# Rambus Reports Third Quarter Earnings; Earnings Per Share of 14 Cents; Revenue Decline of 7% from the Third Quarter Last Year

LOS ALTOS, Calif., Oct 17, 2005 (BUSINESS WIRE) -- Rambus Inc. (Nasdaq:RMBS), one of the world's premier technology licensing companies specializing in high-speed chip interfaces, today reported financial results for the third quarter of 2005. Fully diluted earnings per share for the third quarter were 14 cents, compared to 10 cents in the third quarter last year and 5 cents in the previous quarter. Operating income for the third quarter was $3.9 million, compared to $10.6 million in the third quarter last year and $5.6 million in the previous quarter. Net income for the third quarter of 2005 was $14.5 million as compared to $10.4 million in the third quarter last year and $5.4 million in the previous quarter. The quarterly earnings per share and net income reflect a pre-tax gain of $18.6 million resulting from repurchases of notes during the quarter. Revenue for the third quarter was $36.0 million, down 7% over the third quarter last year and down 10% from the previous quarter.

"Our team executed very well in overcoming many of the challenges we faced entering the third quarter," said Harold Hughes, president and chief executive officer at Rambus. "With outstanding progress on patent license renewals and broader customer engagements, we have solid momentum for revenue growth as we finish out the year."

Third quarter results reflected $8.0 million in contract revenues, down 4% over the third quarter last year and up 48% from the previous quarter. This sequential increase reflects revenue generated from new contracts for XDR and FlexIO interfaces and from a contract for high speed serial link interfaces. Third quarter results include $28.0 million in royalties, down 8% over the third quarter last year and down 19% from the previous quarter. The decrease in royalties is primarily due to fewer SDRAM and DDR-compatible royalty agreements outstanding during the third quarter of 2005.

Total costs and expenses for the third quarter of 2005 were $32.1 million compared with $28.1 million in the third quarter last year and $34.4 million last quarter. $2.2 million of the increase over the prior year period was due to litigation expense. The remaining increase was primarily related to higher costs in research and development including investments in our India design center and digital core designs.

Rambus reported a pre-tax gain of $18.6 million on the repurchase of $105 million face value of its zero coupon convertible notes. The notes were repurchased for a total of $84 million in cash. Primarily as a result of this repurchase, cash equivalents and marketable securities declined from $471 million as of June 30, 2005 to $388 million. The decline was partially offset by cash generated from operations of $3 million.

The earnings announcement call will be broadcast live on our website (www.rambus.com) at 2:00 p.m. PDT today. Please log-on early if you do not already have the necessary software to listen to the call.

The conference call replay number is 888-203-1112 and the ID number is 4027766. For international callers, the number is 719-457-0820. The replay will be available on our website beginning at 5:00 p.m. PDT today.

About Rambus

Rambus is one of the world's premier technology licensing companies specializing in the invention and design of high-speed chip interfaces. Since its founding in 1990, the company's innovations, breakthrough technologies and integration expertise have helped industry-leading chip and system companies solve their most challenging and complex I/O problems and bring their products to market. Rambus's interface solutions can be found in numerous computing, consumer, and communications products and applications. Rambus is headquartered in Los Altos, California, with regional offices in Chapel Hill, North Carolina, Taipei, Taiwan and Tokyo, Japan. Additional information is available at www.rambus.com.

This release contains forward-looking statements under the Private Securities Litigation Reform Act of 1995, including our CEO's statements contained herein regarding momentum for revenue growth for the remainder of the year. Such forward-looking statements are based on current expectations, estimates and projections about the Company's industry, management's beliefs, and certain assumptions made by the Company's management. Actual results may differ materially. Among the reasons which could cause actual results to differ materially are the uncertainty of realizing revenues in Q4 from current customer discussions. Our business generally is subject to a number of risks which are described in our SEC filings including our 10-K and 10-Qs.

RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

(unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept 30, 2005 | June 30, 2005 | Sept 30, 2004 | Sept 30, 2005 | Sept 30, 2004 |
| Revenues: | | | | | |
| Contract revenues | $7,983 | $5,390 | $8,276 | $19,972 | $18,704 |
| Royalties | 28,031 | 34,595 | 30,483 | 95,637 | 87,561 |
| Total revenues | 36,014 | 39,985 | 38,759 | 115,609 | 106,265 |
| Costs and expenses: | | | | | |
| Cost of contract revenues | 4,455 | 4,965 | 4,543 | 15,024 | 14,734 |
| Research and development | 10,598 | 9,934 | 8,841 | 29,123 | 24,197 |
| Marketing, general & administrative | 8,135 | 9,502 | 8,066 | 26,994 | 21,820 |
| Litigation expense | 8,898 | 9,980 | 6,661 | 30,017 | 15,586 |
| Total costs and expenses | 32,086 | 34,381 | 28,111 | 101,158 | 76,337 |
| Operating income | 3,928 | 5,604 | 10,648 | 14,451 | 29,928 |
| Interest and other income, net | 21,202 | 3,414 | 1,149 | 26,745 | 7,452 |
| Income before income taxes | 25,130 | 9,018 | 11,797 | 41,196 | 37,380 |
| Provision for income taxes | 10,634 | 3,658 | 1,410 | 16,900 | 10,364 |
| Net income | $14,496 | $5,360 | $10,387 | $24,296 | $27,016 |
| Net income per share - basic | $0.15 | $0.05 | $0.10 | $0.24 | $0.27 |
| Net income per share - diluted | $0.14 | $0.05 | $0.10 | $0.23 | $0.24 |
| Shares used in per share calculations: | | | | | |
| Basic | 99,944 | 99,596 | 101,875 | 99,939 | 101,781 |
| Diluted | 103,236 | 103,675 | 107,573 | 104,071 | 110,441 |

RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

| | Sept 30 2005 | June 30 2005 | Dec 31 2004 |
|---|---|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | $56,144 | $69,929 | $48,310 |
| Marketable securities | 88,973 | 101,470 | 89,483 |
| Accounts receivable | 1,329 | 1,667 | 1,435 |

| | | | |
|---|---|---|---|
| Prepaid and deferred taxes | 13,703 | 13,703 | 13,861 |
| Prepaids and other current assets | 5,168 | 5,481 | 4,094 |
| Total current assets | 165,317 | 192,250 | 157,183 |
| Property and equipment, net | 20,542 | 21,756 | 17,578 |
| Marketable securities, long-term | 242,906 | 299,325 | 98,567 |
| Restricted investments | 2,274 | 2,302 | 5,067 |
| Deferred taxes, long-term | 63,387 | 72,587 | 75,295 |
| Purchased intangible assets, net | 22,294 | 23,437 | 21,765 |
| Other assets | 8,210 | 10,744 | 1,269 |
| Total assets | $524,930 | $622,401 | $376,724 |
| Total cash, cash equivalents and marketable securities | $388,023 | $470,724 | $236,360 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and other current liabilities | $19,415 | $24,811 | $17,444 |
| Deferred revenue | 4,963 | 8,035 | 19,271 |
| Total current liabilities | 24,378 | 32,846 | 36,715 |
| Convertible Note | 195,000 | 300,000 | - |
| Deferred revenue, less current portion | 7,905 | 6,630 | 4,552 |
| Other long-term liabilities | 1,991 | 1,992 | - |
| Total liabilities | 229,274 | 341,468 | 41,267 |
| Stockholders' equity: | | | |
| Common Stock | 100 | 100 | 103 |
| Additional paid-in capital | 331,499 | 331,005 | 341,080 |
| Deferred stock-based compensation | - | (267) | - |
| Accumulated other comprehensive | (1,562) | (1,028) | (878) |
| Accumulated deficit | (34,381) | (48,877) | (4,848) |
| Total stockholders' equity | 295,656 | 280,933 | 335,457 |
| Total liabilities and stockholders' equity | $524,930 | $622,401 | $376,724 |

SOURCE: Rambus Inc.

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