

EMBARGOED UNTIL 7.00am BST 15 April 2002

ARM HOLDINGS PLC PRELIMINARY RESULTS FOR THE QUARTER ENDED MARCH 31, 2002

ARM Holdings plc announces 30% growth in revenues and 38% increase in pre-tax profit

CAMBRIDGE, UK, April 15, 2002—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the first quarter ended March 31, 2002.

FINANCIAL HIGHLIGHTS (US GAAP)

First quarter ended March 31, 2002

- Revenues up 30% to £42.1 million (Q1 2001: £32.5 million), 5% higher than Q4 2001
- Number of semiconductor partners increases to 90 from 77 at end 2001
- Profit before taxation up 38% to £15.7 million (Q1 2001: £11.4 million), 13% higher than Q4 2001
- Earnings per fully diluted share 1.0 pence (4.4 cents per ADS*) (Q1 2001: 0.8 pence and 3.2 cents respectively)

* Each American Depositary Share (ADS) represents three shares

Commenting on the first quarter, Sir Robin Saxby, Executive Chairman, said:

“The demand for ARM as the leading RISC architecture, and the broadening range of our product portfolio has enabled us to report another strong set of results in what remains a challenging market. I would like to thank and congratulate the ARM team consisting of our employees and all our global partners for their contribution. I am especially encouraged by the continued creativity of our people under Warren’s leadership as we extend the growth drivers for our business.”

Warren East, Chief Executive Officer, added:

“Licensing momentum, both to existing and new partners, gathered pace in the quarter with 22 licenses being signed compared to 15 in the fourth quarter of 2001. The importance of non-CPU licensing has also grown in the quarter with additional hardware platform, software application and peripherals licenses being signed. Further underpinning of our future prospects is provided both by the introduction of the first product from our new ARMv6 architecture later in the year and by the achievement of record development systems sales in the quarter of £7.6 million, compared to £5.8 million in the fourth quarter of 2001. We are also encouraged by the 15% increase in unit shipments to 110 million in the fourth quarter of 2001 (we report royalties one quarter in arrears).”

Tim Score, Chief Financial Officer, said:

“Our cost base in the quarter has benefited from the absence of significant legal costs following the settlement of the litigation with picoTurbo at the end of last year. Given market conditions, we have continued to manage the growth in headcount cautiously with staff numbers increasing by 16 in the quarter, giving us an overall headcount of 738 at the end of March 2002. These factors, together with a 0.9% uplift due to the introduction of recent US GAAP changes regarding the amortization of goodwill, contributed to the increase in operating margins to 35.3% from 31.7% in fourth quarter of 2001 and 32.1% in the corresponding period last year.”

Financial Review

First Quarter ended March 31, 2002

Total revenues for the first quarter ended March 31, 2002 amounted to £42.1 million, representing a 5% increase from £40.2 million in the fourth quarter of 2001, and a 30% increase over first quarter 2001 revenues of £32.5 million.

License revenues amounted to £23.6 million representing 56% of revenues compared to £22.7 million or 57% of revenues in the fourth quarter of 2001 and £13.9 million or 43% of revenues for the first quarter of 2001. Licenses were signed with 13 new semiconductor partners during the first quarter of 2002, bringing the total number of partners to 90. Two of these new partners licensed the ARM7TDMI-S™ core, one of which also licensed the ARM926EJ-S™ core. In the 'Foundry Program' there were ten new 'per use' licensees, bringing the total number of Foundry Program licensees to 35. Further, an additional foundry licensed the ARM7TDMI® and ARM946E™ cores, bringing the total number of foundries in the Program to four. Of the ten new 'per use' licensees, two licensed the ARM7TDMI core, seven licensed the ARM922T™ core and one licensed both the ARM922T and the ARM1022E™ cores. Three existing partners took upgrades, one to the ARM1022E core, one to the ARM926EJ-S core and the other took an ARMv4 implementation license. Three other existing partners licensed derivative cores, one licensed the ARM946E-S™ core, one licensed the ARM926EJ-S core and one licensed the ARM7EJ-S™ core. Four companies joined the ATAP™ (ARM Technology Access Program) in the quarter bringing the total number of ATAP partners to 31.

Royalty revenues fell by 6% to £6.4 million, or 15% of revenues, in the first quarter compared to £6.8 million or 17% of revenues in the fourth quarter of 2001. Unit shipments increased from 96 million to 110 million, with average royalty rates being impacted both by a change in product mix and by downward pressure on chip average selling prices. One new partner commenced shipping product in the first quarter bringing the total number to 34.

Development systems sales were £7.6 million, 31% higher than in the fourth quarter of 2001 and 24% higher than for the corresponding period in 2001. A slight underlying increase over fourth quarter sales of development systems was augmented by a single large corporate sale for £1.6 million.

Service revenues were £4.6 million comprising consulting fees of £1.5 million and support, maintenance and training fees of £3.1 million compared to total service revenues of £4.9 million in the fourth quarter of 2001 and £4.2 million for the corresponding period in 2001.

Gross margins for the first quarter of 2002 increased to 90% compared with 88% in the fourth quarter of 2001.

Research and development expenses were £11.1 million in the first quarter of 2002 representing 26% of revenues. This compares to £9.5 million or 24% of revenues in the fourth quarter of 2001. Sales and marketing costs for the first quarter were £6.3 million compared to £5.7 million in the fourth quarter of 2001. General and administration expenses were £5.8 million in the first quarter of 2002 compared to £6.9 million in the fourth quarter of 2001.

Operating margins were 35% for the first quarter of 2002 compared to 32% for the fourth quarter of 2001 and 32% for the first quarter of 2001. Of the increase in margin, 0.9% is attributable to the introduction of FAS 142 under US GAAP whereby goodwill is no longer amortized. The amortization charge in the corresponding period in 2001 was £0.5 million. There is no change to the treatment of goodwill amortization under UK GAAP, so the full amortization charge will be reflected in the first half UK GAAP numbers. The margin was further boosted by both the continued cautious approach to recruitment and the end of the picoTurbo litigation.

Income before income tax for the first quarter of 2002 was £15.7 million or 37% of revenues compared to £13.8 million or 34% of revenues in the fourth quarter of 2001 and £11.4 million or 35% of revenues in the first quarter of 2001.

First quarter fully diluted earnings per share prepared under US GAAP were 1.0 pence (4.4 cents per ADS) compared to 0.9 pence (3.9 cents per ADS) for the fourth quarter of 2001 and 0.8 pence for the corresponding period in 2001.

Cash Flow

Net cash inflow from operating activities (UK GAAP) of £5.1 million was generated in the first quarter of 2002. Interest received was £0.9 million, £2.9 million was spent on the purchase of equipment, licenses and investments, taxation paid in the quarter was £3.7 million and £3.4 million was received from share option exercises. Cash and short term investments, increased by £2.8 million in the three months to March 31, 2002 from £104.5 million at the end of December 2001 to £107.3 million at the end of March 2002.

Current Trading and Prospects

Our medium term visibility remains unaffected by the difficult market conditions. The year has started well, with the high number of licenses signed in the quarter demonstrating that demand for our products and services remains strong. We expect this demand to continue to drive growth in our business consistent with that experienced in the first quarter.

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ARM Holdings plc
First Quarter Results – US GAAP
(in thousands except per share data)

	Quarter Ended Mar 31 2002 Unaudited £'000	Quarter Ended Mar 31 2001 Unaudited £'000	Quarter Ended Mar 31 2002 ⁽¹⁾ Unaudited \$'000
Revenues			
Product revenues	37,524	28,311	53,434
Service revenues	4,615	4,193	6,572
Total revenues	<u>42,139</u>	<u>32,504</u>	<u>60,006</u>
Cost of revenues			
Product costs	1,976	2,041	2,814
Service costs	2,049	1,992	2,918
Total cost of revenues	<u>4,025</u>	<u>4,033</u>	<u>5,732</u>
Gross profit	<u>38,114</u>	<u>28,471</u>	<u>54,274</u>
Research and development	11,109	8,750	15,819
Sales and marketing	6,337	4,467	9,023
General and administration	5,775	4,332	8,224
Amortization of goodwill	-	476	-
Total operating expenses	<u>23,221</u>	<u>18,025</u>	<u>33,066</u>
Income from operations	14,893	10,446	21,208
Interest	902	1,021	1,284
Minority interest	(93)	(80)	(132)
Income before income tax	<u>15,702</u>	<u>11,387</u>	<u>22,360</u>
Provision for income taxes	5,049	3,658	7,190
Net income	<u>10,653</u>	<u>7,729</u>	<u>15,170</u>
Net income	10,653	7,729	15,170
Other comprehensive income			
Foreign currency adjustments	162	158	231
Accumulated other comprehensive income	-	(1,692)	-
Total comprehensive income	<u>10,815</u>	<u>6,195</u>	<u>15,401</u>
Earnings per share (assuming dilution)			
Shares outstanding ('000)	1,024,160	1,025,391	
Earnings per share – pence	1.0	0.8	
Earnings per ADS (assuming dilution)			
ADS's outstanding ('000)	341,386	341,797	
Earnings per ADS – cents	4.4	3.2	

(1) Translated solely for the convenience of the reader at March 31, 2002 closing rate of \$1.424=£1

ARM Holdings plc
Consolidated Balance Sheet-US GAAP

	Mar 31 2002 Unaudited £'000	Dec 31 2001 Audited £'000	Mar 31 2002 ⁽¹⁾ Unaudited \$'000
Assets			
Current assets:			
Cash and cash equivalents	107,349	104,467	152,865
Accounts receivable, net of allowance of £1,207,000 in 2002 and £800,000 in 2001	33,302	24,809	47,422
Inventory	687	581	978
Prepaid expenses and other assets	7,397	6,006	10,534
Income taxes receivable	550	550	783
Total current assets	149,285	136,413	212,582
Deferred income taxes	1,046	839	1,490
Property and equipment, net	22,770	22,668	32,424
Intangible assets	11,652	12,339	16,592
Investments	2,849	3,555	4,057
Total assets	187,602	175,814	267,145
Liabilities and shareholders' equity			
Accounts payable	4,371	2,361	6,224
Income taxes payable	9,553	7,054	13,603
Personnel taxes	2,058	784	2,931
Accrued liabilities	7,580	9,741	10,794
Deferred revenue	13,256	19,420	18,876
Total liabilities	36,818	39,360	52,428
Minority interest	702	609	1,000
	37,520	39,969	53,428
Shareholders' equity			
Ordinary shares	509	507	725
Additional paid in capital	68,782	65,362	97,945
Retained earnings	100,419	89,766	142,997
Treasury stock, at cost	(19,934)	(19,934)	(28,386)
Cumulative translation adjustment	306	144	436
Total shareholders' equity	150,082	135,845	213,717
Total liabilities and shareholders' equity	187,602	175,814	267,145

(1) Translated solely for the convenience of the reader at March 31, 2002 closing rate of \$ 1.424 = £1

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 December 31, 2001 have been delivered to the Registrar of Companies, 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.

About ARM

ARM is the industry's leading provider of 16/32-bit embedded RISC microprocessor solutions. ARM licenses its high-performance, low-cost, power-efficient RISC processors, peripherals, and system-on-chip designs to leading electronics companies. The company also provides comprehensive support required in developing a complete system. ARM's microprocessor cores are rapidly becoming a volume RISC standard in applications such as automotive, consumer entertainment, security, imaging, industrial, mass storage, networking and wireless. ARM and ARM7TDMI are registered trademarks of ARM Limited. ARM7TDMI-S, ARM7EJ-S, ARM922T, ARM926EJ-S, ARM946E, ARM946E-S, ARM1022E and ATAP are trademarks of ARM Limited. All other brands or product names are the property of their respective holders. "ARM" refers to ARM Holdings plc (LSE: ARM and Nasdaq: ARMHY) together with its subsidiaries including ARM Limited; ARM, INC.; ARM KK; ARM Korea Ltd, ARM Taiwan Ltd and ARM France SAS.

This announcement contains "forward-looking statements" including statements concerning plans, future events or performance and underlying assumptions and other statements which are other than statements of historical fact. The Company's actual results for future periods may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. The factors that could cause actual results to differ materially include, without limitation, potential for significant fluctuation in and unpredictability of results, the ability of semiconductor partners to manufacture and market microprocessors based on the ARM® architecture; the acceptance of ARM technology by systems companies; the availability of development tools, systems software and operating systems; the rapid change in technology in the industry and ARM's ability to develop new products in a timely manner; management of growth; competition from other architectures; general business and economic conditions; the growth in the semiconductor industry; the Company's ability to protect its intellectual property; and ARM's ability to attract and retain employees.

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