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ARM HOLDINGS PLC RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001

ARM Holdings plc announces 42% third quarter growth in revenues and 46% increase in pre-tax profit
CAMBRIDGE, UK, October 15, 2001—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the third quarter and the nine months ended September 30, 2001.

FINANCIAL HIGHLIGHTS (US GAAP)

Third quarter ended September 30, 2001

- Revenues up 42% to £37.6 million (Q3 2000: £26.4 million), 4% higher than Q2 2001
- Profit before taxation up 46% to £12.9 million (Q3 2000: £8.8 million), 6% higher than Q2 2001
- Earnings per fully diluted share 0.9 pence (3.8 cents per ADS*) (Q3 2000: 0.7 pence and 3.1 cents respectively)⁽¹⁾

Nine months ended September 30, 2001

- Revenues up 50% to £106.1 million (9 months 2000: £70.9 million)
- Profit before taxation up 44% to £36.5 million (9 months 2000: £25.3 million)
- Earnings per fully diluted share increased to 2.4 pence (10.7 cents per ADS*) (9 months 2000: 2.0 pence and 8.9 cents respectively)⁽¹⁾

(1) Earnings per fully diluted share in 2000 would have been 0.6 pence or 2.6 cents per ADS* for the third quarter ended September 2000 and 1.7 pence or 7.5 cents per ADS for the nine months ended September 30, 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

Commenting on the third quarter results, Robin Saxby, Executive Chairman, said:

“Despite difficult market conditions in the electronics industry, our business continues to deliver strong performance and we continue to experience high demand for our products and services. We were encouraged to see that unit shipments grew, driven by a further five partners commencing shipments in the quarter to June 30 (we receive royalty data one quarter in arrears). Total unit shipments increased to 103 million units against 98 million in the previous quarter with major gains in printers, digital cameras and hand held games.”

Warren East, Chief Executive Officer, added:

“Demand for licenses to our technology has remained resilient, with license revenues in the third quarter more than double the corresponding level for last year. The endorsement of our next-generation ARMv6 architecture by both TI and Intel in the last quarter as well as increased interest in our Jazelle™ Java™ acceleration technology and our new PrimeXsys™ platform solutions gives us continued confidence in the quality of our offering and our ability to innovate.”

Jonathan Brooks, Chief Financial Officer, said:

“We have continued to focus on improving our cash generation and working capital management during the quarter and these remain key priorities for us during a tough year in our industry. Given our high level of forward orders we remain confident about the outlook for our business for the remainder of the year. We also feel well placed to make a strong start in 2002.”

APPOINTMENTS TO THE MAIN BOARD

In order to further strengthen the main board, the board has separated the role of Chairman and Chief Executive Officer. Robin Saxby becomes Executive Chairman and Warren East, Chief Operating Officer, is promoted to Chief Executive Officer. Tudor Brown is promoted to the main board and replaces Warren as Chief Operating Officer. Mike Muller, Chief Technology Officer, is also promoted to the main board. Jamie Urquhart has indicated that he wishes to retire from the board of the Company but continues to remain with the company as an important member of the senior management team. These changes take place with immediate effect.

Review of Third Quarter ended September 30, 2001

Total revenues for the third quarter amounted to £37.6 million, representing a 4% increase from £36.0 million in the second quarter of 2001, and a 42% increase over third quarter 2000 revenues of £26.4 million. License revenues in the third quarter of 2001 amounted to £21.8 million representing 58% of revenues compared to £18.5 million, or 51% of revenues in the second quarter of 2001. There were eight new licensees in the quarter. Two of these licensed the ARM946E-S™ core while six were 'per use' licenses in our foundry program. Of the new foundry program licensees, one licensed the ARM7TMI® core, four licensed the ARM922T™ core and one licensed the ARM946E™ core. Five existing partners purchased license 'upgrades' to newer versions of the ARM® architecture, and four purchased 'derivative' licenses.

Royalty revenues were £6.4 million in the third quarter accounting for 17% of total revenues compared to £6.4 million, or 18% of revenues, in the second quarter of 2001 and £7.3 million (28% of revenues) in the third quarter of 2000. Unit shipments for the quarter ending in June (we receive data one quarter in arrears) grew to 103 million units compared to 98 million units in the previous quarter and five more semiconductor partners commenced shipping products, bringing the total number to 31 out of our 71 licensees. The decline in unit royalty rates in the quarter to June 30 was principally due to a change in mix of the end markets served, with a drop in the number of higher priced networking products sold and an increase in lower priced smart card products.

The sale of development systems amounted to £5.3 million representing 14% of total revenues compared to £6.0 million, or 17% of revenues, in the second quarter of 2001 and £3.8 million, (14% of revenues) in the third quarter of 2000. Sales of development systems were adversely affected during the second week of September by the terrorist attacks in New York and the consequent disrupted air distribution network but recovered to normal levels around a week later.

Service revenues reduced from £5.1 million at end of the second quarter to £4.1 million at the end of the third quarter. The reduction was due to our decision to reallocate engineers away from consulting projects to IP licensing activities.

Gross margins were 89% for the third quarter of 2001 the same level as for the second quarter of 2001. Research and development expenses were £9.4 million in the third quarter of 2001 representing 25% of revenues. This increased slightly from £9.2 million in the second quarter of 2001. Sales and marketing costs for the third quarter were £5.6 million compared to £5.7 million in the second quarter of 2001. General and administration expenses increased to £6.1 million in the third quarter of 2001 from £5.2 million in the second quarter of 2001. Within this figure, litigation costs against picoTurbo rose to £1.6 million for the quarter (£3.5 million year to date). Headcount rose from 619 at the end of 2000 to 701 at the end of the third quarter 2001. Operating margins were 31% for the third quarter of 2001, the same level as the second quarter 2001.

Income before income tax for the third quarter 2001 was £12.9 million or 34% of revenues compared to £12.2 million or 34% of revenues in the second quarter of 2001 and £8.8 million or 33% of revenues in the third quarter of 2000. Third quarter fully diluted earnings per share prepared under US GAAP were 0.9 pence (3.8 cents per ADS*) compared to 0.7 pence (3.1 cents) for the corresponding period in 2000.

Cash balances rose from £94.8 million at the end of the second quarter to £102.2 million. Accounts receivables fell slightly by £0.5 million to £27.2 million. Deferred revenues declined from £24.0 million at the end of June to £21.7 million at the end of September. A steeper decline in deferred revenues had been expected due to the delivery of the ARM926EJ-S™ core in the third quarter, but the reduction was almost entirely offset by new additions to deferred revenue in the quarter.

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

	Quarter Ended Sept 30 2001 Unaudited £'000	Quarter Ended Sept 30 2000 Unaudited £'000	9 months Ended Sept 30 2001 Unaudited £'000	9 months Ended Sept 30 2000 Unaudited £'000	9 months Ended Sept 30 2001 ⁽¹⁾ Unaudited \$'000
Revenues					
Product revenues	33,430	21,367	92,681	59,153	136,241
Service revenues	4,121	5,030	13,376	11,751	19,663
Total revenues	37,551	26,397	106,057	70,904	155,904
Cost of revenues					
Product costs	1,854	1,150	5,903	3,456	8,677
Service costs	2,322	1,614	6,429	4,582	9,451
Total cost of revenues	4,176	2,764	12,332	8,038	18,128
Gross profit	33,375	23,633	93,725	62,866	137,776
Research and development	9,439	7,491	27,392	18,648	40,266
Sales and marketing	5,594	3,952	15,802	11,978	23,229
General and administration	6,112	4,072	15,644	9,107	22,997
Amortization of goodwill	516	249	1,504	906	2,211
Total operating expenses	21,661	15,764	60,342	40,639	88,703
Income from operations	11,714	7,869	33,383	22,227	49,073
Interest	1,243	1,042	3,276	2,848	4,816
Share of loss of equity affiliate	-	-	-	(85)	-
Gain on partial disposal of equity affiliate	-	-	-	512	-
Minority interest	(61)	(74)	(198)	(170)	(291)
Income before income tax	12,896	8,837	36,461	25,332	53,598
Provision for income taxes	4,086	1,605	11,672	4,711	17,158
Net income	8,810	7,232	24,789	20,621	36,440
Net income	8,810	7,232	24,789	20,621	36,440
Other comprehensive income					
Foreign currency adjustments	(412)	112	(124)	368	(182)
Accumulated other comprehensive income	-	2,665	(2,087)	4,557	(3,068)
Total comprehensive income	8,398	10,009	22,578	25,546	33,190
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,022,962	1,028,589	1,024,356	1,028,446	
Earnings per share – pence	0.9	0.7	2.4	2.0	
Earnings per ADS (assuming dilution)					
ADS's outstanding ('000)	340,987	342,863	341,452	342,815	
Earnings per ADS – cents	3.8	3.1	10.7	8.9	

(1) Translated solely for the convenience of the reader at September 30, 2001 closing rate of \$1.4700=£1

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. ARM, ARM7DMI, and PrimeCell are registered trademarks of ARM Limited. ARM922T, ARM926EJ-S, ARM946E, ARM946E-S, Jazelle, PrimeXsys, 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 France SAS and ARM Taiwan Limited.

ARM Holdings plc
Consolidated Balance Sheet-US GAAP

	Sept 30 2001 Unaudited £'000	Dec 31 2000 Audited £'000	Sept 30 2001 ⁽¹⁾ Unaudited \$'000
Assets			
Current assets:			
Cash and cash equivalents	102,185	75,266	150,212
Accounts receivable, net of allowance of £546,000 in 2001 and £155,000 in 2000	27,211	18,913	40,000
Inventory	983	385	1,445
Prepaid expenses and other assets	6,945	4,652	10,209
Income taxes receivable	-	439	-
Total current assets	137,324	99,655	201,866
Deferred income taxes	1,368	740	2,011
Property and equipment, net	20,265	14,874	29,790
Intangible assets	5,562	5,440	8,176
Investments	3,656	6,634	5,374
Total assets	168,175	127,343	247,217
Liabilities and shareholders' equity			
Accounts payable	2,642	2,049	3,883
Income taxes payable	9,068	1,621	13,330
Personnel taxes	749	590	1,101
Accrued liabilities	7,938	9,128	11,669
Deferred revenue	21,687	12,677	31,880
Total liabilities	42,084	26,065	61,863
Minority interest	504	306	741
	42,588	26,371	62,604
Shareholders' equity			
Ordinary shares	506	500	744
Additional paid in capital	66,188	78,035	97,296
Cumulative translation adjustment	6	130	9
Retained earnings	80,553	55,764	118,413
Accumulated other comprehensive income	-	2,087	-
Treasury stock, at cost	(21,666)	(35,544)	(31,849)
Total shareholders' equity	125,587	100,972	184,613
Total liabilities and shareholders' equity	168,175	127,343	247,217

(1) Translated solely for the convenience of the reader at September 30, 2001 closing rate of \$ 1.4700 = £1

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>