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ARM HOLDINGS PLC RESULTS FOR THE QUARTER ENDED MARCH 31, 2001

ARM Holdings plc announces 52% growth in revenues and 39% increase in pre-tax profit

CAMBRIDGE, UK, April 11, 2001—ARM Holdings plc [(LSE: ARM); (Nasdaq: ARMHY)] announces its unaudited financial results for the first quarter ended March 31, 2001.

FINANCIAL HIGHLIGHTS (US GAAP)

First quarter ended March 31, 2001

- Revenues up 52% to £32.5 million (Q1 2000: £21.4 million) ; 9% higher than Q4 2000
- Profit before taxation up 39% to £11.4 million (Q1 2000: £8.2 million) ; 13% higher than Q4 2000
- Earnings per fully diluted share 0.8 pence (3.2 cents per ADS*) (Q1 2000: 0.6 pence and 2.8 cents respectively⁽¹⁾⁽²⁾)
- Strong growth in license bookings, deferred revenues almost doubling compared to Q4, 2000
- Record quarter for sales of development systems, with revenues increasing 187% to £6.1 million (Q1 2000: £2.1 million) , 39% higher than Q4 2000
- Unit shipments in Q4 2000 increased to 123 million (Q4 1999: 72 million)

(1) Establishment of a Qualifying Employee Share Ownership Trust (QUEST) in the first quarter of 2000 resulted in a tax saving of £1.1 million and an increase of 0.1 pence in earnings per fully diluted share (0.4 cents per ADS*) in the first quarter of 2000

(2) 2000 figures are adjusted for the five-for-one stock split which took place in April 2000

* Each American Depositary Share (ADS) represents three shares

Commenting on the first quarter's results, Robin Saxby, Chairman and Chief Executive Officer, said:

“As an intellectual property licensing business, we have not been directly exposed to the inventory corrections seen by many technology companies in the last few months and have experienced a strong quarter, with 20 licenses signed. Development systems, a leading indicator of design wins, continued their upward trend, almost trebling their revenues compared to the corresponding period for last year, and rising 39% compared to the previous quarter. The announcements we are making this week at the Embedded Systems Conference in San Francisco demonstrate the momentum that is building in our business.”

Jonathan Brooks, Chief Financial Officer, added:

“Given the high increase in our headcount during last year and the difficulties reported by other technology companies, we decided early in the quarter that it would be prudent to moderate our headcount growth plans for the year until market conditions improve. This has resulted in slightly lower costs for the quarter allowing operating margins to rise to 32% compared to 30% in the fourth quarter of 2000. With continuing strong demand for our products and services, we remain confident about the outlook for the next two quarters.”

Financial Review

Review of First Quarter ended March 31, 2001

Total revenues for the first quarter ended March 31, 2001 amounted to £32.5 million, representing a 9% increase from £29.8 million in the fourth quarter of 2000, and a 52% increase over first quarter 2000 revenues of £21.4 million.

License revenues amounted to £13.9 million representing 43% of revenues with 20 licenses signed in the period, six from new licensees and 14 from existing partners. Of the six new licensees, one took a license to the ARM7TDMI® core; one took a license to the ARM946E-S™ solution and four ‘per use’ licenses were signed, two for the ARM7TDMI core and two for the ARM922T™ core. Two existing partners, Philips and ST Microelectronics, signed ‘broad’ agreements giving them access to a wide range of cores over the next few years. Three further existing partners upgraded to cores from the ARM9™ family, one took a license to the ARM7TDMI core having previously taken a core in the ARM9 family and eight took licenses to products within the same microprocessor core families that they had previously licensed. Toppan, a company based in Japan, joined our ATAP™ technology access program which enables design houses to undertake ARM core-based designs for third parties. This brings the total number of ATAP design houses to eleven.

Royalty revenues were £8.3 million accounting for 26% of revenues compared to £8.1 million or 27% of revenues for the fourth quarter of 2000 and £4.7 million or 22% of revenues in the first quarter of 2000. Sales of development systems, a leading indicator of design activity, amounted to £6.1 million, representing 19% of total revenues compared to £4.4 million or 15% of revenues in the fourth quarter of 2000 and £2.1 million or 10% of revenues in the first quarter of 2000. Service revenues, which comprise revenues from consulting fees and support, maintenance and training amounted to £4.2 million compared to £3.0 million in the first quarter of 2000. This figure was slightly down from the £4.4 million of service revenues in the fourth quarter of 2000, reflecting the conscious shift away from consulting services to higher margin IP generation.

Gross margins for the first quarter of 2001 remained at 88%, the same level as in the fourth quarter of 2000, and slightly up on the 87% for the first quarter of 2000.

Research and development expenses were £8.8 million in the first quarter of 2001 representing 27% of revenues. This increased from £7.7 million or 26% of revenues in the fourth quarter of 2000 as we continued our investment in developing next generation products. Sales and marketing costs for the first quarter of 2001 were £4.5 million compared to £5.9 million in the fourth quarter of 2000, which had been unusually high due to expenditure on major trade shows and advertising. General and administration expenses increased from £3.2 million in the fourth quarter of 2000 to £4.3 million in the first quarter of 2001. The largest components of this increase included foreign exchange losses of £0.1 million in the quarter compared to a gain of £0.2 million in the fourth quarter and higher legal costs in the quarter of £0.2 million. Headcount rose from 619 at the end of 2000 to 659 at the end of the first quarter.

Operating margin for the first quarter of 2001 was 32% compared with 30% in the fourth quarter of 2000 and 33% in the first quarter of 2000.

Income before income tax for the first quarter of 2001 was £11.4 million or 35% of revenues compared to £10.1 million or 34% of revenues in the fourth quarter of 2000 and £8.2 million or 38% of revenues in the first quarter of 2000. Income before income tax in the first quarter of 2000 included a profit of £0.5 million on the disposal of part of the Company's shareholding in Palmchip Corporation.

First quarter fully diluted earnings per share prepared under US GAAP were 0.8 pence (3.2 cents per ADS*) compared to 0.6 pence (2.8 cents) for the corresponding period in 2000. Tax savings arising on a contribution to the QUEST in March 2000 resulted in an increase in earnings per fully diluted share of 0.1 pence (0.4 cents per ADS*) in the first quarter of 2000.

* Each ADS represents three shares

Balance Sheet and Cash Flow

Total assets rose to £146.6 million compared to £127.3 million at 31 December 2000. Deferred revenues, which represent revenues invoiced but not yet recognized, grew to their highest level ever of £23.9 million at the end of the quarter compared to £12.7 million at 31 December, 2000, reflecting the strong increase in licensing activity. Accounts receivable increased by 72% to £32.5 million compared to £18.9 million at 31 December 2000. This reflected very high invoicing levels towards the end of the quarter, the majority of which is included within deferred revenues. Debtor days rose slightly to 55 days compared to 51 days in the fourth quarter and 64 days for the corresponding period in 2000.

Net cash flow from operating activities was £7.0 million in the quarter, with an additional £1.0 million of cash generated from interest received. Capital expenditure for the quarter amounted to £4.1 million and £1.4 million was spent on the purchase of part of the business of Noral Micrologics Limited. Cash balances increased from £75.3 million at 31 December 2000 to £78.4 million.

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About ARM

ARM is the industry's leading provider of 16/32-bit embedded RISC microprocessor solutions. ARM licenses its high-performance, low-cost, power-efficient RISC processors, peripherals, and system-on-chip designs to leading electronics companies. The company also provides comprehensive support required in developing a complete system. ARM's microprocessor cores are rapidly becoming the volume RISC standard in applications such as consumer entertainment, encryption, imaging, industrial, mass storage, networking and wireless.

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This announcement contains "forward-looking statements" including statements concerning plans, future events or performance and underlying assumptions and other statements which are other than statements of historical fact. The Company's actual results for future periods may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. The factors that could cause actual results to differ materially include, without limitation, potential for significant fluctuation in and unpredictability of results, the ability of semiconductor partners to manufacture and market microprocessors based on the ARM® architecture; the acceptance of ARM technology by systems companies; the availability of development tools, systems software and operating systems; the rapid change in technology in the industry and ARM's ability to develop new products in a timely manner; management of growth; competition from other architectures; general business and economic conditions; the growth in the semiconductor industry; the Company's ability to protect its intellectual property; and ARM's ability to attract and retain employees.

More information on ARM is available at <http://www.arm.com>

ARM Holdings plc
First Quarter Results – US GAAP
(in thousands except per share data)

| | Quarter Ended Mar 31 2001 Unaudited £'000 | Quarter Ended Mar 31 2000 Unaudited £'000 | Quarter Ended Mar 31 2001 ⁽¹⁾ Unaudited \$'000 |
|--|--|--|--|
| Revenues | | | |
| Product revenues | 28,311 | 18,421 | 40,250 |
| Service revenues | 4,193 | 2,998 | 5,961 |
| Total revenues | <u>32,504</u> | <u>21,419</u> | <u>46,211</u> |
| Cost of revenues | | | |
| Product costs | 2,041 | 1,174 | 2,902 |
| Service costs | 1,992 | 1,538 | 2,832 |
| Total cost of revenues | <u>4,033</u> | <u>2,712</u> | <u>5,734</u> |
| Gross profit | <u>28,471</u> | <u>18,707</u> | <u>40,477</u> |
| Research and development | 8,750 | 5,382 | 12,440 |
| Sales and marketing | 4,467 | 3,427 | 6,351 |
| General and administration | 4,332 | 2,397 | 6,159 |
| Amortization of goodwill | 476 | 516 | 676 |
| Total operating expenses | <u>18,025</u> | <u>11,722</u> | <u>25,626</u> |
| Income from operations | 10,446 | 6,985 | 14,851 |
| Interest | 1,021 | 809 | 1,452 |
| Loss from equity affiliate | - | (85) | - |
| Gain on partial disposal of equity affiliate | - | 512 | - |
| Minority interest | (80) | (46) | (114) |
| Income before income tax | <u>11,387</u> | <u>8,175</u> | <u>16,189</u> |
| Provision for income taxes | 3,658 | 1,507 | 5,201 |
| Net income | <u>7,729</u> | <u>6,668</u> | <u>10,988</u> |
| Net income | 7,729 | 6,668 | 10,988 |
| Other comprehensive income: | | | |
| Foreign currency adjustments | 158 | 84 | 225 |
| Unrealized holding loss on available for sale securities | (1,692) | - | (2,406) |
| | <u>6,195</u> | <u>6,752</u> | <u>8,807</u> |
| Earnings per share (assuming dilution) | | | |
| Shares outstanding ('000) | 1,025,391 | 1,028,640 | |
| Earnings per share – pence ⁽²⁾ | 0.8 | 0.6 | |
| Earnings per ADS (assuming dilution) | | | |
| ADS's outstanding ('000) | 341,797 | 342,880 | |
| Earnings per ADS – cents ⁽¹⁾ | 3.2 | 2.8 | |

(1) Translated solely for the convenience of the reader at March 31, 2001 closing rate of \$1.4217=£1

(2) The comparatives have been restated to reflect the five for one stock split in April 2000.

ARM Holdings plc
Consolidated Balance Sheet-US GAAP

| | Mar 31 2001 Unaudited £'000 | Dec 31 2000 Audited £'000 | Mar 31 2001 ⁽¹⁾ Unaudited \$'000 |
|--|--|--|--|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 78,446 | 75,266 | 111,527 |
| Accounts receivable, net of allowance of £105,000 in 2001 and £155,000 in 2000 | 32,542 | 18,913 | 46,265 |
| Inventory | 715 | 385 | 1,016 |
| Prepaid expenses and other assets | 6,154 | 4,652 | 8,749 |
| Income taxes receivable | - | 439 | - |
| Total current assets | 117,857 | 99,655 | 167,557 |
| Deferred income taxes | 1,153 | 740 | 1,639 |
| Property and equipment, net | 16,825 | 14,874 | 23,920 |
| Intangible assets | 6,081 | 5,440 | 8,646 |
| Investments | 4,696 | 6,634 | 6,676 |
| Total assets | 146,612 | 127,343 | 208,438 |
| Liabilities and shareholders' equity | | | |
| Accounts payable | 3,334 | 2,049 | 4,740 |
| Income taxes payable | 4,900 | 1,621 | 6,966 |
| Personnel taxes | 704 | 590 | 1,001 |
| Accrued liabilities | 5,827 | 9,128 | 8,284 |
| Deferred revenue | 23,858 | 12,677 | 33,919 |
| Total liabilities | 38,623 | 26,065 | 54,910 |
| Minority interest | 386 | 306 | 549 |
| | 39,009 | 26,371 | 55,459 |
| Shareholders' equity | | | |
| Ordinary shares | 502 | 500 | 714 |
| Additional paid in capital | 78,469 | 78,035 | 111,559 |
| Cumulative translation adjustment | 288 | 130 | 409 |
| Retained earnings | 63,493 | 55,764 | 90,268 |
| Accumulated other comprehensive income | 395 | 2,087 | 562 |
| Treasury stock, at cost | (35,544) | (35,544) | (50,533) |
| Total shareholders' equity | 107,603 | 100,972 | 152,979 |
| Total liabilities and shareholders' equity | 146,612 | 127,343 | 208,438 |

(1) Translated solely for the convenience of the reader at March 2001 closing rate of \$ 1.4217 = £1

The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts of the Company in respect of the financial year ended December 31, 2000 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of that Act.

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