

ARM Holdings plc
Third Quarter and Nine Months Results – US GAAP

	Quarter ended 30 September 2007 Unaudited £'000	Quarter ended 30 September 2006 Unaudited £'000	Nine months ended 30 September 2007 Unaudited £'000	Nine months ended 30 September 2006 Unaudited £'000
Revenues				
Product revenues	58,914	60,598	182,429	183,612
Service revenues	3,879	4,248	12,388	11,598
Total revenues	62,793	64,846	194,817	195,210
Cost of revenues				
Product costs	(5,004)	(6,614)	(16,063)	(18,223)
Service costs	(1,639)	(1,613)	(4,865)	(4,775)
Total cost of revenues	(6,643)	(8,227)	(20,928)	(22,998)
Gross profit	56,150	56,619	173,889	172,212
Research and development	(17,534)	(17,729)	(54,991)	(52,630)
Sales and marketing	(11,271)	(10,760)	(34,607)	(31,560)
General and administrative	(12,086)	(12,536)	(37,207)	(36,454)
Restructuring costs	(85)	-	(899)	-
Amortization of intangibles purchased through business combination	(4,562)	(4,645)	(13,829)	(14,318)
Total operating expenses	(45,538)	(45,670)	(141,533)	(134,962)
Income from operations	10,612	10,949	32,356	37,250
Interest	1,378	1,685	4,355	5,177
Profit on disposal of available-for-sale security	-	-	-	5,270
Income before income tax	11,990	12,634	36,711	47,697
Provision for income taxes	(3,431)	(3,243)	(9,728)	(12,150)
Net income	8,559	9,391	26,983	35,547
Earnings per share (assuming dilution)				
Shares outstanding ('000)	1,362,614	1,395,642	1,372,841	1,410,123
Earnings per share – pence	0.6	0.7	2.0	2.5
Earnings per ADS (assuming dilution)				
ADSs outstanding ('000)	454,205	465,214	457,614	470,041
Earnings per ADS – cents	3.8	3.8	12.0	14.1

ARM Holdings plc
Consolidated balance sheet - US GAAP

	30 September 2007 Unaudited £'000	31 December 2006 Audited £'000
Assets		
Current assets:		
Cash and cash equivalents	90,291	90,743
Short-term investments	232	18,600
Marketable securities	8,761	19,151
Accounts receivable, net of allowance of £1,807,000 in 2007 and £2,556,000 in 2006	65,016	69,552
Inventory: finished goods	2,277	1,933
Income taxes receivable	5,810	5,761
Prepaid expenses and other assets	16,902	12,668
Total current assets	189,289	218,408
Deferred income taxes	12,420	9,872
Prepaid expenses and other assets	1,068	1,328
Property and equipment, net	11,692	13,970
Goodwill	336,051	349,243
Other intangible assets	43,094	56,027
Investments	5,302	3,855
Total assets	598,916	652,703
Liabilities and shareholders' equity		
Accounts payable	1,661	1,826
Income taxes payable	12,275	5,572
Personnel taxes	2,788	1,408
Accrued liabilities	22,781	33,021
Deferred revenue	31,077	31,485
Dividends payable	10,534	-
Total current liabilities	81,116	73,312
Deferred income taxes	2,830	4,744
Total liabilities	83,946	78,056
Shareholders' equity		
Ordinary shares	672	695
Additional paid-in capital	362,559	446,005
Treasury stock, at cost	(45,954)	(58,245)
Retained earnings	227,540	197,874
Accumulated other comprehensive income:		
Unrealized holding gain on available-for-sale securities, net of tax asset of £539,000 (2006: £231,000)	(451)	394
Cumulative translation adjustment	(29,396)	(12,076)
Total shareholders' equity	514,970	574,647
Total liabilities and shareholders' equity	598,916	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 30 September 2007 and 31 December 2006 and income statements for the periods ended 30 September 2007 and 30 September 2006, 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 accounting for sabbatical leave following the adoption of EITF 06-2 on 1 January 2007, whereby the related costs are now accrued over the requisite service period.

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

Included within the US GAAP income statement for the quarter ended 30 September 2007 are share-based compensation charges of £4.4 million: £0.3 million in cost of revenues, £2.5 million in research and development costs, £0.9 million in sales and marketing costs and £0.7 million in general and administrative costs.

(3) Accounts receivable

Included within accounts receivable at 30 September 2007 are £27.4 million (30 June 2007: £30.8 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	-	-	-	26,983	-	-	26,983
Dividends	-	-	-	(18,547)	-	-	(18,547)
Cumulative effect as a result of adopting EITF 06-2, net of tax*	-	-	-	(2,278)	-	-	(2,278)
Tax effect of option exercises	-	1,068	-	-	-	-	1,068
Amortization of deferred compensation	-	11,707	-	-	-	-	11,707
Conversion of liability award to equity award	-	1,396	-	-	-	-	1,396
Issuance of shares from treasury	-	-	25,245	(13,602)	-	-	11,643
Purchase of own shares	-	-	(78,993)	-	-	-	(78,993)
Cancellation of shares	(28)	-	66,039	(66,011)	-	-	-
Cancellation of share premium account	-	(103,121)	-	103,121	-	-	-
<i>Other comprehensive income:</i>							
Unrealized holding losses on available-for-sale securities (net of tax benefit of £308,000)	-	-	-	-	(845)	-	(845)
Currency translation adjustment	-	-	-	-	-	(17,320)	(17,320)
At 30 September 2007	672	362,559	(45,954)	227,540	(451)	(29,396)	514,970

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

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

	Q3 2007 £'000	Q2 2007 £'000	Q3 2006 £'000	9M 2007 £'000	9M 2006 £'000
Net income	8,559	8,847	9,391	26,983	35,547
Realized gain on available-for-sale security, net of tax	-	-	-	-	(2,375)
Unrealized holding losses on available-for-sale security, net of tax	(470)	(145)	346	(845)	(934)
Currency translation adjustment	(5,870)	(10,523)	(5,049)	(17,320)	(42,838)

Total comprehensive income / (loss)	2,219	(1,821)	4,688	8,818	(10,600)
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(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, stock-based compensation and restructuring charges and profit on disposal of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(6.1) Q3 2007	(6.2) Q2 2007	(6.3) Q3 2006	(6.4) 9M 2007	(6.5) 9M 2006
Income from operations (US GAAP)	10,612	10,500	10,949	32,356	37,250
Restructuring costs	85	814	-	899	-
Acquisition-related charge – amortization of intangibles	4,562	4,612	4,645	13,829	14,318
Acquisition-related charge – other payments	272	209	-	878	-
Stock-based compensation and related payroll taxes	4,432	4,807	3,904	13,111	12,115
Normalised income from operations	19,963	20,942	19,498	61,073	63,683
As % of revenue	31.8%	32.0%	30.1%	31.3%	32.6%

	(6.6) Q3 2007	(6.7) Q2 2007	(6.8) Q3 2006	(6.9) 9M 2007	(6.10) 9M 2006
Income before income tax (US GAAP)	11,990	12,020	12,634	36,711	47,697
Restructuring costs	85	814	-	899	-
Acquisition-related charge – amortization of intangibles	4,562	4,612	4,645	13,829	14,318
Acquisition-related charge – other payments	272	209	-	878	-
Stock-based compensation and related payroll taxes	4,432	4,807	3,904	13,111	12,115
Profit on sale of available-for-sale investment	-	-	-	-	(5,270)
Normalised income before income tax	21,341	22,462	21,183	65,428	68,860

	(6.11) 30 September 2007	(6.12) 30 June 2007	(6.13) 31 December 2006
Cash and cash equivalents	90,291	92,924	90,743
Short-term investments	232	5,273	18,600
Short-term marketable securities	8,761	10,741	19,151
Normalised cash	99,284	108,938	128,494

	(6.14) Q3 2007	(6.15) Q2 2007	(6.16) Q3 2006	(6.17) 9M 2007	(6.18) 9M 2006
Normalised cash at end of period (as above)	99,284	108,938	147,419	99,284	147,419
Less: Normalised cash at beginning of period	(108,938)	(126,781)	(148,806)	(128,494)	(160,902)
Add back: Cash outflow from acquisitions (net of cash acquired)	2,607	689	16	5,914	13,965
Add back: Cash outflow from payment of dividends	-	8,013	-	8,013	6,918
Add back: Cash outflow from purchase of own shares	33,257	25,577	21,593	78,993	50,679
Less: Cash inflow from exercise of share options	(5,157)	(6,486)	(2,352)	(17,152)	(15,511)
Less: Cash inflow from sale of available-for-sale investments	-	-	-	-	(5,567)
Normalised cash generation	21,053	9,950	17,870	46,558	37,001

	(6.19) Q3 2007	(6.20) Q2 2007	(6.21) Q3 2006	(6.22) 9M 2007	(6.23) 9M 2006
Net income (US GAAP)	8,559	8,847	9,391	26,983	35,547
Restructuring costs	85	814	-	899	-
Acquisition-related charge – amortization of intangibles	4,562	4,612	4,645	13,829	14,318
Acquisition-related charge – other payments	272	209	-	878	-
Stock-based compensation and related payroll taxes	4,432	4,807	3,904	13,111	12,115
Profit on sale of available-for-sale investment	-	-	-	-	(5,270)
Estimated tax impact of above charges	(2,687)	(3,058)	(2,375)	(8,595)	(5,810)
Normalised net income	15,223	16,231	15,565	47,105	50,900
Dilutive shares ('000)	1,362,614	1,374,410	1,395,642	1,372,841	1,410,123
Normalised diluted EPS	1.12p	1.18p	1.12p	3.43p	3.61p

(6.24) Normalised income statement for Q3 2007

	Normalised	Stock-based compens- ation	Intangible amortiza- tion	Other acquisition related charges	Restruct- uring charges	US GAAP
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues						
Product revenues	58,914	-	-	-	-	58,914
Service revenues	3,879	-	-	-	-	3,879
Total revenues	62,793	-	-	-	-	62,793
Cost of revenues						
Product costs	(5,004)	-	-	-	-	(5,004)
Service costs	(1,373)	(266)	-	-	-	(1,639)
Total cost of revenues	(6,377)	(266)	-	-	-	(6,643)
Gross profit	56,416	(266)	-	-	-	56,150
Research and development	(14,764)	(2,572)	-	(198)	-	(17,534)
Sales and marketing	(10,319)	(886)	-	(66)	-	(11,271)
General and administrative	(11,370)	(708)	-	(8)	-	(12,086)
Restructuring costs	-	-	-	-	(85)	(85)
Amortization of intangibles purchased through business combination	-	-	(4,562)	-	-	(4,562)
Total operating expenses	(36,453)	(4,166)	(4,562)	(272)	(85)	(45,538)
Income from operations	19,963	(4,432)	(4,562)	(272)	(85)	10,612
Interest	1,378	-	-	-	-	1,378
Income before income tax	21,341	(4,432)	(4,562)	(272)	(85)	11,990
Provision for income taxes	(6,118)	794	1,759	100	34	(3,431)
Net income	15,223	(3,638)	(2,803)	(172)	(51)	8,559
Earnings per share (assuming dilution)						
Shares outstanding ('000)	1,362,614					1,362,614
Earnings per share – pence	1.12					0.63
Earnings per ADS (assuming dilution)						
ADSs outstanding ('000)	454,205					454,205
Earnings per ADS – cents	6.83					3.84

(6.25) Normalised income statement for Q3 2006

	Normalised	Stock-based compens- ation	Intangible amortiza- tion	US GAAP
	£'000	£'000	£'000	£'000
Revenues				
Product revenues	60,598	-	-	60,598
Service revenues	4,248	-	-	4,248
Total revenues	64,846	-	-	64,846
Cost of revenues				
Product costs	(6,614)	-	-	(6,614)
Service costs	(1,379)	(234)	-	(1,613)
Total cost of revenues	(7,993)	(234)	-	(8,227)
Gross profit	56,853	(234)	-	56,619
Research and development	(15,464)	(2,265)	-	(17,729)
Sales and marketing	(9,979)	(781)	-	(10,760)
General and administrative	(11,912)	(624)	-	(12,536)
Amortization of intangibles purchased through business combination	-	-	(4,645)	(4,645)
Total operating expenses	(37,355)	(3,670)	(4,645)	(45,670)
Income from operations	19,498	(3,904)	(4,645)	10,949
Interest	1,685	-	-	1,685
Income before income tax	21,183	(3,904)	(4,645)	12,634
Provision for income taxes	(5,618)	588	1,787	(3,243)
Net income	15,565	(3,316)	(2,858)	9,391
Earnings per share (assuming dilution)				
Shares outstanding ('000)	1,395,642			1,395,642
Earnings per share – pence	1.12			0.67
Earnings per ADS (assuming dilution)				
ADSs outstanding ('000)	465,214			465,214
Earnings per ADS – cents	6.25			3.77

(6.26) Normalised income statement for 9M 2007

	Normalised	Stock-based compens- ation	Intangible amortiza- tion	Other acquisition related charges	Restruct- uring charges	US GAAP
	£'000	£'000	£'000	£'000	£'000	£'000
Revenues						
Product revenues	182,429	-	-	-	-	182,429
Service revenues	12,388	-	-	-	-	12,388
Total revenues	194,817	-	-	-	-	194,817
Cost of revenues						
Product costs	(16,063)	-	-	-	-	(16,063)
Service costs	(4,082)	(783)	-	-	-	(4,865)
Total cost of revenues	(20,145)	(783)	-	-	-	(20,928)
Gross profit	174,672	(783)	-	-	-	173,889
Research and development	(46,822)	(7,614)	-	(555)	-	(54,991)
Sales and marketing	(31,923)	(2,618)	-	(66)	-	(34,607)
General and administrative	(34,854)	(2,096)	-	(257)	-	(37,207)
Restructuring costs	-	-	-	-	(899)	(899)
Amortization of intangibles purchased through business combination	-	-	(13,829)	-	-	(13,829)
Total operating expenses	(113,599)	(12,328)	(13,829)	(878)	(899)	(141,533)
Income from operations	61,073	(13,111)	(13,829)	(878)	(899)	32,356
Interest	4,355	-	-	-	-	4,355
Income before income tax	65,428	(13,111)	(13,829)	(878)	(899)	36,711
Provision for income taxes	(18,323)	2,619	5,333	283	360	(9,728)
Net income	47,105	(10,492)	(8,496)	(595)	(539)	26,983
Earnings per share (assuming dilution)						
Shares outstanding ('000)	1,372,841					1,372,841
Earnings per share – pence	3.43					1.97
Earnings per ADS (assuming dilution)						
ADSs outstanding ('000)	457,614					457,614
Earnings per ADS – cents	20.97					12.01

(6.27) Normalised income statement for 9M 2006

	Normalised	Stock-based compens- ation	Intangible amortiza- tion	Investment disposal	US GAAP
	£'000	£'000	£'000	£'000	£'000
Revenues					
Product revenues	183,612	-	-	-	183,612
Service revenues	11,598	-	-	-	11,598
Total revenues	195,210	-	-	-	195,210
Cost of revenues					
Product costs	(18,223)	-	-	-	(18,223)
Service costs	(4,048)	(727)	-	-	(4,775)
Total cost of revenues	(22,271)	(727)	-	-	(22,998)
Gross profit	172,939	(727)	-	-	172,212
Research and development	(45,603)	(7,027)	-	-	(52,630)
Sales and marketing	(29,137)	(2,423)	-	-	(31,560)
General and administrative	(34,516)	(1,938)	-	-	(36,454)
Amortization of intangibles purchased through business combination	-	-	(14,318)	-	(14,318)
Total operating expenses	(109,256)	(11,388)	(14,318)	-	(134,962)
Income from operations	63,683	(12,115)	(14,318)	-	37,250
Interest	5,177	-	-	-	5,177
Profit on disposal of available-for-sale investment	-	-	-	5,270	5,270
Income before income tax	68,860	(12,115)	(14,318)	5,270	47,697
Provision for income taxes	(17,960)	1,876	5,397	(1,463)	(12,150)
Net income	50,900	(10,239)	(8,921)	3,807	35,547
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,410,123				1,410,123
Earnings per share – pence	3.61				2.52
Earnings per ADS (assuming dilution)					
ADSs outstanding ('000)	470,041				470,041
Earnings per ADS – cents	20.23				14.13