

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

March 31, 2013

Date of Report (Date of earliest event reported)

**QUALCOMM Incorporated**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-19528

(Commission  
File Number)

95-3685934

(IRS Employer  
Identification No.)

5775 Morehouse Drive, San Diego, CA

(Address of principal executive offices)

92121

(Zip Code)

858-587-1121

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02. Results of Operations and Financial Condition.**

On April 24, 2013, QUALCOMM Incorporated (the "Company") issued a press release announcing the Company's financial results for its second quarter of fiscal 2013 ended March 31, 2013. A copy of that press release is furnished as Exhibit 99.1 hereto and incorporated herein by reference.

The press release includes non-GAAP financial measures as that term is defined in Regulation G. The press release also includes the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP), information reconciling the non-GAAP financial measures to the GAAP financial measures, and a discussion of the reasons why the Company's management believes that presentation of the non-GAAP financial measures provides useful information to investors regarding the Company's financial condition and results of operations. The non-GAAP financial information presented therein should be considered in addition to, not as a substitute for, or superior to, financial measures calculated and presented in accordance with GAAP.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit<br/>No.</u> | <u>Description</u>                                    |
|------------------------|---|
| 99.1                   | April 24, 2013 Press Release by QUALCOMM Incorporated |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 24, 2013

**QUALCOMM Incorporated**

By: /s/ George S. Davis  
George S. Davis  
Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit  
No.

Description

99.1 April 24, 2013 Press Release by QUALCOMM Incorporated

FOR IMMEDIATE RELEASE

Qualcomm Contact:  
 Warren Kneeshaw  
 Phone: 1-858-658-4813  
 e-mail: [ir@qualcomm.com](mailto:ir@qualcomm.com)

**Qualcomm Announces Second Quarter Fiscal 2013 Results**  
**Revenues \$6.1 Billion**  
**GAAP EPS \$1.06, Non-GAAP EPS \$1.17**

— Record Quarterly Revenues; Raising Fiscal 2013 Guidance —

SAN DIEGO — April 24, 2013 — Qualcomm Incorporated (Nasdaq: QCOM), a leading developer and innovator of advanced wireless technologies, products and services, today announced results for the second quarter of fiscal 2013 ended March 31, 2013.

“We delivered another strong quarter as the worldwide adoption of smartphones continues,” said Dr. Paul E. Jacobs, chairman and CEO of Qualcomm. “Looking forward, we are seeing strong traction with our new Qualcomm Snapdragon 600 and 800 processors, and we continue to expect healthy growth in 3G and 3G/4G multimode devices around the world. We are pleased to be raising our calendar 2013 3G/4G device shipment estimates and our revenue and earnings guidance for fiscal 2013.”

**Second Quarter Results (GAAP)**

- Revenues: <sup>1</sup> \$6.12 billion, up 24 percent year-over-year (y-o-y) and 2 percent sequentially.
- Operating income: <sup>1</sup> \$1.88 billion, up 24 percent y-o-y and down 10 percent sequentially.
- Net income: <sup>2</sup> \$1.87 billion, down 16 percent y-o-y\* and 2 percent sequentially.
- Diluted earnings per share: <sup>2</sup> \$1.06, down 17 percent y-o-y\* and 3 percent sequentially.
- Effective tax rate: <sup>1</sup> 13 percent for the quarter.
- Operating cash flow: \$2.22 billion, up 17 percent y-o-y; 36 percent of revenues.
- Return of capital to stockholders: \$431 million, or \$0.25 per share, of cash dividends paid.

\* The second quarter of fiscal 2012 GAAP results included \$761 million, net of income taxes, or \$0.44 per share, for discontinued operations as a result of a \$1.2 billion pre-tax gain associated with the sale of substantially all of our 700 MHz spectrum.

<sup>1</sup> Throughout this news release, fiscal 2012 results for FLO TV are presented as discontinued operations. Revenues, operating expenses, operating income, earnings before tax (EBT) and effective tax rates are from continuing operations (i.e., before adjustments for noncontrolling interests and, for fiscal 2012, discontinued operations), unless otherwise stated.

<sup>2</sup> Throughout this news release, net income and diluted earnings per share are attributable to Qualcomm (i.e., after adjustments for noncontrolling interests and discontinued operations), unless otherwise stated.

### **Non-GAAP Second Quarter Results**

Non-GAAP results exclude the QSI segment and certain share-based compensation, acquisition-related items and tax items.

- Revenues: \$6.12 billion, up 24 percent y-o-y and 2 percent sequentially.
- Operating income: \$2.23 billion, up 18 percent y-o-y and down 9 percent sequentially.
- Net income: \$2.07 billion, up 17 percent y-o-y and down 6 percent sequentially.
- Diluted earnings per share: \$1.17, up 16 percent y-o-y and down 7 percent sequentially.
- Effective tax rate: 16 percent for the quarter.
- Free cash flow (defined as net cash from operating activities less capital expenditures): \$1.99 billion, up 10 percent y-o-y; 33 percent of revenues.

Detailed reconciliations between results reported in accordance with generally accepted accounting principles (GAAP) and Non-GAAP results are included within this news release.

### **Second Quarter Key Business Metrics**

- MSM™ chip shipments: 173 million units, up 14 percent y-o-y and down 5 percent sequentially.
- December quarter total reported device sales: approximately \$61.1 billion, up 18 percent y-o-y and 15 percent sequentially.
  - December quarter estimated 3G/4G device shipments: approximately 279 to 283 million units, at an estimated average selling price of approximately \$214 to \$220 per unit.

### **Cash and Marketable Securities**

Our cash, cash equivalents and marketable securities totaled \$30.5 billion at the end of the second quarter of fiscal 2013, compared to \$26.6 billion a year ago and \$28.4 billion at the end of the first quarter of fiscal 2013. On April 9, 2013, we announced a cash dividend of \$0.35 per share payable on June 26, 2013 to stockholders of record as of June 5, 2013, which represents a 40 percent increase over our prior quarterly dividend.

**Research and Development**

| (\$ in millions)           | Non-GAAP | QSI  | Share-Based<br>Compensation | Acquisition-<br>Related<br>Items | GAAP     |
|----------------------------|----------|------|-----------------------------|----------------------------------|----------|
| Second quarter fiscal 2013 | \$ 1,056 | \$ 1 | \$ 156                      | \$ 1                             | \$ 1,214 |
| As % of revenues           | 17%      |      |                             |                                  | 20%      |
| Second quarter fiscal 2012 | \$ 824   | \$ 4 | \$ 126                      | \$ —                             | \$ 954   |
| As % of revenues           | 17%      |      |                             |                                  | 19%      |
| Year-over-year change (\$) | 28%      | N/M  | 24%                         | N/M                              | 27%      |

N/M - Not Meaningful

Non-GAAP research and development (R&D) expenses increased 28 percent y-o-y primarily due to an increase in costs related to the development of CDMA-based 3G, OFDMA-based 4G LTE and other technologies for integrated circuit and related software products and to expand our intellectual property portfolio.

**Selling, General and Administrative**

| (\$ in millions)           | Non-GAAP | QSI  | Share-Based<br>Compensation | Acquisition-<br>Related<br>Items | GAAP   |
|----------------------------|----------|------|-----------------------------|----------------------------------|--------|
| Second quarter fiscal 2013 | \$ 556   | \$ 4 | \$ 95                       | \$ 6                             | \$ 661 |
| As % of revenues           | 9%       |      |                             |                                  | 11%    |
| Second quarter fiscal 2012 | \$ 488   | \$ 4 | \$ 97                       | \$ 6                             | \$ 595 |
| As % of revenues           | 10%      |      |                             |                                  | 12%    |
| Year-over-year change (\$) | 14%      | N/M  | (2%)                        | N/M                              | 11%    |

N/M - Not Meaningful

Non-GAAP selling, general and administrative (SG&A) expenses increased 14 percent y-o-y primarily due to increases in employee-related expenses, patent-related expenses and selling and marketing expenses.

**Effective Income Tax Rates**

Our fiscal 2013 annual effective income tax rates are estimated to be approximately 16 percent for GAAP and approximately 17 to 18 percent for Non-GAAP. The second quarter effective income tax rates were 13 percent for GAAP and 16 percent for Non-GAAP, which are lower than the estimated annual effective tax rates primarily as a result of the retroactive reinstatement of the federal R&D tax credit during the second quarter. The federal R&D tax credit benefit that related to fiscal 2012 of \$0.04 per share was excluded from Non-GAAP results.

**QSI Segment**

QSI makes strategic investments, many of which are in early-stage companies, and holds wireless spectrum. GAAP results for the second quarter of fiscal 2013 included \$0.02 earnings per share for QSI.

**Business Outlook**

The following statements are forward looking, and actual results may differ materially. The “Note Regarding Forward-Looking Statements” in this news release provides a description of certain risks that we face, and our annual and quarterly reports on file with the Securities and Exchange Commission (SEC) provide a more complete description of risks.

Our outlook does not include provisions for future asset impairments or for pending legal matters, other than future legal amounts that are probable and estimable. Further, due to their nature, certain income and expense items, such as realized investment and certain derivative gains or losses, cannot be accurately forecast. Accordingly, we only include such items in our business outlook to the extent they are reasonably certain; however, actual results may vary materially from the business outlook.

The following table summarizes GAAP and Non-GAAP guidance based on the current business outlook. The Non-GAAP business outlook presented below is consistent with the presentation of Non-GAAP results included elsewhere herein.



## Qualcomm's Business Outlook Summary

| <b>THIRD FISCAL QUARTER</b>                            |                        |   |
|--|------------------------|---|
|  | <b>Q3 FY12 Results</b> | <b>Current Guidance Q3 FY13 Estimates</b> |
| <b>Revenues</b>  | <b>\$4.63B</b>         | <b>\$5.8B - \$6.3B</b>                    |
| <i>Year-over-year change</i>                           |                        | <i>increase 25% - 36%</i>                 |
| <b>Non-GAAP Diluted earnings per share (EPS)</b>       | <b>\$0.85</b>          | <b>\$0.97 - \$1.05</b>                    |
| <i>Year-over-year change</i>                           |                        | <i>increase 14% - 24%</i>                 |
| Diluted EPS attributable to QSI                        | (\$0.01)               | \$0.00                                    |
| Diluted EPS attributable to share-based compensation   | (\$0.12)               | (\$0.13)                                  |
| Diluted EPS attributable to acquisition-related items  | (\$0.03)               | (\$0.04)                                  |
| <b>GAAP Diluted EPS</b>                                | <b>\$0.69</b>          | <b>\$0.80 - \$0.88</b>                    |
| <i>Year-over-year change</i>                           |                        | <i>increase 16% - 28%</i>                 |
| <b>Metrics</b>   |                        |   |
| MSM chip shipments                                     | 141M                   | 163M - 173M                               |
| <i>Year-over-year change</i>                           |                        | <i>increase 16% - 23%</i>                 |
| Total reported device sales (1)                        | approx. \$47.8B*       | approx. \$51.0B - \$56.0B*                |
| <i>Year-over-year change</i>                           |                        | <i>increase 7% - 17%</i>                  |
| *Est. sales in March quarter, reported in June quarter |                        |   |

| <b>FISCAL YEAR</b>   |                            |   |   |
|--|----------------------------|---|---|
|  | <b>FY 2012 Results (2)</b> | <b>Prior Guidance FY 2013 Estimates (3)</b> | <b>Current Guidance FY 2013 Estimates (3)</b> |
| <b>Revenues</b>  | <b>\$19.12B</b>            | <b>\$23.4B - \$24.4B</b>                    | <b>\$24.0B - \$25.0B</b>                      |
| <i>Year-over-year change</i>   |                            | <i>increase 22% - 28%</i>                   | <i>increase 26% - 31%</i>                     |
| <b>Non-GAAP Diluted EPS</b>  | <b>\$3.71</b>              | <b>\$4.25 - \$4.45</b>                      | <b>\$4.40 - \$4.55</b>                        |
| <i>Year-over-year change</i>   |                            | <i>increase 15% - 20%</i>                   | <i>increase 19% - 23%</i>                     |
| Diluted EPS attributable to QSI  | \$0.40                     | (\$0.02)                                    | \$0.01  |
| Diluted EPS attributable to share-based compensation                     | (\$0.47)                   | (\$0.51)                                    | (\$0.51)                                      |
| Diluted EPS attributable to acquisition-related items                    | (\$0.14)                   | (\$0.15)                                    | (\$0.16)                                      |
| Diluted EPS attributable to tax items                                    | \$0.01                     | \$0.04                                      | \$0.04  |
| <b>GAAP Diluted EPS</b>  | <b>\$3.51</b>              | <b>\$3.61 - \$3.81</b>                      | <b>\$3.78 - \$3.93</b>                        |
| <i>Year-over-year change</i>   |                            | <i>increase 3% - 9%</i>                     | <i>increase 8% - 12%</i>                      |
| <b>Metrics</b>   |                            |   |   |
| Est. fiscal year* 3G/4G device average selling price range (1)           | approx. \$216 - \$222      | approx. \$214 - \$226                       | approx. \$216 - \$224                         |
| *Shipments in Sept. to June quarters, reported in Dec. to Sept. quarters |                            |   |   |

| <b>CALENDAR YEAR Device Estimates (1)</b>        |   |  |   |   |
|--|---|--|---|---|
|  | <b>Prior Guidance Calendar 2012 Estimates</b> | <b>Current Calendar 2012 Estimates</b> | <b>Prior Guidance Calendar 2013 Estimates</b> | <b>Current Guidance Calendar 2013 Estimates</b> |
| <b>Est. 3G/4G device shipments</b>               |   |  |   |   |
| March quarter                                    | approx. 206M - 211M                           | approx. 206M - 211M                    | not provided                                  | not provided                                    |
| June quarter                                     | approx. 210M - 214M                           | approx. 210M - 214M                    | not provided                                  | not provided                                    |
| September quarter                                | approx. 233M - 237M                           | approx. 233M - 237M                    | not provided                                  | not provided                                    |
| December quarter                                 | not provided                                  | approx. 279M - 283M                    | not provided                                  | not provided                                    |
| <b>Est. calendar year range (approx.)</b>        | <b>915M - 940M</b>                            | <b>928M - 945M</b>                     | <b>1,000M - 1,070M</b>                        | <b>1,015M - 1,085M</b>                          |
| <b>Est. calendar year midpoint (approx.) (4)</b> | <b>928M</b>                                   | <b>937M</b>                            | <b>1,035M</b>                                 | <b>1,050M</b>                                   |

- (1) Total reported device sales is the sum of all reported sales in U.S. dollars (as reported to us by our licensees) of all licensed CDMA-based, OFDMA-based and CDMA/OFDMA multimode subscriber devices (including handsets, modules, modem cards and other subscriber devices) by our licensees during a particular period (collectively, 3G/4G devices). The reported quarterly estimated ranges of average selling prices (ASPs) and unit shipments are determined based on the information as reported to us by our licensees during the relevant period and our own estimates of the selling prices and unit shipments for licensees that do not provide such information. Not all licensees report sales, selling prices and/or unit shipments the same way (e.g., some licensees report selling prices net of permitted deductions, such as transportation, insurance and packing costs, while other licensees report selling prices and then identify the amount of permitted deductions in their reports), and the way in which licensees report such information may change from time to time. Total reported device sales, estimated unit shipments and estimated ASPs for a particular period may include prior period activity that was not reported by the licensee until such particular period.
- (2) FY 2012 results for QSI and GAAP included \$0.44 EPS related to a \$1.2 billion gain associated with the sale of substantially all of our 700 MHz spectrum, which was recognized in discontinued operations and was excluded from Non-GAAP results.
- (3) FY 2013 guidance for tax items includes \$0.04 EPS related to a tax benefit that resulted from the retroactive reinstatement of the federal R&D tax credit related to fiscal 2012, which was excluded from Non-GAAP results.
- (4) The midpoints of the estimated calendar year ranges are identified for comparison purposes only and do not indicate a higher degree of confidence in the midpoints.

Sums may not equal totals due to rounding.



| SEGMENTS                            | QCT        | QTL        | QWI          | Non-GAAP<br>Reconciling<br>Items (1) | Non-GAAP<br>(2) | QSI<br>(2)   | Share-Based<br>Compensation (2) | Acquisition-<br>Related<br>Items (2) | Tax Items | GAAP       |
|-------------------------------------|------------|------------|--------------|--------------------------------------|-----------------|--------------|---------------------------------|--------------------------------------|-----------|------------|
| <b>6 MONTHS - FISCAL 2013</b>       |            |            |              |                                      |                 |              |                                 |                                      |           |            |
| Revenues                            | \$8,036    | \$3,813    | \$301        | (\$7)                                | \$12,143        | \$ -         | \$ -                            | \$ -                                 | \$ -      | \$12,143   |
| <i>Change from prior year</i>       | <i>31%</i> | <i>21%</i> | <i>(3%)</i>  | <i>N/M</i>                           | <i>26%</i>      |              |                                 |                                      |           | <i>26%</i> |
| Operating income (loss)             |            |            |              |                                      | \$4,681         | (\$12)       | (\$549)                         | (\$154)                              | \$ -      | \$3,966    |
| <i>Change from prior year</i>       |            |            |              |                                      | <i>24%</i>      | <i>88%</i>   | <i>(13%)</i>                    | <i>(32%)</i>                         |           | <i>29%</i> |
| EBT                                 | \$1,749    | \$3,335    | (\$4)        | \$70                                 | \$5,150         | \$16         | (\$549)                         | (\$154)                              | \$ -      | \$4,463    |
| <i>Change from prior year</i>       | <i>31%</i> | <i>19%</i> | <i>(56%)</i> | <i>27%</i>                           | <i>23%</i>      | <i>N/M</i>   | <i>(13%)</i>                    | <i>(32%)</i>                         |           | <i>29%</i> |
| EBT as a % of revenues              | 22%        | 87%        | N/M          | N/M                                  | 42%             |              |                                 |                                      |           | 37%        |
| Net income (loss)                   |            |            |              |                                      | \$4,270         | \$24         | (\$439)                         | (\$147)                              | \$64      | \$3,772    |
| <i>Change from prior year</i>       |            |            |              |                                      | <i>24%</i>      | <i>(97%)</i> | <i>(16%)</i>                    | <i>(36%)</i>                         |           | <i>4%</i>  |
| Diluted EPS                         | \$2.43     | \$0.01     | (\$0.25)     | \$0.08                               | \$2.43          | \$0.01       | (\$0.25)                        | (\$0.08)                             | \$0.04    | \$2.15     |
| <i>Change from prior year</i>       |            |            |              |                                      | <i>23%</i>      | <i>(98%)</i> | <i>(14%)</i>                    | <i>(33%)</i>                         |           | <i>2%</i>  |
| Diluted shares used                 |            |            |              |                                      | 1,757           | 1,757        | 1,757                           | 1,757                                | 1,757     | 1,757      |
| <b>6 MONTHS - FISCAL 2012</b>       |            |            |              |                                      |                 |              |                                 |                                      |           |            |
| Revenues                            | \$6,143    | \$3,162    | \$311        | \$9                                  | \$9,625         | \$ -         | \$ -                            | \$ -                                 | \$ -      | \$9,625    |
| Operating income (loss)             |            |            |              |                                      | 3,772           | (102)        | (487)                           | (117)                                | -         | 3,066      |
| EBT                                 | \$1,338    | \$2,808    | (\$9)        | \$55                                 | 4,192           | (133)        | (487)                           | (117)                                | -         | 3,455      |
| Discontinued operations, net of tax |            |            |              |                                      | -               | 756          | -                               | -                                    | -         | 756        |
| Net income (loss)                   |            |            |              |                                      | 3,431           | 686          | (378)                           | (108)                                | -         | 3,631      |
| Diluted EPS                         | \$1.98     | \$0.40     | (\$0.22)     | (\$0.06)                             | \$1.98          | \$0.40       | (\$0.22)                        | (\$0.06)                             | \$ -      | \$2.10     |
| Diluted shares used                 |            |            |              |                                      | 1,732           | 1,732        | 1,732                           | 1,732                                | 1,732     | 1,732      |
| <b>12 MONTHS - FISCAL 2012</b>      |            |            |              |                                      |                 |              |                                 |                                      |           |            |
| Revenues                            | \$12,141   | \$6,327    | \$633        | \$20                                 | \$19,121        | \$ -         | \$ -                            | \$ -                                 | \$ -      | \$19,121   |
| Operating income (loss)             |            |            |              |                                      | 7,100           | (116)        | (1,035)                         | (267)                                | -         | 5,682      |
| EBT                                 | \$2,296    | \$5,585    | (\$15)       | \$168                                | 8,034           | (170)        | (1,035)                         | (267)                                | -         | 6,562      |
| Discontinued operations, net of tax |            |            |              |                                      | -               | 777          | (1)                             | -                                    | -         | 776        |
| Net income (loss)                   |            |            |              |                                      | 6,463           | 690          | (811)                           | (243)                                | 10        | 6,109      |
| Diluted EPS                         | \$3.71     | \$0.40     | (\$0.47)     | (\$0.14)                             | \$3.71          | \$0.40       | (\$0.47)                        | (\$0.14)                             | \$0.01    | \$3.51     |
| Diluted shares used                 |            |            |              |                                      | 1,741           | 1,741        | 1,741                           | 1,741                                | 1,741     | 1,741      |

- (1) Non-GAAP reconciling items related to revenues consist primarily of nonreportable segment revenues less intersegment eliminations. Non-GAAP reconciling items related to earnings before taxes consist primarily of certain costs of equipment and services revenues, research and development expenses, sales and marketing expenses, other operating expenses and certain investment income or losses and interest expense that are not allocated to the segments for management reporting purposes; nonreportable segment results; and the elimination of intersegment profit.
- (2) At fiscal year end, the sum of the quarterly tax provision (benefit) for each column equals the annual tax provision (benefit) for each column computed in accordance with GAAP. In interim quarters, the sum of these provisions (benefits) may not equal the total GAAP tax provision, and this difference is allocated to tax provisions (benefits) among the columns.

N/M – Not Meaningful

N/A – Not Applicable

Sums may not equal totals due to rounding.

**Conference Call**

Qualcomm's second quarter fiscal 2013 earnings conference call will be broadcast live on April 24, 2013, beginning at 1:45 p.m. Pacific Time (PT) at <http://investor.qualcomm.com/events.cfm>. This conference call will include a discussion of "Non-GAAP financial measures" as defined in Regulation G. The most directly comparable GAAP financial measures and information reconciling these Non-GAAP financial measures to the Company's financial results prepared in accordance with GAAP, as well as other material financial and statistical information to be discussed on the conference call, will be posted at [www.qualcomm.com/investor](http://www.qualcomm.com/investor) immediately prior to commencement of the call. An audio replay will be available at <http://investor.qualcomm.com/events.cfm> and via telephone following the live call and for 30 days thereafter. To listen to the replay via telephone, U.S. callers may dial (855) 859-2056, and international callers may dial (404) 537-3406. Callers should use reservation number 29888090.

**Note Regarding Use of Non-GAAP Financial Measures**

The Non-GAAP financial information presented herein should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. In addition, "Non-GAAP" is not a term defined by GAAP, and as a result, the Company's measure of Non-GAAP results might be different than similarly titled measures used by other companies. Reconciliations between GAAP and Non-GAAP results are presented herein.

The Company uses Non-GAAP financial information (i) to evaluate, assess and benchmark the Company's operating results on a consistent and comparable basis; (ii) to measure the performance and efficiency of the Company's ongoing core operating businesses, including the QCT, QTL and QWI segments; and (iii) to compare the performance and efficiency of these segments against each other and against competitors. Non-GAAP measurements of the following financial data are used by the Company: revenues, cost of revenues, R&D expenses, SG&A expenses, other operating expenses, operating income (loss), net investment income (loss), income (loss) before income taxes, effective tax rate, net income (loss), diluted earnings (loss) per share, operating cash flow and free cash flow. The Company is able to assess what it believes is a more meaningful and comparable set of financial performance measures for the Company and its business segments by using Non-GAAP information. As a result, management compensation decisions and the review of executive compensation by the Compensation Committee of the Board of Directors focus primarily on Non-GAAP financial measures applicable to the Company.

and its business segments. The Company presents Non-GAAP financial information to provide greater transparency to investors with respect to its use of such information in financial and operational decision-making.

Non-GAAP information used by management excludes QSI and certain share-based compensation, acquisition-related items and tax items.

- QSI is excluded because the Company expects to exit its strategic investments at various times, and the effects of fluctuations in the value of such investments and realized gains or losses are viewed by management as unrelated to the Company's operational performance.
- Share-based compensation expense primarily relates to restricted stock units and stock options. Certain share-based compensation is excluded because management views such expenses as unrelated to the operating activities of the Company's ongoing core businesses. Further, the fair values of share-based awards are affected by factors that are variable on each grant date, which may include the Company's stock price, stock market volatility, expected award life, risk-free interest rates and expected dividend payouts in future years.
- Acquisition-related items relate to amortization and impairment charges of certain intangible assets, recognition of the step-up of inventories to fair value and the related tax effects of these items starting with acquisitions completed in the third quarter of fiscal 2011, as well as any tax effects from restructuring the ownership of such acquired assets. Additionally, starting with acquisitions completed in the fourth quarter of fiscal 2012, the Company began excluding expenses related to the termination of contracts that limit the use of the acquired intellectual property. These acquisition-related items are excluded and are not allocated to the Company's segments because management views such expenses as unrelated to the operating activities of the Company's ongoing core businesses. In addition, these charges are impacted by the size and timing of acquisitions, potentially obscuring period to period comparisons of the Company's operating businesses.
- Certain tax items that were recorded in each fiscal year presented, but that were unrelated to the fiscal year in which they were recorded, are excluded in order to provide a clearer understanding of the Company's ongoing Non-GAAP tax rate and after tax earnings.

The Company presents free cash flow, defined as net cash provided by operating activities less capital expenditures, to facilitate an understanding of the amount of cash flow generated that is

available to grow its business and to create long-term stockholder value. In addition, management uses this measure to evaluate the Company's performance and to compare its operating performance with other companies in the industry.

**About Qualcomm**

Qualcomm Incorporated (Nasdaq: QCOM) is a world leader in 3G, 4G and next-generation wireless technologies. Qualcomm Incorporated includes Qualcomm's licensing business, QTL, and the vast majority of its patent portfolio. Qualcomm Technologies, Inc., a wholly-owned subsidiary of Qualcomm Incorporated, operates, along with its subsidiaries, substantially all of Qualcomm's engineering, research and development functions, and substantially all of its products and services businesses, including its semiconductor business, QCT. For more than 25 years, Qualcomm ideas and inventions have driven the evolution of digital communications, linking people everywhere more closely to information, entertainment and each other. For more information, visit [www.qualcomm.com](http://www.qualcomm.com).

**Note Regarding Forward-Looking Statements**

In addition to the historical information contained herein, this news release contains forward-looking statements that are inherently subject to risks and uncertainties, including but not limited to statements regarding the strong traction we are seeing with our new Qualcomm Snapdragon 600 and 800 processors; our expectations regarding healthy growth in 3G and 3G/4G multimode devices around the world; our business outlook; and our estimates and guidance related to revenues, GAAP and Non-GAAP diluted earnings per share, effective income tax rates, MSM chip shipments, total reported device sales, 3G/4G device average selling price ranges and 3G/4G device shipments, ranges and midpoints. Forward-looking statements are generally identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions. Actual results may differ materially from those referred to in the forward-looking statements due to a number of important factors, including but not limited to risks associated with the commercial deployment of our technologies and our customers' and licensees' sales of equipment, products and services based on these technologies; competition; our dependence on a small number of customers and licensees; attacks on our licensing business model, including current and future legal proceedings and actions of governmental or quasi-governmental bodies; our dependence on third-party suppliers, including the potential impact of supply constraints; the enforcement

and protection of our intellectual property rights; claims by third parties that we infringe their intellectual property; global economic conditions that impact the communications industry and the potential impact on demand for our products and our customers' and licensees' products; our stock price and earnings volatility; strategic transactions and investments; the commercial success of our QMT division's display technology; foreign currency fluctuations; and failures, defects or errors in our products and services or in the products of our customers and licensees. These and other risks are set forth in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 and Quarterly Report on Form 10-Q for the second quarter ended March 31, 2013 filed with the SEC. Our reports filed with the SEC are available on our website at [www.qualcomm.com](http://www.qualcomm.com). We undertake no obligation to update, or continue to provide information with respect to, any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

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Qualcomm, Snapdragon and MSM are trademarks of Qualcomm Incorporated, registered in the United States and other countries. All other trademarks are the property of their respective owners.

**Qualcomm Incorporated**  
**Supplemental Information for the Three Months Ended March 31, 2013**  
**(Unaudited)**

|  | Non-GAAP Results      | QSI                  | Share-Based Compensation | Acquisition-Related Items (a) | Tax-Related Items (b) | GAAP Results |
|--|-----------------------|----------------------|--------------------------|-------------------------------|-----------------------|--------------|
| <i>(\$ in millions, except per share data)</i> |                       |                      |                          |                               |                       |              |
| Cost of equipment and services revenues        | \$ 2,279              | \$ -                 | \$ 17                    | \$ 76                         | \$ -                  | \$ 2,372     |
| R&D  | 1,056                 | 1                    | 156                      | 1                             | -                     | 1,214        |
| SG&A   | 556                   | 4                    | 95                       | 6                             | -                     | 661          |
| Operating income (loss)                        | 2,233                 | (5)                  | (268)                    | (83)                          | -                     | 1,877        |
| Investment income, net                         | \$ 221 <sup>(c)</sup> | \$ 38 <sup>(d)</sup> | \$ -                     | \$ -                          | \$ -                  | \$ 259       |
| Tax rate                                       | 16%                   | 0%                   | 18%                      | 4%                            | N/A                   | 13%          |
| Net income (loss)                              | \$ 2,066              | \$ 36                | \$ (220)                 | \$ (80)                       | \$ 64                 | \$ 1,866     |
| Diluted earnings (loss) per share (EPS)        | \$ 1.17               | \$ 0.02              | \$ (0.12)                | \$ (0.05)                     | \$ 0.04               | \$ 1.06      |
| Operating cash flow                            | \$ 2,266              | \$ (8)               | \$ (42)                  | \$ -                          | \$ -                  | \$ 2,216     |
| Operating cash flow as % of revenues           | 37%                   | N/A                  | N/A                      | N/A                           | N/A                   | 36%          |
| Free cash flow <sup>(e)</sup>                  | \$ 1,993              | \$ (24)              | \$ (42)                  | \$ -                          | \$ -                  | \$ 1,927     |
| Free cash flow as % of revenues                | 33%                   | N/A                  | N/A                      | N/A                           | N/A                   | 31%          |

(a) Included amortization and impairment charges of certain intangible assets and the recognition of the step-up of inventories to fair value.

(b) Included a \$64 million tax benefit as a result of the retroactive reinstatement of the federal R&D tax credit related to fiscal 2012.

(c) Included \$177 million in interest and dividend income, \$41 million in net realized gains on investments and \$14 million in gains on derivatives, partially offset by \$10 million in other-than-temporary losses on investments and \$1 million in interest expense.

(d) Included \$43 million in net realized gains on investments and \$4 million in interest and dividend income, partially offset by \$6 million in interest expense, \$2 million in other-than-temporary losses on investments and \$1 million in equity in losses of investees.

(e) Free cash flow is defined as net cash provided by operating activities less capital expenditures. Reconciliation of these amounts is included in the "Reconciliation of Non-GAAP Free Cash Flows to Net Cash Provided by Operating Activities (GAAP) and Other Supplemental Disclosures" for the three months ended March 31, 2013 included herein.

N/A – Not Applicable

Sums may not equal totals due to rounding.



**Qualcomm Incorporated**  
**Supplemental Information for the Six Months Ended March 31, 2013**  
**(Unaudited)**

|  | Non-GAAP Results | QSI       | Share-Based Compensation | Acquisition-Related Items (a) | Tax-Related Items (b) | GAAP Results |
|--|------------------|-----------|--------------------------|-------------------------------|-----------------------|--------------|
| <i>(\$ in millions, except per share data)</i> |                  |           |                          |                               |                       |              |
| Cost of equipment and services revenues        | \$ 4,432         | \$ -      | \$ 37                    | \$ 140                        | \$ -                  | \$ 4,609     |
| R&D  | 2,006            | 1         | 312                      | 1                             | -                     | 2,320        |
| SG&A   | 1,024            | 11        | 200                      | 13                            | -                     | 1,248        |
| Operating income (loss)                        | 4,681            | (12)      | (549)                    | (154)                         | -                     | 3,966        |
| Investment income, net                         | \$ 469 (c)       | \$ 28 (d) | \$ -                     | \$ -                          | \$ -                  | \$ 497       |
| Tax rate                                       | 17%              | -19%      | 20%                      | 5%                            | N/A                   | 16%          |
| Net income (loss)                              | \$ 4,270         | \$ 24     | \$ (439)                 | \$ (147)                      | \$ 64                 | \$ 3,772     |
| Diluted earnings (loss) per share (EPS)        | \$ 2.43          | \$ 0.01   | \$ (0.25)                | \$ (0.08)                     | \$ 0.04               | \$ 2.15      |
| Operating cash flow                            | \$ 4,312         | \$ (18)   | \$ (103)                 | \$ -                          | \$ -                  | \$ 4,191     |
| Operating cash flow as % of revenues           | 36%              | N/A       | N/A                      | N/A                           | N/A                   | 35%          |
| Free cash flow (e)                             | \$ 3,846         | \$ (46)   | \$ (103)                 | \$ -                          | \$ -                  | \$ 3,697     |
| Free cash flow as % of revenues                | 32%              | N/A       | N/A                      | N/A                           | N/A                   | 30%          |

(a) Included amortization and impairment charges of certain intangible assets, expense associated with the termination of a contract of an acquirer and the recognition of the step-up of inventories to fair value.

(b) Included a \$64 million tax benefit as a result of the retroactive reinstatement of the federal R&D tax credit related to fiscal 2012.

(c) Included \$342 million in interest and dividend income, \$132 million in net realized gains on investments and \$12 million in gains on derivatives, partially offset by \$14 million in other-than-temporary losses on investments and \$3 million in interest expense.

(d) Included \$47 million in net realized gains on investments and \$5 million in interest and dividend income, partially offset by \$12 million in interest expense, \$8 million in other-than-temporary losses on investments and \$4 million in equity in losses of investees.

(e) Free cash flow is defined as net cash provided by operating activities less capital expenditures. Reconciliation of these amounts is included in the "Reconciliation of Non-GAAP Free Cash Flows to Net Cash Provided by Operating Activities (GAAP) and Other Supplemental Disclosures" for the six months ended March 31, 2013 included herein.

N/A – Not Applicable

Sums may not equal totals due to rounding.

**Qualcomm Incorporated**  
**Reconciliation of Non-GAAP Free Cash Flows to**  
**Net Cash Provided by Operating Activities (GAAP)**  
**and Other Supplemental Disclosures**  
(In millions)  
(Unaudited)

|   | Three Months Ended March 31, 2013 |                 |                             |                 |
|---|-----------------------------------|-----------------|-----------------------------|-----------------|
|   | Non-GAAP                          | QSI             | Share-Based<br>Compensation | GAAP            |
| <b>Net cash provided (used) by operating activities</b> | \$ 2,266                          | \$ (8)          | \$ (42) (a)                 | \$ 2,216        |
| Less: capital expenditures                              | (273)                             | (16)            | —                           | (289)           |
| <b>Free cash flow</b>                                   | <u>\$ 1,993</u>                   | <u>\$ (24)</u>  | <u>\$ (42)</u>              | <u>\$ 1,927</u> |
| Revenues  | \$ 6,124                          | \$ —            | \$ —                        | \$ 6,124        |
| Free cash flow as % of revenues                         | 33%                               | N/A             | N/A                         | 31%             |
| Other supplemental cash disclosures:                    |                                   |                 |                             |                 |
| Cash transfers from QSI (b)                             | \$ 51                             | \$ (51)         | \$ —                        | \$ —            |
| Cash transfers to QSI (c)                               | (54)                              | 54              | —                           | —               |
| Net cash transfers                                      | <u>\$ (3)</u>                     | <u>\$ 3</u>     | <u>\$ —</u>                 | <u>\$ —</u>     |
|   | Six Months Ended March 31, 2013   |                 |                             |                 |
|   | Non-GAAP                          | QSI             | Share-Based<br>Compensation | GAAP            |
| <b>Net cash provided (used) by operating activities</b> | \$ 4,312                          | \$ (18)         | \$ (103) (a)                | \$ 4,191        |
| Less: capital expenditures                              | (466)                             | (28)            | —                           | (494)           |
| <b>Free cash flow</b>                                   | <u>\$ 3,846</u>                   | <u>\$ (46)</u>  | <u>\$ (103)</u>             | <u>\$ 3,697</u> |
| Revenues  | \$ 12,143                         | \$ —            | \$ —                        | \$ 12,143       |
| Free cash flow as % of revenues                         | 32%                               | N/A             | N/A                         | 30%             |
| Other supplemental cash disclosures:                    |                                   |                 |                             |                 |
| Cash transfers from QSI (b)                             | \$ 58                             | \$ (58)         | \$ —                        | \$ —            |
| Cash transfers to QSI (c)                               | (157)                             | 157             | —                           | —               |
| Net cash transfers                                      | <u>\$ (99)</u>                    | <u>\$ 99</u>    | <u>\$ —</u>                 | <u>\$ —</u>     |
|   | Three Months Ended March 25, 2012 |                 |                             |                 |
|   | Non-GAAP                          | QSI             | Share-Based<br>Compensation | GAAP            |
| <b>Net cash provided (used) by operating activities</b> | \$ 2,084                          | \$ (121)        | \$ (75) (a)                 | \$ 1,888        |
| Less: capital expenditures                              | (276)                             | —               | —                           | (276)           |
| <b>Free cash flow</b>                                   | <u>\$ 1,808</u>                   | <u>\$ (121)</u> | <u>\$ (75)</u>              | <u>\$ 1,612</u> |
|   | Six Months Ended March 25, 2012   |                 |                             |                 |
|   | Non-GAAP                          | QSI             | Share-Based<br>Compensation | GAAP            |
| <b>Net cash provided (used) by operating activities</b> | \$ 3,934                          | \$ (169)        | \$ (98) (a)                 | \$ 3,667        |
| Less: capital expenditures                              | (635)                             | —               | —                           | (635)           |
| <b>Free cash flow</b>                                   | <u>\$ 3,299</u>                   | <u>\$ (169)</u> | <u>\$ (98)</u>              | <u>\$ 3,032</u> |

(a) Incremental tax benefits from share-based compensation during the period.

(b) Primarily cash from sale of equity securities and other investments.

(c) Primarily funding for strategic debt and equity investments, other investing activities and QSI operating and capital expenditures.

N/A—Not Applicable

**Qualcomm Incorporated**  
**Reconciliation of Non-GAAP Tax Rates to GAAP Tax Rates (a)**  
(in millions)  
(Unaudited)

|  | Three Months Ended March 31, 2013 |              |                             |                                  |                              |                 |
|--|-----------------------------------|--------------|-----------------------------|----------------------------------|------------------------------|-----------------|
|  | Non-GAAP<br>Results               | QSI          | Share-Based<br>Compensation | Acquisition-<br>Related<br>Items | Tax-<br>Related<br>Items (b) | GAAP<br>Results |
| Income (loss) from continuing operations before income taxes | \$ 2,454                          | \$ 33        | \$ (268)                    | \$ (83)                          | \$ —                         | \$ 2,136        |
| Income tax (expense) benefit                                 | (388)                             | —            | 48                          | 3                                | 64                           | (273)           |
| Income (loss) from continuing operations                     | <u>\$ 2,066</u>                   | <u>\$ 33</u> | <u>\$ (220)</u>             | <u>\$ (80)</u>                   | <u>\$ 64</u>                 | <u>\$ 1,863</u> |
| Tax rate   | 16%                               | 0%           | 18%                         | 4%                               | N/A                          | 13%             |
|  | Six Months Ended March 31, 2013   |              |                             |                                  |                              |                 |
|  | Non-GAAP<br>Results               | QSI          | Share-Based<br>Compensation | Acquisition-<br>Related<br>Items | Tax-<br>Related<br>Items (b) | GAAP<br>Results |
| Income (loss) from continuing operations before income taxes | \$ 5,150                          | \$ 16        | \$ (549)                    | \$ (154)                         | \$ —                         | \$ 4,463        |
| Income tax (expense) benefit                                 | (881)                             | 3            | 110                         | 7                                | 64                           | (697)           |
| Income (loss) from continuing operations                     | <u>\$ 4,269</u>                   | <u>\$ 19</u> | <u>\$ (439)</u>             | <u>\$ (147)</u>                  | <u>\$ 64</u>                 | <u>\$ 3,766</u> |
| Tax rate   | 17%                               | -19%         | 20%                         | 5%                               | N/A                          | 16%             |

(a) At fiscal year end, the sum of the quarterly tax provision (benefit) for each column equals the annual tax provision (benefit) for each column computed in accordance with GAAP. In interim quarters, the sum of these provisions (benefits) may not equal the total GAAP tax provision, and this difference is allocated to tax provisions (benefits) among the columns.

(b) During the second quarter of fiscal 2013, we recorded a tax benefit of \$64 million related to fiscal 2012 due to the retroactive reinstatement of the federal R&D tax credit.

N/A—Not Applicable

Sums may not equal totals due to rounding.

**Qualcomm Incorporated**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except per share data)  
(Unaudited)

| ASSETS   | March 31,<br>2013 | September 30,<br>2012 |
|--|-------------------|-----------------------|
| <b>Current assets:</b>   |                   |                       |
| Cash and cash equivalents  | \$ 4,093          | \$ 3,807              |
| Marketable securities  | 9,400             | 8,567                 |
| Accounts receivable, net   | 1,889             | 1,459                 |
| Inventories  | 1,484             | 1,030                 |
| Deferred tax assets  | 318               | 309                   |
| Other current assets   | 582               | 473                   |
| Total current assets   | 17,766            | 15,645                |
| Marketable securities  | 17,046            | 14,463                |
| Deferred tax assets  | 1,229             | 1,412                 |
| Assets held for sale   | 1,070             | 1,109                 |
| Property, plant and equipment, net   | 2,971             | 2,851                 |
| Goodwill   | 3,975             | 3,917                 |
| Other intangible assets, net   | 2,735             | 2,938                 |
| Other assets   | 807               | 677                   |
| Total assets   | <u>\$ 47,599</u>  | <u>\$ 43,012</u>      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                   |                       |
| <b>Current liabilities:</b>  |                   |                       |
| Trade accounts payable   | \$ 1,628          | \$ 1,298              |
| Payroll and other benefits related liabilities   | 679               | 664                   |
| Unearned revenues  | 514               | 545                   |
| Liabilities held for sale  | 538               | 1,072                 |
| Other current liabilities  | 1,904             | 1,723                 |
| Total current liabilities  | 5,263             | 5,302                 |
| Unearned revenues  | 3,697             | 3,739                 |
| Liabilities held for sale  | 531               | —                     |
| Other liabilities  | 480               | 426                   |
| Total liabilities  | <u>9,971</u>      | <u>9,467</u>          |
| <b>Stockholders' equity:</b>   |                   |                       |
| <b>Qualcomm stockholders' equity:</b>  |                   |                       |
| Preferred stock, \$0.0001 par value; 8 shares authorized; none outstanding   | —                 | —                     |
| Common stock, \$0.0001 par value; 6,000 shares authorized; 1,726 and 1,706 shares issued and outstanding, respectively | —                 | —                     |
| Paid-in capital  | 12,991            | 11,956                |
| Retained earnings  | 23,599            | 20,701                |
| Accumulated other comprehensive income   | 1,021             | 866                   |
| Total Qualcomm stockholders' equity  | 37,611            | 33,523                |
| Noncontrolling interests   | 17                | 22                    |
| Total stockholders' equity   | <u>37,628</u>     | <u>33,545</u>         |
| Total liabilities and stockholders' equity   | <u>\$ 47,599</u>  | <u>\$ 43,012</u>      |

**Qualcomm Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share data)  
(Unaudited)

|   | Three Months Ended |                   | Six Months Ended  |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2013  | March 25,<br>2012 | March 31,<br>2013 | March 25,<br>2012 |
| <b>Revenues:</b>  |                    |                   |                   |                   |
| Equipment and services                                      | \$ 3,990           | \$ 3,137          | \$ 8,189          | \$ 6,305          |
| Licensing   | 2,134              | 1,806             | 3,954             | 3,320             |
| Total revenues  | <u>6,124</u>       | <u>4,943</u>      | <u>12,143</u>     | <u>9,625</u>      |
| <b>Operating expenses:</b>                                  |                    |                   |                   |                   |
| Cost of equipment and services revenues                     | 2,372              | 1,783             | 4,609             | 3,537             |
| Research and development                                    | 1,214              | 954               | 2,320             | 1,827             |
| Selling, general and administrative                         | 661                | 595               | 1,248             | 1,098             |
| Other   | —                  | 97                | —                 | 97                |
| Total operating expenses                                    | <u>4,247</u>       | <u>3,429</u>      | <u>8,177</u>      | <u>6,559</u>      |
| Operating income  | 1,877              | 1,514             | 3,966             | 3,066             |
| Investment income, net                                      | 259                | 220               | 497               | 389               |
| Income from continuing operations before income taxes       | 2,136              | 1,734             | 4,463             | 3,455             |
| Income tax expense  | (273)              | (296)             | (697)             | (617)             |
| Income from continuing operations                           | 1,863              | 1,438             | 3,766             | 2,838             |
| Discontinued operations, net of income taxes                | —                  | 761               | —                 | 756               |
| Net income  | 1,863              | 2,199             | 3,766             | 3,594             |
| Net loss attributable to noncontrolling interests           | 3                  | 31                | 6                 | 37                |
| Net income attributable to Qualcomm                         | <u>\$ 1,866</u>    | <u>\$ 2,230</u>   | <u>\$ 3,772</u>   | <u>\$ 3,631</u>   |
| <b>Basic earnings per share attributable to Qualcomm:</b>   |                    |                   |                   |                   |
| Continuing operations                                       | \$ 1.08            | \$ 0.86           | \$ 2.20           | \$ 1.70           |
| Discontinued operations                                     | —                  | 0.45              | —                 | 0.45              |
| Net income  | <u>\$ 1.08</u>     | <u>\$ 1.31</u>    | <u>\$ 2.20</u>    | <u>\$ 2.15</u>    |
| <b>Diluted earnings per share attributable to Qualcomm:</b> |                    |                   |                   |                   |
| Continuing operations                                       | \$ 1.06            | \$ 0.84           | \$ 2.15           | \$ 1.66           |
| Discontinued operations                                     | —                  | 0.44              | —                 | 0.44              |
| Net income  | <u>\$ 1.06</u>     | <u>\$ 1.28</u>    | <u>\$ 2.15</u>    | <u>\$ 2.10</u>    |
| <b>Shares used in per share calculations:</b>               |                    |                   |                   |                   |
| Basic   | 1,722              | 1,698             | 1,716             | 1,691             |
| Diluted   | <u>1,763</u>       | <u>1,743</u>      | <u>1,757</u>      | <u>1,732</u>      |
| Dividends per share announced                               | <u>\$ 0.250</u>    | <u>\$ 0.215</u>   | <u>\$ 0.500</u>   | <u>\$ 0.430</u>   |

**Qualcomm Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

|   | Three Months Ended |                   | Six Months Ended  |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2013  | March 25,<br>2012 | March 31,<br>2013 | March 25,<br>2012 |
| <b>Operating Activities:</b>  |                    |                   |                   |                   |
| Net income  | \$ 1,863           | \$ 2,199          | \$ 3,766          | \$ 3,594          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                   |                   |                   |
| Depreciation and amortization   | 248                | 211               | 489               | 419               |
| Gain on sale of wireless spectrum   | —                  | (1,179)           | —                 | (1,179)           |
| Revenues related to non-monetary exchanges  | (31)               | (30)              | (62)              | (61)              |
| Income tax provision (less than) in excess of income tax payments                 | (34)               | 382               | 161               | 500               |
| Non-cash portion of share-based compensation expense                              | 267                | 241               | 550               | 488               |
| Incremental tax benefit from share-based compensation                             | (42)               | (75)              | (103)             | (98)              |
| Net realized gains on marketable securities and other investments                 | (84)               | (101)             | (179)             | (144)             |
| Gains on derivative instruments   | (14)               | (28)              | (12)              | (74)              |
| Other items, net  | 55                 | 36                | 91                | 62                |
| Changes in assets and liabilities, net of effects of acquisitions:                |                    |                   |                   |                   |
| Accounts receivable, net  | (239)              | (157)             | (424)             | (195)             |
| Inventories   | (207)              | (71)              | (454)             | (21)              |
| Other assets  | (150)              | 14                | (201)             | (10)              |
| Trade accounts payable  | 1                  | 261               | 377               | 287               |
| Payroll, benefits and other liabilities   | 590                | (218)             | 203               | (261)             |
| Unearned revenues   | (7)                | 403               | (11)              | 360               |
| Net cash provided by operating activities   | <u>2,216</u>       | <u>1,888</u>      | <u>4,191</u>      | <u>3,667</u>      |
| <b>Investing Activities:</b>  |                    |                   |                   |                   |
| Capital expenditures  | (289)              | (276)             | (494)             | (635)             |
| Purchases of available-for-sale securities  | (4,160)            | (5,009)           | (7,449)           | (7,036)           |
| Proceeds from sale of available-for-sale securities                               | 2,306              | 1,940             | 4,532             | 3,543             |
| Purchases of trading securities   | (826)              | (502)             | (1,796)           | (1,639)           |
| Proceeds from sale of trading securities  | 574                | 503               | 1,598             | 651               |
| Proceeds from sale of spectrum  | —                  | 1,925             | —                 | 1,925             |
| Acquisitions and other investments, net of cash acquired                          | (93)               | (29)              | (132)             | (329)             |
| Other items, net  | 44                 | (57)              | 70                | (53)              |
| Net cash used by investing activities   | <u>(2,444)</u>     | <u>(1,505)</u>    | <u>(3,671)</u>    | <u>(3,573)</u>    |
| <b>Financing Activities:</b>  |                    |                   |                   |                   |
| Borrowing under loans and debentures  | —                  | 232               | —                 | 232               |
| Repayment of loans payable  | —                  | (151)             | —                 | (151)             |
| Proceeds from issuance of common stock  | 407                | 907               | 747               | 1,135             |
| Incremental tax benefit from share-based compensation                             | 42                 | 75                | 103               | 98                |
| Repurchases and retirements of common stock                                       | —                  | —                 | (250)             | (99)              |
| Dividends paid  | (431)              | (366)             | (859)             | (729)             |
| Other items, net  | (4)                | (59)              | (2)               | (39)              |
| Net cash provided (used) by financing activities                                  | <u>14</u>          | <u>638</u>        | <u>(261)</u>      | <u>447</u>        |
| Changes in cash and cash equivalents held for sale                                | 18                 | —                 | 31                | —                 |
| Effect of exchange rate changes on cash and cash equivalents                      | (4)                | 13                | (4)               | (5)               |
| Net (decrease) increase in cash and cash equivalents                              | (200)              | 1,034             | 286               | 536               |
| Cash and cash equivalents at beginning of period                                  | 4,293              | 4,964             | 3,807             | 5,462             |
| Cash and cash equivalents at end of period  | <u>\$ 4,093</u>    | <u>\$ 5,998</u>   | <u>\$ 4,093</u>   | <u>\$ 5,998</u>   |