Thank you, Warren, and good afternoon, everyone. We are off to a solid start in fiscal 2014, and we are pleased to report record revenues this quarter driven by strong growth in both, QTC and QTL.

Steve will provide more color on the businesses, but I did want to comment on the executive changes we recently announced. First, I am extreme pleased that Steve Mollenkopf will become our next Chief Executive Officer. He is an exceptional leader with a stellar track record over his 20 years at QUALCOMM.

Throughout his tenure, he has played a critical role in developing a number of new technologies and strengthen our relationships with our industry partners. This change will ensure management continuity, will allow me to work on new technologies and help set the future direction for the company as Executive Chairman of the Board. I look forward to continuing to work closely with Steve and the rest of management team.

Secondly, I wanted to thank our employees, customers and suppliers for their support over my tenure as CEO. We have seen tremendous change over the last almost nine years, I began my services CEO, we were predominantly known as the CDMA2000 Company.

Fast-forward to today and we have developed a broadly license and diversified portfolio of technologies not only from an air interface perspective, but also in many other mobile technologies such as computing and connectivity, with an industry-leading approach of integrating these core technologies that define the mobile experience.

Looking back, we had a vision for what a smartphone could be and we worked together with our partners to bring this vision to reality. Really dates back to the early 90s, when we had the idea to put the Internet protocols in to CDMA. We really knew that data will unlock tremendous opportunities for mobile devices. We were the first to put GPS in phones. We developed the first Palm OS based smartphone. We were pioneers in the mobile apps space with our Brew Appstore and we continue to lead with innovation such as first gigahertz smartphone processor and obviously more recently advanced multimedia technologies such as Ultra HD video capture and playback.

Looking forward, opportunities are vast. We work with our partners to help them expand their data capacity by up to 1,000 fold with solutions such as our small cells and other innovations such as LTE in unlicensed spectrum. We are helping to drive adoption of mobile technologies into several exciting new categories including automotive, healthcare and the connected home through our industry leading mobile computing connectivity offerings. And the AllSeen Alliance was recently formed to drive interoperability for the

Internet of everything which is based on the use of the AllJoyn software framework.

Now this industry leadership and vision has translated into strong business performance with revenues more than quadrupling and EPS more than tripling since Fiscal 2005. In addition, we have returned over $25 billion in capital to stockholders during this timeframe and recently announced our intent to return 75% of free cash flow to stockholders. We expect that we will more than double the amount returned to stockholders over the next five years as compared to the last five years.

So we continue to be extremely excited about the future, but still in the early rounds of global smartphone adoption, we are in the early rounds of the transition to mobile computing and then we have this broad connection of the Internet of everything. So we have the right technologies and more importantly we have the team to execute on these opportunities ahead. So we are pleased with the start fiscal 2014 and I look forward to continue to work with our team to drive growth in the years ahead.

Thank you and I will now turn the call over to Steven Mollenkopf.

Steven Mollenkopf

Good afternoon, and thank you, Paul. I appreciate your kind words. I am humbled and extremely honored to have been named CEO elective of QUALCOMM. Under Paul's tenure as CEO, the company has established a leadership position in 3G, 4G and next-generation wireless technologies, developed a deep and diverse set of industry-leading mobile technologies and has generated extraordinary results. We are well-positioned to address the significant opportunities ahead and I look forward to guiding the company during its next phase of growth. Paul, I would like to thank you for your leadership and mentorship and I look forward to continuing to work closely with you in the years ahead. I am proud to have been given this opportunity and I look forward to assuming the CEO role in March.

Turning to our fiscal first-quarter. Our QTL and QCT delivered strong financial results and we are off to a solid start to fiscal 2014. In the quarter, we also returned approximately $1.6 billion to shareholders in dividends and buyback activity, consistent with the increased capital return targets that we outlined in November. QTL had a strong quarter, in line with our expectations with revenue and earnings before tax of 8% and 9% respectively, year-over-year. Total reported device sales by our licensees was a record and above the midpoint of our prior guidance range. Global smartphone adoption continues to be a key driver of royalty revenue growth. In the fiscal first quarter we saw increased sequential shipments by our licensees of smartphones in emerging regions. According to Gartner, emerging regions smartphone shipments are expected to grow at close to 30% CAGR between 2012 and 2017. Globally, Gartner expects approximately 7 billion smartphones to be shipped from 2013 to 20 17.

In QCT, revenues and MSM shipments were up 12% and 17% year-over-year respectively MSM shipments were above our expectations driven by demand in emerging regions. Actions taken to manage spending contributed to better than expected operating margins. From an operating expense standpoint, our outlook for moderate year-over-year growth remains on track. We are still investing in both the core businesses and new business opportunities and with our expense management initiatives this year, we continue to forecast that we will exit fiscal 2014 at a lower operating expense run rate for the company than we exited fiscal 2013.

Tuning to China. We are pleased to see that the 4G spectrum licenses have now been issued. We are working closely with the operators as well as domestic and international OEMs to meet this new growth opportunity. We continue to add single mode OFDMA licensees including in China. Given the high degree of similarity between the TDD and FDD modes of the international LTE standard and our position as the leading contributor to LTE, the royalty payable by our licensees under their single mode or OFDMA licenses are the same for devices that implement either or both of the TDD and FDD modes of LTE. QUALCOMM continues to invest heavily in developing the leading and the most widely licensed portfolio of patented technologies applicable to 3G and 4G devices.

For QTC, the growth of LTE, FDD and TDD in China aligns with our strength, both from supporting local Chinese OEMs looking to leverage LTE and build their business outside of China, as well as global OEMs hoping to leverage LTE growth to grow their businesses in China.

For each of these customer types, our multi-mode 3G LTE modem leadership and Snapdragon solutions, combined with our global launches position us well. We have over 70 3G LTE multi-mode designs with leading Chinese OEMs based on our Snapdragon 400 chipsets for the high-volume handset tier.

We believe the recently announced Snapdragon 410 with integrated LTE will also be the world's first 64-bit processor for the high-volume tier and will establish our 64-bit leadership there.

On the legal front, as we previously announced in November, the Chinese National Development and Reform Commission or NDRC, notified us that it had commenced an investigation of us related to the Chinese Anti-monopoly

Law. The NDRC has advised us that the substance of the investigation is confidential. We will continue to cooperate with the NDRC as it conduct its investigation.

Globally, the momentum of Snapdragon-based devices continues to grow, with over 1,350 designs announced for shipping and more than 500 designs in the pipeline, including over 40 tablets. We are pleased with our design activity and anticipate good volume growth in flagship tablets, such as the new LG G Pad tablet, the Samsung Galaxy Note Pro and the Samsung Galaxy Tab Pro announced at CES.

Looking ahead, our newly announced next-generation chipsets are progressing well and continue to demonstrate our leadership. Since Snapdragon to go five sets a new bar for performance and premium tablets and smartphones with end-to-end Ultra HD capability and the world's fastest mobile CPU. It is on track to ship in commercial devices in the first half of this calendar year and will help our customers take advantage of the increasing interest in Ultra HD across the entertainment and consumer electronics industries.

Our new 9x35 modem delivers our fourth generation of LTE, and is on track to extend our LTE leadership into Category 6. We have already demonstrated the world's first 300 megabits per second LTE Category 6 data session on Ericsson infrastructure and we expect to see our Category 6 modem in the cards, hotspots and smartphones this year.

Our overall Wi-Fi sales are strong and growing, with unit sales this quarter up 50% year-over-year and we have over 200 designs of our premium 802.11 AC solution in the pipeline. Our RF 360 family of products also continues to progress well. Our envelope tracking solution has been shipping for a number of months and is in key devices such as the Samsung Galaxy Note 3, the Google Nexus 5 and the LTE Nubia 5S.

Our dynamic antenna tuner recently launched in flagship Lumia 1520 and remaining RF 360 products are on track to ship later this fiscal year as expected. In closing, we are off to a solid start in the first fiscal quarter and we see the year developing broadly in line with our previous expectations.

That conclude my remarks and I would now like to turn the call over to George Davis.

George Davis

Thank you, Steve, and good afternoon, everyone. Our first quarter results came in above expectations on solid operating performance and the positive net impact of certain discrete items. Fiscal first-quarter revenues were a record $6.6 billion, up 10% year-over-year and non-GAAP earnings per share was $1.26 above our prior guidance range.

Our results this quarter included a $655 million gain or $0.25 per share related to the sale of substantially all of our Omnitracs business. We also recorded a $444 million impairment or $0.20 per share in other expenses related to the fab assets in our QMT business.

The remaining items in other expenses impacted results by an additional $0.01 per share. In total, these items added a net $0.04 per share gain to results. Excluding these items, our non-GAAP EPS would be $1.22 per share or $0.07 above the midpoint of guidance and $0.02 above the high-end of our guidance range. Result in QCT and in our treasury portfolio was a major contributor to above expectation performance.

In QTL, total reported device sales by our licenses were a record $61.6 billion, up 16% year-over-year and above the mid-point of our guidance range, with an average selling price of $222 at the mid-point and shipments of $278 million 3G/4G based devices at the mid-point. We saw strength in both emerging and developed regions with increased penetration of smartphones into lower tiers. Emerging regions continue to show the highest unit growth rates for 3G/4G based devices.

QCT earnings before tax were above expectations with record revenues of $4.6 billion and record shipments of 213 million MSMs. Revenue per MSM was lower sequentially reflecting a higher mix of thin modems and increased MSM shipments for emerging regions. QCT operating margin was 20% in the fiscal first quarter above our prior expectations reflecting actions to manage spending in the quarter. For the company overall, non-GAAP combined R&D and SG&A expenses were below our guidance decreasing 3% sequentially primarily driven by our QCT business.

Turning to capital structure. During the fiscal first quarter, we returned approximately $1.6 billion to stockholders including approximately $600 million of dividends paid and $1 billion in stock purchases. As of the end of the first fiscal quarter, we had approximately $3.8 billion remaining of the $5 billion stock repurchase authorization announced in September of last year. Cash flow from operations was very strong again this quarter at approximately $2.8 billion or 42% of revenues. Timing of shipments in Q4 and Q1 led to a higher than normal reduction in receivables which was the major factor in our above trend working capital and cash flow performance. We ended the fiscal quarter with cash and marketable securities of $31.6 billion.

Now turning to our guidance for fiscal 2014. Our outlook for the fiscal year is mostly unchanged but we are increasing our earnings per share guidance to adjust for the above expectation performance in the fiscal first quarter, modestly tempered by a somewhat softer outlook in our fiscal second quarter. We expect fiscal 2014 non-GAAP earnings per share to be in the range of $5 to $5.20, up approximately 13% year-over-year at the midpoint relative to 2013 and up $0.05 at the midpoint from our prior guidance.

As it is still very early in the year we are also holding our forecast for calendar 2014 3G/4G based device shipments, however we do see some potential upside to our forecast perfectly related to LTE deployment in China. We are also holding the midpoint of our calendar 2013 3G/4G device shipment estimate, although modestly narrowing the range. As we outlined in November, we forecast improving trends in the second half of our fiscal year versus the first half. We expect higher device ASPs for QTL and a better mix of leading parts in QCT including the impact of LTE in China. We also continue to forecast favorable trends in product cost.

For the second quarter of fiscal 2014, we estimate revenues to be in the range of approximately $6.1 billion to $6.7 billion, flat to up approximately 9% year-over-year. We estimate non-GAAP earnings per share in our fiscal second quarter to be approximately $1.15 to $1.25 per share, up 3% year-over-year at the midpoint. We anticipate second fiscal quarter non-GAAP combined R&D and SG&A expenses will be slightly higher, up 1% to 3% sequentially, reflecting modest growth in R&D. In QTL, we estimate total reported device sales of $66.5 billion to $72.5 billion, it will be reported by licensees in the March quarter for shipments that they made in the December quarter, up approximately 14% year-over-year at the midpoint reflecting the busy holiday season. We estimate that the QTL device ASP will be relatively flat sequentially. In QCT, we anticipate MSM shipments of approximately 180 million to 195 million units during the March quarter down 12% at the midpoint sequentially and up approximately 8% year-over-year at the midpoint. We expect revenue per MSM to be up modestly on mix quarter-over-quarter. We expect QCT operating margin to be approximately 15% in the fiscal second quarter, lower sequentially as expected, reflecting the impact of lower seasonal volumes and the effects of annual pricing resets typical for this time of the year.

We continue to forecast QCT operating margins to be 18% to 20% for the full fiscal year.

That concludes my comments. I will now turn the call back to Warren.

Warren Kneeshaw

Thank you, George. Brent, we are ready for questions.

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from the line of Tim Long with BMO Capital Markets. Please go ahead with your question.

Tim Long - BMO Capital Markets

Thank you. [Two] you mind if I could. Maybe could you give us some update? It looks again the calculator went down a little bit more. Was there anything in there, we are hitting more tabs what's going on with that?

Then secondly, if we could just get your perspective on China, collecting in China, particular as it seems like there has been a lot more three-mode products being announced relative to the five-mode? Do you think that changes the dynamic at all in collecting with the Chinese OEMs? Thank you.

Derek Aberle

Tim, this is Derek. On the rate question, I think again we have kind of gone through a numbers of times all the factors that move this thing around. This quarter, it's sort of a combination and probably for the few things you know TRDS obviously was up again another record, so again we get a little bit of a drag based on the fixed elements of the revenue. Also, you know, I think just given sort of the product launches there were some discounting going on during this quarter that impacted the deductions that our licensees take and so that has also an impact as I explained in New York a couple of months ago.

Then a little bit of OEM mix again, so a number things bounce around. I do think based on the visibility we have into next quarter that the rate should improve some into next quarter and we still believe kind of the range that we gave for the year is still where we think we are going to end up in and that was I think 31 to 33.

On China, really I think not much of a change from again what we went through in New York. Again, we are very active. We are continuing to negotiate agreements on single mode OFDM in China and we added some additional licensees to the mix here over the last quarter. We got a number of other discussions ongoing and expect some other agreements to get signed here hopefully in the next couple of months, so I think we are just continuing to do the work that we started several years ago to make sure we are in a position to collect and still feel comfortable that that will be the case.

Operator

Your next question comes from the line of Mike Walkley Canaccord Genuity. Please go ahead with your question.

Mike Walkley - Canaccord Genuity

Great. Thank you. Paul, just wanted to say congratulations on a great job of navigating some tough time this year with all those renegotiations a few years back. Steve, I just want to ask questions to you about the QCT operating margins. Doctor and the teams here in Q1 just seasonality, but can you talk about how you feel on the cost optimization programs and some of the steps that gives you confidence the recovery in the second half of the year. Thank you.

Paul Jacobs

Thanks a lot. I certainly hope we don't see anything like that, for Steve is starting his tenure. It was, I think, a lot of people decided that was time to test our management team and it wasn't the most fun thing to go through but it was good to get it behind us and also the to see with all the stuff that's going on in the world in terms of litigation that we are no not in the middle of a lot of that stuff. We are actually partners with a lot of those companies that we had battles with in the old days. So its nice to see that change. But thanks for saying that.

Steven Mollenkopf

Mike, this is Steve. With respect to the Op margin, if I look at the year, particularly as the year, first-half, second-half, its unfolding basically the way that we thought it would. I think Q1 was pretty strong and I think particularly strong actually in the emerging markets which we were pleased to see. So I think we are still confident in our outlook in terms of that Op margin guidance that we gave in November. Just pleased to have a good quarter in the book in order to head our direction. As you know there's always some seasonality in this quarter. I don't think we are seeing anything more than that really in what you are seeing in the outlook.

Operator

Your next question comes from the line of Tal Liani with Bank of America Merrill Lynch. Please go ahead with your question.

Tal Liani - Bank of America Merrill Lynch

Hi, guys. I have two questions. First is, what was impact of foreign exchange on the numbers in the guidance or if you can explain given the broader picture of hedging and the impact on the P&L?

And then secondly, when I look at your number for next quarter, they are below street expectations somewhat. When I look at your numbers for the year, you have brought them up and that means that you expect a second-half recovery in EPS or second-half recovery in the trends. Could you go over the reasons for second-half acceleration versus the previous expectations and what stands behind the increase in EPS? Thanks.

George Davis

Sure. This is George. Let me start off with the FX impact. We had a modestly positive impact in the in the first quarter. As you know, really most of our exposure comes from our licensing business and we have hedging programs in place to help us with that. We expect that the full year again to be modestly positive after our hedging programs but FX has not been a major impact for us over the last couple of years.

In terms of the second quarter and the full year, really actually the year is pretty much playing out in line with our expectations. A little bit more positive in the first quarter but we are seeing a little more softness in the second quarter. Net net, the first half looks about as we said in the second half that really were not calling for anything other than the same environment that we expected going into the year. We have said that we think that whether you are looking at devices or you are looking at potential sales around the world, China LTE looks like an area where there may be, depending on the timing, there might be some benefit, more benefit the hits our fiscal year which as you know closes out a quarter before of the calendar year.

Operator

Your next question comes from the line of Brian Modoff for Deutsche Bank. Please go ahead with your question.

Brian Modoff - Deutsche Bank

Yes, guys. A couple of them. So at the beginning of the call, you talked about being in the early rounds of smartphone adoption growth and can you kind of give a little more color around that, looking at what we are seeing from a maturation standpoint in places like the U.S. but growth in the emerging markets and how do you see that playing out in terms your ASP trends?

Second question. Steve, each of your main competitors in LTE in the last nine months has gone outside their company to acquire technology to try to compete with you in that market and none of them have really come to market with a product of any scale. Can you talk about what you see for LTE competition in the year.

And then Paul, just briefly, can you give us a rundown of some of your focuses in terms of your venture ideas or venture investments as you move on to your next role? Thank you.

Derek Aberle

Brian, this is Derek. Let me answer your first question. Obviously we look at the market as a whole which we break up in developed and emerging regions. Yet while it's true that there is a fair amount of maturation of smartphone adoption in the developed regions, we do still think that there's a lot of things coming that will drive replacement cycles there and then bring the last bit of the tail over, but then when you look at emerging regions, there are still a huge runway for growth there, so I think when we look at it in totality, although the areas where we probably spend most of our time seems like the smartphone space is well penetrated there is still a huge opportunity for us in the emerging regions.

Steven Mollenkopf

Brian, this is Steve. On LTE, yes, I think what we have seen a lot of folks are, obviously, working on LTE. We are continuing to see strong design-in activity and I think what's happening we had an early lead we are driving it across tiers. At the same time, the feature set is turning over, and one of the things that has been important for us, we since day one of our LTE solution we have had the TDD mode in there. That's been, I think, exceedingly important in terms of being able to grow our business into China, which is a good thing, but also what we are seeing in China the effect where people want to use the LTE solution that, number one, has maturity and feature leadership, but also gives them the ability to deliver a product outside of China and to become a global smartphone OEM and not just a regional smartphone OEM, so I think we are continuing to stay ahead of people in terms of technology and certainly maturity and scale, but the things that we bring seem to also be more important as well, so we hope that continues. We are going to continue to invest in that area as it has been our practice.

Paul Jacobs

…I am going to look at in the future and obviously there is a whole set of projects that we have favorite continue to invest in that area as has been our practice and so on the familiar look at the images and obviously visible set of projects that we have going on right now - think it will be nice to spend a little bit more time hands-on with those projects and hopefully it can help accelerate some of the those coming to market.

Then sort of farther out stuff that we haven't talked a lot about yet and everybody is talking about 5G already, I think we have some good ideas for what 5G should be and the kinds of things that it should do in addition to just being faster and more spectrum and more bandwidth and those things, so I got some good projects ahead of me.

Operator

Your next question comes from the line of Simona Jankowski with Goldman Sachs. Please go ahead with your question.

Simona Jankowski - Goldman Sachs

Hi. Thanks very much and I want to congratulate both of you, Paul and Steve on the new roles. I just wanted to ask you first about your guidance as it pertains to QTL and device sales in particular. It was relatively strong even though we have seen some of the major OEMs actually come in with slightly lower than expected results for the December quarter, so I was just wondering if you can go into some of the drivers for that. Is it emerging market? Is it tablets or any other categories. Then relative to your unit guidance for MSM chipsets in the March quarter, it's a bit below seasonal and I just wanted to dig into that a little more if it has anything to do with market share or inventory or end demand, if you can just give us a bit of color there as well. Thanks.

Derek Aberle

Simona, this is Derek. Why don't I start and if George wants to jump in and add something he can. As you know, we at this stage, we get a fair amount of visibility in from our licensees typically before we provide guidance, so we do have a reasonable amount of confidence in the guide that we have provided for the December quarter sales.

I think it is again a blending, we are seeing a lot of strength in the emerging regions, continue see strength in places like China. Although there was little softness, I think in the in the U.S., some of the other developed regions, it continue to do well such as Europe and I think we are probably going to see a little stronger tablet uptake as well and there are evidence of that coming out of some of the statements Verizon and AT&T made this last week.

George Davis

On the MSM front, I think what we are seeing and it's one of the reasons why we didn't update the number for MSMs for the full year. We think there were some of the benefit that we saw on Q1 were MSM that were being pulled in, so maybe a little bit of a timing issue between Q2 and Q1, but again overall the first half of the year looks very much like we thought it would and second-half the same, so probably not a lot of news in those numbers.

Operator

Your next question comes from the line of Romit Shah with Nomura. Please go ahead with your question.

Romit Shah - Nomura

Yes. Thanks a lot. You basically reiterated guidance for the full year revenues, but year is turning out to be a little bit backend loaded than I was thinking. June is historically flat, which if that plays out again, would imply that September is up, north of 10% sequentially. Is that the right way to think about the rest of the year? That's my first question.

Then second. Steve, China Mobile indicated, I believe, in December that they expect to sell 100 million LTE devices. That number seems like it is overstated but I wanted to get your thoughts on that. Thank you.

Paul Jacobs

So on the first-half, second-half, again all I can say is, and we spent some time on this in the original guidance, the year does look a little bit different than the historical pattern with more of the earnings coming in the second half. We still believe that is the case and also you get a slightly higher revenue rate in the second half of the year. So I think in terms of any specific quarter, it is too early to comment beyond our second-quarter guidance but that's why when we raised our guidance, it really was more just to reflect the outperformance in Q1 than a fundamental change in first-half and second-half.

Steven Mollenkopf

This is Steve. On the China Mobile forecast for devices. My guess is if I remember correctly, that was a calendar year number. It is difficult for me to comment on the numbers but I will say that the intensity with the industry is getting prepared for the launch of LTE is quite high. If you look at our designing intensity and you look at the preparations that we are going through with carriers, it is consistent with the big launch of that scale. Now it's always difficult, as we have said before, to pick when those things happen and the start of a new launch is always difficult to pick, particularly as early as it is but we expect that to be a big, pretty significant launch when it occurs and we are going to be prepared for it.

Operator

Your next question comes from the line of Ehud Gelblum with Citi. Please go ahead with your question.

Ehud Gelblum - Citi

Hi, guys. I appreciate it. Thanks. A question for you on China. Is there a reason that China Mobile having said they are going to test three mode phones rather than five modes? Is there any reason that your royalty rates on three mode phones will be different than on a five mode phone, obviously due to some difference because of the lack of 3G but, if you can get us a sense as the difference between those two?

On that note, then also, if the share of TD-LTE China Mobile ends up being, say, roughly similar share wise to what 3G looks like right now in China, given that you count a lot of the major Chinese players like Huawei, ZTE, Lenovo, Coolpad as good customers of yours, and I presume therefore paying whatever royalty that they do pay you, if they end up getting the similar shares in the TD-LTE world as that develops, can you give us a sense as to what would that mean for the royalty rates that you collect on LTE?

And then, you made a comment, Steve, I think that there is a higher percentage of thin modems sold, or George, you may have said that, thin modems sold this quarter, and that's what effected the ASP on your MSMs. Is that a trend you are seeing as nonintegrated chips in smartphones or is that an indication that 3G/4G feature phones are making a comeback? Thanks.

Derek Aberle

Hi, this is Derek. Let me answer your first question. We have talked a lot about some of the challenges we have had with collecting on TD-SCDMA in China and the things that we have been doing to either push things like five mode, so that there is WCDMA in the device or also the move to LTE should be a good one for us. So our 3G deals would cover anything that you called a five mode and in fact in many cases would cover the phones that are three mode. So absent the challenges we have had around TD-SCDMA, we wouldn't really have a need to negotiate new deals on those but like I said, we are signing a number of companies to the LTE licenses and so as we talked about we do expect the rate on what we call the single mode LTE device to be lower than 3G. Although I spent some time going through that in New York, if you recall, in terms of trying to explain the delta between the 3G and 4G royalty picture as a whole based on the companies that were signed up so far, so maybe you can go back and think about that. I can't really specifically comment on any particular licensee or any particular agreement and obviously we are going to have to see how the market develops in terms of the three-mode versus five-mode adoption and who are the suppliers that get share moving forward.

Steven Mollenkopf

This is Steve, so just one follow-up on that question by the way. I think what you are going to see in China Mobile, because it's so big and because the launch is likely to happen across tiers, you are going to get a lot of attraction from international OEMs using their LTE expertise worldwide to exploit that technology change. At the same time, I think you are going to see domestic OEMs looking to leverage their strength in China to the international OEMs. Both of those trends, we think, are positive to our core businesses, which I think is important.

With respect your high or to the number about the thin modems, I don't think is really a trend. I would say the vast majority of our chipsets are actually shipped as integrated and that's really what most people do in the industry. What you are probably seeing is just sort of concentration of some of the OEMs that used in modems and how that might be associated with particular phone launches in the timing of those phone launches through the year as opposed to a trend.

Operator

Your next question comes from the line of Stacy Rasgon with Sanford Bernstein. Please go ahead with your question.

Stacy Rasgon - Sanford Bernstein

Hi, guys. Thanks for taking my question. First of all, I just wanted to dig in a little bit. You are guiding QTL ASPs for December shipments flattish. You saw upside on chipsets, so that shift in the December quarter from the low-end, how do I reconcile those two things, upside from chipsets and December low-end versus guidance for device shipments in December ASPs flattish.

Secondly, in the current quarter, the quarter just past you had ASPs down, but a lot of unit outside which would imply a lot of growth at the lower end. What is it actually imply for continued QRD traction? I think you had said last year the revenues in QRD were in the ballpark of $1 billion. Do we read into the results that we just saw continued traction with QRD or more traction with QRD than we have had?

Derek Aberle

Stacy, this is Derek. I think that part of this might be a little bit of timing in terms of the chip shipments versus one of the devices actually gets sold into the market and reported to us, but we do see some strength in the emerging regions really driving the Q4 results as well. The ASP I think as we said last quarter, we expected this to be kind of in line in the calendar Q4 quarter versus Q3 and that's what we are expecting. We do expect the back half of the year, which is consistent I think with what we have seen in the last three years to be stronger from an ASP perspective just given the timing of some of the iconic product launches we expect to see here shortly.

Steven Mollenkopf

Stacy, this is Steve. Regarding the QRD, we have had another good quarter for our emerging accounts. I would probably categorize that group of accounts. A lot of them use the QRD, but this is really a new channel that we had to develop over the years and with strong quarter for them in the December quarter and we expect that to continue to be a good channel for us moving forward, something we can we can also use our LTE leadership into as well, so we are pleased to be able to see the upside there.

Operator

Your next question comes from the line of Rod Hall with JPMorgan. Please go ahead with your question.

Rod Hall - JPMorgan

Hi, guys. Thanks for taking my questions. Just a couple for you. I just wanted to go back to China and see if you guys could talk about two things more there. One is, maybe Derek, if can give us any idea what proportion of the potential LTE volume is licensed or some idea how far it's utilized in process for LTE you are there. Then and also maybe George, you could comment or someone could comment on the if there is any press ruling in China, how that plays our recruiting for potential fine there, when do we get more sort of I guess firmed up in terms of what the impact might be financially from that.

Then lastly, Paul, I just wanted to ask you to give us an update on 1000x and just kind of where that is. I know guys have thought you might have some trial this year. I just wonder how that's progressing along and whether we will be doing trials on that this year. Thanks.

Derek Aberle

Rod, this is Derek. Little bit of a hard to answer, but let me give it a shot. We have signed more 50, I think it's more than 55 companies now to LTE licenses in China, but actually I think large part of the volume initially here will be stuff that is actually covered by our 3G deal. Certainly the volumes that go to China Telecom, China Unicom, the five mode volumes at China Mobile and then also, as Steve mentioned, the international volumes that will be coming in to China likely will be of the same flavor. So its going to depend, like I said, we are continuing to be in discussions and find additional companies as we speak. So again, I think, we are on track to doing the things we needed to do. Without knowing exactly who is going to have what share and how this is all going to play out, I can't really give you any more granularity than that.

Don Rosenberg

Rod, this is Don, and George may answer after me, but just to be clear, you talked about an antitrust ruling. There isn't any ruling in China. The articles that you read are speculating at this point. There is investigation. We have talked about that. We have been told by the NDRC that it is confidential but we are cooperating with them and we are going to continue to cooperate with them, and so at this point anything that anybody is saying is pure speculating at this point, while this proceeds.

George Davis

One the 1,000x, obviously I don't want to announce other people's products, we are supporting the technology. We have obviously done a number of our own trials based of our own products but the traction with the customer base is good and so I feel confident that's continuing to move along and there's obviously a lot of dynamics in the operator market between operators who have a lot of spectrum, operators who have fixed network capabilities and so there are certain ones who will be, I would say, more the leaders and that we are focused on the driving opportunity with those people but it would be done through customers of ours who will deliver the product.

Operator

Your next question comes from the line of Kulbinder Garcha with Credit Suisse. Please go ahead with your question.

Kulbinder Garcha - Credit Suisse

Thanks, Just a couple of questions, if I can. On the addressable market growth for the overall business of 15%, also unit growth, you guys are talking about, you mentioned I think George, that just you saw more upside to that number. I guess the things that we have heard suggest otherwise, in the sense that you had a number of large handset smartphone vendors, there is point near-term involvement give us a relatively cautious guidance and I understand the upside in China, so equally, China Mobile's network is only really rolling out now. It may take some time. the service pricing seems a bit on the expenses side. So I just kind of curious that there seems to be more kind of downside distance than three or four months, given those things we have learned than before. So what is that you are seeing that gives you the confidence you could see the upside as we go through this year? This is my first question on the addressable market and the confidence you have in that growth rate.

And then, for Steve, is it the case that, I think, when you initially were rolling out LTE chips that they were meaningfully accretive to our ASP because of just the technology, the competition as well as the fact that you were selling more integrated devices and higher end Snapdragon chips. As we go through this year, will that level of accretion still hold, or do you guys have to become more aggrieve even if your peers aren't as competitive, just to kind of ensure that you really dominate that segment. How do you think about managing the business between those various levers? Thanks.

Paul Jacobs

Sure. Let me start off with the size of the market and the outlook for '14. I try to leave the message that, if anything, we have a bias to the upside in these numbers and I think sometimes in the year-over-year comparison when you see the U.S. coming in a little bit softer than people may have expected, it's easy to lose the track of the very high growth rates, certainly well above 15%, 20% type growth rates in emerging markets. You are also seeing actually developed markets maintain overall their growth rates similar to what we saw '12 to '13, because you are seeing, on a year-over-year comparison, more strength in both Europe and Japan and while the rates may not be comparable to emerging market growth rates there, on a year-over-year basis, they contribute to our outlook. So in the upside, we would assign to how the LTE deployment in China plays out.

Steve Mollenkopf

So with respect to LTE pricing. So you should really think of LTE as a tiered offering. In the leadership tier, the high-tier, it's a strong area for our pricing. We continue to have leadership there, we continue to drive there, but we expect the lower tier or more the entry-level LTE feature set to be important and we assumed that that's going to be have to be a priced at a different pricing level than will be one of the leaderships here.

I would also just generally say that I think that the scale that will be built up in the LTE world will also spread to the developing market as well and provide I think some positive view on chipset ASP relative to what you see really like more commoditized 3G pricing in terms of the 3G chipset, so LTE it's definitely a tier, I think it something that provides some kind of an upward trend in terms of pricing for us relative to see in 3G.

Operator

Your next question comes from the line of Mark McKechnie with Evercore. Please go ahead with your question.

Mark McKechnie - Evercore

Great. Thanks. A couple of quick question. You might have answered these before, but the chip QCT, you are looking at ASPs or pricing for those to trend up in the March quarter. Maybe you could explain a bit some of the drivers.

Then for George, so housekeeping questions on your guidance specifically, how much interest income? There was a pretty big difference you did like $255 million of interest other expense. Usually would prefer to dwell on that, but that was a pretty big mover earnings. Any assumptions or can you give us a sense of what you are assuming on your guidance for the full year on that line item? Thanks.

Paul Jacobs

Mark, thanks. I will start with your last question first and then I will get to the QCT ASP. On investment income. It's one of the things, actually the performance in the portfolio that we cited as part of adder to the outperformance in the first quarter.

As we have been accelerating return of capital, we have a portfolio that has a broad range of risk and so we are starting to take that risk level down as we draw down more cash for repurchase, so you are seeing some gains embedded in the quarter associated with that. Again, maybe I would say above trend maybe, $0.02, $0.03 from that.

I wouldn't count on that every quarter, that's really more a function of just making sure that we keep the risk level and the portfolio in the right place. For QCT, really what you are seeing is a little bit of a reversal of what you saw in Q1 which is that the mix particularly thin modems will not be quite as higher percent that gives a natural lift to the ASP.

Operator

Your next question comes from the line of Tavis McCourt with Raymond James. Please go ahead with your question.

Tavis McCourt - Raymond James

Thanks for taking my question. First, a housekeeping question, George. The $1.26 non-GAAP earnings, does that include the Omnitracs sale and I was under the impression that the previous guidance and full-year guide excluded that sale. Just want to make sure we are talking apples-and-apples.

Secondly, a question for Derek. It's been an interesting trend. Nokia has now sold their business and kept the patents. Ericsson did the same and now Google is doing the same. What I am wondering is, does that change the competitive dynamic of QTL at all having multiple patent pulls out there that aren't associated with devices? Thanks.

George Davis

Okay. Let me cover the housekeeping. As we said, the Omni gain was always going to be in non-GAAP, but when we gave guidance, we treated it as a discrete item, so we guided excluding the discrete items. We also had another major discrete item, which was the impairment on the QMT asset, so the net effect of that was $0.05 and then there was about another $0.01 of items and other, so a net $0.04 benefit that's how when we talked our performance would have been $1.22 if not for those which is really the comparable apples-to-apples that you are looking for, so still $0.02 above the upper end of the guidance range and $0.07 over the midpoint?

Derek Aberle

This is Derek. I don't think it really changes the competitive dynamic for QTL for our business. I think, we have obviously been very successful in establishing the value for our own portfolio in the marketplace and the fact that other companies may decide to come in and become more active doesn't really impact our value proposition, per se. Both Ericsson and Nokia have had active licensing programs for many years. The way that they have positioned and valued their patents won't simply change based on whether they have an active business. Now it might change any individual deal based on the relative exposure but again they have been active and I don't think there will be a major disruption or impact in the industry as a results of it.

Operator

Your next question comes from the line of Mark Sue with RBC Capital Markets. Please go ahead with your question.

Mark Sue - RBC Capital Markets

Thank you. Paul, it's a matter of time before the smartphone market matures and it's one of the reasons that the stock multiplied over the last few years. As we look out over the next few years, what do you think will replace the smartphone market in terms of opportunity growth where QUALCOMM can really dominate similar to what they did in smartphones? If we look at tablets, for example, the attach rates have been low because of the pricey data plans, although it seems like a niche opportunity. Just maybe how we should think about it longer term.

And then George, as growth matures for the company and the free cash flow improves, any thoughts on your preference between the split between dividends and also share repurchase? And longer term, can that 75% returns move higher so that we could actually decompress the stock multiples?

Paul Jacobs

I think we are going to do better and better in the computing space and I agree that it's been not as successful as we had hoped in the past in terms of attach rates. I think the operators are getting better at that. We are also building other technologies, obviously, LTE and their license bands do, I think, a lot, some of the small cell stuff should do a lot there. But the other part is just mobile as an enabling technology into other areas.

You can see the beginnings of things, automotive space. Yes, those numbers are relatively small, but people talk about Internet of everything as only low value, low margin devices and I think there is going to be a tiering of different kinds of devices. So there will be high value segments in the Internet of everything. There will be also the very cheap ones, but then we are talking about high volumes also. So there is some kind of decent growth there.

Then you look out and there is a bunch of areas where we can do things that are just adjacent to the phone, additional content in the phone. Obviously to this point, this play of investments have been not as quick to come to fruition as we had hoped, although I think the wearable spaces is a really interesting part, but also connected home spaces is quite interesting. So lot of opportunity for that going forward.

We have some other display technologies as well that are getting a lot of traction with the Pixtronix technology which is more applicable to larger displays, and you know that's a nice licensing business. We have got a bunch of other things in the hopper. The vehicle charging and we are looking at working with partners on that in terms of a larger play there as well. So there is a broad range of technologies out there that we are working on that will drive, I think, a reasonable amount of growth going forward.

George Davis

Mark, just to answer your questions on the capital structure and return of capital. So what we have said is that we expect to grow double digit topline and bottomline over the next five years and really largely driven by the core businesses that we see today and with that we expect strong cash flow to continue. We are going to grow the dividend rate ahead of earnings is what we have committed to. We are going to return 75% of global free cash flow and so then you will see a large, what isn't going through dividends will obviously go for share repurchase, and as Steve mentioned in the script, we expect to more than double the return over the next five years from what we have returned in the past five years.

Operator

Thank you. This ends our allotted time for questions and answers. Dr. Jacobs, do you have anything further to add before adjourning the call.

Paul Jacobs

I just wanted to say thanks again to everybody for all the support over the years and it's been a great run as CEO, I think both, measured by the financial metrics and also by sort of the way we expanded the business and the way the company operates and it's really not one person that does that. That's our employees, our partners, all my colleagues here have done just an amazing job over the years and I am looking forward to Steve take the reigns as CEO and drive the company forward.

I am very, very excited by the future. It's going to be very fun to see how we have this expanding impact of mobile and I am saying that given the background of how much it has already impacted all of our lives, so it's going to be great to be able to refocus my energy on innovation.

I don't think I am going to be presenting at any future earnings calls, but if you guys want I may show up for Q&As and I hope to see you guys, or some of you at least, at Mobile World Congress, so thanks everybody.