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ARM HOLDINGS PLC RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30 JUNE 2002

ARM Holdings plc announces 20% second quarter growth in revenues and 33% increase in pre-tax profit

CAMBRIDGE, UK, 23 July 2002—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the second quarter and the six months ended 30 June 2002.

FINANCIAL HIGHLIGHTS (US GAAP)

Six months ended 30 June 2002

- Revenues up 25% to £85.3 million (H1 2001: £68.5 million). Licensing revenues up 52% to £49.3 million
- Profit before taxation up 35% to £31.9 million (H1 2001: £23.6 million)
- Earnings per fully diluted share increased to 2.2 pence (9.9 cents per ADS*) (H1 2001: 1.6 pence and 6.6 cents respectively)

Second quarter ended 30 June 2002

- Revenues up 20% to £43.2 million (Q2 2001: £36.0 million), 2% higher than Q1 2002
- 27 licenses signed in the quarter. Number of semiconductor partners increases to 99
- Profit before taxation up 33% to £16.2 million (Q2 2001: £12.2 million), 3% higher than Q1 2002
- Cash balance £115.4 million at end Q2 2002, up from £107.3 million Q1 2002
- Earnings per fully diluted share 1.1 pence (5.1 cents per ADS*) (Q2 2001: 0.8 pence and 3.4 cents respectively)

* Each American Depositary Share (ADS) represents three shares

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Commenting on the second quarter and half year results, Sir Robin Saxby, Chairman, said:
"The strength of ARM's partnership business model and the demand for the ARM® technology from our semiconductor partners across all target end markets, has enabled ARM to report another set of robust results. Despite the persistence of challenging market conditions, we are pleased to report record license revenues in the second quarter and sequential growth in both underlying sales of development systems and royalties. This represents another outstanding effort by the ARM team, consisting of our employees and our partners."

Warren East, Chief Executive Officer, added:
"The 52% growth in revenues from licensing in the first half gives us the confidence to continue to invest in the future of our business. Research and development expenditure increased to 30% of sales in the second quarter, illustrating our commitment to providing both existing and new partners in a wide range of markets with leading edge technology and a real competitive advantage. Further, we continue to recruit people who can drive the future growth of ARM. At the end of June 2002, we have 768 employees compared to 722 at the end of December 2001."

Tim Score, Chief Financial Officer, said:
"Our prudent approach to the management of our cost base has enabled us to report an operating margin of 34.9% in the quarter. We are pleased with our cash generation in the quarter and continue to manage our working capital rigorously. The backlog at the end of June was at the same level as at the end of the first quarter, despite the record level of license revenue reported, reflecting a strong bookings performance in the second quarter. Deferred revenue, being that portion of the backlog that has been invoiced to partners but not yet recognised in the profit and loss account, has increased quarter on quarter from £13.3 million at 31 March 2002 to £17.4 million at the end of June."

Operating Review Six Months ended 30 June 2002

The resilience of ARM's business model in difficult market conditions has been demonstrated again with robust results for the first six months including total revenues up 25% year on year to £85.3 million and pre-tax profit up 35% to £31.9 million.

License Revenues

Growth in revenues from licensing remains strong with license revenues of £49.3 million in the first half of 2002 being 52 % ahead of the corresponding period last year. This continued momentum is driven by licensing our leading-edge technology to major new partners, licensing additional products to existing partners, licensing our products on a per use basis via the Foundry Programme and by licensing non-CPU products (hardware platforms, software and peripherals) to new and existing partners. The flexibility of our licensing models ensures that the commercial needs of all our partners can be addressed.

Licensee Development

The total number of semiconductor partners increased to 99 by the end of June 2002 compared to 90 at the end of the first quarter and 77 at the end of 2001. Licenses were signed with 11 new partners in the quarter, whilst 2 companies which had signed per use licenses in previous years have experienced financial difficulties and no longer have access to ARM technology. The attractiveness of ARM's technology to partners across a wide range of end markets was endorsed both by Broadcom and Thomson Multimedia, who both signed licenses with ARM for the first time in the first half of 2002, and by Samsung Electronics who signed a subscription license to enable them to utilise ARM technology in a number of markets including consumer entertainment, networking, security and wireless.

Although ARM has licensed its technology to many of the world's leading semiconductor companies, some two-thirds of the top 150 companies are yet to become ARM licensees. In addition to these potential new customers, many of our partners have demonstrated their confidence in the ARM technology roadmap by licensing a number of additional products, giving us confidence in future license revenue momentum. In 2001, some 80% of license revenues were earned from existing partners. This proportion increased to 91% in the first half of 2002. As the ARM partner base broadens and the number of products available to be licensed extends, our ability to sign "upgrade" and "derivative" licenses increases.

Foundry Programme

The Foundry Programme, established in 2000, has continued to gather momentum in the first half of 2002. Introduced to make the ARM technology available to small "fabless" companies, 19 more companies have licensed technology through the Foundry Programme so far this year bringing the total number of per use licensees to 42. Our first per use licensee began shipping in the quarter to 31 March 2002. We also introduced a fourth foundry into the programme in the first half of 2002. To date, only 4 of our 19 cores available for multi-use license have been introduced into the Foundry Programme.

Given the pricing model used in the Foundry Programme and our success in attracting a large number of partners to the programme, the impact on our total licensing revenues is to reduce the average price per license but to increase the number of licenses sold and increase total revenue overall. The programme not only represents incremental licensing revenue to the business but also ensures that a much greater number of semiconductor companies can have access to ARM technology. The success of the Foundry Programme has not impacted our pricing of multi-use licenses.

Non-CPU Licensing

Alongside our CPU core licensing business, the licensing of non-CPU technology comprising platforms, peripherals, models and application software grew to £9.2 million, representing 19% of total license revenues in the first half compared to £4.4 million or 13% of total license revenues for the corresponding period in 2001. In 2001, we introduced the PrimeXsys™ open platform for the wireless market to enable licensees to achieve time-to-market advantage when developing their own wireless solutions. This platform has now been licensed to 4 partners.

Royalties and Unit Shipments
Royalty revenues earned in the six month period to 31 March 2002 (we receive data one quarter in arrears) were £12.9 million on 205 million units shipped. Royalty revenues in the second quarter were £6.5 million on 95 million units shipped, up marginally from £6.4 million in the previous quarter on 110 million units shipped. Royalty revenues reported in the second quarter are at a similar level to those reported in the previous four quarters. Although royalty revenues have not grown over that period, this performance has been achieved against a backdrop of a decline in total global semiconductor sales of some 30% in the same period. Our first per use licensee began shipping in the quarter to March 2002, bringing the total number of licensees shipping to 35 (out of 99 partners).

The broad reach of the ARM technology is demonstrated by the fact that royalty revenues are earned from products being shipped in all target end markets, with the consumer, networking and automotive sectors showing positive trends in the quarter. Further, our visibility of licensing agreements signed in other sectors (the lead time between signing a license and reporting royalty revenues is typically two to four years), gives us confidence that our technology is attractive to partners targeting a broad range of end markets. The wireless market remained the largest end market using ARM technology in the first half of 2002, accounting for approximately 62% of royalty revenues (or 9% of total revenues).

Development Systems
The strong level of demand for development systems continued during the first six months of the year, with sales up 12% to £13.7 million compared to £12.2 million in the first half of 2001. Demand was partly generated by the introduction of a number of new products in the period, including the Integrator™/CP Development Platform, the Multi-ICE® JTAG Emulator for Windows CE, the Realview™ Developer Kit for Intel XScale technology and the Realview Multi-Core Debugger. During the first quarter of this year, development systems sales were £7.6 million which included a single large corporate sale of £1.6 million. Single sales of this size, whilst not unprecedented, do not occur each quarter. Excluding the impact of this sale, underlying sales of development systems grew marginally in the second quarter. This continues to give us confidence as to the level of ARM core-based design activity going on around the world, with revenues being split approximately 30% in the US, 37% in East Asia and 33% in Europe.

Product Development
We continue to invest in research and development in order to ensure that the ARM technology roadmap provides competitive advantage to our partners, regardless of the end markets which they are targeting. Research and development expenditure of £13.0 million in the second quarter represents 30% of sales. At the Embedded Processor Forum in San Jose in April 2002 we announced ARM11™, our first ARMv6 microarchitecture. We expect to make the first deliveries to partners in the fourth quarter of this year. We also announced the latest ARM10 family core ARM1026EJ-S™ highlighting the 64 bit features of the product. Further developments have taken place on our PrimeXsys™ family of platforms, with the launch of our Dual Core Platform for networking applications, our MOVE™ technology for multimedia applications and our SecurCore™ SC200™ family. Other significant development activity has taken place with our 3D graphics collaborative projects – the MBX 3D graphics accelerator and the Swerve 3D graphics software engine.

People
We have continued to invest in those people who will drive the future growth in our business with the recruitment of Mike Inglis as Executive Vice President (EVP) Marketing and Colm MacKernan as General Counsel. The management team has been further strengthened by the appointments of Simon Segars (EVP Engineering) and Jerry Ardizzone (EVP Worldwide Sales) to the operational board. Headcount at the end of June 2002 stood at 768 compared to 738 at the end of March 2002 and 687 at the end of June 2001. The global reach of our business is illustrated by the fact that our 768 employees operate out of 19 locations in 9 countries. Our newest office, in Shanghai, was formally opened on 10 July 2002.

Legal Action
On 28 May 2002, Nazomi Communications, Inc. filed a lawsuit against ARM before the Federal District Court for Northern California claiming that ARM's Jazelle™ technology for Java™ infringes a US patent owned by Nazomi. ARM is confident that its products do not infringe the patent cited in the lawsuit or any other Nazomi patents and we intend to pursue Nazomi for all legal costs incurred by ARM in defending our intellectual property in this case. It is our view that this action is more straightforward than the litigation with picoTurbo Inc. which was concluded in December 2001 and therefore the cost and occupation of management time is expected to be significantly less.

Current Trading and Prospects

ARM has continued to report robust results with record revenues from licensing and sales of development systems, despite the challenging conditions that have persisted in our industry in the first half of 2002. Key long term growth indicators remain healthy. In the shorter term, although our reported results are impacted by a weakening US dollar, the visibility provided by our sales pipeline and backlog of contracted business give us confidence that growth in the remainder of the year will be consistent with that achieved in the first half.

Financial Review

Second Quarter ended 30 June 2002

Total revenues for the second quarter ended 30 June 2002 amounted to £43.2 million, representing a 2% increase from £42.1 million in the first quarter of 2002, and a 20% increase over second quarter 2001 revenues of £36.0 million.

License revenues amounted to £25.7 million representing 60% of revenues compared to £23.6 million or 56% of revenues in the first quarter of 2002 and £18.5 million or 51% of revenues for the corresponding period in 2001. We signed 27 licenses with partners during the second quarter of 2002: two multi-use licenses to new partners, nine new per use licenses and sixteen upgrade and derivative licenses.

Of the new multi-use partners, one took a license to the ARM966E-S™ core and the other took licenses to two products in our ARM7™ family and two products in our ARM9™ family. There were nine new Foundry Programme partners; three licenses were taken for the ARM7TDMI® core, three for the ARM922T™ core, one for the ARM946E™ core, one for the ARM1022E™ core with one partner taking a license to all four of the cores in the Foundry Programme. There were also eight upgrades where existing partners took licenses to a new family of cores that they had not previously licensed. Of these, there were three licenses for the first core from the v6 architecture, two ARM1026EJ-S™ core licenses, a new subscription license and two upgrades to the ARM946E-S™ core. There were also eight derivative licenses sold in the second quarter, two for the ARM926EJ-S™ core, one for the ARM7EJ-S™ core, one for ARM7TDMI-S, one for ARM1026EJ-S, one for the ARM966E-S core, one for the ARM720T™ core and one for the ARM922T core.

Royalty revenues in the second quarter were £6.5 million accounting for 15% of revenues compared to £6.4 million or 15% of revenues in the first quarter of 2002 and £6.4 million or 18% of revenues for the corresponding period in 2001. Sales of development systems continued to be strong and amounted to £6.1 million, representing 14% of total revenues compared to £7.6 million or 18% of total revenues in the first quarter of 2002 and £6.0 million or 17% of revenues in the second quarter of 2001. Service revenues were £4.9 million comprising consulting fees of £1.2 million and support, maintenance and training fees of £3.7 million compared to total service revenues of £4.6 million in the first quarter of 2002 and £5.1 million for the corresponding period in 2001.

Gross margins for the second quarter were 93%, up from 90% in the first quarter. This was due to the further concentration of resources on research and development activity rather than on services projects.

Research and development expenses were £13.0 million in the second quarter of 2002 representing 30% of revenues. This compares to £11.1 million or 26% of revenues in the first quarter of 2002. Sales and marketing costs for the second quarter were £6.3 million, the same level as in the first quarter of 2002. General and administration expenses increased marginally from £5.8 million in the first quarter of 2002 to £5.9 million in the second quarter. Operating margins were 34.9% for the quarter compared to 31.2% for the second quarter of 2001 and 35.3% for the first quarter of 2002.

Income before income tax for the second quarter of 2002 was £16.2 million or 37.5% of revenues compared to £15.7 million or 37.3% of revenues in the first quarter of 2002 and £12.2 million or 33.8% of revenues in the second quarter of 2001.

Second quarter fully diluted earnings per share prepared under US GAAP were 1.1 pence (5.1 cents per ADS) compared to 0.8 pence (3.4 cents per ADS) for the corresponding period in 2001 or 1.0 pence (4.4 cents per ADS) in the first quarter of 2002.

Six months ended 30 June 2002

Revenues
Total revenues for the six months ended 30 June 2002 amounted to £85.3 million, 25% up on total revenues of £68.5 million in the six months ended 30 June 2001.

Product revenues, which include license fees, royalties and the sale of development systems, were £75.8 million, representing 89% of total revenues in the six months to 30 June 2002. This compared to £59.3 million, representing 86% of revenues in the corresponding period of 2001. Royalty revenues were £12.9 million in the first six months of 2002, compared 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 35. Licensing revenues grew by 52% to £49.3 million in the six months to 30 June 2002 compared to £32.4 million in 2001. Sales of development systems have grown from £12.2 million for the first six months of 2001 to £13.7 million in the first six months of 2002.

Service revenues, which include consulting services and revenues from support, maintenance and training, grew to £9.5 million in the first six months of 2002, representing 11% of total revenues compared to £9.3 million or 14% of revenues in the first six months of 2001. Consulting revenues were £2.6 million in the first six months of 2002 compared to £4.2 million in the same period of 2001, while revenues from support, maintenance and training grew by 35% to £6.9 million from £5.1 million.

Gross margins
Gross margin for the first six months of 2002 was 92%, compared to 88% for the first six months of 2001.

Operating expenses
Research and development expenses increased from £18.0 million or 26% of revenues in the first six months of 2001 to £24.1 million or 28% of revenues in 2002. Sales and marketing costs grew from £10.2 million or 15% of revenues in the first six months of 2001 to £12.6 million or 15% of revenues in 2002. General and Administration costs were £11.6 million or 14% of revenues in the first six months of 2002 compared to £9.5 million or 14% of revenues in the first six months of 2001. There is no goodwill amortization charge in the first half of 2002 following the introduction of FAS 142, whereby goodwill is no longer amortized under US GAAP. Goodwill amortization of £1.0 million was charged to the profit and loss account in the first six months of 2001.

Operating margins
Operating margins increased from 31.6% in the first six months of 2001 to 35.1% for 2002 when measured under US GAAP.

Interest
Interest rose slightly from £2.0 million for the first six months of 2001 to £2.1 million in 2002, with the benefit of higher cash balances being offset by lower interest rates in the first half of 2002.

Earnings and taxation
For the six months ended 30 June 2002, income before income tax under US GAAP was £31.9 million or 37.4% of revenues compared to £23.6 million or 34.4% of revenues in the six months ended 30 June 2001. Under UK GAAP profit before taxation was £31.4 million or 36.8% of revenues compared to £23.8 million or 34.7% of revenues in the six months ended 30 June 2001.

The group's taxation rate under US GAAP decreased from 32.2% in the first six months of 2001 to 30.5% in 2002, due partly to the availability of research and development tax credits since April 2002.

Fully diluted earnings for the six months ended 30 June 2002 under US GAAP were 2.2 pence per share (9.9 cents per ADS) compared to 1.6 pence per share (6.6 cents per ADS) for the six months ended 30 June 2001.

Balance sheet and cash flow

Net cash inflow from operating activities of £20.2 million was generated in the first six months of 2002, measured under UK GAAP. Capital expenditure in the period was £7.3 million. Cash and short term investments increased by £10.9 million in the six months to £115.4 million at 30 June 2002 from £104.5 million at the end of December 2001.

Accounts receivable increased to £40.2 million at 30 June 2002 from £33.3 million at 31 March 2002 and £24.8 million at the end of December 2001, reflecting both revenue growth and the high level of invoicing in the month of June 2002. The allowance against receivables increased to £2.3 million at the end of June from £1.2 million at 31 March 2002, reflecting the increased number of smaller partners generated by the success of the Foundry Programme. Deferred revenues increased to £17.4 million at the end of June 2002 from £13.3 million at 31 March 2002.

Dividend

The board of directors regularly reviews the shape of the balance sheet with particular reference to potential uses of the Group's cash resources. The board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2002.

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ARM Holdings plc
Second Quarter and Six Months Results – US GAAP
(in thousands except per share data)

	Quarter Ended June 30 2002 Unaudited	Quarter Ended June 30 2001 Unaudited	Six months Ended June 30 2002 Unaudited	Six months Ended June 30 2001 Unaudited	*Six months Ended June 30 2002 (1) Unaudited*
	£'000	**£'000**	**£'000**	**£'000**	***$'000***
Revenues					
Product revenues	38,285	30,940	75,809	59,251	*115,533*
Service revenues	4,887	5,062	9,502	9,255	*14,481*
Total revenues	43,172	36,002	85,311	68,506	*130,014*
Cost of revenues					
Product costs	1,285	2,008	3,261	4,049	*4,970*
Service costs	1,663	2,115	3,712	4,107	*5,657*
Total cost of revenues	2,948	4,123	6,973	8,156	*10,627*
Gross profit	40,224	31,879	78,338	60,350	*119,387*
Research and development	13,005	9,203	24,114	17,953	*36,750*
Sales and marketing	6,281	5,741	12,618	10,208	*19,230*
General and administration	5,856	5,200	11,632	9,532	*17,727*
Amortization of goodwill	-	512	-	988	-
Total operating expenses	25,142	20,656	48,364	38,681	*73,707*
Income from operations	15,082	11,223	29,974	21,669	*45,680*
Interest	1,151	1,012	2,053	2,033	*3,129*
Minority interest	(37)	(57)	(130)	(137)	*(198)*
Income before income tax	16,196	12,178	31,897	23,565	*48,611*
Provision for income taxes	4,675	3,928	9,724	7,586	*14,819*
Net income	11,521	8,250	22,173	15,979	*33,792*
Net income	11,521	8,250	22,173	15,979	*33,792*
Other comprehensive income					
Foreign currency adjustments	(310)	130	(292)	288	*(445)*
Accumulated other comprehensive income	-	(395)	-	(2,087)	-
Total comprehensive income	11,211	7,985	21,881	14,180	*33,347*
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,023,130	1,027,856	1,024,016	1,026,412	
Earnings per share – pence	1.1	0.8	2.2	1.6	
Earnings per ADS (assuming dilution)					
ADS's outstanding ('000)	341,043	342,619	341,339	342,137	
Earnings per ADS – cents	5.1	3.4	9.9	6.6	

(1) Translated solely for the convenience of the reader at June 30, 2002 closing rate of $1.5240=£1

ARM Holdings plc
Consolidated Balance Sheet-US GAAP

	June 30 2002 Unaudited £'000	Dec 31 2001 Audited £'000	*June 30 2002 (1) Unaudited $'000*
Assets			
Current assets:			
Cash and cash equivalents	115,371	104,467	*175,825*
Accounts receivable, net of allowance of £2,336,000 in 2002 and £337,000 in 2001	40,169	24,809	*61,218*
Inventory	1,137	581	*1,733*
Prepaid expenses and other assets	10,984	6,006	*16,740*
Income taxes receivable	550	550	*838*
Total current assets	168,211	136,413	*256,354*
Deferred income taxes	1,258	839	*1,917*
Property and equipment, net	24,098	22,668	*36,725*
Intangible assets	11,649	12,339	*17,753*
Investments	2,849	3,555	*4,342*
Total assets	208,065	175,814	*317,091*
Liabilities and shareholders' equity			
Accounts payable	5,639	2,361	*8,594*
Income taxes payable	11,595	7,054	*17,671*
Personnel taxes	1,150	784	*1,753*
Accrued liabilities	9,569	9,741	*14,583*
Deferred revenue	17,377	19,420	*26,482*
Total liabilities	45,330	39,360	*69,083*
Minority interest	739	609	*1,126*
	46,069	39,969	*70,209*
Shareholders' equity			
Ordinary shares	510	507	*777*
Additional paid in capital	69,629	65,362	*106,115*
Cumulative translation adjustment	(148)	144	*(226)*
Retained earnings	111,939	89,766	*170,595*
Treasury stock, at cost	(19,934)	(19,934)	*(30,379)*
Total shareholders' equity	161,996	135,845	*246,882*
Total liabilities and shareholders' equity	208,065	175,814	*317,091*

(1) Translated solely for the convenience of the reader at June 30, 2002 closing rate of $ 1.5240 = £1

ARM Holdings plc
Results for the Six Months Ended 30 June 2002 – UK GAAP

Consolidated Profit and Loss Account

	Six months Ended 30 June 2002 Unaudited	Year Ended 31 Dec 2001 Audited[3]	Six months Ended 30 June 2001 Unaudited[3]
	£'000	£'000	£'000
Turnover	85,311	146,274	68,506
Cost of sales	6,973	17,289	8,156
Gross profit	78,338	128,985	60,350
Operating expenses			
Research and development	24,887	38,920	18,966
Sales and marketing	12,477	21,448	10,135
Administrative expenses	11,632	22,835	9,532
Total operating expenses	48,996	83,203	38,633
Total operating profit	29,342	45,782	21,717
Gain on part disposal of associated undertaking	-	314	-
Interest receivable, net	2,053	4,470	2,033
Profit on ordinary activities before taxation	31,395	50,566	23,750
Tax on profit on ordinary activities	9,724	15,874	7,586
Profit on ordinary activities after taxation	21,671	34,692	16,164
Minority interest	130	303	137
Profit for the financial period	21,541	34,389	16,027
Dividend paid	-	-	-
Retained profit for the period	21,541	34,389	16,027
Basic earnings per share (pence)	2.1	3.4	1.6
Fully diluted earnings per share (pence)	2.1	3.4	1.6
Supplemental basic earnings per share (pence)[1]	2.2	3.6	1.7
Supplemental diluted earnings per share (pence) [1]	2.2	3.5	1.7

Consolidated Balance Sheet

	30 June 2002 Unaudited	31 Dec 2001 Audited[3]	30 June 2001 Unaudited[3]
	£'000	£'000	£'000
Intangible fixed assets	10,964	12,427	6,503
Tangible fixed assets	24,098	22,668	18,264
Other investments	2,849	3,555	3,148
Investment in own shares	2,388	2,388	2,540
	40,299	41,038	30,455
Stocks	1,137	581	863
Debtors and prepayments	52,961	32,204	36,229
Short term investments	107,579	94,376	89,001
Cash in hand and at bank	7,792	10,091	5,749
Creditors: amounts falling due within 1 year	(45,330)	(39,360)	(42,312)
Net current assets	124,139	97,892	89,530
Total assets less current liabilities	164,438	138,930	119,985
Provisions for liabilities and charges	(69)	(210)	(146)
Net assets	164,369	138,720	119,839
Shareholders' funds	163,630	138,111	119,396
Minority interests	739	609	443
Capital employed	**164,369**	**138,720**	**119,839**

Consolidated Cash flow Statement

	Six months Ended 30 June 2002 Unaudited	Full Year Ended 31 Dec 2001 Audited	Six months Ended 30 June 2001 Unaudited
	£'000	**£'000**	**£'000**
Net cash inflow from operating activities	20,165	57,001	25,319
Returns on investments and servicing of finance	2,041	4,604	2,159
Taxation	(8,005)	(9,643)	(825)
Capital expenditure and financial investment	(7,328)	(22,952)	(7,763)
Acquisitions and disposals	-	(1,351)	(1,351)
Management of liquid resources	(13,203)	(24,893)	(19,518)
Financing	4,270	1,558	1,737
(Decrease)/increase in cash	(2,060)	4,324	(242)

Notes to the UK GAAP 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 amortisation 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 2002 pro-rata over the vesting period of the option. Under US GAAP the charge is made only when the option is exercised.

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. Following the introduction of FAS 142, goodwill is no longer amortised under US GAAP. There is no change in the treatment of goodwill amortisation under UK GAAP.

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.

(3) Deferred taxation

The Company has adopted FRS 19 'Deferred Tax' and has implemented it by way of a prior year adjustment. The current period effect of this is to decrease the UK GAAP tax charge by £431,000. The effect for 2001 is to increase the UK GAAP tax charge by £268,000 and to increase shareholders' funds at 31 December 2001 by £584,000. There is no longer any difference between UK GAAP and US GAAP in respect of the basis of calculation of deferred tax.

UK/US GAAP Reconciliations – profit and loss account

	Six months Ended 30 June 2002 Unaudited	Six months Ended 30 June 2001 Unaudited[3]
	£'000	£'000
Retained profit under UK GAAP	21,541	16,027
Movement on provision for employer's taxes on share options	(141)	(73)
Difference on amortisation of goodwill	773	25
Net income under US GAAP	22,173	15,979

UK/US GAAP Reconciliations - balance sheet	30 June 2002 Unaudited	31 Dec 2001 Audited[3]
	£'000	£'000
Cash under UK GAAP	7,792	10,091
Short term investments	107,579	94,376
Cash and cash equivalents under US GAAP	115,371	104,467
Shareholders' funds under UK GAAP	163,630	138,111
Provision for employer's taxes on share options	69	210
Write off of in-process research and development	(150)	(150)
Difference on amortisation of goodwill	835	62
Investment in own shares /treasury stock	(2,388)	(2,388)
Shareholders' equity under US GAAP	161,996	135,845

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.

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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.

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

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 2002.

PricewaterhouseCoopers
Chartered Accountants
Cambridge
July 22, 2002

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