

ARM Holdings plc
First Quarter Results
Consolidated income statement – IFRS

	Quarter ended 31 March 2009 Unaudited £'000	Quarter ended 31 March 2008 Unaudited £'000
Revenues		
Product revenues	75,618	63,817
Service revenues	4,285	4,071
Total revenues	<u>79,903</u>	<u>67,888</u>
Cost of revenues		
Product costs	(6,038)	(5,800)
Service costs	(2,139)	(2,042)
Total cost of revenues	<u>(8,177)</u>	<u>(7,842)</u>
Gross profit	<u>71,726</u>	<u>60,046</u>
Research and development	(26,812)	(21,539)
Sales and marketing	(15,632)	(13,503)
General and administrative	(16,586)	(13,586)
Total operating expenses, net	<u>(59,030)</u>	<u>(48,628)</u>
Profit from operations	12,696	11,418
Investment income	423	586
Interest payable	(50)	(15)
Profit before tax	<u>13,069</u>	<u>11,989</u>
Tax	(3,284)	(5,553)
Profit for the period	<u>9,785</u>	<u>6,436</u>
Earnings per share		
Basic and diluted earnings	9,785	6,436
Number of shares ('000)		
Basic weighted average number of shares	1,256,679	1,276,935
Effect of dilutive securities: Share options and awards	21,023	20,818
Diluted weighted average number of shares	<u>1,277,702</u>	<u>1,297,753</u>
Basic EPS (pence)	0.8p	0.5p
Diluted EPS (pence)	0.8p	0.5p
Diluted earnings per ADS (cents)	3.3c	3.0c

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 March	31 December
	2009	2008
	Unaudited	Audited
	£'000	£'000
Assets		
Current assets:		
Financial assets: Cash and cash equivalents	78,815	76,502
Short-term investments	10,503	471
Short-term marketable securities	2,027	1,816
Embedded derivatives	10,318	12,298
Accounts receivable (see note 3)	65,709	76,914
Prepaid expenses and other assets	27,653	23,134
Current tax assets	1,852	621
Inventories: finished goods	1,823	1,972
Total current assets	198,700	193,728
Non-current assets:		
Financial assets: Available-for-sale investments	3,391	1,167
Prepaid expenses and other assets	1,758	2,102
Property, plant and equipment	14,005	14,197
Goodwill	580,046	567,844
Other intangible assets	40,376	45,082
Deferred tax assets	27,238	24,063
Total non-current assets	666,814	654,455
Total assets	865,514	848,183
Liabilities and shareholders' equity		
Current liabilities:		
Financial liabilities: Accounts payable	4,312	6,953
Fair value of currency exchange contracts	10,080	18,457
Current tax liabilities	19,582	15,655
Accrued and other liabilities	31,722	35,646
Deferred revenue	28,129	29,906
Total current liabilities	93,825	106,617
Net current assets	104,875	87,111
Non-current liabilities:		
Deferred tax liabilities	956	1,223
Total liabilities	94,781	107,840
Net assets	770,733	740,343
Capital and reserves attributable to equity holders of the Company		
Share capital	672	672
Share premium account	351,578	351,578
Share option reserve	61,474	61,474
Retained earnings	198,024	182,008
Revaluation reserve	(171)	(285)
Cumulative translation adjustment	159,156	144,896
Total equity	770,733	740,343

ARM Holdings plc
Consolidated statement of changes in shareholders' equity – IFRS

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Reval- -uation reserve £'000	Cumulative translation adjustment £'000	Total £'000
At 1 January 2009 (audited)	672	351,578	61,474	182,008	(285)	144,896	740,343
Movement on tax arising on share options	–	–	–	737	–	–	737
Proceeds from sale of own shares	–	–	–	1,673	–	–	1,673
Unrealised holding losses on available-for-sale investments	–	–	–	–	114	–	114
Currency translation adjustment	–	–	–	–	–	14,260	14,260
Total income recognised directly in equity in Q1 2009	–	–	–	2,410	114	14,260	16,784
Profit for the period (Q1 2009)	–	–	–	9,785	–	–	9,785
Credit in respect of employee share schemes	–	–	–	3,821	–	–	3,821
At 31 March 2009 (unaudited)	672	351,578	61,474	198,024	(171)	159,156	770,733

Notes to the Financial Information

(1) Basis of preparation

International Financial Reporting Standards

The financial information prepared in accordance with the Group's IFRS accounting policies comprises the consolidated balance sheets as of 31 March 2009 and 31 December 2008, consolidated income statements for the quarters ended 31 March 2009 and 2008 and the consolidated statement of changes in shareholders' equity for the quarter ended 31 March 2009, together with related notes. This financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended 31 December 2008.

(2) Share-based compensation charges and acquisition-related expenses

Included within the income statement for the quarter ended 31 March 2009 are total share-based compensation charges of £4.7 million (2008: £3.9 million), allocated £0.3 million (2008: £0.3 million) in cost of revenues, £2.8 million (2008: £2.6 million) in research and development costs, £0.9 million (2008: £0.5 million) in sales and marketing costs and £0.7 million (2008: £0.5 million) in general and administrative costs.

Also included within operating costs for the quarter ended 31 March 2009 is amortisation of intangibles acquired on business combinations of £4.4 million (2008: £4.7 million), allocated £2.2 million (2008: £2.6 million) in research and development costs, £2.2 million (2008: £1.9 million) in sales and marketing costs and £nil (2008: £0.2 million) in general and administrative costs.

(3) Accounts receivable

Included within accounts receivable at 31 March 2009 are £15.0 million (31 December 2008: £17.9 million) of amounts recoverable on contracts.

(4) Non-GAAP measures

The following non-GAAP measures, including reconciliations to the IFRS measures, have been used in this earnings release. These measures have been presented as they allow a clearer comparison of operating results that exclude acquisition-related charges, share-based compensation and restructuring charges and profit on disposal and impairment of available-for-sale investments. All figures in £'000 unless otherwise stated.

	(4.1) Q1 2009	(4.2) Q4 2008	(4.3) Q1 2008	(4.4) FY 2008
Profit from operations (IFRS)	12,696	22,439	11,418	59,943
Restructuring costs	1,277	290	718	1,872
Acquisition-related charge – amortisation of intangibles	4,403	5,464	4,676	19,601
Acquisition-related charge – other payments	114	158	45	382
Share-based compensation and related payroll taxes	4,697	4,297	3,912	15,908
Impairment of available-for-sale security	364	–	–	–
Normalised profit from operations	23,551	32,648	20,769	97,706
As % of revenue	29.5%	34.6%	30.6%	32.7%

	(4.5) Q1 2009	(4.6) Q4 2008	(4.7) Q1 2008	(4.8) FY 2008
Profit before tax (IFRS)	13,069	23,239	11,989	63,189
Restructuring costs	1,277	290	718	1,872
Acquisition-related charge – amortisation of intangibles	4,403	5,464	4,676	19,601
Acquisition-related charge – other payments	114	158	45	382
Share-based compensation and related payroll taxes	4,697	4,297	3,912	15,908
Impairment of available-for-sale security	364	–	–	–
Normalised profit before tax	23,924	33,448	21,340	100,952

	(4.9) 31 March 2009	(4.10) 31 December 2008
Cash and cash equivalents	78,815	76,502
Short-term investments	10,503	471
Short-term marketable securities	2,027	1,816
Normalised cash	91,345	78,789

	(4.11) Q1 2009	(4.12) Q4 2008	(4.13) Q1 2008	(4.14) FY 2008
Normalised cash at end of period (as above)	91,345	78,789	55,227	78,789
Less: Normalised cash at beginning of period	(78,789)	(66,019)	(51,323)	(51,323)
Add back: Cash outflow from acquisitions (net of cash acquired)	2,637	7,420	931	8,937
Add back: Cash outflow from payment of dividends	–	11,116	–	26,383
Add back: Cash outflow from purchase of own shares	–	3,243	13,019	40,286

Less: Cash inflow from exercise of share options	(1,673)	(160)	(2,653)	(5,581)
Less: Cash inflow from sale of available-for-sale investments	–	(4,813)	(1,478)	(6,291)
Normalised cash generation	13,520	29,576	13,723	91,200
	(4.15)	(4.16)	(4.17)	(4.18)
	Q1 2009	Q4 2008	Q1 2008	FY 2008
Profit for the period (IFRS)	9,785	17,225	6,436	43,592
Restructuring costs	1,277	290	718	1,872
Acquisition-related charge – amortisation of intangibles	4,403	5,464	4,676	19,601
Acquisition-related charge – other payments	114	158	45	382
Share-based compensation and related payroll taxes	4,697	4,297	3,912	15,908
Impairment of available-for-sale security	364	–	–	–
Estimated tax impact of above charges	(3,048)	(2,719)	(570)	(8,524)
Normalised profit	17,592	24,715	15,217	72,831
Dilutive shares ('000)	1,277,702	1,275,151	1,297,753	1,286,413
Normalised diluted EPS	1.38p	1.94p	1.17p	5.66p

(4.19) Normalised income statement for Q1 2009

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Impair- -ment of invest- ments	Restruct- -uring charges £'000	IFRS £'000
Revenues								
Product revenues	75,618	–	75,618	–	–	–	–	75,618
Service revenues	4,285	–	4,285	–	–	–	–	4,285
Total revenues	79,903	–	79,903	–	–	–	–	79,903
Cost of revenues								
Product costs	(6,038)	–	(6,038)	–	–	–	–	(6,038)
Service costs	(1,807)	(332)	(2,139)	–	–	–	–	(2,139)
Total cost of revenues	(7,845)	(332)	(8,177)	–	–	–	–	(8,177)
Gross profit	72,058	(332)	71,726	–	–	–	–	71,726
Research and development	(21,846)	(2,813)	(24,659)	(2,153)	–	–	–	(26,812)
Sales and marketing	(12,380)	(894)	(13,274)	(2,244)	(114)	–	–	(15,632)
General and administrative	(14,281)	(658)	(14,939)	(6)	–	(364)	(1,277)	(16,586)
Total operating expenses	(48,507)	(4,365)	(52,872)	(4,403)	(114)	(364)	(1,277)	(59,030)
Profit from operations	23,551	(4,697)	18,854	(4,403)	(114)	(364)	(1,277)	12,696
Investment income	423	–	423	–	–	–	–	423
Interest payable	(50)	–	(50)	–	–	–	–	(50)
Profit before tax	23,924	(4,697)	19,227	(4,403)	(114)	(364)	(1,277)	13,069
Tax	(6,332)	905	(5,427)	1,652	32	102	357	(3,284)
Profit for the period	17,592	(3,792)	13,800	(2,751)	(82)	(262)	(920)	9,785
Earnings per share (assuming dilution)								
Shares outstanding ('000)	1,277,702		1,277,702					1,277,702
Earnings per share – pence	1.38		1.08					0.77
ADs outstanding ('000)	425,901		425,901					425,901
Earnings per ADS – cents	5.92		4.64					3.29

(4.20) Normalised income statement for Q1 2008

	Normalised £'000	Share- based compen- sation £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues							
Product revenues	63,817	–	63,817	–	–	–	63,817
Service revenues	4,071	–	4,071	–	–	–	4,071
Total revenues	<u>67,888</u>	<u>–</u>	<u>67,888</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>67,888</u>
Cost of revenues							
Product costs	(5,800)	–	(5,800)	–	–	–	(5,800)
Service costs	(1,773)	(269)	(2,042)	–	–	–	(2,042)
Total cost of revenues	<u>(7,573)</u>	<u>(269)</u>	<u>(7,842)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(7,842)</u>
Gross profit	<u>60,315</u>	<u>(269)</u>	<u>60,046</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>60,046</u>
Research and development	(16,312)	(2,632)	(18,944)	(2,557)	(38)	–	(21,539)
Sales and marketing	(11,048)	(500)	(11,548)	(1,957)	2	–	(13,503)
General and administrative	(12,186)	(511)	(12,697)	(162)	(9)	(718)	(13,586)
Total operating expenses	<u>(39,546)</u>	<u>(3,643)</u>	<u>(43,189)</u>	<u>(4,676)</u>	<u>(45)</u>	<u>(718)</u>	<u>(48,628)</u>
Profit from operations	20,769	(3,912)	16,857	(4,676)	(45)	(718)	11,418
Investment income	586	–	586	–	–	–	586
Interest payable	(15)	–	(15)	–	–	–	(15)
Profit before tax	<u>21,340</u>	<u>(3,912)</u>	<u>17,428</u>	<u>(4,676)</u>	<u>(45)</u>	<u>(718)</u>	<u>11,989</u>
Tax	(6,123)	(1,507)	(7,630)	1,774	16	287	(5,553)
Profit for the period	<u>15,217</u>	<u>(5,419)</u>	<u>9,798</u>	<u>(2,902)</u>	<u>(29)</u>	<u>(431)</u>	<u>6,436</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,297,753		1,297,753				1,297,753
Earnings per share – pence	1.17		0.75				0.50
ADs outstanding ('000)	432,584		432,584				432,584
Earnings per ADS – cents	6.99		4.50				2.96

Notes

The results shown for Q1 2009, Q4 2008 and Q1 2008 are unaudited. The results shown for FY 2008 are audited. The condensed consolidated financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts of the Company in respect of the financial year ended 31 December 2008 were approved by the Board of directors on 2 April 2009 and will be delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 237 of the Companies Act 1985.

The results for ARM for Q1 2009 and previous quarters as shown reflect the accounting policies as stated in Note 1 to the financial statements in the Annual Report and Accounts filed with Companies House in the UK for the fiscal year ended 31 December 2008 and in the Annual Report on Form 20-F for the fiscal year ended 31 December 2008.

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 2008 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.

About ARM

ARM designs the technology that lies at the heart of advanced digital products, from mobile, home and enterprise solutions to embedded and emerging applications. ARM’s comprehensive product offering includes 16/32-bit RISC microprocessors, data engines, graphics 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>.

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