

ARM HOLDINGS PLC REPORTS RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2009

CAMBRIDGE, UK, 2 February 2010—ARM Holdings plc announces its unaudited financial results for the fourth quarter and full year ended 31 December 2009, reflecting resilient trading performance and further progress in delivering ARM’s strategy.

| Q4 Financial Summary | Normalised* | | | IFRS | |
|----------------------------------|-------------|---------|----------|---------|---------|
| | Q4 2009 | Q4 2008 | % Change | Q4 2009 | Q4 2008 |
| Revenue (\$m) | 140.0 | 149.4 | -6% | 140.0 | 149.4 |
| Revenue (£m) | 85.2 | 94.4 | -10% | 85.2 | 94.4 |
| Operating margin | 37.3% | 34.6% | | 23.0% | 23.8% |
| Profit before tax (£m) | 32.3 | 33.4 | -3% | 20.1 | 23.2 |
| Earnings per share (pence) | 1.79 | 1.94 | -8% | 1.32 | 1.35 |
| Net cash generation (£m)** | 30.7 | 28.3 | | | |
| Effective revenue fx rate (\$/£) | 1.64 | 1.58 | | | |

| FY Financial Summary | Normalised* | | | IFRS | |
|----------------------------------|-------------|---------|----------|---------|---------|
| | FY 2009 | FY 2008 | % Change | FY 2009 | FY 2008 |
| Revenue (\$m) | 489.5 | 546.2 | -10% | 489.5 | 546.2 |
| Revenue (£m) | 305.0 | 298.9 | +2% | 305.0 | 298.9 |
| Operating margin | 31.2% | 32.7% | | 15.0% | 20.1% |
| Profit before tax (£m) | 96.8 | 101.0 | -4% | 47.3 | 63.2 |
| Earnings per share (pence) | 5.45 | 5.66 | -4% | 3.11 | 3.39 |
| Net cash generation (£m)** | 86.1 | 93.1 | | | |
| Full year dividend (pence) | 2.42 | 2.20 | +10% | | |
| Effective revenue fx rate (\$/£) | 1.60 | 1.83 | | | |

Progress against strategy in Q4

- Growth in mobile applications
 - ARM opportunity increases as smartphone growth continues and first ARM® technology-based mobile computers introduced
 - 6 processor licenses signed for mobile phone and computing applications
 - ARM achieves an average of 2.4 chips per phone as capability of mobile phones increases
- Growth beyond mobile
 - ARM increases share in target markets such as consumer electronics and embedded products
 - Strong sequential growth with microcontrollers up 60% and smartcards up 100%
 - 19 processor licenses signed for a broad range of applications including automotive, microcontrollers, printers and smartcards
- Growth in new technology outsourcing
 - Leading semiconductor companies continue to license ARM’s physical IP and multimedia IP including:
 - GLOBALFOUNDRIES licensed ARM’s advanced 28nm physical IP
 - Samsung licensed ARM’s Mali graphics processor for use in next generation consumer products

Warren East, Chief Executive Officer, said:

“We are pleased that in Q4 ARM has continued to outperform the semiconductor industry as we gain market share. Throughout 2009 we demonstrated the resilience of the ARM business model in a challenging trading environment. Despite industry dollar revenues being down about 20% in the relevant period, ARM market share gains resulted in dollar revenues being down 10% with on-going financial discipline maintaining normalised operating margins over 30% and delivering strong cash generation.

The company is well-placed for this strong performance to continue as leading semiconductor manufacturers are increasingly designing ARM technology into their products, and as ARM technology becomes ever more pervasive in markets with long-term structural growth such as smartphones, digital TVs and microcontrollers. Recently, Infineon and STMicroelectronics have announced the intention to use, for the first time, ARM processors in their smartcard and digital TV/set-top-box product lines respectively.”

Outlook

It is generally anticipated that the semiconductor industry will see improving conditions in 2010 compared to 2009. The rate of improvement is still unclear as it will be influenced by consumer confidence and the broader macro-economic environment. Reflecting these generally anticipated improvements in the semiconductor industry, and given ARM’s strong industry position coming into 2010, we expect group dollar revenues for the full-year to be at least in line with current market expectations.

| Q4 2009 – Revenue Analysis | Revenue (\$m)*** | | | Revenue (£m) | | |
|----------------------------|------------------|--------------|------------|--------------|-------------|-------------|
| | Q4 2009 | Q4 2008 | % Change | Q4 2009 | Q4 2008 | % Change |
| PD | | | | | | |
| Licensing | 35.7 | 43.0 | -17% | 21.5 | 26.5 | -19% |
| Royalties | 63.5 | 65.5 | -3% | 38.4 | 42.5 | -10% |
| Total PD | 99.2 | 108.5 | -9% | 59.9 | 69.0 | -13% |
| PIPD | | | | | | |
| Licensing | 9.2 | 9.8 | -7% | 5.8 | 6.3 | -8% |
| Royalties ¹ | 11.1 | 10.5 | 6% | 6.7 | 6.8 | -1% |
| Total PIPD | 20.3 | 20.3 | | 12.5 | 13.1 | -4% |
| Development Systems | 12.7 | 12.9 | -1% | 7.9 | 8.1 | -2% |
| Services | 7.8 | 7.7 | 1% | 4.9 | 4.2 | 15% |
| Total Revenue | 140.0 | 149.4 | -6% | 85.2 | 94.4 | -10% |

¹ Includes catch-up royalties in Q4 2009 of \$0.8m (£0.5m) and in Q4 2008 of \$1.0m (£0.6m).

| FY 2009 – Revenue Analysis | Revenue (\$m)*** | | | Revenue (£m) | | |
|----------------------------|------------------|--------------|-------------|--------------|--------------|------------|
| | FY 2009 | FY 2008 | % Change | FY 2009 | FY 2008 | % Change |
| PD | | | | | | |
| Licensing | 128.2 | 145.1 | -12% | 76.5 | 79.3 | -4% |
| Royalties | 208.1 | 226.5 | -8% | 132.5 | 125.5 | 6% |
| Total PD | 336.3 | 371.6 | -10% | 209.0 | 204.8 | 2% |
| PIPD | | | | | | |
| Licensing | 35.9 | 44.6 | -20% | 22.0 | 24.2 | -9% |
| Royalties ¹ | 36.2 | 40.3 | -10% | 22.9 | 22.2 | 3% |
| Total PIPD | 72.1 | 84.9 | -15% | 44.9 | 46.4 | -3% |
| Development Systems | 51.6 | 57.8 | -11% | 32.9 | 31.1 | 6% |
| Services | 29.5 | 31.9 | -8% | 18.2 | 16.6 | 10% |
| Total Revenue | 489.5 | 546.2 | -10% | 305.0 | 298.9 | 2% |

¹ Includes catch-up royalties in FY 2009 of \$5.0m (£2.6m) and in FY 2008 of \$4.6m (£2.5m).

* Normalised figures are based on IFRS, adjusted for acquisition-related, share-based payment costs and restructuring charges and profit on disposal and impairment of available-for-sale investments. For reconciliations of IFRS measures to normalised non-IFRS measures detailed in this document, see notes 5.1 to 5.18.

** Before dividends and share buybacks, net cash flows from share option exercises, disposals of available-for-sale investments, investment and acquisition consideration and other items excluded from normalised profits – see notes 5.9 to 5.13.

*** 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.

A presentation of these results will be webcast today at 9:30 GMT at www.arm.com/ir

CONTACTS:

Nick Claydon/Daniel Thöle
Brunswick
+44 (0)207 404 5959

Tim Score/Ian Thornton
ARM Holdings plc
+44 (0)1223 400400

Total revenues

Total revenues in Q4 2009 were \$140.0 million, down 6% on Q4 2008. Q4 sterling revenues were £85.2 million, down 10% year-on-year. By comparison dollar revenue for the semiconductor industry was down about 15% over the equivalent period¹.

Total 2009 full-year revenues were \$489.5 million, down 10% on 2008. Full-year sterling revenues were £305.0 million, up 2% on 2008. By comparison dollar revenue for the semiconductor industry was down about 20%² over the equivalent period.

License revenues

Total dollar license revenues in Q4 2009 declined by 15% year-on-year to \$44.9m, representing 32% of group revenues. License revenues comprised \$35.7 million from PD and \$9.2 million from PIPD.

During Q4, several partners entered into long-term commitments to use ARM technology where the revenue associated with these agreements goes into backlog to be recognised in future quarters as engineering and delivery milestones are achieved. In addition, a subscription license was renewed during the quarter. As a result, group backlog at the end of the quarter was up more than 30% sequentially to a record high. See Backlog section for more details.

Full-year dollar license revenues were \$164.1 million, down 14% on 2008.

Royalty revenues

Royalties are recognised one quarter in arrears with royalties in Q4 generated from semiconductor unit shipments in Q3. Total dollar royalty revenues in Q4 2009 declined 2% to \$74.6 million, representing 53% of group revenues. Royalty revenues comprised \$63.5 million for PD and \$11.1 million for PIPD.

PD royalties were up 20% sequentially in Q4 2009, due to particularly strong Bluetooth, microcontroller and smartcard shipments.

PIPD royalties of \$11.1 million include \$0.8 million of “catch-up” royalties. Underlying royalties for PIPD were up 8% year-on-year to a record high, compared to the forecasted decline in overall foundry revenues³ of about 5% in the corresponding period.

Full-year dollar royalty revenues were \$244.3 million, down 8% on 2008. Royalty revenues now represent 50% of ARM’s total revenues, having grown from less than 40% in 2005. It is expected that royalty revenues will become a greater proportion of Group revenues in the future.

Development Systems and Service revenues

Sales of development systems were \$12.7 million in Q4 2009, slightly lower than Q4 last year and representing 9% of group revenues. Service revenues were \$7.8 million in Q4 2009, just ahead of last year and representing 6% of group revenues.

Full-year development systems revenues were \$51.6 million, down 11% year-on-year. Full-year service revenues were \$29.5 million, down 8% on 2008.

Gross margins

Gross margin in Q4 2009, excluding share-based payment costs of £0.6 million, was 94.3%, compared to 89.5% in Q4 2008.

Full-year gross margin, excluding share-based payment costs of £1.7 million, was 92.2% compared to 89.4% in 2008.

The higher gross margin in 2009 compared to 2008 is due primarily to the higher proportion of royalty and licensing revenue compared to development systems and services revenues.

¹ Source: Semiconductor Industry Association, November 2009

² Source: Semiconductor Industry Association, November 2009

³ Source: Gartner, December 2009

Operating expenses and operating margin

Normalised Q4 and full-year income statements for 2009 and 2008 are included in notes 5.14 to 5.18 below which reconcile IFRS to the normalised non-IFRS measures referred to in this earnings release.

Normalised operating expenses (excluding acquisition-related, share-based payments and restructuring charges) in Q4 2009 were £48.6 million compared to £46.0 million in Q3 2009 and £51.8 million in Q4 2008. The sequential increase in operating expenses in the fourth quarter is due primarily to a higher charge for bonus and commission payments than in Q3, arising from the strong revenue and bookings performance in Q4. Underlying costs were carefully managed throughout 2009. Group headcount at the end of 2009 is approximately 2% lower than at the start of the year and a pay freeze remained in place throughout the year. The pay freeze was lifted with effect from 1 January 2010 and, subject to the generally anticipated improvement in trading conditions materialising, it is expected that net headcount will increase gradually during 2010 as the Group continues to invest in the innovative technology that underpins future license and royalty revenues. Normalised operating expenses in Q1 2010 (assuming effective exchange rates similar to current levels) are expected to be £48-50 million.

Normalised operating margin in Q4 2009 was 37.3%, ARM's highest ever, mainly due to Q4 being the Group's second highest revenue quarter, combined with on-going financial discipline. Normalised operating margin in Q3 2009 and Q4 2008 was 31.7% and 34.6% respectively. Normalised operating margin in the full-year 2009 was 31.2% compared to 32.7% in 2008.

Normalised research and development expenses were £23.9 million in Q4 2009, representing 28% of revenues, compared to £21.5 million in Q3 2009 and £18.6 million in Q4 2008. Normalised sales and marketing costs in Q4 2009 were £12.7 million, being 15% of revenues, compared to £11.9 million in Q3 2009 and £14.1 million in Q4 2008. Normalised general and administrative expenses in Q4 2009 were £12.0 million, representing 14% of revenues, compared to £12.6 million in Q3 2009 and £19.2 million in Q4 2008.

Total IFRS operating expenses in Q4 2009 were £60.2 million (Q4 2008: £61.7 million) including amortisation of intangible assets and other acquisition-related charges of £3.7 million (Q4 2008: £5.6 million), £7.4 million (Q4 2008: £4.0 million) in relation to share-based payments and related payroll taxes and restructuring charges of £0.5 million (Q4 2008: £0.3 million). Total share-based payments and related payroll tax charges of £8.0 million in Q4 2009 were included within cost of revenues (£0.6 million), research and development (£4.8 million), sales and marketing (£1.5 million) and general and administrative (£1.1 million).

Full-year total IFRS operating expenses for 2009 were £233.9 million, including share-based payments and related payroll taxes of £23.0 million, amortisation of intangible assets and other acquisition charges of £16.2 million and restructuring charges of £8.5 million. Excluding these charges, operating expenses for the full year were £186.2 million, compared to £169.5 million in 2008.

Earnings and taxation

Profit before tax in Q4 2009 was £20.1 million compared to £23.2 million in Q4 2008. After adjusting for acquisition-related, share-based payments and restructuring charges, normalised profit before tax in Q4 2009 was £32.3 million compared to £33.4 million in Q4 2008. The Group's effective normalised tax rate in Q4 2009 was 27.2% (IFRS: 13.8%) giving a full year normalised tax rate of 26.8% (IFRS: 14.4%). The tax rate under IFRS is lower than the normalised tax rate due primarily to the impact of tax credits arising on share-based payments.

In Q4 2009, fully diluted earnings per share prepared under IFRS were 1.32 pence (6.38 cents per ADS****) compared to earnings per share of 1.35 pence (5.94 cents per ADS****) in Q4 2008. Normalised fully diluted earnings per share in Q4 2009 were 1.79 pence per share (8.66 cents per ADS****) compared to 1.94 pence (8.52 cents per ADS****) in Q4 2008.

Full-year 2009 fully diluted earnings per share prepared under IFRS were 3.11 pence compared to earnings per share of 3.39 pence in 2008. Normalised fully diluted earnings per share for 2009 were 5.45 pence per share compared to 5.66 pence per share in 2008.

Balance sheet

Intangible assets at 31 December 2009 were £541.5 million, comprising goodwill of £516.8 million and other intangible assets of £24.7 million, compared to £567.8 million and £45.1 million respectively at 31 December 2008. A regular review of the carrying value of assets arising on acquisition was performed during Q4 2009 and it was concluded that no impairment was required.

Total accounts receivable were £65.2 million at 31 December 2009, comprising £52.2 million of trade receivables and £13.0 million of amounts recoverable on contracts, compared to £56.1 million at 30 September 2009, comprising £45.3 million of trade receivables and £10.8 million of amounts recoverable on contracts. Days sales outstanding (DSOs) were 46 at 31 December 2009 compared to 43 at 30 September 2009 and 49 at 31 December 2008.

Cash flow and dividend

Total cash (see notes 5.6 to 5.8) at 31 December 2009 was £141.8 million compared to £121.7 million at 30 September 2009. Normalised cash generation in Q4 2009 was £30.7 million.

The directors recommend payment of a final dividend in respect of 2009 of 1.45 pence per share, up 10%, which taken together with the interim dividend of 0.97 pence per share paid in October 2009, gives a total dividend in respect of 2009 of 2.42 pence per share, an increase of 10% on the total dividend of 2.2 pence per share in 2008. Subject to shareholder approval, the final dividend will be paid on 19 May 2010 to shareholders on the register on 30 April 2010.

Operating review

Backlog

During Q4 several partners entered into long-term commitments to use ARM technology including GLOBALFOUNDRIES licensing leading-edge physical IP, Infineon signing an architecture license, enabling them to develop ARM technology-compatible processors for security applications such as smartcards, and STMicroelectronics renewing their subscription license.

This has led to ARM's highest ever group order backlog at the end of Q4 2009, increasing more than 30% sequentially and up more than 20% on a year ago.

Processor licensing

A total of 25 processor licenses were signed in Q4. Non-mobile devices continue to be a major driver for processor licensing with 19 of the new processor licenses being signed for a broad range of digital products such as automotive, consumer entertainment, microcontrollers, printers, networking, smartcards and solid state drives. The remaining six licenses were entered into for use in mobile computers and smartphones, including a new use for an ARM processor in the peripheral ICs within a mobile phone.

14 of the licenses were for ARM's advanced Mali™ graphics and Cortex™ processors, including Samsung who licensed a Mali 3D graphics processor for use in next generation consumer products. As industrial and consumer products become more energy and resource efficient, they need smarter chips to control them. This is opening up new markets for ARM technology in deeply embedded chips, such as microcontrollers, illustrated by seven of these licenses being for Cortex-M class processors.

Q4 2009 and Cumulative Processor Licensing Analysis

| | Existing Licensees | New Licensees | Quarter Total | Cumulative Total* |
|----------|--------------------|---------------|---------------|-------------------|
| ARM7 | 2 | 1 | 3 | 172 |
| ARM9 | 1 | 3 | 4 | 262 |
| ARM11 | 3 | 1 | 4 | 76 |
| Cortex-A | 4 | | 4 | 33 |
| Cortex-R | | | | 17 |
| Cortex-M | 5 | 2 | 7 | 51 |
| Mali | 2 | | 2 | 27 |
| Other | 1 | | 1 | 24 |
| Total | 18 | 7 | 25 | 662 |

* Adjusted for licenses that are no longer expected to start generating royalties

As mentioned in the Q3 2009 earnings announcement, ARM has been meeting new product development demand, from companies with reduced budgets, by offering more term and single-use licenses. Typically, these licenses have a lower upfront fee but a higher on-going royalty rate.

Processor royalties

Royalties are recognised one quarter in arrears with royalties in Q4 generated from semiconductor unit shipments in Q3. PD royalty revenues in Q4 2009 declined 3% year-on-year. This compares with industry revenues declining by about 20% in the shipment period (i.e. Q3 2009 compared to Q3 2008), demonstrating ARM's market share gains over the last 12 months.

Q4 revenue came from the sales of more than 1.3 billion ARM technology-based chips, the highest ever number of ARM technology-based chips shipped in a quarter. The ARM11™ family now represents 5% of total unit shipments, with the ARM7™ and ARM9™ families representing 57% and 36% of total shipments respectively. The Cortex family represents 2% of total shipments, with the number of Cortex processor-based chips more than doubling sequentially.

Q4 2009 Processor Royalty Analysis

| Processor Family | Unit Shipments | Market Segment | Unit Shipments |
|------------------|----------------|----------------|----------------|
| ARM7 | 57% | Mobile | 62% |
| ARM9 | 36% | Enterprise | 15% |
| ARM11 | 5% | Home | 5% |
| Cortex | 2% | Embedded | 18% |

ARM continued to gain share in non-mobile end-markets. Shipments of ARM technology-based microcontrollers grew 60% sequentially, compared to 20% growth for the overall microcontroller market, and ARM technology-based smartcards doubled sequentially. Part of this growth was due to an increase in sales of Cortex-M class based chips. These chips go into a wide range of price sensitive markets such as toys, white-goods and industrial controllers. This strong sequential growth in low-cost microcontrollers has resulted in the average royalty rate decreasing to 4.9c in the quarter from 5.3c in the prior quarter and 5.4c in the same quarter last year.

The increasing penetration of smartphones continues to benefit ARM. In Q3 smartphone shipments grew about 15% year-on-year, whilst overall mobile phone shipments were flat. In addition, ARM's customers reported an increase in wireless connectivity chip sales into mobile phones. For the quarter, ARM achieved an average of 2.4 ARM technology-based chips per mobile handset, up from 2.1 in the previous quarter. Over the last few months, more new smartphones and mobile computers based on Cortex-A technology were announced by OEMs including Dell, Google, Lenovo, HP and Motorola.

PIPD licensing

ARM signed three new licenses in Q4 for royalty-bearing platforms of physical IP, one at 28nm and two at 130nm. The base of platform licenses for physical IP further drives ARM's future royalty potential.

ARM's strategy of developing advanced physical IP for leading-edge manufacturing processes remains on track. As mentioned in the Q3 earnings announcement GLOBALFOUNDRIES licensed a platform of ARM's advanced 28nm physical IP early in Q4. In addition, two leading foundries licensed ARM's physical IP at 130nm demonstrating continuing demand for ARM technology at more mature nodes.

At the end of the quarter, ARM had signed 68 platform licenses.

Q4 2009 and Cumulative PIPD Licensing Analysis

| | Process Node (nm) | Total |
|-----------------------|-------------------|-------|
| New Platform Licenses | 32/28 | 1 |
| | 130 | 2 |

| Platform analysis (nm) | Royalty-bearing Platforms at Each Node |
|------------------------|--|
| 32/28 | 6 |
| 45/40 | 7 |
| 65 | 10 |
| 90 | 10 |
| 130 | 15 |
| 180 to 250 | 20 |
| Total | 68 |

Included within processor licenses is another agreement for a Cortex-A9 processor which has been optimised with ARM's physical IP and runs at 2GHz whilst consuming less than 2W of power, further demonstrating the synergistic benefits of having both processor and physical IP within ARM.

PIPD royalties

Physical IP royalties are generated mainly from chips manufactured in foundries such as TSMC, UMC and Chartered. Royalties are recognised one quarter in arrears with royalties in Q4 generated from semiconductor unit shipments in Q3.

Underlying PIPD royalties in Q4 2009 were \$10.3 million, up 8% year-on-year, to a record high. PIPD demonstrates continuing market share gains as industry revenues are forecast to have declined about 5% compared to a year ago⁴. ARM is now receiving royalty revenue from wafer shipments across nine different advanced processes at 65nm and below, contributing more than 10% of PIPD's total royalty revenues.

People

At 31 December 2009, ARM had 1,710 full-time employees, a net reduction of 30 since the start of the year. At the end of 2009, the group had 661 employees based in the UK, 496 in the US, 204 in Continental Europe, 265 in India and 84 in the Asia Pacific region.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group that could affect the results in 2009 and beyond are noted within the Annual Report for the year ended 31 December 2008. There have been no changes to these risks that would materially impact the Group in the foreseeable future. These include but are not limited to: ARM's quarterly results may fluctuate significantly and be unpredictable which could adversely affect the market price of ARM ordinary shares; general economic conditions may reduce ARM's revenues and harm its business; and ARM competes in the intensely competitive semiconductor market.

⁴ Source: Gartner, December 2009

ARM Holdings plc
Fourth Quarter and Full Year Results
Consolidated balance sheet - IFRS

| | 31 December 2009 Unaudited £'000 | 31 December 2008 Audited £'000 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Financial assets: Cash and cash equivalents | 34,489 | 76,502 |
| Short-term investments | 105,524 | 471 |
| Short-term marketable securities | 1,795 | 1,816 |
| Embedded derivatives | 2,480 | 12,298 |
| Fair value of currency exchange contracts | 457 | - |
| Accounts receivable (see note 3) | 65,247 | 76,914 |
| Prepaid expenses and other assets | 23,635 | 23,134 |
| Current tax assets | 350 | 621 |
| Inventories: finished goods | 1,680 | 1,972 |
| Total current assets | 235,657 | 193,728 |
| Non-current assets: | | |
| Financial assets: Available-for-sale investments | 9,432 | 1,167 |
| Prepaid expenses and other assets | 1,611 | 2,102 |
| Property, plant and equipment | 13,565 | 14,197 |
| Goodwill | 516,798 | 567,844 |
| Other intangible assets | 24,696 | 45,082 |
| Deferred tax assets | 42,724 | 24,063 |
| Total non-current assets | 608,826 | 654,455 |
| Total assets | 844,483 | 848,183 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Financial liabilities: Accounts payable | 2,280 | 6,953 |
| Fair value of currency exchange contracts | - | 18,457 |
| Accrued and other liabilities | 46,688 | 35,646 |
| Current tax liabilities | 16,536 | 15,655 |
| Deferred revenue | 39,562 | 29,906 |
| Total current liabilities | 105,066 | 106,617 |
| Non-current liabilities: | | |
| Deferred tax liabilities | 720 | 1,223 |
| Total liabilities | 105,786 | 107,840 |
| Net assets | 738,697 | 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 | 241,950 | 182,008 |
| Revaluation reserve | (155) | (285) |
| Cumulative translation adjustment | 83,178 | 144,896 |
| Total equity | 738,697 | 740,343 |

ARM Holdings plc
Consolidated income statement – IFRS

| | Quarter ended 31 December 2009 Unaudited £'000 | Quarter ended 31 December 2008 Unaudited £'000 | Year ended 31 December 2009 Unaudited £'000 | Year ended 31 December 2008 Audited £'000 |
|--|---|---|---|---|
| Revenues | | | | |
| Product revenues | 80,298 | 90,116 | 286,834 | 282,382 |
| Service revenues | 4,884 | 4,251 | 18,188 | 16,552 |
| Total revenues | 85,182 | 94,367 | 305,022 | 298,934 |
| Cost of revenues | | | | |
| Product costs | (3,045) | (7,889) | (16,645) | (24,539) |
| Service costs | (2,368) | (2,341) | (8,826) | (8,339) |
| Total cost of revenues | (5,413) | (10,230) | (25,471) | (32,878) |
| Gross profit | 79,769 | 84,137 | 279,551 | 266,056 |
| Research and development | (30,382) | (24,538) | (112,215) | (87,588) |
| Sales and marketing | (16,257) | (16,813) | (61,723) | (57,448) |
| General and administrative | (13,559) | (20,347) | (59,999) | (61,077) |
| Total operating expenses | (60,198) | (61,698) | (233,937) | (206,113) |
| Profit from operations | 19,571 | 22,439 | 45,614 | 59,943 |
| Investment income | 581 | 811 | 1,788 | 3,297 |
| Interest payable | (30) | (11) | (143) | (51) |
| Profit before tax | 20,122 | 23,239 | 47,259 | 63,189 |
| Tax | (2,781) | (6,014) | (6,820) | (19,597) |
| Profit for the period | 17,341 | 17,225 | 40,439 | 43,592 |
| Dividends | | | | |
| -final 2007 paid (on 21 May 2008) at 1.2 pence per share | – | – | – | 15,267 |
| -interim 2008 paid (on 3 October 2008) at 0.88 pence per share | – | 11,116 | – | 11,116 |
| -final 2008 paid (on 20 May 2009) at 1.32 pence per share | – | – | 16,634 | – |
| -interim 2009 paid (on 5 October 2009) at 0.97 pence per share | 12,327 | – | 12,327 | – |
| Earnings per share | | | | |
| Basic and diluted earnings | 17,341 | 17,225 | 40,439 | 43,592 |
| Number of shares ('000) | | | | |
| Basic weighted average number of shares | 1,278,164 | 1,255,332 | 1,266,624 | 1,265,237 |
| Effect of dilutive securities: Share options and awards | 38,275 | 19,819 | 34,026 | 21,176 |
| Diluted weighted average number of shares | 1,316,439 | 1,275,151 | 1,300,650 | 1,286,413 |
| Basic EPS (pence) | 1.4 | 1.4 | 3.2 | 3.4 |
| Diluted EPS (pence) | 1.3 | 1.4 | 3.1 | 3.4 |
| Diluted earnings per ADS (cents) | 6.4 | 5.9 | 15.1 | 14.9 |

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

| | Year ended 31 December 2009 Unaudited £'000 | Year ended 31 December 2008 Audited £'000 |
|--|---|---|
| Profit for the year | 40,439 | 43,592 |
| Other comprehensive income: | | |
| Realised gain on available-for-sale investment (net of tax of £84,000) | – | 214 |
| Unrealised holding gain/(losses) on available-for-sale investments (net of tax of £nil) | 130 | (285) |
| Foreign exchange difference on consolidation | (61,718) | 164,369 |
| Other comprehensive (loss)/income for the year | (61,588) | 164,298 |
| Total comprehensive (loss)/income for the year | (21,149) | 207,890 |

ARM Holdings plc
Consolidated cash flow statement - IFRS

| | Year ended 31 December 2009 Unaudited £'000 | Year ended 31 December 2008 Audited £'000 |
|---|--|--|
| Operating activities | | |
| Profit from operations | 45,614 | 59,943 |
| Depreciation and amortisation of tangible and intangible assets | 24,953 | 26,952 |
| Loss on disposal of property, plant and equipment | 79 | 36 |
| Compensation charge in respect of share-based payments | 19,001 | 15,409 |
| Impairment of available-for-sale investments | 412 | – |
| Profit on disposal of available-for-sale investments | (224) | – |
| Provision for doubtful debts | 1,018 | 641 |
| Provision for obsolescence of inventory | 211 | 87 |
| Movement in fair value of currency exchange contracts | (18,914) | 17,961 |
| Movement in fair value of embedded derivatives | 9,818 | (12,518) |
| Changes in working capital: | | |
| Accounts receivable | 9,531 | (6,364) |
| Inventories | 81 | 280 |
| Prepaid expenses and other assets | 358 | (8,915) |
| Accounts payable | (4,673) | 4,661 |
| Deferred revenue | 10,281 | 1,548 |
| Accrued and other liabilities | 14,564 | 6,831 |
| Cash generated by operations before tax | 112,110 | 106,552 |
| Income taxes paid | (15,550) | (6,019) |
| Net cash from operating activities | 96,560 | 100,533 |
| Investing activities | | |
| Interest received | 1,277 | 3,234 |
| Purchases of property, plant and equipment | (6,030) | (8,084) |
| Purchases of other intangible assets | (3,888) | (5,938) |
| Purchases of available-for-sale investments | (9,116) | (1,029) |
| Proceeds on disposal of property, plant and equipment | 49 | – |
| Proceeds on disposal of available-for-sale investments | 663 | 6,291 |
| Purchase of short-term investments | (104,902) | (758) |
| Purchases of subsidiaries, net of cash acquired | (563) | (7,371) |
| Net cash used in investing activities | (122,510) | (13,655) |
| Financing activities | | |
| Proceeds received on issuance of shares from treasury | 19,085 | 5,581 |
| Purchase of own shares | – | (40,286) |
| Dividends paid to shareholders | (28,961) | (26,383) |
| Net cash used in financing activities | (9,876) | (61,088) |
| Net (decrease) / increase in cash and cash equivalents | (35,826) | 25,790 |
| Cash and cash equivalents at beginning of year | 76,502 | 49,509 |
| Effect of foreign exchange rate changes | (6,187) | 1,203 |
| Cash and cash equivalents at end of year | 34,489 | 76,502 |

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 2008 (audited) | 672 | 351,578 | 61,474 | 185,125 | (214) | (19,473) | 579,162 |
| Profit for the year | – | – | – | 43,592 | – | – | 43,592 |
| Other comprehensive income: | | | | | | | |
| Realised gain on available-for-sale investment | – | – | – | – | 214 | – | 214 |
| Unrealised holding losses on available-for-sale investments | – | – | – | – | (285) | – | (285) |
| Currency translation adjustment | – | – | – | – | – | 164,369 | 164,369 |
| Total comprehensive income/(expense) for the year | – | – | – | 43,592 | (71) | 164,369 | 207,890 |
| Dividends | – | – | – | (26,383) | – | – | (26,383) |
| Credit in respect of employee share schemes | – | – | – | 15,409 | – | – | 15,409 |
| Movement on tax arising on share options | – | – | – | (1,030) | – | – | (1,030) |
| Purchase of own shares | – | – | – | (40,286) | – | – | (40,286) |
| Proceeds from sale of own shares | – | – | – | 5,581 | – | – | 5,581 |
| | – | – | – | (46,709) | – | – | (46,709) |
| At 31 December 2008 (audited) | 672 | 351,578 | 61,474 | 182,008 | (285) | 144,896 | 740,343 |
| Profit for the year | – | – | – | 40,439 | – | – | 40,439 |
| Other comprehensive income: | | | | | | | |
| Unrealised holding gain on available-for-sale investments | – | – | – | – | 130 | – | 130 |
| Currency translation adjustment | – | – | – | – | – | (61,718) | (61,718) |
| Total comprehensive income/(expense) for the year | – | – | – | 40,439 | 130 | (61,718) | (21,149) |
| Dividends | – | – | – | (28,961) | – | – | (28,961) |
| Credit in respect of employee share schemes | – | – | – | 19,001 | – | – | 19,001 |
| Movement on tax arising on share options | – | – | – | 10,378 | – | – | 10,378 |
| Proceeds from sale of own shares | – | – | – | 19,085 | – | – | 19,085 |
| | – | – | – | 19,503 | – | – | 19,503 |
| At 31 December 2009 (unaudited) | 672 | 351,578 | 61,474 | 241,950 | (155) | 83,178 | 738,697 |

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 December 2009 and 31 December 2008, consolidated income statements for the quarters and years ended 31 December 2009 and 2008, consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in shareholders' equity for the years ended 31 December 2009 and 2008, 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.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

- *Amendment to IFRS 2, "Share-based payments"* This clarifies what events constitute vesting conditions and also specifies that all cancellations, whether by the Group or by another party, should receive the same accounting treatment. This does not have a material impact on the Group's financial statements as it does not have a significant number of the types of options affected.
- *IAS 1 (revised), "Presentation of financial statements"* This revised standard requires entities to prepare a statement of comprehensive income. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Owner changes in equity are shown in a statement of changes in equity. Also entities making restatements or reclassifications of comparative information are required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group has disclosed both an income statement and a statement of comprehensive income in these results.
- *IFRS 7 (Revised), "Financial instruments: Disclosures"* This amendment forms part of the IASB's response to the financial crisis and is aimed at improving transparency and enhancing accounting guidance. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. This will only affect presentation in the Group's annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant to the Group:

- *Amendment to IAS 39, "Financial instruments: Recognition and measurement"*;
- *Amendment to IAS 32, "Financial instruments: Presentation", and IAS 1, "Presentation of financial statements on 'Puttable financial instruments and obligations arising on liquidation'"*;
- *IAS 23 (Revised), "Borrowing costs"*;
- *IFRIC 13, "Customer loyalty programmes relating to IAS 18, Revenue"*;
- *IFRIC 14, "IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction"*.

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

Included within the consolidated income statement for the quarter ended 31 December 2009 are total share-based payment costs (including related payroll taxes) of £8.0 million (2008: £4.3 million), allocated £0.6 million (2008: £0.3 million) in cost of revenues, £4.8 million (2008: £2.9 million) in research and development costs, £1.5 million (2008: £0.5 million) in sales and marketing costs and £1.1 million (2008: £0.6 million) in general and administrative costs.

Included within the consolidated income statement for the year ended 31 December 2009 are total share-based payment costs (including related payroll taxes) of £24.7 million (2008: £15.9 million), allocated £1.7 million (2008: £1.1 million) in cost of revenues, £14.8 million (2008: £10.7 million) in research and development costs, £4.7 million (2008: £2.0 million) in sales and marketing costs and £3.5 million (2008: £2.1 million) in general and administrative costs.

Also included within operating costs for the quarter ended 31 December 2009 is amortisation of intangibles acquired on business combinations of £3.6 million (2008: £5.5 million), allocated £1.7 million (2008: £3.1 million) in research and development costs, £1.9 million (2008: £2.2 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 December 2009 are £13.0 million (31 December 2008: £17.9 million) of amounts recoverable on contracts.

(4) Segmental reporting

At 31 December 2009, the Group is organised on a worldwide basis into three main business segments:

Processor Division (PD), encompassing those resources that are centred on microprocessor cores, including specific functions such as graphics IP, fabric IP and embedded software and configurable digital signal processing IP.

Physical IP Division (PIPD), concerned with the building blocks necessary for translation of a circuit design into actual silicon.

Systems Design Division (SDD), focused on the tools and models used to create and debug software and system-on-chip (SoC) designs.

This is based upon the Group's internal organisation and management structure and is the primary way in which the board of directors is provided with financial information. Whilst revenues are reported into four main revenue streams (namely licensing, royalties, development systems and services), the costs, operating results and balance sheets are only analysed into these three divisions.

The following analysis is of revenues (in both GBP and USD), operating expenses, investment income, interest payable, profit/(loss) before tax, tax, profit/(loss) for the year, depreciation, amortisation of intangible assets, share-based payment costs, goodwill and total assets for each segment and the Group in total.

| | Processor Division £000 | Physical IP Division £000 | Systems Design Division £000 | Unallocated £000 | Group £000 |
|--|--|--|---|-----------------------------|-----------------------|
| Year ended 31 December 2009 | | | | | |
| <i>Segmental income statement</i> | | | | | |
| Revenues (GBP) | £ 227,191 | £44,890 | £32,941 | – | £305,022 |
| Operating costs | (148,820) | (81,070) | (37,019) | 7,501 | (259,408) |
| Investment income | – | – | – | 1,788 | 1,788 |
| Interest payable | – | – | – | (143) | (143) |
| Profit/(loss) before tax | 78,371 | (36,180) | (4,078) | 9,146 | 47,259 |
| Tax | – | – | – | (6,820) | (6,820) |
| Profit/(loss) for the year | 78,371 | (36,180) | (4,078) | 2,326 | 40,439 |
| <i>Other segmental items</i> | | | | | |
| Amortisation of intangible assets (including software) | 3,709 | 13,933 | 1,693 | – | 19,335 |
| Share-based payment costs | 10,698 | 4,992 | 3,311 | – | 19,001 |
| Goodwill | 135,723 | 366,258 | 14,817 | – | 516,798 |
| Total assets | 223,300 | 394,194 | 28,089 | 198,900 | 844,483 |
| Revenues (USD) | \$ 365,730 | \$ 72,148 | \$ 51,575 | – | \$ 489,453 |
| Year ended 31 December 2008 | | | | | |
| <i>Segmental income statement</i> | | | | | |
| Revenues (GBP) | £ 221,354 | £ 46,432 | £ 31,148 | – | £ 298,934 |
| Operating costs | (124,597) | (73,173) | (38,189) | (3,032) | (238,991) |
| Investment income | – | – | – | 3,297 | 3,297 |
| Interest payable | – | – | – | (51) | (51) |
| Profit/(loss) before tax | 96,757 | (26,741) | (7,041) | 214 | 63,189 |
| Tax | – | – | – | (19,597) | (19,597) |
| Profit/(loss) for the year | 96,757 | (26,741) | (7,041) | (19,383) | 43,592 |
| <i>Other segmental items</i> | | | | | |
| Amortisation of intangible assets (including software) | 2,692 | 16,187 | 2,903 | – | 21,782 |
| Share-based payment costs | 8,937 | 3,698 | 2,774 | – | 15,409 |
| Goodwill | 143,649 | 407,940 | 16,255 | – | 567,844 |
| Total assets | 235,899 | 463,302 | 32,136 | 116,846 | 848,183 |
| Revenues (USD) | \$ 403,541 | \$ 84,874 | \$ 57,796 | – | \$ 546,211 |

There are no inter-segment revenues. The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole. Unallocated assets include financial assets, current and deferred tax and VAT.

(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 and restructuring charges and profit on disposal and impairment of available-for-sale investments. Full reconciliations of Q409, Q408, Q309, FY 2009 and FY 2008 are shown in notes 5.14 to 5.18. All figures in £'000 unless otherwise stated.

| <i>Summary normalised figures</i> | Q4 2009 | Q4 2008 | Q3 2009 | FY 2009 | FY 2008 |
|---|----------------|-------------------------|--------------------------|-------------------------|----------------|
| Revenues | 85,182 | 94,367 | 75,160 | 305,022 | 298,934 |
| Revenues (\$'000) | 140,017 | 149,420 | 123,008 | 489,453 | 546,211 |
| Gross margin | 94.3% | 89.5% | 92.9% | 92.2% | 89.4% |
| Operating expenses | 48,563 | 51,783 | 45,986 | 186,152 | 169,452 |
| Profit from operations | 31,757 | 32,648 | 23,833 | 95,126 | 97,706 |
| Operating margin | 37.3% | 34.6% | 31.7% | 31.2% | 32.7% |
| Profit before tax | 32,308 | 33,448 | 24,263 | 96,771 | 100,952 |
| Earnings per share (diluted) | 1.79p | 1.94p | 1.34p | 5.45p | 5.66p |
| Cash | 141,808 | 78,789 | 121,689 | 141,808 | 78,789 |
| Cash generation | 30,683 | 28,294 | 28,338 | 86,103 | 93,112 |
| | (5.1) | (5.2) | (5.3) | (5.4) | (5.5) |
| | Q4 2009 | Q4 2008 | Q3 2009 | FY 2009 | FY 2008 |
| Revenues (£'000) | 85,182 | 94,367 | 75,160 | 305,022 | 298,934 |
| ARM's effective exchange rate (\$/£) | 1.64 | 1.58 | 1.64 | 1.60 | 1.83 |
| Revenues (\$'000) | 140,017 | 149,420 | 123,008 | 489,453 | 546,211 |
| | | (5.6) | (5.7) | (5.8) | |
| | | 31 December 2009 | 30 September 2009 | 31 December 2008 | |
| Cash and cash equivalents | | 34,489 | 44,475 | 76,502 | |
| Short-term investments | | 105,524 | 75,404 | 471 | |
| Short-term marketable securities | | 1,795 | 1,810 | 1,816 | |
| Normalised cash | | 141,808 | 121,689 | 78,789 | |
| | (5.9) | (5.10) | (5.11) | (5.12) | (5.13) |
| | Q4 2009 | Q4 2008 | Q3 2009 | FY 2009 | FY 2008 |
| Normalised cash at end of period (as above) | 141,808 | 78,789 | 121,689 | 141,808 | 78,789 |
| Less: Normalised cash at beginning of period | (121,689) | (66,019) | (88,217) | (78,789) | (51,323) |
| Add back: Cash outflow from investments and acquisitions (net of cash acquired) | 4,616 | 5,760 | 1,346 | 9,679 | 8,400 |
| Add back: Cash outflow from payment of dividends | 12,327 | 11,116 | – | 28,961 | 26,383 |
| Add back: Cash outflow from purchase of own shares | – | 3,243 | – | – | 40,286 |
| Add back: Cash outflow from restructuring and other normalised items | 2,100 | 378 | 118 | 4,192 | 2,449 |
| Less: Cash inflow from exercise of share options | (8,479) | (160) | (6,598) | (19,085) | (5,581) |
| Less: Cash inflow from sale of available-for-sale investments | – | (4,813) | – | (663) | (6,291) |
| Normalised cash generation | 30,683 | 28,294 | 28,338 | 86,103 | 93,112 |

(5.14) Normalised income statement for Q4 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 | | | | | | | |
| Product revenues | 80,298 | – | 80,298 | – | – | – | 80,298 |
| Service revenues | 4,884 | – | 4,884 | – | – | – | 4,884 |
| Total revenues | <u>85,182</u> | <u>–</u> | <u>85,182</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>85,182</u> |
| Cost of revenues | | | | | | | |
| Product costs | (3,045) | – | (3,045) | – | – | – | (3,045) |
| Service costs | (1,817) | (551) | (2,368) | – | – | – | (2,368) |
| Total cost of revenues | <u>(4,862)</u> | <u>(551)</u> | <u>(5,413)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(5,413)</u> |
| Gross profit | <u>80,320</u> | <u>(551)</u> | <u>79,769</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>79,769</u> |
| <i>Gross margin</i> | <i>94.3%</i> | | | | | | <i>93.6%</i> |
| Research and development | (23,867) | (4,781) | (28,648) | (1,734) | – | – | (30,382) |
| Sales and marketing | (12,733) | (1,514) | (14,247) | (1,896) | (114) | – | (16,257) |
| General and administrative | (11,963) | (1,116) | (13,079) | – | – | (480) | (13,559) |
| Total operating expenses | <u>(48,563)</u> | <u>(7,411)</u> | <u>(55,974)</u> | <u>(3,630)</u> | <u>(114)</u> | <u>(480)</u> | <u>(60,198)</u> |
| Profit from operations | 31,757 | (7,962) | 23,795 | (3,630) | (114) | (480) | 19,571 |
| <i>Operating margin</i> | <i>37.3%</i> | | | | | | <i>23.0%</i> |
| Investment income | 581 | – | 581 | – | – | – | 581 |
| Interest payable | (30) | – | (30) | – | – | – | (30) |
| Profit before tax | <u>32,308</u> | <u>(7,962)</u> | <u>24,346</u> | <u>(3,630)</u> | <u>(114)</u> | <u>(480)</u> | <u>20,122</u> |
| Tax | (8,773) | 4,437 | (4,336) | 1,348 | 32 | 175 | (2,781) |
| Profit for the period | <u>23,535</u> | <u>(3,525)</u> | <u>20,010</u> | <u>(2,282)</u> | <u>(82)</u> | <u>(305)</u> | <u>17,341</u> |
| Earnings per share (assuming dilution) | | | | | | | |
| Shares outstanding ('000) | 1,316,439 | | 1,316,439 | | | | 1,316,439 |
| Earnings per share – pence | 1.79 | | 1.52 | | | | 1.32 |
| ADSS outstanding ('000) | 438,813 | | 438,813 | | | | 438,813 |
| Earnings per ADS – cents | 8.66 | | 7.36 | | | | 6.38 |

(5.15) Normalised income statement for Q4 2008

| | 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 | | | | | | | |
| Product revenues | 90,116 | – | 90,116 | – | – | – | 90,116 |
| Service revenues | 4,251 | – | 4,251 | – | – | – | 4,251 |
| Total revenues | 94,367 | – | 94,367 | – | – | – | 94,367 |
| Cost of revenues | | | | | | | |
| Product costs | (7,889) | – | (7,889) | – | – | – | (7,889) |
| Service costs | (2,047) | (294) | (2,341) | – | – | – | (2,341) |
| Total cost of revenues | (9,936) | (294) | (10,230) | – | – | – | (10,230) |
| Gross profit | 84,431 | (294) | 84,137 | – | – | – | 84,137 |
| <i>Gross margin</i> | <i>89.5%</i> | | | | | | <i>89.2%</i> |
| Research and development | (18,559) | (2,884) | (21,443) | (3,072) | (23) | – | (24,538) |
| Sales and marketing | (14,060) | (559) | (14,619) | (2,195) | 1 | – | (16,813) |
| General and administrative | (19,164) | (560) | (19,724) | (197) | (136) | (290) | (20,347) |
| Total operating expenses | (51,783) | (4,003) | (55,786) | (5,464) | (158) | (290) | (61,698) |
| Profit from operations | 32,648 | (4,297) | 28,351 | (5,464) | (158) | (290) | 22,439 |
| <i>Operating margin</i> | <i>34.6%</i> | | | | | | <i>23.8%</i> |
| Investment income | 811 | – | 811 | – | – | – | 811 |
| Interest payable | (11) | – | (11) | – | – | – | (11) |
| Profit before tax | 33,448 | (4,297) | 29,151 | (5,464) | (158) | (290) | 23,239 |
| Tax | (8,733) | 447 | (8,286) | 2,108 | 53 | 111 | (6,014) |
| Profit for the period | 24,715 | (3,850) | 20,865 | (3,356) | (105) | (179) | 17,225 |
| Earnings per share (assuming dilution) | | | | | | | |
| Shares outstanding ('000) | 1,275,151 | | 1,275,151 | | | | 1,275,151 |
| Earnings per share – pence | 1.94 | | 1.64 | | | | 1.35 |
| ADSs outstanding ('000) | 425,050 | | 425,050 | | | | 425,050 |
| Earnings per ADS – cents | 8.52 | | 7.19 | | | | 5.94 |

(5.16) 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 | | | | | | | |
| Product revenues | 70,717 | – | 70,717 | – | – | – | 70,717 |
| Service revenues | 4,443 | – | 4,443 | – | – | – | 4,443 |
| Total revenues | <u>75,160</u> | <u>–</u> | <u>75,160</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>75,160</u> |
| Cost of revenues | | | | | | | |
| Product costs | (3,661) | – | (3,661) | – | – | – | (3,661) |
| Service costs | (1,680) | (434) | (2,114) | – | – | – | (2,114) |
| Total cost of revenues | <u>(5,341)</u> | <u>(434)</u> | <u>(5,775)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(5,775)</u> |
| Gross profit | <u>69,819</u> | <u>(434)</u> | <u>69,385</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>69,385</u> |
| <i>Gross margin</i> | 92.9% | | | | | | 92.3% |
| 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 |
| <i>Operating margin</i> | 31.7% | | | | | | 9.6% |
| 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 |

(5.17) Normalised income statement for FY 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 | | | | | | | | |
| Product revenues | 286,834 | – | 286,834 | – | – | – | – | 286,834 |
| Service revenues | 18,188 | – | 18,188 | – | – | – | – | 18,188 |
| Total revenues | 305,022 | – | 305,022 | – | – | – | – | 305,022 |
| Cost of revenues | | | | | | | | |
| Product costs | (16,645) | – | (16,645) | – | – | – | – | (16,645) |
| Service costs | (7,099) | (1,727) | (8,826) | – | – | – | – | (8,826) |
| Total cost of revenues | (23,744) | (1,727) | (25,471) | – | – | – | – | (25,471) |
| Gross profit | 281,278 | (1,727) | 279,551 | – | – | – | – | 279,551 |
| <i>Gross margin</i> | <i>92.2%</i> | | | | | | | <i>91.6%</i> |
| Research and development | (89,742) | (14,817) | (104,559) | (7,656) | – | – | – | (112,215) |
| Sales and marketing | (48,543) | (4,697) | (53,240) | (8,027) | (456) | – | – | (61,723) |
| General and administrative | (47,867) | (3,458) | (51,325) | (15) | – | (188) | (8,471) | (59,999) |
| Total operating expenses | (186,152) | (22,972) | (209,124) | (15,698) | (456) | (188) | (8,471) | (233,937) |
| Profit from operations | 95,126 | (24,699) | 70,427 | (15,698) | (456) | (188) | (8,471) | 45,614 |
| <i>Operating margin</i> | <i>31.2%</i> | | | | | | | <i>15.0%</i> |
| Investment income | 1,788 | – | 1,788 | – | – | – | – | 1,788 |
| Interest payable | (143) | – | (143) | – | – | – | – | (143) |
| Profit before tax | 96,771 | (24,699) | 72,072 | (15,698) | (456) | (188) | (8,471) | 47,259 |
| Tax | (25,929) | 10,642 | (15,287) | 5,869 | 128 | 53 | 2,417 | (6,820) |
| Profit for the period | 70,842 | (14,057) | 56,785 | (9,829) | (328) | (135) | (6,054) | 40,439 |
| Earnings per share (assuming dilution) | | | | | | | | |
| Shares outstanding ('000) | 1,300,650 | | 1,300,650 | | | | | 1,300,650 |
| Earnings per share – pence | 5.45 | | 4.37 | | | | | 3.11 |
| ADSs outstanding ('000) | 433,550 | | 433,550 | | | | | 433,550 |
| Earnings per ADS – cents | 26.39 | | 21.15 | | | | | 15.06 |

(5.18) Normalised income statement for FY 2008

| | 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 | | | | | | | |
| Product revenues | 282,382 | – | 282,382 | – | – | – | 282,382 |
| Service revenues | 16,552 | – | 16,552 | – | – | – | 16,552 |
| Total revenues | 298,934 | – | 298,934 | – | – | – | 298,934 |
| Cost of revenues | | | | | | | |
| Product costs | (24,539) | – | (24,539) | – | – | – | (24,539) |
| Service costs | (7,237) | (1,102) | (8,339) | – | – | – | (8,339) |
| Total cost of revenues | (31,776) | (1,102) | (32,878) | – | – | – | (32,878) |
| Gross profit | 267,158 | (1,102) | 266,056 | – | – | – | 266,056 |
| <i>Gross margin</i> | <i>89.4%</i> | | | | | | <i>89.0%</i> |
| Research and development | (65,820) | (10,694) | (76,514) | (10,854) | (220) | – | (87,588) |
| Sales and marketing | (47,357) | (2,037) | (49,394) | (8,056) | 2 | – | (57,448) |
| General and administrative | (56,275) | (2,075) | (58,350) | (691) | (164) | (1,872) | (61,077) |
| Total operating expenses | (169,452) | (14,806) | (184,258) | (19,601) | (382) | (1,872) | (206,113) |
| Profit from operations | 97,706 | (15,908) | 81,798 | (19,601) | (382) | (1,872) | 59,943 |
| <i>Operating margin</i> | <i>32.7%</i> | | | | | | <i>20.1%</i> |
| Investment income | 3,297 | – | 3,297 | – | – | – | 3,297 |
| Interest payable | (51) | – | (51) | – | – | – | (51) |
| Profit before tax | 100,952 | (15,908) | 85,044 | (19,601) | (382) | (1,872) | 63,189 |
| Tax | (28,121) | 235 | (27,886) | 7,471 | 130 | 688 | (19,597) |
| Profit for the period | 72,831 | (15,673) | 57,158 | (12,130) | (252) | (1,184) | 43,592 |
| Earnings per share (assuming dilution) | | | | | | | |
| Shares outstanding ('000) | 1,286,413 | | 1,286,413 | | | | 1,286,413 |
| Earnings per share – pence | 5.66 | | 4.44 | | | | 3.39 |
| ADSs outstanding ('000) | 428,804 | | 428,804 | | | | 428,804 |
| Earnings per ADS – cents | 24.89 | | 19.54 | | | | 14.90 |

Notes

The results shown for Q4 2009, Q3 2009, Q4 2008, and FY 2009 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 434 of the Companies Act 2006. 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 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 Q4 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 financial year ended 31 December 2008 and in the Annual Report on Form 20-F for the financial 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 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 financial year ended 31 December 2008 including (without limitation) under the caption “Risk Factors” (on pages 5 to 13) 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 wireless, networking and consumer entertainment solutions to imaging, automotive, security and storage devices. ARM’s comprehensive product offering includes 32-bit RISC microprocessors, graphics processors, video engines, enabling software, cell libraries, embedded memories, high-speed connectivity products, peripherals and development tools. Combined with comprehensive design services, training, support and maintenance, and 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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