QUALCOMM INC/DE
Form 10-Q
July 24, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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FORM 10-Q

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(Mark one)

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

For the quarterly period ended June 30, 2013

OR

o 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)

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 x No o

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on July 22, 2013, was as follows:

Class	Number of Shares

Common Stock, $0.0001 per share par value	1,715,425,829

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	June 30, 2013	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$2,533	$3,807
Marketable securities	8,928	8,567
Accounts receivable, net	1,949	1,459
Inventories	1,727	1,030
Deferred tax assets	329	309
Other current assets	506	473
Total current assets	15,972	15,645
Marketable securities	18,941	14,463
Deferred tax assets	1,446	1,412
Assets held for sale	—	1,109
Property, plant and equipment, net	2,974	2,851
Goodwill	3,995	3,917
Other intangible assets, net	2,690	2,938
Other assets	791	677
Total assets	$46,809	$43,012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$1,850	$1,298
Payroll and other benefits related liabilities	713	664
Unearned revenues	482	545
Liabilities held for sale	—	1,072
Other current liabilities	1,983	1,723
Total current liabilities	5,028	5,302
Unearned revenues	3,679	3,739
Other liabilities	519	426
Total liabilities	9,226	9,467
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Qualcomm stockholders' equity:		
Preferred stock, $0.0001 par value; 8 shares authorized; none outstanding	—	—
Common stock, $0.0001 par value; 6,000 shares authorized; 1,722 and 1,706 shares issued and outstanding, respectively	—	—
Paid-in capital	12,316	11,956
Retained earnings	24,564	20,701
Accumulated other comprehensive income	698	866

Total Qualcomm stockholders' equity	37,578	33,523
Noncontrolling interests	5	22
Total stockholders' equity	37,583	33,545
Total liabilities and stockholders' equity	$46,809	$43,012

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Revenues:				
Equipment and services	$4,286	$2,948	$12,474	$9,253
Licensing	1,957	1,678	5,911	4,998
Total revenues	6,243	4,626	18,385	14,251
Operating expenses:				
Cost of equipment and services revenues	2,497	1,719	7,106	5,255
Research and development	1,298	974	3,618	2,801
Selling, general and administrative	613	544	1,861	1,643
Other	158	7	158	104
Total operating expenses	4,566	3,244	12,743	9,803
Operating income	1,677	1,382	5,642	4,448
Investment income, net (Note 3)	233	199	730	589
Income from continuing operations before income taxes	1,910	1,581	6,372	5,037
Income tax expense	(332)	(375)	(1,028)	(993)
Income from continuing operations	1,578	1,206	5,344	4,044
Discontinued operations, net of income taxes	—	(3)	—	753
Net income	1,578	1,203	5,344	4,797
Net loss attributable to noncontrolling interests	2	4	8	41
Net income attributable to Qualcomm	$1,580	$1,207	$5,352	$4,838
Basic earnings per share attributable to Qualcomm:				
Continuing operations	$0.91	$0.70	$3.11	$2.40
Discontinued operations	—	—	—	0.45
Net income	$0.91	$0.70	$3.11	$2.85
Diluted earnings per share attributable to Qualcomm:				
Continuing operations	$0.90	$0.69	$3.04	$2.35
Discontinued operations	—	—	—	0.43
Net income	$0.90	$0.69	$3.04	$2.78
Shares used in per share calculations:				
Basic	1,727	1,715	1,720	1,699
Diluted	1,765	1,758	1,760	1,740
Dividends per share announced	$0.35	$0.25	$0.85	$0.68

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Net income	$1,578	$1,203	$5,344	$4,797
Other comprehensive (loss) income, net of income taxes:				
Foreign currency translation	(16)	(22)	(23)	(33)
Reclassification of foreign currency translation losses included in net income (Note 1)	11	—	11	—
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities	—	(2)	(1)	2
Reclassification of other-than-temporary losses on available-for-sale securities included in net income	14	14	24	39
Net unrealized (losses) gains on other available-for-sale securities and derivative instruments	(298)	(139)	(51)	355
Reclassification of net realized gains on available-for-sale securities and derivative instruments included in net income	(35)	(44)	(129)	(101)
Total other comprehensive (loss) income	(324)	(193)	(169)	262
Total comprehensive income	1,254	1,010	5,175	5,059
Comprehensive loss attributable to noncontrolling interests	3	6	9	44
Comprehensive income attributable to Qualcomm	$1,257	$1,016	$5,184	$5,103

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	June 30, 2013	June 24, 2012
Operating Activities:		
Net income	$5,344	$4,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	744	640
Gain on sale of wireless spectrum	—	(1,179)
Revenues related to non-monetary exchanges	(93)	(92)
Income tax provision in excess of income tax payments	220	239
Non-cash portion of share-based compensation expense	831	752
Incremental tax benefits from share-based compensation	(178)	(127)
Net realized gains on marketable securities and other investments	(239)	(214)
Other items, net	274	26
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(445)	(249)
Inventories	(699)	(53)
Other assets	(111)	(31)
Trade accounts payable	598	197
Payroll, benefits and other liabilities	52	(412)
Unearned revenues	(30)	295
Net cash provided by operating activities	6,268	4,589
Investing Activities:		
Capital expenditures	(808)	(1,034)
Purchases of available-for-sale securities	(12,112)	(11,804)
Proceeds from sales of available-for-sale securities	7,337	5,774
Purchases of trading securities	(2,658)	(2,280)
Proceeds from sales of trading securities	2,365	1,297
Proceeds from sale of wireless spectrum	—	1,925
Acquisitions and other investments, net of cash acquired	(179)	(677)
Other items, net	68	(76)
Net cash used by investing activities	(5,987)	(6,875)
Financing Activities:		
Borrowing under loans and debentures	534	710
Repayment of loans and debentures	(492)	(591)
Proceeds from issuance of common stock	964	1,358
Incremental tax benefits from share-based compensation	178	127
Repurchases and retirements of common stock	(1,289)	(472)
Dividends paid	(1,463)	(1,158)
Change in obligation under securities lending	27	203
Other items, net	8	83
Net cash (used) provided by financing activities	(1,533)	260
Changes in cash and cash equivalents held for sale	(15)	—
Effect of exchange rate changes on cash and cash equivalents	(7)	(24)
Net decrease in cash and cash equivalents	(1,274)	(2,050)
Cash and cash equivalents at beginning of period	3,807	5,462

Cash and cash equivalents at end of period	$2,533	$3,412

See Accompanying Notes to Condensed Consolidated Financial Statements.

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

Financial Statement Preparation. These condensed consolidated financial statements have been prepared by QUALCOMM Incorporated (collectively with its subsidiaries, the Company or Qualcomm) in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the interim data includes all normal recurring adjustments necessary for a fair statement of the results for the interim periods. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The Company operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. Each of the three-month and nine-month periods ended June 30, 2013 and June 24, 2012 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 the Company's condensed consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

Deconsolidation of the BWA Subsidiaries. In fiscal 2010, the Company established subsidiaries in India to operate a wireless network using Broadband Wireless Access (BWA) spectrum (the BWA subsidiaries). In June 2012, Bharti Airtel Limited (Bharti), an Indian wireless network operator, purchased shares in the BWA subsidiaries that were held by two third-party Indian investors, and the BWA subsidiaries issued additional equity interests to Bharti for $85 million, reducing the Company's ownership interest in each of the BWA subsidiaries to 51%. The Company's agreement with Bharti provides that Bharti's ownership interest will increase over time to 100% by December 2014 if certain conditions are met. On June 25, 2013, the BWA subsidiaries issued additional equity interests to Bharti for $11 million, further reducing the Company's ownership interests to 49%, and redeemed all of the outstanding debentures using funding provided by Bharti through a subordinated note (Note 6). Also, Bharti gained additional power over significant activities through certain leadership changes. These events resulted in a change in control of the BWA subsidiaries and therefore, the BWA subsidiaries were deconsolidated from the Company's financial statements. Prior to the deconsolidation, the assets and liabilities of the BWA subsidiaries were classified as held for sale.

As a result of the deconsolidation, the Company recognized a gain in net investment income of $22 million measured as the difference between (a) the net fair values of the retained noncontrolling investment and the Company's guarantee of the former BWA subsidiaries' bank loans (Note 6) and (b) the carrying values of the former BWA subsidiaries' net assets, including cumulative translation losses and noncontrolling interests. Total assets and total liabilities were reduced by $1.0 billion and $999 million, respectively. Such assets and liabilities consisted primarily of wireless spectrum, network-related assets and loan obligations. The deconsolidation of these amounts represented a noncash investing and noncash financing transaction and was not reflected in the statement of cash flows for the nine months ended June 30, 2013. The fair value of the Company's retained noncontrolling investment of $50 million was determined by applying a discounted cash flow valuation model to the estimated cash proceeds that the Company expects to receive upon the sale of its shares to Bharti.

Earnings Per Common Share. Basic earnings per common share is computed by dividing net income attributable to Qualcomm by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income attributable to Qualcomm by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's share-based compensation plans and shares subject to written put options, and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money share

equivalents, which is calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an award, if any, the amount of compensation cost for future service that the Company has not yet recognized, if any, and the estimated tax benefits that would be recorded in paid-in capital when an award is settled, if any, are assumed to be used to repurchase shares in the current period. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three and nine months ended June 30, 2013 were 37,927,000 and 40,132,000, respectively. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three and nine months ended June 24, 2012 were 42,531,000 and 41,228,000, respectively.

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Employee stock options to purchase approximately 328,000 and 433,000 shares of common stock during the three and nine months ended June 30, 2013, respectively, and employee stock options to purchase approximately 597,000 and 1,858,000 shares of common stock during the three and nine months ended June 24, 2012, respectively, were outstanding but not included in the calculation of diluted earnings per common share because the effect would be anti-dilutive. At June 24, 2012, one put option remained outstanding, which gave the holder the right to sell 4,000,000 shares of common stock to the Company. No put options were outstanding during the three and nine months ended June 30, 2013. In addition, other common stock equivalents of 392,000 and 156,000 shares outstanding during the three and nine months ended June 30, 2013, respectively, and 5,892,000 and 2,433,000 shares outstanding during the three and nine months ended June 24, 2012, respectively, were not included in the computation of diluted earnings per common share because the effect would be anti-dilutive.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Cost of equipment and services revenues	$18	$19	$55	$55
Research and development	166	141	479	394
Selling, general and administrative	96	104	297	302
Continuing operations	280	264	831	751
Related income tax benefit	(58)	(54)	(169)	(163)
Continuing operations, net of income taxes	222	210	662	588
Discontinued operations, net of income taxes	—	—	—	1
	$222	$210	$662	$589

The Company recorded $152 million and $169 million in share-based compensation expense during the nine months ended June 30, 2013 and June 24, 2012, respectively, related to share-based awards granted during those periods.

At June 30, 2013, total unrecognized compensation costs related to non-vested stock options and restricted stock units granted prior to that date were $94 million and $1.4 billion, respectively, which are expected to be recognized over weighted-average periods of 0.7 and 2.0 years, respectively. During the nine months ended June 30, 2013 and June 24, 2012, net share-based awards granted, after forfeitures and cancellations, represented 0.7% and 0.9%, respectively, of outstanding shares as of the beginning of each fiscal period, and total share-based awards granted represented 0.8% and 1.0%, respectively, of outstanding shares as of the end of each fiscal period.

Note 2 — Composition of Certain Financial Statement Items

Accounts Receivable (in millions)	June 30, 2013	September 30, 2012
Trade, net of allowances for doubtful accounts of $2 and $1, respectively	$1,855	$1,418
Long-term contracts	30	32
Other	64	9
	$1,949	$1,459

Inventories (in millions)	June 30, 2013	September 30, 2012
Raw materials	$8	$19
Work-in-process	874	531
Finished goods	845	480
	$1,727	$1,030

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QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Property, Plant and Equipment. During the third quarter of fiscal 2012, the Company's QMT division updated its business plan to focus on licensing its next generation interferometric modulator (IMOD) display technology while directly commercializing certain IMOD products. In the course of pursuing its licensing model, the Company considered various alternatives for certain property, plant and equipment. During the third quarter of fiscal 2013 as a continuation of evaluating these alternatives, the Company revised its estimates with respect to expected cash flows from certain property, plant and equipment that comprise a QMT asset group and recorded an impairment charge of $158 million in other operating expenses (Note 8). The Company also considered whether a triggering event had occurred in the third quarter of fiscal 2013 that would require impairment testing for its other QMT asset groups and goodwill and concluded that no such event had occurred, and as such, that additional impairment testing was not required.

Other Current Liabilities (in millions)	June 30, 2013	September 30, 2012
Customer incentives and other customer-related liabilities	$1,491	$1,107
Other	492	616
	$1,983	$1,723

Note 3 — Investment Income, Net (in millions)

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Interest and dividend income	$182	$156	$529	$431
Interest expense	(7)	(18)	(22)	(74)
Net realized gains on marketable securities	21	68	189	195
Net realized gains on other investments	39	2	50	19
Impairment losses on marketable securities	(22)	(21)	(37)	(58)
Impairment losses on other investments	(5)	—	(12)	(6)
Net gains on derivative instruments	5	13	17	87
Net gains on deconsolidation of subsidiaries	21	—	21	—
Equity in net losses of investees	(1)	(1)	(5)	(5)
	$233	$199	$730	$589

Note 4 — Income Taxes

The Company estimates its annual effective income tax rate to be approximately 16% for fiscal 2013, which is less than the 19% effective income tax rate for fiscal 2012. During the second quarter of fiscal 2013, the United States government reinstated the federal research and development tax credit retroactively to January 1, 2012 and extended the credit through December 31, 2013. As a result of the reinstatement, the Company recorded a tax benefit of $64 million related to fiscal 2012 in the second quarter of fiscal 2013. The annual effective income tax rate for fiscal 2013 also reflects the tax benefit from such reinstatement for fiscal 2013, while the fiscal 2012 annual effective income tax rate only reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit originally expired. Tax benefits from foreign earnings taxed at rates that are less than the United States federal tax rate are expected to be approximately 17% of earnings before taxes for fiscal 2013 as compared to 15% in fiscal 2012.

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QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5 — Stockholders' Equity

Changes in stockholders' equity for the nine months ended June 30, 2013 were as follows (in millions):

	Qualcomm Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at September 30, 2012	$33,523	$22	$33,545
Net income (loss)	5,352	(8)	5,344
Other comprehensive loss	(168)	(1)	(169)
Common stock issued under employee benefit plans and related tax benefits, net of shares withheld for taxes	790	—	790
Share-based compensation	857	—	857
Dividends	(1,489)	—	(1,489)
Stock repurchases	(1,289)	—	(1,289)
Issuance of subsidiary shares to noncontrolling interest	5	6	11
Deconsolidation of subsidiaries	—	(17)	(17)
Other	(3)	3	—
Balance at June 30, 2013	$37,578	$5	$37,583

Accumulated Other Comprehensive Income. Components of accumulated other comprehensive income in Qualcomm stockholders' equity consisted of the following (in millions):

	June 30, 2013	September 30, 2012
Foreign currency translation	$(118)	$(107)
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities, net of income taxes	25	29
Net unrealized gains on other available-for-sale securities, net of income taxes	763	942
Net unrealized gains on derivative instruments, net of income taxes	28	2
	$698	$866

At June 30, 2013 and September 30, 2012, accumulated other comprehensive income included $1 million and $7 million, respectively, of other-than-temporary losses on certain available-for-sale debt securities related to factors other than credit, net of income taxes.

Stock Repurchase Program. During the nine months ended June 30, 2013 and June 24, 2012, the Company repurchased and retired 21,009,000 and 8,606,000 shares, respectively, of the Company's common stock for $1.3 billion and $471 million, respectively, before commissions. On March 5, 2013, the Company announced that it had been authorized to repurchase up to $5.0 billion of the Company's common stock. The stock repurchase program has no expiration date. At June 30, 2013, $4.0 billion remained available for repurchase under the Company's stock repurchase program. Since June 30, 2013, the Company repurchased 8,404,000 shares of common stock for $512 million.

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Dividends. On July 17, 2013, the Company announced a cash dividend of $0.35 per share on the Company's common stock, payable on September 25, 2013 to stockholders of record as of September 4, 2013. During the nine months ended June 30, 2013 and June 24, 2012, dividends charged to retained earnings were as follows (in millions, except per share data):

	2013		2012	
	Per Share	Total	Per Share	Total
First quarter	$0.250	$435	$0.215	$368
Second quarter	0.250	439	0.215	377
Third quarter	0.350	615	0.250	429
	$0.850	$1,489	$0.680	$1,174

Note 6 — Commitments and Contingencies

Legal Proceedings. Tessera, Inc. v. QUALCOMM Incorporated: On April 17, 2007, Tessera filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas and a complaint with the United States International Trade Commission (ITC) pursuant to Section 337 of the Tariff Act of 1930 against the Company and other companies, alleging infringement of two patents. The district court action was stayed pending resolution of the ITC proceeding, including all appeals. On May 20, 2009, the ITC issued a limited exclusion order and a cease and desist order, both of which were terminated when the patents expired on September 24, 2010. During the period of the exclusion order, the Company shifted supply of accused chips for customers who manufacture products that may be imported to the United States to a licensed supplier of Tessera, and the Company continued to supply those customers without interruption. The ITC's orders were affirmed on appeal, and on November 28, 2011, the United States Supreme Court denied the Company's petition for review. On January 18, 2012, pursuant to the parties' stipulation, the District Court in the Eastern District of Texas lifted the stay and ordered that the case be moved to the United States District Court for the Northern District of California. On March 1, 2012, that court consolidated the case with an earlier-filed lawsuit filed by Tessera against multiple parties, including some of the Company's semiconductor chip package suppliers. The court has set April 24, 2014 as the hearing date for claims construction and any summary judgment motions that may be filed. Trial is scheduled for August 25, 2014. Tessera may continue to seek alleged past damages in the district court, but it cannot obtain injunctive relief due to the expiration of the patents.

MicroUnity Systems Engineering, Inc. v. QUALCOMM Incorporated, et al.: MicroUnity filed a total of three patent infringement complaints, on March 16, 2010, June 3, 2010 and January 27, 2011, against the Company and a number of other technology companies, including Texas Instruments, Samsung, Apple, Nokia, Google and HTC, in the United States District Court for the Eastern District of Texas. MicroUnity alleged that certain of the Company's Qualcomm Snapdragon products infringed 10 of MicroUnity's patents and sought damages and injunctive and other relief. The court consolidated the actions in May 2011. Trial was scheduled for June 3, 2013. On May 10, 2013, consistent with the previously disclosed settlement arrangement, MicroUnity and the Company entered into an agreement pursuant to which the parties agreed to dismiss with prejudice all claims against each other, MicroUnity licensed to the Company the patents-in-suit and the MicroUnity patent portfolio, and the Company paid to MicroUnity an amount that is not material to the Company's financial statements. The case was dismissed with prejudice on May 16, 2013.

MOSAID Technologies Incorporated v. Dell, Inc. et al.: On March 16, 2011, MOSAID filed a complaint against Atheros Communications, Inc. (Atheros Communications), which the Company acquired in May 2011 and renamed Qualcomm Atheros, Inc. (Qualcomm Atheros), and 32 other entities in the United States District Court for the Eastern District of Texas. MOSAID's complaint against Atheros Communications alleged that certain of its WiFi products infringed six MOSAID patents. MOSAID sought damages for the relevant statutory period prior to May 2011. A claim construction hearing was held on April 16, 2013, and trial was scheduled for January 8, 2014. On July 17, 2013,

MOSAID and the Company entered into an agreement pursuant to which MOSAID agreed to dismiss with prejudice all claims against the Company, licensed to the Company certain MOSAID patents and provided other considerations, and the Company will pay to MOSAID an amount that is not material to the Company's financial statements.

ParkerVision, Inc. v. QUALCOMM Incorporated: On July 20, 2011, ParkerVision filed a complaint against the Company in the United States District Court for the Middle District of Florida alleging that certain of the Company's

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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products infringe seven of its patents alleged to cover direct down-conversion receivers. ParkerVision's complaint seeks damages and injunctive and other relief. On February 28, 2012, ParkerVision filed an amended complaint dropping two patents from the case and adding one new patent. On January 22, 2013, the court granted in part ParkerVision's motion to dismiss the Company's counterclaim for inequitable conduct, and the Company subsequently withdrew the remainder of its inequitable conduct counterclaim. On February 20, 2013, the court issued its claim construction order. The Company filed its amended answer and counterclaims on April 11, 2013. Trial is scheduled for October 7, 2013.

Icera Complaint to the European Commission: On June 7, 2010, the European Commission (the Commission) notified and provided the Company with a redacted copy of a complaint filed with the Commission by Icera, Inc. alleging that the Company has engaged in anticompetitive activity. The Company was asked by the Commission to submit a preliminary response to the portions of the complaint disclosed to it, and the Company submitted its response in July 2010. On October 19, 2011, the Commission notified the Company that it should provide to the Commission additional documents and information. On January 16, 2012, the Company provided additional documents and information in response to that request. On July 10, 2013, the Commission ordered the Company to provide additional documents and information. The Company continues to cooperate fully with the Commission's preliminary investigation.

Korea Fair Trade Commission (KFTC) Complaint: On January 4, 2010, the KFTC issued a written decision finding that the Company had violated South Korean law by offering certain discounts and rebates for purchases of its CDMA chips and for including in certain agreements language requiring the continued payment of royalties after all licensed patents have expired. The KFTC levied a fine, which the Company paid in the second quarter of fiscal 2010. The Company appealed to the Seoul High Court, and on June 19, 2013, the Seoul High Court affirmed the KFTC's decision. On July 4, 2013, the Company filed an appeal with the Korea Supreme Court.

Japan Fair Trade Commission (JFTC) Complaint: The JFTC received unspecified complaints alleging that the Company's business practices are, in some way, a violation of Japanese law. On September 29, 2009, the JFTC issued a cease and desist order concluding that the Company's Japanese licensees were forced to cross-license patents to the Company on a royalty-free basis and were forced to accept a provision under which they agreed not to assert their essential patents against the Company's other licensees who made a similar commitment in their license agreements with the Company. The cease and desist order seeks to require the Company to modify its existing license agreements with Japanese companies to eliminate these provisions while preserving the license of the Company's patents to those companies. The Company disagrees with the conclusions that it forced its Japanese licensees to agree to any provision in the parties' agreements and that those provisions violate the Japanese Antimonopoly Act. The Company has invoked its right under Japanese law to an administrative hearing before the JFTC. In February 2010, the Tokyo High Court granted the Company's motion and issued a stay of the cease and desist order pending the administrative hearing before the JFTC. The JFTC has held hearings on 18 different dates, with another hearing scheduled for July 31, 2013 and additional hearing dates yet to be scheduled.

Securities and Exchange Commission (SEC) Formal Order of Private Investigation and Department of Justice Investigation: On September 8, 2010, the Company was notified by the SEC's Los Angeles Regional office of a formal order of private investigation. The Company understands that the investigation arose from a "whistleblower's" allegations made in December 2009 to the audit committee of the Company's Board of Directors and to the SEC. In 2010, the audit committee completed an internal review of the allegations with the assistance of independent counsel and independent forensic accountants. This internal review into the whistleblower's allegations and related accounting practices did not identify any errors in the Company's financial statements. On January 27, 2012, the Company learned that the U.S. Attorney's Office for the Southern District of California/Department of Justice (collectively, DOJ) had begun a preliminary investigation regarding the Company's compliance with the Foreign Corrupt Practices Act (FCPA). The Company believes that FCPA compliance had also become a focus of the SEC investigation. The audit

committee has commenced an internal review into the Company's compliance with the FCPA with the assistance of independent counsel and independent forensic accountants.

The Company has discovered, and as a part of its ongoing cooperation with these investigations has informed the SEC and the DOJ of, instances in which special hiring consideration, gifts or other benefits (collectively, benefits) were provided to several individuals associated with Chinese state-owned companies or agencies. Based on the facts currently known, the Company believes the aggregate monetary value of the benefits in question to be less than

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$250,000, excluding employment compensation. The Company is continuing to investigate the circumstances relating to providing these benefits and is attempting to identify whether any other benefits were provided.

The Company is continuing to cooperate with the SEC and the DOJ, but is unable to predict the outcome of their investigations.

The Company will continue to vigorously defend itself in the foregoing matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. Other than the amount payable to MOSAID, the Company has not recorded any accrual at June 30, 2013 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. Nonetheless, the unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's business, results of operations, financial condition or cash flows. The Company is engaged in numerous other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

Loans and Debentures. The Company's former BWA subsidiaries (Note 1) have debt obligations in connection with the BWA spectrum won in India in June 2010 and payment of $81 million to the India Government's Department of Telecommunications in March 2012, which was recorded as a charge to other operating expenses in the second quarter of fiscal 2012. On June 25, 2013, all outstanding debentures ($492 million, including accrued interest) were redeemed in full by the former BWA subsidiaries using funding provided by Bharti in the form of subordinated debt, and the Company's related indemnification agreements were terminated.

The former BWA subsidiaries' debt obligations include loans from multiple lenders that are guaranteed by QUALCOMM Incorporated and one of its wholly owned subsidiaries and are denominated in Indian rupees. The fair value of the guarantee was recorded as a liability when the Company deconsolidated the BWA subsidiaries (Note 1). The majority of the loans ($415 million at June 30, 2013) are due and payable on May 31, 2014; the remaining loan ($69 million at June 30, 2013) is due and payable on December 1, 2014. All of the loans bear interest at an annual rate based on the highest rate of the relevant bank, which is reset quarterly, plus 0.25% (9.75% for the majority of the loans and 9.50% for the remaining loan at June 30, 2013) with interest payments due monthly. All of the loans can be prepaid without penalty on certain dates. As a condition to the next step in Bharti's acquisition of the Company's interests in the former BWA subsidiaries, which is expected to occur in calendar 2013, Bharti will provide funding to the former BWA subsidiaries, and all of the outstanding amounts under the loans that are due on May 31, 2014 will be repaid such that the Company's guarantee obligations related to those loans will stand fully and completely discharged. The loan agreements also define certain events of default, including, among other things, if certain government authorizations are revoked, terminated, withdrawn, suspended, modified or withheld.

Indemnifications. The Company generally does not indemnify its customers or licensees for losses sustained from infringement of third-party intellectual property rights. However, the Company is contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by the Company. The Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by the Company. Under Qualcomm Atheros' legacy software license and product sales agreements, Qualcomm Atheros agreed, subject to restrictions and after certain conditions are met, to indemnify and defend its licensees and customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks or trade secrets, and to pay any judgments entered on such claims against the licensees or customers. Through June 30, 2013, Qualcomm Atheros has received a number of claims from its direct and indirect customers and other third parties for indemnification under such agreements with respect to alleged infringement of third-party

intellectual property rights by its products.

These indemnification arrangements are not initially measured and recognized at fair value because they are deemed to be similar to product warranties in that they relate to claims and/or other actions that could impair the ability of the Company's direct or indirect customers to use the Company's products or services. Accordingly, the Company records liabilities resulting from the arrangements when they are probable and can be reasonably estimated. Reimbursements under indemnification arrangements have not been material to the Company's consolidated financial statements. The Company has not recorded any accrual for contingent liabilities at June 30, 2013 associated with these

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indemnification arrangements, other than insignificant amounts, based on the Company's belief that additional liabilities, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time.

Purchase Obligations. The Company has agreements with suppliers and other parties to purchase inventory, other goods and services and long-lived assets. Noncancelable obligations under these agreements at June 30, 2013 for the remainder of fiscal 2013 and for each of the subsequent four years from fiscal 2014 through 2017 were approximately $2.9 billion, $749 million, $169 million, $34 million and $4 million, respectively, and $11 million thereafter. Of these amounts, for the remainder of fiscal 2013 through fiscal 2015, commitments to purchase integrated circuit product inventories comprised $2.6 billion, $544 million and $79 million, respectively.

Leases. The future minimum lease payments for all capital leases and operating leases at June 30, 2013 by fiscal year were as follows (in millions):

	Capital Leases	Operating Leases	Total
Remainder of fiscal 2013	$—	$20	$20
2014	2	79	81
2015	2	65	67
2016	2	54	56
2017	2	40	42
Thereafter	35	69	104
Total minimum lease payments	$43	$327	$370
Deduct: Amounts representing interest	22		
Present value of minimum lease payments	21		
Deduct: Current portion of capital lease obligations	1		
Long-term portion of capital lease obligations	$20		

The Company leases certain of its land, facilities and equipment under noncancelable operating leases, with terms ranging from less than one year to 25 years and with provisions in certain leases for cost-of-living increases. The Company leases certain property under capital lease agreements primarily related to site leases that have an initial term of five to seven years with renewal options of up to five additional renewal periods. Capital lease obligations are included in other liabilities.

Note 7 — Segment Information

The Company is organized on the basis of products and services. The Company aggregates four of its divisions into the QWI segment and two of its divisions into the QSI segment. Reportable segments are as follows:

- QCT (Qualcomm CDMA Technologies) segment — develops and supplies integrated circuits and system software based on CDMA, OFDMA and other technologies for use in voice and data communications, networking, application processing, multimedia and global positioning system products.
- QTL (Qualcomm Technology Licensing) segment — grants licenses or otherwise provides rights to use portions of the Company's intellectual property portfolio, which, among other rights, includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products, including, without limitation, products implementing CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards and their derivatives, and QTL collects license fees as well as royalties based on sales by licensees of products incorporating or using the Company's intellectual property.
- QWI (Qualcomm Wireless & Internet) segment — comprised of:
- Omnitracs division — provides fleet management, satellite- and terrestrial-based two-way wireless information and position reporting and other services, software and hardware to transportation and logistics companies;

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- QIS (Qualcomm Internet Services) division — provides content enablement services for the wireless industry and push-to-talk and other software products and services for wireless network operators;
- QGOV (Qualcomm Government Technologies) division — provides development and other services and related products involving wireless communications technologies to government agencies and their contractors; and
- QRS (Qualcomm Retail Solutions) division — builds and manages software applications that enable certain mobile commerce services.

- QSI (Qualcomm Strategic Initiatives) segment — comprised of the Company's Qualcomm Ventures and Structured Finance & Strategic Investments divisions. QSI makes strategic investments that the Company believes will open new opportunities for its technologies, support the design and introduction of new products or services for voice and data communications or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies. QSI also holds wireless spectrum. QSI's FLO TV division was presented as discontinued operations in fiscal 2012. All discontinued operations were attributable to Qualcomm.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes (EBT) from continuing operations. 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 the Company's management reports because they are not considered in evaluating the segments' operating performance. Unallocated income and charges include certain net investment income; certain share-based compensation; and certain research and development expenses and other selling and marketing expenses 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 to fair value, amortization and impairment of certain intangible assets and certain other acquisition-related charges. The table below presents revenues and EBT for reportable segments (in millions):

	QCT	QTL	QWI	QSI	Reconciling Items	Total
For the three months ended:						
June 30, 2013						
Revenues	$4,222	$1,867	$158	$—	$(4)	$6,243
EBT	738	1,633	(16)	51	(496)	1,910
June 24, 2012						
Revenues	$2,869	$1,593	$160	$—	$4	$4,626
EBT	472	1,407	(6)	(16)	(276)	1,581
For the nine months ended:						
June 30, 2013						
Revenues	$12,258	$5,680	$459	$—	$(12)	$18,385
EBT	2,487	4,968	(20)	66	(1,129)	6,372
June 24, 2012						
Revenues	$9,012	$4,755	$471	$—	$13	$14,251
EBT	1,810	4,215	(15)	(149)	(824)	5,037

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Reconciling items in the previous table were as follows (in millions):

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Revenues				
Nonreportable segments	$(2)	$5	$(8)	$16
Intersegment eliminations	(2)	(1)	(4)	(3)
	$(4)	$4	$(12)	$13
EBT				
Unallocated cost of equipment and services revenues	$(82)	$(73)	$(258)	$(211)
Unallocated research and development expenses	(201)	(181)	(591)	(519)
Unallocated selling, general and administrative expenses	(112)	(114)	(376)	(397)
Unallocated investment income, net	176	204	644	622
Nonreportable segments	(277)	(112)	(548)	(319)
	$(496)	$(276)	$(1,129)	$(824)

QCT revenues for the three and nine months ended on both June 30, 2013 and June 24, 2012 included $1 million and $3 million of intersegment revenues, respectively. All other revenues for reportable segments were from external customers for all periods presented.

Amounts included in unallocated expenses related to the amortization and impairment of certain intangible assets, contract terminations and the recognition of the step-up of inventories to fair value that resulted from acquisitions were as follows (in millions):

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Unallocated cost of equipment and services revenues	$64	$54	$203	$156
Unallocated research and development expenses	1	—	2	—
Unallocated selling, general and administrative expenses	6	7	20	21

Segment assets are comprised of accounts receivable and inventories for all reportable segments other than QSI. QSI segment assets include marketable securities, notes receivable, wireless spectrum, other investments and all assets of consolidated subsidiaries included in QSI. Reconciling items for total consolidated assets included $878 million and $1.1 billion at June 30, 2013 and September 30, 2012, respectively, of property, plant and equipment and goodwill related to the Company’s QMT division. Total segment assets also differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of certain cash, cash equivalents, marketable securities, property, plant and equipment, deferred tax assets, goodwill, other intangible assets and assets of nonreportable segments. Segment assets and reconciling items were as follows (in millions):

	June 30, 2013	September 30, 2012
QCT	$3,441	$2,278
QTL	40	63
QWI	126	129
QSI	540	1,424
Reconciling items	42,662	39,118
Total consolidated assets	$46,809	$43,012

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Note 8 — Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.
- Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument.
- Level 3 includes financial instruments for which fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including the Company's own assumptions.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at June 30, 2013 (in millions):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$1,278	$681	$—	$1,959
Marketable securities				
U.S. Treasury securities and government-related securities	870	816	—	1,686
Corporate bonds and notes	—	15,029	—	15,029
Mortgage- and asset-backed securities	—	1,253	304	1,557
Auction rate securities	—	—	83	83
Common and preferred stock	1,506	854	—	2,360
Equity funds	1,354	—	—	1,354
Debt funds	2,261	3,539	—	5,800
Total marketable securities	5,991	21,491	387	27,869
Derivative instruments	1	65	—	66
Other investments	230	—	—	230
Total assets measured at fair value	$7,500	$22,237	$387	$30,124
Liabilities				
Derivative instruments	$—	$12	$—	$12
Other liabilities	230	—	—	230
Total liabilities measured at fair value	$230	$12	$—	$242

Cash Equivalents and Marketable Securities. The Company considers all highly liquid investments, including repurchase agreements, with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised of money market funds, certificates of deposit, commercial paper, government agencies' securities and repurchase agreements fully collateralized by government agencies' securities.

With the exception of auction rate securities, the Company obtains pricing information from quoted market prices, pricing vendors or quotes from brokers/dealers. The Company conducts reviews of its primary pricing vendors to

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determine whether the inputs used in the vendor's pricing processes are deemed to be observable. The fair value for interest-bearing securities includes accrued interest.

The fair value of U.S. Treasury securities and government-related securities, corporate bonds and notes and common and preferred stock is generally determined using standard observable inputs, including reported trades, quoted market prices, matrix pricing, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets and/or benchmark securities.

The fair value of debt and equity funds is reported at published net asset values. The Company assesses the daily frequency and size of transactions at published net asset values and/or the funds' underlying holdings to determine whether fair value is based on observable or unobservable inputs.

The fair value of highly rated mortgage- and asset-backed securities is derived from the use of matrix pricing (prices for similar securities) or, in some cases, cash flow pricing models with observable inputs such as contractual terms, maturity, credit rating and/or securitization structure to determine the timing and amount of future cash flows. Certain mortgage- and asset-backed securities, principally those rated below AAA, may require the use of significant unobservable inputs to estimate fair value, such as default likelihood, recovery rates and prepayment speed.

The fair value of auction rate securities is estimated by the Company using a discounted cash flow model that incorporates transaction details such as contractual terms, maturity and timing and amount of future cash flows, as well as assumptions related to liquidity, default likelihood and recovery, the future state of the auction rate market and credit valuation adjustments of market participants. Though certain of the securities held by the Company are pools of student loans guaranteed by the U.S. government, prepayment speeds and illiquidity discounts are considered significant unobservable inputs. These additional inputs are generally unobservable, and therefore, auction rate securities are included in Level 3.

Derivative Instruments. Derivative instruments include foreign currency option and forward contracts to manage foreign exchange risk for certain foreign currency transactions and certain balances denominated in a foreign currency; option, forward and swap contracts to acquire or reduce foreign exchange risk and/or equity, prepayment and credit risks for portfolios of marketable securities classified as trading; and warrants to purchase common stock of other companies at fixed prices. Derivative instruments that are traded on an exchange are valued using quoted market prices and are included in Level 1. Derivative instruments that are not traded on an exchange are valued using conventional calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, the Company's stock price, volatilities and interest rates, and therefore, such derivative instruments are included in Level 2.

Other Investments and Other Liabilities. Other investments and other liabilities included in Level 1 are comprised of the Company's deferred compensation plan liability and related assets, which consist of mutual funds classified as trading securities and included in other noncurrent assets. Other liabilities included in Level 3 in fiscal 2012 were comprised of put rights held by third parties representing interests in certain of the Company's subsidiaries. These put rights were terminated during the third quarter of fiscal 2012 and were previously valued with a conventional option pricing model using significant unobservable inputs.

Activity between Levels of the Fair Value Hierarchy. There were no significant transfers between Level 1 and Level 2 during the nine months ended June 30, 2013 or June 24, 2012. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The following table includes the activity for marketable securities and other liabilities classified within Level 3 of the valuation hierarchy (in millions):

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	Nine Months Ended June 30, 2013		Nine Months Ended June 24, 2012		
	Auction Rate Securities	Other Marketable Securities	Auction Rate Securities	Other Marketable Securities	Other Liabilities
Beginning balance of Level 3	$118	$203	$124	$27	$7
Total realized and unrealized gains or losses:					
Included in investment income, net	—	4	—	2	(7)
Included in other comprehensive income	1	(2)	—	1	—
Purchases	—	157	—	110	—
Sales	—	(10)	—	—	—
Settlements	(36)	(66)	(4)	(17)	—
Transfers into Level 3	—	18	—	15	—
Ending balance of Level 3	$83	$304	$120	$138	$—

The Company recognizes transfers into and out of levels within the fair value hierarchy at the end of the fiscal month in which the actual event or change in circumstances that caused the transfer occurs. Transfers into Level 3 during the nine months ended June 30, 2013 and June 24, 2012 primarily consisted of debt securities with significant inputs that became unobservable as a result of an increased likelihood of a shortfall in contractual cash flows or a significant downgrade in credit ratings.

Nonrecurring Fair Value Measurements. The Company measures certain assets at fair value on a nonrecurring basis. These assets include cost and equity method investments when they are deemed to be other-than-temporarily impaired, 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 third quarter of fiscal 2013, certain property, plant and equipment related to the Company's QMT division were written down to their estimated fair values resulting in an impairment charge of $158 million (Note 2). Such fair value was determined by estimating the future cash flows from the assets using a probability-weighted average of potential outcomes. The estimation of fair values and cash flows used in these fair value measurements required the use of significant unobservable inputs, and as a result, the fair value measurements were classified as Level 3. At June 30, 2013, the carrying value of the QMT division's property, plant and equipment was $745 million. During the nine months ended June 30, 2013 and June 24, 2012, the Company did not have any other significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

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Note 9 — Marketable Securities

Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	June 30, 2013	September 30, 2012	June 30, 2013	September 30, 2012
Trading:				
U.S. Treasury securities and government-related securities	$225	$196	$239	$254
Corporate bonds and notes	276	283	307	176
Mortgage- and asset-backed securities	—	—	185	120
Total trading	501	479	731	550
Available-for-sale:				
U.S. Treasury securities and government-related securities	251	362	971	592
Corporate bonds and notes	4,711	4,554	9,735	7,570
Mortgage- and asset-backed securities	1,031	1,157	341	241
Auction rate securities	—	—	83	118
Common and preferred stock	22	57	2,338	2,030
Equity funds	—	—	1,354	1,126
Debt funds	2,412	1,958	2,854	1,716
Total available-for-sale	8,427	8,088	17,676	13,393
Fair value option:				
Debt fund	—	—	534	520
Total marketable securities	$8,928	$8,567	$18,941	$14,463

The Company holds an investment in a debt fund for which the Company elected the fair value option because the Company is able to redeem its shares at net asset value, which is determined daily. The investment would have otherwise been recorded using the equity method. The debt fund has no single maturity date. At June 30, 2013, the Company had an effective ownership interest in the debt fund of 21%. During the three months ended June 30, 2013, a decrease in fair value associated with this investment of $4 million was recognized in net investment income. During the nine months ended June 30, 2013, an increase in fair value associated with this investment of $14 million was recognized in net investment income. During the three and nine months ended June 24, 2012, increases in fair value associated with this investment of $5 million and $27 million, respectively, were recognized in net investment income.

The Company classifies certain portfolios of debt securities that utilize derivative instruments to acquire or reduce foreign exchange and/or equity, prepayment and credit risk as trading. Net losses recognized on debt securities classified as trading still held at June 30, 2013 were $21 million and $36 million for the three and nine months ended June 30, 2013, respectively. Net gains recognized on debt securities classified as trading still held at June 24, 2012 were $4 million for the nine months ended June 24, 2012. Net losses recognized on debt securities classified as trading still held at June 24, 2012 were $6 million for the three months ended June 24, 2012.

At June 30, 2013, the contractual maturities of available-for-sale debt securities were as follows (in millions):

Years to Maturity					
Less Than One Year	One to Five Years	Five to Ten Years	Greater Than Ten Years	No Single Maturity Date	Total
$2,403	$8,024	$3,900	$1,341	$6,721	$22,389

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

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

	Gross Realized Gains	Gross Realized Losses	Net Realized Gains
For the three months ended			
June 30, 2013	$52	$(5)	$47
June 24, 2012	76	(7)	69
For the nine months ended			
June 30, 2013	$204	$(14)	$190
June 24, 2012	177	(14)	163

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

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2013				
Equity securities	$2,929	$821	$(36)	$3,714
Debt securities (including debt funds)	22,284	424	(319)	22,389
	$25,213	$1,245	$(355)	$26,103
September 30, 2012				
Equity securities	$2,599	$628	$(14)	$3,213
Debt securities (including debt funds)	17,714	573	(19)	18,268
	$20,313	$1,201	$(33)	$21,481

The following table shows the gross unrealized losses and fair values of the Company's investments in individual securities that are classified as available-for-sale and have been in a continuous unrealized loss position deemed to be temporary for less than 12 months and for more than 12 months, aggregated by investment category (in millions):

	June 30, 2013			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and government-related securities	$418	$(24)	$—	$—
Corporate bonds and notes	6,311	(140)	49	(1)
Mortgage- and asset-backed securities	577	(10)	9	—
Auction rate securities	—	—	83	(1)
Common and preferred stock	337	(24)	9	(1)
Debt funds	3,580	(143)	4	—
Equity funds	239	(11)	—	—
	$11,462	$(352)	$154	$(3)

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	September 30, 2012			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate bonds and notes	$723	$(8)	$256	$(9)
Mortgage- and asset-backed securities	143	(1)	7	—
Auction rate securities	—	—	115	(1)
Common and preferred stock	105	(5)	9	—
Equity funds	64	(4)	36	(5)
	$1,035	$(18)	$423	$(15)

At June 30, 2013, the Company concluded that the unrealized losses on its available-for-sale securities were temporary. Further, for common and preferred stock and for equity and debt funds with unrealized losses, the Company has the ability and the intent to hold such securities until they recover, which is expected to be within a reasonable period of time. For debt securities with unrealized losses, the Company does not have the intent to sell, nor is it more likely than not that the Company will be required to sell, such securities before recovery or maturity.

The following table shows the activity for the credit loss portion of other-than-temporary impairments on debt securities held by the Company (in millions):

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Beginning balance of credit losses	$8	$46	$31	$46
Reductions in credit losses related to securities the Company intends to sell	—	—	(6)	(1)
Credit losses recognized on securities previously not impaired	—	—	1	2
Additional credit losses recognized on securities previously impaired	—	2	1	5
Reductions in credit losses related to securities sold	(3)	(5)	(21)	(9)
Accretion of credit losses due to an increase in cash flows expected to be collected	—	—	(1)	—
Ending balance of credit losses	$5	$43	$5	$43

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 Item 1 of Part I of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2012 contained in our 2012 Annual Report on Form 10-K.

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

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

Overview

Recent Developments

Revenues for the third quarter of fiscal 2013 were $6.2 billion, with net income of $1.6 billion, which primarily resulted from the following key items:

- We shipped approximately 172 million Mobile Station Modem (MSM) integrated circuits for CDMA- and OFDMA-based wireless devices, an increase of 22%, compared to 141 million MSM integrated circuits in the year ago quarter.
- Total reported device sales were approximately $56.5 billion, an increase of approximately 18%, compared to approximately $47.8 billion in the year ago quarter. (1)

Against this backdrop, the following recent developments occurred during the third quarter of fiscal 2013 with respect to key elements of our business or our industry:

- Worldwide wireless connections grew by approximately 2% to reach approximately 6.7 billion. (2)
- Worldwide 3G connections (all CDMA-based) grew by approximately 5% to approximately 2.1 billion, which was approximately 31% of total wireless subscriptions, including approximately 0.5 billion CDMA2000 1X/1xEV-DO subscriptions and approximately 1.6 billion WCDMA/HSPA/TD-SCDMA subscriptions. (2)

(1) Total reported device sales is the sum of all reported sales in U.S. dollars (as reported to us by our licensees) of all licensed CDMA-based, OFDMA-based and CDMA/OFDMA multimode subscriber devices (including handsets, modules, modem cards and other subscriber devices) by our licensees during a particular period (collectively, 3G/4G devices). Not all licensees report sales the same way (e.g., some licensees report sales net of permitted deductions, such as transportation, insurance and packing costs, while other licensees report sales and then identify the amount of permitted deductions in their reports), and the way in which licensees report such information may change from time to time. Total reported device sales for a particular period may include prior period activity that was not reported by the licensee until such particular period.

(2) According to Wireless Intelligence estimates as of July 22, 2013, for the quarter ended June 30, 2013 (estimates exclude Wireless Local Loop).

Our Business and Operating Segments

We design, manufacture, have manufactured on our behalf and market digital communications products and services based on CDMA, OFDMA and other technologies. We derive revenues principally from sales of integrated circuit products, fixed license fees (payable in one or more installments) and ongoing royalties for use of our intellectual property, and fees for messaging and other services and related hardware sales, software development and licensing, and related services and software hosting services. Operating expenses primarily consist of cost of equipment and services revenues and research and development and selling, general and administrative expenses.

We conduct business primarily through four reportable segments: QCT, QTL, QWI and QSI. Our reportable segments are operated by QUALCOMM Incorporated and its direct and indirect subsidiaries. At the beginning of fiscal 2013, we completed a corporate reorganization in which certain assets of QUALCOMM Incorporated, as well as the stock of certain of its direct and indirect subsidiaries, were contributed to its wholly-owned subsidiary Qualcomm Technologies, Inc. (QTI). QTL continues to be operated by QUALCOMM Incorporated, which continues to own 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 QTI and its 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.

QCT (Qualcomm CDMA Technologies) is a leading developer and supplier of integrated circuits and system software based on CDMA, OFDMA and other technologies for use in voice and data communications, networking, application processing, multimedia and global positioning system products. QCT's integrated circuit products and system software are sold to or licensed to manufacturers that use our products in wireless devices, particularly mobile phones, tablets, laptops, data modules, handheld wireless computers and gaming devices, access points and routers, data cards and infrastructure equipment, and in wired devices, particularly broadband gateway equipment, desktop computers, televisions and Blu-ray players. The MSM integrated circuits, which include the Mobile Data Modem, Qualcomm Single Chip and Qualcomm Snapdragon processor-based devices, perform the core baseband modem functionality in wireless devices providing voice and data communications, as well as multimedia applications and global positioning functions. In addition, our Snapdragon processors provide advanced application and graphics processing capabilities. QCT's system software enables the other device components to interface with the integrated circuit products and is the foundation software enabling manufacturers to develop devices utilizing the functionality within the integrated circuits. QCT revenues comprised 68% and 62% of total consolidated revenues in the third quarter of fiscal 2013 and 2012, respectively, and 67% and 63% of total consolidated revenues for the first nine months of fiscal 2013 and 2012, respectively.

QCT utilizes a fabless production business model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. Integrated circuits are die cut from silicon wafers that have been assembled into packages or modules and have completed the final test manufacturing processes. We rely on independent third-party suppliers to perform the manufacturing and assembly, and most of the testing, of our integrated circuits based primarily on our proprietary designs and test programs. 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. Turnkey is when our foundry suppliers are responsible for delivering fully assembled and tested integrated circuits. Under the two-stage manufacturing model, we purchase wafers and die from semiconductor manufacturing foundries and contract with separate third-party manufacturers for probe, assembly and final test services.

QTL (Qualcomm Technology Licensing) 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 and sale of certain wireless products, including, without limitation, products implementing CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards and their derivatives. QTL licensing revenues are comprised of license fees as well as royalties based on sales by licensees of products incorporating or using our intellectual property. License fees are fixed amounts paid in one or more installments. Royalties are generally based upon a percentage of the wholesale (i.e., licensee's) selling price of licensed products, net of certain permissible deductions (e.g., certain shipping costs, packing costs, VAT, etc.). QTL

recognizes royalty revenues based on royalties reported by licensees during the quarter and when other revenue recognition criteria are met. Licensees, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. QTL revenues comprised 30% and 34% of total consolidated revenues in the third quarter of fiscal 2013 and 2012, respectively, and 31% and 33% of total consolidated revenues for the first nine months of fiscal 2013 and 2012,

respectively. The vast majority of such revenues were generated through our licensees' sales of CDMA2000 and WCDMA subscriber equipment products.

QWI (Qualcomm Wireless & Internet), which includes our Omnitracs, QIS, QGOV and QRS divisions, generates revenues primarily through sales of products, services (including software development) and software aimed at the support and delivery of wireless applications. Omnitracs sells integrated wireless systems and services to transportation and logistics companies to manage their assets and workforce. QIS (Qualcomm Internet Services) provides content enablement services for the wireless industry, including its Brew, Plaza and other products and services. QIS also provides QChat push-to-talk and other software products and services for wireless operators. QGOV (Qualcomm Government Technologies) provides development and other services and related products involving wireless communications technologies to government agencies and their contractors. QRS (Qualcomm Retail Solutions) builds and manages software applications that enable certain mobile commerce services. QWI revenues comprised 3% of total consolidated revenues in the third quarter of both fiscal 2013 and 2012 and 2% and 3% of total consolidated revenues for the first nine months of fiscal 2013 and 2012, respectively.

QSI (Qualcomm Strategic Initiatives) makes strategic investments that we believe will open new opportunities for our technologies, support the design and introduction of new products and services for voice and data communications or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies. QSI also holds wireless spectrum. As part of our strategic investment activities, we intend to pursue various exit strategies from each of our QSI investments at some point in the future. Our BWA subsidiaries that were established to operate a wireless network in India using broadband wireless access spectrum were deconsolidated during the third quarter of fiscal 2013 due to events that resulted in a change in control of the BWA subsidiaries. Our agreement with Bharti Airtel Limited (Bharti) provides that Bharti's ownership interest in the BWA subsidiaries will increase over time to 100% by December 2014 if certain conditions are met.

Nonreportable segments are comprised of display and other product and services initiatives, including our QMT (Qualcomm MEMS Technologies) division. QMT continues to develop an interferometric modulator (IMOD) display technology based on micro-electro-mechanical-system (MEMS) structure combined with thin film optics.

Seasonality. Many of our products or our intellectual property are incorporated into consumer wireless devices, which are subject to seasonality and other fluctuations in demand. As a result, historically, QCT has tended to have stronger sales toward the end of the calendar year as manufacturers prepare for major holiday selling seasons, and QTL has tended to record higher royalty revenues in the first calendar quarter when licensees report their sales made during the fourth calendar quarter. These seasonal trends may or may not continue in the future.

Looking Forward

The deployment of 3G networks enables increased voice capacity and higher data rates than prior generation networks, thereby supporting more minutes of use and a wide range of mobile broadband data applications for handsets, 3G connected computing devices and other consumer electronics. According to the Global mobile Suppliers Association (GSA), as of July 2013, to complement their existing 3G networks, more than 190 wireless operators have deployed and more than 390 wireless operators are planning to deploy OFDMA-based technology, often called 4G, in new wireless spectrum to gain additional capacity for data services. As a result, we expect continued growth in the coming years in consumer demand for 3G and 3G/4G multimode products and services around the world. In addition, we expect an increasing number of devices, such as computers, consumer electronics and networking equipment, to require multiple communications technologies to support a variety of connected applications.

As we look forward to the next several months, the following items are likely to have an impact on our business:

- The worldwide transition from 2G to 3G and 3G/4G networks is expected to continue, including the further expansion of 3G in emerging regions, such as China. We expect that the emergence of lower-end smartphone products will contribute to such expansion.
- We expect consumer demand for advanced 3G and 3G/4G multimode devices, including smartphones and data-centric devices, to continue at a strong pace.
- We expect that CDMA-based device prices will continue to vary broadly due to the increased penetration of smartphones combined with active competition throughout the world at all price tiers. Additionally, varying rates of economic growth by region and stronger growth of CDMA-based device shipments in emerging regions, as compared to developed regions, are expected to continue to impact the average and range of selling prices of CDMA-based

devices.

- We continue to invest significant resources toward the development of technologies and products for voice and data communications, primarily in the wireless industry, including advancements to 3G, 3G/4G and 4G LTE (an OFDMA-based standard) technologies, wireless baseband chips, our converged computing/communications (Snapdragon) chips, multimedia products, software and services, as well as our IMOD and other display technologies.

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 as to the benefits of our business model in promoting a highly competitive and innovative wireless industry. However, we expect that certain companies may continue to be dissatisfied with the need to pay reasonable royalties for the use of our technology and not welcome the success of our business model in enabling new, highly cost-effective competitors to their products. We expect that such companies will continue to challenge our business model in various forums throughout the world.

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

Results of Operations

Revenues (in millions)

	Three Months Ended			Nine Months Ended		
	June 30, 2013	June 24, 2012	Change	June 30, 2013	June 24, 2012	Change
Equipment and services	$4,286	$2,948	$1,338	$12,474	$9,253	$3,221
Licensing	1,957	1,678	279	5,911	4,998	913
	$6,243	$4,626	$1,617	$18,385	$14,251	$4,134

The increases in equipment and services revenues in the third quarter and the first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 were primarily due to increases in QCT revenues of $1.35 billion and $3.26 billion, respectively. The increases in licensing revenues in the third quarter and the first nine months of fiscal 2013 were primarily due to increases in QTL revenues of $275 million and $926 million, respectively.

Operating Expenses (in millions)

	Three Months Ended			Nine Months Ended		
	June 30, 2013	June 24, 2012	Change	June 30, 2013	June 24, 2012	Change
Cost of equipment and services (E&S) revenues	$2,497	$1,719	$778	$7,106	$5,255	$1,851
Cost as % of E&S revenues	58 %	58 %		57 %	57 %	

The margin percentages remained flat. QCT margin percentages decreased in the third quarter and the first nine months of fiscal 2013 as compared to the same periods in fiscal 2012, but the decreases were offset by an increase in QWI margin percentage in the third quarter of fiscal 2013 and by the impact of a decrease in nonreportable segment costs in the first nine months of fiscal 2013. Our margin percentage may fluctuate in future periods depending on the mix of products sold and services provided, competitive pricing, new product introduction costs and other factors.

	Three Months Ended			Nine Months Ended		
	June 30, 2013	June 24, 2012	Change	June 30, 2013	June 24, 2012	Change
Research and development	$1,298	$974	$324	$3,618	$2,801	$817
% of revenues	21 %	21 %		20 %	20 %	
Selling, general, and administrative	$613	$544	$69	$1,861	$1,643	$218
% of revenues	10 %	12 %		10 %	12 %	
Other	$158	$7	$151	$158	$104	$54

The dollar increases in research and development expenses in the third quarter and the first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 were primarily attributable to increases of $275 million and $682 million, respectively, in costs to develop CDMA-based 3G, OFDMA-based 4G LTE and other technologies for integrated circuit and related software products and to expand our intellectual property portfolio, and increases of $25 million and $85 million, respectively, in share-based compensation.

The dollar increase in selling, general and administrative expenses in the third quarter of fiscal 2013 as compared to the same period of fiscal 2012 was primarily attributable to increases of $44 million in employee-related expenses, $20 million in selling and marketing expenses and $12 million in professional fees, partially offset by a decrease of $25 million in costs related to litigation and other legal matters. The dollar increase in selling, general and administrative expenses in the first nine months of fiscal 2013 as compared to the same period of fiscal 2012 was primarily attributable to increases of $105 million in employee-related expenses, $31 million in selling and marketing expenses and $29 million in patent-related expenses.

Other operating expenses for the third quarter and the first nine months of fiscal 2013 included a $158 million impairment charge resulting from revisions to our estimates of expected cash flows for certain long-lived assets of our QMT division as we continue to pursue our licensing model. Other operating expenses for the third quarter of fiscal 2012 included a $7 million goodwill impairment charge related to our QRS division. Other operating expenses for the first nine months of fiscal 2012 included an $81 million charge related to the payment made to the Indian government concurrent with the issuance of the BWA spectrum license and $23 million in goodwill impairment charges related to our QRS division.

Net Investment Income (in millions)

	Three Months Ended			Nine Months Ended		
	June 30, 2013	June 24, 2012	Change	June 30, 2013	June 24, 2012	Change
Interest and dividend income	$182	$156	$26	$529	$431	$98
Interest expense	(7)	(18)	11	(22)	(74)	52
Net realized gains on marketable securities	21	68	(47)	189	195	(6)
Net realized gains on other investments	39	2	37	50	19	31
Net impairment losses on marketable securities and other investments	(27)	(21)	(6)	(49)	(64)	15
Net gains on derivative instruments	5	13	(8)	17	87	(70)
Net gains on deconsolidation of subsidiaries	21	—	21	21	—	21
Equity in net losses of investees	(1)	(1)	—	(5)	(5)	—
	$233	$199	$34	$730	$589	$141

The increases in interest and dividend income on cash and marketable securities resulted from higher average cash and marketable securities balances. The decreases in interest expense resulted from capitalizing a portion of interest starting in the third quarter of fiscal 2012 related to the BWA subsidiaries, which were deconsolidated in the third quarter of fiscal 2013. The decrease in net realized gains on marketable securities in the third quarter of fiscal 2013 as compared to the same period of fiscal 2012 resulted primarily from decreases in fair values of certain debt securities held in our trading portfolios due to adverse changes in foreign currencies and interest rates and adjustments to marketable securities allocations. The increases in net realized gains on other investments were primarily attributable to the sale of one strategic investment in the third quarter of fiscal 2013. Net gains on derivative instruments in the first nine months of fiscal 2012 primarily resulted from changes in the fair value of put options sold in connection with our stock repurchase program that expired in fiscal 2012. The net gains on deconsolidation of subsidiaries resulted primarily from deconsolidation of the BWA subsidiaries in the third quarter of fiscal 2013.

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Income Tax Expense (in millions)

	Three Months Ended			Nine Months Ended		
	June 30, 2013	June 24, 2012	Change	June 30, 2013	June 24, 2012	Change
Income tax expense	$332	$375	$(43)	$1,028	$993	$35
Effective tax rate	17%	24%	(7%)	16%	20%	(4%)

The following table summarizes the primary factors that caused our effective tax rates for the third quarter and the first nine months of fiscal 2013 and 2012 to be less than the United States federal statutory rate:

	Three Months Ended		Nine Months Ended	
	June 30, 2013	June 24, 2012	June 30, 2013	June 24, 2012
Expected income tax provision at federal statutory tax rate	35%	35%	35%	35%
Benefits from foreign income taxed at other than U.S. rates	(17%)	(11%)	(17%)	(15%)
Benefits related to the research and development tax credit	(2%)	—%	(3%)	(1%)
Other	1%	—%	1%	1%
Effective tax rate	17%	24%	16%	20%

During the second quarter of fiscal 2013, the United States government reinstated the federal research and development tax credit retroactively to January 1, 2012 and extended the credit through December 31, 2013. As a result of the reinstatement, we recorded a tax benefit of $64 million related to fiscal 2012 in the second quarter of fiscal 2013. The estimated annual effective tax rate for fiscal 2013 of 16% also reflects the tax benefit from such reinstatement for fiscal 2013. The fiscal 2012 annual effective tax rate of 19% only reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit originally expired.

Segment Results

The following should be read in conjunction with the third quarter and first nine months financial results of fiscal 2013 for each reporting segment. See “Notes to Condensed Consolidated Financial Statements, Note 7 - Segment Information.”

	QCT	QTL	QWI	QSI
Three Months Ended June 30, 2013				
Revenues	$4,222	$1,867	$158	$—
EBT (1)	738	1,633	(16)	51
EBT as a % of revenues	17%	87%	(10%)	
Three Months Ended June 24, 2012				
Revenues	$2,869	$1,593	$160	$—
EBT (1)	472	1,407	(6)	(16)
EBT as a % of revenues	16%	88%	(4%)	
Nine Months Ended June 30, 2013				
Revenues	$12,258	$5,680	$459	$—
EBT (1)	2,487	4,968	(20)	66
EBT as a % of revenues	20%	87%	(4%)	
Nine Months Ended June 24, 2012				
Revenues	$9,012	$4,755	$471	$—
EBT (1)	1,810	4,215	(15)	(149)
EBT as a % of revenues	20%	89%	(3%)	

(1) Earnings (loss) before taxes.

QCT Segment. The increases in QCT revenues in the third quarter and first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 of $1.35 billion and $3.25 billion, respectively, were primarily due to increases in equipment and services revenues. Equipment and services revenues, mostly related to sales of MSM and accompanying RF and PM integrated circuits, were $4.16 billion and $2.80 billion in the third quarter of fiscal 2013 and 2012, respectively, and $12.09 billion and $8.83 billion in the first nine months of fiscal 2013 and 2012, respectively. The increases in equipment and services revenues in the third quarter and first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 resulted primarily from increases of $737 million and $1.80 billion, respectively, related to the net effects of favorable changes in product mix and lower average selling prices of such products and increases of $481 million and $1.21 billion, respectively, related to higher unit shipments. Approximately 172 million and 141 million MSM integrated circuits were sold during the third quarter of fiscal 2013 and 2012, respectively, and approximately 526 million and 449 million MSM integrated circuits were sold during the first nine months of fiscal 2013 and 2012, respectively.

The increase in QCT EBT as a percentage of revenues in the third quarter of fiscal 2013 was due to an increase of 47% in QCT revenues relative to a combined increase of 32% in research and development expenses and selling, general and administrative expenses, partially offset by a decrease in gross margin percentage. QCT EBT as a percentage of revenues in the first nine months of fiscal 2013 remained flat as compared to the same period in fiscal 2012. During this period, QCT revenues increased 36% relative to a combined increase of 28% in research and development expenses and selling, general and administrative expenses, partially offset by a decrease in gross margin percentage. The decreases in QCT gross margin percentages resulted from normal price declines and unfavorable product mix, partially offset by decreases in average unit costs.

QCT inventories increased by 17% in the third quarter of fiscal 2013 from $1.44 billion to $1.69 billion primarily due to certain higher value MSM products and an increase in finished goods and work-in-process quantities related to the growth of the business.

QTL Segment. The increases in QTL revenues in the third quarter and the first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 of $274 million and $925 million, respectively, were primarily due to increases in sales of CDMA-based devices by licensees. The decreases in QTL EBT as a percentage of revenues in the third quarter and first nine months of fiscal 2013 as compared to the same periods in fiscal 2012 were attributable to increases in revenues of 17% and 19%, respectively, relative to increases in operating expenses of 25% and 31%, respectively, primarily due to increased allocation of patent expenses in connection with the corporate reorganization and increased research and development expenses.

QWI Segment. The decrease in QWI revenues in the first nine months of fiscal 2013 as compared to the same period in fiscal 2012 of $12 million was primarily due to a decrease of $13 million in QIS revenues. The decrease in QWI EBT in the third quarter of fiscal 2013 as compared to the same periods in fiscal 2012 of $10 million was primarily attributable to a $15 million increase in QRS operating loss, partially offset by a $4 million increase in QIS operating income. QWI EBT in the first nine months of fiscal 2012 included $23 million in goodwill impairment charges related to our QRS division.

QSI Segment. The increase in QSI EBT in the third quarter of fiscal 2013 as compared to the same period in fiscal 2012 of $67 million was primarily due to an increase of $43 million in net realized gains on investments and a $22 million gain on the deconsolidation of the BWA subsidiaries in India that was recorded in the third quarter of fiscal 2013. The increase in QSI EBT in the first nine months of fiscal 2013 as compared to the same period in fiscal 2012 of $215 million was primarily due an increase of $63 million in net realized gains on investments, a $47 million decrease in interest expense as a result of capitalizing interest starting in the third quarter of fiscal 2012 related to the BWA subsidiaries, the $22 million gain on deconsolidation and an $81 million charge recorded in fiscal 2012 related to a payment made to the Indian government concurrent with the issuance of the BWA spectrum license.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations and proceeds from the issuance of common stock under our equity compensation plans. Cash, cash equivalents and marketable securities were $30.4 billion at June 30, 2013, an increase of $3.6 billion from September 30, 2012. This increase included $964 million in proceeds from the issuance of common stock under our equity compensation plans. Our cash, cash equivalents and marketable securities at June 30, 2013 consisted of $10.4

billion held domestically and $20.0 billion held by foreign subsidiaries. Of the amount of cash, cash equivalents and marketable securities held by our foreign subsidiaries at June 30, 2013, $19.8 billion was held in jurisdictions where our undistributed earnings are indefinitely reinvested and would be subject to material tax effects if repatriated. Total cash

provided by operating activities increased to $6.3 billion during the first nine months of fiscal 2013, compared to $4.6 billion during the first nine months of fiscal 2012.

During the first nine months of fiscal 2013, we repurchased and retired 21,009,000 shares of our common stock for $1.3 billion, before commissions. On March 5, 2013, the Company announced that it had been authorized to repurchase up to $5.0 billion of the Company's common stock. At June 30, 2013, $4.0 billion remained available for repurchase under our stock repurchase program. Since June 30, 2013, we repurchased and retired 8,404,000 shares of common stock for $512 million. The stock repurchase program has no expiration date. We continue to evaluate repurchases as a means of returning capital to stockholders, subject to our periodic determinations that repurchases are in the best interest of our stockholders.

We paid cash dividends totaling $604 million, or $0.35 per share, on June 26, 2013. On July 17, 2013, we announced a cash dividend of $0.35 per share on our common stock, payable on September 25, 2013 to stockholders of record as of September 4, 2013. We intend to continue to use cash dividends as a means of returning capital to stockholders, subject to capital availability and our view that cash dividends are in the best interests of our stockholders.

Accounts receivable increased 3% during the third quarter of fiscal 2013. Days sales outstanding, on a consolidated basis, were 27 days at June 30, 2013, compared to 28 days at March 31, 2013. The decrease in days sales outstanding was primarily due to the effects of timing of shipments and customer payments for receivables related to integrated circuits.

We believe our current cash, cash equivalents and marketable securities and our expected cash flow generated from operations will provide us with flexibility and satisfy our working and other capital requirements over the next fiscal year and beyond based on our current business plans.

- Our research and development expenditures were $3.6 billion during the first nine months of fiscal 2013 and $3.9 billion in fiscal 2012, and we expect to continue to invest heavily in research and development for new technologies, applications and services for voice and data communications, primarily in the wireless industry.
- Cash outflows for capital expenditures were $808 million during the first nine months of fiscal 2013 and $1.3 billion in fiscal 2012, respectively, including approximately $480 million in fiscal 2012 related to the construction of a new manufacturing facility in Taiwan for our QMT division. We expect to continue to incur capital expenditures in the future to support our businesses, including research and development activities. Future capital expenditures may be impacted by transactions that are currently not forecasted.
- Our purchase obligations for the remainder of fiscal 2013 and for fiscal 2014, some of which relate to research and development activities and capital expenditures, totaled $2.9 billion and $749 million, respectively, at June 30, 2013.
- We expect to continue making strategic investments and acquisitions, the amounts of which could vary significantly, to open new opportunities for our technologies, obtain development resources, grow our patent portfolio or pursue new business.

Contractual Obligations/Off-Balance Sheet Arrangements

We have no significant contractual obligations not fully recorded on our condensed consolidated balance sheets or fully disclosed in the notes to our condensed consolidated financial statements. We guarantee certain investees' debt obligations, which are comprised of loans from multiple lenders and are denominated in Indian rupees. The majority of the loans ($415 million at June 30, 2013) are due and payable on May 31, 2014; the remaining loan ($69 million at June 30, 2013) is due and payable on December 1, 2014. 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 30, 2013 is provided in the notes to our condensed consolidated financial statements. See "Notes to Condensed Consolidated Financial Statements, Note 4 — Income Taxes" and "Note 6 — Commitments and Contingencies."

Risk Factors

You should consider each of the following factors as well as the other information in this Quarterly Report in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. You should also refer to the other information set forth

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in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, including our financial statements and the related notes.

Risks Related to Our Businesses

Our revenues are dependent on the commercial deployment of CDMA, OFDMA and other communications technologies and our customers' and licensees' sales of communications equipment, products and services based on these technologies.

We develop, patent and commercialize technology and products based on CDMA, OFDMA and other communications technologies. Our revenues are dependent upon the commercial deployment of these technologies and our customers' and licensees' sales of wireless communications equipment, products and services based on these technologies. Our business may be harmed, and our substantial investments in these technologies may not provide us an adequate return, if:

- wireless operators delay 3G and/or 3G/4G multimode deployments, expansions or upgrades and/or delay moving 2G customers to 3G, 3G/4G multimode or 4G wireless devices;
- LTE, an OFDMA-based 4G wireless standard, is not more widely deployed or commercial deployment is delayed;
- government regulators delay the reallocation of 2G spectrum to allow wireless operators to upgrade to 3G, thereby restricting the expansion of 3G wireless connectivity;
- wireless operators are unable to drive improvements in 3G network performance and/or capacity; or
- wireless operators and other industries using these technologies deploy other technologies.

Our business is dependent on our ability to increase our share of components sold and to continue to drive the adoption of our products and services into 3G, 3G/4G multimode and 4G wireless devices and networks. We are also dependent on the success of our customers, licensees, operators of CDMA- and OFDMA-based wireless networks and other industries using our technologies, as well as on the timing of their deployment of new products and services, and they may incur lower gross margins on products or services based on these technologies than on products using alternative technologies. If commercial deployment, expansions or upgrades of these technologies or upgrades of 2G subscribers to 3G, 3G/4G multimode or 4G wireless communications equipment, products or services based on these technologies do not continue or are delayed, our revenues could be negatively impacted, and our business could suffer.

Our industry is subject to competition in an environment of rapid technological change that could result in decreased demand and/or declining average selling prices for our products and those of our customers or licensees and/or result in new specifications or requirements placed upon our products, each of which could negatively affect our revenues and operating results.

Our industry is subject to rapid technological change, and we must make substantial investments in new products, services and technologies to compete successfully. Technological innovations generally require a substantial investment before they are commercially viable. We intend to continue to make substantial investments in developing new products and technologies, and it is possible that our development efforts will not be successful and that our new technologies will not result in meaningful revenues. Our products, services and technologies face significant competition, and the revenues generated or the timing of their deployment, which may be dependent on the actions of others, may not meet our expectations. Competition in the communications industry is affected by various factors that include, among others: evolving industry standards and business models; evolving methods of transmission for voice and data communications; networking; value-added features that drive replacement rates and selling prices; turnkey, integrated product offerings that incorporate hardware, software, user interface and applications; and scalability and the ability of the system technology to meet customers' immediate and future network requirements.

Our future success will depend on, among other factors, our ability to:

- increase and/or accelerate demand for our integrated circuit products and drive their adoption into the most popular device models and across a broad spectrum of devices, such as smartphones, tablets and other mobile computing devices, and into a new generation of products for consumer electronics and connectivity, including gaming, wireless charging, eHealth and the connected home;
- strengthen our integrated circuit product roadmap for, and develop channel relationships in, emerging geographic regions requiring turnkey product offerings for low-end smartphones;

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- be a preferred partner (and sustain preferred relationships) providing products that support Android, iOS, Windows Phone/RT and other operating system platforms to the partners that effectively commercialize new devices using these platforms;
- continue to be a leader in 4G technology evolution, including expansion of our OFDMA-based single mode licensing program, and continue our timely introduction of 4G turnkey, integrated products and services;
- be a leader serving original equipment manufacturers, high level operating systems (HLOS) providers, operators and other industry participants as new market entrants and other factors affect the industry landscape;
- become a leading supplier of small cell technology (which allows inexpensive cell sites deployed by users to connect to traditional cellular networks through wired internet connections) to enable significant network capacity expansion to meet anticipated growth in mobile data traffic;
- develop brand recognition as we compete against better known companies in mobile computing and other consumer driven arenas;
- focus our service businesses on key opportunities, such as wireless charging, eHealth and machine-to-machine technologies (allowing both wireless and wired systems to communicate with other devices) that create standalone value and/or contribute to the success of our other businesses; and
- succeed in significant international regions, such as China, India and Europe.

Companies that promote standards that are neither CDMA- nor OFDMA-based (e.g., GSM) and companies that design integrated circuits based on CDMA, OFDMA or their derivatives are generally competitors or potential competitors. Examples (some of which are strategic partners of ours in other areas) include Broadcom, CSR plc, Ericsson, Freescale, HiSilicon Technologies, Intel, Lantiq, Marvell Technology, MediaTek, nVidia, Renesas Electronics, Samsung, Spreadtrum Communications, Texas Instruments and VIA Telecom. Many of these current and potential competitors have advantages over us that include, among others: motivation by our customers in certain circumstances to find alternate suppliers; foreign government support of other technologies; more extensive relationships with local distribution companies and original equipment manufacturers in emerging geographic regions (e.g., China); and/or a more established presence in certain device markets.

Certain of our software and our suppliers' software may contain or may be derived from "open source" software, and we have seen, and believe we will continue to see, an increase in customers requesting that we develop products, including software associated with our integrated circuit products, that incorporate open source software elements and operate in an open source environment, which, under certain open source licenses, may offer accessibility to a portion of a product's source code and may expose related intellectual property to adverse licensing conditions. Licensing of such software may impose certain obligations on us if we were to distribute derivative works of the open source software. For example, these obligations may require us to make source code for the derivative works available to our customers in a manner that allows them to make such source code available to their customers, or license such derivative works under a particular type of license that is different than what we customarily use to license our software. Developing open source products, while adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome and time-consuming under certain circumstances, thereby placing us at a competitive disadvantage for new product designs. 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 employed adequate controls to protect our intellectual property rights, our use of open source software presents risks that could have an adverse effect on these rights and on our business.

Competition may reduce average selling prices for our chipset products and the products of our customers and licensees. Total royalties payable to us will generally decrease as a result of reductions in the average selling prices of our licensees' products, unless offset by an increase in volumes. 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 selected segments of the industry.

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

Our QCT segment derives a significant portion of revenues from a small number of customers, and we may be unable to further diversify our customer base. In addition, our industry is experiencing and may continue to experience an increasing concentration of device share among a few companies, and this trend may result in an increasing portion of our revenues being derived from a small number of customers. Further, 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, could impact our business. The loss of any one of our significant customers, a reduction in the purchases of our products by such customers, or the delay, even if only temporary, or cancellation of significant purchases from any of these customers would reduce our revenues in the period of the delay or cancellation and harm our ability to achieve or sustain expected operating results. Further, 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 volume, could have an adverse effect on our revenues. 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 little or no control, and the timing of such introductions may cause our operating results to fluctuate. Accordingly, unless and until our QCT segment diversifies and expands its customer base, our future success will largely depend upon and be impacted by future purchases and the timing and size of any such future purchases by these customers.

Further, companies that provide HLOS for devices, including large companies such as Microsoft and Google, have entered the device market. If we fail to effectively partner with these companies, or 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.

Although we have more than 240 CDMA-based licensees, our QTL segment derives a significant portion of licensing revenues from a limited number of licensees. Our future success depends upon the ability of our licensees to develop, introduce and deliver high-volume products that achieve and sustain customer acceptance. We have little or no control over the sales efforts of our licensees, and our licensees might not be successful. Reductions in the average selling price of wireless devices sold by our major licensees, without a sufficient increase in the volumes of such devices sold, could have an adverse effect on our revenues.

Our licensing revenues can be impacted by the deployment of other technologies in place of technologies based on CDMA, OFDMA and their derivatives, by the need to extend certain existing license agreements that are expiring and/or to cover additional later patents or by the success of our licensing programs for 4G single mode products and in emerging, machine-to-machine (M2M) services markets.

Although we own a very strong portfolio of issued and pending patents related to GSM, GPRS, EDGE, OFDM, OFDMA, WLAN, Multiple Input Multiple Output (MIMO) and other technologies, our patent portfolio licensing program in these areas is less established and might not be as successful in generating licensing revenues as our CDMA licensing program. Many wireless operators are investigating or have selected LTE as their next-generation 4G technologies for deployment in existing or future wireless spectrum bands as complementary to their existing CDMA-based networks. While 3G/4G multimode products are generally covered by existing 3G licensing agreements, products that implement 4G and do not implement 3G are generally not covered by existing 3G licensing agreements. Although we believe that our patented technology is essential and useful to implementation of the LTE industry standards and have granted royalty-bearing licenses to more than 65 companies (including LG, Nokia, Samsung, Sony Mobile and ZTE) to make and sell products implementing 4G standards but not implementing 3G standards, the royalty rates for single mode 4G products are generally lower than our royalty rates for 3G and 3G/4G multimode products, and therefore, we might not achieve the same licensing revenues on such LTE products as on 3G-based or 3G/4G-based multimode products. In addition, new connectivity services are emerging that rely on devices that may or may not be used on traditional cellular networks, such as devices used in gaming and the connected home. Standards, even de facto standards, that develop as these technologies mature may impact our ability to obtain royalties that are equivalent to those that we receive for 3G products used in cellular communications.

Although we believe that our patented technology is essential and useful to the commercialization of such services, the royalties we receive may be lower than those we receive from our current licensing program.

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 and, in a small number of agreements, royalties are payable on those patents for a specified time period. As a result, there are agreements with some licensees where later patents are not licensed by or to

us and/or royalties are not owed to us under such license agreements after the specified time period. In order to license or to obtain a license to such later patents, or to receive royalties after the specified time period, we will need to extend or modify such license agreements or enter into new license agreements with such licensees. We might not be able to modify those license agreements, or enter into new license agreements, in the future without affecting the material terms and conditions of our license agreements with such licensees, and such modifications or new agreements may impact our revenues. If we are unable to reach agreement on such modifications or new agreements, it could result in patent infringement litigation with such companies.

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

From time to time, companies initiate various strategies to attempt to renegotiate, mitigate and/or eliminate their need to pay royalties to us for the use of our intellectual property. These strategies have included: (i) litigation, often alleging infringement of patents held by such companies; patent misuse, patent exhaustion, and/or patent and/or license unenforceability, or some form of unfair competition; (ii) taking positions contrary to our understanding of their contracts with us; (iii) appeals to governmental authorities; (iv) collective action, including working with wireless operators, standards bodies, other like-minded companies and other organizations, on both formal and informal bases, to adopt intellectual property policies and practices that could have the effect of limiting returns on intellectual property innovations; and (v) lobbying governmental regulators and elected officials for the purpose of seeking the imposition of some form of compulsory licensing and/or to weaken a patent holder's ability to enforce its rights or obtain a fair return for such rights.

Some companies or entities have proposed significant changes to existing intellectual property policies for implementation by SDOs and other industry organizations, some of which would require a maximum aggregate intellectual property royalty rate for the use of all 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 essential patents based upon the number of essential patents held by such company. Others have proposed that injunctions not be an available remedy for infringement of essential patents and/or have made proposals that could severely limit damage awards and other remedies by courts for patent infringement (e.g., by severely limiting the base upon which the royalty percentage may be applied). A number of these strategies are purportedly based on interpretations of the policies of certain SDOs concerning the licensing of patents that are or may be essential to industry standards and our and/or other companies' alleged failure to abide by these policies. There is a risk that relevant courts or governmental agencies will interpret some or all of those proposals in a manner adverse to our interests or that some SDOs may adopt such proposals as so-called clarifications or amendments to their intellectual property policies. If such proposals and strategies continue and are successful in the future, our business model would be harmed, either by artificially limiting our return on investment with respect to new technologies, limiting our ability to seek injunctions against infringers of our standards' essential patents, or forcing us to work outside of the SDOs or such other industry groups to promote our new technologies, and our results of operations could be negatively impacted. As well, the legal and other costs associated with defending our position have been and continue to be significant. We assume that such challenges, regardless of their merits, will continue into the foreseeable future and may require the investment of substantial management time and financial resources to explain and defend our position.

Other companies or entities have commenced, and may again commence, actions seeking to establish the invalidity of one or more of our patents. In the event that one or more of our patents are challenged, a court may invalidate the patent(s) or determine that the patent(s) is not enforceable, which could harm our competitive position. If our key patents are invalidated, or if the scope of the claims in any of these patents is limited by court decision, we could be prevented from licensing the invalidated or limited portion of such patents. Such adverse decisions, depending upon their extent, could negatively impact our revenues. Even if such a patent challenge is not successful, it could be expensive and time consuming to address, divert management attention from our business and harm our reputation.

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

We rely primarily on patent, copyright, trademark and trade secret laws, as well as nondisclosure and confidentiality agreements 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. We cannot be certain that the steps we have taken, or may take in the future, will prevent the misappropriation or unauthorized use of our proprietary information and technologies, particularly in foreign countries where the laws may not protect our proprietary intellectual property rights as fully or as readily as United States laws or where the enforcement of such laws may be lacking or ineffective. Some industry participants who have a vested interest in devaluing patents generally, or standards essential patents in particular, have mounted attacks on certain patent systems, increasing the likelihood of changes to established patent laws. In the United States, the remaining provisions of the Leahy-Smith America Invents Act changing patent laws governing, among other things, the granting and enforcement of patents, went into effect in March 2013. Many observers anticipate that in the next few years the European Union will adopt a unitary patent system that may broadly impact that region's patent regime. We cannot predict with certainty the long-term effects of these changes or proposed 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 technology. We have had, and may continue to have, difficulty in certain circumstances in protecting or enforcing our intellectual property rights and/or contracts, including collecting royalties for use of our patent portfolio, in particular foreign jurisdictions due to, among others: policies of foreign governments; challenges to our licensing practices under such jurisdictions' competition laws; adoption of mandatory licensing provisions by foreign jurisdictions (either with controlled/regulated royalties or royalty free); failure of foreign courts to recognize and enforce judgments of contract breach and damages issued by courts in the United States; and/or challenges pending before foreign competition agencies to the pricing and integration of additional features and functionality into our chipset products.

We may need to litigate in the United States or elsewhere in the world to enforce our 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, we could lose our ability to enforce one or more patents or incur substantial unexpected operating costs. Any action we take to enforce our intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results.

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 the complex technical issues and inherent uncertainties in intellectual property litigation. If any of our products were found to infringe on another company's intellectual property rights, we could be subject to an injunction or required to redesign our products, which could be costly, or to license such rights and/or pay damages or other compensation to such other company. If we were unable to redesign our products, license such intellectual property rights used in our products or otherwise distribute our products through a licensed supplier, we could be prohibited from making and selling such products. In any potential dispute involving other companies' patents or other intellectual property, our chipset foundries, semiconductor assembly and test providers and customers could also become the targets of litigation. We are contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by us. Reimbursements under indemnification arrangements could have an adverse effect on our results of operations. Furthermore, any such litigation could severely disrupt the supply of our products and the businesses of our chipset customers and their customers, which in turn could hurt our relationships with them and could result in a decline in our chipset sales and/or reductions in our licensees' sales,

causing a corresponding decline in our chipset and/or licensing revenues. Any claims, regardless of their merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have an adverse effect upon our operating results.

We expect that we may continue to be involved in litigation and may have to appear in front of administrative bodies (such as the U.S. 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 includes everything from royalty payment to an injunction on the sale of certain of our integrated circuit products (and on the sale of our customers' devices using such products). Any imposition of royalty payments might make purchases of our products less economical for our customers. 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 share of worldwide chipset sales and/or a reduction in our licensees' sales to wireless operators, causing corresponding declines in our chipset and/or licensing revenues.

A number of other companies have claimed to own patents essential to various CDMA standards, GSM standards and OFDMA standards or implementations of systems based on such standards. If we or other product manufacturers are required to obtain additional licenses and/or pay royalties to one or more of such other patent holders, this could have an adverse effect on the commercial implementation of our products and technologies, average sales prices of and demand for our licensees' products and our results of operations.

We depend on a limited number of third-party suppliers for our procurement, manufacture and testing of product inventories. If we fail to execute supply strategies that provide competitive advantage in terms of supply assurance, technology leadership and cost, our operating results and our business may be harmed.

Our QCT segment purchases raw materials, component parts, subassemblies and specialized manufacturing equipment from third-party suppliers and contracts with separate suppliers for the manufacture of product inventories, including probe, assembly, test and other services. A reduction, interruption, delay or limitation in our product supply source, a failure by our suppliers to provide or allocate adequate manufacturing or test capacity for our products or their inability to react to shifts in product demand or an increase in raw material or component prices could have an adverse effect on our ability to meet customer demands, our business and/or our profitability. The loss of a supplier or the inability of a supplier to meet performance or quality specifications or delivery schedules could harm our ability to meet our delivery obligations to our customers and negatively impact our revenues, business operations and ability to compete for future business. In the event of a loss of or a decision to change a supplier, qualifying a new foundry supplier and commencing volume production or testing could cause us to incur additional expense and production delays, resulting in possible loss of customers.

While we have established alternate suppliers for certain technologies that we consider critical, we rely on sole- or limited-source suppliers for some 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 in supporting, and incur higher costs to maintain, such alternate suppliers. Our arrangements with our suppliers may oblige 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. The ability of our suppliers to develop or maintain leading process technologies, including transitions to smaller geometry process technologies, and to effectively compete with the manufacturing performance of our competition, could also impact our ability to meet customer demand, increase our operating expenses and subject us to the risk of excess inventories. Our inability to meet customer demand due to sole- or limited-sourcing and/or the additional operating expenses that we incur because of these or other supply constraints or because of the need to support alternate suppliers could negatively impact our business, our revenues and our results of operations.

Although we have long-term contracts with our suppliers, many of these contracts do not provide for long-term capacity commitments. To the extent that 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. As an example, we experienced capacity limitations from our suppliers related to 28 nanometer integrated circuits, resulting in supply constraints and our inability to meet certain customer demand during fiscal 2012 and the first

quarter of fiscal 2013. To the extent we do obtain long-term capacity commitments, we may incur additional costs related to those commitments.

One or more of our suppliers or potential alternate suppliers may manufacture CDMA- or OFDMA-based integrated circuits that compete with our products. In this event, the supplier could elect to allocate raw materials and manufacturing capacity to their own products and reduce or limit deliveries to us to our detriment. In addition, we may

not receive reasonable pricing, manufacturing or delivery terms. 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.

Global economic conditions that impact the communications industry could negatively affect the demand for our products and our customers' or licensees' products, which may negatively affect our revenues.

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

Our stock price and earnings are subject to substantial quarterly and annual fluctuations and to market downturns.

The market price of our common stock and our earnings have fluctuated in the past and are likely to fluctuate in the future. Factors that may have a significant impact on the market price of our stock and/or earnings include, among others:

- volatility of the stock market in general and technology-based companies in particular that is often unrelated to the operating performance of any specific public company;
- announcements concerning us, our competitors or our customers, including the selection of wireless communications technology by wireless operators and the timing of the roll-out of those systems, the use of our or our competitors' semiconductor components in wireless devices by certain manufacturers or the business performance of our customers;
- international developments, such as technology mandates, political developments or changes in economic policies;
- changes in recommendations of securities analysts;
- earnings (or forecasts) that fail to meet financial guidance that we provided to investors or the expectations of securities analysts or investors;
- proprietary rights, product or patent litigation taken or threatened against us or against our customers or licensees;
- strategic transactions, such as spin-offs, acquisitions and divestitures;
- unexpected and/or significant changes in the average selling price of our licensees' products and our products;
- unresolved disputes with licensees that result in non-payment and/or non-recognition of royalty revenues that may be owed to us;
- declines in the value or performance of our significant marketable securities portfolio, which is subject to financial market volatility and liquidity, interest rate, credit and other risks; or
- inquiries, rumors or allegations regarding our financial disclosures, practices or compliance programs.

In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Due to changes in our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial uninsured costs and divert management's attention and resources.

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

We engage in acquisitions and strategic transactions and make strategic investments with the goal of maximizing stockholder value. We acquire businesses and other assets, including wireless spectrum, patents and other intangible assets, enter into joint ventures or other strategic transactions and purchase minority equity interests in or make loans to companies that are generally private and early-stage. Our strategic activities are focused on expanding the wireless industry and promoting the global adoption of CDMA, OFDMA or other technologies and related services. Many of our

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acquisitions or strategic investments entail a high degree of risk, and investments may not become liquid for several years after the date of the investment, if at all. Our acquisitions or strategic investments (either those we have completed or may undertake in the future) may not generate financial returns or result in increased adoption or continued use of our technologies. 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 investments or other strategic assets, such as wireless spectrum and other intangible assets. Any losses or impairment charges that we incur related to strategic investments or other transactions will have a negative impact on our financial results, 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 depends in part upon our ability to integrate the acquired businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, including, among others: retaining key employees; successfully integrating new employees, business systems and technology; retaining customers and suppliers of the acquired business; minimizing the diversion of management's attention from ongoing business matters; coordinating geographically separate organizations; consolidating research and development operations; and consolidating corporate and administrative infrastructures. We may not derive any commercial value from acquired technology, products or intellectual property or from future technologies or products based on the acquired technology and/or intellectual property, and we may be subject to liabilities that are not covered by indemnification protection we may obtain or we may become subject to litigation. Additionally, we may not be successful in expanding into geographic regions and/or categories of products served by or adjacent to an acquired business or in addressing potential new opportunities that may arise out of the combination. Due to our inexperience with products of and/or geographic regions served by acquired businesses, we may overestimate the benefits, including product and other synergies and growth opportunities that we expect to realize, and we may not achieve them. If we do not achieve the anticipated benefits of business acquisitions, our results of operations may be adversely affected, and we may not enhance stockholder value by engaging in these transactions.

Our QMT division's business does not currently generate operating income and may not succeed or its operating results may not meet our expectations.

While we continue to believe our QMT division's next generation IMOD display technology will offer compelling advantages to users of displays, other technologies may continue to improve in ways that reduce the advantages we anticipate. Sales of flat panel displays are currently dominated, and we believe will likely continue to be dominated for some time, by displays based on liquid crystal display (LCD) technology. Numerous companies are making substantial investments in, and conducting research to improve characteristics of, LCDs. Additionally, at least three companies have commercialized, and several other companies are developing, another high performance flat panel display technology called active-matrix organic light-emitting diode (AMOLED), which is competitive with high end LCD technology. In each case, advances in LCD or other flat panel display technologies, such as AMOLED, could result in technologies that are more cost effective, have fewer display limitations or can be brought to market faster than our IMOD technology. These advances in competing technologies might cause device manufacturers or display suppliers to avoid entering into or continuing licensing and/or commercial relationships with us. In addition, many of the companies investing in these competing technologies have significantly longer operating histories in the design and manufacturing of displays.

During fiscal 2012, we updated the business plan and related internal forecasts for our QMT division to reflect a focus on licensing our next generation IMOD display technology while directly commercializing only certain IMOD products. We may not evolve our QMT division into a successful licensing business or IMOD product supplier if we are unable to develop our IMOD display technology to meet market demands or to cost-effectively manufacture and commercialize our IMOD products, among other factors. In addition, we have limited experience commercializing IMOD products, and we may be unsuccessful in selling such products. Our QMT division recorded long-lived asset impairment charges of $158 million and $54 million in fiscal 2013 and 2012, respectively. At June 30, 2013, our QMT division had $878 million in property, plant and equipment and goodwill. If we do not expect to achieve or do not achieve the cash flows anticipated in QMT's business plan, our assets may become impaired, negatively impacting our operating results, and we may not meet future earnings projections related to this business.

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 the activities of our foreign subsidiaries and international strategic investments.

Our international customers sell their products throughout the world in various currencies. Consolidated revenues from international customers as a percentage of total revenues were greater than 90% during the first nine months of

fiscal 2013 and in each of the last three fiscal years. Adverse movements in currency exchange rates may negatively affect our business and our operating results 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;
- Certain of our revenues, such as royalties, that are derived from licensee or customer sales that are denominated in foreign currencies could decrease;
- Foreign exchange hedging transactions that we engage in to reduce the impact of currency fluctuations may require the payment of structuring fees, limit the U.S. dollar value of royalties from licensees' sales that are denominated in foreign currencies, cause earnings volatility if the hedges do not qualify for hedge accounting and expose us to counterparty risk if the counterparty fails to perform;
- The U.S. dollar value of our marketable securities that are denominated directly or indirectly in foreign currencies may decline; and
- Labor and the cost of goods in currencies other than the U.S. dollar may increase, resulting in higher than expected costs.

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

The use of devices containing our products to access untrusted content creates a risk of exposing the system software in those devices to viral or malicious attacks. While we continue to expand our focus on this issue and are taking measures to safeguard our products from cybersecurity threats, device capabilities continue to evolve in a 3G/4G environment, enabling more data and processes, such as mobile computing, and increasing the risk of security failures. Further, our products are inherently complex and may contain defects or errors that are detected only when the products are in use. For example, as our chipset product complexities increase, we are required to migrate to integrated circuit technologies with smaller geometric feature sizes. The design process interface issues are more complex as we enter into these new domains of technology, which adds risk to manufacturing yields and reliability. Manufacturing, testing, marketing and use of our products and those of our customers and licensees entail the risk of product liability. Because our products and services are responsible for critical functions in our customers' products and/or networks, security failures, defects or errors in our components, materials or software or in our customers' products could have an adverse impact on us, on our customers and on the end users of their products. Such adverse impact could include product liability claims or recalls, a decrease in demand for connected devices and wireless services, damage to our reputation and to our customer relationships and other financial liability or harm to our business.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. While we have identified several incidents of unauthorized access, none have caused material damage to our business. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability. We expect to devote additional resources to the security of our information technology systems.

Potential tax liabilities could adversely affect our results of operations.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes. Although we believe that our tax estimates are reasonable, the final determination of tax audits and any related litigation could materially differ from amounts reflected in historical income tax provisions and accruals. In such case, our income tax provision and results of operations in the period or periods in which that determination is made could be negatively affected.

During the third quarter of fiscal 2012, we established our QCT segment's non-United States headquarters in Singapore. We obtained tax incentives in Singapore, including a tax exemption for the first five years provided that

we meet specified employment and incentive criteria in Singapore. Our Singapore tax rate is expected to increase in fiscal 2017 and again in fiscal 2027 as a result of expiration of these incentives. If we do not meet the criteria required to

benefit from such incentives, our Singapore tax rate could increase prior to those dates, and our results of operations may be adversely affected.

Tax rules may change in a manner that adversely affects our future reported financial results or the way we conduct our business. For example, we consider the operating earnings of certain non-United States subsidiaries to be indefinitely invested outside the United States based on current needs for those earnings to be reinvested offshore as well as estimates that future domestic cash generation will be sufficient to meet future domestic cash needs for the foreseeable future. No provision has been made for United States federal and state or foreign taxes that may result from future remittances of undistributed earnings of these foreign subsidiaries. Our future financial results and liquidity may be adversely affected if tax rules regarding unrepatriated earnings change, if domestic cash needs require us to repatriate foreign earnings, or if the United States international tax rules change as part of comprehensive tax reform or other tax legislation.

If wireless devices pose safety risks, we may be subject to new regulations, and demand for our products and those of our customers and licensees may decrease.

Concerns over the effects of radio frequency emissions continue. Interest groups have requested that the FCC investigate claims that wireless communications technologies pose health concerns and cause interference with, among other things, airbags, hearing aids and medical devices. Legislation that may be adopted in response to these concerns or adverse news or findings about safety risks could reduce demand for our products and those of our licensees and customers in the United States as well as in foreign countries.

We are subject to government regulations. Our business may suffer as a result of changes in laws or regulations, our failure or inability to comply with laws or regulations or adverse rulings in enforcement or other proceedings.

Our products and services, and those of our customers and licensees, are subject to various laws and regulations globally, as well as the specifications of international, national and regional communications standards bodies. The adoption of new laws or regulations or changes in the regulation of our activities by a government or standards body, including, among others, those affecting the use of our technology or products, trade, foreign investments, licensing practices, spectrum availability and license issuance, adoption of standards, the provision of device subsidies by wireless operators to their customers, taxation, environmental protection, loans or employment, could have an adverse effect on our business.

National, state and local environmental laws and regulations affect our operations around the world. These laws may make it more expensive to manufacture, have manufactured and sell products. Our costs could also increase if our vendors (e.g., third-party manufacturers or utility companies) pass on their costs to us. It may also be difficult to comply with laws and regulations in a timely manner, and we may not have compliant products available in the quantities requested by our customers, which may have an adverse impact on our results of operations.

The SEC has recently adopted disclosure rules for companies that use conflict minerals in their products, with substantial supply chain verification requirements in the event that the materials come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These new rules and verification requirements, which will apply to our activities in calendar 2013, will 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 certify that our products are conflict free, we may face challenges with our customers, which could place us at a competitive disadvantage, and our reputation may be harmed.

Laws, regulations and standards relating to corporate governance, business conduct, public disclosure and health care are complex and changing and may create uncertainty regarding compliance. Laws, regulations 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. New laws, regulations and standards or evolving interpretations of legal requirements may cause us to incur higher costs as we revise current practices, policies and/or procedures and may divert management time and attention to compliance activities.

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 attract, retain and motivate qualified personnel. In addition, implementing our product and business strategy requires specialized engineering and other talent, and our revenues

are highly dependent on technological and product innovations. The market for employees in our industry is extremely competitive. Further, existing immigration laws make it more difficult for us to recruit and retain highly skilled foreign

national graduates of universities in the United States, making the pool of available talent even smaller. We continue to anticipate increases in human resource needs, particularly in engineering. If we are unable to attract and retain qualified employees, our business may be harmed.

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 2012 Annual Report on Form 10-K. At June 30, 2013, there have been no material changes to the market risks described at September 30, 2012 except as described below. Additionally, we do not currently anticipate any other near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures.

Interest Rate Risk. The following table provides information about our interest-bearing cash and cash equivalents, marketable securities and derivatives that are sensitive to changes in interest rates. The table presents principal cash flows or notional amounts, as applicable, and weighted-average yield at cost or weighted-average strike price, as applicable, and contractual maturity dates. Additionally, we have assumed that the interest-bearing securities are similar enough within the specified categories to aggregate the securities for presentation purposes.

Interest Rate Sensitivity
Amount by Expected Maturity
Average Interest Rates
(Dollars in millions)

	2013	2014	2015	2016	2017	Thereafter	No Single Maturity	Total
Fixed interest-bearing securities:								
Cash and cash equivalents	$728	$—	$—	$—	$—	$—	$—	$728
Interest rate	0.2 %							
Trading securities	$105	$267	$344	$35	$38	$215	$578	$1,582
Interest rate	0.1 %	2.5 %	3.2 %	4.1 %	4.9 %	4.2 %	2.7 %	
Other marketable securities	$620	$1,130	$1,914	$1,453	$1,016	$4,691	$4,540	$15,364
Interest rate	0.6 %	1.8 %	1.5 %	2.3 %	2.7 %	4.4 %	1.9 %	
Interest rate swaps (receive)	$—	$—	$—	$—	$31	$53	$—	$84
Interest rate					8.9 %	3.5 %		
Interest rate swaps (pay)	$—	$—	$—	$—	$—	$28	$—	$28
Interest rate						2.0 %		
Interest rate swaptions (call)	$107	$—	$—	$—	$—	$—	$—	$107
Interest rate	3.3 %							
Interest rate swaptions (put)	$20	$—	$—	$—	$—	$—	$—	$20
Interest rate	3.8 %							
Futures	$20	$110	$3	$12	$—	$—	$—	$145
Interest rate	2.0 %	0.9 %	0.0 %	0.0 %				
Floating interest-bearing securities:								
Cash and cash equivalents	$1,231	$—	$—	$—	$—	$—	$—	$1,231
Interest rate	0.1 %							
Trading securities	$—	$5	$2	$8	$—	$26	$143	$184
Interest rate		1.3 %	0.9 %	1.2 %		4.1 %	2.1 %	
Other marketable securities	$104	$803	$371	$850	$318	$2,397	$2,182	$7,025
Interest rate	0.8 %	1.1 %	1.4 %	1.2 %	5.1 %	5.7 %	3.1 %	
Interest rate swaps (receive)	$—	$—	$—	$—	$—	$28	$—	$28
Interest rate						0.5 %		
Interest rate swaps (pay)	$—	$—	$—	$—	$31	$53	$—	$84
Interest rate					1.0 %	2.3 %		

Cash and cash equivalents and marketable securities are recorded at fair value.

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 term is 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 have been no changes in our internal control over financial reporting during the third quarter of fiscal 2013 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

A review of our material pending legal proceedings is disclosed in the notes to our condensed consolidated financial statements. See “Notes to Condensed Consolidated Financial Statements, Note 6 — Commitments and Contingencies,” in Part I, Item 1. 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. The “Risk Factors” section provides updated information in certain areas, but we do not believe those updates have materially changed the type or magnitude of the risks we face in comparison to the disclosure provided in our most recent Annual Report on Form 10-K.

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

Issuer purchases of equity securities during the third quarter of fiscal 2013 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)
April 1, 2013 to April 28, 2013	—	$—	—	$5,000
April 29, 2013 to May 26, 2013	6,213	62.05	6,213	4,615
May 27, 2013 to June 30, 2013	10,501	62.08	10,501	3,963
Total	16,714	62.07	16,714	$3,963

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

(2) On March 5, 2013, we announced that we have been authorized to repurchase up to $5.0 billion of our common stock. At June 30, 2013, approximately $4.0 billion remained available for repurchase. The stock repurchase program has no expiration date. Since June 30, 2013, we have repurchased 8,404,000 shares of common stock for $512 million.

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	Description
3.1	Restated Certificate of Incorporation, as amended. (1)
3.2	Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock. (2)
3.4	Amended and Restated Bylaws. (3)
4.1	Amended and Restated Rights Agreement dated as of September 26, 2005 between the Company and Computershare Trust Company, N.A., as successor Rights Agent to Computershare Investor Services LLC. (2)
4.2	Amendment dated as of December 7, 2006 to the Amended and Restated Rights Agreement dated as of September 26, 2005 between the Company and Computershare Trust Company, N.A., as successor Rights Agent to Computershare Investor Services LLC. (4)
10.114	Form of Aircraft Time Sharing Agreement.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Paul E. Jacobs.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for George S. Davis.
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 Paul E. Jacobs.
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 George S. Davis.
101.INS	XBRL Instance Document. (5)
101.SCH	XBRL Taxonomy Extension Schema. (5)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. (5)
101.LAB	XBRL Taxonomy Extension Labels Linkbase. (5)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. (5)
101.DEF	XBRL Taxonomy Extension Definition Linkbase. (5)

(1) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2012.
(2) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on September 30, 2005.
(3) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 11, 2012.
(4) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on December 12, 2006.
(5) Furnished, not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUALCOMM Incorporated

/s/ George S. Davis
George S. Davis
Executive Vice President and
Chief Financial Officer

Dated: July 24, 2013