FIRST ALBANY CAPITAL

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Telecom Services and Equipment

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Reason for Report:
Price Target Revision

Changes	To (Current)	From (Previous)
Rating	Strong Buy	--
Price Target	$40.00	$35.00
FY06E EPS	$3.90	--
FY07E EPS	$0.97	$0.93
FY06E Rev (M)	$477.6	$477.7
FY07E Rev (M)	$215.6	--

Current Price	$32.29
52 Wk High:	$32.75
52 Wk Low:	$16.68
30-Day Avg Daily Vol:	982,150
Market Capitalization:	$1,837.3M
Shares Outstanding:	56.9M
Dividend:	NA
Cash:	$197.0M
Cash/Share:	$3.46
Debt/Capital:	1.00%
Book Value:	$201.84M
Book Value/Share:	$3.55
Dividend Yield:	NM
3 yr EPS Growth:	NM
Fiscal Year End:	Dec

Earnings Per Share	2005A	2006E	2007E
Q1	($0.02)A	$0.23A	--
Q2	$0.07A	$2.92E	--
Q3	$0.11A	$0.38E	--
Q4	$0.03A	$0.38E	--
Year	$0.21A	$3.90E	$0.97E
P/E Ratio	153.8x	8.3x	33.3x

Revenue ($mil)	2005A	2006E	2007E
Q1	$35.5A	$51.6A	--
Q2	$38.6A	$291.9E	--
Q3	$48.5A	$66.9E	--
Q4	$40.5A	$67.2E	--
Year	$163.1A	$477.6E	$215.6E
RM	11.3x	3.8x	8.5x

3Q:05E EPS is $0.02 not including impact of prior period revenues. 2005E EPS is $0.12 not including impact of prior period revenues.

FY2006 EPS estimate excluding Nokia settlement income would have been $0.94.

3Q:05E Revenue is $37.5 million not including impact of prior period revenues. 2005E Revenue is $151.5 million not including impact of prior period revenues.

InterDigital Communications Corp. (IDCC - $32.29)
Strong Buy

New Mobile Phone Forecast; Raising Price Target to $40 from $35

Regulation AC Certification

Each analyst and associate who has participated in the preparation of this report certifies that the views expressed in this publication accurately reflect the personal views of the analyst about the subject company(s) and its(their) securities. The analyst and associate further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

Specific required disclosures with regard to the companies mentioned in this publication can be found beginning on page 4.

Action
We reiterate our Strong Buy rating and raise our price target to $40 from $35.

Key Points
- We have updated our near-term and long-term industry mobile phone forecast to reflect first-quarter 2006 actual results by manufacturer and we have also raised our industry forecast for the number of phones that will be sold in 2006 and each year through 2010.
- For 2006, we are now modeling that there will be 912 million mobile phones sold worldwide (up 9.4% from 2005), up from our prior estimate of around 850 million. Given the first quarter's strong performance (around 233 million units sold), we believe we could have been more aggressive in our forecast and the more aggressive estimates could prove to be correct. We also raised our industry estimates for 2007 through 2010, and we point out that our 2007 estimate calls for 1 billion mobile phones to be shipped.
- We continue to believe the IDCC is well positioned to add new licensees for its 3G patents, with an additional boost from new customers for its technology solutions offerings. For 2Q:06 and FY06, we are leaving our revenue and EPS estimates unchanged at $291.9 million and $2.92, and $477.6 million and $3.90, respectively. For 2007, we are maintaining our revenue estimate at $215.6 million and raising our EPS estimate to $0.97 from $0.93, with the increase coming from below-the-line items.
- We reiterate our Strong Buy rating.

Valuation
Using a share price net of cash, IDCC is currently trading at 30.7x normalized 2006E EPS and 29.8x 2007E EPS. We are raising our price target to $40 from $35 using our new mobile phone forecast for 2006 through 2010. Our year-end $40 price target is based on our DCF model, which assumes a 3.5% terminal growth rate and a 10% discount rate. In our DCF model we do not assume any new 3G licensees until 2007, and have not raised our assumption that IDCC will capture 35% of the remaining 3G market opportunity from 2007 to 2010 at $1 per handset. Samsung is included in our DCF at $115 million. Our DCF model does not include any incremental revenues from the company's technology partners, Infineon (IFX-$10.79-Not Rated) and Philips (PHG-$28.67-Not Rated), nor does it assume any revenues from Panasonic beyond the $12 million the company is expected to book in the June quarter.

Discussion
Summary. We have updated our near-term and long-term mobile phone forecast to reflect first-quarter 2006 actuals by manufacturer and we have also raised our forecast for the number of phones that will be sold in 2006 and each year through 2010. For 2006, we are now modeling that there will be 912 million mobile phones

sold worldwide (up 9.4% from 2005), up from our prior estimate of around 850 million. Given the first quarter's strong performance (around 233 million units sold), we believe we could have been more aggressive in our forecast and the more aggressive estimates could prove to be correct. We also raised our estimates for 2007 through 2010 and we point out that our 2007 estimate calls for 1 billion mobile phones to be shipped. We estimate that InterDigital has approximately 34% of the first quarter's 3G market share under license.

Our price target goes to $40 from $35 using our new mobile phone forecast for 2006 through 2010. Our year-end $40 price target is based on our DCF model, which assumes a 3.5% terminal growth rate and a 10% discount rate. In our DCF model we do not assume any new 3G licensees until 2007, and have not raised our assumption that IDCC will capture 35% of the remaining 3G market opportunity from 2007 to 2010 at $1 per handset. Samsung is included in our DCF at $115 million. Our DCF model does not include any incremental revenues from the company's technology partners, Infineon and Philips, nor does it assume any revenues from Panasonic beyond the $12 million the company is expected to book in the June quarter.

We continue to believe the company is well positioned to add new licensees for its 3G patents with an additional boost from new customers for its technology solutions offerings. For 2Q:06, our revenue estimate remains $291.9 million and our annual estimate remains $477.7 million. Our EPS estimates for the second quarter and 2006 remain unchanged at $2.92 and $3.90, respectively. For 2007, we are maintaining our revenue estimate at $215.6 million and raising our EPS estimate to $0.97 from $0.93 due to higher interest income.

Details

Near- and Long-Term Mobile Phone Estimates Raised. We have updated our near-term and long-term mobile phone forecast to reflect first-quarter 2006 actuals by manufacturer and we have also raised our forecast for the number of phones that will be sold in 2006 and each year through 2010.

For 2006, we are now modeling that there will be 912 million mobile phones sold worldwide (up 9.4% from 2005), up from our prior estimate of around 850 million. Our forecast compares to Nokia's (NOK-$19.95-Not Rated) expectation of around 914 million, Strategy Analytics' forecast of 930 million and IDC's expectation of about 892 million. Given the first quarter's strong performance (around 233 million units sold), we believe we could have been more aggressive in our forecast and the more aggressive estimates could prove to be correct. We also raised our estimates for 2007 through 2010 and we point out that our 2007 estimate calls for 1 billion mobile phones to be shipped. Our estimates for 2008, 2009, and 2010 assume annual growth of 5.4%, 5.8% and 5.9%, respectively.

The data that we use (which comes from IDC) shows that Nokia led all manufacturers with about a 32.3% market share in 1Q:06, followed by Motorola (MOT-$20.06-Not Rated) with 19.8%, Samsung with 12.5%, LG (LPL-$15.70-Not Rated) with 6.7% and Sony Ericsson (SNE-$42.36-Not Rated) (ERICY-$30.74-Not Rated) with 5.7%. Looking only at 3G phones, Nokia had 19.2% market share, Motorola 12.0%, NEC (NIPNY-$5.23-Not Rated) 9.0%, Panasonic 6.8%, Sharp 6.3%, LG 6.1% and Sony Ericsson 4.5%.

Looking at InterDigital's 3G licensees, we estimate that the company has approximately 34% of the first quarter's 3G market share under license.

Also, given the first quarter's results, and given our beliefs as to where respective market shares are heading, we made some changes to our long-term market share assumptions. For example, our 2010 assumption for LG went to 6.9% from 8.1%, our estimate for Motorola went to 18.8% from 17.2%, for Nokia from 31.5% to 32.5%, and for Samsung from 12.6% to 14.3%.

We believe there remains a sizable opportunity for InterDigital as the company's current licensees would represent about 20% of 2010's market share, meaning that 80% of the 2010 opportunity remains in play. This would include such manufacturers as Nokia, Samsung, and Motorola. We estimate the opportunity of unlicensed manufacturers at about $1.2 billion of royalty revenues from 2006 through 2010 using a royalty rate of about $1.00 per handset to InterDigital. In recent presentations to investors, the company has commented that its current rate per handset is coming in "north of $1.50"; therefore, we believe $1.00 is a reasonable estimate to use.

Valuation. Our price target goes to $40 from $35 using our new mobile phone forecast for 2006 through 2010. Our year-end $40 price target is based on our DCF model, which assumes a 3.5% terminal growth rate and a 10% discount rate. In our DCF model we do not assume any new 3G licensees until 2007, and have not raised our assumption that IDCC will capture 35% of the remaining 3G market opportunity from 2007 to 2010 at $1 per handset. Samsung is included in our DCF at $115 million. Our DCF model does not include any incremental revenues from the company's technology partners, Infineon and Philips, nor does it assume any revenues from Panasonic beyond the $12 million the company is expected to book in the June quarter.

Company Description

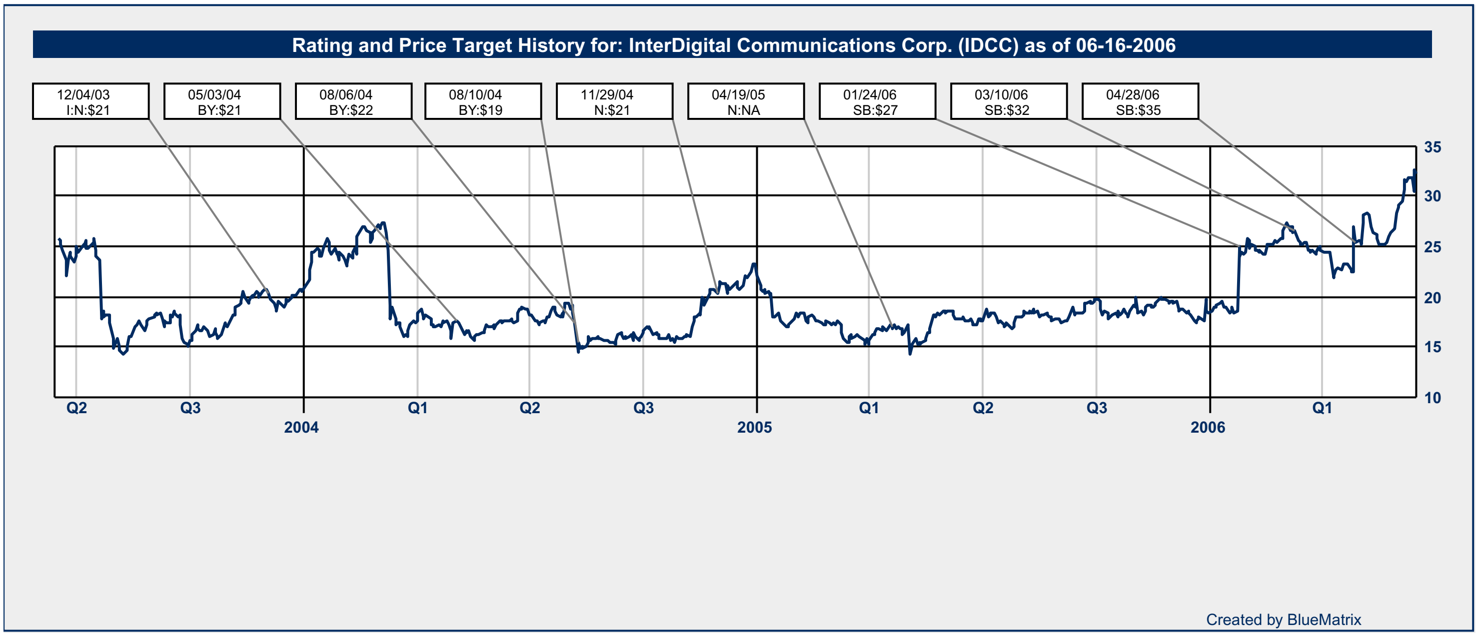
InterDigital specializes in the architecture, design, and delivery of digital wireless technology and product platforms, and the invention of advanced wireless technologies. The company develops TDMA and CDMA wireless technologies, two main technologies currently used in digital wireless communication networks, and its inventions are embedded into wireless products, such as mobile phones, PDAs, laptops, PC cards, and base stations and other infrastructure equipment. The company's primary business is to create intellectual property and to then earn revenue by collecting license fees from users of its patented know-how. It is currently earning royalties from NEC (3G handsets and infrastructure), Sharp (2G/2.5G and 3G handsets), Ericsson (2G/2.5G infrastructure), Sony Ericsson (2G/2.5G handsets) and Research

In Motion (2G/2.5G devices). The company's agreements for 2G and 2.5G expire in 2006 and InterDigital's goal is for revenue from next-generation (3G) products and technology to drive the business in 2007 and beyond.

Required Disclosures

Price Chart

For our latest pricing chart for any of the companies mentioned in this report for which First Albany has maintained a rating for more than one year, depicting price target and rating revisions, please refer to http://www.firstalbany.com/download3.asp?categoryID=180.



Market Maker
First Albany Capital makes a market in the securities of InterDigital Communications Corp.

FAC NB Client
InterDigital Communications Corp. is currently a client of First Albany Capital which provides non-banking services for this company.

FAC Non Bank Services
Within the last 12 months First Albany Capital provided non-banking services for InterDigital Communications Corp.

Non Bank Compensation
First Albany Capital received compensation for non-banking services from InterDigital Communications Corp. within the last 12 months.

First Albany Capital's Rating System

Strong Buy - Potential return of 20% or more.
Buy - Potential return of 10%-20%.
Neutral - Fairly valued.
Underperform - Negative potential return of 10%-20%.
Sell - Negative return of 20% or more.
Restricted - Applicable laws and regulations preclude certain types of communications during the course of First Albany Capital's engagement in investment banking transaction and in certain other circumstances.

Quarterly Report for 6/19/2006

Entire Universe - Total: 229

	Buys: 152(66.3%)	Sells: 5(2.1%)	Holds: 69(30.1%)

Banking Client Universe - Total: 25

	Buys: 23(92%)	Sells: 1(4%)	Holds: 1(4%)

Entire Universe By Vertical - Total: 229

Consumer	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 31(13.5%)	Sells: 1(0.4%)	Holds: 7(3.1%)	Total: 41
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 53(23.1%)	Sells: 3(1.3%)	Holds: 23(10.0%)	Total: 79
Special Situations	Buys: 14(6.1%)	Sells: 0(0.0%)	Holds: 4(1.7%)	Total: 19
Technology	Buys: 54(23.6%)	Sells: 1(0.4%)	Holds: 35(15.3%)	Total: 90

Banking Client Universe By Vertical - Total: 25

Consumer	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 10(40.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 10
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 12(48.0%)	Sells: 1(4.0%)	Holds: 1(4.0%)	Total: 14
Special Situations	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Technology	Buys: 1(4.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 1

Other Disclosures and Disclaimers

Although not compensated directly for any banking deals, an analyst may receive income from a bonus pool that may include monies derived from banking revenues.

Blue Sky Exceptions

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InterDigital Communications (IDCC)

QUARTERLY INCOME STATEMENT ($000's)	CFY Ending 2005				CFY Ending 2006E				ANNUAL ($000's)		
	3/31	6/30	9/30	12/31	3/31A	6/30E	9/30E	12/31E	2005	2006E	2007E
Revenue											
Royalty	*$35,497*	*$38,601*	*$48,538*	*$40,489*	*$51,606*	*$291,941*	*$66,910*	*$67,178*	*$ 163,125*	*$477,635*	*$215,593*
Total	**$ 35,497**	**$ 38,601**	**$ 48,538**	**$ 40,489**	**$ 51,606**	**$ 291,941**	**$ 66,910**	**$ 67,178**	**$ 163,125**	**$ 477,635**	**$ 215,593**
Operating Expenses											
Sales & Marketing	*2,280*	*1,537*	*1,798*	*2,299*	*1,824*	*2,208*	*2,844*	*2,855*	*$ 7,914*	*$ 9,731*	*$ 10,217*
General & Admin.	*6,566*	*5,912*	*5,420*	*6,252*	*5,021*	*5,046*	*5,071*	*5,096*	*24,150*	*20,234*	*20,436*
Patents Admin. & Licensing	*11,247*	*10,080*	*14,695*	*13,377*	*9,982*	*10,007*	*10,032*	*10,082*	*49,399*	*40,103*	*40,000*
Development	*16,173*	*14,921*	*15,610*	*16,391*	*16,010*	*18,251*	*18,301*	*18,351*	*63,095*	*70,914*	*72,332*
Other	*-*	*-*	*849*	*-*	*-*	*-*	*-*	*-*	*849*	*-*	*-*
Total	**$ 36,266**	**$ 32,450**	**$ 38,372**	**$ 38,319**	**$ 32,837**	**$ 35,512**	**$ 36,248**	**$ 36,384**	**$ 145,407**	**$ 140,982**	**$ 142,986**
Total Operating Profit/(Loss)	**$ (769)**	**$ 6,151**	**$ 10,166**	**$ 2,170**	**$ 18,769**	**$ 256,428**	**$ 30,662**	**$ 30,794**	**$ 17,718**	**$ 336,653**	**$ 72,607**
Net Interest Income	*790*	*677*	*779*	*918*	*1,508*	*3,157*	*3,182*	*3,207*	*3,164*	*11,054*	*13,908*
Pretax Profit/(Loss)	**$ 21**	**$ 6,828**	**$ 10,945**	**$ 3,088**	**$ 20,277**	**$ 259,585**	**$ 33,844**	**$ 34,001**	**$ 20,882**	**$ 347,707**	**$ 86,515**
Provision for income taxes	*(903)*	*(2,817)*	*(4,419)*	*(1,127)*	*(7,338)*	*(96,047)*	*(12,522)*	*(12,580)*	*(9,266)*	*(128,487)*	*(32,011)*
Net Profit/(Loss), cont. ops.	**$ (882)**	**$ 4,011**	**$ 6,526**	**$ 1,961**	**$ 12,939**	**$ 163,539**	**$ 21,322**	**$ 21,420**	**$ 11,616**	**$ 219,220**	**$ 54,504**
Shares, Fully Diluted	55,053	56,790	57,089	56,370	56,884	56,028	56,028	56,028	**55,350**	**56,242**	**56,242**
EPS, Fully Diluted	$ (0.02)	$ 0.07	$ 0.11	$ 0.03	$ 0.23	$ 2.92	$ 0.38	$ 0.38	**$ 0.21**	**$ 3.90**	**$ 0.97**
% of TOTAL REVENUE											
Revenue											
Royalty	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses (does not include all items)											
Sales & Marketing	6.4%	4.0%	3.7%	5.7%	3.5%	0.8%	4.3%	4.3%	4.9%	2.0%	4.7%
General & Admin.	18.5%	15.3%	11.2%	15.4%	9.7%	1.7%	7.6%	7.6%	14.8%	4.2%	9.5%
Patents Admin. & Licensing	31.7%	26.1%	30.3%	33.0%	19.3%	3.4%	15.0%	15.0%	30.3%	8.4%	18.6%
Development	45.6%	38.7%	32.2%	40.5%	31.0%	6.3%	27.4%	27.3%	38.7%	14.8%	33.6%
Total	102.2%	84.1%	79.1%	94.6%	63.6%	12.2%	54.2%	54.2%	89.1%	29.5%	66.3%
Total Operating Profit/(Loss)	-2.2%	15.9%	20.9%	5.4%	36.4%	87.8%	45.8%	45.8%	10.9%	70.5%	33.7%
Net Profit/(Loss), cont. ops.	-2.5%	10.4%	13.4%	4.8%	25.1%	56.0%	31.9%	31.9%	7.1%	45.9%	25.3%
% YEAR OVER YEAR INCREASE											
Revenue											
Royalty	7.5%	31.4%	559.7%	19.3%	45.4%	656.3%	37.9%	65.9%	57%	193%	-55%
Operating Expenses (does not include all items)											
Sales & Marketing	41.3%	10.1%	28.5%	28.3%	-20.0%	43.7%	58.2%	24.2%	28%	23%	5%
General & Admin.	21.8%	8.9%	7.4%	8.6%	-23.5%	-14.6%	-6.4%	-18.5%	12%	-16%	1%
Patents Admin. & Licensing	124.9%	45.5%	90.6%	25.0%	-11.2%	-0.7%	-31.7%	-24.6%	63%	-19%	0%
Development	25.2%	16.3%	26.4%	24.9%	-1.0%	22.3%	17.2%	12.0%	23%	12%	2%
Total Operating Expenses	45.5%	22.1%	44.8%	22.2%	-9.5%	9.4%	-5.5%	-5.0%	33%	-3%	1%
Total Operating Profit/(Loss)	-109.5%	120.1%	-153.1%	-15.4%	-2540.7%	4068.9%	201.6%	1319.1%	-411%	1800%	-78%
Net Profit/(Loss), cont. ops.	-115.2%	174.7%	-201.9%	-1295.7%	-1567.0%	3977.3%	226.7%	992.3%	3092%	1787%	-75%
% SEQUENTIAL % INCREASE											
Revenue											
Royalty	4.6%	8.7%	25.7%	-16.6%	27.5%	465.7%	-77.1%	0.4%			
Operating Expenses (does not include all items)											
Sales & Marketing	27.2%	-32.6%	17.0%	27.9%	-20.7%	21.1%	28.8%	0.4%			
General & Admin.	14.1%	-10.0%	-8.3%	15.4%	-19.7%	0.5%	0.5%	0.5%			
Patents Admin. & Licensing	5.1%	-10.4%	45.8%	-9.0%	-25.4%	0.3%	0.2%	0.5%			
Development	23.2%	-7.7%	4.6%	5.0%	-2.3%	14.0%	0.3%	0.3%			
Operating Expenses	15.6%	-10.5%	18.2%	-0.1%	-14.3%	8.1%	2.1%	0.4%			
Total Operating Profit/(Loss)	-130.0%	-899.9%	65.3%	-78.7%	764.9%	1266.2%	-88.0%	0.4%			
Net Profit/(Loss), cont. ops.	437.8%	-554.8%	62.7%	-70.0%	559.8%	1163.9%	-87.0%	0.5%			

Source: Company reports and First Albany Capital Inc. estimates.