

**EMBARGOED until 7.00am GMT 5 February 2008**

**ARM HOLDINGS PLC REPORTS RESULTS FOR THE FOURTH QUARTER AND FULL YEAR  
31 DECEMBER 2007**

A presentation of the results will be webcast today at 09:00 at [www.arm.com/ir](http://www.arm.com/ir).

**CAMBRIDGE, UK, 5 February 2008—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the fourth quarter and full year ended 31 December 2007**

**Financial Highlights** (US GAAP unless otherwise stated)

- FY dollar revenues at \$514.3m\*\*\*, up 6% on 2006
  - Growth rate approximately 2x that of the semiconductor industry
  - Q4 dollar revenues at \$130.3m
- Record bookings quarter in Q4
  - Group order backlog up more than 30% sequentially to highest ever level
  - Backlog in all divisions higher than at end Q3
- Continuing cost discipline
  - FY 2007 normalised\* operating profit up 15% at constant currency (US GAAP up 25% at constant currency) (FY 2007 results translated at FY 2006 effective \$/£ exchange rate)
  - FY 2007 normalised (and US GAAP) operating expenses held at FY 2006 level
  - FY 2007 normalised operating margin at 31.4% (US GAAP 16.5%) despite 8% weakening of \$ vs £
- £147m cash returned to shareholders in 2007
  - £60m returned in Q4 via share buyback and dividend
  - FY 2007 dividend up 100% on 2006
  - Net cash of £51.3m at end 2007 - in line with target
- Ongoing focus on balance sheet efficiency

**Divisional Highlights**

**Processor Division (PD)**

- FY license revenue up 18% on 2006
- Q4 bookings at record level - less short-term revenue impact due to three long-term subscription deals where revenue is recognised over the life of license
- Record royalties in Q4, up 15% sequentially to \$48.8m on more than 800 million units

**Physical IP Division (PIPD)**

- Simon Segars, ARM Holdings plc director, appointed GM of PIPD
- FY revenues at \$86.7m and Q4 revenues at \$19.5m
  - Three further IDM licenses signed in Q4
  - Q4 royalties up 9% sequentially
  - Q4 revenue impacted by internal restructuring activities to position PIPD for growth in 2008

**Development Systems**

- FY revenue at \$55.6m with record revenue in Q4 at \$15.5m

**Commenting on the results, Warren East, Chief Executive Officer, said:**

*"We are pleased with ARM's performance in 2007 against a backdrop of slower growth in the semiconductor industry. Full year revenue growth at approximately twice the rate of the industry and strong licensing momentum in our Processor Division throughout the year confirm our continuing market share gains. Although 2007 was a challenging period for revenue in our Physical IP Division, our reallocation of resources during the year towards the development of leading-edge physical IP technology, together with changes to management and organisational focus, positions the business well for growth in 2008.*

*We enter 2008 with the group order backlog at its highest ever level, the physical IP business better positioned to capitalise on the long-term growth opportunity and good royalty revenue momentum based on the ongoing proliferation of ARM technology into an ever-broader range of digital devices. Although we remain cautious about the short term industry outlook, we expect ARM to deliver significant constant currency earnings growth in 2008 and believe the long-term growth opportunities for ARM are substantial."*

### Q4 2007 – Revenue Analysis

	Revenue (\$M)***			Revenue (£M)		
	Q4 2007	Q4 2006	% Change	Q4 2007	Q4 2006	% Change
Processor Division (PD)						
<i>Licensing</i>	38.4	37.4	+3%	19.3	19.5	-1%
<i>Royalties</i>	48.8	42.8	+14%	23.7	22.2	+7%
<b>Total PD</b>	<b>87.2</b>	<b>80.2</b>	<b>+9%</b>	<b>43.0</b>	<b>41.7</b>	<b>+3%</b>
Physical IP Division (PIPD)						
<i>Licensing</i>	10.8	18.1	-40%	5.3	9.4	-44%
<i>Royalties</i>	8.7 <sup>1</sup>	9.6 <sup>1</sup>	-9%	4.3 <sup>1</sup>	5.1 <sup>1</sup>	-16%
<b>Total PIPD</b>	<b>19.5</b>	<b>27.7</b>	<b>-30%</b>	<b>9.6</b>	<b>14.5</b>	<b>-34%</b>
Development Systems	15.5	14.1	+10%	7.7	7.3	+5%
Services	8.1	8.3	-2%	4.0	4.5	-11%
<b>Total Revenue</b>	<b>130.3</b>	<b>130.3</b>		<b>64.3</b>	<b>68.0</b>	<b>-5%</b>

<sup>1</sup> Includes catch-up royalties in Q4 2007 of \$0.3m (£0.2m) and in Q4 2006 of \$0.7m (£0.4m).

### FY 2007 – Revenue Analysis

	Revenue (\$M)***			Revenue (£M)		
	FY 2007	FY 2006	% Change	FY 2007	FY 2006	% Change
PD						
<i>Licensing</i>	163.5	138.3	+18%	83.4	75.7	+10%
<i>Royalties</i>	176.5	164.1	+8%	88.0	88.7	-1%
<b>Total PD</b>	<b>340.0</b>	<b>302.4</b>	<b>+12%</b>	<b>171.4</b>	<b>164.4</b>	<b>+4%</b>
PIPD						
<i>Licensing</i>	54.4	64.2	-15%	27.3	34.9	-22%
<i>Royalties</i>	32.3 <sup>1</sup>	34.9 <sup>1</sup>	-7%	16.1 <sup>1</sup>	19.1 <sup>1</sup>	-16%
<b>Total PIPD</b>	<b>86.7</b>	<b>99.1</b>	<b>-13%</b>	<b>43.4</b>	<b>54.0</b>	<b>-20%</b>
Development Systems	55.6	53.0	+5%	27.9	28.8	-3%
Services	32.0	29.1	+10%	16.5	16.1	+2%
<b>Total Revenue</b>	<b>514.3</b>	<b>483.6</b>	<b>+6%</b>	<b>259.2</b>	<b>263.3</b>	<b>-2%</b>

<sup>1</sup> Includes catch-up royalties in FY 2007 of \$2.7m (£1.4m) and in FY 2006 of \$3.1m (£1.7m).

### Q4 2007 – Financial Summary

£M	US GAAP Normalised*		US GAAP Reported	
	Q4 2007	Q4 2006	Q4 2007	Q4 2006
<b>Revenue</b>	<b>64.3<sup>1</sup></b>	68.0	<b>64.3</b>	68.0
<b>Income before income tax</b>	<b>21.3</b>	21.3	<b>11.5</b>	9.4
<b>Operating margin</b>	<b>31.5%</b>	29.0%	<b>16.3%</b>	11.4%
<b>Earnings per share (pence)</b>	<b>1.25</b>	1.49	<b>0.74</b>	0.87
<b>Net cash generation**</b>	<b>10.5</b>	13.3		
<b>Effective fx rate (\$/£)</b>	<b>2.02</b>	1.92		

<sup>1</sup> Equivalent to £68.0m at Q4 2006 effective \$/£ rate

### YTD 2007 – Financial Summary

£M	US GAAP Normalised*		US GAAP Reported	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>Revenue</b>	<b>259.2<sup>1</sup></b>	263.3	<b>259.2</b>	263.3
<b>Income before income tax</b>	<b>86.7</b>	90.1	<b>48.2</b>	57.0
<b>Operating margin</b>	<b>31.4%</b>	31.7%	<b>16.5%</b>	17.1%
<b>Earnings per share (pence)</b>	<b>4.67</b>	5.08	<b>2.70</b>	3.22
<b>Net cash generation**</b>	<b>57.1</b>	50.3		
<b>Effective fx rate (\$/£)</b>	<b>1.98</b>	1.84		

<sup>1</sup> Equivalent to £279.9m at FY 2006 effective \$/£ rate

## Current trading and prospects

In the current uncertain macroeconomic environment, and at this early stage in the year, we remain cautious on the outlook for the semiconductor industry for 2008.

Within ARM, we have continued to build on our market-leading position and consequently we enter 2008 with the group order backlog at its highest ever level, the physical IP business better positioned to capitalise on the long-term growth opportunity and good royalty revenue momentum based on the continuing proliferation of ARM technology into an ever-broader range of digital devices.

Given this combination of a well-positioned business operating within uncertain industry conditions, we expect dollar revenues in Q1 2008 to be broadly similar to Q4 2007 levels. Assuming no marked deterioration in the trading environment, we expect to increase dollar revenues in FY 2008 by at least the growth rate achieved in 2007. With the operating leverage inherent in ARM's business model, driven primarily by growth in high-margin royalty revenues, we expect constant currency earnings growth in FY 2008 to be significantly higher than revenue growth.

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\* Normalised figures are based on US GAAP, adjusted for stock-based compensation charges, amortisation of intangible assets and other charges. For reconciliation of GAAP measures to normalised non-GAAP measures detailed in this document, see notes 7.1 to 7.27.

\*\* Before dividends and share buybacks, net cash flows from share option exercises and acquisition consideration - see notes 7.14 to 7.18.

\*\*\* Dollar revenues are based on the group's actual dollar invoicing, where applicable, and using the rate of exchange applicable on the date of the transaction for invoicing in currencies other than dollars. Approximately 95% of invoicing is in dollars.

\*\*\*\* Each American Depositary Share (ADS) represents three shares.

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## Financial review

(US GAAP unless otherwise stated)

### Total revenues

Total dollar revenues in Q4 2007 were \$130.3 million, the same level as in Q4 2006. Sterling revenues of £64.3 million were down 5% year-on-year due to the weakening of the dollar against sterling (\$2.02 in Q4 2007 compared to \$1.92 in Q4 2006). At the Q4 2006 effective rate, Q4 2007 sterling revenues would have been £68.0 million.

Full-year dollar revenues in 2007 were \$514.3 million, up 6% on 2006. Full-year sterling revenues were £259.2 million, down 2% on 2006 again due to the weakening of the dollar against the sterling for the full year (\$1.98 in 2007 compared to \$1.84 in 2006). At the FY 2006 effective rate, FY 2007 sterling revenues would have been £279.9 million or 8% higher than actual reported revenue.

### License revenues

Total dollar license revenues in Q4 2007 decreased by 11% to \$49.2 million, representing 38% of group revenues, compared to \$55.5 million in Q4 2006. License revenues comprised \$38.4 million for PD and \$10.8 million for PIPD.

PD license revenues were up 3% versus Q4 2006 but down sequentially 11%. This was primarily due to the signing of three subscription deals in Q4 where revenue is recognised rateably over the life of the license. These licenses represent a major strategic commitment to ARM's existing and future technology portfolio by three of the world's leading semiconductor companies.

PIPD license revenues were down 15% sequentially, being impacted by internal restructuring and productivity improvement activities to position this business for growth in 2008. See the PIPD section in the Operational Review below.

Full-year dollar license revenues were \$217.9 million, up 8% on 2006.

### Royalty revenues

Total dollar royalty revenues in Q4 2007 were up 10% versus Q4 2006 and up 14% sequentially at \$57.5 million, representing 44% of group revenues. Royalty revenues comprised \$48.8 million for PD, a 15% sequential increase, and \$8.7 million for PIPD (including \$0.3 million of "catch-up" royalties), a 9% sequential increase. Underlying royalties of \$8.4 million for PIPD were up 9% sequentially, consistent with higher foundry utilisation levels.

Full-year dollar royalty revenues were \$208.8 million, up 5% on 2006.

### Development Systems and Service revenues

Sales of development systems in Q4 2007 were up 10% versus Q4 2006 and up 26% sequentially to a record level of \$15.5 million, representing 12% of group revenues. Although development systems revenues are predominantly generated from turns business, Q4 revenue included one significant deal of a size that is not expected to recur regularly. We, therefore, expect development systems revenue in Q1 2008 to be lower than that achieved in Q4 2007.

Service revenues in Q4 2007 were down 2% year-on-year at \$8.1 million, representing 6% of group revenues, compared to \$8.3 million in Q4 2006.

Full-year development systems revenues were \$55.6 million, up 5% on 2006. Service revenues were up by 10% to \$32.0 million.

### Gross margins

Gross margins in Q4 2007, excluding stock-based compensation charges of £0.2 million (see below), were 89.4% compared to 89.0% in Q4 2006.

Full-year gross margins, excluding stock-based compensation charges of £1.0 million, were 89.6% compared to 88.7% in 2006.

### **Operating expenses and operating margin**

Total operating expenses in Q4 2007 were £46.8 million (Q4 2006: £52.4 million) including stock-based compensation charges of £3.0 million (Q4 2006: £5.8 million) and amortisation of intangible assets and other charges of £6.6 million (Q4 2006: £5.8 million). The total stock-based compensation charges of £3.2 million in Q4 2007 are included within cost of revenues (£0.2 million), research and development (£1.9 million), sales and marketing (£0.6 million) and general and administrative (£0.5 million). Normalised Q4 and full-year income statements for 2007 and 2006 are included in notes 7.24 to 7.27 below which reconcile US GAAP to the normalised non-GAAP measures referred to in this earnings release.

Operating expenses (excluding stock-based compensation, amortisation of intangible assets and other charges) in Q4 2007 were £37.2 million compared to £36.5 million in Q3 2007 and £40.8 million in Q4 2006, a 9% reduction versus the previous year. Q4 operating expenses benefited from the regional re-balancing of the group's resources (see People section below) and general rigorous management of costs.

Normalised research and development expenses were £15.1 million in Q4 2007, representing 23% of revenues, compared to £14.8 million in Q3 2007 and £18.2 million in Q4 2006. Normalised sales and marketing costs in Q4 2007 were £11.1 million, representing 17% of revenues, compared to £10.3 million in Q3 2007 and £11.4 million in Q4 2006. Normalised general and administrative expenses in Q4 2007 were £11.1 million, representing 17% of revenues, compared to £11.4 million in Q3 2007 and £11.2 million in Q4 2006.

Normalised operating margin in Q4 2007 was 31.5% <sup>(7.1)</sup> compared to 31.8% <sup>(7.2)</sup> in Q3 2007 and 29.0% <sup>(7.3)</sup> in Q4 2006. At constant currencies, using the Q4 2006 effective rate of \$1.92/£1, the operating margin for Q4 2007 would have been approximately 33%.

Full-year operating expenses for 2007 were £188.4 million, including stock-based compensation charges of £15.4 million and amortisation of intangible assets and other charges of £22.2 million. Excluding these charges, operating expenses for the full year were £150.8 million, compared to £150.1 million in 2006, an increase of 0.5%.

Normalised operating margin in the full year 2007 was 31.4% <sup>(7.4)</sup> compared to 31.7% <sup>(7.5)</sup> in 2006. At constant currencies, using the 2006 effective rate of \$1.84/£1, the normalised operating margin for 2007 would have been approximately 34%.

### **Earnings and taxation**

Income before income tax in Q4 2007 was £11.5 million compared to £9.4 million in Q4 2006. After adjusting for stock-based compensation, amortisation of intangibles and other charges, normalised income before income tax in Q4 2007 was £21.3 million <sup>(7.6)</sup> compared to £21.3 million <sup>(7.7)</sup> in Q4 2006. The group's effective tax rate under US GAAP for the full-year 2007 was 23.6%, reflecting the availability of research and development tax credits and taking into account the benefits arising from the structuring of the Artisan® acquisition.

In Q4 2007, fully diluted earnings per share prepared under US GAAP were 0.74 pence (4.41 cents per ADS\*\*\*\*) compared to earnings per share of 0.87 pence (5.13 cents per ADS\*\*\*\*) in Q4 2006. Normalised fully diluted earnings per share in Q4 2007 were 1.25 pence <sup>(7.19)</sup> per share (7.48 cents per ADS\*\*\*\*) compared to 1.49 pence <sup>(7.21)</sup> (8.73 cents per ADS\*\*\*\*) in Q4 2006. The decline in earnings per share for the comparable period was due primarily to a non-recurring tax credit in Q4 2006 arising from a tax-deductible foreign exchange loss.

Full-year 2007 fully diluted earnings per share prepared under US GAAP were 2.70 pence (16.10 cents per ADS\*\*\*\*) compared to earnings per share of 3.22 pence (18.88 cents per ADS\*\*\*\*) in 2006. Normalised fully diluted earnings per share for 2007 were 4.67 pence <sup>(7.22)</sup> per share (27.89 cents per ADS\*\*\*\*) compared to 5.08 pence <sup>(7.23)</sup> (29.85 cents per ADS\*\*\*\*) in 2006.

## **Balance sheet**

Intangible assets at 31 December 2007 were £384.0 million, comprising goodwill of £344.6 million and other intangible assets of £39.4 million, compared to £336.0 million and £43.1 million respectively at 30 September 2007.

Total accounts receivable were £68.2 million at 31 December 2007, comprising £43.7 million of trade receivables and £24.5 million of amounts recoverable on contracts, compared to £65.0 million at 30 September 2007, comprising £37.6 million of trade receivables and £27.4 million of amounts recoverable on contracts. Days sales outstanding (DSOs) were 49 at 31 December 2007 compared to 39 at 30 September 2007 and 43 at 31 December 2006.

## **Cash flow, share buyback programme and 2007 final dividend**

Net cash at 31 December 2007 was £51.3 million, in line with previous guidance, compared to £99.3 million at 30 September 2007. Normalised cash generation in Q4 2007 was £10.5 million<sup>(7,14)</sup>.

During the quarter, £60.1 million of cash was returned to shareholders via the purchase of 38 million ARM shares at a cost of £49.6 million and the payment of the interim dividend of £10.5 million.

The directors recommend payment of a final dividend in respect of 2007 of 1.20 pence per share, which taken together with the interim dividend of 0.80 pence per share paid in October 2007, gives a total dividend in respect of 2007 of 2.0 pence per share, an increase of 100% on the total dividend of 1.0 pence per share in 2006. Subject to shareholder approval, the final dividend will be paid on 21 May 2008 to shareholders on the register on 2 May 2008.

At the start of 2007, ARM announced its intention to reduce its cash balance to approximately £50 million by the year end. In achieving this level of net cash, we have returned a total of £147 million to shareholders via both an accelerated share buyback programme and a dividend at twice the level of 2006. Given ARM's market leadership position and increasingly strong cash flows as the benefits of the licensing and royalty model bear fruit, we remain focused on balance sheet efficiency.

## **International Financial Reporting Standards (IFRS)**

ARM reports results quarterly in accordance with US GAAP. At 30 June and 31 December each year, in addition to the US GAAP results, ARM is also required to publish results under IFRS. The operating and financial review commentary included in this release on the US GAAP numbers is for the most part applicable to the IFRS numbers and, in particular, revenues, dividends and share buybacks are recorded in the same way under both sets of accounting rules. A summary of the accounting differences between IFRS and US GAAP and reconciliations of IFRS and US GAAP profit and shareholders' equity are set out in note 6 to the financial tables below.

## **Operating review**

### **Backlog**

In Q4 ARM achieved its highest bookings quarter ever, growing the backlog more than 30% sequentially. All divisions achieved higher backlog compared to Q3 with the Processor Division up more than 50% resulting from the three subscription licenses that were signed in Q4. The revenue from these subscription licenses will be recognised rateably over the life of the subscription agreements.

### **PD Licensing – Equipping the Leading Semiconductor Companies with ARM Processor IP**

2007 saw even broader acceptance of our market-leading processor IP products by the semiconductor industry. During the year we saw significant commitments by tier one semiconductor companies to our latest technology. We signed 14 further licenses for Cortex™ products, including 3 lead partners for the next-generation Cortex-A9 processor, bringing the total number of Cortex licenses to 37. This represents the fastest uptake of a microprocessor

family in the history of ARM. We were also very encouraged with the licensing activity of our Mali™ 3D graphics technology, with the signing in Q4 of our fifth license since acquisition of that technology. Nine semiconductor companies are now licensed to design products using our graphics technology.

The long-term commitment of our partners to ARM technology is further evidenced by the signing of 4 subscription licenses in 2007, 3 of which were signed in Q4. Of the original subscription licensees (NXP, ST and Samsung) all have renewed their long-term commitment to ARM technology. Further, in Q4 we signed a new subscription license with a top five Japanese semiconductor company, significantly expanding the penetration of ARM technology into that region.

#### Q4 2007 and Cumulative PD Licensing Analysis

	Multi-use			Term			Per-use			Total	Cumulative Total
	U	D	N	U	D	N	U	D	N		
ARM7			1						1	2	153
ARM9		3	2						1	6	239
ARM11	3	1	1	1						6	64
Cortex-M3	2	1								3	14
Cortex-R4											10
Cortex-A8											9
Cortex-A9											4
Mali				1						1	5
Other				1						1	29
Total										19	527

U: Upgrade D: Derivative N: New

#### PD Royalties – Broadening the Usage of ARM Processor IP

PD unit shipments in Q3 (our partners report royalties one quarter in arrears) increased 19% sequentially to a record 828 million units in the quarter. For the reported year, ARM partners shipped just under 3 billion units (2.9bn), up 18% on 2006 and are now at a run rate of ~9 million units per day. We also reached a significant milestone in 2007 with our partners shipping the 10 billionth ARM microprocessor since ARM's inception in 1990.

In the quarter, ARM9™ family shipments comprised 41% of total units, including 20% relating to ARM926EJ-S™ processor shipments. ARM11™ family shipments now comprise 2% of total shipments. In the quarter we received our first royalties from our Mali 3D graphics product and from the initial shipments of Cortex products.

ARM unit shipments showed significant resilience in a year that was affected by the industry-wide inventory correction which started in the second half of 2006. The proportion of shipments into the mobile and non-mobile segments during 2007 remained broadly consistent with the proportion of mobile shipments edging up slightly in Q4 to 68%. The ARM content per phone continued to increase, reaching approximately 1.7 cores per phone by year end.

We continue to see strength in the embedded segment, rising to 13% of shipments in the quarter, in part due to the continued significant growth in MCU shipments with growth of 2.4x over 2006. MCUs are now the highest volume individual application after wireless handsets.

#### PIPD Licensing – Extending the IP Outsourcing Model to ARM Physical IP

PIPD signed a further 21 licenses in Q4, mostly for earlier generation technology. In the quarter, a further three IDMs (including one top 10 semiconductor company) signed physical IP licenses, demonstrating the growing appetite for IDMs to complement their in-house physical IP development with outsourced physical IP from ARM. This brings the total number of license deals with IDMs to 7 in 2007.

Although 2007 has been a challenging year for revenue, we made progress in positioning the business for growth in 2008 and beyond. In 2007, we continued to focus on the acceleration of the physical IP roadmap to include leadership-standard, leading-edge physical IP. In 2007, we signed an additional three 45nm licenses, of which one

was for our SOI technology, and ten 65nm licenses. Of the 202 licenses signed since the acquisition of Artisan, 42 licenses have been signed for technology that ARM has developed since the acquisition.

As the business transitions from technology catch-up to a more business-as-usual state for development of leading-edge technology, there is increased focus on improvement in internal processes to drive increased productivity, better resource management and improved product delivery to customers. In order to enable our partners to create the best physical implementations of their designs and for ARM to continue to be the industry leader in physical IP, we are striving to ensure that PIPD is a leader in technology development, on-time delivery, customer satisfaction and engineering efficiency. Simon Segars became the General Manager of PIPD in September 2007 to accelerate these activities. Simon joined ARM in 1991 and has been a member of the Board since 2004. He has previously held a number of positions fundamental to ARM's development, including VP of Engineering, EVP of Sales and EVP of Business Development.

Enhanced engineering efficiency is being realised through the reorganisation of the business into dedicated design centres to align better the skill sets of each centre with the challenges of developing leading-edge technology as well as to define better the accountabilities and tasks of each engineering team. This reorganisation has resulted in the elimination in Q1 2008 of approximately 30 positions within our Sunnyvale, CA facility as we align its skill base with the needs of the organisation going forward.

In order to capture the specific growth opportunities we see as we enter 2008, we are further focusing the business to concentrate on the high volume, mass-market opportunity represented by the traditional Artisan free library business model and on the high-value business of licensing physical IP to IDMs and large fabless customers, both for earlier generation and leading-edge technology. We have already achieved considerable success, having licensed the leading foundries through to the 45nm process node and having signed a further 7 IDM licenses in 2007. In 2008, we expect growth to be generated from further penetration of the foundries with ARM technology; expanding the number of licenses to IDMs and large fabless customers for earlier generation technology and securing the initial licenses for leading-edge physical IP technology with IDM and large fabless customers.

Additionally, the research and development teams in PD and PIPD will continue to focus on enabling our partners to create highly optimised physical implementations of their ARM processors, utilising processor-specific physical IP.

#### **Q4 2007 and Cumulative PIPD Licensing Analysis**

	<b>Process Node (nm)</b>	<b>Total</b>
<b>Platform Licenses</b>		
<i>Classic</i> <sup>™</sup>	<b>180</b>	<b>3</b>
<i>Advantage</i> <sup>™</sup>	<b>90</b>	<b>2</b>
<b>Standard Cell Libraries</b>		
<i>Advantage</i>	<b>90</b>	<b>1</b>
<i>Metro</i> <sup>™</sup>	<b>180</b>	<b>3</b>
<b>Memory Compilers</b>		
<i>Classic</i>	<b>180/130</b>	<b>4</b>
<i>Advantage</i>	<b>90</b>	<b>2</b>
<i>Metro</i>	<b>180</b>	<b>1</b>
<b>Velocity<sup>™</sup> PHYs</b>	<b>65</b>	<b>4</b>
<b>SOI Licenses</b>	<b>45</b>	<b>1</b>
<b><i>Quarter Total</i></b>		<b>21</b>
<b><i>Cumulative Total</i></b>		<b>350</b>



**PIPD Royalties – Broadening the Usage of ARM Physical IP**

Underlying PIPD royalties were strong in Q4 2007, increasing 9% sequentially. ARM continued to expand market share in Q3 (our foundry partners report royalties one quarter in arrears) as underlying royalties were up by more than the improvement in utilisation rates at the foundries for earlier generations technology nodes, where ARM currently earns the majority of its royalties.

**People**

At 31 December 2007, ARM had 1,728 full-time employees, a net increase of 69 in the year. Year-to-date headcount has increased by 89 in India with a net reduction of 20 in other regions, illustrating the ongoing regional re-balancing of ARM's resources. At the end of Q4, the group had 650 employees based in the UK, 523 in the US, 190 in Continental Europe, 292 in India and 73 in the Asia Pacific region.

**Legal matters**

ARM is involved in ongoing litigation proceedings with Nazomi Communications, Inc. and Technology Properties Limited, Inc. In both cases, a district court has found in favour of ARM and both cases are now pending before the Court of Appeals for the Federal Circuit. Details are set out in the 2006 Annual Report on Form 20-F filed with the Securities and Exchange Commission on 11 April 2007. Based on independent legal advice, ARM does not expect any significant liability to arise in respect of these proceedings.

**ARM Holdings plc**  
**Fourth Quarter and Annual Results – US GAAP**

	Quarter ended 31 December 2007 Unaudited £'000	Quarter ended 31 December 2006 Unaudited £'000	Year ended 31 December 2007 Unaudited £'000	Year ended 31 December 2006 Audited £'000
<b>Revenues</b>				
Product revenues	60,297	63,582	242,726	247,194
Service revenues	4,046	4,462	16,434	16,060
Total revenues	64,343	68,044	259,160	263,254
<b>Cost of revenues</b>				
Product costs	(5,412)	(5,933)	(21,475)	(24,156)
Service costs	(1,618)	(1,946)	(6,483)	(6,721)
Total cost of revenues	(7,030)	(7,879)	(27,958)	(30,877)
<b>Gross profit</b>	57,313	60,165	231,202	232,377
Research and development	(17,753)	(22,868)	(72,744)	(75,498)
Sales and marketing	(11,786)	(12,638)	(46,393)	(44,198)
General and administrative	(12,757)	(12,189)	(49,964)	(48,643)
Restructuring costs	(138)	-	(1,037)	-
In-process research and development	-	-	-	(595)
Amortization of intangibles purchased through business combination	(4,397)	(4,700)	(18,226)	(18,423)
<b>Total operating expenses</b>	(46,831)	(52,395)	(188,364)	(187,357)
<b>Income from operations</b>	10,482	7,770	42,838	45,020
Interest, net	1,047	1,581	5,402	6,758
Profit on disposal of available-for-sale investment	-	-	-	5,270
<b>Income before income tax and cumulative effect of change in accounting policy</b>	11,529	9,351	48,240	57,048
Provision for income taxes	(1,670)	2,712	(11,398)	(9,438)
<b>Net income before cumulative effect of change in accounting policy</b>	9,859	12,063	36,842	47,610
Cumulative effect of change in accounting policy, net of tax	-	-	-	(2,447)
<b>Net income</b>	9,859	12,063	36,842	45,163
<b>Earnings per share (assuming dilution)</b>				
Shares outstanding ('000)	1,335,144	1,380,581	1,366,384	1,404,751
Earnings per share – pence	0.7	0.9	2.7	3.2
<b>Earnings per ADS (assuming dilution)</b>				
ADSs outstanding ('000)	445,048	460,194	455,461	468,250
Earnings per ADS – cents	4.4	5.1	16.1	18.9

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

	31 December 2007 Unaudited £'000	31 December 2006 Audited £'000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	49,509	90,743
Short-term investments	232	18,600
Marketable securities	1,582	19,151
Accounts receivable, net of allowance of £1,503,000 in 2007 and £2,556,000 in 2006	68,232	69,552
Inventory: finished goods	2,339	1,933
Income taxes receivable	6,552	5,761
Prepaid expenses and other assets	13,089	12,668
Total current assets	141,535	218,408
Deferred income taxes	11,309	9,872
Prepaid expenses and other assets	2,860	1,328
Property and equipment, net	12,042	13,970
Goodwill	344,663	349,243
Other intangible assets	39,375	56,027
Investments	4,881	3,855
Total assets	556,665	652,703
<b>Liabilities and shareholders' equity</b>		
Accounts payable	2,230	1,826
Income taxes payable	3,704	5,572
Personnel taxes	1,751	1,408
Accrued liabilities	25,670	33,021
Deferred revenue	27,543	31,485
Total current liabilities	60,898	73,312
Deferred income taxes	2,027	4,744
Total liabilities	62,925	78,056
<b>Shareholders' equity</b>		
Ordinary shares	672	695
Additional paid-in capital	367,680	446,005
Treasury stock, at cost	(90,000)	(58,245)
Retained earnings	234,455	197,874
Accumulated other comprehensive income:		
Unrealized holding gain/(loss) on available-for-sale securities, net of tax asset of £85,000 (2006: £231,000)	(214)	394
Cumulative translation adjustment	(18,853)	(12,076)
Total shareholders' equity	493,740	574,647
Total liabilities and shareholders' equity	556,665	652,703

**ARM Holdings plc**  
**Consolidated income statement - IFRS**

	Year ended 31 December 2007 Unaudited £'000	Year ended 31 December 2006 Unaudited £'000 (restated)
<b>Revenues</b>		
Product revenues	242,726	247,194
Service revenues	16,434	16,060
Total revenues	259,160	263,254
<b>Cost of revenues</b>		
Product costs	(21,475)	(24,156)
Service costs (see note 2)	(6,630)	(6,721)
Total cost of revenues	(28,105)	(30,877)
<b>Gross profit</b>	231,055	232,377
<b>Operating expenses</b>		
Research and development (see note 2)	(83,977)	(84,884)
Sales and marketing (see note 2)	(55,298)	(53,291)
General and administrative (see note 2)	(52,086)	(50,224)
Profit on disposal of available-for-sale security	-	5,270
Total net operating expenses	(191,361)	(183,129)
<b>Profit from operations</b>	39,694	49,248
Investment income	5,459	6,758
Interest payable	(57)	-
<b>Profit before tax</b>	45,096	56,006
Tax*	(9,846)	(7,850)
<b>Profit for the period</b>	35,250	48,156
<b>Dividends</b>		
- final 2005 paid (on 5 May 2006) at 0.5 pence per share	-	6,918
- interim 2006 paid (on 6 October 2006) at 0.4 pence per share	-	5,449
- final 2006 paid (on 21 May 2007) at 0.6 pence per share	8,013	-
- interim 2007 paid (on 5 October 2007) at 0.8 pence per share	10,534	-
<b>Earnings per share</b>		
Basic and diluted earnings	35,250	48,156
<b>Number of shares ('000)</b>		
Basic weighted average number of shares	1,321,860	1,366,816
Effect of dilutive securities	39,301	35,145
Diluted weighted average number of shares	1,361,161	1,401,961
<b>Basic EPS</b>	2.7p	3.5p
<b>Diluted EPS</b>	2.6p	3.4p

All activities relate to continuing operations.

All of the profit for the period is attributable to the equity shareholders of the parent.

\* Tax comprises £12.4m (2006: £7.1m) of UK taxation and a credit of £2.6m (2006: a charge of £0.7m) of overseas taxation.

**ARM Holdings plc**  
**Consolidated balance sheet - IFRS**

	31 December 2007 Unaudited £'000	31 December 2006 Unaudited £'000 (restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	49,509	90,743
Financial assets: Short-term investments	232	18,600
Short-term marketable securities	1,582	19,151
Fair value of currency exchange contracts	-	439
Accounts receivable	68,232	69,552
Prepaid expenses and other assets	13,089	12,229
Current tax assets	6,552	5,761
Inventories: finished goods	2,339	1,933
<b>Total current assets</b>	<b>141,535</b>	<b>218,408</b>
Non-current assets:		
Financial assets: Available-for-sale investments	4,881	3,855
Prepaid expenses and other assets	2,860	1,328
Property, plant and equipment	9,336	10,296
Goodwill	420,835	427,679
Other intangible assets	44,264	62,913
Deferred tax assets	19,233	19,708
<b>Total non-current assets</b>	<b>501,409</b>	<b>525,779</b>
<b>Total assets</b>	<b>642,944</b>	<b>744,187</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	2,230	1,826
Current tax liabilities	3,704	5,572
Accrued and other liabilities	28,174	39,586
Financial liabilities: Fair value of currency exchange contracts	496	-
Deferred revenue	27,543	31,485
<b>Total current liabilities</b>	<b>62,147</b>	<b>78,469</b>
<b>Net current assets</b>	<b>79,388</b>	<b>139,939</b>
Non-current liabilities:		
Deferred tax liabilities	1,635	4,792
<b>Total liabilities</b>	<b>63,782</b>	<b>83,261</b>
<b>Net assets</b>	<b>579,162</b>	<b>660,926</b>
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	672	695
Share premium account	351,578	449,195
Share option reserve	61,474	61,474
Retained earnings	185,125	161,453
Revaluation reserve	(214)	(544)
Cumulative translation adjustment	(19,473)	(11,347)
<b>Total equity</b>	<b>579,162</b>	<b>660,926</b>

**ARM Holdings plc**  
**Consolidated statement of changes in shareholders' equity - IFRS**

<b>Unaudited</b>	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Reval- uation reserve £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2007 (as reported)	695	449,195	61,474	163,731	(544)	(11,347)	663,204
Restatement	-	-	-	(2,278)	-	-	(2,278)
At 1 January 2007 (as restated)	695	449,195	61,474	161,453	(544)	(11,347)	660,926
Dividends	-	-	-	(18,547)	-	-	(18,547)
Movement on tax arising on share options	-	-	-	2,212	-	-	2,212
Purchase of own shares	-	-	-	(120,419)	-	-	(120,419)
Appropriation for future cancellation of shares	-	-	-	(8,142)	-	-	(8,142)
Cancellation of shares	(28)	-	-	28	-	-	-
Cancellation of share premium account	-	(103,121)	-	103,121	-	-	-
Proceeds from sale of own shares	-	-	-	13,383	-	-	13,383
Unrealised holding losses on available-for-sale investments (net of deferred tax of £146,000)	-	-	-	-	330	-	330
Currency translation adjustment	-	-	-	-	-	(8,126)	(8,126)
<b>Total expense recognised directly in equity on 2007</b>	<b>(28)</b>	<b>(103,121)</b>	<b>-</b>	<b>(28,364)</b>	<b>330</b>	<b>(8,126)</b>	<b>(139,309)</b>
Shares issued on exercise of options	5	5,504	-	-	-	-	5,509
Profit for the year	-	-	-	35,250	-	-	35,250
Credit in respect of employee share schemes	-	-	-	16,786	-	-	16,786
<b>At 31 December 2007</b>	<b>672</b>	<b>351,578</b>	<b>61,474</b>	<b>185,125</b>	<b>(214)</b>	<b>(19,473)</b>	<b>579,162</b>

**ARM Holdings plc**  
**Consolidated cash flow statement - IFRS**

	Year ended 31 December 2007 Unaudited £'000	Year ended 31 December 2006 Unaudited £'000 (restated)
<b>Operating activities</b>		
Profit from operations	39,694	49,248
Depreciation and amortisation of tangible and intangible assets	26,907	26,726
Profit on disposal of available-for-sale security	-	(5,270)
Loss on disposal of property, plant and equipment	319	63
Compensation charge in respect of share-based payments	16,786	17,437
Impairment of investments	2,100	-
Provision for doubtful debts	215	932
Provision for obsolescence of inventory	247	65
Changes in working capital:		
Accounts receivable	260	(18,986)
Inventories	(653)	(508)
Prepaid expenses and other assets	(3,291)	1,015
Fair value of currency exchange contracts	935	(2,147)
Accounts payable	404	(672)
Deferred revenue	(3,877)	11,071
Accrued and other liabilities	(7,954)	5,373
Cash generated by operations before tax	72,092	84,347
Income taxes paid	(12,265)	(21,147)
<b>Net cash from operating activities</b>	<b>59,827</b>	<b>63,200</b>
<b>Investing activities</b>		
Interest received	5,607	6,636
Purchases of property, plant and equipment	(4,664)	(7,189)
Proceeds on disposal of property, plant and equipment	-	31
Purchases of other intangible assets	(3,332)	(1,370)
Purchases of available-for-sale investments	(2,657)	(165)
Proceeds on disposal of available-for-sale investments	-	5,567
(Purchase) / maturity of short-term investments	35,937	(4,926)
Purchases of subsidiaries, net of cash acquired	(3,357)	(17,270)
<b>Net cash from / (used in) investing activities</b>	<b>27,534</b>	<b>(18,686)</b>
<b>Financing activities</b>		
Issue of shares	5,509	2,106
Proceeds received on issuance of shares from treasury	13,383	15,754
Purchase of own shares	(128,561)	(76,519)
Dividends paid to shareholders	(18,547)	(12,367)
<b>Net cash used in financing activities</b>	<b>(128,216)</b>	<b>(71,026)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(40,855)</b>	<b>(26,512)</b>
Cash and cash equivalents at beginning of period	90,743	128,077
Effect of foreign exchange rate changes	(379)	(10,822)
<b>Cash and cash equivalents at end of period</b>	<b>49,509</b>	<b>90,743</b>

## 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 December 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 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, and in relation to accounting for provisioning for uncertain tax positions following the adoption of FIN 48 on 1 January 2007.

#### International Financial Reporting Standards

The financial information prepared in accordance with the Group's IFRS accounting policies comprises the consolidated balance sheets as of 31 December 2007 and 31 December 2006 and related consolidated statements of income, changes in shareholders' equity and cash flows for the periods then ended, together with related notes. This financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended 31 December 2006. The 2006 results have been restated to harmonize the Group's treatment of accounting for provisions for sabbatical leave under IFRS and US GAAP following the adoption of EITF 06-2 under US GAAP. This has resulted in shareholders' equity at 31 December 2006 being reduced by £2.3 million and the profit for the year ended 31 December 2006 reducing by £0.4 million.

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

Included within the US GAAP income statement for the quarter ended 31 December 2007 are share-based compensation charges of £3.1 million: £0.2 million in cost of revenues, £1.8 million in research and development costs, £0.6 million in sales and marketing costs and £0.5 million in general and administrative costs. Included within the US GAAP income statement for the year ended 31 December 2007 are share-based compensation charges of £16.0 million: £1.0 million in cost of revenues, £9.3 million in research and development costs, £3.2 million in sales and marketing costs and £2.5 million in general and administrative costs.

Included within the IFRS income statement for the year ended 31 December 2007 are total share-based payment costs of £16.8 million (2006: £17.4 million), allocated £1.0 million (2006: £1.0 million) in cost of revenues, £9.7 million (2006: £10.1 million) in research and development costs, £3.4 million (2006: £3.5 million) in sales and marketing costs and £2.7 million (2006: £2.8 million) in general and administrative costs.

Also included within IFRS operating costs for year ended 31 December 2007 is amortization of intangibles of £19.2 million (2006: £19.3 million), allocated £10.0 million (2006: £9.5 million) in research and development costs, £8.5 million (2006: £9.1 million) in sales and marketing costs and £0.7 million (2006: £0.7 million) in general and administrative costs.

### (3) Accounts receivable

Included within accounts receivable at 31 December 2007 are £24.5 million (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/(loss) £'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	-	-	-	36,842	-	-	36,842
Dividends	-	-	-	(18,547)	-	-	(18,547)
Cumulative effect as a result of adopting EITF 06-2, net of tax*	-	-	-	(2,278)	-	-	(2,278)
First-time adoption of FIN48	-	-	-	838	-	-	838
Tax effect of option exercises	-	2,546	-	-	-	-	2,546
Amortization of deferred compensation	-	15,350	-	-	-	-	15,350
Conversion of liability award to equity award	-	1,396	-	-	-	-	1,396
Issuance of shares from treasury	-	-	30,767	(17,384)	-	-	13,383
Purchase of own shares	-	-	(128,561)	-	-	-	(128,561)
Cancellation of shares	(28)	-	66,039	(66,011)	-	-	-
Cancellation of share premium account	-	(103,121)	-	103,121	-	-	-



*Other comprehensive income:*

Unrealized holding losses on available-for-sale securities (net of tax benefit of £ 146,000)	-	-	-	-	(608)	-	(608)
Currency translation adjustment	-	-	-	-	-	(6,777)	(6,777)
<b>At 31 December 2007</b>	<b>672</b>	<b>367,680</b>	<b>(90,000)</b>	<b>234,455</b>	<b>(214)</b>	<b>(18,853)</b>	<b>493,740</b>

\* 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)**

	Q4 2007 £'000	Q4 2006 £'000	FY 2007 £'000	FY 2006 £'000
Net income	9,859	12,063	36,842	45,163
Realized gain on available-for-sale security, net of tax	-	-	-	(2,375)
Unrealized holdings gains / (losses) on available-for-sale security, net of tax	237	(156)	(608)	(1,090)
Currency translation adjustment	10,543	(25,290)	(6,777)	(68,128)
<b>Total comprehensive income / (loss)</b>	<b>20,639</b>	<b>(13,383)</b>	<b>29,457</b>	<b>(26,430)</b>

**(6) Summary of significant differences between US GAAP and IFRS**

**Goodwill** Under both IFRS and US GAAP, goodwill is not subject to amortisation, but is tested at least annually for impairment. As permitted by IFRS 1, the Company's goodwill under IFRS has been frozen at the amount recorded under UK GAAP as at 1 January 2004. Under US GAAP, following the provisions of SFAS 142, "Goodwill and other intangible assets", the carrying value of goodwill was frozen at the amount recorded under previous US GAAP as at 1 January 2002. Under both previous US GAAP and UK GAAP, goodwill was amortised over its useful economic life. Thus, while ongoing accounting policies in respect of goodwill are similar under US GAAP and IFRS, the difference in the dates of transition means that different amounts of goodwill are recorded.

Under US GAAP, certain costs to be incurred on restructuring on business combination are treated as a fair value adjustment in the balance sheet acquired. Under IFRS, these costs are expensed post-acquisition. Additionally, under US GAAP, tax benefits arising from the exercise of options issued as part of the consideration for a business combination become a deduction to goodwill, only to the extent that those benefits do not exceed the fair value of the consideration relating to those options at the appropriate tax rate. Any excess tax benefits are a deduction to equity. Under IFRS, the full tax benefit is a deduction to equity.

Where provisional assessments of the fair values of assets and liabilities acquired on acquisition are refined, adjustments to fair values are recorded as prior year adjustments to goodwill under IFRS. Under US GAAP, such revisions are recorded as amendments to goodwill in the subsequent year.

**Recognition and amortisation of intangibles** The Company has taken advantage of the exemption under IFRS 1 not to apply IFRS retrospectively to business combinations occurring before 1 January 2004. This means that for business combinations occurring before this date, the previously reported UK GAAP treatment has continued to be followed. Under previous UK GAAP, intangible assets were recognised separately from goodwill only where they could be sold separately without disposing of a business of the entity. This separability criterion does not apply under either IFRS or US GAAP. Thus, a number of intangible assets which are required to be recognised separately from goodwill under both IFRS 3 and SFAS 142, were subsumed within goodwill under UK GAAP. Under both US GAAP and IFRS, such intangible assets are amortised over their useful economic lives. Except in relation to in-process research and development (see below), there is no difference in accounting policy for intangible assets recognised as a result of business combinations entered into after 1 January 2004.

**In-process research and development** Under IFRS, in-process research and development projects purchased as part of a business combination may meet the criteria set out in IAS 38, "Intangible assets", for recognition as intangible assets other than goodwill and are amortised over their useful economic lives commencing when the asset is brought into use. Under US GAAP, in-process research and development is immediately written-off to the income statement. This accounting policy difference gives rise to an associated difference in deferred tax.

**Valuation of consideration on business combination** Under both IFRS and US GAAP, the fair value of consideration in a business combination includes the fair value of both equity issued and any share options granted as part of that combination. Under IFRS, any equity issued is valued at the fair value as of the date of completion, whilst under US GAAP, the equity is valued at the date the terms of the combination were agreed to and announced. For options, under US GAAP, the fair value is based upon the total number of options granted, both vested and unvested, whilst under IFRS the fair value only includes those that have vested, together with a pro-rata value for partially vested options. Furthermore, where there is contingent consideration for an acquisition, under IFRS this is recognised as part of the purchase consideration if the contingent conditions are expected to be satisfied, whilst under US GAAP it is only recognised if the conditions have actually been met, other than to the extent necessary to eliminate any potential negative goodwill under US GAAP.

**Deferred compensation** Under US GAAP, the intrinsic value of unvested stock options issued by an acquirer as part of a business combination in exchange for unvested share options of the acquiree is recorded as a debit balance within shareholders' funds. This amount is

charged to the income statement over the vesting period of the share options in accordance with FIN 28. Under IFRS, no such adjustment to shareholders' funds is made on acquisition. In accordance with FAS No. 123 (revised 2004) (FAS 123(R)), "Share-based payment", the unamortised balance has been transferred to additional paid-in capital.

**Compensation charge in respect of share-based payments** The Company issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant, using the Black-Scholes pricing model. The fair value, determined at the grant date of the equity-settled share-based payments, is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest.

Under US GAAP, the Company also expenses share-based payments, including employee stock-options, based on their fair value in accordance with FAS 123(R). Some awards made by the Company are liability-classified awards under FAS 123(R) as either: (i) there is an obligation to settle a fixed monetary amount in a variable number of shares; or (ii) the award is indexed to a factor other than performance, market or service condition. The fair value of these awards is remeasured at each period end until the award has vested. Once the award has vested, or for (i) above when number of shares becomes fixed, the award becomes equity-classified.

**Deferred tax on UK and US share options** In the US and the UK, the Company is entitled to a tax deduction for the amount treated as employee compensation under US and UK tax rules on exercise of certain employee share options. The compensation is equivalent to the difference between the option exercise price and the fair market value of the shares at the date of exercise.

Under IFRS, deferred tax assets are recognised and are calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of compensation expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of compensation expense at the statutory tax rate, the excess is recorded directly in equity, against retained earnings. In accordance with the transitional provisions of IFRS 2, no compensation charge is recorded in respect of options granted before 7 November 2002 or in respect of those options which have been exercised or have lapsed before 31 December 2004. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects arising in relation to these options are recorded directly in equity, against retained earnings.

Under US GAAP, deferred tax assets are recognised by multiplying the compensation expense recorded by the prevailing tax rate in the relevant tax jurisdiction. Where, on exercise of the relevant option, the tax benefit obtained exceeds the deferred tax asset in relation to the relevant options, the excess is recorded in additional paid-in capital. Where the tax benefit is less than the deferred tax asset, the write-down of the deferred tax asset is recorded against additional paid-in capital to the extent of previous excess tax benefits recorded in this account, with any remainder recorded in the income statement.

**Employer taxes on share-based remuneration** Under IFRS, employer's taxes that are payable on the exercise or vesting of share-based remuneration are provided for over the vesting period of the related option or award. Under US GAAP, such taxes are accounted for when the option or award is exercised or vests respectively.

**Accrued legal costs** Under IFRS, future legal fees that the Company is expecting to incur on current cases are accrued when the obligating event giving rise to the legal costs has occurred. Under US GAAP, such costs are charged to the income statement in the period in which the costs are incurred.

**Sabbatical leave** The Company has adopted EITF 06-2 from 1 January 2007 in accounting for its provisions for employee sabbatical leave. To harmonize the accounting treatment under both GAAPs, the Company has also provided for sabbatical leave under IFRS. EITF 06-2 requires the opening provision at the beginning of the year to be charged directly to reserves, whilst under IFRS, the prior year results have been restated.

**FIN48 adoption** On 1 January 2007, the Company adopted FIN 48, "Accounting for Uncertainty in Income Taxes". Under US GAAP, the transitional changes in provisions are charged against retained earnings.

**Available-for-sale investment impairment** Accounting for impairments to available-for-sale investments is similar under both US GAAP and IFRS. However, because the relevant standards were applied to different accounting periods, an investment which was deemed to have suffered an other-than-temporary impairment in a prior period under US GAAP (with a corresponding charge being recognized in the income statement) was accounted for as a temporary impairment under IFRS (with the corresponding charge being recognized directly in reserves). In 2007, a further other-than-temporary impairment was made under both GAAPs with the result that the cumulative other-than-temporary impairments are now equal. Consequently a greater charge was made through the current year IFRS income statement, as the current year charge under IFRS includes the amount previously deemed to be temporary under IFRS but other-than-temporary under US GAAP.

## Reconciliation of IFRS profit to US GAAP net income

Year ended	Year ended
31 December	31 December
2007	2006
Unaudited	Unaudited
£'000	£'000
	(restated)

<b>Profit for financial period as reported under IFRS</b>	<b>35,250</b>	<b>48,156</b>
Adjustments for:		
Amortisation of intangibles	969	914
Write-off of in-process research and development	-	(595)
Deduct : US GAAP compensation charge in respect of all share-based payments	(15,979)	(21,787)
Add: IFRS compensation charge in respect of all share-based payments	16,786	17,437
Employer's taxes on share-based remuneration	855	8
Provision for legal costs, net of tax	(609)	715
Provisions against available-for-sale investment	938	-
Foreign exchange on contingent consideration	61	(104)
Provision for sabbatical leave, net of tax	-	432
Tax on UK and US share options	(3,708)	(2,204)
Tax difference on amortisation of intangibles	(400)	(378)
Tax difference on share-based remuneration	3,517	2,569
Other tax differences	(838)	-
<b>Net income as reported under US GAAP</b>	<b>36,842</b>	<b>45,163</b>

**Reconciliation of shareholders' equity from IFRS to US GAAP**

	<b>31 December 2007 Unaudited £'000</b>	<b>31 December 2006 Unaudited £'000 (restated)</b>
<b>Shareholders' equity as reported under IFRS</b>	<b>579,162</b>	<b>660,926</b>
Adjustments for:		
Employer's taxes on share-based remuneration	1,277	38
Utilisation of restructuring provision	1,368	1,368
Provision for legal costs, net of tax	106	715
Liability-classified share awards	(1,649)	(2,416)
Provision for sabbatical leave, net of tax	-	2,278
Cumulative difference on amortisation of goodwill	2,713	2,713
Cumulative difference on amortisation of intangibles	2,324	1,355
Cumulative write-off of in-process research and development	(4,692)	(4,692)
Cumulative difference on deferred tax	(1,426)	(642)
Valuation of equity consideration on acquisition	(82,435)	(82,435)
Valuation of option consideration on acquisition	17,476	17,476
Deferred compensation on acquisition	(9,579)	(9,579)
Deferred tax on share-based payments	(8,768)	(8,911)
Portion of tax benefit arising on exercise of options issued on acquisition taken to goodwill under US GAAP	(4,844)	(4,844)
Foreign exchange on valuation of intangible assets and deferred tax	2,707	1,358
Foreign exchange on valuation of contingent consideration	-	(61)
<b>Shareholders' equity as reported under US GAAP</b>	<b>493,740</b>	<b>574,647</b>

**Reconciliation of goodwill from IFRS to US GAAP**

	<b>31 December 2007 Unaudited £'000</b>	<b>31 December 2006 Unaudited £'000</b>
<b>Goodwill as reported under IFRS</b>	<b>420,835</b>	<b>427,679</b>
Adjustments for:		
Amendments to provisional fair values		687
Valuation of restructuring provision on acquisition	1,235	1,235
Cumulative difference on amortisation of goodwill	2,713	2,713
Cumulative write-off of in-process research and development	(150)	(150)
Separately identifiable intangible assets	(302)	(302)

Deferred tax on capitalised in-process research and development	(1,570)	(1,570)
Portion of tax benefit arising on exercise of options issued on acquisition taken to goodwill under US GAAP	(4,248)	(4,248)
Valuation of equity consideration on acquisition	(82,435)	(82,435)
Valuation of option consideration on acquisition	17,476	17,476
Deferred compensation on acquisition	(9,579)	(9,579)
Contingent consideration	(1,339)	(3,117)
Foreign exchange on revaluation of goodwill	2,027	854
<b>Goodwill as reported under US GAAP</b>	<b>344,663</b>	<b>349,243</b>

### (7) 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 and impairment of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(7.1) Q4 2007	(7.2) Q3 2007	(7.3) Q4 2006	(7.4) FY 2007	(7.5) FY 2006
Income from operations (US GAAP)	10,482	10,612	7,770	42,838	45,020
Restructuring costs	138	85	-	1,037	-
Acquisition-related charge – amortization of intangibles	4,397	4,562	4,700	18,226	19,018
Acquisition-related charge – other payments	857	272	1,057	1,735	1,057
Stock-based compensation and related payroll taxes	3,230	4,432	6,177	16,341	18,292
Impairment of available-for-sale security	1,162	-	-	1,162	-
<b>Normalised income from operations</b>	<b>20,266</b>	<b>19,963</b>	<b>19,704</b>	<b>81,339</b>	<b>83,387</b>
<b>As % of revenue</b>	<b>31.5%</b>	<b>31.8%</b>	<b>29.0%</b>	<b>31.4%</b>	<b>31.7%</b>
	(7.6) Q4 2007	(7.7) Q3 2007	(7.8) Q4 2006	(7.9) FY 2007	(7.10) FY 2006
Income before income tax (US GAAP)	11,529	11,990	9,351	48,240	57,048
Restructuring costs	138	85	-	1,037	-
Acquisition-related charge – amortization of intangibles	4,397	4,562	4,700	18,226	19,018
Acquisition-related charge – other payments	857	272	1,057	1,735	1,057
Stock-based compensation and related payroll taxes	3,230	4,432	6,177	16,341	18,292
Impairment of available-for-sale investment	1,162	-	-	1,162	-
Profit on sale of available-for-sale investment	-	-	-	-	(5,270)
<b>Normalised income before income tax</b>	<b>21,313</b>	<b>21,341</b>	<b>21,285</b>	<b>86,741</b>	<b>90,145</b>
			(7.11) 31 December 2007	(7.12) 30 September 2007	(7.13) 31 December 2006
Cash and cash equivalents			49,509	90,291	90,743
Short-term investments			232	232	18,600
Short-term marketable securities			1,582	8,761	19,151
<b>Net cash</b>			<b>51,323</b>	<b>99,284</b>	<b>128,494</b>
	(7.14) Q4 2007	(7.15) Q3 2007	(7.16) Q4 2006	(7.17) FY 2007	(7.18) FY 2006
Net cash at end of period (as above)	51,323	99,284	128,494	51,323	128,494
Less: Net cash at beginning of period	(99,284)	(108,938)	(147,419)	(128,494)	(160,902)
Add back: Cash outflow from acquisitions (net of cash acquired)	100	2,607	3,305	6,014	17,270
Add back: Cash outflow from payment of dividends	10,534	-	5,449	18,547	12,367
Add back: Cash outflow from purchase of own shares	49,568	33,257	25,840	128,561	76,519
Less: Cash inflow from exercise of share options	(1,740)	(5,157)	(2,349)	(18,892)	(17,860)
Less: Cash inflow from sale of available-for-sale investments	-	-	-	-	(5,567)
<b>Normalised cash generation</b>	<b>10,501</b>	<b>21,053</b>	<b>13,320</b>	<b>57,059</b>	<b>50,321</b>

	(7.19) <b>Q4 2007</b>	(7.20) <b>Q3 2007</b>	(7.21) <b>Q4 2006</b>	(7.22) <b>FY 2007</b>	(7.23) <b>FY 2006</b>
Net income (US GAAP)	9,859	8,559	12,063	36,842	45,163
Restructuring costs	138	85	-	1,037	-
Acquisition-related charge – amortization of intangibles	4,397	4,562	4,700	18,226	19,018
Acquisition-related charge – other payments	857	272	1,057	1,735	1,057
Stock-based compensation and related payroll taxes	3,230	4,432	6,177	16,341	21,788
Impairment of available-for-sale investment	1,162	-	-	1,162	-
Profit on sale of available-for-sale investment	-	-	-	-	(5,270)
Estimated tax impact of above charges	(2,928)	(2,687)	(3,477)	(11,523)	(10,336)
<b>Normalised net income</b>	<b>16,715</b>	<b>15,223</b>	<b>20,520</b>	<b>63,820</b>	<b>71,420</b>
Dilutive shares ('000)	1,335,144	1,362,614	1,380,581	1,366,384	1,404,751
<b>Normalised diluted EPS</b>	<b>1.25p</b>	<b>1.12p</b>	<b>1.49p</b>	<b>4.67p</b>	<b>5.08p</b>

(7.24) Normalised income statement for Q4 2007

	Normalised d £'000	Stock-based compensation £'000	Intangible amortisation £'000	Other acquisition -related charges £'000	Investment impairment £'000	Restructuring charges £'000	US GAAP £'000
<b>Revenues</b>							
Product revenues	60,297	-	-	-	-	-	60,297
Service revenues	4,046	-	-	-	-	-	4,046
Total revenues	64,343	-	-	-	-	-	64,343
<b>Cost of revenues</b>							
Product costs	(5,412)	-	-	-	-	-	(5,412)
Service costs	(1,432)	(186)	-	-	-	-	(1,618)
Total cost of revenues	(6,844)	(186)	-	-	-	-	(7,030)
<b>Gross profit</b>	57,499	(186)	-	-	-	-	57,313
Research and development	(15,050)	(1,884)	-	(819)	-	-	(17,753)
Sales and marketing	(11,115)	(641)	-	(30)	-	-	(11,786)
General and administrative	(11,068)	(519)	-	(8)	(1,162)	-	(12,757)
Restructuring costs	-	-	-	-	-	(138)	(138)
Amortization of intangibles purchased through business combination	-	-	(4,397)	-	-	-	(4,397)
<b>Total operating expenses</b>	(37,233)	(3,044)	(4,397)	(857)	(1,162)	(138)	(46,831)
<b>Income from operations</b>	20,266	(3,230)	(4,397)	(857)	(1,162)	(138)	10,482
Interest	1,047	-	-	-	-	-	1,047
<b>Income before income tax</b>	21,313	(3,230)	(4,397)	(857)	(1,162)	(138)	11,529
Provision for income taxes	(4,598)	586	1,694	266	327	55	(1,670)
<b>Net income</b>	16,715	(2,644)	(2,703)	(591)	(835)	(83)	9,859
<b>Earnings per share (assuming dilution)</b>							
Shares outstanding ('000)	1,335,144						1,335,144
Earnings per share – pence	1.25						0.74
<b>Earnings per ADS (assuming dilution)</b>							
ADSs outstanding ('000)	445,048						445,048
Earnings per ADS – cents	7.48						4.41

(7.25) Normalised income statement for Q4 2006

	Normalised	Stock-based compens- ation	Intangible amortisa- tion	Other acquisition -related charges	US GAAP
	£'000	£'000	£'000	£'000	£'000
<b>Revenues</b>					
Product revenues	63,582	-	-	-	63,582
Service revenues	4,462	-	-	-	4,462
Total revenues	68,044	-	-	-	68,044
<b>Cost of revenues</b>					
Product costs	(5,933)	-	-	-	(5,933)
Service costs	(1,575)	(371)	-	-	(1,946)
Total cost of revenues	(7,508)	(371)	-	-	(7,879)
<b>Gross profit</b>	60,536	(371)	-	-	60,165
Research and development	(18,242)	(3,582)	-	(1,044)	(22,868)
Sales and marketing	(11,403)	(1,235)	-	-	(12,638)
General and administrative	(11,187)	(989)	-	(13)	(12,189)
Amortization of intangibles purchased through business combination	-	-	(4,700)	-	(4,700)
<b>Total operating expenses</b>	(40,832)	(5,806)	(4,700)	(1,057)	(52,395)
<b>Income from operations</b>	19,704	(6,177)	(4,700)	(1,057)	7,770
Interest	1,581	-	-	-	1,581
<b>Income before income tax</b>	21,285	(6,177)	(4,700)	(1,057)	9,351
Provision for income taxes	(765)	1,256	1,819	402	2,712
<b>Net income</b>	20,520	(4,921)	(2,881)	(655)	12,063
<b>Earnings per share (assuming dilution)</b>					
Shares outstanding ('000)	1,380,581				1,380,581
Earnings per share – pence	1.49				0.87
<b>Earnings per ADS (assuming dilution)</b>					
ADSs outstanding ('000)	460,194				460,194
Earnings per ADS – cents	8.73				5.13

(7.26) Normalised income statement for FY 2007

	Normalised £'000	Stock- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition related charges £'000	Investment impair- ment £'000	Restruct- -uring charges £'000	US GAAP £'000
<b>Revenues</b>							
Product revenues	242,726	-	-	-	-	-	242,726
Service revenues	16,434	-	-	-	-	-	16,434
Total revenues	259,160	-	-	-	-	-	259,160
<b>Cost of revenues</b>							
Product costs	(21,475)	-	-	-	-	-	(21,475)
Service costs	(5,514)	(969)	-	-	-	-	(6,483)
Total cost of revenues	(26,989)	(969)	-	-	-	-	(27,958)
<b>Gross profit</b>	232,171	(969)	-	-	-	-	231,202
Research and development	(61,872)	(9,498)	-	(1,374)	-	-	(72,744)
Sales and marketing	(43,038)	(3,259)	-	(96)	-	-	(46,393)
General and administrative	(45,922)	(2,615)	-	(265)	(1,162)	-	(49,964)
Restructuring costs	-	-	-	-	-	(1,037)	(1,037)
Amortization of intangibles purchased through business combination	-	-	(18,226)	-	-	-	(18,226)
<b>Total operating expenses</b>	(150,832)	(15,372)	(18,226)	(1,735)	(1,162)	(1,037)	(188,364)
<b>Income from operations</b>	81,339	(16,341)	(18,226)	(1,735)	(1,162)	(1,037)	42,838
Interest	5,402	-	-	-	-	-	5,402
<b>Income before income tax</b>	86,741	(16,341)	(18,226)	(1,735)	(1,162)	(1,037)	48,240
Provision for income taxes	(22,921)	3,205	7,027	549	327	415	(11,398)
<b>Net income</b>	63,820	(13,136)	(11,199)	(1,186)	(835)	(622)	36,842
<b>Earnings per share (assuming dilution)</b>							
Shares outstanding ('000)	1,366,384						1,366,384
Earnings per share – pence	4.67						2.70
<b>Earnings per ADS (assuming dilution)</b>							
ADSs outstanding ('000)	455,461						455,461
Earnings per ADS – cents	27.89						16.10



(7.27) Normalised income statement for FY 2006

	Normalised	Stock-based compensation	Intangible amortisation	Other acquisition -related charges	Investment disposal	US GAAP
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenues</b>						
Product revenues	247,194	-	-	-	-	247,194
Service revenues	16,060	-	-	-	-	16,060
Total revenues	263,254	-	-	-	-	263,254
<b>Cost of revenues</b>						
Product costs	(24,156)	-	-	-	-	(24,156)
Service costs	(5,623)	(1,098)	-	-	-	(6,721)
Total cost of revenues	(29,779)	(1,098)	-	-	-	(30,877)
<b>Gross profit</b>	233,475	(1,098)	-	-	-	232,377
Research and development	(63,845)	(10,609)	-	(1,044)	-	(75,498)
Sales and marketing	(40,540)	(3,658)	-	-	-	(44,198)
General and administrative	(45,703)	(2,927)	-	(13)	-	(48,643)
Amortization of intangibles purchased through business combination	-	-	(19,018)	-	-	(19,018)
<b>Total operating expenses</b>	(150,088)	(17,194)	(19,018)	(1,057)	-	(187,357)
<b>Income from operations</b>	83,387	(18,292)	(19,018)	(1,057)	-	45,020
Interest	6,758	-	-	-	-	6,758
Profit on disposal of available-for-sale investment	-	-	-	-	5,270	5,270
<b>Income before income tax before cumulative effect of change in accounting policy</b>	90,145	(18,292)	(19,018)	(1,057)	5,270	57,048
Provision for income taxes	(18,725)	3,132	7,216	402	(1,463)	(9,438)
<b>Net income before cumulative effect of change in accounting policy</b>	71,420	(15,160)	(11,802)	(655)	3,807	47,610
Cumulative effect of change in accounting policy, net of tax	-	(2,447)	-	-	-	(2,447)
<b>Net income</b>	71,420	(17,607)	(11,802)	(655)	3,807	45,163
<b>Earnings per share (assuming dilution)</b>						
Shares outstanding ('000)	1,404,751					1,404,751
Earnings per share – pence	5.08					3.22
<b>Earnings per ADS (assuming dilution)</b>						
ADSs outstanding ('000)	468,250					468,250
Earnings per ADS – cents	29.85					18.88

## **Note**

*The results shown for Q4 2007, Q3 2007, Q4 2006 and FY 2007 are unaudited. The US GAAP results shown for FY 2006 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 2006, 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, have been delivered to the Registrar of Companies.*

*The results for ARM for Q4 2007 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 filed with Companies House in the UK for the fiscal year ended 31 December 2006 and in the Annual Report on Form 20-F for the fiscal year ended 31 December 2006, except in relation to accounting for sabbatical leave in accordance with EITF 06-2 and provisioning for uncertain tax positions in accordance with FIN 48.*

*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 realise 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 2006 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](http://www.sec.gov).*

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