

ARM Holdings plc Update – Q2 2005

Sir Robin Saxby – Chairman

Warren East – CEO

Tim Score - CFO

Cautionary Statement Concerning Forward-Looking Statements

- This presentation 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 variety 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 December 31, 2004 including (without limitation) under the captions, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which is on file with the Securities and Exchange Commission (the “SEC”) and available at the SEC’s website at www.sec.gov.

Agenda

- Introduction – Sir Robin Saxby
- Q2 Business Review – Warren East
- Q2 Financial Review – Tim Score
- Q&A

Q2 Business Review

Warren East

Chief Executive Officer

Q2 Highlights - Group

- Robust financial performance
 - \$ revenues up by 21% year on year
 - Operating margins over 30%
 - Strong cash generation
 - Share buyback programme initiated
- Integration of PIPD
 - Integration has transitioned to business as usual
 - Management team in place
 - Combination of Artisan and ARM
 - Artisan labour turnover at low levels
 - Sales teams combined
 - Encouraging progress on realising cross selling opportunities
 - Development underway for Tiger and IEM solutions
 - Acceleration of advanced product development underway

Q2 Highlights – Revenue Growth

		Q2 2005 \$m	Q2 2004 \$m	
	Licensing			
<input checked="" type="checkbox"/>	ARM (Original)	33.0	25.3	+30%
<input checked="" type="checkbox"/>	PIPD	17.9	14.2	+26%
	Royalties			
<input checked="" type="checkbox"/>	ARM (Original)	31.2	24.9	+25%
<input type="checkbox"/>	PIPD	5.7	7.8*	-27%
<input checked="" type="checkbox"/>	DevSys and Services	17.7	15.1	+17%
<input checked="" type="checkbox"/>	Total Revenue	105.5	87.3	+21%

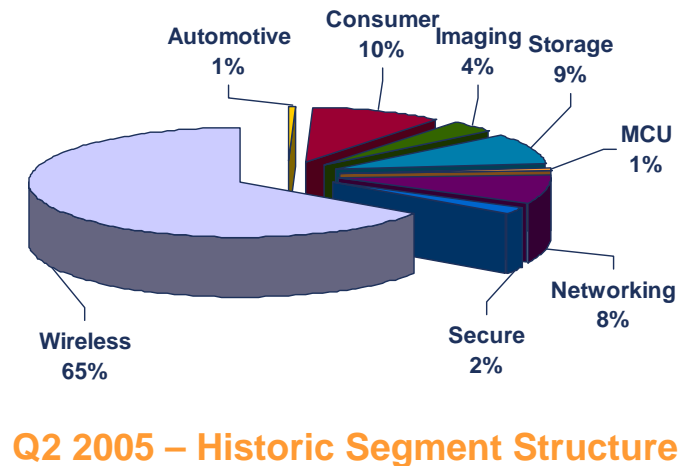
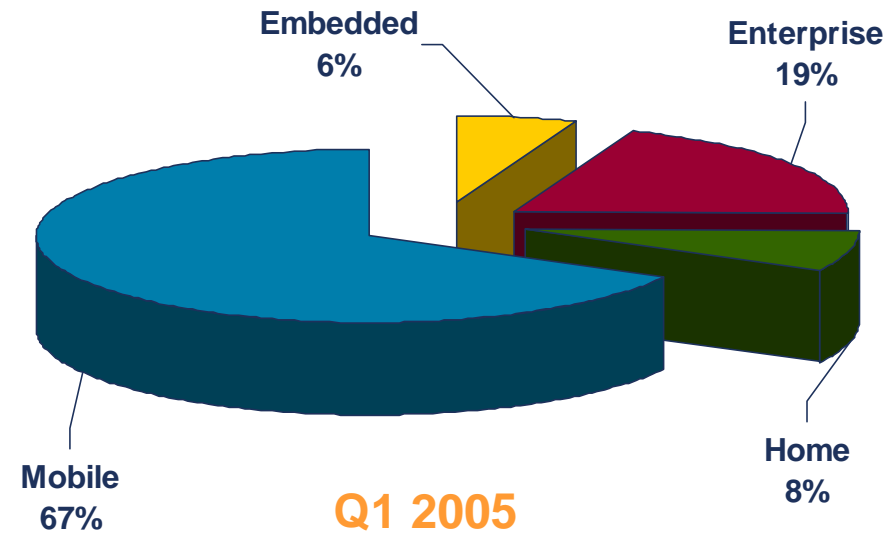
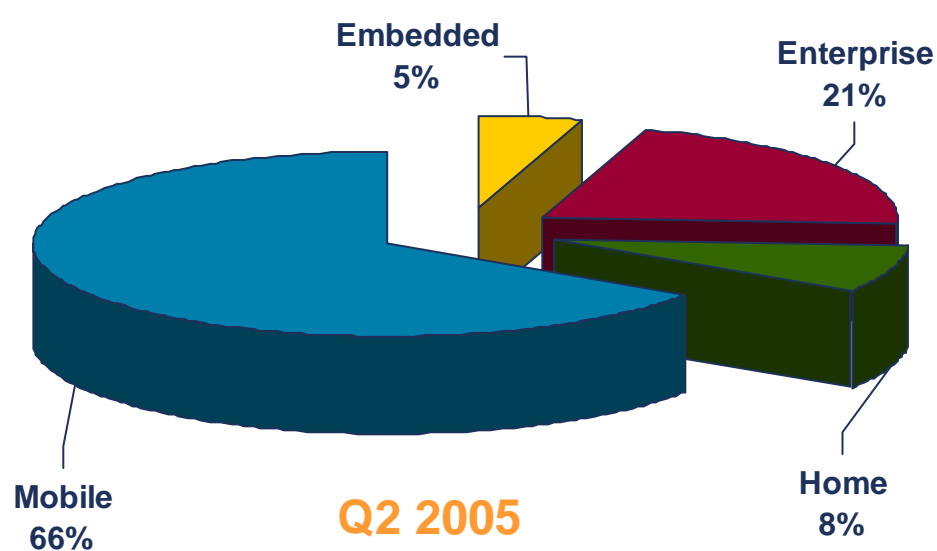
* Includes “catch-up” royalties of \$2.4M

Q2 Highlights – Original ARM

- 20 Licenses Signed in Q2
 - 9 New Partners signed
 - 2 Significant ARM11 announcements
 - ARM11 MPCore license by nVidia
 - Renesas licenses ARM1136 and ARM946
 - 2nd Cortex-M3 License signed
- Development systems – record revenues
- Embedded Software division - record revenues
 - 5 software licenses signed
 - 6 new Swerve handset design-ins
- Average royalty rate up to 8.5¢ from 8.1¢
 - Total \$ royalties flat - handset seasonality
 - Non-mobile shipments up 44% over Q2 04



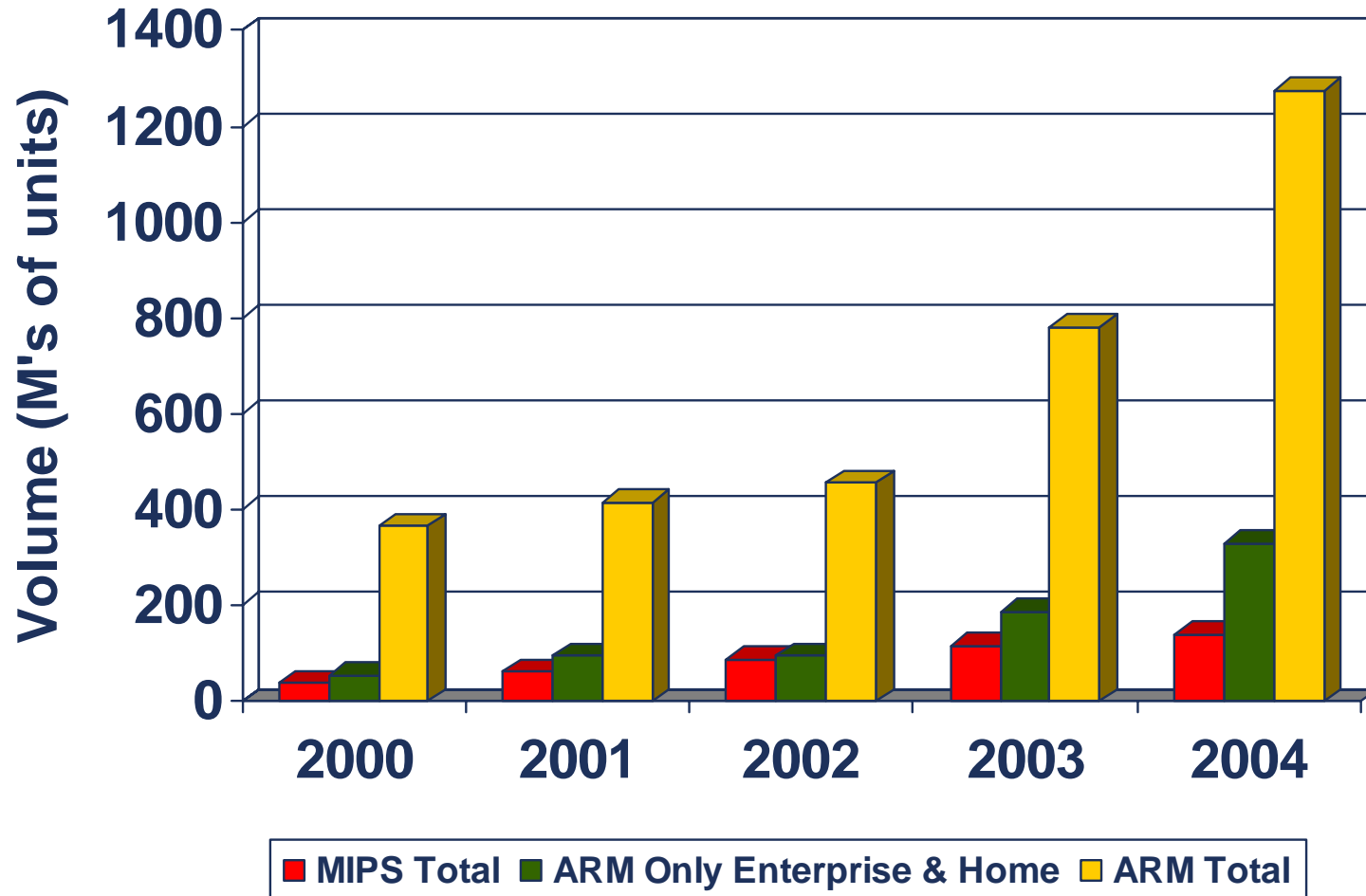
Q2 Processor IP Royalty Analysis



Top 5 increases by application
(QoQ by volume)

- WiFi
- DVD/STB
- Flash Memory
- DSL Modems
- DTV

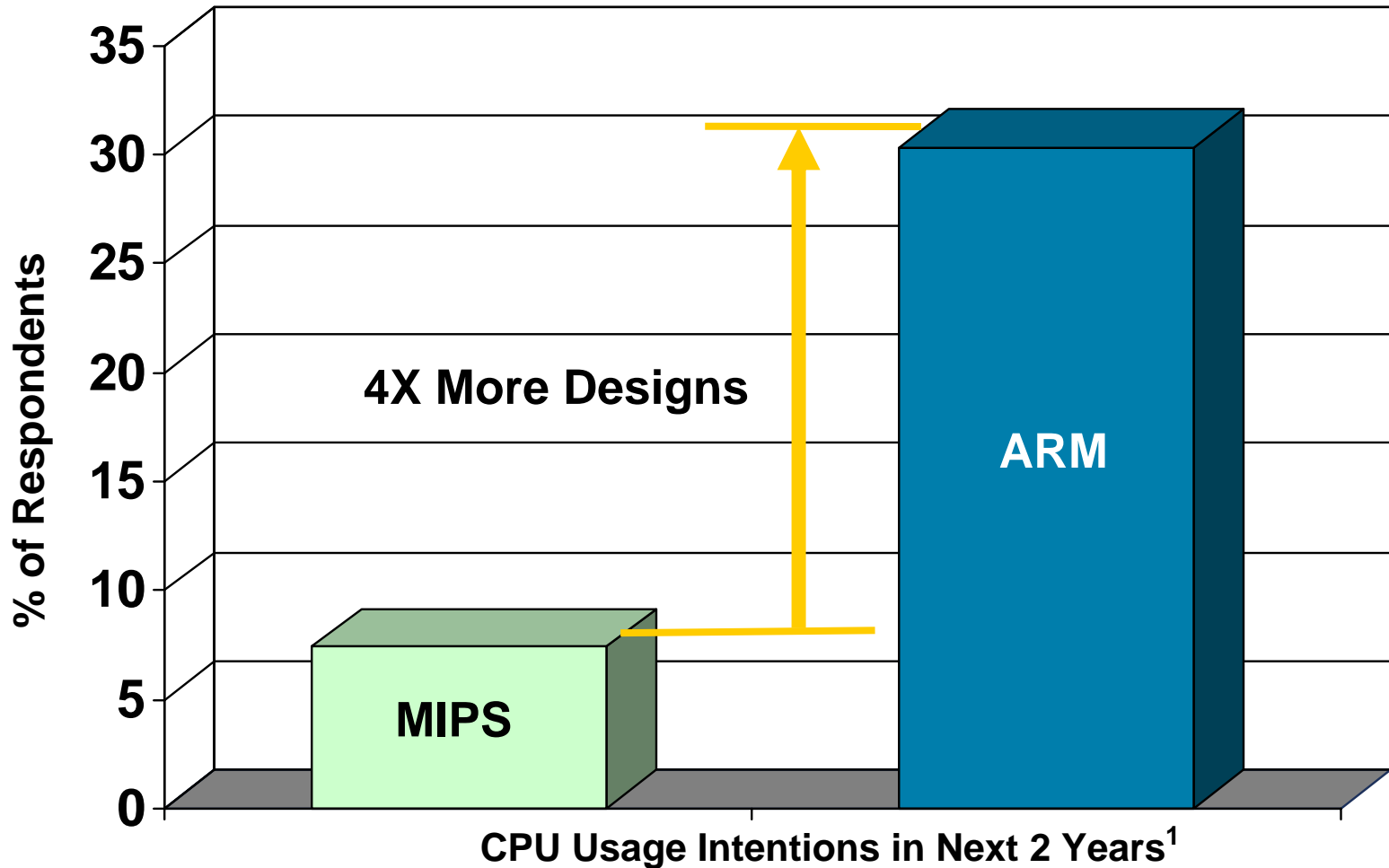
ARM out-ships Competition



Source : Semico - Embedded Control 2005: Convergence Drives Renewed Growth
2Q05 Update, ARM analysis

Widening the lead in the future

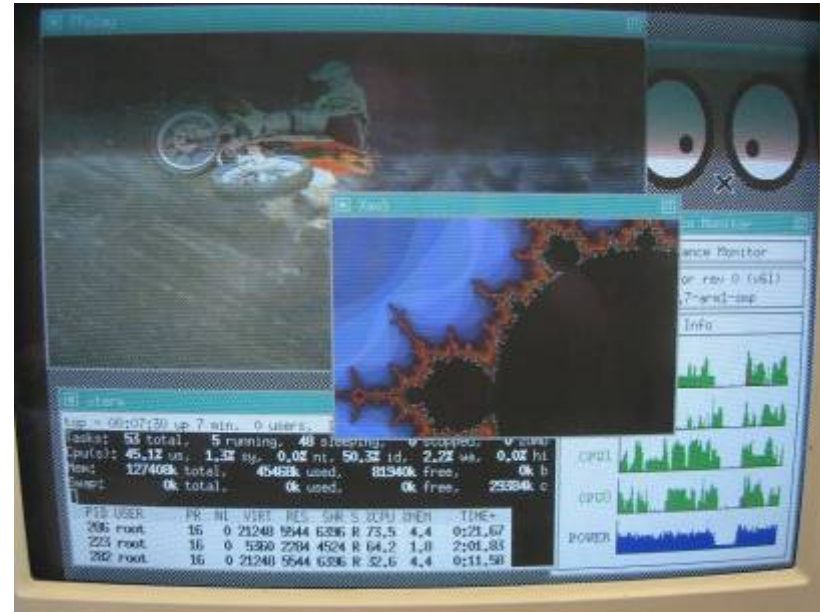
ARM - First Choice for Developers



¹2005 Embedded Linux Market Survey

Technology Update

- ARM11 MPCore Test Chip - back and right first time
 - Delivering the equivalent of 1.2GHz at around 0.6 W
 - 3 times more energy efficient than a Mobile Pentium-III
- OptimoDE™ Audio Edition announced
 - Enables 40% longer battery life
- Jazelle RCT introduced
 - Maximize code density and performance for Java and Microsoft® .NET applications
- ARM Artisan Silicon-Verified Serial Link 200 PHY Series announced
 - First serial interconnect IP for 90nm process
 - Smallest size in industry



CT11-MPCore
Coretile

ARM
Integrator/CP
Baseboard

Linux 2.6 SMP
with standard X11
applications

Q2 Highlights - Physical IP (PIPD)

- Record quarter for PIPD licensing
 - Announced agreements
 - IBM to offer ARM Artisan Metro™ low-power platform to their ASIC Customers for 65nm process
 - IBM-Chartered to offer ARM Artisan Metro™ low-power platform for common 65nm process
 - Follow -on from previous collaboration for common 90nm process
 - Further offering of ARM Velocity™ High-speed PHY for 90nm
 - UMC to offer ARM Artisan Metro low-power platform for 130nm process
 - Synergy: an additional original ARM partner signed-up
- Royalties - market share gains made but did not offset challenging macro-market conditions
 - Foundry utilisation and wafer pricing

ARM Partnership Expanding

- ARM partnership and ecosystem expanding
 - Connected community grows to 320+ members
 - Up 26% year on year
 - Discretix and ARM collaborate to offer full solution for secure 32-bit flash controllers
 - Second ARM Developers' Conference set for October 2005
 - ARM joins Autosar as premium member



ARM

AUTOSAR

Continental

SIEMENS VDO
Automotive

PSA PEUGEOT CITROËN

BOSCH



TOYOTA

BMW Group

DAIMLERCHRYSLER

VOLKSWAGEN AG

Regional Development

■ India

- Headcount in Bangalore almost doubled to 90 at end Q2
 - More growth in H2
- First licensee in India signed in Q2
- Mindtree Consulting becomes ARM approved design centre
- Ammos becomes new Development Systems distributor in India
- Software design centre now established

■ China

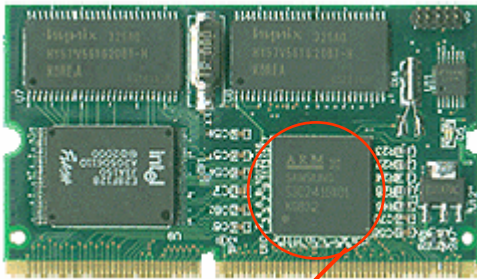
- First royalties received from China in Q2
- Fudan University ARM license announced
- A new ARM text book is being generated in China every month.



ARM-based products in China

Electronic Bus stop sign. Now deployed in Beijing

Jointly developed by companies in HeFei and Beijing



Samsung S3C2410

ARM920T inside



ARM-based products in China

公交一卡通

(cashless bus ticket terminal)



城市路灯监控系统

(city light control system)



Mobile Solutions



Nokia N90, N91, N70 Multimedia Handsets



Epson P-2000 PMP



SpotME Portable Wireless Contact Manager



Nokia 770 Internet Tablet



Home Solutions



Nintendo Gameboy Micro



Mitsubishi Pocket Projector



Sony Playstation Portable - PSP



Panasonic - PT-56DLX75 HDTV
Optoma: DV10 digital projector features
built-in DVD player



Reciva Internet Radio

**HOME
SOLUTIONS**



Enterprise Solutions



Airsan EasyST



Alvarion BreezeMax



Linksys: Compact Wireless-G Broadband router



XKey 2.0 USB Memory Stick



Embedded Solutions



DrewTech – ScanDaq

DynonAvionics - EMS-D10
(Engine Monitoring System, EMS-D10)



Magellan Road Mate 700



Dynon Avionics - EFIS-D10A
(Electronic Flight Information System)



Emerging Applications



Sony Ericsson Bluetooth Motion Camera ROB1



Zoe Medical – Nightingale PPM2



CFD Elettronica's Plenitude



Summary

- Strong licensing for processors and Physical IP
- Widening our competitive lead
- High-profile customers announcements for processors and Physical IP
- Mix shift helping average royalty rate as expected
- Continued progress in non-wireless products
- Technology developments on track and delivering
- Good pipeline into improving industry conditions in the second half

Q2 Financial Review

Tim Score

Chief Financial Officer

Q2 2005 – Financial Highlights

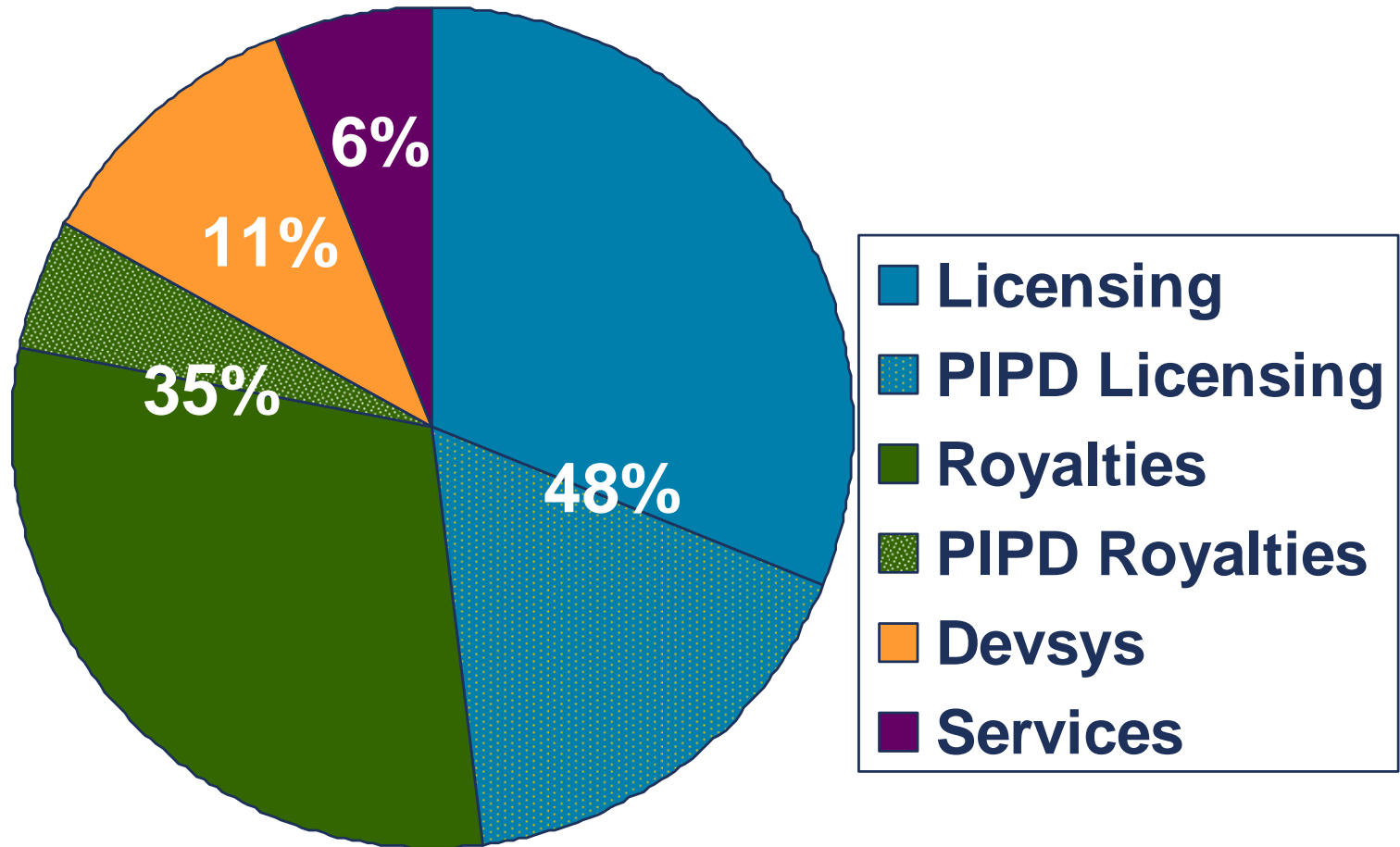
- Total dollar revenues up 21% to \$105.5m
 - Up 22% in H1 05 over H1 04
- Original ARM
 - Licensing strong at \$33.0m
 - 20 microprocessor licenses signed
 - Royalties close to Q1 levels at \$31.2m despite seasonality
 - Average royalty rate up again to 8.5c per unit
 - Development Systems continue steady sequential growth
- PIPD
 - Licensing of \$17.9m at record levels
 - Royalties at \$5.7m (compared to Q1 base of \$7.0m)
 - Foundry utilisation and pricing lower in calendar Q1
- Group operating margin at 31.8%
 - excluding amortisation of intangibles and deferred compensation
 - ARM 32.1%
 - PIPD 30.9%
- Strong cash flow generation
 - Interim dividend up 21%
 - Rolling share buyback programme announced

Quarterly Results Summary

	Q304	Q404	Q105	Q205
	(£MM)	(£MM)	(£MM)	(£MM)
Total revenues	39.4	41.5	55.0	57.8
US\$ ARM revenues	70.1	74.7	79.2	81.9
US\$ PIPD revenues	n/a	n/a	24.0	23.6
Total operating profit	11.8	11.6	17.9	18.4
ARM op mgn (%)	30.0%	28.0%	31.7%	32.1%
PIPD op mgn (%)	n/a	n/a	34.9%	30.9%
PBT – US GAAP	13.7	13.5	18.8	19.6
EPS – US GAAP	0.96	1.19	1.00	1.05
Net cash	174.6	142.8	141.8	154.6

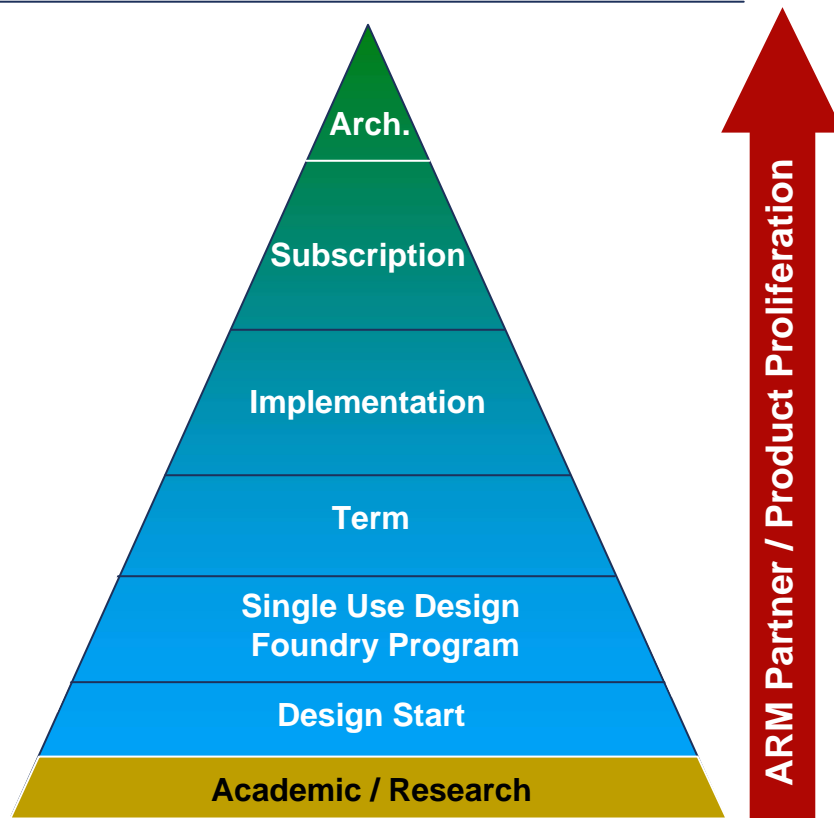
Figures exclude non-recurring, acquisition-related charges and stock-based compensation charges of £6.7m Q205, £6.3m in Q105 and £8.8m in Q404

Revenue Split – Q2 2005

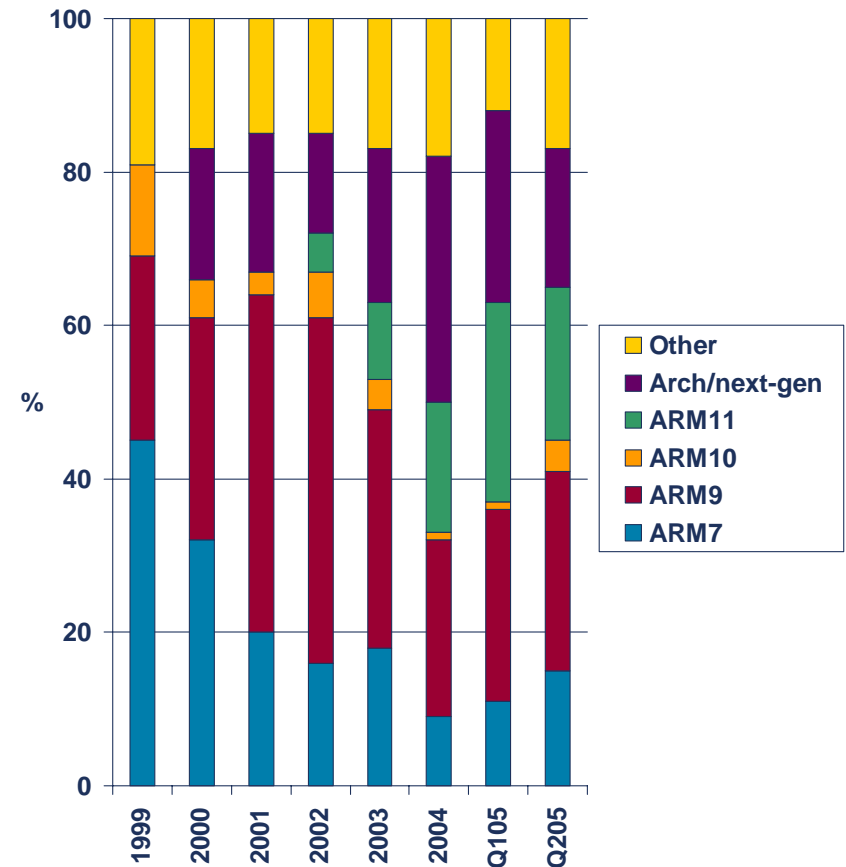


Licensing Analysis – Original ARM

Licensing Models

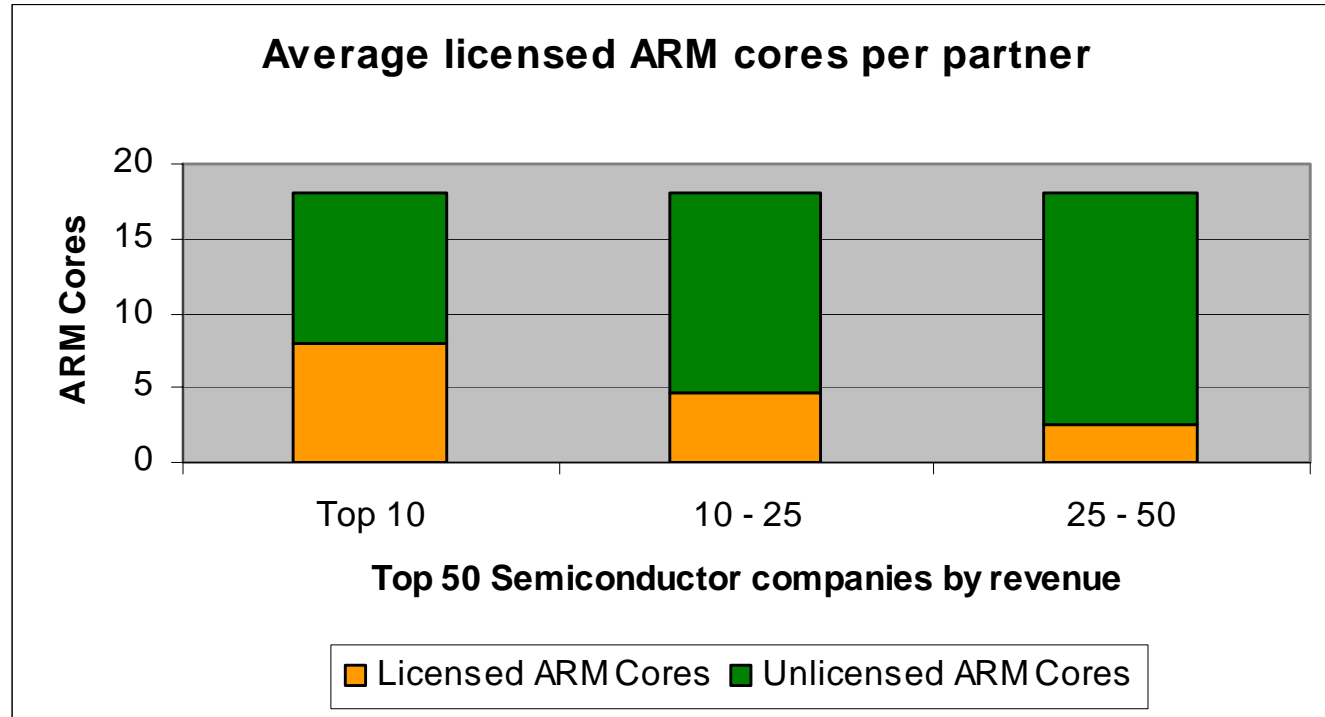


Core and Non-CPU Licensing



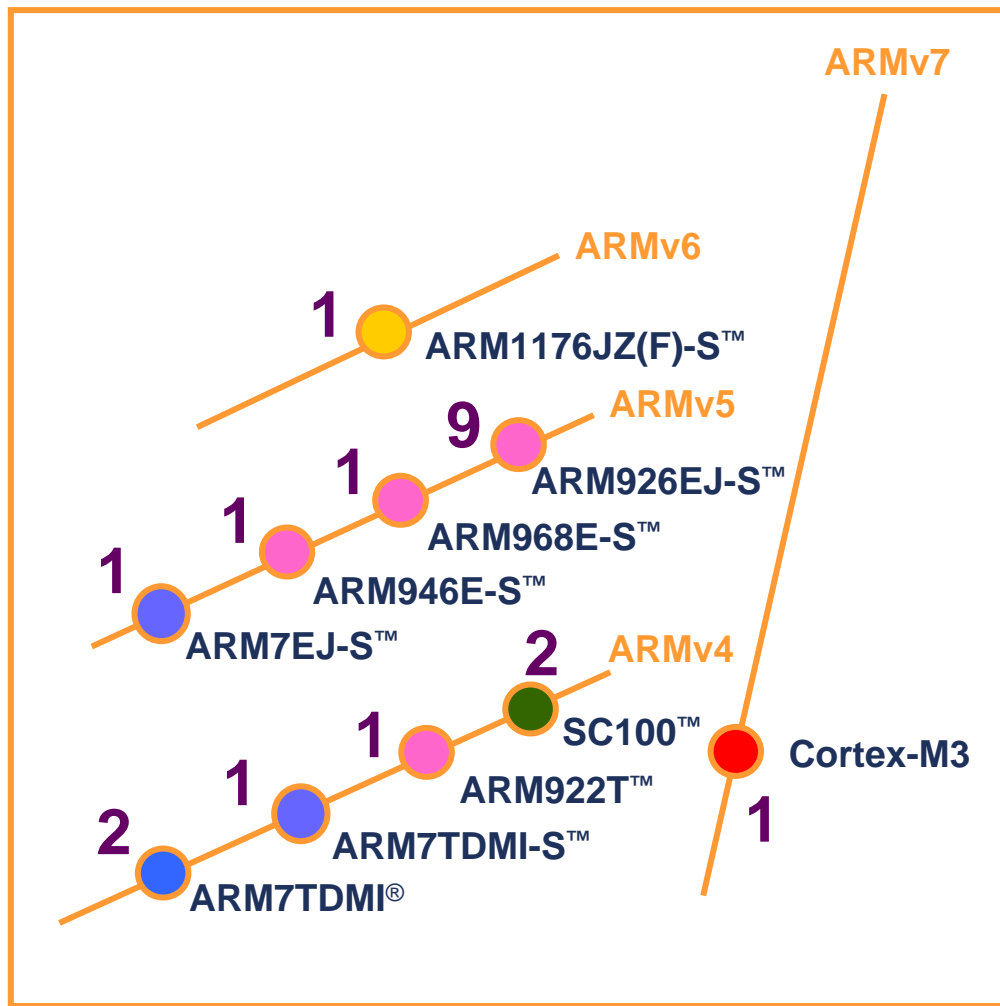
ARM Penetration and Opportunity

■ Penetration of top 50 semiconductor companies

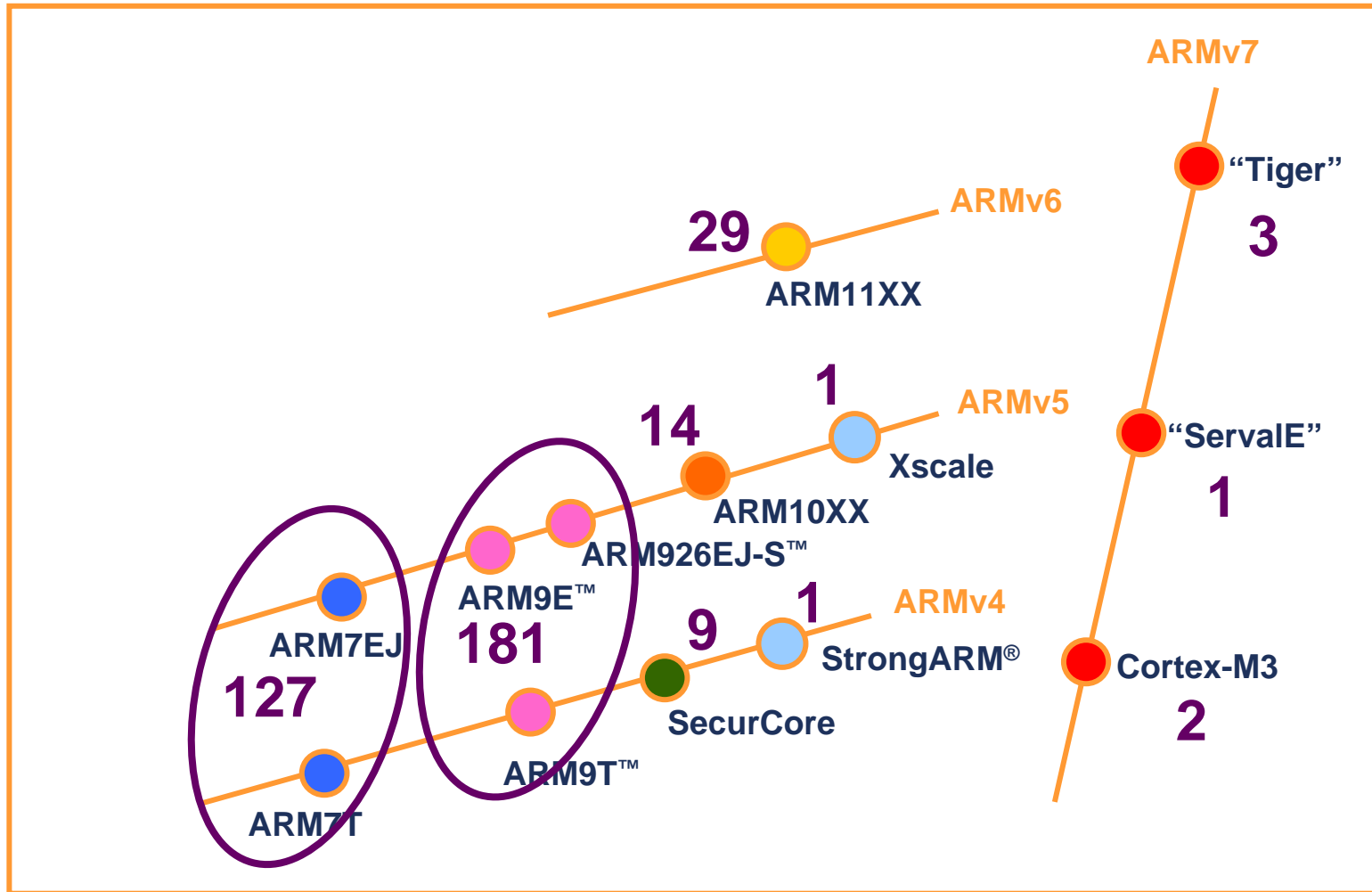


Microprocessor Licensing – Q2 2005

- Q205: 20 licenses
- 9 new partners
 - 2 x ARM7 family
 - 7 x ARM9 family
- 11 existing partners
 - 6 derivatives
 - 1 x ARM7™ family
 - 3 x ARM9™ family
 - 1 x ARM11 family
 - 1 x SecurCore family
 - 5 upgrades
 - 1 x ARM7 family
 - 2 x ARM9 family
 - 1 x SecurCore family
 - 1 x Cortex M3
- 157 Partners at end Q205



Microprocessor Licensing – Cumulative



Royalties – Q2 2005 (original ARM)

- 369 million units shipped by our partners in Q1

- Reported by ARM in Q2 2005
- Mobile accounts for 66%
- Non-mobile shipments up 44% YonY

- Flat royalty revenues Q1 to Q2

- Despite handset seasonality
- \$31.2 million (\$31.6 million in Q1)

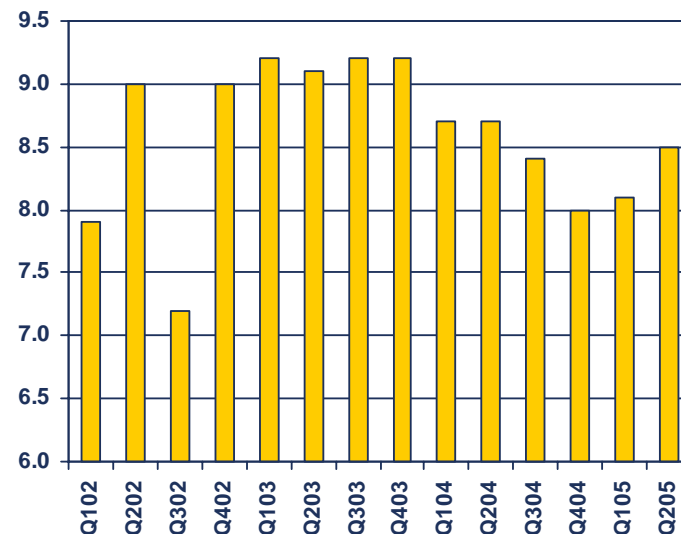
- 62 partners shipping (out of 157)

- 1 new shipper in Q2

- Q2 average royalty rate at 8.5 cents

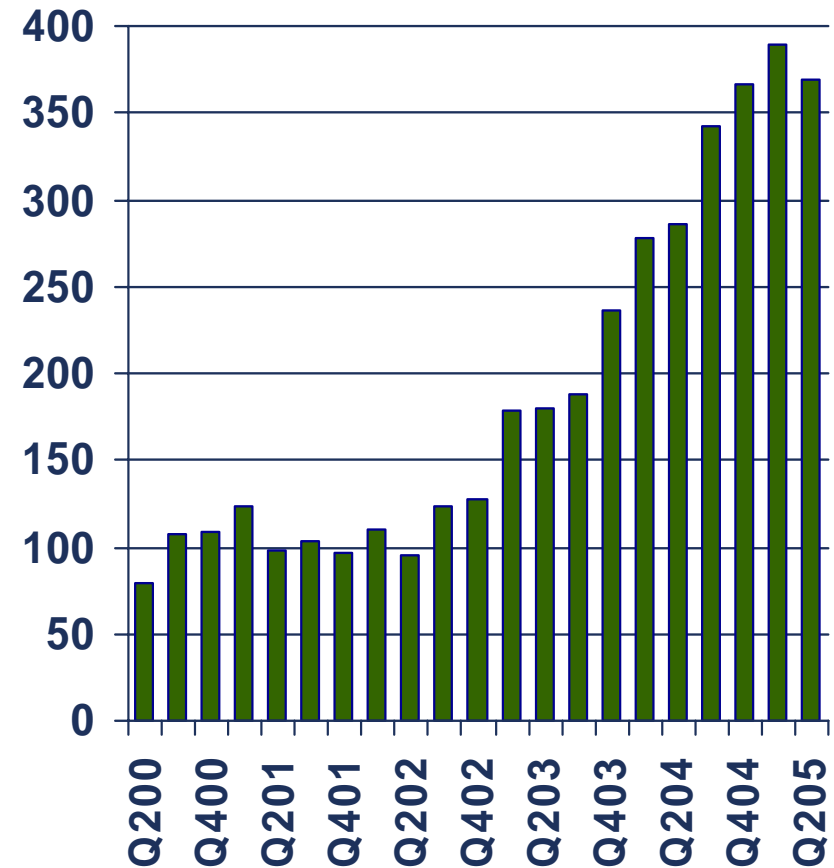
- Q1 8.1 cents
- ARM9 accounts for 30% of total shipments
- ARM926 accounts for 6% of total shipments

Average Royalty Rate (c)



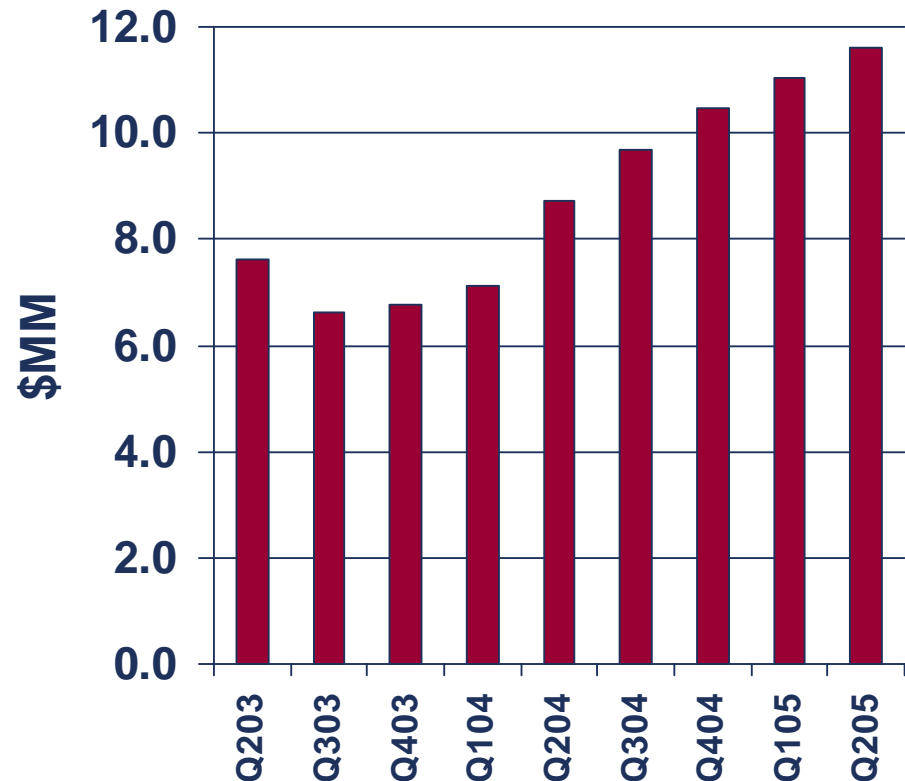
Royalties - Original ARM

	Q304	Q404	Q105	Q205
Roy.Revs (£MM)	16.0	16.3	16.8	17.0
% Group Revs	40%	39%	31%	30%
Units (MM)	342	367	389	369
No.shipping	59	60	61	62
Roy.Revs (\$MM)	28.6	29.4	31.6	31.2

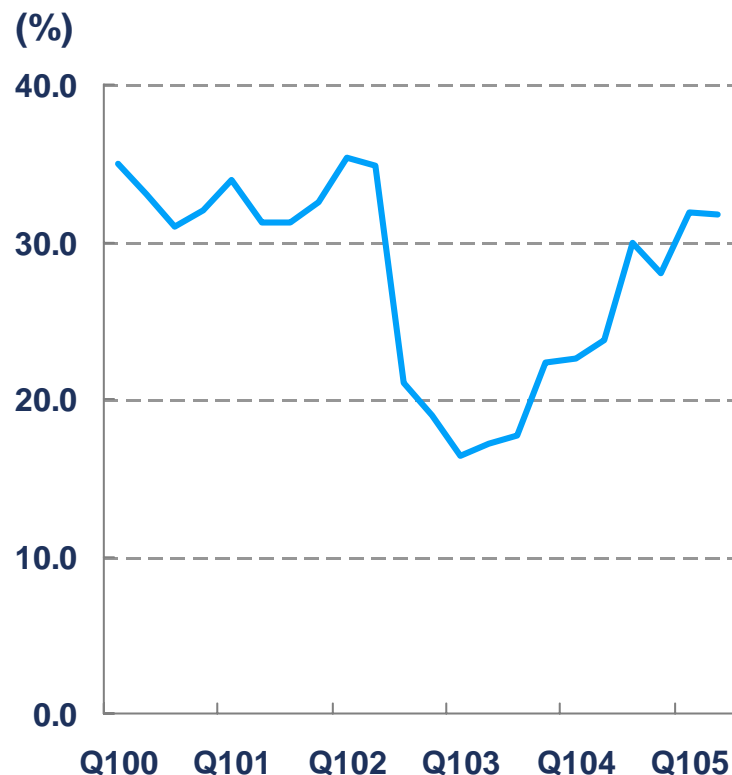


Development Systems

- Sales in Q2 05
 - 37% (39% Q1) USA
 - 24% (40%) Asia
 - 39% (21%) Europe
- 11% of total revenues
- 41% revenues through distribution



Operating Margin



	ARM only	Combined	
	Q404	Q105	Q205
R&D (£MM)	13.0	14.7	15.8
R&D (%)	31.4%	26.7%	27.3%
SG&A (£MM)	13.1	16.1	17.5
SG&A (%)	31.6%	29.3%	30.2%
Op Mgn (%)	28.0%	32.4%	31.8%

Op mgn excl acquisition-related, non-recurring and stock-based compensation charges

Values as percentage of sales

Transition to IFRS from UK GAAP

■ ARM reports quarterly under US GAAP

- IFRS results reported at half and full year

■ Stock options

- IFRS 2 – fair value of employee stock options charged to P/L
 - Currently note disclosure only under US GAAP
 - FAS123(R) effective in 2006

■ Goodwill

- No amortisation, regular impairment reviews
- Consistent with US GAAP

■ Other intangibles

- Amortised as per US GAAP
- IPRD capitalised under IFRS, written-off under US GAAP

■ Capitalisation of R&D

- Expect to continue to write-off as incurred

■ Revenue recognition

- IFRS moving closer to US GAAP

IFRS 2

- Fair value of employee share options issued post 7 November 2002 and still outstanding at 1 January 2004/1 January 2005
- For options vesting over 4 years
 - 50% of charge in 2004
 - 75% in 2005
 - 100% in 2006
- 2005 charge includes
 - “Ongoing” charge for post November 2002 options to original ARM employees and post acquisition options to PIPD employees
 - Fair value of transferred Artisan options unvested at acquisition
 - Total fair value of £17.5m
 - Of which £11.3m charged in 2005
 - Equivalent to deferred compensation charges under US GAAP
 - Fair value vs intrinsic value

Share option accounting

IFRS – IFRS2	2005 (£MM)			2006 (£MM)		
	H1	H2	FY	H1	H2	FY
“Ongoing” charge	5.2	5.9	11.1	6.0	6.2	12.2
Unvested Artisan options at acquisition	6.7	4.6	11.3	2.8	1.8	4.6
Total charges	11.9	10.5	22.4	8.8	8.0	16.8

US GAAP – FAS123(R)	2006 (£MM)		
	H1	H2	FY
“Ongoing” charge	6.3	6.5	12.8
Unvested Artisan options at acquisition ①	2.8	1.8	4.6
Total charges	9.1	8.3	17.4

① Represents the fair value charge related to unvested Artisan options at acquisition. Prior to the introduction of FAS123(R), effective 1 January 2006, the intrinsic value of the options is being charged to the profit and loss account in the form of deferred stock-based compensation.

Note: figures are indicative and may change depending on number of lapses and cancellations during the periods. 2006 figures assume options granted and related fair value at a similar level to that in 2005.

2005 Acquisition-Related Charges

	Q1 05	Q2 05	Q3 05	Q4 05
	£MM	£MM	£MM	£MM
	(A)	(A)	(E)	(E)
Artisan intangibles amortisation	3.8	4.5	4.2	4.2
Other acquired intangibles amortisation	0.1	0.1	0.1	0.1
Deferred compensation	2.1	1.6	1.4	1.0
Total charges	6.0	6.2	5.7	5.3

Summary Balance Sheet – 30 June 05

	30 Jun 05
	£MM
Assets	
Cash	154.6
Trade debtors	49.7
Other debtors, inventory and investments	28.6
Property and equipment	13.3
Goodwill	362.9
Other intangibles	71.4
Total assets	680.5
Liabilities & shareholders' equity	
Deferred revenue	20.4
Other creditors	45.2
Shareholders' equity	614.9
Total liabilities & shareholders' equity	680.5

Cash Flow Summary

£MM	H1 05	Q2 05
Operating activities	22.6	17.0
Interest	2.2	1.2
Tax	(7.2)	(4.5)
Capital expenditure	(3.0)	(1.8)
Acquisitions	(14.5)	(0.2)
Share options less dividends	5.7	(3.7)
Other (forex)	6.0	4.8
Cash flow	11.8	12.8
Opening cash	142.8	141.8
Closing cash	154.6	154.6

	H1 05	Q2 05
Income from operations	23.2	11.7
Depreciation and amortization	14.2	7.5
Deferred stock-based compensation	4.5	2.1
Movements in working capital	(19.6)	(4.3)
Investments	0.3	-
Operating activities	22.6	17.0

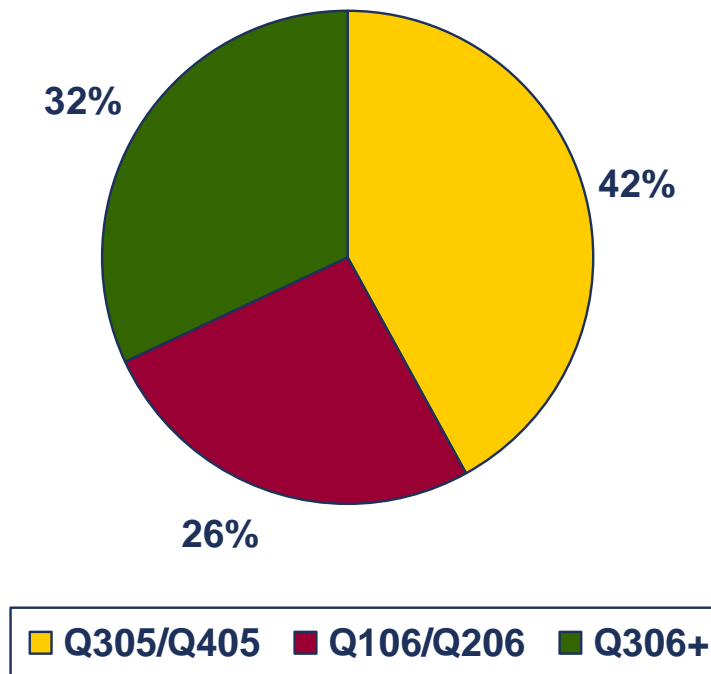


Share buyback

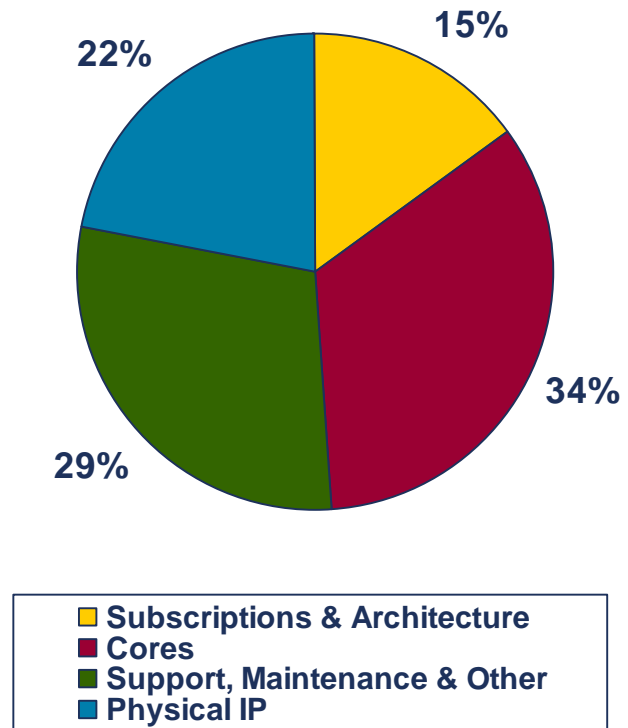
- ARM paid dividend of 0.7p per share in respect of 2004
 - Total payout of circa £9.5m
 - 2005 interim dividend up by 21%
- ARM has net cash of £154.6m at 30 June 2005
 - Plan to retain significant cash buffer on balance sheet
 - Expect to remain strongly cash generative going forward
 - R&D expected to remain 25-30% of revenues
 - Bolt-on acquisitions likely to continue
- Dividend to be supplemented by rolling buyback. Purchases dependent on
 - Prevailing market conditions
 - Short to medium term cash needs of the business
 - Level of share-based remuneration

Backlog

Backlog by Maturity Profile



Backlog Composition



Outlook

- Dollar revenues up 22% in H1 in a flattish trading environment
- Total group dollar revenues expected to grow 15-20% in full year 2005
 - Healthy licensing sales pipeline across the business
 - Royalty momentum in original ARM
 - Development Systems growing steadily
 - PIPD royalties likely to grow steadily in H2
- Sterling results will benefit from any relative dollar strength
 - Dollar revenues > 95%
 - Dollar cost base circa 45%