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 June 28, 2020

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	**95-3685934**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
5775 Morehouse Dr., San Diego, California	**92121-1714**
(Address of Principal Executive Offices)	**(Zip Code)**

(858) 587-1121
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	QCOM	Nasdaq Stock Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth 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 ☒

The number of shares outstanding of the registrant’s common stock was 1,128,265,865 at July 27, 2020.

QUALCOMM Incorporated
Form 10-Q
For the Quarter Ended June 28, 2020

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

QUALCOMM Incorporated
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value amounts)
(Unaudited)

	June 28, 2020	September 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,120	$ 11,839
Marketable securities	4,480	421
Accounts receivable, net	1,847	2,471
Inventories	2,343	1,400
Other current assets	768	634
Total current assets	15,558	16,765
Deferred tax assets	1,345	1,196
Property, plant and equipment, net	3,487	3,081
Goodwill	6,299	6,282
Other intangible assets, net	1,749	2,172
Other assets	3,890	3,461
Total assets	$ 32,328	$ 32,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 2,046	$ 1,368
Payroll and other benefits related liabilities	1,020	1,048
Unearned revenues	550	565
Short-term debt	500	2,496
Other current liabilities	3,798	3,458
Total current liabilities	7,914	8,935
Unearned revenues	864	1,160
Income taxes payable	1,872	2,088
Long-term debt	15,425	13,437
Other liabilities	2,947	2,428
Total liabilities	29,022	28,048
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; 1,128 and 1,145 shares issued and outstanding, respectively	113	343
Retained earnings	3,081	4,466
Accumulated other comprehensive income	112	100
Total stockholders' equity	3,306	4,909
Total liabilities and stockholders' equity	$ 32,328	$ 32,957

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	June 28, 2020	**June 30, 2019**	**June 28, 2020**	**June 30, 2019**
Revenues:				
Equipment and services	$ 3,794	$ 3,531	$ 11,376	$ 11,037
Licensing	1,099	6,104	3,809	8,422
Total revenues	4,893	9,635	15,185	19,459
Costs and expenses:				
Cost of revenues	2,080	2,114	6,489	6,481
Research and development	1,520	1,380	4,393	3,957
Selling, general and administrative	511	547	1,523	1,646
Other	—	277	(23)	408
Total costs and expenses	4,111	4,318	12,382	12,492
Operating income	782	5,317	2,803	6,967
Interest expense	(143)	(160)	(436)	(477)
Investment and other income, net	229	344	46	377
Income before income taxes	868	5,501	2,413	6,867
Income tax expense	(23)	(3,352)	(175)	(2,987)
Net income	$ 845	$ 2,149	$ 2,238	$ 3,880
Basic earnings per share	$ 0.75	$ 1.77	$ 1.97	$ 3.20
Diluted earnings per share	$ 0.74	$ 1.75	$ 1.95	$ 3.17
Shares used in per share calculations:				
Basic	1,127	1,217	1,137	1,214
Diluted	1,139	1,231	1,150	1,224

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	June 28, 2020	**June 30, 2019**	**June 28, 2020**	**June 30, 2019**
Net income	$ 845	$ 2,149	$ 2,238	$ 3,880
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation gains (losses)	8	14	(5)	(27)
Net unrealized gains (losses) on available-for-sale securities	22	—	17	(6)
Net unrealized gains on derivative instruments	30	6	2	23
Other gains (losses)	—	4	7	(5)
Certain reclassifications included in net income	(3)	(2)	(9)	(4)
Total other comprehensive income (loss)	57	22	12	(19)
Comprehensive income	$ 902	$ 2,171	$ 2,250	$ 3,861

See accompanying notes.

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

	Nine Months Ended	
	June 28, 2020	**June 30, 2019**
Operating Activities:		
Net income	$ 2,238	$ 3,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	1,054	1,051
Income tax provision (less than) in excess of income tax payments	(459)	2,206
Non-cash portion of share-based compensation expense	899	698
Net gains on marketable securities and other investments	(269)	(340)
Indefinite and long-lived asset impairment charges	—	203
Impairment losses on other investments	349	111
Other items, net	(108)	(207)
Changes in assets and liabilities:		
Accounts receivable, net	622	1,451
Inventories	(938)	(95)
Other assets	(139)	15
Trade accounts payable	745	(267)
Payroll, benefits and other liabilities	277	(2,534)
Unearned revenues	(198)	(113)
Net cash provided by operating activities	4,073	6,059
Investing Activities:		
Capital expenditures	(1,059)	(570)
Purchases of debt and equity marketable securities	(4,848)	—
Proceeds from sales and maturities of debt and equity marketable securities	1,011	174
Acquisitions and other investments, net of cash acquired	(159)	(185)
Other items, net	130	112
Net cash used by investing activities	(4,925)	(469)
Financing Activities:		
Proceeds from short-term debt	2,286	4,808
Repayment of short-term debt	(2,285)	(4,813)
Proceeds from long-term debt	1,989	—
Repayment of long-term debt	(2,000)	—
Proceeds from issuance of common stock	176	264
Repurchases and retirements of common stock	(2,450)	(1,088)
Dividends paid	(2,148)	(2,257)
Payments of tax withholdings related to vesting of share-based awards	(326)	(225)
Other items, net	(113)	(135)
Net cash used by financing activities	(4,871)	(3,446)
Effect of exchange rate changes on cash and cash equivalents	4	2
Net (decrease) increase in total cash and cash equivalents	(5,719)	2,146
Total cash and cash equivalents at beginning of period	11,839	11,777
Total cash and cash equivalents at end of period	$ 6,120	$ 13,923

See accompanying notes.

QUALCOMM Incorporated
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Total stockholders' equity, beginning balance	$ 3,045	$ 3,866	$ 4,909	$ 807
Common stock and paid-in capital:				
Balance at beginning of period	$ —	$ 384	$ 343	$ —
Common stock issued under employee benefit plans and the related tax benefits	—	85	171	262
Repurchases and retirements of common stock	(110)	(69)	(1,042)	(205)
Share-based compensation	317	263	967	749
Tax withholdings related to vesting of share-based payments	(94)	(82)	(326)	(225)
Balance at end of period	113	581	113	581
Retained earnings:				
Balance at beginning of period	2,990	3,309	4,466	542
Cumulative effect of accounting changes	—	—	—	3,455
Net income	845	2,149	2,238	3,880
Repurchases and retirements of common stock	—	—	(1,408)	(883)
Dividends	(754)	(771)	(2,215)	(2,307)
Balance at end of period	3,081	4,687	3,081	4,687
Accumulated other comprehensive income:				
Balance at beginning of period	55	173	100	265
Cumulative effect of accounting changes	—	—	—	(51)
Other comprehensive income (loss)	57	22	12	(19)
Balance at end of period	112	195	112	195
Total stockholders' equity, ending balance	$ 3,306	$ 5,463	$ 3,306	$ 5,463
Dividends per share announced	$ 0.65	$ 0.62	$ 1.89	$ 1.86

See accompanying notes.

Note 1. Basis of Presentation and Significant Accounting Policies Update

Financial Statement Preparation. These condensed consolidated financial statements have been prepared 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 our Annual Report on Form 10-K for our fiscal year ended September 29, 2019. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. We operate and report using a 52-53 week fiscal year ending on the last Sunday in September. Each of the three and nine months ended June 28, 2020 and June 30, 2019 included 13 weeks and 39 weeks, respectively.

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 our 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.

Recently Adopted Accounting Guidance.

Leases: In February 2016, the FASB issued new accounting guidance related to leases (ASC 842) that outlines a new comprehensive lease accounting model and requires expanded disclosures. Under the new accounting guidance, we are required to recognize right-of-use assets and corresponding lease liabilities on the consolidated balance sheet. We adopted ASC 842 in the first quarter of fiscal 2020 using the modified retrospective approach, with the cumulative effect of initial adoption recorded as an adjustment to our opening condensed consolidated balance sheet at September 30, 2019. We elected to not record leases with a term of 12 months or less on our consolidated balance sheet. In addition, we applied the package of practical expedients permitted under the transition guidance, which among other things, does not require reassessment of lease classification upon adoption. Prior period results have not been restated and continue to be reported in accordance with the accounting guidance in effect for those periods (ASC 840).

Upon adoption, we recorded $449 million of operating lease assets in other assets and $500 million of corresponding lease liabilities ($127 million recorded in other current liabilities and $373 million recorded in other liabilities). The difference between the operating lease assets and liabilities of $51 million primarily related to deferred rent liabilities that existed as of the date of adoption. Finance leases were not material for all periods presented. Adoption of the new accounting guidance did not have a material impact on our condensed consolidated statements of operations or cash flows.

Accounting Policy Update.

Leases: As a result of the adoption of ASC 842, we revised our lease accounting policy beginning in fiscal 2020 as follows.

Operating lease assets and liabilities are recognized for leases with lease terms greater than 12 months based on the present value of the future lease payments over the lease term at the commencement date. Operating leases are included in other assets, other current liabilities and other liabilities on our consolidated balance sheet. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such option. We account for substantially all lease and related non-lease components together as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease term.

Recent Accounting Guidance Not Yet Adopted.

Financial Assets: In June 2016, the FASB issued new accounting guidance that changes the accounting for recognizing impairments of financial assets. Under the new accounting guidance, credit losses for financial assets held at amortized cost (such as accounts receivable) will be estimated based on expected losses rather than the current incurred loss impairment model. The new accounting guidance also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in earlier recognition of credit losses, if any. The new accounting guidance generally requires the modified retrospective transition method, with the cumulative effect of applying the new accounting guidance recognized as an adjustment to opening retained earnings in the year of adoption, except for certain financial assets where the prospective transition method is required, such as available-for-sale debt securities for which an other-than-temporary impairment has been recorded. We will adopt the new accounting guidance in the first quarter of fiscal 2021, and the impact of this new accounting guidance will largely depend on the composition and credit quality of our investment portfolio and accounts receivable, as well as economic conditions, at the time of adoption. Based on facts and factors currently known by us, we do not expect the impact of adoption to be material to our consolidated financial statements.

Note 2. Composition of Certain Financial Statement Items

Accounts Receivable, net (in millions)

	June 28, 2020	September 29, 2019
Trade, net of allowances for doubtful accounts	$ 928	$ 1,046
Unbilled	907	1,411
Other	12	14
	$ 1,847	$ 2,471

Inventories (in millions)

	June 28, 2020	September 29, 2019
Raw materials	$ 110	$ 77
Work-in-process	942	667
Finished goods	1,291	656
	$ 2,343	$ 1,400

Equity Method and Non-marketable Equity Investments. The carrying values of our equity method and non-marketable equity investments are recorded in other noncurrent assets and were as follows (in millions):

	June 28, 2020	September 29, 2019
Equity method investments	$ 213	$ 343
Non-marketable equity investments	750	787
	$ 963	$ 1,130

Beginning in the second quarter of fiscal 2020, the rapid, global spread of the recent coronavirus (COVID-19) pandemic and associated containment and mitigation measures have negatively impacted the condition of economies and financial markets globally, which has negatively impacted certain companies in which we hold non-marketable equity investments, including those accounted for under the equity method and, to a lesser extent, non-marketable debt securities. In the second and third quarters of fiscal 2020, significant evaluation and judgments were required in determining if the negative effects of COVID-19 indicated that such investments were impaired, and if so, the extent of such impairment. This included, among other items: (i) assessing the business impacts that COVID-19 had, and we currently expect to have in the future, on our investees, including taking into consideration the investee's industry and geographic location and the impact to its customers, suppliers and employees, as applicable, (ii) evaluating the investees' ability to respond to the impacts of COVID-19, including any significant deterioration in the investee's financial condition and cash flows, as well as assessing liquidity and/or going concern risks and (iii) considering any appreciation in fair value that has not been recognized in the carrying values of such investments. Based on this evaluation, certain of our investments were impaired and written down to their estimated fair values in the second quarter of fiscal 2020 (a significant portion of which related to the full impairment of our investment in OneWeb (an equity method investee) who filed for bankruptcy in the second quarter of fiscal 2020) and, to a lesser extent, in the third quarter of fiscal 2020 (Note 8). Although we believe that our judgments supporting our impairment assessments are reasonable (which rely on information reasonably available to us), the COVID-19 pandemic makes it challenging for us and our investees to estimate the future performance of our investees' businesses. As circumstances change and/or new information becomes available, we may be required to record additional impairments in subsequent periods.

Revenues. We disaggregate our revenues by segment (Note 7) and type of products and services (as presented on our condensed consolidated statement of operations), as we believe this best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors. Substantially all of QCT's (Qualcomm CDMA

Technologies) revenues consist of equipment revenues that are recognized at a point in time, and substantially all of QTL's (Qualcomm Technology Licensing) revenues represent licensing revenues that are recognized over time.

Revenues recognized from performance obligations satisfied (or partially satisfied) in previous periods were $141 million for the three months ended June 28, 2020, primarily related to certain QCT customer incentives and QTL royalty revenues recognized related to devices sold in prior periods (including adjustments to prior period royalty estimates, in part based on actual reporting of royalties by our licensees) and $258 million for the nine months ended June 30, 2019, primarily related to QTL royalty revenues recognized related to devices sold in prior periods (including adjustments to prior period royalty estimates, in part based on actual reporting of royalties by our licensees) and certain QCT customer incentives. Revenues recognized from performance obligations satisfied (or partially satisfied) in previous periods in the three and nine months ended June 30, 2019 were $4.8 billion and $4.1 billion, respectively, and primarily related to licensing revenues of $4.7 billion recognized in the third quarter of fiscal 2019 (a portion of which was attributable to the first and second quarters of fiscal 2019) resulting from the settlement with Apple and its contract manufacturers in April 2019 (Note 7).

Unearned revenues (which are considered contract liabilities) consist primarily of license fees for intellectual property with continuing performance obligations. In the nine months ended June 28, 2020 and June 30, 2019, we recognized revenues of $424 million and $371 million, respectively, that were recorded as unearned revenues at September 29, 2019 and October 1, 2018, respectively.

Remaining performance obligations, substantially all of which are included in unearned revenues, represent the aggregate amount of the transaction price of certain customer contracts yet to be recognized as revenues as of the end of the reporting period and exclude revenues related to (a) contracts that have an original expected duration of one year or less and (b) sales-based royalties (i.e., future royalty revenues) pursuant to our license agreements. Our remaining performance obligations are primarily comprised of certain customer contracts for which QTL received license fees upfront. At June 28, 2020, we had $1.4 billion of remaining performance obligations, of which $180 million, $511 million, $462 million, $209 million and $51 million was expected to be recognized as revenues for the remainder of fiscal 2020 and each of the subsequent four years from fiscal 2021 through 2024, respectively, and $26 million thereafter.

Other Income, Costs and Expenses. Other income in the nine months ended June 28, 2020 consisted of a $23 million gain related to a favorable legal settlement.

Other expenses in the three months ended June 30, 2019 consisted of a $275 million charge resulting from a fine imposed by the European Commission (EC) related to the Icera complaint (2019 EC fine) and negligible net charges related to our Cost Plan that concluded in fiscal 2019. Other expenses in the nine months ended June 30, 2019 included $275 million related to the 2019 EC fine, $207 million in net restructuring and restructuring-related charges related to our Cost Plan, partially offset by a $43 million gain due to the partial recovery of a fine imposed in 2009 resulting from our appeal of the KFTC decision and a $31 million gain related to a favorable legal settlement.

Investment and Other Income, Net (in millions)

	Three Months Ended		Nine Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Interest and dividend income	$ 30	$ 80	$ 135	$ 224
Net gains on marketable securities	117	315	183	296
Net gains on other investments	48	6	84	47
Net gains on deferred compensation plan assets	57	12	16	10
Impairment losses on other investments	(12)	(42)	(349)	(111)
Net gains (losses) on derivative investments	1	—	2	(10)
Equity in net losses of investees	(6)	(22)	(21)	(79)
Net losses on foreign currency transactions	(6)	(5)	(4)	—
	$ 229	$ 344	$ 46	$ 377

Net gains (losses) on the revaluation of our deferred compensation plan assets are recorded in investment and other income, net and are not allocated to our segments. Corresponding offsetting amounts related to the revaluation of our deferred compensation plan liabilities are included in unallocated operating expenses (Note 7).

Note 3. Income Taxes

As of the third quarter of fiscal 2020, we estimated our annual effective income tax rate to be 9% for fiscal 2020, which excluded the effects of the agreements with Huawei signed in July 2020 (Note 10) and the U.S. Treasury Regulations that were issued in July 2020 as described below. Such estimated annual effective tax rate was lower than the U.S. federal statutory rate, primarily due to a significant portion of our income qualifying for preferential treatment as foreign-derived intangible income (FDII) at a 13% effective tax rate, benefits from our research and development tax credit and benefits from certain releases of our valuation allowance on capital losses. The effective tax rate of 3% for the third quarter of fiscal 2020 was lower than the estimated annual effective tax rate of 9% primarily due to benefits recorded in the third quarter of fiscal 2020, principally related to certain releases of our valuation allowance on capital losses, higher FDII deduction and foreign tax credit utilization. The effective tax rate for the third quarter of fiscal 2019 included a $2.5 billion tax expense due to the derecognition of a deferred tax asset as a result of an agreement with the Internal Revenue Service under which we forwent the federal tax basis step-up in certain distributed intellectual property.

In the fourth quarter of fiscal 2020, the United States Treasury Department issued final regulations on deductions for FDII. While we continue to evaluate the impact of these new regulations and the agreements reached with Huawei in July 2020, we currently expect our annual effective tax rate to increase from 9% to 11% for fiscal 2020. The United States Treasury Department is expected to finalize additional provisions of the 2017 Tax Cuts and Jobs Act, including certain foreign tax credit regulations, in the next several months. When finalized, these regulations may adversely affect our provision for income taxes, results of operations and/or cash flows.

Unrecognized tax benefits were $1.9 billion and $1.7 billion at June 28, 2020 and September 29, 2019, respectively, and primarily related to our refund claim of Korean withholding tax. If successful, the refund will result in a corresponding reduction in U.S. foreign tax credits. We expect that the total amount of unrecognized tax benefits at June 28, 2020 will increase in the next 12 months as licensees in Korea continue to withhold taxes on future payments due under their licensing agreements at a rate higher than we believe is owed; such increase is not expected to have a significant impact on our income tax provision.

Note 4. Capital Stock

Stock Repurchase Program. On July 26, 2018, we announced a stock repurchase program authorizing us to repurchase up to $30 billion of our common stock. In the third quarter of fiscal 2020, to maintain our financial liquidity position and flexibility, we suspended our stock repurchases, at least for the near-term, in light of COVID-19.

In the nine months ended June 28, 2020 and June 30, 2019, we repurchased and retired 30.9 million and 17.7 million shares for $2.5 billion and $1.1 billion, respectively, before commissions. To reflect share repurchases in the consolidated balance sheet, we (i) reduce common stock for the par value of the shares, (ii) reduce paid-in capital for the amount in excess of par to zero during the quarter in which the shares are repurchased and (iii) record the residual amount, if any, to retained earnings. At June 28, 2020, $4.6 billion remained authorized for repurchase under our stock repurchase program.

Dividends. On July 15, 2020, we announced a cash dividend of $0.65 per share on our common stock, payable on September 24, 2020 to stockholders of record as of the close of business on September 3, 2020.

Earnings Per Common Share. Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed by dividing net income by the combination of the weighted-average number of dilutive common share equivalents, comprised of shares issuable under our share-based compensation plans and shares subject to accelerated share repurchase agreements, if any, and the weighted-average number of common shares outstanding during the reporting period. The following table provides information about the diluted earnings per share calculation (in millions):

	Three Months Ended		Nine Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Dilutive common share equivalents included in diluted shares	11.9	13.9	12.9	9.3
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	2.7	0.7	1.0	9.9

Note 5. Debt

Long-term Debt. In May 2020, we issued unsecured fixed-rate notes, consisting of $1.2 billion fixed-rate 2.15% notes and $800 million fixed-rate 3.25% notes (May 2020 Notes) that mature on May 20, 2030 and May 20, 2050, respectively. The proceeds from the May 2020 Notes, net of underwriting discounts and offering expenses, were used to repay the $250 million floating-rate and $1.75 billion fixed-rate notes that matured on May 20, 2020, which were classified as short-term debt at September 29, 2019. We are not subject to any financial covenants under the May 2020 Notes nor any covenants that would prohibit us from incurring additional indebtedness ranking equal to the notes, paying dividends, issuing securities or repurchasing securities issued by us or our subsidiaries. The May 2020 Notes are senior unsecured obligations and rank equally with our other senior debt from time to time outstanding. We may redeem the outstanding 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 note.

The following table provides a summary of our long-term debt:

	June 28, 2020			September 29, 2019		
	Maturities	Amount (in millions)	Effective Rate	Maturities	Amount (in millions)	Effective Rate
May 2015 Notes	2022 - 2045	$ 6,500	2.62% - 4.73%	2020 - 2045	$ 8,500	2.64% - 4.73%
May 2017 Notes	2023 - 2047	7,000	1.55% - 4.46%	2023 - 2047	7,000	2.70% - 4.47%
May 2020 Notes	2030 - 2050	2,000	2.31% - 3.30%		—	
Total principal		15,500			15,500	
Unamortized discount, including debt issuance costs		(91)			(75)	
Hedge accounting fair value adjustments		16			9	
Total long-term debt		$ 15,425			$ 15,434	
Reported as:						
Short-term debt		$ —			$ 1,997	
Long-term debt		15,425			13,437	
Total		$ 15,425			$ 15,434	

At September 29, 2019, we had outstanding interest rate swaps with an aggregate notional amount of $1.8 billion related to certain of our May 2015 Notes. During the second quarter of fiscal 2020, we terminated interest rate swaps related to our fixed-rate 3.00% notes due May 20, 2022 resulting in a deferred gain of $19 million, which is being amortized to interest expense over the remaining term of such notes. During the third quarter of fiscal 2020, the remaining interest rate swaps on our fixed-rate 2.25% notes due May 20, 2020 terminated upon maturity of the notes.

At June 28, 2020 and September 29, 2019, the aggregate fair value of our remaining outstanding principal floating- and fixed-rate notes, including the current portion of long-term debt, based on Level 2 inputs, was approximately $17.6 billion and $16.5 billion, respectively.

Commercial Paper Program. In the third quarter of fiscal 2020, we reduced the total amount available for issuance under our unsecured commercial paper program from $5.0 billion to $4.5 billion. At June 28, 2020 and September 29, 2019, we had $500 million and $499 million, respectively, of outstanding commercial paper recorded as short-term debt.

Revolving Credit Facility. We have an Amended and Restated Revolving Credit Facility (Revolving Credit Facility) that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to $4.5 billion which expires on November 8, 2021. At June 28, 2020, no amounts were outstanding under the Revolving Credit Facility.

Note 6. Commitments and Contingencies

Legal and Regulatory Proceedings.

Consolidated Securities Class Action Lawsuit: On January 23, 2017 and January 26, 2017, securities class action complaints were filed by purported stockholders of us in the United States District Court for the Southern District of California against us and certain of our current and former officers and directors. The complaints alleged, among other things, that we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, by making false and misleading statements and omissions of material fact in connection with certain allegations that we are or were 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 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, we filed a motion to dismiss the consolidated amended complaint. On March 18, 2019, the court denied our motion to dismiss the complaint. On January 15, 2020, we filed a motion for judgment on the pleadings. The court has not yet ruled on our motion. We believe the plaintiffs' claims are without merit.

In re Qualcomm/Broadcom Merger Securities Litigation: On June 8, 2018 and June 26, 2018, securities class action complaints were filed by purported stockholders of us in the United States District Court for the Southern District of California against us and two of our current officers. The complaints alleged, among other things, that we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, by failing to disclose that we had submitted a notice to the Committee on Foreign Investment in the United States (CFIUS) in January 2018. The complaints sought unspecified damages, interest, fees and costs. On January 22, 2019, the court appointed the lead plaintiff in the action. On March 18, 2019, the plaintiffs filed a consolidated complaint asserting the same basic theories of liability and requesting the same basic relief. On May 10, 2019, we filed a motion to dismiss the consolidated complaint, and on March 10, 2020, the court granted our motion. On May 11, 2020, the plaintiffs filed a second amended complaint, and on June 25, 2020, we filed a motion to dismiss that complaint. The court has not yet ruled on our motion. We believe 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 us 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. Currently, twenty-two such cases remained 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. On July 11, 2017, the plaintiffs filed a consolidated amended complaint alleging that we violated California and federal antitrust and unfair competition laws by, among other things, refusing to license standard-essential patents to our competitors, conditioning the supply of certain of our baseband chipsets on the purchaser first agreeing to license our entire patent portfolio, entering into exclusive deals with companies, including Apple Inc., and charging unreasonably high royalties that do not comply with our commitments to standard setting organizations. The complaint seeks unspecified damages and disgorgement and/or restitution, as well as an order that we be enjoined from further unlawful conduct. On August 11, 2017, we filed a motion to dismiss the consolidated amended complaint. On November 10, 2017, the court denied our motion, except to the extent that certain claims seek damages under the Sherman Antitrust Act. On July 5, 2018, the plaintiffs filed a motion for class certification, and the court granted that motion on September 27, 2018. On January 23, 2019, the United States Court of Appeals for the Ninth Circuit (Ninth Circuit) granted us permission to appeal the court's class certification order. On January 24, 2019, the court stayed the case pending our appeal. On December 2, 2019, a hearing on our appeal of the class certification order was held before the Ninth Circuit. The Ninth Circuit has not yet ruled on our appeal. We believe the plaintiffs' claims are without merit.

Canadian Consumer Class Action Lawsuits: Since November 9, 2017, eight consumer class action complaints have been filed against us in Canada (in the Ontario Superior Court of Justice, the Supreme Court of British Columbia and the Quebec Superior Court), each on behalf of a putative class of purchasers of cellular phones and other cellular devices, alleging various violations of Canadian competition and consumer protection laws. The claims are similar to those in the U.S. consumer class action complaints. The complaints seek unspecified damages. One of the complaints in the Supreme Court of British Columbia has since been discontinued by the plaintiffs. We have not yet answered the complaints. We expect the Ontario and British Columbia complaints will be consolidated into one proceeding in British Columbia with a class certification hearing no earlier than late 2020. Once the certification hearing is scheduled, we expect the court to set a timetable for the exchange of evidence and briefing. As to the complaint filed in Quebec, on April 15, 2019, the Quebec Superior Court held a class certification hearing, and on April 30, 2019, the court issued an order certifying a class. We are awaiting the court to set a timetable for pre-trial steps, including discovery, as well as the exchange of expert evidence. We do not expect the trial to occur before 2022. We believe the plaintiffs' claims are without merit.

Korea Fair Trade Commission (KFTC) Investigation (2015): On March 17, 2015, the KFTC notified us that it was conducting an investigation of us 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 we violated provisions of the MRFTA. On January 22, 2017, we 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 us; 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 us to: (a) upon request by modem chipset companies, engage in good-faith negotiations for patent license agreements, without offering unjustifiable conditions, and if necessary submit to a determination of terms by an independent third party; (b) not demand that handset companies execute and perform under patent license agreements as a precondition for purchasing modem chipsets; (c) not demand unjustifiable conditions in our license agreements with handset companies, and upon request renegotiate existing patent license agreements; and (d) notify modem chipset companies and handset companies of the decision and order imposed on us and report to the KFTC new or amended agreements. According to the KFTC's decision, the foregoing will apply to transactions between us and the following enterprises: (1) handset manufacturers headquartered in Korea and their affiliate companies; (2) enterprises that sell handsets in or to Korea and their affiliate companies; (3) enterprises that supply handsets to companies referred to in (2) above and the affiliate companies of such enterprises; (4) modem chipset manufacturers headquartered in Korea and their affiliate companies; and (5) enterprises that supply modem chipsets to companies referred to in (1), (2) or (3) above and the affiliate companies of such enterprises. The KFTC's decision also imposed a fine of 1.03 trillion Korean won (approximately $927 million), which we paid on March 30, 2017.

We believe that our business practices do not violate the MRFTA. On February 21, 2017, we filed an action in the Seoul High Court to cancel the KFTC's decision. The Seoul High Court held hearings concluding on August 14, 2019 and, on December 4, 2019, announced its judgment affirming certain portions of the KFTC's decision and finding other portions of the KFTC's decision unlawful. The Seoul High Court cancelled the KFTC's remedial orders described in (c) above, and solely insofar as they correspond thereto, the Seoul High Court cancelled the KFTC's remedial orders described in (d) above. The Seoul High Court dismissed the remainder of our action to cancel the KFTC's decision. On December 19, 2019, we filed a notice of appeal to the Korea Supreme Court challenging those portions of the Seoul High Court decision that are not in our favor. The KFTC filed a notice of appeal to the Korea Supreme Court challenging the portions of the Seoul High Court decision that are not in its favor. Both we and the KFTC have filed briefs on the merits. The Korea Supreme Court has not yet ruled on our appeal or that of the KFTC.

Korea Fair Trade Commission (KFTC) Investigation (2020): On June 8, 2020, the KFTC informed us that it was conducting an investigation of us relating to the MRFTA. The KFTC has not provided a formal notice on the scope of their investigation, but we believe it concerns our business practices in connection with our sale of radio frequency front end (RFFE) components. We are responding to several Requests for Information. If a violation is found, a broad range of remedies is potentially available to the KFTC, including imposing a fine (of up to 3% of our sales in the relevant markets during the alleged period of violation) 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 KFTC. We believe that our business practices do not violate the MRFTA.

Icera Complaint to the European Commission (EC): On June 7, 2010, the EC notified and provided us with a redacted copy of a complaint filed with the EC by Icera, Inc. (subsequently acquired by Nvidia Corporation) alleging that we were engaged in anticompetitive activity. On July 16, 2015, the EC announced that it had initiated formal proceedings in this matter. On July 18, 2019, the EC issued a decision confirming their preliminary view that between 2009 and 2011, we engaged in predatory pricing by selling certain baseband chipsets to two customers at prices below cost with the intention of hindering competition and imposed a fine of approximately 242 million euros. On October 1, 2019, we filed an appeal of the EC's decision with the General Court of the European Union. The court has not yet ruled on our appeal. We believe that our business practices do not violate the European Union (EU) competition rules.

In the third quarter of fiscal 2019, we recorded a charge of $275 million to other expenses related to this EC fine. We provided a financial guarantee in the first quarter of fiscal 2020 to satisfy the obligation in lieu of cash payment while we appeal the EC's decision. The fine is accruing interest at a rate of 1.50% per annum while it is outstanding. In the fourth quarter of fiscal 2019, we designated the liability as a hedge of our net investment in certain foreign subsidiaries, with gains and losses recorded in accumulated other comprehensive income as a component of the foreign currency translation adjustment. At June 28, 2020, the liability, including related foreign currency gains and accrued interest (which, to the extent they were not related to the net investment hedge, were recorded in investment and other income, net), was $275 million and included in other current liabilities.

European Commission (EC) Investigation: On October 15, 2014, the EC notified us that it was conducting an investigation of us 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 January 24, 2018, the EC issued a decision finding that pursuant to an agreement with Apple Inc. we paid significant amounts to Apple on the condition that it exclusively use our baseband chipsets in its smartphones and tablets, reducing Apple's incentives to source baseband chipsets from our competitors and harming competition and innovation for certain baseband chipsets, and imposed a fine of 997 million euros. On April 6, 2018, we filed an appeal of the EC's decision with the General Court of the European Union. The court has not yet ruled on our appeal. We believe that our business practices do not violate the EU competition rules.

In the first quarter of fiscal 2018, we recorded a charge of $1.2 billion to other expenses related to this EC fine. We provided financial guarantees in the third quarter of fiscal 2018 to satisfy the obligation in lieu of cash payment while we appeal the EC's decision. The fine is accruing interest at a rate of 1.50% per annum while it is outstanding. In the first quarter of fiscal 2019, we designated the liability as a hedge of our net investment in certain foreign subsidiaries, with gains and losses recorded in accumulated other comprehensive income as a component of the foreign currency translation adjustment. At June 28, 2020, the liability, including related foreign currency gains and accrued interest (which, to the extent they were not related to the net investment hedge, were recorded in investment and other income, net), was $1.2 billion and included in other current liabilities.

European Commission (EC) Investigation regarding Radio Frequency Front End (RFFE): On December 3, 2019, we received a Request for Information from the EC notifying us that it is investigating whether we engaged in anti-competitive behavior in the European Union (EU)/European Economic Area (EEA) by leveraging our market position in 5G baseband processors in the RFFE space. We have responded to the Request for Information. If a violation is found, a broad range of remedies is potentially available to the EC, including imposing a fine (of up to 10% of our annual revenues) 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. We believe that our 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 us that it was conducting an investigation of us relating to Section 5 of the Federal Trade Commission Act (FTCA). On January 17, 2017, the FTC filed a complaint against us in the United States District Court for the Northern District of California alleging that we were engaged in anticompetitive conduct and unfair methods of competition in violation of Section 5 of the FTCA by conditioning the supply of cellular modem chipsets on the purchaser first agreeing to a license to our cellular standard-essential patents, paying incentives to purchasers of cellular modem chipsets to induce them to accept certain license terms, refusing to license our cellular standard-essential patents to our competitors and entering into alleged exclusive dealing arrangements with Apple Inc. The complaint sought a permanent injunction against our alleged violations of the FTCA and other unspecified ancillary equitable relief. On August 30, 2018, the FTC moved for partial summary judgment that our commitments to license our cellular standard-essential patents to the Alliance for Telecommunications Industry Solutions (ATIS) and the Telecommunications Industry Association (TIA) require us to make licenses available to rival sellers of cellular modem chipsets. On November 6, 2018, the court granted the FTC's partial summary judgment motion. Trial was held January 4-29, 2019.

On May 21, 2019, the court issued an Order setting forth its Findings of Fact and Conclusions of Law. The court concluded that we had monopoly power in the CDMA and premium-tier Long Term Evolution (LTE) cellular modem chip markets, and that we had used that power in these two markets to engage in anticompetitive acts, including (1) using threats of lack of access to cellular modem chip supply to coerce OEMs to accept license terms that include unreasonably high royalty rates; (2) refusing to license our cellular standard-essential patents to competitors selling cellular modem chips; and (3) entering into exclusive dealing arrangements with OEMs that foreclosed our rivals. The court further found that the royalties we charge OEMs are unreasonably high and reflect the use of our monopoly power over CDMA and premium-tier LTE cellular modem chips rather than just the value of our patents. The court concluded that our unreasonably high royalties constitute an anticompetitive surcharge on cellular modem chips sold by our competitors, which increases the effective price of our competitors' cellular modem chips, reduces their margins and results in exclusivity. The court also found that our practice of not licensing competitors' cellular modem chips violated our commitments to certain standard-development organizations and a duty under the antitrust laws to license competing cellular modem chip makers and helped us maintain our royalties at unreasonably high levels. Finally, the court found that incentive funds entered into with certain OEMs further harmed competing cellular modem chip makers' ability to undermine our monopoly position, prevented rivals from entering the market and restricted the sales of those competitors that do enter. The court concluded that the combined effect of our conduct, together with our monopoly power, harmed the competitive process.

The court imposed the following injunctive relief: (1) we must not condition the supply of cellular modem chips on a customer's patent license status, and we must negotiate or renegotiate license terms with customers in good faith under conditions free from the threat of lack of access to or discriminatory provision of cellular modem chip supply or associated technical support or access to software; (2) we must make exhaustive cellular standard-essential patent licenses available to cellular modem chip suppliers on fair, reasonable and non-discriminatory (FRAND) terms and submit, as necessary, to arbitral or judicial dispute resolution to determine such terms; (3) we may not enter into express or de facto exclusive dealing agreements for the supply of cellular modem chips; and (4) we may not interfere with the ability of any customer to communicate with a government agency about a potential law enforcement or regulatory matter. The court also ordered us to submit to compliance and monitoring procedures for a period of seven years and to report to the FTC on an annual basis regarding our compliance with the above remedies.

We disagree with the court's conclusions, interpretation of the facts and application of the law. On May 31, 2019, we filed with the court a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit (Ninth Circuit). On July 8, 2019, we filed a Motion for Partial Stay of Injunction Pending Appeal and a Consent Motion to Expedite Appeal in the Ninth Circuit. On August 23, 2019, the Ninth Circuit granted our Motion for Partial Stay. Thus, pending the resolution of the appeal in the Ninth Circuit or until further order of the Ninth Circuit, the portions of the court's injunction requiring that we must (i) make exhaustive cellular standard-essential patent licenses available to cellular modem chip suppliers and (ii) not condition the supply of cellular modem chips on a customer's patent license status and must negotiate or renegotiate license terms with customers are stayed. On July 10, 2019, the Ninth Circuit granted our Motion to Expedite Appeal. On February 13, 2020, the Ninth Circuit heard oral argument, but has not yet ruled on our appeal.

Contingent losses and other considerations: We will continue to vigorously defend ourselves in the foregoing matters. However, litigation and investigations are inherently uncertain, and we face difficulties in evaluating or estimating likely outcomes or ranges of possible loss in antitrust and trade regulation investigations in particular. Other than with respect to the EC fines, we have not recorded any accrual at June 28, 2020 for contingent losses associated with these matters based on our 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 our business, results of operations, financial condition or cash flows. We are engaged in numerous other legal actions not described above arising in the ordinary course of our business and, while there can be no assurance, 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.

Indemnifications. We generally do not indemnify our customers, licensees and suppliers for losses sustained from infringement of third-party intellectual property rights. However, we are contingently liable under certain agreements to defend and/or indemnify certain customers, licensees and suppliers against certain types of liability and/or damages arising from the infringement of third-party intellectual property rights. Our obligations under these agreements may be limited in terms of time and/or amount, and in some instances, we may have recourse against third parties for certain payments made by us.

Claims and reimbursements under indemnification arrangements have not been material to our consolidated financial statements. At June 28, 2020, accruals for contingent liabilities associated with these indemnification arrangements were negligible. We have not recorded accruals for certain claims under indemnification arrangements based on our belief that additional liabilities, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time.

Operating Leases. We lease certain of our land, facilities and equipment under operating leases, with terms ranging from less than one year to 20 years, some of which include options to extend for up to 20 years. At June 28, 2020, other assets included $458 million of operating lease assets, with corresponding lease liabilities of $128 million recorded in other current liabilities and $374 million recorded in other liabilities.

Operating lease expense for the three and nine months ended June 28, 2020 was $45 million and $132 million, respectively, and $38 million and $110 million for the three and nine months ended June 30, 2019, respectively. Cash paid under our operating leases was $114 million for the nine months ended June 28, 2020. As of June 28, 2020, the weighted-average remaining lease term and weighted-average discount rate for operating leases were 6.0 years and 4%, respectively.

At June 28, 2020, future lease payments under our operating leases were as follows (in millions):

	June 28, 2020
Remainder of fiscal 2020	$ 38
2021	132
2022	112
2023	68
2024	49
Thereafter	178
Total future lease payments	577
Imputed interest	(75)
Total lease liability balance	$ 502

At September 29, 2019, future minimum lease payments under our noncancelable operating leases under ASC 840 were as follows (in millions):

	September 29, 2019
2020	$ 138
2021	97
2022	66
2023	31
2024	18
Thereafter	35
Total	$ 385

Note 7. Segment Information

We are organized on the basis of products and services and have three reportable segments. We conduct business primarily through our QCT semiconductor business and our QTL 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 or otherwise provides rights to use portions of our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture, sale or use of certain wireless products. Our QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments and includes revenues and related costs associated with development contracts with an investee. We also have nonreportable segments, including QGOV (Qualcomm Government Technologies) and other technology and service initiatives.

We evaluate the performance of our segments based on revenues and earnings (loss) before income taxes (EBT). Segment EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Certain income and charges are not allocated to segments in our management reports because they are not considered in evaluating the segments' operating performance. Unallocated income and charges include certain interest expense, certain net investment income, certain share-based compensation, gains and losses on our deferred compensation plan liabilities and related assets and certain research and development expenses, selling, general and administrative expenses and other expenses or income that were deemed to be not directly related to the businesses of the segments. Additionally, unallocated charges include recognition of the step-up of inventories and property, plant and equipment to fair value, amortization of certain intangible assets and certain other acquisition-related charges, third-party acquisition and integration services costs and certain other items, which may include major restructuring and restructuring-related costs, goodwill and long-lived asset impairment charges and awards, settlements and/or damages arising from legal or regulatory matters.

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

	Three Months Ended		Nine Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenues				
QCT	$ 3,807	$ 3,567	$ 11,526	$ 11,028
QTL	1,044	1,292	3,520	3,433
QSI	3	18	33	143
Reconciling items	39	4,758	106	4,855
Total	$ 4,893	$ 9,635	$ 15,185	$ 19,459
EBT				
QCT	$ 603	$ 504	$ 1,748	$ 1,644
QTL	646	898	2,335	2,162
QSI	153	312	(58)	337
Reconciling items	(534)	3,787	(1,612)	2,724
Total	$ 868	$ 5,501	$ 2,413	$ 6,867

	June 28, 2020	September 29, 2019
Assets		
QCT	$ 2,914	$ 2,307
QTL	1,252	1,541
QSI (Note 2)	1,366	1,708
Reconciling items	26,796	27,401
Total	$ 32,328	$ 32,957

Segment assets are comprised of accounts receivable and inventories for all reportable segments other than QSI. QSI segment assets include certain non-marketable equity instruments, receivables and other investments. Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of certain cash, cash equivalents, marketable and non-marketable securities, property, plant and equipment, deferred tax assets, goodwill, intangible assets, operating lease assets, noncurrent income taxes receivables, deferred compensation plan assets and assets of nonreportable segments.

QCT accounts receivable decreased by 37% in the first nine months of fiscal 2020 from $908 million to $571 million, primarily driven by an increase in the customer incentive amounts recorded as a reduction to accounts receivable. QCT inventories increased by 67% in the first nine months of fiscal 2020 from $1.40 billion to $2.34 billion, primarily driven by the ramp in 5G and certain near-term changes in the timing of customer demand resulting from the impacts of COVID-19.

QTL accounts receivable decreased by 19% in the first nine months of fiscal 2020 from $1.54 billion to $1.25 billion, primarily driven by scheduled payments received from Guangdong OPPO Mobile Telecommunications Corp., Ltd. (Oppo) and BBK Communication Technology Co., Ltd. (vivo) under the previously disclosed agreements reached requiring payment of certain amounts due under the prior license agreements that expired on March 31, 2020 (for which certain of such amounts were previously withheld while good faith negotiations occurred), as well as a decrease in QTL revenues in the third quarter of fiscal 2020. The remaining amounts from Oppo and vivo are due in the near term in accordance with previously agreed upon payment schedules.

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

	Three Months Ended		Nine Months Ended	
	June 28, 2020	June 30, 2019	June 28, 2020	June 30, 2019
Revenues				
Nonreportable segments	$ 39	$ 35	$ 106	$ 132
Unallocated revenues	—	4,723	—	4,723
	$ 39	$ 4,758	$ 106	$ 4,855
EBT				
Unallocated revenues	$ —	$ 4,723	$ —	$ 4,723
Unallocated cost of revenues	(87)	(103)	(262)	(321)
Unallocated research and development expenses	(271)	(307)	(746)	(645)
Unallocated selling, general and administrative expenses	(103)	(139)	(275)	(285)
Unallocated other (expenses) income (Note 2)	—	(277)	23	(408)
Unallocated interest expense	(142)	(158)	(434)	(471)
Unallocated investment and other income, net	76	58	129	188
Nonreportable segments	(7)	(10)	(47)	(57)
	$ (534)	$ 3,787	$ (1,612)	$ 2,724

Unallocated revenues in the three and nine months ended June 30, 2019 were comprised of licensing revenues resulting from the settlement with Apple and its contract manufacturers in April 2019 and were not allocated to our segments in our management reports because they were not considered in evaluating segment results.

Note 8. Fair Value Measurements

The following table presents our fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 28, 2020 (in millions):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 1,227	$ 3,715	$ —	$ 4,942
Marketable securities:				
U.S. Treasury securities and government-related securities	—	6	—	6
Corporate bonds and notes	—	4,005	—	4,005
Mortgage- and asset-backed and auction rate securities	—	84	34	118
Equity securities	355	—	—	355
Total marketable securities	355	4,095	34	4,484
Derivative instruments	—	20	—	20
Other investments	467	—	40	507
Total assets measured at fair value	$ 2,049	$ 7,830	$ 74	$ 9,953
Liabilities				
Derivative instruments	$ —	$ 5	$ —	$ 5
Other liabilities	468	—	5	473
Total liabilities measured at fair value	$ 468	$ 5	$ 5	$ 478

Activity within Level 3 of the Fair Value Hierarchy. Other investments included in Level 3 at June 28, 2020 were primarily comprised of non-marketable debt instruments. Activity for marketable securities, other investments and other liabilities classified within Level 3 of the valuation hierarchy was insignificant during the nine months ended June 28, 2020, which was primarily related to impairments of certain of our non-marketable debt instruments (Note 2), purchases of non-marketable debt instruments and payments of contingent consideration related to a certain business acquisition, and the nine months ended June 30, 2019, which was primarily related to the issuance of a non-marketable debt instrument by a private company.

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis. We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities include equity method and non-marketable equity investments, assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange, and property, plant and equipment and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. During the nine months ended June 28, 2020, certain of our non-marketable equity investments were written down to their estimated fair values, which was recorded as a component of impairment losses on other investments in investment and other income, net (Note 2), and certain other non-marketable equity investments were remeasured to their estimated fair values based on observable price changes in orderly transactions for identical or similar securities, which is recorded as a component of net gains on other investments in investment and other income, net (Note 2). For a significant portion of these impairments, the estimated fair values resulted in a full write-off of the carrying values. The estimation of fair values was judgmental in nature and involved the use of significant estimates and assumptions. We determined these fair value measurements primarily using a market approach and key inputs and assumptions included estimated market value of assets, ability of investees to access additional financing or otherwise continue as a going concern, volatility and liquidation and other rights of the securities we hold.

During the nine months ended June 30, 2019, certain intangible assets and goodwill were written down to their estimated fair values. We also measured certain non-marketable equity securities received as non-cash consideration at fair value on a nonrecurring basis. We determined these fair value measurements using market and income approaches and key inputs and assumptions included projected cash flows, estimated selling prices, volatility and the rights of the securities we hold.

The estimation of fair value in these fair value measurements required the use of significant unobservable inputs, and as a result, such measurements were classified as Level 3. During the nine months ended June 28, 2020 and June 30, 2019, we did not have any other significant assets or liabilities that were measured at fair value on a nonrecurring basis.

Note 9. Marketable Securities

We classify marketable securities as current or noncurrent based on the nature of the securities and their availability for use in current operations. Our marketable securities were comprised as follows (in millions):

	Current		Noncurrent (1)	
	June 28, 2020	September 29, 2019	June 28, 2020	September 29, 2019
Available-for-sale debt securities:				
U.S. Treasury securities and government-related securities	$ 6	$ —	$ —	$ —
Corporate bonds and notes	4,005	4	—	—
Mortgage- and asset-backed and auction rate securities	84	—	34	35
Total available-for-sale debt securities	4,095	4	34	35
Equity securities	355	417	—	1
Time deposit (2)	30	—	—	—
Total marketable securities	$ 4,480	$ 421	$ 34	$ 36

(1) Noncurrent marketable securities were included in other assets.

(2) At June 28, 2020, marketable securities also included a time deposit with an original maturity of greater than 90 days.

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

	June 28, 2020
Years to Maturity	
Less than one year	$ 2,730
One to five years	1,281
No single maturity date	118
Total	$ 4,129

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

Note 10. Subsequent Events

In July 2020, we entered into a settlement agreement with Huawei to resolve our prior dispute related to our license agreement that expired on December 31, 2019. We also entered into a new long-term, global patent license agreement, including a cross license granting back rights to certain of Huawei's patents, covering sales beginning January 1, 2020. Amounts due under the settlement agreement (which are incremental to the $1.2 billion previously paid under two interim agreements) are expected to be paid in installments within one year in accordance with an agreed upon payment schedule, with the first payment due in the fourth quarter of fiscal 2020. While we continue to assess the accounting impacts of the agreements, including consideration of the geopolitical environment, we currently expect to record revenues in the fourth quarter of fiscal 2020 resulting from such agreements, including certain amounts related to previously satisfied performance obligations. Such event is considered a nonrecognized subsequent event.

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 fiscal year ended September 29, 2019 contained in our 2019 Annual Report on Form 10-K.

This Quarterly Report (including but not limited to this section entitled 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. Forward-looking statements also include but are not limited to statements regarding the rapid, global spread of the recent coronavirus (COVID-19) pandemic, and its potential future impact on the global economy, including the potential for a global recession; economic uncertainty and consumer and business confidence; demand for devices that incorporate our products and intellectual property; our and the global wireless industry's supply chains, transportation and distribution networks and workforces; 5G network deployments; and our business, revenues, results of operations, cash flows and financial condition; as well as statements regarding our planning assumptions, workforce practices, the duration and severity of the pandemic, and government and other actions to mitigate the spread of, and to treat, COVID-19. Forward-looking statements further include but are not limited to statements regarding industry, market, business, product, technology, commercial, competitive or consumer trends; our businesses, growth potential or strategies, or factors that may impact them; challenges to our licensing business, including by licensees, governments, governmental agencies or regulators, standards bodies or others; challenges to our QCT business; other legal or regulatory matters; competition; new or expanded product areas, adjacent industry segments or applications; costs or expenditures including research and development, selling, general and administrative, restructuring or restructuring-related charges, working capital or information technology systems; our financing, stock repurchase or dividend programs; strategic investments or acquisitions; adoption and application of future accounting guidance; tax law changes; our tax structure or strategies; U.S./China trade or national security policies; or the potential business or financial statement impacts of any of the above, among others. 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. In particular, see the Risk Factor entitled *"The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term,"* and note that many of the risks and uncertainties set forth in the other Risk Factors will be exacerbated by the COVID-19 pandemic, government and business responses thereto and any further resulting decline in the global business and economic environment, as well as the extent and/or speed of global economic recovery. 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.

Third Quarter Fiscal 2020 Overview and Other Recent Events

Revenues for the third quarter of fiscal 2020 were $4.9 billion, a decrease of 49% compared to the year ago quarter, with net income of $845 million, a decrease of 61% compared to the year ago quarter. Year-over-year comparisons were significantly impacted by $4.7 billion in licensing revenues recorded in the third quarter of fiscal 2019, which were not allocated to our segment results, resulting from the settlement with Apple and its contract manufacturers in April 2019, as well as a $2.5 billion tax expense recorded in the third quarter of fiscal 2019 due to the derecognition of a deferred tax asset as a result of an agreement with the Internal Revenue Service under which we forwent the federal tax basis step-up in certain distributed intellectual property. Highlights and other key developments from the third quarter of fiscal 2020 and other recent events included:

- The rapid, global spread of COVID-19 has negatively impacted consumer demand for devices that incorporate our products and intellectual property, which negatively impacted our business and results of operations in the third quarter of fiscal 2020. The impact of COVID-19 on sales of devices that incorporate our products and intellectual property varied during the June quarter, with developed regions and China experiencing a less significant impact than emerging regions. The impact of COVID-19 on our ability to fulfill customer orders has continued to be minimal. Workforce changes that we implemented in the second quarter of fiscal 2020 remained in effect throughout the third quarter of fiscal 2020.

- QCT revenues increased by 7% in the third quarter of fiscal 2020 compared to the year ago quarter, primarily due to an increase in demand for 5G products and products used in adjacent industry segments beyond mobile, partially offset by the negative impact of COVID-19.
- QTL revenues decreased by 19% in the third quarter of fiscal 2020 compared to the year ago quarter, primarily due to lower royalty revenues from Huawei due to the expiration of the interim agreement and the negative impact of COVID-19 on licensees' sales.
- In July 2020, we entered into a settlement agreement with Huawei to resolve our prior disputes related to our license agreement that expired on December 31, 2019. We also entered into a new long-term, global patent license agreement, including a cross license granting back rights to certain of Huawei's patents, covering sales beginning January 1, 2020. Amounts due under the settlement agreement (which are incremental to the $1.2 billion previously paid under two interim agreements) are expected to be paid in installments within one year in accordance with an agreed upon payment schedule, with the first payment due in the fourth quarter of fiscal 2020.

Our Business and Operating Segments

We develop and commercialize foundational technologies and products used in mobile devices and other wireless products. We derive revenues principally from sales of integrated circuit products and licensing our intellectual property, including patents 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 (primarily smartphones), tablets, laptops, data modules, handheld wireless computers and gaming devices, access points and routers, broadband gateway equipment, data cards and infrastructure equipment, IoT devices and applications, other consumer electronics and automotive telematics and infotainment systems. QTL grants licenses or otherwise provides rights to use portions of our intellectual property portfolio, which, among other rights, includes certain patent rights essential to and/or useful in the manufacture, sale and/or use of certain wireless products. Our QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments. We also have nonreportable segments, including QGOV (Qualcomm Government Technologies) and other technology and service initiatives.

Our reportable segments are operated by QUALCOMM Incorporated and its direct and indirect subsidiaries. QTL is operated by QUALCOMM Incorporated, which owns the vast majority of our patent portfolio. 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. 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 much of our intellectual property are incorporated into consumer wireless devices, which are subject to seasonality and other fluctuations in demand. Our revenues have historically fluctuated based on consumer demand for devices, as well as on the timing of customer/licensee device launches and/or innovation cycles (such as the transition to the next generation of wireless technologies). This has resulted in fluctuations in QCT revenues in advance of and during device launches incorporating our products and in QTL revenues when the related royalties were recognized, which prior to fiscal 2019 was when licensees reported their sales and beginning in fiscal 2019 when the licensees' sales occurred. Our historical trends were impacted by our prior dispute with Apple and its contract manufacturers, which was settled in April 2019. Looking forward, we expect QCT revenues to be impacted by seasonal trends related to product launch timing for sales made to Apple under our multi-year chipset agreement. These trends may or may not continue in the future and have been impacted by the decline in consumer demand resulting from COVID-19. Further, the trends for QTL have been, and may in the future be, impacted by disputes and/or resolutions with licensees (such as our recent settlement of our prior dispute with Huawei) and/or governmental investigations or proceedings, including the lawsuit filed against us by the FTC.

Results of Operations

Revenues (in millions)

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Equipment and services	$ 3,794	$ 3,531	$ 263	$ 11,376	$ 11,037	$ 339
Licensing	1,099	6,104	(5,005)	3,809	8,422	(4,613)
	$ 4,893	$ 9,635	$ (4,742)	$ 15,185	$ 19,459	$ (4,274)

Third quarter 2020 vs. 2019

The decrease in revenues in the third quarter of fiscal 2020 was primarily due to:

- \- $4.7 billion in licensing revenues recorded in the third quarter of fiscal 2019 resulting from the settlement with Apple and its contract manufacturers in April 2019 (which were not allocated to our segment results)
- \- $248 million in lower licensing revenues from our QTL segment
- \+ $272 million in higher equipment and services revenues from our QCT segment

First nine months 2020 vs. 2019

The decrease in revenues in the first nine months of fiscal 2020 was primarily due to:

- \- $4.7 billion in licensing revenues recorded in the third quarter of fiscal 2019 resulting from the settlement with Apple and its contract manufacturers
- \- $110 million in lower equipment and services revenues from our QSI segment
- \+ $467 million in higher equipment and services revenues from our QCT segment
- \+ $87 million in higher licensing revenues from our QTL segment

Costs and Expenses (in millions, except percentages)

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Cost of revenues	$ 2,080	$ 2,114	$ (34)	$ 6,489	$ 6,481	$ 8
Gross margin	57%	78%		57%	67%	

Third quarter 2020 vs. 2019

Gross margin percentage decreased in the third quarter of fiscal 2020 primarily due to:

- \- lower licensing revenues resulting from the settlement with Apple and its contract manufacturers in the third quarter of fiscal 2019
- \- decrease in higher margin QTL licensing revenues in proportion to QCT revenues
- \+ increase in QCT gross margin

First nine months 2020 vs. 2019

Gross margin percentage decreased in the first nine months of fiscal 2020 primarily due to:

- \- lower licensing revenues resulting from the settlement with Apple and its contract manufacturers in the third quarter of fiscal 2019
- \+ increase in QCT gross margin

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Research and development	$ 1,520	$ 1,380	$ 140	$ 4,393	$ 3,957	$ 436
% of revenues	31%	14%		29%	20%	

Third quarter 2020 vs. 2019

The increase in research and development expenses in the third quarter of fiscal 2020 was primarily due to:

+ $67 million increase driven by higher costs related to the development of wireless and integrated circuit technologies, including 5G and RFFE technologies, partially offset by a decrease in employee cash incentive program costs
+ $52 million in higher share-based compensation expense

First nine months 2020 vs. 2019

The increase in research and development expenses in the first nine months of fiscal 2020 was primarily due to:

+ $280 million increase driven by higher costs related to the development of wireless and integrated circuit technologies, including 5G and RFFE technologies, partially offset by a decrease in employee cash incentive program costs
+ $167 million in higher share-based compensation expense

	Three Months Ended			Nine Months Ended		
	June 28, 2020	**June 30, 2019**	**Change**	**June 28, 2020**	**June 30, 2019**	**Change**
Selling, general and administrative	$ 511	$ 547	$ (36)	$ 1,523	$ 1,646	$ (123)
% of revenues	10%	6%		10%	8%	

Third quarter 2020 vs. 2019

The decrease in selling, general and administrative expenses in the third quarter of fiscal 2020 was primarily due to a decrease in employee cash incentive program costs.

First nine months 2020 vs. 2019

The decrease in selling, general and administrative expenses in the first nine months of fiscal 2020 was primarily due to:

- \- $152 million in lower litigation costs, primarily resulting from the settlement of our prior dispute with Apple and its contract manufacturers in April 2019
- \+ $32 million in higher share-based compensation expense

	Three Months Ended			Nine Months Ended		
	June 28, 2020	**June 30, 2019**	**Change**	**June 28, 2020**	**June 30, 2019**	**Change**
Other expense (income)	$ —	$ 277	$ (277)	$ (23)	$ 408	$ (431)

Third quarter 2019

Other expenses in the third quarter of fiscal 2019 consisted of:

+ $275 million charge related to a fine imposed by the European Commission related to the Icera complaint (2019 EC fine)
+ $2 million in net restructuring and restructuring-related charges related to our Cost Plan that concluded in fiscal 2019

First nine months 2020

Other income in the first nine months of fiscal 2020 consisted of:

+ $23 million gain related to a favorable legal settlement

First nine months 2019

Other expenses in the first nine months of fiscal 2019 consisted of:

- \+ $275 million charge related to the 2019 EC fine
- \+ $207 million in net charges related to our Cost Plan, which included $259 million in restructuring and restructuring-related charges, partially offset by a $52 million net gain from the sale of certain assets related to wireless electric vehicle charging applications and the sale of our mobile health nonreportable segment
- \- $43 million gain recorded in the second quarter of fiscal 2019 due to the partial recovery of a fine imposed in fiscal 2009 resulting from our appeal of the KFTC decision
- \- $31 million gain recorded in the second quarter of fiscal 2019 related to a favorable legal settlement

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

	Three Months Ended			Nine Months Ended		
	June 28, 2020	**June 30, 2019**	**Change**	**June 28, 2020**	**June 30, 2019**	**Change**
Interest expense	$ 143	$ 160	$ (17)	$ 436	$ 477	$ (41)
Investment and other income, net						
Interest and dividend income	$ 30	$ 80	$ (50)	$ 135	$ 224	$ (89)
Net gains on marketable securities	117	315	(198)	183	296	(113)
Net gains on other investments	48	6	42	84	47	37
Net gains on deferred compensation plan assets	57	12	45	16	10	6
Impairment losses on other investments	(12)	(42)	30	(349)	(111)	(238)
Net gains (losses) on derivative instruments	1	—	1	2	(10)	12
Equity in net losses of investees	(6)	(22)	16	(21)	(79)	58
Net losses on foreign currency transactions	(6)	(5)	(1)	(4)	—	(4)
	$ 229	$ 344	$ (115)	$ 46	$ 377	$ (331)

COVID-19 had an impact on certain companies in which we hold non-marketable investments, resulting in an increase in impairment losses on other investments for the nine months ended June 28, 2020. A significant portion of the impairment losses related to our investment in OneWeb who filed for bankruptcy in the second quarter of fiscal 2020. The decrease in net gains on marketable securities in the three and nine months ended June 28, 2020 was primarily driven by a prior year gain resulting from the initial public offering of one of our non-marketable equity investments in fiscal 2019.

Income Tax Expense (in millions, except percentages)

The following table summarizes the primary factors that caused our income tax provision to differ from the expected income tax provision at the U.S. federal statutory rate:

	Three Months Ended		Nine Months Ended	
	June 28, 2020	**June 30, 2019**	**June 28, 2020**	**June 30, 2019**
Expected income tax provision at federal statutory tax rate	$ 182	$ 1,155	$ 507	$ 1,442
Benefit from foreign-derived intangible income (FDII) deduction	(52)	(296)	(140)	(384)
Benefit related to the research and development tax credit	(24)	(46)	(84)	(92)
Excess tax benefit associated with share-based awards	(20)	(21)	(76)	(22)
Benefit from releasing valuation allowance on capital losses	(41)	—	(72)	—
Derecognition of deferred tax asset on distributed intellectual property	—	2,472	—	2,472
Benefit from establishing new U.S. net deferred tax assets	—	—	—	(570)
Nondeductible charges related to the KFTC and EC investigations	—	53	—	53
Other	(22)	35	40	88
Income tax expense	$ 23	$ 3,352	$ 175	$ 2,987
Effective tax rate	3%	61%	7%	43%

As of the third quarter of fiscal 2020, we estimated our annual effective income tax rate to be 9% for fiscal 2020, which excluded the effects of the agreements with Huawei signed in July 2020 and the U.S. Treasury Regulations that were issued in July 2020 as described below. Such estimated annual effective tax rate was lower than the U.S. federal statutory rate, primarily due to a significant portion of our income qualifying for preferential treatment as foreign-derived intangible income (FDII) at a 13% effective tax rate, benefits from our research and development tax credit and benefits from certain releases of our valuation allowance on capital losses. The third quarter of fiscal 2019 included a $2.5 billion tax expense due to the derecognition of a deferred tax asset as a result of an agreement with the Internal Revenue Service under which we forwent the federal tax basis step-up in certain distributed intellectual property.

In the fourth quarter of fiscal 2020, the United States Treasury Department issued final regulations on deductions for FDII. While we continue to evaluate the impact of these new regulations and the agreements reached with Huawei in July 2020, we currently expect our annual effective tax rate to increase from 9% to 11% for fiscal 2020. The United States Treasury Department is expected to finalize additional provisions of the 2017 Tax Cuts and Jobs Act, including certain foreign tax credit regulations, in the next several months. When finalized, these regulations may adversely affect our provision for income taxes, results of operations and/or cash flows.

Segment Results

The following should be read in conjunction with our financial results for the third quarter and first nine months of fiscal 2020 for each reportable segment included in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 7. Segment Information."

QCT Segment (in millions, except percentages)

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Revenues						
Equipment and services	$ 3,756	$ 3,484	$ 272	$ 11,252	$ 10,785	$ 467
Licensing	51	83	(32)	274	243	31
Total revenues	$ 3,807	$ 3,567	$ 240	$ 11,526	$ 11,028	$ 498
Earnings before taxes (EBT)	$ 603	$ 504	$ 99	$ 1,748	$ 1,644	$ 104
EBT as a % of revenues	16%	14%	2%	15%	15%	—%

Equipment and services revenues primarily relate to sales of Mobile Station Modem (MSM™), Radio Frequency (RF), Power Management (PM) and wireless connectivity chipsets. MSM integrated circuits include our stand-alone Mobile Data Modems (MDMs) and Snapdragon platforms, which include processors and modems. Approximately 130 million and 156 million MSM integrated circuits were sold in the third quarter of fiscal 2020 and 2019, respectively, and approximately 413 million and 497 million MSM integrated circuits were sold in the first nine months of fiscal 2020 and 2019, respectively. We use the volume of MSM integrated circuit shipments to allow management and investors to, in part, evaluate, assess and benchmark our QCT segment's performance. MSM integrated circuit shipments do not fully reflect the performance of our QCT segment, which can be impacted by other factors including changes in mix and average selling price of our MSM integrated circuits and revenues generated from products other than MSM integrated circuits, such as RFFE products, among others.

Third quarter 2020 vs. 2019

The increase in QCT equipment and services revenues in the third quarter of fiscal 2020 was primarily due to:

+ $551 million in higher revenues per MSM and accompanying RF, PM and wireless connectivity chipset shipments, primarily driven by a favorable shift in product mix due to an increase in demand for 5G products
+ $67 million in higher RFFE product revenues, primarily driven by an increase in demand for 5G products
- $331 million in lower MSM and accompanying chipset shipments, primarily driven by a decrease in demand due to COVID-19, lower sales to Huawei and lower legacy MDM sales to Apple, partially offset by an increase in demand in adjacent industry segments beyond mobile

QCT EBT as a percentage of revenues increased in the third quarter of fiscal 2020 primarily due to:

+ higher revenues and gross margin, primarily driven by a favorable shift in product mix due to an increase in demand for 5G products
- higher operating expenses, primarily driven by higher research and development costs

First nine months 2020 vs. 2019

The increase in QCT equipment and services revenues in the first nine months of fiscal 2020 was primarily due to:

- \+ $972 million in higher revenues per MSM and accompanying RF, PM and wireless connectivity chipset shipments, primarily driven by a favorable shift in product mix due to an increase in demand for 5G products
- \+ $361 million in higher RFFE product revenues, primarily driven by an increase in demand for 5G products
- \- $913 million in lower MSM and accompanying chipset shipments, primarily driven by a decrease in demand due to COVID-19, lower legacy MDM sales to Apple and lower sales to Huawei

QCT EBT as a percentage of revenues remained flat in the first nine months of fiscal 2020 primarily due to:

- \+ higher revenues and gross margin, primarily driven by a favorable shift in product mix due to an increase in demand for 5G products
- \- higher operating expenses, primarily driven by higher research and development costs

QCT accounts receivable decreased by 37% in the first nine months of fiscal 2020 from $908 million to $571 million, primarily driven by an increase in the customer incentive amounts recorded as a reduction to accounts receivable. QCT inventories increased by 67% in the first nine months of fiscal 2020 from $1.40 billion to $2.34 billion, primarily driven by the ramp in 5G and certain near-term changes in the timing of customer demand resulting from the impacts of COVID-19.

QTL Segment (in millions, except percentages)

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Licensing revenues	$ 1,044	$ 1,292	$ (248)	$ 3,520	$ 3,433	$ 87
EBT	646	898	(252)	2,335	2,162	173
EBT as a % of revenues	62%	70%	(8%)	66%	63%	3%

As a result of the settlement with Apple and its contract manufacturers in April 2019, QTL results for the third quarters of fiscal 2020 and fiscal 2019 and first nine months of fiscal 2020 included royalties from Apple and its contract manufactures. Revenues in the first and second quarters of fiscal 2019 did not include royalties from sales of Apple or other products by Apple’s contract manufacturers.

QTL revenues in the third quarter and first nine months of fiscal 2019 included $150 million and $450 million, respectively, of royalties from Huawei under a second interim agreement that concluded in the third quarter of fiscal 2019. This represented a minimum, non-refundable amount for royalties due and does not reflect the full amount of royalties due under the underlying license agreement, which expired on December 31, 2019. We did not record any revenues in the first nine months of fiscal 2020 for royalties due on the sales of Huawei’s consumer wireless products. In July 2020, we entered into a settlement agreement with Huawei to resolve our prior licensing dispute. Further information is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 10. Subsequent Events.”

Third quarter 2020 vs. 2019

The decrease in QTL licensing revenues in the third quarter of fiscal 2020 was primarily due to:

- \- $150 million in lower royalty revenues from Huawei due to the expiration of the interim agreement
- \- $94 million decrease in estimated sales of 3G/4G/5G-based products (including multimode products), primarily due to the negative impact of COVID-19 on demand for licensees’ products that incorporate our intellectual property

QTL EBT as a percentage of revenues decreased in the third quarter of fiscal 2020 primarily due to:

- \- lower QTL revenues
- \- higher research and development expenses

First nine months 2020 vs. 2019

The increase in QTL licensing revenues in the first nine months of fiscal 2020 was primarily due to:

- **+** $744 million increase in estimated sales of 3G/4G/5G-based products (including multimode products), primarily due to the new license agreement with Apple, partially offset by the negative impact of COVID-19 on demand for licensees' products that incorporate our intellectual property
- **+** $59 million increase in royalty revenues recognized related to devices sold in prior periods
- **-** $450 million in lower royalty revenues from Huawei due to the expiration of the interim agreement
- **-** $266 million in lower estimated revenues per unit, in part reflecting licensees entering into new 5G multimode license agreements with rights to our cellular standard-essential patents only (compared to previous licenses which also included rights to certain other non-cellular essential patents) and decreases in our per unit royalty

QTL EBT as a percentage of revenues increased in the first nine months of fiscal 2020 primarily due to:

- **+** lower selling, general and administrative expenses, primarily from lower litigation costs
- **-** higher research and development expenses

QTL accounts receivable decreased by 19% in the first nine months of fiscal 2020 from $1.54 billion to $1.25 billion, primarily driven by scheduled payments received from Guangdong OPPO Mobile Telecommunications Corp., Ltd. (Oppo) and BBK Communication Technology Co., Ltd. (vivo) under the previously disclosed agreements reached requiring payment of certain amounts due under the prior license agreements that expired on March 31, 2020 (for which certain of such amounts were previously withheld while good faith negotiations occurred), as well as a decrease in QTL revenues in the third quarter of fiscal 2020. The remaining amounts from Oppo and vivo are due in the near term in accordance with previously agreed upon payment schedules.

QSI Segment (in millions)

	Three Months Ended			Nine Months Ended		
	June 28, 2020	June 30, 2019	Change	June 28, 2020	June 30, 2019	Change
Equipment and services revenues	$ 3	$ 18	$ (15)	$ 33	$ 143	$ (110)
EBT	153	312	(159)	(58)	337	(395)

Third quarter 2020 vs. 2019

The decrease in QSI EBT in the third quarter of fiscal 2020 was primarily due to:

- **-** $159 million decrease in net gains on investments, primarily driven by a gain in the third quarter of fiscal 2019 resulting from the initial public offering of one of our non-marketable equity investments

First nine months 2020 vs. 2019

The decrease in QSI EBT in the first nine months of fiscal 2020 was primarily due to:

- **-** $260 million increase in impairment losses on other investments, of which a significant portion related to our investment in OneWeb
- **-** $110 million decrease in revenues associated with certain development contracts with OneWeb
- **-** $77 million decrease in net gains on investments, primarily driven by a gain in the third quarter of fiscal 2019 resulting from the initial public offering of one of our non-marketable equity investments
- **+** $37 million decrease in our share of equity method investee losses

Looking Forward

In the coming years, we expect new consumer demand for 3G/4G/5G multimode and 5G products and services to ramp around the world as we transition from 3G/4G multimode and 4G products and services. We expect growth in emerging device categories and industries, resulting from the expanding adoption of certain technologies that are already commonly used in smartphones by industry segments outside traditional cellular industries, such as automotive, computing, 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:

- It is likely that the economic slowdown caused by the COVID-19 pandemic will continue, potentially for an extended duration, and there may be a global recession. We expect the pandemic will continue to have a negative impact on QTL and QCT revenues in the near term based on a reduction in consumer demand for smartphones and other products. Our current planning assumption is that sales of devices that incorporate our products and intellectual property will gradually recover in the September quarter, which reflects regional trends seen during the June quarter. We have not experienced, and we currently do not anticipate a material adverse impact on our ability, or our suppliers' ability, to manufacture and test our products or on our ability to provide our products to our customers. Workforce changes that we implemented in the second quarter of fiscal 2020 are expected to remain in effect in the near term. The degree to which the COVID-19 pandemic impacts our business, financial condition and results of operations will depend on future developments, which are highly uncertain. See "Risk Factors" in this Quarterly Report, specifically the Risk Factor entitled "*The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term.*"

- In July 2020, we entered into a settlement agreement with Huawei to resolve our prior dispute related to our license agreement that expired on December 31, 2019. We also entered into a new long-term, global patent license agreement, including a cross license granting back rights to certain of Huawei's patents, covering sales beginning January 1, 2020. Amounts due under the settlement agreement (which are incremental to the $1.2 billion previously paid under two interim agreements) are expected to be paid in installments within one year in accordance with an agreed upon payment schedule, with the first payment due in the fourth quarter of fiscal 2020. While we continue to assess the accounting impacts of the agreements, including consideration of the geopolitical environment, we currently expect to record revenues of approximately $1.8 billion in the fourth quarter of fiscal 2020 related to the amounts due from Huawei under the settlement agreement and estimated amounts due for the March 2020 and June 2020 quarters under the new global patent license agreement. In addition, we currently expect to begin recording royalty revenues in the fourth quarter of fiscal 2020 for sales made by Huawei in the September 2020 quarter.
- In May 2019, in *United States Federal Trade Commission (FTC) v. QUALCOMM Incorporated*, the court issued an Order ruling against us and imposing certain injunctive relief. We disagree with the court's conclusions, interpretation of the facts and application of the law. Accordingly, we filed a motion to stay certain of the remedies with, and appealed the decision to, the Ninth Circuit Court of Appeals (Ninth Circuit). In July 2019, the Ninth Circuit granted our appeal. In August 2019, the Ninth Circuit granted our partial motion to stay in its entirety. In February 2020, the Ninth Circuit heard oral arguments. Regulatory authorities in certain other jurisdictions are investigating and/or have investigated our business practices and instituted proceedings against us, and they or other regulatory authorities may do so in the future. Additionally, certain of our direct and indirect customers and licensees have pursued, and they or 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, revenues, results of operations, financial condition and cash flows. Depending on the matter, various remedies that could result from an unfavorable resolution include, among others, the loss of our ability to enforce one or more of our patents; injunctions; monetary damages or fines or other orders to pay money; the issuance of orders to cease certain conduct or modify our business practices, such as requiring us to reduce our royalty rates, reduce the base on which our royalties are calculated, grant patent licenses to chipset manufacturers, sell chipsets to unlicensed OEMs or modify or renegotiate some or all of our existing license agreements; and determinations that some or all of our license agreements are invalid or unenforceable. 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 significant legal costs until the respective matters are resolved. See "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies" and "Risk Factors" in this Quarterly Report, including the Risk Factors entitled *"Our business, particularly our licensing business, may suffer as a result of adverse rulings in government investigations or proceedings," "Changes in our patent licensing practices, whether due to governmental investigations or private legal proceedings challenging those practices, or otherwise, could adversely impact our business and results of operations"* and "*Efforts by some OEMs 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 or actions by governments, courts, regulators or agencies, Standards Development Organizations (SDOs) or other industry organizations that harm our business."*
- We have not been the sole supplier of modems for iPhone products beginning with products that launched in September 2016, and Apple is not utilizing our modems for iPhone products that launched in September 2019. We expect QCT revenues to be favorably impacted in the near-term as we anticipate a ramp in volume of MSM shipments under the multi-year chipset agreement to support future iPhone product launches.
- We expect our business, particularly QCT, to continue to be impacted by industry dynamics, including:
    - Increased concentration of device share among a few companies, particularly within the premium tier, resulting in significant supply chain leverage for those companies, and exacerbating the negative impact to our business and financial results to the extent those companies do not utilize our chipsets. For example,

Huawei has taken, and may continue to take, share in China from other Chinese OEMs, negatively impacting QCT as we sell a limited number of chipsets to Huawei as compared to many of those other OEMs;

  - Decisions by companies to utilize their own internally-developed integrated circuit products and/or sell such products to others, including by selling them together with certain of their other products;
  - Decisions by certain companies to utilize our competitors' integrated circuit products in all or a portion of their devices;
  - 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;
  - Lengthened handset replacement cycles and consumer demand, which is increasingly driven by new product launches and/or innovation cycles; and
  - Growth of device share by certain Chinese OEMs in China and in regions outside of China.

- Current U.S./China trade relations and/or national security protection policies may negatively impact our business, growth prospects and results of operations. See "Risk Factors" in this Quarterly Report, including the Risk Factor entitled *"Global, regional or local economic conditions, or political actions including trade and/or national security protection policies 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 business, revenues, results of operations, cash flows and financial position."*
- Commercial 5G network deployments and device launches will continue through calendar 2020 and beyond. We currently anticipate no significant delays in the timing of 5G network deployments and device launches in key regions resulting from the impacts of COVID-19; however, the timing of such deployments and device launches have been and may in the future be delayed and consumer demand for devices that are launched has been and may continue to be negatively impacted by COVID-19. The degree to which any such delays and lower demand impacts our future business, financial condition and results of operations will depend on future developments, which are uncertain. We believe that 5G technologies will empower a new era of smartphones and connected devices. We also believe that 5G will drive transformation across industries beyond traditional cellular communications that will create new business models and new services. We believe it is important that we remain a leader in 5G technology development, standardization, intellectual property creation and licensing of 5G technologies, and to be a leading developer and supplier of 5G integrated circuit products in order to sustain and grow our business long term.

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 licensing program 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 licensing program in enabling new, highly cost-effective competitors to their products. Accordingly, such companies, and/or governments or regulators, may continue to challenge our business model in various forums throughout the world.

Further discussion of risks related to our business is provided in the section labeled "Risk Factors" included in this Quarterly Report.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations and cash provided by our debt programs. The following table presents selected financial information related to our liquidity at June 28, 2020 and September 29, 2019 and for the first nine months of fiscal 2020 and 2019 (in millions):

	June 28, 2020	September 29, 2019	Change
Cash, cash equivalents and marketable securities	$ 10,634	$ 12,296	$ (1,662)
Accounts receivable, net	1,847	2,471	(624)
Inventories	2,343	1,400	943
Short-term debt	500	2,496	(1,996)
Long-term debt	15,425	13,437	1,988
Noncurrent income taxes payable	1,872	2,088	(216)

	Nine Months Ended		
	June 28, 2020	June 30, 2019	Change
Net cash provided by operating activities	$ 4,073	$ 6,059	$ (1,986)
Net cash used by investing activities	(4,925)	(469)	(4,456)
Net cash used by financing activities	(4,871)	(3,446)	(1,425)

The net decrease in cash, cash equivalents and marketable securities was primarily due to $2.5 billion in payments to repurchase shares of our common stock, $2.1 billion in cash dividends paid, $1.1 billion in capital expenditures and $326 million in payments of tax withholdings related to the vesting of share-based awards, partially offset by net cash provided by operating activities and $176 million in proceeds from the issuance of common stock.

The decrease in accounts receivable was primarily due to a decrease in QCT accounts receivable resulting from an increase in customer incentive amounts recorded as a reduction to QCT accounts receivable and a decrease in QTL accounts receivable driven by certain payments received from Oppo and vivo, as well as a decrease in QTL revenues in the third quarter of fiscal 2020. The increase in inventories was primarily driven by the ramp in 5G and certain near-term changes in the timing of customer demand resulting from the impacts of COVID-19.

As a result of the agreements entered into with Huawei in July 2020, we expect our liquidity to be positively impacted by the settlement payments due and royalties to be paid by Huawei for sales made under the new global patent license agreement. Amounts due under the settlement agreement are expected to be paid in installments within one year in accordance with an agreed upon payment schedule, with the first payment due in the fourth quarter of fiscal 2020.

Debt. In the third quarter of fiscal 2020, we issued an aggregate principal amount of $2.0 billion of unsecured fixed-rate notes with varying maturities (May 2020 Notes). The net proceeds were used to repay the $250 million floating-rate and $1.75 billion fixed-rate notes that matured on May 20, 2020, which were classified as short-term debt at September 29, 2019. At June 28, 2020, we had $15.5 billion of principal floating- and fixed-rate notes outstanding. The remaining debt has maturity dates in 2022 through 2050.

We have an unsecured commercial paper program, which provides for the issuance of up to $4.5 billion of commercial paper. Net proceeds from this program are used for general corporate purposes. At June 28, 2020, we had $500 million of commercial paper outstanding.

Our Amended and Restated Revolving Credit Facility (Revolving Credit Facility) provides for unsecured revolving facility loans, swing line loans and letters of credit in the aggregate amount of up to $4.5 billion and expires on November 8, 2021. At June 28, 2020, no amounts were outstanding under the Revolving Credit Facility.

We may issue new debt in the near future. COVID-19 has led to disruption and volatility in the global capital markets, which may adversely impact the cost of and access to capital. The amount and timing of additional borrowings, if any, will depend on a number of factors, including but not limited to maturities of our existing debt, acquisitions and strategic investments, favorable and/or acceptable interest rates and changes in corporate income tax law. Additional information regarding our outstanding debt at June 28, 2020 is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 5. Debt”.

Income Taxes. At June 28, 2020, we estimated remaining future payments of $2.0 billion for the one-time U.S. repatriation tax accrued in fiscal 2018 (Toll Charge), after application of certain tax credits, which is payable in installments over the next six years. At June 28, 2020, other current liabilities included $174 million, reflecting the next installment due in January 2021. 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 fiscal 2018, we announced a stock repurchase program authorizing us to repurchase up to $30 billion of our common stock. In the first nine months of fiscal 2020, we repurchased and retired 30.9 million shares of our common stock for $2.5 billion, before commissions. At June 28, 2020, $4.6 billion remained authorized for repurchase under the stock repurchase program. Our stock repurchase program is subject to periodic evaluations to determine when and if repurchases are in the best interests of our stockholders, and we may accelerate, suspend, delay or discontinue repurchases at any time. In the third quarter of fiscal 2020, to maintain our financial liquidity position and flexibility, we suspended our stock repurchases, at least for the near-term, in light of COVID-19. We have the ability to reinstate repurchases when and if we determine it to be in the best interest of stockholders.

In the first nine months of fiscal 2020, we paid cash dividends totaling $2.1 billion, or $1.89 per share. On July 15, 2020, we announced a cash dividend of $0.65 per share on our common stock, payable on September 24, 2020 to stockholders of record as of the close of business on September 3, 2020. We currently intend to continue to use cash dividends as a means of returning capital to stockholders, subject to capital availability, which may be impacted by COVID-19, and our view that cash dividends are in the best interests of our stockholders, among other factors.

Additional Capital Requirements. Expected working and other capital requirements are described in our 2019 Annual Report on Form 10-K in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." We expect our capital expenditures to increase in the near term to support the increase in our manufacturing capacity needs for our internal fabrication facilities that manufacture RFFE modules and RF filter products, primarily resulting from the ramp in 5G devices. At June 28, 2020, other than changes disclosed in the "Notes to Condensed Consolidated Financial Statements" and "Liquidity and Capital Resources" in this Quarterly Report, there have been no material changes to our expected working and other capital requirements described in our 2019 Annual Report on Form 10-K. At June 28, 2020, $1.4 billion was accrued related to two fines imposed by the EC (based on the exchange rate at June 28, 2020, including related foreign currency gains and accrued interest). We have provided financial guarantees in lieu of cash payment to satisfy the obligations while we appeal the EC's decisions.

Further, regulatory authorities in certain jurisdictions are investigating and/or have investigated our business practices and instituted proceedings against us, including the lawsuit filed against us by the FTC in which a ruling was issued in favor of the FTC in May 2019, and they or other regulatory authorities may do so in the future. Additionally, certain of our direct and indirect customers and licensees, 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, revenues, results of operations, financial condition and cash flows. See "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies" and "Risk Factors" in this Quarterly Report.

Although we expect future estimated operating cash flows to be adversely affected by the impact of COVID-19, most significantly through reduced QTL royalty revenues and QCT equipment revenues, we believe, based on our current business plan and the facts and factors known by us, our 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. See "Risk Factors" in this Quarterly Report, including the Risk Factor entitled *"The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term."*

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, or otherwise disclosed in our 2019 Annual Report on Form 10-K. 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 June 28, 2020 is provided in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 3. Income Taxes," "Note 5. Debt" and "Note 6. Commitments and Contingencies."

Recent Accounting Guidance

Information regarding recent accounting guidance and the impact of such guidance on our consolidated financial statements is provided in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 1. Basis of Presentation and Significant Accounting Policies Update."

Risk Factors

You should consider each of the following factors 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, results of operations, financial condition and cash flows, and require significant management time and attention. In that case, the trading price of our common stock could decline. In addition to the risks and uncertainties set forth in the Risk Factor below entitled *"The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term,"* many of the risks and uncertainties set forth in the other Risk Factors below are exacerbated by the COVID-19 pandemic, government and business responses thereto and any further resulting decline in the global business and economic environment, as well as the extent and/or speed of global economic recovery. You should also consider the other information set forth in this Quarterly Report 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." References to "and" and "or" should be read to include the other as well as "and/or," as appropriate.

Risks Related to Our Businesses

The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term.

The rapid, global spread of COVID-19 and the fear it has created has resulted in significant economic uncertainty, significant declines in business and consumer confidence and global demand in the wireless industry (among others), a global economic slowdown, and could lead to a global recession. Government policies and other preventive and precautionary measures that we, other businesses and governments have implemented to limit the spread of COVID-19, including but not limited to travel bans and restrictions, quarantines, shelter-in-place and social distancing orders, declarations of states of emergency and shutdowns, have exacerbated these issues and we expect will continue to do so, at least in the near term. Specifically, the decline in demand for smartphones and other consumer devices sold by our customers or licensees has resulted in decreased demand for our integrated circuit products (which are incorporated into such devices) and a decrease in the royalties we earn on the licensing of our intellectual property (which is dependent upon the number of such devices sold that utilize our intellectual property).

We expect that demand for our products and demand for the products of our customers or licensees will continue to be negatively impacted in the near term, and to the extent that economic uncertainty, business and consumer confidence, demand for our products and demand for the products of our customers or licensees does not improve, our business and results of operations will continue to be, and may be further, negatively impacted.

The COVID-19 pandemic, and government policies and business measures in response thereto, such as those described above, have also negatively impacted the global wireless supply chain and workforce, including the manufacturing facilities and workforces of our suppliers, customers and licensees. In particular, travel bans and restrictions, quarantines, shelter-in-place and social distancing orders, declarations of states of emergency and shutdowns have resulted in longer product cycle times, transportation, shipment and delivery delays, additional costs and reductions in output across the supply chain. However, to date, we have not seen a significant impact on our manufacturing facilities, the ability of our suppliers to deliver on their commitments to us, or our ability to ship our products to our customers, and we expect this to continue to be true, at least in the near term.

Nonetheless, continued negative effects on the global wireless supply chain could result in a reduction in our ability, or our inability, to supply our products to our customers, or a reduction in the ability, or the inability, of our suppliers to deliver on their commitments to us or of our customers or licensees to supply their products to consumers or other end users. In addition, if the suppliers (or their suppliers) that we rely on to perform the manufacturing and assembly, and most of the testing, of our integrated circuits produced in our fabless production model, the suppliers (or their suppliers) of raw materials or products utilized in our facilities that manufacture our RFFE modules and RF filter acoustic products, or our sources of distribution or transportation, continue to be or are further impacted, we may need to procure alternative or additional suppliers or sources of distribution or transportation, which may not be available or which may increase our costs or cause delays in our ability to provide our products to our customers or licensees. This risk is exacerbated to the extent we procure products, services or materials from a single source or limited sources. See also the Risk Factor entitled "*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 reasonable margins, 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*."

Further, the spread of COVID-19 has caused us to modify our workforce practices, and we may take further actions that we determine are in the best interests of our employees or as mandated by governments in the states and countries we operate. Since January 2020, we have complied with government restrictions in China which limited our employees' ability to work in our offices in China, although such restrictions have since lessened. In March 2020, we announced a global mandatory work from home policy for all of our other employees who are able to perform their jobs remotely, which remains in place. Prior to this announcement, we took various other measures to mitigate the risk to our employees and operations globally, including certain employee travel and visitor restrictions, and cancellation of or limitations on physical participation in meetings, events and conferences, among others. California, where our corporate headquarters is located, and other states and countries where we have employees have implemented restrictions to varying degrees that limit people's ability to move freely. While this has not been the case to date, our business and results of operations could be negatively affected if a significant number of our employees, or employees who perform critical functions, such as certain engineering employees, employees necessary to maintain the continuity of our business operations, or employees that are critical to complete and support our key accounting close processes, financial reporting systems, internal control over financial reporting and disclosure controls and procedures, become ill and/or are quarantined as the result of exposure to COVID-19, or if government policies restrict the ability of those employees to perform their critical functions. Any actions we take with respect to our workforce may not be sufficient to mitigate the risks posed by COVID-19, and our ability to perform critical functions could be harmed.

We expect the foregoing demand, supply and workforce issues to continue, at least in the near term. Our business, financial condition and results of operations could also be impacted by delayed, reduced or cancelled customer orders; the inability of our customers or licensees to purchase or pay for our products or technologies; the insolvency of key suppliers, customers or licensees; delays in reporting or payments from our customers or licensees; or failures by other counterparties.

Further, trade and/or national security protection policies may be adjusted as a result of the COVID-19 pandemic, such as actions by governments that limit, restrict or prevent the movement of certain goods into a country and/or region, and current U.S./China trade relations may be further exacerbated by the pandemic. Additionally, state or federal governments may in the future increase corporate tax rates, increase employer payroll tax obligations and/or otherwise change tax laws to pay for stimulus and other actions taken or that may be taken as a result of COVID-19.

We monitor goodwill and other long-lived assets for events or changes in circumstances in interim periods that could indicate such assets may be impaired. At September 29, 2019, the estimated fair values of our QCT and QTL reporting units were substantially in excess of their respective carrying values. Based on facts and factors currently known by us, we did not record any impairment of goodwill or other long-lived assets during the first nine months of fiscal 2020 as a result of the impact of the COVID-19 pandemic on our business. Although we believe that our estimates and the assumptions supporting our impairment assessments are reasonable, future events or changes in circumstances could cause us to conclude that impairment indicators exist, and that goodwill or other long-lived assets are impaired.

In addition, in the first nine months of fiscal 2020, we recorded impairment losses on certain of our equity method and non-marketable equity and debt investments in part resulting from the impact of COVID-19, and we may in the future record additional impairment losses in part or entirely resulting from COVID-19. Any resulting impairment losses in the future could have an adverse impact on our financial condition and results of operations. Further, while we have experienced minimal impact to date, our customers or licensees may experience a negative impact to their cash flow, which may impact our ability to recognize revenues and/or result in the recognition of an allowance for doubtful accounts related to our accounts receivables, both of which would adversely impact our results of operations.

The degree to which the COVID-19 pandemic impacts our future business, financial condition and results of operations will depend on future developments, which are uncertain, including but not limited to the duration, spread and severity of the pandemic, government responses and other actions to mitigate the spread of and to treat COVID-19, and when and to what extent normal business, economic and social activity and conditions resume. We are similarly unable to predict the extent to which the pandemic impacts our customers, licensees, suppliers and other partners (and their suppliers and partners) and their financial conditions, but adverse effects on these parties could also adversely affect us. Finally, the COVID-19 pandemic makes it challenging for management to estimate the future performance of our business.

Our revenues depend on commercial network deployments, expansions and upgrades of CDMA, OFDMA and other communications technologies, including 5G; 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 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/4G and 3G/4G/5G multimode devices, as well as 3G, 4G and 5G single-mode devices, and to establish the selling prices for such devices. Further, the timing of our shipment of products and completion of services is dependent 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 and applications beyond traditional cellular communications, such as automotive, computing, IoT (including the connected home, smart cities, wearables, voice and music and robotics) and networking, among others.

We have historically been successful during wireless technology transitions, including 3G and 4G. The latest generation of wireless technologies is 5G, which we expect will empower a new era of connected devices and will be utilized not only in handsets but also in new device types, industries and applications beyond traditional cellular communications, as described above (see also Part I, Item 1, "Business" in our most recent Annual Report on Form 10-K for further description of 5G). Commercial deployments of 5G networks and devices have begun and will continue through fiscal 2020 and beyond. However, the timing and scale of such deployments, in certain regions, may be delayed due to the COVID-19 pandemic. We believe it is important that we remain a leader in 5G technology development, standardization, intellectual property creation and technology licensing, and that we develop, commercialize and be a leading supplier of 5G integrated circuit products and services, in order to sustain and grow our business long-term.

Our revenues and 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, expansions or upgrades or delay moving customers to 3G/4G and 3G/4G/5G multimode devices, as well as 4G and 5G single-mode devices;
- government regulators delay making sufficient spectrum available for 4G and 5G wireless technologies, including unlicensed spectrum and shared spectrum technologies, thereby delaying or precluding the initial deployment or expanded deployment of these technologies;
- wireless operators delay or do not drive improvements in 4G or 5G, or 3G/4G or 3G/4G/5G multimode network performance and capacity;
- our customers' and licensees' revenues and sales of products, particularly premium-tier products, and services using these technologies, and average selling prices of such products, decline, do not grow or do not grow meaningfully due to, for example, the maturity of smartphone penetration in developed regions and China;
- our intellectual property and technical leadership included in the continued 5G standardization effort is less than in 3G and 4G standards;
- the continued standardization or commercial deployment of 5G technologies is delayed or not widely deployed and/or adopted;
- 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; or
- consumers' rates of replacement of smartphones and other computing devices decline, do not grow or do not grow meaningfully.

Our industry is subject to competition in an environment of rapid technological change. Our success depends in part on our ability to adapt to such change and compete effectively; and such change and competition could result in decreased demand for our products, services and technologies or declining average selling prices for our products or those of our customers or licensees.

Our products, services and technologies face significant competition. We expect competition to increase as our current competitors expand their product offerings, improve their products or reduce the prices of their products as part of a strategy to maintain existing business and customers or attract new business and 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: OEM concentrations; vertical integration; growth in demand, consumption and competition in certain geographic regions; government intervention or support of national industries 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 licensed, shared 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 and consumer demand for new 3G/4G and 3G/4G/5G multimode devices, as well as 3G, 4G and 5G single-mode 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 other processors, camera and connectivity) and with smaller geometry process technologies that drive both performance and lower power consumption;
- develop and offer integrated circuit products at competitive cost and price points to effectively cover all geographic regions and all device tiers;
- 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 and other computing devices, automobiles, wearables, voice and music and other connected devices and infrastructure products;
- maintain or accelerate demand for our integrated circuit products at the premium device tier, while also driving the adoption of our 5G products into high, mid- and low-tier devices across all regions;
- continue to be a leader in 4G and 5G technology evolution and continue to innovate and introduce 4G and 5G turnkey, integrated products and services that differentiate us from our competition;
- remain a leader in 5G technology development, standardization, intellectual property creation and licensing, and develop, commercialize and be a leading supplier of 5G integrated circuit products and services;
- increase or accelerate demand for our semiconductor component products, including RFFE, and our wireless connectivity products, including networking products for consumers, carriers and enterprise equipment and connected devices;
- become a leading supplier of RFFE products, which are designed to address cellular RF band fragmentation while improving RF performance and assist OEMs in developing multiband, multimode mobile devices;
- create standalone value and contribute to the success of our existing businesses through acquisitions, joint ventures and other transactions, and by developing customer, licensee, vendor, distributor and other channel relationships in new industry segments and with disruptive technologies, products and services, such as products for automotive, computing, IoT (including the connected home, smart cities, wearables, voice and music and robotics) and networking, among others;
- identify potential acquisition targets that will grow or sustain our business or address strategic needs, reach agreement on terms acceptable to us, close the transactions and effectively integrate these new businesses, products and technologies;
- provide a leading service to OEMs, 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; and
- 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 regions and China.

We compete with many different semiconductor companies, ranging from multinational companies with integrated research and development, manufacturing, sales and marketing organizations across a broad spectrum of product lines, to companies that are focused on a single application, industry segment or standard product, including those that produce products for RFFE, automotive, computing, IoT and networking applications. Most of these competitors compete with us with respect to some, but not all, of our businesses. 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 Broadcom, Cirrus Logic, Cypress Semiconductor, HiSilicon, Intel, Marvell, Maxim, MediaTek, Microchip Technology, Murata, Nordic Semiconductor, Nvidia, NXP Semiconductors, Qorvo, Realtek Semiconductor, Renesas, Samsung, Sequans Communications, Skyworks 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 use our competitors' integrated circuit products, to utilize their own internally-developed integrated circuit products or sell such products to others, or to choose alternative technologies; lower cost structures or a willingness and ability to accept lower prices or lower or negative margins for their products, particularly in China; foreign government support of other technologies, competitors or OEMs that sell devices that do not contain our chipsets; better known brand names; ownership and control of manufacturing facilities and greater expertise in manufacturing processes; more extensive relationships with local distribution companies and OEMs in certain geographic regions (such as China); more experience in adjacent industry segments outside traditional cellular industries (such as automotive, computing, IoT and networking); and a more established presence in certain regions.

In particular, certain of our largest integrated circuit customers develop their own integrated circuit products, which they have in the past utilized, and currently utilize, in certain of their devices and may in the future choose to utilize in certain (or all) of their devices, rather than our products (and they may sell their integrated circuit products to third parties, discretely or together with certain of their other products, in competition with us).

Also, Apple, which has historically been one of our largest customers, has utilized products of one of our competitors in many of its devices rather than our products, and is solely utilizing one of our competitors' products in its most recent smartphone launches. In April 2019, we entered into a new multi-year chipset supply agreement with Apple. We began shipping chipsets under this agreement in the third quarter of fiscal 2020. However, Apple may choose to use our competitors' products or its own modem products in one or more of its future devices.

Similarly, certain of our Chinese customers have developed, and others may in the future develop, their own integrated circuit products and use such integrated circuit products, or our competitors' integrated circuit products, in their devices rather than our integrated circuit products, including due to pressure from or policies of the Chinese government, concerns over losing access to our integrated circuit products as a result of U.S./China trade tensions, or otherwise. Further, political actions, including trade and/or national security protection policies, or other actions by governments, particularly the U.S. and Chinese governments, have in the past, currently are and could in the future limit or prevent us from transacting business with certain of our customers, limit or prevent certain of our customers from transacting business with us, or make it more expensive to do so. This could advantage our competitors by enabling them with increased sales, economies of scale, operating income and/or cash flows and/or enable critical technology transfer, allowing them to increase their investments in technology development, research and development and commercialization of products.

Further, certain of our competitors develop and sell multiple components (including integrated circuit products) for use in devices and sell those components together to OEMs. Our competitors' sales of multiple components put us (and our discrete integrated circuit products) at a competitive disadvantage. Certain of our competitors also develop and sell infrastructure equipment for wireless networks and can optimize their integrated circuit products to perform on such networks to a degree that we are not able to, which again puts us at a competitive disadvantage.

Competition in any or all product tiers may result in the loss of 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 or the products of our customers and licensees. Certain of these dynamics are particularly pronounced in emerging regions and China where competitors may have lower cost structures or may have a willingness and ability to accept lower prices or lower or negative margins on their products. 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.

We derive a significant portion of our revenues from a small number of customers and licensees, which increasingly includes a small number of Chinese OEMs. 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. Chinese OEMs continue to grow their device share in China and are increasing their device share in regions outside of China, and we derive a significant and increasing portion of our revenues from a small number of these OEMs.

In addition, certain of our largest integrated circuit customers develop their own integrated circuit products, which they have in the past utilized, and currently utilize, in certain of their devices and may in the future choose to utilize in certain (or all) of their devices, rather than our products (and they may sell their integrated circuit products to third parties, discretely or together with certain of their other products, in competition with us).

Also, Apple, which has historically been one of our largest customers, has utilized products of one of our competitors in many of its devices rather than our products, and is solely utilizing one of our competitor's products in its most recent smartphone launches. In April 2019, we entered into a new multi-year chipset supply agreement with Apple. We began shipping chipsets under this agreement in the third quarter of fiscal 2020. However, Apple may choose to use our competitors' products or its own modem products in one or more of its future devices.

Similarly, certain of our Chinese OEM customers have developed and others may in the future develop their own integrated circuit products and use such integrated circuit products, or our competitors' integrated circuit products, in their devices rather than our integrated circuit products, including due to pressure from or policies of the U.S. and/or Chinese governments, the OEMs' concerns over losing access to our integrated circuit products as a result of U.S./China tensions, or otherwise. Further, political actions, including trade and/or national security protection policies, or other actions by governments, particularly the U.S. and Chinese governments, have in the past, currently are and could in the future limit or prevent us from transacting business with certain of our customers, or limit or prevent certain of our customers from transacting business with us, or make it more expensive to do so. See also the Risk Factor entitled *"Global, regional or local economic conditions, or political actions including trade and/or national security protection policies, 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 business, revenues, results of operations, cash flows and financial position."*

In addition, we spend a significant amount of engineering and development time, funds and resources in understanding our key customers' feedback and/or specifications and attempt to incorporate such input into our product launches and technologies. These efforts may not require or result in purchase commitments from such customers or we may have lower purchases from such customers than expected, and consequently, we may not achieve the anticipated revenues from these efforts, or these efforts may result in non-recoverable costs.

The loss of any one of our significant customers, a reduction in the purchases of our products by such customers or the cancelation of significant purchases by any of these customers, whether due to the use of their own integrated circuit products or our competitors' integrated circuit products, government restrictions 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 and success of such introductions may cause our revenues and results of operations to fluctuate. Accordingly, if current industry dynamics 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.

Further, to the extent Apple purchases our modem products, it purchases our MDM (or thin modem) 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 Apple takes device share from our 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, 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 or intellectual property, and 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 more than 300 licensees, our QTL segment derives a significant portion of its revenues from a limited number of licensees, which increasingly includes a small number of Chinese OEMs. In the event that one or more of our significant licensees fail to meet their reporting and 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 do not have control over the product development, sales efforts or pricing of products by our licensees, and our licensees might not be successful. Reductions in sales of our licensees' products, or reductions in the average selling prices of wireless devices sold by our licensees without a sufficient increase in the volumes of such devices sold, would generally have an adverse effect on our licensing revenues. Such adverse impact may be mitigated by our per unit royalty caps that apply to certain categories of our licensees' complete wireless devices, namely smartphones, tablets, laptops and smartwatches.

We derive a significant portion of our revenues from the premium-tier device segment. If sales of premium-tier devices decrease, 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. The industry has experienced, and we expect it will 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 and China where premium-tier smartphones are less common and replacement cycles are on average longer than in developed regions and are continuing to lengthen; and a maturing premium-tier smartphone industry in which demand is increasingly driven by new product launches and innovation cycles.

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

A reduction in sales of premium-tier devices, 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) or a shift in share away from OEMs that utilize our premium-tier products, would 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 OEMs 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 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 negotiate, renegotiate, reduce 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 or unenforceability of our patents or licenses, taking a position that we do not license our patents on fair, reasonable and nondiscriminatory (FRAND) terms, or alleging some form of unfair competition or competition law violation; (ii) taking positions contrary to our understanding (and/or the plain language) 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 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, seeking to impose some form of compulsory licensing or weakening a patent holder's ability to enforce its rights or obtain a fair return for such rights; and (vi) various attempts by licensees 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 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 have delayed entering into or renewing license agreements with us for their use of our intellectual property. Further, certain licensees and companies are currently engaged in such behavior and they or others may engage in such behavior in the future. The fact that one or more licensees dispute, underreport, underpay, do not report or do not pay royalties owed to us may encourage other licensees to take similar actions or not renew their existing license agreements, 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 companies increase their device share, the negative impact of their underreporting, underpayment, non-payment or non-reporting on our business, revenues, results of operations, financial condition and cash flows will be exacerbated.

We have been in the past and are currently subject to various litigation and governmental investigations and proceedings, including the lawsuit filed against us by the FTC. Certain of these matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." We may become subject to other litigation or governmental investigations or proceedings in the future. Additionally, certain of our direct and indirect customers and licensees 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, revenues, results of operations, financial condition and cash flows. See also the Risk Factors below entitled *"Our business, particularly our licensing business, may suffer as a result of adverse rulings in government investigations or proceedings"* and *"Changes in our patent licensing practices, whether due to governmental investigations or 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 standard-essential 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 should not be an available remedy for infringement of standard-essential patents and 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 rate 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 (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 standard-essential 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 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 will 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 have been in the past and are currently subject to various governmental investigations and proceedings, particularly with respect to our licensing business, including the lawsuit filed against us by the FTC. Certain of these matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." Key allegations or findings in those matters include, among others, that we violate FRAND licensing commitments by refusing to grant licenses to chipset manufacturers, that our royalty rates are too high, 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), that we unlawfully require customers to execute a patent license before we sell them cellular modem chipsets, that we have entered into exclusive agreements with chipset customers that foreclose competition, and that we violate antitrust laws, engage in anticompetitive conduct and unfair methods of competition. We may become subject to other litigation or governmental investigations or proceedings 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, revenues, results of operations, financial condition and cash flows. Depending on the matter, various remedies that could result from an unfavorable resolution include, among others, the loss of our ability to enforce one or more of our patents; injunctions; monetary damages or fines or other orders to pay money; the issuance of orders to cease certain conduct or modify our business practices, such as requiring us to reduce our royalty rates, reduce the base on which our royalties are calculated, grant patent licenses to chipset manufacturers, sell chipsets to unlicensed OEMs or modify or renegotiate some or all of our existing license agreements; and determinations that some or all of our license agreements are invalid or unenforceable. If some or all of our license agreements are declared invalid or unenforceable and/or we are required to renegotiate these license agreements, we may not receive, or may not be able to recognize, some or any licensing or royalty revenues under the impacted license agreements unless and until we enter into new license agreements; and even licensees whose license agreements are not impacted may demand to renegotiate their agreements or invoke the dispute resolution provision in their agreements, and we may not be able to recognize some or any licensing or royalty revenues under such agreements. The renegotiation of license agreements could lead to arbitration or litigation to resolve the licensing terms, which could be less favorable to us than existing terms, and each of which could take months or possibly years. Licensees may underreport, underpay, not report or not pay royalties owed to us pending the conclusion of such negotiations, arbitration or litigation. In addition, we may be sued for alleged overpayments of past royalties paid to us, including private antitrust actions seeking treble damages under U.S. antitrust laws. Further, if our appeal in the FTC lawsuit is unsuccessful, it could have a material adverse effect on our business. The occurrence of any of the above could have a material adverse effect on our business, results of operations, cash flows and financial condition, and our stock price could decline, possibly significantly, in which case we may have to significantly cut costs and other uses of cash, including in research and development, significantly impairing our ability to maintain product and technology leadership and invest in next generation technologies such as 5G. Further, depending on the breadth and severity of the circumstances above, we may have to reduce, suspend or eliminate our capital return programs, and our ability to timely pay our indebtedness may be impacted. In addition, a governmental body in a particular country or region may successfully assert and impose remedies with effects that extend beyond the borders of that country or region.

These challenges 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 until the respective matters are resolved.

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

As described in the Risk Factor above entitled "*Our business, particularly our licensing business, may suffer as a result of adverse rulings in government investigations or proceedings*," we have been in the past and are currently subject to various governmental investigations and proceedings, as well as private legal proceedings, challenging our patent licensing and chipset sales practices, including the lawsuit filed against us by the FTC. Certain of these matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." We believe that one intent of certain 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 may become subject to other litigation or governmental investigations or proceedings in the future.

We historically licensed our cellular standard-essential patents together with our other patents that may be useful to licensed products because licensees desired to obtain the commercial benefits of receiving such broad patent rights from us. However, we also licensed only our cellular standard-essential patents to licensees who requested such licenses. Since 2015, our standard practice in China is to offer licenses to our 3G and 4G (and now 5G) cellular standard-essential Chinese patents for devices sold for use in China separately from our other patents. In addition, we also offer licenses to only our cellular standard-essential patents (including 3G, 4G and 5G) for both single-mode and multimode devices on a worldwide basis, and since 2018, an increasing number of new and existing licensees have elected to enter into worldwide license agreements covering only our cellular standard-essential patents. Going forward, we anticipate that a significant portion of our licensing revenues will continue to be derived from licensees that have entered into license agreements covering only our cellular standard-essential patents. 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 to obtain 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 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 (which could lead to implementing a more complex, multi-level licensing structure in which we license certain portions of our patent portfolio to chipset manufacturers and other portions to OEMs), we would incur additional transaction costs, which may be significant, and we could 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 in our patent license agreements, our revenues, earnings and cash flows 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 cash flows would be negatively impacted unless there was a sufficient increase in the volume of sales of devices upon which royalties are paid 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).

If we were required to sell chipsets to OEMs that do not have a license to our patents, our licensing program could be negatively impacted by patent exhaustion claims raised by such unlicensed OEMs (i.e., claims that our sale of chipsets to such OEMs forecloses us from asserting any patents substantially embodied by the chipsets against such OEMs). Such sales would provide OEMs with a defense in the event we asserted our patents against them to obtain licensing revenue for those patents. This could have a material adverse effect on our licensing program and our results of operations, financial condition and cash flows.

To the extent that we were required to implement any of these new licensing and/or business practices, including by modifying or renegotiating our existing license agreements or pursuing other commercial arrangements, we would incur additional transaction costs, which may be significant, and we could 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 or governmental agencies in other jurisdictions may attempt to obtain similar outcomes for themselves or for such other jurisdictions, as applicable.

Finally, if our appeal in the FTC lawsuit is unsuccessful, it could have a material adverse effect on our business.

The enforcement and protection of our intellectual property rights may be expensive, could fail to prevent misappropriation or unauthorized use of our intellectual property, could result in the loss of our ability to enforce one or more patents, and 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 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 U.S. laws or where the enforcement of such laws may be lacking or ineffective. See also the Risk Factor entitled *"Our business and operations could suffer in the event of security breaches of our information technology systems, or other misappropriation of our technology, intellectual property or other proprietary or confidential information."*

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 (EU) 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, currently have, and may in the future have, difficulty in certain circumstances in protecting or enforcing our intellectual property rights and contracts, including collecting royalties for use of our patent portfolio due to, among others: refusal by certain licensees to report and 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; failure of foreign courts to recognize and enforce judgments of contract breach and damages issued by courts in the United States; and challenges before competition agencies to our licensing business and the pricing and integration of additional features and functionality into our chipset products. Certain licensees have disputed, underreported, underpaid, not reported 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 have delayed entering into or renewing license agreements for their use of our intellectual property. Further, certain licensees and companies are currently engaged in such behavior and they or others may engage in such behavior in the future. The fact that one or more licensees dispute, underreport, underpay, do not report or do not pay royalties owed to us may encourage other licensees to take similar actions or not renew their existing license agreements, 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. Similarly, we provide access to certain of our intellectual property and proprietary and confidential business information to our direct and indirect customers and licensees, who have in the past and may in the future wrongfully use such intellectual property and information or wrongfully disclose such intellectual property and information to third parties, including our competitors. See also the Risk Factor entitled "*Efforts by some OEMs 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 or actions by governments, courts, regulators or agencies, Standards Development Organizations (SDOs) or other industry organizations that harm our business*."

We have engaged in litigation and arbitration in the past and may need to further litigate or arbitrate in the future to enforce our contract and intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. As a result of any such litigation or arbitration, 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 or initiating litigation or arbitration), license terms (including but not limited to royalty rates for the use of our intellectual property) could be imposed that are less favorable to us than existing terms, and 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 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.

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 and applications outside of traditional cellular industries, such as automotive, computing, IoT and networking, among others. Our research, development and other investments in these new and expanded product areas, industry segments and applications, 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 invest in new and expanded product areas, and adjacent industry segments and applications, by utilizing our existing technical and business expertise and through acquisitions.

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

Our growth also depends significantly on our ability to develop and patent 5G technologies, and to develop and commercialize products using 5G technologies.

However, our research, development and other investments in these new and expanded product areas and adjacent industry segments and applications, and corresponding technologies, products and services, as well as in our existing, technologies, products and services and new technologies, such as 5G, use of licensed, shared and unlicensed spectrum and convergence of cellular and Wi-Fi, may not succeed due to, among other reasons: we may not be issued patents on the technologies we develop; the technologies we develop may not be incorporated into relevant standards; new and expanded product areas and adjacent industry segments, applications and consumer demand may not develop or grow as anticipated; our strategies 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' technologies, products or services being more cost effective, having more capabilities or fewer limitations or being brought to market faster than our new technologies, products and services; we may not be able to develop, or our competitors may have more established and/or stronger, customer, vendor, distributor or other channel relationships; 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 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 services are not successful, or are not successful in the time frames we anticipate, we may incur significant costs and asset impairments, our business may not grow or grow meaningfully, our revenues and margins may be negatively impacted, and our reputation may be harmed.

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, computing, IoT and networking, as well as the need to renew or renegotiate license agreements that are expiring 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, 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 automotive, computing, IoT and networking industry segments. 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, all of our patent license agreements in China that were entered into in 2015 or thereafter, as well as our recent worldwide cellular standard-essential patent only agreements, are effective for a specified term. In order to license or to obtain a license to such later patents or after the expiration of the specified term, and to receive royalties after the expiration date of the specified term, 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 extend or modify license agreements, or enter into new license agreements, in the future without negatively affecting the material terms and conditions of our license agreements with such licensees, and such modifications or new agreements may negatively impact our revenues. In some circumstances, we may extend, modify or enter into new license agreements as a result of arbitration or litigation, and terms imposed by arbitrators or courts may be less favorable to us than existing terms and may impact the financial or other terms of license agreements not subject to the litigation or arbitration. If there is a delay in extending, modifying or entering into a new license agreement with a licensee, 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 reasonable margins, 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 facilities we own that manufacture certain of our RFFE modules and RF filter acoustic products, 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 demand and negatively impact our revenues, business operations, profitability and 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 raw materials or 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 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;
- natural disasters or geopolitical conflicts impacting our suppliers; and
- health crises, including epidemics or pandemics, such as the COVID-19 pandemic, and government and business responses thereto, which impact our suppliers, including as a result of quarantines or closure.

Additionally, supply and costs of raw materials may be negatively impacted by trade or national security protection policies, such as tariffs, or actions by governments that limit or prevent us from transacting business with certain companies or that limit or prevent certain companies from transacting business with us, or escalating trade tensions, particularly with countries in Asia.

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 could 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. Any of the above could negatively impact our business, results of operations and cash flows.

Although we have long-term contracts with our suppliers, most 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 or make non-refundable payments for capacity commitments that are not used.

Our suppliers or potential alternate suppliers may manufacture CDMA- or OFDMA-based integrated circuits, for themselves or for other companies, that compete with our products. Such suppliers have in the past and could again elect to allocate raw materials and manufacturing capacity to their own products or products of our competitors and reduce or limit the production of our products.

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. To the extent we are unable to obtain adequate supply, we may be obligated to make payment to our customers for such shortfalls.

Additionally, we place orders with our suppliers using our and our customers' forecasts of demand for our products, which are based on a number of assumptions and estimates. As we move to smaller geometry process technologies, the manufacturing lead-time increases. As a result, the orders we place with our suppliers are generally only partially covered by commitments from our customers. If we, or our customers, overestimate demand that is not under a binding commitment from our customers, we may experience increased excess or obsolete inventory, which would negatively impact our results of operations.

There are numerous risks associated with the operation and control of our manufacturing facilities, including a higher portion of fixed costs relative to a fabless model, environmental compliance and liability, issues related to climate change, exposure to natural disasters, timely supply of equipment and materials, and various manufacturing issues.

Through our QCT segment, we also own and operate various facilities that manufacture our RFFE modules and RF filter acoustic products. Manufacturing facilities are characterized by a higher portion of fixed costs relative to a fabless model. We may be faced with a decline in the utilization rates of our manufacturing facilities due to decreases in demand for our products, including in less favorable industry environments. During such periods, our manufacturing facilities could operate at lower capacity levels, while the fixed costs associated with such facilities 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, storage, generation, handling and disposal of hazardous substances and other waste; the investigation and remediation of soil and ground water contamination; and the health and safety of our employees. Certain environmental laws impose strict, and in certain circumstances joint and several, liability on current or previous owners or operators of real property, or parties who arranged for hazardous substances to be sent to disposal or treatment facilities, for the cost of investigation, removal or remediation of hazardous substances. As a result, we may incur clean-up costs in connection with any such removal or remediation efforts, as well as other third-party claims in connection with contaminated sites. In addition, we could be held liable for consequences arising out of human exposure to hazardous substances or other environmental damage. If we or companies or facilities we acquire have in the past failed or in the future fail to comply with any such laws and regulations, then we could incur liabilities, fines or prohibitions on the sale of products we manufacture, and our operations could be suspended. Such laws and regulations could also restrict our ability to modify or expand our facilities, could require us to acquire costly equipment, or could require other significant expenditures. We are also required to obtain and maintain environmental permits from governmental authorities for certain of our operations. While we have designed policies and procedures to ensure compliance with applicable laws, regulations and permits, we cannot make assurances that we, or our employees, contractors or agents, will at all times be in compliance with such laws, regulations and permits, or our related policies and procedures.

Climate change concerns and the potential resulting environmental impact may result in new environmental, health and safety laws and regulations that may affect us, our suppliers and/or our customers. Such laws or regulations could cause us to incur additional direct costs for compliance, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that are passed on to us. These costs may adversely impact our results of operations and financial condition. In addition, climate change may pose physical risks to us or our suppliers, including increased extreme weather events that could result in supply delays or disruptions.

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 and result in costly repairs, replacements or other costs. In addition, natural disasters or geopolitical conflicts may result in disruptions in transportation, distribution channels and supply chains, and significant increases in the prices of raw materials. Further, health crises, including epidemics or pandemics, such as the COVID-19 pandemic, and government and business responses thereto, could affect our manufacturing facilities, including by resulting in quarantines and/or closures, which would result in disruptions to and potentially closures of our manufacturing operations.

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, among others, 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. 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. Additionally, supply and costs of raw materials may be negatively impacted by trade and/or national security protection policies, such as tariffs, or actions by governments that limit or prevent us from transacting business with certain companies or that limit or prevent certain companies from transacting business with us, or escalating trade tensions, particularly with countries in Asia. 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 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 cash flows.

Finally, we typically begin manufacturing our products using our or our customers’ forecasts of demand for our products, which are based on a number of assumptions and estimates and are generally not covered by purchase commitments. As a result, we incur inventory and manufacturing costs in advance of anticipated sales, which sales ultimately may not materialize or may be lower than expected. If we or our customers overestimate demand that is not under a binding commitment from our customers, we may experience higher inventory carrying and operating costs and/or increased excess 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, or to license such rights or pay damages or other compensation to such other company (any of which could be costly). 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. Similarly, our suppliers could be found to infringe another company’s intellectual property rights, and such suppliers could then be enjoined from providing products or services to us.

In any potential dispute involving us and another company’s 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 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 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 harm our relationships with them and could result in a decline in our chipset sales or a reduction in our licensees’ sales, causing a corresponding decline in our chipset 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 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 (or on the sale of our customers' devices using such products) or the issuance of orders to cease certain conduct 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 or a reduction in our licensees' sales to wireless operators, causing corresponding declines in our chipset or licensing revenues.

Certain legal matters, which may include 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 and other transactions or make investments, or be unable to consummate planned strategic acquisitions, which 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. From time to time, we acquire businesses and other assets, including patents, technology and other intangible assets, enter into joint ventures or other strategic transactions and purchase minority equity interests in or make loans to companies, including those that may be private and early-stage. Our strategic activities are generally focused on opening or expanding opportunities for our products and 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. Many of our strategic activities entail a high degree of risk and require the use of significant amounts of 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 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, facilities, technology, products, processes, operations (including supply and manufacturing operations), sales and distribution channels, business models and business systems; retaining customers and suppliers of the businesses; consolidating research and development 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 or categories of products served by or adjacent to the associated businesses or in addressing potential new opportunities that may arise out of our strategic acquisitions.

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.

Many of our acquisitions and other strategic investments require approval by the United States and/or foreign government agencies. Certain agencies in the past have, and may in the future, deny the transaction or fail to approve in a timely manner, resulting in us not realizing the anticipated benefits of the transaction. Future acquisitions or other strategic investments may be more difficult, complex or expensive to the extent that our reputation for our ability to consummate acquisitions has been harmed. Further, if U.S./China relations remain strained, our ability to consummate any transaction that would require approval from the State Administration for Market Regulation (SAMR) in China may be severely impacted.

We are subject to various laws, regulations, policies and standards. Our business may suffer as a result of existing, new or amended laws, regulations, policies or standards, 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 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 and trade protection including tariffs, cybersecurity, 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 regulate the amount and timing of funds that may flow out of a country have impacted and may continue to impact the timing of our receipt of and/or ability to receive payments from our customers and licensees in such countries, which may negatively impact our cash flows.

Further, China has implemented, and other countries or regions may implement, cybersecurity laws that require that our overall information technology security environment meet certain standards and/or be certified. Such laws may be complex, ambiguous and subject to interpretation, which may create uncertainty regarding compliance. As a result, our efforts to comply with such laws may be expensive and may fail, which could adversely affect our business, results of operations and 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, trade or national security protection policies, or political changes, could result in our incurring higher costs, could negatively impact our ability to timely consummate strategic transactions and could have other negative impacts on our business and the businesses of our customers and licensees.

Import/export regulations, such as the U.S. Export Administration Regulations administered by the U.S. Department of Commerce, are complex, change frequently, have generally become more stringent over time and have intensified under the current U.S. administration. If our customers or suppliers fail to comply with these regulations, we may be required to suspend activities with these customers or suppliers, which could negatively impact our results of operations. Additionally, we may be required to incur significant expense to comply with, or to remedy violations of, these regulations.

Further, political actions, including trade and/or national security protection policies, or other actions by governments, particularly the U.S. and Chinese governments, have in the past, currently are and could in the future limit or prevent us from transacting business with certain of our customers, limit or prevent certain of our customers from transacting business with us, or make it more expensive to do so. Similarly, due to pressure from the Chinese government as part of its broader economic policies, our Chinese OEMs' concerns over losing access to our integrated circuit products as a result of U.S./China trade tensions, or other policies, regulations or decisions arising out of U.S./China trade tensions, our Chinese OEM customers may develop their own integrated circuit products and use such products, or use our competitors' integrated circuit products, in their devices rather than our integrated circuit products, and our Chinese licensees may delay or cease payments of license fees they owe to us. See also the Risk Factor entitled "*Global, regional or local economic conditions, or political actions including trade and/or national security protection policies, 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 business, revenues, results of operations, cash flows and financial position.*"

National, state and local environmental laws and regulations affect our operations around the world. These laws may make it more expensive to manufacture 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. The imposition of tariffs on raw materials or our products could also have a negative impact on our revenues and results of operations. We are also subject to laws and regulations impacting our manufacturing operations. See also the Risk Factor entitled "*There are numerous risks associated with the operation and control of our manufacturing facilities, including a higher portion of fixed costs relative to a fabless model, environmental compliance and liability, issues related to climate change, exposure to natural disasters, timely supply of equipment and materials, and various manufacturing issues.*"

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 and regions are imposing similar regulations, which may require us to undertake additional verification and reporting, including regarding countries in addition to the Covered Countries and minerals in addition to conflict minerals. 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 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 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. Furthermore, in the course of product development, we may make contributions to third party open source projects that could obligate our intellectual property to adverse licensing conditions. For example, to encourage the growth of a software ecosystem that is interoperable with our products, we may need to contribute certain implementations under the open source licensing terms that govern such projects, which may adversely impact certain of our associated intellectual property. 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 contributions to and use of open source software presents risks that could have an adverse effect on these rights and on our business.

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns that may adversely impact our business. Our stock price, earnings and the fair value of our investments are subject to substantial quarterly and annual fluctuations due to this dynamic and others, and to market downturns generally.

The semiconductor industry is highly cyclical and characterized by constant and rapid technological change, price erosion, evolving technical standards, frequent new product introductions, short product life cycles (for both semiconductors and for many of the products in which they are used) and fluctuations in product supply and demand. From time to time, these factors, together with changes in general economic conditions, cause significant upturns and downturns in the semiconductor industry. Periods of downturns have been characterized by diminished demand for end-user products, high inventory levels, periods of inventory adjustment, underutilization of manufacturing capacity, changes in revenue mix and erosion of average selling prices. We expect our business to continue to be subject to cyclical downturns, even when overall economic conditions are relatively stable. If we cannot offset semiconductor industry or market downturns, our revenues may decline, and our financial condition and results of operations may be adversely impacted.

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 earnings include those identified above and throughout this Risk

Factors section; volatility of the stock market in general and technology-based and semiconductor 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 overall economic conditions may reduce the amounts that we realize in the future on our cash equivalents and marketable securities and may reduce our earnings as a result of any reductions in the fair values of marketable securities.

In the past, securities class action litigation has been brought against companies following periods of volatility in the market price of their securities, among other reasons. 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."

There are risks associated with our indebtedness and our stock repurchase program.

Our outstanding indebtedness and any additional indebtedness we incur 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 general corporate or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, our industry and the market; and
- 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 economic and political 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 our paying fines or modifying our business practices in connection with regulatory investigations or litigation, 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; reduce, suspend or eliminate our dividend payments and/or our stock repurchase program; 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 or restructuring are higher than our current rates, interest expense related to such refinancing 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 the terms of such debt could be adversely affected.

Our current outstanding variable rate indebtedness uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause LIBOR to disappear entirely after 2021 or to perform differently than in the past. We expect that reasonable alternatives to LIBOR will be created and implemented prior to the 2021 target date. Fallback provisions are being written into LIBOR-based contracts to attempt to reduce the risk of sudden and unpredictable increases in the cost of variable rate indebtedness. However, we cannot predict the consequences and timing of these developments.

We have implemented a stock repurchase program to repurchase up to $30 billion of our outstanding common stock. In the third quarter of fiscal 2020, we suspended our stock repurchases, at least for the near term, in light of COVID-19. We have the ability to reinstate repurchases at any time if we determine it to be in the best interest of our stockholders. At June 28, 2020, $4.6 billion remained authorized for repurchase under the stock repurchase program. This stock repurchase program has significantly reduced and, if/when repurchases are resumed, will continue to reduce the amount of cash that we have available to fund our operations, including research and development, working capital, capital expenditures, acquisitions, investments, dividends and other corporate purposes; and increases our exposure to adverse economic, market, industry and competitive conditions and developments, and other changes in our business and our industry.

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

Third parties regularly attempt to gain unauthorized access to our information technology systems, and most of such attempts are increasingly more sophisticated. These attempts, which might be related to industrial, corporate or other espionage, criminal hackers or state-sponsored intrusions, include trying to covertly introduce malware to our computers and networks, including those in our manufacturing operations, and impersonating authorized users, among others. In addition, third party suppliers that we may rely on to store and/or process our confidential information may also be subject to similar attacks. Such attempts could result in the misappropriation, theft, misuse, disclosure or loss or destruction of the technology, intellectual property, or the proprietary, confidential or personal information, of us or our employees, customers, licensees, suppliers or other third parties, as well as damage to or disruptions in our information technology systems. These threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. We seek to detect and investigate all security incidents and to prevent their recurrence, but attempts to gain unauthorized access to our information technology systems may be successful, and in some cases, we might be unaware of an incident or its magnitude and effects.

In addition, employees and former employees, in particular former employees who become employees of our competitors, customers, licensees or other third parties, including state actors, have in the past and may in the future misappropriate, use, publish or provide to our competitors, customers, licensees or other third parties, including state actors, our technology, intellectual property or other proprietary or confidential information. This risk is exacerbated as competitors for talent, particularly engineering talent, increasingly attempt to hire our employees. See also the Risk Factor entitled *"We may not be able to attract and retain qualified employees."* Similarly, we provide access to certain of our technology, intellectual property and other proprietary or confidential information to our direct and indirect customers and licensees and certain of our consultants, who have in the past and may in the future wrongfully use such technology, intellectual property or information, or wrongfully disclose such technology, intellectual property or information to third parties, including our competitors or state actors. We also provide access to certain of our technology, intellectual property and other proprietary or confidential information to certain of our joint venture partners, including those affiliated with state actors and including in foreign jurisdictions where ownership restrictions may require us to take a minority ownership interest in the joint venture. Such joint venture partners may wrongfully use such technology, intellectual property or information, or wrongfully disclose such technology, intellectual property or information to third parties, including our competitors or state actors.

The misappropriation, theft, misuse, disclosure or loss or destruction of the technology, intellectual property, or the proprietary, confidential or personal information, of us or our employees, customers, licensees, suppliers or other third parties, could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives, cause us to lose business, damage our reputation, subject us to legal or regulatory proceedings, cause us to incur other loss or liability and otherwise adversely affect our business. We expect to continue to devote significant resources to the security of our information technology systems, and our technology, intellectual property and proprietary and confidential information.

Potential tax liabilities could adversely affect our results of operations.

We are subject to income taxes in the United States and numerous foreign jurisdictions. 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 giving rise to a revision become known. Although we believe that our tax estimates are reasonable, 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 cash flows in the period or periods in which that determination is made could be negatively affected.

In the fourth quarter of fiscal 2020, the United States Treasury Department issued final regulations on deductions for FDII. The United States Treasury Department is expected to finalize additional provisions of the 2017 Tax Cuts and Jobs Act, including certain foreign tax credit regulations, in the next several months. When finalized, these regulations may adversely affect our provision for income taxes, results of operations and/or cash flows.

Tax rules may change in a manner that adversely affects our future reported results of operations or the way we conduct our business. In response to the 2017 Tax Cuts and Jobs Act and to better align our profits with our activities, we implemented certain restructuring in fiscal 2018 and 2019. After our restructuring, most of our income is taxable in the United States with a significant portion qualifying for preferential treatment as FDII. Beginning in fiscal 2027, the effective tax rate for FDII increases from 13% to 16%. Further, if U.S. tax rates increase or the FDII deduction is eliminated or reduced, our provision for income taxes, results of operations and cash flows would be adversely affected. Also, if our customers move manufacturing operations to the United States, our FDII deduction will be reduced.

We have tax incentives in Singapore that require we meet specified employment and other criteria. Although our profit in Singapore has declined as a result of our 2018 restructuring, failure to meet these incentive requirements through March 2022 could result in a retroactive Singapore tax increase for 2017 and 2018.

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 and continues to develop new proposals including allocating greater taxing rights to countries where customers are located and establishing a minimum tax on global income. These changes, as adopted by countries, may increase tax uncertainty and may adversely affect our provision for income taxes, results of operations and cash flows. Partially to address BEPS, we moved certain intellectual property from Singapore to the United States as part of our 2018 and 2019 restructuring.

Global, regional or local economic conditions, or political actions including trade and/or national security protection policies, 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 business, revenues, results of operations, cash flows and financial position.

A decline in global, regional or local economic conditions, a slow-down in economic growth, political actions including trade and/or national security protection policies, such as tariffs, bans or placing companies on restricted entity lists, 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 services 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.

Political actions, including trade and/or national security protection policies, or other actions by governments, particularly the U.S. and Chinese governments, such as tariffs, bans or placing companies on restricted entity lists, have in the past, currently are and could in the future limit or prevent us from transacting business with certain of our customers, limit or prevent certain of our customers from transacting business with us, or make it more expensive to do so. We derive a significant and increasing portion of our revenues from Chinese OEMs and a significant portion of our revenues from devices that are ultimately sold into China. If, due to U.S. or Chinese government actions or policies: we were further limited in or prohibited from selling our integrated circuit products to Chinese OEMs; if device manufacturers were limited in or prohibited from selling devices that incorporate our integrated circuit products into China; if Chinese OEMs develop and use their own integrated circuit products or our competitors' integrated circuit products in their devices rather than our integrated circuit products, due to pressure from or policies of the Chinese government or the OEMs' concerns over losing access to our integrated circuit products as a result of actual, threatened or potential U.S. or Chinese government actions or policies, or otherwise; if tariffs on our integrated circuit products or devices which incorporate our integrated circuit products made purchasing such devices or our integrated circuit products more expensive; or if our Chinese licensees delayed or ceased making payments of license fees they owe us, our business, revenues, results of operations, cash flows and financial position could be materially adversely impacted.

Further, the COVID-19 pandemic, and government and business responses thereto, are currently negatively affecting, and we expect will continue to, at least in the near term, negatively affect global economic conditions, resulting in reduced consumer confidence and demand for consumer devices and other goods containing our integrated circuit products or that use our intellectual property and may negatively affect our manufacturing facilities and/or the manufacturing facilities of our customers, licensees and/or suppliers, including due to quarantines and/or closures. A prolonged COVID-19 health crisis may result in an even more significant negative impact on global economic conditions and may lead to a global recession.

Any such prolonged economic downturn, trade or national security tensions, or health crisis may result in a decrease in demand for our products and technologies; a decrease in demand for the products and services of our customers or licensees; the inability of our suppliers to deliver on their supply commitments to us, our inability to supply our products to our customers and/or the inability of our customers or licensees to supply their products to end users; the insolvency of key suppliers, customers or licensees; delays in reporting or payments from our licensees or customers; failures by counterparties; and/or 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 and 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. 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, and competitors for talent, particularly engineering talent, increasingly attempt to hire, and to varying degrees have been successful in hiring, our employees, including by establishing local offices near our headquarters in San Diego, California. A number of such competitors for talent are significantly larger than us and are able to offer compensation in excess of what we are able to offer. 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 accounted for a significant portion of our total revenues in each of the last three fiscal years. Adverse movements in currency exchange rates may negatively affect our business, revenues, results of operations and 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 or downward pressure on average selling prices;
- Certain of our revenues that are derived from products that are sold in foreign currencies could decrease, resulting in lower revenues, cash flows and margins;
- Certain of our revenues, such as royalties, that are derived from licensee or customer sales denominated in foreign currencies could decrease, resulting in lower revenues and cash flows;
- Our foreign suppliers may raise their prices if they are impacted by currency fluctuations, resulting in higher than expected costs, and lower margins and cash flows;
- Certain of our costs that are denominated in foreign currencies could increase, resulting in higher than expected costs and cash outflows; and
- Foreign exchange hedging exposes us to counterparty risk and may require the payment of structuring fees. If the foreign exchange hedges do not qualify for hedge accounting, the hedge results may cause earnings volatility. The foreign exchange hedging activities are designed to lessen earnings volatility; therefore, hedges may reduce the impact of currency fluctuations to certain revenues and costs.

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

Our products (including related software) are complex and may contain defects, errors or security vulnerabilities, or experience failures or unsatisfactory performance, due to any number of issues, including in materials, design, fabrication, packaging and/or use within a system. Further, because of the complexity of our products, defects or errors might only be detected when the products are in use. Development of products in new domains of technology, and the migration to integrated circuit technologies with smaller geometric feature sizes, is complex, adds risk to manufacturing yields and reliability, and increases the likelihood of product defects or errors. Risks associated with product defects, errors or security vulnerabilities are exacerbated by the fact that our customers typically integrate our products into consumer devices.

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. Security vulnerabilities in our products could expose our customers or end users to hackers or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack our products or those of our customers. 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 applications, and increasing the risk of security failures.

Our products may be responsible for critical functions in our customers' products and networks. Failure of our products to perform to specifications, or other product defects, errors or security vulnerabilities, could lead to substantial damage to the products we sell to our customers, the devices into which our products are integrated and to the end users of such devices. Such defects, errors or security vulnerabilities could give rise to significant costs, including costs related to developing solutions, recalling products, repairing or replacing defective products, writing down defective inventory, or indemnification clauses in our agreements, and could result in the loss of sales and divert the attention of our engineering personnel from our product development efforts. In addition, defects, errors or security vulnerabilities in our products could result in failure to achieve market acceptance, a loss of design wins, a shifting of business to our competitors, and litigation or regulatory action against us, and could harm our reputation, our relationships with customers and partners and our ability to attract new customers, as well as the perceptions of our brand. Other potential adverse impacts of product defects, errors or security vulnerabilities include shipment delays, write-offs of property, plant and equipment and intangible assets, losses on unfavorable purchase commitments, and a decrease in demand for connected devices and wireless services generally. In addition, defects, errors or security vulnerabilities in the products of our customers or licensees could cause a delay or decrease in demand for the products into which our products are integrated, and thus for our products generally and our premium-tier products in particular.

In addition, the occurrence of defects may give rise to product liability claims, particularly if defects in our products or the products into which they are integrated result in personal injury or death. If a product liability claim is brought against us, the cost of defending the claim could be significant, and could divert the efforts of our technical and management personnel and harm our business. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and even though we may have indemnity from our customers, and such claims could result in significant costs and expenses. Further, our business liability insurance may be inadequate, or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results. The above is exacerbated by the fact that our products may be used, and perform critical functions, in various high-risk applications such as automobiles, including autonomous driver assistance programs; cameras and artificial intelligence, including home and enterprise security; home automation, including smoke and noxious gas detectors; medical condition monitoring; location and asset tracking and management, including wearables for child safety and elderly health; robotics, including public safety drones and autonomous municipality vehicles; and extended reality (XR) for treatment of phobias or PTSD, early detection of disorders or special needs, among others.

Accordingly, defects, errors or security vulnerabilities in our products or services could have an adverse impact on us, on our customers and the end users of our customers' products. If any of these risks materialize, there could be a material adverse effect on our business, financial condition and results of operations.

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 2019 Annual Report on Form 10-K. Beginning in the second quarter of fiscal 2020, the rapid, global spread of COVID-19 and the uncertainty it has created has resulted in significant volatility in the condition of economies and financial markets globally, that could cause a global recession. This has adversely affected certain of our investments. See "Notes to Condensed Consolidated Financial Statements, Note 2. Composition of Certain Financial Statement Items" and "Risk Factors" in this Quarterly Report. In addition, the fair value of our investment portfolio is subject to higher interest rate risk based on an increased holdings in marketable debt securities at June 28, 2020, and a hypothetical increase in interest rates of 100 basis points across the entire yield curve on such holdings would have resulted in a decrease of $31 million in the fair value of our holdings. 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. 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 third quarter of fiscal 2020 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." Other than the Risk Factors previously included in our Quarterly Report on Form 10-Q for the second quarter ended March 29, 2020 entitled "*Failures in our products, or in the products of our customers or licensees, including those resulting from security vulnerabilities, defects or errors, could harm our business*" and *"The recent coronavirus (COVID-19) pandemic has had an adverse effect on our business and results of operations, and we expect its impact will continue, at least in the near term,"* we do not believe those updates have materially changed the type or magnitude of the risks we face in comparison to the disclosures provided in our most recent Annual Report on Form 10-K. However, many of the risks we face, including a number of those set forth in the "Risk Factors" section, will be exacerbated by the COVID-19 pandemic, government and business responses thereto and any further resulting decline in the global business and economic environment.

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

Our purchases of equity securities in the third quarter of fiscal 2020 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)
March 30, 2020 to April 26, 2020	1,593	$ 69.01	1,593	$ 4,614
April 27, 2020 to May 24, 2020	—	—	—	4,614
May 25, 2020 to June 28, 2020	—	—	—	4,614
Total	1,593		1,593	

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

(2) On July 26, 2018, we announced a repurchase program authorizing us to repurchase up to $30 billion of our common stock. At June 28, 2020, $4.6 billion remained authorized for repurchase. In the third quarter of fiscal 2020, to maintain our financial liquidity position and flexibility, we suspended our stock repurchases, at least for the near-term, in light of COVID-19. We have the ability to reinstate repurchases when and if we determine it to be in the best interest of stockholders. The stock repurchase program has no expiration date. Shares withheld to satisfy statutory tax withholding requirements related to the vesting of share-based awards are not issued or considered stock repurchases under our stock repurchase program and, therefore, are excluded from the table above.

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	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation.	8-K	4/20/2018	3.1	
3.2	Amended and Restated Bylaws.	8-K	7/17/2018	3.1	
4.1	Indenture, dated May 20, 2015, between the Company and U.S. Bank National Association, as trustee.	8-K	5/21/2015	4.1	
4.2	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	5/21/2015	4.2	
4.3	Form of 3.000% Notes due 2022.	8-K	5/21/2015	4.7	
4.4	Form of 3.450% Notes due 2025.	8-K	5/21/2015	4.8	
4.5	Form of 4.650% Notes due 2035.	8-K	5/21/2015	4.9	
4.6	Form of 4.800% Notes due 2045.	8-K	5/21/2015	4.10	
4.7	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	5/31/2017	4.2	
4.8	Form of Floating Rate Notes due 2023.	8-K	5/31/2017	4.5	
4.9	Form of 2.600% Notes due 2023.	8-K	5/31/2017	4.8	
4.10	Form of 2.900% Notes due 2024.	8-K	5/31/2017	4.9	
4.11	Form of 3.250% Notes due 2027.	8-K	5/31/2017	4.10	
4.12	Form of 4.300% Notes due 2047.	8-K	5/31/2017	4.11	
4.13	Officers' Certificate, dated May 8, 2020, for the 2.150% Notes due 2030 and the 3.250% Notes due 2050.	8-K	5/11/2020	4.2	
4.14	Form of 2.150% Notes due 2030.	8-K	5/11/2020	4.3	
4.15	Form of 3.250% Notes due 2050.	8-K	5/11/2020	4.4	
10.9	Form of Non-Employee Director Deferred Stock Unit Grant Notice and Non-Employee Director Deferred Stock Unit Agreement under the 2016 Long-Term Incentive Plan for non-employee directors residing in Hong Kong. (1)				X
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Steve Mollenkopf.				X
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Akash Palkhiwala.				X
32.1	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
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Akash Palkhiwala.				X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X

Exhibit Number	Exhibit Description	Form	Date of First Filing	Exhibit Number	Filed Herewith
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

(1) 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/ Akash Palkhiwala

Akash Palkhiwala
Executive Vice President and
Chief Financial Officer

Dated: July 29, 2020