

## First Quarter Results – US GAAP

	Quarter ended 31 March 2007 Unaudited £'000	Quarter ended 31 March 2006 Unaudited £'000
<b>Revenues</b>		
Product revenues	62,300	61,232
Service revenues	4,192	3,402
Total revenues	66,492	64,634
<b>Cost of revenues</b>		
Product costs	(5,638)	(5,815)
Service costs	(1,590)	(1,552)
Total cost of revenues	(7,228)	(7,367)
<b>Gross profit</b>	59,264	57,267
Research and development	(18,997)	(17,456)
Sales and marketing	(11,906)	(10,191)
General and administrative	(12,462)	(10,609)
Amortization of intangibles purchased through business combination	(4,655)	(4,587)
<b>Total operating expenses</b>	(48,020)	(42,843)
<b>Income from operations</b>	11,244	14,424
Interest	1,457	1,673
<b>Income before income tax</b>	12,701	16,097
Provision for income taxes	(3,124)	(4,137)
<b>Net income</b>	9,577	11,960
<b>Earnings per share (assuming dilution)</b>		
Shares outstanding ('000)	1,377,589	1,420,175
Earnings per share – pence	0.7	0.8
<b>Earnings per ADS (assuming dilution)</b>		
ADSs outstanding ('000)	459,196	473,392
Earnings per ADS – cents	4.1	4.4

**ARM Holdings plc**  
**Consolidated balance sheet - US GAAP**

	31 March 2007 Unaudited £'000	31 December 2006 Audited £'000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	92,595	90,743
Short-term investments	19,069	18,600
Marketable securities	15,117	19,151
Accounts receivable, net of allowance of £2,412,000 in 2007 and £2,556,000 in 2006	66,967	69,552
Inventory: finished goods	2,557	1,933
Income taxes receivable	5,761	5,761
Prepaid expenses and other assets	14,362	12,668
Total current assets	216,428	218,408
Deferred income taxes	12,203	9,872
Prepaid expenses and other assets	1,241	1,328
Property and equipment, net	12,860	13,970
Goodwill	348,404	349,243
Other intangible assets	51,201	56,027
Investments	3,522	3,855
Total assets	645,859	652,703
<b>Liabilities and shareholders' equity</b>		
Accounts payable	2,971	1,826
Income taxes payable	9,898	5,572
Personnel taxes	1,657	1,408
Accrued liabilities	24,485	33,021
Deferred revenue	31,632	31,485
Total current liabilities	70,643	73,312
Deferred income taxes	3,554	4,744
Total liabilities	74,197	78,056
<b>Shareholders' equity</b>		
Ordinary shares	700	695
Additional paid-in capital	457,057	446,005
Treasury stock, at cost	(78,404)	(58,245)
Retained earnings	205,148	197,874
Accumulated other comprehensive income:		
Unrealized holding gain on available-for-sale securities, net of tax asset of £330,000 (2006: £231,000)	164	394
Cumulative translation adjustment	(13,003)	(12,076)
Total shareholders' equity	571,662	574,647
Total liabilities and shareholders' equity	645,859	652,703

## Notes to the Financial Information

### (1) Basis of preparation

#### US GAAP

The financial information prepared in accordance with the Company's US GAAP accounting policies comprises the consolidated balance sheets as of 31 March 2007 and 31 December 2006 and related income statements for the periods then ended, together with related notes. In preparing this financial information management has used the principal accounting policies as set out in the Company's annual financial statements and Form 20-F for the year ended 31 December 2006, except in relation to changes in respect of accounting for provisions for sabbatical leave following the adoption of EITF 06-2 on 1 January 2007.

### (2) Share-based compensation charges and acquisition-related expenses

Included within the US GAAP income statement for the quarter ended 31 March 2007 are share-based compensation charges of £3.9 million: £0.2 million in cost of revenues, £2.3 million in research and development costs, £0.8 million in sales and marketing costs and £0.6 million in general and administrative costs.

### (3) Accounts receivable

Included within accounts receivable at 31 March 2007 are £27.9 million (31 December 2006: £23.8 million) of amounts recoverable on contracts.

### (4) Consolidated statement of changes in shareholders' equity (US GAAP)

	Share capital £'000	Additional paid-in capital £'000	Treasury stock £'000	Retained earnings £'000	Unrealized holding gain £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2007	695	446,005	(58,245)	197,874	394	(12,076)	574,647
Shares issued on exercise of options	5	5,504	-	-	-	-	5,509
Net income	-	-	-	9,577	-	-	9,577
Cumulative effect as a result of adopting EITF 06-2, net of tax*	-	-	-	(2,303)	-	-	(2,303)
Tax effect of option exercises	-	368	-	-	-	-	368
Amortization of deferred compensation	-	3,784	-	-	-	-	3,784
Conversion of liability award to equity award	-	1,396	-	-	-	-	1,396
Purchase of own shares	-	-	(20,159)	-	-	-	(20,159)
<i>Other comprehensive income:</i>							
Unrealized holding losses on available-for-sale securities	-	-	-	-	(230)	-	(230)
Currency translation adjustment	-	-	-	-	-	(927)	(927)
At 31 March 2007	700	457,057	(78,404)	205,148	164	(13,003)	571,662

\* In accordance with EITF 06-2, the cumulative provision for employee sabbatical leave as at 1 January 2007 is credited directly to retained earnings

### (5) Consolidated statement of comprehensive income (US GAAP)

	Q1 2007	FY 2006
Net income	9,577	45,163
Realized gain on available-for-sale security, net of tax	-	(2,375)
Unrealized holding losses on available-for-sale security, net of tax	(230)	(1,090)
Currency translation adjustment	(927)	(68,128)
<b>Total comprehensive income / (loss)</b>	<b>8,420</b>	<b>(26,430)</b>

### (6) Non-GAAP measures

The following non-GAAP measures, including reconciliations to the US GAAP measures, have been used in this earnings release. These measures have been presented as they allow a clearer comparison of operating results that exclude one-off non-recurring charges, acquisition-related charges and profit on disposal of available-for-sale investments. All figures in £'000 unless otherwise stated.

(6.1)	(6.2)	(6.3)	(6.4)
Q1 2007	Q4 2006	Q1 2006	FY 2006

Income from operations (US GAAP)	11,244	7,770	14,424	45,020
Acquisition-related charge – amortization of intangibles	4,655	4,700	4,587	19,018
Acquisition-related charge – other payments	397	1,057	-	1,057
Stock-based compensation and related payroll taxes	3,872	6,177	3,988	18,292
<b>Normalised income from operations</b>	<b>20,168</b>	<b>19,704</b>	<b>22,999</b>	<b>83,387</b>
<b>As % of revenue</b>	<b>30.3%</b>	<b>29.0%</b>	<b>35.6%</b>	<b>31.7%</b>
	(6.5)	(6.6)	(6.7)	(6.8)
	<b>Q1 2007</b>	<b>Q4 2006</b>	<b>Q1 2006</b>	<b>FY 2006</b>
Income before income tax (US GAAP)	12,701	9,351	16,097	57,048
Acquisition-related charge – amortization of intangibles	4,655	4,700	4,587	19,018
Acquisition-related charge – other payments	397	1,057	-	1,057
Stock-based compensation and related payroll taxes	3,872	6,177	3,988	18,292
Profit on sale of available-for-sale investment	-	-	-	(5,270)
<b>Normalised income before income tax</b>	<b>21,625</b>	<b>21,285</b>	<b>24,672</b>	<b>90,145</b>
		(6.9)	(6.10)	(6.11)
		<b>31 March 2007</b>	<b>31 December 2006</b>	<b>30 September 2006</b>
Cash and cash equivalents		92,595	90,743	103,472
Short-term investments		19,069	18,600	26,427
Short-term marketable securities		15,117	19,151	17,520
<b>Normalised cash</b>		<b>126,781</b>	<b>128,494</b>	<b>147,419</b>
	(6.12)	(6.13)	(6.14)	(6.15)
	<b>Q1 2007</b>	<b>Q4 2006</b>	<b>Q1 2006</b>	<b>FY 2006</b>
Normalised cash at end of period (as above)	126,781	128,494	182,282	128,494
Less: Normalised cash at beginning of period	(128,494)	(147,419)	(160,902)	(160,902)
Add back: Cash outflow from acquisitions (net of cash acquired)	2,618	3,305	-	17,270
Add back: Cash outflow from payment of dividends	-	5,449	-	12,367
Add back: Cash outflow from purchase of own shares	20,159	25,840	6,957	76,519
Less: Cash inflow from exercise of share options	(5,509)	(2,349)	(11,007)	(17,860)
Less: Cash inflow from sale of available-for-sale investments	-	-	-	(5,567)
<b>Normalised cash generation</b>	<b>15,555</b>	<b>13,320</b>	<b>17,330</b>	<b>50,321</b>
	(6.16)	(6.17)	(6.18)	(6.19)
	<b>Q1 2007</b>	<b>Q4 2006</b>	<b>Q1 2006</b>	<b>FY 2006</b>
Net income (US GAAP)	9,577	12,063	11,960	45,163
Acquisition-related charge – amortization of intangibles	4,655	4,700	4,587	19,018
Acquisition-related charge – other payments	397	1,057	-	1,057
Stock-based compensation and related payroll taxes	3,872	6,177	3,988	21,788
Profit on sale of available-for-sale investment	-	-	-	(5,270)
Estimated tax impact of above charges	(2,849)	(3,477)	(2,464)	(10,336)
Normalised net income	15,652	20,520	18,071	71,420
Dilutive shares ('000)	1,377,589	1,380,581	1,420,175	1,404,751
<b>Normalised diluted EPS</b>	<b>1.14p</b>	<b>1.49p</b>	<b>1.27p</b>	<b>5.08p</b>

(6.20) Normalised income statement for Q1 2007

	Normalised	Stock-based compens- ation	Intangible amortisa- tion	Other acquisition related charges	US GAAP
	£'000	£'000	£'000	£'000	£'000
<b>Revenues</b>					
Product revenues	62,300	-	-	-	62,300
Service revenues	4,192	-	-	-	4,192
Total revenues	66,492	-	-	-	66,492
<b>Cost of revenues</b>					
Product costs	(5,638)	-	-	-	(5,638)
Service costs	(1,358)	(232)	-	-	(1,590)
Total cost of revenues	(6,996)	(232)	-	-	(7,228)
<b>Gross profit</b>	59,496	(232)	-	-	59,264
Research and development	(16,589)	(2,246)	-	(162)	(18,997)
Sales and marketing	(11,132)	(774)	-	-	(11,906)
General and administrative	(11,607)	(620)	-	(235)	(12,462)
Amortization of intangibles purchased through business combination	-	-	(4,655)	-	(4,655)
<b>Total operating expenses</b>	(39,328)	(3,640)	(4,655)	(397)	(48,020)
<b>Income from operations</b>	20,168	(3,872)	(4,655)	(397)	11,244
Interest	1,457	-	-	-	1,457
<b>Income before income tax</b>	21,625	(3,872)	(4,655)	(397)	12,701
Provision for income taxes	(5,973)	937	1,796	116	(3,124)
<b>Net income</b>	15,652	(2,935)	(2,859)	(281)	9,577
<b>Earnings per share (assuming dilution)</b>					
Shares outstanding ('000)	1,377,589				1,377,589
Earnings per share – pence	1.14				0.70
<b>Earnings per ADS (assuming dilution)</b>					
ADSs outstanding ('000)	459,196				459,196
Earnings per ADS – cents	6.69				4.09

(6.21) Normalised income statement for Q1 2006

	Normalised	Stock-based compensation	Intangible amortisation	US GAAP
	£'000	£'000	£'000	£'000
<b>Revenues</b>				
Product revenues	61,232	-	-	61,232
Service revenues	3,402	-	-	3,402
Total revenues	64,634	-	-	64,634
			-	
<b>Cost of revenues</b>				
Product costs	(5,815)	-	-	(5,815)
Service costs	(1,313)	(239)	-	(1,552)
Total cost of revenues	(7,128)	(239)	-	(7,367)
<b>Gross profit</b>	57,506	(239)	-	57,267
Research and development	(15,143)	(2,313)	-	(17,456)
Sales and marketing	(9,393)	(798)	-	(10,191)
General and administrative	(9,971)	(638)	-	(10,609)
Amortization of intangibles purchased through business combination	-	-	(4,587)	(4,587)
<b>Total operating expenses</b>	(34,507)	(3,749)	(4,587)	(42,843)
<b>Income from operations</b>	22,999	(3,988)	(4,587)	14,424
Interest	1,673	-	-	1,673
<b>Income before income tax</b>	24,672	(3,988)	(4,587)	16,097
Provision for income taxes	(6,601)	643	1,821	(4,137)
<b>Net income</b>	18,071	(3,345)	(2,766)	11,960
<b>Earnings per share (assuming dilution)</b>				
Shares outstanding ('000)	1,420,175			1,420,175
Earnings per share – pence	1.27			0.84
<b>Earnings per ADS (assuming dilution)</b>				
ADSs outstanding ('000)	473,392			473,392
Earnings per ADS – cents	6.62			4.38