the expected funding dates cannot be forecast. Amounts are presented based on the expiration of the commitment, but actual funding may occur earlier or not at all as funding is subject to certain conditions. Commitments represent the maximum amounts to be financed or funded under these arrangements; actual financing or funding may be in lesser amounts.

(2) Certain long-term liabilities reflected on our balance sheet, such as unearned revenue, are not presented in this table because they do not require cash settlement in the future.

The long-term financing commitment under our arrangement with Ericsson included $346 million that expires on November 6, 2003.

Additional information regarding our financial commitments at September 30, 2003 is provided in the Notes to our Consolidated Financial Statements. See "Notes to Consolidated Financial Statements, Note 3 – Composition of Certain Financial Statement Captions, Finance Receivables, Note 4 – Investments in Other Entities, Note 9 – Commitments and Contingencies and Note 11 – Acquisitions."

FUTURE ACCOUNTING REQUIREMENTS

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," was issued in January 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, we have not invested in any entities we believe are variable interest entities. For those arrangements entered into prior to February 1, 2003, we are required to adopt the provisions of FIN 46 at the end of the first quarter of fiscal 2004, in accordance with the FASB Staff Position 46-6 which delayed the effective date of FIN 46 for those arrangements. We are in the process of determining the effect, if any, the adoption of FIN 46 will have on our financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Market Risk. We have fixed income securities consisting of cash equivalents and investments in marketable debt securities. We also have diversified portfolios of non-investment grade securities managed by institutional portfolio managers, which are subject to a higher degree of default risk than our investment grade fixed income portfolios. Changes in the general level of United States interest rates can affect the principal values and yields of fixed income investments. Our fixed income investments have grown significantly in size and are subject to interest rate risk and credit risk. If interest rates in the general economy were to rise rapidly in a short period of time, our fixed income investments could lose value. If the general economy were to weaken significantly, the credit profile of issuers of securities held in our investment portfolios could deteriorate and our fixed income investments could lose value. We may implement investment strategies of different types with varying duration and risk/return trade-offs that do not perform well. (See Note 2 to the Consolidated Financial Statements – Marketable Securities for information about investments in marketable debt securities.)

We have finance receivables and notes receivable (included in other assets) from third parties that bear interest at both fixed and variable rates (see Note 3 to the Consolidated Financial Statements – Composition of Certain Financial Statement Captions for information about finance receivables). Interest earned on certain finance receivables and notes is at variable interest rates and is affected by changes in the general level of United States interest rates and/or changes in the LIBOR index. Finance receivables and notes that bear interest at fixed rates could lose value if interest rates increase.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For our fixed income investment portfolio, the table presents principal cash flows and related weighted-average yield at cost. For our finance receivables and notes receivable, the table presents contractual interest rates by expected maturity dates. Additionally, we have assumed that our fixed income securities are similar enough within the specified categories to aggregate those securities for presentation purposes.

(Dollars in millions)	2004	2005	2006	2007	2008	Thereafter	No Single Maturity	Total	Fair Value
	Interest Rate Sensitivity Principal Amount by Expected Maturity Average Interest Rates								
Fixed income securities:									
Cash and cash equivalents	$284	$ –	$ –	$ –	$ –	$ –	$ –	$ 284	$ 284
Interest rate	1.1%								
Held-to-maturity securities	$167	$ 20	$180	$ –	$ –	$ –	$ –	$ 367	$ 368
Interest rate	3.4%	1.8%	2.0%						
Available-for-sale securities:									
Investment grade	$177	$701	$602	$239	$98	$ 20	$484	$2,321	$2,321
Interest rate	3.0%	2.0%	2.4%	2.9%	3.3%	7.2%	3.2%		
Non-investment grade	$ 11	$ 2	$ 8	$ 11	$41	$425	$ –	$ 498	$ 498
Interest rate	8.7%	7.7%	9.2%	9.6%	8.9%	8.3%			
Finance receivables:									
Fixed rate	$ 7	$ 1	$ –	$ –	$ –	$ 2	$ –	$ 10	$ 6
Interest rate	8.0%	8.0%				0.0%			
Variable rate (LIBOR)	$ –	$ –	$ 49	$ 65	$65	$ 16	$ –	$ 195	$ 192
Margin over LIBOR			6.3%	6.5%	9.9%	5.2%			
Notes receivable in other assets:									
Fixed rate	$ 37	$ –	$ –	$ –	$ –	$ 46	$ –	$ 83	$ 64
Interest rate	7.5%					0.0%			
Variable rate (LIBOR)	$ –	$ –	$ –	$ –	$ –	$ 56	$ –	$ 56	$ 6
Margin over LIBOR						0.0%			
Vésper-related long-term debt:									
Wireless license									
Fixed rate	$ –	$ –	$ 17	$ 17	$17	$ 60	$ –	$ 111	$ 111
Interest rate			12.0%	12.0%	12.0%	12.0%			
Bank loans									
Variable rate (CDI)	$ 68	$ –	$ –	$ –	$ –	$ –	$ –	$ 68	$ 65
Margin over CDI	1.5%								
Default rate	12.0%								
Capital leases									
Fixed rate	$ 33	$ –	$ –	$ –	$ –	$ 7	$ –	$ 40	$ 39
Interest rate	12.6%					12.6%			
Variable rate (LIBOR)	$ –	$ –	$ 4	$ –	$ –	$ –	$ –	$ 4	$ 4
Margin over LIBOR			6.0%						
Variable rate (TR)	$ 2	$ 1	$ –	$ –	$ –	$ –	$ –	$ 3	$ 3
Margin over TR	12.0%	12.0%							

The Vésper-related bank loans and $33 million of the capital lease obligations are callable by the bank creditors as a result of the failure of the Vésper Operating Companies to make interest and certain lease payments. The Vésper Operating Companies were charged a 2% default penalty and are being charged an additional 1% interest rate per month on the amount in default until the default is cured. The bank creditors have provided forbearance through December 15, 2003 with respect to the amounts owed under certain agreements that are in payment default. (See Note 11 to the Consolidated Financial Statements – Acquisitions for information about long-term debt.) The fair values of bank loans and capital lease obligations will change as interest rates change. Interest expense will be affected by changes in the Certificate of Deposit InterBank (CDI) rate.

Equity Price Market Risk. We hold marketable securities and derivative instruments subject to equity price risk which are accounted for under FAS 115 and FAS 133. The recorded values of marketable equity securities totaled $140 million at September 30, 2003. As of September 30, 2003, one equity position constituted approximately 59% of the fair value of the marketable securities portfolio. The recorded value of derivative instruments subject to FAS 133 at September 30, 2003 was $2 million. We generally invest in technology companies and typically do not attempt to reduce or eliminate our market exposure on these securities. These investments are held for purposes other than trading. The portfolio's concentrations in specific companies and industry segments may vary over time, and changes in concentrations may affect the portfolio's price volatility. During the last three years, many technology stocks experienced significant decreases in value, negatively affecting the fair values of our available-for-sale equity securities and derivative instruments. A 10% decrease in the market price of our marketable equity securities at September 30, 2003 would cause a corresponding 10% decrease in the carrying amounts of these securities, or $14 million.

Our strategic investments in other entities consist substantially of investments in private early stage companies accounted for under the equity and cost methods. Accordingly, we believe that our exposure to market risk from these investments is not material. Additionally, we do not anticipate any near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures. The recorded values of these strategic investments totaled $153 million at September 30, 2003.

Additional information regarding our strategic investments is provided in Management's Discussion and Analysis of Financial Condition and Operating Results in this Annual Report.

Foreign Exchange Market Risk. We manage our exposure to foreign exchange market risks, when deemed appropriate, through the use of derivative financial instruments, consisting primarily of forward contracts and options. Derivative financial instruments are viewed as risk management tools and are not used for speculative or trading purposes. At September 30, 2003, no foreign currency forward contracts were outstanding. (See Note 1 to the Consolidated Financial Statements – The Company and its Significant Accounting Policies for a description of our foreign currency accounting policies.)

Financial instruments held by consolidated subsidiaries and equity method investees which are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations and may affect reported earnings. As a global concern, we face exposure to adverse movements in foreign currency exchange rates. We may hedge currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and certain anticipated nonfunctional currency transactions. As a result, we could experience unanticipated gains or losses on anticipated foreign currency cash flows, as well as economic loss with respect to the recoverability of investments. While we may hedge certain transactions with non-United States customers, declines in currency values in certain regions may, if not reversed, adversely affect future product sales because our products may become more expensive to purchase in the countries of the affected currencies.

We are exposed to foreign exchange risk related to our consolidation of the Vésper Operating Companies. We report our financial statements in U.S. dollars. The Vésper Operating Companies account for the majority of their transactions in Brazilian real, and their results are translated into U.S. dollars during and at the end of the fiscal quarter. In addition, the Vésper Operating Companies capital lease commitments are denominated in U.S. dollars. As a result, a significant change in the value of the U.S. dollar against the Brazilian real could have a material effect on the Vésper Operating Companies and on us. A significant devaluation of the Brazilian real occurred in the past and may occur again in the future. A 10% weakening of the U.S. dollar relative to the Brazilian real during fiscal 2003 would have resulted in a decrease in net income of approximately $25 million for the year ended September 30, 2003.

Finance receivables and notes receivable from international carriers and customers that do not use the United States dollar as their functional currencies subject us to credit risk. Because our financing is U.S. dollar denominated, any significant change in the value of the U.S. dollar against the debtors' functional currencies could result in an increase in the debtor's cash flow requirements and could thereby affect our ability to collect our receivables. At September 30, 2003, finance and note receivables from international carriers and customers totaled $214 million, net of allowances.

Our analysis methods used to assess and mitigate risk discussed above should not be considered projections of future risks.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Report of Independent Auditors

To the Board of Directors and Stockholders of QUALCOMM Incorporated

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of QUALCOMM Incorporated and its subsidiaries (the "Company") at September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," during the year ended September 30, 2003, and the Company changed its method of recognizing revenue and adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities," during the year ended September 30, 2001.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
San Diego, California
November 3, 2003

Consolidated Balance Sheets

(In thousands, except per share data)	September 30, 2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$2,045,094	$1,406,704
Marketable securities	2,516,003	1,411,178
Accounts receivable, net	483,793	536,950
Finance receivables, net	5,795	388,396
Inventories, net	110,351	88,094
Deferred tax assets	611,536	122
Other current assets	176,192	109,322
Total current assets	5,948,764	3,940,766
Marketable securities	810,654	381,630
Finance receivables, net	181,622	442,934
Other investments	128,651	276,414
Property, plant and equipment, net	622,265	686,283
Goodwill, net	346,464	344,803
Deferred tax assets	406,746	7,493
Other assets	377,270	425,725
Total assets	$8,822,436	$6,506,048
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 195,065	$ 209,418
Payroll and other benefits related liabilities	141,000	126,005
Unearned revenue	174,271	183,482
Current portion of long-term debt (Note 11)	102,625	19,355
Other current liabilities	195,241	136,726
Total current liabilities	808,202	674,986
Unearned revenue	236,732	259,995
Long-term debt (Note 11)	123,302	94,288
Other liabilities	55,578	40,283
Total liabilities	1,223,814	1,069,552
Commitments and contingencies (Notes 3, 4 and 9)		
Minority interest in consolidated subsidiaries	50	44,540
Stockholders' equity:		
Preferred stock, $0.0001 par value; issuable in series; 8,000 shares authorized; none outstanding at September 30, 2003 and 2002	–	–
Common stock, $0.0001 par value; 3,000,000 shares authorized; 798,353 and 778,549 shares issued and outstanding at September 30, 2003 and 2002	81	79
Paid-in capital	6,324,971	4,918,202
Retained earnings	1,297,289	604,624
Accumulated other comprehensive loss	(23,769)	(130,949)
Total stockholders' equity	7,598,572	5,391,956
Total liabilities and stockholders' equity	$8,822,436	$6,506,048

See accompanying notes.

Consolidated Statements of Operations

(In thousands, except per share data)	2003	2002	2001
	Years Ended September 30,		
Revenues:			
Equipment and services	$2,985,760	$2,204,835	$1,907,856
Licensing and royalty fees	984,876	834,725	771,930
	3,970,636	3,039,560	2,679,786
Operating expenses:			
Cost of equipment and services revenues	1,430,047	1,137,360	1,035,103
Research and development	523,267	451,678	414,760
Selling, general and administrative	534,915	508,644	367,155
Amortization of goodwill and other acquisition-related intangible assets (Note 1)	8,589	259,196	255,230
Asset impairment and related charges (Notes 4 and 11)	194,258	459	518,026
Other	(30,675)	8,955	50,825
Total operating expenses	2,660,401	2,366,292	2,641,099
Operating income	1,310,235	673,268	38,687
Interest expense	(30,709)	(25,731)	(10,235)
Investment income (expense), net (Note 5)	5,621	(186,412)	(317,091)
Other	–	–	(167,001)
Income (loss) before income taxes and accounting changes	1,285,147	461,125	(455,640)
Income tax expense	(457,706)	(101,448)	(104,501)
Income (loss) before accounting changes	827,441	359,677	(560,141)
Accounting changes, net of tax (Note 1)	–	–	(17,937)
Net income (loss)	$ 827,441	$ 359,677	$ (578,078)
Basic earnings (loss) per common share:			
Income (loss) before accounting changes	$ 1.05	$ 0.47	$ (0.74)
Accounting changes, net of tax	–	–	(0.02)
Net income (loss)	$ 1.05	$ 0.47	$ (0.76)
Diluted earnings (loss) per common share:			
Income (loss) before accounting changes	$ 1.01	$ 0.44	$ (0.74)
Accounting changes, net of tax	–	–	(0.02)
Net income (loss)	$ 1.01	$ 0.44	$ (0.76)
Shares used in per share calculations:			
Basic	789,586	770,887	755,969
Diluted	817,755	809,329	755,969

See accompanying notes.

Consolidated Statements of Cash Flows

(In thousands)	Years Ended September 30, 2003	2002	2001
OPERATING ACTIVITIES:			
Net income (loss)	$ 827,441	$ 359,677	$ (578,078)
Depreciation and amortization	179,694	394,257	319,811
Asset impairment and related charges and credits	194,258	459	746,330
Net realized gains on marketable securities and other investments	(72,818)	(2,476)	(69,687)
Change in fair values of derivative investments	3,201	58,874	242,849
Other-than-temporary losses on marketable securities and other investments	138,456	230,491	198,398
Minority interest in (loss) income of consolidated subsidiaries	(36,949)	(52,498)	3,769
Equity in losses of investees	126,015	86,958	185,060
Non-cash income tax expense	332,964	12,394	29,948
Accounting changes, net of tax	–	–	17,937
Other non-cash charges and credits	26,900	9,965	(31,068)
Increase (decrease) in cash resulting from changes in:			
Proceeds from (purchases of) trading securities	2,085	(2,036)	–
Accounts receivable, net	60,318	(4,544)	69,541
Inventories, net	(21,303)	11,187	(40,735)
Other assets	7,302	12,472	19,762
Trade accounts payable	(12,811)	411	(13,838)
Payroll, benefits, and other liabilities	40,605	31,565	(67,440)
Unearned revenue	(13,474)	(38,457)	18,858
Net cash provided by operating activities	1,781,884	1,108,699	1,051,417
INVESTING ACTIVITIES:			
Capital expenditures	(230,622)	(141,578)	(114,191)
Purchases of wireless licenses	(8,247)	–	(83,774)
Purchases of available-for-sale securities	(4,484,457)	(1,754,055)	(1,182,698)
Proceeds from sale of available-for-sale securities	3,183,445	1,049,404	977,285
Purchases of held-to-maturity securities	(355,382)	(188,846)	(301,870)
Maturities of held-to-maturity securities	257,025	257,371	973,879
Issuance of finance receivables	(150,046)	(141,099)	(498,196)
Collection of finance receivables	813,122	7,374	139,052
Issuance of notes receivable	(28,233)	(3,914)	(225,747)
Collection of notes receivable	4,181	16,202	15,581
Proceeds from sale of other investments	4,131	9,374	26,730
Other investments and acquisitions	(37,456)	(320,655)	(246,538)
Other items, net	3,606	267	11,139
Net cash used by investing activities	(1,028,933)	(1,210,155)	(509,348)
FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock	191,473	119,671	132,690
Repurchase and retirement of common stock	(158,488)	(5,773)	–
Dividends paid	(134,776)	–	–
Proceeds from minority shareholders in consolidated subsidiary	–	10,000	–
Proceeds from the issuance of long-term debt	7,887	16,896	501
Payments on long-term debt	(19,937)	(20,187)	(620)
Other items, net	–	–	1,014
Net cash (used) provided by financing activities	(113,841)	120,607	133,585
Effect of exchange rate changes on cash	(720)	(1,049)	(3,923)
Net increase in cash and cash equivalents	638,390	18,102	671,731
Cash and cash equivalents at beginning of year	1,406,704	1,388,602	716,871
Cash and cash equivalents at end of year	$ 2,045,094	$ 1,406,704	$ 1,388,602

See accompanying notes.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE AT SEPTEMBER 30, 2000	747,651	$ 75	$4,653,818	$ 823,025	$ (8,655)	$5,468,263
Components of comprehensive loss:						
Net loss	–	–	–	(578,078)	–	(578,078)
Foreign currency translation	–	–	–	–	(39,515)	(39,515)
Change in unrealized loss on securities, net of income taxes of $42,551	–	–	–	–	(222,931)	(222,931)
Reclassification adjustment for net realized gains included in net loss, net of income taxes of $18,181	–	–	–	–	(27,044)	(27,044)
Reclassification adjustment for other-than-temporary losses on marketable securities included in net loss, net of income taxes of $47,092	–	–	–	–	70,053	70,053
Reclassification adjustment for losses included in accounting change, net of income taxes of $2,638	–	–	–	–	3,925	3,925
Total comprehensive loss						(793,590)
Exercise of stock options	14,831	1	92,051	–	–	92,052
Issuance for Employee Stock Purchase and Executive Retirement Plans	758	–	40,639	–	–	40,639
Stock-based compensation expense	–	–	2,661	–	–	2,661
Shares issued for business acquisitions	49	–	–	–	–	–
Adjustment to spin-off of Leap Wireless	–	–	2,390	–	–	2,390
BALANCE AT SEPTEMBER 30, 2001	763,289	76	4,791,559	244,947	(224,167)	4,812,415
Components of comprehensive income:						
Net income	–	–	–	359,677	–	359,677
Foreign currency translation	–	–	–	–	(15,225)	(15,225)
Change in unrealized loss on securities	–	–	–	–	(85,714)	(85,714)
Reclassification adjustment for net realized gains included in net income, net of income taxes of $524	–	–	–	–	(11,620)	(11,620)
Reclassification adjustment for other-than-temporary losses on marketable securities included in net income	–	–	–	–	205,777	205,777
Total comprehensive income						452,895
Exercise of stock options	14,325	2	81,369	–	–	81,371
Tax benefit from exercise of stock options	–	–	10,606	–	–	10,606
Issuance for Employee Stock Purchase and Executive Retirement Plans	1,145	1	38,302	–	–	38,303
Repurchase and retirement of common stock	(210)	–	(5,773)	–	–	(5,773)
Stock-based compensation expense	–	–	2,139	–	–	2,139
BALANCE AT SEPTEMBER 30, 2002	778,549	79	4,918,202	604,624	(130,949)	5,391,956
Components of comprehensive income:						
Net income	–	–	–	827,441	–	827,441
Foreign currency translation	–	–	–	–	(3,225)	(3,225)
Change in unrealized gain/loss on securities, net of income taxes of $47,340	–	–	–	–	69,543	69,543
Reclassification adjustment for net realized gains included in net income, net of income taxes of $26,641	–	–	–	–	(41,292)	(41,292)
Reclassification adjustment for other-than-temporary losses on marketable securities included in net income, net of income taxes of $18,045	–	–	–	–	82,154	82,154
Total comprehensive income						934,621
Exercise of stock options	23,347	2	153,257	–	–	153,259
Tax benefit from exercise of stock options	–	–	267,087	–	–	267,087
Issuance for Employee Stock Purchase and Executive Retirement Plans	1,372	–	38,214	–	–	38,214
Reversal of the valuation allowance on certain deferred tax assets (Note 6)	–	–	1,105,640	–	–	1,105,640
Repurchase and retirement of common stock	(4,915)	–	(158,488)	–	–	(158,488)
Dividends	–	–	–	(134,776)	–	(134,776)
Stock-based compensation expense	–	–	1,059	–	–	1,059
BALANCE AT SEPTEMBER 30, 2003	798,353	$ 81	$6,324,971	$1,297,289	$ (23,769)	$7,598,572

See accompanying notes.

Notes to Consolidated Financial Statements

NOTE 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

The Company

QUALCOMM Incorporated (the Company or QUALCOMM), a Delaware corporation, develops, designs, manufactures and markets digital wireless telecommunications products and services based on its Code Division Multiple Access (CDMA) technology. The Company is a leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning system products to wireless device and infrastructure manufacturers. The Company grants licenses to use its intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of CDMA products, and receives license fees as well as ongoing royalties based on sales by licensees of wireless telecommunications equipment products incorporating its CDMA technologies. The Company provides satellite and terrestrial-based two-way data messaging and position reporting services for transportation companies, private fleets and construction equipment fleets. The Company provides the BREW (Binary Runtime Environment for Wireless) product and services to network operators, handset manufacturers and application developers and support for developing and delivering over-the-air wireless applications and services. The Company also makes strategic investments to promote the worldwide adoptions of CDMA products and services for wireless voice and Internet data communications.

Principles of Consolidation

The Company's consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries and other subsidiaries controlled by the Company. The ownership of the other interest holders of consolidated subsidiaries is reflected as minority interest. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company's financial statements and the accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

Fiscal Year

The Company operates and reports using a 52–53 week fiscal year ending on the last Sunday in September. As a result, the fiscal years ended September 30, 2003, 2002, and 2001 include 52 weeks, 52 weeks, and 53 weeks, respectively. For presentation purposes, the Company presents its fiscal years as ending on September 30.

Revenue Recognition

The Company derives revenue principally from sales of integrated circuit products, from royalties, from messaging and other services and related hardware sales, from software development and related services, and from license fees for intellectual property. The timing of revenue recognition and the amount of revenue actually recognized in each case depends upon a variety of factors, including the specific terms of each arrangement and the nature of the Company's deliverables and obligations.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements" which the Company adopted in the fourth quarter of fiscal 2001 and applied retroactively to the first quarter of fiscal 2001. The Company recorded a $147 million loss, net of taxes of $98 million, as the cumulative effect of the accounting change as of the beginning of fiscal 2001 to reflect the deferral of revenue and expenses related to future periods. The Company recognized $44 million, $66 million and $95 million during fiscal 2003, 2002 and 2001, respectively, in operating income related to revenue and expense that were recognized in prior years.

In November 2002, the Emerging Issues Task Force (EITF) issued Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" which the Company adopted in the fourth quarter of fiscal 2003. This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting. Beginning with the adoption of SAB 101 until the fourth quarter of fiscal 2003, the Company recognized revenues and expenses from sales of certain satellite and terrestrial-based two-way data messaging and position reporting hardware and related software products by its QWBS division (Note 10) ratably over the shorter of the estimated useful life of the hardware product or the expected messaging service period, which is typically five years. SAB 101 required the ratable recognition of these sales because the messaging service was considered integral to the functionality of the hardware and software. Because EITF Issue No. 00-21 does not require the deferral of revenue when an undelivered element is considered integral to the functionality of a delivered element and because EITF Issue No. 00-21 otherwise requires separate unit accounting, the Company began recognizing revenues and expenses from such sales starting in the fourth quarter of fiscal 2003 at the time of shipment, or when title and risk of loss pass to the customer and other criteria for revenue recognition are met, if later. The Company has elected to adopt EITF Issue No. 00-21 prospectively for revenue arrangements entered into after the third quarter of fiscal 2003, rather than reporting the change in accounting as a cumulative-effect adjustment. As a result, during the fourth quarter of fiscal 2003, the Company recognized certain revenue and related cost of sales for QWBS equipment sales upon shipment, while continuing to amortize unearned revenue and cost of sales, with an $11 million gross margin effect, for units shipped in prior periods. Deferred revenues and expenses related to the historical QWBS sales that will continue to be amortized in future periods were $183 million and $102 million, respectively, at September 30, 2003. Gross margin related to these prior sales is expected to be recognized as follows: $37 million in fiscal 2004, $24 million in fiscal 2005, $13 million in fiscal 2006, $6 million in fiscal 2007 and $1 million in fiscal 2008.

The Company licenses rights to use its intellectual property portfolio, which includes patent rights to use cdmaOne, CDMA2000 1X/1xEV-DO/1xEV-DV, TD-SCDMA and WCDMA technologies. Licensees typically pay a non-refundable license fee in one or more installments and on-going royalties based on their sales of products incorporating the Company's intellectual property. License fees are generally recognized over the estimated period of future benefit to the average licensee, typically five to seven years. The Company earns royalties on CDMA products sold worldwide by its licensees in the period that the licensees' sales occur. The Company's licensees, however, do not report and pay royalties owed until the subsequent quarter and, in some instances, payment is on a semi-annual basis. Therefore, the Company estimates royalty revenues from certain licensees (the Estimated Licensees) in the current quarter when reasonable estimates of such amounts can be made. Not all royalties earned are estimated. Royalties for licensees for which the Company has minimal history and certain licensees that do not buy its integrated circuit products are recorded one quarter in arrears when they are reported to the Company by those licensees. Estimates of royalty revenues for the Estimated Licensees are based on analyses of the Company's sales of integrated circuits to its Estimated Licensees, historical royalty data by Estimated Licensee, the relationship between the timing of the Company's sales of integrated circuits to its Estimated Licensees and its Estimated Licensees' sales of CDMA products, average sales price forecasts, and current market and economic trends. Once royalty reports are received from the Estimated Licensees, the variance between such reports and the estimate is recorded in royalty revenue in the period the reports are received. The recognition of this variance in most cases lags the royalty estimate by one quarter.

The following table summarizes royalty related data for fiscal 2003, 2002 and 2001 (in millions):

	Fiscal Year		
	2003	2002	2001
Components of royalty revenues			
Estimate at end of prior year*	$150	$122	$100
Royalties reported in first quarter related to prior year estimate	167	146	133
Variance included in current year revenues	17	24	33
Other royalties reported in current year	670	551	506
Estimate at year end	151	150	122
Total royalty revenues from licensees	$838	$725	$661

*This amount is the estimate for the fourth quarter of the previous fiscal year.

For example, for fiscal 2002, the Company estimated royalties of $150 million from the Estimated Licensees for the fourth quarter of fiscal 2002. The actual royalties reported to the Company by the Estimated Licensees, on a one quarter lag basis, during the first quarter of fiscal 2003 were $167 million. The variance of $17 million was recorded in royalty revenues in the first quarter of fiscal 2003. Therefore, total royalty revenues from licensees for fiscal 2003 of $838 million included: 1) the variance of $17 million, 2) other royalties reported during fiscal 2003 of $670 million, and 3) the estimate made in the fourth quarter of fiscal 2003 of $151 million based upon Estimated Licensees' estimated sales during the fourth quarter of fiscal 2003, which the Company believes will be reported by the Estimated Licensees in the first quarter of fiscal 2004.

Revenues from sales of the Company's CDMA-based integrated circuits are recognized at the time of shipment, or when title and risk of loss pass to the customer and other criteria for revenue recognition are met, if later. Revenues from providing services are recorded when earned. Revenues from long-term contracts are generally recognized using the percentage-of-completion method of accounting, based on costs incurred compared with total estimated costs. The percentage-of-completion method relies on estimates of total contract revenue and costs. Revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged or credited to income in the period in which the facts that give rise to the revision become known. If actual contract costs are greater than expected, reduction of contract profit would be required. Billings on uncompleted contracts in excess of incurred cost and accrued profits are classified as unearned revenue. Estimated contract losses are recognized when determined. If substantive uncertainty related to customer acceptance exists or the contract's duration is relatively short, the Company uses the completed-contract method.

Revenues from software license fees are recognized when all of the following criteria are met: the written agreement is executed; the software is delivered; the license fee is fixed and determinable; collectibility of the license fee is probable; and if applicable, when vendor-specific objective evidence exists to allocate the total license fee to elements of multiple-element arrangements, including post-contract customer support. When contracts contain multiple elements wherein vendor-specific objective evidence exists for all undelivered elements, the Company recognizes revenue for the delivered elements and defers revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. If vendor-specific objective evidence does not exist for all undelivered elements, revenue for the delivered and undelivered elements is deferred until remaining obligations have been satisfied, or if the only undelivered element is post-contract customer support, revenue is recognized ratably over the support period. Significant judgments and estimates are made in connection with the recognition of software license revenue, including assessments of collectibility and the fair value of deliverable elements. The amount or timing of the Company's software license revenue may differ as a result of changes in these judgments or estimates.

Unearned revenue consists primarily of fees related to software products and license fees for intellectual property for which delivery is not yet complete and to hardware products sales with a continuing service obligation.

Concentrations

A significant portion of the Company's revenues is concentrated with a limited number of customers as the worldwide market for wireless telecommunications products is dominated by a small number of large corporations. Revenues from Samsung, LG Electronics and Motorola, customers of the Company's QCT, QTL and other nonreportable segments, comprised 17%, 13% and 13% of total consolidated revenues, respectively, in fiscal 2003. Revenues from Samsung, Kyocera and LG Electronics, customers of the Company's QCT, QTL and other nonreportable segments, comprised 15%, 14% and 11% of total consolidated revenues, respectively, in fiscal 2002, as compared to 14%, 12% and 10%, respectively, in fiscal 2001. Aggregated accounts receivable from Samsung and LG Electronics comprised 25% and 23% of net receivables at September 30, 2003 and 2002, respectively.

Revenues from international customers were approximately 78%, 70% and 65% of total revenues in fiscal 2003, 2002 and 2001, respectively.

Research and Development

Costs incurred in research and development activities are expensed as incurred, except certain software development costs capitalized after technological feasibility of the software is established.

Shipping and Handling Costs

Costs incurred for shipping and handling are included in cost of revenues at the time the related revenue is recognized. Amounts billed to a customer for shipping and handling are reported as revenue.

Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Tax law and rate changes are reflected in income in the period such changes are enacted. The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised of money market funds, certificates of deposit, commercial paper and government agencies' securities. The carrying amounts approximate fair value due to the short maturities of these instruments.

Marketable Securities

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation as of each balance sheet date. Held-to-maturity securities are carried at amortized cost, which approximates fair value. Available-for-sale securities and trading securities are stated at fair value as determined by the most recently traded price of each security at the balance sheet date. The net unrealized gains or losses on available-for-sale securities are reported as a component of comprehensive income (loss), net of tax. Unrealized gains or losses on trading securities are reported in investment income (expense). The specific identification method is used to compute the realized gains and losses on debt and equity securities.

The Company regularly monitors and evaluates the realizable value of its marketable securities. When assessing marketable securities for other-than-temporary declines in value, the Company considers such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, the performance of the investee's stock price in relation to the stock price of its competitors within the industry and the market in general, analyst recommendations, any news that has been released specific to the investee and the outlook for the overall industry in which the investee operates. The Company also reviews the financial statements of the investee to determine if the investee is experiencing financial difficulties and considers new products/services that the investee may have forthcoming that will improve its operating results. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, the Company records a charge to investment income (expense).

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make required payments. The Company considers the following factors when determining if collection of a fee is reasonably assured: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms. If the Company has no previous experience with the customer, the Company typically obtains reports from various credit organizations to ensure that the customer has a history of paying its creditors. The Company may also request financial information, including financial statements or other documents (e.g., bank statements) to ensure that the customer has the means of making payment. If these factors do not indicate collection is reasonably assured, revenue is deferred until collection becomes reasonably assured, which is generally upon receipt of cash. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required.

The Company also maintains allowances for doubtful accounts for estimated losses resulting from the inability of entities it has financed to make required payments. The Company evaluates the adequacy of allowances for doubtful finance and note receivables based on analyses of the financed entities' credit-worthiness, current economic trends or market conditions, review of the entities' current and projected financial and operational information, and consideration of the fair value of collateral to be received, if applicable. From time to time, the Company may consider third party evaluations, valuation reports or advice from investment banks. If the financial condition of the financed entities were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required.

Inventories

Inventories are valued at the lower of cost or market (replacement cost, not to exceed net realizable value) using the first-in, first-out method. Recoverability of inventory is assessed based on review of committed purchase orders from customers, as well as purchase commitment projections provided by customers, among other things.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated or amortized using the straight-line method over their estimated useful lives. Buildings and building improvements are depreciated over thirty years and fifteen years, respectively. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the related lease. Other property, plant and equipment have useful lives ranging from two to eighteen years. Direct external and internal costs of developing software for internal use are capitalized subsequent to the preliminary stage of development. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

Upon the retirement or disposition of property, plant and equipment, the related cost and accumulated depreciation or amortization are removed and the gain or loss is recorded.

Other Investments

Investments in Other Entities. The Company makes strategic investments in companies that have developed or are developing innovative wireless data applications and wireless carriers that promote the worldwide deployment of CDMA systems. Investments in corporate entities with less than a 20% voting interest are generally accounted for under the cost method. The Company uses the equity method to account for investments in corporate entities in which it has a voting interest of 20% to 50% and other than minor to 50% ownership interests in partnerships and limited liability corporations, or in which it otherwise has the ability to exercise significant influence. Under the equity method, the investment is originally recorded at cost and adjusted to recognize the Company's share of net earnings or losses of the investee, limited to the extent of the Company's investment in and advances to the investee and financial guarantees on behalf of the investee that create additional basis.

The Company regularly monitors and evaluates the realizable value of its investments. When assessing an investment for an other-than-temporary decline in value, the Company considers such factors as, among other things, the share price from the investee's latest financing round, the performance of the investee in relation to its own operating targets and its business plan, the investee's revenue and cost trends, as well as liquidity and cash position, including its cash burn rate, market acceptance of the investee's products/services as well as any new products or services that may be forthcoming, any significant news that has been released specific to the investee or the investee's competitors and/or industry, and the outlook for the overall industry in which the investee operates. From time to time, the Company may consider third party evaluations, valuation reports or advice from investment banks. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, the Company records a charge to investment income (expense).

Derivatives. 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 that certain derivative instruments be recorded at fair value. Derivative instruments held by the Company are comprised of warrants and other rights to purchase equity interests in certain other companies acquired as a result of strategic investment and financing activities. The Company recorded a $129 million gain, net of taxes of $87 million, as the cumulative effect of the change in accounting principle as of the beginning of fiscal 2001. The cumulative effect of the accounting change related primarily to the recognition of 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 (Leap Wireless Spin-off). At September 30, 2003 and 2002, the Company had the right to purchase 3,375,000 shares of Leap Wireless common stock under the warrant. The warrant's value was insignificant at September 30, 2003 and 2002.

The Company holds warrants to purchase equity interests in certain other publicly-traded and private companies related to its strategic investment activities. The Company's warrants are not held for trading purposes. The Company's warrants are recorded at fair value. Changes in fair value are recorded in investment income (expense) as a change in fair values of derivative instruments because the warrants do not meet the requirements for hedge accounting. Warrants that do not have contractual net settlement provisions are recorded at cost.

The Company enters into foreign currency forward contracts to hedge certain foreign currency transactions and probable anticipated foreign currency transactions. Unrealized gains and losses arising from foreign currency forward contracts are reported in investment income (expense) as a change in fair values of derivative instruments because the forward contracts are not designated as hedging instruments. The Company had no foreign currency forward contracts outstanding as of September 30, 2003 and 2002.

At September 30, 2003 and 2002, the recorded value of the Company's derivative investments totaled $2 million and $1 million, respectively, and none of the Company's derivatives were designated as hedges. The Company's derivative investments are included in other investments.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Effective as of the beginning of fiscal 2003, the Company fully adopted Statement of Financial Accounting Standards No. 141 (FAS 141), "Business Combinations," and Statement of Financial Accounting Standards No. 142 (FAS 142), "Goodwill and Other Intangible Assets." The provisions of FAS 141 (1) require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) provide specific criteria for the initial recognition and measurement of intangible assets apart from goodwill, and (3) require that unamortized negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. FAS 141 also required that, upon adoption of FAS 142, the Company reclassify the carrying amounts of certain intangible assets into or out of goodwill, based on certain criteria. Upon the adoption of FAS 142, the Company reclassified approximately $2 million of certain intangible assets into goodwill.

FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provisions of FAS 142 (1) prohibit the amortization of goodwill and indefinite-lived intangible assets, (2) require that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (3) require that reporting units be identified for the purpose of assessing potential impairments of goodwill, and (4) remove the forty-year limitation on the amortization period of intangible assets that have finite lives. The Company completed its transitional testing for goodwill impairment upon adoption of FAS 142 and its annual testing for fiscal 2003 and determined that its recorded goodwill was not impaired.

Starting in fiscal 2003, the Company no longer records goodwill amortization. Goodwill is tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired. Other intangible assets are amortized on a straight-line basis over their useful lives, ranging from three to twenty-eight years. Software development costs are capitalized when a product's technological feasibility has been established through the date a product is available for general release to customers.

The results of operations and earnings per share, assuming FAS 142 had been adopted at the beginning of fiscal 2001, are as follows (in thousands, except per share data):

	September 30,		
	2003	2002	2001
Reported income (loss) before accounting changes	$827,441	$359,677	$(560,141)
Goodwill amortization	–	249,536	245,678
Adjusted income (loss) before accounting changes	$827,441	$609,213	$(314,463)
Adjusted basic earnings (loss) before accounting changes per share	$ 1.05	$ 0.79	$ (0.42)
Adjusted diluted earnings (loss) before accounting changes per share	$ 1.01	$ 0.75	$ (0.42)
Reported net income (loss)	$827,441	$359,677	$(578,078)
Goodwill amortization	–	249,536	245,678
Adjusted net income (loss)	$827,441	$609,213	$(332,400)
Adjusted basic earnings (loss) per share	$ 1.05	$ 0.79	$ (0.44)
Adjusted diluted earnings (loss) per share	$ 1.01	$ 0.75	$ (0.44)

Valuation of Long-Lived and Intangible Assets

The Company adopted Statement of Financial Accounting Standards No. 144 (FAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets" as of the beginning of fiscal 2003. The adoption of this accounting standard did not have a material impact on the Company's operating results and financial position. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results.

Litigation

The Company is currently involved in certain legal proceedings. The Company estimates the range of liability related to pending litigation where the amount and range of loss can be estimated. The Company records its best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, the Company records the minimum estimated liability related to the claim. As additional information becomes available, the Company assesses the potential liability related to the Company's pending litigation and revises its estimates.

Guarantees and Product Warranties

Estimated future warranty obligations related to certain products are provided by charges to operations in the period in which the related revenue is recognized. The Company establishes a reserve for warranty obligations based on its historical warranty experience.

Changes in the Company's warranty liability were as follows (in thousands):

	September 30,	
	2003	2002
Balance at beginning of the year	$15,670	$19,748
Charges to expense	3,022	8,874
Release of warranty reserves	(6,669)	(5,018)
Usage	(8,476)	(7,934)
Balance at end of the year	$ 3,547	$15,670

In the normal course of business, the Company may provide guarantees to other parties. Upon issuance of a guarantee, the Company recognizes a liability for the fair value of the obligation it assumes under that guarantee, as required. At September 30, 2003, liabilities related to guarantees were not significant.

Stock-Based Compensation

The Company records compensation expense for employee stock options based upon their intrinsic value on the date of grant pursuant to Accounting Principles Board Opinion 25 (APB 25), "Accounting for Stock Issued to Employees." Because the Company establishes the exercise price based on the fair market value of the Company's stock at the date of grant, the options have no intrinsic value upon grant, and therefore no expense is recorded. Each quarter, the Company reports the potential dilutive impact of stock options in its diluted earnings per share using the treasury-stock method. Out-of-the-money stock options (i.e., the average stock price during the period is below the strike price of the option) are not included in diluted earnings per share.

Equity instruments issued to non-employees for goods or services are accounted for at fair value and are marked to market until service is complete or a performance commitment date is reached.

As required under Financial Accounting Standards Board Statement No. 123 (FAS 123), "Accounting for Stock-Based Compensation," and Statement of Financial Accounting Standards No. 148 (FAS 148), "Accounting for Stock-Based Compensation – Transition and Disclosure," the pro forma effects of stock-based compensation on net income and net earnings per common share have been estimated at the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	Stock Option Plans			Purchase Plans		
	2003	2002	2001	2003	2002	2001
Risk-free interest rate	3.2%	4.4%	5.0%	1.0%	2.3%	4.4%
Volatility	58.0%	58.0%	63.0%	41.1%	69.0%	78.0%
Dividend yield	0.2%	0.0%	0.0%	0.3%	0.0%	0.0%
Expected life (years)	6.0	6.0	6.0	0.5	0.5	0.5

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. Black-Scholes does not consider the employment, transfer or vesting restrictions that are inherent in the Company's employee options. Use of an option valuation model, as required by FAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant. Because the Company's employee options have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect the Company's estimate of the fair value of those options, in the Company's opinion, the existing valuation models, including Black-Scholes, are not reliable single measures and may misstate the fair value of the Company's employee options. As required by FAS 123, the Black-Scholes weighted average estimated fair values of stock options granted during fiscal 2003, 2002 and 2001 were $19.33, $28.20 and $44.25 per share, respectively. The weighted average estimated fair values of purchase rights pursuant to the Employee Stock Purchase Plans during fiscal 2003, 2002 and 2001 were $9.60, $14.57 and $24.20, respectively, per share.

For purposes of pro forma disclosures, the estimated fair value of the options is assumed to be amortized to expense over the options' vesting periods. The pro forma effects of recognizing compensation expense under the fair value method on net income and net earnings per common share for the years ended September 30 were as follows (in thousands, except for earnings per share):

	2003	2002	2001
Net income (loss), as reported	$ 827,441	$ 359,677	$(578,078)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax benefits	639	1,279	1,591
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(260,350)	(235,193)	(168,715)
Pro forma net income (loss)	$ 567,730	$ 125,763	$(745,202)
Earnings (loss) per share:			
Basic – as reported	$ 1.05	$ 0.47	$ (0.76)
Basic – pro forma	$ 0.72	$ 0.16	$ (0.99)
Diluted – as reported	$ 1.01	$ 0.44	$ (0.76)
Diluted – pro forma	$ 0.69	$ 0.16	$ (0.99)

Foreign Currency

Foreign subsidiaries operating in a local currency environment use the local currency as the functional currency. Assets and liabilities are translated to United States dollars at year-end exchange rates; revenues, expenses, gains and losses are translated at rates of exchange that approximate the rates in effect at the transaction date. Resulting translation gains or losses are recognized as a component of other comprehensive income. The functional currency of the Company's foreign investees that do not use local currencies is the United States dollar. Where the United States dollar is the functional currency, the monetary assets and liabilities are translated into United States dollars at the exchange rate in effect at the balance sheet date. Revenues, expenses, gains and losses associated with the monetary assets and liabilities are translated at the rates of exchange that approximate the rates in effect at the transaction date. Non-monetary assets and liabilities and related elements of expense, gains and losses are translated at historical rates. Resulting translation gains or losses of these foreign investees are recognized in the statements of operations.

During fiscal 2003 and 2001, net foreign currency transaction gains and losses included in the Company's statements of operations were insignificant. During fiscal 2002, net foreign currency transaction losses included in the Company's statements of operations were $11 million.

Comprehensive Income

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. The Company presents other comprehensive income (loss) in its consolidated statements of stockholders' equity.

The reclassification adjustment for other-than-temporary losses on marketable securities results from the recognition of unrealized losses in the statement of operations resulting from declines in the market prices of those securities deemed to be other than temporary. The reclassification adjustment for net realized losses (gains) results from the recognition of the net realized losses or gains in the statement of operations when the marketable securities are sold. The reclassification adjustment for losses included in the accounting change results from the recognition of unrealized losses attributable to derivative instruments as of the beginning of fiscal 2001 in the statement of operations as a result of the implementation of FAS 133. Unrealized losses on certain derivative instruments subject to FAS 133 were previously recorded as a component of other comprehensive income (loss).

Components of accumulated other comprehensive loss consisted of the following (in thousands):

	September 30,	
	2003	2002
Foreign currency translation	$(82,987)	$ (79,762)
Unrealized gain (loss) on marketable securities, net of income taxes	59,218	(51,187)
	$(23,769)	$(130,949)

Earnings Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per common share is computed by dividing net income (loss) by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's stock-based compensation plans and the weighted average number of common shares outstanding during the reporting period.

The incremental dilutive common share equivalents, calculated using the treasury stock method, for fiscal 2003 and 2002 were 28,169,000 and 38,442,000, respectively. The diluted loss per common share for fiscal 2001 is based only on the weighted average number of common shares outstanding during the period, as the inclusion of 51,188,000 common share equivalents would have been anti-dilutive.

Stock options to purchase approximately 43,270,000, 40,845,000 and 14,427,000 shares of common stock during fiscal 2003, 2002 and 2001 respectively, were outstanding but not included in the computation of diluted earnings (loss) per common share because the option exercise price was greater than the average market price of the common stock, and therefore, the effect on dilutive earnings (loss) per share would be anti-dilutive.

Future Accounting Requirements

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," was issued in January 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. Since January 31, 2003, the Company has not invested in any entities it believes are variable interest entities. For those arrangements entered into prior to February 1, 2003, the Company is required to adopt the provisions of FIN 46 at the end of the first quarter of fiscal 2004, in accordance with the FASB Staff Position 46-6 which delayed the effective date of FIN 46 for those arrangements. The Company is in the process of determining the effect, if any, the adoption of FIN 46 will have on its financial statements.

NOTE 2. MARKETABLE SECURITIES

Marketable securities were comprised as follows (in thousands):

	Current September 30, 2003	Current September 30, 2002	Noncurrent September 30, 2003	Noncurrent September 30, 2002
Held-to-maturity:				
Certificates of deposit	$ 5,073	$ 76,153	$ –	$ –
Commercial paper	–	–	–	6,200
Federal agencies	489	–	129,988	–
Corporate medium-term notes	161,416	97,669	70,111	89,418
	166,978	173,822	200,099	95,618
Available-for-sale:				
Federal agencies	346,056	270,896	–	–
U.S. government securities	349,398	238,286	–	–
Corporate medium-term notes	1,117,968	300,648	22,099	14,121
Mortgage and asset-backed securities	485,859	290,702	–	–
Non-investment grade debt securities	39,316	6,558	458,768	245,075
Equity securities	10,428	130,266	129,688	24,956
	2,349,025	1,237,356	610,555	284,152
Trading:				
Corporate convertible bonds	–	–	–	1,860
	–	–	–	1,860
	$2,516,003	$1,411,178	$810,654	$381,630

As of September 30, 2003, the contractual maturities of debt securities were as follows (in thousands):

	Years to Maturity: Less than One Year	One to Five Years	Five to Ten Years	Greater than Ten Years	No Single Maturity Date	Total
Held-to-maturity	$166,978	$ 200,099	$ –	$ –	$ –	$ 367,077
Available-for-sale	187,571	1,702,214	428,331	16,816	484,532	2,819,464
	$354,549	$1,902,313	$428,331	$16,816	$484,532	$3,186,541

Securities with no single maturity date include mortgage-backed securities and asset-backed securities.

Available-for-sale securities were comprised as follows at September 30 (in thousands):

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
2003				
Equity securities	$ 103,735	$ 36,973	$ (592)	$ 140,116
Debt securities	2,757,882	69,069	(7,487)	2,819,464
Total	$2,861,617	$106,042	$ (8,079)	$2,959,580
2002				
Equity securities	$ 210,769	$ 18,520	$(74,067)	$ 155,222
Debt securities	1,361,926	21,535	(17,175)	1,366,286
Total	$1,572,695	$ 40,055	$(91,242)	$1,521,508

The fair values of held-to-maturity debt securities at September 30, 2003 and 2002 approximate cost.

NOTE 3. COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Accounts Receivable

	September 30,	
(In thousands)	2003	2002
Trade, net of allowance for doubtful accounts of $12,352 and $21,647, respectively	$460,477	$521,371
Long-term contracts:		
Billed	10,047	4,576
Unbilled	6,898	985
Other	6,371	10,018
	$483,793	$536,950

Unbilled receivables represent costs and profits recorded in excess of amounts billable pursuant to contract provisions and are expected to be realized within one year.

Finance Receivables

Finance receivables result from arrangements in which the Company has agreed to provide its customers or certain CDMA customers of Telefonaktiebolaget LM Ericsson (Ericsson) with long-term interest bearing debt financing for the purchase of equipment and/or services. Finance receivables were comprised as follows:

	September 30,	
(In thousands)	2003	2002
Finance receivables	$205,464	$881,859
Allowances	(18,047)	(50,529)
	187,417	831,330
Current maturities, net	5,795	388,396
Noncurrent finance receivables, net	$181,622	$442,934

At September 30, 2003 and 2002, the fair value of finance receivables approximated $198 million and $826 million, respectively. The fair value of finance receivables is estimated by discounting the future cash flows using current interest rates at which similar financing would be provided to similar customers for the same remaining maturities.

Maturities of finance receivables at September 30, 2003 were as follows (in thousands):

Fiscal Year Ending September 30,	Amount
2004	$ 7,107
2005	560
2006	49,103
2007	65,311
2008	65,311
Thereafter	18,072
	$205,464

Maturities after 2008 include finance receivables which have been fully reserved.

The Company had various financing arrangements, including a bridge loan facility, an equipment loan facility and interim and additional interim loan facilities, with Pegaso Comunicaciones y Sistemas S.A. de C.V., a wholly owned subsidiary of Pegaso Telecomunicaciones, S.A. de C.V., a CDMA wireless operator in Mexico (collectively referred to as Pegaso). On September 10, 2002, Telefónica Móviles (Telefónica) acquired a 65% controlling interest in Pegaso. On October 10, 2002, Pegaso paid $82 million in full satisfaction of the interim and additional interim loans. On November 8, 2002, Pegaso paid $435 million in full satisfaction of the bridge loan facility. The Company used approximately $139 million of the bridge loan proceeds to purchase outstanding vendor debt owed by Pegaso to other lenders. On March 31, 2003, Pegaso paid $4 million on the equipment loan facility. On June 13, 2003, Pegaso prepaid $281 million of the equipment loan facility, including accrued interest, in accordance with certain terms of the equipment loan facility. As a result of these transactions, finance receivables from Pegaso decreased by $663 million.

At September 30, 2003, amounts outstanding, net of deferred interest, under the Pegaso equipment loan facility were $181 million, including the acquired vendor debt, as compared to $821 million outstanding under the various financing arrangements with Pegaso at September 30, 2002. The remaining equipment loan facility outstanding with Pegaso, including the acquired vendor debt, is payable quarterly starting in March 2006 through December 2008 and bears interest at the London Interbank Offered Rate (LIBOR) plus 1% through September 9, 2004, LIBOR plus 3% thereafter through September 9, 2007 and LIBOR plus 6% thereafter. The Company recognized $41 million, $9 million and $90 million in interest income related to the Pegaso financing arrangements during fiscal 2003, 2002 and 2001, respectively, including $23 million of deferred interest income recorded as a result of the prepayment in fiscal 2003.

At September 30, 2003, commitments to extend long-term financing by the Company to certain CDMA customers of Ericsson totaled approximately $464 million. The commitment to fund $346 million of this amount expires on November 6, 2003. The funding of the remaining $118 million, if it occurs, is not subject to a fixed expiration date. The financing commitments are subject to the CDMA customers meeting conditions prescribed in the financing arrangements and, in certain cases, to Ericsson also financing a portion of such sales and services. This financing is generally collateralized by the related equipment. Commitments represent the maximum amounts to be financed under these arrangements; actual financing may be in lesser amounts.

Inventories

	September 30,	
(In thousands)	2003	2002
Raw materials	$ 18,512	$19,583
Work-in-process	3,000	4,315
Finished goods	88,839	64,196
	$110,351	$88,094

Property, Plant and Equipment

	September 30,	
(In thousands)	2003	2002
Land	$ 47,214	$ 41,668
Buildings and improvements	338,424	294,186
Computer equipment	378,983	348,208
Machinery and equipment	449,181	442,098
Furniture and office equipment	22,152	29,841
Leasehold improvements	42,750	53,769
	1,278,704	1,209,770
Less accumulated depreciation and amortization	(656,439)	(523,487)
	$ 622,265	$ 686,283

Depreciation and amortization expense related to property, plant and equipment for fiscal 2003, 2002 and 2001 was $148 million, $133 million and $91 million, respectively. At September 30, 2003 and 2002, buildings and improvements and leasehold improvements with a net book value of $66 million and $86 million, respectively, including accumulated depreciation and amortization of $52 million and $43 million, respectively, were leased or held for lease to third parties. Future minimum rental income in each of the next five years from fiscal 2004 to 2008 are $14 million, $7 million, $7 million, $7 million and $6 million, respectively.

Intangible Assets

Starting in fiscal 2003, the Company no longer records goodwill amortization (Note 1). The Company's reportable segment assets do not include goodwill (Note 10). The Company allocated goodwill to its reporting units for transition testing purposes as of the date of its adoption of FAS 142. Goodwill was allocated to reporting units included in the Company's reportable segments as follows: $268 million in QUALCOMM CDMA Technologies, $73 million in QUALCOMM Technology Licensing, $4 million in QUALCOMM Wireless & Internet and $2 million in QUALCOMM Strategic Initiatives.

All of the Company's acquired intangible assets other than goodwill are subject to amortization. During fiscal 2003, the Company acquired $82 million in personal mobile services (SMP) licenses in Brazil. During fiscal 2003, the Company recorded a $160 million impairment loss on its long-lived assets in its QUALCOMM Strategic Initiatives (QSI) segment related to Vésper (Note 11), including impairment of $34 million in wireless licenses, $12 million in marketing-related intangible assets and $5 million in customer-related intangible assets. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values

During fiscal 2001, the Company acquired licenses in the third generation wireless spectrum auctions in Australia for $84 million. During fiscal 2003, the Company recorded a $34 million impairment loss in its QSI segment on its wireless licenses in Australia due to recent developments that affected potential strategic alternatives for using the spectrum. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values.

The components of intangible assets which are included in other assets were as follows (in thousands):

	September 30, 2003		September 30, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Wireless licenses	$174,480	$ (7,858)	$118,705	$ (1,429)
Marketing-related	20,683	(7,411)	34,673	(5,786)
Technology-based	35,558	(27,341)	31,846	(19,659)
Customer-related	16,652	(15,563)	22,806	(11,028)
Other	8,502	(1,089)	13,751	(4,881)
Total intangible assets	$255,875	$(59,262)	$221,781	$(42,783)

Amortization expense for fiscal year 2003, 2002 and 2001 was $20 million, $20 million and $12 million, respectively. Amortization expense related to these intangible assets is expected to be $19 million in fiscal 2004, $15 million in fiscal 2005, $14 million in fiscal 2006, $14 million in fiscal 2007 and $13 million in fiscal 2008.

Capitalized software development costs, which are included in other assets, were $36 million and $24 million at September 30, 2003 and 2002, respectively. Accumulated amortization on capitalized software was $26 million and $14 million at September 30, 2003 and 2002, respectively. Amortization expense related to capitalized software for fiscal 2003, 2002 and 2001 was $12 million, $10 million and $1 million, respectively.

NOTE 4. INVESTMENTS IN OTHER ENTITIES

Inquam Limited

In October 2000, the Company agreed to invest $200 million in the convertible preferred shares of Inquam Limited (Inquam) for an approximate 42% ownership interest in Inquam. Inquam owns, develops and manages wireless communications systems, either directly or indirectly, with the primary intent of deploying CDMA-based technology, primarily in Europe. The Company provided the final $27 million under this equity commitment during fiscal 2003 and had no remaining equity funding commitment at September 30, 2003.

On March 26, 2003, the Company agreed to extend $25 million of bridge loan financing to Inquam. Another investor in Inquam also agreed to provide $25 million in bridge loan financing. The Company provided the $25 million in funding during fiscal 2003 and had no remaining commitment under the bridge loan at September 30, 2003.

On July 14, 2003, the Company approved an additional $50 million investment in Inquam, subject to certain conditions, including a matching $50 million investment by another existing investor in Inquam. No commitments related to these potential investments were in place at September 30, 2003. On September 19, 2003, the Company and this other existing investor each agreed to provide an additional $5 million bridge financing to enable Inquam to meet its cash flow requirements while the terms of a new equity investment are being negotiated. It is the intention of both parties that this second $10 million bridge loan will be repaid with the proceeds from the anticipated equity investment. The Company provided $2 million under this second bridge loan during fiscal 2003 and had a remaining funding commitment of $3 million at September 30, 2003.

On September 22, 2003, the Company and another investor in Inquam agreed to guarantee the payment of amounts due by Inquam under a bank credit agreement. The Company's maximum liability under the guarantee is limited to an amount equal to 50% of the amounts outstanding under Inquam's credit agreement, up to a maximum of $10 million. No amounts were outstanding under the bank credit agreement as of September 30, 2003.

The Company uses the equity method to account for its investment in Inquam. During fiscal 2003, the Company recorded an $11 million other-than-temporary impairment loss related to its investment in Inquam. The impairment loss was the difference between the carrying value of the investment and its estimated fair value. At September 30, 2003, the Company's equity and debt investment in Inquam was $68 million, net of equity in losses and impairment. The Company expects that Inquam will focus its resources on the development of CDMA properties in the 450MHz frequency band in Romania and western Europe and will transfer its non-CDMA operations to one or more of Inquam's other shareholders. Inquam is expected to use approximately $70 million to $80 million in cash through the first half of calendar 2004. Inquam's management does not expect Inquam to be cash flow positive until calendar 2007 with its current business plan. If the Inquam operating companies cannot raise debt financing as expected or new investors cannot be found, Inquam's growth potential and the value of the Company's investment in Inquam may be negatively affected.

Inquam's summarized financial information, derived from its unaudited financial statements, is as follows (in thousands):

	September 30,	
	2003	2002
Balance sheet:		
Current assets	$ 45,356	$ 60,083
Noncurrent assets	172,398	265,631
Total assets	$217,754	$325,714
Current liabilities	$ 97,836	$ 98,496
Noncurrent liabilities	46,762	36,812
Total liabilities	$144,598	$135,308

	Years Ended September 30,		
	2003	2002	2001
Income statement:			
Net revenues	$ 49,959	$ 17,648	$ 6,162
Gross (loss) profit	(2,141)	(9,344)	1,056
Net loss	$(204,525)	$(104,366)	$(28,676)

Globalstar L.P.

Under now-terminated contracts with Globalstar L.P. (Globalstar), the Company designed, developed and manufactured subscriber products and ground communications systems utilizing CDMA technology and provided contract development services. Globalstar was formed to design, construct, and operate a worldwide, low-Earth-orbit satellite-based telecommunications system (the Globalstar System). Through partnership interests held in certain intermediate limited partnerships and other indirect interests, the Company owns an approximate 6.3% interest in Globalstar.

On January 16, 2001, Globalstar announced that, in order to have sufficient funds available for the continued progress of its marketing and service activities, it had suspended indefinitely principal and interest payments on all of its debt, including its vendor financing obligations. As a result, Globalstar did not make an approximately $22 million payment for principal and interest due to the Company on January 15, 2001. Globalstar also announced its intent to restructure its debt. As a result, the Company recorded total net charges of $49 million in cost of revenues, $519 million in asset impairment and related charges, $10 million in investment expense and $58 million in other non-operating charges during fiscal 2001 related primarily to the impairment of certain assets related to its business with Globalstar. Globalstar filed for Chapter 11 bankruptcy protection during fiscal 2002. On April 25, 2003, the U.S. Bankruptcy Court approved the sale of Globalstar's assets to a new company to be controlled by ICO Global Communications (Holdings) Limited (ICO), however ICO has indicated as of October 2003 that it does not believe it will complete the acquisition. Globalstar has opened negotiations with other parties with respect to an acquisition of Globalstar's assets.

The Company continues to provide services and sell products to Globalstar service providers and other customers involved with the Globalstar System. In addition, the Company is in negotiations with potential acquirers to provide products and services to the new operating company.

Revenues resulting from agreements with Globalstar and its consolidated subsidiaries for fiscal 2003, 2002 and 2001 were $12 million, $4 million and $35 million, respectively. The Company recorded net credits of $11 million and $4 million during fiscal 2003 and 2002, respectively, related to sales of previously impaired assets. The Company did not recognize any interest income related to Globalstar during fiscal 2003, 2002 and 2001. All receivables from, loans to and investments in Globalstar have no remaining recorded values at September 30, 2003.

Other

Other strategic investments as of September 30, 2003 and 2002 amounted to $87 million and $130 million, respectively, including $33 million and $73 million, respectively, accounted for using the cost method. The fair values of cost method investments approximate their recorded values. At September 30, 2003, effective ownership interests in the investees ranged from less than 1% to 50%.

Summarized financial information regarding our principal equity method investments, excluding Inquam and Vésper (Note 11), derived from their unaudited financial statements, follows. These investments are noncontrolling interests in venture capital funds. Information is presented in the aggregate, and net (loss) income is generally presented from the acquisition date (in thousands):

	September 30,	
	2003	2002
Current assets	$ 82,343	$ 59,625
Noncurrent assets	41,064	65,742
Total assets	$123,407	$125,367
Current liabilities	$ 347	$ 257
Noncurrent liabilities	513	–
Total liabilities	$ 860	$ 257

	Years Ended September 30,		
	2003	2002	2001
Net (loss) income	$(41,156)	$(15,259)	$14,555

Funding commitments related to these investments total $24 million at September 30, 2003, which the Company expects to fund through fiscal 2009. Such commitments are subject to the investees meeting certain conditions; actual equity funding may be in lesser amounts. An investee's failure to successfully develop and provide competitive products and services due to lack of financing, market demand or unfavorable economic environment could adversely affect the value of the Company's investment in the investee. There can be no assurance that the investees will be successful in their efforts.

NOTE 5. INVESTMENT INCOME (EXPENSE)

Investment income (expense) for the years ended September 30 was comprised as follows (in thousands):

	2003	2002	2001
Interest income	$ 163,526	$ 134,937	$ 243,298
Net realized gains on marketable securities	72,987	11,956	63,420
Net realized (losses) gains on other investments	(169)	(9,480)	6,267
Other-than-temporary losses on marketable securities	(100,199)	(205,811)	(147,649)
Other-than-temporary losses on other investments	(38,257)	(24,680)	(50,749)
Change in fair values of derivative instruments	(3,201)	(58,874)	(242,849)
Minority interest in loss (income) of consolidated subsidiaries	36,949	52,498	(3,769)
Equity in losses of investees	(126,015)	(86,958)	(185,060)
	$ 5,621	$(186,412)	$(317,091)

During fiscal 2003, management determined that declines in the market value of the Company's investment in Korea Telecom Freetel Co., Ltd. (KTF), a wireless operator in South Korea, were other than temporary. In reaching this conclusion, the decline in stock value as a percentage of the original cost and the length of time in which the market value of the investment had been below its original cost were considered. As a result, the Company recorded $81 million in other-than-temporary losses on marketable securities. The Company holds 4,416,000 common shares of KTF as of September 30, 2003. The fair value of the common shares was $82 million at September 30, 2003.

During fiscal 2002, management determined that declines in the market values of the Company's investments in Leap Wireless (Note 1) were other than temporary when those values declined significantly due to unfavorable business developments. Subsequently, Leap Wireless filed for Chapter 11 bankruptcy protection in April, 2003. The Company recorded $162 million and $18 million in other-than-temporary losses on marketable securities for the notes and stock, respectively, during fiscal 2002. The Company also recorded $59 million and $213 million in losses related to changes in the fair values of Leap Wireless derivative investments for fiscal 2002 and 2001, respectively. The Company holds 308,000 units of Leap Wireless' senior discount notes with detachable warrants for $150 million. The warrants entitle each holder to purchase 2.503 common shares per each senior discount note unit held at $96.80 per common share. In addition, the Company holds 489,000 shares of Leap Wireless' common stock at September 30, 2003 and a warrant to purchase common stock issued to the Company in connection with its spin-off of Leap Wireless. The fair values of the senior discount notes and the common stock totaled $29 million, and the warrants had insignificant value at September 30, 2003.

During fiscal 2001, the Company recorded an other-than-temporary impairment charge of $134 million in investment income (expense) related to its investment in NetZero, Inc. (NetZero). NetZero was a publicly-traded company that provided Internet access and services to consumers and on-line direct marketing services to advertisers. Effective September 26, 2001, NetZero and Juno Online Services, Inc. completed a merger and became United Online, Inc. (United Online). The Company received 2,300,000 shares of United Online for its 11,500,000 shares of NetZero, representing an approximate 5.7% interest in United Online. During fiscal 2003, the Company sold its shares in United Online, resulting in realized gains of $53 million. At September 30, 2003, the Company no longer holds shares in United Online.

NOTE 6. INCOME TAXES

The components of income tax provision for the years ended September 30 were as follows (in thousands):

	2003	2002	2001
Current provision:			
Federal	$228,099	$ 5,377	$ 274,316
State	49,909	7,989	69,640
Foreign	119,295	85,903	77,276
	397,303	99,269	421,232
Deferred provision (benefit):			
Federal	44,936	(22)	(279,730)
State	15,467	2,201	(37,001)
	60,403	2,179	(316,731)
	$457,706	$101,448	$ 104,501

The components of earnings before income taxes for the years ended September 30 were as follows (in thousands):

	2003	2002	2001
United States	$1,167,668	$487,615	$(435,237)
Foreign	117,479	(26,490)	(20,403)
Earnings before income taxes	$1,285,147	$461,125	$(455,640)

The following is a reconciliation from the expected statutory federal income tax provision to the Company's actual income tax provision for the years ended September 30 (in thousands):

	2003	2002	2001
Expected income tax provision (benefit) at federal statutory tax rate	$449,801	$ 161,394	$(159,474)
State income tax provision (benefit), net of federal benefit	50,121	23,978	(23,693)
Goodwill amortization	–	96,642	95,728
Other permanent differences	454	7,649	6,567
Foreign income taxed at other than U.S. rates	(71,636)	(42,717)	(27,428)
U.S. deduction for foreign losses	(93,026)	–	–
Valuation allowance	143,682	(116,697)	231,883
Tax credits	(31,561)	(25,788)	(28,549)
Alternative Minimum Tax	–	–	4,165
Other	9,871	(3,013)	5,302
Actual income tax provision	$457,706	$ 101,448	$ 104,501

The Company did not provide for United States income taxes and foreign withholding taxes on a cumulative total of approximately $877 million of undistributed earnings for certain non-United States subsidiaries. The Company considers the operating earnings of non-United States subsidiaries to be indefinitely invested outside the United States. Should the Company repatriate foreign earnings, the Company would have to adjust the income tax provision in the period in which the facts that give rise to the revision become known.

At September 30, 2003 and 2002, the Company had net deferred tax assets as follows (in thousands):

	2003	2002
Accrued liabilities, reserves and other	$ 599,103	$ 280,706
Deferred revenue	171,904	170,608
Unrealized loss on marketable securities	236	35,600
Unused net operating losses	308,476	458,742
Tax credits	345,198	431,413
Unrealized loss on investments	377,958	247,930
Total gross assets	1,802,875	1,624,999
Valuation allowance	(660,276)	(1,523,044)
Total net deferred assets	1,142,599	101,955
Purchased intangible assets	(1,680)	(4,022)
Deferred contract costs	(43,551)	(42,173)
Unrealized gain on marketable securities	(39,331)	(15,022)
Other basis differences	(40,567)	(33,889)
Total deferred liabilities	$ (125,129)	$ (95,106)

The Company reversed approximately $1.1 billion of its valuation allowance on substantially all of its United States deferred tax assets during fiscal 2003 as a credit to stockholders' equity. The Company now believes that it will more likely than not have sufficient taxable income after stock option deductions to utilize its deferred tax assets. Although the majority of foreign net operating losses will not expire, the Company continues to provide a valuation allowance on substantially all of its foreign deferred tax assets totaling $494 million at September 30, 2003 because of uncertainty regarding their realization due to a history of losses from operations. The Company also provides a valuation allowance totaling $166 million at September 30, 2003 on all net capital losses generated after September 30, 2002 because of uncertainty regarding their realization. If any portion of the valuation allowance is removed, the release would be accounted for as a reduction of the income tax provision.

At September 30, 2003, the Company had unused federal and state income tax credits of $505 million and $118 million, respectively, generally expiring from 2004 through 2023. The Company does not expect these credits to expire unused.

Cash amounts paid for income taxes were $125 million, $89 million and $75 million for fiscal 2003, 2002 and 2001, respectively. The income taxes paid primarily relate to foreign withholding taxes.

NOTE 7. CAPITAL STOCK

Preferred Stock

The Company has 8,000,000 shares of preferred stock authorized for issuance in one or more series, at a par value of $0.0001 per share. In conjunction with the distribution of Preferred Share Purchase Rights, 1,500,000 shares of preferred stock are designated as Series A Junior Participating Preferred Stock and reserved such shares for issuance upon exercise of the Preferred Share Purchase Rights. At September 30, 2003 and 2002, no shares of preferred stock were outstanding.

Preferred Share Purchase Rights Plan

The Company has a Preferred Share Purchase Rights Plan (Rights Plan) to protect stockholders' rights in the event of a proposed takeover of the Company. Under the Rights Plan, the Company declared a dividend of one preferred share purchase right (a Right) for each share of the Company's common stock outstanding. Pursuant to the Rights Plan, each Right entitles the registered holder to purchase from the Company a one one-hundredth share of Series A Junior Participating Preferred Stock, $0.0001 par value per share, at a purchase price of $250. In November 1999, the Rights Plan was amended to provide that the purchase price be set at $400. The Rights are exercisable only if a person or group (an Acquiring Person) acquires beneficial ownership of 15% or more of the Company's outstanding shares of common stock. Upon exercise, holders, other than an Acquiring Person, will have the right, subject to termination, to receive the Company's common stock or other securities, cash or other assets having a market value, as defined, equal to twice such purchase price. The Rights, which expire on September 25, 2005, are redeemable in whole, but not in part, at the Company's option at any time for a price of $0.005 per Right.

Stock Repurchase Program

On February 11, 2003, the Company authorized the expenditure of up to $1 billion to repurchase shares of the Company's common stock over a two year period. During fiscal 2003, the Company bought 4,915,000 shares at a net aggregate cost of $158 million. At September 30, 2003, $834 million remains to be expended. Repurchased shares are retired upon repurchase.

Dividends

Cash dividends announced in fiscal 2003 were as follows (in thousands, except per share data):

	Fiscal 2003	
	Per Share	Total
First quarter	$ –	$ –
Second quarter	$0.05	39,461
Third quarter	$0.05	39,546
Fourth quarter	$0.07	55,769
Total	$0.17	$134,776

On October 8, 2003, the Company announced a cash dividend of $0.07 per share on the Company's common stock, payable on December 26, 2003 to stockholders of record as of the close of business on November 28, 2003.

NOTE 8. EMPLOYEE BENEFIT PLANS

Employee Savings and Retirement Plan

The Company has a 401(k) plan that allows eligible employees to contribute up to 50% of their eligible compensation, subject to annual limits. The Company matches a portion of the employee contributions and may, at its discretion, make additional contributions based upon earnings. The Company's contribution expense for fiscal 2003, 2002 and 2001 was $20 million, $20 million and $19 million, respectively.

Stock Option Plans

The Company may grant options to selected employees, directors and consultants to the Company to purchase shares of the Company's common stock at a price not less than the fair market value of the stock at the date of grant. The 2001 Stock Option Plan (the 2001 Plan) was adopted and replaced the 1991 Stock Option Plan (the 1991 Plan), which expired in August 2001. Options granted under the 1991 Plan remain outstanding until exercised or cancelled. The shares reserved under the 2001 Plan are equal to the number of shares available for future grant under the 1991 Plan on the date the 2001 Plan was approved by the Company's stockholders. At that date, 50,541,570 shares were available for future grants under the 2001 Plan. The Company may terminate the 2001 Plan at any time. The 2001 Plan provides for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding six years and are exercisable for up to ten years from the grant date. At September 30, 2003, options for 62,972,000 shares under both plans were exercisable at prices ranging from $2.19 to $172.38 for an aggregate exercise price of $1.7 billion.

The Company has adopted the 2001 Non-Employee Directors' Stock Option Plan (the 2001 Directors' Plan), which replaces the 1998 Non-Employee Directors' Stock Option Plan (the 1998 Directors' Plan). Options granted under the 1998 Directors' Plan remain outstanding until exercised or cancelled. The shares reserved under the 2001 Directors' Plan are equal to the number of shares available for future grant under the 1998 Directors' Plan on the date the 2001 Directors' Plan was approved by the Company's stockholders. At that date, 2,050,000 shares were available for future grants under the 2001 Directors' Plan. The Company may terminate the 2001 Directors' Plan at any time. This plan provides for non-qualified stock options to be granted to non-employee directors at fair market value, vesting over periods not exceeding five years and are exercisable for up to ten years from the grant date. At September 30, 2003, options for 1,700,000 shares under both plans were exercisable at prices ranging from $3.15 to $133.00 per share for an aggregate exercise price of $25 million.

In March 2000, the Company assumed 1,560,000 outstanding stock options under the SnapTrack, Inc. 1995 Stock Option Plan (the SnapTrack Plan), as amended with respect to the acquisition. The SnapTrack Plan expired on the date of acquisition, and no additional shares may be granted under that plan. The SnapTrack Plan provided for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding four years and are exercisable for up to ten years from the grant date. At September 30, 2003, options for 324,000 shares were exercisable at prices ranging from $0.13 to $5.26 for an aggregate exercise price of $1 million.

A summary of stock option transactions for the plans follows (number of shares in thousands):

	Options Shares Available for Grant	Options Outstanding: Number of Shares	Exercise Price Per Share: Range	Exercise Price Per Share: Weighted Average
Balance at September 30, 2000	60,979	109,968	$ 0.02 to $172.38	$13.25
Additional shares reserved[a]	6	–	–	–
Options assumed[a]	(6)	6	0.02 to 5.30	1.32
Plan shares expired[b]	(58)	–	–	–
Options granted	(15,589)	15,589	45.54 to 100.50	71.17
Options cancelled	2,557	(2,557)	1.02 to 140.00	27.83
Options exercised	–	(14,831)	0.13 to 83.50	6.28
Balance at September 30, 2001	47,889	108,175	$ 0.02 to $172.38	$22.20
Plan shares expired[b]	(31)	–	–	–
Options granted	(26,525)	26,525	25.61 to 60.04	48.70
Options cancelled	3,101	(3,101)	1.02 to 141.62	50.80
Options exercised	–	(14,325)	0.02 to 51.82	5.68
Balance at September 30, 2002	24,434	117,274	$ 0.13 to $172.38	$29.45
Plan shares expired[b]	(2)	–	–	–
Options granted	(16,832)	16,832	29.10 to 45.73	34.83
Options cancelled	4,273	(4,273)	1.58 to 147.87	48.30
Options exercised	–	(23,347)	0.29 to 39.13	6.56
Balance at September 30, 2003	11,873	106,486	$ 0.13 to $172.38	$34.56

(a) Represents activity related to options that were assumed as a result of the acquisition of SnapTrack in March 2000.
(b) Represents shares available for future grant cancelled pursuant to the SnapTrack escrow agreement.

Information about fixed stock options outstanding at September 30, 2003 follows (number of shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$ 0.13 to $ 5.72	17,153	2.38	$ 4.48	17,091	$ 4.48
$ 5.75 to $ 7.02	15,561	4.46	6.65	14,534	6.65
$ 7.03 to $ 19.25	11,029	4.55	10.51	10,247	10.25
$23.83 to $ 34.94	15,819	8.97	32.63	2,487	31.63
$34.96 to $ 49.68	16,164	8.48	42.61	4,621	44.90
$50.75 to $ 66.33	16,961	7.74	59.18	7,331	58.92
$66.35 to $172.38	13,799	6.80	85.19	8,684	86.12
	106,486	6.24	$34.56	64,995	$26.83

There were 68,938,000 options exercisable with a weighted average exercise price of $17.93 at September 30, 2002. There were 60,748,000 options exercisable with a weighted average exercise price of $11.52 at September 30, 2001.

Information about stock options outstanding at September 30, 2003 with exercise prices less than or above $41.65, the closing price at September 30, 2003, follows (number of shares in thousands):

	Exercisable		Unexercisable		Total	
Stock Options	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Less than $41.65	45,890	$ 9.00	21,929	$31.98	67,819	$16.43
Above $41.65	19,105	69.68	19,562	63.13	38,667	66.37
Total outstanding	64,995	$26.83	41,491	$46.67	106,486	$34.56

Employee Stock Purchase Plans

The Company has employee stock purchase plans for all eligible employees to purchase shares of common stock at 85% of the lower of the fair market value on the first or the last day of each six-month offering period. Employees may authorize the Company to withhold up to 15% of their compensation during any offering period, subject to certain limitations. The 2001 Employee Stock Purchase Plan (the 2001 Purchase Plan) was adopted and replaces the 1991 Employee Stock Purchase Plan, which expired in August 2001. The 2001 Purchase Plan authorizes up to 12,155,000 shares to be granted until the Company terminates the

2001 Purchase Plan. The 1996 Non-Qualified Employee Stock Purchase Plan authorizes up to 200,000 shares to be granted at anytime. During fiscal 2003, 2002 and 2001, shares totaling 1,372,000, 1,150,000 and 758,000 were issued under the plans at an average price of $26.39, $31.45 and $50.16 per share, respectively. At September 30, 2003, 9,718,000 shares were reserved for future issuance.

Executive Retirement Plans

The Company has voluntary retirement plans that allow eligible executives to defer up to 100% of their income on a pre-tax basis. On a quarterly basis, the Company matches up to 10% of the participants' deferral in Company common stock based on the then-current market price, to be distributed to the participant upon eligible retirement. The income deferred and the Company match held in trust are unsecured and subject to the claims of general creditors of the Company. Company contributions begin vesting based on certain minimum participation or service requirements, and are fully vested at age 65. Participants who terminate employment forfeit their unvested shares. All shares forfeited are used to reduce the Company's future matching contributions. The plans authorize up to 800,000 shares to be allocated to participants at anytime. During fiscal 2003, 2002 and 2001, 45,000, 44,000 and 33,000 shares, respectively, were allocated under the plans. The Company's matching contribution net of amounts forfeited during fiscal 2003, 2002 and 2001 amounted to approximately $2 million, $2 million and $3 million, respectively. At September 30, 2003, 219,000 shares, including 40,000 issued and unallocated forfeited shares, were reserved for future allocation.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation

Schwartz, et al v. QUALCOMM: 87 former QUALCOMM employees filed a lawsuit against the Company in the District Court for Boulder County, Colorado, alleging claims for intentional misrepresentation, nondisclosure and concealment, violation of C.R.S. Section 8-2-104 (obtaining workers by misrepresentation), breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, negligent misrepresentation, unjust enrichment, violation of California Labor Code Section 970, violation of California Civil Code Sections 1709-1710, rescission, violation of California Business & Professions Code Section 17200 and violation of California Civil Code Section 1575. The complaint seeks economic, emotional distress and punitive damages and unspecified amounts of interest. On November 29, 2001, the Court granted the Company's motion to dismiss 17 of the plaintiffs from the lawsuit. Subsequently, the Court dismissed three other plaintiffs from the lawsuit. On November 18, 2002, the Court granted the Company's motion to dismiss 61 of the remaining 67 plaintiffs from the lawsuit. The Company subsequently resolved the matters with the remaining plaintiffs. Those plaintiffs whose claims were dismissed have appealed. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

Hanig et al. v. QUALCOMM, Boesel, et al v. QUALCOMM, Stone et al v. QUALCOMM, Ortiz et al v. QUALCOMM, Shannon et al. v. QUALCOMM, Deshon et al v. QUALCOMM, Earnhart et al. v. QUALCOMM. These cases were filed in San Diego County Superior Court by over 100 former employees, alleging claims for declaratory relief, breach of contract, intentional/negligent fraud, concealment, rescission, specific performance, work, labor and services, breach of the implied covenant of good faith and fair dealing, violation of California Business & Professions Code Section 17200 and unjust enrichment, claiming that they were entitled to full vesting of unvested stock options as a result of the sale of the Company's infrastructure business to Ericsson in 1999. The Company has answered the complaints, which have been consolidated. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

GTE Wireless Incorporated (GTE) v. QUALCOMM: On June 29, 1999, GTE filed an action against the Company in the United States District Court for the Eastern District of Virginia seeking damages and injunctive relief and asserting that wireless telephones sold by the Company infringe a single patent allegedly owned by GTE. On September 15, 1999, the Court granted the Company's motion to transfer the action to the United States District Court for the Southern District of California. On February 14, 2002, the District Court granted QUALCOMM's motion for summary judgment that QUALCOMM's products did not infringe GTE's asserted patent and denied GTE's motion seeking summary judgment of infringement. On July 14, 2003, the parties entered into a settlement agreement dismissing all claims and counterclaims with prejudice.

Durante, et al v. QUALCOMM: On February 2, 2000, three former QUALCOMM employees filed a putative class action against the Company, ostensibly on behalf of themselves and those former employees of the Company whose employment was terminated in April 1999. Virtually all of the purported class of plaintiffs received severance packages at the time of the termination of their employment, in exchange for a release of claims, other than federal age discrimination claims, against the Company. The complaint was filed in California Superior Court in and for the County of Los Angeles and purports to state ten causes of action including breach of contract, age discrimination, violation of Labor Code Section 200, violation of Labor Code Section 970, unfair business practices, intentional infliction of emotional distress, unjust enrichment, breach of the covenant of good faith and fair dealing, declaratory relief and undue influence. The complaint seeks an order accelerating all unvested stock options for the members of the class, plus economic and liquidated damages of an unspecified amount. On June 27, 2000, the case was ordered transferred from Los Angeles County Superior Court to San Diego County Superior Court. On July 3, 2000, the Company removed the case to the United States District Court for the Southern District of California, and discovery commenced. On May 29, 2001, the Court dismissed all plaintiffs' claims except for claims arising under the federal Age Discrimination in Employment Act. On July 16, 2001, the Court granted conditional class certification on the remaining claims, to be revisited by the Court at the end of the discovery period. On April 15, 2003, the Court granted the Company's summary judgment motions as to all remaining class members' disparate impact claims. On June 18, 2003, the Court ordered decertification of the class and dismissed the remaining claims of the opt-in plaintiffs without prejudice. Plaintiffs have filed an appeal. On June 20, 2003, 76 of the opt-in plaintiffs filed an action in Federal District Court for the Southern District of California, alleging violations of the Age Discrimination in Employment Act as a result of their layoffs in 1999. To date, the complaint has not been served. Although there can be no assurance that an unfavorable outcome of these disputes would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the actions.

Zoltar Satellite Alarm Systems, Inc. v. QUALCOMM and SnapTrack: On March 30, 2001, Zoltar Satellite Alarm Systems, Inc. (Zoltar) filed suit against QUALCOMM and SnapTrack, a QUALCOMM wholly-owned subsidiary, in the United States District Court for the Northern District of California seeking damages and injunctive relief and alleging infringement of three patents. On August 27, 2001, Zoltar filed an amended complaint adding Sprint Corp. as a named defendant and narrowing certain infringement claims against QUALCOMM and SnapTrack. Since then, Zoltar has dismissed Sprint Corp. as a defendant. On September 23, 2002, the court denied Zoltar's motion for summary judgment that the accused products infringe. Since then, the court has denied a second motion for summary judgment by Zoltar and denied summary judgment motions by QUALCOMM with leave to renew the motions at trial. The court is also considering further claim construction and will consider further evidence on invalidity prior to trial. Trial is currently set for February 24, 2004. Although there can be no assurance that an unfavorable outcome of this dispute would not have a material adverse effect on QUALCOMM's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

Texas Instruments: On July 25, 2003, the Company filed an action in Delaware Superior Court against Texas Instruments Incorporated for breach of a patent portfolio license agreement between the parties, seeking damages and other relief. On September 23, 2003, Texas Instruments filed an action in Delaware Chancery Court against the company alleging breach of the same agreement, seeking damages and other relief. Although there can be no assurance that an unfavorable outcome of the action brought by Texas Instruments would not have a material adverse effect on QUALCOMM's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

The Company has been named, along with many other manufacturers of wireless phones, wireless operators and industry-related organizations, as a defendant in purported class action lawsuits (In re Wireless Telephone Frequency Emissions Products Liability Litigation, United States District Court for the District of Maryland), and in several individually filed actions, seeking personal injury, economic and/or punitive damages arising out of its sale of cellular phones. On March 5, 2003, the Court granted the defendants motions to dismiss five of the consolidated cases (Pinney, Gimpleson, Gillian, Farina and Naquin) on the grounds that the claims were preempted by federal law. On April 2, 2003, the plaintiffs filed a notice of appeal of this order and the Court's order denying remand. All remaining cases filed against the Company allege personal injury as a result of their use of a wireless telephone. The courts that have reviewed similar claims against other companies to date have held that there was insufficient scientific basis for the plaintiffs' claims in those cases, and the judge responsible for the multi-district litigation proceedings recently made such a ruling (which was upheld on appeal) in another case to which the Company is not a party. Although there can be no assurance that an unfavorable outcome of these and other disputes would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the actions.

The Company has not recorded any accrual for contingent liability associated with the legal proceedings described above based on the Company's belief that a liability, while possible, is not probable. Further, any possible range of loss cannot be estimated at this time. The Company is engaged in numerous other legal actions arising in the ordinary course of its business and believes that the ultimate outcome of these actions will not have a material adverse effect on its operating results, liquidity or financial position.

Operating Leases

The Company leases certain of its facilities and equipment under noncancelable operating leases, with terms ranging from two to ten years and with provisions for cost-of-living increases. Rental expense for fiscal 2003, 2002 and 2001 was $48 million, $61 million and $28 million, respectively. Rental expense includes $14 million and $19 million in fiscal 2003 and 2002, respectively, as a result of the consolidation of Vésper Holding (Note 11). Future minimum lease payments in each of the next five years from fiscal 2004 through 2008 are $42 million, $32 million, $25 million, $17 million and $8 million, respectively, and $11 million thereafter.

Purchase Obligations

The Company has agreements with suppliers to purchase inventory and other goods and services and estimates its noncancelable obligations under these agreements to be approximately $307 million in fiscal 2004 and $13 million in fiscal 2005. The Company also has commitments to purchase telecommunications services for approximately $20 million in fiscal 2004, $20 million in fiscal 2005 and $17 million in fiscal 2006.

Letters of Credit and Other Financial Commitments

In addition to the financing commitments to Ericsson (Note 3) and the Inquam bridge loan and guarantee commitments (Note 4), the Company had $1 million of letters of credit outstanding as of September 30, 2003, which was not collateralized.

NOTE 10. SEGMENT INFORMATION

The Company is organized on the basis of products and services. The Company aggregates three of its divisions into the QUALCOMM Wireless & Internet segment. Reportable segments are as follows:

- QUALCOMM CDMA Technologies (QCT) – develops and supplies CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning systems products;
- QUALCOMM Technology Licensing (QTL) – grants licenses to use the Company's intellectual property portfolio, which includes certain patent rights essential to or useful in the manufacture and sale of CDMA products;
- QUALCOMM Wireless & Internet (QWI) – comprised of:
  - QUALCOMM Internet Services (QIS) – provides technology to support and accelerate the convergence of wireless data, Internet and voice services, including its BREW product and services;
  - QUALCOMM Digital Media (QDM) – provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies and develops technologies to support the processing, transmission and management of content for a variety of media applications, including the delivery of digitized motion pictures (Digital Cinema); and

– QUALCOMM Wireless Business Solutions (QWBS) – provides satellite and terrestrial-based two-way data messaging, application and position reporting services to transportation companies, private fleets and construction equipment fleets.

• QUALCOMM Strategic Initiatives (QSI) – manages the Company's strategic investment activities. QSI makes strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications.

Effective as of the beginning of fiscal 2004, the Company expects to present the revenues and operating results of its wholly-owned subsidiary, SnapTrack, Inc., a developer of wireless position location technology, in the QWI operating segment. The revenues and operating results of SnapTrack, Inc. are currently presented in the QCT operating segment. Prior periods will be restated to conform to the fiscal 2004 segment presentation in future reports.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes and accounting changes (EBT), excluding certain impairment and other charges that are not allocated to the segments for management reporting purposes. EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Segment data includes intersegment revenues.

The table below presents revenues and EBT for reported segments (in thousands):

	QCT	QTL	QWI	QSI	Reconciling Items	Total
2003						
Revenues	$2,424,194	$1,000,196	$485,466	$ 124,260	$ (63,480)	$3,970,636
EBT	796,724	896,621	27,176	(448,234)	12,860	1,285,147
Total assets	310,796	154,887	92,598	839,156	7,424,999	8,822,436
2002						
Revenues	$1,590,829	$ 847,092	$438,682	$ 126,477	$ 36,480	$3,039,560
EBT	440,523	756,173	(9,467)	(506,978)	(219,126)	461,125
Total assets	290,598	168,777	107,453	1,754,957	4,184,263	6,506,048
2001						
Revenues	$1,364,687	$ 781,939	$426,066	$ –	$ 107,094	$2,679,786
EBT	305,546	705,794	33,484	(1,125,206)	(375,258)	(455,640)
Total assets	296,638	180,276	109,443	1,294,278	3,789,098	5,669,733

QSI assets include $89 million and $203 million related to investments in equity method investees at September 30, 2003 and 2002, respectively.

Revenues from each of the Company's divisions aggregated into the QWI reportable segment for the years ended September 30 were as follows (in thousands):

	QWBS	QDM	QIS	Other
2003	$356,067	$48,625	$54,318	$26,456
2002	$337,454	$38,777	$47,287	$15,164
2001	$345,560	$61,796	$ 6,256	$12,454

Other reconciling items for the years ended September 30 were comprised as follows (in thousands):

	2003	2002	2001
Revenues			
Elimination of intersegment revenue	$(119,066)	$ (80,409)	$ (62,114)
Other products	55,586	116,889	169,208
Reconciling items	$ (63,480)	$ 36,480	$ 107,094
Earnings before income taxes			
Unallocated goodwill amortization	$ –	$(245,278)	$(245,409)
Unallocated amortization of other acquisition-related intangible assets	(7,210)	(13,295)	(10,965)
Unallocated research and development expenses	(35,864)	(22,865)	–
Other unallocated selling, general, and administrative expenses	(37,726)	(13,128)	(36,734)
Other unallocated corporate expenses	–	–	(125,044)
EBT from other products	(19,545)	(6,410)	(91,319)
Unallocated interest expense	(1,751)	(377)	(9,557)
Unallocated investment income, net	126,738	89,138	139,226
Intracompany eliminations	(11,782)	(6,911)	4,544
Reconciling items	$ 12,860	$(219,126)	$(375,258)

Generally, revenues between operating segments are based on prevailing market rates for substantially similar products and services or an approximation thereof. Certain charges are allocated to the corporate functional department in the Company's management reports based on the decision that those charges should not be used to evaluate the segments' operating performance. Unallocated charges include amortization of acquisition-related intangible assets, research and development expense and marketing expenses related to the development of the CDMA market that were not deemed to be directly related to the businesses of the operating segments. During fiscal 2003, the Company pursued numerous potential new business opportunities that contributed to the growth of unallocated research and development and marketing expenses as compared to fiscal 2002 and 2001. Beginning in fiscal 2004, the Company will begin allocating certain of these unallocated research and development and marketing expenses to the reportable segments.

Other unallocated corporate expenses for fiscal 2001 primarily included $62 million related to an arbitration decision against the Company and $57 million related to Globalstar (Note 4).

Specified items included in segment EBT for years ended September 30 were as follows (in thousands):

	QCT	QTL	QWI	QSI
2003				
Revenues from external customers	$2,422,413	$897,506	$470,871	$124,260
Intersegment revenues	1,781	102,690	14,595	–
Interest income	166	1,770	984	50,701
Interest expense	156	45	256	28,473
Equity in losses of investees	–	–	148	125,867
2002				
Revenues from external customers	$1,586,864	$780,410	$428,920	$126,477
Intersegment revenues	3,965	66,682	9,762	–
Interest income	1,724	1,672	1,013	32,793
Interest expense	41	214	108	24,939
2001				
Revenues from external customers	$1,360,427	$727,564	$422,587	$ –
Intersegment revenues	4,260	54,375	3,479	–
Interest income	2,366	122	888	108,183
Interest expense	38	6	27	74

All equity in losses of investees (Note 5) were recorded in QSI in fiscal 2002 and 2001.

The Company distinguishes revenues from external customers by geographic areas based on customer location. Sales information by geographic area for the years ended September 30 was as follows (in thousands):

	2003	2002	2001
United States	$ 874,564	$ 913,776	$ 942,579
South Korea	1,723,772	1,133,481	937,504
Japan	586,324	534,312	576,958
China	310,976	73,592	8,902
Brazil	158,823	146,943	24,575
Other foreign	316,177	237,456	189,268
	$3,970,636	$3,039,560	$2,679,786

Segment assets are comprised of accounts receivable, finance receivables and inventory for QCT, QTL and QWI. The QSI segment assets include marketable securities, accounts receivable, finance receivables, notes receivable, other investments and all assets of consolidated investees, including Vésper Holding (Note 11). Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of cash, cash equivalents, marketable debt securities, property, plant and equipment, and goodwill. The net book value of long-lived assets located outside of the United States, primarily in Brazil, was $117 million, $251 million and $10 million at September 30, 2003, 2002 and 2001, respectively.

NOTE 11. ACQUISITIONS

Vésper Holding, Ltd.

In fiscal 1999, the Company acquired an interest in Vésper São Paulo S.A. and Vésper S.A. (the Vésper Operating Companies or collectively, Vésper). The Vésper Operating Companies were formed by a consortium of investors to provide wireless and wireline telephone services in the northern, northeast and eastern regions of Brazil and in the state of São Paulo. In addition, the Company extended long-term financing to Vésper related to the Company's financing arrangement with Ericsson (Note 3) in fiscal 2000. In November 2001, QUALCOMM consummated a series of transactions as part of an overall financial restructuring (the Restructuring) of the Vésper Operating Companies, which resulted in the Company obtaining a controlling financial interest in Vésper.

Pursuant to the Restructuring, the Company and VeloCom, Inc. (VeloCom) invested $266 million and $80 million, respectively, in a newly formed holding company called Vésper Holding, Ltd. (Vésper Holding). Vésper Holding acquired certain liabilities of the Vésper Operating Companies from their vendors for $135 million and the issuance of warrants to purchase an approximate 7% interest in Vésper Holding, and the vendors released in full any claims that they might have against the Company, VeloCom, Vésper, its direct and indirect parent companies and other related parties arising from or related to the acquired liabilities. In a series of related transactions, Vésper Holding agreed to contribute the acquired liabilities to the Vésper Operating Companies in exchange for equity securities and to cancel the contributed liabilities. The purchase price allocation, based on the estimated fair values of acquired assets and liabilities assumed, included $308 million for property, plant and equipment, $39 million for licenses and $31 million for other intangible assets. Property, plant and equipment are depreciated over useful lives ranging from 2 to 18 years. Licenses and other intangible assets are amortized over their useful lives of 15 to 18 years and 3 to 18 years, respectively.

On November 29, 2001, the Company forgave $119 million under a debt facility with VeloCom and converted its remaining $56 million convertible promissory note into equity securities of VeloCom in conjunction with its acquisition of Vésper Holding. The conversion increased the Company's equity interest in VeloCom to 49.9%. The Company used the equity method to account for its investment in VeloCom. On July 2, 2003, the Company transferred to VeloCom all of its equity interest in VeloCom in exchange for (a) 49.9% of the shares of Vésper Holding held by VeloCom, which represented approximately 11.9% of the issued and outstanding shares of Vésper Holding, and (b) elimination of VeloCom's minority consent rights with respect to Vésper Holding. The Company recorded a net loss of $7 million on the exchange resulting primarily from the recognition of cumulative translation losses, previously included in stockholders' equity, in the statement of operations during the fourth quarter of fiscal 2003. After giving effect to the exchange, the Company owns an approximate 83.9% direct interest in Vésper Holding and holds no continuing interest in VeloCom at September 30, 2003.

Due to a series of adverse regulatory developments that negatively affected Vésper's prospects, the Company is pursuing an expedited exit strategy whereby Vésper and/or its assets will be sold or otherwise disposed of. In accordance with this strategy, on September 25, 2003, Embratel Participações S.A. (Embratel) entered into an agreement to acquire for nominal consideration the Vésper Operating Companies (the Embratel sale transaction), excluding the tower and rooftop antennae assets and related property leases (Tower Sites). Concurrent with the closing, Vésper will enter into a multi-year arrangement whereby it pays a monthly fee to the Company to use the Tower Sites. The sum of these fees, net of certain pass through expenses, is expected to exceed $77 million over the life of the arrangement. The SMP licenses (Note 3) also are not included in the Embratel sale transaction, except for a right of first refusal of Embratel to purchase the SMP licenses in the event of a sale to a third party or return of the SMP licenses to Anatel, the telecommunications regulatory agency in Brazil. The Company is evaluating its options with respect to the SMP licenses, including a possible return of the licenses to Anatel.

The closing of the Embratel sale transaction is contingent upon a number of events being completed prior to or concurrent with closing, including regulatory approval by Anatel. Given the uncertainty regarding the closing contingencies, the Company has not presented the Vésper-related assets and liabilities as "held for sale" in its September 30, 2003 balance sheet. Further, the Company does not expect to present Vésper's historical operations as discontinued operations in its consolidated statements of operations in future financial statements because of its expectation of continuing involvement in the Vésper business by way of an on-going tower usage arrangement.

As a result of adverse regulatory developments, and after an evaluation of the potential acquirers and the valuations that they may ascribe Vésper given the regulatory situation, the Company recorded a $160 million impairment loss on its long-lived assets related to Vésper during the second quarter of fiscal 2003. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values at that date. At September 30, 2003, the carrying values of assets and liabilities related to Vésper totaled $265 million and $307 million, respectively.

Assuming the requisite government approvals are received and all conditions to close are satisfied, the Company anticipates providing approximately $40 million to $45 million in aggregate funding by the closing date to facilitate the Embratel sale transaction. The Company expects to recognize cumulative foreign currency translation losses, previously included in stockholders' equity, as part of the gain or loss on a sale or other disposition of Vésper. The Company expects to record an approximate $35 million to $45 million loss if and when the transaction closes, including the cumulative foreign currency translation losses.

The Company consolidates all assets and liabilities of Vésper Holding, including bank loans and capital lease obligations. The balances of the bank loans and capital lease obligations, including accrued interest, at September 30, 2003 were $68 million and $47 million, respectively. The bank loans, which are denominated in Brazilian real, bear interest at the Certificate of Deposit Inter Bank (CDI) rate (the LIBOR rate equivalent in Brazil) plus 1.5% (approximately 21.21% at September 30, 2003). The lease obligations bear interest at fixed and variable rates ranging from 6.0% to 21.56% at September 30, 2003. These debt facilities are collateralized by certain assets of Vésper. During May 2003, the Vésper Operating Companies failed to make interest and certain lease payments owed to six of their local bank creditors. As a result of these defaults, certain provisions in the bank loans and leases were triggered making all of the bank loans and certain leases callable. Those bank loans and leases are presented on the Company's balance sheet as current liabilities at September 30, 2003. The Company is working, in conjunction with Vésper, with the banks to structure arrangements which would, if implemented, provide for forbearance by the banks on payments under the loans and leases until a contemplated sale of Vésper could be effected. There is no certainty that such arrangements with the banks, or any such sale transaction, will be implemented. The Vésper Operating Companies were charged a 2% default penalty and are being charged an additional 1% interest rate per month on the amount in default until the default is cured. The aggregate amounts of debt maturities and minimum capital lease payments for each of the three years from fiscal 2004 through 2006 are $103 million, $1 million and $4 million, respectively, and $7 million thereafter.

During the first quarter of fiscal 2003, the Company acquired wireless licenses in Brazil for approximately $82 million. Approximately $8 million of the purchase price was paid in December 2002. The remaining Brazilian real-denominated wireless license obligation is financed by the Brazilian government at an interest rate of 12% per annum, plus an adjustment for inflation. At September 30, 2003, the outstanding license fee obligation was approximately $111 million, having increased as a result of interest and the strengthening of the Brazilian real against the U.S. dollar. The license fee obligation is payable annually in $17 million installments starting in fiscal 2006, until the obligation is fully repaid.

Cash amounts paid for interest were $12 million, $22 million and $11 million in fiscal 2003, 2002 and 2001, respectively. Cash paid for interest in fiscal 2003 and 2002 is primarily related to the Vésper Holding bank loans and capital leases. Cash paid for interest in fiscal 2001 included $8 million related to an arbitration decision against the Company.

Due to the Company's practice of consolidating foreign subsidiaries one month in arrears, the consolidated financial statements for fiscal 2003 and 2002 included $238 million and $130 million in losses, net of minority interest, respectively, of Vésper Holding from September 1, 2002 through August 31, 2003 and from November 13, 2001 (the acquisition date) through August 31, 2002, respectively. The consolidated financial statements for fiscal 2003 and 2002 also included $24 million and $30 million of equity in losses of the Vésper Operating Companies (pre-acquisition) and VeloCom. Pro forma operating results for the Company, assuming the acquisition of Vésper Holding had been made at the beginning of the periods presented, are as follows (in thousands, except per share data):

(Unaudited)	2002	2001
Revenues	$3,059,398	$2,805,266
Net income	$ 335,746	$ (974,221)
Basic earnings (loss) per common share	$ 0.44	$ (1.29)
Diluted earnings (loss) per common share	$ 0.41	$ (1.29)

These pro forma results have been prepared for comparative purposes only and may not be indicative of the results of operations that actually would have occurred had the combination been in effect at the beginning of the respective periods or of future results of operations of the consolidated entities.

The Vésper Operating Companies' summarized financial information, derived from its unaudited financial statements for the periods prior to the Company obtaining its controlling interest in Vésper Holding, is as follows (in thousands):

	2001
Revenues	$ 125,480
Gross loss	(187,898)
Net loss	$(877,017)

Alcatel Mobicom

In September 2003, a European subsidiary of the Company acquired certain assets and assumed certain liabilities of Alcatel Mobicom. Due to the Company's practice of consolidating foreign subsidiaries one month in arrears, the acquisition will be reflected in the Company's consolidated financial statements during the first quarter of fiscal 2004. The preliminary allocation of purchase price, based on the estimated fair values of acquired assets and liabilities assumed, reflects acquired goodwill and intangible assets of $8 million and $5 million, respectively. The Company is in the process of finalizing the purchase price allocation and does not anticipate material adjustments to the preliminary allocation. In accordance with FAS 142, amounts allocated to goodwill are not amortized. Amounts allocated to intangible assets will be amortized over their expected useful lives. Pro forma results have not been presented because the effect of this acquisition is not material.

NOTE 12. AUCTION DISCOUNT VOUCHER

The Company was awarded a $125 million Auction Discount Voucher (ADV) by the Federal Communications Commission (FCC) in June 2000 as the result of a legal ruling. The ADV is fully transferable and may, subject to certain conditions, be used in whole or in part by any entity in any FCC spectrum auction over a period of three years, including those in which QUALCOMM is not a participant. During November 2002, the FCC amended the terms of the ADV to allow the Company to use the ADV to satisfy existing FCC debt of other companies. During April 2003, the FCC granted the Company's request for a one-year extension of the ADV. As a result, the ADV expires in June 2004.

The Company transferred approximately $58 million of the ADV's value to three wireless operators during fiscal 2003 for $57 million in cash and approximately $11 million of the ADV's value to a wireless operator during fiscal 2001 in exchange for a note receivable. As a result of the transfers during fiscal 2003, the Company recorded $47 million in other operating income in the QSI segment; an additional $10 million will be recognized as earned as the Company incurs cooperative marketing expenses pursuant to a concurrent agreement with one of the wireless operators through December 2003 with no effect on net income.

The Company also used approximately $8 million of the ADV as a down payment for wireless licenses in which the Company was the highest bidder in a FCC auction held during fiscal 2003 and expects to use another $30 million of the ADV's value to make the final payment when the licenses are granted in fiscal 2004. The remaining value of the ADV at September 30, 2003 was approximately $48 million. The Company had no cost basis in the ADV at September 30, 2003.

NOTE 13. SUMMARIZED QUARTERLY DATA (UNAUDITED)

The following financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim periods.

The table below presents quarterly data for the years ended September 30, 2003 and 2002 (in thousands, except per share data):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2003				
Revenues	$1,097,169	$1,043,043	$921,608	$908,816
Operating income	446,718	231,480	335,822	296,215
Net income	241,334	103,016	191,689	291,402
Basic net earnings per common share(1)	$ 0.31	$ 0.13	$ 0.24	$ 0.37
Diluted net earnings per common share(1)	$ 0.30	$ 0.13	$ 0.23	$ 0.35
2002				
Revenues	$ 698,642	$ 696,115	$770,917	$873,886
Operating income	182,081	99,804	138,618	252,765
Net income (loss)	139,233	43,930	(13,768)	190,282
Basic net earnings (loss) per common share(1)	$ 0.18	$ 0.06	$ (0.02)	$ 0.24
Diluted net earnings (loss) per common share(1)	$ 0.17	$ 0.05	$ (0.02)	$ 0.23

(1) Earnings (loss) per share are computed independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly net earnings (loss) per share amounts may not equal the annual amounts reported.

Safe Harbor

Except for the historical information contained herein, this annual report 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: the rate of development, deployment and commercial acceptance of CDMA based networks and CDMA based technology, including CDMA2000 1X and WCDMA, both domestically and internationally; our dependence on major customers and licensees; fluctuations in the demand for CDMA based products, services or applications; foreign currency fluctuations; strategic loans, investments and transactions the Company has or may pursue; dependence on third party manufacturers and suppliers; our ability to maintain and improve operational efficiency and profitability; developments in current and future litigation as well as other risks detailed from time to time in the Company's SEC reports.

BOARD OF DIRECTORS

DR. IRWIN MARK JACOBS
Member: Strategic Committee
Title: Chairman of the Board of Directors and Chief Executive Officer, QUALCOMM Incorporated

DR. RICHARD ATKINSON
Member: Audit Committee, Compensation Committee
Title: President Emeritus of the University of California

ADELIA A. COFFMAN
Chair: Compensation Committee
Member: Audit Committee
Title: Self-Employed, Personal Financial Consultant

RAYMOND V. DITTAMORE
Member: Audit Committee, Compensation Committee
Title: Retired Audit Partner, Ernst & Young LLP

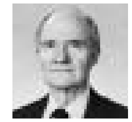
THE HONORABLE DIANA LADY DOUGAN
Chair: Strategic Committee
Member: Finance Committee
Title: Chairwoman, Cyber Century Forum and Senior Advisor and International Communications Studies Chair, Center for Strategic and International Studies

DR. ROBERT E. KAHN
Member: Strategic Committee, Governance Committee
Title: Chairman, Chief Executive Officer and President, The Corporation for National Research Initiatives

DUANE A. NELLES
Chair: Audit Committee
Member: Governance Committee
Title: Self-Employed, Personal Investment Business

PETER M. SACERDOTE
Chair: Finance Committee
Member: Governance Committee
Title: Advisory Director, Goldman Sachs & Co.

FRANK SAVAGE
Member: Finance Committee, Strategic Committee
Title: Chairman and Chief Executive Officer, Savage Holdings LLC

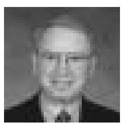


GENERAL BRENT SCOWCROFT
Member: Governance Committee, Strategic Committee
Title: President, The Scowcroft Group

MARC I. STERN
Chair: Governance Committee
Member: Compensation Committee
Title: President, The TCW Group, Inc.

RICHARD SULPIZIO
Member: Finance Committee, Strategic Committee
Title: Former QUALCOMM President

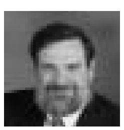
CORPORATE OFFICERS



DR. IRWIN MARK JACOBS
Chairman of the Board of Directors and Chief Executive Officer

ANTHONY S. THORNLEY
President and Chief Operating Officer

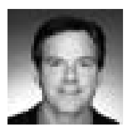
STEVEN R. ALTMAN
Executive Vice President and President, QUALCOMM Technology Licensing



FRANKLIN P. ANTONIO
Executive Vice President and Chief Scientist

SCOTT J. BECKER
Senior Vice President and General Manager, QUALCOMM Wireless Systems

JEFFREY A. JACOBS
Senior Vice President and President, QUALCOMM Global Development



DR. PAUL E. JACOBS
Executive Vice President and President, QUALCOMM Wireless and Internet Group

DR. SANJAY K. JHA
Executive Vice President and President, QUALCOMM CDMA Technologies

MARGARET L. "PEGGY" JOHNSON
Senior Vice President and President, QUALCOMM Internet Services

WILLIAM E. KEITEL
Executive Vice President and Chief Financial Officer

KIMBERLY M. KORO
Senior Vice President and President, QUALCOMM Digital Media

LOUIS M. LUPIN
Senior Vice President and General Counsel

DR. ROBERTO PADOVANI
Executive Vice President and Chief Technology Officer

DR. DANIEL L. SULLIVAN
Executive Vice President, Human Resources

CHRIS A. WOLFE
Senior Vice President and President, QUALCOMM Wireless Business Solutions

STOCKHOLDER'S INFORMATION

ONLINE ANNUAL REPORT

We invite you to visit www.qualcomm.com to view our online interactive annual report. The Web-based report complements our printed report to provide a better understanding of QUALCOMM Incorporated.

INVESTOR RELATIONS

William F. Davidson, Jr.
Vice President,
Investor Relations

Additional copies of this report, Form 10-K, the Proxy Statement or other financial information will be provided free of charge. To obtain these documents, please contact QUALCOMM's Investor Relations Department.

QUALCOMM Incorporated
Investor Relations Department
5775 Morehouse Drive
San Diego, CA 92121
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(858) 651-9303 fax

You can also contact us by sending e-mail to ir@qualcomm.com or by visiting the Investor Relations page on the Company's Web site at www.qualcomm.com.

TRANSFER AGENT

Computershare Investor Services, LLC
2 North La Salle Street
Chicago, IL 60602
(312) 588-4157

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP, San Diego

CORPORATE COUNSEL

Gray Cary Ware & Freidenrich LLP, San Diego

MARKET INFORMATION

The common stock of the Company is traded on The Nasdaq Stock Market® under the symbol QCOM.

NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held at 9:30 a.m. PST, Tuesday, March 2, 2004 at Copley Symphony Hall, 750 B Street, San Diego, California.

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WORLDWIDE LOCATIONS AS OF SEPTEMBER 2003

UNITED STATES

Boulder, Colorado
Brentwood, Tennessee
Campbell, California
Clemmons, North Carolina
Concord, Massachusetts
Irving, Texas
Kansas City, Missouri
Las Vegas, Nevada
Miami, Florida
New York, New York
Pittsburgh, Pennsylvania
Portland, Oregon
Richardson, Texas
San Diego, California
Washington, D.C.

INTERNATIONAL

Bangkok, Thailand
Beijing, China
Buenos Aires, Argentina
Caracas, Venezuela
Farnborough, England
Guangzhou, China
Haifa, Israel
Hanoi, Vietnam
Ho Chi Minh City, Vietnam
Hong Kong, China
Jakarta, Indonesia
London, United Kingdom
Madrid, Spain
Melbourne, Australia
Mexico City, Mexico
Moscow, Russia
Munich, Germany
Munster, Germany
New Delhi, India
Nuremberg, Germany
Osaka, Japan
Paris, France
Rome, Italy
São Paulo, Brazil
Seoul, South Korea
Shanghai, China
Singapore
Sydney, Australia
Taipei, Taiwan
Tokyo, Japan
Toulouse, France
Waalre, Netherlands

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