

## **REUTERS**

*Qualcomm raises outlook on strong orders*

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By Jim Finkle

BOSTON, May 3 (Reuters) - Qualcomm Inc. raised its earnings forecast for the current quarter on Wednesday, citing rising demand for its cheapest cell phone chips as well as its most advanced wireless technology.

Qualcomm, which sells wireless technology licenses and chips, lifted its profit forecast, excluding its investment arm, to a range of 38 cents to 40 cents a share for the fiscal third quarter ending June 25, up from a prior forecast of 36 cents to 38 cents.

Analysts' average forecast was 38 cents, according to Reuters Estimates.

Qualcomm shares, which have risen almost 50 percent in the past 12 months, were slightly higher in midday trading. The stock is seen as one of the best ways to invest in growth in wireless.

**Charter Equity analyst Ed Snyder said the Qualcomm outlook was a good sign but did not show a big enough improvement to get investors excited.**

**"Their pre-announcements have become a common occurrence, and this one has such slight upside and occurs a day before their analyst meeting, it almost looks perfunctory," he said.**

Qualcomm is hosting an investor meeting on Thursday.

## HIGH AND LOW TECH

Qualcomm attributed the higher forecast to better-than-expected sales of both low-priced chips and more sophisticated chips with the latest technology.

Operators in more established cell phone markets are busy pushing high-speed wireless phones. Much of the industry's growth also comes from emerging markets such as China and India, where some first-time users look for cheaper phones.

Piper Jaffray analyst Michael Walkley believes growth in India, the United States and South Korea was the cause of increased demand for Qualcomm, according to an e-mail.

Qualcomm pointed to increased demand for chips based on a high-speed wireless technology known as EV-DO, which is used by the No. 2 and No. 3 U.S. wireless services, Verizon Wireless and Sprint Nextel Corp. <S.N>, to deliver mobile video and music.

Qualcomm also makes money on third-generation (3G) phones sold by No. 1 U.S. mobile operator Cingular Wireless.

"We have a real 3G deployment race going on at the moment in the U.S," said Yankee Group wireless analyst Keith Mallinson. "This competitive battle is beneficial to Qualcomm."

Although it remains unclear whether consumers will be motivated to pay extra for the new 3G data plans and services, Qualcomm benefits as mobile operators invest in putting the technology into their handsets and networks, Mallinson said.

Qualcomm said it expects third-quarter revenue to be "at or slightly above" the high end of its prior guidance of \$1.77 billion to \$1.87 billion. Year-earlier revenue was \$1.36 billion. The forecast excludes the investment arm.

As a result of Qualcomm's update, Piper Jaffray's Walkley raised his estimates for fiscal 2006 to earnings of \$1.60 per share on revenue of \$7.35 billion. His previous estimate was \$1.56 per share on revenue of \$7.22 billion.

Qualcomm shares were up 41 cents to \$51.47 in heavy midday trade on Nasdaq.  
(Additional reporting by Sinead Carew and Martinne Geller)

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