

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.

About ARM

ARM designs the technology that lies at the heart of advanced digital products, from wireless, networking and consumer entertainment solutions to imaging, automotive, security and storage devices. ARM’s comprehensive product offering includes 32-bit RISC microprocessors, graphics processors, enabling software, cell libraries, embedded memories, high-speed connectivity products, peripherals and development tools. Combined with comprehensive design services, training, support and maintenance, and the company’s broad Partner community, they provide a total system solution that offers a fast, reliable path to market for leading electronics companies. More information on ARM is available at <http://www.arm.com>.

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