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ARM HOLDINGS PLC RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2001

ARM Holdings plc announces 56% second quarter growth in revenues and 46% increase in pre-tax profit

CAMBRIDGE, UK, 23 July 2001—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the second quarter and the six months ended 30 June 2001.

FINANCIAL HIGHLIGHTS (US GAAP)

Second quarter ended 30 June 2001

- Revenues up 56% to £36.0 million (Q2 2000: £23.1 million), 11% higher than Q1 2001
- Profit before taxation up 46% to £12.2 million (Q2 2000: £8.3 million), 7% higher than Q1 2001
- Strong cash generation: cash balance £94.8 million at end Q2 2001, up from £78.4 million Q1 2001
- Earnings per fully diluted share 0.8 pence (3.4 cents per ADS*) (Q2 2000: 0.7 pence and 3.0 cents respectively)(1)

Six months ended 30 June 2001

- Revenues up 54% to £68.5 million (H1 2000: £44.5 million)
- Profit before taxation up 43% to £23.6 million (H1 2000: £16.5 million)
- Earnings per fully diluted share increased to 1.6 pence (6.6 cents per ADS*) (H1 2000: 1.3 pence and 5.9 cents respectively) (1)

(1) Earnings per fully diluted share in 2000 would have been 0.5 pence or 2.5 cents per ADS* for the second quarter ended June 2000 and 1.1 pence or 4.9 cents per ADS for the six months ended 30 June 2000 if the tax savings resulting from the establishment of a Qualifying Employee Share Ownership Trust were excluded.

* Each American Depositary Share (ADS) represents three shares

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Commenting on the second quarter and half year results, Robin Saxby, Chairman and Chief Executive Officer, said:
"The strength of ARM's partnership business model and the momentum gained over the years has enabled us to deliver further growth in a period when the semiconductor industry has experienced one of the sharpest downturns in its history. We have experienced a decline in royalty revenues in the second quarter (relating to unit shipments from the first quarter). However, this has been offset by higher sales from licensing, consulting services and development systems resulting in continued growth in overall revenues for the quarter. This strong financial performance enables us to continue our commitment to new product development for the benefit of our partners as we further develop the reach of the leading open RISC Architecture."

Warren East, Chief Operating Officer, added:
"We are very pleased with the progress we have made in the first half of what is clearly a very difficult year for the technology sector. The level of licensing activity this year has been 46% higher than last year, a great achievement by the entire ARM team, helped by the introduction of exciting new products such as our Jazelle™ technology-enabled microprocessors and the growing popularity of our 'per use' licensing model."

Jonathan Brooks, Chief Financial Officer, said:
"We were satisfied with the strong positive cash generation in the second quarter and the overall level of our operating margins. With the forward visibility we get from our licensing business model, we remain confident about the outlook for our business for the remainder of the year."

Operating Review Six Months ended 30 June 2001

Licensee Development
Licenses were signed with 15 separate partners who took a range of products in the second quarter. During the six months ended 30 June 2001 we signed licenses with 29 different customers, a very high number compared to previous years. This brings the total number of semiconductor partners to 63. This growth was driven by further take-up of per use licenses, and by the availability of our Jazelle™ technology products launched towards the end of last year. There were 13 new licensees in the first half of the year, of whom eight were per use licensees, and 16 existing partners purchased further products from us.

This year there is a clear trend towards our existing partners taking 'upgrade' licenses for multiple cores which helps increase their commitment to the ARM® architecture as well as building the Company's forward visibility. For example, four of the partners during the second quarter took licenses for more than one core. Most notable of these was Samsung who licensed three products together, namely the ARM926EJ-S™, the ARM946E-S™ and the ARM1020E™ microprocessor cores for use in products for mobile computing, networking, media and printer applications. Samsung also announced that it intends to target high performance applications with an 800MHz ARM1020E microprocessor core, manufactured on its advanced 0.13 micron process.

Of the 63 separate semiconductor licensees of the Company's technology, 15 are defined as 'per use' licensees and 3 are foundry licensees who have rights to supply our 'per use' partners with silicon. AMI Semiconductor, Inc., based in Indiana, became the third foundry to join the programme, complementing the geographical strength of our existing foundry partners TSMC and UMC in the Far East. The potential from this 'per use' market remains high and we have just signed our first Chinese licensee in this programme, ZTEIC Design Co. Limited of Shenzhen, who will design and supply chips for cellular phone applications in the People's Republic of China.

The level of re-licensing during the first six months of the year was helped by the introduction of the Company's Jazelle technology which greatly improves the performance of applications running Java™ software. At the end of June 2001, eight partners had licensed the ARM926EJ-S, incorporating Jazelle technology. We also signed a collaboration and licensing deal with Sun Microelectronics whereby ARM has access to Sun's embedded Java technology (J2ME) for inclusion in our technology roadmap.

ARM PrimeCell® Peripherals
Alongside our CPU core licensing business, the licensing of 'non core-based' technology comprising peripherals, models and application software grew to £4.4 million, representing 13% of total license revenues compared to £2.9 million for the corresponding period in 2000. Within this figure, licensing of PrimeCell peripherals and AMBA infrastructure products grew to £2.6 million compared to less than £1 million for the corresponding period in 2000. Sales of these products grew as a result of the broadening range of 'PrimeCell peripherals', which are blocks of intellectual property used in system-on-chip design, such as liquid crystal display controllers, and we now offer 16 different PrimeCell solutions, with five more in development. An example of one of the newer PrimeCell peripherals is the recently launched SD-Card (secure data) PrimeCell, an emerging flash card technology targeted at portable systems such as mobile phones, personal digital assistants (PDAs), MP3 players and digital cameras. A key feature of the SD-Card is security, enabling copyright data such as music to be stored on a tiny storage medium the size of a postage stamp.

With the availability of a wide range of these peripherals, we have also recently introduced an open platform to enable licensees to rapidly develop their own wireless solutions using our PrimeCell peripherals. We recently licensed this for the first time and will in due course launch other open platforms for a range of applications.

Unit Shipments and Royalties
Unit shipments for the six month period ending in March (we receive data one quarter in arrears) grew from 151 million units in 2000 to 221 million units in 2001, an increase of 47%. Overall, three new partners began shipping in the six month period, bringing the total number to 26 compared to 21 a year ago. Corresponding royalty revenues grew by 45% from £10.2 million to £14.7 million. However, these increases mask the downward trend between the fourth quarter of 2000 and the first quarter of 2001. Data on unit shipments saw the first quarter of 2001 decline to 98 million units, compared to 123 million units in the fourth quarter of 2000. Our semiconductor licensees are not required to submit detailed information by end market and so we can only provide estimates of the relative impact

of each of the end markets into which our technology is supplied. We estimate that royalty revenues from networking markets fell by approximately 50% between the fourth quarter of 2000 and the first quarter of 2001, and for the wireless markets they fell by approximately 30%. Increases in royalty revenues from the automotive, storage and imaging markets were insufficient to offset these declines. The relatively higher unit price of products sold into the networking markets meant that while total unit shipments between the fourth quarter and first quarter fell by 20%, royalty revenues in the first quarter declined by 23% compared to the fourth quarter. As always, it is extremely difficult for us to predict royalty revenues for the coming quarters and this is especially so in current markets. Taking into account the fact that royalty revenues are recorded one quarter in arrears, so that our final quarter of data for 2001 will be based on Q3 2001 shipments, we do not expect to see much change in quarterly royalty revenues for the remainder of the year.

Development Systems
The strong level of demand for development systems continued during the first six months of the year, with sales up 123% to £12.2 million compared to £5.4 million in the first six months of 2000. During the first quarter of the year, development systems sales of £6.1 million were recorded, an exceptionally high figure which we had considered unlikely to be repeated. However, strong demand in the second quarter matched this figure. This continues to give us confidence as to the level of ARM-based design activity going on around the world, with revenues being split approximately 37% in the United States, 33% in the Far East and 30% in Europe..

Product Development
We continue to invest heavily in research and development and following the successful launch of our Jazelle technology, we recently announced the introduction of our MOVE™ co-processor, targeted at mobile video solutions that will work across our microprocessor product range. This is designed to speed up the processing of video data on the ARM architecture. Details of our next generation microprocessor architecture, will be disclosed at Microprocessor Forum in October and the first core implementation of this, code named Jaguar, in 2002.

Headcount /New offices
Headcount grew from 619 at the start of 2001 to 659 at the end of the first quarter of 2001 and 687 at the end of June 2001. The slow down in the rate of recruitment was in line with comments made during our first quarter results announcement, when we said that we had decided that it would be prudent to moderate headcount growth plans for the year until the market improves. During the second quarter 2001, the Company opened an office in Detroit to improve links with the automotive market and employees at our Sheffield office moved to larger premises. Finally, construction began on a further 35,000 square foot office in Cambridge which we will rent from the middle of 2002.

Investments
Our strategy is to make small investments in companies where there is a clear benefit to further the establishment of the ARM architecture. During the first half of 2001, the more difficult stock market environment led to a cautious approach to investments with only one investment being made of £0.3 million in LinkUp Systems, Inc., a private 'fabless chip' company based in California. LinkUp has been a licensee of ARM technology for the last two years, producing ARM core-based system on chip solutions for the PDA market, and the investment reflects the strengthening ties between the two companies which have built up during that period.
We disposed of our investment in Parthus Technologies plc during the second quarter. As a publicly quoted company, we considered it prudent to limit our exposure in the current volatile stock markets, disposing of our investment for a small profit. This does not affect our partnership relationship with them and we continue to work together on several projects. Finally Sirius Communications, a private Belgian company specialising in spread spectrum technology, in which we had a small stake, was purchased by Agilent Technologies, Inc. The transaction was completed in July and so the profit on the sale of our stake will be included in our third quarter results.

Legal action against picoTurbo
As we announced in June, the Judge recently issued her ruling on the 'Markman Hearing' which examined the claim construction in our patent infringement litigation case against picoTurbo, Inc. Patent litigants often disagree about the correct meaning of certain terms found in patent claims, so under U.S. law, the Court establishes, through the process of claim construction, a meaning for the claim terms under dispute. The Court adopted ARM's construction on the vast majority of the claims in the seven patents in suit and this reinforces our expectation that we will prevail in our claims for patent infringement. The next stage of the litigation process will be the trial, which is expected to take place during the early part of 2002.

Current Trading and Prospects

In the current economic downturn, our customers are experiencing very difficult trading conditions which has resulted in lower royalties in the second quarter with limited scope for near term improvement. However, the strength of our licensing business is built on the provision of leading-edge technology and we continue to increase our R & D expenditure to broaden the reach and application of our architecture. With strong performance from the sale of development systems, (also a leading long-term indicator) and continued momentum in licensing, we remain confident about the outlook for our business for the remainder of the year.

Financial Review

Second Quarter ended 30 June 2001

Total revenues for the second quarter ended 30 June 2001 amounted to £36.0 million, representing an 11% increase from £32.5 million in the first quarter of 2001, and a 56% increase over second quarter 2000 revenues of £23.1 million.

License revenues amounted to £18.5 million representing 51% of revenues compared to £13.9 million or 43% of revenues in the first quarter of 2001 and £10.6 million or 46% of revenues for the corresponding period in 2000. We signed licenses with 15 partners during the second quarter of 2001, seven of them new licensees and eight existing partners, bringing the total number of semiconductor partners to 63. Of the seven new licensees, two took a license to the ARM7TDMI® core and one took a license to two ARM9™ core implementations. The other four new licensees took 'per use' licenses, tthree for the ARM7TDMI and one for the ARM922T™ core. One existing licensee upgraded to the ARM9 core and Samsung upgraded to the ARM10™ core. Five further existing licensees took licenses to cores from within a family that they had already licensed and one licensee extended a 'restricted' ARM7TDMI core license to be able to produce designs in other end markets. Three companies joined our ATAP™ technology access program bringing the total number of members to 14.

Royalty revenues were £6.4 million accounting for 18% of revenues compared to £8.3 million or 26% of revenues in the first quarter of 2001 and £5.5 million or 24% of revenues for the corresponding period in 2000. Sales of development systems continued to be strong and amounted to £6.0 million, representing 17% of total revenues compared to £6.1 million or 19% of total revenues in the first quarter of 2001 and £3.3 million or 14% of revenues in the second quarter of 2000. Service revenues were £5.1 million comprising consulting fees of £2.5 million and support, maintenance and training fees of £2.6 million compared to total service revenues of £4.2 million in the first quarter of 2001 and £3.7 million for the corresponding period in 2000.

Gross margins for the second quarter were 89%, slightly up from 88% in the first quarter. This was due to an improved mix of consulting projects, which improved the service gross margins for the second quarter.

Research and development expenses were £9.2 million in the second quarter of 2001 representing 26% of revenues. This compares to £8.8 million or 27% of revenues in the first quarter of 2001. Sales and marketing costs for the second quarter were £5.7 million compared to £4.5 million in the first quarter of 2001, due partly to low marketing expenditure in the first quarter. General and administration expenses increased from £4.3 million in the first quarter of 2001 to £5.2 million in the second quarter. This increase was principally a result of the continuing patent litigation, with expenditure on legal fees of £1.4 million in the quarter, an increase of £0.9 million compared to the first quarter. Operating margins were 31.2% for the quarter compared to 32.1% for the second quarter of 2000.

Income before income tax for the second quarter of 2001 was £12.2 million or 33.8% of revenues compared to £11.4 million or 35% of revenues in the first quarter of 2001 and £8.3 million or 36% of revenues in the second quarter of 2000. The decrease in margin is due to the cost of the patent litigation.

Second quarter fully diluted earnings per share prepared under US GAAP were 0.8 pence (3.4 cents per ADS) compared to 0.7 pence (3.0 cents per share) for the corresponding period in 2000 or 0.8 pence (3.2 cents per ADS) in the first quarter of 2001. Establishment of the QUEST in March 2000 resulted in a tax saving of £1.1 million and an increase of 0.1 pence in earnings per fully diluted share (0.5 cents per ADS) in the second quarter of 2000. The second quarter fully diluted earnings per share would have been 0.5 pence (2.5 cents per ADS) in the second quarter of 2000 if the effects of the Qualifying Employee Share Ownership Trust are excluded.

Six months ended 30 June 2001

Revenues

Total revenues for the six months ended 30 June 2001 amounted to £68.5 million, an increase of 54% from total revenues of £44.5 million in the six months ended 30 June 2000.

Product revenues which include license fees, royalties and the sale of development systems were £59.3 million, representing 86% of total revenues in the six months to 30 June 2001. This compared to £37.8 million representing 85% of revenues in the corresponding period of 2000. Royalty revenues rose from £10.2 million in the first six months of 2000 to £14.7 million in the first six months of 2001. The number of licensees shipping silicon chips based on the ARM architecture is now 26, five higher than the corresponding period last year. Licensing revenues grew by 46% to £32.4 million in the six months to 2001 compared to £22.2 million in 2000. Sales of development systems has grown strongly from £5.4 million for the first six months of 2000 to £12.2 million in the first six months of 2001.

Service revenues, which include consulting services and revenues from support, maintenance and training, grew to £9.3 million in the first six months of 2001, representing 14% of total revenues compared to £6.7 million or 15% of revenues in the first six months of 2000. Consulting revenues grew by 34% to £4.2 million in the first six months of 2001 compared to £3.1 million in the same period of 2000, while revenues from support, maintenance and training grew by 41% to £5.1 million from £3.6 million.

Gross margins

Gross margins for the first six months of both 2000 and 2001 were 88%.

Operating expenses

Research and development expenses increased from £11.2 million or 25% of revenues in the first six months of 2000 to £18.0 million or 26% of revenues in 2001. The continuing increase in research and development expenditure demonstrates the Company's commitment to investing in developing next generation products. Sales and marketing costs grew from £8.0 million or 18 % of revenues in the first six months of 2000 to £10.2 million or 15% of revenues in 2001. General and Administration costs were £9.5 million or 14% of revenues in the first six months of 2001 compared to £5.0 million or 11% of revenues in the first six months of 2000. Included in the figure for 2001 was a £1.9 million charge relating to the litigation against picoTurbo, Inc. Goodwill of £1.0 million was charged to the profit and loss account in the first six months of 2001 compared to £0.7 million in the corresponding period of 2000. This reflected the amortization costs of five acquisitions made by the company over the last two years. Goodwill on these acquisitions is being amortized over periods of up to three years and has been determined with respect to the period over which the Company expects to benefit from the intellectual property and expertise acquired.

Operating margins

Operating margins decreased slightly from 32.3% in the first six months of 2000 to 31.6% for 2001 when measured under US GAAP.

Interest

Interest rose from £1.8 million for the first six months of 2000 to £2.0 million in 2001 reflecting the Company's increasing cash balance that rose from £75.3 million at 31December 2000 to £94.8 million at 30 June 2001.

Earnings and taxation

For the six months ended 30 June 2001, income before income tax under US GAAP was £23.6 million or 34.4% of revenues compared to £16.5 million or 37.1% of revenues in the six months ended 30 June 2000. Under UK GAAP profit before taxation was £23.8 million or 34.7% of revenues compared to £16.6 million or 37.3% of revenues in the six months ended 30 June 2000.

The group's taxation rate increased from 18.8% in the first six months of 2000 to 32.2% in 2001.The low taxation rate in 2000 was primarily due to the tax savings resulting from contributions to the Company's Qualifying Employee Share Ownership Trust (QUEST), set up to acquire new shares in the Company for the benefit of employees and directors of the group in 1999. Contributions to the QUEST saved £4.4 million of tax in 1999 and £5.3 million in 2000.

Fully diluted earnings for the six months ended 30 June 2001 under US GAAP were 1.6 pence per share (6.6 cents per ADS) compared to 1.3 pence per share (5.9 cents per ADS) for the six months ended 30 June 2000. Tax savings arising on a contribution to the QUEST in March 2000 resulted in an increase in earnings per fully diluted share of 0.2 pence (1.0 cents per ADS*) in the first six months of 2000.

Balance sheet and cash flow

Net cash inflow from operating activities measured under UK GAAP of £25.3 million was generated in the first six months of 2001 compared to £18.0 million in the first six months of 2000, an increase of 41%. £8.8 million was spent on the purchase of equipment and licenses and £1.4 million was spent on the purchase of subsidiaries. Cash and short term investments, increased by £19.5 million in the six months to 30 June 2001 from £75.3 million at the end of December 2000 to £94.8 million at the end of June 2001.

Accounts receivable increased from £18.9 million at 31 December 2000 to £32.3 million at the end of March 2001 and £27.7 million at 30 June 2001. Deferred revenues amounted to £12.7 million at 31 December 2000, rising to £23.9 million at 31 March 2001 and stood at £24.0 million at the end of June 2001. The continued very high level of deferred revenues reflects invoiced sales not yet recognized. A large proportion of this relates to revenue deferrals associated with the new ARM926EJ-S core, which will be delivered to customers in the third quarter. Deferred revenues associated with this will be released in the third quarter, after which we expect deferred revenues to return to a more normal level as at the start of 2001.

Dividend

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2001.

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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 the volume RISC standard in applications such as consumer entertainment, encryption, imaging, industrial, mass storage, networking and wireless.

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More information on ARM is available at http://www.arm.com

ARM Holdings plc

Second Quarter and Six Months Results – US GAAP

(in thousands except per share data)

	Quarter Ended June 30 2001 Unaudited	Quarter Ended June 30 2000 Unaudited	Six months Ended June 30 2001 Unaudited	Six months Ended June 30 2000 Unaudited	*Six months Ended June 30 2001 (1) Unaudited*
	£'000	**£'000**	**£'000**	**£'000**	***$'000***
Revenues					
Product revenues	30,940	19,365	59,251	37,786	*83,307*
Service revenues	5,062	3,723	9,255	6,721	*13,012*
Total revenues	36,002	23,088	68,506	44,507	*96,319*
Cost of revenues					
Product costs	2,008	1,132	4,049	2,306	*5,693*
Service costs	2,115	1,430	4,107	2,968	*5,774*
Total cost of revenues	4,123	2,562	8,156	5,274	*11,467*
Gross profit	31,879	20,526	60,350	39,233	*84,852*
Research and development	9,203	5,775	17,953	11,157	*25,242*
Sales and marketing	5,741	4,599	10,208	8,026	*14,352*
General and administration	5,200	2,638	9,532	5,035	*13,402*
Amortization of goodwill	512	141	988	657	*1,389*
Total operating expenses	20,656	13,153	38,681	24,875	*54,385*
Income from operations	11,223	7,373	21,669	14,358	*30,467*
Interest	1,012	997	2,033	1,806	*2,858*
Share of loss of equity affiliate	-	-	-	(85)	-
Gain on partial disposal of equity affiliate	-	-	-	512	-
Minority interest	(57)	(50)	(137)	(96)	*(193)*
Income before income tax	12,178	8,320	23,565	16,495	*33,132*
Provision for income taxes	3,928	1,599	7,586	3,106	*10,666*
Net income	8,250	6,721	15,979	13,389	*22,466*
Net income	8,250	6,721	15,979	13,389	*22,466*
Other comprehensive income					
Foreign currency adjustments	130	172	288	256	*405*
Accumulated other comprehensive income	(395)	1,892	(2,087)	1,892	*(2,934)*
Total comprehensive income	7,985	8,785	14,180	15,537	*19,937*
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,027,856	1,027,939	1,026,412	1,028,386	
Earnings per share – pence	0.8	0.7	1.6	1.3	
Earnings per ADS (assuming dilution)					
ADS's outstanding ('000)	342,619	342,646	342,137	342,795	
Earnings per ADS – cents	3.4	3.0	6.6	5.9	

(1) Translated solely for the convenience of the reader at June 30, 2001 closing rate of $1.4060=£1

ARM Holdings plc
Consolidated Balance Sheet-US GAAP

	June 30 2001 Unaudited £'000	**Dec 31 2000 Audited £'000**	***June 30 2001 [(1)] Unaudited $'000***
Assets			
Current assets:			
Cash and cash equivalents	94,750	75,266	*133,218*
Accounts receivable, net of allowance of £337,000 in 2001 and £155,000 in 2000	27,736	18,913	*38,997*
Inventory	863	385	*1,213*
Prepaid expenses and other assets	7,085	4,652	*9,962*
Income taxes receivable	-	439	*-*
Total current assets	130,434	99,655	*183,390*
Deferred income taxes	1,408	740	*1,980*
Property and equipment, net	18,264	14,874	*25,679*
Intangible assets	6,390	5,440	*8,984*
Investments	3,148	6,634	*4,426*
Total assets	159,644	127,343	*224,459*
Liabilities and shareholders' equity			
Accounts payable	2,394	2,049	*3,366*
Income taxes payable	8,153	1,621	*11,463*
Personnel taxes	761	590	*1,070*
Accrued liabilities	7,048	9,128	*9,909*
Deferred revenue	23,956	12,677	*33,682*
Total liabilities	42,312	26,065	*59,490*
Minority interest	443	306	*623*
	42,755	26,371	*60,113*
Shareholders' equity			
Ordinary shares	505	500	*710*
Additional paid in capital	66,849	78,035	*93,990*
Cumulative translation adjustment	418	130	*588*
Retained earnings	71,743	55,764	*100,870*
Accumulated other comprehensive income	-	2,087	*-*
Treasury stock, at cost	(22,626)	(35,544)	*(31,812)*
Total shareholders' equity	116,889	100,972	*164,346*
Total liabilities and shareholders' equity	159,644	127,343	*224,459*

(1) Translated solely for the convenience of the reader at June 30, 2001 closing rate of $ 1.4060 = £1

ARM Holdings plc
Results for the Six Months Ended 30 June 2001 – UK GAAP

Consolidated Profit and Loss Account

	Six months Ended 30 June 2001 Unaudited	Year Ended 31 Dec 2000 Audited	Six months Ended 30 June 2000 Unaudited
	£'000	£'000	£'000
Turnover	68,506	100,730	44,507
Cost of sales	8,156	11,647	5,274
Gross profit	60,350	89,083	39,233
Operating expenses			
Research and development	18,966	27,518	11,813
Sales and marketing	10,135	18,060	8,026
Administrative expenses	9,532	12,349	5,036
Total operating expenses	38,633	57,927	24,875
Total operating profit	21,717	31,156	14,358
Share of loss of associated undertakings	-	(85)	(85)
Gain on part disposal of associated undertaking	-	512	512
Interest receivable, net	2,033	3,912	1,806
Profit on ordinary activities before taxation	23,750	35,495	16,591
Tax on profit on ordinary activities	7,796	5,032	3,245
Profit on ordinary activities after taxation	15,954	30,463	13,346
Minority interest	(137)	(192)	(96)
Profit for the financial period	15,817	30,271	13,250
Dividend paid	-	-	-
Retained profit for the period	15,817	30,271	13,250
Basic earnings per share (pence)	1.6	3.1	1.4
Fully diluted earnings per share (pence)	1.5	2.9	1.3
Supplemental basic earnings per share (pence)(1)	1.7	2.7	1.2
Supplemental diluted earnings per share (pence) (1)	1.6	2.5	1.1

Consolidated Balance Sheet

	30 June 2001 Unaudited	31 Dec 2000 Audited	30 June 2000 Unaudited
	£'000	£'000	£'000
Intangible fixed assets	6,503	5,578	1,530
Tangible fixed assets	18,264	14,874	11,209
Other Investments	3,148	4,089	3,401
Investment in own shares	2,540	3,346	2,825
	30,455	27,887	18,965
Stocks	863	385	253
Debtors and prepayments	35,167	24,350	22,895
Short term investments	89,001	69,483	60,351
Cash in hand and at bank	5,749	5,783	5,518
Creditors: amounts falling due within 1 year	(42,312)	(26,065)	(24,456)
Net current assets	88,468	73,936	64,561
Total assets less current liabilities	118,923	101,823	83,526
Provisions for liabilities and charges	(146)	(219)	(11)
Net assets	118,777	101,604	83,515
Shareholders' funds	118,334	101,298	83,305
Minority interests	443	306	210
Capital employed	**118,777**	**101,604**	**83,515**

Consolidated Cash flow Statement

	Six months Ended 30 June 2001 Unaudited	Full Year Ended 31 Dec 2000 Audited	Six months Ended 30 June 2000 Unaudited
	£'000	£'000	£'000
Net cash inflow from operating activities	25,319	41,892	17,986
Returns on investments and servicing of finance	2,159	3,775	1,693
Taxation	(825)	(2,928)	1,248
Capital expenditure and financial investment	(7,763)	(18,693)	(8,066)
Acquisitions and disposals	(1,351)	(2,897)	(714)
Management of liquid resources	(19,518)	(23,476)	(14,344)
Financing	1,737	2,320	1,688
(Decrease)/increase in cash	(242)	(7)	(509)

Notes to the UK Financial Statements

(1) Earnings per share

The supplemental earnings per share figures have been provided to show the effect of the tax benefit of the Qualifying Employee Share Ownership Trust and the effect of goodwill on earnings per share.

(2) Summary of significant differences between UK Generally Accepted Accounting Principles ("UK GAAP") and United States Generally Accepted Accounting Principles ("US GAAP")

The principal differences between ARM Holdings plc's accounting policies under UK GAAP and those that would have been followed had the financial information been prepared under US GAAP are set out below.

Employee share options

Employer's National Insurance and similar taxes are payable on certain share options. Under UK GAAP a provision should be made based on the market price at 30 June 2001 pro-rata over the vesting period of the option. Under US GAAP the charge is made only when the option is exercised.

Deferred taxation

Under UK GAAP provision for deferred taxation is made only to the extent that liabilities are expected to crystallize in the foreseeable future. Under US GAAP, deferred taxation is recorded in respect of all temporary differences between the tax bases and book values of assets and liabilities which will result in taxable or tax deductible amounts in future years. Deferred tax assets under US GAAP are recognised only to the extent that it is more likely than not that they will be realized.

Acquisitions

Under US GAAP, payments to purchase intangible assets that are still in development (in process research and development) are charged directly to the profit and loss account.

Cash

Under UK GAAP cash does not include short term deposits and investments which cannot be withdrawn without notice and without incurring a penalty. Such items are shown as current asset investments. Under US GAAP deposits with a maturity of less than three months at inception which are convertible into known amounts of cash are included as cash and cash equivalents.

Investment in own shares/ treasury stock

Under US GAAP these shares are treated as treasury stock and are included within shareholders' equity, at original cost. Under UK GAAP, investment in own shares is held at the lower of amounts receivable on exercise of options, where applicable, and market value.

Investments. Under US GAAP, investments in available for sale securities are marked to market where the market value is readily determinable. Under UK GAAP the company's accounting policy is to value investments at cost less any provisions for diminution in value.

UK/US GAAP Reconciliations – profit and loss account

	Six months Ended 30 June 2001 Unaudited	Six months Ended 30 June 2000 Unaudited
	£'000	£'000
Retained profit under UK GAAP	15,817	13,250
Movement in deferred tax assets	210	139
Movement on provision for employer's taxes on share options	(73)	-
Difference on amortisation of goodwill	25	-
Net income under US GAAP	15,979	13,389

UK/US GAAP Reconciliations - balance sheet	30 June 2001 Unaudited	31 Dec 2000 Audited
	£'000	£'000
Cash under UK GAAP	5,749	5,783
Short term investments	89,001	69,483
Cash and cash equivalents under US GAAP	94,750	75,266
Shareholders' funds under UK GAAP	118,334	101,298
Recognition of deferred tax assets on temporary timing differences	1,062	852
Provision for employer's taxes on share options	146	219
Write off of in-process research and development	(150)	(150)
Difference on amortisation of goodwill	37	12
Revaluation of trade investment	-	2,087
Investment in own shares /treasury stock	(2,540)	(3,346)
Shareholders' equity under US GAAP	116,889	100,972

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, 2000 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.

Independent review report to ARM Holdings plc

Introduction

We have been instructed by the company to review the financial information which comprises the UK GAAP consolidated profit and loss account, the UK GAAP consolidated balance sheet, the UK GAAP consolidated cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The maintenance and integrity of the ARM Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

PricewaterhouseCoopers
Chartered Accountants
Cambridge
Date

-ENDS-