



# **ARM Holdings plc Q1 2010 Results**

**ROADSHOW SLIDES**



The Architecture for the Digital World®



# ARM Overview

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ARM is the world's leading semiconductor IP company



- Over 675 processor licenses sold to more than 230 companies
- Royalties received on all ARM-based chips
- 20 billion ARM based chips shipped to date
- Gaining market share in long-term secular growth markets
- ARM revenues typically grow faster than overall semiconductor industry revenues

# ARM Introduction

- Global leader in the development of semiconductor IP
  - R&D outsourcing for semiconductor companies
- Innovative business model yields high margins
  - Upfront license fee – flexible licensing models
  - Ongoing royalties – typically based on a percentage of chip price
  - Technology reused across multiple applications
- Long-term, secular growth markets



# Key Growth Drivers

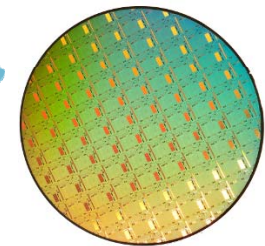
- Growth in mobile applications
  - Increasing value of ARM technology per device
  - More chips and higher priced chips
- Growth beyond mobile
  - Increasing ARM penetration into broader range of digital products
- Growth into new technology outsourcing
  - Physical IP, graphics IP and video IP increase ARM's value per device and penetration

Increasing the  
ARM value  
per transaction

Growth in  
non-mobile  
applications

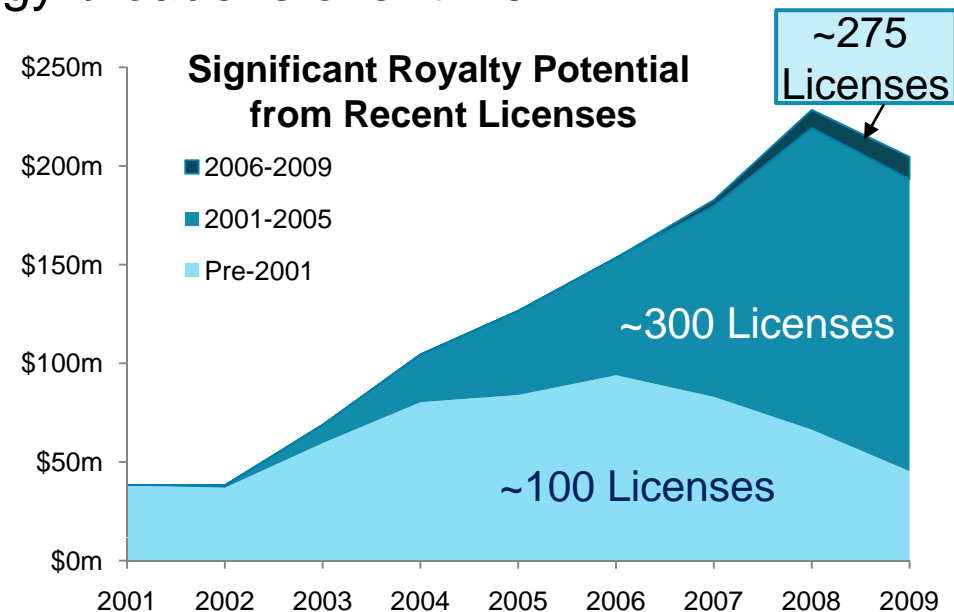
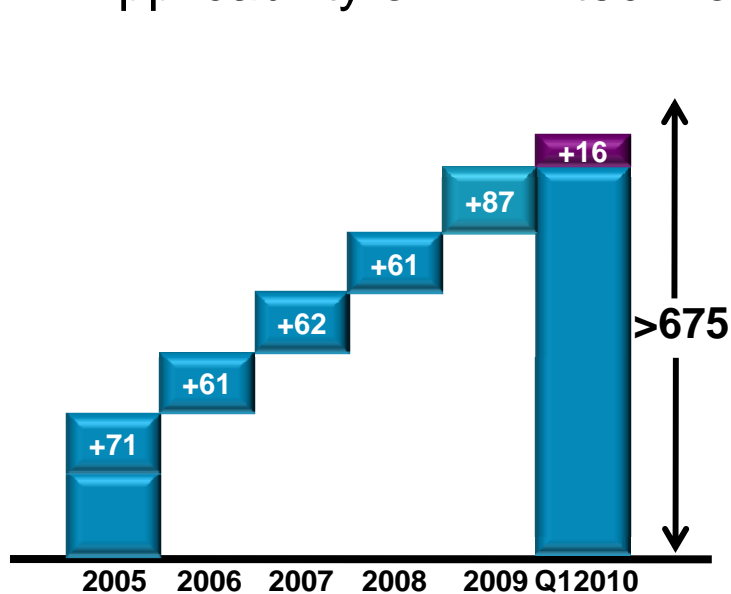
Extending IP  
Outsourcing

## Growth Opportunities

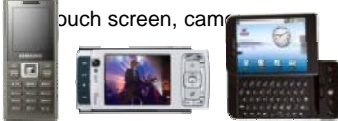






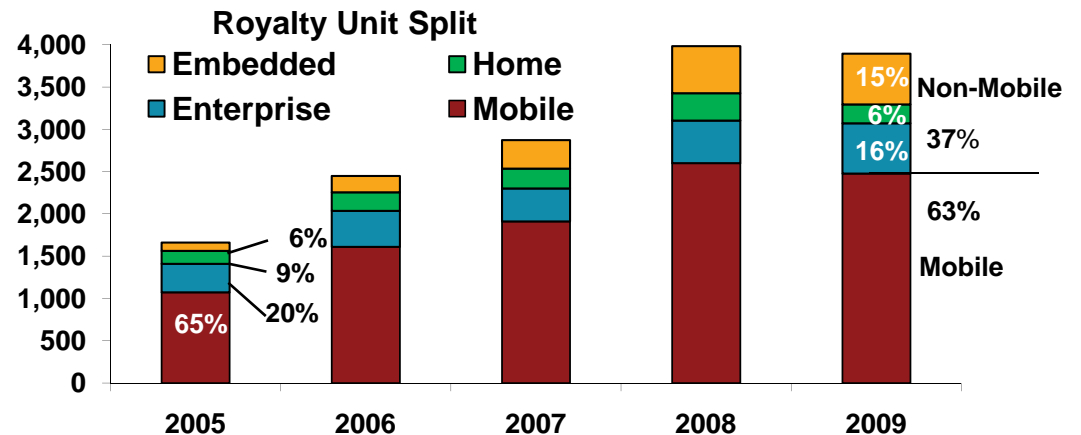
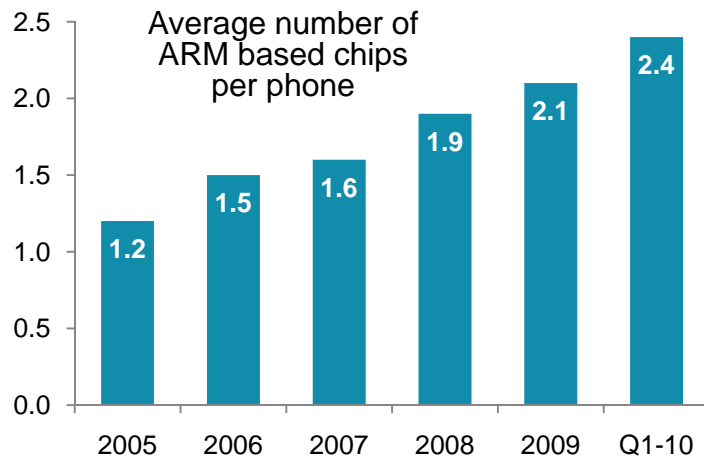
# Processor Licensing Drives Royalties

- Licensing base typical grows by 60-80 licenses every year
  - Internet-connected consumer electronics from smartphones to DTV
  - Embedded applications such as microcontrollers and hard disk drives
- License base yields royalty revenues over long period
  - Leading semiconductor companies have made long-term, strategic commitments to ARM technology
  - Applicability of ARM technology broadens over time



# Increasing Value and Penetration

Mobile Phones	Mobile Computers	Digital TV & STB	PC & Peripherals	Microcontrollers
<p>ARM processors can be found in more than 95% of mobile phones</p> <p>Average of 2.4 ARM based chips per mobile phone, with smartphones containing 2-5 ARM based chips</p> <p>Typical smartphone drives six times more royalty than typical "dumb-phone"</p> <p>ARM processors used in:</p> <ul style="list-style-type: none"> <li>2G/3G baseband connection</li> <li>Applications processor</li> <li>GPS, Wi-Fi, Bluetooth</li> <li>Touch screen, camera</li> </ul> 	<p>Smartphones are evolving into mobile computers</p> <ul style="list-style-type: none"> <li>30m unit market in 2009</li> <li>Forecast 500m unit in 2014</li> </ul> <p>ARM in applications processor used to run:</p> <ul style="list-style-type: none"> <li>User interface, operating system, browser and plug-ins, email, gaming</li> </ul> <p>ARM processors also used in:</p> <ul style="list-style-type: none"> <li>Hard disk drive controller</li> <li>WiFi, Bluetooth, H.264/MPEG-4 AVC</li> <li>2G/3G baseband connection</li> </ul> 	<p>ARM market share ~30% in brands such as Samsung, Sony Bravia and Vizio</p> <p>Digital TV becoming more internet connected, requiring web-browsers, plug-ins and PC-class OS. Driving need for smarter processor such as ARM</p> <p>ST is market leader and recently announced they are moving to ARM</p> 	<p>ARM technology can be found in many products in the home office</p> <ul style="list-style-type: none"> <li>Disk drives (65% share)</li> <li>Printers (60%)</li> <li>Networking (20%) such as broadband router, Wi-Fi, BT and femto cell</li> </ul> <p>As these products become more capable and more efficient, they create more opportunity for ARM</p> 	<p>Microcontroller market is very large with mainly low-cost chips</p> <p>ARM's market share ~6% but growing rapidly</p> <p>ARM processors used in:</p> <ul style="list-style-type: none"> <li>Electric motor controllers</li> <li>Monitors and sensors</li> <li>Medical applications</li> <li>Industrial automation</li> </ul> 



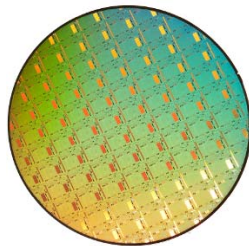


# Extending the Model

- Physical IP and multimedia IP markets represent further outsourcing opportunity
  - Technology complexity increasing, drives cost and risk
  - ARM develops technology and amortises costs over many licenses
  - Additional royalty streams per chip

## Physical IP

- Leading-edge physical IP available from 250nm to 28nm
- Foundries licensing ARM technology for next generation processes
- Over 30 platforms yielding royalties
- 12 of top 20 semis are driving ARM royalties from foundries



## Multimedia IP

- 27 licenses for graphics and video
- 2009 best ever year for licensing
- Added Samsung and Mediatek
- 30 million Mali-based chips shipped in 2009 into mobile and consumer electronics devices

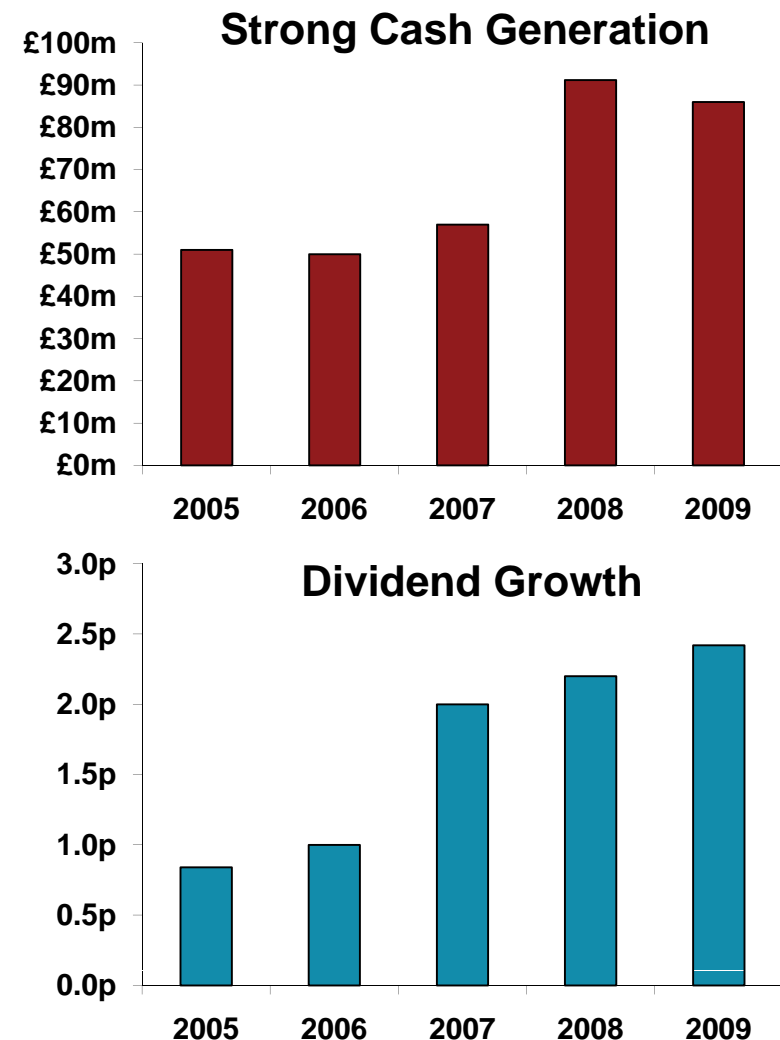
**LG Renoir**  
(Mali graphics processor)

**LG Xenon**  
(Mali video processor)



# Strong Balance Sheet and Cash Generation

- Healthy margins drive strong cash generation of \$86m in FY09
- Net cash of £196m at end Q1
- Expect to retain cash rich balance sheet
- £368m returned over 5 years
  - £106m via dividend
  - £262m via buyback
- Progressive dividend policy
  - Grow dividends at least in line with earnings





# Summary

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- ARM business model reduces chip development cost
  - Turns large fixed cost into smaller variable cost
  - Yields high margins for ARM
- ARM's technology is needed as growing complexity is increasing cost and risk for chip designers
- ARM is gaining share in structural growth markets
  - Global proliferation of the internet
  - Low power in battery-powered products and in consumer electronics
  - Smart, low-cost devices in everything we use during the day





# Segments for ARM in 2009

	Devices Shipped (Million of Units)	2009 Devices	Chips/ Device	TAM 2009 Chips	2009 ARM	2009 Share
Mobile	Smart Phone	230	2-5	1,000	850	85%
	Feature Phone	600	1-3	1,200	1,000	85%
	Low End Voice Phone	300	1	300	280	95%
	Portable Media Players	180	1-3	250	180	75%
	Computing (CPU-only*)	30	1	30	<1	1%
Non-Mobile	Digital Camera	100	1-2	150	90	60%
	Digital TV & Set-Top-Box	300	1-2	370	100	30%
	Networking	570	1	570	100	20%
	Printers	120	1	120	70	60%
	Hard Disk Drives & SSD	550	1	550	350	65%
	Automotive	1,200	1	1,200	120	10%
	Smart Card	3,400	1	3,400	200	6%
	Microcontrollers	4,500	1	4,500	270	6%
	Others**	1,300	1	1,300	350	25%
<b>Totals</b>		<b>13,500</b>		<b>15,000</b>	<b>3,900</b>	<b>26%</b>

Source: ABI, Gartner, Semico, Instat, IDC, and ARM estimates

\* Applications processor only \*\* Includes other applications not listed such as headsets, DVD, game consoles, etc

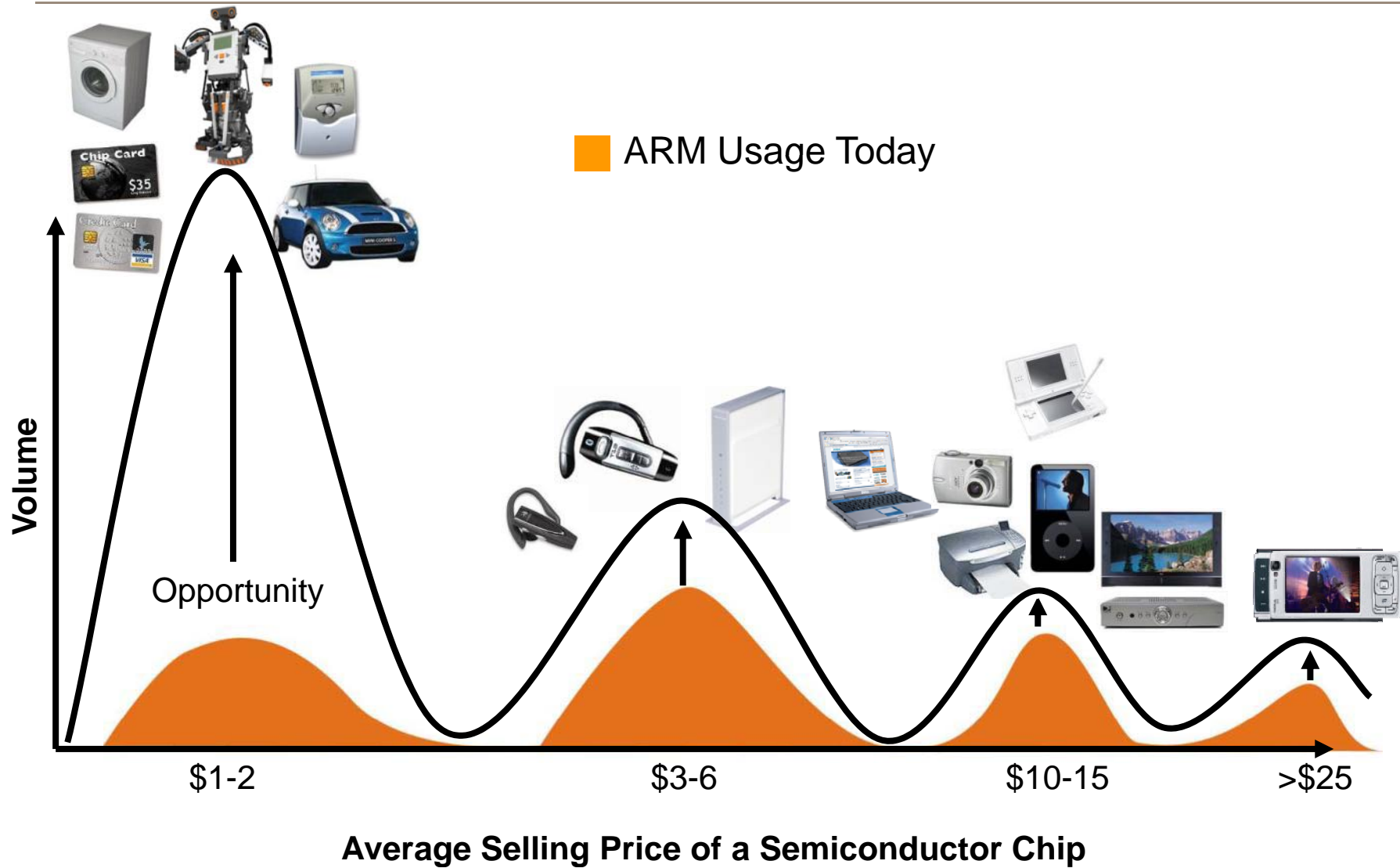
# Segments for ARM in 2014

	Devices Shipped (Million of Units)	TAM 2009 Chips	'09 ARM Share	TAM 2014 Devices	Chips /unit	TAM 2014 Chips	Key Growth Areas for ARM
Mobile	Smart Phone	1,000	85%	800	3-5	3,200	
	Feature Phone	1,200	85%	450	1-3	900	
	Low End Voice Phone	300	95%	350	1	350	
	Portable Media Players	250	75%	200	1-2	300	
	Computing (CPU-only*)	30	1%	500	1	500	
Non-Mobile	Digital Camera	150	60%	120	1-2	200	
	Digital TV & Set-Top-Box	370	30%	450	1-4	800	
	Networking	570	20%	800	1-2	900	
	Printers	120	60%	200	1	200	
	Hard Disk Drives & SSD	550	65%	1,100	1	1,100	
	Automotive	1,200	10%	2,000	1	2,000	
	Smart Card	3,400	6%	5,500	1	5,500	
	Microcontrollers	4,500	6%	9,000	1	9,000	
	Others**	1,300	25%	3,600	1	3,600	
<b>Totals</b>		<b>15,000</b>	<b>26%</b>	<b>25,000</b>		<b>29,000</b>	

Source: ABI, Gartner, Semico, Instat, IDC, and ARM estimates

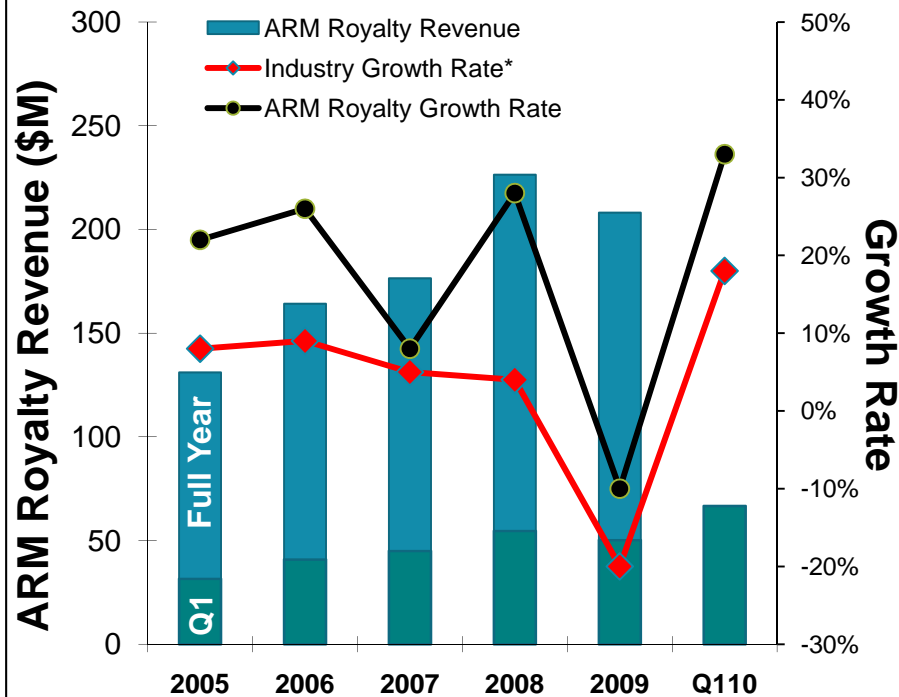
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# Broadening the Range



# Royalties Outperform Industry

## Q110: ARM Outperforms Industry



**ARM \$ Royalty CAGR (05-09) = 12%**  
**Industry \$ Revenue CAGR (05-09) = flat**

## Q110: 1.4bn units, up ~70%

**Industry units (ex-memory)\* up ~17%**

**ARM mobile shipments up ~50%**

Growth in smartphones and first mobile computer shipments

**ARM STB/DTV shipments up >100%**

Shipments of digital TVs forecast to up ~15%

**ARM storage shipments up >100%**

End market shipments up ~20%

**ARM MCU shipments up ~80%**

MCU market up 20%

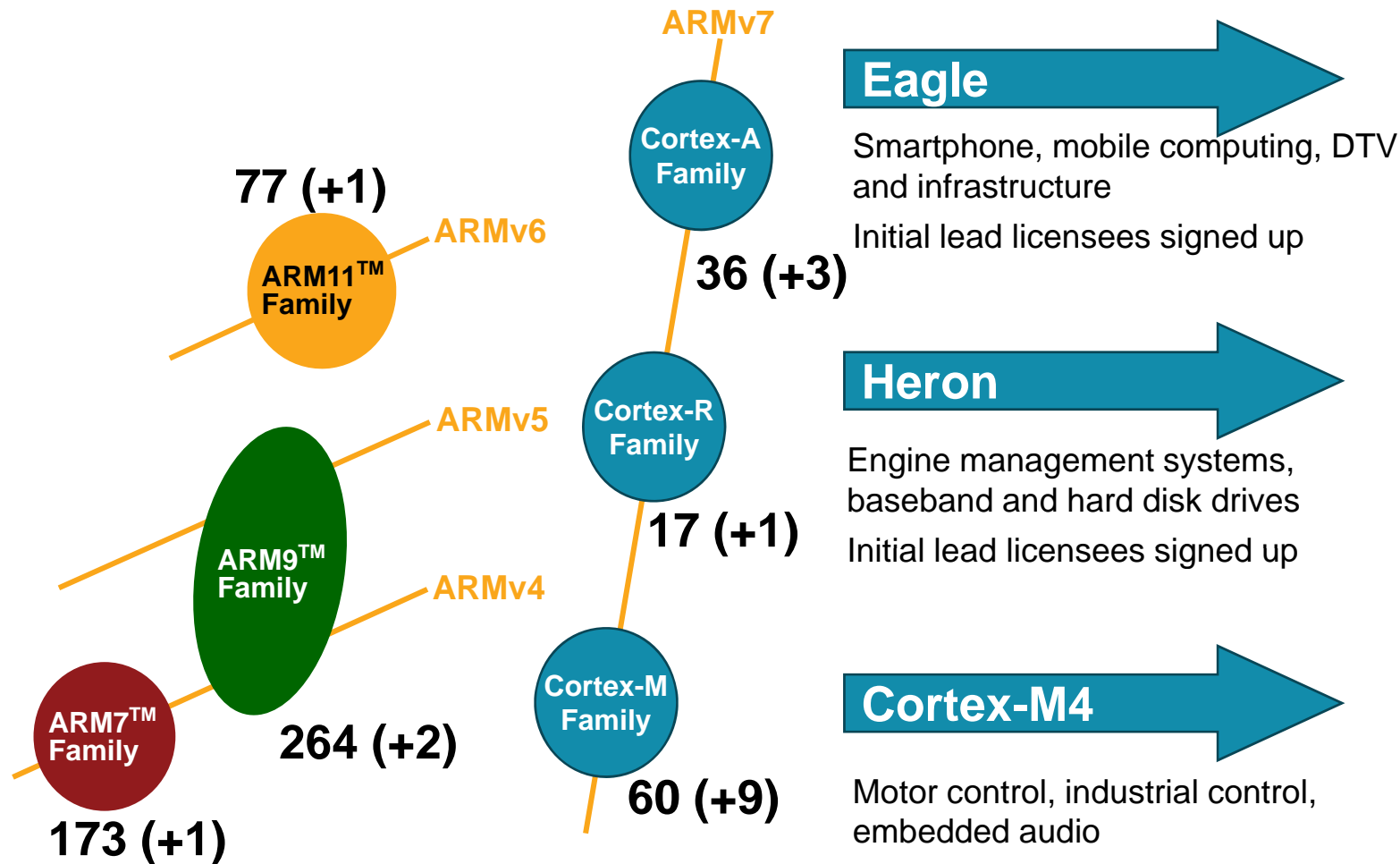
\* Source: SIA April 2010  
 Offset 1 quarter to align with ARM's royalty revenue

# Growing the Licensing Base

**Cumulative licenses**  
(Q1 2010 licensing shown in parenthesis\*)

**Processor Roadmap in 2010**

**Estimated Royalty Opportunity for 2014**



**Application Processors**  
3bn units per year

**Real-time Embedded**  
10bn units per year

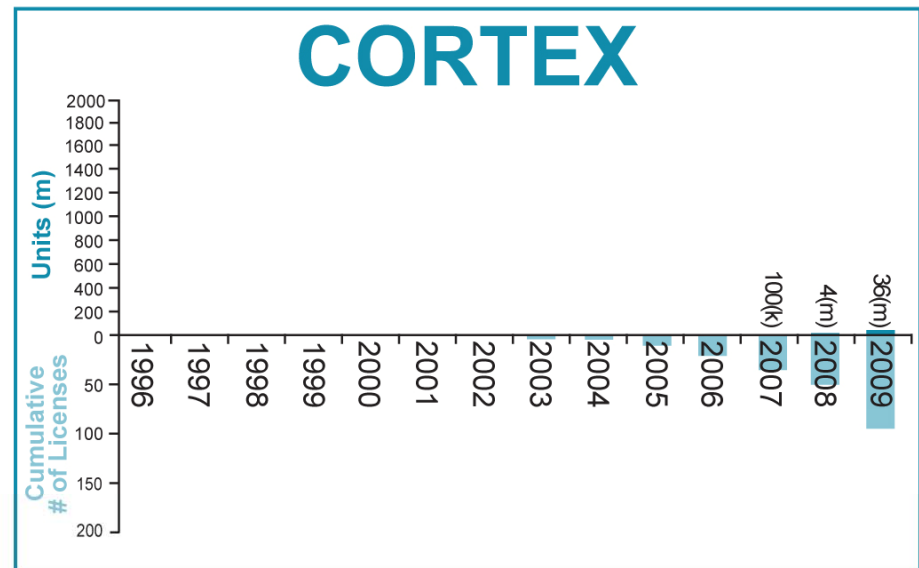
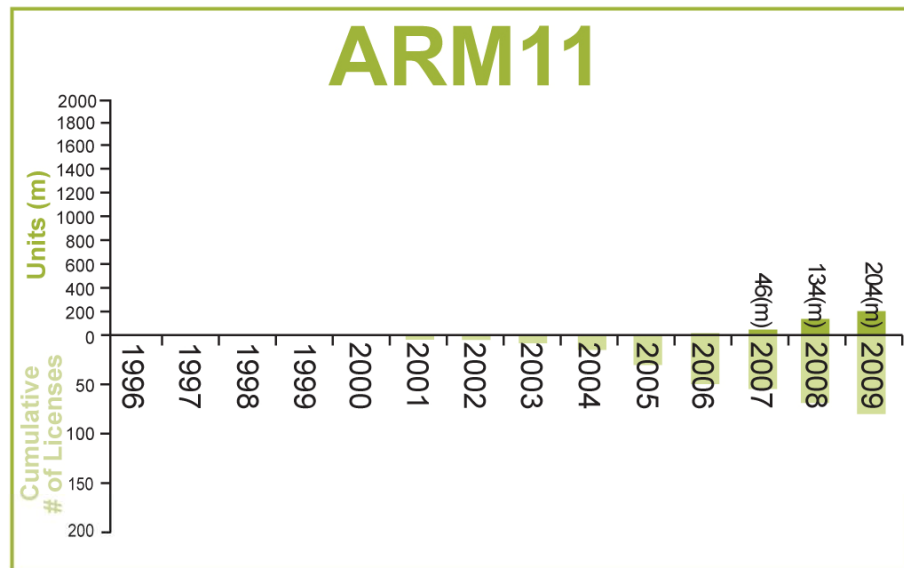
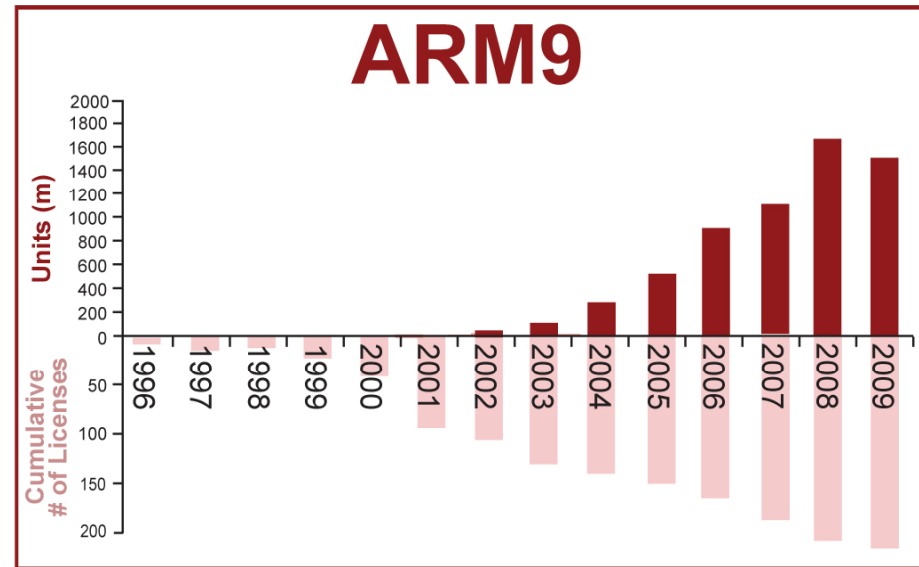
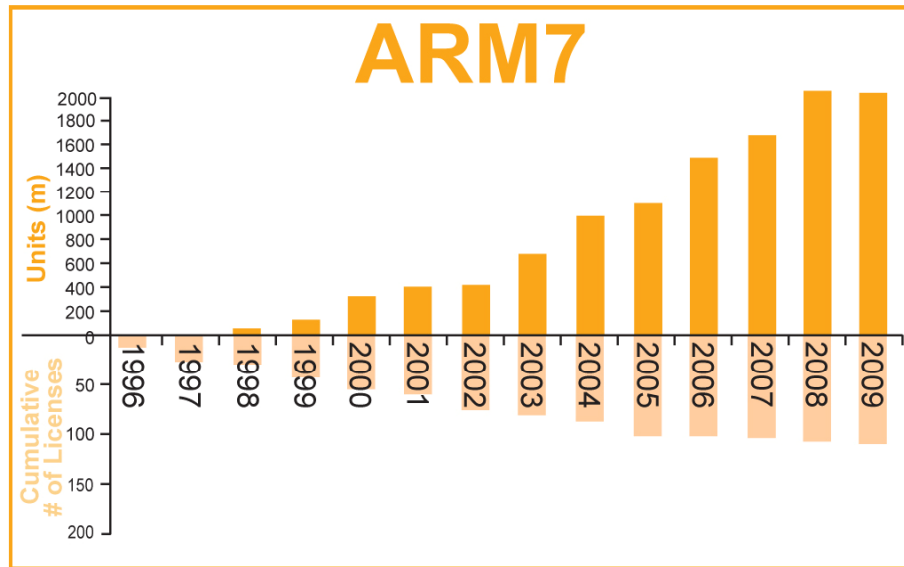
**Micro-controllers**  
16bn units per year

Mali licenses = 27, Others = 24

\*Note: Number of licenses adjusted for licenses that are no longer expected to generate royalties.



# Latest Technology Drives Royalty Growth



# Mobile: Growing Royalties Per Device

- ARM chips per phone 2.4 in Q1
  - Smartphones have increasing number of ARM based chips
  - Basic phones often have baseband, camera & Bluetooth
- First ARM-based mobile computing devices announced by leading OEMs in a wide range of form factors
  - Semiconductor partners have announced over 100 design wins
  - Cortex-A9 and Mali 400 in next generation processors for 2010
  - Mobile computing market expected to grow to 500m units by 2014\*

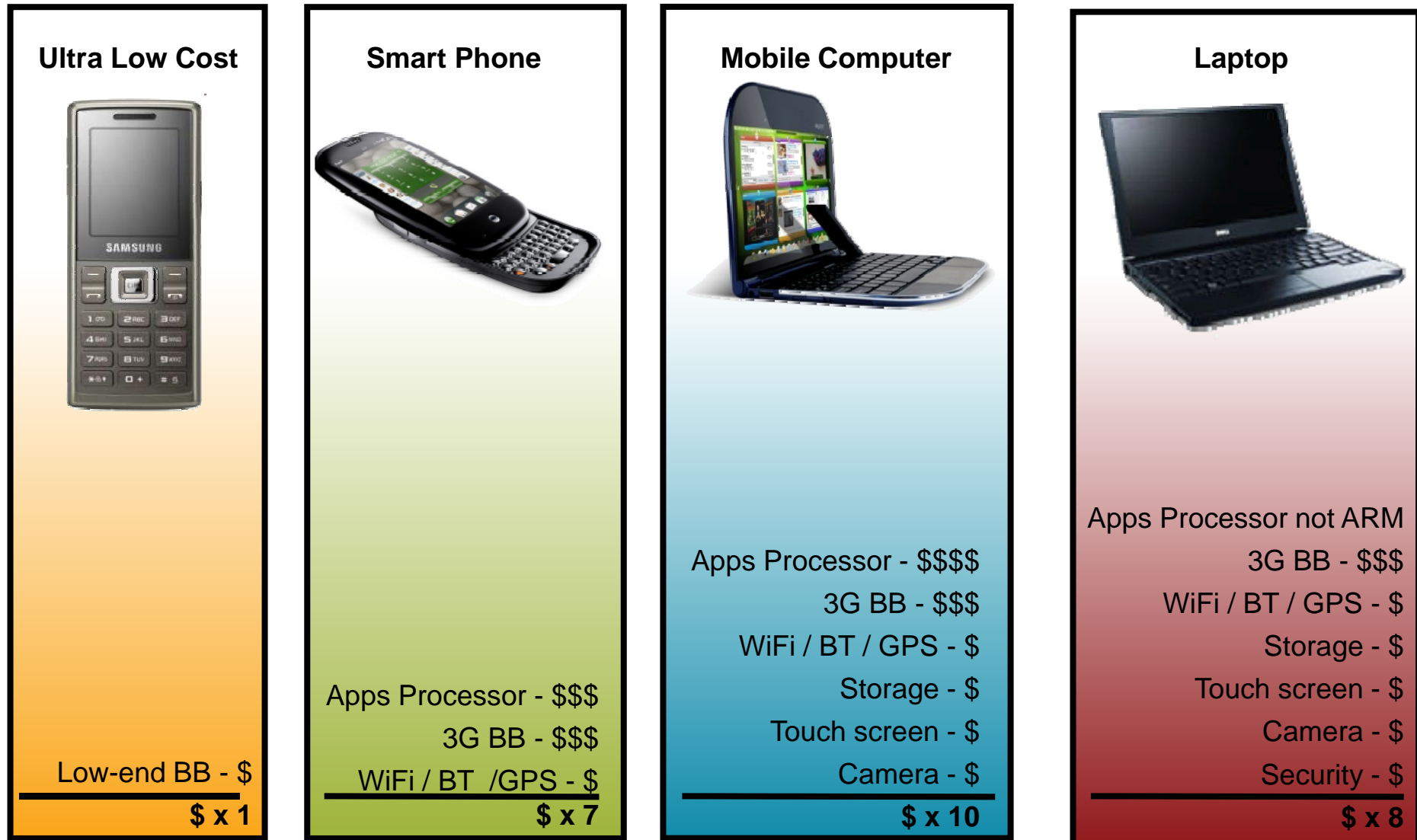
## Some of the ARM-based Products Recently Announced



## More Announcements Expected Through 2010

\*ABI Research, IDC, Gartner and ARM forecasts

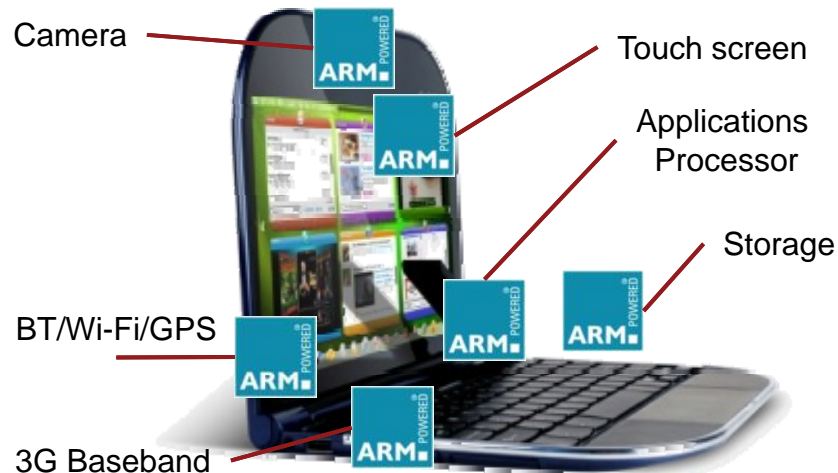
# End Goal - Increasing the ARM Value



\$ = Unit of Royalty

# ARM Opportunity in Mobile Computing

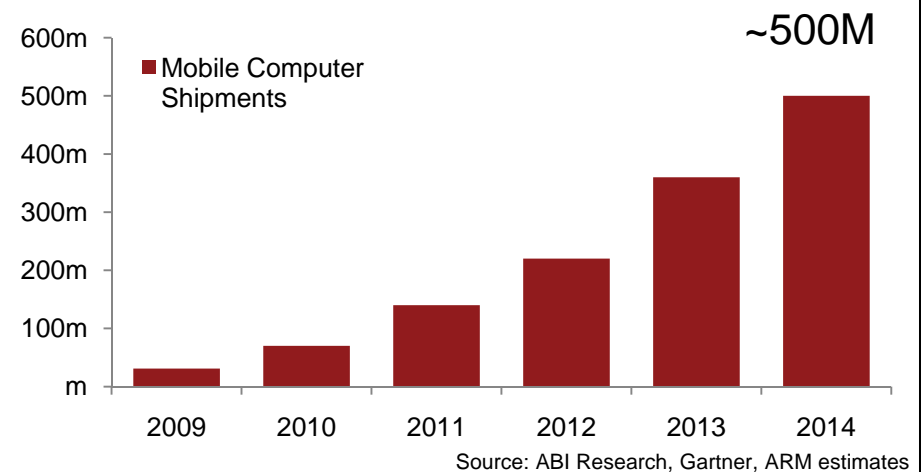
## ARM Opportunity per Mobile Computer



Opportunity	Relative Royalty	ARM Market Share
Apps Processor	\$\$\$\$	TBD
3G Baseband	\$\$\$	100%
Storage	\$	50%
BT/Wi-Fi/GPS	\$	50%
Touch screen	\$	<10%
Camera	\$	<5%

\$ = Relative unit of royalty

## Mobile Computer Market Growth Forecast



## ARM Royalty Opportunity in 2014

Assumption: ARM receives a 20c royalty for each ARM-based applications processor and another 20c for the other chips in device

ARM share of applications processor shipments	1%	25%	50%	100%
ARM based apps processors	5m	125m	250m	500m
Royalty from apps processor	\$1m	\$25m	\$50m	\$100m
Royalty from other chips	\$100m	\$100m	\$100m	\$100m
<b>Total royalty contribution</b>	<b>\$101m</b>	<b>\$125m</b>	<b>\$150m</b>	<b>\$200m</b>

# Billions of Internet-Connected Screens

- With choice of suppliers, OEMs are innovating with new types of products
  - ARM technology can be used for applications processing, connectivity and storage
  - Standard software is available today and enables all form factors to connect to the internet and display all the web pages, play videos, network with friends ...

Form Factor	TAM(m) 2014
Mobile	1,600
Home	350
Mobile Computers	500
Media players	200
Automotive	100
Multimedia	100
Other*	250
<b>Total</b>	<b>3 billion</b>

\*Includes PND, photo-frames, etc

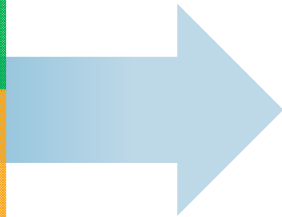
ABI Research, IDC, Gartner and ARM forecasts





# Non-Mobile: Growth in Microcontrollers

Analyst Day 2007



Extended licensing opportunity with Cortex-M0





# Non-Mobile: Growth in Microcontrollers



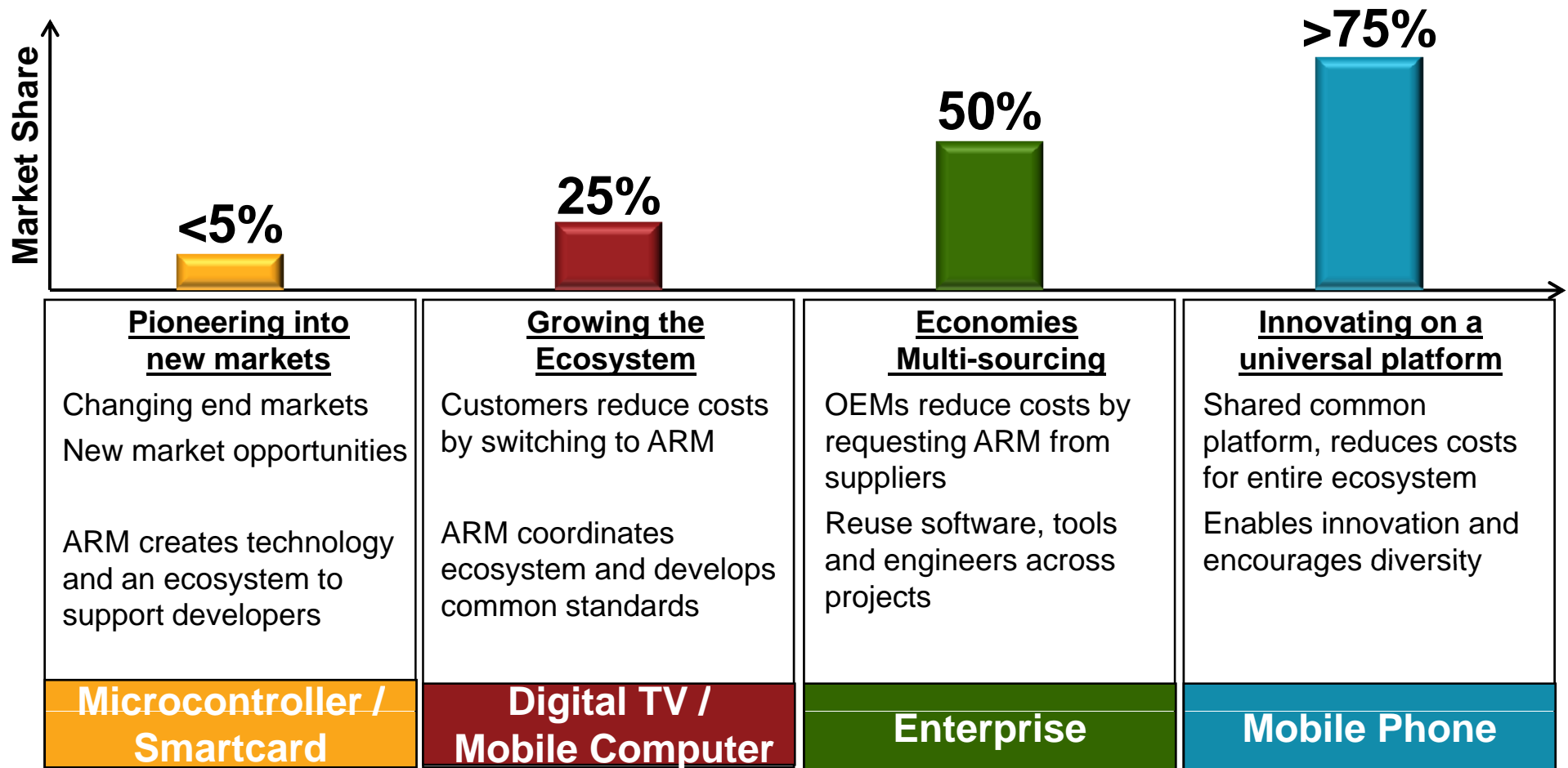
## Companies with announced ARM MCU product lines

More partner announcements expected in next few months

- ARM increasingly adopted as the standard 32-bit MCU architecture – recent announcements:
  - Actel announces new Cortex-M3 based FPGA
  - Atmel announces family of Cortex-M3 based MCUs
  - Cypress announces Cortex-M3 based pSOC
  - Fujitsu plans roadmap of Cortex-M3 based MCUs
  - ST announces STM32L family of low-power MCUs based on Cortex-M3
  - NXP demonstrates Cortex-M0 in world's smallest 32-bit MCU and first DSC based on Cortex-M4
  - Maxim acquires part of Zilog to gain access to ARM7/9 based MCUs
  - TI acquires Luminary to gain access to line card of over 140 products based on Cortex-M3
- Many other announcements on ARM-based products by licensees in enterprise and consumer electronics markets








# Market Dynamics as ARM Gains Share

- ARM gaining market share benefits the whole ecosystem from chip developers to software engineers to consumers



# Recent Market Share Gains

- ARM is displacing proprietary processor designs
  - End-markets require smarter and more capable, energy-efficient chips
  - Increasing cost of developing in-house to meet market requirements
- New design wins with market leaders drive royalties
  - Enables ARM to continue to increase market penetration and outperform semiconductor industry

Mobile phone	Smartcard	Digital TV/Set-Top-Box					
<p>Cortex-M class processors are enabling ARM to be designed into additional chips within mobile phones such as touchscreen controller, SIM card, camera and power control IC</p> <div><div></div></div>	<div></div> <p>Infineon to use ARM compliant processors in their next generation smartcard chips for the first time</p> <table><tr><td>ARM's Market Penetration ~5%</td><td>Infineon's Market Share ~25%</td></tr></table>	ARM's Market Penetration ~5%	Infineon's Market Share ~25%	<div></div> <p>ST to use ARM processors in their next generation DTV/STB chips for the first time (Cortex-A9 and Mali 400)</p> <table><tr><td>ARM's Market Penetration ~30%</td><td>STM's Market Share &gt;30%</td></tr></table>		ARM's Market Penetration ~30%	STM's Market Share >30%
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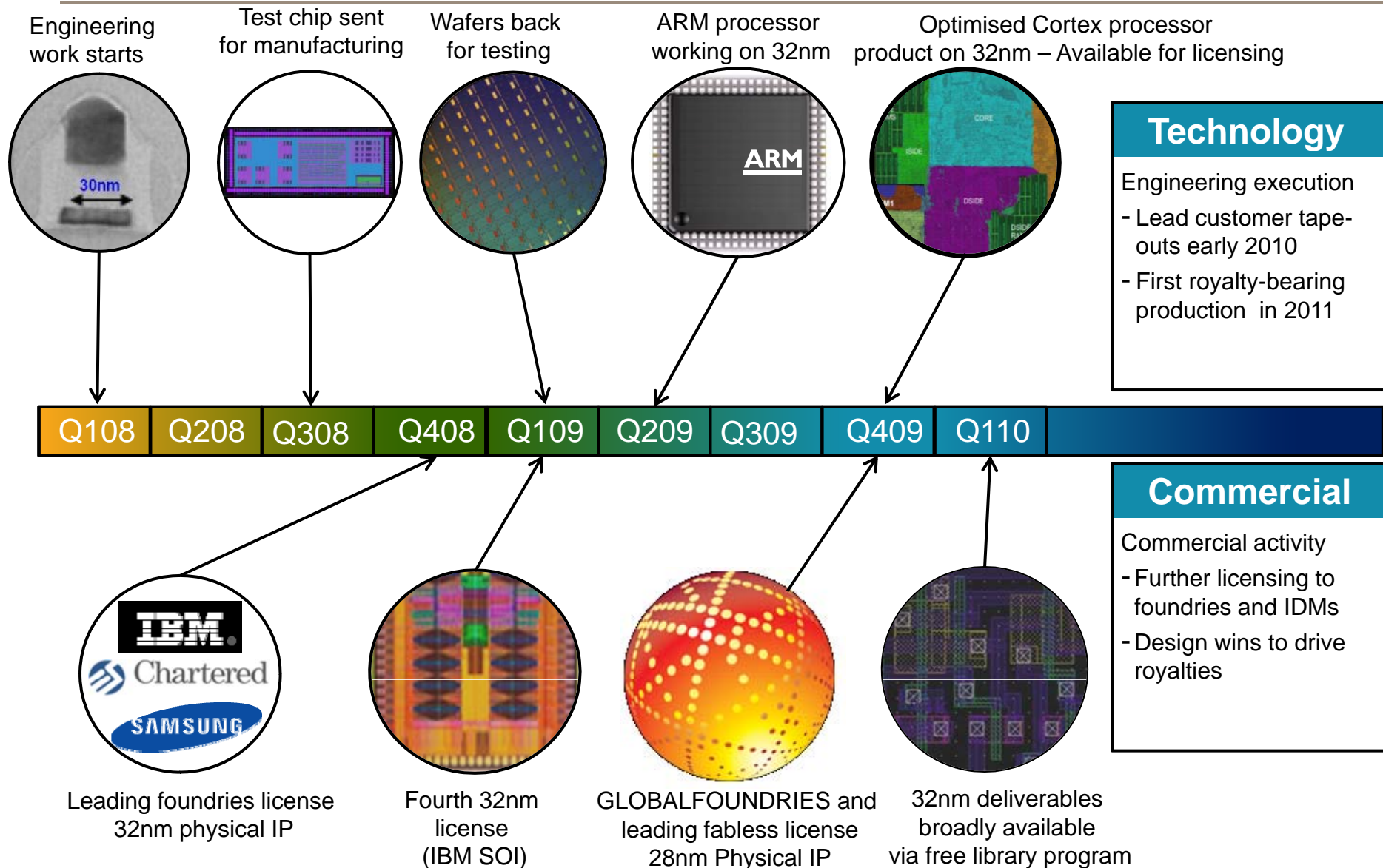
# Physical IP Licensing Base

- ARM develops and licenses physical IP for leading ASIC, foundry and fabless semis
  - Licenses with GLOBALFOUNDRIES and Xilinx announced in Q4 2009
  - Over 30 companies have licensed 67 platforms on process nodes from 250nm to 28nm
  - Eight new platforms licensed in 2009
    - Higher than historical average
- Over 30 platforms yielding royalties
  - 6 platforms driving royalties at advanced nodes at 65nm or below
  - 5 new royalty payers in 2009
- 12 of top 20 semis are driving ARM royalties from foundries

Platforms Licensed by Foundry	32/28	45/40	65nm	90nm	130nm	180nm -250nm
Chartered	✓	✓	✓	✓		✓
Dongbu					✓	✓
GLOBALFOUNDRIES	✓					
Grace						✓
HHNEC						✓
IBM (CMOS & SOI)	✓	✓	✓	✓	✓	✓
Magnachip						✓
Samsung	✓	✓	✓	✓		
SMIC			✓	✓	✓	✓
Tower					✓	✓
TSMC		✓	✓	✓	✓	✓
UMC			✓	✓	✓	✓
Vanguard						✓
X-Fab						✓



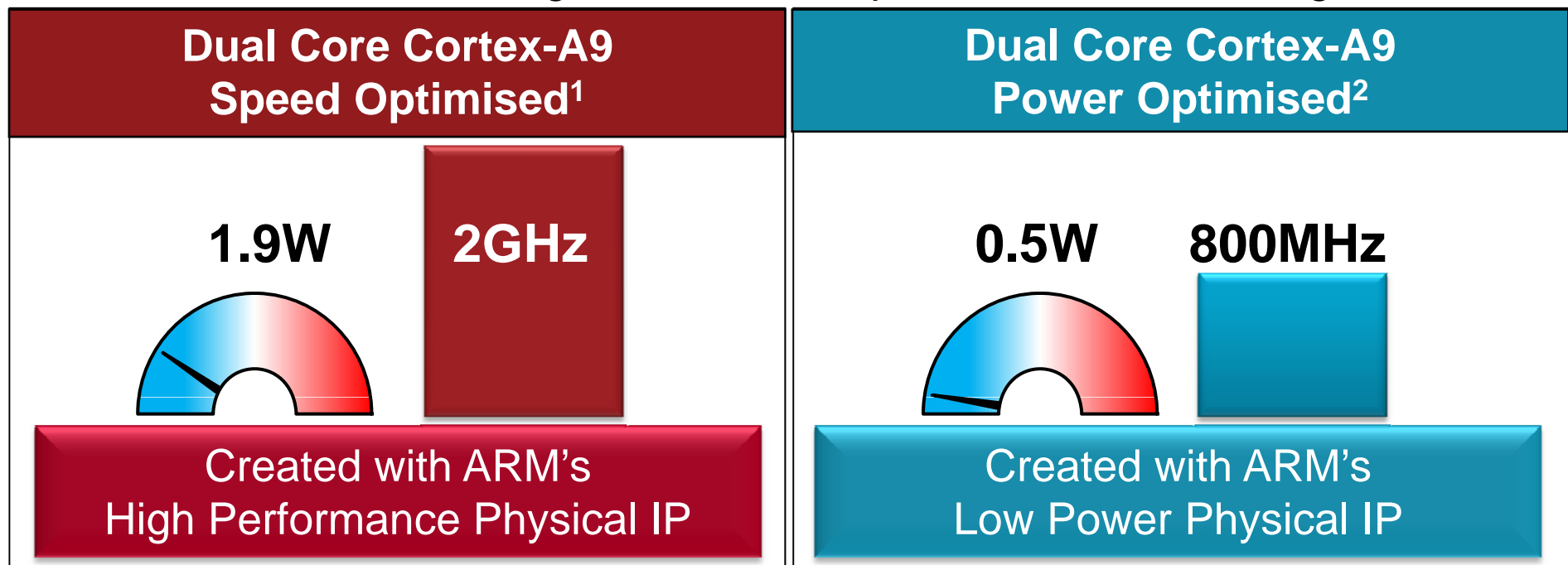
# 32/28nm Program on Track





# Building Better Processors

- Combination of ARM's processor and physical IP creates new products
- ARM has developed speed and power optimised physical IP for Cortex-A9
- Customers are licensing for mobile computer, handsets and digital TV



- Optimising Cortex processors at 32/28nm for increased power efficiency
- Creates new product combining both PD and PIPD technology

1. Speed Optimised: Dual Core Cortex-A9, TSMC 40nm G, typical silicon, 85C T<sub>j</sub> Overdrive

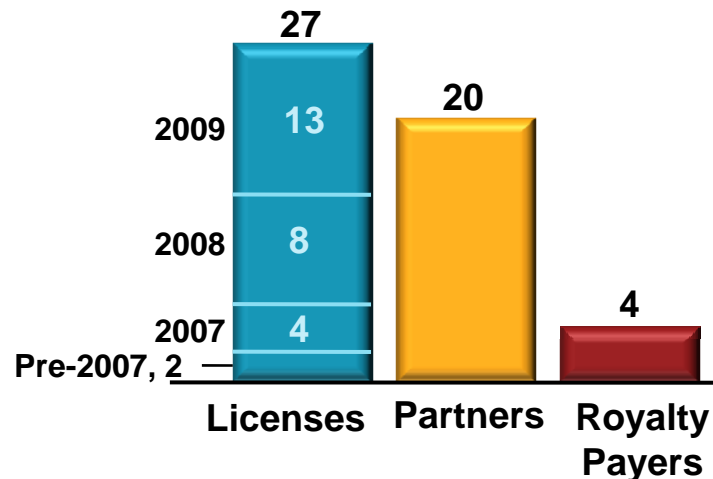
2. Power Optimised: Dual Core Cortex-A9, TSMC 40nm G, slow silicon, 125C T<sub>j</sub>, Worst case V<sub>dd</sub>



# Extending IP Outsourcing: Media

## Growing the Media Processor Licensing Base

- 27 licenses for graphics and video
  - 2 new licenses in Q4, including Samsung
  - Best ever year for licensing



## Growing Shipments in Mobile and Non-Mobile Applications

- More Mali-based chips shipping into mobile and consumer electronics devices



# Competitive Landscape

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- ARM has ~25% market share of embedded processor market
  - Remaining 75% mostly customers' proprietary designs
  - Some market-share held by smaller IP companies
- Customers will outsource when ...
  - No longer able to monetise investment in differentiation
  - OEM wants ARM-based solution to lower costs
- Key areas of competition
  - Mobile computing – expansion opportunity for ARM technology but modest royalty impact in short term
  - Microcontrollers – ARM developing as the standard; removing structural cost
  - Physical IP – ARM well positioned as leading semiconductor companies consider outsourcing; processor synergy with physical IP
  - Graphics – Generating additional royalty per ARM-based chip

# Visibility of Future Growth

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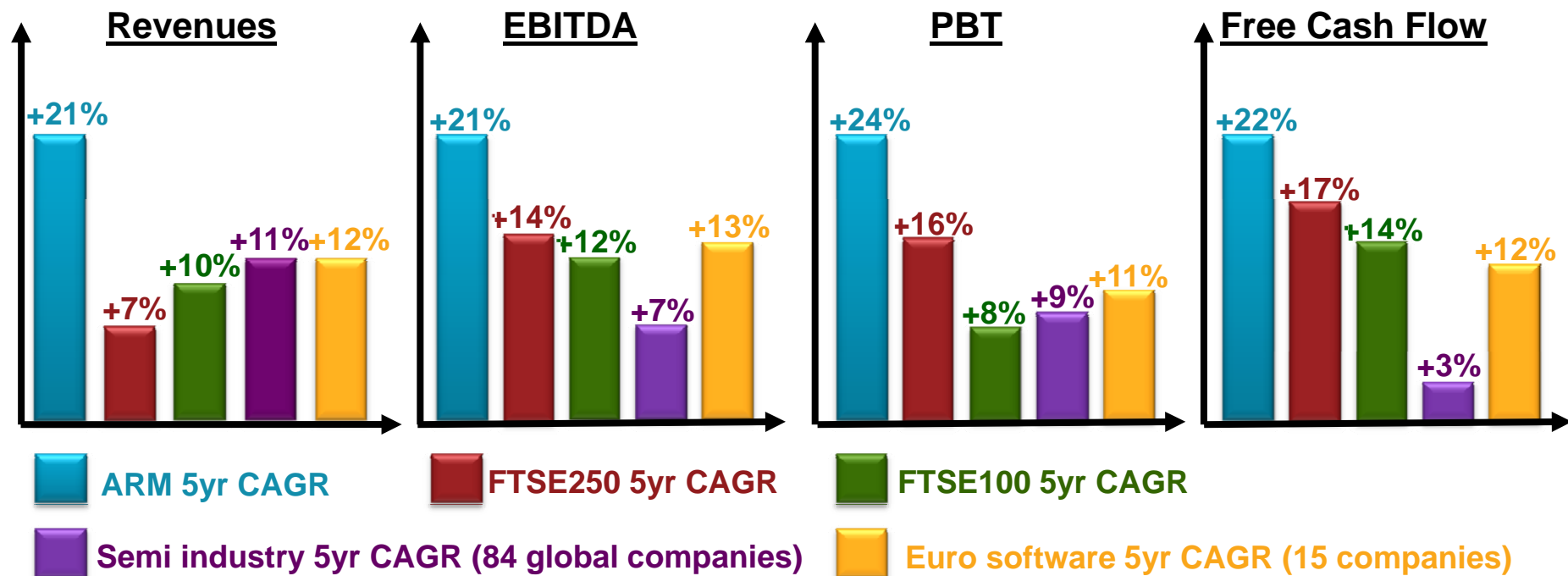
- Good visibility of customer long-term product roadmaps and technology needs
  - Rarely revert to in-house designs
  - Re-equip with next generation technology every 1-2 years
  - Long-term strategic relationships and licensing sales cycles give 6-18 months visibility
  - Backlog contributes meaningful revenue each quarter
- Royalty revenues provide increasing visibility
  - Critical mass, diversity of end-market applications and growing market share
  - Revenues recognised one quarter in arrears

# From Revenue to Profits and Cash

<b>FY2008 Revenues</b>	<b>\$m</b>	<b>£m</b>	<b>%revs</b>	
Licensing	164.1	98.5	33%	95% of revenues earned in US dollars
Royalty	244.3	155.4	50%	Royalties approximately 50% of revenues
Other	81.1	51.1	17%	
<b>Total</b>	<b>489.5</b>	<b>305.0</b>	<b>100%</b>	
 COGS		23.7		R&D expensed as incurred
<b>Gross Margin</b>		<b>92.2%</b>		
 Operating Costs		186.2		Approximately 50% of costs in USD 10% move in \$/£ impacts EPS by ~15%
Operating Margin		31.2%		
 Profit Before Tax		96.8		Operating margins and earnings will increase as royalties grow
<b>EPS</b>		<b>5.45p</b>		
 Free Cash Flow		<b>£141.8</b>		Cash generative, debt free

# ARM Typically Outperforms

- ARM has consistently outperformed the semiconductor industry
- Drivers of outperformance persist through economic cycles



Currency: ARM in USD for revenues. GBP for all other graphs  
FTSE all in GBP. Semi all in USD. Euro software all in Euro.

Source: ARM, UBS, data to 2008

# ARM – Investment Case Summary

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- World leading position in a long-term secular growth market
- Attractive long-term licensing and royalty business model
  - Substantial license base drives future royalty growth
  - About half of customers currently paying royalty
  - Licensing base incrementing by 60-80 new licenses each year
  - 4 billion ARM-based chips shipped in 2009, 25% CAGR over 5 years
- Technology becoming more broadly applicable
  - 95% market penetration in cellphones; increasing value per phone
  - Increasing penetration beyond mobile
  - Extending the business model with video, graphics and physical IP
- Royalty growth drives margin expansion
- Royalty stream generates growing and increasingly predictable cash flow



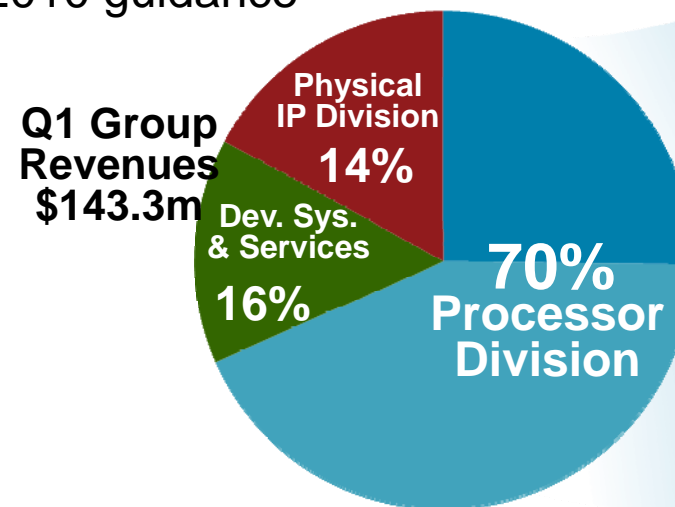


# **ARM Holdings plc Q1 2010 Results**



# Q1 2010 Highlights

- ARM continues to outperform the semiconductor industry
- Licensing base grows to over 675 processor licenses
  - Processor licensing momentum continuing
- Gaining market share in all target markets
  - Strong year-on-year growth in mobile, digital TV, disk drive and microcontrollers
- Physical IP platform continues to grow
  - 70 platform licenses, increases royalty opportunity
- Financial discipline delivering profits and cash
  - Balancing cost control with R&D investment commitment
- Reiterating FY 2010 guidance

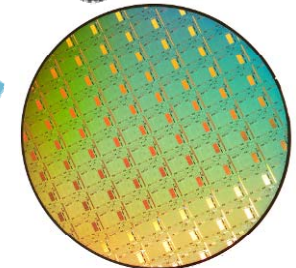


Growth in non-mobile applications

Increasing the ARM value per transaction

Extending IP Outsourcing

## Growth Opportunities



# 2010 Outlook

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- Semiconductor industry generally expected to continue to see improved conditions through much of 2010
  - Lack of certainty how end-consumer demand impacted by broader macroeconomic environment
- ARM technology increasingly being designed into next generation chips and products
  - Exposed to long-term structural growth markets
- Reflecting industry improvement and as ARM continues to execute strategy
  - Expect group dollar revenues for full-year 2010 to be in line with current market expectations

# Q1 2010 – Revenue Summary (\$)

	Q1 2010 \$m	Q1 2009 \$m	
<b>PD</b>			
Licensing	34.2	31.9	7%
Royalties	66.7	50.3	33%
<b>PD Total</b>	<b>100.9</b>	<b>82.2</b>	<b>23%</b>
<b>PIPD</b>			
Licensing	8.8	8.8	1%
Royalties*	10.8	8.0	34%
<b>PIPD Total</b>	<b>19.6</b>	<b>16.8</b>	<b>17%</b>
Development Systems	14.8	14.6	2%
Services	8.0	7.3	10%
<b>Total Revenue</b>	<b>143.3</b>	<b>120.9</b>	<b>19%</b>

\* Includes catch-up royalties in Q1 2010 of \$0.5m and in Q1 2009 of \$1.6m

# Q1 2010 – Revenue Summary (£)

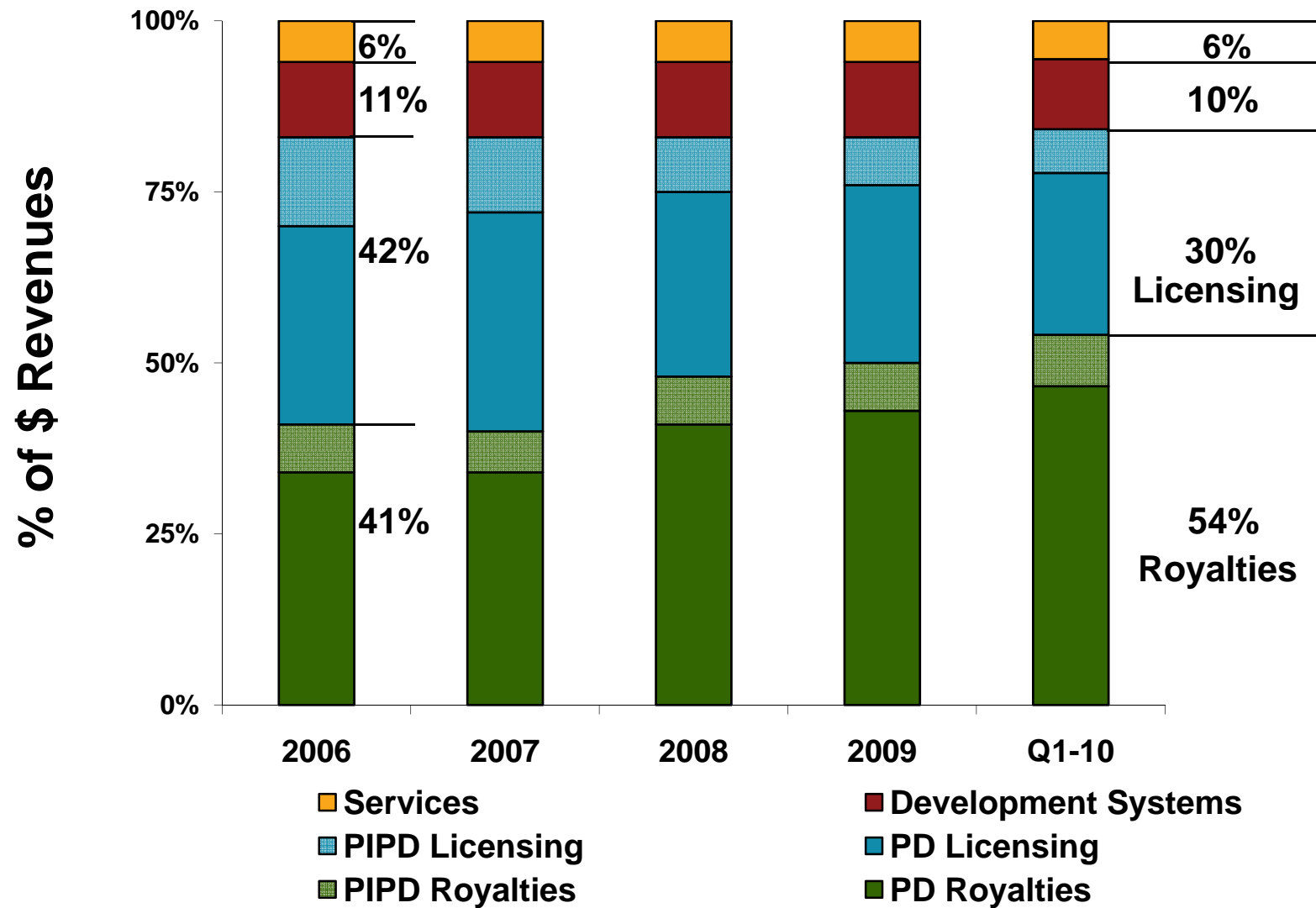
	Q1 2010 £m	Q1 2010 £m	
<b>PD</b>			
Licensing	21.8	19.6	11%
Royalties	43.2	35.1	23%
<b>PD Total</b>	<b>65.0</b>	<b>54.7</b>	<b>19%</b>
<b>PIPD</b>			
Licensing	5.7	5.4	6%
Royalties*	6.9	5.5	24%
<b>PIPD Total</b>	<b>12.6</b>	<b>10.9</b>	<b>15%</b>
Development Systems	9.7	10.0	-3%
Services	5.0	4.3	18%
<b>Total Revenue **</b>	<b>92.3</b>	<b>79.9</b>	<b>16%</b>

\* Includes catch-up royalties in Q1 2010 of £0.3m and in Q1 2009 of £1.0m

\*\* ARM's \$/£ effective rate of \$1.55 in Q1 2010 and \$1.51 in Q1 2009



# Revenue Split Analysis




# Quarterly Results Summary

	Q109 (£m)	Q209 (£m)	Q309 (£m)	Q409 (£m)	Q110 (£m)
<b>Total revenues</b>	<b>79.9</b>	<b>64.8</b>	<b>75.2</b>	<b>85.2</b>	<b>92.3</b>
US\$ revenues	120.9	105.5	123.0	140.0	143.3
Effective fx rate	1.51	1.63	1.64	1.64	1.55
<b>Normalised operating profit</b>	<b>23.6</b>	<b>16.0</b>	<b>23.8</b>	<b>31.8</b>	<b>36.9</b>
Operating margin (%)	29.5%	24.7%	31.7%	37.3%	40.0%
<b>Normalised profit before tax</b>	<b>23.9</b>	<b>16.3</b>	<b>24.3</b>	<b>32.3</b>	<b>37.6</b>
<b>Normalised EPS (pence)</b>	<b>1.38</b>	<b>0.95</b>	<b>1.34</b>	<b>1.79</b>	<b>2.04</b>
<b>Net cash</b>	<b>91.3</b>	<b>88.2</b>	<b>121.7</b>	<b>141.8</b>	<b>196.0</b>

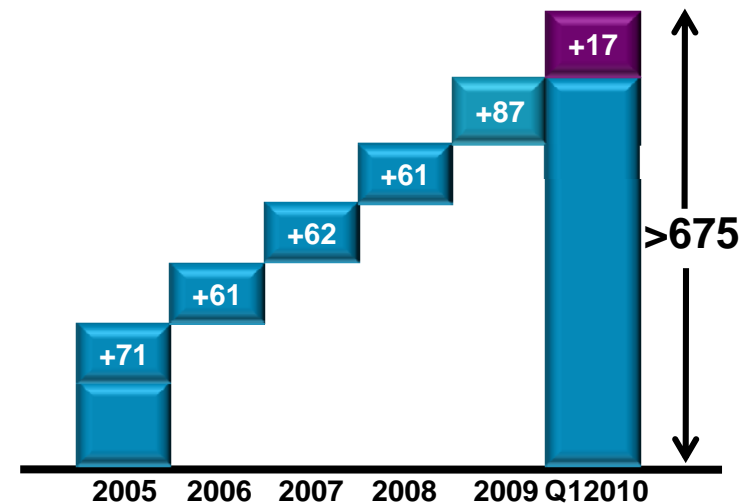
Numbers before acquisition-related charges, share-based payments, restructuring charges and impairments or profit on disposal of investments

# Processor Licensing

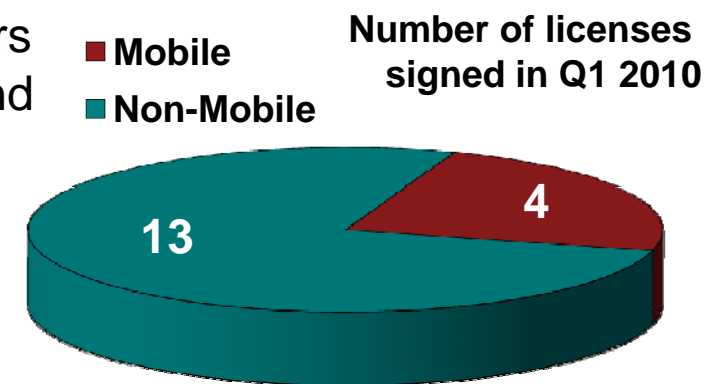
24%  
group revenues



- Revenues at \$34.2m
- Base of licenses grows to over 675 with 17 licenses signed in Q1 2010
  - Three licenses for Cortex-A class processors including another lead-licensee for “Eagle
  - One license for Cortex-R class processor
  - Nine licenses for Cortex-M class processors




- Non-mobile licensing continues to be robust
  - Strong demand for Cortex-M in microcontrollers for smart meters, sensors, industrial control and automotive applications
- Mobile opportunity increasing too
  - Smartphone, mobile computing, baseband modem and power control ICs

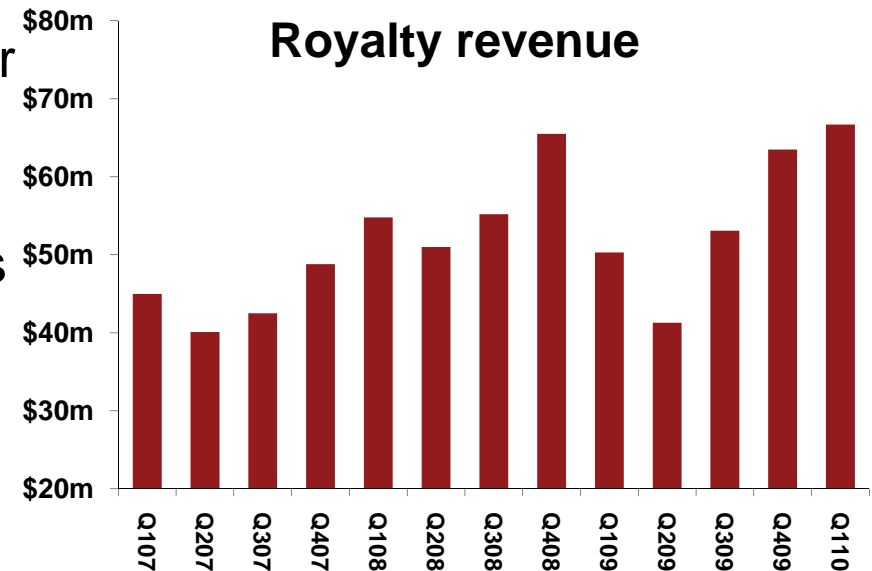


# Processor Royalties

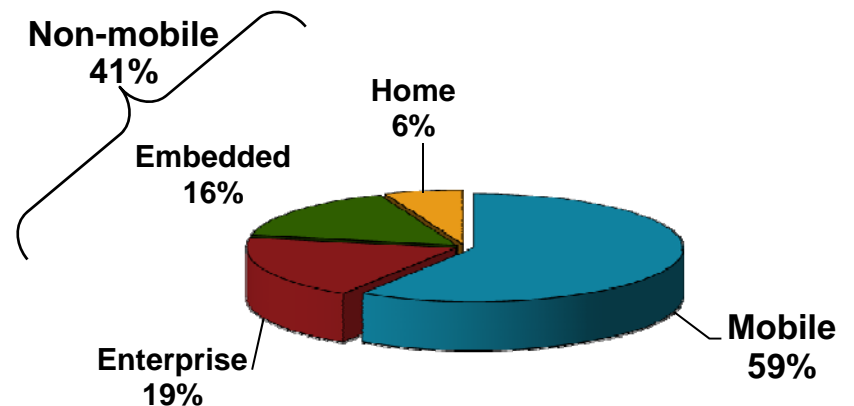
**47%**  
group revenues



- Q1 royalty revenue up 33% year-on-year
  - Industry up 18%<sup>†</sup> in the relevant period
- ARM11 represents 6% of unit shipments
  - Mainly through smartphone shipments
- Cortex represents 5% of unit shipments
  - Significant increase in Cortex-M processors mainly into microcontrollers, Bluetooth and WiFi
    - First Cortex-M0 shipments only 12 months after launch
  - Doubling of Cortex-A processors mainly into smartphone and mobile computers
- 80% year-on-year increase in Bluetooth, microcontroller and smartcard shipments
  - Increasing proportion of \$1-2 chips impacts average royalty rate



**Q1 2010 Royalty Unit Split**

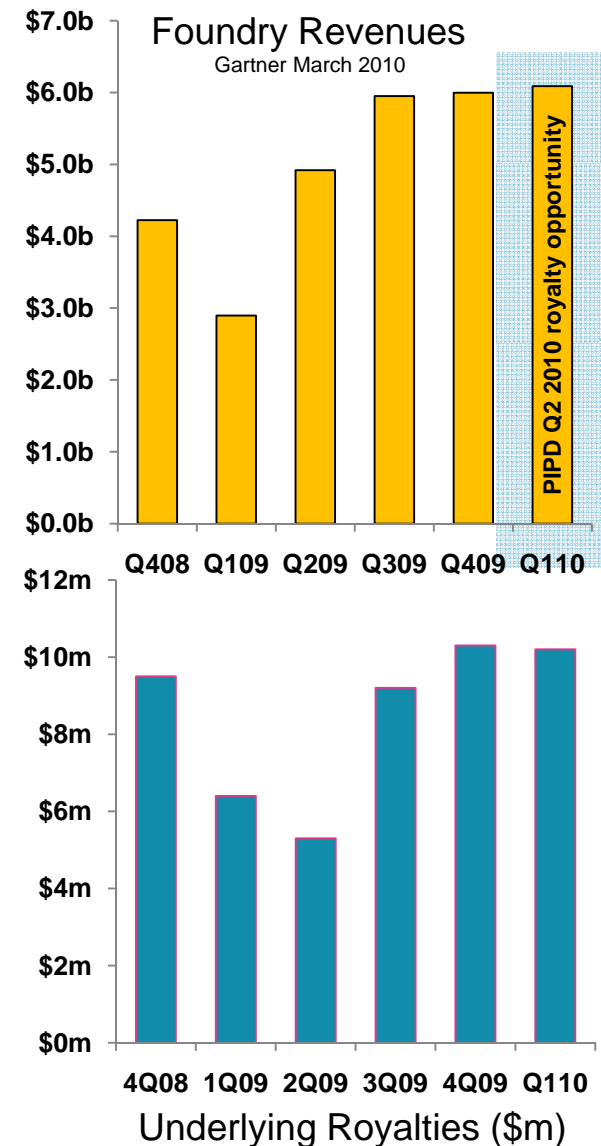


<sup>†</sup>Source: SIA March 2010

# Physical IP



- 2 new platform licenses in Q1 drive long-term revenue
  - New platform licenses at 130nm and 90nm
- Eleven platforms contribute royalty at advanced nodes at 65nm and below
  - 32nm technology available for free on ARM web site for today's design starts
  - First customer 32nm tape-outs expected Q2 2010
  - First 32nm royalties expected end of 2010
- Q1 royalty revenue \$10.8m
  - Underlying royalty up 60% on Q1 2009, foundry revenue up 40%





# Q1 Financial Highlights

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- Strong financial performance
  - Q1 dollar revenues up 19% YonY to \$143.3m
  - Normalised PBT at £37.6m
  - Normalised EPS at 2.04p
- Financial discipline balances investment with margin expansion
  - Operating margin at 40.0%
  - Headcount up 19 on start of year
  - Will continue to invest in R&D team through 2010, consistent with full-year outlook
- Robust balance sheet
  - Record net cash generation of £44m
  - Net cash at end of Q1 at £196m

# Turning Royalties into Profits and Cash

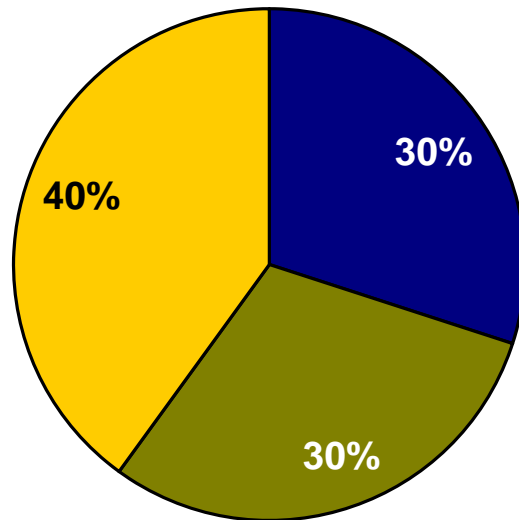
- Royalties are our fastest growing revenue stream
- Operating leverage allows increasing royalties to become increasing profitability
- Royalty invoices are paid quickly leading to rapid cash conversion

(£m)	H107	H207	H108	H208	H109	H209	Q110	Total
Profit for the Period	32	32	30	43	30	41	27	235
Normalised Cash Generation	26	32	42	51	27	59	44	281
% Cash Conversion	81%	100%	140%	119%	90%	144%	161%	119%

- Royalties likely to continue to increase ARM's profitability and cash generation for many years to come

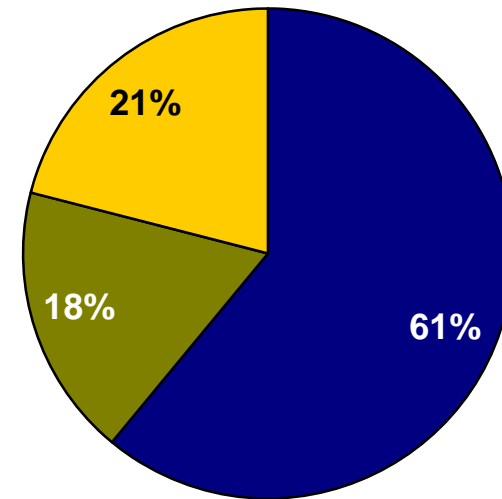
# Backlog Analysis – End Q1 2010

## Backlog by Maturity Profile



■ Q210/Q310   ■ Q410/Q111   ■ Q211+

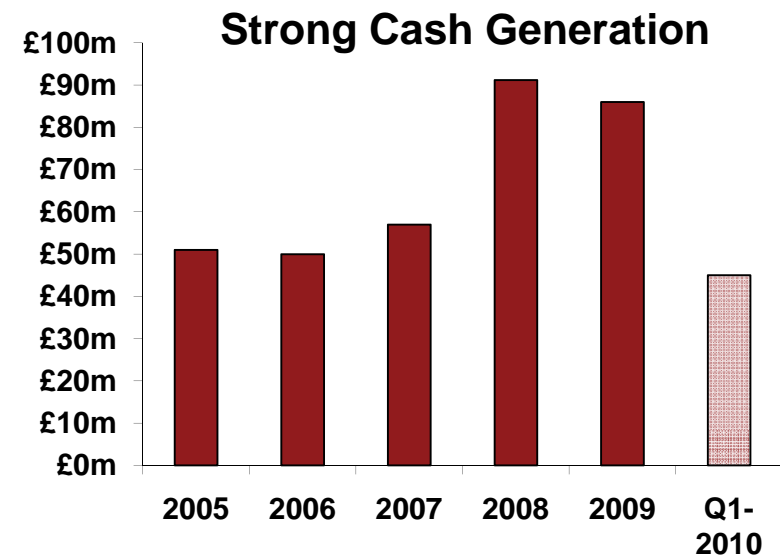
## Backlog Composition



■ Processors  
■ Physical IP  
■ Support, Maintenance & Other

# Strong Balance Sheet and Cash Generation

- Healthy margins drive strong cash generation of £44m
- Net cash of £196m at end Q1
- Expect to retain cash rich balance sheet
- Total cash return of £368m over 5 years
  - £106m via dividend
  - £262m via buyback



# Summary Balance Sheet

IFRS	31 Mar 10 £MM	31 Dec 09 £MM
<b>Assets</b>		
Cash	196.0	141.8
Accounts receivable (net of AROC)	45.0	52.8
Amounts recoverable on contracts (AROC)	12.9	12.4
Other debtors, inventory and investments	85.9	82.4
Property and equipment	14.3	13.6
Goodwill	549.0	516.8
Other intangibles	21.8	24.7
<b>Total assets</b>	<b>924.9</b>	<b>844.5</b>
<b>Liabilities &amp; shareholders' equity</b>		
Deferred revenue	40.5	39.6
Other creditors	60.2	66.2
Shareholders' equity	824.2	738.7
<b>Total liabilities &amp; shareholders' equity</b>	<b>924.9</b>	<b>844.5</b>

# Cash Flow Summary

£MM	Q1 10	Q1 09
Operating activities	44.0	16.5
Interest	0.4	0.3
Tax	(4.2)	(2.7)
Capital expenditure	(1.8)	(1.6)
Investments and acquisitions (net of disposals)	(1.0)	(2.6)
Share options	15.7	1.7
Share buybacks and dividends	-	-
Other (forex)	1.1	0.9
Cash flow	54.2	12.5
Opening cash	141.8	78.8
Closing cash	196.0	91.3

	Q1 10	Q1 09
Normalised income from operations	36.9	23.6
Depreciation and amortisation	2.2	2.4
Cash flows from items excluded from normalised profits	(4.4)	(1.7)
Movements in working capital	9.3	(7.8)
Operating activities	44.0	16.5



# Q1 2010 ARM Pro Forma P&L

	Normalised £'000	Share-based compensation £'000	Normalised including share-based compensation £'000	Intangible amortisation £'000	Other acquisition - related charges £'000	IFRS £'000
<b>Revenues</b>	92,346	–	92,346	–	–	92,346
<b>Cost of revenues</b>	(6,451)	(509)	(6,960)	–	–	(6,960)
<b>Gross profit</b>	85,895	(509)	85,386	–	–	85,386
Research and development	(25,162)	(5,286)	(30,448)	(1,000)	–	(31,448)
Sales and marketing	(12,026)	(1,692)	(13,718)	(1,888)	(114)	(15,720)
General and administrative	(11,801)	(1,234)	(13,035)	–	–	(13,035)
<b>Total operating expenses</b>	(48,989)	(8,212)	(57,201)	(2,888)	(114)	(60,203)
<b>Profit from operations</b>	36,906	(8,721)	28,185	(2,888)	(114)	25,183
Investment income	702	–	702	–	–	702
Interest payable	–	–	–	–	–	–
<b>Profit before tax</b>	37,608	(8,721)	28,887	(2,888)	(114)	25,885
Tax	(10,314)	2,903	(7,411)	1,066	32	(6,313)
<b>Profit for the period</b>	27,294	(5,818)	21,476	(1,822)	(82)	19,572
<b>Earnings per share (assuming dilution)</b>						
Shares outstanding ('000)	1,334,918		1,334,918			1,334,918
Earnings per share – pence	2.04		1.61			1.47
ADSs outstanding ('000)	444,973		444,973			444,973
Earnings per ADS – cents	9.30		7.32			6.67

# Contact Information

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