

ARM Holdings plc
Consolidated balance sheet - IFRS

	31 December 2012 Unaudited £m	31 December 2011 Audited £m
Assets		
Current assets:		
Cash and cash equivalents	46.3	26.8
Short-term deposits	340.0	319.1
Fair value of currency exchange contracts	1.4	-
Embedded derivatives	-	1.2
Accounts receivable	124.5	119.6
Prepaid expenses and other assets (see note 6)	135.6	30.7
Current tax assets	13.9	6.2
Inventories: finished goods	2.3	2.5
Total current assets	664.0	506.1
Non-current assets:		
Available-for-sale financial assets	13.8	27.3
Investment in joint venture (see note 7)	6.8	-
Long-term deposits	141.3	83.1
Loans and receivables	2.1	2.0
Prepaid expenses and other assets	2.0	2.3
Property, plant and equipment	36.0	18.1
Goodwill	519.4	542.5
Other intangible assets	11.3	12.5
Deferred tax assets	70.1	105.9
Total non-current assets	802.8	793.7
Total assets	1,466.8	1,299.8
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	5.9	8.7
Embedded derivatives	2.5	-
Fair value of currency exchange contracts	-	1.5
Obligations under finance leases (see note 8)	2.9	-
Accrued and other liabilities (see note 6)	79.3	84.9
Current tax liabilities	16.6	26.7
Deferred revenue	126.4	102.2
Total current liabilities	233.6	224.0
Non-current liabilities:		
Obligations under finance leases (see note 8)	2.9	-
Deferred revenue	24.2	14.6
	27.1	14.6
Total liabilities	260.7	238.6
Net assets	1,206.1	1,061.2
Capital and reserves attributable to the owners of the Company		
Share capital	0.7	0.7
Share premium account	12.2	6.6
Capital reserve	354.3	351.6
Share option reserve	61.4	61.4
Retained earnings	703.3	539.6
Revaluation reserve	-	0.3
Cumulative translation adjustment	74.2	101.0
Total equity	1,206.1	1,061.2

ARM Holdings plc
Consolidated income statement – IFRS

	Quarter ended 31 December 2012 Unaudited £m	Quarter ended 31 December 2011 Unaudited £m	Year ended 31 December 2012 Unaudited £m	Year ended 31 December 2011 Audited £m
Revenues	164.2	137.8	576.9	491.8
Cost of revenues	(8.6)	(6.5)	(31.9)	(27.7)
Gross profit	155.6	131.3	545.0	464.1
Research and development	(46.3)	(42.9)	(166.3)	(165.4)
Sales and marketing	(21.3)	(20.2)	(72.9)	(72.6)
General and administrative	(31.3)	(21.0)	(97.7)	(77.2)
Total operating expenses	(98.9)	(84.1)	(336.9)	(315.2)
Profit from operations	56.7	47.2	208.1	148.9
Investment income, net	3.5	2.5	13.6	8.0
Share of results in joint venture	(0.7)	-	(0.7)	-
Profit before tax	59.5	49.7	221.0	156.9
Tax	(17.0)	(16.6)	(60.3)	(44.3)
Profit for the period	42.5	33.1	160.7	112.6
Earnings per share				
Basic and diluted earnings	42.5	33.1	160.7	112.6
Number of shares (millions)				
Basic weighted average number of shares	1,380.0	1,350.7	1,375.1	1,345.0
Effect of dilutive securities: Share options and awards	18.6	27.1	20.7	31.0
Diluted weighted average number of shares	1,398.6	1,377.8	1,395.8	1,376.0
Basic EPS (pence)	3.08	2.45	11.69	8.37
Diluted EPS (pence)	3.04	2.40	11.51	8.19
Diluted earnings per ADS (cents)	14.8	11.2	56.1	38.2

All activities relate to continuing operations.

All of the profit for the period is attributable to the owners of the parent.

ARM Holdings plc
Consolidated statement of comprehensive income - IFRS

	Quarter ended 31 December 2012 Unaudited £m	Quarter ended 31 December 2011 Unaudited £m	Year ended 31 December 2012 Unaudited £m	Year ended 31 December 2011 Audited £m
Profit for the period	42.5	33.1	160.7	112.6
Other comprehensive income:				
Unrealised holding (loss)/gain on available-for-sale financial asset (net of tax of £nil)	(0.3)	0.3	(0.3)	0.3
Currency translation adjustment	(3.9)	0.5	(26.8)	1.2
Other comprehensive (loss)/income for the period	(4.2)	0.8	(27.1)	1.5
Total comprehensive income for the period	38.3	33.9	133.6	114.1

ARM Holdings plc
Consolidated cash flow statement - IFRS

	Year ended 31 December 2012 Unaudited £m	Year ended 31 December 2011 Audited £m
Operating activities		
Profit before tax	221.0	156.9
Investment income (net of interest payable and similar charges)	(13.6)	(8.0)
Share of results in joint venture	0.7	-
Profit from operations	208.1	148.9
Depreciation and amortisation of property, plant, and equipment, and intangible assets	17.4	13.2
Compensation charge in respect of share-based payments	37.1	40.5
(Profit)/loss on disposal of available-for-sale financial assets	(0.8)	0.1
Provision for impairment of available-for-sale financial assets	1.4	1.6
Provision for doubtful debts	0.4	-
Non-cash foreign currency gains and losses	(0.7)	(2.3)
Movement in fair value of currency exchange contracts	(2.9)	1.3
Movement in fair value of embedded derivatives	3.7	1.2
Changes in working capital:		
Accounts receivable	(5.7)	(13.3)
Inventories	0.1	(0.7)
Prepaid expenses and other assets (see note 6)	(104.8)	(12.3)
Accounts payable	(2.8)	4.4
Deferred revenue	37.3	23.3
Accrued and other liabilities	(4.8)	10.2
Cash generated by operations before tax	183.0	216.1
Income taxes paid	(26.1)	(22.3)
Net cash from operating activities	156.9	193.8
Investing activities		
Interest received	11.5	4.2
Interest paid	(0.2)	-
Purchases of property, plant and equipment	(20.2)	(12.1)
Purchases of other intangible assets	(5.4)	(0.8)
Purchases of available-for-sale financial assets	(3.0)	(8.4)
Proceeds on disposal of available-for-sale financial assets	11.8	-
Purchase of short and long-term deposits	(76.8)	(136.4)
Purchases of subsidiaries, net of cash acquired	-	(8.9)
Investment in joint venture	(7.5)	-
Net cash used in investing activities	(89.8)	(162.4)
Financing activities		
Proceeds from borrowings	99.8	-
Proceeds received on issuance of shares from treasury	-	1.9
Proceeds received on issuance of shares	5.6	6.6
Refund of costs related to share issue	2.7	-
Dividends paid to shareholders	(51.8)	(42.2)
Repayment of borrowings	(99.8)	-
Repayment of finance leases	(3.4)	-
Net cash used in financing activities	(46.9)	(33.7)
Net increase/(decrease) in cash and cash equivalents	20.2	(2.3)
Cash and cash equivalents at beginning of period	26.8	29.4
Effect of foreign exchange rate changes	(0.7)	(0.3)
Cash and cash equivalents at end of period	46.3	26.8

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

	Share capital £m	Share premium account £m	Capital reserve * £m	Share option reserve** £m	Retained earnings £m	Reval- -uation reserve £m	Cumulative translation adjustment £m	Total £m
At 1 January 2011 (audited)	0.7	–	351.6	61.4	381.4	–	99.8	894.9
Profit for the period	–	–	–	–	112.6	–	–	112.6
Other comprehensive income:								
Unrealised holding gain on available-for-sale financial assets	–	–	–	–	–	0.3	–	0.3
Currency translation adjustment	–	–	–	–	–	–	1.2	1.2
Total comprehensive income for the year	–	–	–	–	112.6	0.3	1.2	114.1
Shares issued on exercise of share options and awards	–	6.6	–	–	–	–	–	6.6
Dividends (see note 5)	–	–	–	–	(42.2)	–	–	(42.2)
Credit in respect of employee share schemes	–	–	–	–	40.5	–	–	40.5
Movement on tax arising on share options and awards	–	–	–	–	45.4	–	–	45.4
Proceeds from sale of own shares	–	–	–	–	1.9	–	–	1.9
	–	6.6	–	–	45.6	–	–	52.2
At 31 December 2011 (audited)	0.7	6.6	351.6	61.4	539.6	0.3	101.0	1,061.2
Profit for the period	–	–	–	–	160.7	–	–	160.7
Other comprehensive income:								
Unrealised holding loss on available-for-sale financial assets	–	–	–	–	–	(0.3)	–	(0.3)
Currency translation adjustment	–	–	–	–	–	–	(26.8)	(26.8)
Total comprehensive income for the year	–	–	–	–	160.7	(0.3)	(26.8)	133.6
Shares issued on exercise of share options and awards	–	5.6	–	–	–	–	–	5.6
Dividends (see note 5)	–	–	–	–	(51.8)	–	–	(51.8)
Credit in respect of employee share schemes	–	–	–	–	37.1	–	–	37.1
Movement on tax arising on share options and awards	–	–	–	–	17.7	–	–	17.7
Refund of costs related to share issue ***	–	–	2.7	–	–	–	–	2.7
	–	5.6	2.7	–	3.0	–	–	11.3
At 31 December 2012 (unaudited)	0.7	12.2	354.3	61.4	703.3	–	74.2	1,206.1

* **Capital reserve.** In 2004, the premium on the shares issued in part consideration for the acquisition of Artisan Components Inc. was credited to reserves on consolidation in accordance with Section 131 of the Companies Act 1985. The reserve has been classified as a capital reserve to reflect the nature of the original credit to equity arising on acquisition. This capital reserve is clearly distinguished from the share premium arising on share issues during the year.

** **Share option reserve.** The share option reserve represents the fair value of options granted on the acquisition of Artisan Components Inc. in 2004.

*** **Refund of costs related to share issue.** During 2012, it was confirmed by HMRC that they would not challenge a ruling that the stamp duty incurred on the issue of shares of a UK company to a depositary or clearance system outside the EU was in breach of EU law. ARM has therefore been able to claim a full refund of £2.7 million for stamp duty incurred on the issue of shares for the acquisition of Artisan Components Inc. in 2004.

Notes to the Financial Information

(1) Basis of preparation and accounting policies

The financial information prepared in accordance with the Group's IFRS accounting policies (consistent with those stated in the financial statements for the year ended 31 December 2011 with the exception of policies that now have an impact on the Group for the year ended 31 December 2012 onwards for finance leases and joint ventures as described below) comprises the consolidated balance sheets as at 31 December 2012 and 31 December 2011, consolidated income statements and consolidated statements of comprehensive income for the three months and years ended 31 December 2012 and 2011, and consolidated cash flow statements and consolidated statements of changes in shareholders' equity for the years ended 31 December 2012 and 2011, together with related notes. This condensed set of consolidated financial information for the year ended 31 December 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with regard to the guidance in IAS 34, "Interim financial reporting", as adopted by the European Union. This financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Joint ventures

Joint ventures are all entities in which the Group has joint control with one or more other parties, whereby each party has a right to a share of the net assets of the entity. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

New standards, amendments and interpretations

The following new amendment is effective in 2012 but not relevant to the Group:

- *Amendments to IFRS 7, "Financial instruments: Disclosures"*. The amendments will promote transparency in the reporting of transfer transactions.

In addition to those highlighted in the annual financial statements for the year ended 31 December 2011, the following set of amendments have been issued but are not effective for the financial year beginning 1 January 2012, have not been early adopted, and would not have a material impact on the Group.

- *Annual improvements 2011*: This set of amendments includes changes to five standards. These amendments are not yet endorsed by the EU.

The following relevant new standards, amendments to standards, or interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- *Amendment to IAS 1, "Financial statement presentation"*. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This standard was endorsed by the EU in June 2012.
- *IAS 27 (revised 2011), "Separate financial statements"*. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This standard was endorsed by the EU in December 2012.
- *Amendment to IAS 32, "Financial instruments: Presentation"*. This amendment updates the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This standard was endorsed by the EU in December 2012.

IFRS 10, 11, 12, 13 and IAS 28, which were disclosed in the 2011 Annual Report, were all endorsed by the EU in December 2012. These standards are not effective for the financial year beginning 1 January 2012, have not been early adopted and would not have a material impact on the Group.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

(2) Going concern

After dividend payments of £51.8 million and ARM's contribution of \$167.5 million (£103.7 million) to the consortium which entered into an agreement to obtain rights to MIPS Technologies' portfolio of patents in 2012, the highly cash generative nature of the business enabled the Group to increase its cash, cash equivalents and deposits to £520.2 million (net of accrued interest of £7.4 million) at the end of 2012. This was an increase from £424.0 million (net of accrued interest of £5.0 million) at the start of the year.

After reviewing the 2013 budget and longer term plans and considering any reasonably likely scenarios that may occur, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the parent Company.

(3) Financial risk management

(3.1) Financial risk factors

The Group's operations expose it to a variety of financial risks that include currency risk, interest rate risk, securities price risk, credit risk and liquidity risk. This condensed set of consolidated financial information does not include all financial risk management information and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

(3.2) Fair value estimation

The table below shows the financial instruments carried at fair value by valuation method:

31 December 2012	Level 1*	Level 2*	Level 3*	Total
	£m	£m	£m	£m
<i>Assets</i>				
Fair value through the income statement:				
Currency exchange contracts	-	1.4	-	1.4
	-	1.4	-	1.4
Available-for-sale:				
Other long-term investments	-	-	13.8	13.8
	-	-	13.8	13.8
<i>Total assets</i>	-	1.4	13.8	15.2
<i>Liabilities</i>				
Embedded derivatives	-	(2.5)	-	(2.5)
<i>Total liabilities</i>	-	(2.5)	-	(2.5)
31 December 2011	Level 1*	Level 2*	Level 3*	Total
	£m	£m	£m	£m
<i>Assets</i>				
Fair value through the income statement:				
Embedded derivatives	-	1.2	-	1.2
	-	1.2	-	1.2
Available-for-sale:				
Other long-term investments	-	-	27.3	27.3
	-	-	27.3	27.3
<i>Total assets</i>	-	1.2	27.3	28.5
<i>Liabilities</i>				
Currency exchange contracts	-	(1.5)	-	(1.5)
<i>Total liabilities</i>	-	(1.5)	-	(1.5)

*Level 1 valued using unadjusted quoted prices in active markets for identical instruments. Level 2 valued using techniques based significantly on observable market data. Level 3 valued using information other than observable market data.

(4) Share-based payment costs and acquisition-related charges

Included within the consolidated income statement for the quarter ended 31 December 2012 are total share-based payment costs (including related payroll taxes) of £16.2 million (2011: £14.2 million), allocated £0.6 million (2011: £1.0 million) in cost of revenues, £8.3 million (2011: £8.5 million) in research and development expenses, £2.6 million (2011: £2.7 million) in sales and marketing expenses and £4.7 million (2011: £2.0 million) in general and administrative expenses.

Included within the consolidated income statement for the year ended 31 December 2012 are total share-based payment costs (including related payroll taxes) of £45.4 million (2011: £57.7 million), allocated £2.1 million (2011: £3.5 million) in cost of revenues, £25.8 million (2011: £34.8 million) in research and development expenses, £7.7 million (2011: £11.3 million) in sales and marketing expenses and £9.8 million (2011: £8.1 million) in general and administrative expenses.

Included within operating expenses for the year ended 31 December 2012 are total acquisition-related charges of £6.1 million (2011: £3.6 million), allocated £4.3 million (2011: £2.5 million) in research and development expenses, £0.4 million (2011: £0.4 million) in sales and

marketing expenses and £1.4 million (2011: £0.7 million) in general and administrative expenses. Included within acquisition-related charges are £4.3 million for retention bonuses on acquisitions (2011: £2.5 million).

(5) Dividends

	Year ended 31 December 2012	Year ended 31 December 2011
	£m	£m
Final 2010 paid at 1.74 pence per share	-	23.4
Interim 2011 paid at 1.39 pence per share	-	18.8
Final 2011 paid at 2.09 pence per share	28.8	-
Interim 2012 paid at 1.67 pence per share	23.0	-
	<u>51.8</u>	<u>42.2</u>

In respect of the year to 31 December 2012, the directors are declaring a final dividend of 2.83 pence per share (an estimated cost of £40 million). This final dividend will be paid on 17 May 2013 to shareholders who are on the register of members on 19 April 2013.

(6) Prepaid expenses and other assets, and accrued and other liabilities

Included within prepaid expenses and other assets is a prepayment amounting to £103.7m which is ARM's contribution to a consortium to acquire rights to MIPS Technologies' portfolio of patents. This transaction, which is subject to MIPS shareholder approval, is expected to close in the first quarter of 2013.

Included within accrued and other liabilities at 31 December 2012 are £16.5 million (31 December 2011: £22.6 million) relating to the provision for payroll taxes on share awards, and £23.8 million (31 December 2011: £23.7 million) relating to employee bonus and sales commission provisions.

(7) Related party transactions/Investment in joint venture

During the year ended 31 December 2011 the Group incurred subscription costs of £6.9 million from Linaro Limited, an associated company of the Group, representing ARM's committed aggregate contributions to Linaro for a period of two years. In respect of the subscription fees, the Group was invoiced £3.5 million during the year to 31 December 2012 (2011: £3.4 million). As at 31 December 2012, £1.0 million (2011: £1.1 million) was owing to Linaro.

In addition the Group provided consulting and other services to Linaro amounting to £1.7 million (2011: £1.6 million). All fees have been charged in accordance with the terms of the agreement. As at 31 December 2012, £1.0 million (£0.7 million) was owed to the Group.

On 4 December 2012 the formation of a joint venture, TruStonic Limited, was announced, of which ARM holds a 40% share. The initial investment value amounted to £7.5 million (\$12.0 million).

	2012 £m	2011 £m
Initial investment in joint venture	7.5	-
Share of results for the period to 31 December	(0.7)	-
Investment in joint venture at 31 December	<u>6.8</u>	<u>-</u>

No other related party transactions have occurred in the year to 31 December 2012.

(8) Obligations under finance leases

	Minimum lease payments	
Amounts payable under finance leases:	31 December 2012	31 December 2011
	£m	£m
Within one year	3.1	-
In the second to fifth years inclusive	3.0	-
Less: future finance charges	(0.3)	-
Present value of lease obligations	<u>5.8</u>	<u>-</u>
	Present value of minimum lease payments	
Amounts payable under finance leases:	31 December 2012	31 December 2011
	£m	£m
Amounts due for settlement within 12 months	2.9	-
Amounts due for settlement after 12 months	2.9	-
Present value of lease obligations	<u>5.8</u>	<u>-</u>

The Group has entered into a 3 and a 4 year finance lease arrangement in respect of certain IT equipment.

(9) 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. If preconditions to indemnification are satisfied then an indemnification obligation may arise which could result in a material liability for the Group. ARM is presently in discussions with a licensee to re-negotiate the terms upon which ARM will indemnify that licensee. In the event that there is agreement with that licensee on the terms presently expected, an obligation of up to US\$20 million will arise on adoption of the new indemnity terms.

(10) Segmental reporting

At 31 December 2012, 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.

System 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 Chief Operating Decision Maker is provided with financial information. Whilst revenues are also 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.

Business segment information

	Processor Division £m	Physical IP Division £m	System Design Division £m	Unallocated £m	Group £m
Year ended 31 December 2012					
<i>Segmental income statement</i>					
Revenues (GBP)	473.9	68.3	34.7	-	576.9
Operating costs	(244.6)	(82.8)	(38.8)	(2.6)	(368.8)
Investment income, net	-	-	-	13.6	13.6
Share of results in joint venture	-	-	-	(0.7)	(0.7)
Profit/(loss) before tax	229.3	(14.5)	(4.1)	10.3	221.0
Tax	-	-	-	(60.3)	(60.3)
Profit/(loss) for the period	229.3	(14.5)	(4.1)	(50.0)	160.7
<i>Reconciliation to normalised profit/(loss) before tax</i>					
Intangible amortisation	2.4	0.8	-	-	3.2
Acquisition-related charges	3.1	1.7	-	0.8	5.6
Share-based payment costs including payroll taxes	31.3	8.6	5.5	-	45.4
Profit on sale of investments, net of impairment	0.6	-	-	-	0.6
Share of results in joint venture	-	-	-	0.7	0.7
Normalised profit/(loss) for the period before tax	266.7	(3.4)	1.4	11.8	276.5
Goodwill	138.0	367.0	14.4	-	519.4
Total assets	286.4	409.2	30.7	740.5	1,466.8
Revenues (USD)	749.8	108.4	54.9	-	913.1

(10) Segmental reporting (continued)

Year ended 31 December 2011	Processor Division £m	Physical IP Division £m	System Design Division £m	Unallocated £m	Group £m
<i>Segmental income statement</i>					
Revenues (GBP)	397.6	61.3	32.9	-	491.8
Operating costs	(223.8)	(81.1)	(41.2)	3.2	(342.9)
Investment income	-	-	-	8.0	8.0
Profit/(loss) before tax	173.8	(19.8)	(8.3)	11.2	156.9
Tax	-	-	-	(44.3)	(44.3)
Profit/(loss) for the period	173.8	(19.8)	(8.3)	(33.1)	112.6
<i>Reconciliation to normalised profit/(loss) before tax</i>					
Intangible amortisation	2.2	1.0	-	-	3.2
Acquisition-related charges	2.4	0.6	0.2	-	3.2
Share-based payment costs including payroll taxes	36.9	12.1	8.7	-	57.7
Disposal/impairment of investments	-	1.7	0.1	-	1.8
Linaro-related charges	6.9	-	-	-	6.9
Normalised profit/(loss) for the period before tax	222.2	(4.4)	0.7	11.2	229.7
Goodwill	143.7	383.9	14.9	-	542.5
Total assets	274.6	419.9	30.9	574.4	1,299.8
Revenues (USD)	634.7	97.9	52.4	-	785.0

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 cash and cash equivalents, short and long-term deposits, available-for-sale investments, loans and receivables, embedded derivatives, current and deferred tax, and VAT. Unallocated operating costs consist of foreign exchange gains and losses, and share of results in joint venture.

(11) 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 intangible amortisation, acquisition-related charges, share-based payment costs, profit/(loss) on disposal and impairment of available-for-sale investments, share of results in joint venture, and Linaro-related charges. Full reconciliations of Q4 2012, Q4 2011, FY 2012 and FY 2011, are shown in notes 11.13 to 11.16. All figures in £m unless otherwise stated.

<i>Summary normalised figures</i>	Q4 2012	Q4 2011	Q3 2012	FY 2012	FY 2011
Revenues	164.2	137.8	144.6	576.9	491.8
Revenues (\$m)	262.8	217.0	227.9	913.1	785.0
Gross margin	95.1%	96.0%	94.6%	94.8%	95.1%
Operating expenses	79.7	65.8	72.3	284.2	245.9
Profit from operations	76.5	66.5	64.5	262.9	221.7
Operating margin	46.6%	48.2%	44.6%	45.6%	45.1%
Profit before tax	80.0	69.0	68.1	276.5	229.7
Earnings per share (diluted)	4.08p	3.71p	3.71p	14.70p	12.45p
Cash	520.2	424.0	477.9	520.2	424.0
Normalised cash generation	74.1	51.5	88.0	267.3	203.8
	<i>(11.1)</i>	<i>(11.2)</i>	<i>(11.3)</i>	<i>(11.4)</i>	<i>(11.5)</i>
	Q4 2012	Q4 2011	Q3 2012	FY 2012	FY 2011
Revenues (£m)	164.2	137.8	144.6	576.9	491.8
ARM's effective exchange rate (\$/£)	1.60	1.58	1.58	1.58	1.60
Revenues (\$m)	262.8	217.0	227.9	913.1	785.0
				<i>(11.6)</i>	<i>(11.7)</i>
				31 December 2012	31 December 2011
Cash and cash equivalents				46.3	26.8
Short-term deposits				340.0	319.1
Long-term deposits				141.3	83.1
Less: Interest accrued				(7.4)	(5.0)
Total net cash				520.2	424.0
	<i>(11.8)</i>	<i>(11.9)</i>	<i>(11.10)</i>	<i>(11.11)</i>	<i>(11.12)</i>
	Q4 2012	Q4 2011	Q3 2012	FY 2012	FY 2011
Cash at end of period (as above)	520.2	424.0	477.9	520.2	424.0
Less: cash at beginning of period	(477.9)	(397.2)	(495.9)	(424.0)	(290.1)
Add back: Cash outflow from advance payment (see note 6)	-	-	104.5	104.5	-
Add back: Cash (inflow)/outflow from investments and acquisitions (net of cash acquired)	0.2	5.7	0.1	(8.8)	17.3
Add back: Cash outflow from investment in joint venture	7.5	-	-	7.5	-
Add back: Cash outflow from acquisition-related charges	0.5	-	2.7	3.8	3.1
Add back: Cash outflow from payment of dividends	23.0	18.8	-	51.8	42.2
Add back: Cash outflow from share-based payroll taxes	0.4	0.2	0.3	14.4	12.4
Add back: Cash outflow from payments related to Linaro	0.9	0.8	0.9	3.5	3.4
Less: Cash inflow from exercise of share options	(0.7)	(0.8)	(2.5)	(5.6)	(8.5)
Normalised cash generation	74.1	51.5	88.0	267.3	203.8

(11.13) Normalised income statement for Q4 2012

	Normalised	Share-based payments	Normalised incl share-based payments	Intangible amortisation	Acquisition related charges	Impairment of investments	Share of results in joint venture	IFRS
	£m	£m	£m	£m	£m	£m	£m	£m
Revenues	164.2	-	164.2	-	-	-	-	164.2
Cost of revenues	(8.0)	(0.6)	(8.6)	-	-	-	-	(8.6)
Gross profit	156.2	(0.6)	155.6	-	-	-	-	155.6
Research and development	(36.7)	(8.3)	(45.0)	(0.5)	(0.8)	-	-	(46.3)
Sales and marketing	(18.4)	(2.6)	(21.0)	(0.2)	(0.1)	-	-	(21.3)
General and administrative	(24.6)	(4.7)	(29.3)	-	(0.8)	(1.2)	-	(31.3)
Total operating expenses	(79.7)	(15.6)	(95.3)	(0.7)	(1.7)	(1.2)	-	(98.9)
Profit from operations	76.5	(16.2)	60.3	(0.7)	(1.7)	(1.2)	-	56.7
Investment income, net	3.5	-	3.5	-	-	-	-	3.5
Share of results in joint venture	-	-	-	-	-	-	(0.7)	(0.7)
Profit before tax	80.0	(16.2)	63.8	(0.7)	(1.7)	(1.2)	(0.7)	59.5
Tax	(23.0)	4.9	(18.1)	0.2	0.5	0.4	-	(17.0)
Profit for the period	57.0	(11.3)	45.7	(0.5)	(1.2)	(0.8)	(0.7)	42.5
Earnings per share (assuming dilution)								
Shares outstanding (millions)	1,398.6		1,398.6					1,398.6
Earnings per share – pence	4.08		3.27					3.04
ADSs outstanding (millions)	466.2		466.2					466.2
Earnings per ADS – cents	19.9		15.9					14.8

(11.14) Normalised income statement for Q4 2011

	Normalised £m	Share- based payments £m	Normalised incl share- based payments £m	Intangible amortisa- tion £m	Acquisition related charges £m	Disposal/ Impair- ment of investments £m	IFRS £m
Revenues	137.8	-	137.8	-	-	-	137.8
Cost of revenues	(5.5)	(1.0)	(6.5)	-	-	-	(6.5)
Gross profit	132.3	(1.0)	131.3	-	-	-	131.3
Research and development	(31.4)	(8.5)	(39.9)	(0.5)	(2.5)	-	(42.9)
Sales and marketing	(17.3)	(2.7)	(20.0)	(0.1)	(0.1)	-	(20.2)
General and administrative	(17.1)	(2.0)	(19.1)	-	(0.1)	(1.8)	(21.0)
Total operating expenses	(65.8)	(13.2)	(79.0)	(0.6)	(2.7)	(1.8)	(84.1)
Profit from operations	66.5	(14.2)	52.3	(0.6)	(2.7)	(1.8)	47.2
Investment income	2.5	-	2.5	-	-	-	2.5
Profit before tax	69.0	(14.2)	54.8	(0.6)	(2.7)	(1.8)	49.7
Tax	(17.9)	(0.2)	(18.1)	0.1	0.9	0.5	(16.6)
Profit for the period	51.1	(14.4)	36.7	(0.5)	(1.8)	(1.3)	33.1
Earnings per share (assuming dilution)							
Shares outstanding (millions)	1,377.8		1,377.8				1,377.8
Earnings per share – pence	3.71		2.66				2.40
ADSs outstanding (millions)	459.3		459.3				459.3
Earnings per ADS – cents	17.3		12.4				11.2

(11.15) Normalised income statement for FY 2012

	Normalised	Share-based	Normalised	Intangible	Acquisition	Profit on	Share of	IFRS
	£m	payments	incl share-based	amortisation	related	sale of	results in	£m
	£m	£m	payments	£m	charges	investments, net of	joint	£m
			£m			impairment	venture	
Revenues	576.9	-	576.9	-	-	-	-	576.9
Cost of revenues	(29.8)	(2.1)	(31.9)	-	-	-	-	(31.9)
Gross profit	547.1	(2.1)	545.0	-	-	-	-	545.0
Research and development	(134.0)	(25.8)	(159.8)	(2.2)	(4.3)	-	-	(166.3)
Sales and marketing	(64.3)	(7.7)	(72.0)	(0.5)	(0.4)	-	-	(72.9)
General and administrative	(85.9)	(9.8)	(95.7)	-	(1.4)	(0.6)	-	(97.7)
Total operating expenses	(284.2)	(43.3)	(327.5)	(2.7)	(6.1)	(0.6)	-	(336.9)
Profit from operations	262.9	(45.4)	217.5	(2.7)	(6.1)	(0.6)	-	208.1
Investment income, net	13.6	-	13.6	-	-	-	-	13.6
Share of results in joint venture	-	-	-	-	-	-	(0.7)	(0.7)
Profit before tax	276.5	(45.4)	231.1	(2.7)	(6.1)	(0.6)	(0.7)	221.0
Tax	(71.3)	7.7	(63.6)	0.9	1.9	0.5	-	(60.3)
Profit for the period	205.2	(37.7)	167.5	(1.8)	(4.2)	(0.1)	(0.7)	160.7
Earnings per share (assuming dilution)								
Shares outstanding (millions)	1,395.8		1,395.8					1,395.8
Earnings per share – pence	14.70		12.00					11.51
ADSs outstanding (millions)	465.3		465.3					465.3
Earnings per ADS – cents	71.7		58.5					56.1

(11.16) Normalised income statement for FY 2011

	Normalised £m	Share- based payments £m	Normalised incl share- based payments £m	Intangible amortisa- tion £m	Acquisition related charges £m	Disposal/ impair- ment of investments £m	Linaro – related charges £m	IFRS £'000
Revenues	491.8	-	491.8	-	-	-	-	491.8
Cost of revenues	(24.2)	(3.5)	(27.7)	-	-	-	-	(27.7)
Gross profit	467.6	(3.5)	464.1	-	-	-	-	464.1
Research and development	(118.8)	(34.8)	(153.6)	(2.4)	(2.5)	-	(6.9)	(165.4)
Sales and marketing	(60.5)	(11.3)	(71.8)	(0.8)	-	-	-	(72.6)
General and administrative	(66.6)	(8.1)	(74.7)	-	(0.7)	(1.8)	-	(77.2)
Total operating expenses	(245.9)	(54.2)	(300.1)	(3.2)	(3.2)	(1.8)	(6.9)	(315.2)
Profit from operations	221.7	(57.7)	164.0	(3.2)	(3.2)	(1.8)	(6.9)	148.9
Investment income	8.0	-	8.0	-	-	-	-	8.0
Profit before tax	229.7	(57.7)	172.0	(3.2)	(3.2)	(1.8)	(6.9)	156.9
Tax	(58.5)	10.1	(48.4)	0.8	1.0	0.5	1.8	(44.3)
Profit for the period	171.2	(47.6)	123.6	(2.4)	(2.2)	(1.3)	(5.1)	112.6
Earnings per share (assuming dilution)								
Shares outstanding (millions)	1,376.0		1,376.0					1,376.0
Earnings per share – pence	12.45		8.98					8.19
ADSs outstanding (millions)	458.7		458.7					458.7
Earnings per ADS – cents	58.0		41.9					38.2

Notes

The results shown for Q4 2012, Q3 2012, Q4 2011 and FY 2012, are unaudited. The results shown for FY 2011 are audited. The 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 Q4 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 preliminary announcement was approved by the Board of directors on 4 February 2013.

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 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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