

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 24, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission File Number 0-19528

**QUALCOMM Incorporated**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

95-3685934  
(I.R.S. Employer  
Identification No.)

5775 Morehouse Dr., San Diego, California  
(Address of Principal Executive Offices)

92121-1714  
(Zip Code)

(858) 587-1121

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company   
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on January 29, 2018, was as follows:

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$0.0001 per share par value	1,480,363,298

**QUALCOMM INCORPORATED**  
**Form 10-Q**  
**For the Quarter Ended December 24, 2017**

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

ASSETS	December 24, 2017	September 24, 2017
Current assets:		
Cash and cash equivalents	\$ 33,362	\$ 35,029
Marketable securities	2,041	2,279
Accounts receivable, net	3,053	3,632
Inventories	1,872	2,035
Other current assets	638	618
Total current assets	40,966	43,593
Marketable securities	4,447	1,270
Deferred tax assets	1,241	2,900
Property, plant and equipment, net	3,224	3,216
Goodwill	6,638	6,623
Other intangible assets, net	3,548	3,737
Other assets	4,287	4,147
Total assets	\$ 64,351	\$ 65,486
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,685	\$ 1,971
Payroll and other benefits related liabilities	1,041	1,183
Unearned revenues	487	502
Short-term debt	3,465	2,495
Other current liabilities	5,349	4,756
Total current liabilities	12,027	10,907
Unearned revenues	1,906	2,003
Income taxes payable	3,867	—
Long-term debt	19,381	19,398
Other liabilities	3,246	2,432
Total liabilities	40,427	34,740
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 8 shares authorized; none outstanding	—	—
Common stock and paid-in capital, \$0.0001 par value; 6,000 shares authorized; 1,480 and 1,474 shares issued and outstanding, respectively	265	274
Retained earnings	23,273	30,088
Accumulated other comprehensive income	386	384
Total stockholders' equity	23,924	30,746
Total liabilities and stockholders' equity	\$ 64,351	\$ 65,486

See accompanying notes.

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

	Three Months Ended	
	December 24, 2017	December 25, 2016
Revenues:		
Equipment and services	\$ 4,704	\$ 4,139
Licensing	1,364	1,860
Total revenues	<u>6,068</u>	<u>5,999</u>
Costs and expenses:		
Cost of revenues	2,663	2,443
Research and development	1,420	1,311
Selling, general and administrative	773	591
Other (Note 2)	1,183	876
Total costs and expenses	<u>6,039</u>	<u>5,221</u>
Operating income	29	778
Interest expense	(170)	(90)
Investment and other income, net (Note 2)	114	182
(Loss) income before income taxes	(27)	870
Income tax expense (Note 3)	(5,926)	(189)
Net (loss) income	<u>(5,953)</u>	<u>681</u>
Net loss attributable to noncontrolling interests	—	1
Net (loss) income attributable to Qualcomm	<u>\$ (5,953)</u>	<u>\$ 682</u>
Basic (loss) earnings per share attributable to Qualcomm	<u>\$ (4.03)</u>	<u>\$ 0.46</u>
Diluted (loss) earnings per share attributable to Qualcomm	<u>\$ (4.03)</u>	<u>\$ 0.46</u>
Shares used in per share calculations:		
Basic	<u>1,477</u>	<u>1,478</u>
Diluted	<u>1,477</u>	<u>1,495</u>
Dividends per share announced	<u>\$ 0.57</u>	<u>\$ 0.53</u>

See accompanying notes.

**QUALCOMM Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(In millions)  
(Unaudited)

	Three Months Ended	
	December 24, 2017	December 25, 2016
Net (loss) income	\$ (5,953)	\$ 681
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation losses	(5)	(27)
Noncredit other-than-temporary impairment losses related to certain available-for-sale debt securities and subsequent changes in fair value	—	6
Reclassification of net other-than-temporary losses on available-for-sale securities included in net (loss) income	1	79
Net unrealized gains (losses) on other available-for-sale securities	4	(210)
Reclassification of net realized gains on available-for-sale securities included in net (loss) income	(1)	(92)
Net unrealized gains on derivative instruments	2	2
Reclassification of net realized losses on derivative instruments	1	—
Total other comprehensive income (loss)	2	(242)
Total comprehensive (loss) income	(5,951)	439
Comprehensive loss attributable to noncontrolling interests	—	1
Comprehensive (loss) income attributable to Qualcomm	\$ (5,951)	\$ 440

See accompanying notes.

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

	Three Months Ended	
	December 24, 2017	December 25, 2016
<b>Operating Activities:</b>		
Net (loss) income	\$ (5,953)	\$ 681
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	363	329
Indefinite and long-lived asset impairment charges	—	32
Income tax provision in excess of (less than) income tax payments (Note 3)	5,697	(113)
Non-cash portion of share-based compensation expense	248	239
Net realized gains on marketable securities and other investments	(23)	(147)
Impairment losses on marketable securities and other investments	9	143
Other items, net	57	(4)
Changes in assets and liabilities:		
Accounts receivable, net	581	131
Inventories	162	(354)
Other assets	(56)	(16)
Trade accounts payable	(248)	(208)
Payroll, benefits and other liabilities	1,000	957
Unearned revenues	(75)	(84)
Net cash provided by operating activities	<u>1,762</u>	<u>1,586</u>
<b>Investing Activities:</b>		
Capital expenditures	(226)	(129)
Purchases of available-for-sale marketable securities	(5,627)	(4,117)
Proceeds from sales and maturities of available-for-sale securities	2,704	6,891
Deposits of investments designated as collateral	—	(1,950)
Acquisitions and other investments, net of cash acquired	(122)	(57)
Other items, net	10	43
Net cash (used) provided by investing activities	<u>(3,261)</u>	<u>681</u>
<b>Financing Activities:</b>		
Proceeds from short-term debt	2,116	2,727
Repayment of short-term debt	(1,149)	(2,727)
Proceeds from issuance of common stock	134	131
Repurchases and retirements of common stock	(225)	(444)
Dividends paid	(844)	(784)
Payments of tax withholdings related to vesting of share-based awards	(192)	(172)
Other items, net	(5)	(42)
Net cash used by financing activities	<u>(165)</u>	<u>(1,311)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3)</u>	<u>(17)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(1,667)</u>	<u>939</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>35,029</u>	<u>5,946</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 33,362</u>	<u>\$ 6,885</u>

See accompanying notes.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1. Basis of Presentation**

**Financial Statement Preparation.** These condensed consolidated financial statements have been prepared by QUALCOMM Incorporated (collectively with its subsidiaries, the Company or Qualcomm) in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the interim financial information includes all normal recurring adjustments necessary for a fair statement of the results for the interim periods. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 24, 2017. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The Company operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. Each of the three-month periods ended December 24, 2017 and December 25, 2016 included 13 weeks.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company's condensed consolidated 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.

**Earnings (Loss) Per Common Share.** Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to Qualcomm by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed by dividing net income attributable to Qualcomm by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's share-based compensation plans, if any, and the weighted-average number of common shares outstanding during the reporting period. Due to the net loss for the three months ended December 24, 2017, all of the common share equivalents issuable under share-based compensation plans had an anti-dilutive effect and were therefore excluded from the computation of diluted loss per share. The following table provides information about the diluted earnings per share calculation (in millions):

	Three Months Ended	
	December 24, 2017	December 25, 2016
Dilutive common share equivalents included in diluted shares	—	17.0
Shares of common stock equivalents not included because the effect would be anti-dilutive or certain performance conditions were not satisfied at the end of the period	46.0	0.1

**Share-Based Compensation.** Total share-based compensation expense, related to all of the Company's share-based awards, was comprised as follows (in millions):

	Three Months Ended	
	December 24, 2017	December 25, 2016
Cost of revenues	\$ 10	\$ 9
Research and development	156	153
Selling, general and administrative	82	77
Share-based compensation expense before income taxes	248	239
Related income tax benefit	(49)	(49)
	\$ 199	\$ 190

At December 24, 2017, total unrecognized compensation expense related to nonvested restricted stock units granted prior to that date was \$1.5 billion, which is expected to be recognized over a weighted-average period of 2.2 years. At December 24, 2017, the Company had 28.8 million restricted stock units outstanding and 9.1 million stock options outstanding.

**Recent Accounting Pronouncements.**

**Share-based Awards:** In March 2016, the Financial Accounting Standards Board (FASB) issued new guidance that changed the accounting for share-based awards, including income taxes, classification of awards and classification in the

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

statement of cash flows. The Company adopted the new guidance in the first quarter of fiscal 2018. In accordance with the new guidance, excess tax benefits or deficiencies associated with share-based awards are recognized through earnings when the awards vest or settle, rather than in stockholders' equity. In the three months ended December 24, 2017, net excess tax benefits associated with share-based awards of \$18 million were recognized in the Company's income tax provision. In addition, cash flows related to excess tax benefits are presented as an operating activity and cash payments made on an employee's behalf for withheld shares are presented as financing activities, with the prior periods adjusted accordingly. As a result of these changes, amounts for the three months ended December 25, 2016 have been adjusted as follows: net cash provided by operating activities increased by \$207 million with a corresponding offset to net cash used in financing activities. The new guidance also impacts the Company's earnings per share calculation as the estimate of dilutive common share equivalents under the treasury stock method no longer assumes that the estimated tax benefits realized when an award is settled are used to repurchase shares. There was no impact of this change on the Company's calculation of earnings per share as a result of the net loss for the three months ended December 24, 2017. The Company elected to continue its practice of estimating forfeitures expected to occur in determining the amount of compensation cost to be recognized each period.

*Revenue Recognition:* In May 2014, the FASB issued new guidance related to revenue recognition, which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new guidance requires a company to recognize revenue as control of goods or services transfers to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. It defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The Company will adopt the new guidance in the first quarter of fiscal 2019 and currently expects to apply the modified retrospective approach, with the cumulative effect of applying the new guidance recognized as an adjustment to the opening retained earnings balance. Given the scope of work required to implement the recognition and disclosure requirements under the new guidance, the Company has made progress in the identification of changes to policy, processes, systems and controls, and the Company continues to assess data availability and presentation necessary to meet the additional disclosure requirements of the guidance in the notes to the consolidated financial statements.

The Company currently expects the adoption of this new guidance to most significantly impact its licensing business. Specifically, the Company expects a change in the timing of revenues recognized from sales-based royalties. The Company currently recognizes sales-based royalties as revenues in the period in which such royalties are reported by licensees, which is after the conclusion of the quarter in which the licensees' sales occur and when all other revenue recognition criteria are met. Under the new guidance, the Company will be required to estimate and recognize sales-based royalties in the period in which the associated sales occur, resulting in an acceleration of revenue recognition compared to the current method. Upon adoption of the new guidance, licenses to use portions of the Company's intellectual property portfolio will be considered one performance obligation, and license fees will be recognized as revenues on a straight-line basis over the term of the license agreement, which is similar to the recognition of license revenues under the current guidance. The Company currently accounts for customer incentive arrangements in its licensing and semiconductor businesses, including volume-related and other pricing rebates or cost reimbursements for marketing and other activities involving certain of the Company's products and technologies, in part based on the maximum potential liability. Under the new guidance, the Company expects to estimate the amount of all customer incentives. The Company does not otherwise expect the adoption of the new guidance will have a material impact on its businesses.

*Financial Assets:* In January 2016, the FASB issued new guidance on classifying and measuring financial instruments, which requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk be recognized separately in other comprehensive income. Additionally, it changes the disclosure requirements for financial instruments. The new guidance will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted for certain provisions. The Company does not intend to adopt any of the provisions early and is in the process of determining the effects the adoption will have on its consolidated financial statements.

In June 2016, the FASB issued new guidance that changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The new guidance will be effective for the Company starting in the first quarter of fiscal 2021. Early adoption is permitted starting in the first quarter of fiscal 2020. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt the new guidance early.



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*Leases:* In February 2016, the FASB issued new guidance related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. Currently, the new guidance must be adopted using the modified retrospective approach, including a number of optional practical expedients that entities may elect to apply, with the cumulative effect of applying the new guidance recognized as an adjustment to the opening retained earnings balance in the earliest period presented. In January 2018, the FASB issued an exposure draft that, if adopted, would allow for recognition of the cumulative effect of applying the new guidance as an adjustment to the opening retained earnings balance in the year of adoption, among other changes. The Company will adopt the new guidance in the first quarter of fiscal 2020 and is in the process of determining the effects the adoption will have on its consolidated financial statements.

*Hedge Instruments:* In August 2017, the FASB issued new guidance that expands and refines hedge accounting for both financial and non-financial risks, aligns the recognition and presentation of the effects of hedging instruments and hedged items in the financial statements, and includes targeted improvements related to the assessment of hedge effectiveness. The new guidance also modifies disclosure requirements for hedging activities. The new guidance will be effective for the Company starting in the first quarter of fiscal 2020, and early adoption is permitted in any interim period. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt the new guidance early.

*Other:* In August 2016, the FASB issued new guidance related to the classification of certain cash receipts and cash payments on the statement of cash flows. The new guidance will be effective for the Company beginning in the first quarter of fiscal 2019 on a retrospective basis, and early adoption is permitted. The Company does not intend to adopt the new guidance early and does not expect the effects of the adoption to have a material impact on its consolidated statements of cash flows.

In October 2016, the FASB issued new guidance that changes the accounting for income tax effects of intra-entity transfers of assets other than inventory. Under the new guidance, the selling (transferring) entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing (receiving) entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The new guidance will be effective for the Company starting in the first quarter of fiscal 2019 on a modified retrospective basis, and early adoption is permitted. The Company does not intend to adopt the new guidance early and is in the process of determining the effects the adoption will have on its consolidated financial statements.

**Note 2. Composition of Certain Financial Statement Items**

*Inventories (in millions)*

	December 24, 2017	September 24, 2017
Raw materials	\$ 96	\$ 103
Work-in-process	712	799
Finished goods	1,064	1,133
	<u>\$ 1,872</u>	<u>\$ 2,035</u>

*Other Current Liabilities (in millions)*

	December 24, 2017	September 24, 2017
Customer incentives and other customer-related liabilities	\$ 2,989	\$ 2,804
Accrual for EC fine (Note 6)	1,183	—
Accrual for TFTC fine (Note 6)	156	778
Other	1,021	1,174
	<u>\$ 5,349</u>	<u>\$ 4,756</u>

*Other Income, Costs and Expenses.* Other expenses in the three months ended December 24, 2017 was comprised of the \$1.2 billion charge related to the European Commission (EC) fine (Note 6). Other expenses in the three months ended

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December 25, 2016 consisted of a \$868 million charge related to the Korea Fair Trade Commission (KFTC) fine and \$8 million in restructuring and restructuring-related charges related to the Company's Strategic Realignment Plan.

*Investment and Other Income, Net (in millions)*

	Three Months Ended	
	December 24, 2017	December 25, 2016
Interest and dividend income	\$ 126	\$ 167
Net realized gains on marketable securities	10	139
Net realized gains on other investments	13	8
Impairment losses on marketable securities	(1)	(122)
Impairment losses on other investments	(8)	(21)
Net (losses) gains on derivative investments	(1)	8
Equity in net (losses) earnings of investees	(21)	3
Net losses on foreign currency transactions	(4)	—
	\$ 114	\$ 182

**Note 3. Income Taxes**

On December 22, 2017, tax reform legislation known as the Tax Cuts and Jobs Act (the Tax Legislation) was enacted in the United States (U.S.). The Tax Legislation significantly revises the U.S. corporate income tax by, among other things, lowering the corporate income tax rate to 21%, implementing a modified territorial tax system and imposing a one-time repatriation tax on deemed repatriated earnings and profits of U.S.-owned foreign subsidiaries (the Toll Charge). As a fiscal-year taxpayer, certain provisions of the Tax Legislation impacted the Company in fiscal 2018, including the change in the corporate income tax rate and the Toll Charge, while other provisions will be effective starting at the beginning of fiscal 2019, including the implementation of a modified territorial tax system. The U.S. federal income tax rate reduction was effective as of January 1, 2018. Accordingly, the Company's federal statutory income tax rate for fiscal 2018 reflects a blended rate of approximately 25%.

Pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), given the amount and complexity of the changes in tax law resulting from the Tax Legislation, the Company has not finalized the accounting for the income tax effects of the Tax Legislation. This includes the provisional amounts recorded related to the Toll Charge, the remeasurement of deferred taxes and the change in the Company's indefinite reinvestment assertion. Further, the Company is in the process of analyzing the effects of new taxes due on certain foreign income, such as GILTI (global intangible low-taxed income), BEAT (base-erosion anti-abuse tax), FDII (foreign-derived intangible income) and limitations on interest expense deductions (if certain conditions apply) that are effective starting in fiscal 2019, and other provisions of the Tax Legislation. The Company has elected to account for GILTI as period costs if and when incurred pursuant to the exposure draft issued by the FASB in January 2018. The impact of the Tax Legislation may differ from this estimate, possibly materially, during the one-year measurement period due to, among other things, further refinement of the Company's calculations, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Legislation.

The Company has preliminarily accounted for the effects of the Tax Legislation, which resulted in a charge of \$5.9 billion to income tax expense in the first quarter of fiscal 2018, which was comprised of \$5.3 billion related to the estimated Toll Charge and \$562 million resulting from the estimated impact of remeasurement of U.S. deferred tax assets and liabilities that existed at the end of fiscal 2017 at a lower enacted corporate income tax rate.

The Toll Charge is based on the Company's post-1986 earnings and profits (E&P) of U.S.-owned foreign subsidiaries for which the Company had previously deferred U.S. income taxes. The total estimated Toll Charge of \$5.3 billion was recognized discretely in the first quarter of fiscal 2018 related to cumulative E&P through the end of the first quarter of fiscal 2018. The Company has not yet finalized its calculation of the total post-1986 foreign earnings and profits for the respective foreign subsidiaries. Further, the Toll Charge is based in part on the amount of those earnings held in cash and other specific assets. The Company remeasured its deferred tax assets and liabilities that existed at the end of fiscal 2017 based on the income tax rate at which they are expected to reverse, which primarily assumes the reduced income tax rate of 21%

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

applicable in fiscal 2019, resulting in a reduction to non-current deferred tax assets of \$562 million in the first quarter of fiscal 2018.

As of December 24, 2017, the Company no longer considers available cash balances that existed at the end of fiscal 2017 related to undistributed pre-fiscal 2018 earnings and profits of certain U.S.-owned foreign subsidiaries to be indefinitely reinvested and recorded a tax expense of \$86 million related to foreign withholding taxes during the first quarter of fiscal 2018. The Company otherwise continues to consider other undistributed earnings of certain U.S.-owned foreign subsidiaries to be indefinitely reinvested based on its current plans for use and/or investment outside of the U.S., and therefore, no liability has been recorded for such taxes. However, as a result of the Tax Legislation, the Company is reassessing its intentions related to its indefinite reinvestment assertion. Should the Company decide to no longer indefinitely reinvest such earnings outside the U.S., the Company would have to adjust the income tax provision in the period such determination is made.

As a result of the Toll Charge imposed by the Tax Legislation, the Company expects to fully utilize all of its unused federal tax credits that existed at the end of fiscal 2017 of \$1.1 billion, which resulted in a reduction to non-current deferred tax assets in the first quarter of fiscal 2018, and the federal tax credits that are expected to be generated in fiscal 2018. The Company will elect to pay the Toll Charge, interest free, over a period of eight years, with payments beginning on January 15, 2019. Pursuant to the exposure draft issued by the FASB in January 2018, the Company did not discount the amount of the Toll Charge. The cash amount the Company currently estimates will be paid for the Toll Charge, net of tax credit carryforwards and expected tax credits estimated to be generated in fiscal 2018, is \$3.3 billion and was recorded in long-term income taxes payable.

The Company estimates its annual effective income tax rate to be approximately 29% for fiscal 2018, as compared to the 18% effective income tax rate for fiscal 2017, primarily as a result of the estimated charge of \$6.0 billion recorded to income tax expense in the first quarter of fiscal 2018 related to the combined effect of the Toll Charge, the remeasurement of deferred tax assets and liabilities and the Company's decision to no longer indefinitely reinvest certain foreign earnings, all of which resulted from the Tax Legislation. The estimated annual effective tax rate for fiscal 2018 was also impacted by the \$1.2 billion fine related to the EC investigation (Note 6) recorded in the first quarter of fiscal 2018, which is not deductible for tax purposes and is attributable to a foreign jurisdiction. Tax benefits from foreign income taxed at rates lower than rates in the U.S. are expected to be approximately 20% in fiscal 2018, compared to 32% in fiscal 2017, primarily due to the lower U.S. federal statutory income tax rate enacted by the Tax Legislation, partially offset by lower estimated U.S. revenues primarily related to decreased royalty revenues from Apple's contract manufacturers. The estimated annual effective tax rate for fiscal 2018 also reflects a blended U.S. federal statutory income tax rate of 25% as a result of the Tax Legislation and the increase in the Company's Singapore tax rate as a result of the expiration of certain of its tax incentives in March 2017. The annual effective tax rate of 18% for fiscal 2017 reflected the KFTC and TFTC fines (Note 6) of \$927 million and \$778 million, respectively, which were not deductible for tax purposes and were each attributable to the U.S. and foreign jurisdictions.

The effective tax rate for the first quarter of fiscal 2018 was higher than the estimated annual effective tax rate primarily due to the estimated charge of \$6.0 billion recorded to income tax expense in the first quarter of fiscal 2018 related to the effects of certain components of the Tax Legislation, as well as the \$1.2 billion fine related to the EC investigation.

Unrecognized tax benefits were \$342 million and \$372 million at December 24, 2017 and September 24, 2017, respectively. The Company believes that it is reasonably possible that the total amounts of unrecognized tax benefits at December 24, 2017 may increase or decrease in the next 12 months.

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions, and is currently under examination by various tax authorities worldwide, most notably in countries where the Company earns a routine return and tax authorities believe substantial value-add activities are performed. These examinations are at various stages with respect to assessments, claims, deficiencies and refunds, many of which are open for periods after fiscal 2000. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, income taxes payable and deferred taxes in the period in which the facts give rise to a revision become known. As of December 24, 2017, the Company believes that adequate amounts have been reserved for based on facts known. However, the final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in the Company's income tax provision and the related accruals.

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**Note 4. Stockholders' Equity**

Changes in stockholders' equity in the three months ended December 24, 2017 were as follows (in millions):

	<b>Total Stockholders' Equity</b>
Balance at September 24, 2017	\$ 30,746
Net loss	(5,953)
Other comprehensive income	2
Common stock issued under employee benefit plans and related tax benefits	142
Share-based compensation	266
Tax withholdings related to vesting of share-based payments	(192)
Dividends	(862)
Stock repurchases	(225)
Balance at December 24, 2017	<u>\$ 23,924</u>

**Accumulated Other Comprehensive Income.** Changes in the components of accumulated other comprehensive income, net of income taxes, in stockholders' equity in the three months ended December 24, 2017 were as follows (in millions):

	<b>Foreign Currency Translation Adjustment</b>	<b>Noncredit Other-than-Temporary Impairment Losses and Subsequent Changes in Fair Value for Certain Available-for-Sale Debt Securities</b>	<b>Net Unrealized Gain (Loss) on Other Available-for-Sale Securities</b>	<b>Net Unrealized (Loss) Gain on Derivative Instruments</b>	<b>Other Gains</b>	<b>Total Accumulated Other Comprehensive Income</b>
Balance at September 24, 2017	\$ 147	\$ 23	\$ 218	\$ (8)	\$ 4	\$ 384
Other comprehensive income (loss) before reclassifications	(5)	—	4	2	—	1
Reclassifications from accumulated other comprehensive income	—	—	—	1	—	1
Other comprehensive income (loss)	(5)	—	4	3	—	2
Balance at December 24, 2017	<u>\$ 142</u>	<u>\$ 23</u>	<u>\$ 222</u>	<u>\$ (5)</u>	<u>\$ 4</u>	<u>\$ 386</u>

**Stock Repurchase Program.** On March 9, 2015, the Company announced a stock repurchase program authorizing it to repurchase up to \$15 billion of the Company's common stock. The stock repurchase program has no expiration date. In the three months ended December 24, 2017 and December 25, 2016, the Company repurchased and retired 3.7 million and 6.6 million shares for \$225 million and \$444 million, respectively, before commissions. At December 24, 2017, \$1.4 billion remained authorized for repurchase under the Company's stock repurchase program.

**Dividends.** Cash dividends announced in the three months ended December 24, 2017 and December 25, 2016 were \$0.57 and \$0.53 per share, respectively. Dividends charged to retained earnings in the three months ended December 24, 2017 and December 25, 2016 were \$862 million and \$801 million, respectively. On January 12, 2018, the Company announced a cash dividend of \$0.57 per share on the Company's common stock, payable on March 21, 2018 to stockholders of record as of the close of business on February 28, 2018.

**Note 5. Debt**

**Revolving Credit Facility.** The Company has an Amended and Restated Revolving Credit Facility that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$5.0 billion, of which \$530 million and \$4.47 billion will expire in February 2020 and November 2021, respectively. Proceeds from the

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Amended and Restated Revolving Credit Facility are expected to be used for general corporate purposes. At December 24, 2017 and September 24, 2017, the Company had not borrowed any funds under the Amended and Restated Revolving Credit Facility.

**Commercial Paper Program.** The Company has an unsecured commercial paper program, which provides for the issuance of up to \$5.0 billion of commercial paper. Net proceeds from this program are used for general corporate purposes. Maturities of commercial paper can range from 1 day to up to 397 days. At December 24, 2017 and September 24, 2017, the Company had \$2.0 billion and \$999 million, respectively, of outstanding commercial paper recorded as short-term debt with a weighted-average interest rate of 1.28% and 1.19%, respectively, which included fees paid to the commercial paper dealers and weighted-average remaining days to maturity of 36 days and 45 days, respectively. The carrying value of the outstanding commercial paper approximated its estimated fair value at December 24, 2017 and September 24, 2017.

**Term Loan Facility.** The Company is party to a Credit Agreement that provides for senior unsecured delayed-draw term facility loans in an aggregate amount of \$4.0 billion (Term Loan Facility). Proceeds from the Term Loan Facility, if drawn, will be used to finance the proposed acquisition of NXP (Note 8). Commitments under the Term Loan Facility will expire on the first to occur of (i) the consummation of the proposed acquisition of NXP without using loans under the Term Loan Facility, (ii) the termination of Qualcomm River Holdings's obligation to consummate the proposed acquisition of NXP and (iii) April 25, 2018 (which reflects a second automatic extension of the original expiration date of October 27, 2017 in accordance with the NXP purchase agreement, and as such date may be further extended in accordance with the NXP purchase agreement). At December 24, 2017 and September 24, 2017, the Company had not borrowed any funds under the Term Loan Facility.

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**Long-term Debt.** The following table provides a summary of the Company's long-term debt (in millions, except percentages):

	December 24, 2017		September 24, 2017	
	Amount	Effective Rate	Amount	Effective Rate
<b>May 2015 Notes</b>				
Floating-rate three-month LIBOR plus 0.27% notes due May 18, 2018	\$ 250	1.77%	\$ 250	1.65%
Floating-rate three-month LIBOR plus 0.55% notes due May 20, 2020	250	2.04%	250	1.92%
Fixed-rate 1.40% notes due May 18, 2018	1,250	2.22%	1,250	1.93%
Fixed-rate 2.25% notes due May 20, 2020	1,750	2.40%	1,750	2.20%
Fixed-rate 3.00% notes due May 20, 2022	2,000	2.88%	2,000	2.65%
Fixed-rate 3.45% notes due May 20, 2025	2,000	3.46%	2,000	3.46%
Fixed-rate 4.65% notes due May 20, 2035	1,000	4.74%	1,000	4.74%
Fixed-rate 4.80% notes due May 20, 2045	1,500	4.71%	1,500	4.71%
<b>May 2017 Notes</b>				
Floating-rate three-month LIBOR plus 0.36% notes due May 20, 2019	750	1.92%	750	1.80%
Floating-rate three-month LIBOR plus 0.45% notes due May 20, 2020	500	1.98%	500	1.86%
Floating-rate three-month LIBOR plus 0.73% notes due January 30, 2023	500	2.17%	500	2.11%
Fixed-rate 1.85% notes due May 20, 2019	1,250	2.00%	1,250	2.00%
Fixed-rate 2.10% notes due May 20, 2020	1,500	2.19%	1,500	2.19%
Fixed-rate 2.60% notes due January 30, 2023	1,500	2.70%	1,500	2.70%
Fixed-rate 2.90% notes due May 20, 2024	1,500	3.01%	1,500	3.01%
Fixed-rate 3.25% notes due May 20, 2027	2,000	3.46%	2,000	3.46%
Fixed-rate 4.30% notes due May 20, 2047	1,500	4.47%	1,500	4.47%
Total principal	21,000		21,000	
Unamortized discount, including debt issuance costs	(102)		(106)	
Hedge accounting fair value adjustments	(20)		—	
Total	\$ 20,878		\$ 20,894	
<b>Reported as:</b>				
Short-term debt	\$ 1,497		\$ 1,496	
Long-term debt	19,381		19,398	
Total	\$ 20,878		\$ 20,894	

The Company's 2019 floating-rate notes, 2020 floating-rate notes, 2019 fixed-rate notes and 2020 fixed-rate notes issued in May 2017 for an aggregate principal amount of \$4.0 billion are subject to a special mandatory redemption at a price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to, but excluding, the date of such mandatory redemption. The redemption is required on the first to occur of (i) the termination of the NXP purchase agreement or (ii) April 25, 2018 (which reflects a second automatic extension of the original expiration date of October 27, 2017 in accordance with the NXP purchase agreement, and as such date may be further extended in accordance with the NXP purchase agreement to a date on or prior to June 1, 2018). The Company may redeem the fixed-rate notes at any time in whole, or from time to time in part, at specified make-whole premiums as defined in the applicable form of note. The Company may not redeem the other floating-rate notes prior to maturity. The obligations under the notes rank equally in right of payment with all of the Company's other senior unsecured indebtedness and will effectively rank junior to all liabilities of the Company's subsidiaries. At December 24, 2017 and September 24, 2017, the aggregate fair value of the notes, based on Level 2 inputs, was approximately \$20.9 billion and \$21.5 billion, respectively.

In connection with issuance of the May 2015 Notes, the Company entered into interest rate swaps with an aggregate notional amount of \$3.0 billion, which effectively converted all of the fixed-rate notes due in 2018 and approximately 43% and 50% of the fixed-rate notes due in 2020 and 2022, respectively, into floating-rate notes. The net gains and losses on the interest rate swaps, as well as the offsetting gains or losses on the related fixed-rate notes attributable to the hedged risks, are

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recognized in earnings in interest expense in the current period. The Company did not enter into similar interest rate swaps in connection with issuance of the May 2017 Notes.

The effective interest rates for the notes include the interest on the notes, amortization of the discount, which includes debt issuance costs, and if applicable, adjustments related to hedging. Interest is payable in arrears quarterly for the floating-rate notes and semi-annually for the fixed-rate notes. Cash interest paid related to the Company's commercial paper program and long-term debt, net of cash received from the related interest rate swaps, was \$257 million and \$134 million in the three months ended December 24, 2017 and December 25, 2016.

**Debt Covenants.** The Amended and Restated Revolving Credit Facility and the Term Loan Facility require that the Company comply with certain covenants, including one financial covenant to maintain a ratio of consolidated earnings before interest, taxes, depreciation and amortization to consolidated interest expense, as defined in each of the respective agreements, of not less than three to one at the end of each fiscal quarter. The Company is not subject to any financial covenants under the notes nor any covenants that would prohibit the Company from incurring additional indebtedness ranking equal to the notes, paying dividends, issuing securities or repurchasing securities issued by it or its subsidiaries. At December 24, 2017 and September 24, 2017, the Company was in compliance with the applicable covenants under each facility outstanding at such time.

**Note 6. Commitments and Contingencies**

***Legal and Regulatory Proceedings.***

*ParkerVision, Inc. v. QUALCOMM Incorporated:* On May 1, 2014, ParkerVision filed a complaint against the Company in the United States District Court for the Middle District of Florida alleging that certain of the Company's products infringe certain ParkerVision patents. On August 21, 2014, ParkerVision amended the complaint, now captioned ParkerVision, Inc. v. QUALCOMM Incorporated, Qualcomm Atheros, Inc., HTC Corporation, HTC America, Inc., Samsung Electronics Co., LTD., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, broadening the allegations. ParkerVision alleged that the Company infringes 11 ParkerVision patents and seeks damages and injunctive and other relief. On December 3, 2015, ParkerVision dismissed six patents from the lawsuit and granted the Company and all other defendants a covenant not to assert those patents against any existing products. On February 2, 2016, after agreement among the parties, the District Court stayed the remainder of the case pending the resolution of the complaint filed by ParkerVision against the Company and other parties with the United States International Trade Commission (ITC) described below. Subsequently, ParkerVision announced that it had reached a settlement with Samsung which dismissed the Samsung entities from the District Court case. The Company had previously filed Inter-Partes Review petitions with the United States Patent and Trademark Office (USPTO) to invalidate all asserted claims of several of the remaining patents. On March 7, 2017, the USPTO decided in the Company's favor with respect to all asserted claims of one such patent. After the ITC action described below was closed, and upon agreement among the parties, on May 24, 2017, the District Court further stayed the District Court case pending ParkerVision's appeal of the USPTO's invalidation decisions.

On December 14, 2015, ParkerVision filed another complaint against the Company in the United States District Court for the Middle District of Florida alleging patent infringement. Apple Inc., Samsung Electronics Co., LTD., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC, Samsung Semiconductor, Inc., LG Electronics, Inc., LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A., Inc. are also named defendants. The complaint asserts that certain of the Company's products infringe four additional ParkerVision patents and seeks damages and other relief. On December 15, 2015, ParkerVision filed a complaint with the ITC pursuant to Section 337 of the Tariff Act of 1930 against the same parties asserting the same four patents. The complaint seeks an exclusion order barring the importation of products that use either of two Company transceivers or one Samsung transceiver and a cease and desist order preventing the Company and the other defendants from carrying out commercial activities within the United States related to such products. On January 13, 2016, the Company served its answer to the District Court complaint. On January 15, 2016, the ITC instituted an investigation. On February 12, 2016, the District Court case was stayed pending completion of the ITC investigation. Subsequently, ParkerVision announced that it had reached a settlement with Samsung which dismissed the Samsung entities from the ITC investigation and related District Court case. On February 2, 2017, the ITC granted ParkerVision's motion to drop all but one patent and one accused product from the ITC investigation. On March 12, 2017, one day before the ITC hearing was scheduled to begin, ParkerVision moved to withdraw its ITC complaint in its entirety. The Company and the other defendants did not oppose the withdrawal of the complaint. On April 28, 2017, the ITC formally closed the investigation. On May 4, 2017, ParkerVision filed a motion to reopen the related District Court Case, and on May 26, 2017, the District Court granted the motion. Briefing for claim construction is complete, but no dates have been set for a claim construction hearing or trial.

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*Apple Inc. (Apple) v. QUALCOMM Incorporated:* On January 20, 2017, Apple filed a complaint against the Company in the United States District Court for the Southern District of California seeking declarations with respect to several of the Company's patents and alleging that the Company breached certain agreements and violated federal antitrust and California state unfair competition laws. In its initial complaint, Apple sought declaratory judgments of non-infringement by Apple of nine of the Company's patents, or in the alternative, a declaration of royalties Apple must pay for the patents. Apple further sought a declaration that the Company's sale of baseband chipsets exhausts the Company's patent rights for patents embodied in those chipsets. Separately, Apple sought to enjoin the Company from seeking excessive royalties from Apple and to disgorge royalties paid by Apple's contract manufacturers that the court finds were not fair, reasonable and non-discriminatory (FRAND). Apple also claimed that the Company's refusal to make certain payments to Apple under a Business Cooperation and Patent Agreement (Cooperation Agreement) constitutes a breach of contract in violation of California law and sought damages in the amount of the unpaid payments, alleged to be approximately \$1 billion. In addition, Apple claimed that the Company has refused to deal with competitors in contravention of the Company's agreements with applicable standard setting organizations, has used its market position to impose contractual obligations on Apple that prevented Apple from challenging the Company's licensing practices, has tied the purchase of the Company's CDMA-enabled and "premium" LTE-enabled chipsets to licensing certain of the Company's patents and has required Apple to purchase baseband chipsets exclusively from the Company as a condition of the Company's payment to Apple of certain rebates, in violation of Section 2 of the Sherman Act and the California Unfair Competition Law. Apple sought injunctive relief with respect to these claims and a judgment awarding its expenses, costs and attorneys' fees.

On April 10, 2017, the Company filed its Answer and Counterclaims (amended on May 24, 2017) in response to Apple's complaint denying Apple's claims and asserting claims against Apple. The counterclaims against Apple include tortious interference with the Company's long-standing Subscriber Unit License Agreements (SULAs) with third-party contract manufacturers of Apple devices, causing those contract manufacturers to withhold certain royalty payments owed to the Company and violate their audit obligations; breach of contract and the implied covenant of good faith and fair dealing relating to the parties' Cooperation Agreement; unjust enrichment and declaratory relief relating to the Cooperation Agreement; breach of contract based on Apple's failure to pay amounts owed to the Company under a Statement of Work relating to a high-speed feature of the Company's chipsets; breach of the parties' software agreement; and violation of California Unfair Competition Law based on Apple's threatening the Company to prevent it from promoting the superior performance of the Company's own chipsets. The Company also seeks declaratory judgments that the Company has satisfied its FRAND commitments with respect to Apple, and that the Company's SULAs with the contract manufacturers do not violate either competition law or the Company's FRAND commitments. On June 19, 2017, Apple filed a Partial Motion to Dismiss the Company's counterclaim for violation of the California Unfair Competition Law. The court granted that motion on November 8, 2017. On June 20, 2017, Apple filed an Answer and Affirmative Defenses to the rest of the Company's counterclaims, and also filed an Amended Complaint reiterating all of the original claims and adding claims for declaratory judgments of invalidity of the nine patents that are subject to declaratory judgment claims in the original complaint, adding new declaratory judgment claims for non-infringement, invalidity and a declaration of royalties for nine more patents. Apple also added claims for declaratory judgments that certain of the Company's agreements are unenforceable. On July 21, 2017, the Company filed an Answer to Apple's Amended Complaint as well as a motion to dismiss the new declaratory judgment claims for non-infringement, invalidity and a declaration of royalties for the nine additional patents. The court granted the Company's motion on November 8, 2017. On July 18, 2017, Apple filed a motion to consolidate this action with *QUALCOMM Incorporated v. Compal Electronics, Inc., et al.*, discussed below, and on September 13, 2017, the court granted that motion. Fact discovery is set to close in these cases on May 11, 2018. A final pretrial conference is scheduled for September 28, 2018. The trials have not yet been scheduled.

On January 23, 2017, an Apple subsidiary in China filed two complaints against the Company in the Beijing Intellectual Property Court. On March 31, 2017, the court granted an application by Apple Inc. to join the actions as a plaintiff, and Apple amended the complaints. One of the complaints alleges a violation of China's Anti-Monopoly Law (AML complaint); the other complaint requests a determination of the terms of a patent license between the Company and Apple (FRAND complaint). The AML complaint alleges that (i) the Company has abused its dominant position in communication standard-essential patents licensing markets and certain global baseband chipset markets by charging and offering royalty terms that were excessively high; (ii) the Company refused to license certain implementers of standardized technologies, including Apple and baseband chipset manufacturers; (iii) the Company forced Apple to use only the Company's products and services; and (iv) the Company bundled licenses to standard-essential patents with licenses to non-standard-essential patents and imposed other unreasonable or discriminatory trading terms on Apple in violation of the AML. The AML complaint seeks a decree that the Company cease the alleged abuse of dominance, as well as damages in the amount of 1 billion Chinese Renminbi (approximately \$152 million based on the exchange rate on December 24, 2017). The FRAND complaint makes



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allegations similar to the AML complaint and further alleges that the Company refused to offer licensing terms for the Company's cellular standard-essential patents consistent with the Company's FRAND licensing commitments and failed to provide to Apple certain information about the Company's patents. The FRAND complaint seeks (i) a declaration that the license terms offered to Apple by the Company for its mobile communication standard essential patents are not compliant with FRAND; (ii) an order that the Company cease its actions that allegedly violate the Company's FRAND obligations, including pricing on unfair, unreasonable and excessive terms, refusing to deal, imposing unreasonable trade conditions and failing to provide information on the Company's patents; and (iii) a determination of FRAND-compliant license terms for the Company's Chinese standard-essential patents. Apple also seeks its expenses in each of the cases. On August 3, 2017, the Company received three additional complaints filed by an Apple subsidiary and Apple Inc. against the Company in the Beijing Intellectual Property Court. The complaints seek declaratory judgments of non-infringement of three Qualcomm patents. The Company has filed jurisdictional and other objections to the complaints.

On February 16, 2017, Apple and one of its Japanese subsidiaries filed four complaints against the Company in the Tokyo District Court. In three of the complaints, Apple seeks declaratory judgment of non-infringement by Apple of three of the Company's patents. Apple further seeks a declaration that the Company's patent rights with respect to those three patents are exhausted by the Company's SULAs with the contract manufacturers of Apple's devices as well as the Company's sale of baseband chipsets. Apple also seeks an award of fees. On January 30, 2018, the court dismissed one of the complaints, finding that Apple lacked standing based on the facts it alleged in that complaint. The court has yet to rule on whether Apple has standing in the remaining complaints. On May 15, 2017, the Company learned of the fourth complaint. In that complaint, Apple and one of its Japanese subsidiaries seek damages of 100 million Japanese Yen (approximately \$1 million based on the exchange rate on December 24, 2017) from the Company, based on allegations that the Company violated the Japanese Antimonopoly Act and the Japanese Civil Code. In particular, the fourth complaint alleges that (i) the Company holds a monopoly position in the market for baseband processor chipsets that implement certain cellular standards; (ii) the Company collects double royalties through its license agreements and the sale of chipsets; (iii) the Company refused to grant Apple a license on FRAND terms and forced Apple to execute a rebate agreement under unreasonable conditions; (iv) the Company refused to grant Apple a direct license; and (v) the Company demanded a license fee based on the market value of the total device. The Company has filed jurisdictional and other objections to all four of the complaints.

On March 2, 2017, the Company learned that Apple and certain of its European subsidiaries issued a Claim Form against the Company in the UK High Court of Justice, Chancery Division, Patents Court on January 23, 2017. Apple subsequently filed an Amended Claim Form and Particulars of Claim. Both the Amended Claim Form and the Particulars of Claim allege several European competition law claims, including refusal to license competing chipmakers, failure to offer Apple a direct license to the Company's standard-essential patents on FRAND terms, demanding excessive royalties for the Company's standard-essential patents, and demanding excessive license fees for the use of the Company's standard-essential patents in connection with chipsets purchased from the Company. Apple also seeks declarations that the Company is obliged to offer a direct patent license to Apple in respect of standard-essential patents actually practiced on fair, reasonable and non-discriminatory terms and that using the Company's chipsets does not infringe any of the Company's patents because the Company exhausted its patent rights. Finally, Apple seeks declarations that five of the Company's European (UK) patents are invalid and not essential, and an order that each of those patents be revoked.

On April 20, 2017, the Company was informed that on April 18, 2017, Apple and one of its Taiwanese subsidiaries filed a complaint against the Company in the Taiwan Intellectual Property Court alleging that the Company has abused a dominant market position in licensing wireless standard-essential patents and selling baseband chipsets, including improper pricing, refusal to deal, exclusive dealing, tying, imposing unreasonable trade terms and discriminatory treatment. The complaint seeks rulings that the Company not use the sales price of the terminal device as the royalty base for standard-essential patents; not leverage its cellular standard-essential patents to obtain licenses of its non-standard-essential patents or demand cross-licenses without proper compensation; not refuse, reduce, delay or take any other action to limit the supply of its baseband chipsets to non-licensees; that the Company must license its standard-essential patents on FRAND terms; and that the Company shall not, based on standard-essential patents, seek injunctions. The complaint also seeks damages of 10 million Taiwan Dollars (less than \$1 million based on the exchange rate on December 24, 2017), among other relief.

On November 30, 2017, Apple and certain of its Chinese subsidiaries filed three patent infringement complaints against the Company in the Beijing Intellectual Property Court. Apple seeks damages and costs. The Company has filed jurisdictional objections to the complaints.

The Company believes Apple's claims in the above matters are without merit.

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*QUALCOMM Incorporated v. Compal Electronics, Inc. et al.*: On May 17, 2017, the Company filed a complaint in the United States District Court for the Southern District of California against Compal Electronics, Inc. (Compal), FIH Mobile, Ltd., Hon Hai Precision Industry Co., Ltd. (together with FIH Mobile, Ltd., Foxconn), Pegatron Corporation (Pegatron) and Wistron Corporation (Wistron) asserting claims for injunctive relief, specific performance, declaratory relief and damages stemming from the defendants' breach of contracts by ceasing the payment of royalties for iPhones and other devices which they manufacture for Apple. On July 17, 2017, Compal, Foxconn, Pegatron and Wistron each filed third-party complaints for contractual indemnity against Apple seeking to join Apple as a party to the action. On July 18, 2017, Apple filed an answer to these third party complaints acknowledging its indemnity agreements and consenting to be joined. On July 18, 2017, the defendants filed an Answer and Counterclaims to the complaint, asserting defenses and counterclaims similar to allegations previously made by Apple in the *Apple Inc. v. QUALCOMM Incorporated* case in the Southern District of California discussed above. In addition, the defendants asserted certain new claims, including claims under Section 1 of the Sherman Act and California's Cartwright Act. The defendants seek damages, declaratory relief, injunctive relief, restitution of certain royalties and other relief. On July 18, 2017, Apple filed a motion to consolidate this action with the *Apple Inc. v. QUALCOMM Incorporated* case in the Southern District of California. On September 13, 2017, the court granted Apple's consolidation motion. Fact discovery is set to close in these cases on May 11, 2018. A final pretrial conference is scheduled for September 28, 2018. The trials have not yet been scheduled.

The Company believes Compal's, Foxconn's, Pegatron's and Wistron's claims in the above matter are without merit.

*QUALCOMM Incorporated v. Apple Inc.*: On July 6, 2017, the Company filed a complaint against Apple in the United States District Court for the Southern District of California asserting claims for damages and injunctive relief for infringement of six of the Company's patents directed to a variety of features found in iPhone models. On July 7, 2017, the Company filed a complaint against Apple in the United States International Trade Commission (ITC) requesting that the ITC institute an investigation pursuant to Section 337 of the Tariff Act of 1930 based on Apple's infringement of the same six patents. The Company is seeking a limited exclusion order and cease and desist order against importation of iPhone models that do not contain a Qualcomm brand baseband processor. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms. Apple filed an Answer and Counterclaims in the District Court case on September 26, 2017, but no schedule has been set in that case. On November 29, 2017, Apple filed a First Amended Answer and Counterclaims asserting that the Company's Snapdragon processors infringe eight Apple patents. On August 8, 2017, the ITC issued a notice of institution of an investigation. On August 25, 2017, the Company withdrew allegations as to one patent in both the ITC investigation and the District Court case. A claim construction hearing and technology tutorial was held in the ITC investigation on January 23, 2018. The ITC investigation is scheduled for evidentiary hearing by the Administrative Law Judge (ALJ) from June 18-26, 2018. The ALJ's Initial Determination on the merits is due on September 14, 2018, and the target date for final determination by the ITC is set for January 14, 2019. A case management conference in the district court case was held on January 26, 2018. No trial date has been set.

On November 1, 2017, the Company filed a complaint against Apple in San Diego Superior Court for breach of the Master Software Agreement between the companies. The complaint recounts instances when Apple failed to protect the Company's software as required by the agreement and failed to provide sufficient information to which the Company is entitled under the agreement in order to understand whether other breaches have occurred. The complaint seeks specific performance of Apple's obligations to cooperate with an audit of its handling of the Company's software, damages and injunctive relief. Apple filed its Answer to the Complaint on December 29, 2017. A case management conference is scheduled for July 20, 2018. No trial date has yet been set.

On November 29, 2017, the Company filed three additional complaints against Apple in the United States District Court for the Southern District of California alleging infringement of a total of 16 of the Company's patents. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms. The complaints seek damages and injunctive relief. No case schedules have yet been set. On January 22, 2018, Apple filed Answers and Counterclaims in each of these cases seeking declaratory judgments that the asserted patents are invalid and/or not infringed. Case management conferences have been set for February 7, 2018 and March 1, 2018. No trial dates have been set.

On November 30, 2017, the Company filed a complaint in the ITC accusing certain Apple products of infringing five of the Company's patents. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms. The Company seeks a limited exclusion order and cease and desist order against importation of iPhone models that do not contain a Qualcomm brand baseband processor. On January 2, 2018, the ITC instituted an investigation.

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On July 17, 2017, the Company filed complaints against Apple and certain of its subsidiaries in the Federal Republic of Germany, asserting infringement of one patent in the Mannheim District Court and infringement of another patent in the Munich District Court. On October 2, 2017, the Company filed claim extensions in these actions against Apple and certain of its subsidiaries, asserting infringement of two additional patents in the Mannheim District Court and infringement of five additional patents in the Munich District Court. The complaints seek remedies including, among other relief, declaratory relief confirming liability on the merits for damages and injunctive relief. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms.

On September 29, 2017, the Company filed three complaints against Apple and certain of its subsidiaries in the Beijing (China) Intellectual Property Court, asserting infringement of three patents. The complaints seek remedies including injunctive relief and costs. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms.

On November 13, 2017, the Company filed three complaints against certain of Apple's subsidiaries in the Beijing (China) High People's Court, asserting infringement of three patents. The complaints seek remedies including injunctive relief, damages and costs. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms. On December 19, 2017, Apple's subsidiaries filed invalidation requests with the Chinese Patent Review Board (PRB) for each of the three asserted patents. PRB hearings regarding the validity of the patents are expected to begin in April 2018.

On November 15, 2017, the Company filed three complaints against certain of Apple's subsidiaries in the Fuzhou (China) Intermediate People's Court, asserting infringement of three patents. The complaints seek remedies including injunctive relief and costs. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms. The court has set hearings on the merits of infringement to begin on August 16, 2018 for one of the cases and August 18, 2018 for the other two cases. Apple's subsidiaries filed invalidation requests with the Chinese Patent Review Board (PRB) on December 8, 2017 for one of the patents and December 11, 2017 for the other two patents. PRB hearings regarding the validity of the patents are expected to begin in April 2018.

On January 12, 2018, the Company filed three additional complaints against Apple and certain of its subsidiaries in the Fuzhou (China) Intermediate People's Court, asserting infringement of three additional patents. The complaints seek remedies including injunctive relief and costs. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms.

Also on January 12, 2018, the Company filed three complaints against certain of Apple's subsidiaries in the Jiangsu (China) High People's Court, asserting infringement of three patents. The complaints seek remedies including injunctive relief, damages and costs. The patents have not been declared as essential to any standards organization and are not subject to commitments to license on FRAND terms.

*3226701 Canada, Inc. v. QUALCOMM Incorporated et al.*: On November 30, 2015, plaintiffs filed a securities class action complaint against the Company and certain of its current and former officers in the United States District Court for the Southern District of California. On April 29, 2016, plaintiffs filed an amended complaint. On January 27, 2017, the court dismissed the amended complaint in its entirety, granting leave to amend. On March 17, 2017, plaintiffs filed a second amended complaint, alleging that the Company and certain of its current and former officers violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, by making false and misleading statements regarding the Company's business outlook and product development between November 19, 2014 and July 22, 2015. The second amended complaint sought unspecified damages, interest, attorneys' fees and other costs. On May 8, 2017, the Company filed a motion to dismiss the second amended complaint. On October 20, 2017, the court entered an order granting in part the Company's motion to dismiss, and on November 29, 2017, the court entered an order granting the remaining portions of the Company's motion to dismiss. On December 28, 2017, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. The Company believes the plaintiffs' claims are without merit.

*Consolidated Securities Class Action Lawsuit*: On January 23, 2017 and January 26, 2017, respectively, two securities class action complaints were filed by purported stockholders of the Company in the United States District Court for the Southern District of California against the Company and certain of its current and former officers and directors. The complaints alleged, among other things, that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, by making false and misleading statements and omissions of material fact in connection with certain allegations that the Company is or was engaged in anticompetitive conduct. The complaints sought unspecified damages, interest, fees and costs. On May 4, 2017, the court consolidated the two actions and appointed lead plaintiffs. On

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July 3, 2017, the lead plaintiffs filed a consolidated amended complaint asserting the same basic theories of liability and requesting the same basic relief. On September 1, 2017, the defendants filed a motion to dismiss the consolidated amended complaint. The court has not yet ruled on the motion. The Company believes the plaintiffs' claims are without merit.

*Consumer Class Action Lawsuit:* Since January 18, 2017, a number of consumer class action complaints have been filed against the Company in the United States District Courts for the Southern and Northern Districts of California, each on behalf of a putative class of purchasers of cellular phones and other cellular devices. Twenty-two such cases remain outstanding. In April 2017, the Judicial Panel on Multidistrict Litigation transferred the cases that had been filed in the Southern District of California to the Northern District of California. On May 15, 2017, the court entered an order appointing the plaintiffs' co-lead counsel, and on May 25, 2017, set a trial date of April 29, 2019. On July 11, 2017, plaintiffs filed a consolidated amended complaint alleging that the Company violated California and federal antitrust and unfair competition laws by, among other things, refusing to license standard-essential patents to its competitors, conditioning the supply of certain of its baseband chipsets on the purchaser first agreeing to license the Company's entire patent portfolio, entering into exclusive deals with companies including Apple Inc., and charging unreasonably high royalties that do not comply with the Company's commitments to standard setting organizations. The complaint seeks unspecified damages and disgorgement and/or restitution, as well as an order that the Company be enjoined from further unlawful conduct. On August 11, 2017, the Company filed a motion to dismiss the consolidated amended complaint. On November 10, 2017, the court denied the Company's motion to dismiss the consolidated amended complaint, except to the extent that certain claims seek damages under the Sherman Antitrust Act. The Company believes the plaintiffs' claims are without merit.

*Canadian Consumer Class Action Lawsuits:* Since November 9, 2017, four consumer class action complaints have been filed against the Company in Canada (two in the Ontario Superior Court of Justice, one in the Superior Court of Quebec and one in the Supreme Court of British Columbia) alleging various violations of Canadian competition and consumer protection laws. The claims are similar to those in the FTC and U.S. consumer class action complaints. The complaints seek unspecified damages. The Company has not yet answered the complaints.

*Japan Fair Trade Commission (JFTC) Complaint:* The JFTC received unspecified complaints alleging that the Company's business practices are, in some way, a violation of Japanese law. On September 29, 2009, the JFTC issued a cease and desist order concluding that the Company's Japanese licensees were forced to cross-license patents to the Company on a royalty-free basis and were forced to accept a provision under which they agreed not to assert their essential patents against the Company's other licensees who made a similar commitment in their license agreements with the Company. The cease and desist order seeks to require the Company to modify its existing license agreements with Japanese companies to eliminate these provisions while preserving the license of the Company's patents to those companies. The Company disagrees with the conclusions that it forced its Japanese licensees to agree to any provision in the parties' agreements and that those provisions violate the Japanese Antimonopoly Act. The Company has invoked its right under Japanese law to an administrative hearing before the JFTC. In February 2010, the Tokyo High Court granted the Company's motion and issued a stay of the cease and desist order pending the administrative hearing before the JFTC. The JFTC has held hearings on 37 different dates. No further hearings are currently scheduled.

*Korea Fair Trade Commission (KFTC) Complaint:* On January 4, 2010, the KFTC issued a written decision finding that the Company had violated Korean law by offering certain discounts and rebates for purchases of its CDMA chipsets and for including in certain agreements language requiring the continued payment of royalties after all licensed patents have expired. The KFTC levied a fine, which the Company paid and recorded as an expense in fiscal 2010. The Company appealed to the Seoul High Court, and on June 19, 2013, the Seoul High Court affirmed the KFTC's decision. On July 4, 2013, the Company filed an appeal with the Korea Supreme Court. There have been no material developments since then with respect to this matter.

*Korea Fair Trade Commission (KFTC) Investigation:* On March 17, 2015, the KFTC notified the Company that it was conducting an investigation of the Company relating to the Korean Monopoly Regulation and Fair Trade Act (MRFTA). On December 27, 2016, the KFTC announced that it had reached a decision in the investigation, finding that the Company violated provisions of the MRFTA. On January 22, 2017, the Company received the KFTC's formal written decision, which found that the following conducts violate the MRFTA: (i) refusing to license, or imposing restrictions on licenses for, cellular communications standard-essential patents with competing modem chipset makers; (ii) conditioning the supply of modem chipsets to handset suppliers on their execution and performance of license agreements with the Company; and (iii) coercing agreement terms including portfolio license terms, royalty terms and free cross-grant terms in executing patent license agreements with handset makers. The KFTC's decision orders the Company to: (i) upon request by modem chipset companies, engage in good-faith negotiations for patent license agreements, without offering unjustifiable conditions, and if

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necessary submit to a determination of terms by an independent third party; (ii) not demand that handset companies execute and perform under patent license agreements as a precondition for purchasing modem chips; (iii) not demand unjustifiable conditions in the Company's license agreements with handset companies, and upon request renegotiate existing patent license agreements; and (iv) notify modem chipset companies and handset companies of the decision and order imposed on the Company and report to the KFTC new or amended agreements. According to the KFTC's decision, the foregoing will apply to transactions between the Company and the following enterprises: (i) handset manufacturers headquartered in Korea and their affiliate companies; (ii) enterprises that sell handsets in or to Korea and their affiliate companies; (iii) enterprises that supply handsets to companies referred in (ii) above and the affiliate companies of such enterprises; (iv) modem chipset manufacturers headquartered in Korea and their affiliate companies; and (v) enterprises that supply modem chipsets to companies referred in (i), (ii) or (iii) above and the affiliate companies of such enterprises. The KFTC's decision also imposed a fine of approximately 1.03 trillion Korean Won (approximately \$927 million), which was paid on March 30, 2017. The Company believes that its business practices do not violate the MRFTA, and on February 21, 2017 filed an action in the Seoul High Court to cancel the KFTC's decision. On the same day, the Company filed an application with the Seoul High Court to stay the decision's remedial order pending the Seoul High Court's final judgment on the Company's action to cancel the KFTC's decision. On September 4, 2017, the Seoul High Court denied the Company's application to stay the remedial order, and on November 27, 2017, the Korea Supreme Court dismissed the Company's appeal of the Seoul High Court's decision on the application to stay. The Seoul High Court has not ruled on the Company's action to cancel the KFTC's decision.

*Icera Complaint to the European Commission (EC):* On June 7, 2010, the EC notified and provided the Company with a redacted copy of a complaint filed with the EC by Icera, Inc. (subsequently acquired by Nvidia Corporation) alleging that the Company has engaged in anticompetitive activity. The Company was asked by the EC to submit a preliminary response to the portions of the complaint disclosed to it, and the Company submitted its response in July 2010. Subsequently, the Company provided additional documents and information as requested by the EC. On July 16, 2015, the EC announced that it had initiated formal proceedings in this matter. On December 8, 2015, the EC announced that it had issued a Statement of Objections expressing its preliminary view that between 2009 and 2011, the Company engaged in predatory pricing by selling certain baseband chipsets to two customers at prices below cost, with the intention of hindering competition. A Statement of Objections informs the subject of the investigation of the allegations against it and provides an opportunity to respond to such allegations. It is not a determination of the final outcome of the investigation. On August 15, 2016, the Company submitted its response to the Statement of Objections. If a violation is found, a broad range of remedies is potentially available to the EC, including imposing a fine and/or injunctive relief prohibiting or restricting certain business practices. It is difficult to predict the outcome of this matter or what remedies, if any, may be imposed by the EC. The Company believes that its business practices do not violate the European Union (EU) competition rules.

*European Commission (EC) Investigation:* On October 15, 2014, the EC notified the Company that it was conducting an investigation of the Company relating to Articles 101 and/or 102 of the Treaty on the Functioning of the European Union (TFEU). On July 16, 2015, the EC announced that it had initiated formal proceedings in this matter. On December 8, 2015, the EC announced that it had issued a Statement of Objections expressing its preliminary view that pursuant to an agreement with a customer, since 2011 the Company paid significant amounts to that customer on condition that it exclusively use the Company's baseband chipsets in its smartphones and tablets. This conduct allegedly reduced the customer's incentives to source chipsets from the Company's competitors and harmed competition and innovation for certain baseband chipsets. On January 24, 2018, the EC issued a decision finding that certain terms of that agreement violate EU competition law and imposed a fine of approximately 997 million Euros (approximately \$1.2 billion based on the exchange rate at December 24, 2017), which was recorded as a charge to other expenses in the first quarter of fiscal 2018. The Company intends to provide a financial guarantee within three months of the notification date to satisfy the obligation and to appeal the EC's decision to the General Court of the European Union. The Company believes that its business practices do not violate the EU competition rules.

*United States Federal Trade Commission (FTC) v. QUALCOMM Incorporated:* On September 17, 2014, the FTC notified the Company that it is conducting an investigation of the Company relating to Section 5 of the Federal Trade Commission Act (FTCA). On January 17, 2017, the FTC filed a complaint against the Company in the United States District Court for the Northern District of California alleging that the Company engaged in anticompetitive conduct and unfair methods of competition in violation of Section 5 of the FTCA by conditioning the supply of baseband processors on the purchaser first agreeing to a license to the Company's standard-essential patents, paying incentives to purchasers of baseband processors to induce them to accept certain license terms, refusing to license its standard-essential patents to the Company's competitors and entering into alleged exclusive dealing arrangements with Apple Inc. The complaint seeks a permanent

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injunction against the Company's alleged violations of the FTCA and other unspecified ancillary equitable relief. On April 19, 2017, the court set a trial date for January 4, 2019. The Company believes the FTC's claims are without merit.

*Taiwan Fair Trade Commission (TFTC) Investigation:* On December 4, 2015, the TFTC notified the Company that it was conducting an investigation into whether the Company's patent licensing practices violate the Taiwan Fair Trade Act (TFTA). On April 27, 2016, the TFTC specified that the allegations under investigation included whether: (i) the Company jointly licensed its patents rather than separately licensing standard-essential patents and non-standard-essential patents; (ii) the Company's royalty charges are unreasonable; (iii) the Company unreasonably required licensees to grant it cross-licenses; (iv) the Company failed to provide lists of licensed patents to licensees; (v) the Company violated a FRAND licensing commitment by declining to grant licenses to chipset makers; (vi) the Company declined to sell chipsets to unlicensed potential customers; and (vii) the Company provided royalty rebates to certain companies in exchange for their exclusive use of the Company's chipsets. On October 11, 2017, the TFTC announced that it had reached a decision in the investigation, finding that the Company violated the TFTA. On October 23, 2017, the Company received TFTC's formal written decision, which found that the following conducts violate the TFTA: (i) refusing to license and demanding restrictive covenants from chip competitors; (ii) refusing to supply baseband processors to companies that do not have an executed license; and (iii) providing a royalty discount to Apple in exchange for its exclusive use of the Company's chipsets. The TFTC's decision orders the Company to: (1) cease the following conduct within 60 days of the day after receipt of the decision: (a) applying the clauses in an agreement entered into with a competing chip supplier requesting it to provide sensitive sales information such as chip prices, customers, sales volumes, product types and serial numbers; (b) applying clauses in component supply agreements entered into with handset manufacturers relating to the refusal to sell chips to unlicensed manufacturers; and (c) applying discount clauses in the exclusive agreement entered into with a relevant enterprise; (2) notify competing chip companies and handset manufacturers in writing within 30 days after receipt of the decision that those companies may request to amend or enter into patent license agreements and other relevant agreements within 60 days of the day following the day such notices are received, and upon receipt of such requests, the Company shall commence negotiation in good faith; (3) submit status reports to the TFTC on any such negotiations every six months beginning from the day after receipt of the decision, as well as to submit a report to the TFTC within 30 days after amendments to any license agreements or newly signed license agreements are executed. The TFTC's decision also imposed a fine of 23.4 billion Taiwan Dollars (approximately \$781 million based on the exchange rate at December 24, 2017), which will be paid in 60 monthly installments beginning on January 30, 2018. The Company recorded \$156 million of the fine in other current liabilities and \$625 million in other liabilities at December 24, 2017. The Company believes that its business practices do not violate the TFTA, and on November 10, 2017, the Company filed an Application for Stay of Enforcement of the TFTC's decision in the Taiwan Intellectual Property Court (IPC). The TFTC filed an opposition brief on December 8, 2017, and the IPC held a hearing on December 11, 2017. The IPC has not yet ruled on the Company's Application. On December 22, 2017, the Company filed an Administrative Litigation Complaint in the IPC to revoke the TFTC's decision. TFTC has not yet filed its response.

*Contingent losses:* The Company will continue to vigorously defend itself in the foregoing matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. Other than with respect to the TFTC and EC fines, the Company has not recorded any accrual at December 24, 2017 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. The unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's business, results of operations, financial condition or cash flows. The Company is engaged in numerous other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

*Indemnifications.* The Company generally does not indemnify its customers and licensees for losses sustained from infringement of third-party intellectual property rights. However, the Company is contingently liable under certain product sales, services, license and other agreements to indemnify certain customers, chipset foundries and semiconductor assembly and test service providers against certain types of liability and/or damages arising from qualifying claims of patent, copyright, trademark or trade secret infringement by products or services sold or provided by the Company, or by intellectual property provided by the Company to chipset foundries and semiconductor assembly and test service providers. The Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by the Company.

Through December 24, 2017, the Company has received a number of claims from its direct and indirect customers and other third parties for indemnification under such agreements with respect to alleged infringement of third-party intellectual

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property rights by its products. Reimbursements under indemnification arrangements have not been material to the Company's consolidated financial statements. The Company has not recorded any accrual for contingent liabilities at December 24, 2017 associated with these indemnification arrangements based on the Company's belief that additional liabilities, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time.

**Purchase Obligations and Operating Leases.** The Company has agreements with suppliers and other parties to purchase inventory, other goods and services and long-lived assets. Integrated circuit product inventory obligations represent purchase commitments for raw materials, semiconductor die, finished goods and manufacturing services, such as wafer bump, probe, assembly and final test. Under the Company's manufacturing relationships with its foundry suppliers and assembly and test service providers, cancelation of outstanding purchase commitments is generally allowed but requires payment of costs incurred through the date of cancelation, and in some cases, incremental fees related to capacity underutilization.

The Company leases certain of its land, facilities and equipment under noncancelable operating leases, with terms ranging from less than one year to 21 years and with provisions in certain leases for cost-of-living increases.

Obligations under these purchase agreements and future minimum lease payments under these operating leases at December 24, 2017 were as follows:

	<b>Integrated Circuit Purchase Obligations</b>	<b>Other Purchase Obligations</b>	<b>Operating Leases</b>
Remainder of fiscal 2018	\$ 2,946	\$ 884	\$ 85
2019	846	241	105
2020	272	159	79
2021	71	56	59
2022	26	11	39
Thereafter	—	3	18
<b>Total</b>	<b>\$ 4,161</b>	<b>\$ 1,354</b>	<b>\$ 385</b>

**Other Commitments.** At December 24, 2017, the Company was committed to fund certain strategic investments up to \$433 million, of which \$65 million and \$61 million is expected to be funded in the remainder of fiscal 2018 and fiscal 2021, respectively. The remaining commitments do not have fixed funding dates and are subject to certain conditions. Commitments represent the maximum amounts to be funded under these arrangements; actual funding may be in lesser amounts or not at all.

**Note 7. Segment Information**

The Company is organized on the basis of products and services and has three reportable segments. The Company conducts business primarily through its QCT (Qualcomm CDMA Technologies) semiconductor business and its QTL (Qualcomm Technology Licensing) licensing business. QCT develops and supplies integrated circuits and system software based on CDMA, OFDMA and other technologies for use in mobile devices, wireless networks, devices used in the Internet of Things (IoT), broadband gateway equipment, consumer electronic devices and automotive telematics and infotainment systems. QTL grants licenses to use portions of its intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products. The Company's QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments and includes revenues and related costs associated with development contracts with an equity method investee. The Company also has nonreportable segments, including its mobile health, data center, small cell and other wireless technology and service initiatives.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes (EBT). In fiscal 2018, all of the costs related to pre-commercial research and development of 5G (fifth generation) technology, of which \$100 million was recorded in the three months ended December 24, 2017, are included in unallocated corporate research and development expenses, whereas similar costs related to the research and development of other technology, including 3G (third generation) and 4G (fourth generation) technology, were recorded in both the QCT and QTL segments.

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The table below presents revenues, EBT and total assets for reportable segments (in millions):

	Three Months Ended	
	December 24, 2017	December 25, 2016
<b>Revenues</b>		
QCT	\$ 4,651	\$ 4,101
QTL	1,299	1,811
QSI	30	14
Reconciling items	88	73
Total	<u>\$ 6,068</u>	<u>\$ 5,999</u>
<b>EBT</b>		
QCT	\$ 955	\$ 724
QTL	887	1,532
QSI	11	(17)
Reconciling items	(1,880)	(1,369)
Total	<u>\$ (27)</u>	<u>\$ 870</u>
	<u>December 24, 2017</u>	<u>September 24, 2017</u>
<b>Assets</b>		
QCT	\$ 3,134	\$ 3,830
QTL	1,693	1,735
QSI	1,159	1,037
Reconciling items	58,365	58,884
Total	<u>\$ 64,351</u>	<u>\$ 65,486</u>

Reconciling items for revenues and EBT in the previous table were as follows (in millions):

	Three Months Ended	
	December 24, 2017	December 25, 2016
<b>Revenues</b>		
Nonreportable segments	\$ 88	\$ 73
	<u>\$ 88</u>	<u>\$ 73</u>
<b>EBT</b>		
Unallocated cost of revenues	\$ (117)	\$ (95)
Unallocated research and development expenses	(280)	(269)
Unallocated selling, general and administrative expenses	(161)	(145)
Unallocated other expenses	(1,183)	(876)
Unallocated interest expense	(170)	(89)
Unallocated investment and other income, net	124	184
Nonreportable segments	(93)	(79)
	<u>\$ (1,880)</u>	<u>\$ (1,369)</u>

Unallocated other expenses in the three months ended December 24, 2017 were comprised of the EC fine (Note 6). Unallocated other expenses in the three months ended December 25, 2016 were comprised primarily of the KFTC fine (Note 6).



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Unallocated acquisition-related expenses were comprised as follows (in millions):

	Three Months Ended	
	December 24, 2017	December 25, 2016
Cost of revenues	\$ 106	\$ 84
Research and development expenses	2	3
Selling, general and administrative expenses	76	61

**Note 8. Acquisitions**

**Completed.** On February 3, 2017 (the Closing Date), the Company and TDK Corporation (TDK) completed the formation of a joint venture, under the name RF360 Holdings Singapore Pte. Ltd. (RF360 Holdings), to enable delivery of radio frequency front-end (RFFE) modules and radio frequency (RF) filters into fully integrated products for mobile devices and Internet of Things (IoT) applications, among others. The joint venture is owned 51% by Qualcomm Global Trading Pte. Ltd. (Qualcomm Global Trading), a Singapore corporation and wholly-owned subsidiary of the Company, and 49% by EPCOS AG (EPCOS), a German wholly-owned subsidiary of TDK. Qualcomm Global Trading has the option to acquire (and EPCOS has an option to sell) EPCOS's interest in the joint venture for \$1.15 billion (Settlement Amount) 30 months after the Closing Date (the Put and Call Option). The Put and Call Option was recorded as a liability at fair value at close and included in other noncurrent liabilities. The liability is being accreted to the Settlement Amount, with the offset recorded as interest expense. The carrying value of the Put and Call Option approximated its estimated fair value at December 24, 2017 and September 24, 2017. EPCOS is entitled to up to a total of \$200 million in payments based on sales of RF filter functions over the three-year period after the Closing Date, which is a substitute for and in lieu of the right of EPCOS to receive any profit sharing, distributions, dividends or other payments of any kind or nature.

The total purchase price consisted of the following (in millions):

Cash paid to TDK at close	\$ 1,463
Fair value of Put and Call Option	1,112
Fair value of contingent consideration and other deferred payments	496
Total purchase price	<u>\$ 3,071</u>

The allocation of the purchase price to the assets acquired and liabilities assumed was completed as of December 24, 2017. The major classes of assets and liabilities to which we allocated the purchase price based on their fair values were as follows (in millions):

Cash and cash equivalents	\$ 306
Accounts receivable	303
Inventories	260
Intangible assets subject to amortization:	
Technology-based intangible assets	738
Customer-related intangible assets	87
Marketing-related intangible assets	8
In-process research and development (IPR&D)	75
Property, plant and equipment	821
Goodwill	843
Other assets	31
Total assets	<u>3,472</u>
Liabilities	<u>(401)</u>
	<u>\$ 3,071</u>

The Company recognized \$843 million in goodwill related to this transaction, of which \$366 million is expected to be deductible for tax purposes. The goodwill recognized was allocated to the QCT segment for annual impairment testing

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purposes. The goodwill is primarily attributable to the assembled workforce and synergies expected to arise after the acquisition. Each category of intangible assets acquired will be amortized on a straight-line basis over the weighted-average useful lives of seven years for technology-based intangible assets, nine years for customer-related intangible assets and one year for marketing-related intangible assets.

**Proposed.** On October 27, 2016, the Company announced a definitive agreement under which Qualcomm River Holdings, B.V. (Qualcomm River Holdings), an indirect, wholly owned subsidiary of QUALCOMM Incorporated, will acquire NXP Semiconductors N.V. (NXP). Pursuant to the definitive agreement, Qualcomm River Holdings has commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration to be paid to NXP's shareholders of \$38 billion. NXP is a leader in high-performance, mixed-signal semiconductor electronics in automotive, broad-based microcontrollers, secure identification, network processing and RF power products.

The transaction is subject to receipt of regulatory clearance under applicable laws and other closing conditions, including the tender of at least 80% of the issued and outstanding common shares of NXP in the offer (provided that the minimum tender threshold may be reduced to a percentage not less than 70% with the prior written consent of NXP). At an Extraordinary General Meeting of NXP's shareholders held on January 27, 2017, NXP's shareholders approved certain matters relating to the transaction, including the appointment of designees of Qualcomm River Holdings to NXP's board of directors (effective upon the closing of the transaction) and certain transactions that are intended to be consummated after the completion of the tender offer.

In May 2017, the Company issued an aggregate principal amount of \$11.0 billion of unsecured floating- and fixed-rate notes with varying maturities, of which a portion will be used to fund the purchase price and other related transactions. In addition, the Company has secured \$4.0 billion in committed financing through a Term Loan Facility, which is expected to be drawn on at the close of the NXP transaction (Note 5). The remaining amount will be funded with cash held by foreign entities.

Qualcomm River Holdings and NXP may terminate the definitive agreement under certain circumstances. If the definitive agreement is terminated by NXP in certain circumstances, NXP will be required to pay Qualcomm River Holdings a termination fee of \$1.25 billion. If the definitive agreement is terminated by Qualcomm River Holdings under certain circumstances involving the failure to obtain the required regulatory approvals or the failure of NXP to complete certain pre-closing reorganization steps in all material respects, Qualcomm River Holdings will be required to pay NXP a termination fee of \$2.0 billion. In November 2016, as required by the definitive agreement, Qualcomm River Holdings entered into four letters of credit for an aggregate amount of \$2.0 billion related to the potential termination fee payable to NXP. Pursuant to the terms of each letter of credit, NXP will have the right to draw amounts to fund certain termination compensation owed by Qualcomm River Holdings to NXP if the definitive agreement is terminated under certain circumstances. The letters of credit expire on June 30, 2018 or if drawn on by NXP or surrendered by Qualcomm River Holdings. Each letter of credit is required to be fully cash collateralized in an amount equal to 100% of its face value through deposits with the issuers of the letters of credit. Qualcomm River Holdings is restricted from using the funds deposited as collateral while the letters of credit are outstanding. At December 24, 2017, the letters of credit were fully collateralized through bank time and demand deposits, which were recorded as other noncurrent assets.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 9. Fair Value Measurements**

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at December 24, 2017 (in millions):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ 30,384	\$ 1,874	\$ —	\$ 32,258
Marketable securities:				
U.S. Treasury securities and government-related securities	4,419	4	—	4,423
Corporate bonds and notes	—	1,775	—	1,775
Mortgage- and asset-backed and auction rate securities	—	95	38	133
Equity and preferred securities and equity funds	42	—	—	42
Debt funds	—	112	—	112
Total marketable securities	4,461	1,986	38	6,485
Derivative instruments	—	8	—	8
Other investments	412	—	141	553
Total assets measured at fair value	\$ 35,257	\$ 3,868	\$ 179	\$ 39,304
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 37	\$ —	\$ 37
Other liabilities	412	—	195	607
Total liabilities measured at fair value	\$ 412	\$ 37	\$ 195	\$ 644

**Activity between Levels of the Fair Value Hierarchy.** There were no significant transfers between Level 1 and Level 2 in the three months ended December 24, 2017 and December 25, 2016. There were no transfers of marketable securities into or out of Level 3 during the three months ended December 24, 2017 and December 25, 2016. Other investments and other liabilities included in Level 3 at December 24, 2017 were comprised of convertible debt instruments issued by private companies and contingent consideration related to business combinations, respectively. There were no transfers of convertible debt instruments or contingent consideration amounts into or out of Level 3 during the three months ended December 24, 2017 and December 25, 2016.

**Note 10. Marketable Securities**

Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	December 24, 2017	September 24, 2017	December 24, 2017	September 24, 2017
Available-for-sale:				
U.S. Treasury securities and government-related securities	\$ 14	\$ 23	\$ 4,409	\$ 959
Corporate bonds and notes	1,775	2,014	—	271
Mortgage- and asset-backed and auction rate securities	95	93	38	40
Equity and preferred securities and equity funds	42	36	—	—
Debt funds	112	109	—	—
Total available-for-sale	2,038	2,275	4,447	1,270
Time deposits	3	4	—	—
Total marketable securities	\$ 2,041	\$ 2,279	\$ 4,447	\$ 1,270

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

The contractual maturities of available-for-sale debt securities were as follows (in millions):

	<b>December 24, 2017</b>
<b>Years to Maturity</b>	
Less than one year	\$ 5,151
One to five years	1,047
Five to ten years	—
Greater than ten years	—
No single maturity date	245
Total	\$ 6,443

Debt securities with no single maturity date included debt funds, mortgage- and asset-backed securities and auction rate securities.

The Company recorded realized gains and losses on sales of available-for-sale securities as follows (in millions):

	<b>For the three months ended</b>	
	<b>December 24, 2017</b>	<b>December 25, 2016</b>
Gross realized gains	\$ 2	\$ 248
Gross realized losses	—	(109)
Net realized gains	\$ 2	\$ 139

Available-for-sale securities were comprised as follows (in millions):

	<b>December 24, 2017</b>	<b>September 24, 2017</b>
<b>Equity securities</b>		
Cost	\$ 8	\$ 8
Unrealized gains	34	28
Unrealized losses	—	—
Fair value	42	36
<b>Debt securities (including debt funds)</b>		
Cost	6,432	3,497
Unrealized gains	14	13
Unrealized losses	(3)	(1)
Fair value	6,443	3,509
	\$ 6,485	\$ 3,545

In connection with the proposed NXP transaction (Note 8), the Company divested a substantial portion of its marketable securities portfolio in order to finance, in part, that transaction. Marketable securities that were expected to be used to finance the NXP transaction were classified as noncurrent at December 24, 2017 as they are not considered available for current operations. Given the change in the Company's intention to sell certain marketable securities, the Company recognized other-than-temporary impairment losses in fiscal 2017 for certain marketable securities and no additional losses were recognized in the three months ended December 24, 2017 (Note 2). For the available-for-sale securities that are not expected to be sold to finance the NXP transaction, the Company concluded that the unrealized losses were temporary at December 24, 2017. Further, for debt securities with unrealized losses, the Company did not have the intent to sell, nor was it more likely than not that the Company would be required to sell, such securities before recovery or maturity.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 11. Subsequent Events**

On January 16, 2018, the Company announced a cost reduction plan designed to align the Company's cost structure to its long-term margin targets. As part of this plan, the Company will implement a series of targeted reductions across the Company's businesses to reduce annual costs by \$1 billion, excluding incremental costs resulting from any future acquisition of a business. The Company expects these cost reductions to be fully captured in fiscal 2019. The Company is in the process of finalizing its plan, as well as the restructuring and restructuring-related costs it expects to incur to execute its plan.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in "Part I, Item 1" of this Quarterly Report and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended September 24, 2017 contained in our 2017 Annual Report on Form 10-K.

This Quarterly Report (including, but not limited to, this section regarding Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, investments, financial condition, results of operations and prospects. Additionally, statements concerning future matters, such as the development of new products, enhancements of technologies, industry and market trends, sales levels, expense levels and other statements regarding matters that are not historical, are forward-looking statements. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Quarterly Report.

Although forward-looking statements in this Quarterly Report reflect our good faith judgment, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under the heading "Risk Factors" below, as well as those discussed elsewhere in this Quarterly Report. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

### First Quarter of Fiscal 2018 Overview

Revenues for the first quarter of fiscal 2018 were \$6.1 billion, an increase of 1% compared to the year ago quarter, with loss before income taxes of \$27 million, compared to earnings before taxes of \$870 million in the year ago quarter, and net loss of \$6.0 billion, compared to net income of \$681 million in the year ago quarter. Highlights and other events from the first quarter of fiscal 2018 included:

- The transition of wireless networks and devices to 3G/4G (CDMA single-mode, OFDMA single-mode and CDMA/OFDMA multi-mode) continued around the world. 3G/4G connections grew sequentially by approximately 4% to approximately 4.8 billion, which was approximately 62% of total mobile connections at the end of the first quarter of fiscal 2018.<sup>(1)</sup>
- We continue to invest significant resources toward advancements primarily in support of 4G- and 5G-based technologies as well as other technologies to extend the demand for our products and generate new or expanded licensing opportunities, including within adjacent industry segments outside traditional cellular industries, such as automotive, the Internet of Things (IoT) and networking.
- QCT results were positively impacted by higher modem sales for the new iPhone product launch and results from our RF360 Holdings joint venture, which was formed in the second quarter of fiscal 2017.
- QTL results were negatively impacted by our continued dispute with Apple and its contract manufacturers (who are Qualcomm licensees), as well as the previously disclosed dispute with another licensee. We did not record any revenues in the first quarter of fiscal 2018 for royalties due on sales of Apple's or the other licensee's products.
- On December 22, 2017, tax reform legislation known as the Tax Cuts and Jobs Act (the Tax Legislation) was enacted in the United States (U.S.). As a result of such enactment, net loss for the first quarter of fiscal 2018 included an estimated \$6.0 billion charge to income tax expense comprised of a one-time tax on deemed repatriated earnings and profits of U.S.-owned foreign subsidiaries (the Toll Charge) of \$5.3 billion, a charge of \$562 million resulting from the remeasurement of deferred tax assets and liabilities that existed at the end of fiscal 2017 at a lower enacted corporate tax rate and \$86 million resulting from our decision to no longer indefinitely reinvest certain foreign earnings. We currently estimate that we will pay \$3.3 billion for the Toll Charge, after application of certain tax credits (including those that are expected to be generated in fiscal 2018), which is payable in installments over eight years beginning on January 15, 2019. Such amounts are subject to change, possibly materially, during a

one-year measurement period. Further, our federal statutory income tax rate for fiscal 2018 reflects a blended rate of approximately 25%.

- On January 24, 2018, the European Commission (EC) issued a decision finding that certain terms of an agreement with a customer violate European Union competition law and imposed a fine of approximately 997 million Euros (approximately \$1.2 billion based on the exchange rate at December 24, 2017), which was recorded as a charge to other expenses in the first quarter of fiscal 2018. We intend to appeal the EC's decision to the General Court of the European Union.

(1) According to GSMA Intelligence estimates as of January 29, 2018 (estimates excluded Wireless Local Loop).

## Our Business and Operating Segments

We develop and commercialize foundational technologies and products used in mobile devices and other wireless products, including network equipment, broadband gateway equipment and consumer electronics devices. We derive revenues principally from sales of integrated circuit products and licensing our intellectual property, including patents, software and other rights.

We are organized on the basis of products and services and have three reportable segments. We conduct business primarily through our QCT (Qualcomm CDMA Technologies) semiconductor business and our QTL (Qualcomm Technology Licensing) licensing business. QCT develops and supplies integrated circuits and system software based on CDMA, OFDMA and other technologies for use in mobile devices, wireless networks, devices used in IoT, broadband gateway equipment, consumer electronic devices and automotive telematics and infotainment systems. QTL grants licenses to use portions of its intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products. Our QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments. We also have nonreportable segments, including our mobile health, data center, small cell and other wireless technology and service initiatives.

Our reportable segments are operated by QUALCOMM Incorporated and its direct and indirect subsidiaries. Substantially all of our products and services businesses, including QCT, and substantially all of our engineering, research and development functions, are operated by Qualcomm Technologies, Inc. (QTI), a wholly-owned subsidiary of QUALCOMM Incorporated, and QTI's subsidiaries. QTL is operated by QUALCOMM Incorporated, which owns the vast majority of our patent portfolio. Neither QTI nor any of its subsidiaries has any right, power or authority to grant any licenses or other rights under or to any patents owned by QUALCOMM Incorporated.

**Seasonality.** Many of our products and/or intellectual property are incorporated into consumer wireless devices, which are subject to seasonality and other fluctuations in demand. As a result, QCT has tended historically to have stronger sales toward the end of the calendar year as manufacturers prepare for major holiday selling seasons; and because QTL recognizes royalty revenues when royalties are reported by licensees, QTL has tended to record higher royalty revenues in the first calendar quarter when licensees report their sales made in the fourth calendar quarter. We have also experienced fluctuations in revenues due to the timing of conversions and expansions of 3G and 4G networks by wireless operators and the timing of launches of flagship wireless devices that incorporate our products and/or intellectual property. These seasonal trends for QTL may be impacted by disputes and/or resolutions with licensees. These trends may or may not continue in the future.

## Results of Operations

### Revenues (in millions)

	Three Months Ended		
	December 24, 2017	December 25, 2016	Change
Equipment and services	\$ 4,704	\$ 4,139	\$ 565
Licensing	1,364	1,860	(496)
	<u>\$ 6,068</u>	<u>\$ 5,999</u>	<u>\$ 69</u>

The increase in equipment and services revenues was primarily due to an increase in QCT revenues. The decrease in licensing revenues was primarily due to a decrease in QTL revenues.

*Costs and Expenses (in millions)*

	Three Months Ended		
	December 24, 2017	December 25, 2016	Change
Cost of revenues	\$ 2,663	\$ 2,443	\$ 220
Gross margin	56%	59%	

Margin percentage decreased primarily due to a decrease in higher margin QTL licensing revenues as a proportion of total revenues, partially offset by an increase in QCT margin percentage. Our margin percentage may continue to fluctuate in future periods depending on the mix of segment results as well as products sold, competitive pricing, new product introduction costs and other factors, including disputes and/or resolutions with licensees.

	Three Months Ended		
	December 24, 2017	December 25, 2016	Change
Research and development	\$ 1,420	\$ 1,311	\$ 109
% of revenues	23%	22%	
Selling, general and administrative	\$ 773	\$ 591	\$ 182
% of revenues	13%	10%	
Other	\$ 1,183	\$ 876	\$ 307

The dollar increase in research and development expenses was primarily attributable to an increase of \$141 million in costs related to the development of integrated circuit technologies, including 5G technology and radio frequency front-end (RFFE) technologies from our RF360 Holdings joint venture, which was formed in the second quarter of fiscal 2017, and related software products, partially offset by a \$30 million impairment charge on certain intangible assets recorded in the first quarter of fiscal 2017.

The dollar increase in selling, general and administrative expenses was primarily attributable to increases of \$60 million in costs related to litigation and other legal matters, primarily related to our licensing business, \$45 million in bad debt expenses, \$22 million in marketing expenses and \$18 million in employee-related expenses, which included our RF360 Holdings joint venture.

Other expenses in the first quarter of fiscal 2018 consisted of a \$1.2 billion charge related to the European Commission fine. Other expenses in the first quarter of fiscal 2017 consisted of a \$868 million charge related to the Korea Fair Trade Commission (KFTC) fine and \$8 million in restructuring and restructuring-related charges related to our Strategic Realignment Plan.

*Interest Expense and Investment and Other Income, Net (in millions)*

	Three Months Ended		
	December 24, 2017	December 25, 2016	Change
Interest expense	\$ 170	\$ 90	\$ 80
Investment and other income, net			
Interest and dividend income	\$ 126	\$ 167	\$ (41)
Net realized gains on marketable securities	10	139	(129)
Net realized gains on other investments	13	8	5
Impairment losses on marketable securities and other investments	(9)	(143)	134
Equity in net (losses) earnings of investees	(21)	3	(24)
Net losses on foreign currency transactions	(4)	—	(4)
Net (losses) gains on derivative instruments	(1)	8	(9)
	<u>\$ 114</u>	<u>\$ 182</u>	<u>\$ (68)</u>

The increase in interest expense was primarily attributable to the issuance of an aggregate principal amount of \$11.0 billion of unsecured floating- and fixed-rate notes in May 2017. In the first quarter of fiscal 2017, we began divesting a



substantial portion of our marketable securities portfolio in order to finance, in part, the proposed acquisition of NXP. As a result, we recognized net realized gains and impairment losses on such marketable securities that we sold and expected to sell before their anticipated recovery, respectively, in fiscal 2017.

***Income Tax Expense (in millions)***

	Three Months Ended		
	December 24, 2017	December 25, 2016	Change
Income tax expense	\$ 5,926	\$ 189	\$ 5,737
Effective tax rate	N/M	22%	N/M

N/M - Not meaningful

The Tax Legislation enacted on December 22, 2017 significantly revises the U.S. corporate income tax by, among other things, lowering the corporate income tax rate to 21% effective January 1, 2018, implementing a modified territorial tax system and imposing a one-time repatriation tax on deemed repatriated earnings and profits of U.S.-owned foreign subsidiaries (the Toll Charge). As a fiscal-year taxpayer, certain provisions of the Tax Legislation impacted us in fiscal 2018, including the change in the corporate income tax rate and the Toll Charge, while other provisions will be effective starting at the beginning of fiscal 2019, including the implementation of a modified territorial tax system. Accordingly, our federal statutory income tax rate for fiscal 2018 reflects a blended rate of approximately 25%.

We have preliminarily accounted for the effects of the Tax Legislation, which resulted in a charge of \$5.9 billion to income tax expense in the first quarter of fiscal 2018, comprised of \$5.3 billion related to the estimated Toll Charge and \$562 million resulting from the estimated impact of remeasurement of U.S. deferred tax assets and liabilities that existed at the end of fiscal 2017 at a lower enacted corporate income tax rate.

Our annual effective tax rate is estimated to be approximately 29% for fiscal 2018, as compared to the 18% effective income tax rate for fiscal 2017, primarily as a result of the estimated charge of \$6.0 billion recorded to income tax expense in the first quarter of fiscal 2018 related to the combined effect of the Toll Charge, the remeasurement of deferred tax assets and liabilities and our decision to no longer indefinitely reinvest certain foreign earnings, all of which resulted from the Tax Legislation. Our annual effective tax rate was also impacted by the \$1.2 billion fine related to the EC investigation, which is not deductible for tax purposes and is attributable to a foreign jurisdiction. Tax benefits from foreign income taxed at rates lower than rates in the U.S. are expected to be approximately 20% in fiscal 2018, compared to 32% in fiscal 2017, primarily due to the lower U.S. federal statutory income tax rate enacted by the Tax Legislation, partially offset by lower estimated U.S. revenues primarily related to decreased royalty revenues from Apple's contract manufacturers. The estimated annual effective tax rate for fiscal 2018 also reflects a blended U.S. federal statutory income tax rate of 25% as a result of the Tax Legislation and the increase in our Singapore tax rate as a result of the expiration of certain tax incentives in March 2017. The annual effective tax rate of 18% for fiscal 2017 reflected the KFTC and TFTC fines (see "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies" in this Quarterly Report) of \$927 million and \$778 million, respectively, which were not deductible for tax purposes and were each attributable to both the U.S. and foreign jurisdictions.

The effective tax rate for the first quarter of fiscal 2018 was higher than the estimated annual effective tax rate primarily resulting from the estimated charge of \$6.0 billion recorded to income tax expense in the first quarter of fiscal 2018 related to the effects of certain components of the Tax Legislation, as well as the \$1.2 billion fine related to the EC investigation.

The effective tax rate of 22% for the first quarter of fiscal 2017 reflected tax benefits from foreign income taxed at rates lower than rates in the U.S. of 15%, as well as the \$868 million charge related to the KFTC fine.

Unrecognized tax benefits were \$342 million and \$372 million at December 24, 2017 and September 24, 2017, respectively. We believe that it is reasonably possible that the total amounts of unrecognized tax benefits at December 24, 2017 may increase or decrease in the next 12 months.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions, and are currently under examination by various tax authorities worldwide, most notably in countries where we earn a routine return and tax authorities believe substantial value-add activities are performed. These examinations are at various stages with respect to assessments, claims, deficiencies and refunds, many of which are open for periods after fiscal 2000. We continually assess the likelihood and amount of potential adjustments and adjusts the income tax provision, income taxes payable and deferred taxes in the period in which the facts give rise to a revision become known. As of December 24, 2017, we believe that adequate amounts have been reserved for based on facts known. However, the final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our income tax provision and the related accruals.

## Segment Results

The following should be read in conjunction with the financial results for the first quarter of fiscal 2018 for each reportable segment included in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 7. Segment Information.”

(in millions)	Three Months Ended	
	December 24, 2017	December 25, 2016
<b>Revenues</b>		
QCT	\$ 4,651	\$ 4,101
QTL	1,299	1,811
QSI	30	14
<b>EBT (1)</b>		
QCT	\$ 955	\$ 724
QTL	887	1,532
QSI	11	(17)
<b>EBT as a % of revenues</b>		
QCT	21%	18%
QTL	68%	85%

(1) Earnings (loss) before taxes.

**QCT Segment.** The increase in QCT revenues was due to a corresponding fluctuation in equipment and services revenues. Equipment and services revenues, mostly related to sales of Mobile Station Modem (MSM) and accompanying Radio Frequency (RF), Power Management (PM) and wireless connectivity integrated circuits, were \$4.60 billion and \$4.06 billion in the first quarter of fiscal 2018 and 2017, respectively. Approximately 237 million and 217 million MSM integrated circuits were sold during the first quarter of fiscal 2018 and 2017, respectively. The increase in equipment and services revenues was primarily due to an increase in revenues related to RFFE products of \$433 million, primarily due to revenues from our RF360 Holdings joint venture, which was formed in the second quarter of fiscal 2017, and an increase of \$285 million related to higher MSM and accompanying PM unit shipments, primarily resulting from an increase in shipments to Apple. The increase in equipment and services revenues was partially offset by a decrease of \$162 million resulting from the net impact of lower average selling prices and favorable product mix.

QCT EBT as a percentage of revenues increased primarily due to an increase in gross margin percentage and the favorable impact of higher revenues relative to operating expenses. The increase in QCT gross margin percentage was primarily due to lower average unit costs and favorable product mix, partially offset by lower average selling prices.

QCT accounts receivable decreased by 29% in the first quarter of fiscal 2018 from \$1.81 billion to \$1.28 billion, primarily due to the timing of integrated circuit shipments and the collection of receivables related to integrated circuits. QCT inventories decreased by 8% in the first quarter of fiscal 2018 from \$2.02 billion to \$1.85 billion primarily due to a decrease in the overall quantity of units on hand.

**QTL Segment.** QTL results were negatively impacted by our continued dispute with Apple and its contract manufacturers (who are Qualcomm licensees), as well as the previously disclosed dispute with another licensee. We did not record any revenues in the first quarter of fiscal 2018 for royalties due on sales of Apple’s or the other licensee’s products. Revenues related to the products of Apple’s contract manufacturers and the other licensee in dispute comprised approximately \$740 million in the first quarter of fiscal 2017. Excluding the impact of these disputes, QTL revenues increased primarily as a result of increases in reported sales of CDMA-based products (including multi-mode products that also implement OFDMA) and revenues per reported unit.

QTL EBT as a percentage of revenues decreased primarily due to the decrease in QTL revenues and an increase in selling, general and administrative expenses resulting from higher legal costs and bad debt expense related to a licensee that is facing significant financial difficulties. QTL revenues and EBT also continued to be impacted negatively by units that we believe are not being reported by certain other licensees and sales of certain unlicensed products. While we have reached agreements with many licensees, negotiations with certain other licensees and unlicensed companies are ongoing, particularly in emerging regions, including China, and additional litigation may become necessary if negotiations fail to resolve the relevant issues.

**QSI Segment.** The increase in QSI EBT was primarily due to the net impact of \$10 million resulting from higher revenues and costs associated with certain development contracts with one of our equity method investees and the combined impact of \$22 million resulting from higher net realized gains on investments and lower impairment losses.

### Looking Forward

We expect continued growth in the coming years in consumer demand for 3G, 3G/4G multi-mode and 4G products and services around the world, driven primarily by smartphones. We also expect growth in new device categories and industries, driven by the expanding adoption of certain technologies that are already commonly used in smartphones by industry segments outside traditional cellular industries, such as automotive, IoT and networking. As we look forward to the next several months and beyond, we expect our business to be impacted by the following key items:

- On November 6, 2017, Broadcom Limited (Broadcom) announced an unsolicited proposal (the Proposed Transaction) to acquire all of the outstanding shares of our common stock for per share consideration of \$70.00, consisting of \$60.00 in cash and \$10.00 in Broadcom shares. On November 12, 2017, following a comprehensive review conducted in consultation with financial and legal advisors, our Board of Directors unanimously rejected the Proposed Transaction, concluding that it dramatically undervalues the Company. Following our announcement on November 13, 2017, Broadcom announced that it remains fully committed to pursuing its acquisition of Qualcomm for the consideration offered on November 6, 2017. Additionally, on December 11, 2017, Broadcom filed preliminary proxy materials with the Securities and Exchange Commission in connection with its planned solicitation of proxies to elect 11 nominees to our Board of Directors at our 2018 Annual Meeting of Stockholders to be held on March 6, 2018. On December 22, 2017, we announced that our Board of Directors, following the recommendation of the Board's Governance Committee, unanimously determined not to nominate any of the 11 candidates assembled by Broadcom to replace our current directors. Responding to the Proposed Transaction has required, and may continue to require, that we devote significant resources and management time and attention and incur additional expenses and costs.
- On October 27, 2016, we announced a definitive agreement under which Qualcomm River Holdings, B.V., an indirect, wholly owned subsidiary of QUALCOMM Incorporated, will acquire NXP Semiconductors N.V. (NXP). Pursuant to the definitive agreement, Qualcomm River Holdings has commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration to be paid to NXP's shareholders of \$38 billion. NXP is a leader in high-performance, mixed-signal semiconductor electronics in automotive, broad-based microcontrollers, secure identification, network processing and RF power products. The transaction is subject to receipt of regulatory clearance under applicable laws and other closing conditions, including the tender of at least 80% of the issued and outstanding common shares of NXP in the offer (provided that the minimum tender threshold may be reduced to a percentage not less than 70% with the prior written consent of NXP). The transaction is expected to close in early 2018. We intend to fund the transaction with cash generated from our May 2017 debt offering as well as cash, cash equivalents and marketable securities held by our foreign entities and use of a Term Loan, which we expect to draw on at close. We expect that this acquisition will continue to require us to devote significant resources and management time and attention and utilize a substantial portion of our cash, cash equivalents and marketable securities.
- On January 16, 2018, we announced a cost reduction plan designed to align our cost structure to our long-term margin targets. As part of this plan, we will implement a series of targeted reductions across our businesses to reduce annual costs by \$1 billion, excluding incremental costs resulting from any future acquisition of a business. We expect these cost reductions to be fully captured in fiscal 2019. We are in the process of finalizing our plan, as well as the restructuring and restructuring-related costs we expect to incur to execute our plan.
- Regulatory authorities in certain jurisdictions continue to investigate our business practices, and other regulatory authorities may do so in the future. Unfavorable resolutions of one or more of these matters have had and could in the future have a material adverse effect on our business with remedies that include, among others, injunctions, monetary damages or fines or other orders to pay money, and the issuance of orders to cease certain conduct and/or modify our business practices. Additionally, certain of our direct and indirect customers and licensees, including Apple, have pursued, and others may in the future pursue, litigation or arbitration against us related to our business. Unfavorable resolutions of one or more of these matters have had and could in the future have a material adverse effect on our business, including monetary damages. These activities have required, and we expect that they will continue to require, the investment of significant management time and attention and have resulted, and we expect that they will continue to result, in increased legal costs. See "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies" included in this Quarterly Report.

- We are currently in dispute with Apple surrounding what we believe is an attempt by Apple to reduce the amount of royalties that its contract manufacturers (who are Qualcomm licensees) are required to pay to us for use of our intellectual property. Such contract manufacturers did not fully report and did not pay royalties due on sales of Apple products. We have taken action against Apple's contract manufacturers, to compel such licensees to pay the required royalties, and against Apple, as described more fully elsewhere in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6." Additionally, the other licensee in dispute did not report or pay royalties due in the first quarter of fiscal 2018. We did not record any revenues in the first quarter of fiscal 2018 for royalties due on sales of Apple's or the other licensee's products, and as a result, QTL revenues and EBT were negatively impacted by these continued disputes. We expect these companies will continue to take such actions in the future, resulting in increased legal costs and negatively impacting our future revenues, as well as our financial condition, results of operations and cash flows until the respective disputes are resolved.
- We continue to believe that certain licensees, particularly in China, are not fully complying with their contractual obligations to report their sales of licensed products to us, and certain companies, including unlicensed companies, particularly in emerging regions, including China, are delaying execution of new license agreements. We have made substantial progress in reaching agreements with many companies, primarily in China. However, negotiations with certain licensees and unlicensed companies are ongoing. We believe that the conclusion of new agreements with these companies will result in improved reporting. Additionally, we believe our increased efforts in the areas of compliance will improve reporting but will also result in increased costs to the business. Litigation and/or other actions, such as those recently taken against Apple and its contract manufacturers, may be necessary to compel licensees to report and pay the required royalties for sales they have not previously reported and/or to compel unlicensed companies to execute licenses. Such litigation or other actions would result in increased legal costs.
- We expect our business, particularly QCT, to continue to be impacted by industry dynamics, including:
  - Concentration of device share among a few companies within the premium tier, resulting in significant supply chain leverage for those companies;
  - Decisions by companies to utilize their own internally-developed integrated circuit products and/or sell such products to others, including by bundling with other products, increasing competition;
  - Decisions by certain companies to utilize our competitors' integrated circuit products in all or a portion of their devices. For example, commencing with the iPhone 7 (which was released in September 2016), we are no longer the sole supplier of modems for new iPhone product launches, as Apple utilizes modems from one of our competitors in a portion of such devices. We expect that in the future Apple will utilize our competitors' modems in a portion of (or potentially all) iPhones. Accordingly, QCT revenues from modem sales for iPhones declined in fiscal 2017 and may continue to decline in the future, in part depending on the extent of Apple's utilization of competitors' modems and the mix of the various versions of its products that are sold. Overall QCT revenues, as well as profitability, may similarly decline unless offset by sales of integrated circuit products to other customers, including those outside of traditional cellular industries, such as the Internet of Things (IoT), automotive and networking. Apple's dual sourcing does not impact our licensing revenues since our licensing revenues from Apple products are not dependent upon whether such products include our chipsets;
  - Intense competition, particularly in China, as our competitors expand their product offerings and/or reduce the prices of their products as part of a strategy to attract new and/or retain existing customers;
  - Lengthening replacement cycles in developed regions, where the smartphone industry is mature, premium-tier smartphones are common and consumer demand is increasingly driven by new product launches and/or innovation cycles;
  - Lengthening replacement cycles in emerging regions as smartphone penetration increases; and
  - Increasing consumer demand for 3G/4G smartphone products in emerging regions driven by availability of lower-tier 3G/4G devices.
- We expect the ongoing rollout of 4G services in emerging regions will encourage competition and growth, bringing the benefits of 3G/4G LTE multi-mode to consumers.
- We continue to invest significant resources toward advancements in 4G and 5G technologies, OFDM-based WLAN technologies, wireless baseband chips, our converged computing/communications (Snapdragon) chips, radio frequency front-end (RFFE), connectivity, power management, graphics, audio and video codecs, multimedia

products and software, which contribute to the expansion of our intellectual property portfolio. We are also investing in targeted opportunities that leverage our existing technical and business expertise to deploy new business models and enter and/or expand into new industry segments, such as products for automotive, IoT (including the connected home, smart cities, wearables, voice and music and robotics), data center, networking, computing and machine learning, among others.

In addition to the foregoing business and market-based matters, we continue to devote resources to working with and educating participants in the wireless value chain and governments as to the benefits of our business model and our extensive technology investments in promoting a highly competitive and innovative wireless industry. However, we expect that certain companies may continue to be dissatisfied with the need to pay reasonable royalties for the use of our technology and not welcome the success of our business model in enabling new, highly cost-effective competitors to their products. We expect that such companies, and/or governments or regulators, will continue to challenge our business model in various forums throughout the world.

Further discussion of risks related to our business is presented in the Risk Factors included in this Quarterly Report.

### Liquidity and Capital Resources

On October 27, 2016, we announced a definitive agreement under which Qualcomm River Holdings will acquire NXP. Pursuant to the definitive agreement, Qualcomm River Holdings has commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration to be paid to NXP's shareholders of \$38 billion. The transaction is subject to receipt of regulatory approvals in various jurisdictions and other closing conditions. The transaction is expected to close in early 2018. In May 2017, we issued an aggregate principal amount of \$11.0 billion of unsecured floating- and fixed-rate notes with varying maturities, of which a portion will be used to fund the purchase price and other related transactions. In addition, we have secured \$4.0 billion in committed financing through a Term Loan Facility, which is expected to be drawn on at the close of the NXP transaction. The remaining amount will be funded with cash held by our foreign entities, which will result in the use of a substantial portion of our cash, cash equivalents and marketable securities.

Qualcomm River Holdings and NXP may terminate the definitive agreement under certain circumstances. If the definitive agreement is terminated by NXP in certain circumstances, NXP will be required to pay Qualcomm River Holdings a termination fee of \$1.25 billion. If the definitive agreement is terminated by Qualcomm River Holdings under certain circumstances involving the failure to obtain the required regulatory approvals or the failure of NXP to complete certain pre-closing reorganization steps in all material respects, Qualcomm River Holdings will be required to pay NXP a termination fee of \$2.0 billion. In November 2016, as required by the definitive agreement, we entered into four letters of credit for an aggregate amount of \$2.0 billion pursuant to which NXP will have the right to draw amounts to fund the potential termination fee payable to NXP. Each letter of credit is required to be fully cash collateralized in an amount equal to 100% of its face value through deposits with the issuers of the letters of credit. We are restricted from using the funds deposited as collateral while the letters of credit are outstanding. At December 24, 2017, the letters of credit were fully collateralized through bank time and demand deposits.

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations, cash provided by our debt programs and proceeds from the issuance of common stock under our stock option and employee stock purchase plans. The following table presents selected financial information related to our liquidity as of December 24, 2017 and September 24, 2017 and for the first three months of fiscal 2018 and 2017 (in millions):

	December 24, 2017	September 24, 2017	\$ Change	% Change
Cash, cash equivalents and marketable securities	\$ 39,850	\$ 38,578	\$ 1,272	3%
Accounts receivable, net	3,053	3,632	(579)	(16%)
Inventories	1,872	2,035	(163)	(8%)
Short-term debt	3,465	2,495	970	39%
Long-term debt	19,381	19,398	(17)	—%
Long-term income taxes payable	3,867	—	3,867	N/M

N/M - Not meaningful

**Three Months Ended**

	<b>December 24, 2017</b>	<b>December 25, 2016</b>	<b>\$ Change</b>	<b>% Change</b>
Net cash provided by operating activities	\$ 1,762	\$ 1,586	\$ 176	11%
Net cash (used) provided by investing activities	(3,261)	681	(3,942)	N/M
Net cash used by financing activities	(165)	(1,311)	1,146	N/M

N/M - Not meaningful

The net increase in cash, cash equivalents and marketable securities was primarily due to net cash provided by operating activities and \$967 million of net issuances of our outstanding commercial paper debt, partially offset by \$844 million in cash dividends paid, \$226 million in capital expenditures and \$225 million in payments to repurchase shares of our common stock. Total cash provided by operating activities increased primarily due to changes in working capital related to decreases in accounts receivable and inventories. Total cash provided by operating activities was also impacted by continued actions taken by Apple and its contract manufacturers, as well as the previously disclosed dispute with another licensee, who did not report or pay royalties due in the first quarter of fiscal 2018.

Our days sales outstanding, on a consolidated basis, decreased to 46 days at December 24, 2017 compared to 56 days at September 24, 2017. The decrease in accounts receivable and the related days sales outstanding were primarily due to the timing of integrated circuit shipments and the collection of receivables related to integrated circuits. The decrease in days sales outstanding was also attributable to the timing of the collection of payments from certain of our licensees. The decrease in inventories was primarily due to a decrease in the overall quantity of units on hand.

**Debt.** Our Amended and Restated Revolving Credit Facility provides for unsecured revolving facility loans, swing line loans and letters of credit in the aggregate amount of \$5.0 billion, of which \$530 million and \$4.47 billion will expire in February 2020 and November 2021, respectively. At December 24, 2017, no amounts were outstanding under the Amended and Restated Revolving Credit Facility.

We have an unsecured commercial paper program, which provides for the issuance of up to \$5.0 billion of commercial paper. Net proceeds from this program are used for general corporate purposes. At December 24, 2017, we had \$2.0 billion of commercial paper outstanding with weighted-average net interest rates of 1.28% and weighted-average remaining days to maturity of 36 days.

Our Term Loan Facility provides for senior unsecured delayed-draw term facility loans in an aggregate amount of \$4.0 billion. Proceeds from the Term Loan Facility, if drawn, will be used to finance, in part, the proposed acquisition of NXP. At December 24, 2017, no amounts were outstanding under the Term Loan Facility.

In May 2017, we issued an aggregate principal amount of \$11.0 billion in nine tranches of unsecured floating- and fixed-rate notes, with maturity dates starting in 2019 through 2047. Effective interest rates were between 1.92% and 4.47% at December 24, 2017. Net proceeds from the issuance of the notes of \$10.95 billion are intended to be used to fund a portion of the purchase price of our planned acquisition of NXP and other related transactions and also for general corporate purposes. Our 2019 floating-rate notes, 2020 floating-rate notes, 2019 fixed-rate notes and 2020 fixed-rate notes issued in May 2017 for an aggregate principal amount of \$4.0 billion are subject to a special mandatory redemption at a price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to, but excluding, the date of such mandatory redemption. The redemption is required on the first to occur of (i) the termination of the NXP purchase agreement or (ii) April 25, 2018 (which reflects a second automatic extension of the original expiration date of October 27, 2017 in accordance with the NXP purchase agreement, and as such date may be further extended in accordance with the NXP purchase agreement to a date on or prior to June 1, 2018).

In May 2015, we issued an aggregate principal amount of \$10.0 billion in eight tranches of unsecured floating- and fixed-rate notes, with \$1.5 billion maturing in 2018 and the remaining with maturity dates in 2020 through 2045. Effective interest rates were between 1.77% and 4.74% at December 24, 2017. Interest is payable in arrears quarterly for the floating-rate notes and semi-annually for the fixed-rate notes.

We may issue additional debt in the future. The amount and timing of such additional borrowings will be subject to a number of factors, including the cash flow generated by United States-based entities, acquisitions and strategic investments, acceptable interest rates and changes in corporate income tax law, among other factors.

Additional information regarding our outstanding debt at December 24, 2017 is provided in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 5. Debt."

**Income Taxes.** The Tax Legislation, which was signed into law during the first quarter of fiscal 2018, resulted in an estimated \$5.3 billion charge related to the Toll Charge. We currently estimate that we will pay \$3.3 billion for the Toll Charge, after application of certain tax credits (including those that are expected to be generated in fiscal 2018), which is payable in installments over eight years (8% in each of the first five years, 15% in year six, 20% in year seven and 25% in year eight) beginning on January 15, 2019.

Our cash, cash equivalents and marketable securities at December 24, 2017 consisted of \$8.5 billion held by our United States-based entities and \$31.4 billion held by our foreign entities. The Tax Legislation eliminated certain material tax effects on the repatriation of cash to the United States. As of December 24, 2017, we no longer consider available cash balances that existed at the end of fiscal 2017 related to undistributed pre-fiscal 2018 earnings and profits of certain U.S.-owned foreign subsidiaries to be indefinitely reinvested and recorded a tax expense of \$86 million related to foreign withholding taxes during the first quarter of fiscal 2018. We otherwise continue to consider other undistributed earnings of certain U.S.-owned foreign subsidiaries to be indefinitely reinvested based on our current plans for use and/or investment outside of the U.S., and therefore, no liability has been recorded for such taxes. However, as a result of the Tax Legislation, we are reassessing our intentions related to our indefinite reinvestment assertion. Should we decide to no longer indefinitely reinvest such earnings outside the U.S., we would have to adjust the income tax provision in the period such determination is made.

Additional information regarding our income taxes is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 3. Income Taxes.”

**Capital Return Program.** In the first quarter of fiscal 2018, we repurchased and retired 3.7 million shares of our common stock for \$225 million, before commissions. At December 24, 2017, \$1.4 billion remained authorized for repurchase under our stock repurchase program. As a result of our proposed acquisition of NXP and the pending use of our cash and marketable securities, we currently expect to repurchase shares in the next few years to offset dilution from the issuance of common stock under our employee benefit plans.

In the first quarter of fiscal 2018, we paid cash dividends totaling \$844 million, or \$0.57 per share. On January 12, 2018, we announced a cash dividend of \$0.57 per share on our common stock, payable on March 21, 2018 to stockholders of record as of the close of business on February 28, 2018. We intend to continue to use cash dividends as a means of returning capital to stockholders, subject to capital availability and our view that cash dividends are in the best interests of our stockholders.

**Additional Capital Requirements.** We believe our current cash, cash equivalents and marketable securities, our expected cash flow generated from operations and our expected financing activities will satisfy our working and other capital requirements, for at least the next 12 months based on our current business plans. Recent and expected working and other capital requirements, in addition to the above matters, also include the items described below.

- In connection with our cost reduction plan announced on January 16, 2018, we expect to incur restructuring and restructuring-related charges, the majority of which are expected to result in cash payments. We are in the process of finalizing our plan, as well as the restructuring and restructuring-related costs we expect to incur to execute our plan.
- Our purchase obligations at December 24, 2017, some of which relate to research and development activities and capital expenditures, totaled \$3.8 billion and \$1.1 billion for fiscal 2018 and 2019, respectively, and \$0.6 billion thereafter.
- Our research and development expenditures were \$1.4 billion in the first quarter of fiscal 2018 and \$5.5 billion in fiscal 2017, and we expect to continue to invest heavily in research and development for new technologies, applications and services for voice and data communications.
- Cash outflows for capital expenditures were \$226 million in the first quarter of fiscal 2018 and \$690 million in fiscal 2017. We anticipate that capital expenditures will be higher in fiscal 2018 as compared to fiscal 2017, primarily due to an increase in estimated capital expenditures of approximately \$100 million related to the manufacturing operations of our RF360 Holdings joint venture. We also expect to continue to incur capital expenditures in the future to support our business, including research and development activities. Future capital expenditures may be impacted by transactions that are currently not forecasted.
- The TFTC imposed a fine on us of approximately 23.4 billion Taiwan Dollars (approximately \$781 million based on the exchange rate at December 24, 2017), which will be paid in 60 monthly installments beginning on January 30, 2018.
- The EC imposed a fine on us of approximately 997 million Euros (approximately \$1.2 billion based on the exchange rate at December 24, 2017). We intend to provide a financial guarantee within three months of the notification date to satisfy the obligation.

- We expect to continue making strategic investments and acquisitions, the amounts of which could vary significantly, to open new opportunities for our technologies, obtain development resources, grow our patent portfolio or pursue new businesses.

### **Contractual Obligations/Off-Balance Sheet Arrangements**

We have no significant contractual obligations not fully recorded on our consolidated balance sheets or fully disclosed in the notes to our condensed consolidated financial statements. We have no material off-balance sheet arrangements as defined in Regulation S-K 303(a)(4)(ii).

Additional information regarding our financial commitments at December 24, 2017 is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 3. Income Taxes,” “Note 5. Debt,” “Note 6. Commitments and Contingencies” and “Note 8. Acquisitions.”

### **Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements and the impact of those pronouncements, if any, on our consolidated financial statements is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 1. Basis of Presentation.”

### **Risk Factors**

You should consider each of the following factors as well as the other information in this Quarterly Report in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also negatively impact our business and results of operations, and require significant management time and attention. In that case, the trading price of our common stock could decline. You should also consider the other information set forth in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 24, 2017 in evaluating our business and our prospects, including but not limited to our financial statements and the related notes and “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

#### **Risks Related to Our Businesses**

##### ***We are subject to a disruptive takeover proposal.***

Broadcom Limited has made an unsolicited proposal to acquire all of our outstanding common stock and has commenced a proxy contest to replace our Board of Directors with Broadcom nominees. Responding to Broadcom’s unsolicited proposal and proxy contest may divert management attention and may require us to incur significant costs. Moreover, the hostile and unsolicited nature of Broadcom’s actions may disrupt our business and operations by causing uncertainty among and potentially loss of current and prospective employees, customers, licensees, suppliers and other constituencies important to our success, which could negatively impact our business and financial results. The price of our common stock may be volatile and could be subject to price fluctuations due to the uncertainty associated with the unsolicited offer and proxy contest.

##### ***Our proposed acquisition of NXP Semiconductors N.V. involves a number of risks, including, among others, the risk that we fail to complete the acquisition, in a timely manner or at all, regulatory risks, risks associated with our use of a significant portion of our cash and our taking on significant indebtedness, other financial risks, integration risks, and risk associated with the reactions of customers, suppliers and employees.***

Our and NXP’s obligations to consummate the proposed transaction are subject to the satisfaction or waiver of certain conditions, including, among others: (i) the tender of a minimum number of NXP’s outstanding common shares in the tender offer commenced by a subsidiary of QUALCOMM Incorporated; (ii) the receipt of regulatory clearance under applicable laws; (iii) the absence of any law or order prohibiting the proposed transaction; (iv) there being no event that would have a material adverse effect on NXP; (v) the accuracy of the representations and warranties of NXP, subject to certain exceptions, and NXP’s material compliance with its covenants, in the definitive agreement; and (vi) the completion of certain internal reorganization steps with respect to NXP and the disposition of certain non-core assets of NXP. We cannot provide assurance that the conditions to the completion of the proposed transaction will be satisfied in a timely manner or at all, and if the proposed transaction is not completed, we would not realize any of the expected benefits.

The regulatory approvals required in connection with the proposed transaction may not be obtained or may contain materially burdensome conditions. If any conditions or changes to the structure of the proposed transaction are required to obtain these regulatory approvals, they may have the effect of jeopardizing or delaying completion of the proposed



transaction or reducing our anticipated benefits. If we agree to any material conditions in order to obtain any approvals required to complete the proposed transaction, our business and results of operations may be adversely affected.

In addition, the use of a significant portion of our cash and the incurrence of substantial indebtedness in connection with the financing of the proposed transaction will reduce our liquidity, and may limit our flexibility in responding to other business opportunities and increase our vulnerability to adverse economic and industry conditions. See the Risk Factor entitled “There are risks associated with our indebtedness.”

If the proposed transaction is not completed, our stock price could fall to the extent that our current price reflects an assumption that we will complete it. Furthermore, if the proposed transaction is not completed and the purchase agreement is terminated, we would not realize any of the expected benefits of the proposed transaction, and we may suffer other consequences that could adversely affect our business, results of operations and stock price, including, among others:

- we could be required to pay a termination fee to NXP of \$2.0 billion;
- we will have incurred and may continue to incur costs relating to the proposed transaction, many of which are payable by us whether or not the proposed transaction is completed;
- matters relating to the proposed transaction (including integration planning) require substantial commitments of time and resources by our management team and numerous others throughout our organization, which could otherwise have been devoted to other opportunities;
- we may be subject to legal proceedings related to the proposed transaction or the failure to complete the proposed transaction;
- the failure to consummate the proposed transaction may result in negative publicity and a negative perception of us in the investment community; and
- any disruptions to our business resulting from the announcement and pendency of the proposed transaction, including any adverse changes in our relationships with our customers, suppliers, partners or employees, may continue or intensify in the event the proposed transaction is not consummated.

The proposed transaction will be our largest acquisition to date, by a significant margin. The benefits we expect to realize from the proposed transaction will depend, in part, on our ability to integrate the businesses successfully and efficiently. See the Risk Factor entitled “We may engage in strategic acquisitions, transactions or make investments that could adversely affect our results of operations or fail to enhance stockholder value.”

Furthermore, uncertainties about the proposed transaction may cause our and/or NXP’s current and prospective employees to experience uncertainty about their futures. These uncertainties may impair our and/or NXP’s ability to retain, recruit or motivate key management, engineering, technical and other personnel. Similarly, our and/or NXP’s existing or prospective customers, licensees, suppliers and/or partners may delay, defer or cease purchasing products or services from or providing products or services to us or NXP; delay or defer other decisions concerning us or NXP; or otherwise seek to change the terms on which they do business with us or NXP. Any of the above could harm us and/or NXP, and thus decrease the benefits we expect to receive from the proposed transaction.

The proposed transaction may also result in significant charges or other liabilities that could adversely affect our results of operations, such as cash expenses and non-cash accounting charges incurred in connection with our acquisition and/or integration of the business and operations of NXP. Further, our failure to identify or accurately assess the magnitude of certain liabilities we are assuming in the proposed transaction could result in unexpected litigation or regulatory exposure, unfavorable accounting charges, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on our business, results of operations, financial condition or cash flows.

***Our revenues depend on commercial network deployments, expansions and upgrades of CDMA, OFDMA and other communications technologies; our customers’ and licensees’ sales of products and services based on these technologies; and customers’ demand for our products and services.***

We develop, patent and commercialize technology and products based on CDMA, OFDMA and other communications technologies, which are primarily wireless. We depend on operators of wireless networks and our customers and licensees to adopt and/or implement the latest generation of these technologies for use in their networks, devices and services. We also depend on our customers and licensees to develop devices and services based on these technologies with value-added features to drive consumer demand for new 3G, 3G/4G multi-mode and 4G devices, and in the future 5G devices, as well as establishing the selling prices for such devices. Further, we depend on the timing of our customers’ and licensees’ deployments of new devices and services based on these technologies. Increasingly, we also depend on operators of wireless

networks, our customers and licensees and other third parties to incorporate these technologies into new device types and into industries beyond traditional cellular communications, such as automotive, the internet of things (IoT) (including the connected home, smart cities, wearables, voice and music and robotics), data center, networking, computing, and machine learning, among others. We are also impacted by consumers' rates of replacement of smartphones and other computing devices.

Our revenues and/or growth in revenues could be negatively impacted, our business may be harmed and our substantial investments in these technologies may not provide us an adequate return, if:

- wireless operators and industries beyond traditional cellular communications deploy alternative technologies;
- wireless operators delay next-generation network deployments, such as 5G, expansions or upgrades and/or delay moving 2G customers to 3G, 3G/4G multi-mode or 4G wireless devices;
- LTE, an OFDMA-based wireless technology, is not more widely deployed or further commercial deployment is delayed;
- government regulators delay making sufficient spectrum available for 3G, 4G, new unlicensed technologies that we are developing in conjunction with 3G and 4G, as well as for 5G, thereby restricting the ability of wireless operators to deploy or expand the use of these technologies;
- wireless operators delay or do not drive improvements in 3G, 4G or 3G/4G multi-mode network performance and/or capacity;
- our customers' and licensees' revenues and sales of products, particularly premium-tier products, and services using these technologies do not grow or do not grow as quickly as anticipated due to, for example, the maturity of smartphone penetration in developed regions;
- our intellectual property and technical leadership included in the 5G standardization effort is different than in 3G and 4G standards;
- the standardization and/or deployment of 5G technology is delayed; and/or
- we are unable to drive the adoption of our products and services into networks and devices, including devices beyond traditional cellular applications, based on CDMA, OFDMA and other communications technologies.

***Our industry is subject to competition in an environment of rapid technological change that could result in decreased demand and/or declining average selling prices for our products and/or those of our customers and/or licensees.***

Our products, services and technologies face significant competition. We expect competition to increase as our current competitors expand their product offerings or reduce the prices of their products as part of a strategy to attract new business and/or customers, as new opportunities develop and as new competitors enter the industry. Competition in wireless communications is affected by various factors that include, among others: device manufacturer concentrations and vertical integration; growth in demand, consumption and competition in certain geographic regions; government intervention and/or support of national industries and/or competitors; evolving industry standards and business models; evolving methods of transmission of voice and data communications; increasing data traffic and densification of wireless networks; convergence and aggregation of connectivity technologies (including Wi-Fi and LTE) in both devices and access points; consolidation of wireless technologies and infrastructure at the network edge; networking and connectivity trends (including cloud services); use of both licensed and unlicensed spectrum; the evolving nature of computing (including demand for always on, always connected capabilities); the speed of technological change (including the transition to smaller geometry process technologies); value-added features that drive selling prices as well as consumer demand for new 3G, 3G/4G multi-mode and 4G devices; turnkey, integrated products that incorporate hardware, software, user interface, applications and reference designs; scalability; and the ability of the system technology to meet customers' immediate and future network requirements. We anticipate that additional competitors will introduce products as a result of growth opportunities in wireless communications, the trend toward global expansion by foreign and domestic competitors, technological and public policy changes and relatively low barriers to entry in certain segments of the industry. Additionally, the semiconductor industry has experienced and may continue to experience consolidation, which could result in significant changes to the competitive landscape.

We expect that our future success will depend on, among other factors, our ability to:

- differentiate our integrated circuit products with innovative technologies across multiple products and features (e.g., modem, radio frequency front-end (RFFE), graphics and/or other processors, camera and connectivity) and with smaller geometry process technologies that drive performance;

- develop and offer integrated circuit products at competitive cost and price points to effectively cover both emerging and developed geographic regions and all device tiers;
- continue to drive the adoption of our integrated circuit products into the most popular device models and across a broad spectrum of devices, such as smartphones, tablets, laptops, other computing devices, automobiles, wearables and voice and music and other connected devices and infrastructure products;
- maintain and/or accelerate demand for our integrated circuit products at the premium device tier, while increasing the adoption of our products in mid- and low-tier devices, in part by strengthening our integrated circuit product roadmap for, and developing channel relationships in, emerging geographic regions, such as China and India, and by providing turnkey products, which incorporate our integrated circuits, for low- and mid-tier smartphones, tablets and laptops;
- continue to be a leader in 4G technology evolution, including expansion of our LTE-based single-mode licensing program in areas where single-mode products are commercialized, and continue to innovate and introduce 4G turnkey, integrated products and services that differentiate us from our competition;
- be a leader serving original equipment manufacturers, high level operating systems (HLOS) providers, operators, cloud providers and other industry participants as competitors, new industry entrants and other factors continue to affect the industry landscape;
- be a preferred partner (and sustain preferred relationships) providing integrated circuit products that support multiple operating system and infrastructure platforms to industry participants that effectively commercialize new devices using these platforms;
- increase and/or accelerate demand for our semiconductor component products, including RFFE, and our wired and wireless connectivity products, including networking products for consumers, carriers and enterprise equipment and connected devices;
- identify potential acquisition targets that will grow or sustain our business or address strategic needs, reach agreement on terms acceptable to us and effectively integrate these new businesses and/or technologies;
- create standalone value and/or contribute to the success of our existing businesses through acquisitions, joint ventures and other transactions (and/or by developing customer, licensee and/or vendor relationships) in new industry segments and/or disruptive technologies, products and/or services (such as products for automotive, IoT (including the connected home, smart cities, wearables, voice and music and robotics), data center, networking, computing, and machine learning, among others);
- become a leading supplier of RFFE products, which are designed to address cellular radio frequency band fragmentation while improving radio frequency performance and assist original equipment manufacturers in developing multiband, multi-mode mobile devices;
- be a leader in 5G technology development, standardization, intellectual property creation and licensing and develop and commercialize 5G integrated circuit products and services; and/or
- continue to develop brand recognition to effectively compete against better known companies in computing and other consumer driven segments and to deepen our presence in significant emerging geographic regions.

Competition in any or all product tiers may result in the loss of certain business or customers, which would negatively impact our revenues, results of operations and cash flows. Such competition may also reduce average selling prices for our chipset products and/or the products of our customers and licensees. Certain of these dynamics are particularly pronounced in emerging geographic regions where competitors may have lower cost structures and/or may have a willingness and ability to accept lower prices and/or lower or negative margins on their products (particularly in China). Reductions in the average selling prices of our chipset products, without a corresponding increase in volumes, would negatively impact our revenues, and without corresponding decreases in average unit costs, would negatively impact our margins. In addition, reductions in the average selling prices of our licensees' products, unless offset by an increase in volumes, would generally decrease total royalties payable to us, negatively impacting our licensing revenues.

Companies that promote standards that are neither CDMA- nor OFDMA-based (e.g., GSM) as well as companies that design integrated circuits based on CDMA, OFDMA, Wi-Fi or their derivatives are generally competitors or potential competitors. Examples (some of which are strategic partners of ours in other areas) include Advanced Micro Devices, Inc., Broadcom Limited, Cirrus Logic, Cypress Semiconductor Corporation, HiSilicon Technologies, Intel, Marvell Technology, Maxim Integrated Products, MediaTek, Microchip Technology Inc., Murata Manufacturing Co., Ltd., Nordic Semiconductor,

Nvidia, Qorvo Inc., Realtek Semiconductor, Renesas Electronics Corporation, Samsung Electronics, Sequans Communications S.A., Skyworks Solutions Inc., Sony Corporation and Spreadtrum Communications (which is controlled by Tsinghua Unigroup). Some of these current and potential competitors may have advantages over us that include, among others: motivation by our customers in certain circumstances to utilize their own internally-developed integrated circuit products, to use our competitors' integrated circuit products and/or sell such products to others, including by bundling with other products, or to choose alternative technologies; lower cost structures and/or a willingness and ability to accept lower prices and lower or negative margins for their products, particularly in China; foreign government support of other technologies or competitors; better known brand names; ownership and control of manufacturing facilities and greater expertise in manufacturing processes; more extensive relationships with local distribution companies and original equipment manufacturers in certain geographic regions (such as China) and/or experience in adjacent industry segments outside traditional cellular industries (such as automotive and IoT); and/or a more established presence in certain regions.

***We derive a significant portion of our consolidated revenues from a small number of customers and licensees. If revenues derived from these customers or licensees decrease or the timing of such revenues fluctuates, our business and results of operations could be negatively affected.***

Our QCT segment derives a significant portion of its revenues from a small number of customers, and we expect this trend to continue in the foreseeable future. Our industry is experiencing and may continue to experience concentration of device share among a few companies, particularly at the premium tier, contributing to this trend. In addition, certain of our largest integrated circuit customers develop their own integrated circuit products, which they have in the past chosen to utilize in certain of their devices rather than our products, and may in the future choose to utilize in certain (or all) of their devices rather than our products (and/or sell their integrated circuit products to third parties in competition with us). Also, one of our largest integrated circuit customers has utilized products of one of our competitors in certain of their devices rather than our products, and may in the future utilize products of our competitors in certain (or all) of their devices rather than our products.

The loss of any one of our significant customers, a reduction in the purchases of our products by such customers or the cancellation of significant purchases by any of these customers, whether due to the use of their own integrated circuit products, our competitors' integrated circuit products or otherwise, would reduce our revenues and could harm our ability to achieve or sustain expected results of operations, and a delay of significant purchases, even if only temporary, would reduce our revenues in the period of the delay. Any such reduction in revenues would also impact our cash resources available for other purposes, such as research and development. Further, the concentration of device share among a few companies, and the corresponding purchasing power of these companies, may result in lower prices for our products which, if not accompanied by a sufficient increase in the volume of purchases of our products, could have an adverse effect on our revenues and margins. In addition, the timing and size of purchases by our significant customers may be impacted by the timing of such customers' new or next generation product introductions, over which we have no control, and the timing of such introductions may cause our revenues and results of operations to fluctuate. Accordingly, if current industry dynamics and concentrations continue, our QCT segment's revenues will continue to depend largely upon, and be impacted by, future purchases, and the timing and size of any such future purchases, by these significant customers.

One of our largest customers purchases our Mobile Data Modem (MDM) products, which do not include our integrated application processor technology and which have lower revenue and margin contributions than our combined modem and application processor products. To the extent such customer takes device share from our other customers who purchase our integrated modem and application processor products, our revenues and margins may be negatively impacted.

Further, companies that develop HLOS for devices, including leading technology companies, now sell their own devices. If we fail to effectively partner or continue partnering with these companies, or with their partners or customers, they may decide not to purchase (either directly or through their contract manufacturers), or to reduce or discontinue their purchases of, our integrated circuit products.

In addition, there has been and continues to be litigation among certain of our customers and other industry participants, and the potential outcomes of such litigation, including but not limited to injunctions against devices that incorporate our products and/or intellectual property, or rulings on certain patent law or patent licensing issues that create new legal precedent, could impact our business, particularly if such action impacts one of our larger customers.

Although we have several hundred licensees, our QTL segment derives a significant portion of its licensing revenues from a limited number of licensees. In the event that one or more of our significant licensees fail to meet their reporting and/or payment obligations, or we are unable to renew or modify one or more of such license agreements under similar terms, our revenues, results of operations and cash flows would be adversely impacted. Moreover, the future growth and success of our core licensing business will depend in part on the ability of our licensees to develop, introduce and deliver high-volume

products that achieve and sustain customer acceptance. We have no control over the product development, sales efforts or pricing of products by our licensees, and our licensees might not be successful. Reductions in the average selling prices of wireless devices sold by our significant licensees, without a sufficient increase in the volumes of such devices sold, would generally have an adverse effect on our licensing revenues.

***We derive a significant portion of our consolidated revenues from the premium-tier device segment. If sales of premium-tier devices decrease, and/or sales of our premium-tier integrated circuit products decrease, our results of operations could be negatively affected.***

We derive a significant portion of our revenues from the premium-tier device segment, and we expect this trend to continue in the foreseeable future. We have experienced, and expect to continue to experience, slowing growth in the premium-tier device segment due to, among other factors, lengthening replacement cycles in developed regions, where premium-tier smartphones are common; increasing consumer demand in emerging regions, particularly China and India, where premium-tier smartphones are less common and replacement cycles are on average longer than in developed regions; lengthening replacement cycles in emerging regions; and/or a maturing premium-tier smartphone industry in which demand is increasingly driven by new product launches and/or innovation cycles.

In addition, as discussed in the prior risk factor, our industry is experiencing concentration of device share among a few companies at the premium tier, which gives them significant supply chain leverage. Further, those companies may utilize their own internally-developed integrated circuit products, or our competitors' integrated circuit products, rather than our products in a portion of their devices. These dynamics may result in lower prices for and/or reduced sales of our premium-tier integrated circuit products.

A reduction in sales of premium-tier devices, or a reduction in sales of our premium-tier integrated circuit products (which have a higher revenue and margin contribution than our lower-tier integrated circuit products), may reduce our revenues and margins and may harm our ability to achieve or sustain expected financial results. Any such reduction in revenues would also impact our cash resources available for other purposes, such as research and development.

***Efforts by some communications equipment manufacturers or their customers to avoid paying fair and reasonable royalties for the use of our intellectual property may require the investment of substantial management time and financial resources and may result in legal decisions and/or actions by governments, courts, regulators or agencies, Standards Development Organizations (SDOs) or other industry organizations that harm our business.***

From time to time, companies initiate various strategies to attempt to renegotiate, mitigate and/or eliminate their need to pay royalties to us for the use of our intellectual property. These strategies have included: (i) litigation, often alleging infringement of patents held by such companies, patent misuse, patent exhaustion, patent invalidity and/or unenforceability of our patents and/or licenses, that we do not license our patents on fair, reasonable and nondiscriminatory (FRAND) terms, or some form of unfair competition or competition law violation; (ii) taking positions contrary to our understanding of their contracts with us; (iii) appeals to governmental authorities; (iv) collective action, including working with wireless operators, standards bodies, other like-minded companies and other organizations, on both formal and informal bases, to adopt intellectual property policies and practices that could have the effect of limiting returns on intellectual property innovations; (v) lobbying governmental regulators and elected officials for the purpose of seeking the reduction of royalty rates or the base on which royalties are calculated, the imposition of some form of compulsory licensing and/or to weaken a patent holder's ability to enforce its rights or obtain a fair return for such rights; and (vi) licensees using various strategies to attempt to shift their royalty obligation to their suppliers that results in lowering the wholesale (i.e., licensee's) selling price on which the royalty is calculated. In addition, certain licensees have disputed, underreported, underpaid, not reported and/or not paid royalties owed to us under their license agreements or reported to us in a manner that is not in compliance with their contractual obligations, and certain companies have yet to enter into or delayed entering into or renewing license agreements with us for their use of our intellectual property, and licensees and/or companies may continue to do so in the future. The fact that one or more licensees dispute, underreport, underpay, do not report and/or do not pay royalties owed to us may encourage other licensees to take similar actions and may encourage other licensees or unlicensed companies to delay entering into, or not enter into, new license agreements. Further, to the extent such licensees and/or companies increase their device share, the negative impact of their underreporting, underpayment, non-payment and/or non-reporting on our business, revenues, results of operations, financial condition and/or cash flows will be exacerbated.

We are currently subject to various litigation and governmental investigations and/or proceedings, some of which have arisen and may continue to arise out of the strategies described above. Certain legal matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." The unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition and/or cash flows. Depending on the type of matter, various remedies that could result from an

unfavorable resolution include, among others, injunctions, monetary damages or fines or other orders to pay money and the issuance of orders to cease certain conduct and/or modify our business practices. In addition, decisions or orders arising out of governmental investigations or proceedings could require us to renegotiate, or could encourage or embolden our licensees to demand to renegotiate, their license agreements with us (which could be on terms that are less favorable to us than existing terms), and such licensees may underreport, underpay, not report or not pay royalties owed to us pending the conclusion of such negotiations. Further, a governmental body in a particular country or region may assert, and may be successful in imposing, remedies with effects that extend beyond the borders of that country or region. See also the Risk Factor entitled “Changes in our patent licensing practices, whether due to governmental investigations, private legal proceedings challenging those practices or otherwise, could adversely impact our business and results of operations.”

In addition, in connection with our participation in SDOs, we, like other patent owners, generally have made contractual commitments to such organizations to license those of our patents that would necessarily be infringed by standard-compliant products as set forth in those commitments. Some manufacturers and users of standard-compliant products advance interpretations of these commitments that are adverse to our licensing business, including interpretations that would limit the amount of royalties that we could collect on the licensing of our patent portfolio.

Further, some companies or entities have proposed significant changes to existing intellectual property policies for implementation by SDOs and other industry organizations with the goal of significantly devaluing standard-essential patents. For example, some have put forth proposals which would require a maximum aggregate intellectual property royalty rate for the use of all standard-essential patents owned by all of the member companies to be applied to the selling price of any product implementing the relevant standard. They have further proposed that such maximum aggregate royalty rate be apportioned to each member company with standard-essential patents based upon the number of standard-essential patents held by such company. Others have proposed that injunctions not be an available remedy for infringement of standard-essential patents and/or have made proposals that could severely limit damage awards and other remedies by courts for patent infringement (e.g., by severely limiting the base upon which the royalty percentage may be applied). A number of these strategies are purportedly based on interpretations of the policies of certain SDOs concerning the licensing of patents that are or may be essential to industry standards and on our (and/or other companies’) alleged failure to abide by these policies.

Some SDOs, courts and governmental agencies have adopted and may in the future adopt some or all of these interpretations or proposals in a manner adverse to our interests, including in litigation to which we may not be a party.

We expect that such proposals, interpretations and strategies will continue in the future, and if successful, our business model would be harmed, either by limiting or eliminating our ability to collect royalties (or by reducing the royalties we can collect) on all or a portion of our patent portfolio, limiting our return on investment with respect to new technologies, limiting our ability to seek injunctions against infringers of our standard-essential patents, constraining our ability to make licensing commitments when submitting our technology for inclusion in future standards (which could make our technology less likely to be included in such standards) or forcing us to work outside of SDOs or other industry groups to promote our new technologies, and our revenues, results of operations and/or cash flows could be negatively impacted. In addition, the legal and other costs associated with asserting or defending our positions have been and continue to be significant. We assume that such challenges, regardless of their merits, will continue into the foreseeable future and may require the investment of substantial management time and financial resources.

***Our business, particularly our licensing business, may suffer as a result of adverse rulings in government investigations or proceedings.***

We are currently subject to various governmental investigations and/or proceedings, particularly with respect to our licensing business, and certain such matters are described more fully in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies.” Key allegations in those matters include, among others, that we do not license our cellular standard-essential patents separately from our other patents, that we violate FRAND licensing commitments by refusing to grant licenses to chipset makers, that our royalty rates are too high and/or that the base on which our royalties are calculated should be something less than the wholesale (i.e., licensee’s) selling price of the applicable device (minus certain permitted deductions). The unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition and/or cash flows. Depending on the type of matter, various remedies that could result from an unfavorable resolution include, among others, injunctions, monetary damages or fines or other orders to pay money, and the issuance of orders to cease certain conduct and/or modify our business practices. In addition, decisions or orders arising out of such governmental investigations or proceedings could require us to renegotiate, or could encourage or embolden our licensees to demand to renegotiate, their license agreements with us (which could be on terms that are less favorable to us than existing terms), and such licensees may underreport, underpay, not report or not pay royalties owed to us pending the conclusion of such negotiations. Further, a governmental body in a particular country or region may assert, and may be successful in imposing, remedies with effects that extend

beyond the borders of that country or region. See also the Risk Factor entitled “Changes in our patent licensing practices, whether due to governmental investigations, private legal proceedings challenging those practices or otherwise, could adversely impact our business and results of operations.”

***Changes in our patent licensing practices, whether due to governmental investigations, private legal proceedings challenging those practices or otherwise, could adversely impact our business and results of operations.***

We are currently subject to various governmental investigations and private legal proceedings challenging our patent licensing practices as described more fully in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies.” Key allegations in those matters include, among others, that we do not license our cellular standard-essential patents separately from our other patents, that we violate FRAND licensing commitments by refusing to grant licenses to chipset makers, that our royalty rates are too high and/or that the base on which our royalties are calculated should be something less than the wholesale (i.e., licensee’s) selling price of the applicable device (minus certain permitted deductions). We believe that the ultimate intent of these investigations and legal proceedings is to reduce the amount of royalties that licensees are required to pay to us for their use of our intellectual property.

We have historically licensed our cellular standard-essential patents together with our other patents that may be useful to licensed products because licensees typically have desired to obtain the commercial benefits of receiving such broad patent rights from us. However, we also have licensed only our cellular standard-essential patents to certain licensees who have requested such licenses. In addition, in connection with our resolution with the China National Development and Reform Commission (NDRC), our standard practice in China since 2015 is to offer licenses to our 3G and 4G standard-essential Chinese patents for devices sold for use in China separately from our other patents. In connection with our recent 5G royalty rate announcement, we offer licenses to only our cellular standard-essential patents (including 3G, 4G and 5G) for both single mode and multi-mode devices. Our royalty rates for licenses to only our cellular standard-essential patents are lower than our royalty rates for licenses to substantially all of our patent portfolio. If more licensees choose a license to only our cellular standard-essential patents instead of a portfolio license than has historically been the case, our licensing revenues and earnings would be negatively impacted unless we were able to license our other patents at rates that offset all or a portion of any difference between the royalties previously received for licenses of substantially all of our patent portfolio as compared to licenses of only our cellular standard-essential patents and/or there was a sufficient increase in the overall volume of sales of devices upon which royalties are paid.

If we were required to grant patent licenses to chipset manufacturers (i.e., to implement a more complex, tiered licensing structure in which we license certain portions of our patent portfolio to chipset manufacturers and other portions to device manufacturers), we would incur additional transaction costs, which may be significant, and we may incur delays in recognizing revenues until license negotiations were completed. In addition, our licensing revenues and earnings would be negatively impacted if we were not able to obtain, in the aggregate, equivalent revenues under such a multi-level licensing structure.

If we were required to reduce the royalty rates we charge under our patent license agreements, our revenues and earnings would be negatively impacted absent a sufficient increase in the volume of sales of devices upon which royalties are paid. Similarly, if we were required to reduce the base on which our royalties are calculated, our revenues, results of operations and/or cash flows would be negatively impacted unless there was a sufficient increase in the volume of sales of devices upon which royalties are paid and/or we were able to increase our royalty rates to offset the decrease in revenues resulting from such lower royalty base (assuming the absolute royalty dollars were below any relevant royalty caps).

To the extent that we were required to implement any of these new licensing practices by modifying or renegotiating our existing license agreements, we would incur additional transaction costs, which may be significant, and we may incur delays in recognizing revenues until license negotiations were completed. The impact of any such changes to our licensing practices could vary widely and by jurisdiction, depending on the specific outcomes and the geographic scope of such outcomes. In addition, if we were required to make modifications to our licensing practices in one jurisdiction, licensees and/or governmental agencies in other jurisdictions may attempt to obtain similar outcomes for themselves and/or for such other jurisdictions, as applicable.

***The enforcement and protection of our intellectual property rights may be expensive, could fail to prevent misappropriation or unauthorized use of our intellectual property rights, could result in the loss of our ability to enforce one or more patents, and/or could be adversely affected by changes in patent laws, by laws in certain foreign jurisdictions that may not effectively protect our intellectual property rights and/or by ineffective enforcement of laws in such jurisdictions.***

We rely primarily on patent, copyright, trademark and trade secret laws, as well as nondisclosure and confidentiality agreements, international treaties and other methods, to protect our proprietary information, technologies and processes,

including our patent portfolio. Policing unauthorized use of our products, technologies and proprietary information is difficult and time consuming. The steps we have taken have not always prevented, and we cannot be certain the steps we will take in the future will prevent, the misappropriation or unauthorized use of our proprietary information and technologies, particularly in foreign countries where the laws may not protect our proprietary intellectual property rights as fully or as readily as United States laws or where the enforcement of such laws may be lacking or ineffective. Some industry participants who have a vested interest in devaluing patents in general, or standard-essential patents in particular, have mounted attacks on certain patent systems, increasing the likelihood of changes to established patent laws. In the United States, there is continued discussion regarding potential patent law changes and current and potential future litigation regarding patents, the outcomes of which could be detrimental to our licensing business. The laws in certain foreign countries in which our products are or may be manufactured or sold, including certain countries in Asia, may not protect our intellectual property rights to the same extent as the laws in the United States. We expect that the European Union will adopt a unitary patent system in the next few years that may broadly impact that region's patent regime. We cannot predict with certainty the long-term effects of any potential changes. In addition, we cannot be certain that the laws and policies of any country or the practices of any standards bodies, foreign or domestic, with respect to intellectual property enforcement or licensing or the adoption of standards, will not be changed in the future in a way detrimental to our licensing program or to the sale or use of our products or technologies.

We have had, and may in the future have, difficulty in certain circumstances in protecting or enforcing our intellectual property rights and/or contracts, including collecting royalties for use of our patent portfolio due to, among others: refusal by certain licensees to report and/or pay all or a portion of the royalties they owe to us; policies of foreign governments; challenges to our licensing practices under competition laws; adoption of mandatory licensing provisions by foreign jurisdictions (either with controlled/regulated royalties or royalty free); failure of foreign courts to recognize and enforce judgments of contract breach and damages issued by courts in the United States; and/or challenges before competition agencies to our licensing business and/or the pricing and integration of additional features and functionality into our chipset products. Certain licensees have disputed, underreported, underpaid, not reported and/or not paid royalties owed to us under their license agreements with us or reported to us in a manner that is not in compliance with their contractual obligations, and certain companies have yet to enter into or delayed entering into or renewing license agreements for their use of our intellectual property, and such licensees and/or companies may continue to do so in the future. The fact that one or more licensees dispute, underreport, underpay, do not report and/or do not pay royalties owed to us may encourage other licensees to take similar actions and may encourage other licensees or unlicensed companies to delay entering into, or not enter into, new license agreements. Additionally, although our license agreements provide us with the right to audit the books and records of licensees, audits can be expensive, time consuming, incomplete and subject to dispute. Further, certain licensees may not comply with the obligation to provide full access to their books and records. To the extent we do not aggressively enforce our rights under our license agreements, licensees may not comply with their existing license agreements, and to the extent we do not aggressively pursue unlicensed companies to enter into license agreements with us for their use of our intellectual property, other unlicensed companies may not enter into license agreements.

We have entered into litigation in the past and may need to further litigate in the future to enforce our contract and/or intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. We are currently engaged in litigation matters related to protecting or enforcing our contract and/or intellectual property rights, and certain such matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." As a result of any such litigation, we could lose our ability to enforce one or more patents, portions of our license agreements could be determined to be invalid or unenforceable (which may in turn result in other licensees either not complying with their existing license agreements and/or initiating litigation) and/or we could incur substantial costs. Any action we take to enforce our contract or intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our results of operations and/or cash flows. Further, even a positive resolution to our enforcement efforts may take time to conclude, which may reduce our revenues and cash resources available for other purposes, such as research and development, in the periods prior to conclusion. See also the Risk Factor entitled "Changes in our patent licensing practices, whether due to governmental investigations, private legal proceedings challenging those practices or otherwise, could adversely impact our business and results of operations."

***Our growth increasingly depends on our ability to extend our technologies, products and services into new and expanded product areas, such as RFFE, and adjacent industry segments outside of traditional cellular industries, such as automotive, IoT and networking, among others. Our research, development and other investments in these new and expanded product areas and industry segments, and related technologies, products and services, as well as in our existing technologies, products and services and new technologies, such as 5G, may not generate operating income or contribute to future results of operations that meet our expectations.***



Our industry is subject to rapid technological change, evolving industry standards and frequent new product introductions, and we must make substantial research, development and other investments, such as acquisitions, in new products, services and technologies to compete successfully. Technological innovations generally require significant research and development efforts before they are commercially viable. While we continue to invest significant resources toward advancements primarily in support of 4G- and 5G-based technologies, we also innovate across a broad spectrum of opportunities to deploy new and expanded products and enter into adjacent industry segments by leveraging our existing technical and business expertise and/or through acquisitions.

In particular, our future growth significantly depends on new and expanded product areas, such as RFFE, and adjacent industry segments, such as automotive, IoT (including the connected home, smart cities, wearables, voice and music and robotics), data center, networking, computing and machine learning, among others; our ability to develop leading and cost-effective technologies, products and services for new and expanded product areas and adjacent industry segments; and third parties incorporating our technology, products and services into devices used in these product areas and industry segments. Accordingly, we intend to continue to make substantial investments in these new and expanded product areas and adjacent industry segments, and in developing new products, services and technologies for these product areas and industry segments.

However, our research, development and other investments in these new and expanded product areas and adjacent industry segments, and corresponding technologies, products and services, as well as in our existing, technologies, products and services and new technologies, such as 5G, use of both licensed and unlicensed spectrum, and convergence of cellular and Wi-Fi, may not succeed due to, among others: new industry segments and/or consumer demand may not grow as anticipated; our strategies and/or the strategies of our customers, licensees or partners may not be successful; improvements in alternate technologies in ways that reduce the advantages we anticipate from our investments; competitors' products or services being more cost effective, having more capabilities or fewer limitations or being brought to market faster than our new products and services; and competitors having longer operating histories in industry segments that are new to us. We may also underestimate the costs of or overestimate the future revenues and/or margins that could result from these investments, and these investments may not, or may take many years to, generate material returns. Further, the automotive industry is subject to long design-in time frames, long product life cycles and a high degree of regulatory and safety requirements, necessitating suppliers to the industry to comply with stringent qualification processes, very low defect rates and high reliability standards, all of which results in a significant barrier to entry and increased costs.

If our new technologies, products and/or services are not successful, or are not successful in the time frame we anticipate, we may incur significant costs and/or asset impairments, our business may not grow as anticipated, our revenues and/or margins may be negatively impacted and/or our reputation may be harmed.

***There are numerous risks associated with our operation and control of manufacturing facilities of our joint venture with TDK, RF360 Holdings, including a higher portion of fixed costs relative to a fables model, environmental compliance and liability, exposure to natural disasters, timely supply of equipment and materials and manufacturing difficulties.***

Manufacturing facilities are characterized by a higher portion of fixed costs relative to a fables model. In less favorable industry environments, in particular, we may be faced with a decline in the utilization rates of our manufacturing facilities due to decreases in demand for our products. During such periods, our manufacturing facilities could operate at lower capacity levels, while the fixed costs associated with full capacity continue to be incurred, resulting in lower gross profit.

We are subject to many environmental, health and safety laws and regulations in each jurisdiction in which we operate our manufacturing facilities, which govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of our employees. We are also required to obtain and maintain environmental permits from governmental authorities for certain of our operations. We cannot make assurances that we will be at all times in compliance with such laws, regulations and permits. Certain environmental laws impose strict, and in certain circumstances, joint and several, liability on current or previous owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. In addition, we could also be held liable for consequences arising out of human exposure to hazardous substances or other environmental damage.

We have manufacturing facilities in Asia and Europe. If tsunamis, flooding, earthquakes, volcanic eruptions or other natural disasters or geopolitical conflicts were to damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of inventory or result in costly repairs, replacements or other costs. In addition, natural disasters or geopolitical conflicts may result in disruptions in transportation, distribution channels or supply chains, or significant increases in the prices of raw materials.

Our manufacturing operations depend on securing raw materials and other supplies in adequate quality and quantity in a timely manner from multiple suppliers, and in some cases, we rely on a limited number of suppliers, particularly in Asia. Accordingly, there may be cases where supplies of raw materials and other products are interrupted by disaster, accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to a rapid increase in demand, which could impact production and prevent us from supplying products to our customers. If the supply-demand balance is disrupted, it may considerably increase costs of manufacturing due to increased prices we pay for raw materials or fuel. From time to time, suppliers may extend lead times, limit the amounts supplied to us or increase prices due to capacity constraints or other factors. Further, it may be difficult or impossible to substitute one piece of equipment for another or replace one type of material with another. A failure by our suppliers to deliver our requirements could result in disruptions to our manufacturing operations.

Our manufacturing processes are highly complex, require advanced and costly equipment and must be continuously modified to improve yields and performance. Difficulties in the production process can reduce yields or interrupt production, and as a result we may not be able to deliver products or do so in a timely, cost-effective or competitive manner. Further, to remain competitive and/or meet customer demand, we may be required to improve our facilities and process technologies and carry out extensive research and development, each of which may require investment of significant amounts of capital, and may have a material adverse effect on our results of operations, financial condition and/or cash flows.

***The continued and future success of our licensing programs requires us to continue to evolve our patent portfolio, and our licensing programs may be impacted by the proliferation of devices in new industry segments such as automotive and IoT, as well as the need to extend license agreements that are expiring and/or to cover additional future patents.***

We own a very strong portfolio of issued and pending patents related to 3G, 4G, 5G and other technologies. It is critical that we continue to evolve our patent portfolio, particularly in 5G. If we do not maintain a strong portfolio that is applicable to current and future standards (such as 5G), products and services, our future licensing revenues could be negatively impacted. In addition, new connectivity and other services are emerging that rely on devices that may or may not be used on traditional cellular networks, such as devices used in the IoT and automotive industry segments. We also seek to diversify and broaden our technology licensing programs to new industry segments in which we can utilize our technology leadership, such as wireless charging and other technologies. Standards, even de facto standards, that develop as these technologies mature, in particular those that do not include a base level of interoperability, may impact our ability to obtain royalties at all or that are equivalent to those that we receive for products used in cellular communications. Although we believe that our patented technologies are essential and useful to the commercialization of such services, any royalties we receive may be lower than those we receive from our current licensing program.

Further, the licenses granted to and from us under a number of our license agreements include only patents that are either filed or issued prior to a certain date. As a result, there are agreements with some licensees where later patents are not licensed by or to us. Additionally, certain of our license agreements (including essentially all of our recent agreements in China) are effective for a specified term. In order to license or to obtain a license to such later patents or after the expiration of a specified term, or to receive royalties after the specified time period, we will need to extend or modify such license agreements or enter into new license agreements with such licensees. Accordingly, to the extent not renewed on their terms or by election for an additional (generally multi-year) period, if applicable, we will need to extend or modify such license agreements or enter into new license agreements with such licensees more frequently than we have done historically. We might not be able to renew those license agreements, or enter into new license agreements, in the future without affecting the material terms and conditions of our license agreements with such licensees, and such modifications or new agreements may negatively impact our revenues. If there is a delay in renewing a license agreement prior to its expiration, there would be a delay in our ability to recognize revenues related to that licensee's product sales. Further, if we are unable to reach agreement on such modifications or new agreements, it could result in patent infringement litigation with such companies.

***We depend on a limited number of third-party suppliers for the procurement, manufacture and testing of our products manufactured in a fabless production model. If we fail to execute supply strategies that provide technology leadership, supply assurance and low cost, our business and results of operations may be harmed. We are also subject to order and shipment uncertainties that could negatively impact our results of operations.***

Our QCT segment primarily utilizes a fabless production model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. Other than the manufacturing facilities we now operate through our recently formed RF360 Holdings joint venture, we rely on independent third-party suppliers to perform the manufacturing and assembly, and most of the testing, of our integrated circuits. Our suppliers are also responsible for the procurement of most of the raw materials used in the production of our integrated circuits. We employ both turnkey and two-stage manufacturing models to purchase our integrated circuits. Under the turnkey model, our foundry suppliers are responsible for delivering fully assembled and tested integrated circuits. Under the two-stage manufacturing model, we

purchase die in singular or wafer form from semiconductor manufacturing foundries and contract with separate third-party suppliers for manufacturing services such as wafer bump, probe, assembly and the majority of our final test requirements. The semiconductor manufacturing foundries that supply products to our QCT segment are primarily located in Asia, as are our primary warehouses where we store finished goods for fulfillment of customer orders. The following could have an adverse effect on our ability to meet customer demands and/or negatively impact our revenues, business operations, profitability and/or cash flows:

- a reduction, interruption, delay or limitation in our product supply sources;
- a failure by our suppliers to procure raw materials or to provide or allocate adequate manufacturing or test capacity for our products;
- our suppliers' inability to react to shifts in product demand or an increase in raw material or component prices;
- our suppliers' delay in developing leading process technologies, or inability to develop or maintain leading process technologies, including transitions to smaller geometry process technologies;
- the loss of a supplier or the inability of a supplier to meet performance, quality or yield specifications or delivery schedules;
- additional expense and/or production delays as a result of qualifying a new supplier and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier; and/or
- natural disasters or geopolitical conflicts, particularly in Asia, impacting our suppliers.

While we have established alternate suppliers for certain technologies, we rely on sole- or limited-source suppliers for certain products, subjecting us to significant risks, including: possible shortages of raw materials or manufacturing capacity; poor product performance; and reduced control over delivery schedules, manufacturing capability and yields, quality assurance, quantity and costs. To the extent we have established alternate suppliers, these suppliers may require significant levels of support to bring complex technologies to production. As a result, we may invest a significant amount of effort and resources and incur higher costs to support and maintain such alternate suppliers. Further, any future consolidation of foundry suppliers could increase our vulnerability to sole- or limited-source arrangements and reduce our suppliers' willingness to negotiate pricing, which could negatively impact our ability to achieve cost reductions and/or increase our manufacturing costs. Our arrangements with our suppliers may obligate us to incur costs to manufacture and test our products that do not decrease at the same rate as decreases in pricing to our customers. Our ability, and that of our suppliers, to develop or maintain leading process technologies, including transitions to smaller geometry process technologies, and to effectively compete with the manufacturing processes and performance of our competitors, could impact our ability to introduce new products and meet customer demand, could increase our costs (possibly decreasing our margins) and could subject us to the risk of excess inventories. Our inability to meet customer demand due to sole- or limited-sourcing and/or the additional costs that we incur because of these or other supply constraints or because of the need to support alternate suppliers could negatively impact our business, our results of operations and/or cash flows.

Although we have long-term contracts with our suppliers, many of these contracts do not provide for long-term capacity commitments. To the extent we do not have firm commitments from our suppliers over a specific time period or for any specific quantity, our suppliers may allocate, and in the past have allocated, capacity to the production and testing of products for their other customers while reducing or limiting capacity to manufacture or test our products. Accordingly, capacity for our products may not be available when we need it or at reasonable prices. To the extent we do obtain long-term capacity commitments, we may incur additional costs related to those commitments and/or make non-refundable payments for capacity commitments that are not used.

One or more of our suppliers or potential alternate suppliers may manufacture CDMA- or OFDMA-based integrated circuits that compete with our products. Such suppliers could elect to allocate raw materials and manufacturing capacity to their own products and reduce or limit deliveries to us to our detriment. In addition, we may not receive reasonable pricing, manufacturing or delivery terms from our suppliers. We cannot guarantee that the actions of our suppliers will not cause disruptions in our operations that could harm our ability to meet our delivery obligations to our customers or increase our cost of sales.

Additionally, we place orders with our suppliers using our forecasts of customer demand, which are based on a number of assumptions and estimates, and are generally only partially covered by commitments from our customers. If we overestimate customer demand, we may experience increased excess and/or obsolete inventory, which would negatively impact our results of operations.

***Claims by other companies that we infringe their intellectual property could adversely affect our business.***

From time to time, companies have asserted, and may again assert, patent, copyright and other intellectual property rights against our products or products using our technologies or other technologies used in our industry. These claims have resulted and may again result in our involvement in litigation. We may not prevail in such litigation given, among other factors, the complex technical issues and inherent uncertainties in intellectual property litigation. If any of our products or services were found to infringe another company's intellectual property rights, we could be subject to an injunction or be required to redesign our products or services, which could be costly, or to license such rights and/or pay damages or other compensation to such other company. If we are unable to redesign our products or services, license such intellectual property rights used in our products or services or otherwise distribute our products (e.g., through a licensed supplier), we could be prohibited from making and selling such products or providing such services. In any potential dispute involving other companies' patents or other intellectual property, our chipset foundries, semiconductor assembly and test providers and customers could also become the targets of litigation. We are contingently liable under certain product sales, services, license and other agreements to indemnify certain customers, chipset foundries and semiconductor assembly and test service providers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by us, or by intellectual property provided by us to our chipset foundries and semiconductor assembly and test service providers. Reimbursements under indemnification arrangements could have an adverse effect on our results of operations and/or cash flows. Furthermore, any such litigation could severely disrupt the supply of our products and the businesses of our chipset customers and their customers, which in turn could hurt our relationships with them and could result in a decline in our chipset sales and/or reductions in our licensees' sales, causing a corresponding decline in our chipset and/or licensing revenues. Any claims, regardless of their merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have an adverse effect on our results of operations and cash flows.

We expect that we may continue to be involved in litigation and may have to appear in front of administrative bodies (such as the United States International Trade Commission) to defend against patent assertions against our products by companies, some of whom are attempting to gain competitive advantage or leverage in licensing negotiations. We may not be successful in such proceedings, and if we are not, the range of possible outcomes is very broad and may include, for example, monetary damages or fines or other orders to pay money, royalty payments, injunctions on the sale of certain of our integrated circuit products (and/or on the sale of our customers' devices using such products) and/or the issuance of orders to cease certain conduct and/or modify our business practices. Further, a governmental body in a particular country or region may assert, and may be successful in imposing, remedies with effects that extend beyond the borders of that country or region. In addition, a negative outcome in any such proceeding could severely disrupt the business of our chipset customers and their wireless operator customers, which in turn could harm our relationships with them and could result in a decline in our worldwide chipset sales and/or a reduction in our licensees' sales to wireless operators, causing corresponding declines in our chipset and/or licensing revenues.

Certain legal matters, including certain claims by other companies that we infringe their intellectual property, are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies."

***We may engage in strategic acquisitions, transactions or make investments that could adversely affect our results of operations or fail to enhance stockholder value.***

We engage in strategic acquisitions and other transactions, including joint ventures, and make investments, which we believe are important to the future of our business, with the goal of maximizing stockholder value. We acquire businesses and other assets, including patents, technology, wireless spectrum and other intangible assets, enter into joint ventures or other strategic transactions and purchase minority equity interests in or make loans to companies that may be private and early-stage. Our strategic activities are generally focused on opening or expanding opportunities for our technologies and supporting the design and introduction of new products and services (or enhancing existing products or services) for voice and data communications and new industry segments. Recent material transactions include our RF360 Holdings joint venture with TDK Corporation and our proposed acquisition of NXP. Many of our strategic activities entail a high degree of risk and require the use of domestic and/or foreign capital, and investments may not become liquid for several years after the date of the investment, if at all. Our strategic activities may not generate financial returns or result in increased adoption or continued use of our technologies, products or services. We may underestimate the costs and/or overestimate the benefits, including product, revenue, cost and other synergies and growth opportunities that we expect to realize, and we may not achieve those benefits. In some cases, we may be required to consolidate or record our share of the earnings or losses of companies in which we have acquired ownership interests. In addition, we may record impairment charges related to our strategic activities. Any losses or impairment charges that we incur related to strategic activities will have a negative impact on our

financial condition and results of operations, and we may continue to incur new or additional losses related to strategic assets or investments that we have not fully impaired or exited.

Achieving the anticipated benefits of business acquisitions, including joint ventures and other strategic investments in which we have management and operational control, depends in part upon our ability to integrate the businesses in an efficient and effective manner and achieve anticipated synergies, and we may not be successful in these efforts. Such integration is complex and time consuming and involves significant challenges, including, among others: retaining key employees; successfully integrating new employees, technology, products, processes, operations (including manufacturing operations), sales and distribution channels, business models and business systems; retaining customers and suppliers of the businesses; consolidating research and development and/or supply operations; minimizing the diversion of management's attention from ongoing business matters; consolidating corporate and administrative infrastructures; and managing the increased scale, complexity and globalization of our business, operations and employee base. We may not derive any commercial value from associated technologies or products or from future technologies or products based on these technologies, and we may be subject to liabilities that are not covered by indemnification protection that we may obtain, and we may become subject to litigation. Additionally, we may not be successful in entering or expanding into new sales or distribution channels, business or operational models (including manufacturing), geographic regions, industry segments and/or categories of products served by or adjacent to the associated businesses or in addressing potential new opportunities that may arise out of the combination.

If we do not achieve the anticipated benefits of business acquisitions or other strategic activities, our business and results of operations may be adversely affected, and we may not enhance stockholder value by engaging in these transactions.

***If we are unsuccessful in executing our cost reduction plan, our business and results of operations may be adversely affected.***

On January 16, 2018, we announced a cost reduction plan designed to align our cost structure to our long-term margin targets. As part of this plan, we will implement a series of targeted reductions across our businesses to reduce annual costs by \$1 billion, excluding incremental costs resulting from any future acquisition of a business. We expect these cost reductions to be fully captured in fiscal 2019.

We cannot provide assurance that our cost reduction plan will be successful, that anticipated cost savings will be realized, that our operations, business and financial results will improve and/or that these efforts will not disrupt our operations (beyond what is intended). Our ability to achieve the anticipated cost savings and other benefits within the expected time frames is subject to many estimates and assumptions, which are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. Further, we may experience delays in the timing of these efforts and/or higher than expected or unanticipated costs in implementing them. Moreover, changes in the size, alignment or organization of our workforce could adversely affect employee morale and retention, relations with customers and business partners, our ability to develop and deliver products and services as anticipated and/or impair our ability to realize our current or future business and financial objectives. If we do not succeed in these efforts, if these efforts are more costly or time-consuming than expected, if our estimates and assumptions are not correct, if we experience delays or if other unforeseen events occur, our business and results of operations may be adversely affected.

***We are subject to various laws, regulations, policies and standards. Our business may suffer as a result of existing, or new or amended, laws, regulations, policies or standards and/or our failure or inability to comply with laws, regulations, policies or standards.***

Our business, products and services, and those of our customers and licensees, are subject to various laws and regulations globally, as well as government policies and the specifications of international, national and regional communications standards bodies. Compliance with existing laws, regulations, policies and standards, the adoption of new laws, regulations, policies or standards, changes in the interpretation of existing laws, regulations, policies or standards, changes in the regulation of our activities by a government or standards body and/or rulings in court, regulatory, administrative or other proceedings relating to such laws, regulations, policies or standards, including, among others, those affecting licensing practices, competitive business practices, the use of our technology or products, protection of intellectual property, trade, foreign currency, investments or loans, spectrum availability and license issuance, adoption of standards, the provision of device subsidies by wireless operators to their customers, taxation, export control, privacy and data protection, environmental protection, health and safety, labor and employment, human rights, corporate governance, public disclosure or business conduct could have an adverse effect on our business and results of operations.

Government policies, particularly in China, that restrict the timing of funds that may flow out of a country may impact the timing of our receipt of payments from our customers and/or licensees in such country, which may negatively impact our cash flows.

Delays in government approvals or other governmental activities that could result from, among others, a decrease in or a lack of funding for certain agencies or branches of the government and/or political changes, could result in our incurring higher costs, could negatively impact our ability to timely consummate strategic transactions and/or could have other negative impacts on our business and the businesses of our customers and licensees.

National, state and local environmental laws and regulations affect our operations around the world. These laws may make it more expensive to manufacture, have manufactured and sell products, and our costs could increase if our vendors (e.g., suppliers, third-party manufacturers or utility companies) pass on their costs to us. We are also subject to laws and regulations impacting the manufacturing operations of our RF360 Holdings joint venture. See the Risk Factor entitled “There are numerous risks associated with our operation and control of manufacturing facilities of our joint venture with TDK, RF360 Holdings, including high fixed costs, environmental compliance and liability, exposure to natural disasters, timely supply of equipment and materials and manufacturing difficulties.”

Regulations in the United States require that we determine whether certain materials used in our products, referred to as conflict minerals, originated in the Democratic Republic of the Congo or an adjoining country (collectively, the Covered Countries), or were from recycled or scrap sources. Other countries or regions may impose similar requirements in the future. The verification and reporting requirements, in addition to customer demands for conflict free sourcing, impose additional costs on us and on our suppliers and may limit the sources or increase the prices of materials used in our products. Further, if we are unable to determine that the conflict minerals used in our products do not directly or indirectly finance or benefit armed groups in the Covered Countries, we may face challenges with our customers that place us at a competitive disadvantage, and our reputation may be harmed. Similarly, other laws and regulations have been adopted or proposed that require additional transparency regarding the employment practices of our suppliers, and any failure to maintain responsible sourcing practices could also adversely affect our relationships with customers and our reputation.

Laws, regulations, policies and standards are complex and changing and may create uncertainty regarding compliance. Laws, regulations, policies and standards are subject to varying interpretations in many cases, and their application in practice may evolve over time. As a result, our efforts to comply may fail, particularly if there is ambiguity as to how they should be applied in practice. Failure to comply with any law, regulation, policy or standard may adversely affect our business, results of operations and/or cash flows. New laws, regulations, policies and standards or evolving interpretations of legal requirements may cause us to incur higher costs as we revise current practices, policies and/or procedures and may divert management time and attention to compliance activities.

***Our use of open source software may harm our business.***

Certain of our software and our suppliers’ software may contain or may be derived from “open source” software, and we have seen, and believe we will continue to see, an increase in customers requesting that we develop products, including software associated with our integrated circuit products, that incorporate open source software elements and operate in an open source environment, which, under certain open source licenses, may offer accessibility to a portion of a product’s source code and may expose related intellectual property to adverse licensing conditions. Licensing of such software may impose certain obligations on us if we were to distribute derivative works of the open source software. For example, these obligations may require us to make source code for the derivative works available to our customers in a manner that allows them to make such source code available to their customers or license such derivative works under a particular type of license that is different than what we customarily use to license our software. Developing open source products, while adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome and time-consuming under certain circumstances, thereby placing us at a competitive disadvantage, and we may not adequately protect our intellectual property rights. Also, our use and our customers’ use of open source software may subject our products and our customers’ products to governmental scrutiny and delays in product certification, which could cause customers to view our products as less desirable than our competitors’ products. While we believe we have taken appropriate steps and employ adequate controls to protect our intellectual property rights, our use of open source software presents risks that could have an adverse effect on these rights and on our business.

***Our stock price, earnings and the fair value of our investments are subject to substantial quarterly and annual fluctuations and to market downturns.***

Our stock price and earnings have fluctuated in the past and are likely to fluctuate in the future. Factors that may have a significant impact on the market price of our stock and/or earnings include those identified throughout this Risk Factors section, volatility of the stock market in general and technology-based companies in particular, announcements concerning us, our suppliers, our competitors or our customers or licensees and variations between our actual financial results or guidance and expectations of securities analysts or investors, among others. Further, increased volatility in the financial markets and/or overall economic conditions may reduce the amounts that we realize in the future on our cash equivalents and/

or marketable securities and may reduce our earnings as a result of any impairment charges that we record to reduce recorded values of marketable securities to their fair values.

In the past, securities class action litigation has been brought against a company following periods of volatility in the market price of its securities. Due to changes in our stock price, we are and may in the future be the target of securities litigation. Securities litigation could result in substantial uninsured costs and divert management's attention and our resources. Certain legal matters, including certain securities litigation brought against us, are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies."

We maintain an extensive investment portfolio of varied holdings, which are generally classified as available-for-sale and are therefore recorded on our consolidated balance sheet at fair value, with unrealized gains or losses reported as a component of accumulated other comprehensive income. The fair values of our investments are subject to fluctuation based primarily on market price volatility, as well as the underlying operations of the associated investment, among other things. If the fair value of such investments decreases below their cost basis, as some of our previous investments have, we may be required in certain circumstances to recognize a loss in our results of operations. The sensitivity of and risks associated with the market value of our investment portfolio are described more fully in our Annual Report on Form 10-K for our fiscal year ended September 24, 2017 and "Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this Quarterly Report.

***There are risks associated with our indebtedness.***

Our outstanding indebtedness and any additional indebtedness we incur, including in connection with our proposed acquisition of NXP, may have negative consequences on our business, including, among others:

- requiring us to use cash to pay the principal of and interest on our indebtedness, thereby reducing the amount of cash available for other purposes;
- limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions, stock repurchases, dividends or other general corporate and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and/or
- increasing our vulnerability to interest rate fluctuations to the extent a portion of our debt has variable interest rates.

Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors, including factors which negatively impact our cash flows, such as licensees withholding some or all of the royalty payments they owe to us or paying fines in connection with regulatory investigations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things: refinance or restructure all or a portion of our indebtedness; reduce or delay planned capital or operating expenditures; or sell selected assets. Such measures might not be sufficient to enable us to service our debt. In addition, any such refinancing, restructuring or sale of assets might not be available on economically favorable terms or at all, and if prevailing interest rates at the time of any such refinancing and/or restructuring are higher than our current rates, interest expense related to such refinancing and/or restructuring would increase. If there are adverse changes in the ratings assigned to our debt securities by credit rating agencies, our borrowing costs, our ability to access debt in the future and/or the terms of such debt could be adversely affected.

***Our business and operations could suffer in the event of security breaches or other misappropriation of our intellectual property or proprietary or confidential information.***

Attempts by others to gain unauthorized access to our information technology systems are increasingly more sophisticated. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks, including those in our manufacturing operations, and impersonating authorized users, among others. In addition, employees and former employees, in particular former employees who become employees of our competitors, customers or licensees, may misappropriate, use, publish or provide to our competitors, customers or licensees our intellectual property and/or proprietary or confidential business information. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or proprietary or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives and/or otherwise adversely affect our business. To the extent any security breach results in inappropriate disclosure of our customers' or licensees' proprietary or confidential information, we may incur liability. We expect to continue to devote significant resources to the security of our information technology systems.

***Potential tax liabilities could adversely affect our results of operations.***

We are subject to income taxes in the United States and numerous foreign jurisdictions, including Singapore where our QCT segment's non-United States headquarters is located. Significant judgment is required in determining our provision for income taxes. We regularly are subject to examination of our tax returns and reports by taxing authorities in the United States federal jurisdiction and various state and foreign jurisdictions, most notably in countries where we earn a routine return and the tax authorities believe substantial value-add activities are performed. Our current examinations are at various stages with respect to assessments, claims, deficiencies and refunds. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, income taxes payable and deferred taxes in the period in which the facts give rise to a revision become known. Although we believe that our tax estimates are reasonable at December 24, 2017, the final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our historical income tax provisions and accruals. In such case, our income tax provision, results of operations and/or cash flows in the period or periods in which that determination is made could be negatively affected.

On December 22, 2017, tax reform legislation known as the Tax Cuts and Jobs Act (the Tax Legislation) was enacted in the United States. Given the amount and complexity of the changes in tax law resulting from the Tax Legislation, we have not finalized the accounting for the income tax effects of the Tax Legislation. This includes the provisional amounts recorded in the first quarter of fiscal 2018 related to the repatriation tax on deemed repatriated earnings and profits of U.S.-owned foreign subsidiaries (Toll Charge) and the remeasurement of deferred taxes. Further, we are in the process of analyzing the effects of new taxes due on certain foreign income, such as GILTI (global intangible low-taxed income), BEAT (base-erosion anti-abuse tax), FDI (foreign-derived intangible income) and limitations on interest expense deductions (if certain conditions apply) that are effective starting in fiscal 2019, and other provisions of the Tax Legislation. The impact of the Tax Legislation may differ from this estimate, possibly materially, during the one-year measurement period due to, among other things, further refinement of our calculations, changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Legislation.

We have tax incentives in Singapore provided that we meet specified employment and other criteria, and as a result of the expiration of these incentives, our Singapore tax rate increased in fiscal 2017 and is expected to increase again in fiscal 2027. If we do not meet the criteria required to retain such incentives, our Singapore tax rate could increase prior to fiscal 2027, and our results of operations and cash flows could be adversely affected.

Tax rules may change in a manner that adversely affects our future reported results of operations or the way we conduct our business. Further changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting (BEPS) project that was undertaken by the Organization for Economic Co-operation and Development (OECD). The OECD, which represents a coalition of member countries, recommended changes to numerous long-standing tax principles related to transfer pricing. These changes, if adopted by countries, could increase tax uncertainty and may adversely affect our provision for income taxes, results of operations and/or cash flow. We have not yet determined what changes, if any, may be needed to our operations or structure to address BEPS. If our effective tax rates were to increase, particularly in the United States or Singapore, our results of operations, cash flows and/or financial condition could be adversely affected.

***Global, regional or local economic conditions that impact the mobile communications industry or the other industries in which we operate could negatively affect the demand for our products and services and our customers' or licensees' products and services, which may negatively affect our revenues.***

A decline in global, regional or local economic conditions or a slow-down in economic growth, particularly in geographic regions with high concentrations of wireless voice and data users or high concentrations of our customers or licensees, could have adverse, wide-ranging effects on demand for our products and for the products and services of our customers or licensees, particularly equipment manufacturers or others in the wireless communications industry who buy their products, such as wireless operators. Any prolonged economic downturn may result in a decrease in demand for our products or technologies; the insolvency of key suppliers, customers or licensees; delays in reporting and/or payments from our licensees and/or customers; failures by counterparties; and negative effects on wireless device inventories. In addition, our customers' ability to purchase or pay for our products and services and network operators' ability to upgrade their wireless networks could be adversely affected by economic conditions, leading to a reduction, cancellation or delay of orders for our products or services.

***We may not be able to attract and retain qualified employees.***

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel, and on our ability to continue to identify, attract, retain and motivate them, which may become increasingly difficult given the uncertainty created by Broadcom's unsolicited bid to acquire the Company and in an environment of cost reductions. Implementing our business strategy requires specialized engineering and other talent, as our



revenues are highly dependent on technological and product innovations. The market for employees in our industry is extremely competitive. Further, existing immigration laws make it more difficult for us to recruit and retain highly skilled foreign national graduates of universities in the United States, making the pool of available talent even smaller. If we are unable to attract and retain qualified employees, our business may be harmed.

***Currency fluctuations could negatively affect future product sales or royalty revenues, harm our ability to collect receivables or increase the U.S. dollar cost of our products.***

Our customers sell their products throughout the world in various currencies. Our consolidated revenues from international customers and licensees as a percentage of our total revenues were greater than 90% in each of the last three fiscal years. Adverse movements in currency exchange rates may negatively affect our business, revenues, results of operations and/or cash flows due to a number of factors, including, among others:

- Our products and those of our customers and licensees that are sold outside the United States may become less price-competitive, which may result in reduced demand for those products and/or downward pressure on average selling prices;
- Certain of our revenues, such as royalties, that are derived from licensee or customer sales denominated in foreign currencies could decrease;
- Our foreign suppliers may raise their prices if they are impacted by currency fluctuations, resulting in higher than expected costs and lower margins;
- Certain of our costs that are derived from supply contracts denominated in foreign currencies could increase; and/or
- Foreign exchange hedging transactions that we engage in to reduce the impact of currency fluctuations may require the payment of structuring fees, limit the U.S. dollar value of royalties from licensees' sales that are denominated in foreign currencies, cause earnings volatility if the hedges do not qualify for hedge accounting and expose us to counterparty risk if the counterparty fails to perform.

***Failures in our products or services or in the products or services of our customers or licensees, including those resulting from security vulnerabilities, defects or errors, could harm our business.***

The use of devices containing our products to interact with untrusted systems or otherwise access untrusted content creates a risk of exposing the system hardware and software in those devices to malicious attacks. While we continue to focus on this issue and are taking measures to safeguard our products from cybersecurity threats, device capabilities continue to evolve, enabling more elaborate functionality and use cases, and increasing the risk of security failures. Further, our products are inherently complex and may contain defects or errors that are detected only when the products are in use. Because our products and services are responsible for critical functions in our customers' products and/or networks, security failures, defects or errors in our products or services could have an adverse impact on us, on our customers and/or on the end users of our customers' products. Such adverse impact could include shipment delays; product liability claims or recalls; write-offs of our inventories, property, plant and equipment and/or intangible assets; unfavorable purchase commitments; a shift of business to our competitors; a decrease in demand for connected devices and wireless services; damage to our reputation and to our customer relationships; regulatory actions; and other financial liability or harm to our business. Further, security failures, defects or errors in the products of our customers or licensees could have an adverse impact on our results of operations and/or cash flows due to a delay or decrease in demand for our products or services generally, and our premium-tier products in particular, among other factors. Development of products and features in new domains of technology and the migration to integrated circuit technologies with smaller geometric feature sizes are complex and add risk to manufacturing yields and reliability. Further, manufacturing, testing, marketing and use of our products and those of our customers and licensees entail the risk of product liability.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Financial market risks related to interest rates, foreign currency exchange rates and equity prices are described in our 2017 Annual Report on Form 10-K. At December 24, 2017, there have been no material changes to the financial market risks described at September 24, 2017. We do not currently anticipate any other near-term changes in the nature of our financial market risk exposures or in management's objectives and strategies with respect to managing such exposures.

### **ITEM 4. CONTROLS AND PROCEDURES**

***Evaluation of Disclosure 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 terms are defined under Rule 13a-15(e) promulgated under the Securities

Exchange Act of 1934, as amended (the Exchange Act). 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 Quarterly Report.

**Changes in Internal Control over Financial Reporting.** There were no changes in our internal control over financial reporting in the first quarter of fiscal 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Information regarding certain legal proceedings is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies.” We are also engaged in numerous other legal actions arising in the ordinary course of our business and, while there can be no assurance, we believe that the ultimate outcome of these other legal actions will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

### ITEM 1A. RISK FACTORS

We have provided updated Risk Factors in the section labeled “Risk Factors” in “Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations.” With the exception of changes to the risk factor labeled “*Potential tax liabilities could adversely affect our results of operations.*” and the new risk factors labeled “*We are subject to a disruptive takeover proposal*” and “*If we are unsuccessful in executing our cost reduction plan, our business and results of operations may be adversely affected.*” we do not believe those updates have materially changed the type or magnitude of the risks we face in comparison to the disclosure provided in our most recent Annual Report on Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer purchases of equity securities in the first quarter of fiscal 2018 were:

	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
	(In thousands)		(In thousands)	(In millions)
September 25, 2017 to October 22, 2017	752	\$ 53.19	752	\$ 1,604
October 23, 2017 to November 19, 2017	1,743	60.22	1,743	1,499
November 20, 2017 to December 24, 2017	1,221	65.49	1,221	1,419
Total	<u>3,716</u>		<u>3,716</u>	

(1) Average Price Paid Per Share excludes cash paid for commissions.

(2) On March 9, 2015, we announced a repurchase program authorizing us to repurchase up to \$15 billion of our common stock. At December 24, 2017, \$1.4 billion remained authorized for repurchase. The stock repurchase program has no expiration date.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Form	File No./ Film No.	Date of First Filing	Exhibit Number	Filed Herewith
<a href="#">2.1</a>	Master Transaction Agreement, dated January 13, 2016, by and among Qualcomm Global Trading Pte. Ltd., each other Purchaser Group member, TDK Japan, each other Seller Group member, and, solely for purposes of Section 10.9 thereof, QUALCOMM Incorporated. (1)	8-K	000-19528/ 161339867	1/13/2016	2.1	
<a href="#">2.2</a>	Amendment #1, dated December 20, 2016, to Master Transaction Agreement, dated January 13, 2016, by and among Qualcomm Global Trading Pte. Ltd., each other Purchaser Group member, TDK Japan, each other Seller Group member, and, solely for purposes of Section 10.9 thereof, QUALCOMM Incorporated. (1)	10-Q	000-19528/ 17546539	1/25/2017	2.3	
<a href="#">2.3</a>	Amendment #2, dated January 19, 2017, to Master Transaction Agreement, dated January 13, 2016, by and among Qualcomm Global Trading Pte. Ltd., each other Purchaser Group member, TDK Japan, each other Seller Group member, and, solely for purposes of Section 10.9 thereof, QUALCOMM Incorporated. (1)	10-Q	000-19528/ 17546539	1/25/2017	2.4	
<a href="#">2.4</a>	Amendment #3, dated February 3, 2017, to Master Transaction Agreement, dated January 13, 2016, by and among Qualcomm Global Trading Pte. Ltd., each other Purchaser Group member, TDK Japan, each other Seller Group member, and, solely for purposes of Section 10.9 thereof, QUALCOMM Incorporated. (1)	10-Q	000-19528/ 17770305	4/19/2017	2.6	
<a href="#">2.5</a>	Purchase Agreement dated as of October 27, 2016 by and between Qualcomm River Holdings, B.V. and NXP Semiconductors N.V. (1)	8-K	000-19528/ 161956228	10/27/2016	2.1	
<a href="#">3.1</a>	Restated Certificate of Incorporation, as amended.	10-Q	000-19528/ 161775595	7/20/2016	3.1	
<a href="#">3.2</a>	Amended and Restated Bylaws.	8-K	000-19528/ 161769723	7/15/2016	3.2	
<a href="#">4.1</a>	Indenture, dated May 20, 2015, between the Company and U.S. Bank National Association, as trustee.	8-K	000-19528/ 15880967	5/21/2015	4.1	
<a href="#">4.2</a>	Officers' Certificate, dated May 20, 2015, for the Floating Rate Notes due 2018, the Floating Rate Notes due 2020, the 1.400% Notes due 2018, the 2.250% Notes due 2020, the 3.000% Notes due 2022, the 3.450% Notes due 2025, the 4.650% Notes due 2035 and the 4.800% Notes due 2045.	8-K	000-19528/ 15880967	5/21/2015	4.2	
<a href="#">4.3</a>	Form of Floating Rate Notes due 2018.	8-K	000-19528/ 15880967	5/21/2015	4.3	
<a href="#">4.4</a>	Form of Floating Rate Notes due 2020.	8-K	000-19528/ 15880967	5/21/2015	4.4	
<a href="#">4.5</a>	Form of 1.400% Notes due 2018.	8-K	000-19528/ 15880967	5/21/2015	4.5	
<a href="#">4.6</a>	Form of 2.250% Notes due 2020.	8-K	000-19528/ 15880967	5/21/2015	4.6	
<a href="#">4.7</a>	Form of 3.000% Notes due 2022.	8-K	000-19528/ 15880967	5/21/2015	4.7	
<a href="#">4.8</a>	Form of 3.450% Notes due 2025.	8-K	000-19528/ 15880967	5/21/2015	4.8	
<a href="#">4.9</a>	Form of 4.650% Notes due 2035.	8-K	000-19528/ 15880967	5/21/2015	4.9	
<a href="#">4.10</a>	Form of 4.800% Notes due 2045.	8-K	000-19528/ 15880967	5/21/2015	4.10	

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No./ Film No.</b>	<b>Date of First Filing</b>	<b>Exhibit Number</b>	<b>Filed Herewith</b>
<a href="#">4.11</a>	Officers' Certificate, dated May 26, 2017, for the Floating Rate Notes due 2019, the Floating Rate Notes due 2020, the Floating Rate Notes due 2023, the 1.850% Notes due 2019, the 2.100% Notes due 2020, the 2.600% Notes due 2023, the 2.900% Notes due 2024, the 3.250% Notes due 2027 and the 4.300% Notes due 2047.	8-K	000-19528/ 17882336	5/31/2017	4.2	
<a href="#">4.12</a>	Form of Floating Rate Notes due 2019.	8-K	000-19528/ 17882336	5/31/2017	4.3	
<a href="#">4.13</a>	Form of Floating Rate Notes due 2020.	8-K	000-19528/ 17882336	5/31/2017	4.4	
<a href="#">4.14</a>	Form of Floating Rate Notes due 2023.	8-K	000-19528/ 17882336	5/31/2017	4.5	
<a href="#">4.15</a>	Form of 1.850% Notes due 2019.	8-K	000-19528/ 17882336	5/31/2017	4.6	
<a href="#">4.16</a>	Form of 2.100% Notes due 2020.	8-K	000-19528/ 17882336	5/31/2017	4.7	
<a href="#">4.17</a>	Form of 2.600% Notes due 2023.	8-K	000-19528/ 17882336	5/31/2017	4.8	
<a href="#">4.18</a>	Form of 2.900% Notes due 2024.	8-K	000-19528/ 17882336	5/31/2017	4.9	
<a href="#">4.19</a>	Form of 3.250% Notes due 2027.	8-K	000-19528/ 17882336	5/31/2017	4.10	
<a href="#">4.20</a>	Form of 4.300% Notes due 2047.	8-K	000-19528/ 17882336	5/31/2017	4.11	
<a href="#">10.41</a>	Amendment to the Qualcomm Incorporated 2006 and 2016 Long-Term Incentive Plans, as amended and restated. (2)	8-K	000-19528/ 0171271241	12/22/2017	10.2	
<a href="#">10.42</a>	Qualcomm Incorporated Non-Executive Officer Change in Control Severance Plan.					X
<a href="#">10.43</a>	Form of 2018 Annual Cash Incentive Plan Performance Unit Agreement. (2)					X
<a href="#">10.44</a>	Form of Executive Restricted Stock Unit Grant Notice and Executive Restricted Stock Unit Agreement under the 2016 Long-Term Incentive Plan (FY2017/FY2018). (2)					X
<a href="#">31.1</a>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Steve Mollenkopf.					X
<a href="#">31.2</a>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for George S. Davis.					X
<a href="#">32.1</a>	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Steve Mollenkopf.					X
<a href="#">32.2</a>	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for George S. Davis.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.					X

(1) The Company shall furnish supplementally a copy of any omitted schedule to the Commission upon request.

(2) Indicates management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(a).

**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 thereunto duly authorized.

QUALCOMM Incorporated

/s/ George S. Davis

George S. Davis

Executive Vice President and Chief Financial Officer

Dated: January 31, 2018

**QUALCOMM INCORPORATED**  
**NON-EXECUTIVE OFFICER CHANGE IN CONTROL SEVERANCE PLAN**

**Introduction**

The Board of Directors of Qualcomm Incorporated (the “Company”) recognizes that the possibility of a Change in Control of the Company, and the uncertainty it creates, may result in the loss or distraction of employees of the Company to the detriment of the Company and its stockholders.

The Board considers the avoidance of such loss and distraction to be essential to protecting and enhancing the best interests of the Company and its stockholders. The Board also believes that when a Change in Control is perceived as imminent, or is occurring, the Board should be able to receive and rely on disinterested service from employees regarding the best interests of the Company and its stockholders without concern that employees might be distracted or concerned by the personal uncertainties and risks created by the perception of an imminent or occurring Change in Control.

In addition, the Board believes that it is consistent with the Company’s employment practices and policies and in the best interests of the Company and its stockholders to treat fairly its employees whose employment terminates in connection with or following a Change in Control.

Accordingly, the Board has determined that appropriate steps should be taken to assure the Company of the continued employment and attention and dedication to duty of its employees and to seek to ensure the availability of their continued service, notwithstanding the possibility or occurrence of a Change in Control.

Therefore, in order to fulfill the above purposes, the following plan has been developed and is hereby adopted.

1. **Establishment of Plan.** As of the Effective Date, the Company has established the Qualcomm Incorporated Non-Executive Officer Change in Control Severance Plan, as set forth in this document.

2. **Definitions.** As used herein the following words and phrases shall have the following respective meanings:

(a) **Affiliate.** Any company controlled by, controlling or under common control with the Company.

(b) **Base Salary.** The annual base rate of compensation payable to a Participant by the Company or any of its Subsidiaries, before deductions or voluntary deferrals authorized by the Participant or required by law to be withheld from the Participant by the Company or any of its Subsidiaries.

(c) Board. The Board of Directors of the Company.

(d) Bonus Amount. The Participant's annual target bonus for the fiscal year in which the Change in Control occurs or, if higher, the fiscal year in which the Date of Termination occurs, provided, that if annual target bonuses have not been established for the Participant and Participants generally for the fiscal year in which the Change in Control occurs, the Bonus Amount for the fiscal year in which the Change in Control occurs shall be deemed to be the Participant's annual target bonus for the fiscal year immediately preceding the fiscal year in which the Change in Control occurs.

(e) Cause. A termination for "Cause" shall have occurred where a Participant's employment is terminated because of: (i) the Participant's willful misconduct that is materially and demonstrably injurious to the Company or any of its Subsidiaries; (ii) the Participant's willful and improper use or disclosure of the confidential or proprietary information that is materially and demonstrably injurious to the Company or any of its Subsidiaries; (iii) the Participant's willful refusal to substantially perform his or her duties; or (iv) the Participant's conviction (including any plea of guilty or nolo contendere) of a criminal act which impairs the Participant's ability to perform his or her duties with the Company or any of its Subsidiaries; provided that, the Company will provide the Participant with written notice describing the facts and circumstances that the Company believes constitutes Cause and, in cases where cure is possible, Participant shall first be provided a 30-day cure period during which he or she may cure the circumstances alleged to constitute Cause.

(f) Change in Control. A "Change in Control" shall have the meaning set forth in the Company's 2016 Long-Term Incentive Plan.

(g) Change in Control Period. The two-year period beginning upon the occurrence of a Change in Control; provided that in the event that a subsequent Change in Control occurs during such a two-year period, the Change in Control Period shall extend for the two-year period following the subsequent Change in Control.

(h) COBRA. As defined in Section 4(b).

(i) Code. The Internal Revenue Code of 1986, as amended from time to time.

(j) Committee. The Compensation Committee of the Board or its delegatee.

(k) Company. Qualcomm Incorporated and any successor thereto or, if applicable, the ultimate parent of any such successor.

(l) Date of Termination. The date of receipt of a notice of termination from the Company or the Participant as applicable or any later date specified in the notice of termination, which date shall not be more than 30 days after the giving of such notice. The Company and the Participant shall take all steps necessary (including with regard to any post-termination services by the Participant) to ensure that any termination under this Plan constitutes a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place shall be the "Date of Termination."

(m) Disability. A termination for "Disability" shall have occurred if a Participant's employment is terminated because of a disability entitling him or her to long-term disability

benefits under the applicable long-term disability plan of the Company or any of its Subsidiaries.

(n) Effective Date. December 20, 2017.

(o) Employee. Any regular, full-time employee or part-time employee (who is regularly scheduled to work at least twenty (20) hours per week) of the Company or any of its Subsidiaries. Part-time employees who are regularly scheduled to work less than twenty (20) hours per week (other than by reason of being on qualified leave of absence) and individuals who are classified by the Company or any of its Subsidiaries as independent contractors and temporary (contingent) workers are not Employees; provided that Employee shall not include any person who otherwise qualifies as an Employee who has as of the Effective Date provided or received a notice of termination of employment.

(p) Good Reason. With respect to any Participant, the occurrence of any of the following events upon or after a Change in Control, without the Participant's prior written consent: (i) the relocation of the principal place of the Participant's employment or service to a location that is more than fifty (50) miles from the Participant's principal place of employment or service immediately prior to the date of a Change in Control; (ii) any material reduction by the Company or any of its Subsidiaries of the Participant's Base Salary in effect immediately prior to the date of a Change in Control, or (iii) any failure by the Company to obtain the assumption of any material agreement between the Participant and the Company or one of its Subsidiaries concerning the Participant's employment by a successor or assignee of the Company or any breach of the provisions of Section 9 of this Plan. Notwithstanding the foregoing, in order to invoke a termination for Good Reason under the Plan, a Participant must provide written notice to the Company of the existence of one or more of the conditions or events described in clauses (i)-(iii) within 90 days after having knowledge of such condition or conditions, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may cure the condition or event, if curable. In the event that the Company fails to cure any condition or event constituting Good Reason during the Cure Period, the Participant may resign at any time during the Change in Control Period for Good Reason. For avoidance of doubt, equity awards under the Company's 2006 Long-Term Incentive Plan and 2016 Long-Term Incentive Plan shall not constitute material agreements for purposes of clause (iii) of this Section 2(p).

(q) Net After-Tax Receipts. As defined in Section 5.

(r) Participant. An Employee who meets the eligibility requirements of Section 3.

(s) Payment. As defined in Section 5.

(t) Plan. The Qualcomm Incorporated Non-Executive Officer Change in Control Severance Plan.

(u) Potential Change in Control. The occurrence of either of the following (whether before or after the Effective Date): (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control or (ii) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control.



(v) Potential Change in Control Period. The period beginning upon the occurrence of a Potential Change in Control and ending upon the earliest to occur of the: (i) consummation of the Change in Control or (ii) one-month anniversary of the abandonment of the transaction or series of transactions that constitute a Potential Change in Control.

(w) Present Value. As defined in Section 5.

(x) Qualified Termination. Any termination of a Participant's employment, during the Change in Control Period, by the Company or any of its Subsidiaries other than for Cause, death or Disability, or by the Participant for Good Reason. For the avoidance of doubt, a Qualified Termination shall not occur solely as a result of (i) a transfer of employment in which the Participant remains employed by the Company or one of its subsidiaries, or (ii) subject to the provisions of Section 9 and Section 2(p)(iii) of the Plan, the sale, transfer or other disaffiliation of one or more Subsidiaries in which the Participant remains employed by the Company or the Subsidiary, or the transfer of employment by a Participant to a third party in connection with a sale, transfer or other disaffiliation of the assets or business of the Company or any of its Subsidiaries.

(y) Reduced Amount. As defined in Section 5.

(z) Release. As defined in Section 4(a).

(aa) Required Base Salary. With respect to any Participant, the higher of (i) the Participant's Base Salary as in effect immediately prior to the Change in Control and (ii) the Participant's highest Base Salary in effect at any time thereafter.

(bb) Separation Number. A number equal to (i) in the case of a Participant with a title of Senior Vice Presidents or Vice Presidents, 16 plus 2 for each Year of Service, but in no event less than 52; (ii) in the case of Participants who are Senior Staff through Senior Director Level Employees (Engineering, Professional and Overtime Eligible Professionals), 12 plus 2 for each Year of Service, but in no event less than 26; (iii) in the case of Participants who are Senior through Staff Level Employees (Engineering, Professional and Overtime Eligible Professionals), 8 plus 2 for each Year of Service, but in no event less than 16; (iv) in the case of Participants who are Associate through Intermediate Level Employees (Engineering, Professional and Overtime Eligible Professionals), 4 plus 2 for each Year of Service of the Participant, but in no event less than 8; and (v) in the case of all other Participants, 2 plus 2 for each Year of Service of the Participant, but in no event less than 4. The determination of Participant's Separation Number shall be determined without regard to any adverse change in his or her title or level which occurs after the date of a Change in Control.

(cc) U.S. Participant. Any Employee who meets the eligibility requirements of Section 3 and is U.S.-based or is a U.S. Employee who is on an assignment outside the U.S.

(dd) Subsidiary. Any company (including, for the avoidance of doubt and without limitation, any joint venture), which is at least 50 percent owned, directly or indirectly, by the Company.

(ee) Weekly Pay. The quotient obtained by dividing (i) the Participant's Required Base Salary by (ii) 52.

(ff) Year of Service. The number of 12 month periods of a Participant's employment with the Company or any of its Subsidiaries (or any of their respective predecessors) as an Employee since his or her most recent hire/re-hire date, which shall be rounded up to the nearest whole number of Years of Service in the event of any partial year.

3. Eligibility. Each Employee who, at the Change in Control, is an Employee that is not the Chief Executive Officer of the Company, Executive Chairman of the Company, President of the Company or an Executive Vice President of the Company.

4. Separation Benefits.

(a) Separation Benefits. In the event that a Participant suffers a Qualified Termination, the Company shall pay such Participant, no later than the date that is 60 days following the Date of Termination, a lump sum in cash equal to the sum of (i) the Participant's Base Salary and, if applicable, any accrued vacation pay through the Date of Termination to the extent not theretofore paid, (ii) any unreimbursed business expenses incurred prior to the Date of Termination that are reimbursable pursuant to the policies applicable to employees of the Company and its Subsidiaries generally, (iii) in the case of Participants who are Senior Vice Presidents and Vice Presidents only, subject to the Participant's execution and non-revocation of a general release of claims in the form attached hereto as Exhibit A or in a form in use by the Company for employee severance purposes immediately prior to the first occurrence of a Change in Control (the "Release"), the product of (A) the Bonus Amount and (B) a fraction, the numerator of which is the number of days in the fiscal year of the Company through the Date of Termination and the denominator of which is 365, and (iv) subject to the Participant's execution and non-revocation of the Release, the Weekly Pay times the Separation Number.

(b) COBRA Premiums. In addition, in the event a U.S. Participant suffers a Qualified Termination, subject to the U.S. Participant's execution and non-revocation of the Release and timely election to receive continuation coverage under Section 4980B of the Code ("COBRA"), the Company shall pay in monthly installments the U.S. Participant's premiums for health continuation coverage for U.S. Participant and his or her eligible dependents under COBRA, based on his or her individual and dependent elections as of immediately prior to the Date of Termination, until the end of the shorter of (i) a number of weeks equal to the Separation Number and (ii) the COBRA continuation period.

(c) Outplacement. In addition, in the event a Participant suffers a Qualified Termination, subject to the Participant's execution and non-revocation of the Release, the Company shall provide to the Participant outplacement benefits for a period of time and on a basis that is no less favorable than the Participant would have received if the Participant's employment had terminated under a severance qualifying termination as of immediately prior to the Change in Control.

(d) Other Benefits Payable. Nothing in this Plan shall prevent or limit a Participant's continuing or future participation in any benefit, bonus, incentive or other plan, program, arrangement or policy provided by the Company or any of its Affiliates for which a Participant and/or Participant's dependents may qualify. Amounts that are vested benefits or that a Participant and/or a Participant's dependents are otherwise entitled to receive under any plan,

program, arrangement, or policy of the Company or any of its Affiliates shall be payable in accordance with such plan, program, arrangement or policy. The payments provided pursuant to Section 4 shall be provided in addition to, and not in lieu of, all other accrued or vested or earned but deferred compensation, retention bonuses, rights, options or other benefits which may be owed to a Participant upon or following termination, including but not limited to amounts or benefits payable under any bonus or other compensation plans, stock option plan, stock ownership plan, stock purchase plan, life insurance plan, health plan, disability plan or similar or successor plan. Notwithstanding the foregoing, payments pursuant to clauses (iii) and (iv) of Section 4(a) above shall be reduced by:

- (i) with respect to any Participant who is a U.S. Participant, severance pay under any severance plan program, policy, agreement or other arrangement of the Company and its Affiliates, provided, however, that in no event shall the amounts payable under this Plan to any U.S. Participant be reduced by any amounts paid for continued employment, or pay in lieu of notice, as required by the Worker Adjustment and Retraining Act and the regulations promulgated thereunder, as amended, or any similar state or local statute; and
- (ii) with respect to any Participant who is not a U.S. Participant, (A) any severance, indemnity, retrenchment, gratuity or other similar payment in the nature of severance pay paid to the Participant to the extent required by applicable law or regulation, employment contract, social plan, collective agreement, collective bargaining agreement or works council agreement, or any severance plan, program, policy, agreement or other arrangement of the Company and its Affiliates, and (B) any amounts paid to the Participant for services performed, including any pay in lieu of notice, during any period in excess of two months following such Participant receiving any notice regarding the Participant's termination of employment that is required under applicable law or regulation, employment contract, social plan, collective agreement, collective bargaining agreement or works council agreement, or any severance plan, program, policy, agreement or other arrangement of the Company and its Affiliates.

5. Certain Reduction of Payments by the Company.

(a) For purposes of this Section 5: (i) a "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of a Participant, whether paid or payable pursuant to this Plan or otherwise; (ii) "Net After-Tax Receipt" shall mean the Present Value of a Payment net of all taxes imposed on the Participant with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Participant's taxable income for the immediately preceding taxable year, or such other rate(s) as the Participant shall certify, in the Participant's sole discretion, as likely to apply to the Participant in the relevant tax year(s); (iii) "Present Value" shall mean such value determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code; and (iv) "Reduced Amount" shall mean the amount of Payments that (A) has a Present Value

that is less than the Present Value of all Payments and (B) results in aggregate Net After-Tax Receipts for all Payments that are greater than the Net After-Tax Receipts for all Payments that would result if the aggregate Present Value of Payments were any other amount that is less than the Present Value of all Payments.

(b) Anything in the Plan or any other agreement between a Participant and the Company or any of its Subsidiaries to the contrary notwithstanding, in the event that an accounting firm expert in Section 280G of the Code is selected in the discretion of the Company prior to the first occurrence of a Change in Control, which firm shall not be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control (the "Accounting Firm") shall determine that receipt of all Payments would subject the Participant to tax under Section 4999 of the Code (the "Excise Tax"), the Accounting Firm shall determine whether some amount of Payments meets the definition of "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, then the aggregate Payments shall be reduced to such Reduced Amount.

(c) If the Accounting Firm determines that aggregate Payments should be reduced to the Reduced Amount, the Company shall promptly give the Participant notice to that effect and a copy of the detailed calculation thereof. All determinations made by the Accounting Firm under this Section shall be binding upon the Company and the Participant and shall be made within 60 days following a termination of employment of the Participant. The reduction of the aggregate Payments to the Reduced Amount, if applicable, shall be made by reducing the Payments under the following sections in the following order: (i) Section 4(a)(iv), (ii) amounts under the Company's 2006 and 2016 Long-Term Incentive Plans that are not subjected to the valuation methodology set forth in Q&A 24(c) of Section 280G, and (iii) amounts under the Company's 2006 and 2016 Long-Term Incentive Plans that are subjected to the valuation methodology set forth in Q&A 24(c) of Section 280G. As promptly as practicable following the Accounting Firm's determination, the Company shall pay to or distribute for the benefit of the Participant such Payments as are then due to the Participant under this Plan and shall promptly pay to or distribute for the benefit of the Participant in the future such Payments as become due to the Participant under this Plan.

(d) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of a Participant pursuant to this Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of a Participant pursuant to this Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Participant which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of a Participant shall be repaid to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such amount shall be payable by a Participant to the Company if and to the extent such payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and

Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code (“Interest”). The Company shall cooperate with the Participant in good faith in valuing, and the Accounting Firm shall take into account the value of, services provided or to be provided by the Participant (including, without limitation, the Participant’s agreeing to refrain from performing services pursuant to a covenant not to compete or similar covenant, before, on or after the date of a change in ownership or control of the Company (within the meaning of Q&A-2(b) of the final regulations under Section 280G of the Code), such that payments in respect of such services may be considered reasonable compensation within the meaning of Q&A-9 and Q&A-40 of the final regulations under Section 280G of the Code and/or exempt from the definition of the final regulations under Section 280G of the Code in accordance with Q&A-5(a) of the final regulations under Section 280G of the Code.

(e) All fees and expenses of the Accounting Firm in implementing the provisions of this Section 5 shall be borne by the Company.

6. Full Settlement. The Company’s obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall be absolute and unconditional and shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or any of its Subsidiaries may have against a Participant or others. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to such Participant under any of the provisions of this Plan and no amounts received from other employment shall serve to mitigate the payments hereunder.

7. Controlling Law. This Plan shall be construed and enforced according to the internal laws of the State of California to the extent not preempted by Federal law or the law of any other applicable non-United States jurisdiction, which shall otherwise control.

8. Amendments; Termination. The Company reserves the right to amend, modify, suspend or terminate the Plan at any time by action of a majority of the Board; provided that, notwithstanding the foregoing, no such amendment, modification, suspension or termination that has the effect of reducing or diminishing the rights of any Employee under the Plan (including without limitation by virtue of reducing an Employee’s title), shall be effective without the written consent of the Employee, during the one-year period following the date on which the action of a majority of the Board is taken. Notwithstanding the foregoing, no amendment, modification, suspension or termination that has the effect of reducing or diminishing the rights of any Employee under the Plan (including without limitation by virtue of reducing an Employee’s title), shall be effective without the written consent of the Employee, during the Potential Change in Control Period or during the Change in Control Period.

9. Assignment. The Company shall require any corporation, entity, individual or other person who is the successor (whether direct or indirect by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all the business and/or assets of the Company

to expressly assume and agree to perform, by a written agreement, all of the obligations of the Company under this Plan. The Company shall require any corporation, entity, individual or other person who is the successor (whether direct or indirect by purchase, merger, consolidation, reorganization or otherwise) to any Subsidiary or any other portion of the business and/or assets of the Company to expressly assume and agree to perform, by a written agreement, all of the obligations of the Company under this Plan with respect to any Participants employed by such Subsidiary or whose employment is transferred to such successor of such business and/or assets. As used in this Plan, the term "Company" shall mean the Company as herein before defined and any successor to any of its Subsidiaries, business and/or assets as aforesaid which assumes and agrees to perform this Plan by operation of law, written agreement or otherwise. It is a condition of this Plan, and all rights of each person eligible to receive benefits under this Plan shall be subject hereto, that no right or interest of any such person in this Plan shall be assignable or transferable in whole or in part, except by operation of law, including, but not by way of limitation, lawful execution, levy, garnishment, attachment, pledge, bankruptcy, alimony, child support or qualified domestic relations order.

10. Withholding. The Company, any Subsidiary or other person paying any amount or providing any benefit pursuant to this Plan may withhold from any such amount payable or benefit provided under this Plan such Federal, state, local, foreign and other taxes as are required to be withheld pursuant to any applicable law or regulation.

11. Genders and Plurals. Wherever used in this Plan document, words in the masculine gender shall include masculine or feminine gender, and, unless the context otherwise requires, words in the singular shall include the plural, and words in the plural shall include the singular.

12. Plan Controls. In the event of any inconsistency between this Plan document and any other communication regarding this Plan, this Plan document controls.

13. Administration. This Plan shall be administered by the Committee, provided that the Committee shall not have discretionary authority in the administration of the Plan, and any court or tribunal that adjudicates any dispute, controversy or claim arising under, in connection with or related to the Plan will apply a *de novo* standard of review to any determinations made by the Committee. Such *de novo* standard shall apply notwithstanding the administrative authority granted hereunder to the Committee or characterization of any decision by the Committee as final, binding, or conclusive on any party.

14. Benefits Claims and Appeals. The Plan is not intended to be subject to ERISA. If and only if, however, the Plan is determined to be subject to ERISA, the intention of the Company is that it shall be construed as a "welfare plan," as defined in Section 3(1) of ERISA, and this Section 14 shall apply. The Committee shall establish a claims and appeals procedure applicable to Participants under the Plan. Unless otherwise required by applicable law, such procedures will provide that a Participant has not less than sixty (60) days following receipt of any adverse benefit determination within which to appeal the determination in writing with the Committee, and that the Committee must respond in writing within sixty (60) days of receiving the appeal, specifically identifying those Plan provisions on which the benefit denial was based and indicating what, if any, information the Participant must supply in order to perfect a claim for benefits. Notwithstanding the foregoing, the claims and appeals procedure established by the

Committee will be provided for the use and benefit of Participants who may choose to avail themselves of such procedures, but compliance with the provisions of these claims and appeals procedures by the Participant will not be mandatory for any Participant claiming benefits after a Change in Control. It will not be necessary for any Participant to exhaust these procedures and remedies after a Change in Control prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which such Participant claims entitlement.

15. Indemnification. To the extent permitted by law, the Company shall indemnify the Committee from all claims for liability, loss, or damage (including the advancement of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

16. Section 409A. It is intended that the provisions of this Plan comply with Section 409A, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. If, at the time of a Participant's separation from service (within the meaning of Section 409A), (i) Participant shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company shall make a good faith determination that an amount payable under the Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, the Participant shall not be considered to have terminated employment with the Company or any of its Subsidiaries for purposes of this Plan and no payment shall be due to the Participant under this Agreement until the Participant would be considered to have incurred a "separation from service" from the Company or any of its Subsidiaries within the meaning of Section 409A. For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Except as specifically permitted by Section 409A, any benefits and reimbursements provided to the Participant under this Plan during any calendar year shall not affect any benefits and reimbursements to be provided to the Participant under this Plan in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to the Participant as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred. In no event shall the time of a Participant's execution and non-revocation of the Release, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution and non-revocation of the Release could be made in more than one taxable year, payment shall be made in the later taxable year. Notwithstanding any provision of this Plan to the contrary, to the extent necessary to satisfy Section 105(h) of the Code, the Company will be permitted to alter the manner in which medical reimbursement benefits are provided to the Participant following termination of the Participant's employment, provided that the Company

shall use commercially reasonable efforts to preserve the economic benefit to the Participant of such benefits.

18. Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company or any of its Subsidiaries any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies or those of its Affiliates' regarding termination of employment.

19. Foreign Laws. The Committee shall administer the Plan with respect to all Non-US Participants in a manner designed to comply with applicable law while preserving the benefits provided under the Plan and avoiding duplication of benefits.

20. Notices. Notices and all other communications provided for under the Plan shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States certified mail, return receipt requested, or by overnight courier, postage prepaid, to the Company's corporate headquarters address, to the attention of the Committee, or to the Participant at the home address most recently communicated by the Participant to the Company in writing.

IN WITNESS WHEREOF, pursuant to Resolutions adopted by the Board on December 20, 2017, the undersigned has executed this Plan on behalf of the Company this 26th day of January, 2018, to be effective as provided herein.

QUALCOMM INCORPORATED

By: /s/ Michelle Sterling

Michelle Sterling  
Executive Vice President, Human Resources



**EXHIBIT A**

**GENERAL RELEASE**

**[FOR NON-U.S. PARTICIPANTS LANGUAGE TO BE ADJUSTED TO THE EXTENT REQUIRED TO EFFECTUATE THE INTENT UNDER LOCAL LAW]**

1. In consideration of the payments and benefits to which [ ] (“Employee”) is entitled under the The Qualcomm Incorporated Non-Executive Officer Change in Control Severance Plan (the “Plan”), Employee for himself or herself, his or her heirs, administrators, representatives, executors, successors and assigns (collectively, “Releasors”) does hereby irrevocably and unconditionally release, acquit and forever discharge the Company and its subsidiaries, affiliates and divisions (the “Affiliated Entities”) and their respective predecessors and successors and their respective, current and former, trustees, officers, directors, partners, shareholders, agents, employees, consultants, independent contractors and representatives, including without limitation all persons acting by, through, under or in concert with any of them (collectively, “Releasees”), and each of them from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, remedies, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys’ fees and costs) of any nature whatsoever, known or unknown, whether in law or equity and whether arising under federal, state or local law and in particular including any claim for discrimination based upon race, color, ethnicity, sex, age (including the Age Discrimination in Employment Act of 1967), national origin, religion, disability, or any other unlawful criterion or circumstance, relating to Employee’s employment or termination thereof, which Employee and Releasors had, now have, or may have in the future against each or any of the Releasees from the beginning of the world until the date hereof (the “Execution Date”).
2. Employee acknowledges that: (i) this entire General Release is written in a manner calculated to be understood by him or her; (ii) he or she has been advised to consult with an attorney before executing this General Release; (iii) he or she was given a period of [forty-five][twenty-one] days within which to consider this General Release; and (iv) to the extent he or she executes this General Release before the expiration of the [forty-five][twenty one]-day period, he or she does so knowingly and voluntarily and only after consulting his or her attorney. Employee shall have the right to cancel and revoke this General Release during a period of seven days following the Execution Date, and this General Release shall not become effective, and no money shall be paid hereunder, until the day after the expiration of such seven-day period. The seven-day period of revocation shall commence upon the Execution Date. In order to revoke this General Release, Employee shall deliver to the Company, prior to the expiration of said seven-day period, a written notice of revocation. Upon such revocation, this General Release shall be null and void and of no further force or effect.
3. Notwithstanding anything else herein to the contrary, this General Release shall not affect: (i) the obligations of the Company under the Plan or other obligations that, in each case, by their terms, are to be performed after the date hereof (including, without limitation,

obligations to Employee under any equity compensation awards or agreements or obligations under any pension plan or other benefit or deferred compensation plan, all of which shall remain in effect in accordance with their terms); (ii) obligations to indemnify Employee (including advancement of expenses) respecting acts or omissions in connection with Employee's service as a director, officer or employee of the Affiliated Entities; (iii) obligations with respect to insurance coverage under any of the Affiliated Entities' (or any of their respective successors) directors' and officers' liability insurance policies; (iv) any right Employee may have to obtain contribution in the event of the entry of judgment against Employee as a result of any act or failure to act for which both Employee and any of the Affiliated Entities are jointly responsible; (v) Employee's right to file a charge, including a challenge to the validity of this Release, with the Equal Employment Opportunity Commission ("EEOC"), a comparable state or municipal fair employment agency or the National Labor Relations Board ("NLRB"); (vi) Employee's right to participate in any investigation or proceeding conducted by the EEOC or such state or municipal agency or the NLRB; or (vii) Employee's right to enforce this Agreement.

4. This General Release shall be construed, enforced and interpreted in accordance with and governed by the laws of the State of California, without reference to its principles of conflict of laws.

5. Employee represents and warrants that he or she is not aware of any claim by him or her other than the claims that are released by this General Release. Employee further acknowledges that he or she may hereafter discover claims or facts in addition to or different than those which he or she now knows or believes to exist with respect to the subject matter of this General Release and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and Employee's decision to enter into it. Nevertheless, Employee hereby waives any right, claim or cause of action that might arise as a result of such different or additional claims or facts and Employee hereby expressly waives any and all rights and benefits conferred upon him or her by the provisions of California Civil Code Section 1542, which provides as follows:

6. "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

7. Being aware of such provisions of law, Employee agrees to expressly waive any rights he or she may have thereunder, as well as under any other statute or common law principles of similar effect in any other jurisdiction determined by a court of competent jurisdiction to apply.

8. It is the intention of the parties hereto that the provisions of this General Release shall be enforced to the fullest extent permissible under all applicable laws and public policies, but that the unenforceability or the modification to conform with such laws or public policies of any provision hereof shall not render unenforceable or impair the remainder of the General Release. Accordingly, if any provision shall be determined to be invalid or unenforceable either in whole or in part, this General Release shall be deemed amended to delete or modify as necessary the

invalid or unenforceable provisions to alter the balance of this General Release in order to render the same valid and enforceable.

9. As of the date hereof, Employee has, or agrees to promptly, return all property of the Company or any of its Subsidiaries in his or her possession.

10. This General Release may not be orally canceled, changed, modified or amended, and no cancellation, change, modification or amendment shall be effective or binding, unless in writing and signed by both parties to the General Release.

11. Capitalized terms used but not defined herein shall have the meaning set forth in the Plan.

IN WITNESS WHEREOF, the undersigned parties have executed this General Release.

[THE COMPANY]

By: \_\_\_\_\_

[name]

[title]

EMPLOYEE

Voluntarily Agreed to and Accepted this  
\_\_ day of \_\_\_\_\_ 20\_\_

**2018 ANNUAL CASH INCENTIVE PLAN  
Performance Unit Agreement**

This Award Agreement between Qualcomm Incorporated (the "Company") and <<*Executive's Name*>> (the "Executive") evidences the grant of a Performance Unit (this "Award") under the Qualcomm Incorporated 2016 Long-Term Incentive Plan (the "Plan"), representing a right to receive a cash payment equal to the amount determined by the Compensation Committee (the "Committee") based on performance as set forth herein.

<b>Definitions</b>	Capitalized terms used in this Award Agreement have the meaning specified under the Plan, except as otherwise specified herein.
<b>Grant Date</b>	December 3, 2017
<b>Performance Period</b>	The Performance Period is the Company's 2018 fiscal year.
<b>Performance Goals; Amount Payable Under this Award</b>	<p>The maximum amount payable under this Award, if any, is limited to the Maximum Award Amount determined pursuant to Section I of <i>Attachment A</i> based on the Performance Goals set out therein and, subject to that limit, the amount that is actually paid under this Award, if any, will be determined pursuant to Section II of <i>Attachment A</i>, which is attached to this Award Agreement as <i>Attachment B</i> and incorporated herein by reference.</p> <p>To be eligible to receive payment with respect to this Award, your Service must be continuous from the Grant Date through the Payment Date specified below.</p>
<b>Payment Date</b>	This Award shall be paid in cash no later than 30 calendar days after the Committee's written certification of whether and the extent to which the Performance Goals have been achieved and its determination of the amount, if any, to be paid.
<b>Repayment Policy</b>	By executing this Award Agreement, you acknowledge that any payment made with respect to this Award is subject to (a) the Qualcomm Incorporated Cash Incentive Compensation Repayment Policy as in effect from time to time, a copy of the current policy is attached to this Award Agreement as <i>Attachment B</i> and incorporated herein by reference; (b) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder; (c) similar rules under the laws of any other jurisdiction; and (d) any policies hereinafter adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to you (collectively, the " <u>Repayment Policy</u> "). You hereby agree to be bound by the Repayment Policy.
<b>Terms of the Plan</b>	This Award is subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between this Award Agreement and the terms of the Plan, then the terms of the Plan control.

QUALCOMM INCORPORATED

\_\_\_\_\_  
Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

I hereby acknowledge that I have read, understand, and accept the terms of this Award Agreement, the Plan, and the Repayment Policy.

EXECUTIVE

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

Attachments: *Attachment A – Performance Goals*  
*Attachment B – Cash Incentive Compensation Repayment*  
*Policy*

**ATTACHMENT A**

**FISCAL 2018 ACIP PERFORMANCE GOALS AND PAYMENT FORMULA**

<<Executive's Name>>

Base Salary	Target Award Amount as a Percent of Base Salary	Target Award Amount	Maximum Award Amount (200% of Target Award Amount)
\$<<Number>>	<<Percent>>%	\$<<Number>>	\$<<Number>>

Subject to the Maximum Award Amount limit determined pursuant to Section I, the actual amount of the payment you will receive under this Award, if any, will be determined by the Committee pursuant to Section II.

**I. Performance Goal Formula to Calculate Maximum Award Amount**

The amount of the payment, if any, you are eligible to receive under this Award will not exceed the Maximum Award Amount, which will be equal to the Maximum Award Amount specified in the table above only if the Company's 2018 Adjusted GAAP EPS (as specified below) is equal to or greater than \$<<Number>> (approximately <<Percent>>% of the Company's fiscal 2017 Adjusted GAAP EPS of \$<<Number>>). If the Company's 2018 Adjusted GAAP EPS is less than \$<<Number>>, your Maximum Award Amount specified in the table above shall be reduced to an amount, if any, determined pursuant to the table below:

2018 Adjusted GAAP EPS		% Reduction of Maximum Award Amount	Approximate Percentage of Target Performance Goal Achieved	
<i>From</i>	<i>To</i>		<i>From</i>	<i>To</i>
\$<<Number>>	\$<<Number>>	25%	90.00%	99.90%
\$<<Number>>	\$<<Number>>	50%	80.00%	89.90%
\$<<Number>>	\$<<Number>>	75%	70.00%	79.90%
Less than \$<<Number>>		100%		

"2018 Adjusted GAAP EPS" is determined in accordance with generally accepted accounting principles in the United States ("GAAP"), and shall be adjusted to exclude the after-tax impact of the following items:

- (1) The Qualcomm Strategic Initiative ("QSI") segment as defined in the Company's fiscal 2017 Form 10-K.
- (2) Acquisition-related items, which consist of: (a) acquired in-process research and development, (b) purchase accounting effects on property, plant and equipment for acquisitions completed in or after the second quarter of fiscal 2017, (c) recognition of the step-up of inventories to fair value, (d) amortization of intangible assets for acquisitions completed in or after the third quarter of fiscal 2011, (e) purchase accounting effects on acquired or assumed debt, (f) expenses related to the



termination of contracts that limit the use of acquired intellectual property, (g) third-party acquisition and integration services costs, and (h) debt issuance and letter of credit costs. The above adjustments shall apply only with respect to applicable items acquired or incurred in transactions that qualify as business combinations pursuant to GAAP.

(3) The following items for which each event individually equals or exceeds \$25 million on a pre-tax basis, except as expressly provided in (f) below:

(a) Restructuring and restructuring-related costs (in the aggregate by restructuring event), which consist of the following costs: (i) severance and benefits (including COBRA and outplacement expenses); (ii) consulting costs; (iii) increased security costs; (iv) acceleration of depreciation and/or amortization expense; (v) facilities and lease termination or abandonment charges; (vi) asset impairment charges and/or contract terminations; (vii) third-party business separation costs; and (viii) relocation costs as a result of an office or facility closure.

2018 Adjusted GAAP EPS shall not be adjusted for any such item that cannot specifically be tied to the restructuring event.

(b) Goodwill and indefinite- and long-lived asset impairments;

(c) Gain/losses on divestitures or non-revenue generating asset sales;

(d) Impact of litigation settlement and/or judgment;

(e) The effect of changes in tax law and accounting principles; and

(f) Tax items, including the effects of changes to tax law, individually exceeding \$10 million that are unrelated to the fiscal year in which they are recorded.

(4) In the event of an acquisition during fiscal 2018 with a purchase price that is greater than \$5 billion, the impact on net income from such acquisition; the impact of expense (e.g. interest expense) or amortization of premiums or discounts related to debt issued or assumed by Qualcomm Incorporated or any of its subsidiaries in connection with or related to such acquisition for the fiscal year in which the acquisition closes, and if such debt is incurred in the fiscal year prior to the expected year in which such acquisitions closes, for such prior fiscal year; and the impact on investment income as a result of usage of such funds in the purchase from such acquisition.

(5) Solely for purposes of Section II, the impact of unresolved contract disputes on revenues recorded during the Performance Period (including but not limited to disputes resulting in litigation or arbitration) to the extent a licensee withholds or fails to make royalty payments or disputes the royalty payment paid, provided that, to the extent that the licensee fails to report information sufficient to determine the actual impact on revenues of the withholding or failure to make royalty payments or dispute of paid amounts, such adjustment shall be the specific amounts for each licensee that was used in determination of the Performance Target for 2018 Adjusted GAAP EPS specified in Section II.

The Performance Goal Formula set out in this Section I shall constitute and be interpreted as a Performance Award Formula for purposes of the Plan. No adjustments shall be made in the calculation of 2018 Adjusted GAAP EPS or the Performance Goal Formula which would preclude

the payment of any amount under this Award from satisfying the requirements of Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended, or the regulations thereunder.

## II. Formula to Calculate Amount Payable

Subject to and limited by the Maximum Award Amount determined as provided in Section I of this *Attachment A*, and the exercise of the Committee's discretion under section 9.5(b) of the Plan to reduce the payment with respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee based on the Performance Goals set out in Section I, the amount payable under this Award, if any, shall be calculated based on the following formula:

1. No amount will be payable under this Formula unless the Company's 2018 Adjusted GAAP EPS is at least \$<<Number>> (<<Percent>>% of the Performance Target for 2018 Adjusted GAAP EPS Performance Measure set out below).
2. The Company fiscal 2018 Performance Measures and Performance Targets for purposes of determining the amount payable under this Formula are as follows:

### Performance Measures    Performance Targets

- 2018 Adjusted GAAP revenues:    \$<<2017 Adjusted GAAP revenues Target>>
- 2018 Adjusted GAAP EPS:    \$<<2017 Adjusted GAAP EPS Target>>

2018 Adjusted GAAP EPS is determined as set out in Section I, above.

"2018 Adjusted GAAP revenues" is determined in accordance with GAAP, and shall be adjusted to exclude the impact of the following items:

- (1) QSI segment as defined in the Company's fiscal 2017 Form 10-K.
- (2) The following items for which each event individually equals or exceeds \$25 million on a pre-tax basis:
  - a. Impact of litigation settlement and/or judgment to the extent the amount is recorded to revenues;
- (3) The impact of unresolved contract disputes on revenues recorded during the Performance Period (including but not limited to disputes resulting in litigation or arbitration) to the extent a licensee withholds or fails to make royalty payments or disputes the royalty payment paid, provided that, to the extent that the licensee fails to report information sufficient to determine the actual impact on revenues of the withholding or failure to make royalty payments or dispute of paid amounts, such adjustment shall be the specific amounts for each licensee that was used in determination of the Performance Target.

For this purpose, both 2018 Adjusted GAAP EPS and 2018 Adjusted GAAP revenues are subject to further adjustments as provided in the policy established by the Committee. The Company applies a relative weighting of 40% to 2018 Adjusted GAAP revenues and 60% to 2018 Adjusted GAAP EPS.

3. The weighted financial performance ratio for 2018 Adjusted GAAP revenues will be the result of 0.40 multiplied by a fraction, the numerator of which is the actual 2018 Adjusted GAAP revenues and the denominator of which is the 2018 Adjusted GAAP revenues Performance Target stated above.
4. The weighted financial performance ratio for 2018 Adjusted GAAP EPS will be the result of 0.60 multiplied by a fraction, the numerator of which is the actual 2018 Adjusted GAAP EPS and the denominator of which is the 2018 Adjusted GAAP EPS Performance Target stated above.
5. The resulting weighted financial performance ratios for 2018 Adjusted GAAP revenues and 2018 Adjusted GAAP EPS will then be summed (the sum referred to as the "Weighted Financial Performance Ratio") and the "Incentive Multiple" will be calculated according to the schedule set forth below:

Weighted Financial Performance	Incentive Multiple	Rate of Increase / Decrease to the Incentive Multiple
> 130%	2.00	The Incentive Multiple is at the maximum of 2.00 when the Weighted Financial Performance is greater than 1.30.
130%	2.00	For each one percent that Weighed Financial Performance exceeds the objective (100%), the Incentive Multiple increases by 0.0333 from the target Incentive Multiple of 1.00 up to an Incentive Multiple of 2.00 when the Weighted Financial Performance is 130%.
125%	1.83	
120%	1.67	
115%	1.50	
110%	1.33	
105%	1.17	
100%	1.00	
95%	0.75	For each one percent that Weighed Financial Performance is less than the objective (100%), the Incentive Multiple decreases by 0.05 from the target Incentive Multiple of 1.00 to an Incentive Multiple of 0.00 when the Weighted Financial Performance is 80%.
90%	0.50	
85%	0.25	
80%	0.0	
< 80%	0.0	The Incentive Multiple is zero (0.00) when the Weighted Financial Performance is less than 80%.

6. Subject to the limitations of Section I and the exercise of discretion only as allowed by Section 9.5(b) of the Plan with respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee based on the Performance Goals set out in Section I, the amount payable under this Award shall be the result of the Target Award Amount specified above multiplied by the Incentive Multiple determined in step 5 above.

**ATTACHMENT B**  
**QUALCOMM INCORPORATED**  
**Cash Incentive Compensation Repayment Policy**

To the extent permitted by governing law, the Company will require an executive officer to repay to the Company the amount of any annual cash incentive bonus payment that executive officer receives to the extent that (i) the amount of such payment was based on the achievement of certain financial results that were subsequently the subject of a restatement that occurs within twelve months of such payment, (ii) the executive officer has engaged in theft, dishonesty or intentional falsification of Company documents or records that resulted in the obligation to restate, and (iii) a lower cash incentive bonus payment would have been made to the executive officer based upon the restated financial results.

Notwithstanding anything in this Policy to the contrary, an accounting judgment made in good faith and supported by reasonable interpretations of generally accepted accounting principles (“GAAP”) at the time made shall not be the basis for the Company to require any repayments under this Policy.

The executive officer’s repayment obligation under this Policy shall be in addition to, and shall in no way limit, any other remedies that the Company may have available to it, and any other actions that the Company may take, with respect to the conduct of the executive officer or in connection with the accounting restatement.

For purposes of this Policy, an “executive officer” shall be any member of the Company’s executive committee and any other officers or employees of the Company as may be designated by the Company from time to time.

The interpretation and enforcement of this Policy shall be the responsibility of the Compensation Committee of the Board of Directors of the Company.

This Policy shall be effective with respect to cash incentive compensation paid to an executive officer on or after January 1, 2009.

**QUALCOMM INCORPORATED**  
**2016 LONG-TERM INCENTIVE PLAN**  
**EXECUTIVE RESTRICTED STOCK UNIT GRANT NOTICE**

**Qualcomm Incorporated** (the “*Company*”), pursuant to its 2016 Long-Term Incentive Plan (the “*Plan*”) hereby grants to you, the Participant named below, the number of Restricted Stock Units set forth below, each of which represents the right to receive one (1) share of the Company’s common stock, subject to all of the terms and conditions as set forth in this Executive Restricted Stock Unit Grant Notice (the “*Grant Notice*”) and the Executive Restricted Stock Unit Agreement (attached hereto) and the Plan which are incorporated herein in their entirety. Capitalized terms not otherwise defined in this Grant Notice or the Executive Restricted Stock Unit Agreement shall have the meaning set forth in the Plan. A copy of the Plan can be obtained from the Stock Administration website, located on the Company’s internal webpage, or you may request a hard copy from the Stock Administration Department.

**Participant:** «Employee»    **Grant No.:** «Number»

**Emp #:** «ID»

**Number of Restricted Stock Units:**

«Shares\_Granted»

**Date of Grant:** «Grant\_Date»

**Performance Period:** «Performance Period»

**Performance Measure:** Adjusted GAAP Operating Income defined as the Company’s operating income, determined in accordance with generally accepted accounting principles in the United States (GAAP), but determined excluding

- (1) the Qualcomm Strategic Initiative segment as defined in the Company’s fiscal 2016 Form 10-K;
- (2) all share-based compensation other than amounts settleable in cash;
- (3) acquisition-related items, which consist of:
  - (a) acquired in-process research and development,
  - (b) recognition of the step-up of inventories to fair value,
  - (c) purchase accounting effects on property, plant and equipment for acquisitions completed in or after the second quarter of fiscal 2017,
  - (d) amortization of intangible assets for acquisitions completed in or after the third quarter of fiscal 2011,
  - (e) expenses related to the termination of contracts that limit the use of the acquired intellectual property, and
  - (f) third-party acquisition and integration services costs.

The above adjustments shall apply only with respect to applicable items acquired in transactions that qualify as business combinations pursuant to GAAP;

- (4) the following items for which each event individually equals or exceeds \$25 million on a pre-tax basis:
    - (a) restructuring and restructuring-related costs (in the aggregate by restructuring event), which consist of the following costs:
-

- i. severance and benefits (including COBRA and outplacement expenses);
  - ii. consulting costs;
  - iii. increased security costs;
  - iv. acceleration of depreciation and/or amortization expense;
  - v. facilities and lease termination or abandonment charges;
  - vi. asset impairment charges and/or contract terminations;
  - vii. third-party business separation costs; and
  - viii. relocation costs as a result of an office or facility closure.
- (b) goodwill and indefinite- and long-lived asset impairments;
  - (c) gain/losses on divestitures or non-revenue generating asset sales; and
  - (d) impact of litigation settlement, arbitration and/or judgment.
- (5) the impact of unresolved contract disputes on revenues recorded during the Performance Period (including but not limited to disputes resulting in litigation or arbitration) to the extent a licensee withholds or fails to make royalty payments or disputes the royalty payment paid, provided that, to the extent that the licensee fails to report information sufficient to determine the actual impact on revenues of the withholding or failure to make royalty payments or dispute of paid amounts, the average royalty revenues over the four fiscal quarters preceding the dispute (or such shorter period for which information is available) shall be used to determine the impact on royalty revenues due to the contract dispute for purposes of this award, and such amount shall be prorated as appropriate to reflect the period during the Performance Period in which such withholding, dispute or failure to pay impacts revenues.

**Performance Target:** \$«Amount» in Adjusted GAAP Operating Income for the Performance Period

**Vesting Dates:** «Vesting\_Schedule»

**Additional Terms/Acknowledgments:** You must acknowledge, in the form determined by the Company, receipt of, and represent that you have read, understand, accept and agree to the terms and conditions of, this Grant Notice, the Agreement including the Exclusive Consulting Agreement attached to the Agreement and the Plan (including, but not limited to, the binding arbitration provision in Section 3.7 of the Plan).

**Qualcomm Incorporated:**

By: /s/ Steve Mollenkopf  
Steve Mollenkopf  
Chief Executive Officer  
Dated: «Grant\_Date»

Attachment: Executive Restricted Stock Unit Agreement (RSU-EX-A12)

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**QUALCOMM INCORPORATED**  
**2016 LONG-TERM INCENTIVE PLAN**  
**EXECUTIVE RESTRICTED STOCK UNIT AGREEMENT**

Qualcomm Incorporated (the “*Company*”) has granted a number of Restricted Stock Units (this “*Award*”) with respect to the number of shares of the Company’s common stock (“*Stock*”) specified in the Executive Restricted Stock Unit Grant Notice (the “*Grant Notice*”) to you, the Participant named in the Grant Notice pursuant to the terms and conditions set forth in the Grant Notice, this Executive Restricted Stock Unit Agreement and the attachments hereto (together with the Grant Notice, the “*Agreement*”) and the 2016 Long-Term Incentive Plan (the “*Plan*”). Capitalized terms that are not explicitly defined in the Grant Notice or this Agreement but are defined in the Plan shall have the same definitions as in the Plan.

The terms and conditions of this Award are as follows:

**1. VESTING.**

**1.1 VESTING CONTINGENT ON ACHIEVING PERFORMANCE TARGET.** Your Restricted Stock Units will become vested as provided in Sections 1.2 through 1.6 and be paid as provided in Section 2 only if the Performance Measure equals or exceeds the Performance Target for the Performance Period (as each capitalized term is defined in the Grant Notice). Any determination that the Performance Measure equals or exceeds the Performance Target for the Performance Period shall be made by written certification of the Committee no later than the November 30<sup>th</sup> that next follows the end of the Performance Period. If the Performance Measure does not equal or exceed the Performance Target, this Award shall terminate and no Restricted Stock Units will vest or be paid.

**1.2 SERVICE VESTING.** Except to the extent that your Restricted Stock Units may vest earlier as provided in Sections 1.3 through 1.6, below, your Restricted Stock Units will vest to the extent you are in Service on the applicable Vesting Date(s) specified in the Grant Notice.

**1.3 ATTAINMENT OF NORMAL RETIREMENT AGE.** Your Restricted Stock Units will be fully vested on the later of (a) the date which is six (6) months after the Grant Date or (b) the date on which you have attained age fifty-five (55) and completed at least ten (10) years of consecutive Service.

**1.4 DEATH.** If your Service terminates because of your death, the vesting of your Restricted Stock Units shall be accelerated in full effective upon your death.

**1.5 DISABILITY.** If your Service terminates because of your Disability, the vesting of your Restricted Stock Units shall be accelerated in full effective as of the date on which your Service terminates due to your Disability.

**1.6 TERMINATION AFTER CHANGE IN CONTROL.** If your Service terminates as a result of Termination After Change in Control (as defined below), then the vesting of your Restricted Stock Units shall be accelerated in full effective as of the date on



which your Service terminates. For this purpose, "**Termination After Change in Control**" shall mean either of the following events occurring within twenty-four (24) months after a Change in Control (as defined in the Plan):

(a) termination by the Participating Company Group of your Service with the Participating Company Group for any reason other than for Cause (as defined below); or

(b) your resignation for Good Reason (as defined below) from all capacities in which you are then rendering Service to the Participating Company Group within a reasonable period of time following the event constituting Good Reason.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of your Service with the Participating Company Group which (A) is for Cause; (B) is a result of your death or Disability; (C) is a result of your voluntary termination of Service other than for Good Reason; or (D) occurs prior to the effectiveness of a Change in Control.

For purposes of this Section 1:

"**Cause**" shall mean any of the following: (i) your theft, dishonesty, or falsification of any Participating Company documents or records; (ii) your improper use or disclosure of a Participating Company's confidential or proprietary information; (iii) any action by you which has a detrimental effect on a Participating Company's reputation or business; (iv) your failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach by you of any employment or service agreement between you and a Participating Company, which breach is not cured pursuant to the terms of such agreement; (vi) your conviction (including any plea of guilty or *nolo contendere*) of any criminal act which impairs your ability to perform your duties with a Participating Company; or (vii) violation of a material Company or Participating Company policy.

"**Good Reason**" shall mean any one or more of the following:

(i) without your express written consent, the assignment to you of any duties, or any limitation of your responsibilities, substantially inconsistent with your positions, duties, responsibilities and status with the Participating Company Group immediately prior to the date of a Change in Control;

(ii) without your express written consent, the relocation of the principal place of your employment or service to a location that is more than fifty (50) miles from your principal place of employment or service immediately prior to the date of a Change in Control, or the imposition of travel requirements substantially more demanding of you than such travel requirements existing immediately prior to the date of the Change in Control;

(iii) any failure by the Participating Company Group to pay, or any material reduction by the Participating Company Group of, (A) your base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other employees of the Participating Company Group

with responsibilities, organizational level and title comparable to yours), or (B) your bonus compensation, if any, in effect immediately prior to the date of a Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by you);

(iv) any failure by the Participating Company Group to (A) continue to provide you with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee or service provider group which customarily includes a person holding the employment or service provider position or a comparable position with the Participating Company Group then held by you, in any benefit or compensation plans and programs, including, but not limited to, the Participating Company Group's life, disability, health, dental, medical, savings, profit sharing, stock purchase and retirement plans, if any, in which you were participating immediately prior to the date of the Change in Control, or their equivalent, or (B) provide you with all other fringe benefits (or their equivalent) from time to time in effect for the benefit of any employee group which customarily includes a person holding the employment or service provider position or a comparable position with the Participating Company Group then held by you;

(v) any breach by the Participating Company Group of any material agreement between you and a Participating Company concerning your employment; or

(vi) any failure by the Company to obtain the assumption of any material agreement between you and the Company concerning your employment by a successor or assign of the Company.

## **2. PAYMENT OF YOUR RESTRICTED STOCK UNITS.**

### **2.1 TIMING OF PAYMENT.**

(a) Subject to the other terms of the Plan and this Agreement, any Restricted Stock Units that vest in accordance with Section 1.2 will be paid to you as follows: (i) the first installment shall be paid to you no later than 30 days after the later of (1) the earliest Vesting Date specified in the Grant Notice or (2) the date on which the Committee certifies in writing that the Performance Measure equals or exceeds the Performance Target for the Performance Period; and (ii) any subsequent installments shall be paid to you no later than 30 days after the applicable Vesting Date specified in the Grant Notice.

(b) Subject to the other terms of the Plan and this Agreement, any Restricted Stock Units that vest and become nonforfeitable in accordance with Section 1.3 will be paid to you as follows: (i) the first installment shall be paid to you no later than 30 days after the later of (1) the earliest Vesting Date specified in the Grant Notice or (2) the date on which the Committee certifies in writing that the Performance Measure equals or exceeds the Performance Target for the Performance Period; and (ii) any subsequent installments shall be paid to you no later than 30 days after the applicable Vesting Date specified in the Grant Notice; provided, however, that payments shall be made pursuant to this Section 2.1(b) following termination of your employment with the Participating Company only if such termination was not for Cause and you (A) execute a general release of claims in a form satisfactory to the Company and that general release becomes irrevocable before the 60th day following your termination of

employment, and (B) comply with the requirements contained in the Exclusive Consulting Agreement attached hereto as Attachment 1 (the “*Consulting Agreement*”). Notwithstanding the foregoing, in the event you violate any of the provisions contained in the Consulting Agreement, any Restricted Stock Units that became vested pursuant to Section 1.3 shall be immediately forfeited without consideration. In the event that your employment is terminated for Cause, you shall immediately forfeit your right to payment of any Restricted Stock Units following the date of such termination under this Section 2.1(b).

(c) Subject to the other terms of the Plan and this Agreement, any Restricted Stock Units that vest and become nonforfeitable in accordance with Sections 1.4, 1.5 or 1.6 will be paid to you no later than 30 days after the later of the date your Service terminates or the date on which the Committee certifies in writing that the Performance Measure equals or exceeds the Performance Target.

**2.2 FORM OF PAYMENT.** Your vested Restricted Stock Units shall be paid in whole shares of Stock except as otherwise provided in Section 10.3 of the Plan regarding fractional shares attributable to Dividend Equivalents.

**2.3 TAX WITHHOLDING.** You acknowledge that the Company and/or the Participating Company that employs you (the “*Employer*”) may be subject to withholding tax obligations arising by reason of the vesting and/or payment of this Award. You authorize your Employer to satisfy the withholding tax obligations by one or a combination of the following methods, as selected by the Company in its sole discretion: (a) withholding from your pay and any other amounts payable to you; (b) withholding of Stock and/or cash from the payment of this Award; (c) arranging for the sale of shares of Stock payable in connection with this Award (on your behalf and at your direction which you authorize by accepting this Award); or (d) any other method allowed by the Plan or applicable law. Notwithstanding the foregoing, you may elect in the manner specified by the Company to make a cash payment to the Company or your Employer to satisfy the withholding tax obligations with respect to this Award, provided such election is made during an open trading window under the Qualcomm Insider Trading Policy and you are not in possession of any material nonpublic information at the time of such election. If your Employer satisfies the withholding obligations by withholding a number of whole shares of Stock as described in subsection (b) herein, you will be deemed to have been issued the full number of shares of Stock subject to this Award, notwithstanding that a number of shares is held back in order to satisfy the withholding obligations. The “*Fair Market Value*” of any Stock withheld pursuant to this Section 2.3 shall be equal to the closing price of a share of Stock as quoted on any national or regional securities exchange or market system constituting the primary market for the Stock on the date of determination (or, if there is no closing price on that day, the last trading day prior to that day) or, if the Stock is not listed on a national or regional securities exchange or market system, the value of a share of Stock as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse. The Company shall not be required to issue any shares of Stock pursuant to this Agreement unless and until the withholding obligations are satisfied.

**3. TAX ADVICE.** You represent, warrant and acknowledge that the Company and, if different, your Employer, has made no warranties or representations to you with respect to the income tax consequences of the transactions contemplated by this Award, and you are in no

manner relying on the Company, your Employer or their representatives for an assessment of such tax consequences. YOU UNDERSTAND THAT THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING THE TAX TREATMENT OF THIS OR ANY OTHER AWARD. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

**4. DIVIDEND EQUIVALENTS.** If the Board declares a cash dividend on the Company's Stock, you will be entitled to Dividend Equivalents in the form, payable on the terms and at such times as provided in Section 10.3 of the Plan.

**5. SECURITIES LAW COMPLIANCE.** Notwithstanding anything to the contrary contained herein, no shares of Stock will be issued to you upon vesting or payment of this Award unless the Stock is then registered under the Securities Act or, if such Stock is not then so registered, the Company has determined that such vesting and issuance would be exempt from the registration requirements of the Securities Act. By accepting this Award, you agree not to sell any of the shares of Stock received under this Award at a time when applicable laws or Company policies prohibit a sale.

**6. TRANSFERABILITY.** Prior to the issuance of shares of Stock in payment of all Restricted Stock Units, your Restricted Stock Units shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by your creditors or by your beneficiary, except (a) transfer by will or by the laws of descent and distribution or (b) transfer by written designation of a beneficiary, in a form acceptable to the Company, with such designation taking effect upon your death. All rights with respect to your Restricted Stock Units shall be exercisable during your lifetime only by you or your guardian or legal representative. Prior to actual payment of any Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

**7. AWARD NOT A SERVICE CONTRACT.** This Award is not an employment or service contract and nothing in this Agreement, the Grant Notice or the Plan shall be deemed to create in any way whatsoever any obligation on your part to continue in the Service of a Participating Company, or of a Participating Company to continue your Service with the Participating Company. In addition, nothing in this Award shall obligate the Company, its stockholders, Board, Officers or Employees to continue any relationship which you might have as a Director or Consultant for the Company.

**8. RESTRICTIVE LEGEND.** Stock issued pursuant to the vesting and payment this Award may be subject to such restrictions upon the sale, pledge or other transfer of the Stock as the Company and the Company's counsel deem necessary under applicable law or pursuant to this Agreement.

**9. REPRESENTATIONS, WARRANTIES, COVENANTS, AND ACKNOWLEDGMENTS.** You hereby agree that in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the shares of Stock issued pursuant to this Award may be conditioned upon you making

certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

**10. VOTING AND OTHER RIGHTS.** Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a shareholder of the Company unless and until shares of Stock are issued upon payment of this Award.

**11. CODE SECTION 409A.** It is the intent that the terms relating to the vesting and payment of the Award as set forth in this Agreement shall qualify for exemption from or comply with the requirements of Section 409A of the Code, and any ambiguities herein will be interpreted to so qualify or comply. Notwithstanding the foregoing or anything herein to the contrary, if it is determined that this Award fails to satisfy the requirements of the “short-term deferral” exemption and is otherwise deferred compensation subject to Section 409A of the Code, and if you are a “specified employee” (as defined under Section 409A(a)(2)(B)(i) of the Code) as of the date of your “separation from service” (as defined under Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares of Stock that would otherwise be made upon the date of the separation from service or within the first six (6) months thereafter will not be made on the originally scheduled date and will instead be issued in a lump sum on the date that is six (6) months and one day after the date of the separation from service, but only if such delay in the issuance of the shares is necessary to avoid the imposition of additional taxation on you in respect of the shares under Section 409A of the Code. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify this Agreement as may be necessary to ensure that all payments provided for under this Agreement are made in a manner that qualifies for exemption from or complies with Section 409A of the Code; provided, however, that the Company makes no representation that the vesting or payments pursuant to this Award provided for under this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the vesting or payments pursuant to this Award or require that any vesting or payments pursuant to this Award comply with the require Section of 409A of the Code. The Company will have no liability to you or any other party if the Award, the delivery of shares of Stock upon payment of the Award or other payment hereunder that is intended to be exempt from, or compliant with, Code Section 409A, is not so exempt or compliant or for any action taken by the Company with respect thereto.

**12. NOTICES.** Any notices provided for in this Agreement, the Grant Notice or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

**13. NATURE OF GRANT.** In accepting the Award, you acknowledge and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, (subject to any limitations set forth in the Plan);

- (b) the Award is voluntary and occasional and does not create any contractual or other right to receive future awards, or benefits in lieu of awards, even if other awards have been awarded repeatedly in the past;
- (c) all decisions with respect to future Awards, if any, will be at the sole discretion of the Company;
- (d) your participation in the Plan is voluntary;
- (e) the Award and the shares of Stock subject to the Award are not intended to replace any pension rights or compensation;
- (f) the Award and the shares of Stock subject to the Award are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Participating Company;
- (g) the future value of the underlying shares of Stock is unknown and cannot be predicted with any certainty;
- (h) no claim or entitlement to compensation or damages shall arise from forfeiture of your Award resulting from termination of your employment or Service or your breach of any terms hereof (for any reason whatsoever and whether or not in breach of local labor laws or later found invalid), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, waive your ability, if any, to bring any such claim, and release the Company from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- (i) the Award and the benefits evidenced by this Agreement do not create any entitlement, not otherwise specifically provided for in the Plan or provided by the Company in its discretion, to have the Award or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Company's Stock;
- (j) the Award is subject to vesting based on satisfaction of Performance Goals as provided in Section 10.2 of the Plan, as provided herein. The Award shall be interpreted and administered to satisfy the requirements of Section 162(m)(4)(C) of the Code and the regulations thereunder; and
- (k) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Stock; you are hereby advised to consult with your

own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

**14. APPLICABLE LAW.** This Agreement shall be governed by the laws of the State of California as if the Agreement were between California residents and as if it were entered into and to be performed entirely within the State of California.

**15. ARBITRATION.** Any dispute or claim concerning any Restricted Stock Units granted (or not granted) pursuant to the Plan and any other disputes or claims relating to or arising out of this Agreement or the Plan shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association pursuant to the commercial arbitration rules in San Diego, California. By accepting this Award, you and the Company waive your respective rights to have any such disputes or claims tried by a judge or jury.

**16. AMENDMENT.** Your Award may be amended as provided in the Plan at any time, provided no such amendment may adversely affect this Award without your consent unless such amendment is necessary to comply with any applicable law or government regulation, or is contemplated in Section 11 hereof. No amendment or addition to this Agreement shall be effective unless in writing or in such electronic form as may be designated by the Company.

**17. GOVERNING PLAN DOCUMENT.** This Award is subject to this Agreement, the Grant Notice and all the provisions of the Plan, the provisions of which are hereby made a part of this Agreement, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Agreement, the Grant Notice and those of the Plan, the provisions of the Plan shall control.

**18. SEVERABILITY.** If any provision of this Agreement is held to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, all other provisions of this Agreement shall be deemed valid and enforceable to the full extent possible.

**19. DESCRIPTION OF ELECTRONIC DELIVERY.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, and any reports of the Company provided generally to the Company's stockholders, may be delivered to you electronically. In addition, if permitted by the Company, you may electronically accept and acknowledge the Grant Notice and/or this Agreement and/or deliver such documents to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic acknowledgement, acceptance and/or delivery may include but do not necessarily include use of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via electronic mail ("e-mail") or such other means specified by the Company. You hereby consent to receive the above-listed documents by electronic delivery and, if permitted by the Company, agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, as set forth herein.

**20. WAIVER.** The waiver by the Company with respect to your (or any other Participant's) compliance of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of such party of a provision of this Agreement.

**21. REPAYMENT/FORFEITURE.** Any benefits you may receive hereunder shall be subject to repayment or forfeiture as may be required to comply with (a) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder, (b) similar rules under the laws of any other jurisdiction and (c) any policies adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to you.



Attachment 1

**QUALCOMM INCORPORATED  
EXCLUSIVE CONSULTING AGREEMENT**

1. Consulting Services Following Normal Retirement Age. In the event you terminate your employment with the Participating Companies and receive or are entitled to receive additional vesting, payments or other rights or benefits under the Award to which this Exclusive Consulting Agreement is attached as a result of having previously attained Normal Retirement Age, you will provide the Company consulting services related to the subject matter of that employment as provided in this Exclusive Consulting Agreement. Such consulting services will not exceed five (5) hours per month, and there will be no separate compensation for such services beyond that provided in the Award. Should the Company request services in excess of five (5) hours per month, you and Company will negotiate appropriate compensation for such additional services before they are undertaken. You represent, warrant and covenant that you will perform any services under this Exclusive Consulting Agreement in a timely, professional and workmanlike manner and that all services, materials, information and deliverables provided by you hereunder will comply with (i) the requirements communicated by Company, (ii) the Company's policies and procedures; and (iii) any other agreements between you and the Company, including but not limited to any severance, confidentiality or proprietary agreements. All capitalized terms in this Exclusive Consulting Agreement not otherwise defined herein shall have the meaning prescribed by the Qualcomm Incorporated 2016 Long-Term Incentive Plan (the "**Plan**") or the Award thereunder to which this Exclusive Consulting Agreement is attached.
  
2. The Award. You are a former high-level executive with at least 10 years' service with the Company and as such you are entitled to additional vesting, payments or other rights or benefits under the Award as a result of having reached Normal Retirement Age. Your agreement to the terms and conditions of this Exclusive Consulting Agreement is an express condition of the Award and the additional provisions of the Award applicable to you following attainment of Normal Retirement Age.
  
3. Independent Contractor Relationship. Your relationship with Company under this Exclusive Consulting Agreement is that of an independent contractor, and nothing herein is intended to, or shall be construed to, create a partnership, agency, joint venture, employment, or similar relationship. You will not be entitled to any of the benefits that Company may make available to its employees, including, but not limited to, group health or life insurance, profit-sharing benefits, or retirement benefits, or awards under the Plan unless expressly provided in writing otherwise. You agree that providing services under this Exclusive Consulting Agreement shall not be treated as Service for purposes of the Plan or the Award. You are not authorized to make any representation, contract, or commitment on behalf of Company unless specifically requested or authorized in writing to do so by a Company officer. You are solely responsible for, and will file, on a timely basis, all tax returns and payments required to be filed with, or made to, any federal, state, or local tax authority. You will indemnify and hold harmless Company from and against any and all tax liability related to this Exclusive Consulting Agreement as well as any claims, actions, or charges arising out of or caused by your classification as an independent contractor.

4. Exclusivity.

4.1 The consultancy arrangement contemplated by this Exclusive Consulting Agreement shall be on an exclusive basis. You shall not, during the Term, without the prior written consent of the Compensation Committee, engage in any work, services, or other activities for any person or entity which directly or indirectly competes with Company in any way. This includes, but is not limited to acting as an employee, officer, director, contractor, owner, consultant, or agent of any such person or entity. The determination of whether a person or entity is competitive with Company shall be subject to the sole and exclusive discretion of the Compensation Committee. You shall act in the best interest of Company while providing the Exclusive Consulting Services to Company.

5. Term and Termination.

5.1 Term. This Exclusive Consulting Agreement is effective as of the date of your termination of employment with Company following Normal Retirement Age and will terminate on the two year anniversary thereof unless terminated earlier as set forth below (the "*Term*").

5.2 Termination by Company. Company may terminate this Exclusive Consulting Agreement before the end of the Term for any breach of Section 4 hereof by you or any material breach by you of any other provision hereof. Should Company believe that you breached this Exclusive Consulting Agreement in a manner that allows a termination pursuant to this Section 5.2, Company will notify you in writing and allow you to cure any breach (if such breach is curable) within ten (10) days after the date of Company's written notice of breach. You understand that if Company terminates this Exclusive Consulting Agreement pursuant to this Section 5.2, you will forfeit all additional vesting, payments or other rights or benefits under the Award as a result of having attained Normal Retirement Age and you will be subject to the Equity Clawback provisions of Section 6, below.

5.3 Termination by You. You may not terminate this Exclusive Consulting Agreement during the Term except or unless Company materially breaches this Consulting Agreement. Should you believe that Company materially breached this Exclusive Consulting Agreement, you will notify the Company in writing and allow Company to cure any breach (if such breach is curable) within ten (10) days after the date of your written notice of breach.

6. Equity Clawback. In the event of any breach by you of Section 4 hereof or any material breach by you of any other provision hereof, then any additional vesting, payments or other rights or benefits you may have as a result of having attained Normal Retirement Age shall automatically and immediately terminate and be forfeited. In addition, you shall, within 30 days following notice from Company, pay to the Company an amount equal to the aggregate benefit, value or gain you realized or obtained as a result of any additional vesting, payments or other rights or benefits you received under the Award as a result of having attained Normal Retirement Age.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steve Mollenkopf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of QUALCOMM Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 31, 2018

/s/ Steve Mollenkopf

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Steve Mollenkopf  
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George S. Davis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of QUALCOMM Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 31, 2018

/s/ George S. Davis

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George S. Davis

Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of QUALCOMM Incorporated (the "Company") on Form 10-Q for the fiscal quarter ended December 24, 2017 (the "Report"), I, Steve Mollenkopf, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934;  
and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 31, 2018

/s/ Steve Mollenkopf

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Steve Mollenkopf

Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of QUALCOMM Incorporated (the "Company") on Form 10-Q for the fiscal quarter ended December 24, 2017 (the "Report"), I, George S. Davis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934;  
and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 31, 2018

/s/ George S. Davis

George S. Davis

Executive Vice President and Chief Financial Officer