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ARM HOLDINGS PLC - RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2005

CAMBRIDGE, UK, 18 October 2005—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the third quarter and for the nine months ended 30 September 2005, showing year-to-date dollar revenue growth of 16%

Financial Highlights

	Q305		Q304 (ARM standalone)		Q205	
£M	**Normalized*****	**US GAAP**	**Normalized*****	**US GAAP**	**Normalized*****	**US GAAP**
Revenue	**56.7**	**56.7**	39.4	39.4	57.8	57.8
Income before income tax	**19.1**	**12.0**	13.6	13.3	19.6	12.9
Operating margin	**31.3%**	**18.8%**	29.7%	28.9%	31.8%	20.2%
Earnings per share	**1.05p**	**0.68p**	0.95p	0.92p	1.05p	0.70p
Net cash generation****	**17.2**		15.0		18.6	

- Q3 total dollar revenues of $101.0m comprising ARM® licensing $30.9m (£17.3m), ARM royalties $32.1m (£18.0m), Development Systems $10.3m (£5.8m), Service revenues $6.5m (£3.6m), Physical IP division (“PIPD”) $21.2m (licensing $15.2m, royalties $6.0m) (£12.0m)

- Overall Q3 order backlog flat on Q2 with ARM processors and PIPD components of backlog up sequentially

- Full year 2005 sterling earnings per share expectations in line with current market estimates. Expected full year 2005 dollar revenue growth of approximately 15%

- £5.4m returned to shareholders in Q3 through rolling share buyback program

Operational Highlights

- Formal launch at the ARM Developers’ Conference of the Cortex™-A8 processor (formerly code-named “Tiger”), the industry’s fastest processor for low-power mobile and consumer applications. Exceptional speed and power efficiency enabled by new ARM Artisan® libraries; first product to benefit from the technology synergies arising from the ARM and Artisan combination

- Strong quarter for licensing of ARM’s latest processor technology with five ARM11™ licenses and four Cortex licenses signed. Shipments of ARM microprocessors exceed 400 million units in a quarter for the first time

- PIPD signed three more synergistic license deals, giving six year-to-date

* Dollar revenues are based on the group’s actual dollar invoicing, where applicable, and using the rate of exchange applicable on the date of the transaction for invoicing in currencies other than dollars. Approximately 95% of invoicing is in dollars.
** Each American Depositary Share (ADS) represents three shares.
*** Normalized figures are before acquisition-related charges and other deferred stock-based compensation charges. For reconciliation of GAAP measures to normalized non-GAAP measures detailed in this document, see notes 4.1 to 4.24.
**** Before dividends, share buybacks and acquisition consideration - see notes 4.15 to 4.17.

Commenting on the third quarter, Warren East, Chief Executive Officer, said:
“**There are several encouraging trends in these results. Despite some typical third quarter lumpiness in our licensing and Development Systems businesses, we have seen strong licensing activity for our latest ARM11 and Cortex microprocessors and our Physical IP division is starting to deliver on its promise with evidence of technology synergies between ARM and Artisan now translating into products and a further three synergistic license deals being signed during the quarter.”**

Tim Score, Chief Financial Officer, added:
"Record royalty revenues and unit shipments illustrate the market leadership of ARM technologies across a broad spectrum of digital products. Operating margins are consistently above 30% and our cash generation is strong, enabling us both to invest in the innovative technologies that drive revenue growth and to return cash to shareholders via dividends and share buybacks."

Current trading and prospects

Having achieved year-to-date dollar revenue growth of 16%, ARM has again grown at a faster rate than the semiconductor industry as a whole.

When announcing our half year results in July 2005, we indicated that full year 2005 dollar revenues were expected to grow between 15-20% year-on-year compared to combined ARM and Artisan revenues of $367 million in 2004, comprising ARM revenues of $272 million and Artisan pro forma revenues of $95 million. Taking into account the performance in the nine months to 30 September 2005 and the outlook for Q4, our expectations are that year-on-year dollar revenue growth will be approximately 15%. Full year 2005 normalized sterling earnings per share is expected to be in line with current market estimates.

Financial review

(US GAAP unless otherwise stated)

Third quarter ended 30 September 2005

Total revenues
Total revenues for the third quarter of 2005 amounted to £56.7 million. In US dollar terms*, third quarter revenues of $101.0 million were 6% up on the aggregate ARM and Artisan revenues of $95.3 million[4.23] in Q3 2004. The effective US dollar to sterling exchange rate for ARM in Q3 2005 was $1.78 compared to $1.82 in Q2 2005 and $1.78 in Q3 2004.

License revenues
Total license revenues in the third quarter were £25.9 million, representing 46% of group revenues. License revenues comprised £17.3 million from the original ARM business and £8.6 million from PIPD. In US dollar terms*, license revenues from the original ARM business of $30.9 million in Q3 2005 were 21% up on Q3 2004. PIPD license revenues of $15.2 million compared to $15.6 million in Q3 2004. Overall, group order backlog at the end of Q3 was at the same level as at the end of Q2, with the ARM processors and PIPD components of backlog both being up sequentially.

23 licenses for microprocessors were signed in Q3 2005. 11 new partners took a total of 16 licenses, of which eight were per-use licenses and four were term licenses. The eight per-use licenses comprised five licenses for the ARM7TDMI® processor, one license for the ARM922T™ processor and two licenses for the ARM926EJ™ processor. The four term licenses were for the ARM7TDMI processor, the ARM7TDMI-S™ processor, the SC100™ processor and the Cortex-M3 processor. The remaining four licenses comprised one license for the ARM946E-S™ processor, two licenses for the ARM1136J(F)-S™ processor and one license for the ARM11 MPCore™ processor.

A further seven licenses were signed with six of our existing partners. These comprised two derivative licenses to ARM7™ products, one derivative and one upgrade license to ARM11 products, one Cortex-M3 processor derivative license, one upgrade to the Cortex "ServalE" processor to be launched in 2006 and one upgrade to the Cortex-A8 processor.

Royalty revenues
Total royalty revenues in the third quarter were £21.4 million, representing 38% of total group revenues. Royalty revenues comprised £18.0 million from the original ARM business and £3.4 million from PIPD. In US dollar

terms*, ARM royalty revenues of $32.1 million in Q3 2005 were up 3% sequentially on Q2 2005 and were 12% up on Q3 2004. At $6.0 million, PIPD royalties were 5% up sequentially.

Development Systems and Service revenues
Sales of Development Systems in Q3 2005 were £5.8 million, representing 10% of total group revenues, compared to £6.3 million in Q2 2005. In US dollar terms, Development Systems revenues were $10.3 million this quarter, 7% up on Q3 2004. Service revenues in Q3 2005 were £3.6 million representing 6% of total group revenues.

Gross margins
Group gross margins for the third quarter were 88%, comprising 92% for the original ARM business and 72% for PIPD.

Operating expenses and operating margins
Total group operating expenses in Q3 2005 were £39.1 million, including acquisition-related charges of £5.7 million and other deferred stock-based compensation of £1.4 million. Excluding these charges, operating expenses in the quarter were £32.0 million, comprising £27.0 million related to the original ARM business and £5.0 million to PIPD, compared to £33.2 million in Q2 2005. Operating expenses are lower in Q3 due primarily to the partial reversal of provisions for employee bonuses made in the first half.

Total research and development expenses were £13.9 million in Q3 2005, representing 25% of revenues, compared to £15.8 million or 27% of revenues in Q2 2005. Total sales and marketing costs in Q3 2005 were £8.5 million or 15% of revenues compared to £8.3 million or 14% of revenues in Q2 2005. Total general and administrative expenses in Q3 2005 were £9.6 million, representing 17% of revenues compared to £9.2 million or 16% of revenues in Q2 2005.

Operating margin in Q3 2005 was 18.8% compared to 20.2% in Q2 2005. Operating margin, excluding acquisition-related charges of £5.7 million and other deferred stock-based compensation of £1.4 million, was 31.3%[(4.1)] in Q3 2005 compared to 31.8%[(4.2)], excluding non-recurring and acquisition-related charges of £6.2 million and other deferred stock-based compensation of £0.5 million, in Q2 2005. Operating margin of 31.3% in Q3 2005 comprises 31.5% in the original ARM business and 30.4% in PIPD.

Interest receivable
Interest receivable increased to £1.4 million in Q3 2005 compared to £1.2 million in Q2 2005, due to higher average cash balances offsetting slightly lower interest rates.

Earnings and taxation
Income before income tax in Q3 2005 was £12.0 million compared to £12.9 million in Q2 2005. Income before income tax, excluding acquisition-related charges of £5.7 million and other deferred stock-based compensation of £1.4 million, was £19.1 million[(4.6)]. The group's effective tax rate under US GAAP in Q3 2005 was 19% bringing the effective rate for the nine months to 23%, reflecting the availability of research and development tax credits in the UK and the US and taking into account further benefits arising from the structuring of the Artisan acquisition.

Third quarter fully diluted earnings per share prepared under US GAAP were 0.7 pence (3.6 cents per ADS**) compared to earnings per share of 0.7 pence (3.8 cents per ADS**) in Q2 2005. Earnings per fully diluted share in Q3 2005, before acquisition-related charges of £5.7 million and other deferred stock-based compensation of £1.4 million, were 1.0 pence[(4.18)] per share (5.5 cents per ADS**) compared to 1.0 pence[(4.19)] (5.6 cents per ADS**) in Q2 2005, before non-recurring and acquisition-related charges of £6.2 million and other deferred stock-based compensation of £0.5 million.

Nine months ended 30 September 2005

Revenues
Total revenues for the nine months ended 30 September 2005 amounted to £169.5 million. In US dollar terms*, revenues of $309.7 million in the first nine months were 16% up on the aggregate ARM and Artisan revenues of

$266.2 million[4.24] in the first nine months of 2004. The effective average dollar to sterling exchange rate in the first nine months of 2005 was $1.83 compared to $1.78 in the first nine months of 2004 for ARM standalone.

Total license revenues in the first nine months of 2005 were £78.5 million, being 46% of total revenues. Total royalty revenues were £62.4 million, representing 37% of total revenue. Sales of development systems were £17.9 million, being 11% of total revenues. Service revenues were £10.7 million in the first nine months of 2005, representing 6% of total revenues.

Gross margins
Group gross margins year-to-date were 89%, comprising 93% for the original ARM business and 73% for PIPD.

Operating expenses and operating margins
Total group operating expenses year-to-date 2005 were £116.3 million, including acquisition-related charges of £17.9 million and other deferred stock-based compensation of £2.2 million. Excluding these charges, operating expenses in the first nine months were £96.1 million, comprising £80.7 million related to the original ARM business and £15.4 million to PIPD.

Total research and development expenses were £44.4 million year to date 2005, representing 26% of revenues. Total sales and marketing costs year to date 2005 were £25.0 million or 15% of revenues. Total general and administrative expenses in year to date 2005 were £26.6 million, representing 16% of revenues.

Operating margin in the first nine months of 2005 was 19.9% compared to 25.2% in the ARM standalone business in the first three quarters of 2004. Operating margin, excluding acquisition-related charges of £17.9 million and other deferred stock-based compensation of £2.2 million, was 31.9%[4.4] year-to-date 2005 compared to 26.0%[4.5], excluding acquisition-related charges of £0.5 million and other deferred stock-based compensation of £0.4 million, for the same period in 2004. The operating margin of 31.9% year-to-date 2005 comprises 31.8% in the original ARM business and 32.1% in PIPD.

Interest receivable
Interest receivable was £3.6 million for the first nine months of 2005.

Earnings
Income before income tax year-to-date 2005 was £37.5 million. Income before income tax, excluding acquisition-related charges of £17.9 million and other deferred stock-based compensation of £2.2 million, was £57.6 million[4.9].

Year-to-date fully diluted earnings per share under US GAAP were 2.0 pence (10.7 cents per ADS**). Earnings per fully diluted share year-to-date 2005, before acquisition-related charges of £17.9 million and other deferred stock-based compensation of £2.2 million, were 3.0 pence[4.21] per share (16.2 cents per ADS**).

Balance sheet and cash flow
Intangible assets at 30 September 2005 were £436.3 million, comprising goodwill of £369.1 million and other intangible assets of £67.2 million, compared to £362.9 million and £71.4 million respectively at 30 June 2005. The increase in goodwill in Q3 2005 is due primarily to foreign exchange movements. Goodwill is no longer amortized under US GAAP but is subject to impairment on at least an annual basis. The other intangible assets are being amortized through the profit and loss account over a weighted average period of five years.

Accounts receivable increased to £52.2 million at 30 September 2005 from £49.7 million at 30 June 2005. The allowance against receivables increased to £1.8 million at the end of September from £1.5 million at 30 June 2005. Deferred revenues were £23.2 million at the end of September 2005 compared to £20.4 million at 30 June 2005.

Net cash generation in Q3 2005 was £17.2 million[4.15], before paying out £5.4 million on the share buyback program announced in July, giving total cash, cash equivalents, short-term investments and marketable securities of £164.7 million[4.11] at 30 September 2005.

Operating review

Original ARM licensing and product development
ARM's processor technology portfolio represents a rich mix of newly developed technology and more mature processors, which continue to be licensed many years after their introduction, demonstrating the very long life cycle of ARM technology. Licensing activity in Q3 illustrates the breadth of the technology portfolio, with the 23 licenses signed in the quarter including five for ARM11 products and four for Cortex products.

At the second ARM Developers' Conference in early October, we formally launched the Cortex-A8 processor (code-named "Tiger"), which has already been licensed by five of the world's leading semiconductor companies, including Freescale, Matsushita, Samsung and Texas Instruments. The Cortex-A8 processor is the industry's fastest processor to date and the first complete processing solution comprising a broad portfolio of ARM technology to reduce time-to-market, including software development tools and models, debug and trace technology and software library support. The Cortex-A8 processor is expected to revolutionize consumer and low-power mobile devices, enabling the delivery of higher levels of entertainment and innovation to end users. Its performance and power utilization characteristics make it ideal for demanding consumer products running multi-channel video, audio and gaming applications. The exceptional speed and power efficiency of the Cortex-A8 processor is enabled by new ARM Artisan libraries supporting our latest technology ingredients such as Intelligent Energy Manager (IEM) technology. Additionally, the new processor features ARM TrustZone® technology for secure transactions. The ARM TrustZone Software Application Program Interface (API) is gaining wide industry endorsement and quickly becoming a standard foundation for the implementation of security functions such as digital rights management, device protection and payment.

In addition, ARM7 and ARM9™ family products continue to be popular with our partners with a total of a further 13 licenses being signed in Q3. 28 new companies have joined the ARM partnership year-to-date, bringing the total number of semiconductor partners at the end of September 2005 to 165.

Original ARM royalty revenues and unit shipments
ARM partners shipped 405 million units in Q2 2005 (we report royalty revenues one quarter in arrears), the first time that shipments have exceeded 400 million units in a quarter. Year-to-date total shipments are now 1.163 billion, up 29% on the same period in 2004 with mobile shipments growing by 24% and non-mobile shipments growing by 39%.

We are reporting record royalty revenues of $32.1 million in Q3 2005 at an average royalty rate ("ARR") of 7.9 cents, within the range seen over the last four years between 7.2 and 9.2 cents. The ARR fluctuates quarterly based on the mix of products shipped in a given quarter. Of the total reported unit shipments in Q3, 31% related to units based on ARM9 family technology. The mobile segment accounted for 64% of unit shipments, compared to 66% last quarter. Growth in non-mobile markets has been broadly spread with particularly good progress being made in hard disk drives, digital TV's, set-top boxes and microcontrollers. The total number of partners shipping ARM technology-based product at the end of Q3 is 62.

PIPD licensing
PIPD reported license revenues of $15.2 million compared to $17.9 million last quarter and $15.6 million a year ago. Although Q3 is typically seasonally weak for licensing, there was an encouraging mix of bookings activity. As well as licensing a range of products to existing and new foundries, a number of licenses were signed as a result of the combination of ARM and Artisan. We reported three instances of ARM partners licensing physical IP from the Group in the first half; one of these companies licensed more IP in Q3. In addition, a fourth existing ARM partner licensed physical IP in Q3. Also this quarter, we saw the first instance of processor IP and physical IP being licensed by a new ARM partner as part of the same transaction. The business was won primarily due to the availability of both physical and processor IP from ARM, in contrast to the competitive processor IP offerings.

PIPD royalty revenues
As with processor royalties, PIPD receives and reports royalty data one quarter in arrears. Royalties of $6.0 million were 5% up on last quarter. There were no meaningful "catch-up" royalties in either the Q3 or Q2 reported royalty

revenues. Overall capacity utilization in the foundries was a little higher in Q2 than Q1, however wafer pricing was down more than 6% sequentially.

Board

Mark Templeton, who joined the ARM Board as an executive director in December 2004 on completion of the acquisition of Artisan, becomes a non-executive director of the company. The Board looks forward to continuing to benefit from Mark's strategic insight and in-depth knowledge of the global semiconductor industry.

People

At 30 September 2005 we had 1,272 full time employees compared to 1,223 at the end of Q2. At 30 September 2005, the Group had 564 employees based in the UK, 473 in the US, 86 in Continental Europe, 107 in India and 42 in the Asia Pacific region.

Following a review of the remuneration arrangements for senior executives, it is proposed that share options will be replaced by other forms of share-based remuneration. Formal approval for the proposed changes will be sought at the Annual General Meeting of the Company in April 2006.

Legal matters

In May 2002, Nazomi Communications, Inc. ("Nazomi") filed suit against ARM alleging willful infringement of Nazomi's US Patent No. 6,332,215. ARM answered Nazomi's complaint in July 2002 denying infringement. ARM moved for summary judgment and a ruling that the technology does not infringe Nazomi's patent. The United States District Court for the Northern District of California granted ARM's motion, and Nazomi appealed the District Court's ruling. On September 7, 2004, the Court of Appeals for the Federal Circuit heard the appeal and issued its decision on April 11, 2005. Because, in the opinion of the Court of Appeals for the Federal Circuit, the District Court did not construe the disputed claim term in sufficient detail for appellate review, the Court of Appeals for the Federal Circuit remanded the dispute back to the District Court for further analysis. The Court of Appeals' decision does not reverse the original decision of the District Court. It was previously reported that a supplementary "Markman" hearing to assist in a more detailed claim construction analysis was set for 16 September 2005 but because the District Court had scheduling difficulties this hearing was postponed to 11 October 2005. The supplementary "Markman" hearing was held on 11 October 2005 and we are presently awaiting the ruling of the District Court. Based on legal advice received to date, ARM has no cause to believe that the effect of the original ruling by the District Court will not be upheld.

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ARM Holdings plc
Third Quarter and Nine Months Results – US GAAP

	Quarter ended 30 September 2005 Unaudited	Quarter ended 30 September 2004 Unaudited	Nine months ended 30 September 2005 Unaudited	Nine months ended 30 September 2004 Unaudited	*Nine months ended 30 September 2005 [(1)] Unaudited*
	£'000	**£'000**	**£'000**	**£'000**	***$'000***
Revenues					
Product revenues	53,026	35,904	158,883	100,582	*281,080*
Service revenues	3,656	3,530	10,663	10,780	*18,864*
Total revenues	56,682	39,434	169,546	111,362	*299,944*
Cost of revenues					
Product costs	(5,491)	(1,538)	(14,952)	(4,177)	*(26,452)*
Service costs	(1,466)	(1,308)	(4,514)	(3,896)	*(7,986)*
Total cost of revenues	(6,957)	(2,846)	(19,466)	(8,073)	*(34,438)*
Gross profit	49,725	36,588	150,080	103,289	*265,506*
Research and development	(13,929)	(13,004)	(44,438)	(37,459)	*(78,615)*
Sales and marketing	(8,451)	(6,006)	(25,041)	(17,593)	*(44,300)*
General and administrative	(9,605)	(5,852)	(26,599)	(19,272)	*(47,056)*
Deferred stock-based compensation	(2,760)	105	(7,262)	(395)	*(12,847)*
Amortization of intangibles purchased through business combination	(4,342)	(426)	(12,917)	(476)	*(22,852)*
Total operating expenses	(39,087)	(25,183)	(116,257)	(75,195)	*(205,670)*
Income from operations	10,638	11,405	33,823	28,094	*59,836*
Interest, net	1,394	1,885	3,633	5,027	*6,427*
Income before income tax	12,032	13,290	37,456	33,121	*66,263*
Provision for income taxes	(2,248)	(3,757)	(8,553)	(9,653)	*(15,131)*
Net income	9,784	9,533	28,903	23,468	*51,132*
Net income	9,784	9,533	28,903	23,468	*51,132*
Other comprehensive income:					
Foreign currency adjustments	6,760	(116)	42,023	(238)	*74,343*
Unrealized holding gain/(loss) on available-for-sale securities, net of tax of £339,000 (Q3 2004: £255,000; 9m 2005: £1,217,000; 9m 2004: £793,000)	826	595	(2,768)	2,242	*(4,897)*
Total comprehensive income	17,370	10,012	68,158	25,472	*120,578*
Earnings per share (assuming dilution)					
Shares outstanding ('000)	1,437,448	1,039,329	1,428,444	1,041,174	
Earnings per share – pence	0.7	0.9	2.0	2.3	
Earnings per ADS (assuming dilution)					
ADSs outstanding ('000)	479,149	346,443	476,148	347,058	
Earnings per ADS – cents	3.6	5.0	10.7	12.2	

(1) US dollar amounts have been translated from sterling at the 30 September 2005 closing rate of $1.7691=£1 (see note 1)

ARM Holdings plc
Consolidated balance sheet - US GAAP

	30 September 2005 Unaudited £'000	31 December 2004 Audited £'000	*30 September 2005 [(1)] Unaudited $'000*
Assets			
Current assets:			
Cash and cash equivalents	137,856	110,561	*243,881*
Short-term investments	5,000	5,307	*8,845*
Marketable securities	21,881	21,511	*38,710*
Accounts receivable, net of allowance of £1,779,000 in 2005 and £1,451,000 in 2004	52,208	34,347	*92,361*
Inventory: finished goods	1,444	897	*2,555*
Prepaid expenses and other assets	16,439	16,001	*29,082*
Total current assets	234,828	188,624	*415,434*
Long-term marketable securities	-	5,438	*-*
Deferred income taxes	3,914	2,529	*6,924*
Prepaid expenses and other assets	1,761	-	*3,115*
Property and equipment, net	12,760	14,117	*22,574*
Goodwill	369,109	340,416	*652,991*
Other intangible assets	67,185	74,578	*118,857*
Investments	8,014	12,235	*14,178*
Total assets	697,571	637,937	*1,234,073*
Liabilities and shareholders' equity			
Accounts payable	4,244	4,110	*7,508*
Income taxes payable	12,107	6,345	*21,418*
Personnel taxes	1,292	1,123	*2,286*
Accrued liabilities (see note 2)	21,451	38,600	*37,949*
Deferred revenue	23,189	21,355	*41,024*
Dividends payable	4,677	-	*8,274*
Total current liabilities	66,960	71,533	*118,459*
Accrued liabilities	-	1,732	*-*
Deferred income taxes	4,624	12,345	*8,180*
Total liabilities	71,584	85,610	*126,639*
Shareholders' equity			
Ordinary shares	692	675	*1,224*
Additional paid-in capital	425,479	414,133	*752,715*
Deferred compensation	(8,080)	(12,083)	*(14,294)*
Treasury stock, at cost	(6,879)	(7,485)	*(12,169)*
Retained earnings	171,854	153,421	*304,027*
Accumulated other comprehensive income:			
Unrealized holding gain on available-for-sale securities, net of tax of £860,000 (2004: £2,077,000)	3,407	6,175	*6,027*
Cumulative translation adjustment	39,514	(2,509)	*69,904*
Total shareholders' equity	625,987	552,327	*1,107,434*
Total liabilities and shareholders' equity	697,571	637,937	*1,234,073*

(1) US dollar amounts have been translated from sterling at the 30 September 2005 closing rate of $1.7691=£1 (see note 1)

Notes to the Financial Statements

(1) Basis of preparation – reporting currency

The Group prepares and reports its financial statements in UK sterling. Purely for the convenience of the reader, the US GAAP income statement and balance sheet have been translated from sterling at the closing rate on 30 September 2005 of $1.7691=£1. Such translations should not be construed as representations that the sterling amounts represent, or have been or could be so converted into US dollars at that or at any other rate.

(2) Accrued liabilities

Accrued liabilities under US GAAP of £21.5 million (2004: £38.6 million) includes: £nil million (2004: £14.3 million) for acquisition-related expenses, £0.5 million (2004: £4.4 million) for staff costs and £0.9 million (2004: £2.8 million) representing the fair value of embedded derivatives.

(3) Consolidated statement of changes in shareholders' equity (US GAAP)

	Share capital £'000	Additional paid-in capital £'000	Deferred compen- -sation £'000	Treasury stock £'000	Retained earnings £'000	Unrealized holding gain £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2005	675	414,133	(12,083)	(7,485)	153,421	6,175	(2,509)	552,327
Shares issued on exercise of options	17	12,452	-	-	-	-	-	12,469
Net income	-	-	-	-	28,903	-	-	28,903
Dividends	-	-	-	-	(10,436)	-	-	(10,436)
Unrealized holding losses on available-for-sale securities	-	-	-	-	-	(2,768)	-	(2,768)
Deferred compensation arising on share schemes	-	3,872	(3,872)	-	-	-	-	-
Tax benefits on exercise of options issued as part consideration for a business combination	-	1,227	-	-	-	-	-	1,227
Amortization of deferred compensation	-	-	7,261	-	-	-	-	7,261
Reversal of unearned compensation	-	(614)	614	-	-	-	-	-
Issuance of shares	-	(5,591)	-	6,044	(34)	-	-	419
Purchase of own shares	-	-	-	(5,438)	-	-	-	(5,438)
Currency translation adjustment	-	-	-	-	-	-	42,023	42,023
At 30 September 2005	692	425,479	(8,080)	(6,879)	171,854	3,407	39,514	625,987

(4) Non-GAAP measures

The following non-GAAP measures, including reconciliations to the US GAAP measures, have been used in this earnings release. These measures have been presented as they allow a clearer comparison of operating results that exclude one-off non-recurring charges and acquisition-related charges. All figures in £'000 unless otherwise stated.

	(4.1) **Q3 2005**	*(4.2)* **Q2 2005**	*(4.3)* **Q3 2004**	*(4.4)* **9M 2005**	*(4.5)* **9M 2004**
Income from operations	10,638	11,662	11,405	33,823	28,094
Acquisition-related charge – amortization of intangibles	4,342	4,608	426	12,917	476
Acquisition-related charge – deferred stock-based compensation	1,311	1,640	-	5,017	-
Other deferred stock-based compensation	1,449	502	(105)	2,245	395
Pro forma income from operations	17,740	18,412	11,726	54,002	28,965
As % of revenue	**31.3%**	**31.8%**	**29.7%**	**31.9%**	**26.0%**

	(4.6) **Q3 2005**	*(4.7)* **Q2 2005**	*(4.8)* **Q3 2004**	*(4.9)* **9M 2005**	*(4.10)* **9M 2004**
Income before income tax	12,032	12,892	13,290	37,456	33,121
Acquisition-related charge – amortization of intangibles	4,342	4,608	426	12,917	476
Acquisition-related charge – deferred stock-based compensation	1,311	1,640	-	5,017	-

Other deferred stock-based compensation	1,449	502	(105)	2,245	395
Pro forma income before income tax	**19,134**	**19,642**	**13,611**	**57,635**	**33,992**

	(4.11) **30 September 2005**	*(4.12)* **30 June 2005**	*(4.13)* **31 March 2005**	*(4.14)* **31 December 2004**
Cash and cash equivalents	137,856	121,646	93,816	110,561
Short-term investments	5,000	10,437	24,956	5,307
Short-term marketable securities	21,881	22,553	21,975	21,511
Long-term marketable securities	-	-	1,038	5,438
Pro forma cash	**164,737**	**154,636**	**141,785**	**142,817**

	(4.15) **Q3 2005**	*(4.16)* **Q2 2005**	*(4.17)* **Q3 2004**
Pro forma cash at end of period (as above)	164,737	154,636	174,550
Less: Pro forma cash at beginning of period (as above)	(154,636)	(141,785)	(166,297)
Add back: Cash outflow from acquisitions	1,690	-	6,796
Add back: Cash outflow from payment of dividends	-	5,759	-
Add back: Cash outflow from purchase of own shares	5,438	-	-
Pro forma cash generation	**17,229**	**18,610**	**15,049**

	(4.18) **Q3 2005**	*(4.19)* **Q2 2005**	*(4.20)* **Q3 2004**	*(4.21)* **9M 2005**	*(4.22)* **9M 2004**
Net income (US GAAP)	9,784	10,040	9,533	28,903	23,468
Acquisition-related charge – amortization of intangibles	4,342	4,608	426	12,917	476
Acquisition-related charge – deferred stock-based compensation	1,311	1,640	-	5,017	-
Other deferred stock-based compensation	1,449	502	(105)	2,245	395
Estimated tax impact of above charges	(1,860)	(1,875)	(18)	(5,566)	(18)
Pro forma net income	15,026	14,915	9,836	43,516	24,321
Dilutive shares (‘000)	1,437,448	1,426,944	1,039,329	1,428,444	1,041,174
Pro forma diluted EPS	**1.0p**	**1.0p**	**0.9p**	**3.0p**	**2.3p**

	(4.23) **Q3 2004** $’000	*(4.24)* **9M 2004** $’000
ARM reported dollar revenues	70,125	197,721
Artisan reported dollar revenues	25,140	68,481
Aggregate ARM and Artisan dollar revenues	**95,265**	**266,202**

Note

The results shown for Q3 2005, Q3 2004, 9M 2005 and 9M 2004 are unaudited.

The results for ARM for Q3 2005 and previous quarters as shown reflect the accounting policies as stated in Note 1 to the US GAAP financial statements in the Annual Report and Accounts filed with Companies House in the UK for the fiscal year ended 31 December 2004 and in the Annual Report on Form 20-F for the fiscal year ended 31 December 2004.

This document contains forward-looking statements as defined in section 102 of the Private Securities Litigation Reform Act of 1995. These statements are subject to risk factors associated with the semiconductor and intellectual property businesses. When used in this document, the words “anticipates”, “may”, “can”, “believes”, “expects”, “projects”, “intends”, “likely”, similar expressions and any other *statements that are not historical facts, in each case as they relate to ARM, its management or its businesses and financial performance and condition are intended to identify those assertions as forward-looking statements. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially and include, but are not limited to: failure to realize the benefits of our recent acquisitions, unforeseen liabilities arising from our recent acquisitions, price fluctuations, actual demand, the availability of software and operating systems compatible with our intellectual property, the continued demand for products including ARM's intellectual property, delays in the design process or delays in a customer's project that uses ARM's technology, the success of our semiconductor partners, loss of market and industry competition, exchange and currency fluctuations, any future strategic investments or acquisitions, rapid technological change, regulatory developments, ARM's ability to negotiate, structure, monitor and enforce agreements for the determination and payment of royalties, actual or potential litigation, changes in tax laws, interest rates and access to capital markets, political, economic and financial market conditions in various countries and regions and capital expenditure requirements.*

More information about potential factors that could affect ARM's business and financial results is included in ARM's Annual Report on Form 20-F for the fiscal year ended 31 December 2004 including (without limitation) under the captions, "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is on file with the Securities and Exchange Commission (the "SEC") and available at the SEC's website at www.sec.gov.

The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section240 (3) of the Companies Act 1985. Statutory accounts of the Company in respect of the financial year ended 31 December 2004 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 designs the technology that lies at the heart of advanced digital products, from wireless, networking and consumer entertainment solutions to imaging, automotive, security and storage devices. ARM's comprehensive product offering includes 16/32-bit RISC microprocessors, data engines, 3D processors, digital libraries, embedded memories, peripherals, software and development tools, as well as analog functions and high-speed connectivity products. Combined with the company's broad Partner community, they provide a total system solution that offers a fast, reliable path to market for leading electronics companies. More information on ARM is available at http://www.arm.com/