Thank you, Warren, and good afternoon everyone. I am pleased with Qualcomm's performance this past fiscal year. Despite challenges in the licensing business, we delivered record revenues of $26.5 billion and record non-GAAP earnings per share, up 17% versus last year.

Total reported device sales and MSM chipset shipments also set records, as our multimode 3G LTE and related technologies continue to enable the global growth of wireless data and our broad range of semiconductor solutions continue to be used in leading devices across all price tiers globally. We increased our dividend for the 12th consecutive year and returned approximately $7.1 billion to stockholders in the form of buybacks and cash dividends.

Looking at the fourth fiscal quarter, we shipped a record number of MSMs, driven by broad-based demand for our 3G and multimode 3G/4G chipsets, particularly in emerging regions. We continue to benefit from our tiered roadmap and diversified customer base as MSM chip shipments were up 24% year over year.

QTL was in line with expectations, as we continue to work through the issues facing the licensing business. Eric will discuss this more fully and update you on the ongoing NDRC investigation.

We made significant progress against our strategic and operational objectives this year. First, we set out to compete effectively across all tiers in LTE while driving the modem and AP roadmap to maintain our competitive lead. We are very pleased with our design activity in the premium tier, including the leading flagship devices.

The Snapdragon 805 is the first processor to offer system-level ultra HD support and 4K video capture and playback. In addition, our fourth generation modem, the Gobi 9x35, featuring CAT6 carrier aggregation, is now shipping.

Further, we introduced our new lower-cost architecture that debuted in the Snapdragon 410, which is now shipping in volume, and we recently announced the Snapdragon 210 processor, which will offer integrated multimode 3G/4G LTE and LTE dual sim for entry-level smartphones.

This effectively brings multimode LTE with carrier aggregation across all tiers of the roadmap. Second, we continue to focus our investments on adjacent opportunities that adopt our core technologies as well as technologies that address the 1000x data challenge and drive IOE adoption.

Notable milestones this past year include the extension of our wifi solutions with a comprehensive set of products that use multiuser MIMO to make

802.11 AC networks up to 3x faster and more efficient. Our overall wifi handset related revenues grew more than 40% in fiscal 2014.

We acquired Wilocity, a leader in the development of 60 GHz chipsets based on the IEEE 802.11 AD standard, which provides us with a technology to address high bandwidth use cases. We announced our second generation RF360 products and now have over 225 devices launched or in design that incorporate one or more of our RF3560 components.

On the automotive front, we have very strong design traction with our LTE solutions, and have announced our automotive grade infotainment chipset, and we are now engaged with over 15 OEMs on 40 different programs.

We completed the sale of our Omnitracs business and restructured our Mirasol business. And finally, we recently announced our offer to acquire CSR, which would complement our current offerings by adding products, channels, and customers in the important growth categories of IOE and automotive infotainment.

Third, we achieved our operating expense targets while continuing to invest in our leading roadmap and our long term supply chain initiatives. We believe that we are operating at scale and have exited fiscal year 2014 at a lower level of R&D and SG&A spending than last year.

And finally, we committed to significantly increase our return of capital to stockholders and finish the year well ahead of our target of returning 75% of free cash flow to stockholders.

Separately, as we note in the 10-K, two competition agencies have recently commenced investigations related to our licensing and/or our chipset businesses. We are fully cooperating with these agencies and believe our practices comply with the laws of our countries, but given that these matters are in their early stages, it is difficult to predict what, if anything, will come of them.

Looking ahead, we have clear strategic priorities for fiscal 2015: resolve the QTL challenges in China, maintain QCT's technology leadership across all tiers, further expand our business into adjacent and new growth opportunities, continue to manage operating expenses, and continue to return capital to stockholders.

Our fiscal 2015 guidance reflects the following: continued healthy growth of global 3G/4G devices, particularly in emerging regions, at the mid and low tiers, which impact the financial outlook for both QTL and QCT; continued QTL challenges in China, coupled with increased spending on compliance and enforcement efforts by QTL; prioritize QTC R&D investments to maintain our leadership and balance our long term competitive roadmap with scale efficiencies to succeed across all price tiers, particularly the rapidly growing lower cost segments in emerging regions; a reduction and refocusing of our spend outside of QTC and QTL to a smaller number of potentially larger opportunities; focused efforts on our expanded set of adjacent growth opportunities.

Key mobile technologies are increasingly becoming adopted into new categories, and we are well-positioned to use our design expertise in connectivity, compute, and other technologies to address these evolving opportunities.

Fundamentally, our long term growth drivers remain on track and we are aligning our resources to continue to capture these opportunities. Gartner estimates that more than 8 billion smartphones will be sold over the next five year period through calendar 2018. The installed base will reach approximately 4.4 billion, representing the largest technology platform on which to innovate and drive upgrade opportunities.

We believe the smartphone will be central to the growing number of connected things around us, and our focus is on aligning our resources to continue to capture these opportunities. We will discuss the many growth opportunities that we see ahead and the strategies and actions we are pursuing to capitalize on them during our upcoming New York analyst day on November 19, and I look forward to seeing many of you there.

In conclusion, I would like to thank each of our employees and partners for their dedication, inventiveness, and leadership. Although our fiscal year 2015 guidance reflects some challenges, the growth in global 3G/4G device demand remains strong, and our new opportunities are emerging.

In this environment, we remain well-positioned for long term growth while at the same time continuing to return significant amounts of capital to stockholders, consistent with our previous expectations.

That concludes my remarks, and I would now like to turn the call over to Qualcomm’s president, Derek Aberle.

Derek Aberle

Thank you, Steve, and good afternoon everyone. I would first like to provide an update on our view of global 3G/4G device demand for the remainder of calendar 2014 and 2015. As a reminder, global 3G/4G devices include not only those devices reported to us, but also our estimates of unreported and unlicensed device sales, but excludes TD-SCDMA devices that do not implement LTE.

Prior to calendar 2014, we believed that our estimates of global 3G/4G devices and reported 3G/4G devices were not materially different. Last quarter, however, we introduced the separate global and reported naming conventions in light of the challenges we are experiencing in China.

We think it is important and helpful to discuss both global and reported 3G/4G device estimates so that we can separately explain our views on our overall demand trends versus the portion of that demand that we expect will be reported to us during the applicable periods.

We believe that global demand for 3G/4G devices continues to grow at a very healthy pace, particularly in the emerging regions at mid and low price tiers. The broad availability of compelling devices at these price tiers is driving demand for, and the migration to, 3G/4G devices.

Although we are not increasing our calendar 2014 global 3G/4G device shipment estimate at this time, we now have a positive bias to our prior estimate of approximately 1.3 billion units, up approximately 20% year over year.

As we explained last quarter, several factors primarily related to challenges in China are creating a divergence between our estimates of the global 3G/4G device that I just explained, and what is being, and what we expect to be, reported to us in the near term.

We estimate that approximately 258 million 3G/4G devices were reported to us during the fourth quarter of fiscal 2014. For calendar year 2014, we continue to estimate reported 3G/4G devices will be in the range of 1.04 billion to 1.13 billion units, which is approximately 215 million units below the global 3G/4G device estimate of approximately 1.3 billion units at the midpoint. This is in line with our prior expectations.

Look forward to calendar year 2015, we estimate global 3G/4G device shipments to be approximately 1.5 billion units, up approximately 15% year over year. Turning to 3G/4G device ASPs, the ASP of devices reported to QTL during the fourth quarter of fiscal 2014 was $223 at the midpoint and $225 at the midpoint for the full fiscal 2014.

We estimate that the reported ASP for fiscal 2014 was approximately 6% higher than it would have been if the full global 3G/4G device demand had been reported to us during fiscal 2014, given that the ASP of the unreported units is estimated to be below the reported ASP.

We forecast that the global 3G/4G ASP will further decline by approximately 9% to 10% in fiscal 2015. Although we forecasted a modest year over year decline in the global 3G/4G device ASP at the outset of fiscal 2014, the global 3G/4G device ASP decreased more than we expected in fiscal 2014, driven by accelerated migration from GSM and TD-SCDMA devices to low and midpriced 3G/4G smartphones in emerging regions.

As price elasticity drives strong unit growth at lower tiers, we believe the total dollar amount of global 3G device sales grew by approximately 10% in fiscal 2014, despite the approximate 6% ASP decline at the midpoint, and we forecast approximately 7% to 8% year over year growth of such sales again in fiscal 2015.

Beyond fiscal 2015, we expect further declines in the 3G/4G global ASP to moderate as the weighted impact of the factors that are driving the near term declines in ASP ease, and users in emerging regions trade up as they replace their low tier devices.

We will provide more detail on these trends during our upcoming analyst day in New York. I would now like to provide an update on the four issues impacting our licensing business in China that we discussed last quarter.

We are still in discussions with the licensee regarding a dispute that has resulted in a portion of that licensee’s device shipments being excluded from our results. Like other disputes we have had in the past, we expect to resolve this situation in due course and have been making progress toward that end.

We now have signed more than 75 single mode LTE licenses with Chinese OEMs. Having said that, OEMs supplying a meaningful percentage of three-mode devices remain unlicensed. We remain in discussions with many of these OEMs, but the negotiations are being delayed, at least in part by the pending NDRC investigation. We also believe the volume of three-mode devices that will ship during calendar 2014 has increased from our prior expectations.

Despite these near term challenges, we do expect to collect royalties over time on substantially all LTE device shipments, including three-mode devices sold in China. We continue to believe that some of our licensees are not reporting all of their license shipments. We are engaged in conducting audits of these licensees and attempting to identify and resolve instances of underreporting.

Of course, if these efforts are unsuccessful, we are fully prepared to enforce our rights under our license agreement. We have also seen an increase in sales of lower tier 3G connected tablets by a number of Chinese OEMs, and we expect sales of these devices to continue to grow.

This is a good trend from a market growth perspective, but we still need to conclude license agreements with many of these tablet suppliers in order for QTL to participate in that growth. We are continuing to pursue licenses with this new base of potential licensees, but those discussions will take some time to complete, and the timing may be impacted to some extent by the pending NDRC investigation.

As to the status of the NDRC investigation, we continue to meet with, and are fully cooperating with, the NDRC as it conducts its investigation and have discussed with the NDRC a number of proposals for addressing its concerns. But the timing and outcome of any resolution remains uncertain, as does the potential impact of our future business in China.

We also believe that the timing of the resolution of some of our other challenges in China will be impacted by the timing of the conclusion of the investigation. Bringing this matter to closure remains a top priority for the management team.

Given the difficulty in predicting the timing and impact of resolving our China challenges, our QTL outlook for fiscal 2015 incorporates a wide range of potential outcomes. The low end of our guidance reflects the status quo [unintelligible], relative to the four China issues I just covered, in other words, no material resolution or change to these items, and the high end of the range reflects more favorable outcomes with respect to several of the items.

Due to the uncertain timing and range of potential outcomes, the potential for higher than normal quarterly variation in our results is possible. We have widened our guidance ranges as a result.

Finally, again it is important to remember that our forecast for reported TRDS units and ASPs reflect only that [unintelligible] 3G/4G device demand that we currently expect will be reported to us, and will therefore vary from the global 3G/4G device metrics we have described.

Although QTL revenue growth may be muted to some extent, as we work to resolve the current challenges in China and global device ASPs are expected to decline during fiscal 2015 at a faster pace than in recent years, we still expect reasonable growth in global 3G/4G device sales driven by very strong unit growth.

That concludes my comments. I will now turn the call over to our chief financial officer, George Davis.

George Davis

Thank you, Derek, and good afternoon to everyone on the call. I will begin by covering our fiscal fourth quarter results, followed by a summary of fiscal year 2014 before discussing our outlook.

In our fiscal fourth quarter, we delivered revenues of $6.7 billion, up 3% year over year, and non-GAAP operating income was $2.3 billion, up 20% year over year. Non-GAAP earnings per share grew 20% year over year to $1.26.

In QTL, total reported device sales by our licensees were $57.4 billion, above the midpoint of our guidance range. QTL's reported ASP was $223 at the midpoint, and down $8 quarter over quarter.

QCT had record MSM shipments in the quarter, as forecasted, although the demand related to mid-tier chipsets was somewhat below our expectations. Implied revenue per MSM was down sequentially, reflecting an increased mix of thin modem chipsets in the premium tier.

QCT operating margin was 22%, achieving our target to exit fiscal 2014 above 20%. Non-GAAP combined R&D and SG&A expenses were 5% lower sequentially, better than expected due to spending discipline across all businesses.

During the fiscal fourth quarter, we returned $1.9 billion to stockholders, including approximately $700 million of dividends paid and $1.2 billion in stock repurchases. As of the end of fiscal 2014, we had approximately $5.3 billion remaining on our stock repurchase authorization.

Cash flow from operations was $1.6 billion and 24% of revenues, and we ended the quarter with cash and marketable securities of $32 billion.

Turning to our results for fiscal 2014, revenues were up 7% from last year, reflecting stronger than expected QCT shipments, partially offset by the impact of QTL's challenges in China. As a reminder, we sold our Omnitracs division in the first fiscal quarter and the impact of the absence of this business was just over 1 percentage point on our growth rate on the year over year comparison.

Non-GAAP operating income was $8.9 billion, up 3% year over year, led by strong performance in QCT, partially offset by certain impairments and higher spend in our emerging businesses, reported in other.

Non-GAAP earnings per share were $5.27, up 17% year over year, led by QCT performance, along with the benefit of gains on rebalancing of our treasury portfolio and the positive net impacts of the gain on the sale of

Omnitracs and the ParkerVision reversal, partially offset by the writedown of [QMT] assets.

QTL's fiscal 2014 revenues were flat year over year, as challenges in China offset strong global 3G/4G device growth, and QTL's operating margin was 87% of revenue. QCT's fiscal 2014 revenues were up 12% year over year, and QCT's earnings before tax were up 19% year over year.

Operating margin was 20%, and at the high end of our full year guidance range, overall, a very strong year for our QCT team, where product leadership across all tiers led the stronger than expected top and bottom line growth in an environment where we saw increasing margin compression, particularly in the mid and low tiers.

In fiscal 2014, we generated $8.9 billion in cash flow from operations, or 34% of revenues. We exceeded our 75% of free cash flow commitment, returning approximately $7.1 billion or 93% of free cash flow to stockholders during the fiscal year.

Now turning to our guidance for fiscal 2015, we estimate total Qualcomm fiscal 2015 revenues to be in the range of approximately $26.8 billion to $28.8 billion, up 1% to 9% year over year. We expect QCT segment revenues to be in the range of $19.3 billion to $20.3 billion, up 6% year over year at the midpoint, and QTL segment revenues are expected to be in the range of $7.3 billion to $8.3 billion, up 3% year over year at the midpoint.

Our range for QTL is relatively wide, as it is difficult to forecast the timing and potential outcomes in China. We expect 2015 non-GAAP operating income to be in the range of $9.2 billion to $10 billion, up 7.5% year over year at the midpoint.

Overall, non-GAAP operating profit is expected to grow modestly as a percent of revenue. We estimate fiscal 2015 QTL operating margin will be approximately 85% to 86%. Consistent with the guidance provided over the past year, we estimate 2015 QCT operating margins will be in the range of 18% to 20%.

We expect fiscal 2015 non-GAAP earnings per share to be in the range of $5.05 to $5.35, down modestly at the midpoint versus fiscal 2014. Non-GAAP year over year EPS growth is expected to be impacted by the continuing challenges in QTL, lower QCT revenue per MSM and margin flow through, lower investment gains in our treasury portfolio, and to a lesser extent, negative foreign exchange impacts.

Our estimate is that revenue per MSM will be modestly lower year over year, down 3% to 5%, as a result of continuing pricing pressure, product mix, and increasing competitive dynamics. Combined non-GAAP R&D and SG&A expenses are expected to grow approximately 3% to 5% year over year, driven by continued investments in our multitiered chip roadmap and increasing compliance and enforcement initiatives in QTL.

We estimate our fiscal 2015 non-GAAP tax rate to be approximately 17%, higher year over year due to business mix, the absence of the federal R&D tax credit, and other unique items in 2014.

The impact from the potential CSR acquisition has been excluded from our fiscal 2015 forecast.

For the first quarter of fiscal 2015, we estimate revenues to be in the range of approximately $6.6 billion to $7.2 billion, up approximately 4% year over year at the midpoint. We estimate non-GAAP earnings per share in our fiscal first quarter to be approximately $1.18 to $1.30 per share, down 2% year over year at the midpoint, as stronger chip performance is more than offset by the absence of favorable one-time items and lower licensing revenues related to China.

We anticipate first fiscal quarter non-GAAP combined R&D and SG&A expenses will be up 5% to 6% sequentially, reflecting increased investment in QCT's product roadmap. In QTL, we estimate total reported device sales for the quarter will be in the range of $53 billion to $59 billion, as reported by our licensees in the December quarter for shipments they made in the September quarter.

QTL's reported ASP is estimated to be sequentially lower, reflecting competitive dynamics at the premium and high tier, and an increased mix of lower-priced handsets in emerging regions. In QCT, we anticipate MSM shipments of approximately 250 million to 270 million units during the December quarter, up approximately 22% year over year at the midpoint and 10% sequentially.

We expect fiscal first quarter implied revenue per MSM to be down approximately 5% quarter over quarter and down approximately 10% year over year, reflecting a greater mix of thin modems and chipsets for lower cost smartphones.

That concludes my comments. I look forward to seeing many of you at the analyst day in New York, where we'll provide further detail supporting our financial outlook for fiscal 2015 and beyond. I'll now turn the call back to Warren.

Warren Kneeshaw

Thank you, George. Operator, we're ready for questions.

Question-and-Answer Session

Operator

[Operator instructions.] Your first question comes from the line of Tim Long of BMO Capital.

Tim Long - BMO Capital Markets

Derek, a clarification here. There's a discussion of a prior period catch up in the numbers for QTL this year. Could you just let us know what that is? And then for the whole team here, just curious, as we enter a new fiscal year, the previous guidance of 10% top and bottom line growth looks like for guidance it will be the second year that we don't hit that. Could you just re-address that, and maybe if you ex out China, do you think those targets are still realistic?

Derek Aberle

I'm a little bit confused on what you're referring to on the prior period catch up. In terms of our guidance for fiscal '15, as George mentioned, we have a relatively wide range on the QTL guidance given just the uncertainty on what's going on in China.

And you know, I would say that sort of at the low end of that, we're assuming probably more or less a status quo scenario on the four items that we discussed last quarter and updated you on today, and then towards the high end of the range would anticipate that we actually reach resolution at various points in the year on several of those items.

And certainly, part of that could include things like catch up payments, but that's sort of a probability adjusted set of assumptions that got us to this range.

George Davis

On your question about the longer term outlook, that's certainly going to be the focus of a lot of our discussion in New York. But I do think, as you look at '14, clearly our top line was impacted by what QTL experienced. They were flat year over year as opposed to growing with the market. And with 2015, I think again we're continuing to see the impacts of China. But we'll talk longer term about the things that we think will add to the growth rate for the company overall when we can go into more detail.

Operator

Your next question comes from the line of James Faucette with Morgan Stanley.

James Faucette - Morgan Stanley

I just wanted to ask one more clarification from you, Derek. As far as resolution, getting to the high end of your range, I think you said that's probability weighted. So if I'm understanding that correctly, that would mean that if it were in fact to happen, that you could actually exceed the high end of the range. Just a little clarification on how you're formulating that would, I think, be helpful.

And then back on QCT, maybe broader question for the team. Just wondering if the issues with the NDRC in particular, how that's impacting the demand for chips in China, with your Chinese customers, if it's impacting a relationship there and margins at all. And finally, just last question, can you just, a couple of comments on the new EC and FTC investigations might be useful as well.

Derek Aberle

Just let me clarify on the range. So what I was saying is the low end of the range really basically assumes no resolution of the items that we've discussed. And also, things like unreported activity wouldn't get worse.

So it's sort of what we've seen now, one quarter in, of reports and also the estimates on the September quarter sales. As I mentioned in my comments, we feel like we're sort of tracking in line with kind of what we expected, meaning the underreporting isn't getting worse. So assuming that holds, and we don't resolve things, that would get you to the low end of the range.

The high end of the range basically includes assumptions that several of the items would either be resolved or get better for us. And to be clear, the midpoint is basically sort of a probability adjusted version of several different scenarios that kind of put you in the middle.

Steven Mollenkopf

With respect to the chipset question, I don't think the investigation helps the situation, but I think the team has done a good job really separating the issues between the product side and the licensing side. And I would characterize the demand in China as being fairly robust. It's probably a little bit more three mode than five mode, which is really a mix statement relative to what we would have thought a year ago. But it continues to be a significant part of the growth of the business moving forward, and we're pleased to be participating in it.

Don Rosenberg

With respect to the investigation, the E.U. and the FTC, basically, we've said in the K what we can say there, both very early stage. The E.U. relates to, as far as we can tell, the chip business and the FTC relates to, as far as we can tell, the licensing business. But important to note that these are very preliminary. They're in the information gathering stages in both cases.

Operator

Your next question comes from the line of Mike Walkley with Canaccord Genuity.

Mike Walkley - Canaccord Genuity

Derek, just a little more clarification, what's embedded on your guidance, on QTL, maybe on the ASP front, one, on the high end, the high tier market, with Apple in a strong product cycle, and our surveys and work show them taking share from high end Android, how much does that impact your ASP outlook?

And then second, assuming a lower mix of these emerging market units for the underreporting, if that could help the ASPs. And then thirdly, if some FX headwinds that could hurt Qualcomm. So how much of those factors may be impacting your ASP outlook, or is it more just the mix that is leading to the ASP outlook?

Derek Aberle

I would say sort of elements of all of those things are kind of embedded in our guidance. You probably noticed that unlike prior years, where we gave a fiscal year ASP range, this year we decided to just give a new metric, which is the all-in TRDS. Because given the uncertainty in the timing of some of these resolutions, and in addition to the normal market dynamics that we need to forecast, trying to give a meaningful range on the ASP was pretty difficult.

For example, if we get the dispute resolved and some of these underreporting issues resolved, and that comes with it catch up units that are at lower ASPs, that's going to have a distortive effect on the quarterly profile. So we'll kind of take you through that as the year progresses, depending on what comes out.

But yes, certainly as OEM share ships around at the high tier, that can impact the ASP as well, and we've got a set of assumptions in there. And we do anticipate, both from a reported and kind of a global market dynamic, that the emerging market units will be an increasing portion of the units sold in 2015 compared to 2014.

Steven Mollenkopf

Mike, I think you asked about FX as well, and I think it will have a modest impact driven by what we're seeing with the yen and the euro.

Operator

Your next question comes from the line of Blayne Curtis with Barclays.

Blayne Curtis - Barclays

Just first on QTL, the step off in the device ASPs, how much does the three-mode have to do with that, and just any expectation on the mix between five-mode and three-mode next year. And then George, just on the opex clicking up, you had said that you're just investing in products. This is kind of a change from trying to keep it more flattish. So what's driving that change as the top line seemingly is a little weaker.

Derek Aberle

Yeah, so if you look at kind of what we referred to as the global ASP, if all the units have been reported to us this year, really a big part of the year over year decline is driven by growth in China, and in particular three-mode and Chinese OEMs I think gaining share over non-Chinese OEMs. So that's a big part, coupled with strong unit growth in other emerging regions as well.

I think we see similar dynamics playing out as we go from 2014 to 2015. Throughout the course of this year, the percentage of three-mode devices on China Mobile's network compared to five-mode has really continued to shift over time to more a three-mode. And we expect that will probably continue at least into 2015 as well.

George Davis

On opex, we are slowing the growth of opex. Last year we had forecasted 6% growth, we brought it at 5% this year. We're forecasting 4% at the midpoint. And really what you're seeing is continued investment in the QCT roadmap. What's maybe having a little bit higher effect that we would expect on an ongoing run rate is we are investing more in the enforcement side for QTL, so we've embedded that growth year over year. But you'll see, again, moderate growth in QCT, and in our other segment you're seeing opex come down in that area.

Operator

Your next question comes from the line of Brian Modoff with Deutsche Bank.

Brian Modoff - Deutsche Bank

First, on the back to the long term growth rate, obviously the QTL, you are the market there, so single digit growth there is probably a given. But on the QCT side, you've got a combination of things. You obviously have lower ASP product [scrolling] number faster than higher ASP, but you've also got integration of functionality like wifi and RF360. So how do those two things play into the overall growth rate of QCT?

Second, Steve, if you could talk about LTE competition, how you see that evolving as we move into next year. And then finally, given you have a couple of investigations going on, what are you assuming in your guidance relative to legal expense. Is it kind of the midrange, or is it high or low? Could you give some measure of that? That would be great. Thank you.

Steven Mollenkopf

I think on the QCT model, I don't really see anything that's different than our long term model. We had a very strong 2014. I think we're seeing a little bit of a mix issue now in 2015, but still consistent with our long term. Remember, we had a really strong 2014, I think is important to remember.

Long term, I think all the growth vectors that we talked about that you mentioned, integration, a bunch of adjacent markets, just continual, actually even improvement of our cost structure, which we continue to focus on, contribute to that.

So I think we don't see really anything different in the QCT outlook, albeit it's a little bit weaker market from a mix perspective here sequentially in 2015. And I think some of our opex discipline that we've had over the years has helped us actually maintain that.

With respect to LTE competition, you know, it's there. It's been there for some time. We feel fairly good about our competitive positioning right now. Most of that is because I think we're stronger across tiers. We are assuming that there's LTE competition in the way in which we are pricing our chipsets and the way in which we're defending our share, but you've seen us do that in the past. I don't think that's a real change in our strategy.

Maybe George could talk a little bit about the legal expense.

George Davis

Sure, on the legal side, we're definitely increasing what we expect to spend more this year, not only for China, but for these other items that we talked about. But that's all in the forecast.

Operator

Your next question comes from the line of Ehud Gelblum with Citigroup.

Ehud Gelblum - Citigroup

The concept of three-mode versus five-mode comes up a lot in conversation, and you mentioned it today as well. Can you just give us a sense, in both modes, you have LTE. In three-mode you have TD-LTE and five-mode you have both TD and FD LTE. For you, is there a distinction between the two? Is there any reason we should be seeing a distinction between the two?

Have any vendors or any carriers or anyone been able to make a distinction between the two that you can discern? Is there a reason that the royalties you eventually get on three-mode would be different from five-mode, as a percentage, other than the fact that three-mode will most likely have a lower ASP.

If we can just kind of understand. I was always under the impression that LTE was LTE was LTE, so if you can kind of clarify that a little bit, as well as this large licensee that seems to be making a distinction between a portion of its devices, but they're not willing to pay royalties on, is that the distinction between three-mode and five-mode?

And then I just want a clarification, when you said the 9% to 10% ASP, that was including China, I assume, and the 1.5 billion units. If we exclude China, what is your estimate on ASP declines for the QTL in the TRDS that we're right now going to be looking at going forward, as opposed to hoping this thing gets resolved issue?

Derek Aberle

The three-mode versus five-mode question, just to clarify. So three-mode, when we use that term, refers to devices that have GSM, TD-SCDMA, and TD LTE. And five-mode is both flavors of LTE as well as GSM and WCDMA. And so when you think about the five-mode devices, those are essentially covered by what we refer to as our 3G agreement. So you know, there's no need to go out for us and sign up new agreements to cover those products.

The three-mode, the reason that we've drawn a distinction between those is, in many cases, either companies did not take licenses for TD-SCDMA or as we've talked about in the past, we've had challenges in China collecting on TD-SCDMA.

So as they roll those TD-SCDMA devices to include LTE, we believe that really puts us in the position to collect royalties on all of the formerly TD-SCDMA volume. So in many cases, that requires us to actually negotiate and sign new license agreements. And those are the agreements that you'll hear us refer to as LTE only or single mode LTE agreements.

Really, from an OEM perspective, we did have some concerns a while back about the issue of whether we're going to have challenges collecting on LTE TDD, similar to TD-SCDMA. We're not really seeing that to be a big issue. It's more around just getting the agreements in place.

And as I've talked about, we were making very good progress on that up until recently, and I think we're experiencing some delays in those negotiations, primarily around the timing of the NDRC resolution.

The dispute we have with the licensee, we really haven't characterized that in too much detail, other than to say it is really the underreporting aspect of that is not necessarily related to a particular technology. It's really a different kind of dispute, similar to what we've had in the past, where we just have companies taking position under the agreement in terms of what they have to pay. And we have to work through that. And we've continued to be engaged with that particular licensee, and are trying to make progress towards a resolution.

On the ASP, when I referred to the 9% to 10% estimated year over year decline, that was referring to the global ASP, which is sort of the all-in number that would include China. Yes, if you extracted out China, we would expect that ASP to be higher, but as I mentioned before, we've decided not to provide guidance at this point on the fiscal year reported ASP. Instead, we gave you the TRDS range for fiscal 2015.

Operator

Your next question comes from the line of Kulbinder Garcha with Credit Suisse.

Kulbinder Garcha - Credit Suisse

Derek, on the unit numbers, the 210 million unit shortfall, you'd previously implied that the shortfall, a significant part was just this one licensee, and the rest of it was a bunch of underreporting. My question is what other remedies are possible for the licensee that you had? Because you obviously have or had an agreement with them, and they just suddenly stopped paying. And I would have thought that that would leave us there to bring that to some sort of close quite quickly. And what I was thinking of it, these other underreporting vendors is just much more complicated. Is that the right way of thinking of it? Or is this whole thing very uncertain?

Then for Steve, my question is despite the cash that you guys did pay out, you obviously ended the year with more cash than last year, and I'm not sure that you'd even agree that you need $30-odd billion cash on your balance sheet. So if you are confident of Qualcomm's LTE position and their chip position, which it sounds like you are, isn't this the time to step up the shareholder returns?

Derek Aberle

Let me try to kind of step through this. Remember, we gave a range last quarter. It was relatively wide, of potential units that would not be reported to us for calendar 2014, and the midpoint of that estimate was about 215 million units. And as we explained, that was made up of four elements. One of them was the dispute that you mentioned. Another was underreporting by licensees. A third was the unlicensed three-mode activity in China, and the fourth were these white box tablets.

And the white box tablets, although also meaningful, are probably the smallest out of the four, but we didn't otherwise kind of characterize the composition of what made up the 215. So I just wanted to clarify that.

The dispute that we have currently with the licensee does involve a company that has an existing license agreement. And so our typical process, when we have these types of disputes, as you probably recall from years earlier, is our first and preferred approach is to try to engage with the licensee and resolve it amicably through negotiation. And that's the process that we're going

through right now.

We've had a lot of success doing that in the past, but from time to time, that doesn't work, and if that doesn't work, then you need to take the next step, which is typically seeking to enforce your rights under the agreement, which would either be in litigation or in arbitration, and you might recall for instance the arbitration that we had with Panasonic a few years back. That resolved quite favorably for us.

So I would say we're sort of in the pre-dispute resolution procedures, meaning we're continuing to be engaged with the licensee, and I think we're making some progress towards a resolution, but there's no guarantee that that will ultimately happen without the need for some other mechanism to resolve it. But those do take some time. Even when you resort to the contract remedies, that's a period of time as well. So it's not something you can just do overnight.

Steven Mollenkopf

I think the way you characterized our view of the business is consistent with our view. That being said, I think we talked about last fiscal year about how we increased our capital structure commitment to return 75% of free cash flow to the shareholders. Given our split of offshore and onshore balances and kind of the future view of what might happen with tax reform, we think that's probably the right split right now, but I'm sure that we will hear a lot about that, and also provide our own perspective of that again in New York.

Operator

Your next question comes from Tal Liani of Bank of America Merrill Lynch.

Tal Liani - Bank of America

First is on the royalties. I'm here in China this week, and I'm getting confused with the information, because there's going to be about 70 million to 80 million 4G subscribers this year, and you're guiding to 215 million. And the majority of these 80 million to 90 million handsets will be paying royalties, just because they're five-mode or they're the other technologies that are supposed to pay royalties.

So the dispute seems to be going. It's not about TD or local technology. It's more about the Chinese not willing to pay you, period, and there is something to do with technology, but it cuts across all technologies, and it's also for the exports, not just for the imports. So can you discuss this? What suddenly prompts this, after they paid for so many years according to the plan?

And the second question is about R&D. You referred to opex before, but R&D, if I look at the last five, six quarters, R&D, the growth rate had been constantly down from 36% year over year to 11% the previous two quarters, and this quarter it's only 1%. What is the outlook for R&D, and how do you manage to maintain the leadership with R&D only growing 1% year over year?

Derek Aberle

Just to clear up maybe the potential confusion there, last quarter when we described this, it's really the issue of unlicensed activity and underreporting is really one that's unique to Chinese OEMs at this point. But it is not limited to a particular technology. So I think we were pretty clear that the three-mode was sort of a unique issue that was a combination of probably underreporting and unlicensed activity.

But the underreporting itself, given the magnitude of the 215 million unit midpoint we talked about included more than just LTE. It was across 3G as well, and it wasn't limited to even sales in China, but it would likely include sales by Chinese OEMs that would be for export outside of China to some of the other emerging regions. So I think when you go back and maybe look at your numbers in that context, hopefully things will make a little more sense.

In terms of timing, really, I think you can think about this from a couple of different perspectives. One is the unlicensed activity, it's not atypical to have a situation where product begins to ship before you can finally get agreements in place, so they come usually closer to the time of shipments. So that's why the three-mode is a bigger issue for us right now than the five-mode or other 3G devices.

But I think there's also an element, given the uncertainty in China right now, with the pending NDRC investigation, which we're obviously working very hard to resolve. There's a little bit of the licensees pushing the envelope. And it's not really a situation of companies just saying generally they're not going to pay us, but I think that they're sort of pushing the envelope in terms of thinking that they can get away with not reporting all of the activity that they're undertaking.

And you know, we are preparing to respond to that, and I think that's something we've had to deal with in the past, and I think we've had a pretty good track record of resolving it. We're probably approaching the problem a little bit differently than we have in the past, just given where we are in our current discussions on the investigation. But once that's behind us or we get a little further down the line, I think you'll see our stance on those types of things change.

Steven Mollenkopf

On the R&D, I think you're referring to the quarter numbers, which had more modest growth than we've seen for a couple of quarters. And some of that is just timing of certain activities within the programs, but if you look at the full year of 2014, where we had a little more front end loading, we grew R&D at about 3 points higher than the top line rate of the company. If you look back over five years, R&D as a percent of revenues is about 18%, and that's the same level that we would expect to see in 2015.

Operator

Your next question comes from the line of Stacy Rasgon of Sanford Bernstein.

Stacy Rasgon - Sanford Bernstein

You're talking about issues with China impacting the guidance next quarter, but let's talk about the rest of the business. You're guiding at the low end of your TRDS. That assumes China doesn't come back, but that also implies TRDS goes down year over year, which implies something must be going on in the rest of the business. So can you tell us about how you see the rest of the business trending ex-China?

Secondly, you're guiding your TRDS up 4.5%. You're guiding your QTL revenues up 3%, which implies royalty rate degradation next year. What's driving that?

Thirdly, with the issues signing these China guys to three-mode licenses, I guess currently they're not in violation of anything yet, because they don't have agreements. So if they continue to refuse to sign, what are your options? Do you have to go into China and make the explicit decision to sue them for patent infringement?

Derek Aberle

I think the first question was from a reported TRDS year over year. When you look at the numbers, that appears to be down. I think actually the midpoint would be up year over year, about 5%. So you should probably take a look at that one. I'm not sure I fully caught the second part of that.

Steven Mollenkopf

Well, I think your point was that the growth rate for QTL… And I think it's one of the reasons why we gave a range of what the top line for QTL would be. But if you just took the midpoint of that, it would be up 3%, and we're saying TRDS up 5% on FY 2015 guidance.

And again, I would say to draw a straight line between that and saying there's a specific royalty rate issue, I think there's so many moving pieces in the forecast right now that I wouldn't draw quite that straight a line.

Derek Aberle

And then I guess on the last question, about three-mode, really I think that's the question. We have, I think 75-plus companies that have already signed agreements for three-mode in China. So obviously the way that we would ensure payment and compliance on those companies would be different than the companies that don't yet have agreements.

So I think there's kind of a lot of factors involved in terms of if we run into problems getting companies to actually sign agreements for three-mode. And one of the potential actions would be to assert patents against them in China. There certainly are other avenues at our disposal as well, in particular, as these companies continue to grow their businesses and their aspirations outside of China as well.

Operator

Your next question comes from the line of Timothy Arcuri of Cowen & Company.

Timothy Arcuri - Cowen & Company

First of all from me, the guidance takes into account the issues in China, but can you assess the potential for the new FTC and the E.U. investigations to maybe add some risk to the low end of the guidance? And then secondly, are the new FTC and E.U. investigations fully independent from the NDRC issues? Because it seems like in some other situations that the various global agencies are sort of working together on stuff like this. So I'm wondering if one can be resolved totally separately from the other two.

Don Rosenberg

The first question was in terms of the impact. Look, these are investigations that, as I said, are very preliminary. As you know from our experience and other experiences in the past, these take some time. As I said, these are informational at the moment. So there's going to be a lot of interaction and discussion before this leads anywhere, frankly. So I don't think we can predict with any degree of certainty where it's going to go, and it's certainly not going to be a short term kind of impact.

Derek Aberle

I think if you look back historically, we obviously had an investigation in Europe and in Korea previously. The European investigation went on for four years and ultimately resulted in no findings or actual complaints against us. Korea, that was a multiyear process as well.

I think in our experiences, it's not uncommon that if there's a high profile investigation by one competition agency, that potentially others might become interested and ask for information, but the regulatory regimes and the legal processes in each country are quite different, and in particular quite different than China.