

**ARM Holdings plc**  
**Fourth Quarter and Annual Results – US GAAP**

	Quarter ended 31 December 2005 Unaudited £'000	Quarter ended 31 December 2004 Unaudited £'000	Year ended 31 December 2005 Unaudited £'000	Year ended 31 December 2004 Audited £'000	Year ended 31 December 2005 <sup>(1)</sup> Unaudited \$'000
<b>Revenues</b>					
Product revenues	58,828	38,150	217,711	138,732	373,766
Service revenues	4,065	3,385	14,728	14,165	25,285
Total revenues	62,893	41,535	232,439	152,897	399,051
<b>Cost of revenues</b>					
Product costs	(4,313)	(2,558)	(19,265)	(6,735)	(33,074)
Service costs	(1,579)	(1,168)	(6,093)	(5,064)	(10,460)
Total cost of revenues	(5,892)	(3,726)	(25,358)	(11,799)	(43,534)
<b>Gross profit</b>	57,001	37,809	207,081	141,098	355,517
Research and development	(15,613)	(13,030)	(60,051)	(50,133)	(103,096)
Sales and marketing	(9,061)	(6,342)	(34,102)	(23,935)	(58,546)
General and administrative	(10,959)	(10,743)	(37,558)	(30,371)	(64,480)
Deferred stock-based compensation	(2,465)	(565)	(9,727)	(960)	(16,699)
Amortisation of intangibles purchased through business combination	(4,809)	(3,712)	(17,726)	(4,188)	(30,432)
<b>Total operating expenses</b>	(42,907)	(34,392)	(159,164)	(109,587)	(273,253)
<b>Income from operations</b>	14,094	3,417	47,917	31,511	82,264
Interest, net	1,684	1,917	5,317	6,944	9,128
<b>Income before income tax</b>	15,778	5,334	53,234	38,455	91,392
Provision for income taxes	(2,801)	(825)	(11,354)	(10,478)	(19,492)
<b>Net income</b>	12,977	4,509	41,880	27,977	71,900
Net income	12,977	4,509	41,880	27,977	71,900
<b>Other comprehensive income:</b>					
Foreign currency adjustments	16,538	(183)	58,561	(421)	100,537
Unrealised holding gain/(loss) on available-for-sale securities, net of tax of £236,000 (Q4 2004: £837,000; FY 2005: £981,000; FY 2004: £1,631,000)	452	1,954	(2,316)	4,196	(3,976)
<b>Total comprehensive income</b>	29,967	6,280	98,125	31,752	168,461
<b>Earnings per share (assuming dilution)</b>					
Shares outstanding ('000)	1,431,084	1,071,645	1,427,013	1,049,768	
Earnings per share – pence	0.9	0.4	2.9	2.7	
<b>Earnings per ADS (assuming dilution)</b>					
ADSs outstanding ('000)	477,028	357,215	475,671	349,923	
Earnings per ADS – cents	4.7	2.4	15.1	15.4	

(1) US dollar amounts have been translated from sterling at the 31 December 2005 closing rate of \$1.7168=£1 (see note 1)

**ARM Holdings plc**  
**Consolidated balance sheet - US GAAP**

	31 December 2005 Unaudited £'000	31 December 2004 Audited £'000	31 December 2005 <sup>(1)</sup> Unaudited \$'000
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	128,077	110,561	219,883
Short-term investments	23,990	5,307	41,186
Marketable securities	8,835	21,511	15,168
Accounts receivable, net of allowance of £2,173,000 in 2005 and £1,451,000 in 2004	55,518	34,347	95,313
Inventory: finished goods	1,490	897	2,558
Prepaid expenses and other assets	12,567	16,001	21,575
Total current assets	230,477	188,624	395,683
Long-term marketable securities	-	5,438	-
Deferred income taxes	4,422	2,529	7,591
Prepaid expenses and other assets	1,674	-	2,874
Property and equipment, net	12,803	14,117	21,980
Goodwill	385,572	340,416	661,950
Other intangible assets	72,345	74,578	124,202
Investments	8,800	12,235	15,108
Total assets	716,093	637,937	1,229,388
<b>Liabilities and shareholders' equity</b>			
Accounts payable	2,221	4,110	3,813
Income taxes payable	10,826	6,345	18,586
Personnel taxes	1,329	1,123	2,282
Accrued liabilities (see note 2)	25,024	38,600	42,961
Deferred revenue	20,354	21,355	34,944
Total current liabilities	59,754	71,533	102,586
Accrued liabilities	-	1,732	-
Deferred income taxes	7,289	12,345	12,513
Total liabilities	67,043	85,610	115,099
<b>Shareholders' equity</b>			
Ordinary shares	693	675	1,190
Additional paid-in capital	425,252	414,133	730,073
Deferred compensation	(4,404)	(12,083)	(7,561)
Treasury stock, at cost	(16,315)	(7,485)	(28,010)
Retained earnings	183,913	153,421	315,742
Accumulated other comprehensive income:			
Unrealised holding gain on available-for-sale securities, net of tax of £1,096,000 (2004: £2,077,000)	3,859	6,175	6,625
Cumulative translation adjustment	56,052	(2,509)	96,230
Total shareholders' equity	649,050	552,327	1,114,289
Total liabilities and shareholders' equity	716,093	637,937	1,229,388

(1) US dollar amounts have been translated from sterling at the 31 December 2005 closing rate of \$1.7168=£1 (see note 1)

**ARM Holdings plc**  
**Consolidated income statement - IFRS**

	Year ended 31 December 2005 Unaudited £'000	Year ended 31 December 2004 Unaudited £'000
<b>Revenues</b>		
Product revenues	217,711	138,732
Service revenues	14,728	14,165
Total revenues	<u>232,439</u>	<u>152,897</u>
<b>Cost of revenues</b>		
Product costs	(19,265)	(6,735)
Service costs (see note 4)	(7,345)	(5,505)
Total cost of revenues	<u>(26,610)</u>	<u>(12,240)</u>
<b>Gross profit</b>	<u>205,829</u>	<u>140,657</u>
<b>Operating expenses</b>		
Research and development (see note 4)	(80,273)	(54,674)
Sales and marketing (see note 4)	(47,389)	(25,546)
General and administrative (see note 4)	(43,010)	(32,108)
Total operating expenses	<u>(170,672)</u>	<u>(112,328)</u>
<b>Profit from operations</b>	35,157	28,329
Investment income	5,317	6,944
<b>Profit before tax</b>	<u>40,474</u>	<u>35,273</u>
Tax	(10,827)	(9,398)
<b>Profit for the year</b>	<u>29,647</u>	<u>25,875</u>
<b>Dividends</b>		
- final 2003 paid at 0.6 pence per share	-	6,118
- interim 2004 paid at 0.28 pence per share	-	2,857
- final 2004 paid at 0.42 pence per share	5,759	-
- interim 2005 paid at 0.34 pence per share	4,677	-
<b>Earnings per share</b>		
Basic and diluted earnings	29,647	25,875
<b>Number of shares ('000)</b>		
Basic weighted average number of shares	1,369,335	1,026,890
Effect of dilutive securities:		
Share options	55,027	22,179
Diluted weighted average number of shares	1,424,362	1,049,069
<b>Basic EPS</b>	2.2p	2.5p
<b>Diluted EPS</b>	2.1p	2.5p

All activities relate to continuing operations.

All of the profit for the period is attributable to the equity shareholders of the parent.

**ARM Holdings plc**  
**Consolidated balance sheet - IFRS**

	31 December 2005 Unaudited £'000	31 December 2004 Unaudited £'000
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	128,077	110,561
Short-term investments	23,990	5,307
Marketable securities	8,835	21,511
Financial assets - fair value of currency contracts	-	1,674
Accounts receivable	55,518	34,347
Prepaid expenses and other assets	12,567	14,327
Inventories: finished goods	1,490	897
<b>Total current assets</b>	<b>230,477</b>	<b>188,624</b>
Non-current assets:		
Financial assets		
- Long-term marketable securities	-	5,438
- Available-for-sale investments	8,800	12,235
Prepaid expenses and other assets	1,674	-
Property, plant and equipment	8,990	9,096
Goodwill	474,430	419,174
Other intangible assets	79,743	84,037
Deferred tax assets	13,633	2,396
<b>Total non-current assets</b>	<b>587,270</b>	<b>532,376</b>
<b>Total assets</b>	<b>817,747</b>	<b>721,000</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	2,221	4,110
Current tax liabilities	10,826	7,081
Accrued and other liabilities	26,598	42,049
Financial liabilities – fair value of currency contracts	1,708	-
Deferred revenue	20,354	21,355
<b>Total current liabilities</b>	<b>61,707</b>	<b>74,595</b>
<b>Net current assets</b>	<b>168,770</b>	<b>114,029</b>
Non-current liabilities:		
Deferred tax liabilities	9,193	2,135
Other non-current liabilities	-	1,732
<b>Total liabilities</b>	<b>70,900</b>	<b>78,462</b>
<b>Net assets</b>	<b>746,847</b>	<b>642,538</b>
<b>Shareholders' equity</b>		
Share capital	693	675
Share premium account	447,091	434,026
Share option reserve	61,474	61,474
Retained earnings	166,656	140,291
Revaluation reserve	2,921	5,237
Cumulative translation adjustment	68,012	835
<b>Total equity</b>	<b>746,847</b>	<b>642,538</b>

**ARM Holdings plc**  
**Consolidated cash flow statement - IFRS**

	Year ended 31 December 2005 Unaudited £'000	Year ended 31 December 2004 Unaudited £'000
<b>Operating activities</b>		
Profit from operations	35,157	28,329
Depreciation and amortisation of tangible and intangible assets	28,608	13,059
Loss on disposal of property, plant and equipment	16	20
Impairment of available-for sale investments	337	-
Compensation charge in respect of share-based payments	20,863	7,855
Provision for doubtful debts	722	(321)
Accounts receivable converted to available-for-sale investments	-	(112)
Changes in working capital:		
Accounts receivable	(21,247)	(1,358)
Inventories	(497)	34
Prepaid expenses and other assets	1,613	(3,659)
Accounts payable	(1,931)	1,176
Deferred revenue	(2,043)	3,013
Accrued liabilities and other creditors	(5,491)	2,811
Cash generated by operations before tax	56,107	50,847
Income taxes paid	(14,447)	(11,601)
<b>Net cash from operating activities</b>	41,660	39,246
<b>Investing activities</b>		
Interest received	5,444	7,233
Purchases of property, plant and equipment	(5,492)	(2,723)
Proceeds on disposal of property, plant and equipment	37	23
Purchases of other intangible assets	(572)	(2,672)
Purchases of available-for-sale investments	(274)	(50)
Proceeds on disposal of available-for-sale investments	96	-
(Purchase) / maturity of short-term investments	(599)	24,677
Purchases of subsidiaries, net of cash acquired	(20,304)	(77,899)
<b>Net cash used in investing activities</b>	(21,664)	(51,411)
<b>Financing activities</b>		
Issue of shares	13,921	1,313
Expenses of issuing share capital	-	(360)
Purchase of own shares	(16,211)	-
Dividends paid to shareholders	(10,436)	(8,975)
<b>Net cash used in financing activities</b>	(12,726)	(8,022)
<b>Net increase / (decrease) in cash and cash equivalents</b>	7,270	(20,187)
Cash and cash equivalents at beginning of year	110,561	130,722
Effect of foreign exchange rate changes	10,246	26
<b>Cash and cash equivalents at end of year</b>	128,077	110,561

## 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 31 December 2005 of \$1.7168=£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 £25.0 million (2004: £38.6 million) includes: £nil million (2004: £14.3 million) for acquisition-related expenses, £0.7 million (2004: £4.4 million) for staff costs and £0.7 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 compensation £'000	Treasury stock £'000	Retained earnings £'000	Unrealised 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	18	13,065	-	-	-	-	-	13,083
Net income	-	-	-	-	41,880	-	-	41,880
Dividends	-	-	-	-	(10,436)	-	-	(10,436)
Unrealised holding losses on available-for-sale securities	-	-	-	-	-	(2,316)	-	(2,316)
Deferred compensation arising on share schemes	-	3,290	(3,290)	-	-	-	-	-
Tax benefits on exercise of options issued as part consideration for a business combination	-	1,227	-	-	-	-	-	1,227
Tax effect of disqualifying dispositions	-	370	-	-	-	-	-	370
Amortisation of deferred compensation	-	-	9,727	-	-	-	-	9,727
Reversal of deferred compensation	-	(1,242)	1,242	-	-	-	-	-
Issuance of shares	-	(5,591)	-	7,381	(952)	-	-	838
Purchase of own shares	-	-	-	(16,211)	-	-	-	(16,211)
Currency translation adjustment	-	-	-	-	-	-	58,561	58,561
At 31 December 2005	693	425,252	(4,404)	(16,315)	183,913	3,859	56,052	649,050

### (4) IFRS operating expenses

Included within the IFRS income statement for the year ended 31 December 2005 are total share-based payment costs of £20.9 million (2004: £7.9 million), allocated £1.3 million (2004: £0.4 million) in cost of revenues, £12.1 million (2004: £4.3 million) in research and development costs, £4.2 million (2004: £1.5 million) in sales and marketing costs and £3.3 million (2004: £1.7 million) in general and administrative costs.

Also included within operating costs is amortisation of intangibles of £17.9 million (2004: £0.6 million), allocated £8.1 million (2004 £0.3 million) in research and development costs, £9.1 million (2004 £0.2 million) in sales and marketing costs and £0.7 million (2004 £0.1 million) in general and administrative costs.

### (5) Consolidated statement of changes in shareholders' equity (IFRS)

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Cumulative translation reserve £'000	Total £'000
At 1 January 2005	675	434,026	61,474	140,291	5,237	835	642,538
Shares issued on exercise of options	18	13,065	-	-	-	-	13,083
Profit for the period	-	-	-	29,647	-	-	29,647
Dividends	-	-	-	(10,436)	-	-	(10,436)
Credit in respect of employee share schemes	-	-	-	20,863	-	-	20,863
Movement on deferred tax arising on outstanding share options	-	-	-	(4,408)	-	-	(4,408)

Tax benefits on exercise of options issued as part consideration for a business combination	-	-	-	6,072	-	-	6,072
Purchase of own shares	-	-	-	(16,211)	-	-	(16,211)
Proceeds from sale of own shares	-	-	-	838	-	-	838
Unrealised holding losses on available-for-sale investments (net of deferred tax of £981,000)	-	-	-	-	(2,316)	-	(2,316)
Currency translation adjustment	-	-	-	-	-	67,177	67,177
At 31 December 2005	693	447,091	61,474	166,656	2,921	68,012	746,847

## (6) Summary of significant differences between US GAAP and IFRS

**Goodwill** Under both IFRS and US GAAP, goodwill is not subject to amortisation, but is tested annually for impairment. As permitted by IFRS 1, the Company's goodwill under IFRS has been frozen at the amount recorded under UK GAAP as at 1 January 2004. Under US GAAP, following the provisions of SFAS 142, "Goodwill and other intangible assets", the carrying value of goodwill was frozen at the amount recorded under previous US GAAP as at 1 January 2002. Under both previous US GAAP and UK GAAP, goodwill was amortised over its useful economic life. Thus, while ongoing accounting policies in respect of goodwill are similar under US GAAP and IFRS, the difference in the dates of transition means that different amounts of goodwill are recorded.

Under US GAAP, certain costs to be incurred on restructuring on business combination are treated as a fair value adjustment in the balance sheet acquired. Under IFRS, these costs are expensed post-acquisition. Additionally, under US GAAP, tax benefits arising from the exercise of options issued as part of the consideration for a business combination become a deduction to goodwill, only to the extent that those benefits do not exceed the fair value of the consideration relating to those options at the appropriate tax rate. Any excess tax benefits are a deduction to equity. Under IFRS, the full tax benefit is a deduction to equity.

The 2004 annual report included a provisional assessment of the fair values of assets and liabilities acquired on the acquisition of Artisan Components Inc. on 23 December 2004. Where these provisional values have been amended as estimates have been refined in 2005, adjustments to fair values have been recorded as prior year adjustments to goodwill for IFRS purposes. Under US GAAP, these are recorded as amendments to goodwill in the current period.

**Recognition and amortisation of intangibles** The Company has taken advantage of the exemption under IFRS 1 not to apply IFRS retrospectively to business combinations occurring before 1 January 2004. This means that for business combinations occurring before this date, the previously reported UK GAAP treatment has continued to be followed. Under previous UK GAAP, intangible assets were recognised separately from goodwill only where they could be sold separately without disposing of a business of the entity. This separability criterion does not apply under either IFRS or US GAAP. Thus, a number of intangible assets which are required to be recognised separately from goodwill under both IFRS 3 and SFAS 142, were subsumed within goodwill under UK GAAP. Under both US GAAP and IFRS, such intangible assets are amortised over their useful economic lives. Except in relation to in-process research and development (see below), there is no difference in accounting policy for intangible assets recognised as a result of business combinations entered into after 1 January 2004.

**In-process research and development** Under IFRS, in-process research and development projects purchased as part of a business combination may meet the criteria set out in IAS 38, "Intangible assets", for recognition as intangible assets other than goodwill and are amortised over their useful economic lives commencing when the asset is brought into use. Under US GAAP, in-process research and development is immediately written-off to the income statement. This accounting policy difference gives rise to an associated difference in deferred taxation.

**Valuation of consideration on business combination** Under both IFRS and US GAAP, the fair value of consideration in a business combination includes the fair value of both equity issued and any share options granted as part of that combination. Under IFRS, any equity issued is valued at the fair value as of the date of completion, whilst under US GAAP, the equity is valued at the date the terms of the combination were agreed to and announced. For options, under US GAAP, the fair value is based upon the total number of options granted, both vested and unvested, whilst under IFRS the fair value only includes those that have vested, together with a pro-rata value for partially vested options. Furthermore, where there is contingent consideration for an acquisition, under IFRS this is recognised as part of the purchase consideration if the contingent conditions are expected to be satisfied, whilst under US GAAP it is only recognised if the conditions have actually been met.

**Deferred compensation** Under US GAAP, the intrinsic value of unvested stock options issued by an acquirer as part of a business combination in exchange for unvested share options of the acquiree is recorded as a debit balance within shareholders' funds. This amount is charged to the profit and loss account over the vesting period of the share options in accordance with FIN 28. Under IFRS, no such adjustment to shareholders' funds is made on acquisition.

**Compensation charge in respect of share-based payments** The Company issues equity-settled share-based payments to certain employees. In accordance with IFRS 2, equity-settled share-based payments are measured at fair value at the date of grant, using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. Under US GAAP, the Company accounts for share option compensation expense under APB 25, and thus no compensation expense is recorded where the exercise price of the option is equal to the share price on the date of grant.

Under US GAAP, the Company recognises a compensation charge in respect of UK SAYE plans. The compensation charge is calculated as the difference between the market price of the shares at the date of grant and the exercise price of the option and is recorded on a straight-line

basis over the savings period. In addition, certain options attract a charge under variable plan accounting under US GAAP. Under IFRS, this charge is calculated in the same manner as other share-based payments, as detailed above.

Under US GAAP, the Company follows variable plan accounting for LTIP grants, measuring compensation expense as the difference between the exercise price and the fair market value of the shares at each period end over the vesting period of the options. Increases in fair market value of the shares result in a charge and decreases in fair market value of the shares result in a credit, subject to the cumulative amount previously expensed. Under IFRS, this charge is calculated in the same manner as other share-based payments, as detailed above.

**Deferred tax on UK and US share options** In the US and the UK, the Company is entitled to a tax deduction for the amount treated as employee compensation under US and UK tax rules on exercise of certain employee share options. The compensation is equivalent to the difference between the option exercise price and the fair market value of the shares at the date of exercise.

Under IFRS, deferred tax assets are recognised and are calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, against the profit and loss reserve. In accordance with the transitional provisions of IFRS 2, no compensation charge is recorded in respect of options granted before 7 November 2002 or in respect of those options which have been exercised or have lapsed before 1 January 2005. Nevertheless, tax deductions have arisen and will continue to arise on these options. The tax effects arising in relation to these options are recorded directly in equity, against retained earnings.

Under US GAAP, deferred tax assets are recognised by multiplying the compensation expense recorded by the prevailing tax rate in the relevant tax jurisdiction. Where, on exercise of the relevant option, the tax benefit obtained exceeds the deferred tax asset in relation to the relevant options, the excess is recorded in additional paid-in capital. Where the tax benefit is less than the deferred tax asset, the write-down of the deferred tax asset is recorded against additional paid-in capital to the extent of previous excess tax benefits recorded in this account, with any remainder recorded in the income statement.

**Employer's taxes on share options** Under IFRS, employer's taxes that are payable on the exercise of share options are provided for over the vesting period of the options. Under US GAAP, such taxes are accounted for when the options are exercised.

#### Reconciliation of IFRS profit to US GAAP net income

	Year ended 31 December 2005 Unaudited £'000	Year ended 31 December 2004 Unaudited £'000
<b>Profit for financial period as reported under IFRS</b>	29,647	25,875
Adjustments for:		
Amortisation of intangibles	548	(65)
Write-off of in-process research and development	(335)	(3,612)
US GAAP compensation charge in respect of LTIP	(3,814)	(619)
US GAAP compensation charge in respect of SAYE schemes	(417)	(341)
US GAAP deferred stock-based compensation re acquisition	(5,496)	-
IFRS compensation charge in respect of all share-based payments	20,863	7,855
Employer's taxes on share options	3	(36)
Utilisation of restructuring provision	1,368	-
Foreign exchange on contingent consideration	40	-
Tax on UK and US share options	(370)	(515)
Tax difference on amortisation of intangibles	(248)	(14)
Tax difference on share-based payments	91	(551)
<b>Net income as reported under US GAAP</b>	<b>41,880</b>	<b>27,977</b>

#### Reconciliation of shareholders' equity from IFRS to US GAAP

	31 December 2005 Unaudited £'000	31 December 2004 Unaudited £'000
Shareholders' equity as reported under IFRS	746,847	642,538
Adjustments for:		
Employer's taxes on share options	30	27
Utilisation of restructuring provision	1,368	-
Cumulative difference on amortisation of goodwill	2,713	2,713



Cumulative difference on amortisation of intangibles	441	(107)
Cumulative write-off of in-process research and development	(4,097)	(3,762)
Cumulative difference on deferred tax	(263)	(14)
Valuation of equity consideration on acquisition	(82,435)	(82,435)
Valuation of option consideration on acquisition	17,476	17,476
Deferred compensation on acquisition	(9,579)	(9,579)
Deferred tax on share-based payments	(8,775)	(13,274)
Portion of tax benefit arising on exercise of options issued on acquisition taken to goodwill under US GAAP	(4,844)	-
Foreign exchange on valuation of intangible assets and deferred tax	(9,872)	(1,256)
Foreign exchange on valuation of contingent consideration	40	-
Shareholders' equity as reported under US GAAP	649,050	552,327

#### Reconciliation of goodwill from IFRS to US GAAP

	31 December 2005 Unaudited £'000	31 December 2004 Unaudited £'000
Goodwill as reported under IFRS	474,430	419,174
Adjustments for:		
Amendments to provisional fair values	1,235	(2,831)
Cumulative difference on amortisation of goodwill	2,713	2,713
Cumulative write-off of in-process research and development	(150)	(150)
Amendment following revised intangible valuation on acquisition, net of deferred tax	-	500
Separately identifiable intangible assets	(302)	(302)
Deferred tax on capitalised in-process research and development	(1,570)	(1,318)
Portion of tax benefit arising on exercise of options issued on acquisition taken to goodwill under US GAAP	(4,248)	-
Valuation of equity consideration on acquisition	(82,435)	(82,435)
Valuation of option consideration on acquisition	17,476	17,476
Deferred compensation on acquisition	(9,579)	(9,579)
Contingent consideration	(1,864)	(1,665)
Foreign exchange on revaluation of goodwill	(10,134)	(1,167)
Goodwill as reported under US GAAP	385,572	340,416

#### (7) 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.

	(7.1) Q4 2005	(7.2) Q3 2005	(7.3) Q4 2004	(7.4) FY 2005	(7.5) FY 2004
Income from operations	14,094	10,638	3,417	47,917	31,511
Non-recurring charge – technology license agreement	-	-	4,510	-	4,510
Acquisition-related charge – amortisation of intangibles	4,809	4,342	3,712	17,726	4,188
Acquisition-related charge – deferred stock-based compensation	479	1,311	-	5,496	-
Other deferred stock-based compensation and related payroll taxes	2,628	1,449	565	4,873	960
Pro forma income from operations	22,010	17,740	12,204	76,012	41,169
As % of revenue	35.0%	31.3%	29.4%	32.7%	26.9%
	(7.6) Q4 2005	(7.7) Q3 2005	(7.8) Q4 2004	(7.9) FY 2005	(7.10) FY 2004

Income before income tax	15,778	12,032	5,334	53,234	38,455
Non-recurring charge – technology license agreement	-	-	4,510	-	4,510
Acquisition-related charge – amortisation of intangibles	4,809	4,342	3,712	17,726	4,188
Acquisition-related charge – deferred stock-based compensation	479	1,311	-	5,496	-
Other deferred stock-based compensation and related payroll taxes	2,628	1,449	565	4,873	960
<b>Pro forma income before income tax</b>	<b>23,694</b>	<b>19,134</b>	<b>14,121</b>	<b>81,329</b>	<b>48,113</b>

	(7.11) 31 December 2005	(7.12) 30 September 2005	(7.13) 31 December 2004
Cash and cash equivalents	128,077	137,856	110,561
Short-term investments	23,990	5,000	5,307
Short-term marketable securities	8,835	21,881	21,511
Long-term marketable securities	-	-	5,438
<b>Pro forma cash</b>	<b>160,902</b>	<b>164,737</b>	<b>142,817</b>

	(7.14) Q4 2005	(7.15) Q3 2005	(7.16) FY 2005
Pro forma cash at end of period (as above)	160,902	164,737	160,902
Less: Pro forma cash at beginning of period (as above)	(164,737)	(154,636)	(142,817)
Add back: Cash outflow from acquisitions (net of cash acquired)	4,264	1,690	20,304
Add back: Cash outflow from payment of dividends	4,677	-	10,436
Add back: Cash outflow from purchase of own shares	10,773	5,438	16,211
<b>Pro forma cash generation</b>	<b>15,879</b>	<b>17,229</b>	<b>65,036</b>

	(7.17) Q4 2005	(7.18) Q3 2005	(7.19) Q4 2004	(7.20) FY 2005	(7.21) FY 2004
Net income (US GAAP)	12,977	9,784	4,509	41,880	27,977
Non-recurring charge – technology license agreement	-	-	4,510	-	4,510
Acquisition-related charge – amortisation of intangibles	4,809	4,342	3,712	17,726	4,188
Acquisition-related charge – deferred stock-based compensation	479	1,311	-	5,496	-
Other deferred stock-based compensation	2,628	1,449	565	4,873	960
Estimated tax impact of above charges	(3,346)	(1,860)	(1,525)	(8,912)	(1,543)
Pro forma net income	17,547	15,026	11,771	61,063	36,092
Dilutive shares ('000)	1,431,084	1,437,448	1,071,645	1,427,013	1,049,768
<b>Pro forma diluted EPS</b>	<b>1.23p</b>	<b>1.05p</b>	<b>1.10p</b>	<b>4.28p</b>	<b>3.44p</b>

	(7.22) Q4 2004 \$'000	(7.23) FY 2004 \$'000
Artisan actual reported dollar revenues	14,609	83,090
Artisan pro forma dollar revenue adjustment	11,500	11,500
<b>Pro forma Artisan dollar revenues</b>	<b>26,109</b>	<b>94,590</b>

## Note

*The results shown for Q4 2005, Q4 2004, FY 2005 and IFRS FY 2004 are unaudited. The US GAAP results shown for FY 2004 are audited.*

*The results for ARM for Q4 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. The IFRS results have been prepared using the accounting policies detailed in the 2005 Interim Report. These IFRS policies have not been formally agreed as audited but no significant changes are expected to those in the audited financial statements for the year.

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 realise 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](http://www.sec.gov).

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 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/>

ARM, ARM Powered, RealView, TrustZone, Keil and ARM7TDMI are registered trademarks of ARM Limited. ARM7, ARM7TDMI-S, ARM9, ARM922T, ARM926E-S, ARM946E-S, ARM11, ARM1176JZ-S, Cortex and MPCore are trademarks of ARM Limited. Artisan Components and Artisan are registered trademarks of ARM Physical IP, Inc., a wholly owned subsidiary of ARM. 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 Physical IP Inc., Axys Design Automation Inc., Axys GmbH, ARM KK, ARM Korea Ltd, ARM Taiwan Ltd, ARM France SAS, ARM Consulting (Shanghai) Co. Ltd., ARM Belgium NV., ARM Embedded Technologies Pvt. Ltd. and ARM Physical IP, Inc.