

Apple Continues to Improperly Interfere with Qualcomm's Agreements with Contract Manufacturers

-Qualcomm Updates Financial Guidance for the Third Quarter of Fiscal 2017-

SAN DIEGO, April 28, 2017 /PRNewswire/ -- Qualcomm Incorporated (NASDAQ: QCOM) today announced that it has been informed by Apple Inc. that Apple is withholding payments to its contract manufacturers for the royalties those contract manufacturers owe under their licenses with Qualcomm for sales during the quarter ended March 31, 2017. Apple has indicated it will continue this behavior until its dispute with Qualcomm is resolved.

"Apple is improperly interfering with Qualcomm's long-standing agreements with Qualcomm's licensees," said Don Rosenberg, executive vice president and general counsel of Qualcomm. "These license agreements remain valid and enforceable. While Apple has acknowledged that payment is owed for the use of Qualcomm's valuable intellectual property, it nevertheless continues to interfere with our contracts. Apple has now unilaterally declared the contract terms unacceptable; the same terms that have applied to iPhones and cellular-enabled iPads for a decade. Apple's continued interference with Qualcomm's agreements to which Apple is not a party is wrongful and the latest step in Apple's global attack on Qualcomm. We will continue vigorously to defend our business model, and pursue our right to protect and receive fair value for our technological contributions to the industry."

Third Quarter Fiscal 2017 Guidance Update

As a result of the above developments, we are updating our financial guidance for the third quarter of fiscal 2017 to exclude royalty revenues from Apple's contract manufacturers. The contract manufacturers may make some form of partial payment, but initial indications are that any payment would likely be insignificant. As a result of these actions, we are adjusting our financial guidance to assume that no payment is made, and therefore no revenues are recognized, in the quarter. This differs from our prior guidance, which considered a variety of payment scenarios (and related revenues) within the range, but did not include a scenario where no payment was made (and no revenues were recognized).

The following table summarizes GAAP and Non-GAAP guidance based on the current outlook.

Qualcomm's Business Outlook Summary and Reconciliation

	Q3 FY16 Results (2)	Prior Guidance Q3 FY17 Estimates	Current Guidance Q3 FY17 Estimates
Revenues	\$6.0B	\$5.3B - \$6.1B	\$4.8B - \$5.6B
<i>Year-over-year change</i>		<i>decrease 12% - increase 1%</i>	<i>decrease 7% - 21%</i>
GAAP diluted earnings per share (EPS)	\$0.97	\$0.67 - \$0.92	\$0.52 - \$0.62
<i>Year-over-year change</i>		<i>decrease 5% - 31%</i>	<i>decrease 36% - 46%</i>
Less diluted EPS attributable to QSI	\$0.00	\$0.02	\$0.02
Less diluted EPS attributable to share-based compensation	(\$0.13)	(\$0.13)	(\$0.13)
Less diluted EPS attributable to other items (1)	(\$0.06)	(\$0.12)	(\$0.12)
Non-GAAP diluted EPS	\$1.16	\$0.90 - \$1.15	\$0.75 - \$0.85
<i>Year-over-year change</i>		<i>decrease 1% - 22%</i>	<i>decrease 27% - 35%</i>

- (1) Our guidance for diluted EPS attributable to other items for the third quarter of fiscal 2017 is primarily attributable to acquisition-related items.
- (2) The reconciliation between GAAP and Non-GAAP results for the prior period is included in the news release for that period.

Sums may not equal total due to rounding.

Our outlook does not include provisions for future asset impairments or for pending legal matters, other than future legal amounts that are probable and estimable. Further, due to their nature, certain income and expense items, such as realized

investment and certain derivative gains or losses, cannot be accurately forecast. Accordingly, we only include such items in our financial outlook to the extent they are reasonably certain; however, actual results may differ materially from the outlook. We have not included any estimates related to any proposed acquisitions in our third quarter of fiscal 2017 outlook.

Note Regarding Use of Non-GAAP Financial Measures

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

The Company uses the Non-GAAP financial information: (i) to evaluate, assess and benchmark the Company's operating results on a consistent and comparable basis; (ii) to measure the performance and efficiency of the Company's ongoing core operating businesses, including the QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing) segments; and (iii) to compare the performance and efficiency of these segments against competitors. Non-GAAP measurements used by the Company include revenues, cost of revenues, research & development expenses, selling, general & administrative expenses, other income or expenses, operating income, interest expense, net investment income, income or earnings before income taxes, effective tax rate, net income and diluted earnings per share. The Company is able to assess what it believes is a more meaningful and comparable set of financial performance measures for the Company and its business segments by using Non-GAAP information. In addition, the Compensation Committee of the Board of Directors uses certain Non-GAAP financial measures in establishing portions of the performance-based incentive compensation programs for our executive officers. The Company presents Non-GAAP financial information to provide greater transparency to investors with respect to its use of such information in financial and operational decision-making. This Non-GAAP financial information is also used by institutional investors and analysts in evaluating the Company's business and assessing trends and future expectations.

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

- QSI is excluded because the Company expects to exit its strategic investments in the foreseeable future, and the effects of fluctuations in the value of such investments and realized gains or losses are viewed by management as unrelated to the Company's operational performance.
- Share-based compensation expense primarily relates to restricted stock units. Management believes that excluding non-cash share-based compensation from the Non-GAAP financial information allows management and investors to make additional comparisons of the operating activities of the Company's ongoing core businesses over time and with respect to other companies.
- Certain other items are excluded because management views such expenses as unrelated to the operating activities of the Company's ongoing core businesses, as follows:
 - Acquisition-related items include amortization of certain intangible assets, recognition of the step-up of inventories to fair value and the related tax effects of these items, as well as any effects from restructuring the ownership of such acquired assets. Additionally, the Company excludes expenses related to the termination of contracts that limit the use of the acquired intellectual property, third-party acquisition and integration services costs and costs related to temporary debt facilities and letters of credit executed prior to the close of an acquisition. Starting with acquisitions in the second quarter of fiscal 2017, the Company excludes recognition of the step-up of property, plant and equipment from the net book value based on the original cost basis to fair value. Such change related to acquisitions that were completed prior to the second quarter of fiscal 2017 continue to be allocated to the segments, and such amounts are not material.
 - The Company excludes certain other items that management views as unrelated to the Company's ongoing business, such as major restructuring and restructuring-related costs, goodwill and indefinite- and long-lived asset

impairments and awards, settlements and/or damages arising from legal or regulatory matters.

- Certain tax items that are unrelated to the fiscal year in which they are recorded are excluded in order to provide a clearer understanding of the Company's ongoing Non-GAAP tax rate and after tax earnings.

About Qualcomm

Qualcomm's technologies powered the smartphone revolution and connected billions of people. We pioneered 3G and 4G - and now we are leading the way to 5G and a new era of intelligent, connected devices. Our products are revolutionizing industries, including automotive, computing, IoT, healthcare and data center, and are allowing millions of devices to connect with each other in ways never before imagined. Qualcomm Incorporated includes our licensing business, QTL, and the vast majority of our patent portfolio. Qualcomm Technologies, Inc., a subsidiary of Qualcomm Incorporated, operates, along with its subsidiaries, all of our engineering, research and development functions, and all of our products and services businesses, including, our QCT semiconductor business. For more information, visit www.qualcomm.com.

Note Regarding Forward-Looking Statements

In addition to the historical information contained herein, this news release contains forward-looking statements that are inherently subject to risks and uncertainties, including but not limited to statements regarding: Apple's intent to withhold payments to its contract manufacturers; our intent to continue vigorously to defend our business model and pursue our right to protect and receive fair value for our technological contributions to the industry; our business outlook; and our estimates and guidance related to revenues, and GAAP and Non-GAAP diluted earnings per share. Forward-looking statements are generally identified by words such as "estimates," "guidance," "expects," "anticipates," "intends," "plans," "believes," "seeks" and similar expressions. Actual results may differ materially from those referred to in the forward-looking statements due to a number of important factors, including but not limited to: risks to our business, financial condition and results of operations associated with Apple withholding payments to its contract manufacturers and those contract manufacturers withholding royalty payments they owe to us under their license agreements with us; our proposed acquisition of NXP; commercial network deployments, expansions and upgrades of CDMA, OFDMA and other communications technologies, our customers' and licensees' sales of products and services based on these technologies and our customers' demand for our products and services; competition in an environment of rapid technological change; our dependence on a small number of customers and licensees; our dependence on the premium-tier device segment; attacks on our licensing business model, including current and future legal proceedings or actions of governmental or quasi-governmental bodies or standards or industry organizations; potential requirements to change our patent licensing practices due to governmental investigations and/or private legal proceedings challenging those practices; government regulations and policies, or adverse rulings in enforcement or other proceedings; the enforcement and protection of our intellectual property rights; the commercial success of our new technologies, products and services, including our ability to extend our products into new and expanded product areas and adjacent industry segments; risks associated with operation and control of manufacturing facilities acquired through the formation of our joint venture, RF360; the continued and future success of our licensing programs and the need to extend license agreements that are expiring; our dependence on a limited number of third-party suppliers; claims by third parties that we infringe their intellectual property; strategic acquisitions, transactions and investments; our use of open source software; our stock price and earnings volatility; our indebtedness; foreign currency fluctuations; global regional or local economic conditions that impact the industries in which we operate; our ability to attract and retain qualified employees; failures in our products or services or in the products or services of our customers or licensees, including those resulting from security vulnerabilities, defects or errors; security breaches of our information technology systems; and potential tax liabilities. These and other risks are set forth in the Company's Quarterly Report on Form 10-Q for the fiscal second quarter ended March 26, 2017 filed with the SEC. Our reports filed with the SEC are available on our website at www.qualcomm.com. We undertake no obligation to update, or continue to provide information with respect to, any forward-looking statement or risk factor, whether as a result of new information, future events or otherwise.

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