



(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 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, a one-time receipt of a patent royalty payment from a customer in the second quarter of 2011 was not recognized as revenue as not all revenue recognition criteria were met during the period. Upon meeting all of the revenue recognition criteria, the Company recognized this cash payment as revenue in the third quarter of 2011. Additionally, since the third quarter of 2011, the Company 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.

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 asset impairments, restructuring charges or 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>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 152,584	\$ 162,244
Marketable securities	50,658	127,212
Accounts receivable	113	1,026
Prepays and other current assets	7,309	8,096
Deferred taxes	<u>2,798</u>	<u>2,798</u>
Total current assets	213,462	301,376
Intangible assets, net	186,150	181,955
Goodwill	138,669	115,148
Property, plant and equipment, net	87,071	81,105
Deferred taxes, long-term	7,531	7,531
Other assets	<u>7,791</u>	<u>6,539</u>
Total assets	<u>\$ 640,674</u>	<u>\$ 693,654</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 8,604	\$ 16,567
Accrued salaries and benefits	23,107	31,763
Accrued litigation expenses	9,861	10,502
Other accrued liabilities	<u>9,764</u>	<u>6,479</u>
Total current liabilities	51,336	65,311
Long-term liabilities:		
Convertible notes, long-term	140,244	133,493
Long-term imputed financing obligation	45,785	43,793
Other long-term liabilities	<u>19,769</u>	<u>21,263</u>
Total long-term liabilities	<u>205,798</u>	<u>198,549</u>
Total stockholders' equity	<u>383,540</u>	<u>429,794</u>
Total liabilities and stockholders' equity	<u>\$ 640,674</u>	<u>\$ 693,654</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue:				
Royalties	\$ 55,723	\$ 60,970	\$ 117,766	\$ 120,205
Contract revenue	492	5,244	1,312	8,536
Total revenue	<u>56,215</u>	<u>66,214</u>	<u>119,078</u>	<u>128,741</u>
Operating costs and expenses:				
Cost of revenue (1)	7,340	6,058	14,503	9,207
Research and development (1)	38,347	24,220	76,741	47,537
Marketing, general and administrative (1)	32,194	37,732	67,028	70,464
Costs of restatement and related legal activities	83	712	113	1,871
Gain from settlement	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,200)</u>
Total operating costs and expenses	<u>77,964</u>	<u>68,722</u>	<u>158,385</u>	<u>122,879</u>
Operating income (loss)	(21,749)	(2,508)	(39,307)	5,862
Interest and other income (expense), net	89	135	187	299
Interest expense	(6,719)	(6,124)	(13,299)	(12,112)
Interest and other expense, net	<u>(6,630)</u>	<u>(5,989)</u>	<u>(13,112)</u>	<u>(11,813)</u>
Loss before income taxes	(28,379)	(8,497)	(52,419)	(5,951)
Provision for income taxes	3,837	2,088	7,687	8,864
Net loss	<u>\$ (32,216)</u>	<u>\$ (10,585)</u>	<u>\$ (60,106)</u>	<u>\$ (14,815)</u>
Net loss per share:				
Basic	<u>\$ (0.29)</u>	<u>\$ (0.10)</u>	<u>\$ (0.54)</u>	<u>\$ (0.14)</u>
Diluted	<u>\$ (0.29)</u>	<u>\$ (0.10)</u>	<u>\$ (0.54)</u>	<u>\$ (0.14)</u>
Weighted average shares used in per share calculation				
Basic	<u>110,553</u>	<u>109,992</u>	<u>110,456</u>	<u>108,809</u>
Diluted	<u>110,553</u>	<u>109,992</u>	<u>110,456</u>	<u>108,809</u>

(1) Total stock-based compensation expense for the three and six month periods ended June 30, 2012 and June 30, 2011 are presented as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Cost of revenue	\$ 5	\$ 286	\$ 15	\$ 409
Research and development	\$ 2,631	\$ 2,490	\$ 5,351	\$ 5,002
Marketing, general and administrative	\$ 3,579	\$ 4,253	\$ 7,575	\$ 8,908

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

	Three Months Ended			Six Months Ended	
	June 30, 2012	March 31, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenue	\$ 56,215	\$ 62,863	\$ 66,214	\$ 119,078	\$ 128,741
Adjustments:					
Gain from settlement	—	—	—	—	6,200
Other patent royalties received	1,201	2,414	6,750	3,615	6,750
Total customer licensing income	\$ 57,416	\$ 65,277	\$ 72,964	\$ 122,693	\$ 141,691
Operating costs and expenses	\$ 77,964	\$ 80,421	\$ 68,722	\$ 158,385	\$ 122,879
Adjustments:					
Stock-based compensation	(6,215)	(6,726)	(7,029)	(12,941)	(14,319)
Acquisition-related deal costs and retention bonuses	(7,699)	(9,351)	(6,335)	(17,050)	(6,335)
Amortization	(7,943)	(7,616)	(4,003)	(15,559)	(5,982)
Costs of restatement and related legal activities	(83)	(30)	(712)	(113)	(1,871)
Gain from settlement	—	—	—	—	6,200
Non-GAAP operating costs and expenses	\$ 56,024	\$ 56,698	\$ 50,643	\$ 112,722	\$ 100,572
Operating income (loss)	\$ (21,749)	\$ (17,558)	\$ (2,508)	\$ (39,307)	\$ 5,862
Adjustments:					
Other patent royalties received	1,201	2,414	6,750	3,615	6,750
Stock-based compensation	6,215	6,726	7,029	12,941	14,319
Acquisition-related deal costs and retention bonuses	7,699	9,351	6,335	17,050	6,335
Amortization	7,943	7,616	4,003	15,559	5,982
Costs of restatement and related legal activities	83	30	712	113	1,871
Non-GAAP operating income	\$ 1,392	\$ 8,579	\$ 22,321	\$ 9,971	\$ 41,119
Loss before income taxes	\$ (28,379)	\$ (24,040)	\$ (8,497)	\$ (52,419)	\$ (5,951)
Adjustments:					
Other patent royalties received	1,201	2,414	6,750	3,615	6,750
Stock-based compensation	6,215	6,726	7,029	12,941	14,319
Acquisition-related deal costs and retention bonuses	7,699	9,351	6,335	17,050	6,335
Amortization	7,943	7,616	4,003	15,559	5,982
Costs of restatement and related legal activities	83	30	712	113	1,871
Non-cash interest expense on convertible notes	3,557	3,510	3,056	7,067	6,072
Non-GAAP income (loss) before income taxes	\$ (1,681)	\$ 5,607	\$ 19,388	\$ 3,926	\$ 35,378
Non-GAAP provision for (benefit from) income taxes	(606)	2,019	6,990	1,413	12,746
Non-GAAP net income (loss)	\$ (1,075)	\$ 3,588	\$ 12,398	\$ 2,513	\$ 22,632
Non-GAAP basic net income (loss) per share	\$ (0.01)	\$ 0.03	\$ 0.11	\$ 0.02	\$ 0.21
Non-GAAP diluted net income (loss) per share	\$ (0.01)	\$ 0.03	\$ 0.11	\$ 0.02	\$ 0.20
Weighted average shares used in non-GAAP per share calculation:					
Basic	110,553	110,358	109,992	110,456	108,809
Diluted	110,553	115,717	112,067	116,909	111,176