INTERDIGITAL

August 8, 2007

InterDigital Announces Second Quarter 2007 Financial Results

Pro forma Net Income of $6.6 Million, or $0.13 Per Share

Diluted for Second Quarter 2007

KING OF PRUSSIA, Pa.--(BUSINESS WIRE)--Aug. 8, 2007--InterDigital, Inc. (NASDAQ:IDCC) today announced financial and operating results for second quarter ended June 30, 2007. Highlights for second quarter include:

-- Revenue of $55.0 million, including $53.2 million of recurring revenue

-- Pro forma(1) net income of $6.6 million, or $0.13 per share (diluted) for second quarter 2007, excluding a $16.6 million non-recurring expense relating to the arbitral award arising from the company's arbitration with Federal Insurance Company

-- U.S. GAAP net loss of $4.4 million, or $0.09 per share

-- Cash and short-term investment position of $191.6 million

"For the second quarter, InterDigital posted another strong quarter," commented William J. Merritt, President and Chief Executive Officer. "We recorded solid recurring revenue and profit (excluding the one-time charge for the award in the Federal arbitration) and our product programs are moving forward as planned. We are on track to have our dual-mode 2G/3G HSDPA/HSUPA modem ASIC available in engineering samples by early fall 2007, making InterDigital one of only a few companies in the world with commercial terminal unit ASIC products with functioning HSDPA/HSUPA technologies."

"We continue to have dialogue with unlicensed manufacturers and remain focused on growing our base of 3G licensees and, if necessary, vigorously defending our intellectual property as demonstrated by our recent ITC action against Nokia," added Mr. Merritt.

Second Quarter Summary

The company's second quarter 2007 pro forma(1) net income totaled $6.6 million, or $0.13 per share (diluted), excluding a $16.6 million charge relating to an award in the arbitration with Federal and related tax effects. On a U.S. GAAP basis, the company reported net loss of $4.4 million, or $0.09 per share, in second quarter 2007 compared to net income of $170.4 million, or $2.98 per share (diluted), in second quarter 2006. Second quarter 2006 net income included approximately $154.1 million, or $2.69 per share (diluted) related to the resolution of patent licensing matters with Nokia and Panasonic.

Revenues in second quarter 2007 were $55.0 million compared to $296.6 million in second quarter 2006. Second quarter 2006 revenues included $240.0 million related to the Nokia and Panasonic matters. Recurring patent licensing royalties in second quarter 2007 were $52.6 million, compared to $54.9 million in second quarter 2006. The decline in recurring patent licensing royalties was driven by the absence of recurring 2G royalties from Sony Ericsson and Ericsson, partly offset by a $3.4 million increase in recurring royalties from other licensees. Technology solution revenue decreased to $0.6 million in second quarter 2007 compared to $1.7 million in second quarter 2006, due primarily to reduced activity under a development agreement with NXP that is nearing completion. Licensees that accounted for 10% or more of the $53.2 million of recurring patent license royalties and technology solution sales were LG (27%), Sharp Corporation of Japan (21%) and NEC Corporation of Japan (18%).

Second quarter 2007 operating expenses of $63.9 million increased $27.9 million compared to second quarter 2006. The increase was primarily due to (i) a non-recurring $16.6 million charge relating to the Federal arbitration award, (ii) an increase in litigation and arbitration expenses, (iii) increased patent portfolio amortization, management and maintenance costs and (iv) increased investment in the development of the dual mode terminal unit ASIC. Excluding the charge associated with the Federal arbitration award, second quarter 2007 operating expenses totaled $47.3 million, compared to $43.6 million in first quarter 2007. The increase in second quarter 2007 operating expense over first quarter 2007 was due to higher litigation and arbitration expenses (which totaled $9.9 million), partially offset by a slight decrease in other operating expenses.

Net interest and investment income of $2.3 million in second quarter 2007 decreased $1.6 million from second quarter 2006 due primarily to lower investment balances in second quarter 2007 following the completion of the company's $350 million share repurchase program.

The company's second quarter 2007 tax provision reflected a tax benefit of $2.2 million compared to tax expense of $94.2 million in second quarter 2006. The second quarter 2007 effective tax rate was approximately 33%, including the effect of estimated future tax credits related to 2007 research and development activity. In second quarter 2006, the company's tax expense included amounts related to both U.S. statutory federal taxes and foreign withholding tax payments made in prior years, resulting in an effective rate of approximately 36%.

Six Months Summary

Pro forma net income for first half 2007 (which excludes a $16.6 million charge relating to an award in the arbitration with Federal and related tax effects) totaled $24.2 million or $0.48 per share (diluted). U.S. GAAP net income for first half 2007 totaled $13.3 million, or $0.26 per share (diluted) compared to $183.3 million, or $3.20 per share (diluted) in first half 2006. Of the first half 2006 net income, approximately $154.1 million, or $2.69 per share (diluted) related to the resolution of patent licensing matters with Nokia and Panasonic.

Revenues were $122.8 million in first half 2007, compared to $348.2 million in first half 2006. First half 2006 revenues included $240.0 million of non-recurring revenue related to the Nokia and Panasonic matters. First half 2007 revenues included $11.2 million of non-recurring revenue associated with prior period sales of Sony Ericsson's covered 2G products identified in a routine audit. Recurring patent license royalties were $110.0 million in first half 2007, up from $104.5 million in first half 2006.

During first half 2007, the company generated $90.8 million of free cash flow(2), compared to $288.8 million free cash flow in first half 2006. Free cash flow in first half of 2006 included $253.0 million related to the resolution of patent licensing matters with Nokia and $95.0 million related to a new patent license agreement with LG. First half 2007 free cash flow was driven by a patent license payment from LG totaling $95.0 million, offset in part by (i) $16.0 million of federal and foreign withholding tax payments, (ii) litigation and arbitration costs, (iii) patent related costs and (iv) investments in product development initiatives.

First half 2007 operating expenses of $107.5 million increased $38.7 million from first half 2006 due primarily to (i) a $16.6 million charge relating to the Federal arbitration, (ii) a $7.6 million increase in litigation and arbitration expenses, (iii) increased patent portfolio amortization, management and maintenance costs and, (iv) higher investments in product development initiatives.

Net interest and investment income of $4.9 million in first half 2007 decreased slightly from $5.4 million in first half 2006 due primarily to lower investment balances.

The company's first half 2007 tax expense was $7.0 million, compared with first half 2006 tax expense of $101.6 million. The first half 2007 effective tax rate was approximately 34%, including the effect of estimated future tax credits related to 2007 research and development activity. In second half 2006, the company's tax expense included amounts related to both U.S. statutory federal taxes and foreign withholding tax payments made in prior years, resulting in an effective rate of approximately 36%.

Expected Trends

Scott McQuilkin, Chief Financial Officer, commented, "Based on the sales reports we have thus far, we expect solid recurring royalties in the third quarter 2007 from our diverse base of licensees as the sales of 3G products by our licensees continue to grow. As is our practice, we will provide an update on our expectation for third quarter 2007 revenue shortly, after we receive and review the applicable royalty reports and update our forecasts on anticipated revenue from work associated with technology solution agreements."

"Our operating expenses, excluding patent arbitration or litigation costs, in second quarter were slightly lower than we had expected given a shift in the timing of some expenses related to our ASIC program," added Mr. McQuilkin. "We now expect to incur those expenses in third quarter, contributing to an increase in the 5 to 10 percent range over comparable second quarter 2007 operating expense and subsequently leveling out for the balance of the year. We believe that patent arbitration and litigation costs will continue to increase over the remainder of the year, although the actual level will be dependent on the amount of activity associated with these matters. Lastly, our book tax rate for the second half of the year will be dependent upon the relative proportions of our full year profitability and investment tax credits in 2007, but is expected to approximate 34%."

About InterDigital

InterDigital 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. InterDigital's differentiated technology and product solutions deliver time-to-market, performance and cost benefits. For more information, please visit InterDigital's web site: www.interdigital.com.

This press release contains forward-looking statements regarding our current beliefs, plans, and expectations with respect to: (i) growing our base of 3G licensees: (ii) our schedule for the delivery of engineering samples of our dual mode 2G/3G ASIC: (iii) the competitive advantage of our dual mode ASIC: (iv) third quarter 2007 revenue guidance: (v) third and fourth quarter 2007 operating expenses excluding patent arbitration/litigation expense: (vi) third and fourth quarter 2007 patent arbitration/litigation expense; (vii) our estimated book tax rate for the second half of 2007; and (viii) our third quarter recurring royalties. Words such as "will," "expect," "on track," "update," "anticipate," "continue to," "forecast," "estimate," "approximate," or similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are subject to risks and uncertainties. Actual outcomes could differ materially from those expressed in or anticipated by such forward-looking statements due to a variety of factors including, but not limited to, 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 patent licensing and technology solution agreements on acceptable terms; (iii) changes in the market share and sales performance of our primary licensees, delays in product shipments of our licensees, and timely receipt and final reviews of quarterly royalty reports from our licensees and related matters; (iv) unanticipated product development expenses and the timing of such expenses; (v) unanticipated difficulties or delays in the production or delivery of our ASIC engineering samples; (vi) changes in the technology preferences, needs, availability and pricing of competitive technologies and product offerings; (vii) the resolution of current legal proceedings, including any awards or judgments relating to such proceedings, additional legal proceedings, changes in the schedules or costs associated with legal proceedings, or adverse rulings in such legal proceedings; and, (viii) changes in our expectations of the amount and composition of full-year taxable income, changes in the amount of our 2007 U.S. federal research and experimental credit, changes in foreign and domestic tax laws or treatises, or changes in our tax planning strategies. We undertake no duty to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law, regulation or other competent legal authority.

(1) Pro forma figures have been prepared to illustrate the exclusion of the impact of the expense relating to the Federal Insurance arbitration. Refer to the pro forma income statement at the end of this release for further disclosures surrounding the company's presentation of pro forma net income and earnings per share.

(2) InterDigital defines "free cash flow" as operating cash flow less purchases of property and equipment and investments in patents. A detailed reconciliation of free cash flow to GAAP results is provided at the end of this news release.

SUMMARY CONSOLIDATED STATEMENT OF OPERATIONS

For the Periods Ended June 30
(Dollars in thousands except per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
REVENUES	$55,006	$296,617	$122,824	$ 348,223
OPERATING EXPENSES:				
Sales and marketing	1,879	1,561	3,975	3,385
General and administrative	6,126	5,695	12,670	10,716
Patents administration and licensing	18,075	12,804	31,280	22,786
Development	21,193	15,887	42,977	31,897
Arbitration award	16,612	--	16,612	--
	63,885	35,947	107,514	68,784

(Loss) income from operations	(8,879)	260,670	15,310	279,439
NET INTEREST & OTHER INVESTMENT INCOME	2,272	3,914	4,905	5,422
(Loss) income before income taxes	(6,607)	264,584	20,215	284,861
INCOME TAX BENEFIT (PROVISION)	2,201	(94,221)	(6,952)	(101,559)
NET (LOSS) INCOME APPLICABLE TO COMMON SHAREHOLDERS	$(4,406)	$170,363	$ 13,263	$ 183,302
NET (LOSS) INCOME PER COMMON SHARE - BASIC	$ (0.09)	$ 3.13	$ 0.27	$ 3.36
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	46,957	54,397	48,362	54,590
NET (LOSS) INCOME PER COMMON SHARE - DILUTED	$ (0.09)	$ 2.98	$ 0.26	$ 3.20
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	46,957	57,128	50,379	57,358

SUMMARY CASH FLOW
For the Periods Ended June 30
(Dollars in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Net (Loss) income before income taxes	$ (6,607)	$ 264,584	$ 20,215	$ 284,861
Taxes Paid	(309)	(35,813)	(15,984)	(51,488)
Depreciation & amortization	7,296	4,951	14,473	9,622
Increase in deferred revenue	12,428	60,687	116,516	286,215
Deferred revenue recognized	(27,078)	(71,028)	(58,185)	(100,936)
Increase (decrease) in operating working capital,				

deferred charges and other	29,579	(6,707)	43,868	(125,054)
Capital spending & patent additions	(17,788)	(6,678)	(30,066)	(14,456)
FREE CASH FLOW	(2,479)	209,996	90,837	288,764
Asset acquisition	--	--	(5,000)	--
Tax benefit from stock options	905	11,105	3,330	14,317
Debt decrease	(92)	(88)	(184)	(172)
Repurchase of common stock	(21,430)	(100,067)	(165,356)	(100,067)
Proceeds from exercise of stock options	1,642	18,930	3,741	28,316
Unrealized gain (loss) on short term investments	268	(72)	299	(23)
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	$(21,186)	$ 139,804	$ (72,333)	$ 231,135

CONDENSED BALANCE SHEET

(Dollars in thousands)
(unaudited)

	June 30, 2007	December 31, 2006
Assets		
Cash & short-term investments	$ 191,633	$ 263,966
Accounts receivable	105,511	131,852
Current deferred tax assets	52,558	43,520
Other current assets	16,348	14,464
Property & equipment and Patents (net)	101,276	87,178
Long-term deferred tax assets and non-current assets	39,894	23,096
TOTAL ASSETS	$ 507,220	$ 564,076
Liabilities and Shareholders' Equity		
Current portion of long-term debt	$ 295	$ 369
Accounts payable & accrued liabilities	63,339	50,150
Current deferred revenue	74,941	70,709
Long-term deferred revenue	214,994	160,895
Long-term debt & long-term liabilities	14,516	6,477
TOTAL LIABILITIES	368,085	288,600
SHAREHOLDERS' EQUITY	139,135	275,476
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 507,220	$ 564,076

The following Pro Forma statements of financial results exclude the expense associated with the Federal arbitration award and related tax expense items. The company has provided these pro forma figures here and elsewhere in this press release. Management regards the arbitration award as a non-recurring item not indicative of operating results for the period and believes that investors may share this viewpoint.

PRO FORMA SUMMARY CONSOLIDATED STATEMENT OF OPERATIONS
For the Periods Ended June 30
(Dollars in thousands except per share data)
(unaudited)

	For the Three Months Ended June 30, 2007		
	Actual	Adjustments	Pro Forma
REVENUES	$ 55,006		$55,006
OPERATING EXPENSES:			
Sales and marketing	1,879		1,879
General and administrative	6,126		6,126
Patents administration and licensing	18,075		18,075
Development	21,193		21,193
Arbitration award	16,612	(16,612)	--
	63,885	(16,612)	47,273
(Loss) income from operations	(8,879)	16,612	7,733
NET INTEREST & OTHER INVESTMENT INCOME	2,272		2,272
(Loss) income before income taxes	(6,607)	16,612	10,005
INCOME TAX BENEFIT (PROVISION)	2,201	(5,648)	(3,447)
NET (LOSS) INCOME APPLICABLE TO COMMON SHAREHOLDERS	$ (4,406)	10,964	$ 6,558
NET (LOSS) INCOME PER COMMON SHARE - BASIC	$ (0.09)		$0.14
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING -BASIC	46,957		46,957
NET (LOSS) INCOME PER COMMON SHARE - DILUTED	$ (0.09)		$0.13
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	46,957		48,908

For the Six Months Ended

	June 30, 2007		
	Actual	Adjustments	Pro Forma
REVENUES	$122,824		$122,824
OPERATING EXPENSES:			
Sales and marketing	3,975		3,975
General and administrative	12,670		12,670
Patents administration and licensing	31,280		31,280
Development	42,977		42,977
Arbitration award	16,612	(16,612)	--
	107,514	(16,612)	90,902
(Loss) income from operations	15,310	16,612	31,922
NET INTEREST & OTHER INVESTMENT INCOME	4,905		4,905
(Loss) income before income taxes	20,215	16,612	36,827
INCOME TAX BENEFIT (PROVISION)	(6,952)	(5,648)	(12,600)
NET (LOSS) INCOME APPLICABLE TO COMMON SHAREHOLDERS	$ 13,263	10,964	$ 24,227
NET (LOSS) INCOME PER COMMON SHARE - BASIC	$0.27		$ 0.50
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING -BASIC	48,362		48,362
NET (LOSS) INCOME PER COMMON SHARE - DILUTED	$0.26		$ 0.48
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	50,379		50,379

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 results in the change in both our cash and short-term investment balances. One of the subtotals in the summary cash flow statement is free cash flow. The table below presents a reconciliation of this non-GAAP line item to net cash provided by operating activities.

For the Three Months Ended June 30,		For the Six Months Ended June 30,	
2007	2006	2007	2006

Net cash provided by operating activities	$ 15,309	$216,674	$120,903	$303,220
Purchases of property, equipment & technology licenses	(11,514)	(1,235)	(18,626)	(4,484)
Patent additions	(6,274)	(5,443)	(11,440)	(9,972)
Free cash flow	$ (2,479)	$209,996	$ 90,837	$288,764

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