Thank you, Warren and good afternoon everyone. I'm very pleased with Qualcomm's performance this past fiscal year. We delivered record revenues of $25 billion up 30% versus last year. Earnings, total reported device sales and MSM chipset shipments also set records, as our technologies continued to underpin the global growth of wireless data and our semiconductor solutions are used across the industries flagship smartphones.

We increased our dividend for the 11th consecutive year and returned approximately $6.7 billion to the stockholders in the form of buybacks and cash dividends in fiscal year 2013.

Looking at the fourth fiscal quarter, we also delivered record revenues which came in near the high-end of our guidance due to strength in both our licensing and semiconductor businesses.

Earnings would have been well ahead of guidance if not for a legal charge we recorded in the fourth quarter. We are pursuing post trial motions in the district court and we will pursue all options on appeal as necessary and remain confident in our positions.

We made excellent strategic and operational progress this year. We delivered our industry leading third generation 3G/LTE multi-mode modem, grew our share of semiconductor content in a wide array of devices, and expanded our licensing program. Further, our strategy to support the LTE TDD migration path for the wireless operators in India was successfully executed. We just completed the final step in transferring full ownership of the Indian BWA entity that holds to the 4G spectrum we won in the 2010 spectrum auction to Bharti.

We also announced the planned divestiture of OmniTRACS. As you know OmniTRACS was one of our first businesses and help fund our investment in CDMA.

Now I'd really like to thank all the employees, suppliers, and customers who contributed to the more than 25 year success of the business. We really look forward to hearing about your future accomplishments.

We expect that transaction to be completed during our first fiscal quarter of 2014, but we haven't included the estimated $0.22 to $0.25 per share gain on the sale in either our first fiscal quarter or annual guidance.

Looking at fiscal 2014, we're expecting solid growth, but at a lower rate than what we delivered in the last two years. This is partially due to the exceptionally strong year we just completed which included share gains and content share gains in QCT.

In fiscal 2014, we're facing some mix and demand factor which we currently expect will moderate our QCT growth. In light of this, we are taking near-term actions company wise to prioritize investments, stay focused on growth, but also control expenses in order to deliver operating profit growth in excess of revenue growth.

Fundamentally, we believe our long term growth drivers remain very much intact and we are aligning our resources to continue to capture those opportunities. We continue to see smartphone adoption grow at a rapid pace across the globe.

According to Gartner, approximately 225 million smartphones were shipped in the second quarter of calendar 2013, representing 47% year-over-year increase. This is especially true in emerging regions where smartphone demand is being driven impart by the migration from 2G to 3G. Looking forward, Gartner is now expecting 1.8 billion smartphones will be shipped in 2017.

In the September quarter, we saw the launch of new devices with expanded capabilities based on QUALCOMM products. Some of these new capabilities include the launch of ultra HD video, LTE carrier aggregation and support for additional frequency bands for global roaming.

We will continue to focus on expanding our share of content and devices. We are making good progress with our WiFi and RF front end solutions. We see multimode 3G LTE as a catalyst for growth in network enhancements and smartphone demand.

According to GSMA Intelligence, approximately 100 million new LTE connections are expected to be added in calendar year 2013, representing a 57% year-over-year increase from 2012 and it's approximately 22% of total net new connections. China remains an important opportunity for smartphones. With the upcoming launch of LTE, we expect increased demand for smartphones across many tiers of the license. It's not just about smartphones, impact of mobile on other industries cannot be overstated. The mobile ecosystem is driving innovations in healthcare, automotive, education and of course computing, which is creating new opportunities for QUALCOMM from both a chipset and the licensing perspective.

Smartphone experiences are driving tablet designs as evidenced by the increased innovation and demand for 7-inch including Snapdragon based tablets Google and Amazon announced this quarter. In addition, several operators have recently introduced new data plans that could be a positive catalyst for 3G, 4G adoption in tablets and other consumer electronics devices.

Now all these trends are helping to drive better demand globally. And in order to address the growth in data, operators continue to revolve their 3G networks, upgrade to LTE, evaluate new spectrum opportunities and evolve network topologies to include the introduction of small cells. This past June we announced our FSM solution that integrates our 3G and 4G technologies with advanced 802.1ac in WiFi to enable fully featured low-cost model smart cells that are designed to provide superior performance with greater power efficiency.

We will discuss the many growth opportunities we see ahead and the strategies and actions we're pursuing to capitalize on them during our upcoming New York Analyst Event. I look forward to seeing many of you there.

So to wrap up we've completed another outstanding year at QUALCOMM. I'd once again like to thank all of our employees and partners for their commitment, innovation and leadership. We have tremendous opportunities ahead and we are positioning the company to capitalize on these while carefully managing our cost structure.

And overall QUALCOMM remains well positioned for continued growth. We have grown revenues at a compound annual rate of more than 30% over the last three years and building after this very strong fiscal 2013 days here, going forward for the next five years, we expect that revenues and earnings per share will grow at double-digit compound annual growth rates. We expect to return significant amounts of capital to stockholders consistent with this outlook.

I will now turn the call over to QUALCOMM'S President and Chief Operating Officer Steve Mollenkopf.

Steve Mollenkopf

Thanks Paul and good afternoon everyone. I will provide some comments on both QTL and QCT businesses. In fiscal 2013, QTL delivered record revenues and earnings up 19% and 18% year-over-year respectively driven by greater than expected 3G, 4G device shipments and increased ASPs reported by our license fees. We now have over 250 royalty bearing 3G licenses.

Over 90 single-mode OFDM licenses and we believe our 3G and 4G portfolios are the most widely licensed in the industry. Through our broad licensing program we continue to foster innovation and enable a large and growing ecosystem that benefits wireless consumers worldwide.

QCT also grew significantly in fiscal 2013 delivering record revenues and earnings up 38% and 39% year-over-year respectively, driven by successful share in content gains. During the year we continue to lead in LTE with our integrated modem solutions and delivered significant product enhancements across all key technology vectors including the modem, processor, graphics and connectivity with unmatched world-class integration.

For 2014, we are forecasting another year of strong growth in QTL. We expect 3G, 4G device shipments by our licensees to grow 15% at the midpoint in calendar 2014 and our fiscal 2014 3G, 4G device ASPs are estimated to be between $216 and $230 down slightly by $3 or 1% year-over-year at the midpoint.

Turning to QCT, our outlook for fiscal 2014 builds of significant successes of fiscal 2013. Our leadership across key technologies required for modems and SoC's for smartphones and mobile computing continues to position us well across flagship designs and key customers. We expect fiscal 2014 QCT year-over-year growth to moderate somewhat compared to recent years, including the very strong growth we delivered in fiscal 2013.

Our position as the high-tier and with the OEMs that's strong driven by modem and application processor leadership and is expected to remain strong through 2014. The high-tier continues to be increasingly concentrated however which impacts our product mix, as well as our revenue and related operating margins.

We also expect strong growth in the low and mid-tiers driven by emerging regions including the anticipated launch of LTE in China in the second half of the fiscal year. We continue to see growth in China across all smartphone tiers and what we refer to as our EA or Emerging Accounts exceeded $1 billion in revenue in fiscal 2013. Our participation in the RMB 1,500 and above smartphone tier is strong, enabled by both Chinese and multinational OEMs.

Fiscal 2014 is shaping up to be another favorable year with Chinese OEMs as we build on our strength in the high-tier, enabling OEMs to drive LTE solutions in the mid and low tiers during 2014 in China and other emerging regions. We expect the launch of LTE in China to change the dynamics there as international OEMs leverage there worldwide LTE leadership to increase their positions and Chinese domestic OEMs move up tier and leverage their LTE position in China to export internationally.

Both of these expected trends are beneficial to QCT's positioned as all of our LTE chipsets include both the FDD and the TDD mode. We are currently shipping integrated chipsets across multiple tiers to support initial volume expected to start around the Chinese New Year.

In light of our near-term outlook moderating following a strong 2013, we are slowing the growth rate of our spending. We believe we are now operating the QCT business at scale and with our expense management initiative this year we forecast that we will exit fiscal 2014 at a lower operating expense run rate than we exited fiscal 2013.

In addition to operating expense initiatives, we have projects underway to improve product costs within QCT including driving supply-chain efficiencies and designing cost optimized solutions for the very price competitive low tier.

It is important to note that we expect 2014 quarterly QCT operating margins to trend differently this year as compared to previous years and in particular we expect them to strengthen in the second half of fiscal 2014. This reflects the quarterly demand profile and product mix we expect including the growth of LTE in China, as well as the anticipated customer device launches throughout the year.

In addition, the cumulative effect of the product cost and operating expense initiatives we are undertaking improved the margin profile over time. Accordingly, we expect to exit the fiscal year at a high point, above 20% operating margin instead of peeking in the first fiscal quarter as in prior years.

Looking ahead, we believe we continue to be well-positioned versus our competition. In fiscal year 2013, we delivered our third-generation LTE solution well ahead of the competition. It features LTE carrier aggregation with Category 4, supports all major standards in voice and data mobility scenarios and is available on a standalone or integrated basis.

Our LTE solutions now span the high-end to the volume tier and are well-positioned globally across FDD and TDD opportunities. The LTE feature sets required to be successful will continue to evolve at a fast pace, driven by competitive dynamics in the United States and Asia, compounded by the number of RF bands required to deliver the higher data rates and capacity to the consumers.

We continue to lead in mobile optimized application processors and this continues to be an area of investment for us as in the past. We have successfully grown our tablet design pipeline including such notable designs as the Amazon Kindle HDX, the Google Nexus 7, the LG G Pad, Sony Xperia Z and multiple tablets with Samsung and Nokia.

We see strong traction and a broad design pipeline for RF360 Front End products, which include the envelope tracker and antenna tuner, PA with integrated switch and RF POP. The envelope tracker has shipped commercially in handsets in September and the remainder of the solutions are scheduled to launch as expected throughout the fiscal year.

We also continue to make great progress with our mobile Wi-Fi and connectivity solutions building off our successful acquisition of Atheros. Our 802.11ac product continues to have strong design traction with over 150 smartphone design wins including many with top-tier OEMs. Overall, our Wi-Fi attach rate on a unit basis is over 50% and we expect it to continue to growth throughout fiscal 2014.

To conclude, we see significant growth opportunities ahead for our business and we are managing our resources to maintain our technology leadership and best position ourselves for the future. I look forward to discussing this with many of you at the upcoming Analyst Day.

And I'll turn the call now over to George.

George S. Davis

Thank you, Steve, and good afternoon everyone. We are pleased to be reporting strong financial results for both this quarter and the full fiscal year. Fiscal fourth quarter revenues were a record, up 32% year-over-year and non-GAAP operating income was up 20% year-over-year.

Non-GAAP earnings per share of $1.05 was up 18% year-over-year. Our non-GAAP result this quarter included $173 million or $0.10 per share litigation expense related to the recent ParkerVision verdict, which was not included in our fiscal fourth quarter guidance. Excluding this $0.10 charge our non-GAAP EPS would have been $1.15 per share or $0.09 above the midpoint of our prior guidance range and up 29% year-over-year.

In addition to strong operating results the impact of certain tax items, share repurchases and investment portfolio performance accounted for approximately $0.06 per share in the quarter.

QTL, total reported device sales by our licensees were $60.2 billion, just above the high-end of our guidance range with the average selling price in line with last quarter consistent with our expectations.

QCT had record revenues and MSMs in the quarter and implied revenue per MSM was down sequentially, reflecting increased low-tier shipments relative to expectations. QCT operating margin was 16% at the low end of our guidance, also reflecting the low-tier product mix. Non-GAAP combined R&D and SG&A expenses grew 6% sequentially consistent with expectations.

During the fourth fiscal quarter we returned approximately $3.9 billion to stockholders including approximately $600 million of dividends paid and $3.3 billion in stock repurchases. As of the end of fiscal 2013 we had used $150 million of our new $5 billion stock repurchase program announced in September.

Cash flow from operations was very strong at 39% of revenues, reflecting solid working capital performance, particularly inventory drawdown. We ended the quarter with cash and marketable securities of $29.4 billion. Our fiscal fourth quarter non-GAAP tax rate was 16%.

Turning to our results for fiscal year 2013, revenues were a record, up 30% from last year on strengthening QCT share at the high-tier, strong 3G/4G device growth and increasing ASPs in the QTL business. Non-GAAP operating income was a record $8.66 billion and non-GAAP earnings per share were a record $4.51, both up 22% year-over-year.

QTL's 2013 revenues were a record, up 19% year-over-year with operating margin of 87% towards the high end of our prior guidance range. We estimate that the fiscal 2013 3G/4G device average selling price was $226 at the midpoint, up $7 or 3% year-over-year.

QCT's fiscal 2013 revenues were also a record, up 38% year-over-year. Earnings before tax was up 39% year-over-year and operating margin was 19% for QCT, in line with our full-year guidance.

Fiscal 2013 cash flow from operations was $8.8 billion at 35% of revenues. We returned approximately $6.7 billion or 86% of free cash flow to stockholders during fiscal 2013, paying $2.1 billion of cash dividends and repurchasing $4.6 billion of our shares.

We are increasing our forecast for 3G/4G device shipments in calendar 2013 to between 1.075 billion to 1.125 billion units, up 15% to 20% year-over-year, driven by strength in emerging regions, particularly China.

Now turning to our guidance for fiscal 2014, we estimate fiscal 2014 revenues to be in the range of approximately $26 billion to $27.5 billion, up 5% to 11% year-over-year. We expect QTL top and bottom line growth to remain strong, driven by continued strength in 3G/4G, device demand, stable replacement rates and ASPs in developed regions, 2G to 3G migration in emerging regions as well as LTE deployments in China and elsewhere.

We are forecasting a modest ASP decline in fiscal 2014, down $3 at the midpoint or 1% to $223. We expect QCT to continue to benefit from technology leadership and modems and our Snapdragon family of products.

We expect QCT growth in fiscal 2014 to reflect strong end-market demand somewhat mitigated by the effects of OEM concentration at the high-tier.

QCT has successfully established strong positions across all of the key top-tier OEMs and much of the medium-tier smartphone accounts. QCT growth in fiscal 2014 is aligned with the growth trends in these tiers. In addition, we are seeing continued high OEM share concentration particularly at the high-tier and this impacts our product mix as well as our revenues and related operating margin.

We are also seeing a tiering of products by these large customers that is leading to a higher utilization of previous-generation MSM in their overall mix of products. We see this effect mostly limited to QCT's product mix in the first half of fiscal 2014.

As Steve mentioned, 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 forecast lower operating expenses and product costs, contributing to a stronger second half.

We expect fiscal 2014 non-GAAP earnings per share to be in the range of $4.95 to $5.15, up approximately 12% year-over-year at the midpoint. As Paul mentioned, we have not included the estimated gain on the sale of Omnitracs in our guidance, if this gain was included our fiscal 2014 non-GAAP earnings per share estimate would be up 17% year-over-year at the midpoint.

For calendar 2014 global 3G/4G based device shipments, we estimate that between 1.22 billion and 1.3 billion devices will be shipped by our licensees, up approximately a 11% to 18% year-over-year, reflecting increased shipments around the world, particularly in emerging regions. We estimate fiscal 2014 QTL operating margins will be 87% to 89% and QCT operating margins will be 18% to 20%, both stable year-over-year. We expect our non-GAAP tax rate to be 17% to 19% from fiscal 2014.

As Paul and Steve noted, we are slowing our level of operating expense growth in fiscal 2014. We expect combined non-GAAP R&D and SG&A expense to grow approximately 5% to 7% year-over-year in contrast to more than 20% annual growth over the past three years.

We are reducing a number of R&D process expenses in order to operate more efficiently and focus more fully on growing our investments in key areas including modem technology, low cost chip designs, CPU and VPU, RF360, connectivity and integrated SoCs as well as longer term initiatives like displays, small cells and enterprise products.

This reduced expense growth is well below recent years and aligns with the expected top line growth and our requirements to drive the critical elements of our roadmap and new technology initiatives.

We also expect to continue at an accelerated pace of return of capital to our shareholders. In fiscal 2014, we currently expect to repurchase a minimum of $4 billion of stock and we have included this repurchase activity in our guidance. We will provide further details of our capital return metrics at our New York Analyst Day in two weeks.

For the first quarter of fiscal 2014, we estimate revenues to be in the range of approximately $6.3 billion to $6.9 billion, up approximately 10% year-over-year at the midpoint. We estimate non-GAAP earnings per share in our first fiscal quarter to be approximately $1.10 to $1.20 per share, down 9% year-over-year at the midpoint.

Versus the year ago quarter, we are expecting increased shipments of thin modems and low and mid-tier products in QCT as well as the impact to longer term pricing initiatives that were not in place in the first quarter of fiscal 2013 and the impact of higher operating expenses.

As you will recall, our first quarter results in fiscal 2013 were very strong with the resolution of our 28-nanometer supply constraints, favorable product cost and low relative operating expenses.

We anticipate first quarter non-GAAP combined R&D and SG&A expenses will be flat sequentially with modest growth in R&D, offset by lower spending in SG&A.

In QTL, we estimate that total reported device sales of $57.5 billion to $63.5 billion will be reported by our licensees in the December quarter for shipments they made in the September quarter for approximately 14% year-over-year at the midpoint. We estimate the QTL ASP to be down in our first fiscal quarter versus the prior quarter consistent with the increased quarterly fluctuations we have seen during the last couple of years related to regional, OEM and product mix. We expect the ASP for our fiscal second quarter to be flat to up quarter-over-quarter.

In QCT, we anticipate MSM shipments of approximately 195 million to 210 million units during the December quarter, up approximately 11% year-over-year at the midpoint. We expect revenue for MSM to be lower quarter-over-quarter reflecting a greater mix of lower-priced modems. We expect QCT operating margin to be up sequentially and in the range of 17% to 19%.

We see the first fiscal quarter trend is being reflective of the first half of fiscal 2014 overall. We expect more favorable top line trends as well as cost and expense improvements in the second half of the fiscal year.

That concludes my comments. I look forward to seeing many of you at our Analyst Day on the 20th in New York, where we will provide further details and guidance points supporting our financial outlook for fiscal 2014 and beyond.

I will now turn the call back to Warren.

Warren Kneeshaw

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

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Mike Walkley with Canaccord Genuity. Please go ahead with your question.

Mike Walkley – Canaccord Genuity, Inc.

Great, thanks. Steve, just looking into the QCT, I calculate the guidance implies may be a 5% to 10% drop for the Q1 in terms of revenue per MSM. How should we think about that both sequentially and then on a full-year basis, would you expect your revenue per MSM given what sounds like a more mid to low end to be down relative to fiscal 2013 levels. Thank you.

Steven R. Altman

Mike, yes, I don't know if you're going to see a huge difference. It doesn't move around all that much actually. We are seeing a weaker mix, I would think relative to what you would normally see in a quarter like yes, certainly relative to what you would have seen last year. But it still remains I think reasonably strong throughout the year.

Operator

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

Simona K. Jankowski – Goldman Sachs & Co.

Hi, thank you. I just had a clarification first, which is, does the 16% operating margin in QCT include the litigation charge, and if you back that out what would be the margin. And then the question I had was it looks like the implied royalty rate declined to about 3.1% in the quarter? Can you just go over some of the reasons for that and how we should think about that going forward?

George S. Davis

Simona, hi this is George. The 16% did not include the litigation expense, which was taken in corporate and other. It was shown on the other line in OpEx.

Derek Aberle

This is Derek. So on the implied royalty rate as you know this thing tends to bounce around quarterly and there is a number of moving parts in here. Probably some of the factors that affected the decline from Q3 to Q4 included OEM mix shifts. Also, we had an increasing TRDS, the market as well as lower infrastructure royalties. And so the fixed licensing fee tend to be a bit of a drag on the rate when that happens. And we also had, actually the ASPs in the high-tier during this quarter increased and so those are the types of devices at that point that would be subject to caps.

And then finally, we had a couple of kind of one-time items including overpayment claim that came in the quarter and then some timing related to cash-based revenue recognized licensee payments.

Operator

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

Brian Modoff – Deutsche Bank Securities, Inc.

Yes. A couple of questions. So Steve, if were to walk through what you're saying regarding your mix improvement through the fiscal 2014, especially into the back half, what percent of that's coming from your overall savings from mix getting better perhaps if you say, with TDD LTE shipments in the back half of the year. And how much of this is coming from just simply cost savings? And in the comment you made earlier about $1 billion of revenue from China in fiscal 2013. Can you give us an idea of what that rate of change was from 2012? Thank you.

Paul E. Jacobs,

George, why don't you start on the first one, I'll probably add a little color to it.

George S. Davis

Sure. Hi, Brian. I would say that the operating expense improvement, it certainly helps, but I think it's the – I would put a little bit more weight on the product cost improvement. Certainly, China LTE coming in actually helps from a mix standpoint as well, and we also see a little bit less the kind of N minus 1 part issue that we're seeing in the first half of the year.

Steve Mollenkopf

And that issue – just for clarity, what that essentially means is you're seeing some customers right now, I would say, downshifting to a lower tier product, although still a high tier product from the perspective of how QTL would see it, but maybe a smaller, a lower product, still a low, high-tier product from the perspective of QCT. So you're seeing that. We think that reversed a bit going into the second half of the year.

With respect to the $1 billion in China, the way to think about that is, take our business in China really in the new channel. So remove Huawei and ZTE kind of the international existing business. It just takes the new channel that we have been developing and take away some of the higher tier premium devices. Just take a look at that new kind of QRD channel and what I would call the lower tier channel. We've grown that really from nothing over the last several years to now north of $1 billion. Last year it's probably doubled, I would say, over the year, I have to check, but it's pretty significant growth.

We are expecting in China the move toward LTE to be a good trend for us. So we think that channel is now working and set up hopefully we can move it to LTE, which would be better for us even further.

Brian Modoff – Deutsche Bank Securities, Inc.

Thanks.

Operator

Your next question comes from the line of James Faucette with Pacific Crest. Please go ahead with your question.

James E. Faucette – Pacific Crest Securities LLC

Thank you. Sorry. Just a quick couple of questions from me. First, looking at your long-term outlook, you've expanded your double-digit revenue in earnings growth again this year. I'm wondering, Paul, if you can talk a little bit about what you see as substantial long-term drivers at the longer end of that period from an end market perspective and how we should think about that. And then just a point of clarification, did I understand correctly, George that we could expect to exit fiscal 2014 at a low than we exited…?

Paul E. Jacobs

Okay. Let me start. So obviously we're still spending quite a bit in research and development. So we have spent $5 billion in fiscal 2013. We have moderated the growth of that, but it's still growing and so there is plenty of effort on new technologies, new products. Obviously the basic one, a 2G to 3G and 4G migration especially in emerging markets that's pretty fundamental for our growth.

LTE is spreading more particularly China as we say and we are really looking forward to that towards the end of the year, tap woods and other kinds of computing Steve mentioned the traction that we are getting on design wins on the tablet side. We talked a lot about small cells and that opportunity going forward more content going into the devices, talking already about RF front ends, Wi-Fi but also display sensor, integration other kinds of things. Clearly wearable, machine-to-machine these are new growth areas for us. Other growth is just more devices per person whether it's in computer or in their car, in their home, machine to machine so all these kinds of things are very significant growth opportunities for us going forward. So we are investing into those growth opportunities and a few others that we haven't yet talk to you about.

Steve Mollenkopf

And on the – I think your question, you broke up a little bit but the question I believe was will we exit the year fiscal 2014 at a lower run rate on OpEx than we entered in and that was the point Steve was making, we get through the kind of what we've been describing as a bubble of spending in the first half of this year, and we will be exiting the year at a lower run rate than we entered.

Operator

Your next 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. Just wanted to get back to the chip margins here, I am calculating another decline in the gross margins on the QCT side after going up a little bit last quarter, just curious I know this is probably a mix effect there, but are we starting to see more pressure from some of the larger tier-1 vendors impacting that gross margin and related to it from an absolute level, we are probably on line with MediaTek's gross margins now in that business. Just curious if you think we are bouncing along the bottom of an acceptable gross margin for QCT. Thank you.

Steve Mollenkopf

Tim this is Steve. I think you're seeing a couple of effects, one is you're seeing a mix shift which obviously comes at a different margin. You are seeing the effect of concentration in the industry where clearly people have a stronger buying power the more concentrated the industry is. Kind of moving forward although we don't give gross margin guidance I would say that those things we expect to be improving over time moving forward both from a mix perspective but also I mention some work that we are doing to improve product cost both at the supplier level as well as at the design level. So I think you're probably looking at a relative minimum right now.

Operator

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

Rod Hall – JPMorgan Securities

Yes, hi, guys thanks for taking my question, I just wanted to getting beat into that but I wanted to come back to the QCT chip margins and just trying to understand it feels like the high end shipments here in the end of the calendar you think your Q4, Q1 are probably lower than would have been anticipated and I just wanted to double check Steve that is in fact the case and that's – what – is it part of the reason that the guidance in fiscal Q1 and maybe a little weaker than we would have anticipated. And I just wonder the other question I've gone as it shouldn't some of that volume come back to us in the beginning of the year. Do you guys just think it's lost forever or are we just completely misinterpreting, I mean it's not really a mixed related issue at all in those chip margins.

Paul E. Jacobs

First of all, we still think that tier is growing. I think an important point we think it's going to continue to grow. Relative to what we would have thought a couple of months ago or even more than a quarter ago, it's probably a little bit softer in some OEMs relative to what we would have thought. And that impacted the mix and I would say the concentration of more thin modem relative to some larger Snapdragon products or probably you are seeing in the mix as well.

Moving forward there are couple of things that we mentioned, but I think one of the more important ones is that we think the move to LTE in China is an important move for us. And I would say, if you look at our unit guidance for the year, our unit plan delivering on all of the operating metrics that we talked about, we are not really expecting a massive uptick in terms of unit volume. We will continue to have strong units, but I think the plan is pretty balanced there, I just comment on it.

Operator

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

Stacy Aaron Rasgon – Sanford C. Bernstein & Co. LLC

Hi guys, thanks for taking my questions. I want to drill into the – I guess the China LTE for a moment. You've got unit growth of about 15%, which is not really a huge acceleration versus where we are today. And do you have LTE starting I guess sometime second half of next year, how much of this is do you foresee is current I guess single-mode TD-SCDMA players who are making the migration from single-mode TD to multimode TD-SCDMA and LTE. And is that incorporated into your unit guidance or if it's not do you expect to see any of that in 2014. Is that more of a 2015 horizon or longer?

Steve Mollenkopf

Stacy this is Steve. I think that we do consistent really even with prior year is, we tend not to take a very aggressive view on the beginning of launches. So we are assuming that we will see really some international OEMs move into the LTE market in China, more consistent with I would say a new up-tier product. Obviously new for us because we don't really get any volume today out of China Mobile even though it is the largest in the world. And we expect that transition down into the lower tiers at some point. But really our plan right now is that it'd probably be a higher tier product at first versus a replacement for the tier that I think you asked about.

Now I want to be clear we are pushing through our chipset offerings, a tiered roadmap into the market, so that could happen. But we have always been a little bit cautious in terms of the front-end of any technology migration, but no, the real work is happening right now. And you're going to see from us a multitiered strategy to push products worldwide in this technology.

Operator

Your next question comes from the line of Alex Gauna with JMP Securities. Please go ahead with your question.

Alex D. Gauna – JMP Securities LLC

Thanks very much for taking my question. Steve, I wanted to follow-up with exactly what can you tell us about plans from China Mobile in terms of the readiness of the network, when we will actually start getting deployments. And then I want to clarify, it sounded like in your 2014 forecast you're basing your view on mid-tier and high-tier growth, but you have also mentioned some of the entry levels in newer emerging SKUs being important. Can you reconcile those two statements as the low end or penetration to low end upside of your guidance, thank you.

Steve Mollenkopf

Sure, Alex, so on the China question it is difficult for me to talk about in the plans of any particular carrier – in this case multiple carriers. I will say that we are engaged actively as our others to help the launch occur as quickly as we can. But I think the decision of when really falls upside of our hands. We are working with some lead OEMs to support the timing that I mentioned in my script, which essentially is the Chinese New Year timing. And that does seems consistent with the quality of the technical work that we see.

With respect to low-end and high-end I guess the point we want to make is, the number one, the high end continues to grow. We are doing well there. We continue to expect that it will continue to grow and we will continue to have share position there. Now as a low-tier I think we are growing into that market as well as improving our cost structure into that market. However, the number of dollars per device is pretty different, than in the first category that I mentioned.

And as those mixes change it does impact our profitability and you are probably seeing that more in the near term. That's really what's you see. I think we are pleased to consider ourselves to be strong in both areas. In the lower tier we tend to be lower in unit but probably higher in terms of gross margin dollars per unit than our competitors. And I think we are probably a little bit better positioned going into LTE than what we expect to see from other people.

Operator

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

Kulbinder S. Garcha – Credit Suisse Securities LLC

Thanks for the questions. I just want to clarify one thing Steve, sorry a couple of things. The first thing is just on the high-end of the business. If I just want to – is what you are seeing that high-end demand in smartphones is – the market is still growing unlike some people see it. But some of those high-end customers are just buying lower ASP devices so there is a mix shift within them. So that hurts your QCT level of profitability in the near term, but it doesn't impact Licensing, is that the right way of thinking of it? That's my first clarification.

Then the second thing is that, if there is this increased buying power in the high-end which is obvious has been there now for at least a year I would argue, what is it that is now causing them to exert this pressure on you and why isn't this a multi-quarter or even multi-year issue because frankly I don't think those high end vendors are going to lose share any time soon. I don't think anybody else thinks that either. So is there risk when we get to six or nine months' time that maybe China LTE doesn't improve your mix in that segment of the business. But you have got this almost consistent pressure on QCT, so the day that QCT actually shows any leverage keeps getting pushed out. Can you just comment on those two that would be very helpful?

Steve Mollenkopf

Maybe I'll start with the last one first, which is our plan and even Paul's comments on the double-digit actually assume continued concentration in the industry, and one of the reason why we are comfortable in that beside growing the content in the device as Paul mentioned as well as in some of the adjacent markets that we talked about. Is that we believe that our investments that we made over the last several years and we are going to continue to make in key areas are protecting us in this area.

Now one of things that happened over the last several years that has masked this effect a bit is that we've been growing really into a growing market and growing share. Now we are at a point where I think the business is very much at scale. We are continuing to grow at the high-tier but now we are moderating I think the size of our investments to really show leverage in the business.

And you will start to see that I think more in the second half of the fiscal year as we work through this bubble that George mentioned in terms of operating expenses. Maybe I'll let Derek comment on the impact of licensing. He probably can cover that better than I could.

Derek Aberle

It’s Derek. So I think, as Steve pointed out, we’re continuing to see growth and expect to see growth in the high-tier. The high-tier actually has a pretty wide spread of selling prices, and so as Steve pointed out, there might be a situation where some of our, not the highest tier, but still a high-tier part are going into devices that still from a licensing perspective we would categorize as high-tier. And although, as the selling prices come down, we have things like caps that may cause a muted effect as some of the ASPs come down. So probably be some impact on licensing, but I would expect it to be less than what’s been seen right now in QCT.

George S. Davis

Kulbinde, this is George. Just want to add one other point. I think you would ask about the dependency on China LTE in the second half and I would just say that our actions on operating expenses, our actions on product cost improvements, both in the supply chain and internally plus our view of where the part mix goes based on the launches, all those are factors that are not depended on that that help us in the second half of the year.

Operator

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

Tavis C. McCourt – Raymond James & Associates, Inc.

Thanks for taking my question, a couple of them. First, specifically on the Snapdragon 200, which I think was the first purpose built design lower in Snapdragon, where are you in terms of shipments related to that and is there more coming in terms of low-end designs or is that one design that could help the margins to flow in?

Steve Mollenkopf

Sure. Tavis, the 200, I’m sorry. I don’t have the actual numbers on that. That was a very successful product for us and continues to do well. I just don’t remember what the numbers are. If you look at our product portfolio looking forward, I think we’re pretty pleased actually with the design traction in the lower part of the roadmap.

Today we have a couple of products, the AX10 and similar family that I think is doing a fairly good job in terms of design traction, particularly in international OEMs that are now looking at the growth in the China market as a growth area, particularly when they see the same concentration in developed markets and they’re going after that and they intend to after that with products that we’re engaging with them on.

Additionally, we are coming out with a product that's already sampling. It's actually going to be in devices here soon, which is essentially a lower tier AP, but also a LTE solution as well. And we expect that to also be an important product, not only in China, but also worldwide.

So we're continuing to, I think, put more focus on the low-end versus what we have had historically and really refreshing that product line. In addition, we are working on an cost optimized architecture for the low-end, which we think in addition to providing good design traction will also improve our cost structure down there as well.

Operator

Your next question comes from the line of Mark McKechnie with Evercore. Please go ahead with your question. Mark, your line is open. Please ensure that your line isn't on mute.

Mark McKechnie – Evercore Partners

Hi. Yes. Thank you. Sorry, it was on mute. This question is for Derek. The implied royalty rate for QTL, you brought up some of the factors that caused that to drop there in September. Could you just give us a sense for directionally how you see that moving throughout fiscal 2014? Thanks.

Derek Aberle

Hey, Mark, I was planning to give probably more color around that in New York. If you look at last year for instance that's kind of at the beginning of the year, we thought our best guess at the outset was we would come in maybe a little under the 338 range or so. But we said at the time that that was based on our current outlook of the market and as you know the market grew significantly faster than we expected.

And also ASPs went up throughout the year and so couple of things that we noted was that, if those things came through, it would likely be bit of a drag on the rate, which is kind of where we ended the year, here about 327 taking into account the last quarter. So I'm planning to go through kind of what we see in New York in a couple of weeks bearing in mind that there are so many factors that impact the rate that it is pretty hard to forecast that far out.

Operator

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

Romit J. Shah – Nomura Securities International, Inc.

Yes. Thanks. Steve, MSM units at the midpoint look like they are up about 6% in December, which is below the growth rate we saw in December of last year and the year before. Could you talk a little bit about channel inventories? How your biggest customers are managing supply, and I guess tagged into that how do we think about seasonality for March?

Steve Mollenkopf

Okay, I will start and maybe some of my colleagues can jump in as well. I think particularly comparing to last, last year I think was an exceptionally strong year. So I think comparing to last year is difficult to do. I think from two perspectives; one, as we were coming off of a supply constrained environment. We also had I think some very strong product launches that also impacted that last year.

This year I think you are seeing a combination of a little bit weaker mix than what we typically see and then people trying to figure out how to deal with the concentration that is existing in the handset industry. And we're seeing that little bit in our orders. The other thing I would caution too is that, these things can change now pretty radically in terms of how the smartphone business works. So this is our best estimate right now. We expect to see, I think, good unit growth but these dynamics can change pretty rapidly.

Operator

Your next question comes from the line of Tal Liani with Bank of America. Please go ahead with your question. Tal your line is open. Please make sure that your line is not mute. Your next question comes from the line of Vijay Rakesh with Sterne Agee. Please go ahead with your question.

Vijay R. Rakesh – Sterne, Agee & Leach, Inc.

So just two questions here, you mentioned the cost side. I was wondering the 28 nanometer works – do you have any acting things going on your product line as you look at 2014?

Steve Mollenkopf

Hi. The answer is yes. I will say we are in a constant state of deciding which products go to the next node and cost optimizing them. Also a lot of work even on, particularly in the low tier, how do we change the packaging to make it more appropriate for the low tier which is fairly different than what's in the high tier. So it is a constant effort for us to do that. As you know we have multiple sources of supply and some of this suppliers are a bit more focused on the lower cost notes versus the high performance notes, and you will see some times CS move supply around consistent with those goals.

Operator

Your next question comes from the line of Srini Pajjuri with CLSA Securities. Please go ahead with your question.

Srini R. Pajjuri – CLSA Americas LLC

Thank you, Steve a question on the mix of modem versus Snapdragon, how should we think about it for next year versus last year?

George S. Davis

Srini, this is George. What we are seeing is volumetrically it's easier to see. We believe we'll be starting out stronger in the first part of the year than we saw last year. How that plays out will really depend on product launches in the second half of the year.

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 LLC

Thank you, George we recognized it's easier to control OpEx to protect your profitability. That program reduced your cost of goods particular at the low end. I don't know what's the matter with the high-tier. China any how we can quantify improving contribution margins going forward and maybe where we are in terms of extracting further value from the supply chain what programs that we can do on the gross profit side. And indirect, I usually ask the same question on your cost of level to collect TD LTE?

George S. Davis

Clearly we see the actions that we are taking. This is obviously managing our costs. We are not just focusing on OpEx, the supply chain you can affected by how you design and you can also affected by how you interact with the supply chain and we are obviously focused on all of those things. And as we sided part of the improvement that we see in the second half comes from some of the actions that we are taking above the line not just below the line.

Mark Sue – RBC Capital Markets LLC

So they're going to on the LTE TDD question I think really probably not much change from last year, we continue to believe that we'll be able to successfully collect on LTE broadly including in China. We continue to add additional license fees over the coarse of the quarter on sort of single mode LTE several of those came from China as well. And we've actually seen recently in the last couple of months some positive statements from the operators as well as some of the government officials in China that I think are consistent with our prior view.

Operator

Your next question is from the line of Blayne Curtis with Barclays. Please go ahead with your question.

Blayne Curtis – Barclays Capital, Inc.

Good afternoon guys, thanks for taking the question. Lot of focus on today's view, I just wanted to go back I want to make sure I heard you right, if you could just talk about the adoption or the tax rate with Wi-Fi that's the way to add content. Relatively go back on the traction you're seeing with RFP, I think you said you will – that the EP shipping now but the TA will ship this fiscal year, can you just talk about the doubts that you're seeing with the OEMs and if you frame it with any sort of design wins or any color would be great, thanks.

Steve Mollenkopf

Sure, Blayne this is Steve. On the Wi-Fi side I think I mentioned that the unit share which includes all of our OEMs including ones which includes our modem solutions as well as our MSM solutions. We are now roughly 50% probably little higher than that, and we think that's going to grow into next year. if we were to back out solutions that are essentially just the once at MSM it's significantly higher than that. We are very pleased actually with how Wi-Fi has gone and we've talked for many years that we thought it would go into a similar way that Bluetooth and GPS have gone. It's just something that it's just advantageous to the customer for us to deliver together. So I think that's worked out there quite well.

On RF360, I think the main point is it's on track. You've already seen the first products come out and I think they have been pretty well covered actually in the blogs, but there are some devices that you are probably well known that have come out with the first version which is ET, the ET solution.

Throughout fiscal year 2014 we will see additional products within that family start to launch and that's again, as we expected, they're on track and we are pleased with how that goes. We think that's going to be an interesting business for us not only from the perspective of growing continental device, but it's also important for us to be able to solve the RF band problem, which we think we're well ahead of the competition and that will help us with not only in the additional business, but also pull-through I think our leadership in LTE.

Operator

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

Paul E. Jacobs

Yes. Thanks everybody for joining us and I just wanted to say another really strong year, strong quarter, want to thank our employees, thank our partners, thanking people. I want to also say thanks to the Omnitracs' employees as I said earlier. And obviously this coming year it shaped a little bit more heavily weighted towards the end of the year and we are doing things to manage our expenses and we spend $5 billion in research and development in fiscal 2013. So there is a lot of new products and technologies coming.

I'm also proud that we are able to return $6.7 billion in capital to shareholders. Looking forward, all of that growth we believe it's there and we expect as we said, double-digit CAGRs over the next five years.

So looking forward to a lot of opportunities in the future. We are prepared, love our strategic position. We look forward to talking to you more about that when we see you in New York. So hope to see many of you there. Thanks a lot.