QUALCOMM INC/DE
Form 8-K
December 17, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

December 2, 2003

Date of Report (Date of earliest event reported)

QUALCOMM Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

000-19528	95-3685934
(Commission File Number)	(IRS Employer Identification No.)
5775 Morehouse Drive, San Diego, CA	92121
(Address of principal executive offices)	(Zip Code)

858-587-1121

(Registrant s telephone number, including area code)

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Item 2. Acquisition or Disposition of Assets

On December 2, 2003 (the Closing Date), Vésper Holding, Ltd (VHL), a majority-owned subsidiary of QUALCOMM Incorporated (the Company), and QUALCOMM do Brasil Ltda. (QdB), a wholly-owned subsidiary of the Company, conveyed all of their rights, title and interest in and to the shares of capital stock of Vésper Holding S.A. and Vésper Holding São Paulo S.A. (collectively, the Brazilian Holding Companies), constituting all the issued and outstanding shares of capital stock of the Brazilian Holding Companies, to Embratel Particpações S.A. (Embratel), pursuant to that certain Share Purchase Agreement (the SPA) dated as of September 25, 2003 among VHL, QdB and Embratel. In addition to indirectly acquiring the shares of Vésper S.A. and Vésper São Paulo S.A. (the Vésper Operating Companies) held by the Brazilian Holding Companies, under the SPA Embratel also directly acquired on the Closing Date from VHL all of its rights, title and interest in and to all the remaining shares of capital stock of the Vésper Operating Companies. While the SPA provided for the payment by Embratel of nominal consideration in the total amount of approximately $1 U.S. for the shares of the Brazilian Holding Companies and Vésper Operating Companies, the Company and Embratel have separately agreed that no actual payment thereof was to be made, and no consideration for such shares was received. This price was determined by arms-length negotiations.

Although under the SPA Embratel directly or indirectly acquired 100% of the shares of the Vésper Operating Companies, the Company has effectively retained, through a new wholly-owned subsidiary (TowerCo), ownership and control of the Vésper Operating Companies 622 existing communication towers and related interests in tower site property leases (Vésper Towers). The communication towers had a net book value of approximately $5 million at September 30, 2003. All other assets of the Vésper Operating Companies as of the Closing Date were included in the Embratel sales transaction. Concurrent with the closing of the transaction, the Vésper Operating Companies and TowerCo entered into a 10-year agreement (renewable at the Vésper Operating Companies option for up to two successive five year terms) whereby the Vésper Operating Companies will pay a monthly fee for use of aerial and ground space on the tower sites. Under this arrangement, the Company preserves the ability, and plans, to sell some or all of its interest in TowerCo and/or the tower sites (with assignment of the associated rights under the usage rights agreement).

The Company provided approximately $6 million in the first quarter of fiscal 2004 to fund operations of the Vésper Operating Companies and additionally provided approximately $39 million in aggregate funding to or for the benefit of the Vésper Operating Companies on or before the Closing Date to facilitate the transaction. Such facilitation included enabling the Vésper Operating Companies to completely extinguish their existing local bank debt (at an agreed discount) and transfer ownership of the Vésper Towers to TowerCo free and clear of any local bank security interest. All other liabilities of the Vésper Operating Companies as of the Closing Date were included in the Embratel sales transaction. The Company expects to realize an estimated loss of $50 million to $60 million on the Embratel sales transaction in the first quarter of fiscal 2004.

On November 19, 2002, QdB won bids to acquire personal mobile service (SMP) licenses in the state of São Paulo (excluding São Paulo metro), the state of Minas Gerais, and in the Northeast region of Brazil. Approximately $8 million of the approximate $82 million purchase price for the SMP licenses was paid in December 2002. The remaining Brazilian real-denominated

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obligation was financed by the Brazilian government at an interest rate of 12% per annum, plus an adjustment for inflation, payable in six equal annual installments starting in fiscal 2006. These SMP licenses with a net book value of approximately $103 million and a corresponding liability of approximately $111 million at September 30, 2003 were not included in the Embratel sales transaction. The Company has initiated the waiver and return of the SMP licenses to Anatel, the telecommunications regulatory agency in Brazil. The unaudited pro forma condensed consolidated financial information does not include the accounting for the return of the SMP licenses.

Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, was issued in January 2003. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003. The Company has determined that the Vésper Operating Companies are variable interest entities; however, the Company is not the primary beneficiary of the Vésper Operating Companies. The Vésper Operating Companies will therefore not be consolidated in the Company s consolidated financial statements after the Closing Date. However, numerous implementation issues and questions exist related to the application of FIN 46 and it is expected that the FASB will issue additional guidance that may clarify or revise FIN 46 as issued. The Company will continue to monitor guidance provided by the FASB to determine the effect, if any, FIN 46 will have on this transaction.

None of the Company, its affiliates, the Company s directors or officers, or any of its directors or officers associates has any material relationship with Embratel.

In addition to the historical information contained herein, this Report contains forward-looking statements that are subject to risks and uncertainties. Such statements can be identified by the use of words such as expects or plans or similar expressions, and include statements regarding the Company s plans to sell all or part of its interest in TowerCo, the estimated loss regarding the sale transaction that will be reported in the Company s Quarterly Report on Form 10-Q for the first quarter of fiscal 2004 and the estimated loss for the first quarter of fiscal 2004 related to the Vesper Operating Companies through the Closing Date. Actual results may differ substantially from those referred to herein due to a number of factors, including the process of negotiation regarding the sale of the Company s interest in TowerCo, factors affecting the operating results of the Vésper Operating Companies as well as the other risks detailed from time to time in the Company s SEC Reports, including the Company s Annual Report on Form 10-K for the year ended September 28, 2003 (see Note (a) to unaudited pro forma condensed consolidated financial information).

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial statements of businesses acquired

Not applicable

(b) Pro forma financial information

(1) Unaudited pro forma condensed consolidated financial information of QUALCOMM Incorporated.

The following unaudited pro forma condensed consolidated financial information is being filed herewith:

(c) Exhibits

2.5 Embratel Share Purchase Agreement dated as of September 25, 2003, by and among Vésper Holding, Ltd., QUALCOMM do Brasil Ltda. and Embratel Particpações S.A. (1) (2)

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(1) Upon request by the Securities Exchange Commission, the Registrant will furnish a copy of any omitted schedule or similar attachment from this Exhibit.

(2) Filed as an exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended September 28, 2003.

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QUALCOMM Incorporated
Unaudited Pro Forma Condensed Consolidated Balance Sheet
(In thousands, except per share data)

ASSETS

	September 30, 2003 (a)		
	Historical	**Pro Forma Adjustments**	**Pro Forma (b)**
Current assets:			
Cash and cash equivalents	$2,045,094	$ (47,828)(c)	$1,997,266
Marketable securities	2,516,003		2,516,003
Accounts receivable, net	483,793	(21,930)(d)	461,863
Finance receivables, net	5,795		5,795
Inventories, net	110,351	(7,579)(e)	102,772
Deferred tax assets	611,536		611,536
Other current assets	176,192	(13,033)(f)	163,159
Total current assets	5,948,764	(90,370)	5,858,394
Marketable securities	810,654		810,654
Finance receivables, net	181,622		181,622
Other investments	128,651		128,651
Property, plant and equipment, net	622,265	(98,620)(g)	523,645
Goodwill, net	346,464		346,464
Deferred tax assets	406,746	1,478(h)	408,224
Other assets	377,270	(7,980)(f)	369,290
Total assets	$8,822,436	$(195,492)	$8,626,944

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:			
Trade accounts payable	$ 195,065	$ (61,894)(i)	$ 133,171
Payroll and other benefits related liabilities	141,000	(7,941)(j)	133,059
Unearned revenue	174,271	(6,360)(k)	167,911
Current portion of long-term debt	102,625	(102,537)(l)	88
Other current liabilities	195,241	(4,428)(m)	190,813
Total current liabilities	808,202	(183,160)	625,042
Unearned revenue	236,732	(65)(k)	236,667
Long-term debt	123,302	(12,775)(l)	110,527
Other liabilities	55,578		55,578
Total liabilities	1,223,814	(196,000)	1,027,814
Commitments and contingencies			
Minority interest in consolidated subsidiaries	50		50
Stockholders equity:			
Preferred stock, $0.0001 par value; issuable in series; 8,000 shares authorized; none outstanding at September 30, 2003			
Common stock, $0.0001 par value; 3,000,000 shares authorized; 798,353 shares issued and outstanding at September 30, 2003	81		81

Paid-in capital	6,324,971		6,324,971
Retained earnings	1,297,289	(46,002)(c) - (n)	1,251,287
Accumulated other comprehensive loss	(23,769)	46,510(n)	22,741
Total stockholders equity	7,598,572	508	7,599,080
Total liabilities and stockholders equity	$8,822,436	$(195,492)	$8,626,944

See accompanying notes to unaudited pro forma condensed consolidated financial information.

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QUALCOMM Incorporated
Unaudited Pro Forma Condensed Consolidated Statement of Operations
(In thousands, except per share data)

	Year Ended September 30, 2003 (a)		
	Historical	**Pro Forma Adjustments**	**Pro Forma (b)**
Revenues:			
Equipment and services	$2,985,760	$(123,112)(o)	$2,862,648
Licensing and royalty fees	984,876		984,876
	3,970,636	(123,112)	3,847,524
Operating expenses:			
Cost of equipment and services revenues	1,430,047	(161,714)(p)	1,268,333
Research and development	523,267		523,267
Selling, general and administrative	534,915	(63,283)(q)	471,632
Amortization of goodwill and other acquisition-related intangible assets	8,589		8,589
Asset impairment and related charges	194,258	(147,824)(r)	46,434
Other	(30,675)		(30,675)
Total operating expenses	2,660,401	(372,821)	2,287,580
Operating income	1,310,235	249,709	1,559,944
Interest expense	(30,709)	21,337(s)	(9,372)
Investment income, net	5,621	(42,756)(t)	(37,135)
Income before income taxes	1,285,147	228,290	1,513,437
Income tax expense	(457,706)	(58,510)(u)	(516,216)
Net income	$ 827,441	$ 169,780	$ 997,221
Net earnings per common share:			
Basic	$ 1.05		$ 1.26
Diluted	$ 1.01		$ 1.22
Shares used in per share calculations:			
Basic	789,586		789,586
Diluted	817,755		817,755

See accompanying notes to unaudited pro forma condensed consolidated financial information.

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QUALCOMM Incorporated

Notes to Unaudited Pro Forma Condensed Consolidated Financial Information

(a) QUALCOMM Incorporated (the Company) operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. As a result, the fiscal year ended September 28, 2003 included 52 weeks. For presentation purposes, the Company presents its fiscal years as ending on September 30.

(b) The unaudited pro forma condensed consolidated balance sheet gives retroactive effect to the sale of shares of capital stock of Vésper Holding S.A. and Vésper Holding São Paulo S.A. (collectively, the Brazilian Holding Companies) to Embratel Particpações S.A. (Embratel) as if the sale had occurred as of September 30, 2003. The unaudited pro forma condensed consolidated statement of operations gives retroactive effect as if the sale had occurred as of the beginning of the period presented. Therefore, an estimated loss of $50 million to $60 million resulting from the Embratel sales transaction has not been included in this unaudited pro forma condensed consolidated statement of operations but will be reflected in the Company s Quarterly Report on Form 10-Q for the first quarter of fiscal 2004.

The Company provided cash of approximately $6 million in the first quarter of fiscal 2004 to fund operations of the wholly-owned subsidiaries of the Brazilian Holding Companies, Vésper S.A. and Vésper São Paulo S.A. (the Vésper Operating Companies). In addition to the estimated loss on the Embratel sales transaction, the Company expects to record an operating loss of approximately $5 million in the first quarter of fiscal 2004 related to the Vésper Operating Companies through the Closing Date. This use of cash and the estimated operating loss during the first quarter of fiscal 2004 are not considered in these unaudited pro forma condensed consolidated financial statements but will be reflected in the Company s Quarterly Report on Form 10-Q for the first quarter of fiscal 2004.

Although Embratel directly or indirectly acquired 100% of the shares of the Vésper Operating Companies, the Company has effectively retained, through a new wholly-owned subsidiary (TowerCo), ownership and control of the Vésper Operating Companies 622 existing communication towers and related interests in tower site property leases (Vésper Towers). The communication towers had a net book value of approximately $5 million at September 30, 2003. All other assets of the Vésper Operating Companies as of the Closing Date were included in the Embratel sales transaction. Concurrent with the closing of the transaction, the Vésper Operating Companies and TowerCo entered into a 10-year agreement (renewable at the Vésper Operating Companies option for up to two successive five year terms) whereby the Vésper Operating Companies will pay a monthly fee for use of aerial and ground space on the tower sites. Under this arrangement, the Company preserves the ability, and plans, to sell some or all of its interest in TowerCo and/or the tower sites (with assignment of the associated rights under the usage rights agreement).

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(c) Reflects the Vésper Operating Companies cash of $8 million to be acquired by Embratel and the net cash disbursement of $39 million to be paid by the Company to facilitate the Embratel sale transaction. Such facilitation included enabling the Vésper Operating Companies to completely extinguish their existing bank debt (at an agreed discount) and transfer ownership of the Vésper Towers to TowerCo free and clear of any local bank security interest.

(d) Reflects receivables, net of reserves, to be sold to Embratel.

(e) Reflects inventories to be sold to Embratel.

(f) Reflects other current and non-current assets to be sold to Embratel, primarily comprised of refundable Value Added Tax (VAT) and deposits.

(g) Reflects property and equipment, net of accumulated depreciation, to be sold to Embratel. The adjustment excludes communication towers with a net book value of approximately $5 million, which will be retained by the Company.

(h) Reflects additional deferred tax assets to be generated by the net cash disbursement of $39 million to be paid by the Company to facilitate the Embratel sales transaction.

(i) Reflects the settlement of certain accrued liabilities, with the remaining accounts payable of $47 million to be assumed by Embratel.

(j) Reflects payroll and other related liabilities to be assumed by Embratel, primarily comprised of wages and bonuses.

(k) Reflects deferred revenue, both current and non-current, that will not be recognized by the Company as revenue.

(l) Reflects the settlement of $101 million of local bank debt and capital lease obligations, with the remaining capital lease obligations of $14 million to be assumed by Embratel.

(m) Reflects current accrued liabilities to be assumed by Embratel, primarily comprised of VAT payable.

(n) Reflects the recognition of the cumulative translation loss related to the Company s investment in the Vésper Operating Companies.

(o) Reflects the elimination of $123 million in revenues related to the Vésper Operating Companies.

(p) Reflects the elimination of $162 million in cost of revenues related to the Vésper Operating Companies.

(q) Reflects the elimination of $63 million in selling, general and administrative expenses related to the Vésper Operating Companies.

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(r) Represents an impairment charge of $148 million recorded by the Company in fiscal 2003, which would not have been incurred had the Brazilian Holding Companies been sold at the beginning of the period presented. The adjustment excludes $4 million related to the impairment of the communication towers as the Company has retained ownership and control of these assets.

(s) Reflects interest expense incurred by the Vésper Operating Companies related to local bank debt and capital lease obligations.

(t) Reflects $37 million of Vésper Operating Companies losses allocated to the minority interests and $6 million in interest income recognized by the Vésper Operating Companies.

(u) Reflects the elimination of $59 million in income tax benefits that were recorded by the Company in fiscal 2003 primarily related to the write-off of loans to the Vésper Operating Companies, which would not have been realized in fiscal 2003 had the Brazilian Holding Companies been sold at the beginning of the period presented.

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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 hereunto duly authorized.

QUALCOMM Incorporated

Date: December 17, 2003

By: /s/ William E. Keitel

William E. Keitel
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

Exhibit No.	Description
2.5	Embratel Share Purchase Agreement dated as of September 25, 2003, by and among Vésper Holding, Ltd., QUALCOMM do Brasil Ltda. and Embratel Particpações S.A.(1) (2)

(1) Upon request by the Securities Exchange Commission, the Registrant will furnish a copy of any omitted schedule or similar attachment from this Exhibit.

(2) Filed as an exhibit to the Registrant s Annual Report on Form 10-K for the fiscal year ended September 28, 2003.

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es New Roman', Times">

The fourth action item in Operation 2003 aims to further reduce employed capital and improve free cash flow. This measure has already yielded positive results. In the fourth quarter of fiscal 2001, our liquidity improved considerably; and

- The fifth action item concerns corporate costs. In fiscal 2002, we intend to cut these costs by some 15 percent. A further cut of at least this magnitude will follow in fiscal 2003.

Our attention to portfolio optimization has involved a significant refocusing of our structure. Our intent is to divest businesses that no longer fit with our overall portfolio. Since fiscal year 2000, we have completed the following significant transactions aimed at realigning our businesses in order to achieve sustainable growth in profitability:

- Divestiture of 52.9% of Infineon Technologies AG by December 31, 2001 through various means including a public offering, the transfer of an approximate 15% stake to our domestic pension fund, open market sales and various other steps, as described in Infineon Technologies AG ;
- Divestiture of all but 12.5% plus one share of EPCOS AG in a public offering; EPCOS is our former joint venture with Matsushita in the field of passive components and electron tubes;
- Divestiture of our electromechanical components business to Tyco;
- Divestiture of Siemens Nixdorf Retail and Banking Systems;
- Divestiture of our telecommunications cable activities;
- Transfer of our hydroelectric power plants business to a joint venture with J.M. Voith AG;
- Transfer of our nuclear power business into a joint venture with Framatome;
- Acquisition of Entex Information Service Inc., an information technology service provider in the United States;
- Acquisition of Efficient Networks Inc., a leading DSL equipment provider in the United States;
- Acquisition of Shared Medical Systems, Inc., a leading provider of information technology systems and services for the healthcare industry;
- Acquisition of Acuson Corporation, a leading medical ultrasound producer; and
- Acquisition of VDO and Dematic and merger with our business Groups Siemens Automotive and Siemens Production and Logistics Systems.

Three of the acquisitions mentioned above were completed in fiscal year 2001. In November 2000, we acquired Acuson of Mountainview, California, a leading manufacturer and service provider of diagnostic medical ultrasound systems for generating, displaying, archiving and retrieving ultrasound images, which was integrated into our Medical Solution group s ultrasound division. As a result of the acquisition, we have created one of the world s largest ultrasound companies, based on total sales.

In April 2001, we acquired Efficient Networks, a leading provider of DSL broadband access equipment in the United States, for the Access Solution division of our Information and Communication Networks business group, thereby gaining a complete line of customer premises equipment and enhanced access to the U.S. carrier market.

In April 2001, we completed the acquisition of a controlling interest of 50% plus two shares in Atecs Mannesmann AG (Atecs), an automotive and automation technology company. The purchase agreement also provided us the option to acquire Mannesmann AG s remaining interest in Atecs, either at the option of Mannesmann during the period from the date of closing through September 2002, or at the option of Siemens during the period from April 1, 2002 through December 31, 2003. As part of the Atecs acquisition, Mannesmann VDO AG was merged with the former Siemens Automotive to form Siemens VDO Automotive AG, which offers a full range of integrated electrical, electronic and electromechanical systems and modules and individual components used in automotive applications. The Atecs Mannesmann Dematic Systems group was merged with the former Siemens Production and Logistics to form Siemens Dematic AG business group. Following the merger, Siemens Dematic is now the largest player overall in the material handling automation market. The businesses of Mannesmann Demag Delaval were merged into Power Generation s Industrial Turbines and Power Plants division of Siemens AG, which we believe will enhance the division s competitive position by allowing it to offer a fuller line of industrial turbine and power plant products. Siemens intends to dispose of the remaining businesses of Atecs within one year of its acquisition and holds these businesses as assets held-for-sale. For further information on these and other acquisitions see Item 5: Operating and Financial Review and Prospects Fiscal 2001 compared to fiscal 2000 Joint Ventures and Acquisitions and Note 3 to the consolidated financial statements.

Many of our business groups are leaders in their fields, and we are committed to a strategy of developing all of our business groups so that each remains or develops into a leading group in its industry, both in terms of market share and profitability. In some cases, we will seek acquisitions of complementary businesses or partnerships in order to achieve this; in others we may divest our interest to encourage independent growth.

Siemens seeks to distinguish itself from its competitors by being a provider of solutions , going beyond the traditional furnishing of products and services, and seeking to anticipate its customers needs as much as to fill their orders. Increasingly, our businesses are combining their products, systems and services into comprehensive responses to customers problems and needs through integrated approaches that we refer to as solutions . To give just three examples: in communications, Siemens endeavors to provide not just telephone devices and network access systems, but design and consulting services and even operational and maintenance support, providing a solution to a wide spectrum of a client s communications needs; our Medical Solutions group provides not just state of the art systems for diagnosis and therapy, but also professional consulting services, information technology systems for clinical and administrative applications as well as networking and remote processing services, the whole offering designed as a solution to allow our customers to improve their clinical workflow and become more efficient health care providers; our Siemens Building Technology group not only designs and builds a facility to the customer s specifications, but also operates the facility to whatever degree is desired, including providing for maintenance, security, upgrading and the like. A number of our groups and their divisions have incorporated the term solutions in their names, reflecting this large and growing aspect of Siemens business.

Corporate Structure

Our corporate structure consists of sixteen different business groups active in eight different business areas.

The chart below sets forth graphically our different business groups as they are now structured. Fourteen of our groups involve manufacturing, industrial and commercial solutions and services, related more or less to our origins in the electrical business. These groups are active in business areas ranging from communications to energy to health care, to name only three. We refer to these groups as our operations , to distinguish them from our financial services activities.

Our financial services business comprises two additional activities that have a different character from our other businesses and that we manage differently from our operations groups. For example, we measure economic value added performance differently, based on earnings before taxes rather than earnings before interest and taxes, since interest expense and income is the primary source of revenue and expense for our financial services groups. In addition, much of the business of our two financial services groups consists today of internal services provided to the Siemens operations groups, although this is changing as we focus more on the value creating potential of these businesses.

In addition to our business groups, we hold non-controlling interests in a number of businesses. Other than Infineon, which is discussed below, the most significant of these is our interest in Bosch Siemens Hausgeräte GmbH (BSH), which manufactures consumer household appliances, often referred to as white goods .

Our business groups are supported by regional units and central corporate departments. Our regional units include sales units in each region where we operate to complement the sales efforts of our individual business groups and take advantage of cross-marketing opportunities. We also provide our business groups with support through our corporate departments and offices in areas including finance, human resources, planning and development and information and communications structures.

We operate through hundreds of subsidiaries, some of which are organized along the lines of our business groups and others of which are organized on a geographic basis. At December 31, 2001, we held an ownership interest of approximately 47.1% and a direct voting interest of approximately 18.2% in Infineon Technologies AG. See Infineon Technologies AG . Other than subsidiaries that are substantially wholly owned and Infineon Technologies AG, we do not consider any of our subsidiaries to be individually significant.

We review below each of our operations and financial services groups.

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* Infineon Technologies AG is a separately listed semiconductor manufacturing company in which we had a controlling interest at September 30, 2001. As described below under Infineon Technologies AG , we no longer have a majority voting interest in Infineon, and we will from December 5, 2001 no longer include the assets and liabilities and results of operations of Infineon in our consolidated financial statements and will instead account for our ownership interest in Infineon using the equity method. See Note 31 to the consolidated financial statements.

Information and Communication Networks (ICN)

Our Information and Communication Networks group develops, manufactures and sells public communication systems, private business communication systems and related software, and provides a wide variety of consultancy, maintenance and other services. Our worldwide customer base comprises public service providers, such as public communication network operators and Internet service providers, as well as private companies of all sizes ranging from small businesses to large multinational enterprises. We are increasingly becoming a supplier of complete end-to-end solutions from design to installation and management of networks. In fiscal 2001, ICN had total sales of €12.882 billion, including sales of €693 million to other Siemens business groups. External sales of €12.189 billion accounted for 14.0% of total Siemens net sales.

Our markets are characterized by increasing demand for products that upgrade existing voice-centered networks, especially for those that allow networks to transmit data, thereby protecting the enormous investment of public service providers in those networks. There is also gro