InterDigital

March 9, 2006

InterDigital Announces Fourth Quarter and Full Year 2005 Financial Results; Company Projects First Quarter 2006 Revenue of $50 million to $52 million; Board Authorizes $100 Million Share Repurchase Program

KING OF PRUSSIA, Pa.--(BUSINESS WIRE)--March 9, 2006--InterDigital Communications Corporation (Nasdaq:IDCC) today announced financial results for the fourth quarter and full year ended December 31, 2005. For the fourth quarter 2005, the company reported revenue of $40.5 million and net income of $45.0 million, or $0.80 per share (diluted). For the full year 2005, revenue and net income totaled $163.1 million and $54.7 million or $0.96 per share (diluted), respectively. The results for the full year and fourth quarter included non-cash, non-recurring tax benefits of $43.7 million, or approximately $0.76 per share (diluted), mainly related to the fourth quarter reversal of the company's valuation allowance against its federal deferred tax assets. The company ended 2005 with a cash and short-term investment position of approximately $105.7 million. This position is expected to be further strengthened in first quarter 2006 by approximately $111 million in royalty prepayments, the majority of which has been received, from both existing licensees and LG Electronics' (LG) first scheduled payment, net of related source withholding taxes, under its recently executed license agreement.

The company also announced that its Board of Directors approved the repurchase of up to $100 million of the company's outstanding Common Stock. Shares may be repurchased, from time-to-time, through open market purchases, pre-arranged trading plans or privately negotiated transactions. The amount and timing of purchases will be based on a variety of factors, including potential stock repurchase price, cash requirements, acquisition opportunities, strategic investments and other market and economic factors.

William J. Merritt, President and Chief Executive Officer, stated, "2005 marked another very good year for InterDigital. We substantially increased our revenue, further grew our already large base of patent licensees, added two customers for our HSDPA offering, returned $34 million to shareholders through the repurchase of two million shares of common stock and sharpened organizational focus to drive toward our ultimate goal of securing revenue from every 3G terminal unit sold. With the addition of LG as a licensee in early 2006, we now estimate that we derive revenue on approximately 35% to 40% of all 3G terminal units sold worldwide."

Mr. Merritt added, "During 2005, we also expanded our dual mode modem offering for terminal units through both internal 3G development and external licensing of market-proven GSM/GPRS/EDGE technology. Our key goals for 2006 include completing and enhancing that offering and achieving meaningful market penetration, growing our base of patent licensees, expanding and defending our IPR position and seeking further investments in technologies that can enhance the attractiveness and profitability of our technology solutions. We are confident that these activities can drive even greater value for our shareholders. With our strong financial position, we can support investments in both our business opportunities and in our own stock in order to maximize the return of value to our shareholders."

Fourth Quarter Summary

Revenues in fourth quarter 2005 increased 19% to $40.5 million from $33.9 million in the fourth quarter 2004, driven by higher technology solution revenue and recurring royalties. For fourth quarter 2005, recurring royalty revenue of $36.2 million increased $3.3 million, or 10%, when compared to fourth quarter 2004. This increase was due to both royalties from new licensees in 2005 and generally higher royalties from existing licensees. Fourth quarter 2005 technology solution revenue of $4.3 million increased $4.1 million over last year's comparable fourth quarter primarily due to revenue from agreements with General Dynamics and Philips. Fourth quarter 2004 also included $0.8 million of non-recurring revenue, a portion of which related to past sales of products covered under a new license agreement. Licensees that accounted for 10% or more of fourth quarter 2005 revenue were NEC (28%), Sharp (25%) and Sony Ericsson (10%).

The company's net income increased to $45.0 million, or $0.80 per share (diluted), in fourth quarter 2005 from a loss of $0.2 million, or breakeven earnings per share, in fourth quarter 2004. This increase was primarily due to the recognition of non-cash, non-recurring tax benefits of $43.7 million, mainly related to the reversal of the company's valuation allowance against its federal deferred tax assets.

Fourth quarter 2005 operating expenses of $39.0 million increased 24% over fourth quarter 2004. The most significant quarter-over-quarter increases included an adjustment to the long-term compensation program accrual and ongoing patent arbitration and litigation costs. In fourth quarter 2005 total expense for current and now concluded patent arbitration or litigation was approximately $8 million. The balance of the increase from quarter-to-quarter was due to investments in key technology initiatives, higher patent amortization and repositioning activities.

The company's fourth quarter 2005 tax expense, excluding non-recurring tax benefits of $43.7 million, was $1.1 million, consisting of non-cash charges for both federal income taxes and non-U.S. withholding taxes. Fourth quarter 2004 tax expense of $3.3 million consisted of non-cash charges for both federal income and non-U.S. withholding taxes.

Twelve Month Summary

For the full year 2005, revenues were $163.1 million compared to $103.7 million in 2004. This 57% increase was attributable to growth in royalties from patent licensees under agreements in effect at the beginning of 2005, new patent licensees added during 2005 and growth in revenue primarily related to technology solution agreements with General Dynamics and Philips. The increase was also due, in part, to the third quarter 2004 transition in reporting per-unit royalties which resulted in no per-unit royalties being recognized in that quarter. Revenues for 2005 included $133.9 million of recurring royalties, $10.2 million related to past sales of products covered under new license agreements and $19.0 million from technology solution agreements with General Dynamics and Philips. Revenues for 2004 included $101.6 million of recurring royalties, $1.8 million primarily related to past sales of products covered under new license agreements and $0.3 million from technology solution agreements. Licensees that accounted for 10% or more of full year 2005 revenue were NEC (30%) and Sharp (22%).

The company reported net income of $54.7 million for the year 2005, or $0.96 per share (diluted), compared to net income in 2004 of $0.1 million, or breakeven earnings per share. The increase in net income was primarily due to higher revenue and non-cash, non-recurring tax benefits in 2005.

Operating expenses of $146.0 million in 2005 increased 33% over 2004, due mainly to (i) significantly higher costs associated with patent licensing arbitration and/or litigation with Nokia, Samsung and Lucent (totaling nearly $28 million for the year), (ii) long-term compensation program costs, (iii) executive severance costs and (iv) investment in technology solution initiatives.

In 2005, the company generated approximately $11.3 million of free cash flow(1). Also in 2005, the company expended $34.1 million in connection with the repurchase of two million shares of the company's stock and $8.1 million to acquire complementary patents and related assets.

First Quarter 2006 Outlook

Rich Fagan, Chief Financial Officer commented, "In first quarter 2006, we expect to report revenue of $50 million to $52 million. This revenue amount includes slightly more than $11 million related to the recently announced patent license agreement with LG (for which we are recognizing revenue associated with $285 million in total expected payments on a straight-line amortization over the approximately five-year term of the agreement) as well as increases in sales from some of our other licensees. We anticipate that first quarter 2006 operating expenses, excluding current patent arbitration or litigation costs, will be in line with those experienced in fourth quarter 2005 reflecting continued investment in our dual mode terminal unit offering. Patent arbitration and litigation expense will depend on the level of activity through the remainder of the quarter. Lastly, we expect that our book tax rate for first quarter 2006 will approximate 35% to 37%."

About InterDigital

InterDigital Communications Corporation designs, develops and provides advanced wireless technologies and products that drive voice and data communications. InterDigital is a leading contributor to the global wireless standards and holds a strong portfolio of patented technologies which it licenses to manufacturers of 2G, 2.5G, 3G and 802 products worldwide. Additionally, the company offers baseband product solutions and protocol software for 3G multimode terminals and converged devices, delivering time-to-market, performance and cost benefits. The company's financial strength and solid revenue base contribute to the continued investment in innovation and development that will shape the next generation of wireless technology. For more information, visit the InterDigital website: www.interdigital.com.

(1) InterDigital defines "free cash flow" as operating cash flow less purchases of property and equipment and investments in patents.

This press release contains forward-looking statements regarding our current beliefs, plans, and expectations as to (i) the percent of 3G terminal units sold on which we derive revenue (ii) our goals for 2006, (iii) our ability to support investment in business opportunities and our stock, and (iv) our first quarter 2006 revenue, operating expenses and book tax rate. Words such as "expect," "future," "should," "continue," "will," "assessing," "anticipate" or similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are subject to risks and uncertainties, and actual outcomes could differ materially from those expressed in or anticipated by such forward-looking statements due to a variety of factors including those identified in this press release as well as the following: (i) unanticipated delays, difficulties or acceleration in the execution of patent license agreements; (ii) our ability to leverage our strategic relationships and secure new relationships or appropriate technologies on acceptable terms, changes in the market share and sales performance of our primary licensees, delays in product shipments of our licensees, and any delay in receipt of quarterly royalty reports from our licensees; (iii) changes or inaccuracies in market data; (iv) the market relevance of our technologies, changes in technology preferences of strategic partners or consumers, the availability or development of substitute or competitive technologies, and the economy and sales trends in the wireless market; (v) changes in personnel costs and commissions; (vi) the resolution of current legal proceedings or unanticipated additional legal proceedings, or changes in the schedules or costs associated with current proceedings, or adverse rulings in such legal proceedings; and, (vii) changes in our foreign withholding tax. We undertake no duty to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

SUMMARY CONSOLIDATED STATEMENT OF OPERATIONS

For the Periods Ended December 31
(Dollars in thousands except per share data)
(unaudited)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2005	2004	2005	2004
REVENUES	$40,489	$33,932	$163,125	$103,685
OPERATING EXPENSES:				
Sales and marketing	2,299	1,792	7,914	6,201
General and administrative	6,252	5,756	24,150	21,622
Patents administration and licensing	13,377	10,702	49,399	30,340
Development	16,391	13,127	63,095	51,218
Repositioning	631	(11)	1,480	596
	38,950	31,366	146,038	109,977
Income (loss) from operations	1,539	2,566	17,087	(6,292)
NET INTEREST & OTHER INVESTMENT INCOME	918	617	3,164	1,743
Income (loss) before income taxes	2,457	3,183	20,251	(4,549)
INCOME TAX BENEFIT (PROVISION)	42,573	(3,347)	34,434	4,704
Net income (loss)	45,030	(164)	54,685	155
PREFERRED STOCK DIVIDENDS	-	-	-	(66)
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	$45,030	$ (164)	$54,685	$ 89
NET INCOME PER COMMON SHARE - BASIC	$0.83	$-	$1.01	$-
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	53,943	55,036	54,058	55,264
NET INCOME PER COMMON SHARE -				

DILUTED	$0.80	$-	$0.96	$-
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	56,370	55,036	57,161	59,075

SUMMARY CASH FLOW

For the Periods Ended December 31
(Dollars in thousands)
(unaudited)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2005	2004	2005	2004
Net income (loss) before income taxes	$2,457	$3,183	$20,251	$(4,549)
Taxes paid	-	-	(755)	(4,187)
Depreciation & amortization	5,540	4,121	21,187	15,807
Increase in deferred revenue	11,500	3,208	57,605	66,202
Deferred revenue recognized	(21,906)	(16,702)	(65,553)	(53,601)
(Increase) decrease in operating working capital, deferred charges and other	(1,519)	(3,342)	921	28,312
Capital spending & patent additions	(5,777)	(5,429)	(22,326)	(16,899)
CASH FLOW BEFORE FINANCING ACTIVITIES	(9,705)	(14,961)	11,330	31,085
Asset acquisition	-	-	(8,050)	-
Disposal of fixed assets	169	-	169	-
Debt decrease & preferred dividends	(84)	(47)	(327)	(236)
Repurchase of common stock	-	-	(34,085)	(17,061)
Stock issued	1,101	1,904	4,853	12,103
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	$(8,519)	$(13,104)	$(26,110)	$25,891

CONDENSED BALANCE SHEET

(Dollars in thousands)
(unaudited)

	December 31, 2005	December 31, 2004
Assets		
Cash & short-term investments	$105,708	$131,818
Accounts receivable	19,534	11,612
Current deferred tax assets	42,103	5,170
Other current assets	8,370	8,017
Property & equipment and Patents (net)	70,176	51,688
Long-term deferred tax assets and non-current		

assets	53,646	33,615
TOTAL ASSETS	$299,537	$241,920
Liabilities and Shareholders' Equity		
Current portion of long-term debt	$350	$212
Accounts payable & accrued liabilities	30,129	21,546
Current deferred revenue	20,055	28,075
Long-term deferred revenue	71,193	71,121
Long-term debt & long-term liabilities	3,496	5,307
TOTAL LIABILITIES	125,223	126,261
SHAREHOLDERS' EQUITY	174,314	115,659
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$299,537	$241,920

The company's short-term investments are comprised of high quality credit instruments including U.S. Government agency instruments and corporate bonds. Management views these instruments to be near equivalents to cash and believes that investors may share this viewpoint. This release includes a summary cash flow statement that reflects the key activities causing the change in both our cash and short-term investment balances. One of the subtotals in the summary cash flow statement is cash flow before financing activity. Management has presented a reconciliation of this non-GAAP line item to net cash provided by operating activities below:

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2005	2004	2005	2004
Net cash (used) provided by operating activities	$(3,959)	$(9,589)	$33,674	$48,230
Purchases of property and equipment	(1,366)	(1,092)	(5,372)	(3,746)
Patent additions	(4,411)	(4,337)	(16,954)	(13,153)
Unrealized gain (loss) on short-term investments	31	57	(18)	(246)
Cash flow before financing activities	$(9,705)	$(14,961)	$11,330	$31,085

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