

ARM Holdings plc
Consolidated balance sheet - IFRS

	30 September	31 December
	2010	2009
	Unaudited	Audited
	£'000	£'000
Assets		
Current assets:		
Financial assets: Cash and cash equivalents	38,229	34,489
Short-term investments	213,627	105,524
Short-term marketable securities	-	1,795
Embedded derivatives	1,310	2,480
Fair value of currency exchange contracts	1,492	457
Accounts receivable (see note 3)	70,729	65,247
Prepaid expenses	15,650	14,221
Other debtors (note 4)	24,311	9,414
Current tax assets	1,394	350
Inventories: finished goods	1,665	1,680
Total current assets	368,407	235,657
Non-current assets:		
Financial assets: Available-for-sale investments	18,055	9,432
Prepaid expenses and other assets	2,250	1,611
Property, plant and equipment	14,354	13,565
Goodwill	529,042	516,798
Other intangible assets	14,905	24,696
Deferred tax assets	65,788	42,724
Total non-current assets	644,394	608,826
Total assets	1,012,801	844,483
Liabilities and shareholders' equity		
Current liabilities:		
Financial liabilities: Accounts payable	4,955	2,280
Accrued and other liabilities	60,804	46,688
Current tax liabilities	12,323	16,536
Deferred revenue	71,249	39,562
Total current liabilities	149,331	105,066
Non-current liabilities:		
Deferred tax liabilities	270	720
Total liabilities	149,601	105,786
Net assets	863,200	738,697
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	353,460	241,950
Revaluation reserve	-	(155)
Cumulative translation adjustment	96,016	83,178
Total equity	863,200	738,697

ARM Holdings plc
Consolidated income statement – IFRS

	Quarter ended 30 September 2010 Unaudited £'000	Quarter ended 30 September 2009 Unaudited £'000	Nine months ended 30 September 2010 Unaudited £'000	Nine months ended 30 September 2009 Unaudited £'000
Revenues	100,353	75,160	292,649	219,840
Cost of revenues	(6,752)	(5,775)	(19,505)	(20,058)
Gross profit	93,601	69,385	273,144	199,782
Research and development	(38,290)	(27,094)	(103,115)	(81,833)
Sales and marketing	(17,846)	(15,030)	(50,401)	(45,466)
General and administrative	(18,789)	(20,026)	(46,915)	(46,440)
Total operating expenses, net	(74,925)	(62,150)	(200,431)	(173,739)
Profit from operations	18,676	7,235	72,713	26,043
Investment income	910	467	2,394	1,207
Interest payable	-	(37)	-	(113)
Profit before tax	19,586	7,665	75,107	27,137
Tax	(4,789)	(774)	(18,842)	(4,039)
Profit for the period	14,797	6,891	56,265	23,098
Earnings per share				
Basic and diluted earnings	14,797	6,891	56,265	23,098
Number of shares ('000)				
Basic weighted average number of shares	1,318,120	1,268,613	1,310,341	1,262,735
Effect of dilutive securities: Share options and awards	36,402	32,489	37,936	29,399
Diluted weighted average number of shares	1,354,522	1,301,102	1,348,277	1,292,134
Basic EPS (pence)	1.1	0.5	4.3	1.8
Diluted EPS (pence)	1.1	0.5	4.2	1.8
Diluted earnings per ADS (cents)	5.2	2.5	19.7	8.6

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 statement of comprehensive income - IFRS

	Quarter ended 30 September 2010 Unaudited £'000	Quarter ended 30 September 2009 Unaudited £'000	Nine months ended 30 September 2010 Unaudited £'000	Nine months ended 30 September 2009 Unaudited £'000
Profit for the period	14,797	6,891	56,265	23,098
Other comprehensive income:				
Unrealised holding gain on available-for-sale investments (net of tax of £nil)	-	(15)	155	126
Currency translation adjustment	(29,268)	17,219	12,838	(55,565)
Other comprehensive income /(loss) for the period	(29,268)	17,204	12,993	(55,439)
Total comprehensive income/(loss) for the period	(14,471)	24,095	69,258	(32,341)

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
Profit for the period	–	–	–	23,098	–	–	23,098
Other comprehensive income:							
Unrealised holding gain on available-for-sale investment	–	–	–	–	126	–	126
Currency translation adjustment	–	–	–	–	–	(55,565)	(55,565)
Total comprehensive income/(expense) for the nine month period	–	–	–	23,098	126	(55,565)	(32,341)
Dividends	–	–	–	(16,634)	–	–	(16,634)
Credit in respect of employee share schemes	–	–	–	13,294	–	–	13,294
Movement on tax arising on share options and awards	–	–	–	5,577	–	–	5,577
Proceeds from sale of own shares	–	–	–	10,606	–	–	10,606
	–	–	–	12,843	–	–	12,843
At 30 September 2009 (unaudited)	672	351,578	61,474	217,949	(159)	89,331	720,845
At 1 January 2010 (audited)	672	351,578	61,474	241,950	(155)	83,178	738,697
Profit for the period	–	–	–	56,265	–	–	56,265
Other comprehensive income:							
Unrealised holding gain on available-for-sale investments	–	–	–	–	155	–	155
Currency translation adjustment	–	–	–	–	–	12,838	12,838
Total comprehensive income for nine month period	–	–	–	56,265	155	12,838	69,258
Dividends	–	–	–	(19,022)	–	–	(19,022)
Credit in respect of employee share schemes	–	–	–	19,943	–	–	19,943
Movement on tax arising on share options and awards	–	–	–	31,189	–	–	31,189
Proceeds from sale of own shares	–	–	–	23,135	–	–	23,135
	–	–	–	55,245	–	–	55,245
At 30 September 2010 (unaudited)	672	351,578	61,474	353,460	–	96,016	863,200

Notes to the Financial Information

(1) Basis of preparation

The financial information prepared in accordance with the Group's IFRS accounting policies comprises the consolidated balance sheets as of 30 September 2010 and 31 December 2009, consolidated income statements and consolidated statements of comprehensive income for the three months and nine months ended 30 September 2010 and 2009, and consolidated statements of changes in shareholders' equity for the nine months ended 30 September 2010 and 2009, together with related notes. This condensed set of consolidated interim financial information for the nine months ended 30 September 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority. This financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

(2) Share-based payment costs and acquisition-related expenses

Included within the consolidated income statement for the quarter ended 30 September 2010 are total share-based payment costs (including related payroll taxes) of £13.1 million (2009: £6.3 million), allocated £0.9 million (2009: £0.4 million) in cost of revenues, £7.9 million (2009: £3.8 million) in research and development expenses, £2.5 million (2009: £1.2 million) in sales and marketing expenses and £1.8 million (2009: £0.9 million) in general and administrative expenses.

Included within the consolidated income statement for the nine months ended 30 September 2010 are total share-based payment costs (including related payroll taxes) of £31.3 million (2009: £16.7 million), allocated £2.1 million (2009: £1.2 million) in cost of revenues, £18.8 million (2009: £10.0 million) in research and development expenses, £6.0 million (2009: £3.2 million) in sales and marketing expenses and £4.4 million (2009: £2.3 million) in general and administrative expenses.

Also included within operating expenses for the quarter ended 30 September 2010 is amortisation of intangibles acquired on business combinations of £2.7 million (2009: £3.6 million), allocated £0.9 million (2009: £1.8 million) in research and development expenses and £1.8 million (2009: £1.8 million) in sales and marketing expenses.

(3) Accounts receivable

Included within accounts receivable at 30 September 2010 are £13.9 million (31 December 2009: £12.4 million) of amounts recoverable on contracts.

(4) Other debtors

Included within other debtors at 30 September 2010 is £15.3 million (31 December 2009: £nil) of amounts paid with respect to the interim dividend for the year to 31 December 2010, which has been declared as being due to the shareholders on 4 October 2010. In accordance with IAS 10 'Events after the reporting period', dividends are not recognised until they have been paid to the shareholders.

(5) 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 payment costs, restructuring charges, profit on disposal and impairment of available-for-sale investments, and Linaro-related charges. Full reconciliations of Q3 2010, Q3 2009, 9M 2010 and 9M 2009, are shown in notes 5.13 to 5.16. All figures in £'000 unless otherwise stated.

<i>Summary normalised figures</i>	Q3 2010	Q3 2009	Q2 2010	9M 2010	9M 2009
Revenues (£'000)	100,353	75,160	99,950	292,649	219,840
Revenues (\$'000)	158,120	123,007	150,299	451,715	349,435
Gross margin	94.2%	92.9%	94.9%	94.0%	91.4%
Operating expenses	56,642	45,986	52,128	157,759	137,589
Profit from operations	37,872	23,833	42,678	117,456	63,369
Operating margin	37.7%	31.7%	42.7%	40.1%	28.8%
Profit before tax	38,782	24,263	43,460	119,850	64,463
Earnings per share (diluted)	2.08p	1.34p	2.34p	6.45p	3.66p
Cash	251,856	121,689	202,257	251,856	121,689
Cash generation	64,991	28,338	30,414	139,248	55,420
	(5.1)	(5.2)	(5.3)	(5.4)	(5.5)
	Q3 2010	Q3 2009	Q2 2010	9M 2010	9M 2009
Revenues (£'000)	100,353	75,160	99,950	292,649	219,840
ARM's effective exchange rate (\$/£)	1.58	1.64	1.50	1.54	1.59
Revenues (\$'000)	158,120	123,007	150,299	451,715	349,435
				(5.6)	(5.7)
				30	31
				September	December
				2010	2009
Cash and cash equivalents				38,229	34,489
Short-term investments				213,627	105,524
Short-term marketable securities				-	1,795
Normalised cash				251,856	141,808
	(5.8)	(5.9)	(5.10)	(5.11)	(5.12)
	Q3 2010	Q3 2009	Q2 2010	9M 2010	9M 2009
Normalised cash at end of period (as above)	251,856	121,689	202,257	251,856	121,689
Less: Normalised cash at beginning of period	(202,257)	(88,217)	(195,950)	(141,808)	(78,789)
Add back: Cash outflow from investments and acquisitions (net of cash acquired)	3,746	1,346	3,872	8,618	4,400
Add back: Cash outflow from payment of dividends	15,304	-	19,022	34,326	16,634
Add back: Cash outflow from restructuring payments	370	-	2,253	4,510	1,434
Add back: Cash outflow from share-based payroll taxes	91	118	419	3,022	658
Add back: Cash outflow from payments related to Linaro	621	-	1,238	1,859	-
Less: Cash inflow from exercise of share options	(4,740)	(6,598)	(2,697)	(23,135)	(10,606)
Normalised cash generation	64,991	28,338	30,414	139,248	55,420

(5.13) Normalised income statement for Q3 2010

	Normalised £'000	Share- based payments £'000	Normalised incl share- based payments £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Linaro - related charges £'000	IFRS £'000
Revenues	100,353	-	100,353	-	-	-	100,353
Cost of revenues	(5,839)	(913)	(6,752)	-	-	-	(6,752)
Gross profit	<u>94,514</u>	<u>(913)</u>	<u>93,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,601</u>
Research and development	(26,392)	(7,858)	(34,250)	(871)	-	(3,169)	(38,290)
Sales and marketing	(13,337)	(2,490)	(15,827)	(1,870)	(114)	(35)	(17,846)
General and administrative	(16,913)	(1,833)	(18,746)	-	-	(43)	(18,789)
Total operating expenses	<u>(56,642)</u>	<u>(12,181)</u>	<u>(68,823)</u>	<u>(2,741)</u>	<u>(114)</u>	<u>(3,247)</u>	<u>(74,925)</u>
Profit from operations	37,872	(13,094)	24,778	(2,741)	(114)	(3,247)	18,676
Investment income	910	-	910	-	-	-	910
Profit before tax	<u>38,782</u>	<u>(13,094)</u>	<u>25,688</u>	<u>(2,741)</u>	<u>(114)</u>	<u>(3,247)</u>	<u>19,586</u>
Tax	(10,657)	3,917	(6,740)	1,010	32	909	(4,789)
Profit for the period	<u>28,125</u>	<u>(9,177)</u>	<u>18,948</u>	<u>(1,731)</u>	<u>(82)</u>	<u>(2,338)</u>	<u>14,797</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,354,522		1,354,522				1,354,522
Earnings per share – pence	2.08		1.40				1.09
ADSs outstanding ('000)	451,507		451,507				451,507
Earnings per ADS – cents	9.82		6.61				5.16

(5.14) Normalised income statement for Q3 2009

	Normalised £'000	Share- based payments £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues	75,160	-	75,160	-	-	-	75,160
Cost of revenues	(5,341)	(434)	(5,775)	-	-	-	(5,775)
Gross profit	<u>69,819</u>	<u>(434)</u>	<u>69,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,385</u>
Research and development	(21,542)	(3,772)	(25,314)	(1,780)	-	-	(27,094)
Sales and marketing	(11,859)	(1,196)	(13,055)	(1,861)	(114)	-	(15,030)
General and administrative	(12,585)	(881)	(13,466)	(3)	-	(6,557)	(20,026)
Total operating expenses	<u>(45,986)</u>	<u>(5,849)</u>	<u>(51,835)</u>	<u>(3,644)</u>	<u>(114)</u>	<u>(6,557)</u>	<u>(62,150)</u>
Profit from operations	23,833	(6,283)	17,550	(3,644)	(114)	(6,557)	7,235
Investment income	467	-	467	-	-	-	467
Interest payable	(37)	-	(37)	-	-	-	(37)
Profit before tax	<u>24,263</u>	<u>(6,283)</u>	<u>17,980</u>	<u>(3,644)</u>	<u>(114)</u>	<u>(6,557)</u>	<u>7,665</u>
Tax	(6,807)	2,800	(4,007)	1,364	32	1,837	(774)
Profit for the period	<u>17,456</u>	<u>(3,483)</u>	<u>13,973</u>	<u>(2,280)</u>	<u>(82)</u>	<u>(4,720)</u>	<u>6,891</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,301,102		1,301,102				1,301,102
Earnings per share – pence	1.34		1.07				0.53
ADSs outstanding ('000)	433,701		433,701				433,701
Earnings per ADS – cents	6.44		5.15				2.54

(5.15) Normalised income statement for 9M 2010

	Normalised £'000	Share- based payments £'000	Normalised incl share- based payments £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Linaro - related charges £'000	IFRS £'000
Revenues	292,649	-	292,649	-	-	-	292,649
Cost of revenues	(17,434)	(2,071)	(19,505)	-	-	-	(19,505)
Gross profit	<u>275,215</u>	<u>(2,071)</u>	<u>273,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,144</u>
Research and development	(77,950)	(18,851)	(96,801)	(2,873)	-	(3,441)	(103,115)
Sales and marketing	(38,188)	(5,991)	(44,179)	(5,729)	(342)	(151)	(50,401)
General and administrative	(41,621)	(4,401)	(46,022)	-	-	(893)	(46,915)
Total operating expenses	<u>(157,759)</u>	<u>(29,243)</u>	<u>(187,002)</u>	<u>(8,602)</u>	<u>(342)</u>	<u>(4,485)</u>	<u>(200,431)</u>
Profit from operations	117,456	(31,314)	86,142	(8,602)	(342)	(4,485)	72,713
Investment income	2,394	-	2,394	-	-	-	2,394
Profit before tax	<u>119,850</u>	<u>(31,314)</u>	<u>88,536</u>	<u>(8,602)</u>	<u>(342)</u>	<u>(4,485)</u>	<u>75,107</u>
Tax	(32,870)	9,501	(23,369)	3,175	96	1,256	(18,842)
Profit for the period	<u>86,980</u>	<u>(21,813)</u>	<u>65,167</u>	<u>(5,427)</u>	<u>(246)</u>	<u>(3,229)</u>	<u>56,265</u>
Earnings per share (assuming dilution)							
Shares outstanding ('000)	1,348,277		1,348,277				1,348,277
Earnings per share – pence	6.45		4.83				4.17
ADSs outstanding ('000)	449,426		449,426				449,426
Earnings per ADS – cents	30.50		22.85				19.73

(5.16) Normalised income statement for 9M 2009

	Normalised £'000	Share- based payments £'000	Normalised incl share- based compen- sation £'000	Intangible amortisa- tion £'000	Other acquisition -related charges £'000	Disposal / impairment of investments £'000	Restruct- -uring charges £'000	IFRS £'000
Revenues	219,840	-	219,840	-	-	-	-	219,840
Cost of revenues	(18,882)	(1,176)	(20,058)	-	-	-	-	(20,058)
Gross profit	<u>200,958</u>	<u>(1,176)</u>	<u>199,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,782</u>
Research and development	(65,875)	(10,036)	(75,911)	(5,922)	-	-	-	(81,833)
Sales and marketing	(35,810)	(3,183)	(38,993)	(6,131)	(342)	-	-	(45,466)
General and administrative	(35,904)	(2,342)	(38,246)	(15)	-	(188)	(7,991)	(46,440)
Total operating expenses	<u>(137,589)</u>	<u>(15,561)</u>	<u>(153,150)</u>	<u>(12,068)</u>	<u>(342)</u>	<u>(188)</u>	<u>(7,991)</u>	<u>(173,739)</u>
Profit from operations	63,369	(16,737)	46,632	(12,068)	(342)	(188)	(7,991)	26,043
Investment income	1,207	-	1,207	-	-	-	-	1,207
Interest payable	(113)	-	(113)	-	-	-	-	(113)
Profit before tax	<u>64,463</u>	<u>(16,737)</u>	<u>47,726</u>	<u>(12,068)</u>	<u>(342)</u>	<u>(188)</u>	<u>(7,991)</u>	<u>27,137</u>
Tax	(17,156)	6,205	(10,951)	4,521	96	53	2,242	(4,039)
Profit for the period	<u>47,307</u>	<u>(10,532)</u>	<u>36,775</u>	<u>(7,547)</u>	<u>(246)</u>	<u>(135)</u>	<u>(5,749)</u>	<u>23,098</u>
Earnings per share (assuming dilution)								
Shares outstanding ('000)	1,292,134		1,292,134					1,292,134
Earnings per share – pence	3.66		2.85					1.79
ADs outstanding ('000)	430,711		430,711					430,711
Earnings per ADS – cents	17.57		13.66					8.58