

**QUALCOMM Incorporated**  
**A Comparison of the "Prior Method of Recording Royalties" and the "New Method of Recording Royalties"**

	(\$ in millions)											Pro Forma* using "Prior Method"		
	FY01	FY02	Q103	Q203	Q303	Q403	FY03	Q104	Q204	Q304	Q404	FY04	Q404	FY04
<b>Prior Method of Recording Royalties</b>														
Estimate of estimated licensees for prior period	\$ 100	\$ 122	\$ 150	\$ 175	\$ 155	\$ 135	\$ 150	\$ 151	\$ 205	\$ 237	\$ 253	\$ 151	\$ 253	\$ 151
Royalties reported by estimated licensees for prior period	133	146	167	208	178	154	167	208	262	264	255	208	255	208
Prior period variance included in reporting period	33	24	17	33	23	19	17	57	57	27	2	57	2	57
Other royalties reported in reporting period	506	551	20	29	45	37	670	45	51	109	99	1,084	99	1,084
Estimate for estimated licensees for current period	122	150	175	155	135	151	151	205	237	253	-	-	251	251
Total QTL royalty revenues from external licensees	661	725	212	217	203	207	838	307	345	389	101	1,141	352	1,392
Intercompany revenue	54	67	30	28	24	20	103	32	30	33	36	132	36	132
License revenue	67	55	15	15	15	15	59	15	15	15	14	59	14	59
Total QTL revenue using Prior Method	\$ 782	\$ 847	\$ 257	\$ 260	\$ 242	\$ 242	\$ 1,000	\$ 353	\$ 390	\$ 436			\$ 402	\$ 1,582
Total QTL revenue including prospective change to New Method in Q4 '04											\$ 151	\$ 1,331		
<b>New Method of Recording Royalties</b>														
Total royalties reported by external licensees (a)	\$ 639	\$ 697	\$ 187	\$ 237	\$ 223	\$ 191	\$ 837	\$ 253	\$ 313	\$ 373	\$ 354	\$ 1,292	\$ 354	\$ 1,292
Intercompany revenue	54	67	30	28	24	20	103	32	30	33	36	132	36	132
License revenue	67	55	15	15	15	15	59	15	15	15	14	59	14	59
Total QTL Revenue using New Method	\$ 760	\$ 819	\$ 232	\$ 280	\$ 262	\$ 226	\$ 999	\$ 300	\$ 358	\$ 420	\$ 404	\$ 1,483	\$ 404	\$ 1,483
Difference between the methods	\$ 22	\$ 28	\$ 25	\$ (20)	\$ (20)	\$ 16	\$ 1	\$ 54	\$ 32	\$ 16	\$ (253)	\$ (151)	\$ (2)	\$ 100
Total QCOM revenues as reported under GAAP (b)	\$ 2,680	\$ 2,915	\$ 1,068	\$ 1,017	\$ 892	\$ 871	\$ 3,847	\$ 1,207	\$ 1,216	\$ 1,341	\$ 1,118	\$ 4,880	\$ 1,118	\$ 4,880
Add: QTL royalty revenue estimate that would have been recorded in Q4 04	22	28	25	(20)	(20)	16	1	54	32	16	(253)	(151)	251	251
Less: Difference between the royalty methods													-	-
Total QCOM revenues using New Method	2,658	2,887	1,043	1,037	912	855	3,846	1,153	1,184	1,325	1,371	5,031	-	-
Pro forma total QCOM revenues using Prior Method													1,369	5,131
Less: QSI revenue (b)	-	2	-	-	1	-	1	-	-	-	-	-	-	-
<b>QCOM revenues excluding QSI and goodwill amortization using New Method (e)</b>	<b>\$ 2,658</b>	<b>\$ 2,885</b>	<b>\$ 1,043</b>	<b>\$ 1,037</b>	<b>\$ 912</b>	<b>\$ 854</b>	<b>\$ 3,845</b>	<b>\$ 1,153</b>	<b>\$ 1,184</b>	<b>\$ 1,325</b>	<b>\$ 1,371</b>	<b>\$ 5,031</b>		
Pro forma QCOM revenues excluding QSI using Prior Method (e)													\$ 1,369	\$ 5,131
TOTAL QCOM net income as reported under GAAP	\$ (578)	\$ 360	\$ 241	\$ 103	\$ 192	\$ 291	\$ 827	\$ 352	\$ 488	\$ 486	\$ 393	\$ 1,720	\$ 393	\$ 1,720
Add: QTL royalty revenue estimate, net of tax, that would have been recorded													153	153
Less: Net income attributed to difference between the royalty methods (c)	13	17	15	(12)	(12)	10	1	33	20	10	(154)	(92)	-	-
Total QCOM net income using New Method	(591)	343	226	115	204	281	826	319	468	476	547	1,812	-	-
Pro forma total QCOM net income using Prior Method													546	1,873
Less: QSI net income (loss) (e)	(932)	(180)	(103)	(211)	(75)	55	(334)	(72)	40	(4)	48	12	48	12
Less: Goodwill amortization and other (d)	(356)	(254)	-	-	-	-	-	-	-	-	-	-	-	-
<b>QCOM net income excluding QSI and goodwill amortization using New Method (e)</b>	<b>\$ 697</b>	<b>\$ 777</b>	<b>\$ 330</b>	<b>\$ 326</b>	<b>\$ 279</b>	<b>\$ 226</b>	<b>\$ 1,160</b>	<b>\$ 391</b>	<b>\$ 428</b>	<b>\$ 480</b>	<b>\$ 499</b>	<b>\$ 1,800</b>		
Pro forma QCOM net income excluding QSI using Prior Method (e)													\$ 498	\$ 1,861
QCOM diluted EPS as reported under GAAP	\$ (0.38)	\$ 0.22	\$ 0.15	\$ 0.07	\$ 0.12	\$ 0.18	\$ 0.51	\$ 0.21	\$ 0.29	\$ 0.29	\$ 0.23	\$ 1.03	\$ 0.23	\$ 1.03
Incremental pro forma diluted earnings per share from QTL royalty revenue													\$ 0.09	\$ 0.09
<b>EPS attributed to difference between the royalty methods</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ (0.09)</b>	<b>\$ (0.06)</b>	<b>\$ -</b>	<b>\$ -</b>
Total QCOM diluted EPS using New Method	\$ (0.39)	\$ 0.21	\$ 0.14	\$ 0.07	\$ 0.13	\$ 0.17	\$ 0.51	\$ 0.19	\$ 0.28	\$ 0.28	\$ 0.32	\$ 1.08		
Pro forma total QCOM diluted EPS using Prior Method													\$ 0.32	\$ 1.12
EPS attributed to QSI (e)	\$ (0.62)	\$ (0.11)	\$ (0.06)	\$ (0.13)	\$ (0.05)	\$ 0.03	\$ (0.20)	\$ (0.04)	\$ 0.02	\$ (0.00)	\$ 0.03	\$ 0.01	\$ 0.03	\$ 0.01
EPS attributed to goodwill amortization and other (d)	\$ (0.24)	\$ (0.16)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>QCOM diluted EPS excluding QSI and goodwill amortization using New Method (e)</b>	<b>\$ 0.43</b>	<b>\$ 0.48</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.17</b>	<b>\$ 0.14</b>	<b>\$ 0.71</b>	<b>\$ 0.24</b>	<b>\$ 0.26</b>	<b>\$ 0.29</b>	<b>\$ 0.30</b>	<b>\$ 1.07</b>		
Pro forma QCOM diluted EPS excluding QSI using Prior Method (e)													\$ 0.29	\$ 1.11
Shares previously used for diluted EPS	756	809	816	818	816	821	818	827	836	841	n/a	n/a	n/a	n/a
Adjusted for stock split (f)	1,512	1,618	1,632	1,636	1,632	1,643	1,636	1,654	1,672	1,682	1,692	1,675	1,692	1,675

All EPS amounts have been adjusted to reflect the 2:1 stock split that was effected during the fourth quarter of fiscal 2004.

QTL revenues as reported under GAAP and using the New Method are presented to illustrate the difference between the Prior Method used for royalties prior to the fourth quarter of fiscal 2004 and the New Method implemented starting in the fourth quarter of fiscal 2004.

\* Pro forma results using the estimation method used for royalties prior to the fourth quarter of fiscal 2004 (the Prior Method of estimating royalties) are provided to illustrate the effect of the change in estimation method related to QTL royalty revenues to enable comparisons of fourth quarter results to previous guidance.

(a) Represents royalty revenue that would have been reported during the period if the "New Method" had been adopted retroactively. Does not represent royalty revenue that will be recognized under GAAP in these periods.

(b) During fiscal 2004, the Company sold its consolidated subsidiaries, the Vesper Operating Companies and TowerCo, and returned personal mobile service (SMP licenses to Anatel, the telecommunications regulatory agency in Brazil.

The results of operations of the Vesper Operating Companies and TowerCo, including gains and losses realized on the sales transactions and the SMP license, have been restated as discontinued operations.

The Company's revenues for all prior periods have been adjusted to present the discontinued operations.

(c) QTL's rounded effective tax rate is 39% in fiscal 2004 and 40% in fiscal 2003, 2002 and 2001.

(d) Prior to FY03, also excludes goodwill and intangible amortization, stock option expenses and amounts related to Globalstar and infrastructure.

(e) During the first quarter of 2005, the Company reorganized its MediaFLO USA business into the QSI segment. The operating expenses related to the MediaFLO USA business were included in reconciling items through the end of fiscal 2004.

Fiscal 2004 segment information has been adjusted to conform to the 2005 Segment presentation. The operating expenses related to the MediaFLO USA business were not significant in periods prior to fiscal 2004.

(f) The diluted share base used for fiscal 2001 GAAP results excludes the potential dilutive effect of 102 million common share equivalents related to outstanding stock options, calculated using the treasury stock method, as these shares are antidilutive.

For fiscal 2001 pro forma results, these shares are dilutive and are, therefore, included in the pro forma per share calculation. As such, 1,614 shares are used for calculating fiscal 2001 pro forma diluted EPS.

Sums may not equal totals due to rounding.