ARM HOLDINGS PLC REPORTS RESULTS FOR THE FIRST QUARTER 2012

A conference call discussing these results will be audiocast today at 08:30 BST at www.arm.com/ir

CAMBRIDGE, UK, 24 April 2012 —ARM Holdings plc announces its unaudited financial results for the first quarter ended 31 March 2012

Q1 2012 – Financial Summary	Normalised*			IFRS	
	Q1 2012	Q1 2011	% Change	Q1 2012	Q1 2011
Revenue ($m)	209.4	185.5	13%	209.4	185.5
Revenue (£m)	132.5	116.0	14%	132.5	116.0
Operating margin	44.5%	42.5%		36.5%	25.0%
Profit before tax (£m)	61.9	50.7	22%	51.3	30.4
Earnings per share (pence)	3.36	2.73	23%	2.71	1.57
Net cash generation**	58.3	62.9			
Effective revenue fx rate ($/£)	1.58	1.60			

Progress on key growth drivers in Q1

- Growth in adoption of ARM® processor technology
  - 22 processor licenses signed across all target end markets
  - 8 Cortex™-A licenses signed, including licenses for Atlas and Cortex-A15 for use in servers
  - 10 Cortex-M class licenses, including a further license for ARM's smallest and lowest power Cortex-M0+ processor for use in next generation Internet of Things devices
- Growth in shipments of chips based on ARM processor technology
  - 1.1 billion chips shipped into mobile phones and mobile computers, similar to a year ago
  - 0.8 billion chips shipped into consumer and embedded digital devices, up 15% year-on-year
- Growth in outsourcing of new technology
  - Physical IP: 3 Processor Optimization Pack licenses signed for Cortex-A family processors, further increasing the royalty opportunity from high-value chips in mobile computers, smartphones and automotive infotainment
  - Graphics: 2 licenses signed for Mali™, taking advanced 3D graphics into low-cost smartphones

Warren East, Chief Executive Officer, said:

"As many aspects of our lives become digital, we continue to see an increase in the demand for ARM's smarter and lower power technology, which is driving both our licensing and royalty revenues.

In the first quarter of 2012 we saw continuing demand for technology licenses driven by a remarkable variety of end markets from highly efficient servers to energy-sipping sensors. ARM's royalty revenues continued to outperform the overall semiconductor industry as our customers launch their products into new markets and gain market share within existing markets.

With more customers choosing to deploy ARM technology in their products, this has been another quarter that underpins the long-term growth opportunity of the business. This growth enables us to invest in future innovative technology as well as delivering increases in profit and cash flow."

Outlook

Whilst Q1 industry shipments declined sequentially, most analysts expect the industry to recover in the second half. In that context, ARM expects that group dollar revenues for the full-year 2012 will be in line with current market expectations.

Q1 2012 – Revenue Analysis

	Revenue ($m)***			Revenue (£m)		
	Q1 2012	Q1 2011	% Change	Q1 2012	Q1 2011	% Change
PD						
Licensing	65.2	51.3	27%	41.1	32.3	27%
Royalties	92.9	87.9	6%	58.9	54.6	8%
Total PD	**158.1**	**139.2**	**14%**	**100.0**	**86.9**	**15%**
PIPD						
Licensing	11.6	12.6	-8%	7.4	7.9	-6%
Royalties[1]	13.1	10.7	22%	8.3	6.6	26%
Total PIPD	**24.7**	**23.3**	**6%**	**15.7**	**14.5**	**8%**
Development Systems	15.5	13.3	17%	9.8	8.4	17%
Services	11.1	9.7	14%	7.0	6.2	13%
Total Revenue	**209.4**	**185.5**	**13%**	**132.5**	**116.0**	**14%**

[1] Includes catch-up royalties in Q1 2012 of $2.1m (£1.3m) and in Q1 2011 of $0.6m (£0.4m).

* Normalised figures are based on IFRS, adjusted for acquisition-related charges, share-based payment costs, restructuring charges, profit or loss on disposal and impairment of available-for-sale investments and Linaro™-related charges. For reconciliation of IFRS measures to normalised non-IFRS measures detailed in this document, see notes 5.1 to 5.12.

** Net cash generation is defined as movement on cash, cash equivalents, short-term and long-term deposits, adding back dividend payments, investment and acquisition consideration, restructuring payments, other acquisition-related payments, share-based payroll taxes and Linaro-related payments, and deducting inflows from share option exercises and investment disposal proceeds – see notes 5.7 to 5.10.

*** 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.

CONTACTS:

Sarah West/Anne Bark
Brunswick
+44 (0)207 404 5959

Tim Score/Ian Thornton
ARM Holdings plc
+44 (0)1628 427800

Total revenues

Total dollar revenues in Q1 2012 were $209.4 million, up 13% on Q1 2011. Q1 sterling revenues were £132.5 million, up 14% year-on-year.

License revenues

Total dollar license revenues in Q1 2012 increased by 20% year-on-year to $76.8m, representing 37% of group revenues. License revenues comprised $65.2 million from PD and $11.6 million from PIPD.

During Q1, several Partners entered into commitments to use ARM technology where much of the revenue associated with these agreements will be recognised in future quarters. After a contribution from backlog to the current quarters' revenue, the net impact to group backlog at the end of the quarter was a slight decrease sequentially, and a 15% year-on-year increase. Backlog remains at historically high-levels.

Royalty revenues

Royalties are recognised one quarter in arrears with royalties in Q1 2012 generated from semiconductor unit shipments in Q4 2011. Total dollar royalty revenues in Q1 2012 increased by 8% year-on-year to $106.0 million, representing 51% of group revenues. This compares with industry revenues[1] decreasing by about 2% in the shipment period (i.e. Q4 2011 compared to Q4 2010), demonstrating ARM's continuing market share gains over the last 12 months.

Royalty revenues comprised $92.9 million from PD and $13.1 million from PIPD. Total PIPD royalties of $13.1 million included $2.1 million of catch-up royalties.

ARM's Q1 processor royalty revenue has been impacted by the slowdown of component sales within the hard disk drive (HDD) market during Q4. HDD manufacturers in Thailand had their operations disrupted by flooding that started in October 2011. The semiconductor supply chain in the region is rapidly recovering, and is expected to be fully operational by the middle of 2012.

Development Systems and Service revenues

Sales of development systems in Q1 were up 17% year-on-year to $15.5 million, representing 7% of group revenues. Service revenues in Q1 2012 were up 14% year-on-year to $11.1 million, representing 5% of group revenues.

The increase in sales of development systems was primarily due to a large one-off deal with a major semiconductor company. ARM is continuing to transition this business to focus on microcontroller tools and premium toolkits for multi-core systems. Due to this transition, we expect that full year revenues for development systems will be broadly flat year-on-year.

[1] Source: Semiconductor Industry Association, March 2012

Gross margins

Gross margins in Q1 2012, excluding the share-based payment costs of £0.5 million (see below), were 94.4% compared to 94.4% in Q1 2011.

Operating expenses and operating margin

Normalised income statements for Q1 2012 and Q1 2011 are included in notes 5.11 and 5.12 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 disposal and impairment of investments) in Q1 2012 were £66.1 million compared to £65.8 million in Q4 2011 and £60.3 million in Q1 2011. The year-on-year increase in operating expenses in the first quarter is primarily due to the increased investment in our research and development teams over the last 12 months.

Normalised operating expenses in Q2 2012 (assuming effective exchange rates similar to current levels) are expected to be £67-69 million.

Normalised operating margin in Q1 2012 was 44.5%. Normalised operating margin in Q4 2011 and Q1 2011 was 48.2% and 42.5% respectively.

Normalised research and development expenses were £32.3 million in Q1 2012, representing 24% of revenues, compared to £28.7 million in Q1 2011. Normalised sales and marketing costs were £15.3 million in Q1 2012, being 12% of revenues, compared to £14.0 million in Q1 2011. Normalised general and administrative expenses were £18.5 million in Q1 2012, representing 14% of revenues, compared to £17.6 million in Q1 2011.

Total IFRS operating expenses in Q1 2012 were £76.2 million (Q1 2011: £79.8 million) including share-based payment costs and related payroll taxes of £9.3 million (Q1 2011: £18.7 million), and amortisation of intangible assets and other acquisition-related charges net of profit on disposal of investments of £0.8 million (Q1 2011: £0.8 million).

Total share-based payment costs and related payroll tax charges of £9.8 million in Q1 2012 were included within cost of revenues (£0.5 million), research and development (£5.9 million), sales and marketing (£1.8 million) and general and administrative (£1.6 million).

Earnings and taxation

Profit before tax was £51.3 million in Q1 2012 compared to £30.4 million in Q1 2011. After adjusting for acquisition-related and share-based payment costs, and disposal and impairment of investments, normalised profit before tax was £61.9 million in Q1 2012 compared to £50.7 million in Q1 2011. The group's effective normalised tax rate was 25.0% (IFRS 27.0%) in Q1 2012 compared to 26.5% (IFRS 29.3%) in Q1 2011.

In Q1 2012, fully diluted earnings per share prepared under IFRS were 2.71 pence (13.00 cents per ADS[2]) compared to earnings per share of 1.57 pence (7.57 cents per ADS) in Q1 2011. Normalised fully diluted earnings per share in Q1 2012 were 3.36 pence per share (16.12 cents per ADS) compared to 2.73 pence per share (13.12 cents per ADS) in Q1 2011.

Balance sheet

Intangible assets at 31 March 2012 were £540.8 million, comprising goodwill of £528.2 million and other intangible assets of £12.6 million, compared to £542.5 million and £12.5 million respectively at 31 December 2011.

Total accounts receivable were £92.8 million at 31 March 2012, comprising £89.9 million of trade receivables and £2.9 million of amounts recoverable on contracts, compared to £119.6 million at 31 December 2011, comprising £114.7 million of trade receivables and £4.9 million of amounts recoverable on contracts.

Days sales outstanding (DSOs) were 38 at 31 March 2012 compared to 46 at 31 December 2011.

Cash flow

Normalised free cash flow in Q1 2012 was £58.3 million. Total cash (see note 5.5) was £469.2 million at 31 March 2012 compared to £424.0 million at 31 December 2011.

[2] Each American Depositary Share (ADS) represents three shares.

Operating review

Processor licensing

Twenty-two processor licenses were signed in Q1 across a remarkable variety of applications. End-markets included microcontrollers for use in smart metering and the Internet of Things, application processors for mass market smartphones and digital TVs, and high performance processors for power efficient servers.

All of the licenses signed in Q1 were for ARM's advanced Cortex and Mali graphics processors. ARM's customers signed licenses for eight Cortex-A family processors. This included another lead licensee for Atlas† and a Cortex-A15 license, both for use in servers. There were ten Cortex-M family licenses, principally for use in embedded markets, such as microcontrollers, smartcards and automotive applications. Two licenses for Mali graphics processors were signed for use in mobile and consumer electronics. Both of these licenses were with companies taking their first ever Mali licenses.

†Atlas is one of ARM's next generation processors based on the ARMv8-A architecture, which includes support for 64-bit.

Q1 2012 and Cumulative Processor Licensing Analysis

	Existing Licensees	New Licensees	Quarter Total	Cumulative Total*
ARM7™				171
ARM9™				270
ARM11™				79
Cortex-A	8		8	104
Cortex-R	1	1	2	26
Cortex-M	7	3	10	141
Mali	2**		2	60
Other				20
Total	18	4	22	871

* Adjusted for licenses that are no longer expected to generate royalties
** The 2 Mali licenses were signed with ARM processor customers, who were both licensing their first Mali processor

Processor Design Wins and Ecosystem Development

Over the last few months many leading technology companies have announced details of their ARM-based product developments. These included:

- ARM, Gemalto and Giesecke & Devrient forming a joint venture to deliver next-generation Security for Services running on connected devices
- NVIDIA, Qualcomm, TI and Microsoft creating development platforms for Windows on ARM
- LSI expanding their strategic relationship with ARM and commitment to offer energy-efficient processors for high-end networking applications
- MStar licensing ARM Cortex-A9 and Mali graphics processors for digital TV and mobile applications
- Dialog Semiconductor choosing Cortex-M0 for use in its power management chips for smartphones
- STMicroelectronics unveiling its newest Cortex M3-based wireless microcontroller for the next-generation smart grids and the most powerful ARM processor and Mali-graphics-based TV System-on-Chip for super smart TVs
- Fujitsu releasing 210 new Cortex-M3-based microcontroller products, taking the total number of ARM-based products in its catalogue to 370 products. Fujitsu expects this to increase to 500 products by the end of 2012.

Many more partner announcements can be found on the ARM website at www.arm.com/news.

Processor royalties

Royalties are recognised one quarter in arrears with royalties reported in Q1 generated from semiconductor unit shipments in Q4.

Q1 revenue came from the sales of about 1.9 billion ARM technology-based chips.

The Cortex processor family represents 27% of all units shipped, up from 17% one year ago. This increase is primarily due to shipments of Cortex-M family processor-based microcontrollers and smartcards, and an increase in Cortex-A family processor shipments driven by high-end smartphones, mobile computers and digital TVs adopting smarter applications processors. Shipments of Cortex-A class processors now represent 7% of all units shipped, up from 4% compared to the same quarter last year.

The growth in Cortex-A class processor shipments also helped increase the average royalty revenue per chip to 4.8 cents in Q1 2012, up from 4.5 cents in Q4 2011. Cortex-A processor-based chips typically command higher royalty percentages and are normally associated with higher value chips. In addition, the industry saw a 16% decline sequentially in the number of microcontrollers sold. This change in the mix of high-value Cortex-A processor-based chips and low-cost microcontrollers also contributed to the increase in the average royalty per chip.

ARM typically receives higher average royalty percentage from chips that contain multiple ARM processors. For example, in Q1 2012, ARM customers reported a 35% increase in integrated Wi-Fi and Bluetooth chip shipments compared with the same quarter last year, and a 30 fold increase in the shipments of Mali graphics technology-based chips.

The benefit arising from the combination of more integrated chips and more Cortex-A family based chips is illustrated by the average royalty revenue received from chips in mobile devices increasing by 5%, whilst the average royalty revenue received from chips in home electronics increased by 15%.

Q1 2012 Processor Unit Shipment Analysis

Processor Family	Unit Shipments
ARM7	38%
ARM9	23%
ARM11	12%
Cortex-A	7%
Cortex-R	2%
Cortex-M	18%

Market	Unit Shipments
Mobile	57%
Enterprise	16%
Home	4%
Embedded	23%

PIPD licensing

ARM's physical IP is used by fabless semiconductor companies to implement their chip designs. During the quarter, ARM continued to see strong demand from these companies to use physical IP, with a leading foundry customer for a new 130nm royalty-bearing platform and several updates and extensions to existing platforms spanning nodes from 130nm to 28nm.

ARM is also seeing increasing demand for our Processor Optimisation Packs (POPs), which comprise physical IP optimised for use with our advanced Cortex-A family processors. POPs enable the licensee to reproduce a high-performance, low-power processor implementation using pre-built components. During the quarter we signed three POP licenses, including the first POP license for Cortex-A7, for use in mobile and mobile computing application processors. The other POPs were for Cortex-A9 and Cortex-A5 processors, demonstrating demand for physical IP across the full range of ARM's applications processors.

Q1 2012 and Cumulative PIPD Licensing Analysis

	Process Node	Total
New Royalty Bearing Foundry Platform Licenses	130nm	1

	Total for Quarter	Cumulative Total
Processor Optimisation Packs	3	28

Platform analysis (nm)	Royalty Bearing Foundry Platforms at Each Node
22/20	3
32/28	9
45/40	6
65	11
90	8
130	18
180 to 250	37
Total	**92**

PIPD royalties

Physical IP royalties are generated mainly from chips manufactured in the world's major semiconductor foundries. Royalties are recognised one quarter in arrears with royalties reported in Q1 generated from semiconductor unit shipments in Q4.

Underlying PIPD royalties in Q1 2012 were $11.0 million, up 9% year-on-year, compared to foundry revenues which declined 3% in the relevant period. Royalty revenue from physical IP at advanced nodes, at 45nm and beyond, continues to increase and now accounts for approximately one third of royalty revenues.

People

At 31 March 2012, ARM had 2,176 full-time employees, a net increase of 60 since the start of the year. At the end of March, the group had 892 employees based in the UK, 563 in the US, 258 in Continental Europe, 317 in India and 146 in the Asia Pacific region.

Principal risks and uncertainties

The principal risks and opportunities faced by the group are included within the "Risks and risk management" section of the 2011 Annual Report and Accounts filed with Companies House in the UK. Details of other risks and uncertainties faced by the group are noted within the Annual Report on Form 20-F for the year ended 31 December 2011 which is on file with the Securities and Exchange Commission (the "SEC") and is available on the SEC's website at www.sec.gov. 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; ARM may have to protect its intellectual property or defend ARM's technology against claims that we have infringed others' proprietary rights; an infringement claim against ARM's technology may result in a significant damages award which would adversely impact ARM's operating results; companies within the semiconductor industry may consolidate reducing the number of customers that ARM may sell its technology to; for ARM to enter new markets or develop new technology may require significant investment and may not result in profitable operations; and ARM competes in the intensely competitive semiconductor market.

ARM Holdings plc
Consolidated balance sheet - IFRS

	31 March 2012 Unaudited £M	31 December 2011 Audited £M
Assets		
Current assets:		
Cash and cash equivalents	22.0	26.8
Short-term deposits	339.2	319.1
Embedded derivatives	-	1.2
Fair value of currency exchange contracts	1.8	-
Accounts receivable (see note 3)	92.8	119.6
Prepaid expenses and other assets	40.8	30.7
Current tax assets	17.8	6.2
Inventories: finished goods	2.0	2.5
Total current assets	516.4	506.1
Non-current assets:		
Available-for-sale investments	26.8	27.3
Long-term deposits	113.3	83.1
Loans and receivables	2.0	2.0
Prepaid expenses and other assets	1.9	2.3
Property, plant and equipment	21.3	18.1
Goodwill	528.2	542.5
Other intangible assets	12.6	12.5
Deferred tax assets	70.5	105.9
Total non-current assets	776.6	793.7
Total assets	1,293.0	1,299.8
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	6.6	8.7
Embedded derivatives	1.6	-
Fair value of currency exchange contracts	-	1.5
Accrued and other liabilities	56.7	84.9
Current tax liabilities	7.7	26.7
Deferred revenue	107.4	102.2
Total current liabilities	180.0	224.0
Non-current liabilities:		
Deferred revenue	15.9	14.6
Total non-current liabilities	15.9	14.6
Total liabilities	195.9	238.6
Net assets	**1,097.1**	**1,061.2**
Capital and reserves attributable to owners of the Company		
Share capital	0.7	0.7
Share premium account	8.8	6.6
Capital reserve	351.6	351.6
Share option reserve	61.4	61.4
Retained earnings	587.8	539.7
Revaluation reserve	1.3	0.3
Cumulative translation adjustment	85.5	100.9
Total equity	**1,097.1**	**1,061.2**

ARM Holdings plc
First Quarter Results
Consolidated income statement – IFRS

	Quarter ended 31 March 2012 Unaudited £M	Quarter ended 31 March 2011 Unaudited £M
Revenues	132.5	116.0
Cost of revenues	(7.9)	(7.3)
Gross profit	124.6	108.7
Research and development	(40.2)	(41.2)
Sales and marketing	(17.3)	(18.2)
General and administrative	(18.7)	(20.4)
Total operating expenses, net	(76.2)	(79.8)
Profit from operations	48.4	28.9
Investment income	2.9	1.5
Profit before tax	51.3	30.4
Tax	(13.9)	(8.9)
Profit for the period	37.4	21.5
Earnings per share		
Basic and diluted earnings	37.4	21.5
Number of shares (millions)		
Basic weighted average number of shares	1,365.3	1,335.2
Effect of dilutive securities: Share options and awards	16.0	33.2
Diluted weighted average number of shares	1,381.3	1,368.4
Basic EPS (pence)	2.7	1.6
Diluted EPS (pence)	2.7	1.6
Diluted earnings per ADS (cents)	13.0	7.6

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 31 March 2012 Unaudited £M	Quarter ended 31 March 2011 Unaudited £M
Profit for the period	37.4	21.5
Other comprehensive income:		
Unrealised holding gain on available-for-sale investments (net of tax of £nil)	1.0	-
Currency translation adjustment	(15.4)	(12.3)
Other comprehensive loss for the period	(14.4)	(12.3)
Total comprehensive income for the period	**23.0**	**9.2**

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

	Share capital	Share premium account	* Capital reserve	Share option reserve	Retained earnings	Reval- -uation reserve	Cumulative translation adjustment	Total
	£M	£M	£M	£M	£M	£M	£M	£M
At 1 January 2011 (audited)	**0.7**	–	**351.6**	**61.4**	**381.4**	–	**99.8**	**894.9**
Profit for the period	–	–	–	–	21.5	–	–	21.5
Other comprehensive income:								
Currency translation adjustment	–	–	–	–	–	–	(12.3)	(12.3)
Total comprehensive income/(loss) for the period	–	–	–	–	21.5		(12.3)	9.2
Shares issued on exercise of share options and awards	–	2.0	–	–	–	–	–	2.0
Credit in respect of employee share schemes	–	–	–	–	9.9	–	–	9.9
Movement on tax arising on share options	–	–	–	–	23.8	–	–	23.8
Proceeds from sale of own shares	–	–	–	–	1.9	–	–	1.9
	–	2.0		–	35.6	–	–	37.6
At 31 March 2011 (unaudited)	**0.7**	**2.0**	**351.6**	**61.4**	**438.5**	–	**87.5**	**941.7**
At 1 January 2012 (audited)	**0.7**	**6.6**	**351.6**	**61.4**	**539.7**	**0.3**	**100.9**	**1,061.2**
Profit for the period	–	–	–	–	37.4	–	–	37.4
Other comprehensive income:								
Unrealised holding gain on available-for-sale investments	–	–	–	–	–	1.0	–	1.0
Currency translation adjustment	–	–	–	–	–	–	(15.4)	(15.4)
Total comprehensive income/(loss) for the period	–	–	–	–	37.4	1.0	(15.4)	23.0
Shares issued on exercise of share options and awards	–	2.2		–	–	–	–	2.2
Credit in respect of employee share schemes	–	–	–	–	9.0	–	–	9.0
Movement on tax arising on share options	–	–	–	–	1.7	–	–	1.7
	–	2.2	–	–	10.7	–	–	12.9
At 31 March 2012 (unaudited)	**0.7**	**8.8**	**351.6**	**61.4**	**587.8**	**1.3**	**85.5**	**1,097.1**

***Capital reserve.** In 2004, the premium on the shares issued in part consideration for the acquisition of Artisan Components Inc. was credited to a merger reserve on consolidation in accordance with Section 131 of the Companies Act 1985. On transition to IFRS in 2005 the merger reserve was incorrectly classified as part of the Group's share premium account. From 2007 the share premium account has solely comprised of this premium. This reserve has been classified as a capital reserve to reflect the nature of the original credit to equity arising on acquisition. The comparative has been restated to reflect this treatment. There is no impact on the profits, cash flows or total equity of the Group. This capital reserve is clearly distinguished from the share premium arising on share issues during the year.

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 2012 and 31 December 2011, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in shareholders' equity for the quarters ended 31 March 2012 and 2011, 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 2011.

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

Included within the consolidated income statement for the quarter ended 31 March 2012 are total share-based payment costs (including related payroll taxes) of £9.8 million (2011: £19.5 million), allocated £0.5 million (2011: £0.8 million) in cost of revenues, £5.9 million (2011: £11.9 million) in research and development costs, £1.8 million (2011: £4.0 million) in sales and marketing costs and £1.6 million (2011: £2.8 million) in general and administrative costs.

Also included within operating expenses for the quarter ended 31 March 2012 is amortisation of intangibles acquired on business combinations of £0.7 million (2011: £0.7 million), allocated £0.6 million (2011: £0.6 million) in research and development costs and £0.1 million (2011: £0.1 million) in sales and marketing costs.

Included within operating expenses for the quarter ended 31 March 2012 are total acquisition related charges of £1.8 million (including a retention bonus on acquisitions amounting to £1.4 million) (2011: £0.1 million), allocated £1.4 million in research and development expenses (2011: £nil), £0.1 million in sales and marketing expenses (2011: £0.1 million), and £0.3 million in general and administrative expenses (2011: £nil).

(3) Accounts receivable, accrued and other liabilities, and taxation

Included within accounts receivable at 31 March 2012 are £2.9 million (31 December 2011: £4.9 million) of amounts recoverable on contracts.

Included within accrued and other liabilities at 31 March 2012 are £10.2 million (31 December 2011: £22.6 million) relating to the provision for payroll taxes on share awards, and £3.8 million (31 December 2011: £23.7 million) relating to employee bonus and sales commission provisions.

Total current tax assets and liabilities as at 31 March 2012 amounted to an overall net asset of £10.1 million (31 December 2011: net liability of £20.5 million). Share option and award tax benefits from exercises in Q1 2012 accounted for the majority of the movement. These benefits will be utilized against taxable profits during the remainder of the year.

(4) Financial contingencies

It is common industry practice for licensors of technology to offer to indemnify their licensees for loss suffered by the licensee in the event that the technology licensed is held to infringe the intellectual property of a third party.

Consistent with such practice, the Group provides such indemnification to its licensees but subject, in all cases, to a limitation of liability. The obligation for the Group to indemnify its licensees is subject to certain provisos and is usually contingent upon a third party bringing an action against the licensee alleging that the technology licensed by the Group to the licensee infringes such third party's intellectual property rights. The indemnification obligations typically survive any termination of the licence and will continue in perpetuity.

The Group does not provide for any such indemnities unless it has received notification from the other party that they are likely to invoke the indemnity. A provision is made if both of the following conditions are met: (i) information available prior to the issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements; and (ii) the amount of the liability can be reasonably estimated. Any such provision is based upon the directors' estimate of the fair value of expected costs of any such claim.

At present, the Group is not a party in any legal proceedings in which the directors believe that it is probable that the resolution of such proceedings will result in a material liability for the Group. Currently, there are legal proceedings against some of the Group's licensees in which it is asserted that certain of the Group's technology infringes third party patents, but in each of those proceedings the Group either presently has no obligation to indemnify, because certain preconditions to indemnification have not been satisfied by such licensees, or to the extent that there is any present obligation to indemnify, the Group does not believe that it is probable that the resolution of such proceedings will result in a material liability for the Group. It is possible that, in future, preconditions to indemnification may be satisfied and that in certain circumstances an indemnification obligation may arise which could result in a material liability for the Group.

(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 Q1 2012 and Q1 2011 are shown in notes 5.11 and 5.12. All figures in £'million unless otherwise stated.

Summary normalised figures	**Q1 2012**	**Q1 2011**	**Q4 2011**	**FY 2011**
Revenues	132.5	116.0	137.8	491.8
Revenues ($M)	209.4	185.5	217.0	785.0
Gross margin	94.4%	94.4%	96.0%	95.1%
Operating expenses	66.1	60.3	65.8	245.9
Profit from operations	59.0	49.2	66.5	221.7
Operating margin	44.5%	42.5%	48.2%	45.1%
Profit before tax	61.9	50.7	69.0	229.7
Earnings per share (diluted)	3.36p	2.73p	3.71p	12.45p
Cash (net of accrued interest)	469.2	344.3	424.0	424.0
Cash generation	58.3	62.9	51.5	203.8

	(5.1) **Q1 2012**	*(5.2)* **Q1 2011**	*(5.3)* **Q4 2011**	*(5.4)* **FY 2011**
Revenues (£M)	132.5	116.0	137.8	491.8
ARM's effective exchange rate ($/£)	1.58	1.60	1.58	1.60
Revenues ($M)	209.4	185.5	217.0	785.0

	(5.5) **31 March 2012**	*(5.6)* **31 December 2011**
Cash and cash equivalents	22.0	26.8
Short-term deposits	339.2	319.1
Long-term deposits	113.3	83.1
Less: Interest accrued	(5.3)	(5.0)
Normalised cash (net of accrued interest)	**469.2**	**424.0**

	(5.7) **Q1 2012**	*(5.8)* **Q1 2011**	*(5.9)* **Q4 2011**	*(5.10)* **FY 2011**
Normalised cash at end of period (as above)	469.2	344.3	424.0	424.0
Less: Normalised cash at beginning of period	(424.0)	(290.1)	(397.2)	(290.1)
Add back: Cash outflow from investments and acquisitions (net of cash acquired)	0.9	–	5.8	17.3
Add back: Cash outflow from acquisition costs	0.4	–	–	3.1
Add back: Cash outflow from payment of dividends	–	–	18.7	42.2
Add back: Cash outflow from share-based payments and payroll taxes	13.2	11.7	0.2	12.4
Add back: Cash outflow from payments related to Linaro	0.9	0.9	0.8	3.4
Less: Cash inflow from exercise of share options	(2.3)	(3.9)	(0.8)	(8.5)
Normalised cash generation	**58.3**	**62.9**	**51.5**	**203.8**

(5.11) Normalised income statement for Q1 2012

	Normalised	Share-based payments	Normalised incl share-based payments	Intangible amortisa-tion	Acquisition-related charges	Profit on disposal of investment	IFRS
	£M	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
Revenues	132.5	–	132.5	–	–	–	132.5
Cost of revenues	(7.4)	(0.5)	(7.9)	–	–	–	(7.9)
Gross profit	125.1	(0.5)	124.6	–	–	–	124.6
Research and development	(32.3)	(5.9)	(38.2)	(0.6)	(1.4)	–	(40.2)
Sales and marketing	(15.3)	(1.8)	(17.1)	(0.1)	(0.1)	–	(17.3)
General and administrative	(18.5)	(1.6)	(20.1)	–	(0.3)	1.7	(18.7)
Total operating expenses	(66.1)	(9.3)	(75.4)	(0.7)	(1.8)	1.7	(76.2)
Profit from operations	59.0	(9.8)	49.2	(0.7)	(1.8)	1.7	48.4
Investment income	2.9	–	2.9	–	–	–	2.9
Profit before tax	61.9	(9.8)	52.1	(0.7)	(1.8)	1.7	51.3
Tax	(15.5)	0.8	(14.7)	0.2	0.6	–	(13.9)
Profit for the period	46.4	(9.0)	37.4	(0.5)	(1.2)	1.7	37.4
Earnings per share (assuming dilution)							
Shares outstanding ('millions)	1,381.3		1,381.3				1,381.3
Earnings per share – pence	3.36		2.71				2.71
ADSs outstanding ('millions)	460.4		460.4				460.4
Earnings per ADS – cents	16.12		12.97				13.00

(5.12) Normalised income statement for Q1 2011

	Normalised	Share-based payments	Normalised incl share-based payments	Intangible amortisation	Acquisition-related charges	IFRS
	£M	£M	£M	£M	£M	£M
Revenues	116.0	–	116.0	–	–	116.0
Cost of revenues	(6.5)	(0.8)	(7.3)	–	–	(7.3)
Gross profit	109.5	(0.8)	108.7	–	–	108.7
Research and development	(28.7)	(11.9)	(40.6)	(0.6)	–	(41.2)
Sales and marketing	(14.0)	(4.0)	(18.0)	(0.1)	(0.1)	(18.2)
General and administrative	(17.6)	(2.8)	(20.4)	–	–	(20.4)
Total operating expenses	(60.3)	(18.7)	(79.0)	(0.7)	(0.1)	(79.8)
Profit from operations	49.2	(19.5)	29.7	(0.7)	(0.1)	28.9
Investment income	1.5	–	1.5	–	–	1.5
Profit before tax	50.7	(19.5)	31.2	(0.7)	(0.1)	30.4
Tax	(13.4)	4.3	(9.1)	0.2	–	(8.9)
Profit for the period	37.3	(15.2)	22.1	(0.5)	(0.1)	21.5
Earnings per share (assuming dilution)						
Shares outstanding (‘millions)	1,368.4		1,368.4			1,368.4
Earnings per share – pence	2.73		1.62			1.57
ADSs outstanding (‘millions)	456.1		456.1			456.1
Earnings per ADS – cents	13.12		7.77			7.57

Notes

The results shown for Q1 2012, Q1 2011, and Q4 2011 are unaudited. The results shown for FY 2011 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 2011 were approved by the Board of directors on 27 February 2012 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 498 of the Companies Act 2006.

The results for ARM for Q1 2012 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 2011 and in the Annual Report on Form 20-F for the fiscal year ended 31 December 2011.

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 2011 including (without limitation) under the captions, "Risk Factors"(on pages 4 to 11) 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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