

InterDigital, Inc.
Financial Metrics
Unaudited

(amounts in millions, except per share data)



	2014					2015					2016				
	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	YTD
Revenues:															
Per-unit royalty revenue	\$ 36.5	\$ 33.9	\$ 37.6	\$ 49.2	\$ 157.2	\$ 75.6	\$ 56.0	\$ 43.7	\$ 59.6	\$ 234.8	\$ 73.7	\$ 44.5	\$ 35.8	\$ 14.0	\$ 168.0
Fixed-fee amortized royalty revenue	16.9	38.3	33.4	33.4	122.0	33.4	33.4	33.4	31.7	131.8	29.1	29.1	45.7	73.7	177.6
Current patent royalties ^a	53.4	72.2	71.0	82.6	279.2	109.0	89.4	77.1	91.3	366.7	102.8	73.6	81.5	87.7	345.7
Past sales	0.9	119.9	2.4	1.1	124.3	-	27.3	21.8	16.7	65.8	4.2	1.3	124.0	180.3	309.7
Total patent licensing royalties	54.3	192.1	73.4	83.6	403.4	109.0	116.6	98.9	108.0	432.5	107.0	74.9	205.5	268.0	655.4
Patent sales	-	-	2.0	-	2.0	-	-	-	-	-	-	-	-	-	-
Past technology solution revenue	0.8	-	-	-	0.8	-	0.1	-	2.8	2.9	-	-	-	-	-
Current technology solutions revenue ^a	2.8	2.1	2.2	2.5	9.6	1.4	1.8	1.5	1.3	6.1	0.8	1.0	2.8	5.9	10.5
Total revenue	<u>\$ 57.9</u>	<u>\$ 194.2</u>	<u>\$ 77.6</u>	<u>\$ 86.1</u>	<u>\$ 415.8</u>	<u>\$ 110.4</u>	<u>\$ 118.6</u>	<u>\$ 100.4</u>	<u>\$ 112.1</u>	<u>\$ 441.4</u>	<u>\$ 107.8</u>	<u>\$ 75.9</u>	<u>\$ 208.3</u>	<u>\$ 273.9</u>	<u>\$ 665.9</u>
Recurring Revenue (Σ a)	\$ 56.2	\$ 74.3	\$ 73.2	\$ 85.1	\$ 288.8	\$ 110.4	\$ 91.2	\$ 78.6	\$ 92.6	\$ 372.8	\$ 103.6	\$ 74.6	\$ 84.3	\$ 93.6	\$ 356.2
Current Royalty Mix:															
Per-unit royalty revenue	68%	47%	53%	60%	56%	69%	63%	57%	65%	64%	72%	60%	44%	16%	49%
Fixed fee amortized royalty revenue	32%	53%	47%	40%	44%	31%	37%	43%	35%	36%	28%	40%	56%	84%	51%
Revenue Concentrations > 10%															
Apple														63%	25%
Arima							23%								
Telefonaktiebolaget LM Ericsson		11%													
Huawei												66%			23%
Kyocera									15%						
Pegatron Corporation	31%		20%	28%	18%	39%	30%	23%	33%	31%	46%	33%		12%	20%
Samsung Electronics Co., Ltd.		53%	22%	20%	33%	16%	15%	17%	15%	16%	16%	23%			10%
Sony Corporation of America	17%		13%	12%				32%		14%					
Cash vs. Non-Cash Revenue:															
Cash receipts	\$ 71.6	\$ 99.1	\$ 261.4	\$ 128.5	\$ 560.6	\$ 92.7	\$ 93.6	\$ 56.8	\$ 165.1	\$ 408.2	\$ 99.9	\$ 256.6	\$ 37.9	\$ 325.6	\$ 720.0
Deferred revenue recognized	26.6	47.7	44.8	44.0	163.1	44.2	41.9	39.9	37.4	163.4	34.6	34.8	172.7	79.2	321.3
Increase in deferred revenue	(14.5)	(242.4)	(14.0)	(2.0)	(272.9)	(72.5)	(18.3)	(0.3)	(22.9)	(114.0)	(80.4)	(201.7)	(42.0)	(202.9)	(527.0)
Change in receivables	(23.8)	292.3	(212.2)	(82.5)	(26.2)	51.4	5.7	7.4	(62.2)	2.2	60.7	(10.4)	42.7	76.9	169.9
Other	(2.0)	(2.5)	(2.4)	(1.9)	(8.8)	(5.3)	(4.3)	(3.4)	(5.2)	(18.3)	(7.0)	(3.4)	(3.0)	(4.9)	(18.3)
Total Revenue	<u>\$ 57.9</u>	<u>\$ 194.2</u>	<u>\$ 77.6</u>	<u>\$ 86.1</u>	<u>\$ 415.8</u>	<u>\$ 110.4</u>	<u>\$ 118.6</u>	<u>\$ 100.4</u>	<u>\$ 112.1</u>	<u>\$ 441.4</u>	<u>\$ 107.8</u>	<u>\$ 75.9</u>	<u>\$ 208.3</u>	<u>\$ 273.9</u>	<u>\$ 665.9</u>
Operating Expenses:															
Patent administration and licensing ¹	\$ 33.7	\$ 31.3	\$ 33.9	\$ 34.9	\$ 133.8	\$ 31.6	\$ 31.2	\$ 28.4	\$ 29.2	\$ 120.4	\$ 27.2	\$ 28.3	\$ 26.1	\$ 31.9	\$ 113.5
Development ¹	15.9	22.9	19.1	17.4	75.3	18.0	18.3	16.6	19.8	72.7	20.3	14.6	15.6	18.3	68.7
Selling, general and administrative ¹	8.3	11.7	9.3	8.5	37.8	9.5	10.4	10.0	9.8	39.8	12.0	9.9	9.9	14.5	46.3
Total Operating Expenses	<u>\$ 57.9</u>	<u>\$ 65.9</u>	<u>\$ 62.3</u>	<u>\$ 60.8</u>	<u>\$ 246.9</u>	<u>\$ 59.1</u>	<u>\$ 60.0</u>	<u>\$ 55.0</u>	<u>\$ 58.8</u>	<u>\$ 232.9</u>	<u>\$ 59.5</u>	<u>\$ 52.8</u>	<u>\$ 51.6</u>	<u>\$ 64.7</u>	<u>\$ 228.5</u>
Intellectual property enforcement and non-patent litigation	\$ (16.9)	\$ (9.5)	\$ (11.4)	\$ (14.5)	\$ (52.3)	\$ (11.5)	\$ (9.7)	\$ (6.4)	\$ (5.1)	\$ (32.7)	\$ (4.1)	\$ (5.2)	\$ (3.7)	\$ (3.5)	\$ (16.5)
Patent amortization	(8.3)	(9.0)	(10.8)	(10.2)	(38.3)	(10.7)	(10.8)	(10.9)	(11.7)	(44.0)	(11.9)	(12.1)	(12.2)	(12.5)	(48.6)
Compensation accrual adjustments ²	0.8	(9.5)	(1.1)	-	(9.8)	1.3	1.1	(1.0)	(6.8)	(5.4)	(3.3)	(0.4)	(0.3)	(9.7)	(13.7)
Cost of patent sales	-	-	(0.7)	-	(0.7)	-	-	-	-	-	-	-	-	-	-
Other* ³	(3.1)	(2.1)	(2.0)	(0.7)	(7.9)	(4.5)	(2.6)	(1.2)	0.1	(8.1)	(6.1)	(1.6)	(1.0)	(1.0)	(9.7)
Pro forma Operating Expense ³	<u>\$ 30.4</u>	<u>\$ 35.8</u>	<u>\$ 36.3</u>	<u>\$ 35.4</u>	<u>\$ 137.9</u>	<u>\$ 33.8</u>	<u>\$ 38.0</u>	<u>\$ 35.5</u>	<u>\$ 35.3</u>	<u>\$ 142.6</u>	<u>\$ 34.0</u>	<u>\$ 33.6</u>	<u>\$ 34.4</u>	<u>\$ 37.9</u>	<u>\$ 139.9</u>

* Other adjustments include fringe rate, vacation accrual, R&D refund, bad debt expense, severance associated with structural changes and non-recurring contra expenses.

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	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	YTD
Other Income Statement Data															
Income (loss) from operations	\$ -	\$ 128.4	\$ 15.3	\$ 25.3	\$ 169.0	\$ 51.2	\$ 58.6	\$ 45.4	\$ 53.3	\$ 208.5	\$ 48.4	\$ 23.1	\$ 156.7	\$ 209.1	\$ 437.3
Other (expense) income	(4.0)	(3.6)	(3.2)	(4.7)	(15.5)	(5.2)	(7.8)	(8.1)	(6.4)	(27.5)	(7.1)	(0.7)	(3.8)	(3.4)	(15.0)
Income (loss) before income taxes	(4.0)	124.8	12.1	20.6	153.5	46.0	50.8	37.3	46.9	181.0	41.2	22.4	152.9	205.7	422.3
Income tax (provision) benefit	1.5	(46.7)	0.5	(7.4)	(52.1)	(17.7)	(18.9)	(13.5)	(14.6)	(64.6)	(14.1)	16.7	(49.4)	(70.0)	(116.8)
Net income (loss)	(2.5)	78.1	12.6	13.2	101.4	28.3	32.0	23.8	32.3	116.4	27.2	39.0	103.5	135.7	305.5
Net (loss) income attributable to noncontrolling	(0.7)	(0.8)	(0.9)	(0.6)	(2.9)	(0.7)	(0.7)	(0.7)	(0.7)	(2.8)	(0.9)	(1.0)	(0.9)	(0.7)	(3.5)
Net income (loss) attributable to Interdigital, Inc.	\$ (1.8)	\$ 78.9	\$ 13.5	\$ 13.8	\$ 104.3	\$ 29.0	\$ 32.6	\$ 24.5	\$ 33.0	\$ 119.2	\$ 28.1	\$ 40.0	\$ 104.4	\$ 136.4	\$ 309.0
Net Income (loss) per common share - diluted	\$ (0.05)	\$ 1.93	\$ 0.34	\$ 0.36	\$ 2.62	\$ 0.78	\$ 0.89	\$ 0.68	\$ 0.92	\$ 3.27	\$ 0.79	\$ 1.14	\$ 2.99	\$ 3.85	\$ 8.78
Weighted averaged number of common shares outstanding - diluted	40.4	40.8	40.2	37.9	39.9	37.3	36.4	36.2	35.9	36.5	35.4	34.9	35.0	35.5	35.2
Net income (loss) attributable to Interdigital, Inc.	\$ (1.8)	\$ 78.9	\$ 13.5	\$ 13.8	\$ 104.3	\$ 29.0	\$ 32.6	\$ 24.5	\$ 33.0	\$ 119.2	\$ 28.1	\$ 40.0	\$ 104.4	\$ 136.4	\$ 309.0
Share-based compensation	2.1	7.6	3.7	5.0	18.4	3.0	3.3	3.4	5.4	15.1	6.6	3.9	4.7	6.5	21.8
Impairment charges	-	-	-	0.6	0.6	-	-	-	0.2	0.2	-	0.2	-	-	0.2
Non-cash interest on our convertible notes	2.2	2.3	2.3	2.3	9.1	3.2	5.0	5.0	5.2	18.4	5.2	2.7	2.8	2.8	13.5
Related income tax effect of above items	(1.5)	(3.5)	(2.1)	(2.8)	(9.9)	(2.2)	(2.9)	(2.9)	(3.8)	(11.8)	(4.1)	(2.4)	(2.6)	(3.3)	(12.4)
Adjustment to income taxes	-	1.6	(5.7)	(0.2)	(4.3)	0.2	-	-	-	0.2	(0.5)	(23.1)	(0.5)	1.1	(22.9)
Non-GAAP net income ⁴	\$ 1.0	\$ 86.9	\$ 11.7	\$ 18.7	\$ 118.2	\$ 33.2	\$ 38.0	\$ 30.0	\$ 40.0	\$ 141.3	\$ 35.3	\$ 21.3	\$ 108.8	\$ 143.6	\$ 309.1
Weighted average number of common shares outstanding - diluted ⁴	40.7 ^b	40.8	40.2	37.9	39.9	37.3	36.4	36.2	35.9	36.5	35.4	34.9	35.0	35.5	35.2
Net Income (loss) per common share - diluted	\$ (0.05)	\$ 1.93	\$ 0.34	\$ 0.36	\$ 2.62	\$ 0.78	\$ 0.89	\$ 0.68	\$ 0.92	\$ 3.27	\$ 0.79	\$ 1.14	\$ 2.99	\$ 3.85	\$ 8.78
Dilutive effect of above items	0.07	0.20	(0.05)	0.14	0.35	0.11	0.15	0.15	0.19	0.61	0.20	(0.53)	0.12	0.19	-
Non-GAAP net income (loss) per common share - diluted ⁴	\$ 0.02	\$ 2.13	\$ 0.29	\$ 0.50	\$ 2.97	\$ 0.89	\$ 1.04	\$ 0.83	\$ 1.11	\$ 3.88	\$ 0.99	\$ 0.61	\$ 3.11	\$ 4.04	\$ 8.78
Cash Flow Data:															
Net cash provided by (used in) operating activities	\$ (2.9)	\$ 33.1	\$ 155.7	\$ 56.0	\$ 242.0	\$ 1.8	\$ 25.3	\$ 0.7	\$ 86.8	\$ 114.5	\$ 16.2	\$ 191.4	\$ (10.2)	\$ 233.3	\$ 430.7
Purchases of property, equipment, & technology licenses	(1.2)	(0.2)	(1.7)	(3.9)	(7.0)	(0.8)	(0.5)	(0.5)	(1.9)	(3.7)	(1.6)	(0.7)	(1.2)	(2.4)	(5.9)
Capitalized patent costs	(7.9)	(9.2)	(6.2)	(8.6)	(31.9)	(8.4)	(7.8)	(7.8)	(5.8)	(29.8)	(8.1)	(8.3)	(7.9)	(8.4)	(32.7)
Free Cash Flow ⁵	\$ (12.0)	\$ 23.7	\$ 147.8	\$ 43.5	\$ 203.1	\$ (7.5)	\$ 17.0	\$ (7.7)	\$ 79.2	\$ 81.0	\$ 6.6	\$ 182.5	\$ (19.3)	\$ 222.5	\$ 392.1

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	2014					2015					2016				
	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	Full Yr
Balance Sheet Data:															
Cash & short-term investments	\$ 684.6	\$ 672.9	\$ 732.7	\$ 703.9	\$ 703.9	\$ 911.2	\$ 907.6	\$ 867.4	\$ 933.7	\$ 933.7	\$ 658.7	\$ 813.9	\$ 781.5	\$ 952.8	\$ 952.8
Long-term debt	(208.4)	(211.0)	(213.5)	(216.2)	(216.2)	(469.5)	(475.2)	(480.9)	(486.8)	(486.8)	(262.6)	(265.7)	(268.8)	(272.0)	(272.0)
Net cash	\$ 476.2	\$ 461.9	\$ 519.2	\$ 487.7	\$ 487.7	\$ 441.6	\$ 432.4	\$ 386.5	\$ 446.9	\$ 446.9	\$ 396.1	\$ 548.2	\$ 512.7	\$ 680.7	\$ 680.7
Deferred Revenue:															
Beginning of period deferred revenue	\$ 304.0	\$ 291.9	\$ 490.8	\$ 460.0	\$ 304.0	\$ 418.0	\$ 446.4	\$ 422.8	\$ 406.5	\$ 418.0	\$ 395.3	\$ 441.1	\$ 608.0	\$ 485.2	\$ 395.3
Deferred revenue recognized	(26.6)	(47.7)	(44.8)	(44.0)	(163.1)	(44.2)	(41.9)	(39.9)	(37.4)	(163.4)	(34.6)	(34.8)	(172.7)	(79.2)	(321.3)
Increase In deferred revenue	14.5	242.4	14.0	2.0	272.9	72.5	18.3	0.3	22.9	114.0	80.4	201.7	42.0	202.9	527.0
Other	-	4.2	-	-	4.2	-	-	23.3	3.3	26.6	-	-	7.9	12.3	20.2
End of period deferred revenue	\$ 291.9	\$ 490.8	\$ 460.0	\$ 418.0	\$ 418.0	\$ 446.4	\$ 422.8	\$ 406.5	\$ 395.3	\$ 395.3	\$ 441.1	\$ 608.0	\$ 485.2	\$ 621.2	\$ 621.2

b. For the period noted, since the adjustments to net loss resulted in Non-GAAP net income, 40.7 million shares were used in the calculation of Non-GAAP net income per common share - diluted, which reflects the impact of dilutive securities for the period.

NOTE: Sums may not equal total due to rounding

- 1) Certain reclassifications have been made to prior period amounts to conform to the current period presentation.
- 2) "Compensation accrual adjustments" represents the adjustment that would be necessary in a given period to present the performance compensation actually accrued for that period against the performance compensation as if it had been accrued at 100% of the target performance compensation levels.
- 3) "Pro forma operating expenses" is a supplemental non-GAAP financial measure that InterDigital believes provides relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends. A limitation of "Pro forma operating expenses" is that it does not represent the total increase or decrease in InterDigital's total operating expenses for the period. "Pro forma operating expenses" excludes from total operating expense significant items that are non-operational or non-recurring in nature, including "Compensation accrual adjustments" (see Footnote 2). InterDigital's computation of "Pro forma operating expenses" might not be comparable to the "Pro forma operating expenses" reported by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). A detailed reconciliation of "Pro forma operating expenses" to total operating expenses, the most directly comparable GAAP financial measure, is provided above.
- 4) Non-GAAP net income and non-GAAP diluted EPS are supplemental non-GAAP financial measures that InterDigital believes provides investors with important insight into the Company's ongoing business performance. A limitation of the utility of non-GAAP net income and non-GAAP diluted EPS is that they do not represent the total net income and diluted EPS of the company for the period. InterDigital defines non-GAAP net income as net income plus share-based compensation, repositioning costs, impairment charges and one time adjustments, non-cash interest expense on the company's outstanding convertible debt, the related income tax effect of the preceding items, and adjustments to income taxes. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). These non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Detailed reconciliations of non-GAAP net income to net income and non-GAAP diluted EPS to net income (loss) per common share - diluted, or diluted EPS, the most directly comparable GAAP financial measures, are provided above.
- 5) "Free cash flow" is a supplemental non-GAAP financial measure that InterDigital believes is helpful in evaluating the company's ability to invest in its business, make strategic acquisitions and fund share repurchases, among other things. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period. InterDigital defines "free cash flow" as net cash provided by/(used in) operating activities less purchases of property and equipment, technology licenses and investments in patents. InterDigital's computation of free cash flow might not be comparable to free cash flow reported by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). A detailed reconciliation of free cash flow to net cash provided by / (used in) operating activities, the most directly comparable GAAP financial measure, is provided above.