

EMBARGOED until 7.00am GMT 28 October 2008

ARM HOLDINGS PLC REPORTS RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2008

A conference call with the company will be audiocast today at 08:30 at www.arm.com/ir.

CAMBRIDGE, UK, 28 October 2008—ARM Holdings plc [(LSE: ARM); (NASDAQ: ARMH)], the world's leading semiconductor intellectual property supplier, announces its unaudited financial results for the third quarter and nine months ended 30 September 2008

Highlights (US GAAP unless otherwise stated)

- Highest ever quarterly revenues at \$134.4m, up 7% year-on-year
 - Normalised operating margin at 33% (US GAAP 21%)
 - Normalised PBT at £24.9m (US GAAP £16.3m), up 17% (US GAAP 36%)
 - Normalised EPS at 1.38p (US GAAP 0.92p), up 23% (US GAAP 46%)
- Processor Division (PD): Strong licensing platform driving royalty momentum
 - Total revenue at \$90.7m, up 7% year-on-year
 - Licensing revenues up 18% sequentially to \$35.5m
 - Royalty revenue up 30% year-on-year
 - One billion units reported in a quarter for the first time
- Physical IP Division (PIPD): Licensing leading technology nodes to IDMs and foundries
 - Total revenue at \$21.4m, up 4% year-on-year
 - Licensing revenues decreased 17% sequentially to \$10.4m
 - Royalty revenue at a record \$11m, up 38% year-on-year
 - Underlying royalty revenue up 21% to \$9.3m
 - Leading-edge technology development yields long-term strategic deals
 - STMicroelectronics buys 40nm platform license
 - 32nm and 28nm collaboration with the Common Platform technology partnership
- Continuing cost discipline
 - Headcount at end Q3 marginally lower than at start of year
 - Normalised Q3 operating expenses higher at £40.8m (US GAAP £49.1m) due primarily to stronger dollar
 - Operating margins and earnings likely to benefit further from stronger dollar
- Strong cash generation continues
 - £22.5m cash generated in the quarter
 - £8.6m share buyback in Q3
 - £66m net cash at the end of Q3

Outlook

Following the sequential improvement in PD licensing revenues and the signing of key strategic deals in PIPD in Q3, the license opportunity pipeline remains robust as we enter the fourth quarter.

Although the global macroeconomic conditions make the near-term trading environment uncertain, based on the order backlog, robust licensing pipeline and underlying momentum in royalties, we expect that group dollar revenues in Q4 2008 will be at least in line with expectations. In addition, we anticipate that profits and earnings will benefit further from the strengthening of the dollar against sterling.

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

“In Q3, ARM delivered the best quarterly revenue performance in its history and we continue to see strong demand for ARM’s technology including long-term commitments for our physical IP technology by industry leaders.

Growth of at least 30% year-on-year in royalty revenues for both PD and PIPD provides further evidence of the increasing use of ARM’s technology in a broadening range of consumer electronics products.

We are encouraged to see that the inherent operating leverage in the ARM business model, combined with sound cost discipline and the recent strengthening of the dollar against sterling, has given rise to earnings growth in Q3 of more than 20% on dollar revenue growth of 7%.”

Q3 2008 – Revenue Analysis

	Revenue (\$m)***			Revenue (£m)		
	Q3 2008	Q3 2007	% Change	Q3 2008	Q3 2007	% Change
PD						
Licensing	35.5	42.4	-16%	19.2	21.5	-10%
Royalties	55.2	42.6	30%	29.2	21.1	38%
Total PD	90.7	85.0	7%	48.4	42.6	14%
PIPD						
Licensing	10.4	12.7	-18%	5.6	6.2	-10%
Royalties ¹	11.0	8.0	38%	5.9	4.0	49%
Total PIPD	21.4	20.7	4%	11.5	10.2	13%
Development Systems	14.6	12.3	18%	7.8	6.1	27%
Services	7.7	7.6	1%	4.0	3.9	3%
Total Revenue	134.4	125.6	7%	71.7	62.8	14%

¹ Includes catch-up royalties in Q3 2008 of \$1.7m (£0.9m) and in Q3 2007 of \$0.3m (£0.1m).

YTD 2008 – Revenue Analysis

	Revenue (\$m)***			Revenue (£m)		
	YTD 2008	YTD 2007	% Change	YTD 2008	YTD 2007	% Change
PD						
Licensing	102.1	125.1	-18%	52.8	64.1	-18%
Royalties	161.0	127.7	26%	83.1	64.3	29%
Total PD	263.1	252.8	4%	135.9	128.4	6%
PIPD						
Licensing	34.8	43.6	-20%	17.9	21.9	-19%
Royalties ¹	29.7	23.6	26%	15.4	11.9	30%
Total PIPD	64.5	67.2	-4%	33.3	33.8	-1%
Development Systems	44.9	40.0	12%	23.1	20.2	14%
Services	24.3	24.0	1%	12.3	12.4	-1%
Total Revenue	396.8	384.0	3%	204.6	194.8	5%

¹ Includes catch-up royalties in YTD 2008 of \$3.6m (£1.9m) and in YTD 2007 of \$2.4m (£1.2m).

Q3 2008 – Financial Summary

£M	Normalised*			US GAAP	
	Q3 2008	Q3 2007	% Change	Q3 2008	Q3 2007
Revenue	71.7	62.8	14%	71.7	62.8
Income before income tax	24.9	21.3	17%	16.3	12.0
Operating margin	33.0%	31.8%		21.0%	16.9%
Earnings per share (pence)	1.38	1.12	23%	0.92	0.63
Net cash generation**	22.5	21.1	7%		
Effective fx rate (\$/£)	1.88	2.00			

YTD 2008 – Financial Summary

£M	Normalised*			US GAAP	
	YTD 2008	YTD 2007	% Change	YTD 2008	YTD 2007
Revenue	204.6	194.8	5%	204.6	194.8
Income before income tax	67.4	65.4	3%	41.1	36.7
Operating margin	31.7%	31.3%		18.9%	16.6%
Earnings per share (pence)	3.71	3.43	8%	2.31	1.97
Net cash generation**	62.7	46.6	35%		
Effective fx rate (\$/£)	1.94	1.97			

- * Normalised figures are based on US GAAP, adjusted for acquisition-related, share-based compensation and restructuring charges. For reconciliation of GAAP measures to normalised non-GAAP measures detailed in this document, see notes 6.1 to 6.27.
- ** Before dividends and share buybacks, net cash flows from share option exercises, disposals of available-for-sale investments and acquisition consideration – see notes 6.14 to 6.18.
- *** 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 Q3 2008 were \$134.4 million, up 7% on Q3 2007. Sterling revenues of £71.7 million, up 14% on Q3 2007.

Year-to-date dollar revenues in 2008 amounted to \$396.8 million, up 3% on 2007.

License revenues

Total dollar license revenues in Q3 2008 fell by 17% to \$45.9 million, representing 34% of group revenues, compared to \$55.1 million in Q3 2007. License revenues comprised \$35.5 million from PD, up 18% sequentially, and \$10.4 million from PIPD.

Year-to-date dollar license revenues amounted to \$136.9 million, down 19% on 2007.

Backlog at 30 September 2008, whilst lower than at the half year, was approximately 30% higher compared to backlog at 30 September 2007.

Royalty revenues

Year-on-year, total dollar royalty revenues in Q3 2008 were up 31% at \$66.2 million, representing 49% of group revenues, compared to \$50.6 million in Q3 2007. Royalty revenues comprised \$55.2 million from PD and \$11.0 million from PIPD (including \$1.7 million of “catch-up” royalties).

Underlying royalties of \$9.3 million for PIPD were up 21% year-on-year.

Year-to-date dollar royalty revenues amounted to \$190.7 million, up 26% on 2007.

Development Systems and Service revenues

Sales of development systems in Q3 2008 were up 18% to \$14.6 million, representing 11% of group revenues, compared to \$12.3 million in Q3 2007. Consistent with previous years, development system revenues decreased sequentially in the third quarter due to seasonality.

Service revenues in Q3 2008 were up 1% year-on-year at \$7.7 million, representing 6% of group revenues, compared to \$7.6 million in Q3 2007.

Year-to-date development systems dollar revenues were \$44.9 million, up 12% on 2007. Service dollar revenues were up by 1% to \$24.3 million.

Gross margins

Gross margins in Q3 2008, excluding share-based compensation charges of £0.2 million (see below), were 89.9 % compared to 89.8% in Q3 2007.

Year-to-date gross margins, excluding share-based compensation charges of £0.8 million, were 89.3% compared to 89.7% in 2007.

Operating expenses and operating margin

Total operating expenses in Q3 2008 were £49.1 million (Q3 2007: £45.5 million) including amortisation of intangible assets and other acquisition-related charges of £4.6 million (Q3 2007: £4.8 million), £3.3 million (Q3 2007: £4.2 million) in relation to share-based compensation charges and related payroll taxes and restructuring charges of £0.4 million (Q3 2007: £0.1 million). The total share-based compensation charges of £3.5 million in Q3 2008 are included within cost of revenues (£0.2 million), research and development (£2.4 million), sales and marketing (£0.5 million) and general and administrative (£0.4 million). Normalised Q3 and year-to-date income statements for 2008 and 2007 are included in notes 6.24 to 6.27 below which reconcile US GAAP to the normalised non-GAAP measures referred to in this earnings release.

Operating expenses (excluding acquisition-related, share-based compensation and restructuring charges) in Q3 2008 were £40.8 million compared to £37.5 million in Q2 2008 and £36.5 million in Q3 2007. The sequential increase in operating expenses this quarter is due primarily to the strengthening of the dollar against sterling which has had two effects: firstly, an increase in the sterling value of the group's US dollar denominated costs (which account for about half of total costs) and secondly, the impact of accounting for derivative instruments is a net charge in Q3 2008 compared to a net credit in Q2 2008. Costs continue to be carefully managed with group headcount at the end of Q3 marginally lower than at the start of the year (see People section below).

Normalised research and development expenses were £15.7 million in Q3 2008, representing 22% of revenues, compared to £15.3 million in Q2 2008 and £14.8 million in Q3 2007. Normalised sales and marketing costs in Q3 2008 were £11.4 million, representing 16% of revenues, compared to £10.9 million in Q2 2008 and £10.3 million in Q3 2007. Normalised general and administrative expenses in Q3 2008 were £13.7 million, representing 19% of revenues, compared to £11.3 million in Q2 2008 and £11.4 million in Q3 2007. The increase in operating expenses due to the strengthening dollar explained above is reported for the most part within general and administrative expenses.

Normalised operating margin in Q3 2008 was 33.0%^(6.1) compared to 31.5%^(6.2) in Q2 2008 and 31.8%^(6.3) in Q3 2007.

Total operating expenses for the first nine months of 2008 were £143.3 million, including acquisition-related, share-based compensation and restructuring charges of £13.6 million, £10.3 million and £1.6 million respectively. Excluding these charges, operating expenses for the first nine months were £117.8 million, compared to £113.6 million in 2007, an increase of 4%.

Normalised operating margin in the first nine months of 2008 was 31.7%^(6.4) compared to 31.3%^(6.5) in 2007.

Earnings and taxation

Income before income tax in Q3 2008 was £16.3 million compared to £12.0 million in Q3 2007. After adjusting for acquisition-related, share-based compensation and restructuring charges, normalised income before income tax in Q3 2008 was £24.9 million^(6.6) compared to £21.3 million^(6.8) in Q3 2007.

The group's effective tax rate under US GAAP for the full-year 2008 is expected to be in the range 27-28%, reflecting the availability of research and development tax credits and taking into account the benefits arising from the structuring of the Artisan® acquisition.

In Q3 2008, fully diluted earnings per share prepared under US GAAP were 0.92 pence (4.9 cents per ADS****) compared to earnings per share of 0.63 pence (3.8 cents per ADS****) in Q3 2007. Normalised fully diluted earnings per share in Q3 2008 were 1.38 pence^(6.19) per share (7.4 cents per ADS****) compared to 1.12 pence^(6.21) (6.8 cents per ADS****) in Q3 2007.

Balance sheet

Intangible assets at 30 September 2008 were £410.8 million, comprising goodwill of £382.7 million and other intangible assets of £28.1 million, compared to £344.7 million and £30.6 million respectively at 30 June 2008. The increase in goodwill at the end of Q3 arises from the stronger dollar at the end of Q3 compared to the end of Q2.

Total accounts receivable were £66.2 million at 30 September 2008, comprising £48.8 million of trade receivables and £17.4 million of amounts recoverable on contracts, compared to £60.3 million at 30 June 2008, comprising £42.9 million of trade receivables and £17.4 million of amounts recoverable on contracts. Days sales outstanding (DSOs) were 55 at 30 September 2008 compared to 45 at 30 June 2008.

Cash flow and share buyback programme

Net cash at 30 September 2008 was £66.0 million ^(6.11) compared to £50.6 million ^(6.12) at 30 June 2008. Normalised cash generation in Q3 2008 was £22.5 million ^(6.14).

During the quarter, £8.6 million of cash was returned to shareholders through the purchase of 7.8 million own shares.

Operating review

Backlog

At the end of Q3 2008, backlog was lower than at the end of Q2 2008 but approximately 30% higher than a year ago. We enter Q4 with a robust opportunity pipeline for licensing.

PD Licensing

ARM signed 13 processor licenses in Q3. The quarter was characterised by licensing of ARM® technologies across the portfolio, with licenses being signed for the ARM7™, ARM9™, ARM11™ and Cortex™ processor families, as well as for the Mali™ graphics processor, including with STMicroelectronics who licensed ARM's latest graphics processor, the Mali 400MP GPU.

Non-mobile applications continue to be the driver for a high proportion of processor licenses, including graphics processors. Approximately, 75% of licenses are expected to be used initially in applications such as digital TV, microcontrollers, robotics and passive optical networking (PON).

Mobile applications drive approximately 25% of licenses, with ARM processors and graphics processors being designed into a widening range of mobile technology such as chips for Bluetooth, gaming, mobile computing and mobile TV.

Two new companies licensed ARM processor technology for the first time.

Q3 2008 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							1	3	158
ARM9			1	1						2	249
ARM11	1		1	1			1			4	70
Cortex-M3	1									1	22
Cortex-R4					1					1	12
Cortex-A8											10
Cortex-A9											5
Mali	1	1								2	10
Other											30
Total										13	566

U: Upgrade D: Derivative N: New

PD Royalties

Year-on-year, reported PD unit shipments grew strongly in Q3 2008 (our partners report royalties one quarter in arrears) buoyed by growth in automotive, Bluetooth, digital consumer, microcontrollers, storage (HDD and Flash) and Wi-Fi. Reported processor unit shipments were 1 billion in the quarter, up 44% compared to Q3 2007.

The ARM7, ARM9 and ARM11 families now represent 53%, 44% and 3% of total shipments respectively. There are now six partners shipping Cortex processor-based products into a broad range of applications including consumer electronics, microcontrollers, mobile computers, networking and Wi-Fi applications.

In Q3 2008, shipments of ARM technology-based chips in mobile devices grew approximately 40% compared to Q3 2007. For the quarter, an ARM technology-based mobile phone contained an average of 1.8 ARM microprocessors, the same as in the prior quarter. As well as smartphones containing multiple ARM technology-based chips, more feature phones are now being shipped with multiple ARM processors.

In Q3 2008, shipments of ARM technology-based chips in embedded devices continued to grow strongly with microcontroller shipments up approximately 50% compared with Q3 2007. Units shipped into enterprise applications grew by approximately 60% driven by increased use of ARM in networking and storage devices; whilst units shipped into the home products market grew approximately 50% driven by increased market share in consumer electronics products such as DVD, set-top boxes and digital TV.

PIPD Licensing

ARM signed 14 physical IP licenses in Q3 for technologies at all process nodes from 180nm to 28nm; and for a wide range of ARM products including platforms of physical IP for new process nodes; memories, standard cells and PHYs for mature nodes; and power-optimised components for use with ARM processors.

Major semiconductor manufacturers continued the trend for outsourcing physical IP as demonstrated by STMicroelectronics buying a license to a 40nm physical IP platform; a tier-1 IDM buying four physical IP licenses in four consecutive quarters; and another tier-1 fabless manufacturer buying their first significant physical IP license, part of a synergistic deal with an ARM processor. In all, there were four synergy deals signed within the quarter, where optimised physical IP was licensed for use with an ARM processor. These included high-speed 65nm physical IP for use with the Cortex-A8 processor in a mobile computing application and very low power 180nm physical IP for use with the Cortex-M3 processor in a microcontroller application.

In addition, demand for leading edge physical IP continues as ARM has signed agreements with Chartered, IBM and Samsung to develop and license 32nm and 28nm physical IP for the Common Platform

Q3 2008 and Cumulative PIPD Licensing Analysis

	Process Node (nm)	Total
Platform Licenses		
Advantage	32/28	2
Advantage	45	1
Standard Cell Libraries		
Advantage	65	2
Metro	180/130	1
Memory Compilers		
Metro	180/65	2
Classic	180/130	2
Velocity PHYs	90/65	4
Quarter Total		14
Cumulative Total		393

PIPD Royalties

PIPD royalty revenue grew 38% year-on-year and 14% sequentially to a record \$11.0m, including \$1.7m of catch-up royalties. Underlying royalties grew by 21% year-on-year and 7% sequentially, demonstrating a higher growth rate than the 5% growth that foundries reported¹ in the related period (PIPD royalties are reported one quarter in arrears). More than 25 companies are now reporting physical IP royalties.

People

At 30 September 2008, ARM had 1,724 full-time employees, a net decrease of 4 since the start of the year. Year-to-date headcount has increased by 19 in India and China and decreased by 23 in ROW. At the end of Q3, the group had 635 employees based in the UK, 509 in the US, 196 in Continental Europe, 305 in India and 79 in the Asia Pacific region.

Principal risks and uncertainties

The principal risks and uncertainties faced by the group that could affect the results for the fourth quarter of 2008 and beyond are noted within the Annual Report on Form 20-F for the fiscal year ended 31 December 2007. There have been no changes to these risks that would materially impact the group in the foreseeable future. These include but are not limited to: ARM's quarterly results may fluctuate significantly and be unpredictable which could adversely affect the market price of ARM ordinary shares; general economic conditions may reduce ARM's revenues and harm its business; ARM competes in the intensely competitive semiconductor market and ARM may not operate systems which comply fully with the requirements of the Sarbanes-Oxley Act.

¹ Gartner Dataquest, October 2008

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

	Quarter ended 30 September 2008 Unaudited £'000	Quarter ended 30 September 2007 Unaudited £'000	Nine months ended 30 September 2008 Unaudited £'000	Nine months ended 30 September 2007 Unaudited £'000
Revenues				
Product revenues	67,677	58,914	192,266	182,429
Service revenues	3,987	3,879	12,301	12,388
Total revenues	71,664	62,793	204,567	194,817
Cost of revenues				
Product costs	(5,492)	(5,004)	(16,650)	(16,063)
Service costs	(1,961)	(1,639)	(5,954)	(4,865)
Total cost of revenues	(7,453)	(6,643)	(22,604)	(20,928)
Gross profit	64,211	56,150	181,963	173,889
Research and development	(18,121)	(17,534)	(54,851)	(54,991)
Sales and marketing	(11,826)	(11,271)	(34,731)	(34,607)
General and administrative	(14,218)	(12,086)	(38,725)	(37,207)
Restructuring costs	(395)	(85)	(1,582)	(899)
Amortization of intangibles purchased through business combination	(4,550)	(4,562)	(13,384)	(13,829)
Total operating expenses	(49,110)	(45,538)	(143,273)	(141,533)
Income from operations	15,101	10,612	38,690	32,356
Interest, net	1,222	1,378	2,446	4,355
Income before income tax	16,323	11,990	41,136	36,711
Provision for income taxes	(4,477)	(3,431)	(11,239)	(9,728)
Net income	11,846	8,559	29,897	26,983
Earnings per share (assuming dilution)				
Shares outstanding ('000)	1,285,059	1,362,614	1,292,897	1,372,841
Earnings per share – pence	0.9	0.6	2.3	2.0
Earnings per ADS (assuming dilution)				
ADSs outstanding ('000)	428,353	454,205	430,966	457,614
Earnings per ADS – cents	4.9	3.8	12.4	12.0

ARM Holdings plc
Consolidated balance sheet - US GAAP

	30 September 2008 Unaudited £'000	31 December 2007 Audited £'000
Assets		
Current assets:		
Cash and cash equivalents	54,090	49,509
Short-term investments	10,299	232
Marketable securities	1,630	1,582
Accounts receivable, net of allowance of £687,000 in 2008 and £1,504,000 in 2007	66,209	68,232
Inventory: finished goods	2,202	2,339
Income taxes receivable	4,926	6,552
Prepaid expenses and other assets	22,412	13,089
Investments	-	1,180
Total current assets	161,768	142,715
Deferred income taxes	14,184	11,309
Prepaid expenses and other assets	2,172	2,860
Property and equipment, net	11,020	12,042
Goodwill	382,664	344,663
Other intangible assets	28,120	39,375
Investments	4,964	3,701
Total assets	604,892	556,665
Liabilities and shareholders' equity		
Accounts payable	2,669	2,230
Income taxes payable	13,500	3,704
Personnel taxes	1,741	1,751
Accrued liabilities	29,237	25,670
Deferred revenue	25,849	27,543
Total current liabilities	72,996	60,898
Deferred income taxes	777	2,027
Total liabilities	73,773	62,925
Shareholders' equity		
Ordinary shares	672	672
Additional paid-in capital	377,960	367,680
Treasury stock, at cost	(106,001)	(90,000)
Retained earnings	233,464	234,455
Accumulated other comprehensive income:		
Unrealized holding loss on available-for-sale securities, net of tax of £nil (2007: £85,000)	(137)	(214)
Cumulative translation adjustment	25,161	(18,853)
Total shareholders' equity	531,119	493,740
Total liabilities and shareholders' equity	604,892	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 30 September 2008 and 31 December 2007 and related income statements for the three and nine months ended 30 September 2008 and 2007, 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 compensation charges

Included within the US GAAP income statement for the quarter ended 30 September 2008 are share-based compensation charges of £3.5 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 £0.4 million in general and administrative costs.

(3) Accounts receivable

Included within accounts receivable at 30 September 2008 are £17.4 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 £'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	-	-	-	29,897	-	-	29,897
Dividends	-	-	-	(15,267)	-	-	(15,267)
Tax effect of option exercises	-	(695)	-	-	-	-	(695)
Amortization of deferred compensation	-	9,455	-	-	-	-	9,455
Conversion of liability award to equity award	-	1,520	-	-	-	-	1,520
Issuance of shares from treasury	-	-	21,042	(15,621)	-	-	5,421
Purchase of own shares	-	-	(37,043)	-	-	-	(37,043)
<i>Other comprehensive income:</i>							
Realized holding gain on available-for-sale securities (net of tax of £84,000)	-	-	-	-	214	-	214
Unrealized holding losses on available-for-sale securities (net of tax of £nil)	-	-	-	-	(137)	-	(137)
Currency translation adjustment	-	-	-	-	-	44,014	44,014
At 30 September 2008	672	377,960	(106,001)	233,464	(137)	25,161	531,119

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

	Q3 2008 £'000	Q2 2008 £'000	Q3 2007 £'000	9M 2008 £'000	9M 2007 £'000
Net income	11,846	9,109	8,559	29,897	26,983
Realized gain on available-for-sale security, net of tax	-	-	-	214	-
Unrealized holding losses on available-for-sale security, net of tax	(50)	(19)	(470)	(137)	(845)
Currency translation adjustment	43,205	(880)	(5,870)	44,014	(17,320)
Total comprehensive income	55,001	8,210	2,219	73,988	8,818

(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 compensation and restructuring charges and profit on disposal of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(6.1) Q3 2008	(6.2) Q2 2008	(6.3) Q3 2007	(6.4) 9M 2008	(6.5) 9M 2007
Income from operations (US GAAP)	15,101	11,911	10,612	38,690	32,356
Restructuring costs	395	469	85	1,582	899
Acquisition-related charge – amortization of intangibles	4,550	4,404	4,562	13,384	13,829
Acquisition-related charge – other payments	64	115	272	224	878
Share-based compensation and related payroll taxes	3,548	3,580	4,432	11,027	13,111
Normalised income from operations	23,658	20,479	19,963	64,907	61,073
As % of revenue	33.0%	31.5%	31.8%	31.7%	31.3%
	(6.6) Q3 2008	(6.7) Q2 2008	(6.8) Q3 2007	(6.9) 9M 2008	(6.10) 9M 2007
Income before income tax (US GAAP)	16,323	12,564	11,990	41,136	36,711
Restructuring costs	395	469	85	1,582	899
Acquisition-related charge – amortization of intangibles	4,550	4,404	4,562	13,384	13,829
Acquisition-related charge – other payments	64	115	272	224	878
Share-based compensation and related payroll taxes	3,548	3,580	4,432	11,027	13,111
Normalised income before income tax	24,880	21,132	21,341	67,353	65,428
			(6.11) 30 September 2008	(6.12) 30 June 2008	(6.13) 31 December 2007
Cash and cash equivalents			54,090	50,450	49,509
Short-term investments			10,299	194	232
Short-term marketable securities			1,630	-	1,582
Normalised cash			66,019	50,644	51,323
	(6.14) Q3 2008	(6.15) Q2 2008	(6.16) Q3 2007	(6.17) 9M 2008	(6.18) 9M 2007
Normalised cash at end of period (as above)	66,019	50,644	99,284	66,019	99,284
Less: Normalised cash at beginning of period	(50,644)	(55,227)	(108,938)	(51,323)	(128,494)
Add back: Cash outflow from acquisitions (net of cash acquired)	185	1,450	2,607	2,566	5,914
Add back: Cash outflow from payment of dividends	-	15,267	-	15,267	8,013
Add back: Cash outflow from purchase of own shares	8,595	15,429	33,257	37,043	78,993
Less: Cash inflow from exercise of share options	(1,703)	(1,065)	(5,157)	(5,421)	(17,152)
Less: Cash inflow from sale of available-for-sale investments	-	-	-	(1,478)	-
Normalised cash generation	22,452	26,498	21,053	62,673	46,558
	(6.19) Q3 2008	(6.20) Q2 2008	(6.21) Q3 2007	(6.22) 9M 2008	(6.23) 9M 2007
Net income (US GAAP)	11,846	9,109	8,559	29,897	26,983
Restructuring costs	395	469	85	1,582	899
Acquisition-related charge – amortization of intangibles	4,550	4,404	4,562	13,384	13,829
Acquisition-related charge – other payments	64	115	272	224	878
Share-based compensation and related payroll taxes	3,548	3,580	4,432	11,027	13,111
Estimated tax impact of above charges	(2,661)	(2,627)	(2,687)	(8,104)	(8,595)
Normalised net income	17,742	15,050	15,223	48,010	47,105
Dilutive shares ('000)	1,285,059	1,290,856	1,362,614	1,292,897	1,372,841
Normalised diluted EPS	1.38p	1.17p	1.12p	3.71p	3.43p

(6.24) Normalised income statement for Q3 2008

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	US GAAP £'000
Revenues							
Product revenues	67,677	-	67,677	-	-	-	67,677
Service revenues	3,987	-	3,987	-	-	-	3,987
Total revenues	71,664	-	71,664	-	-	-	71,664
Cost of revenues							
Product costs	(5,492)	-	(5,492)	-	-	-	(5,492)
Service costs	(1,712)	(249)	(1,961)	-	-	-	(1,961)
Total cost of revenues	(7,204)	(249)	(7,453)	-	-	-	(7,453)
Gross profit	64,460	(249)	64,211	-	-	-	64,211
Research and development	(15,690)	(2,377)	(18,067)	-	(54)	-	(18,121)
Sales and marketing	(11,365)	(461)	(11,826)	-	-	-	(11,826)
General and administrative	(13,747)	(461)	(14,208)	-	(10)	-	(14,218)
Restructuring costs	-	-	-	-	-	(395)	(395)
Amortization of intangibles purchased through business combination	-	-	-	(4,550)	-	-	(4,550)
Total operating expenses	(40,802)	(3,299)	(44,101)	(4,550)	(64)	(395)	(49,110)
Income from operations	23,658	(3,548)	20,110	(4,550)	(64)	(395)	15,101
Interest, net	1,222	-	1,222	-	-	-	1,222
Income before income tax	24,880	(3,548)	21,332	(4,550)	(64)	(395)	16,323
Provision for income taxes	(7,138)	758	(6,380)	1,722	23	158	(4,477)
Net income	17,742	(2,790)	14,952	(2,827)	(41)	(237)	11,846
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,285,059						1,285,059
Earnings per share – pence	1.38						0.92
Earnings per ADS (assuming dilution)							
ADSs outstanding ('000)	428,353						428,353
Earnings per ADS – cents	7.38						4.93

(6.25) Normalised income statement for Q3 2007

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	US GAAP £'000
Revenues							
Product revenues	58,914	-	58,914	-	-	-	58,914
Service revenues	3,879	-	3,879	-	-	-	3,879
Total revenues	62,793	-	62,793	-	-	-	62,793
Cost of revenues							
Product costs	(5,004)	-	(5,004)	-	-	-	(5,004)
Service costs	(1,373)	(266)	(1,639)	-	-	-	(1,639)
Total cost of revenues	(6,377)	(266)	(6,643)	-	-	-	(6,643)
Gross profit	56,416	(266)	56,150	-	-	-	56,150
Research and development	(14,764)	(2,572)	(17,336)	-	(198)	-	(17,534)
Sales and marketing	(10,319)	(886)	(11,205)	-	(66)	-	(11,271)
General and administrative	(11,370)	(708)	(12,078)	-	(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)	(40,619)	(4,562)	(272)	(85)	(45,538)
Income from operations	19,963	(4,432)	15,531	(4,562)	(272)	(85)	10,612
Interest, net	1,378	-	1,378	-	-	-	1,378
Income before income tax	21,341	(4,432)	16,909	(4,562)	(272)	(85)	11,990
Provision for income taxes	(6,118)	794	(5,324)	1,759	100	34	(3,431)
Net income	15,223	(3,638)	11,585	(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

(6.26) Normalised income statement for 9M 2008

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	US GAAP £'000
Revenues							
Product revenues	192,266	-	192,266	-	-	-	192,266
Service revenues	12,301	-	12,301	-	-	-	12,301
Total revenues	204,567	-	204,567	-	-	-	204,567
Cost of revenues							
Product costs	(16,650)	-	(16,650)	-	-	-	(16,650)
Service costs	(5,190)	(764)	(5,954)	-	-	-	(5,954)
Total cost of revenues	(21,840)	(764)	(22,604)	-	-	-	(22,604)
Gross profit	182,727	(764)	181,963	-	-	-	181,963
Research and development	(47,261)	(7,393)	(54,654)	-	(197)	-	(54,851)
Sales and marketing	(33,297)	(1,435)	(34,732)	-	1	-	(34,731)
General and administrative	(37,262)	(1,435)	(38,697)	-	(28)	-	(38,725)
Restructuring costs	-	-	-	-	-	(1,582)	(1,582)
Amortization of intangibles purchased through business combination	-	-	-	(13,384)	-	-	(13,384)
Total operating expenses	(117,820)	(10,263)	(128,083)	(13,384)	(224)	(1,582)	(143,273)
Income from operations	64,907	(11,027)	53,880	(13,384)	(224)	(1,582)	38,690
Interest, net	2,446	-	2,446	-	-	-	2,446
Income before income tax	67,353	(11,027)	56,326	(13,384)	(224)	(1,582)	41,136
Provision for income taxes	(19,343)	2,396	(16,947)	5,054	77	577	(11,239)
Net income	48,010	(8,631)	39,379	(8,330)	(147)	(1,005)	29,897
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,292,897						1,292,897
Earnings per share – pence	3.71						2.31
Earnings per ADS (assuming dilution)							
ADSs outstanding ('000)	430,966						430,966
Earnings per ADS – cents	19.86						12.37

(6.27) Normalised income statement for 9M 2007

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisitio n -related charges £'000	Restruct- -uring charges £'000	US GAAP £'000
Revenues							
Product revenues	182,429	-	182,429	-	-	-	182,429
Service revenues	12,388	-	12,388	-	-	-	12,388
Total revenues	194,817	-	194,817	-	-	-	194,817
Cost of revenues							
Product costs	(16,063)	-	(16,063)	-	-	-	(16,063)
Service costs	(4,082)	(783)	(4,865)	-	-	-	(4,865)
Total cost of revenues	(20,145)	(783)	(20,928)	-	-	-	(20,928)
Gross profit	174,672	(783)	173,889	-	-	-	173,889
Research and development	(46,822)	(7,614)	(54,436)	-	(555)	-	(54,991)
Sales and marketing	(31,923)	(2,618)	(34,541)	-	(66)	-	(34,607)
General and administrative	(34,854)	(2,096)	(36,950)	-	(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)	(125,927)	(13,829)	(878)	(899)	(141,533)
Income from operations	61,073	(13,111)	47,962	(13,829)	(878)	(899)	32,356
Interest, net	4,355	-	4,355	-	-	-	4,355
Income before income tax	65,428	(13,111)	52,317	(13,829)	(878)	(899)	36,711
Provision for income taxes	(18,323)	2,619	(15,704)	5,333	283	360	(9,728)
Net income	47,105	(10,492)	36,613	(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

Notes

The results shown for Q3 2008, Q2 2008, Q3 2007, 9M 2008 and 9M 2007 are unaudited. The results shown for FY 2007 are audited. The condensed consolidated interim financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts of the Company in respect of the financial year ended 31 December 2007 were approved by the Board of directors on 3 April 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 237 of the Companies Act 1985.

The results for ARM for Q3 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 filed with Companies House in the UK 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.

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