Thank you, Warren, and good afternoon everyone. We are pleased to report another very strong quarter, with record revenues and earnings per share, driven by broad-based demand for our 3G and multimode 3G/4G chipsets. In QCT, we shipped a record 225 million MSM chipsets, well ahead of expectations, driven primarily by strength in emerging regions.

We continue to benefit from our tiered roadmap and diversified customer base, as revenues in MSM chip shipments were up 17% and 31% year-over-year respectively. Total 3G/4G device demand in the March quarter, was stronger than our expectations. However, QTL total reported device sales and revenues were down from our prior guidance expectations, as a result of a dispute with the licensee. Under reporting by certain licensees, in China, and sales of certain unlicensed devices in China. Derek will discuss this more fully, including the actions we are taking to address this situation. We will also give a brief update on the ongoing NDRC investigation.

We began the year with several key objectives; first, we set out to compete effectively across all tiers in the LTE rollout in China, while driving the modem and AP roadmap to maintain our competitive lead. Second, we have developed plans 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.

Third, we set challenging OpEx targets to achieve greater operating leverage from our scale, and finally, we committed to materially increase our return of capital. As I will explain further, I am very pleased with our results to date on all of these elements.

I will begin with the operational front, where we are executing against our initiatives to drive productivity. We remain committed to exiting our fiscal year at an overall operating expense run rate lower than our exit from last year. Our team is executing to this, while making critical investments in our roadmap and supply chain initiatives. We also continue to make progress on our efforts to focus our new business initiatives across the company.

As part of that effort, we are accelerating our transition from the current generation Mirasol display technology to the licensing of the next generation, with a focus on wearable devices. However, we will continue to make and sell the current generation Mirasol displays, to support certain existing customer requirements.

As a result of this new plan, we expect a significantly lower spend in our QMT division in fiscal 2015, providing an expected annualized savings of more than $125 million. The actions related to these changes resulted in an impairment to the QMT business this quarter, which George will cover in more detail.

Adding to our portfolio of important technologies, we recently completed a few noteworthy acquisitions. First, we acquired Velocity, a leader in the development of 60-GHZ chipsets based on the IEEE, 802.11ad standard, also known as WiGig. We have been working closely with this team for many years, and see this technology as important to the new high bandwidth used cases we expect.

The Black Sand acquisition supplements our RF team, and expands our RF 360 roadmap. And finally, we acquired leading digital still camera technology from CSR, which further enhances our differentiation in the important area of image processing.

On the product front, the first device based on our Snapdragon 805 and fourth generation multimode 3G/4G modem was launched. The Samsung Galaxy S5 broadband LTE-A. The Snapdragon 805 processor is the first mobile processor to offer system level Ultra HD support, 4K video capture and playback and when coupled with our industry-leading Gobi modems, enables users to stream and watch 4K content over LTE.

The fourth generation Qualcomm Gobi 9x35, is the first 3G LTE modem to commercially ship in smartphones, that's the port's global carrier aggregation deployment, up to 40-MHZ with both LTE TDD and FDD Category 6.

QCT has seen very strong design traction across its peers, with the emerging China customers. It is worth nothing that our success to-date in China is based on chipsets that were launched last year, and we are on track this quarter to commercialize our new low cost architecture with our Snapdragon 410. We believe the launch of the Snapdragon 410 and our follow-on LTE chipsets, raised the competitive benchmark and improve product costs.

With our Wi-Fi and RF360 solutions, we continue to pursue growing our share of content in devices. Both product lines continue to ramp, with our overall Wi-Fi unit volumes on track to grow more than 40% this fiscal year, as our attach rate in mobile continues to grow significantly. We now have over 100 devices launched or in design incorporating RF360, including the first launch of the device to feature the Envelope tracker, antenna tuner and power amplifier.

Looking forward, the continued roll-out and growth of multimode 3G LTE has a significant opportunity for the company. According to the GSA, 300 operators have deployed LTE and more than 200 more have committed to deploy LTE. In addition, over 55 operators have or are planning to deploy LTE Advanced services, including carrier aggregation.

We are now positioned to help enable this opportunity with our LTE Leadership position, including chipsets across multiple product tiers, and we expect to launch the Snapdragon 810, the world's first premium tier integrated SoC with Category 6 for smartphones, later this calendar year. To-date, over 2,000 multimode 3G LTE devices have now either been launched or are in design, based on our chipset solutions. The LTE feature set continues to evolve, with features such as LTE Broadcast and LTE Direct. LTE Broadcast has been commercialized in Korea, and has been demonstrated in the U.S., Europe and Australia. We have also announced an LTE Direct trial in Germany, in collaboration with Deutsche Telekom.

Although still early in the adoption cycle, opportunities in the automotive, healthcare and wearable segments are taking shape. Our automobile pipeline continues to add OEMs and design wins. Our leadership in LTE is an advantage in this segment, as it moves from 3G to multimode LTE and this quarter, we saw General Motors launch OnStar LTE. In addition, new Android Wear devices were recently announced and Snapdragon 400 is enabling devices offered by Samsung and LG.

Adjacent opportunities allow us to build off our core investments into new growth segments. We expect to see an increasing impact of this over time.

In closing, we are making substantial progress on the key objectives we set for the company. We delivered a record quarter, and see significant opportunities ahead. Our portfolio of multimode 3G LTE chipsets has strong design traction, which positions us well, and we are working hard to address the near term challenges in our licensing business.

That concludes my remarks, and I will now turn the call over to Qualcomm's President, Derek Aberle.

Derek Aberle

Thank you, Steve, and good afternoon everyone. We continue to see healthy end user device demand, spurred by among other things, the transition to 3G LTE in China. In fact, we now believe 3G/4G device demand, excluding TD-SCDMA GSM devices for calendar 2014, will be at the high end of the 1.22 billion to 1.3 billion device range that we provided last quarter, reflecting strength in both developed and emerging regions.

Turning to China, China Mobile has launched LTE service in over 300 cities, with over 300 LTE device models, and has seen increased data usage in ARPU from its LTE subscribers. In addition, LTE FDD trial licenses have been granted to both China Unicom and China Telecom. Both operators are launching hybrid LTE TDD and FDD trial networks in 16 cities. We expect those trials to expand to additional cities throughout the year. We are working closely with the operators to help them optimize their networks, and our chipset solutions, which support both the TDD and FDD modes of LTE, provide the mode, band and hand-off combinations they require for their 3G and LTE networks.

As Steve mentioned, we continue to have strong LTE chipset design momentum with manufacturers in China, and we are seeing significant demand for our multimode 3G LTE chipsets.

Here in the U.S., we have also seen positive trends as a result of competition amongst the carriers. In addition, promotions tied into the World Cup have shown success in Latin America, and we have seen positive 2G to 3G migration trends in Southeast Asia as well.

Despite this healthy 3G/4G device demand environment, we have reduced our financial outlook for QTL for this fiscal year, to reflect some challenges in China, that could prevent us from collecting royalties in the near term on the full 3G/4G device demand.

First, we have a dispute with the licensee that has resulted in a portion of that licensee shipment activity being excluded from our fiscal third quarter results and fiscal fourth quarter outlook. Like other disputes we have had in the past, we expect to resolve this situation and are in active discussions with this licensee. However, the timing of a potential resolution is uncertain.

Second, as we have previously said, the timing of the LTE launches in China, as well as device composition at China Mobile, has been a bit difficult to forecast. Although, we have signed more than 70 single mode LTE license with Chinese OEMs, we still need to sign agreements with a number of other Chinese OEMs, in order to be able to collect royalties on all three mode devices in China.

Given the time it will take to complete the remaining single mode LTE licenses in China, we expect to experience a delay in the timing of our collection of royalties on these devices.

Third, we recently have 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 positive sign for 3G/4G attach rates and tablets, but the tablet OEMs are largely not the same companies that have been supplying the handsets in China, and therefore in most cases, are not currently licensed. We are in the process of negotiating licenses with this new base of potential licensees, but those discussions will take some time to complete.

Fourth, we believe that some of our Chinese licensees are under reporting, and may continue to under report a portion of their 3G/4G device sales. As we have explained in the past, we have robust and active compliance programs in priority for the business going forward. We are taking steps to confirm the underreporting and to work with the licensees to resolve the issues.

In summary, primarily, as a result of these four items, a revised QTL fiscal year outlook reflects a reduction of approximately 8% in total reported device sales for the second half of fiscal 2014. The timing of the resolution of these items is uncertain, and we will update you on our progress next quarter.

For the calendar year 2014, 3G/4G device forecast, we now expect that total unit demand will be at the high end of our prior unit estimate, for approximately 1.3 billion devices. However, we currently expect that QTL will not participate near term in the full device demand, based on the four items we just explained.

We now expect that between 1.04 billion and 1.13 billion 3G/4G devices will be reported to us for sales during calendar 2014. We estimate the impact from these four items on total reported device sales on a percentage basis to be between 6% and 9% for calendar year 2014. The percentage reduction in units is greater than in total reported device sales, because the units are expected to be lower priced devices.

Although we have these near term challenges, we continue to expect to collect royalties on all LTE devices globally, including three mode devices sold in China, and have executed more than 110 single mode LTE licenses, in addition to our more than 260 3G licenses, which cover multimode 3G/4G devices.

We have had disputes in the past, and have a good track record of successfully resolving those disputes. It is also not uncommon for a licensor to experience some delays in collecting royalties, while they negotiate license agreements covering new entrants or new products.

Finally, we are closely monitoring and in discussions with companies that we believe are underreporting or operating without a license, consistent with our longstanding compliance activities around the world.

Let me now move on to discuss the status of the investigation in China. As previously disclosed, the China National Development and Reform

Commission or the NDRC, is conducting an anti-monopoly investigation of certain aspects of the company's business, primarily the company's licensing business and certain interactions between the company's licensing business and our chipset business. We have met with and are continuing to fully cooperate with the NDRC, as it conducts its investigation, but the timing and outcome of any resolution remains uncertain, as does the impact on our future business in China.

That concludes my comments, and I will now turn the call over to our Chief Financial Officer, George Davis.

George Davis

Thank you, Derek and good afternoon everyone. We are pleased to be reporting strong operating and financial results this quarter, primarily driven by record QCT performance.

Fiscal third quarter revenues were a record $6.8 billion, up 9% year-over-year, and 7% sequentially. Non-GAAP operating income of $2.43 billion was up 19% year-over-year, and non-GAAP earnings per share of $1.44 was up 40% year-over-year and up 10% quarter-over-quarter. Overall, non-GAAP earnings per share were $0.24 above the midpoint of our guidance range.

Our results included a $164 million charge or $0.08 per share related to the transition of our Mirasol business, as well as a $208 million gain or $0.12 per share for reversal of expenses, related to the favorable ruling in the ParkerVision litigation.

Excluding these two items, non-GAAP earnings per share would have been $1.40, $0.20 above the midpoint of our prior guidance range. In QTL, total reported device sales by our licensees were $58.1 billion, and we estimate that 250 million to 254 million 3G/4G based devices were reported by our licensees for the March quarter at an average selling price of $228 to $234, up approximately $7 sequentially at the midpoint.

QTL's ASP in the fiscal third quarter reflected strength in mid to high tier devices, as well as the absence of lower ASP devices associated with the licensing challenges, summarized by Derek.

In QCT, revenues, earnings before tax and MSM shipments were all quarterly records, as demands strongly exceeded our prior expectations. QCT shipped 225 million MSMs, 12 million units above the high end of our prior guidance range, primarily driven by shipments to Chinese manufacturers for 3G and 3G LTE devices. Implied revenue per MSM was approximately $22, slightly lower sequentially on the mix of demand.

QCT operating margin was 23%, also above our prior expectations, reflecting the stronger than expected MSM demand, as well as some favorable impact as a result of the ParkerVision ruling.

Non-GAAP combined R&D and SG&A expenses grew 7% sequentially, in line with our prior expectations. Investment income was strong this quarter, adding $0.06 in EPS relative to our prior guidance. Strength in the financial markets, and changes in asset allocation to lower long term risk in certain of our investment portfolios drove this contribution. Looking ahead, we forecast fiscal fourth quarter investment income to be in the range of $200 million to $250 million, which is down sequentially on lower realized gains.

Cash flow from operations was strong at 39% of revenues, and we ended the quarter with cash and marketable securities of $32.7 billion. During the quarter, we returned almost $2.1 billion to stockholders, including approximately $700 million in dividends and $1.35 billion in stock repurchases. At the end of the quarter, we had approximately $6.5 billion remaining on our buyback authorization.

Our non-GAAP tax rate was 13% and lower than expected on business mix and the effects of the ParkerVision reversal.

Now, turning to our guidance; we are updating our financial forecast for fiscal 2014 to reflect our fiscal third quarter results, and increased outlook for QCT, partially offset by our lower estimates for QTL. We estimate fiscal 2014 revenues to be in the range of approximately $26.3 billion to $27.2 billion, up approximately 8% year-over-year and unchanged at the midpoint from our prior guidance.

We expect fiscal 2014 non-GAAP earnings per share to be in the range of $5.21 to $5.36, up approximately 17% year-over-year at the midpoint, and up $0.14 per share from our previous guidance midpoint on the strength of our fiscal third quarter.

We are increasing our estimate for the reported fiscal 2014 QTL average selling price to approximately $222 to $228, which is $2 above our prior $223 estimate at the midpoint, again reflecting the absence of the mixed impact of underreported and disputed devices.

We expect combined non-GAAP R&D and SG&A expense to grow approximately 5% to 6% year-over-year, and as Steve indicated, we are still on track to exit the fiscal year below the run rate at the end of the last fiscal year.

Turning to the fourth fiscal quarter, we estimate our revenues to be in the range of approximately $6.5 billion to $7.4 billion, up approximately 7%

year-over-year at the midpoint. We estimate non-GAAP earnings per share in our fourth fiscal quarter to be approximately $1.20 to $1.35 per share, up approximately 21% year-over-year at the midpoint. We anticipate fourth fiscal quarter non-GAAP combined R&D and SG&A expenses will be between 2% lower and flat sequentially.

In QTL, we forecast total reported device sales of $53 billion to $59 billion, down approximately 4% sequentially at the midpoint, reflecting the uncertain timing of potential resolution of the licensing matters.

In QCT, we anticipate MSM shipments of approximately 230 million to 245 million units during the September quarter, reflecting continued strong demand across all tiers, with particular strength in low and mid-tier chipsets for Chinese OEMs.

We expect QCT operating margin to exit the fiscal year above 20% as previously forecasted, as a result of solid execution on spending and supply chain initiatives.

We continue to expect 3G/4G channel inventory to remain within the normal 11 to 16 week range through this calendar year, with China related inventory increasing on LTE channel fill.

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

Warren Kneeshaw

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

Question-and-Answer Session

Operator

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

Mike Walkley - Canaccord Genuity

Great, thank you. Derek, just going back, as you take the midpoint of the units now excluded, roughly 215 million units, can you help us maybe break it down between the four reasons you gave excluding those units, and the one licensee dispute, is that a meaningful piece of that 215 million excluded now from your outlook?

Derek Aberle

Sure Mike. Yeah, it’s a little bit hard. We have a pretty wide range on the units, because of the uncertainty of the timing of the resolution, and they are all kind of different in kind. But the licensee dispute is a meaningful contributor to that number during this timeframe, and of course, if that particular licensee were to gain more share or lose share, that can impact the estimate that we have at this time. But they are all meaningful contributors to the numbers that we put out for the year.

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. If I could just follow-up on the China piece here; maybe, if you could talk to us a little bit about the complexion of some of these customers and what Qualcomm could do to some of them to sell outside of China, where you might have a little bit more leverage. Are they chipset customers, where maybe you also have some leverage on the supply side? And then related to that, do you -- are you concerned about the spreading maybe to some of the other Chinese, and also there has been some stories about some Google initiatives in China with a few handset companies that are not Qualcomm licensees. So maybe can you just talk a little bit about this as potentially being a broader issue than just these OEMs in China? Thank you.

Derek Aberle

Sure Tim, this is Derek. Yeah again, there are kind of multiple factors here, so let me try to break them down. On the dispute, I think that's something that we have had -- we have had several of these in the past, as you know, over the years, and our typical process is to try to engage with the licensee and see if we can resolve it through negotiation, which we usually are pretty successful at. And when that doesn't work, things need to take a different course, and even in that route, we have, I think, had a history of pretty successful results there.

On the other OEM; so it's really a mixed bag. In the white box or the lower end tablet space, it's really a set of -- kind of a new set of suppliers, that at least today are I think primarily focused in China, and then maybe some of the other emerging regions. And much like the mid to smaller sized companies in China in the past, we have had a lot of success in getting those companies to sign licenses over time. It's really just a timing question, I think, in my mind, because we are kind of at the outset of this growth in a new segment and its new supplier, so it's going to take some time to get those licenses in place.

The same is really true for the three mode volume. I think its, from our perspective, more of a timing question, in terms of getting the remaining licenses in place. And then around the underreporting, it is -- again, we are at the pretty early stages of trying to confirm sort of the extent of this, and engage directly with the OEMs in China. But our typical process is, we will uncover something and then we will work with the licensee through the compliance and also an audit process which takes some time, to try to get, what we believe, is a compliance situation. And when that doesn't work, obviously, we have different mechanisms we can pursue under the agreements themselves.

So I think, you know again, I think we have a number of avenues available to us, which have proven successful in the past, and we just have, with a little bit of more uncertainty right now in China, we have a period where we need to push these things and its going to take a little time.

In terms of things spreading, I am actually -- my sense is that the units that are supplied even into the local brands in India, are really supplied primarily today out of China, and so it would be sort of the similar set of suppliers as we have discussions with for supply in China and the other emerging regions. Its not a -- in other words, it's not a new set of suppliers cropping up in India, that aren't supplied elsewhere from the licensee base.

Operator

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

Brian Modoff - Deutsche Bank

Yeah guys. So it's a little bit of math. So we are talking 215 million units for the year, that are, potentially, you are dealing with this licensing collection issue, approximately?

Derek Aberle

Approximately, that's the midpoint of the range that we gave. Brian, from a TRDS standpoint though, the range is more like 6% to 9%, so it's about half the percentage effect that the units would imply.

Brian Modoff - Deutsche Bank

Okay. and then if you're -- if these are lower end products, you are probably looking at royalties, on ASP of say $100 or maybe even lower depending on what the product is, is that correct?

Derek Aberle

I mean these are lower -- yeah, these are lower priced devices that we believe are kind of in this bucket, generally.

Operator

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

Kulbinder Garcha - Credit Suisse

Question for Derek again, not surprisingly today Derek. I guess I am trying to understand how this whole thing came about? What I am getting at is that, you mentioned the whole thing about connected tablets taking off, were you previously assuming your guidance, you would license them, and now you can't. I am surprised you have even included that, I guess is my point, and then the additional thing I was just thinking is, in terms of the -- same thing applies to new licensees you were targeting but you weren't able to close them. I am surprised that caused you to revise your estimates down, so that would be an incremental upside, if it ever occurred? And so what I am getting at, is it just the people -- is the main driver this major licensee that's not paying you now, and the underreporting generically by everyone? Because that $200 million on the Chinese market is a really big number on that market frankly; and so I am trying to understand, how this kind of came about, and why it suddenly hit you now, or was it warning indicator [ph] for the last six months about this? Any kind of context around that would be helpful.

Derek Aberle

Okay. Kulbinder, this is Derek. Let me try to break that down a little bit. So first of all, the 215 million is the midpoint of, as I said, a relatively wide range, and the reason we gave a relatively wide range is just because of the number of factors involved and the uncertainty around the timing of each one of those potential resolutions. The dispute that we have with the licensee, as I said, is a significant contributor to these units. If not all of their units, we have a dispute around some of them, and frankly, I don't think it’s a question of whether they are going to end up paying royalties, it's just a question of the timing of trying to resolve it, and what that resolution will look like.

On the white box tablets, we have been monitoring that, and we have been in discussions with a number of those companies. Frankly, just the acceleration of the growth that we expect to see over this period is faster now than we expected a few months ago, or even before that. And that is a contributor, but I am not going to suggest if that's the largest contributor of the units, it's just a piece of it.

On the underreporting, again, if you think back to calendar 2013 as we have been monitoring this, and I know you have asked questions about this periodically. You know, we have been really on top of the compliance aspects in China. And really, the first time we are really seeing a meaningful impact of this is in the current quarter that we are reporting, and it's really a relatively recent phenomena. And part of it is really just trying to understand where this will go in terms of a trend, and we have provided a relatively wide range on that for that reason. Again, the typical process is, when we notice things that look suspicious, we will engage with the licensees quickly, and then usually move to an audit process, which takes some time to get the data and then work through the issues. But once we get through that process, we are able to typically get a resolution.

So again, I think there is just a number of factors that came together at the same time. Obviously, we are also seeing a ramp in the LTE volumes, from China Mobile, which is a good market phenomena. But given some of the uncertainty there right now and the discussions around the LTE licenses, although they have been ongoing and we have been progressing and increasing the numbers, has been a little slower than we had anticipated. So it's taking longer now to get to some of these agreements. And so we believe we will get there, it's just a question of timing, and it's uncertain in terms of when that will be.

Operator

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

Simona Jankowski - Goldman Sachs

Hi, thank you. I just wanted to see if you can give us a little bit of color Derek, on -- of the 70 licensees that you have in China, what percent of the total volumes in China do those cover? And then is there a distinction in terms of your collection of Chinese-made devices that are sold in China, versus those that are sold overseas?

Derek Aberle

Yeah, its really hard for us to pinpoint a -- or give a range even for the percentage of the units that will be supplied over the calendar year, where we are giving these projections from the licensee base, that are currently licensed for LTE. There are significant companies in the group of companies that have signed licenses for three mode devices in LTE generally. But there are a number of other meaningful suppliers in China that haven't yet signed up, which is why you are seeing the impact -- and those negotiations are continuing, and I suspect will get concluded, its just a question of when they will be concluded.

Operator

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

Ehud Gelblum - Citigroup

Hey guys, thanks. I appreciate it. Sorry about that, I was messing up my phone. Thank you. A couple of questions again, I am trying to get this straight; first of all, on the NDRC, could a possible conclusion of that investigation be something that relates to the royalty rates that you will end up having with your licensees in China, or is that completely separate, and the negotiations you do with the licensees, that will -- and the royalty rates that come out of that, will be totally separate from what the NDRC conclusion is? And then again, just to understand a few of the specific things, I just want to confirm the dispute that you're having with the Chinese vendor, and that is with handsets, as Simona said before, both that they sell within China, as well as ones that they sell outside of China, just coming back to some of the other questions; we can't get to a player large enough in China to be a significant player of that 215 million, if we only consider their Chinese handsets. So just trying to get a frame of that.

And if I could sneak one more in, these vendors are not paying, or either underreporting or not paying you now, are these ones that were licensed in the past, and therefore had paid you in the past, not now, or are these new vendors that had never paid you? Sorry for all the questions.

Derek Aberle

Okay, a little hard to -- hopefully I got all of them scribbled down there. So Ehud, I think -- on the NDRC, I think we have made a pretty robust -- not a pretty robust, a very robust disclosure in our 10-Q, in terms of the range of potential outcomes that could come out of a decision of the NDRC. And so, at this point, we are continuing to fully cooperate, as I said, and try to work through this, but we can't comment specifically on what any particular outcome may be from that proceeding.

In parallel, we are in negotiations with a number of licensees as is typical for the business, and there is a little bit -- I would say, a little bit of a more complication and a little bit slower pace of those negotiations, given the backdrop of the investigation, which is having some amount of impact.

As to the units, kind of inside versus outside China; the 215 million midpoint or the overall range, would not necessarily be limited to sales, in fact, likely is not limited to sales just for China. Number of these suppliers, as you know, supply worldwide. And so really it’s a phenomena that's right now we believe unique to Chinese OEMs.

And as to the ones that are -- that we believe are underreporting, its not a question of companies that have stopped paying or reporting entirely, I think its just -- as we look at the market data that's available to us, which is a very extensive process we have, we now believe that there is a gap between what we expect it to be reported to us, and what actually was reported to us in the third quarter and what we expect for the fourth quarter and for the remainder of the calendar year, unless and until we an get resolution on some of these issues.

So its really companies that are under agreement and the typical process I outlined before is to go through sort of the compliance discussion, which has started already, and then from there, if its not resolved, we move to audit, and if ultimately that's unsuccessful, we have other mechanisms to pursue it under the contracts themselves that they have signed.

Operator

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

James Faucette - Morgan Stanley

Thanks a lot. Just a quick follow-up to that then Derek; I think you mentioned that you felt like some of the negotiations with potential new licensees were being impacted by the NDRC investigation etcetera. Do you feel like that some of the compliance issues with existing licensees are also being impacted by that same investigation? And then just a quick question, maybe for Steve on the overall market for chips into China, and the emerging markets is that, clearly you're seeing good success and that's evidenced by the large volumes you shipped last quarter, but just wondering how you're feeling about the competitive environment and anything that you need to do from a pricing or a promotion standpoint to continue to [indiscernible] that you'd like to, in those developing markets? Thanks.

Derek Aberle

Sure James, this is Derek. I mean, it's clear to us that the investigation, among other things is creating an increased level of uncertainty I think with the licensee base in China right now. I guess the way I would answer that is, we believe the investigation will be resolved at some point. We are working hard to try to see that through, and once that is resolved, I do believe some of the challenges we have had in the near term, will become easier.

Steve Mollenkopf

James, this is Steve. With regards to your question about chips; it has been an area of strength for us, actually shipping chips into the Chinese customer base. Not all of those, by the way, are being sold in China as well, we have had actually some strength in the 3G portfolio over the last quarter for devices, head into Latin America and rest of the world. So I think its in general, been a very strong picture, and I would say we feel very good about where we sit competitively, and I think if you look at the guide, its consistent with that view.

Operator

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

Brian Modoff - Deutsche Bank

Yeah guys. The way I was going with that line of questioning earlier was, if you -- its like you assume 215 million units, and you assume probably an ASP of around $100 getting into China, and [indiscernible] royalty rate, we are talking about say $645 million, $650 million of revenues in royalties that you will need to pull back over time, once these disputes get settled. Is that a kind of good way to look at it? And then a second question for you Steve, you're doing a lot of work around -- your 28-nanometer RF getting ready to start shipping in October. You have got a ton of 14-nanometer taken off the curtain with Samsung. Can you talk a little bit about how some of these advances you're doing on the substrate side would help you from an economies of scale and margin standpoint against the competitors, that should push forward aggressively in these areas? Thanks.

George Davis

Hey Brian, this is George, I will take a shot at your -- the sizing issue. I think your basic math is in general, right. The way I would look at it, in terms of -- these are lower price devices on average, less than 50% of the average for the overall ASP for the company that we report. And I think -- one of the things you can do is, this is a very strong year relative to our expectations, on the QCT side for the year. Now we talked last quarter about there being a bit of a lag, just because of the timing of the ramp in QCT that QTL wouldn't fully participate this year, all things being equal, but it was really good momentum going into 2015.

So I think if you look at the -- if you want to try and size the impact, I think you would have started to see this impact more fully realize in the third quarter, fourth calendar quarter, and if you look at what the year-over-year looks like there, we are down about 3% year-over-year on QCT this quarter, it widens out a little bit next quarter -- QTL, excuse me, not QCT. Obviously QCT was up significantly year-over-year.

So I think you can size it. We would have expected and expect this result, that this will be a strong momentum for QTL as well.

Steve Mollenkopf

And Brian, on your question about the substrates and different technologies that we are going to -- there were a couple of things I think, one is, its clearly been an advantage to have the scale that we have and to have that scale across multiple foundries that's helped us with supplies, its helped us with pricing, it has helped us with a number of items. And then I think probably the most important thing is from the design perspective, your ability to go to advanced node and to integrate a number of different technologies on to the same die and increasingly, those technologies are F technologies, that has been a competitive advantage for us, and we think its going to continue to be in a competitive advantage moving forward. So we continue to push that -- that's one of the things that I mentioned in my script, that we were pleased that we are able to even execute on that strategy, while cutting back on the OpEx as well. So its -- we feel like we are pretty positioned well from a product perspective.

Operator

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

Stacy Rasgon - Sanford Bernstein

Hi guys. Thanks for taking my questions. I have two. The first one, 215 million units out of your forecast seems too big to me to be strictly 4G in China situation. So can you give us some feeling for -- suspect this is beyond 4G, this is 3G as well, so do you ha actually have 3G licensees that we are paying, who are now underreporting as its leaking out?

Secondly on the NDRC, I know in your Q you talked about that there would be likely a probable impact, a financial impact, but you're unable to size it at this point. Can you talk about what some of the possibilities are, anywhere from a [indiscernible] business model transitions. Is there a possibility that there could be an adverse change to your business in China, and if there is, how do you stop that adverse change from leaking out of China into the rest of your regions, and impacting your royalty business overall?

Derek Aberle

Stacy, this is Derek. Yeah so on the 215 million midpoint, again, from the TRDS impact, you will see significantly less than that. The reason I try to kind of break it down into four different buckets, is because of the underreporting bucket that you mentioned, that we believe is going on right now, is broader than just LTE, would include 3G volumes as well, and so that's -- when we look at the market, in terms of both China and devices flowing outside of China to other parts of the world, that's encompassing the broader technology set than just 4G.

On the NDRC, really I don't think I can say much more than I said in response to a prior question. Other than, yes, we did change the disclosure to indicate that -- we believed some loss would be probable. But given the many factors that are involved there, we are really not in a position to be able to estimate what that might look like, we just believe whatever the resolution may be, will likely include some form of payment.

Operator

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

Romit Shah - Nomura

Thanks. A couple. Derek, first, the NDRC investigation, should we expect some resolution this year, or should we be waiting for this thing to spill into 2015? The other question I had was, on just the strength in MSM this quarter, you mentioned emerging -- can you talk a little bit about how the -- your tier-1 customers influence the performance here in June and your outlook for September? Thanks.

Derek Aberle

So this is Derek, I will take the first one. It is pretty difficult to determine timing on the NDRC resolution. As I have said in the past, we are -- this is obviously a large priority for the company to resolve it, and we are cooperating and actively engaged with the NDRC to try to get to resolve this as expeditiously as possible.

Steve Mollenkopf

And on the second question, I think this last quarter, we really benefited from our diversified customer base and our strength across tiers, and that continues to be something that we think will be a good part of the business. What we are seeing in China, and I think most people probably don't realize all the time, is that it is very much a multi-tiered market, and we are seeing strength across the tiers. And what's really interesting is that, you're seeing a lot of the OEMs in China going international as well, and that's -- I think that's helping us on the chipset business as well.

One other thing that I wanted to mentioned and it was in my script, is that we will be focusing more and more of our chipset roadmap and energy on increasing the pace in which we refresh that roadmap and I think that will benefit us as well moving forward, in the customer base.

Operator

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

Timothy Arcuri - Cowen and Company

Thanks a lot. I have two. First Derek, of the 215 million units, can you somehow put those into each of the four buckets, the dispute, the tablets, the three mode and then the underreporting. And then, a question for George; George, I a trying to get the pro forma op margins for QCT. It looks like it's about 19%. And if that's right, I am surprised it wasn't a little better given the revenue upside, so I wanted you to comment on that. Thanks.

Derek Aberle

Tim, this is Derek. Again, the 215 million is the midpoint of a relatively wide range of units, and a number of different assumptions in terms of potential outcomes are baked into sort of the high end versus the low end of that. And so it's really hard to break down the bucketing of that. As I said, I think, probably the smallest contributor in this timeframe would be the tablet space, which shouldn't be surprising, and kind of the other three are all pretty meaningful contributors.

George Davis

Tim, I am not sure I followed that. The operating profit percentage that was reported was at 23% for QCT, very strong, certainly above the expectations. We said we are going to exit the year above 20%. If you put all those together and look at our 18% to 20% range for the year, we are clearly at the high end of that. And I think that's fully -- in keeping with our outlook for the year, and benefiting a little bit more from the upside in MSM units.

Operator

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

Tal Liani - Bank of America Merrill Lynch

Hi guys. Before I go to the main question, just a few housekeeping items; implied royalty rate was higher than you said last quarter. Last quarter you said its going to be 3.1%, and you reported 3.24%, you can go over it. Also the ASPs were higher, is this just related to the elimination of China in the number that there -- that was part of China that we are talking here about? Or is it also related to other things?

Also financial expenses --

Derek Aberle

Could you repeat that question, I think -- okay, go ahead.

Tal Liani - Bank of America Merrill Lynch

Should I repeat the question?

Derek Aberle

No its okay. He got it.

Tal Liani - Bank of America Merrill Lynch

Half of the outperformance this quarter outside of the revenues was higher financial income, lower taxes, what's going on there, if you can discuss? So these are all the P&L items. One question that I have on the issues of the licensing issue, is -- what I want to understand is, is it related to MediaTek not reporting anymore the numbers to you, so you have more limited way to audit the numbers that the vendors are reporting? Or is it more related to new technology and vendors basically making it very broad kind of claim saying, this kind of technology we are not paying, which is -- there is a difference in the difficulty to convince them to pay in one scenario versus another? Thanks.

George Davis

Maybe I will jump on the P&L items first, and the implied royalty rate. So I think we are looking at different numbers. The reported number would be 3.1%, which was right on top of what we had guided. So if you have got some more questions, you should may be check with the IR team, they can go through the calculation.

In terms of tax, what you saw is, actually last quarter, we reached a settlement which lowered out outlook for the tax rate for the year. We got an additional benefit this quarter as well from the effects of the reversal of the ParkerVision judgment and so that was a -- it didn't carry tax with it, so it had the overall effect of lowering our tax rate.

And as we have been reporting, we are seeing higher investment income on gains in the portfolio, as we have started to implement higher return of capital, we have had a program to reduce some of the volatility in the higher risk assets that are in our long dated portfolio, just to keep our risk levels in line and so, that's led to gains; and the gains turned out to be a little bit higher than we thought in the quarter, because it has just been such a strong financial market. As we've sold those down, we have had greater benefit.

Derek Aberle

Tal, this is Derek. On the ASP for the quarter, I think really the primary driver was the fact that we got -- we had less volume in than we expected at the lower tier devices in China, that's really the primary driver.

On your second question, really the underreporting, it's not an issue of kind of a new technology issue as you described it -- meaning, licensees taking a position that they don't owe royalties on a particular product or technology under their agreement. We really think it is just a -- as we dig into this we are going to -- we believe we will find that they are only reporting something less than 100% of their sales, and hoping they are going to be able to get away with it. Again, we have always been very clear that, you know, the effort involved in making sure we collect on everything in China is significant, and we have a lot of resource in that, and we triangulate a lot of different information at -- we get from MediaTek as one element, and certainly, having less information makes things a little more difficult than having more information. But that, we don't believe is the primary sort of indicator for what's going on here.

Operator

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

Mark Sue - RBC Capital Markets

Thank you. Gentlemen, historically, when Qualcomm worked and settled with the Korean vendors, the Japanese, or even the European vendors, we have always had a subsequent resolution and subsequent recovery, and along the way, there was a little bit of give or take, which then sets a precedent. China just seems like a whole new animal in terms of the size and the scope; so conceptually, should we think about just kind of the different structural rate going forward, considering that there is a balance of allocating power that seems to be shifting. How do we kind of containerize what happens in China, so that is not inflicted by others as a precedent; and also additionally, is there additional OpEx that we should be thinking about, in terms of the cost of doing business in China, auditing the extra data for example? Thank you.

Derek Aberle

I am not sure -- again, I think the way that we have been handling China is very similar to the way that we have addressed our licensing program worldwide, very consistent. You're right that -- I would say the typical resolution of these things, when there is a period of uncertainty in a period of time where amounts are not being paid to us, that we believe are recoverable. That resolution usually carries with it, some kind of recovery for past, and I have no reason to believe, that would also be the case with the items that we have outlined.

Again, we look at the compliance activity very carefully, and that's a meaningful part of the program and has been for several years, the number of audits that we do has increased pretty much every year. But we do have, I mean -- I think we do have a reasonable amount of resource and we have that in the plan, I don't see like a significant increase in OpEx that would be needed to address the issues. Again, our best assessment is, that these are near term challenges that given a period of uncertainty we have, may take some time to resolve, but will get resolved, and we will just have to see how this plays out, as we move forward.

Operator

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

Rod Hall - JP Morgan

Hi guys, thanks for the question. I guess I had a couple. Derek, I wondered if you could talk a little bit about the likelihood this turns into a collective bargaining situation, or if it is already there, and if that's the case, who the negotiator on the other side of the table would be? Would it be a consortium of these companies, or some representative of them? So if you could just kind of talk about how you expect this to play out in the single deal you do with all the companies, or do you do individual deals with everybody?

Also, I wanted to go back to the question on the reports that -- the question on the chips and the involvement of the chips, it seems clear that that 215 million number involves people pulling CDMA royalties from you that they'd already agreed to pay. So why wouldn't chips at some point, get involved in this, if the negotiation drags on? Is there any good logical reason why that wouldn't happen? Just would be curious to hear that. And then lastly, given that the fun place that China is to do business, we have also got these reports the government is talking about limiting high end marketing spending from the carriers, I wonder maybe Steve, since you are there, could you comment on what's going on with that? Is that's a real issue? Is that's something that's going to impact high end smartphone demand over time? Be interested in some color on that, thanks.

Derek Aberle

Rod, hey this is Derek. Let me try to take the first two, and then Steve can cover the last one. So again, we have sort of two things; we do have the NDRC investigation ongoing, and as we have said, we are actively engaged with them, to try to find a resolution. We don't know exactly what the impact or the resolution will look like, both looking backwards or looking forward; we are just continuing to try to -- just try to work that one and get to a resolution.

Beyond that, we don't anticipate that there will be sort of a need or a movement to collective negotiation with companies in China. That has not been the practice that we followed successfully over the last many number of years. And that continues to be the way that we were operating. We are basically in discussions with individual companies, which every company has different needs, different business models, etcetera. And so collective deal really isn't typically appropriate in any event.

So I expect going forward, we will continue to negotiate like we have in the past, individually, with the various companies, and that won't be a change.

On the chip side, I am not sure I fully understood your question, but let me try to answer it as best I can. Certainly, if you look at the magnitude of the number of units that we have kind of in this range, there are -- we do expect that there will be products in that mix, that aren't reported to us for a period of time, that could include our chipsets. Our typical practice, when that has happened in the past, is to engage with the licensee and try to work it out and find a resolution and pursue payment under the license, without an impact on the chip side. And that's what we would plan to do here as well.

Steve Mollenkopf

Rod, this is Steve. There have been reports about the level of subsidy changing in China. I don't know to a degree that we are seeing that reflected in the demand. I mean, if you look at the raw number of dollars that are actually authorized, its quite a number. And I would say, I would characterize our demand across tiers to be fairly robust. So I am not sure we are seeing a downstream impact of that concern.

Operator

Your next question comes from the line of Anil Doradla with William Blair. Please go ahead with your question.

Anil Doradla - William Blair

Hey guys, if I recall, Derek, some time ago you talked about maybe all the licensees now due to 2017. I think that was the comment you made maybe a year, year and half ago. Can you give us an update on that from the Chinese guys? And as a follow-up, Broadcom obviously exiting the baseband business, they talked about even writing down all that stuff, what immediate impacts have you seen in your business with them getting out of baseband? Thanks.

Derek Aberle

So I think straining my memory a little bit, but let me try. Going back several years ago, we did talk about at one point in time, we had basically five WCDMA licenses that had to get extended before that time frame that you mentioned, 2017-2018. And then we kind of knocked all of those off some time ago. We haven't really updated that or given color, as to whether there are other agreements that need to be extended beyond that. So that's a little bit of a dated number, and I don't think we are prepared to update that today.