Thank you, Warren, and good afternoon everyone. I would like to start by congratulating Derek Aberle on his promotion to President of QUALCOMM. Derek has been instrumental in creating and growing many important areas of QUALCOMM's business over his tenure, including our licensing business as well as our platforms and services businesses.

Under his leadership, QTL has more than doubled its revenues and profits, completed key license agreements and established QUALCOMM's 4G licensing program. I'm looking forward to continuing to work closely with Derek as we lead the next chapter of growth and success for QUALCOMM.

Turning to our performance, we delivered another solid quarter driven by continued leadership of our multimode 3G LTE chipset solutions and record licensing revenues. In recognition of our strong financial position and the continued growth of our business, we recently announced a 20% increase in our dividend as well as a new share repurchase authorization of $7.8 billion.

QTL had a record quarter from both, the revenue and earnings standpoint. Total reported device sales were also a record, but came in at the low end of expectations. In particular, licensee shipments in China were lower than expected. We believe consumer purchasing decisions were delayed in advance of the rollout of LTE and TDS CDMA volumes were stronger than anticipated and negatively impacted sales of WCDMA CMA 2,000 units. We believe much of this situation continued through the March period as well as a slower than expected ramp of LTE sales in China.

Despite these near-term headwinds, we continue to forecast strong growth of 3G/4G -based device shipments in calendar 2014, albeit somewhat more backend loaded than our previous expectation. We continue to grow our base of single mode 4G OFDMA licensees and now have over 100 globally, including more than 60 in China. These are in addition to the over 255 CDMA-based licensees we have globally.

QUALCOMM continues to invest heavily in developing the leading and most widely licensed portfolio of patented technologies applicable to 3G and 4G devices. In addition to our industry-leading position in 3G and 4G technologies, our licensed technologies include a wide variety of other technologies implemented in the same devices.

In QCT, we continued to build on our broad customer footprint as revenues in MSM shipments were up 8% and 9% year-over-year, respectively, MSM chip shipments were in line with expectations with a stronger mix of products in the premium tier. QCT's strong product leadership continues. Multiple products based on our Snapdragon 801 chipset have recently launched, including the Samsung Galaxy S5, the new HTC One M8 and the Sony Xperia Z2 smartphones and tablet.

Products based on our Snapdragon 805 and fourth-generation multimode 3G/4G modem, featuring Cat 6 LTE are expected to launch later this year. In addition, we recently announced several new products in our roadmap, further demonstrating our leadership position in bringing 3G LTE modems and 64-bit CPU architectures across multiple product tiers.

Globally, the momentum of Snapdragon-based devices continues to grow with more than 525 designs in the pipeline. In the second half of the fiscal year, we expect more than half of our MSM chip shipments to be LTE-enabled. Our Wi-Fi revenues are strong and growing and fiscal year-to-date Wi-Fi shipments are up more than 45% year-over-year. We now have over 350 802.11ac designs, including more than 250 on our mobile solutions.

We also announced our next innovation in Wi-Fi, with a comprehensive set of products that use multi-user MIMO to make it to the 802.11ac networks more efficient, delivering up to a 3X improvement in throughput. Here, we are able to take use of spatial reuse techniques we developed for cellular and use them to improve our Wi-Fi chipsets.

Looking forward, we believe LTE and unlicensed spectrum will provide further capacity enhancements and coexist nicely with Wi-Fi to help meet the expected significant increase in data demand. We are making excellent progress with her RF360 solutions, particularly the envelope tracker. Total shipments more than double this quarter and we now have over 75 designs across 15 OEMs.

Looking forward, our long-term growth drivers remain intact. Gartner forecast approximately 1.9 billion smart phones to be shipped in 2018, while cumulative smartphone shipments between 2014 and 2018 will reach approximately 8 billion. We continue to forecast strong 3G/4G device shipments for calendar year 2014 and the rollout of 4G in China continues to be an important near-term growth catalyst for our business.

Each of the operators in China have aggressive LTE rollout planned with China Mobile alone planning to expand its network coverage nationwide to more than 500,000 LTE base stations by the end of 2014. We have strong LTE design momentum with the OEMs in China, which is driving significant demand for our multimode 3G LTE chipsets.

On a global basis, the deployment of overlay LTE networks continues to be a key growth driver for us as over 270 operators have now deployed LTE and more than 210 additional operators are planning deployments according to the GSA. Further, they report that 48 operators are investing carrier aggregation across 28 countries and seven operators have launched commercially.

The extension of mobile technologies into industry such as automotive, healthcare, smart city's, energy and other consumer electronics wearables and other segments is also another set of growth opportunities for us. Looking forward, industry analysts forecast approximately 400 million 3G/4G non-handset device shipments in 2017.

Our inventions provide key building blocks in solving complex issues across these different verticals. Our strategy is to help the ecosystem use these technologies in a most innovative and effective ways. On the mobile computing front, there have been several positive developments. Microsoft is now offering its Office Suite on non-Windows-based tablets, further enhancing the utility of these devices by augmenting their productivity features. In addition, there are continued efforts from operators to encourage wireless data usage on connected tablets, including T-Mobile which recently announced an offer of up to 1.2 gigabyte of free data monthly for connected tablets as well as an offer for LTE-enabled tablets at equivalent prices to the Wi-Fi-only models.

In closing, we delivered another solid quarter and we are pleased to be raising our fiscal year earnings per share guidance. We have strong momentum with our semiconductor solutions and see significant growth ahead for 3G/4G devices, including the continued rollout of multimode 3G LTE devices in China and elsewhere throughout the globe.

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

George Davis

Thank you, Steve, and good afternoon, everyone. We are pleased to report record non-GAAP earnings per share this quarter, driven by better than expected operating performance from our QCT business and record QTL performance combined with strong investment gains and a lower than expected tax rate.

Fiscal second-quarter revenues were $6.4 billion, up 4% year-over-year and non-GAAP earnings per share were a record $1.31, $0.06 above the high-end and $0.11 above the $1.20 midpoint of our prior guidance range. The $0.11 improvement was driven by about $0.04 of operating items, including the combination of stronger margins in QCT and lower than expected operating expenses, partially offset by lower total reported device sales and mixed effects in QTL.

Non-operating items added $0.07 from the combination of investment gains and the impact of the tax agreement. QCT revenue and earnings before tax were above expectations, with revenues of $4.2 billion and shipments of 188 million MSM chipsets. Implied revenue per MSM was higher sequentially on mix contributing to a 17% QCT operating margin. That was above our prior expectations.

In QTL, total reported device sales by our licensees were a record $66.5 billion, up 9% year-over-year, but at the low end of our guidance range primarily reflecting lower than expected total reported device sales in China. The estimated average selling price was $224 at the midpoint, higher sequentially reflecting a slightly higher ASP in developed regions and estimated 3G/4G-based device shipments were 297 million at the midpoint.

With respect to reported units, we have reduced the midpoint of our calendar 2013 3G/4G device shipment estimate by approximately 17 million units to reflect the lower than expected device shipments reported for the December quarter. The unit shortfall was driven primarily by lower sales in China and North America.

In the second quarter, non-GAAP combined R&D and SG&A expenses decreased 3%, sequentially, as seasonal increases in employer taxes were more than offset by the absence of our Omni business, continued spending discipline and other employee-related cost reductions.

Year-over-year OpEx in the quarter is up 1% as R&D increases are being partially offset by lower SG&A and lower employee related costs, various cost initiatives, lower patent and legal expense and the absence of Omnitracs. Returns on our investment portfolio reflect gains from strong investment results being recognized as we balance risk in the portfolio in line with our increased capital return targets. Our forecast includes continuing gain recognition over the next two fiscal quarters although at somewhat lower levels than in Q2.

During the fiscal second-quarter, we returned approximately $1.6 billion to stockholders, including $589 million of dividends paid and $1 billion in stock repurchases. During the quarter, we announced 20% increase in our dividend and increased our stock repurchase authorization to $7.8 billion.

Cash flow from operations was $1.8 billion or 28% of revenues and we ended the fiscal quarter with cash and marketable securities of $32.1 billion. Our tax rate was lower than expected during the quarter as we reached agreement with the IRS on certain U.S. tax matters relating to ongoing royalties and transfer pricing. We now expect our non-GAAP tax rate to be approximately 16% for fiscal 2014.

On the legal front, the company received a Wells Notice from the SEC regional staff regarding their FCPA investigation. The notice reflects the staff's preliminary determination to recommend that the SEC file a civil action against the company. We responded with a Wells submission expressing our belief that we have not violated the FCPA and that therefore no action should be taken. We are continuing to cooperate with the investigation.

Looking ahead, our guidance for fiscal 2014 is mostly unchanged except that we are modestly increasing our earnings per share expectations for the fiscal year to reflect the better than expected performance year-to-date. We have increased our outlook for QCT business for the remainder of fiscal 2014, driven by our strong LTE product leadership and the expected ramp of LTE in China. We have reduced our outlook for QTL for fiscal 2014, as a result of among other things, the soft seen in the December 2013 quarter for reported devices and near-term spike in sales of TDS CDMA devices in China to clear the channel for new LTE devices, a more backend loaded ramp from LTE deployment in China, which will push volumes outside of QTL's fiscal 2014 and lower revenue per unit on the impact of global OEM share mix.

We now expect fiscal 2014 non-GAAP earnings per share to be in the range of $5.05 to $5.25, up approximately 14% year-over-year at the midpoint relative to 2013, and up $0.05 at the midpoint from our prior guidance. We are holding our forecast for total calendar 2014 estimated 3G/4G-based device shipments, but our forecasted now weighted more towards the second half of the calendar year, reflecting our updated view of the timing of the expected LTE device ramp in China.

It is worth noting that this revised forecast results in shifting a greater portion of QTL royalty units out of fiscal 2014, which reflects reported units for the 12 months ending in June 2014 and then into our fiscal 2015.

In QCT, we continue to forecast operating margins to be 18% to 20% for fiscal 2014 and to exit the year above 20%. For the third quarter of fiscal 2014, we estimate revenues to be in the range of approximately $6.2 billion to $6.8 billion, up approximately 4% year-over-year at the midpoint and 2%, sequentially. Our estimates reflect high single-digit year-over-year revenue growth for QCT and relatively flat year-over-year growth for QTL as unit growth is offset by lower revenue per unit on mix.

We estimate non-GAAP earnings-per-share in our fiscal third quarter to be approximately $1.15 to $1.25 per share, up 17% year-over-year at the midpoint. We anticipate fiscal third quarter non-GAAP combined R&D and SG&A expenses will be higher, up 6% to $8%sequentially, primarily driven by QCT product roadmap and supply chain initiatives.

In QTL, we estimate total reported device sales of $56 billion to $62 billion will be reported by our licensees. In the June quarter, for shipments they made in the March quarter, up approximately 4% year-over-year at the midpoint, but lower sequentially as compared to the seasonally higher holiday quarter shipments.

We estimate that the QTL device ASP will be relatively flat quarter-over-quarter and we expect QTL's operating margin percentage to be modestly lower sequentially, primarily due to lower revenue.

In QCT, we anticipate MSM shipments of approximately 198 million to 213 million units during the quarter, up 9% at the midpoint, sequentially, and up approximately 19% year-over-year at the midpoint and we expect revenue per MSM to be similar. We expect QCT operating margin to be approximately 18% to 20% for the third quarter, higher sequentially reflecting increased MSM volume.

That concludes my comments. 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

Thank you. (Operator Instructions) Your first 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. Just a couple of questions, the first one was on your guidance just clarifying. It sounds like you are raising your overall QCT guidance for the year on higher LTE expectations in China, but at the same time you are lowering QTL because of the how they have held within the fiscal versus calendar year, so what gives you the confidence that even though the timing is pushed out, the absolute magnitude of that is going to be higher, hence driving upside in QCT.

Then the second question was on the implied royalty rate which has been now about 3.1% for three quarters in a row. Previously it had been about 2.3% for six quarters in a row. Is this the new rate that we should be thinking about going forward? Thank you.

George Davis

Hi, Simona. This is George. One of the things I would point to the guidance, first off you are right. The biggest single factor is how the LTE ramp is going to take place and you'll see it quite demonstrably in the QCT results. If anything that should give you confidence in what is coming for QTL, but we are also seeing much more TDS CDMA inventory drawdown going on in China right now which really QTL doesn't participate in and that's another factor that kind of exacerbates the China effect.

Steve Mollenkopf

Simona, this is Steve as well. In terms of the confidence, what you're seeing in the QCT numbers is, I think you are strength really across the board in fact broadly in China across tiers and across OEMs and our problem now is not really a demand problem. Actually in the near-term, we are actually trying to fight through some short-term supply issues because the demand has been even more than we thought.

I think we feel pretty good about the QCT numbers. Also although it's outside of the fiscal year, I think thinking about QCT as a leading indicator for QTL is also a good way to think about the business as well.

Derek Aberle

Simona, this is Derek. On externally imply growth rate that you guys calculate, we were at 3.08 last quarter and kind of indicated we expected that the trend in Q2. It did come up a little bit to 3.11, but frankly I we expected it would be a bit higher and it was hit by a couple of things. One was the timing of some of the cash-based payments we now have from some of the smaller licensees, little bit of OEM mix and then also a higher percentage of the TODS hitting the caps with things like tablets and the strength that still remains in ASPs in the developed regions.

As we look ahead to the year, I think we gave the range in November of sort of 31 to 33 for the full-year, full fiscal '14 and I think just given away the year is playing out we've seen for instance a little bit higher deductions from some of the price discounting that went on in the early part of years, year before some of the iconic phones we expect to come out here in the back half. We've also again as I said had a higher percentage of things hitting cap, so I think we are now looking at it and assuming for the year we would likely to be towards the low end of the 31 to 33 range for fiscal '14.

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. I guess, Steve, you mentioned that the MSM business potentially being a leading indicator for the royalty business. I guess that premise there is that ultimately these LTE chip builds results in sales in China, but I am wondering how much visibility do you have on promotional activity given the lack of demand so far. Then secondly on MSM ASPs, can you talk about what drove those up sequentially relative to last quarter? Thanks.

Steve Mollenkopf

Sure. On QCT side, that I think if you look at the QCT numbers, obviously it's really a quarter prior to the same units hitting a QTL, so we feel pretty good about what's happening there and how it leads into the QTL side on. On the chip shipments, probably the best indicators, we are just seeing a lot of design pipeline and request for chips.

As if it's almost like a spring that wound and they are waiting for kind of the official start to happen, but we are really pleased with how that been happening so far. Now, as we have said in previous reports, it's very difficult to predict the exact timing on the start of the ramp and in particular one that has so much intensity around it, but we are working like crazy to get chipsets into multiple OEMs to support it, and that's why you know we tend to have a reasonable confidence based on what we are seeing in QCT.

I am sorry. You had a second question, our MSM ASP, really we had a strong mix actually. If you look at what happened in the March quarter is the mixed was pretty strong, in particular some of the devices that than have been launching worldwide that continues to be something that's good for us.

Operator

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

Mike Walkley - Canaccord Genuity

Great. Thanks. Steve just on the revenue per MSM, I think you guys talked about in the call, it's 50% plus of your shipments with the LTE in the second half of the year show that mix shift to expect the revenue per MSN to increase throughout the remainder of the year. Then also with OpEx up a bit sequentially R&D, just update on the cost optimization program and how is that trending versus your 20%-plus operating margin target for fiscal year. Thank you.

Steve Mollenkopf

On the second one first, I think we feel pretty good actually how the cost discipline in QCT has been in transpiring throughout the years, so I think that's it in a good direction. Same thing with the supply chain.

Now, in terms of your first question about mix, I think George gave them indications about what it would be sequentially, which I think was roughly I think if I look at your comments that you just made. The one thing to remember about the launch of LTE and in particular our strategy to support that launch is that this will be a launch across multiple tiers, so we are going to be launching at the high tier with products in 800 class as well as the 400 and 200 class, so we are going to be refreshing those portfolios as well as we go into '16, so I think it's going to be a broad based launch and the way to think about at least the way we think about is you are you're adding a new tier which is the premium LTE tier, but also replacing the tier which is now sitting a TDS CDMA, so those blended numbers may not produce the premium uplift hat you are thinking about, but I think that's a good trend for us broadly as the business.

Operator

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

Brian Modoff - Deutsche Bank

Hi, guys. A couple of questions. With regard to LTE, you are talking about the 6% of volumes in the back half, what are you seeing from (Inaudible) demand playing up from we are just talking about low to high end, what are you seeing competitively from other vendors in terms of any volume shifts. Do you expect to see any of the - and any volume this year.

Then with regards to the Wells Notice, you know what have you guys seen historically as kind of what we could expect from the government from a standpoint of any disciplinary rulings like what are typical outcomes that that you see what companies do actually end up having to settle with the SEC and things like this.

Steve Mollenkopf

Brian, this is Steve. On your question about the competitive environment, it's obviously a very competitive market. A lot of people are going after the market, but we feel good about our leadership position and actually I would say it's a leadership position across tiers and across multiple technologies in the tiers. For example, we have been launching - we announced and are now ramping the 64-bit products across tiers that go along with the LTE and we think that's going to be an important component of how we compete and continue to compete moving forward.

Just being ahead of people and being ahead of them across tiers, I also think that that will be very important outside of China as well, which as you build a strong position in LTE across tiers and you use that to convert the emerging markets as well, so we feel pretty good about where that sits right now from what we are seeing in the accounts.

Don Rosenberg

Brian, it's Don Rosenberg. On your Wells question, I mean, you and everybody else can do the same research we do. You can look at the historical record on these kinds of things, but I should say that as we say in our keep in mind that the Wells Notice is a reflection of the regional staff's preliminary recommendation. We've responded. We think with our good arguments as to why we don't think there is an FCPA violation here. This is going to continue in terms of discussions, so at this point I wouldn't want to say anything that sounds like any kind of prediction, but in terms of how these things have played out in the past, as I said you can take a look yourself.

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. I wanted to go back to the units for the December quarter. Maybe for you, Derek. Just looking overall first on the China piece, I am just curious do you think there is some of OEMs have reported numbers for the December quarter and it didn't really look that bad, so just curious if you think other than the mix shift TDS CDMA whatever, do you think you are getting paid less by licensees in China now? If so, or if not does government and all the U.S. China issues have anything to do with that?

Second part of it, the $6 million that you took out of developed for the year 2013, I'm assuming that's all Q4. That's a pretty meaningful numbers, so you mentioned North America, but what do you think is going on there and do you think the upgrade programs will help that.

Then just last, even if you just give normal seasonality over the last few years, it looks to me like you are still probably $25 million $30 million phones light, so is there something else going on more broadly that you think impacted the December and now the March quarters? Thank you.

Derek Aberle

Tim, this is Derek. Let me try that. I'll just take those one-by-one, maybe I will jump into North America first actually, so I think this was pretty widely seen across a number of the OEMs. Really in North America, in particular is where we saw the softness in the developed regions in the December quarter and I think it was kind of a combination of a couple things, but one of the key drivers was many of the operators appear to have really more stringently enforced, the two-year upgrade cycles versus kind of their historical practice I think in an effort to try to move more people to their early upgrade programs and at least initially end of the December quarter kind of the net-net of that was negative and we saw a slowdown in the replacement cycle.

I don't know if you have caught, but AT&T reported just in the last day or so and it looks like they had a pretty interesting shift in Q1 of replacements going to the early upgrade program, so what we have kind of done for the calendar '14 year is assume we had already had a reduction in the replacement rate into our calendar '14 numbers and we have taken a little bit further reduction on that in North America, but there are at least some early signs that more people are embracing the early upgrade programs and so we will have to kind of wait and see how that plays out in terms of driving the replacement rate in developed regions.

In China, I think again approximately 11 million units that we were down in the December quarter, primarily from China although there were some impact in a couple of the regions as well really is again consistent with the data that I think that has come out of the China market in terms of a slowdown before the LTE launch and I think what got reported to us I think is largely consistent with what sort of people expected after the reporting came in for the December quarter.

Again, I think more of a market dynamic in terms of a slowdown before the LTE launch. Then as George pointed out earlier, what we saw coming into the March quarter is, I think it's very clear to the OEMs that the subsidy will be shifting from 3G to 4G devices in the near future so I think an effort really to kind of believe the channel of TDS CDMA, which is having a negative impact on us from a QTL standpoint in the in the March quarter.

Again, we continue to be very vigilant in our compliance activities in China, and as I have said in the past, there is always a certain amount of leakage there, but we continue to do all the things that we think that worked well for us in the past and we are going to continue to stay on top of that, but I think really you are seeing a lot of market dynamics driving the results there.

Operator

Your next question comes from a line of Timothy Arcuri with Cowen and Company. Please go ahead with your question.

Timothy Arcuri - Cowen and Company

Thanks. I had a couple. First of all, can you talk a little bit about the pricing environment for LTE, particularly there was a very large semiconductor company that now is segment about how much money that they are losing in their mobile business, so can you talk a little bit about the pricing environment in LTE number one. Then number two, can you update us on the pace of the ramp for LTE in China and maybe speak how long it will take until LTE unit volumes in China cross over with TDS CDMA? Thanks.

Steve Mollenkopf

Tim, this is Steve, I will hit the first part. I don't have answer to the second one. Maybe my colleagues can work on that while I am first part. On LTE, that's actually one of our premium areas, so we tend to have - that tends to be a good area for us in terms of pricing.

As I previously mentioned, in addition to supporting that in the premium tier, we also support that across tiers and part of the purpose of doing that is to accelerate the transition globally to multimode 3G/4G, so therefore we actually we do have chipsets specifically designed to hit the price points of mass-market smartphones and even and even the transition things like that TDS CDMA volume into the TD LTE volume as well, so it's really a mixed and today the majority, actually the vast majority of our chipsets support LTE and as has been our practice, we supported across tiers, so it's really a very much at a mix.

Now, because we have a leadership position and we think we can maintain leadership position because we were really several generations of folks, we have been able to - that has been good for the business and we are endeavoring to keep that going.

Derek Aberle

This is Derek. On kind of the shift from TDS CDMA to LTE, again I think we are seeing as in the March quarter, I think in anticipation of the shift in subsidy from 3G to LTE devices that's coming really the OEMs pretty aggressively trying to try to burn through the inventory there, so we saw a pretty meaningful increase in sales in the March quarter and that also had the effect of love cannibalizing to some extent the WCDMA and feeding a volumes in China.

As Steve has commented on, we really are seeing know the supply chain, the OEM base really aggressively prepared the launch and growth of LTE devices so I think we will continue to see some amount of TDS CDMA sales. We believe they really be pushed to the to the very lowest tiers of devices. LTE is already starting to come in the low tier as well, so I think that there is going to be pretty accelerated transition as LTE takes off.

Operator

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

Ehud Gelblum - Citigroup

Hey, guys. Appreciate it. Thank you. A couple of things, in the past you guys had mentioned that the caps on tablets were voluntary. Just wondering if there is a strategy at some point to take those caps off at the time we get a date, but is that something that's still out there [to consider] and how should we be looking at that down the road.

George, you talked about exiting the year on the QCT operating margin at above 20%. How do we look at that then going forward? Are we still looking at kind of the low 20s going forward in out years or are we going to get some sort of (Inaudible) 21 22 sort of on average as we get to next year and beyond.

Third question, is China Mobile obviously was in the first calendar quarter of the year was still under three mode requirement by June, they will move to five mode requirement, do you see that impacting at all your success in the QCT side and how do you factor that into and what you are telling us. Then finally anything else about? I mean, I saw the 10-Q commentary in the Wells Notice, I am looking for some more detail on specifically what were the instances that that are in question and what are they alleging besides from this overall allegation? Is there anything specifically you can tell us as to what they are specifically saying and what you are rebutting or is it complete kind of secret.

Derek Aberle

Ehude, this is Derek. On the tablet caps, yes, you are right. We put that in as a voluntary program and I have to say obviously we have been a little bit disappointed with the uptake on the connected attach rates for tablets, but the good news is I think we are starting to finally see some positive signs both in terms of the way that the operators are approaching data plans and some of the incentives that are being provided to drive more WAN connected tablets and then also kind of the on-ramp in some emerging regions where Wi-Fi is no less established than in the develop regions, so I kind of feel like we are bit at an inflection point and you know this would not be the right time to look at altering kind of the licensing model around tablets, but we will continue to monitor the marketing and see where things go.

On the QCT operating margin, yes we do expect it to be above 20% at the end of the year. As we said in our of guidance coming out the analyst meeting that the we see 20 to 22 moving from an 18% to 20% regime to more of a 20% to 22%-type operating margin. We might not get there in '15 as we indicated on at that time because the dynamics around the supply chain for 20 nanometer devices, so we will see how that plays out. We are still confident we can meet with an 18% to 20% range, but we haven't taken '15 up yet in line with our long-term view.

Steve Mollenkopf

This is Steve. On the three-mode, five-mode, we have designs on both and we actually have the ability to do on the same chip, so we are prepared, whichever way that goes.

Don Rosenberg

Ehud, this is Don. I think, you are the only that's fiddled four of us in one question. Notice and all four of us one question so, I think you know the answer. I can't give you more detail than is included in our Q. We have done that and you can see over the time that this has been subject of the Q, we have been fairly consistent with what we've described in that continues until this day and again read the Q. You will get a sense there, but we are still obviously in the middle of this process so am unable to give you any more details on what we concluded there.

Operator

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

Stacy Rasgon - Sanford Bernstein

Hi, guys. Thanks for my questions. I think, I have three, so the first one I'm trying to wrap my head around the shortfall again in December. Some are push out in LTE. I can kind of buy it March maybe, but in December unless you had a sizable amount of LTE phones in China in your guidance or there is a significant amount of cannibalization of TDS CDMA aiding into WCDMA. I am not quite how the logicals given the timing of subscribers 40 subscribers in China. I don't know why you have had a large amount of 4G phones in your guidance for December quarter shipments. I am not sure how a bunch more TDS CDMA shipments on China Mobile cannibalizes in China Unicom and Telecom unless there are - I am having a hard time seeing how subscribers are moving over and mass in front of what would eventually be the 4G launch. Why wouldn't they just stay where they were?

Second question, you talked about an upward bias originally to units forecast and now it sounds like you are taking that off the table, which you are pushing it in to 2015. I think the impression you had given before was with your basement was conservative and then that you have that potential upward bias and it doesn't sound like - it sounds like, where China is coming in so far is actually the low for our base line was any commentary you can give on that would be helpful.

Then finally on OpEx, this was the second quarter in a row you have pushed OpEx out. That's great. Actually that would take EPS guidance down to the back How much room is there I guess to have continued control on OpEx and can those cuts kind of be permanent? Does that OpEx eventually have to get spent as it pushed into the back half? Thank you.

Derek Aberle

Stacy, this is Derek. Let me try your first question. Really, let me try to break into quarter, so I think there was a few different dynamics which were playing out over different periods of time in China. In the December quarter, again, which I think this is pretty consistent with know the data that's come out of China since December. Really, we believe it was more of a slowdown of the 3G device sales, kind of a pause in the purchase cycle from folks that anticipated LTE launching a little bit earlier than it did in '14, so there was that slowdown at that point.

Then when you shift over into maybe at the tail end of the December quarter, but really in earnest in the March quarter, I think the realization that the subsidy dollars were going to go away as it related to the TDS CDMA devices. There was this window in which the OEMs really decide to aggressively push the TDS CDMA devices and those tend to be, I mean, they are kind of a broad portfolio, but they certainly create quite a bit of competition against China Unicom, China Telecom in the mid to low tier, so when TDS CDMA does well, it does have an impact on the volumes by the other operators in China, so it's really sort of the two effects there.

Then again I think most less expected the ramp to move little bit more quickly on LTE and for variety of reasons that's pushed out a bit, yet again all indications from the supply chain are that everybody is aggressively getting ready for that to happen very shortly.

On the units guide, we said last quarter that we thought there were some upside to that and really what we are saying is that with the push out in timing that really it's more backend loaded, so we would probably be a little more cautious in our view, but we are holding guidance.

In terms of OpEx, the teams have done a very good job of looking for opportunities to defer, reduce wherever we can. We do have some things that we know we are going to have to get to on the product roadmap and also on some supply chain initiatives and just some general cost escalations, so we will be coming up a little bit, but I would say that we are going to be still meeting our objective of only being up 6% year-over-year and exiting the year at a lower run rate in OpEx, coming out of '14 than we had going into '14 and that's for the whole company and for QCT.

Steve Mollenkopf

This is Steve. Just one more note really on the units is that if you look at the units in QCT, they are probably up actually relative to what it would have been a quarter ago, and I think that's indicative of some strength across different OEMs as the mix has moved around a bit, so they are up and actually it has been really strong and that gives us some confidence also to make the statements that we made with respect to the full-year calendar numbers which is really where George's comments went to, so we are seeing an up uplift on units in the next semiconductor business.

Operator

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

Tal Liani - Bank of America

Hi, guys. Hopefully you can hear me. I have three quick questions. First, if I am right then the tax rate goes down from 18% to 15% on a permanent basis, if you can clarify it?

Second, have you seen any impact of China litigation on your discussions for QCT business in China? Is there any correlation between the two or not at all if you can discuss the puts and takes?

The last part is going back to comment about the QCT margin, you spoke about - you said hope you can maintain 18% to 20%, what are the projects that would bring your QCT margins or what are the investments that you may need to make that would bring the QCT margins below the current target and what are the projects or the conditions that would bring it above, so we have kind of the full range? Thanks.

Steve Mollenkopf

On tax rate, it's 15% actually in the quarter, but that includes a catch up from the agreement for the first quarter. I would say the baseline run rate that we seeing today based on the agreement would come down about 1% and we had forecasted in roughly 17% or 19% just under 18% for the year. That's coming down now to 60% but some of that is the effect of the one-time element.

Now I'll remind you that does not include any benefit for the benefit for the R&D tax credit, which would have an effect when and if it is renewed and we are also seeing a little bit benefit this year from the mix effects on the tax rate because we are seeing a little bit more revenue in QCT relative to QTL for all the reasons we discussed earlier on the call and that has a positive impact on the tax rates for the year, so 16% is sort of the baseline run rate for the year, little below that in the second quarter.

With respect to the China litigation, I would say it's hard to say really. I think there's technology leadership tends to jump most concerns actually and that's what we are seeing. In fact if anything in that market we are seeing probably more concern about our ability to be able to supply as much as we have. We are probably fighting more demand than less demand I guess and trying to make sure that we can be supply given how quickly the people are ramping up the desire to chipsets which is helpful.

On the QCT margin, I think the main thing to take away is it's going the way that the plan we laid out in fact I am very pleased with the organization being able to shift and be able to do that things that are applying pressure, I mean, we do see the opportunity to work on our supply chain both, from a supply assurance but also from a cost perspective and we are interested in making sure that those things happen, but the main thing is I think we have good visibility into how that's going to layout and it's going according to plan.

Operator

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

Unidentified Analyst

Yes. Hi. Thanks, guys. Thanks for taking my question. This is Ashwin on behalf of Rod. Steve, I think questions are primarily aimed at you. The first one is on basebands. In light of recent reports that major vendors trying to produce their own basebands, I would be interesting to know how open are you to license your based band designs for probably a lower price, but better margins. Do you think there will be a big long-term business opportunity for you? Also, it would be interesting to get your comments on the performance of Snapdragon 808.10 versus like an Intel i5 chip that primarily goes into laptop, if you could provide any color on, where we have more ARM chips shipping into laptops that would be good.

Steve Mollenkopf

Sure. On the baseband side, it's actually not a new trend for people to kick off their own baseband designs. The history of that is that tend not to be successful in particular are not terribly successful at the leading technology tier. That's really where the majority of the margin is and we have been able to maintain and I would submit that's it's actually probably harder to do that today than it would've been in the past just because technology is moving and it's moving across multiple mode, so I don't know if I see that as the biggest concern right now.

We have not entertained a licensing model so far and it's actually quite difficult to do with the modem unlike and something like an ARM core or CPU or graphics, because there's so much technology and so much fieldwork that you have to do to make sure that those things work globally. In fact that's one of the areas that helps us are just our global scale. It is very difficult for people to repeat even if they are large OEMs, so that's one of the things complicates doing a licensing model. It has not been really one of our strategies moving forward on the baseband.

In terms of performance relative to some of the others on the tablet side, we feel very good about that actually. If you look at our power performance, we feel good but then also the name of the game there is really performance and feature set across a wide range of technologies. They have to look at things across the entire multimedia camera graphics modem connectivity and CPU and people tend to compete with us on one or two of those factors, usually just one but not across all of them and that's really what's important in the phone space and important in the tablet space.

One of the things that we are hopeful for down the road, it's consistent with my remarks is that Microsoft putting Office Suite on OSs other than Windows that really opens up I think the tablet device to be more than just a media consumption device and it becomes much more of a productivity device, so we are anxiously awaiting that the results of how the market excepts that, so we tend to think of our position from the smartphone is being the place to attack the tablet market versus the other way around when we look at it, so we feel pretty good actually where our product family looks relative to those aspects.

Operator

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

Blayne Curtis - Barclays

Good afternoon, guys. Three quick questions. First, on the supply constrains that you mentioned, does that clear up in the quarter and if you could just provide any color if possible on where you are seeing the constraints.

Then you talked about 30% LTE adoption only seven carriers on interrogation, so I am assuming those volumes are small, do you see any material uptick this calendar year there you talked about how much that in terms of additional [content] and whether accretive to margins. Then finally the comments on Wi-Fi of those 250 wins, if you could give any color of approximate how many are shipping today. Thanks.

Steve Mollenkopf

Sure. On supply constraints, I really mentioned, it's something that's cleared up actually in this quarter and we are I think well ahead of it now, but I really mentioned it to provide color as to the demand picture in China. We are seeing significant ramp up demand, and the way the China market works, it tends to have a little bit less headway or lead time relative to some of the other markets and it's also the way that that new product launches are intense technology launches work, so I mentioned that not to highlight a problem, but more to highlight the intensity of the demand picture in LTE, but that does get cleared up in the quarter as I said.

In terms of a carrier aggregation, it really is the key feature set. This year and although I only you have only mentioned mention seven tiers, they tend to be the carriers that pushed number one a lot of volume, they also push the key design win, so North America, Korea, Japan and Europe are dealing with very complicated spectrum allocation pictures and they tend to be the places that determine where key designs are won or lost, so the number of carriers are growing, but also the significance of those carriers is actually probably more than just one on the scale of one, so we tend to do well.

That' tends to be like any new modem feature something that helps our margins and that we have a whole list of them of them that are coming out, so that's really what we have been good at doing. On Wi-Fi a lot of them are shipping. If you think about our Wi-Fi business, it's really an extension of our platform business, so if you look at the tiers from the low tiers moving up, we have been steadily increasing the attach rate of our Wi-Fi in fact with the exception of a small number of flagship devices. I think we are closing even that window as well, so pretty pleased with what's happening with Wi-Fi.

I think long-term, you are going to see Wi-Fi moves a triplet, we are going to have a high-end AP, the high-end mode feature set and the high-end connectivity feature set traveling together as a triplet and we feel like we are in a unique position to provide that.

Operator

Your next question comes from a line of Mark McKechnie with Evercore. Please go ahead with your question. Mark, your line is open. Please make sure that your line is not on mute.

Mark McKechnie - Evercore

Okay. Thanks. Here I am. I appreciate it. First question for Derek on China, can you comment what percentages of royalties that you get from China, just kind of high level?

Steve Mollenkopf

Sorry, Mark, I am not sure I fully understood the question. You are saying what is the royalty rate in our deals with the Chinese?

Mark McKechnie - Evercore

No, what's the mix of the overall revenue base to China, I mean, is it I am just kind of curious to get a sense for how much of an impact that had on your outlook.

Steve Mollenkopf

Yes. We haven't really got into a disclosure of a breakdown of revenue by region, I think, for QTL specifically. I think you have decent sense of where the selling prices are in the region and in the units and probably can sort of try to back calculate where that ends up, but we haven't provided that specific guidance point in the past.

Operator

This ends our allotted time for questions and answers. Mr. Mollenkopf, do you have anything further before turning the call?

Steve Mollenkopf

Well, I just want to thank everybody for being on the call today and I know it's probably been a little bit different shape of the year 2014 in the mix of QTL and QCT, but I think we tend to be very enthusiastic about the future and we are doing I think the things that we need to do to position the business broadly into what is I think unique set of opportunities if you look at the growth of smartphones in China and LTE in China and really the growth of those same technologies into adjacent markets. We feel like we are really doing the right things to be well positioned, so I appreciate everybody being on the call and we will talk to you again next quarter. Thank you.