

ARM Holdings plc
First Quarter Results – US GAAP

	Quarter ended 31 March 2008 Unaudited £'000	Quarter ended 31 March 2007 Unaudited £'000
Revenues		
Product revenues	63,817	62,300
Service revenues	4,071	4,192
Total revenues	<u>67,888</u>	<u>66,492</u>
Cost of revenues		
Product costs	(5,800)	(5,638)
Service costs	(2,040)	(1,590)
Total cost of revenues	<u>(7,840)</u>	<u>(7,228)</u>
Gross profit	<u>60,048</u>	<u>59,264</u>
Research and development	(18,966)	(18,997)
Sales and marketing	(11,554)	(11,906)
General and administrative	(12,702)	(12,462)
Restructuring costs	(718)	-
Amortization of intangibles purchased through business combination	(4,430)	(4,655)
Total operating expenses	<u>(48,370)</u>	<u>(48,020)</u>
Income from operations	11,678	11,244
Interest, net	571	1,457
Income before income tax	12,249	12,701
Provision for income taxes	(3,307)	(3,124)
Net income	<u>8,942</u>	<u>9,577</u>
Earnings per share (assuming dilution)		
Shares outstanding ('000)	1,301,123	1,377,589
Earnings per share – pence	0.7	0.7
Earnings per ADS (assuming dilution)		
ADSs outstanding ('000)	433,708	459,196
Earnings per ADS – cents	4.1	4.1

ARM Holdings plc
Consolidated balance sheet - US GAAP

	31 March 2008 Unaudited £'000	31 December 2007 Audited £'000
Assets		
Current assets:		
Cash and cash equivalents	55,191	49,509
Short-term investments	36	232
Marketable securities	-	1,582
Accounts receivable, net of allowance of £1,528,000 in 2008 and £1,504,000 in 2007	72,018	68,232
Inventory: finished goods	2,112	2,339
Income taxes receivable	7,492	6,552
Prepaid expenses and other assets	15,578	13,089
Investments	-	1,180
Total current assets	152,427	142,715
Deferred income taxes	11,139	11,309
Prepaid expenses and other assets	2,492	2,860
Property and equipment, net	11,224	12,042
Goodwill	345,192	344,663
Other intangible assets	35,188	39,375
Investments	3,701	3,701
Total assets	561,363	556,665
Liabilities and shareholders' equity		
Accounts payable	2,468	2,230
Income taxes payable	8,306	3,704
Personnel taxes	1,777	1,751
Accrued liabilities	20,837	25,670
Deferred revenue	28,282	27,543
Total current liabilities	61,670	60,898
Deferred income taxes	1,346	2,027
Total liabilities	63,016	62,925
Shareholders' equity		
Ordinary shares	672	672
Additional paid-in capital	371,876	367,680
Treasury stock, at cost	(91,463)	(90,000)
Retained earnings	234,494	234,455
Accumulated other comprehensive income:		
Unrealized holding loss on available-for-sale securities, net of tax of £nil (2007: £85,000)	(68)	(214)
Cumulative translation adjustment	(17,164)	(18,853)
Total shareholders' equity	498,347	493,740
Total liabilities and shareholders' equity	561,363	556,665

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 2008 and 31 December 2007 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 2007.

(2) Share-based remuneration charges and acquisition-related expenses

Included within the US GAAP income statement for the quarter ended 31 March 2008 are share-based remuneration charges of £3.6 million: £0.2 million in cost of revenues, £2.4 million in research and development costs, £0.5 million in sales and marketing costs and £0.5 million in general and administrative costs.

(3) Accounts receivable

Included within accounts receivable at 31 March 2008 are £18.1 million (31 December 2007: £24.5 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/(loss) £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2008	672	367,680	(90,000)	234,455	(214)	(18,853)	493,740
Net income	-	-	-	8,942	-	-	8,942
Tax effect of option exercises	-	(524)	-	-	-	-	(524)
Amortization of deferred compensation	-	3,469	-	-	-	-	3,469
Conversion of liability award to equity award	-	1,251	-	-	-	-	1,251
Issuance of shares from treasury	-	-	11,556	(8,903)	-	-	2,653
Purchase of own shares	-	-	(13,019)	-	-	-	(13,019)
<i>Other comprehensive income:</i>							
Realized gain on available-for- sale security (net of tax of £85,000)	-	-	-	-	214	-	214
Unrealized holding losses on available-for-sale securities	-	-	-	-	(68)	-	(68)
Currency translation adjustment	-	-	-	-	-	1,689	1,689
At 31 March 2008	672	371,876	(91,463)	234,494	(68)	(17,164)	498,347

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

	Q1 2008 £'000	Q4 2007 £'000	Q1 2007 £'000	FY 2007 £'000
Net income	8,942	9,859	9,577	36,842
Realized gain on available-for-sale security, net of tax	214	-	-	-
Unrealized holdings gains / (losses) on available-for-sale securities, net of tax	(68)	237	(230)	(608)
Currency translation adjustment	1,689	10,543	(927)	(6,777)
Total comprehensive income	10,777	20,639	8,420	29,457

(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 acquisition-related charges, share-based remuneration and restructuring charges and profit on disposal and impairment of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(6.1) Q1 2008	(6.2) Q4 2007	(6.3) Q1 2007	(6.4) FY 2007
Income from operations (US GAAP)	11,678	10,482	11,244	42,838
Restructuring costs	718	138	-	1,037
Acquisition-related charge – amortization of intangibles	4,430	4,397	4,655	18,226
Acquisition-related charge – other payments	45	857	397	1,735
Share-based remuneration and related payroll taxes	3,899	3,230	3,872	16,341
Impairment of available-for-sale security	-	1,162	-	1,162
Normalised income from operations	20,770	20,266	20,168	81,339
As % of revenue	30.6%	31.5%	30.3%	31.4%
	(6.5) Q1 2008	(6.6) Q4 2007	(6.7) Q1 2007	(6.8) FY 2007
Income before income tax (US GAAP)	12,249	11,529	12,701	48,240
Restructuring costs	718	138	-	1,037
Acquisition-related charge – amortization of intangibles	4,430	4,397	4,655	18,226
Acquisition-related charge – other payments	45	857	397	1,735
Share-based remuneration and related payroll taxes	3,899	3,230	3,872	16,341
Impairment of available-for-sale investment	-	1,162	-	1,162
Normalised income before income tax	21,341	21,313	21,625	86,741
	(6.9) 31 March 2008	(6.10) 31 December 2007	(6.11) 31 March 2007	
Cash and cash equivalents	55,191	49,509	92,595	
Short-term investments	36	232	19,069	
Short-term marketable securities	-	1,582	15,117	
Normalised cash	55,227	51,323	126,781	
	(6.12) Q1 2008	(6.13) Q4 2007	(6.14) Q1 2007	(6.15) FY 2007
Normalised cash at end of period (as above)	55,227	51,323	126,781	51,323
Less: Normalised cash at beginning of period	(51,323)	(99,284)	(128,494)	(128,494)
Add back: Cash outflow from acquisitions (net of cash acquired)	931	100	2,618	6,014
Add back: Cash outflow from payment of dividends	-	10,534	-	18,547
Add back: Cash outflow from purchase of own shares	13,019	49,568	20,159	128,561
Less: Cash inflow from exercise of share options	(2,653)	(1,740)	(5,509)	(18,892)
Less: Cash inflow from sale of available-for-sale investments	(1,478)	-	-	-
Normalised cash generation	13,723	10,501	15,555	57,059
	(6.16) Q1 2008	(6.17) Q4 2007	(6.18) Q1 2007	(6.19) FY 2007
Net income (US GAAP)	8,942	9,859	9,577	36,842
Restructuring costs	718	138	-	1,037
Acquisition-related charge – amortization of intangibles	4,430	4,397	4,655	18,226
Acquisition-related charge – other payments	45	857	397	1,735
Share-based remuneration and related payroll taxes	3,899	3,230	3,872	16,341
Impairment of available-for-sale investment	-	1,162	-	1,162
Estimated tax impact of above charges	(2,816)	(2,928)	(2,849)	(11,523)
Normalised net income	15,218	16,715	15,652	63,820
Dilutive shares ('000)	1,301,123	1,335,144	1,377,589	1,366,384
Normalised diluted EPS	1.17p	1.25p	1.14p	4.67p

(6.20) Normalised income statement for Q1 2008

	Normalised £'000	Share-based remuner- ation £'000	Intangible amortiza- tion £'000	Other acquisition - related charges £'000	Restruct- -uring charges £'000	US GAAP £'000
Revenues						
Product revenues	63,817	-	-	-	-	63,817
Service revenues	4,071	-	-	-	-	4,071
Total revenues	67,888	-	-	-	-	67,888
Cost of revenues						
Product costs	(5,800)	-	-	-	-	(5,800)
Service costs	(1,772)	(268)	-	-	-	(2,040)
Total cost of revenues	(7,572)	(268)	-	-	-	(7,840)
Gross profit	60,316	(268)	-	-	-	60,048
Research and development	(16,312)	(2,616)	-	(38)	-	(18,966)
Sales and marketing	(11,048)	(508)	-	2	-	(11,554)
General and administrative	(12,186)	(507)	-	(9)	-	(12,702)
Restructuring costs	-	-	-	-	(718)	(718)
Amortization of intangibles purchased through business combination	-	-	(4,430)	-	-	(4,430)
Total operating expenses	(39,546)	(3,631)	(4,430)	(45)	(718)	(48,370)
Income from operations	20,770	(3,899)	(4,430)	(45)	(718)	11,678
Interest	571	-	-	-	-	571
Income before income tax	21,341	(3,899)	(4,430)	(45)	(718)	12,249
Provision for income taxes	(6,123)	841	1,672	16	287	(3,307)
Net income	15,218	(3,058)	(2,758)	(29)	(431)	8,942
Earnings per share (assuming dilution)						
Shares outstanding ('000)	1,301,123					1,301,123
Earnings per share – pence	1.17					0.69
Earnings per ADS (assuming dilution)						
ADSs outstanding ('000)	433,708					433,708
Earnings per ADS – cents	6.97					4.10

(6.21) Normalised income statement for Q1 2007

	Normalised	Share-based remuneration	Intangible amortization	Other acquisition- related charges	US GAAP
	£'000	£'000	£'000	£'000	£'000
Revenues					
Product revenues	62,300	-	-	-	62,300
Service revenues	4,192	-	-	-	4,192
Total revenues	66,492	-	-	-	66,492
Cost of revenues					
Product costs	(5,638)	-	-	-	(5,638)
Service costs	(1,358)	(232)	-	-	(1,590)
Total cost of revenues	(6,996)	(232)	-	-	(7,228)
Gross profit	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)
Total operating expenses	(39,328)	(3,640)	(4,655)	(397)	(48,020)
Income from operations	20,168	(3,872)	(4,655)	(397)	11,244
Interest	1,457	-	-	-	1,457
Income before income tax	21,625	(3,872)	(4,655)	(397)	12,701
Provision for income taxes	(5,973)	937	1,796	116	(3,124)
Net income	15,652	(2,935)	(2,859)	(281)	9,577
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,377,589				1,377,589
Earnings per share – pence	1.14				0.70
Earnings per ADS (assuming dilution)					
ADSs outstanding ('000)	459,196				459,196
Earnings per ADS – cents	6.69				4.09

Note

The results shown for Q1 2008, Q4 2007 and Q1 2007 are unaudited. The results shown for FY 2007 are audited. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 240(3) of the Companies Act 1985. Statutory accounts of the Company in respect of the financial year ended 31 December 2007, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of that Act, will soon be delivered to the Registrar of Companies.

The results for ARM for Q1 2008 and previous quarters as shown reflect the accounting policies as stated in Note 1 to the US GAAP financial statements in the Annual Report and Accounts for the fiscal year ended 31 December 2007 and in the Annual Report on Form 20-F for the fiscal year ended 31 December 2007.

This document contains forward-looking statements as defined in section 102 of the Private Securities Litigation Reform Act of 1995. These statements are subject to risk factors associated with the semiconductor and intellectual property businesses. When used in this document, the words "anticipates", "may", "can", "believes", "expects", "projects", "intends", "likely", similar expressions and any other statements that are not historical facts, in each case as they relate to ARM, its management or its businesses and financial performance and condition are intended to identify those assertions as forward-looking statements. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially and include, but are not limited to: failure to realize the benefits of our recent acquisitions, unforeseen liabilities arising from our recent acquisitions, price fluctuations, actual demand, the availability of software and operating systems compatible with our intellectual property, the continued demand for products including ARM's intellectual property, delays in the design process or delays in a customer's project that uses ARM's technology, the success of our semiconductor partners, loss of market and industry competition, exchange and currency fluctuations, any future strategic investments or acquisitions, rapid technological change, regulatory developments, ARM's ability to negotiate, structure, monitor and enforce agreements for the determination and payment of royalties, actual or potential litigation, changes in tax laws, interest rates and access to capital markets, political, economic and financial market conditions in various countries and regions and capital expenditure requirements.

More information about potential factors that could affect ARM's business and financial results is included in ARM's Annual Report on Form 20-F for the fiscal year ended 31 December 2007 including (without limitation) under the captions, "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is on file with the Securities and Exchange Commission (the "SEC") and available at the SEC's website at www.sec.gov.

About ARM

ARM designs the technology that lies at the heart of advanced digital products, from mobile, home and enterprise solutions to embedded and emerging applications. ARM's comprehensive product offering includes 16/32-bit RISC microprocessors, data engines, graphics processors, digital libraries, embedded memories, peripherals, software and development tools, as well as analog functions and high-speed connectivity products. Combined with the company's broad Partner community, they provide a total system solution that offers a fast, reliable path to market for leading electronics companies. More information on ARM is available at <http://www.arm.com>.

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