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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 27, 1998

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)
6455 LUSK BLVD., SAN DIEGO, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	92121-2779 (ZIP CODE)

(619) 587-1121
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NOT APPLICABLE

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORTED)

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 twelve 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 ninety days. Yes [X] [No]

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

Common Stock, $0.0001 per share par value, 71,433,704 shares as of January 19, 1999.

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/ ANTHONY S. THORNLEY

Anthony S. Thornley
Executive Vice President
& Chief Financial Officer

Dated: January 26, 1999

QUALCOMM INCORPORATED

INDEX

<TABLE>
<CAPTION>

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets................	4
Condensed Consolidated Statements of Income...........	5
Condensed Consolidated Statements of Cash Flows.......	6
Notes to Condensed Consolidated Financial Statements..	7-12
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition................	13-22
PART II. OTHER INFORMATION......................................	23
Item 6. Exhibits and Reports on Form 8-K	

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUALCOMM INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

ASSETS

	DECEMBER 27, 1998	SEPTEMBER 27, 1998
CURRENT ASSETS:		
Cash and cash equivalents..................................	$ 131,940	$ 175,846
Investments..	105,483	127,478
Accounts receivable, net...................................	852,488	612,209
Finance receivables..	66,461	56,201
Inventories, net...	335,072	386,536
Other current assets.......................................	171,418	178,950
Total current assets..............................	1,662,862	1,537,220
PROPERTY, PLANT AND EQUIPMENT, NET...........................	631,048	609,682
FINANCE RECEIVABLES, NET.....................................	307,357	287,751
OTHER ASSETS...	161,508	132,060
TOTAL ASSETS...	$2,762,775	$2,566,713

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 27, 1998	SEPTEMBER 27, 1998
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities...................	$ 657,338	$ 660,428
Unearned revenue...	58,490	67,123
Bank lines of credit.......................................	288,000	151,000
Current portion of long-term debt..........................	3,057	3,058
Total current liabilities.........................	1,006,885	881,609
LONG-TERM DEBT...	3,116	3,863
OTHER LIABILITIES..	36,032	25,115
Total liabilities.................................	1,046,033	910,587
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES...............	42,057	38,530
COMPANY-OBLIGATED MANDATORILY REDEEMABLE TRUST CONVERTIBLE PREFERRED SECURITIES OF A SUBSIDIARY TRUST HOLDING SOLELY DEBT SECURITIES OF THE COMPANY....................................	660,000	660,000
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.0001 par value.........................	--	--
Common stock, $0.0001 par value............................	7	7
Paid-in capital..	966,148	957,589
Retained earnings..	48,530	--
Total stockholders' equity.........................	1,014,685	957,596

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$2,762,775	$2,566,713

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

QUALCOMM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED	
	DECEMBER 27, 1998	DECEMBER 28, 1997
<S>	<C>	<C>
REVENUES:		
Communications systems	$ 817,054	$ 676,885
Contract services	79,814	64,031
License, royalty and development fees	44,355	44,938
Total revenues	941,223	785,854
OPERATING EXPENSES:		
Communications systems	584,924	507,339
Contract services	57,466	46,276
Research and development	100,362	74,801
Selling and marketing	69,736	56,098
General and administrative	50,787	36,469
Other	--	11,976
Total operating expenses	863,275	732,959
OPERATING INCOME	77,948	52,895
INTEREST INCOME	5,806	12,190
INTEREST EXPENSE	(3,315)	(2,689)
NET GAIN ON SALE OF INVESTMENTS	5,663	2,950
DISTRIBUTIONS ON TRUST CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY TRUST	(9,799)	(9,798)
MINORITY INTEREST IN (INCOME) LOSS OF CONSOLIDATED SUBSIDIARIES	(3,698)	3,781
EQUITY IN LOSSES OF INVESTEES	(1,021)	(2,772)
INCOME BEFORE INCOME TAXES	71,584	56,557
INCOME TAX EXPENSE	(23,054)	(19,795)
NET INCOME	$ 48,530	$ 36,762
NET EARNINGS PER COMMON SHARE:		
Basic	$ 0.69	$ 0.54
Diluted	$ 0.65	$ 0.50
SHARES USED IN PER SHARE CALCULATION:		
Basic	70,722	68,475
Diluted	74,219	74,126

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

QUALCOMM INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
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<S>	THREE MONTHS ENDED DECEMBER 27, 1998 <C>	THREE MONTHS ENDED DECEMBER 28, 1997 <C>
OPERATING ACTIVITIES:		
Net income	$ 48,530	$ 36,762
Depreciation and amortization	44,448	30,974
Acquired in-process research and development	--	6,976
Non-cash charge for impaired assets	--	5,000
Gain on sale of available-for-sale securities	(5,663)	--
Minority interest in income (loss) of consolidated subsidiaries	3,698	(3,781)
Equity in losses of investees	1,021	2,772
Increase (decrease) in cash resulting from changes in:		
Accounts receivable, net	(240,279)	(131,111)
Finance receivables, net	(29,866)	44,899
Inventories, net	51,464	(56,450)
Other assets	(4,812)	1,600
Accounts payable and accrued liabilities	(2,081)	127,433
Unearned revenue	(8,633)	685
Other liabilities	3,877	2,467
Net cash (used) provided by operating activities	(138,296)	68,226
INVESTING ACTIVITIES:		
Capital expenditures	(62,884)	(79,544)
Purchases of investments	(10,363)	(191,045)
Maturities of investments	32,358	195,672
Issuance of notes receivable	(25,021)	--
Collection of notes receivable	16,835	--
Purchases of intangible assets	--	(11,099)
Proceeds from sale of available-for-sale securities	7,163	--
Investments in other entities	(7,500)	(1,062)
Net cash used by investing activities	(49,412)	(87,078)
FINANCING ACTIVITIES:		
Net borrowings (repayments) under bank lines of credit	137,000	(32,000)
Principal payments on long-term debt	(748)	(563)
Minority interest investment in consolidated subsidiaries	--	233
Net proceeds from issuance of common stock	7,550	11,885
Net cash provided (used) by financing activities	143,802	(20,445)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,906)	(39,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	175,846	248,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 131,940	$ 209,540

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

QUALCOMM INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements have been prepared by QUALCOMM Incorporated (the "Company" or "QUALCOMM"), without audit, in accordance with the instructions to Form 10-Q and, therefore, do not necessarily include all information and footnotes necessary for a fair presentation of its financial position, results of operations and cash flows in accordance with generally accepted accounting principles. The condensed consolidated balance sheet at September 27, 1998 was derived from the audited consolidated balance sheet at that date which is not presented herein. The Company operates and reports using a period ending on the last Sunday of each month.

In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments (which include only normal, recurring adjustments) necessary for a fair presentation. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended

September 27, 1998. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue from communications systems and products is generally recognized at the time the units are shipped and over the period during which message and warranty services are provided, except for shipments under arrangements involving significant acceptance requirements. Under such arrangements, revenue is recognized when the Company has substantially met its performance obligations. Other criteria considered for the purpose of revenue recognition include the customer's financial condition, the amount and quality of financial support provided by the customer's investors, and the political and economic environment in which the customer operates. Revenue from long-term contracts and revenue earned under license and development agreements with continuing performance obligations is recognized using the percentage-of-completion method, based either on costs incurred to date compared with total estimated costs at completion or using a units of delivery methodology. Billings on uncompleted contracts in excess of incurred cost and accrued profits are classified as unearned revenue. Estimated contract losses are recognized when determined. Non-refundable license fees are recognized when there is no material continuing performance obligation under the agreement and collection is probable.

Royalty revenue is recorded as earned in accordance with the specific terms of each license agreement when reasonable estimates of such amounts can be made. Beginning with the second quarter of fiscal 1998, the Company began to accrue its estimate of certain royalty revenues earned that previously could not be reasonably estimated prior to being reported by its licensees.

Basic earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share reflect the potential dilutive effect, determined by the treasury stock method, of additional common shares that are issuable upon exercise of outstanding stock options and warrants, as follows (in thousands):

	THREE MONTHS ENDED	
	DECEMBER 27, 1998	DECEMBER 28, 1997
Options	3,497	4,939
Warrants	--	712
	3,497	5,651

Options outstanding during the three months ended December 27, 1998 and December 28, 1997, to purchase approximately 6,639,000 and 1,143,000 shares of common stock, respectively, were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common stock during the period and, therefore, the effect would be anti-dilutive. The conversion of the Trust Convertible Preferred Securities is not assumed for all periods presented since its effect would be anti-dilutive.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130 ("FAS 130"), "Reporting Comprehensive Income," which the Company has adopted in the first quarter of fiscal 1999. This statement requires the Company to report in the financial statements, in addition to net income, comprehensive income and its components including, as applicable, foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. The Company has not reported comprehensive income in any of the periods presented as items of other comprehensive income, primarily foreign currency items, were not material to the financial statements.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 ("FAS 131"), "Disclosures about Segments of an Enterprise and Related Information," which the Company will be required to adopt for fiscal year 1999. This statement establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Under FAS 131, operating segments are to

be determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company has not determined the impact of the adoption of this new accounting standard on its consolidated financial statement disclosures.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which the Company will be required to adopt for fiscal year 2000. This statement establishes a new model for accounting for derivatives and hedging activities. Under FAS 133, all derivatives must be recognized as assets and liabilities and measured at fair value. The Company has not determined the impact of the adoption of this new accounting standard on its consolidated financial position or results of operations.

NOTE 2 -- SPIN-OFF OF LEAP WIRELESS INTERNATIONAL, INC.

On September 23, 1998, the Company completed the spin-off and distribution (the "Distribution" or "Leap Wireless Spin-off") to its stockholders of shares of Leap Wireless International, Inc., a Delaware corporation ("Leap Wireless"). As part of the Distribution, effective immediately after the close of market trading on September 23, 1998, record holders of QUALCOMM common stock on September 11, 1998 received a dividend of one share of common stock of Leap Wireless for every four shares of common stock of QUALCOMM held by them as of that date. QUALCOMM's distribution of the shares was treated as a dividend and resulted in reducing the retained earnings balance to zero as of September 27, 1998.

In connection with the Distribution, the Company transferred to Leap Wireless its joint venture and equity interests in the following domestic and international emerging terrestrial-based wireless telecommunications operating companies: Pegaso Telecommunicaciones, S.A. de C.V. ("Pegaso") (Mexico), Metrosvyaz Limited (Russia), Orrengrove Investments Limited (Russia), Chilesat Telefonia Personal, S.A. ("Chilesat PCS") (Chile), Chase Telecommunications, Inc. (United States), OzPhone Pty. Ltd. (Australia), and certain other development stage businesses. QUALCOMM and Leap Wireless also agreed that, if certain events occur within 18 months after the

Distribution, QUALCOMM will transfer to Leap Wireless its equity interests and working capital loan related to Telesystems of Ukraine ("TOU"), a wireless telecommunications company in Ukraine.

On September 23, 1998, the Company recorded a $17.1 million liability in connection with its agreement to transfer its ownership interest in TOU and its working capital loan to TOU to Leap Wireless if certain events occur within 18 months of the Leap Wireless Spin-off. During the first quarter of fiscal 1999, the Company provided an additional $1.7 million working capital loan to TOU offset by 100% of the losses of TOU, net of eliminations, which was recorded because the other investors' equity interests are depleted. Accordingly, the liability to transfer TOU was increased to approximately $17.8 million at December 27, 1998 with a corresponding reduction to paid-in-capital.

NOTE 3 -- COMPOSITION OF CERTAIN BALANCE SHEET CAPTIONS

Accounts Receivable:

<TABLE>
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	DECEMBER 27, 1998	SEPTEMBER 27, 1998
Accounts receivable, net (in thousands):		
Trade, net of allowance for doubtful accounts of $22,221 and $21,933, respectively	$628,139	$459,324
Long-term contracts:		
Billed	139,323	101,868
Unbilled	84,995	49,784
Other	31	1,233
	$852,488	$612,209

</TABLE>

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

Finance Receivables:

<TABLE>
<CAPTION>

<S>	DECEMBER 27, 1998 <C>	SEPTEMBER 27, 1998 <C>
Finance receivables	$ 382,345	$ 348,907
Allowance for doubtful receivables	(8,527)	(4,955)
	373,818	343,952
Current maturities	66,461	56,201
Noncurrent finance receivables, net	$ 307,357	$ 287,751

</TABLE>

Finance receivables result from sales under arrangements in which the Company has agreed to provide customers with long-term interest bearing debt financing for the purchase of equipment and/or services. Such financing is generally collateralized by the related equipment.

In March 1998, the Company agreed to defer up to $100 million of contract payments, with interest accruing at 5-3/4% capitalized quarterly, as customer financing under its development contract with Globalstar L.P. ("Globalstar"). Financed amounts outstanding as of January 1, 2000, will be repaid in eight equal quarterly installments commencing as of that date, with final payment due October 1, 2001, accompanied by all then unpaid accrued interest. At December 27, 1998, contract payments of approximately $100 million were outstanding from Globalstar as interest bearing financed amounts.

At December 27, 1998, commitments to extend long-term financing for possible future sales to customers totaled approximately $364 million through fiscal 2004. Such commitments are subject to the customers meeting certain conditions established in the financing arrangements. Commitments represent the estimated amounts to be financed under these arrangements, however, actual financing may be in lesser or greater amounts.

Inventories:

<TABLE>
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<S>	DECEMBER 27, 1998 <C>	SEPTEMBER 27, 1998 <C>
Inventories (in thousands):		
Raw materials	$160,016	$180,957
Work-in-progress	78,461	81,479
Finished goods	96,595	124,100
	$335,072	$386,536

</TABLE>

NOTE 4 - INVESTMENTS IN OTHER ENTITIES

In November 1998, the Company and Microsoft Corporation entered into a joint venture agreement pursuant to which each company obtained a 50% ownership interest in a newly formed development stage entity, Wireless Knowledge LLC, a Delaware limited liability company. Wireless Knowledge intends to form strategic partnerships with computing, software and telecommunications companies, as well as with wireless carriers, for the purpose of enabling secure and airlink-independent internet access to mobile users. Pursuant to the joint venture agreement, QUALCOMM made a capital contribution of $7.5 million during the first quarter of fiscal 1999 and will be required to provide $17.5 million in equity contributions through June 2000.

During the first quarter of fiscal 1999, the Company recognized a gain of $5.7 million from the sale of available-for-sale securities.

NOTE 5 - INCOME TAXES

The Company's income tax provision for the three months ended December 27, 1998 reflects an adjustment for the retroactive reinstatement of the R&D tax credit. Excluding this adjustment, the Company currently estimates its annual effective income tax rate to be approximately 35% for fiscal 1999.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

LITIGATION

On September 23, 1996, Ericsson Inc. and Telefonaktiebolaget LM Ericsson ("Ericsson") filed suit against the Company in Marshall, Texas and on December 17, 1996, Ericsson also filed suit against the Company's subsidiary QUALCOMM

Personal Electronics ("QPE") in Dallas, Texas with both complaints alleging that the Company's or QPE's CDMA products infringe one or more patents owned by Ericsson. The suits were later amended to include a total of 11 Ericsson patents. By order dated July 24, 1998, the Dallas action was transferred to Marshall, Texas. In December 1996, QUALCOMM filed a countersuit alleging, among other things, unfair competition by Ericsson based on a pattern of conduct intended to impede the acceptance and commercial deployment of QUALCOMM's CDMA technology and is seeking a judicial declaration that certain of Ericsson's patents are not infringed by QUALCOMM and are invalid. That countersuit has been consolidated with the Marshall, Texas action. On September 10, 1996, OKI America, Inc. ("OKI") filed a complaint against Ericsson seeking a judicial declaration that certain of OKI's CDMA subscriber products do not infringe 9 patents of Ericsson and that such patents are invalid. The 9 patents are among the 11 patents at issue in the litigation between the Company and Ericsson. The OKI case has not yet been set for trial. On October 14, 1998, Ericsson filed a dismissal with prejudice of all of its claims under three of the patents at issue in the Marshall, Texas case. The Marshall case is set for trial on April 6, 1999. Although there can be no assurances that an unfavorable outcome of the Marshall case would not have a material adverse effect on the Company's results of operations, liquidity or financial position, the Company believes the named Ericsson patents are not required to produce IS-95 compliant systems and that Ericsson's claims are without merit, and will continue to vigorously defend against this action.

On March 5, 1997, the Company filed a complaint against Motorola, Inc. ("Motorola"). The complaint was filed in response to allegations by Motorola that the Company's recently announced Q phone infringes design and utility

patents held by Motorola as well as trade dress and common law rights relating to the appearance of certain Motorola wireless telephone products. The complaint denies such allegations and seeks a judicial declaration that the Company's products do not infringe any patents held by Motorola. On March 10, 1997, Motorola filed a complaint against the Company (the "Motorola Complaint"), alleging claims based primarily on the above-alleged infringement. The Company's motion to transfer the Motorola Complaint to the U.S. District Court for the Southern District of California was granted on April 3, 1997. On April 24, 1997, the court denied Motorola's motion for a preliminary injunction thereby permitting the Company to continue to manufacture, market and sell the Q phone. On April 25, 1997, Motorola appealed the denial of its motion for a preliminary injunction. On January 16, 1998 the U.S. Court of Appeals for the Federal Circuit denied Motorola's appeal and affirmed the decision of the U.S. District Court for the Southern District of California refusing Motorola's request to enjoin QUALCOMM from manufacturing and selling the Q phone. On June 4, 1997, Motorola filed another lawsuit alleging infringement by QUALCOMM of 4 patents. Three of the patents had already been alleged in previous litigation between the parties. On August 18, 1997, Motorola filed another complaint against the Company alleging infringement by the Company of 7 additional patents. All of the Motorola cases have been consolidated for pretrial proceedings. The cases have been set for a final pretrial conference on April 19, 1999. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on the Company's results of operations, liquidity or financial position, the Company believes Motorola's claims are without merit and will continue to vigorously defend the action.

On October 27, 1998, the Electronics and Telecommunications Research Institute of Korea ("ETRI") submitted to the International Chamber of Commerce a Request for Arbitration (the "Request") of a dispute with the Company arising out of a Joint Development Agreement dated April 30, 1992 ("JDA") between ETRI and the Company. In the Request, ETRI alleges that the Company has breached certain provisions of the JDA and seeks monetary damages and an accounting. The Company filed an answer and counterclaims denying the allegations, seeking a declaration establishing the termination of the JDA, and for monetary damages and injunctive relief against ETRI. In accordance with the JDA, the arbitration will take place in San Diego. No schedule for the arbitration proceedings has been established. Although the ultimate resolution of this dispute is subject to the uncertainties inherent in litigation or arbitration, the Company does not believe that the resolution of these claims will have a material adverse effect on the Company's results of operations, liquidity or financial position. The Company believes that ETRI's claims are without merit and will vigorously defend the action.

The Company is engaged in other legal actions arising in the ordinary course of its business and believes that the ultimate outcome of these actions will not have a material adverse effect on its results of operations, liquidity or financial position.

LETTERS OF CREDIT AND FINANCIAL GUARANTEES

The Company provided a $58 million letter of credit on behalf of Chilesat PCS in 1997, which required the Company to reimburse Chilesat PCS for a portion of Chilean government fines if certain network build-out milestones were not met. Chilesat PCS received notification from the Chilean Undersecretariat of

Telecommunications ("SUBTEL") that phases one and two of the network have passed certain acceptance tests performed by SUBTEL. As a result, the obligations under the Chilesat PCS letter of credit were released during the first quarter of fiscal 1999.

The Company has issued a letter of credit on behalf of its equity investee Globalstar, L.P. ("Globalstar") to support a guarantee of up to $22.5 million of borrowings under an existing bank financing agreement. The guarantee will expire in December 2000. The letter of credit is collateralized by a commensurate amount of the Company's investments in debt securities. As of December 27, 1998, Globalstar had no borrowings outstanding under the existing bank financing agreement.

In addition to the letter of credit on behalf of Globalstar, the Company has $51.7 million of letters of credit and $18.8 million of other financial guarantees outstanding, respectively, as of December 27, 1998, none of which are collateralized.

PERFORMANCE GUARANTEES

The Company and its subsidiary, QPE, have entered into contracts that provide for performance guarantees to protect customers against late delivery or failure to perform. These performance guarantees, and any future commitments for performance guarantees, are obligations entered into separately, and in some cases jointly, with partners to supply CDMA subscriber and infrastructure equipment. Certain of these obligations provide for substantial performance guarantees that accrue at a daily rate based on percentages of the contract value to the extent the equipment is not delivered by scheduled delivery dates or the systems fail to meet certain performance criteria by such dates. The Company is dependent in part on the performance of its suppliers and strategic partners in order to provide equipment, which is the subject of the guarantees. Thus, the ability to timely deliver such equipment may be outside of the Company's control. If the Company and QPE are unable to meet their performance obligations, the payment of the performance guarantees could amount to a significant portion of the contract value and would have a material adverse effect on product margins and the Company's results of operations, liquidity or financial position.

LEAP WIRELESS CREDIT FACILITY

The Company has a funding commitment to Leap Wireless in the form of a $265.0 million secured credit facility. The credit facility consists of two sub-facilities. The first sub-facility enables Leap Wireless to borrow up to $35.2 million from QUALCOMM, solely to meet the normal working capital and operating expenses of Leap Wireless, including salaries, overhead and credit facility fees, but excluding, among other things, strategic capital investments in wireless operators, substantial acquisitions of capital products, and/or the acquisition of telecommunications licenses. The other sub-facility enables Leap Wireless to borrow up to $229.8 million from QUALCOMM, solely to use as investment capital to make certain identified portfolio investments. Amounts borrowed under the credit facility will be due September 23, 2006. QUALCOMM will have a first priority security interest in, subject to minor exceptions, substantially all of the assets of Leap Wireless for so long as any amounts are outstanding under the credit facility. Amounts borrowed under the credit facility will bear interest at a variable rate equal to LIBOR plus 5.25% per annum. Interest will be payable quarterly beginning September 30, 2001; and prior to such time, accrued interest shall be added to the principal amount outstanding. At December 27, 1998, $21.1 million is outstanding under this facility.

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

This information should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended September 27, 1998 contained in the Company's 1998 Annual Report on Form 10-K.

Except for the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. QUALCOMM Incorporated's ("QUALCOMM" or the "Company") future results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not specifically limited to: the ability to develop and introduce cost effective new products in a timely manner, avoiding delays in the commercial implementation of the Code Division Multiple Access ("CDMA") technology; continued growth in the CDMA subscriber population and the scale-up and operations of CDMA systems;

developments in current or future litigation; the Company's ability to effectively manage growth and the intense competition in the wireless communications industry; risks associated with vendor financing; timing and receipt of license fees and royalties; the Company's ability to successfully manufacture and sell significant quantities of CDMA infrastructure equipment on a timely basis; failure to satisfy performance obligations; as well as the other risks detailed in this section, in the sections entitled Results of Operations and Liquidity and Capital Resources, and in the Company's 1998 Annual Report on Form 10-K.

OVERVIEW

QUALCOMM is a leading provider of digital wireless communications products, technologies and services. The Company generates revenues primarily from: license fees and royalties paid by licensees of the Company's CDMA technology; sales of CDMA subscriber, infrastructure and Application Specific Integrated Circuits ("ASICs") products to domestic and international wireless communications equipment suppliers and service providers; sales of OmniTRACS terminals and related software and services to OmniTRACS users; and contract development services, including the design and development of subscriber and ground communications equipment for Globalstar L.P. ("Globalstar"), a low-Earth-orbit satellite system utilizing CDMA technology (the "Globalstar System"). In addition, the Company generates revenues from the design, development, manufacture and sale of a variety of other communications products and services.

The Company generates revenue from its CDMA licensees in the form of up-front licenses as well as ongoing royalties based on worldwide sales by such licensees of CDMA subscriber and infrastructure equipment. License fees are generally nonrefundable and may be paid in one or more installments. Revenues generated from license fees and royalties are subject to quarterly and annual fluctuations. This is due to variations in the amount and timing of recognition of CDMA license fees, pricing and amount of sales by the Company's licensees and the Company's ability to estimate such sales, and the impact of currency fluctuations, and risks associated with royalties generated from international licensees.

The Company manufactures CDMA infrastructure products for sale to wireless network operators worldwide. The Company has entered into agreements regarding the manufacture and supply of CDMA infrastructure products with, among others, Hitachi, Hughes and Nortel. The Company manufactures its CDMA subscriber products primarily through QUALCOMM Personal Electronics ("QPE"), a joint venture between the Company and a subsidiary of Sony Electronics, Inc. The Company, through QPE, is one of the largest manufacturers of CDMA handsets. The Company has also generated substantial revenue from the design and sale of CDMA ASICs to its licensees for incorporation into their subscriber and infrastructure products.

The Company's infrastructure business continues to incur losses, and the recent financial crisis in developing markets has seriously impacted infrastructure product sales in fiscal 1999. The infrastructure business has been strategic to QUALCOMM in driving the acceptance of CDMA technology and the deployment of CDMA networks around the world, which in turn has resulted in royalties and phone and ASIC sales. The Company is reviewing several strategic alternatives including developing programs to reduce costs and lower the breakeven point for its

infrastructure business, as well as focusing business development activities on markets with a high potential for near-term results.

The Company generates revenues from its domestic OmniTRACS business by manufacturing and selling OmniTRACS terminals and related application software packages and by providing ongoing messaging and maintenance services to domestic OmniTRACS users. The Company generates revenues from its international OmniTRACS business through license fees, sales of network products and terminals, and service fees. International messaging services are provided by service providers that operate network management centers for a region under licenses granted by the Company.

The Company has entered into a number of development and manufacturing contracts involving the Globalstar System. The Company's development agreement provides for the design and development of the ground communications stations ("gateways") and user terminals of the Globalstar System. Under the agreement, the Company is reimbursed for its development services on a cost-plus basis. In addition, in April 1997 the Company was awarded a contract to manufacture and supply commercial gateways for deployment in the Globalstar System. In March 1998, the Company entered into an agreement with Globalstar to manufacture and supply portable and fixed CDMA handsets that will operate on the Globalstar System.

The manufacture of wireless communications products is complex and precise process involving specialized material, manufacturing and testing equipment and

processes. The majority of the Company's products are manufactured based upon a forecast of market demand, which the Company cannot assure that its market demand forecasts will be accurate or that it will be able to effectively meet customer demand in a timely manner. Factors that could materially and adversely affect the Company's ability to meet customer demand include defects or impurities in the components or materials used, delays in the delivery of such components or materials, equipment failures or other difficulties. The Company may experience component failures or defects which could require significant product recalls, reworks and/or repairs which are not covered by warranty reserves and which could consume a substantial portion of the Company's manufacturing capacity.

Revenues from customers outside of the U.S. accounted for approximately 34% of total revenues in fiscal 1998. Sales of subscriber, infrastructure and ASICs products, internationally, are subject to a number of risks, including delays in opening of foreign markets to new competitors, exchange controls, currency fluctuations, investment policies, repatriation of cash, nationalization, social and political risks, taxation and other factors, depending on the country in which such opportunity arises.

Wireless and satellite network operators, both domestic and international, increasingly have required their suppliers to arrange or provide long-term financing for them as a condition to obtaining or bidding on infrastructure projects. In providing such financing, the Company is exposed to risk from fluctuations in foreign currency and interest rates, which could impact the Company's results of operations and financial condition. QUALCOMM's financing on products and services is denominated in dollars and any significant change in the value of the dollar against the national currency where QUALCOMM is lending could result in the increase of costs to the debtors and could restrict the debtors from fulfilling their contractual obligations. Any devaluation in the local currency relative to the currencies in which such liabilities are payable could have a material adverse effect on the Company. In some developing countries, including Chile, Mexico, Brazil, Russia and Ukraine, significant currency devaluation relative to the U.S. dollar have occurred and may occur again in the future. In such circumstances, the Company may experience economic loss with respect to the collectability of its receivables and the recoverability of inventories as a result of exchange rate fluctuations.

The Russian and Ukraine economic and political environments recently have experienced severe volatility which could negatively impact the Company's prospects in those countries and have a material adverse effect on the Company's business, results of operations, liquidity and financial position. The Company currently has approximately $20 million in Russian/Ukrainian receivables and an additional $33 million in products and deployment services placed with carriers for which the Company has not yet recognized revenues. The Company cannot guarantee that these carriers will have sufficient resources to complete their planned projects. The failure of any of these emerging service carriers to obtain sufficient financing to meet their regulatory obligations could adversely affect the value of the Company's receivables and inventories residing with these customers.

The Company is currently negotiating the transfer of its equity ownership in Telesystems of Ukraine ("TOU") to Leap Wireless International ("Leap Wireless"). The viability of TOU is dependent upon the Company providing additional working capital loans or vendor financing to TOU, which is subject to the occurrence of specific management and ownership restructuring events under negotiation with TOU. The Company has a net asset exposure of $30 million. Industry participants and the International Telecommunications Union ("ITU"), an organization based in Geneva, Switzerland, are currently considering a variety of standards for third generation wireless networks which will fulfill the requirements of the ITU's IMT-2000 concept. The Company is advocating the standardization of a single, converged CDMA-based third generation standard that accommodates equally the two dominant network standards in use today. There can be no assurance that the Company will be successful in promoting the adoption of a single CDMA standard or that such a standard, if adopted, will be compatible with today's cdmaOne networks. The Company believes that its CDMA patent portfolio is applicable to other CDMA proposals for other third generation standards and has informed standards bodies and the ITU that it holds essential intellectual property rights for third generation proposals submitted for IMT-2000 based on CDMA. Further, the Company intends to vigorously enforce and protect its intellectual property position against any infringement. However, there can be no assurance that the Company's CDMA patents will be determined to be applicable to any proposed standard or that the Company will be able to redesign its products on a cost-effective and timely basis to incorporate next generation wireless technology. The adoption of next generation standards which are incompatible with cdmaOne or which are determined not to rely on the Company's intellectual property could have a material adverse effect on the Company's business, results of operations, liquidity and financial position.

The Company has indicated its willingness to license its intellectual property rights on fair, reasonable and non-discriminatory terms for standards meeting a set of technical criteria based on three fairness principles which

support convergence of all proposed third generation CDMA technologies. The fairness principles are: (1) a single, converged worldwide CDMA standard should be selected as the third generation standard; (2) the converged CDMA standard must accommodate equally the two dominant network standards in use today; and (3) disputes on specific technological points should be resolved by selecting the proposal that either is demonstrably superior in terms of performance, features, or cost, or in the case of alternatives with no demonstrable material difference, the choice that is most compatible with existing technology.

A review of the Company's current litigation is disclosed in the Notes to Condensed Consolidated Financial Statements (see Notes to Condensed Consolidated Financial Statements -- Note 6 Commitments and Contingencies). The Company is also engaged in other legal actions arising in the ordinary course of its business and believes that the ultimate outcome of these actions will not have a material adverse effect on its results of operations, liquidity or financial position.

RECENT DEVELOPMENTS

During the commercial start-up of its system in Chile with Chilesat Telefonia Personal, S.A. ("Chilesat PCS"), the Company's equipment experienced certain problems relating to the performance of the system. As a result, Chilesat PCS has claimed that the Company is in breach of contract. The Company has tested and delivered a processor upgrade which the Company believes resolves the claim. Although there can be no assurance that the Company's processor upgrade will resolve the claim until the system is at specified capacity, the Company does not believe that the resolution of this claim will have a material adverse effect on the Company.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentages of total revenues represented by certain consolidated statements of operations data:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	DECEMBER 27, 1998	DECEMBER 28, 1997
<S>	<C>	<C>
Revenues:		
Communications systems	87%	86%
Contract services	8	8
License, royalty and development fees ..	5	6
Total revenues	100%	100%
Operating expenses:		
Communications systems	62%	65%
Contract services	6	6
Research and development	11	9
Selling and marketing	7	7
General and administrative	5	5
Other	--	1
Total operating expenses	92%	93%
Operating income	8	7
Interest income, net	--	1
Net gain on sale of investments	1	--
Distributions on trust convertible preferred securities of subsidiary trust	(1)	(1)
Minority interest in (income) loss of consolidated subsidiaries	--	--
Equity in losses of investees	--	--
Income before income taxes	8	7
Income tax expense	3	2
Net income	5%	5%
Communications systems costs as a percentage of communications systems revenues	72%	75%
Contract services costs as a percentage of contract services revenues	72%	72%

</TABLE>

Note: The operating expense percentages for the three months ended December 27, 1998 do not sum due to rounding.

FIRST QUARTER OF FISCAL 1999 COMPARED TO FIRST QUARTER OF FISCAL 1998

Total revenues for the first quarter of fiscal 1999 were $941 million, an increase of $155 million or 20% compared to total revenues of $786 million for the first quarter of fiscal 1998. Revenue growth was primarily due to the significant growth in revenues related to communications systems.

Communications systems revenues, which consisted primarily of sales of CDMA subscriber, infrastructure and ASICs products, the sale of OmniTRACS products and services, and sales of commercial gateways for deployment in the Globalstar System, were $817 million in the first quarter of fiscal 1999, an increase of $140 million or 21% compared to $677 million for the same period in fiscal 1998. The increase represents the higher volume of sales of CDMA subscriber and ASICs products, increased revenues from the expansion of the installed OmniTRACS base in the U.S., and sales of commercial gateways for deployment in the Globalstar System. Revenue from the sale of Globalstar gateways will decline on a sequential quarter basis in the second quarter, which will adversely affect revenues.

Contract services revenues for the first quarter of fiscal 1999 were $80 million, a 25% increase compared to $64 million for the same period in fiscal 1998. The dollar increase resulted primarily from revenues from the development agreement with Globalstar.

License, royalty and development fees for the first quarter of fiscal 1999 were $44 million, consistent with revenues of $45 million for the same period in fiscal 1998. In the first quarter of 1999, shipments of CDMA equipment by licensees increased, resulting in increased royalty payments to the Company. This increase was offset by a decline in up-front license payments. Beginning with the second quarter of fiscal 1998, the Company began to accrue its estimate of certain royalty revenues earned that previously could not be reasonably estimated prior to being reported by its licensees. License, royalty and development fees may continue to fluctuate quarterly due to the timing and amount of up-front fees on new licenses, royalties from sales by the Company's licensees and changes in foreign currency exchange rates.

Costs of communications systems were $585 million or 72% of communications systems revenues for the first quarter of fiscal 1999 compared to $507 million or 75% of communications systems revenues for the first quarter of fiscal 1998. The dollar increase in costs resulted primarily from the costs associated with sales of commercial gateways in the first quarter of fiscal 1999. There were no commercial gateway sales in the first quarter of 1998. The decrease in communications systems costs as a percentage of communications systems revenues primarily reflects operational efficiencies, design improvements, and volume discounts obtained from suppliers. Communications systems costs as a percentage of communications systems revenues may fluctuate in future quarters depending on mix of products sold, competitive pricing and other factors.

Contract services costs for the first quarter of fiscal 1999 were $57 million or 72% of contract services revenues, compared to $46 million or 72% of contract services revenues for the first quarter of fiscal 1998. The dollar increase in contract services costs was primarily related to increased sales under the Globalstar development contract.

Research and development expenses were $100 million or 11% of revenues for the first quarter of fiscal 1999, compared to $75 million or 9% of revenues for the same period in fiscal 1998. The dollar increase resulted from increased investments in the development of CDMA related infrastructure, ASICs and subscriber products.

Selling and marketing expenses were $70 million or 7% of revenues for the first quarter of fiscal 1999, compared to $56 million or 7% of revenues for the same period in fiscal 1998. The dollar increase of selling and marketing expense was due primarily to growth in personnel associated with increased national and international marketing activities and increased marketing costs in connection with sales of CDMA subscriber and ASICs products.

General and administrative expenses for the first quarter of fiscal 1999 were $51 million or 5% of revenues, compared to $36 million or 5% of revenues for the first quarter of fiscal 1998. The dollar increase was attributable to growth in personnel and associated overhead expenses necessary to support the overall growth in the Company's operations and increased patent and information technology expenses.

During November 1997, the Company acquired, for $10 million, substantially all of the assets of Now Software, Inc. In connection with this asset purchase, acquired in-process research and development of $7 million, representing the fair value of software products still in the development stage that had not yet reached technological feasibility, was expensed at the acquisition date. This

expense was included in other operating expenses. Also during the first quarter of fiscal 1998, the Company recorded a $5 million non-cash charge to operations relating to the impairment of leased manufacturing equipment that is no longer used in the manufacturing process. The $5 million charge represented the estimated total cost of related lease obligations, net of estimated recoveries.

Interest income was $6 million for the first quarter of fiscal 1999, compared to $12 million for the same period in fiscal 1998. In 1998, the Company had higher cash balances as a result of completing the private placement of $660 million of 5 3/4% Trust Convertible Preferred Securities. Furthermore, the Company is recognizing interest income on finance receivables which has increased over the same period in fiscal 1998.

Interest expense was $3 million for the first quarter of fiscal 1999, consistent with $3 million for the same period in fiscal 1998.

During the first quarter of fiscal 1999, the Company recognized a gain of $6 million on the sale of available-for-sale securities, as compared to a net gain of $3 million during the same period in fiscal 1998, from the sale of, and other investing activities related to, investments in other entities.

Distributions on Trust Convertible Preferred Securities of $10 million for the first quarter of fiscal 1999 and 1998 relate to the $660 million of 5-3/4% Trust Convertible Preferred Securities issued by the Company in March 1997.

The minority interest represents other parties' or stockholders' share of the income or losses of consolidated subsidiaries, including QPE, a joint venture with a subsidiary of Sony.

Income tax expense was $23 million for the first quarter of fiscal 1999, compared to $20 million for the same period in fiscal 1998, resulting primarily from higher pre-tax earnings in 1999. The income tax expense for the first quarter of fiscal 1999 reflects the benefit for the reinstatement of the R&D tax credit retroactive to July 1, 1998. The annual effective tax rate in 1999 is currently estimated to be 35%, compared to 30% for fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that the cash and cash equivalents and investments balances of $237 million at December 27, 1998, including interest earned thereon, will be used to fund working and fixed capital requirements, including facilities related to the expansion of its operations, financing for customers of its CDMA infrastructure products and investment in joint ventures or other companies and other assets to support the growth of its business. The Company contemplates raising additional funds from a combination of sources including potential debt and equity issuances. The Company may also seek to expand its bank credit lines. There can be no assurance that additional financing will be available on acceptable terms or at all. In addition, the Company's Credit Facility, as well as notes and indentures, place restrictions on the Company's ability to incur additional indebtedness which could adversely affect its ability to raise additional capital through debt financing.

On March 11, 1998, the Company and a group of banks entered into a credit facility (the "Credit Facility") under which the banks are committed to make up to $400 million in revolving loans to the Company and to extend letters of credit on behalf of the Company. The Credit Facility expires in March 2001 and may be extended on an annual basis thereafter, subject to approval of a requisite percentage of the lenders. Letters of credit outstanding reduce the amount available for borrowing. The Company is currently obligated to pay commitment fees equal to 0.3% per annum on the unused amount of the Credit Facility. The Credit Facility includes certain restrictive financial and operating covenants. At December 27, 1998, $170 million in borrowings and $7.7 million letters of credit were outstanding under the Credit Facility.

In the first quarter of fiscal 1999, $138 million in cash was used by operating activities, compared to $68 million provided by operating activities in the first quarter of fiscal 1998. Cash used by operating activities in the first quarter of fiscal 1999 and 1998 includes $230 million and $11 million, respectively, of net working capital requirements offset by $92 million and $79 million, respectively, of net cash flow provided by operations. Net working capital requirements of $230 million during the first quarter of fiscal 1999 primarily reflect increases in accounts receivable and finance receivables which were offset by an increase in accounts payable and accrued liabilities and a decrease in inventories. The increase in accounts receivable and finance receivables in the first quarter of fiscal 1999 primarily reflects the continued growth in products and component sales. The increase in accounts payable and accrued liabilities are primarily attributable to the growth of the business. The reduction in total inventory is primarily the result of inventory management programs.

The Company has entered into strategic alliance agreements to support the design and manufacture of CDMA infrastructure products. In one of these

agreements, in which QUALCOMM participates on a percentage basis with the prime contractor, outstanding finance receivables of $26 million from the prime contractor are being withheld subject to the end-customer's complete acceptance of the total system. There is currently a dispute between the prime contractor and the end-customer as to the contract language of the acceptance criteria. The Company believes

it has met its obligations and is entitled to payment under the contract. The Company is exposed to the extent the prime contractor is not successful in obtaining the customer's acceptance or negotiates a reduced payment.

Investments in capital expenditures, intangible assets and other entities totaled $70 million in the first quarter of fiscal 1999, compared to $92 million in the same period of fiscal 1998. Significant components in the first quarter of fiscal 1999 consisted of the purchase of $63 million of capital assets, and the investment of $8 million in a newly formed development stage entity. The Company expects to continue making significant investments in capital assets, including new facilities and building improvements throughout fiscal 1999.

In the first quarter of fiscal 1999, the Company's financing activities provided $144 million. The Company and QPE borrowed net amounts of $90 million and $47 million, respectively, on their outstanding credit facilities, and the Company realized $8 million in proceeds from the issuance of common stock under the Company's stock option and employee stock purchase plans. In the first quarter of fiscal 1998, the Company's financing activities used net cash of $20 million. The first quarter of fiscal 1998 included $12 million from the issuance of common stock under the Company's stock option and employee stock purchase plans, offset by $32 million in net repayments on long-term debt.

During March 1998, the Company agreed to defer up to $100 million of contract payments, with interest accruing at 5-3/4% capitalized quarterly, as customer financing under its development contract with Globalstar. Financed amounts outstanding as of January 1, 2000, will be repaid in eight equal quarterly installments commencing as of that date, with final payment due October 1, 2001, accompanied by all then unpaid accrued interest. At December 27, 1998, contract payments of approximately $100 million were outstanding from Globalstar as interest bearing financed amounts and are included in finance receivables.

At December 27, 1998, commitments to extend long-term financing for possible future sales to customers totaled approximately $364 million through fiscal 2004. Such commitments are subject to the customers meeting certain conditions established in the financing arrangements. Commitments represent the estimated amounts to be financed under these arrangements. Actual financing may be in lesser or greater amounts.

The Company is considering providing a guarantee of a working capital bank loan of $100 million to its customer, Pegaso Telecommunications, S.A. de C.V., to facilitate its network launch and purchase of equipment from the Company.

The Company has issued a letter of credit to support a guarantee of up to $22.5 million of Globalstar borrowings under an existing bank financing agreement. The guarantee will expire in December 2000. The letter of credit is collateralized by a commensurate amount of the Company's investments in debt securities. As of December 27, 1998, Globalstar had no borrowings outstanding under the existing bank financing agreement.

As part of the Company's strategy of supporting the commercialization and sale of its CDMA technology and products, the Company may from time to time enter into strategic alliances with domestic and international emerging wireless telecommunications operating companies. These alliances often involve the investment by QUALCOMM of substantial equity in the operating company, as well as a commitment by the operating company to purchase CDMA equipment from QUALCOMM. At December 27, 1998, the Company has investments in Shinsegi Telecomm, Inc. (Korea) and Telesystems of Ukraine. At December 27, 1998, there were no unfunded equity commitments related to these investments.

In November 1998, the Company and Microsoft Corporation entered into a joint venture agreement pursuant to which each company obtained a 50% ownership interest in a newly formed development stage entity, Wireless Knowledge LLC, a Delaware limited liability company. Wireless Knowledge intends to form strategic partnerships with computing, software and telecommunications companies, as well as with wireless carriers, for the purpose of enabling secure and airlink-independent internet access to mobile users. Pursuant to the joint venture agreement, QUALCOMM made a capital contribution of $7.5 million during the first quarter of fiscal 1999 and will be required to provide $17.5 million in equity contributions through June 2000.

A consortium comprised of Bell Canada International Inc. (34.4%), QUALCOMM Incorporated (16.2%), SLI Wireless S.A. (12.5%), Taquari Participaoes S.A.

(2.5%) and WLL International (34.4%) announced on January 15, 1999 that it has won an operating license ("Mirror License") to provide fixed telephone services in the northeast region of Brazil. QUALCOMM will invest approximately $6 million over the next two years related to its 16.2% share of the license fee. In addition, the Company expects to make equity contributions over the next three years in amounts approximating $45 million.

QUALCOMM has a substantial funding commitment to Leap Wireless in the form of a $265.0 million secured credit facility. The credit facility consists of two sub-facilities. The first sub-facility enables Leap Wireless to borrow up to $35.2 million from QUALCOMM, solely to meet the normal working capital and operating expenses of Leap Wireless, including salaries, overhead and credit facility fees, but excluding, among other things, strategic capital investments in wireless operators, substantial acquisitions of capital products, and/or the acquisition of telecommunications licenses. The other sub-facility enables Leap Wireless to borrow up to $229.8 million from QUALCOMM, solely to use as investment capital to make certain identified portfolio investments. Amounts borrowed under the credit facility will be due on September 23, 2006. QUALCOMM will have a first priority security interest in, subject to minor exceptions, substantially all of the assets of Leap Wireless for so long as any amounts are outstanding under the credit facility. Amounts borrowed under the credit facility will bear interest at a variable rate equal to LIBOR plus 5.25% per annum. Interest will be payable quarterly beginning September 30, 2001; and prior to such time, accrued interest shall be added to the principal amount outstanding. At December 27, 1998, $21.1 million was outstanding under this facility.

YEAR 2000 READINESS

The Year 2000 ("Y2K") issue relates to the way computer systems and programs define calendar dates. A system could fail or make miscalculations due to the interpretation of a date including "00" to mean 1900 and not 2000. Also, other systems and products that are not typically recognized as computer or information technology related may contain embedded hardware or software that would be affected by this issue.

The Company has developed a plan tied to specific completion dates. As of December 27, 1998, the Company's Y2K Project ("Project"), designed to minimize the impact of such computer problems on the results of operations, is proceeding on schedule. However, the Company is unable to completely determine at this time whether the consequences of Y2K failures will have a material impact on the Company's results of operations, liquidity or financial condition. The failure to correct a material Y2K problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. This is due to the general uncertainty inherent in the Y2K problems, resulting in part from the uncertainty of the Y2K readiness of third-party suppliers, customers and utility services.

During fiscal 1997, the Company initiated a strategy to begin work on the correction of Y2K problems. As part of this strategy, a Y2K Program Office was formed consisting of a Program director, key individuals in the business units, analysts and administrative support. The Program Office is directly focusing attention and required resources on the Company's Y2K issues. The Company has also engaged an outside consulting firm to assist with project management, conversion and testing of Y2K issues. All Y2K efforts are being coordinated through the Program Office to ensure consistency of approach and the ultimate readiness of QUALCOMM. This strategy is expected to reduce the Company's level of uncertainty about the Y2K problem and in particular, about the Y2K compliance and readiness of the Company's material customers and suppliers. The Company believes that with the completion of the Project as scheduled, the possibility of significant interruptions of normal operations will be reduced.

The Y2K Company's Program Office is addressing the issues under four major sections: Internal Readiness, Supply Chain Assessment, Product Compliance and Customer Compliance. Each section is evaluated through four phases: Discovery, Assessment, Remediation and Post-Remediation. Discovery is the process of inventorying potential Y2K issues throughout the Company's business process. Assessment is the process of categorizing issues that were identified in the Discovery phase into "ready," "not ready" or "needs more study." Remediation is the process of fixing and testing those items that must be ready for the Y2K. Post-Remediation is the process of addressing Y2K issues that were not previously or not adequately corrected.

Internal Readiness includes the computing and communications infrastructure, the tools and systems used to develop products and run the business, and internal service organizations. As of December 27, 1998, the Company has identified the majority of the systems and non-computer related items that require remediation or replacement and these remediation efforts have begun. Those items considered most critical to continuing operations are given the highest priority, and all testing is scheduled to be complete by June 1999. The Company has completed a dedicated Y2K compliance testing lab for testing the

Company's computing and communications infrastructure as well as the Company's business tools. Non-compliant systems are scheduled to be retired, replaced, or repaired by September 1999. At this time, no problems have been identified that will not be corrected by year-end 1999.

Supply Chain Assessment involves evaluating the Y2K readiness of QUALCOMM's suppliers and their ability to continue delivering materials and services after 1999. The Company has initiated formal communications with significant suppliers to determine the Company's vulnerability to suppliers' Y2K issues. The Company has requested that third party vendors represent their products and services to be Y2K compliant and that they have a program to test for that compliance. As of December 27, 1998, compliance information has been received from all critical suppliers. On-site visits of key suppliers for the purpose of verifying Y2K compliance status are planned to be conducted during the first calendar quarter of 1999. The Company expects to identify all critical suppliers state-of-readiness for Y2K compliance by March 30, 1999. At this date, if the Company determines a critical supplier will not be Y2K compliant by June 1999, the Company will continue to work with the supplier to assist them in achieving compliance, while in parallel initiating a search for alternate solutions to avoid supply chain interruptions. At this time, no critical suppliers have been identified as non-compliant.

Product Compliance includes the review of QUALCOMM's products for Y2K compliance. The Company's program office has been working with individual business unit managers to review all QUALCOMM products for Y2K compliance. The Company believes that the majority of its products are compliant with further formal verification being initiated where required. All testing for Y2K product compliance is scheduled for completion by June 1999. The Company estimates all products will be Y2K compliant by September 1999 or an upgrade or migration path will be available for legacy products. The Company is scheduled to issue a definitive statement of Y2K readiness for its products before July 1999.

Customer Compliance reviews QUALCOMM's major customers for Y2K compliance. The Program Office has organized a review targeted to cover a significant portion of the Company's customers. Customer lists have been identified and survey work has begun. The Company does not currently have sufficient information concerning the Y2K compliance status of the Company's major customers. The Company is continuing to request information from customers to understand their state of readiness for Y2K compliance. The Company has scheduled this process to be complete by June 1999.

While the Company expects these efforts will provide reasonable assurance that material disruptions will not occur due to internal failure, the potential for interruption still exists. The need for a contingency plan is recognized and plans will be developed to deal with such issues as "at risk" suppliers and interruption of utility and other services. The response of certain third parties is beyond the control of the Company. If the Company does not receive adequate Y2K compliant responses from its suppliers or customers prior to April 1999, contingency plans will be developed and scheduled for no later than April 1999. Contingency plans may include increasing inventory levels, securing alternate sources of supply, adjusting alternate shutdown and start-up schedules and other appropriate measures. At this time, the Company cannot estimate the additional cost, if any, that might develop from the implementation of such contingency plans.

The Company believes its critical systems will be Y2K compliant by June 1999. However, there is no guarantee that these results will be achieved. Specific factors giving to this uncertainty include failure to identify all susceptible systems, non-compliance by third parties whose systems and operations impact the Company and other similar uncertainties. A worst case scenario might include one or more of the Company's internal systems, suppliers or customers being non-compliant. An event such as this could result in a material disruption to the Company's operations. Specifically, the Company could experience software application, computer network, manufacturing products and telephone system failures. Supply chain and product non-compliance could result in the failure of the Company to perform on contracts, delayed delivery of products to customers and inadequate customer service.

Customer non-compliance could result in delayed payments for products and services and build up of inventories. Should a worst case scenario occur, it could, depending on its duration, have a material adverse effect on the Company's business, results of operations, liquidity and financial position.

To become Y2K compliant, the Company's total cost associated with required modifications is not expected to be material to the Company's financial position. To date the Company has spent an estimated $7 million on this Project. Total budgeted cost at this time is estimated at $28 million of which $20 million represents the cost of staff and consultants to perform the Project and $8 million is the cost of software tools for discovery and testing as well as expenditures to replace older equipment that cannot be made Y2K compliant. The sources of funding for this Project are from fiscal operating and working capital budgets. None of the Company's other mission critical information

projects have been delayed due to the implementation of the Y2K Project.

FUTURE ACCOUNTING REQUIREMENTS

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 ("FAS 131"), "Disclosures about Segments of an Enterprise and Related Information," which the Company will be required to adopt for fiscal year 1999. This statement establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Under FAS 131, operating segments are to be determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company has not determined the impact of the adoption of this new accounting standard on its consolidated financial statement disclosures.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which the Company will be required to adopt for fiscal year 2000. This statement establishes a new model for accounting for derivatives and hedging activities. Under FAS 133, all derivatives must be recognized as assets and liabilities and measured at fair value. The Company has not determined the impact of the adoption of this new accounting standard on its consolidated financial position or results of operations.

MARKET RISK

A complete discussion and analysis of the Company's market risks is described in the Company's 1998 Annual Report on Form 10-K. Such risks include unfavorable movements in interest rates, equity prices, and foreign currency exchange rates. At December 27, 1998, there have been no material changes to the market risks described at September 27, 1998. Additionally, the Company does not anticipate any near-term changes in the nature of its market risk exposures or in management's objectives and strategies with respect to managing such exposures.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 6 of Notes to Condensed Consolidated Financial Statements.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
- 10.1 - Employment Agreement
- 27.0 - Financial Data Schedule

(b) Reports on Form 8-K
No reports on Form 8-K have been filed during the quarter for which this report is filed.

EXHIBIT 10.1

May 15, 1997

John E. Major
49 Brinker Road
Barrington Hills, IL 60010

Dear John:

We are pleased to offer you a position to join QUALCOMM as an Executive Vice President, QUALCOMM Incorporated and President Infrastructure Products Division reporting to Irwin Jacobs, Chairman and Chief Executive Officer. The terms of the offer are as follows:

1. A starting salary at an annual rate equal to Three Hundred Fifty Thousand Dollars ($350,000).

2. A minimum guaranteed bonus for fiscal year 1997 equal to Fifty Thousand Dollars ($50,000) payable in conjunction with our normal distribution of bonuses to officers in December 1997.

3. A minimum guaranteed bonus for fiscal year 1998 equal to Two Hundred Thousand Dollars ($200,000) payable in conjunction with our normal distribution of bonuses to officers in December 1998.

4. A hiring bonus equal to Four Hundred Fifty Thousand Dollars ($450,000). This amount will be paid in three installments as listed below.

First Year	Two Hundred Thousand Dollars ($200,000)
Second Year	One Hundred Twenty-five Thousand Dollars ($125,000)
Third Year	One Hundred Twenty-five Thousand Dollars ($125,000)

The first payment will be made within ten (10) days of your date of hire and the subsequent two payments will be made on the second and third anniversaries of your date of hire.

5. An opportunity to acquire One Hundred Seventy Five Thousand (175,000) shares of QUALCOMM stock through our Stock Option Plan. The price of the stock options will be set at the average of the highest and lowest price at which the common stock was sold on the Thursday of the week you join the company. These options become fully vested after five years, have a 10 year life and are subject to all terms and provisions of the Plan. This grant is subject to approval by QUALCOMM's Compensation Committee of the Board of Directors.

6. A contribution of Twenty Thousand (20,000) shares of stock will be reserved in your QUALCOMM Executive Retirement Account. After ten (10) years of employment with QUALCOMM, an additional contribution will be made to this account based on the following table:

MARKET PRICE OF SHARES	ADDITIONAL CONTRIBUTION
less than $100	40,000
less than $150	15,000
less than $200	5,000
greater than $200	zero.

7. At your discretion, prior to but not after your date of hire, you may elect to forego the Twenty Thousand (20,000) share contribution to your Executive Retirement Plan and the other contributions referenced in item (6) above in exchange for an additional One Hundred Twenty Five Thousand (125,000) stock options. These additional options would be added to the One Hundred Seventy Five Thousand (175,000) described in item 5 above bringing your total option grant to Three Hundred Thousand (300,000).

8. A comprehensive benefits package for you and your dependents paid by QUALCOMM. In addition to the standard package, you also will be provided a supplemental health plan, which reimburses expenses not covered by our primary medical and dental plan.

9. Eligibility to participate in the Executive Retirement Plan enabling you to defer up to 100% of base salary and bonus on an annual basis. Participants receive a 50% match in the form company stock on up to 15% of base salary and bonus deferred, less the 401(k) contribution limit allowed by the Plan. Deferred income is invested in your choice of seven

(7) mutual funds.

10. A special supplemental executive disability insurance policy will provide approximately 80% of your base salary for life in the event a permanent disability prevents you from continuing employment.

11. A supplemental executive life insurance policy in the amount of Five Hundred Thousand Dollars ($500,000) will be provided in addition to the standard three times your base salary coverage.

12. QUALCOMM will facilitate the relocation of you and your family from Barrington Hills to San Diego as follows:

12.1 Temporary living arrangements in San Diego while you are relocating from Barrington Hills to San Diego will be provided. These arrangements will include a furnished rental apartment for six (6) months.

12.2 A relocation bonus in an amount equal to eight percent (8%) of the sales price of your home in Barrington Hills. One half of this amount will be paid upon close of escrow of the sale of your current home and the other half will be paid upon close of escrow on the purchase of a home in San Diego.

12.3 A resettlement allowance equal to Ten Thousand Dollars ($10,000) for incidental relocation expenses.

12.4 Movement of your household goods including the transportation of your automobiles.

12.5 A tax equalization payment for all relocation expenses subject to local, state or federal taxes.

13. A special termination agreement effective for 36 consecutive months following your date of hire will be provided. Payment will be made upon involuntary termination of your employment for reason other than gross misconduct or gross neglect of duty. The prorated payment will be as follows:

$700,000 if termination occurs within 12 months of date of hire
$350,000 if termination occurs within 24 months of date of hire
$175,000 if termination occurs within 36 months of date of hire

In consideration of your employment, you acknowledge and agree that your employment may be terminated, with or without cause, and with or without advance notice, at any time at the option of either the Company or yourself. You understand that no supervisor or representative of the Company other than the Office of the Chairman has any authority to enter into any agreement for employment for any specified period of time, or to make any agreement contrary to the foregoing.

As required by the Immigration Reform and Control Act of 1986, this employment offer is contingent upon your ability to provide proof of your identity and legal right to work in the United States.

John, we are convinced you will make an excellent addition to QUALCOMM's executive management team. Everyone who has met you has confidence that your experience and talents will contribute in many significant ways to our future successes. We also look forward to your family making a new home in San Diego and joining the larger family of QUALCOMM.

Assuming a positive response, please return a signed copy of this letter and review the Employee Agreement which you will be requested to sign at the time you join QUALCOMM.

Given the time sensitive nature of several terms in this offer and the importance of organization planning relative to your key position at QUALCOMM, this offer will expire unless accepted in writing by May 16, 1997, and unless your employment start date is before June 9, 1997.

Congratulations and welcome to the QUALCOMM team!

Sincerely,

/s/ DANIEL L. SULLIVAN

Daniel L. Sullivan, Ph.D
Senior Vice President, Human Resources
QUALCOMM Incorporated

Offer accepted: /s/ JOHN MAJOR

Proposed start date: 5/14/97

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE FISCAL QUARTER ENDED DECEMBER 27, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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