

# ARM Holdings plc

## First Quarter Update 2004

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### Q1 - Financial Highlights

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- Sterling revenues up 3% Q on Q despite weaker dollar
  - Total dollar revenues at \$62.3 million
  - Up 9% Q on Q
  - Up 27% year on year
- \$ licensing revenue 14% up Q on Q
  - \$24.5 million (Q4 - \$21.5 million)
  - 14 licenses signed (Q4 - 16)
- 5 new partners took licenses
- Royalty revenues up 12% Q on Q to \$24.1 million
  - Record 278 million units shipped (Q3 - 236 million)
  - 3 new partners shipping in quarter
- Operating margin increases to 22.6% (Q4 - 22.3%)
- EPS at 0.64p (0.57p in Q4)
- Net cash generation of £5.5 million before Herodion settlement of £6.4 million

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## Quarterly Results Summary

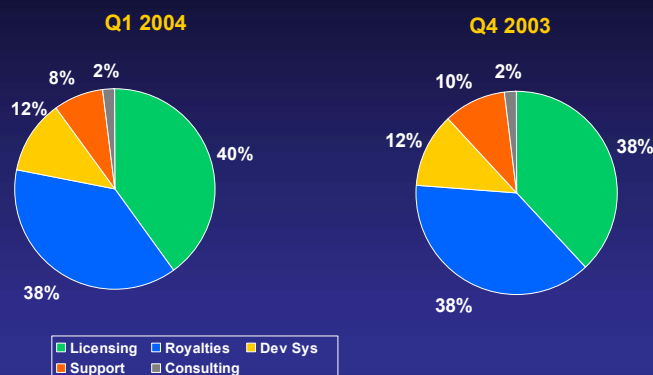
	Q1'04	Q4'03	Q3'03	Q2'03
	£m	£m	£m	£m
Total revenues	35.0	34.0	31.7	31.4
US\$ revenues	62.3	57.0	50.5	50.1
Operating profit	7.9	7.6	5.6	5.4
Mgn	22.6%	22.3%	17.7%	17.2%
PBT- US GAAP	9.4	8.9	6.8	6.6
EPS - US GAAP (p)	0.64	0.57	0.46	0.42
Net cash	158.9	159.8	151.4	141.0

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## Revenue Split



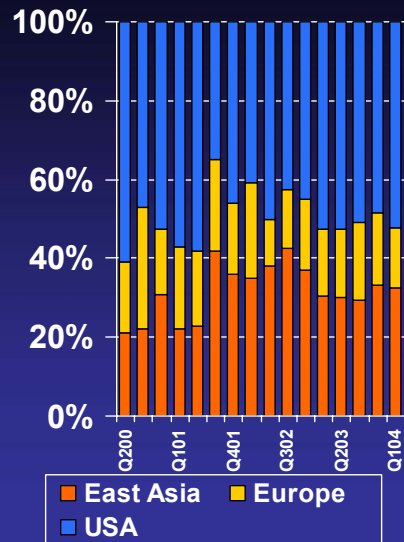
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## Geographic Spread

- Revenues Q1'04
  - 52% USA (49% Q4'03)
  - 33% Asia (33%)
  - 15% Europe (18%)
- Bookings Q1'04
  - 54% USA (41% Q4'03)
  - 33% Asia (41%)
  - 13% Europe (18%)



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## Licensing

- US\$ licensing revenues up 14% Q on Q
- 14 licenses signed in Q1
  - Including 5 with new partners
- 133 semiconductor partners at end of Q1
  - 63 are paying royalties
- 2 further ARM11 licenses signed
- New architecture license signed
- 63 per-use partners at end Q1
  - 11 paying royalties
- 9 per-use licensees progressed to either term or multi-use implementation licences
- Backlog higher at end of Q1 2004 than at end of 2003

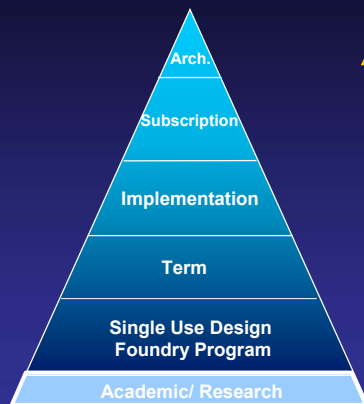
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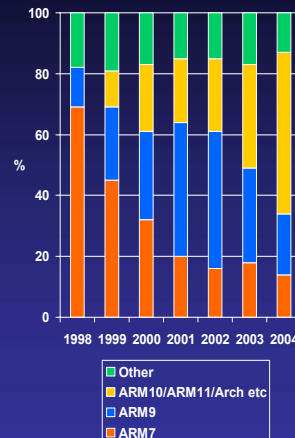
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# Licensing Analysis

Licensing Pyramid



Core and Non-CPU Licensing



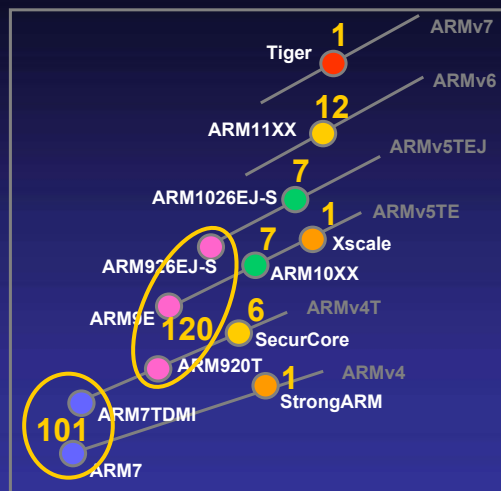
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# Core Licensing

- Q1 '04: 14 licenses
- 5 new partners
  - 1 x ARM946E-S™
  - 1 x term ARM926EJ-S™
  - 1 x per use ARM926EJ™ plus PSK
  - 2 x research ARM7TDMI™
- 9 to existing partners
  - 1 x ARM1176JZF-S™
  - 1 x ARM1136JF-S
  - 3 x ARM926EJ-S
  - 1 x per use ARM926EJ
  - 1 x ARM7TDMI-S
  - 1 x foundry ARM922T
  - 1x v6 architecture
- 133 partners at end Q1 2004



Excludes 18 licenses taken by 8 foundries

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## Royalties

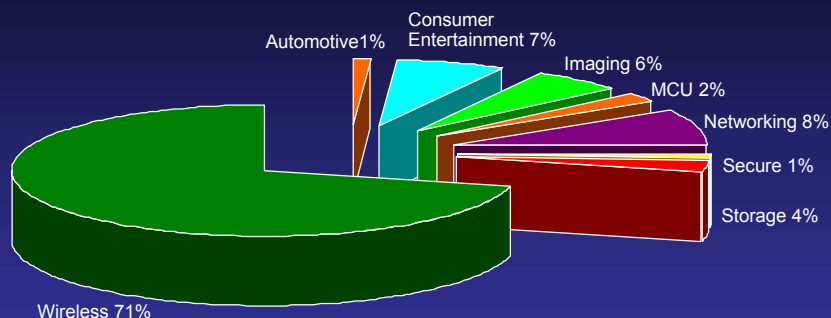
- Record royalty revenues in Q1
  - \$24.1 million, up 12% Q on Q (\$21.6 million in Q4)
- 278 million units shipped by our partners in Q4
  - Reported by ARM in Q1
  - 18% up Q on Q
  - 56% up over Q1 2003
- Number of partners shipping increased to 63
  - 52 multi-use
  - 11 per-use
- Average royalty rate down to 8.7 cents from 9.2 cents in Q4 2003
  - Strong shipments of lower cost wireless products
  - Wireless 71% of total shipments (66% in Q4 2003)
- Continued mix shift to ARM9™ core-based products
  - 16% of shipments (15% last Q)
  - Positive impact on average royalty rate as ARM9 % grows over time

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## Q1 Royalty Analysis



Units shipped in Q4 2003 by segment

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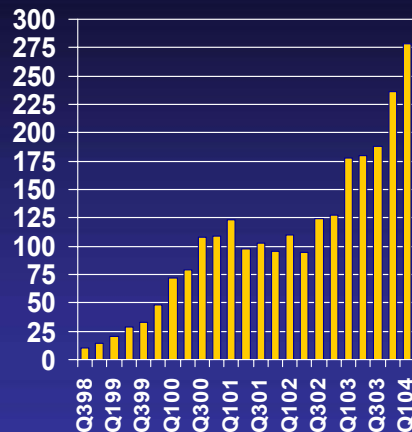
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## Royalties

	Q2 03	Q3 03	Q4 03	Q1 04
Roy.Revs, £m	10.2	11.0	12.8	13.4
% of Revs	33%	35%	38%	38%
Units (million)	180	188	236	278
No.shipping	50	55	60	63
Roy.Revs, \$m	16.3	17.3	21.6	24.1

Units (m)



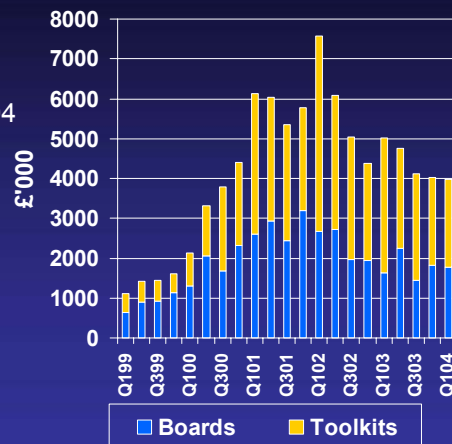
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## Development Systems

- Sales in Q1'04
  - 22% (Q4'03 - 25%) USA
  - 46% (52%) Asia
  - 32% (23%) Europe
- 12% of group revenues in Q1'04
- 47% revenues through distribution (14 distributors)
  - 2 China
  - 2 Japan
  - 3 Europe
  - 1 Taiwan
  - 3 USA
  - 1 Israel
  - 1 New Zealand
  - 1 Singapore

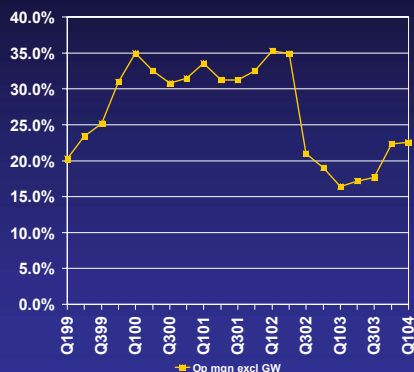


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## Operating Margin



	Q3 03	Q4 03	Q1 04
R&D, %	40.1%	32.2%	34.6%
R&D, £m	12.7	10.9	12.1

	Q3 03	Q4 03	Q1 04
SG&A, %	34.3%	34.8%	35.1%
SG&A, £m	10.9	11.8	12.3

	Q3 03	Q4 03	Q1 04
Op Mgn	17.7%	22.3%	22.6%

Values as percentage of sales

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## Cash Flow Summary

£m - UK GAAP	Q1 04	Q4 03
Operating activities	(0.8)	13.0
Interest	1.5	1.3
Tax	(1.8)	(2.2)
Capital expenditure	(0.7)	(2.5)
Other	0.9	(1.2)
Cash flow	(0.9)	8.4
Opening cash	159.8	151.4
Closing cash	158.9	159.8

£m - UK GAAP	Q1 04	Q4 03
Operating profit	8.4	8.2
Depreciation and amortisation	3.6	4.1
Settlement of Herodion provision	(6.4)	-
Other movements in working capital	(6.0)	0.7
Investments	(0.4)	-
Operating activities	(0.8)	13.0

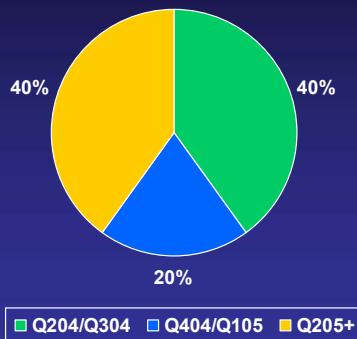
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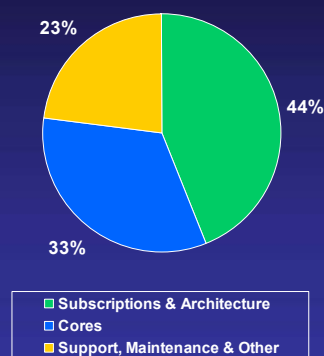
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## Backlog

Backlog by Maturity Profile



Backlog Composition



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## Outlook

- General trading conditions improving
  - Q1 activity levels indicate that full year 2004 likely to be stronger than 2003
  - ARM revenues and profits remain exposed to \$ weakness
  - Costs will still be carefully managed
- 2004 revenues underpinned by
  - Robust licensing sales pipeline
    - ARM11
    - Other new products eg ARM968
    - More mature products
  - Royalty revenue momentum
    - But Q1 royalties include strong seasonal component (partner shipments in Q4 2003)

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