

(1) Non-GAAP Financial Information:

In the commentary set forth above and in the financial statements included in this earnings release, the Company presents the following non-GAAP financial measures: customer licensing income, operating costs and expenses, operating income (loss) and net income (loss). In computing each of these non-GAAP financial measures, the Company combined revenue, other patent royalties received but not recognized as revenue and gain from settlement, and excluded charges or gains relating to: stock-based compensation expenses, acquisition-related deal costs and retention bonus expense, amortization expenses, costs of restatement and related legal activities, restructuring charges, impairment charges and non-cash interest expense. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated. Management believes the non-GAAP financial measures are appropriate for both its own assessment of, and to show investors, how the Company's performance compares to other periods. The 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. Reconciliation from GAAP to non-GAAP results is included in the financial statements contained in this release.

The Company's non-GAAP financial measures reflect adjustments based on the following items:

Customer licensing income. Customer licensing income includes the Company's measure of the total cash royalties received from its customers under its licensing agreements with them. Prior to the second quarter of 2011, the Company bifurcated royalty payments that it received from Samsung between revenue and gain from settlement, which was reflected as reducing operating expenses. The Company has combined revenue from its customers, including Samsung, and the gain from the Samsung settlement as customer licensing income to reflect the total amounts received from all of its customers for the periods presented. In addition, customer licensing income includes other patent royalties received but not recognized as revenue. In both the third quarter of 2012 and the fourth quarter of 2012, a receipt of a patent royalty payment from a customer was not recognized as revenue as not all revenue recognition criteria were met during the period. Additionally, since the third quarter of 2011, the Company has received patent royalty payments from certain patent license agreements assumed in the acquisition of CRI which were treated as favorable contracts. Cash received from these acquired favorable contracts reduced the favorable contract intangible asset on the Company's balance sheet. The Company has combined these cash royalty payments as customer licensing income to reflect the total amounts received from its customers.

Stock-based compensation expense. These expenses consist primarily of expenses related to employee stock options, employee stock purchase plans, and employee non-vested equity stock and non-vested stock units. The Company excludes stock-based compensation expense from its non-GAAP measures primarily because they are non-cash expenses that the Company does not believe are reflective of ongoing operating results. Additionally, given the fact that other companies may grant different amounts and types of equity awards and may use different option valuation assumptions, excluding stock-based compensation expense permits more accurate comparisons of the Company's results with other peer companies.

Acquisition-related deal costs and retention bonus expense. These expenses include all direct costs of certain acquisitions and the current periods' portion of any retention bonus expense associated with the acquisitions. The Company excludes these expenses in order to provide better comparability between periods.

Restructuring charges. These charges may consist of severance, contractual retention payments, exit costs and other charges and are excluded because such charges are not directly related to ongoing business results and do not reflect expected future operating expenses.

Impairment of goodwill and long-lived assets. These charges consist of non-cash charges to goodwill and long-lived assets and are excluded because such charges are non-recurring and do not reduce the Company's liquidity.

Amortization expense. The Company incurs expenses for the amortization of intangible assets in connection with acquisitions. The Company excludes these items because these expenses are not reflective of ongoing operating results in the period incurred. These amounts arise from the Company's prior acquisitions and have no direct correlation to the core operation of the Company's business.

Costs of restatement and related legal activities. These expenses consist primarily of investigation, audit, legal and other professional fees related to the 2006-2007 stock option investigation and related litigation, as well as recoveries received from third parties. The Company excludes these costs and recoveries from its non-GAAP measures primarily because the Company believes that these non-recurring costs and recoveries have no direct correlation to the core operation of the Company's business.

Non-cash interest expense. The Company incurs non-cash interest expense related to its convertible notes. The Company excludes non-cash interest expense related to its convertible notes to provide more accurate comparisons of the Company's results with other peer companies and to more accurately reflect the Company's ongoing operations.

Income tax adjustments. For purposes of internal forecasting, planning and analyzing future periods that assumes net income from operations, the Company estimates a fixed, long-term projected tax rate of approximately 36 percent. Accordingly, the Company has applied the 36 percent tax rate to its non-GAAP financial results to assist the Company's planning for future periods.

On occasion in the future, there may be other items, such as significant gains or losses from contingencies that the Company may exclude in deriving its non-GAAP financial measures if it believes that doing so is consistent with the goal of providing useful information to investors and management.

Rambus Inc.
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	<u>December 31,</u> 2012	<u>December 31,</u> 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,984	\$ 162,244
Marketable securities	54,346	127,212
Accounts receivable	529	1,026
Prepays and other current assets	9,386	8,096
Deferred taxes	<u>788</u>	<u>2,798</u>
Total current assets	214,033	301,376
Intangible assets, net	153,173	181,955
Goodwill	124,969	115,148
Property, plant and equipment, net	86,905	81,105
Deferred taxes, long-term	4,458	7,531
Other assets	<u>4,274</u>	<u>6,539</u>
Total assets	<u>\$ 587,812</u>	<u>\$ 693,654</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,918	\$ 16,567
Accrued salaries and benefits	23,992	31,763
Accrued litigation expenses	9,822	10,502
Deferred revenue	8,113	509
Other accrued liabilities	<u>4,289</u>	<u>5,970</u>
Total current liabilities	54,134	65,311
Long-term liabilities:		
Convertible notes, long-term	147,556	133,493
Long-term imputed financing obligation	45,919	43,793
Other long-term liabilities	<u>18,609</u>	<u>21,263</u>
Total long-term liabilities	212,084	198,549
Total stockholders' equity	<u>321,594</u>	<u>429,794</u>
Total liabilities and stockholders' equity	<u>\$ 587,812</u>	<u>\$ 693,654</u>

Rambus Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue:				
Royalties	\$ 57,258	\$ 82,583	\$ 232,385	\$ 299,004
Contract revenue	185	776	1,666	13,359
Total revenue	<u>57,443</u>	<u>83,359</u>	<u>234,051</u>	<u>312,363</u>
Operating costs and expenses:				
Cost of revenue (1)	6,340	7,453	28,372	24,085
Research and development (1)	33,088	35,841	140,503	115,696
Marketing, general and administrative (1)	21,311	44,715	112,594	164,131
Restructuring charges	679	—	7,301	—
Costs of restatement and related legal activities	52	13,484	244	16,187
Impairment of goodwill and long-lived assets	—	—	35,471	—
Gain from settlement	—	—	—	(6,200)
Total operating costs and expenses	<u>61,470</u>	<u>101,493</u>	<u>324,485</u>	<u>313,899</u>
Operating loss	(4,027)	(18,134)	(90,434)	(1,536)
Interest income and other income (expense), net	(116)	92	59	563
Interest expense	(7,090)	(6,366)	(27,510)	(24,828)
Interest and other income (expense), net	<u>(7,206)</u>	<u>(6,274)</u>	<u>(27,451)</u>	<u>(24,265)</u>
Loss before income taxes	(11,233)	(24,408)	(117,885)	(25,801)
Provision for income taxes	4,899	4,308	16,451	17,252
Net loss	<u>\$ (16,132)</u>	<u>\$ (28,716)</u>	<u>\$ (134,336)</u>	<u>\$ (43,053)</u>
Net loss per share:				
Basic	<u>\$ (0.14)</u>	<u>\$ (0.26)</u>	<u>\$ (1.21)</u>	<u>\$ (0.39)</u>
Diluted	<u>\$ (0.14)</u>	<u>\$ (0.26)</u>	<u>\$ (1.21)</u>	<u>\$ (0.39)</u>
Weighted average shares used in per share calculation				
Basic	<u>111,332</u>	<u>110,171</u>	<u>110,769</u>	<u>110,041</u>
Diluted	<u>111,332</u>	<u>110,171</u>	<u>110,769</u>	<u>110,041</u>

(1) Total stock-based compensation expense for the three months and years ended December 31, 2012 and 2011 are presented as follows:

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cost of revenue	\$ —	\$ 76	\$ 20	\$ 575
Research and development	\$ 1,974	\$ 2,742	\$ 9,546	\$ 10,519
Marketing, general and administrative	\$ 2,542	\$ 3,640	\$ 12,980	\$ 16,902

Rambus Inc.
Supplemental Reconciliation of GAAP to Non-GAAP Results
(In thousands)
(Unaudited)

	Three Months Ended			Year Ended	
	December 31, 2012	September 30, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Revenue	\$ 57,443	\$ 57,530	\$ 83,359	\$ 234,051	\$ 312,363
Adjustments:					
Other patent royalties received	4,175	4,875	1,125	12,665	(750)
Gain from settlement	—	—	—	—	6,200
Total customer licensing income	\$ 61,618	\$ 62,405	\$ 84,484	\$ 246,716	\$ 317,813
Operating costs and expenses	\$ 61,470	\$ 104,630	\$ 101,493	\$ 324,485	\$ 313,899
Adjustments:					
Stock-based compensation	(4,516)	(5,089)	(6,458)	(22,546)	(27,996)
Acquisition-related deal costs and retention bonuses	(4,191)	(4,437)	(7,878)	(25,678)	(21,915)
Amortization	(6,811)	(7,977)	(7,283)	(30,347)	(20,192)
Restructuring charges	(679)	(6,622)	—	(7,301)	—
Impairment of goodwill and long-lived assets	—	(35,471)	—	(35,471)	—
Costs of restatement and related legal activities	(52)	(79)	(13,484)	(244)	(16,187)
Gain from settlement	—	—	—	—	6,200
Non-GAAP operating costs and expenses	\$ 45,221	\$ 44,955	\$ 66,390	\$ 202,898	\$ 233,809
Operating loss	\$ (4,027)	\$ (47,100)	\$ (18,134)	\$ (90,434)	\$ (1,536)
Adjustments:					
Other patent royalties received	4,175	4,875	1,125	12,665	(750)
Stock-based compensation	4,516	5,089	6,458	22,546	27,996
Acquisition-related deal costs and retention bonuses	4,191	4,437	7,878	25,678	21,915
Amortization	6,811	7,977	7,283	30,347	20,192
Restructuring charges	679	6,622	—	7,301	—
Impairment of goodwill and long-lived assets	—	35,471	—	35,471	—
Costs of restatement and related legal activities	52	79	13,484	244	16,187
Non-GAAP operating income	\$ 16,397	\$ 17,450	\$ 18,094	\$ 43,818	\$ 84,004
Loss before income taxes	\$ (11,233)	\$ (54,233)	\$ (24,408)	\$ (117,885)	\$ (25,801)

Adjustments:

Other patent royalties received	4,175	4,875	1,125	12,665	(750)
Stock-based compensation	4,516	5,089	6,458	22,546	27,996
Acquisition-related deal costs and retention bonuses	4,191	4,437	7,878	25,678	21,915
Amortization	6,811	7,977	7,283	30,347	20,192
Restructuring charges	679	6,622	—	7,301	—
Impairment of goodwill and long-lived assets	—	35,471	—	35,471	—
Costs of restatement and related legal activities	52	79	13,484	244	16,187
Non-cash interest expense on convertible notes	3,839	3,789	3,296	14,695	12,622
Non-GAAP income before income taxes	\$ 13,030	\$ 14,106	\$ 15,116	\$ 31,062	\$ 72,361
Non-GAAP provision for income taxes	4,691	5,078	5,442	11,182	26,060
Non-GAAP net income	\$ 8,339	\$ 9,028	\$ 9,674	\$ 19,880	\$ 46,301
Non-GAAP basic net income per share	\$ 0.07	\$ 0.08	\$ 0.09	\$ 0.18	\$ 0.42
Non-GAAP diluted net income per share	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.17	\$ 0.41
Weighted average shares used in non-GAAP per share calculation:					
Basic	111,332	110,826	110,171	110,769	110,041
Diluted	118,022	117,738	115,315	117,619	114,099