

Prepared Remarks

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I. The Qualcomm Story

Qualcomm is a global player; a Fortune 500 company with a market cap of nearly \$90 billion and with operations in 146 locations. We are the world’s largest supplier of chips for cell phones and our technology is in all 3G phones and communications equipment globally.

But this success is comparatively recent. It began only 26 years ago, when our founders realized that there was a way that might provide significant advantages for mobile communications over the more traditional digital technologies that were being used at that time. That concept is called Code Division Multiple Access (or CDMA technology) and was widely perceived as a risky and “disruptive” technology. Some said it defied the laws of physics.

But the promise of that technology, combined with the patent system, allowed us to attract essential private capital. Despite enormous odds and formidable opposition from the market leaders of the day, Qualcomm pressed on in its conviction that CDMA was the best technology to achieve the promise of all that wireless communications could enable.

Without a vibrant university research community, government support – we were recipient of small business loans and government procurement work – and the patent system, this entrepreneurial startup would not have been possible. Our engineers have played a crucial role in turning the ordinary mobile phone, once used primarily for voice communications, into what is now an extraordinarily powerful mobile computer.

And today, more than 1.2 billion people worldwide are using third generation wireless phones based on Qualcomm’s technology. And looking beyond 3G, we are actively pushing the boundaries and contributing to the launch of the fourth generation of wireless innovations – a technology called Long Term Evolution (or LTE).

The mobile phone has become the largest information platform in the history of mankind.

II. Innovation-led Business model

As a start up, Qualcomm made the critical decision to license its patent portfolio in order to enable as many companies as possible in the wireless value chain to take advantage of our inventions. This is because Qualcomm is well placed to conduct research, but recognizes its limitations in designing hardware and deploying networks. Others are better at this.

Qualcomm now has more than 190 licensees including, directly or indirectly, virtually every company in the wireless telecommunications sector. By broadly licensing our portfolio of patents, we promoted the use of mobile innovations worldwide.

But we continue to invest approximately 20 percent of our annual revenues – more than \$2.5 billion USD last year – in research and development. This is nearly double the industry average.

This process of risk, reward and reinvestment has been characterized as a “virtuous cycle” of innovation, invention, licensing and global diffusion of our inventions. This cycle empowers the wireless sector on a macro scale and has tangible social benefits on a micro scale.

I am very pleased to be here today to explore ways to advance innovative technology-focused policies, which are critical to driving new economic opportunities in the EU and indeed the U.S. and elsewhere.

What is needed from government to encourage and drive this innovation?

- A strong patent system
- Availability of spectrum
- And connecting the unconnected

III. The importance of a strong patent system

The patent system is a key driver of innovation. Indeed, Internal Market Commissioner, Michel Barnier, recently noted that the objective of the Unitary Patent is to boost R&D and ‘provide a stimulus for European innovation’ given that ‘there is no innovation without IP protection’. We agree and support the initiatives to create a Unitary Patent.

I cannot stress enough, how strong intellectual property rights make this global proliferation of mobile innovations possible. Qualcomm's experience illustrates the close relationship between innovation and IP protection. It enables companies to protect inventions and earn an appropriate return on the investment of time, effort and money for successful projects, and taking failed projects into account.

Technological innovation cannot happen without a strong patent system. It is the core of the virtuous cycle of innovation. As a patent holder, I can tell you first hand that high-quality, well protected patents create opportunities. It drives investment and R&D, new technologies, job creation and the royalty-bearing license agreements that generate the revenues necessary for that cycle to repeat itself. It creates more competitive options for consumers across the globe – not just for those in industrialized economies. This is how the virtuous cycle works in the wireless industry, but it is also applicable to other industries and other enterprises, as recognized in the European Commission’s Innovation Union Communication.

Making the wrong policy choices regarding intellectual property can do just the opposite — stifle innovation and stall job growth. If there is a weakening of intellectual property rights and

remedies for infringement, small start ups may never get the venture capital they need to bring their ideas to market.

Every inventor and patentee needs to know that the economic value of his or her work will be protected by the patent system. Without this certainty, the cycle of risk and reward that motivates innovation could be impaired, and the enormous societal benefits that result from the disclosure of the invention would be lost. Talk of 'recalibrating' or 're-balancing' the patent system creates great uncertainty for investors who need legal certainty for their inventions. Fostering business model plurality is key.

The ability of the EU and indeed the US to press foreign countries to clean up their acts and respect to our intellectual property will also be diminished. This will have a disproportionately negative impact on our small and struggling companies that can't afford to be tied up in foreign courts to protect their inventions.

Qualcomm and countless other success stories are proof of the vitality of the patent laws, which incentivize innovation and are a key factor underlying competitiveness. Ideas are the underpinning of the innovation economy – and a strong patent system will enable them to continue evolving into business opportunities for entrepreneurs and companies.

IV. Availability of Spectrum

Spectrum is the life blood for mobile communications, and close cooperation between governments and industry is critical in finding solutions to ensure that advanced services can continue to grow.

The phenomenal growth in mobile broadband is resulting in a new challenge to find additional spectrum to support the tremendous growth in data usage.

A number of steps must be taken in parallel – and as quickly as possible – to ease the crunch. Qualcomm supports the initiative, known as Authorised Shared Access, to reallocate under-utilized government spectrum to free up those bands for commercial mobile broadband, as well as using the harmonized L-Band across Europe as a supplemental down-load band to radically increase the efficiency of spectrum usage. Qualcomm is also working to innovate in relation to spectrum allocation.

But, improvements in technology, as important as they are, can't solve the spectrum crunch. There is no getting around the fact that more spectrum is needed to solve this crunch. We fully support the European Commission in its objectives.

We are embarking on an *Internet of Everything* where your mobile device will be the user interface to all the things connected around you.

The *Internet of Everything* is a new era in computing and networking. Where objects beyond the cell phone will be connected.

Cellular technology is at the core of the *Internet of Everything*. Objects will be connected through a combination of advanced wireless technologies, applications and sensors that will allow for the exchange of information.

Mobile Machine-to-Machine technology alone will impact virtually every sector including, markets such as health care, transportation, retail trade and critical infrastructure tracking.

We know that the total bits consumed for wireless data traffic now exceeds that of voice traffic. And some analysts predict that by 2014, we'll use as much wireless data in a month ... as we did for the whole year of 2008.

So clearly, the way we do it now isn't the way we need to be managing spectrum allocation moving forward. We need to be nimble. We need an active partnership between private and public entities to commit to coming up with "commercially viable" solutions.

We need to think of Spectrum as an Economic Development Tool for the 21st Century.

V. Connecting the unconnected.

And finally, we need to become a more connected society. This is well recognized in the EU. We face the same problem in the U.S.

We need to do this because we must understand that the wireless device is prolific and will be the center of our world.

As connected devices become increasingly affordable and prevalent a new digital divide, the "mobile divide" will emerge between those who have it and those who don't.

It is vital that all Europeans, no matter their income level. By refocusing on the inventor and realizing that innovation is an asset, we will not overlook the reality that invention has a positive impact on job creation – good, high-paying jobs. Governments must understand that there is a positive result and impact to those intangible assets.

Mobile Broadband provides a strong example of how innovation drives achievement. At Qualcomm, and within our industry, we have developed monumental, not merely incremental, changes in technology that have led the transformation and creation of a new and global wireless communications industry.

The regulatory framework must create an environment to provide incentives to spur innovation, technologies and new products. Along with a continued commitment to fund basic research, a strong patent system that rewards innovation, investment in education, and access to talent, such investments are at the heart of what government can do to assist the private sector and drive economic growth.

We have an opportunity to inspire new entrepreneurs and bring business, government, academia and foundations together to speed the success of today's leading innovators.

VI. The future of Wireless

From its beginning, Qualcomm challenged conventional thinking about how technology can serve people better and improve their lives – and this risk-taking continues, with the support of our shareholders.

Mobile broadband technology is a global phenomenon. Innovations and technology advancements in mobile have enabled the wireless industry to impact almost every aspect of people's lives. Today, the mobile experience is driven by a range of capabilities and expectations:

- People expect to be connected anywhere, anytime
- The phone is now seen as a computing device not just a device for voice
- Consumers use their devices to complement and even replace cameras, videos and navigation
- And new categories of devices have emerged – E-readers, tablets and others

This evolution has created a huge demand for wireless data. Today,

- More than 27 million 3G subscriptions are added every month
- And 900,000 subscribers are added to networks every day (that means 10 3G subscribers every second)

But what does this mean for industry? It means we have a great opportunity in front of us.

More than 5 billion people now have a mobile device and of those, 1.2 billion have mobile broadband. The convergence of mobile connectivity and Internet access is immense. Think about this ... by 2014, more than 75% of broadband connections globally will be through a mobile device.

This means that the FIRST and ONLY Internet experience many people will have will be on their mobile device. In fact, in emerging markets, mobile is often the only way most people will access the Internet and all that that it enables.

This is motivating for developing markets, such as China and India, because countries adopting mobile broadband technologies experience higher levels of GDP per capita and job creation. From 2009 through 2014, China is estimated to experience 679% growth in wireless 3G subscribers and India accounts for an estimated 168%.

3G expands opportunities in a country's business sector, contributing to increased competitiveness and promoting new, innovative businesses and services. 3G also means convenient, affordable and highly customizable services that make life more productive, secure and meaningful.

And what exactly are people doing with mobile technology and what are the policy implications? Two important things they're doing are learning and accessing healthcare.

i) Education

In education, mobile technology provides an opportunity to improve and transform the educational experience of students. This is a critical pathway for us to embrace so that today's learners become tomorrow's competitive workforce.

It is hugely flexible and enables customized, lifelong learning outside of the school day and classroom. This means students will be able to study, research and collaborate anytime – while on the bus, at afterschool activities, or at night.

We need to move away from industrial era methods of instruction and build a support structure for the devices that are already in student's pockets. We need to bring these devices into education.

At Qualcomm, we are committed to helping educators and policy makers understand this potential. Through our Wireless Reach initiatives, we have many projects in place that bring the power of mobile technology to students in poor urban and rural districts from North Carolina to California, as well as internationally.

Project K-Nect is one of our projects that demonstrate this potential. Project K-Nect was created in a North Carolina school district to see if smartphones could play a role in improving math skills among at-risk students who have scored poorly in math and did not have Internet at home.

Was Project K-Nect successful? It was and continues to be. Classes participating in K-Nect showed a 30% increase in their proficiency rates on their State End of Course exams compared to students who were taught the same subject by the same teacher without the wireless devices.

Ensuring all students, no matter what their income status, have what we call "digital equality", which means 24/7 Internet access. Kids already have these devices and they are not, in most cases, allowed to use them for learning. At the same time, kids are very interested in using these devices.

Let's give students a device and access that allows them to write, search for information and submit an assignment. I propose that government should not choose a particular solution or technology; picking winners does not work – but instead should look to change the way we think about education.

ii) Healthcare

In healthcare, wireless solutions are going to play an important role in making healthcare more accessible and affordable.

Devices with the right applications allow users to take control of their health – connecting patients with their doctors and loved ones for monitoring and real time responses.

How will all of this work? What will it look like?

- Wireless is going to be embedded into sensors - all around you. Or on you.
- Remote monitoring will reduce costs, eliminate waste and improve delivery of care.
- And the focus is going to be more on the patient.

Qualcomm is also working to demonstrate to the health community and policy makers this potential. We have run a number of successful pilot projects in Europe:

- Spain assisting to create networks allowing epilepsy sufferers to be monitored remotely, spending more time with loved ones and freeing up much needed hospital beds
- Spain providing the elderly with the tools to better communicate and socially integrate themselves with family members and health care providers
- Portugal providing social inclusion platforms for severely disabled children and adults with the tools necessary to communicate allowing mobility and independence

Another compelling example is a project we implemented in the US East Coast that addresses the issue of chronic disease. In the U.S., 1 out of 2 adults has a chronic disease and 7 out of 10 people die in America with a chronic disease. For urban, underserved patients, poor medication adherence rates and low patient engagement can result in uncontrolled blood pressure, potentially serious complications and higher costs of treatment.

Qualcomm funded a study with George Washington University Medical Center to learn how a mobile application called the Pill Phone might improve medication adherence among chronically ill Medicaid patients suffering from High Blood Pressure. Most patients dealing with high blood pressure take many medications. The patients in the study showed a high level of acceptance and sustained use of the Pill Phone application.

As we consider the innovations we are making in the field of healthcare, there are also major competitiveness opportunities here as well. And they will be used in emerging markets, where doctors and nurses are not readily available and factors like physical distance between doctors and patients and the costs of purchasing health equipment make it challenging to deliver adequate healthcare.

Innovations in remote patient monitoring and mobile health can transform the global delivery of health care.

I hope that this brief overview has provided you with food for thought.