

ARM Holdings plc Update – Q3 2005

Sir Robin Saxby – Chairman

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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.

Q3 Business Review

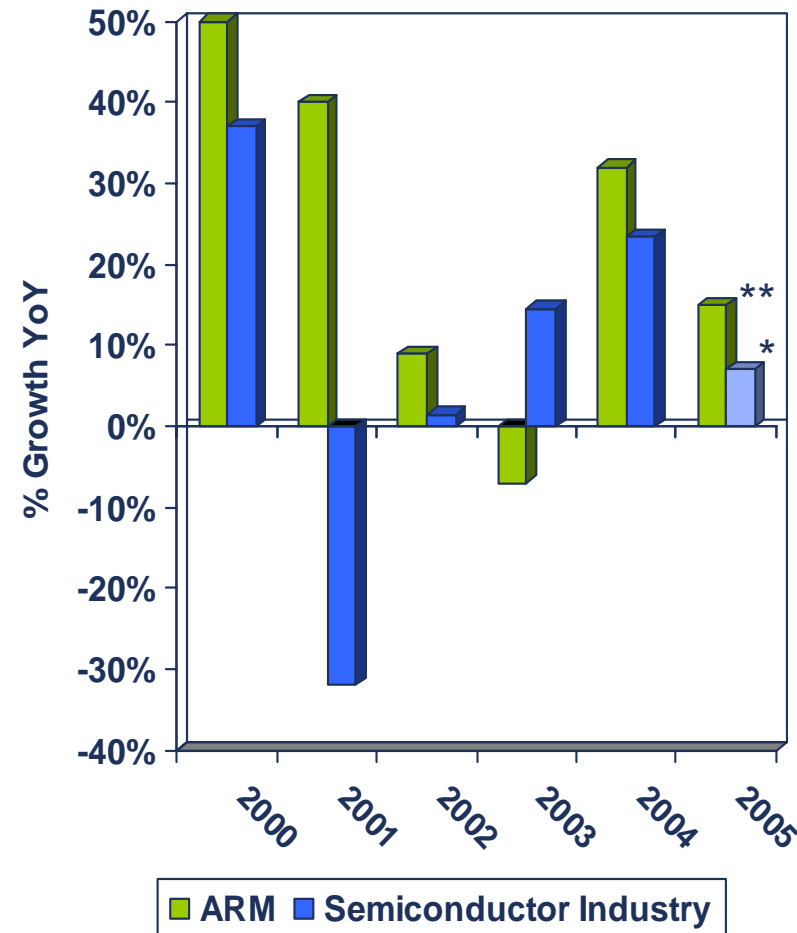
Q3 2005 Business Overview – Group

Highlights

- Introduced world's fastest processor for low-power applications
- Strong licensing in the quarter of the latest technology
- Record processor royalties both in revenue and units
- Multiple synergy deals signed in quarter
- Revenue growth of 16% YTD
 - Exceeding overall semiconductor industry
- Operating margins remain above 30%
- End of Q3 backlog flat on Q2
 - ARM processors and PIPD components of backlog up sequentially

Outlook

- Revenue growth expected to be approx. 15% for FY 2005
- EPS for FY 2005 expected to be in line with market consensus



Source: Gartner DataQuest, ARM

* Gartner DQ Forecast for 2005

** Expected approximate ARM revenue growth

Q3- Financial Summary

	Q3 2005 \$m	Q3 2004 \$m	
Licensing			
ARM (Original)	30.9	25.6	+21%
PIPD	15.2	15.6	-3%
Royalties			
ARM (Original)	32.1	28.6	+12%
PIPD	6.0	9.5*	-37%
DevSys and Services	16.8	16.0	+5%
Total Revenue	101.0	95.3	+6%

* Includes “catch-up” royalties of \$2.8M

Q3 2005 – Business Highlights (ARM)

- Cortex™-A8 (formerly “Tiger”) launched at ARM® Developers’ Conference
 - World’s fastest processor for low-power mobile and consumer applications
 - 5 Licensees to date including Freescale, Matsushita, Samsung and Texas Instruments
 - Complete solution introduced with optimised libraries, software development tools and models, and debug and trace support tools
- Continued strong licensing for ARM processors
 - 5 ARM11™ and 4 Cortex licenses during the quarter
 - Cortex-M3 preliminary deliverables shipped to lead customers
- ARM11 gaining momentum beyond wireless
 - NEC announces baseband development using ARM1156™
 - ARM1156 designed into WLAN
 - CeRoma licenses ARM1136™ for DVB applications
 - ARM1136 designed into digital still cameras
- ARM Partners now shipping more than 400M processors/qtr
 - > 4.5B cores shipped since ARM inception
 - Total shipments up 29% YTD
 - Mobile shipments up 24%, non-mobile shipments up 39%
 - Average royalty rate for Q3 at 7.9c/unit
 - Increase in low-end wireless handset solutions and microcontrollers



Cortex-A8 Launch

“ARM Unveils Fastest-Ever 1GHz Processor for Mobile”



ARM announces fastest smartphone processor

5th October 2005



“ARM Delivers Next-Gen CE Processor”



“ARM Launches Low-Power Multimedia Chip”

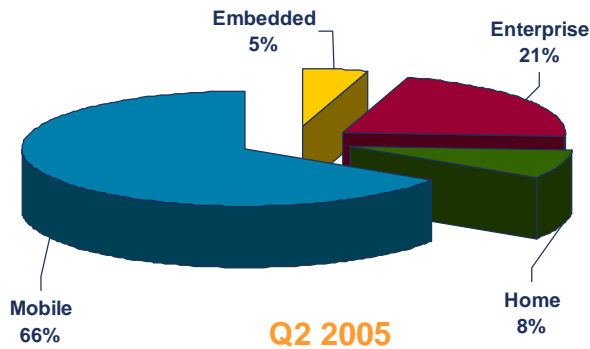
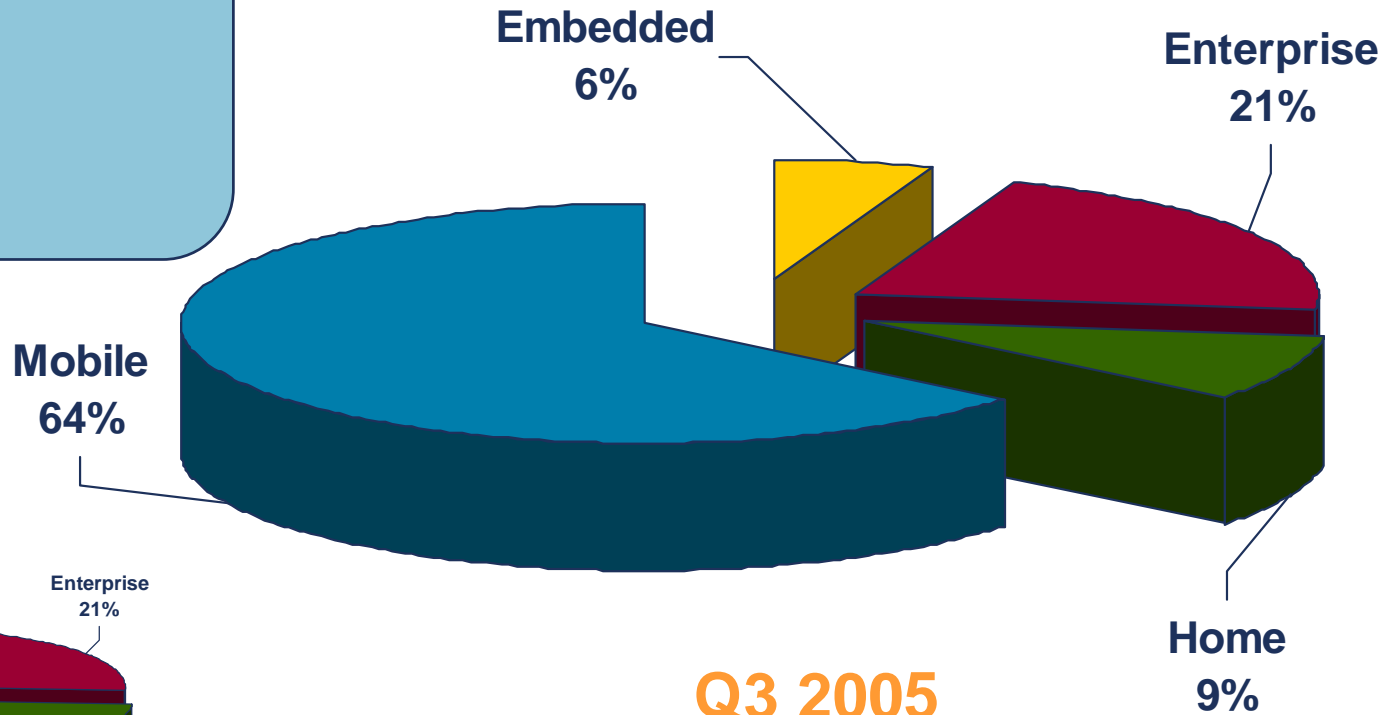


“ARM Seeks More than Handsets with New Technology...”

Q3 Processor IP Royalty Analysis

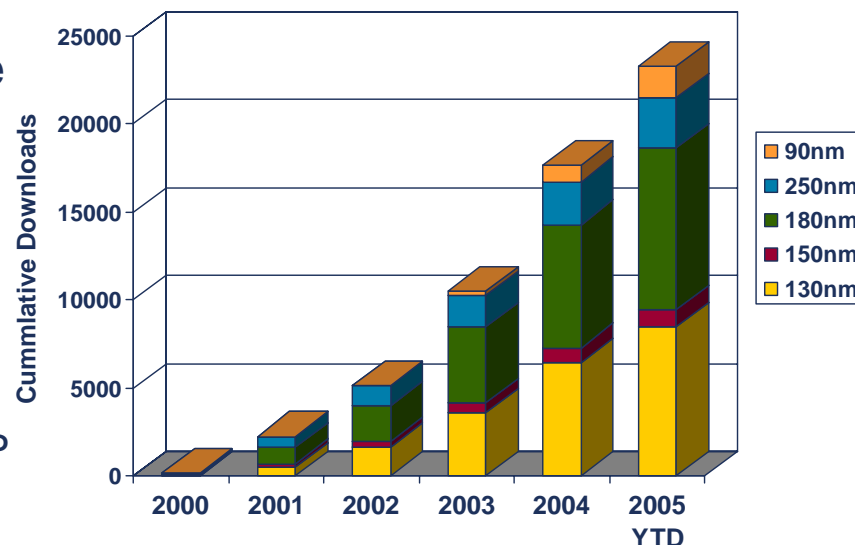
Top 5 increases by application
(QoQ by volume, non handset)

- Hard Disk Drive
- Microcontrollers
- Digital TV
- Cordless Phone
- Set Top Boxes

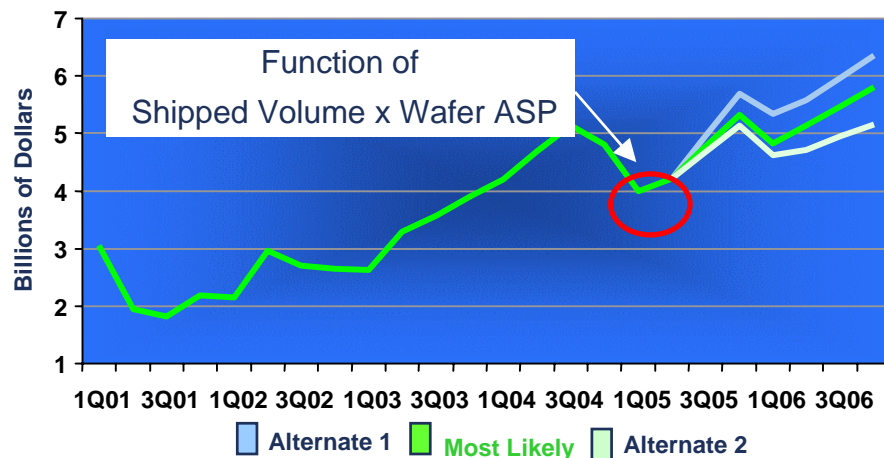


Q3 2005 – Business Highlights (PIPD)

- ARM Cortex-A8 optimised libraries introduced at ARM Developers' Conference
 - First instance of synergistic product offerings from the combination of ARM and Artisan
 - Offers exceptional speed and power efficiency for the Cortex-A8 processor
- 3 synergistic deals signed in the quarter
 - Second license signed with a previous, synergistic customer
 - CeRoma licenses processor IP and physical IP under one agreement
 - Combined offering not available from competition
- Cumulative downloads exceed 23k in Q3
 - 90nm downloads growing fastest at approx. 40% YoY
- PIPD royalty up 5% QoQ
 - Some improvement in foundry utilisation rate
 - Continued softening wafer ASP in Q2 2005
 - Down 6.4% sequentially QoQ
 - Royalty revenue = wafer volume shipped x wafer ASP x royalty rate



Foundry Quarterly Revenue Forecast* (Q3 2005)



*Source: Gartner Dataquest Q3 2005

Q3 Financial Review

Q3 2005 – Financial Highlights

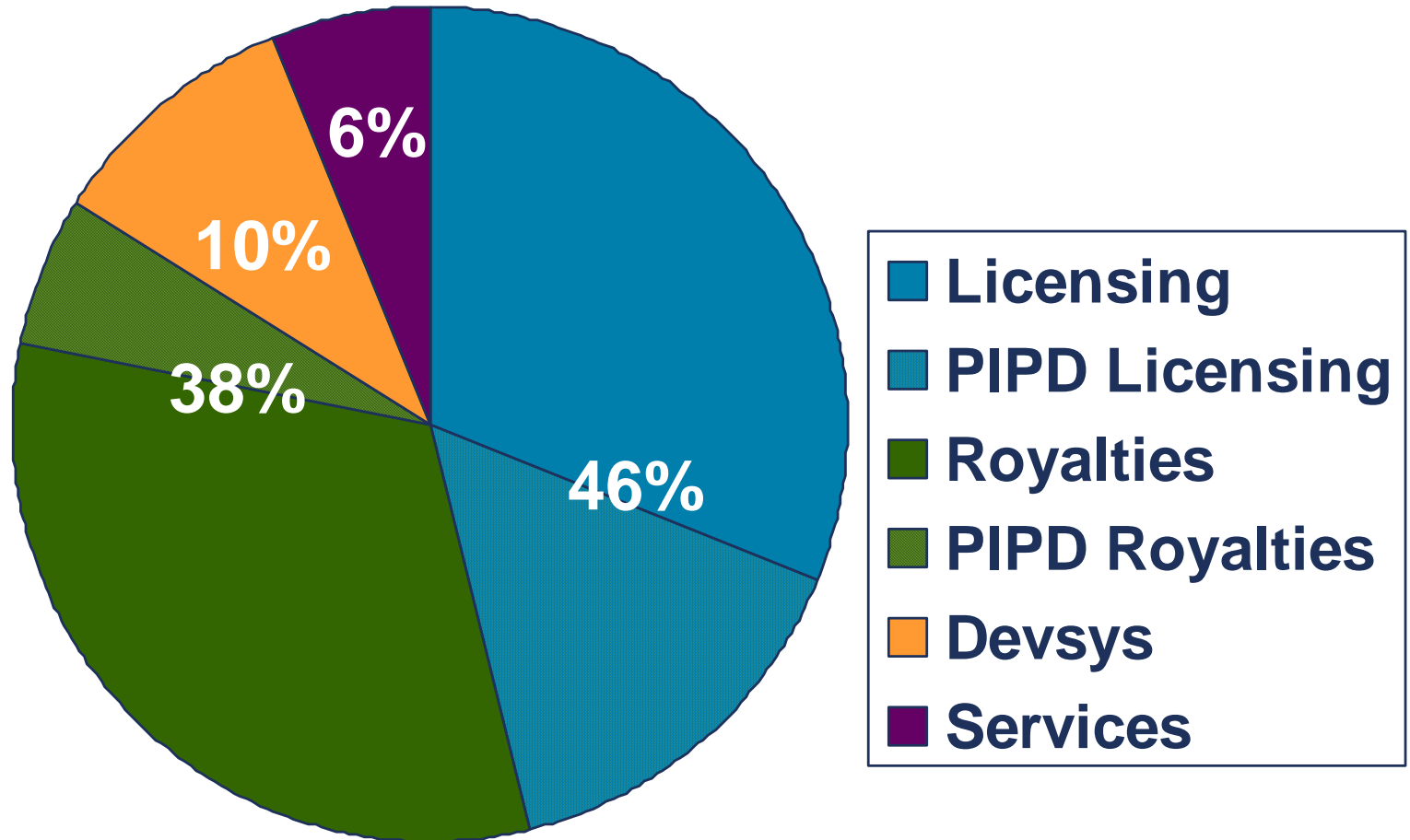
- Total revenues of £56.7 m (\$101.0m at 1.78)
 - Up 6% on Q3 04
- Original ARM
 - Licensing at \$30.9m
 - 23 microprocessor licenses signed
 - 5 ARM11, 4 Cortex
 - Record royalties at \$32.1m
- PIPD
 - Licensing of \$15.2m
 - Royalties at \$6.0m (compared to Q2 \$5.7m)
- Group normalized operating margin at 31.3%
 - ARM 31.5%
 - PIPD 30.4%
- Strong cash flow generation
 - £17.2m generated in Q3
 - Before £5.4m spent on share buybacks

Quarterly Results Summary

	Q404	Q105	Q205	Q305
	(£MM)	(£MM)	(£MM)	(£MM)
Total revenues	41.5	55.0	57.8	56.7
US\$ ARM revenues	74.7	79.2	81.9	79.8
US\$ PIPD revenues	n/a	24.0	23.6	21.2
Normalized operating profit	11.6	17.9	18.4	17.7
ARM op mgn (%)	28.0%	31.7%	32.1%	31.5%
PIPD op mgn (%)	n/a	34.9%	30.9%	30.4%
Normalized PBT	14.1	18.9	19.6	19.1
Normalized EPS (pence)	1.11	0.95	1.05	1.05
Net cash	142.8	141.8	154.6	164.7

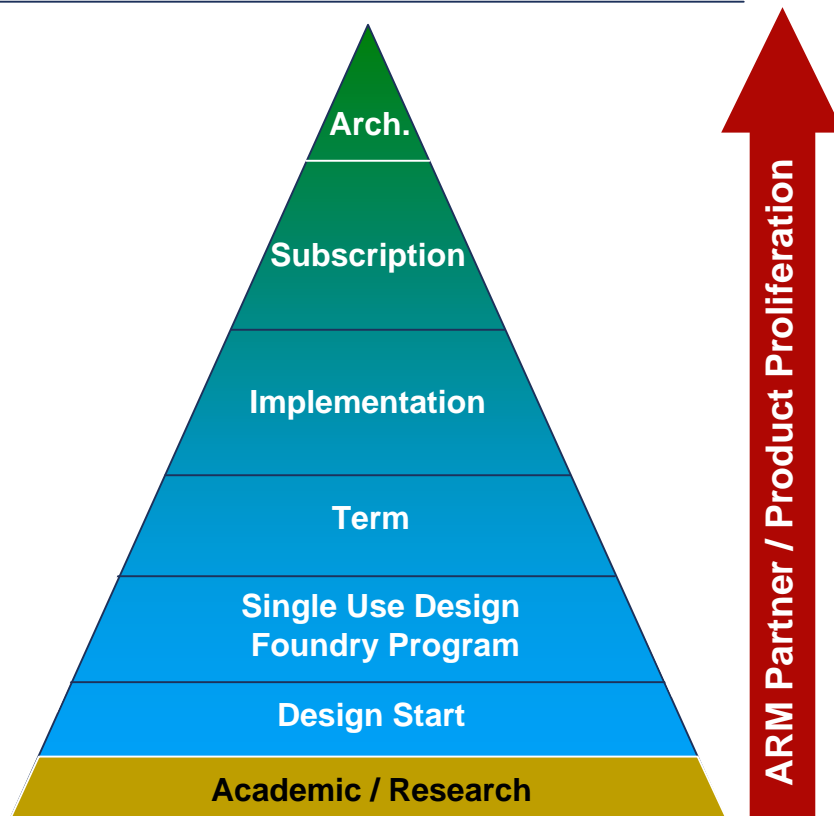
Figures exclude stock compensation, non-recurring and acquisition-related charges of £7.1m in Q305, £6.7m in Q205, £6.3m in Q105 and £8.8m in Q404

Revenue Split – Q3 2005



Licensing Analysis – Original ARM

Licensing Models

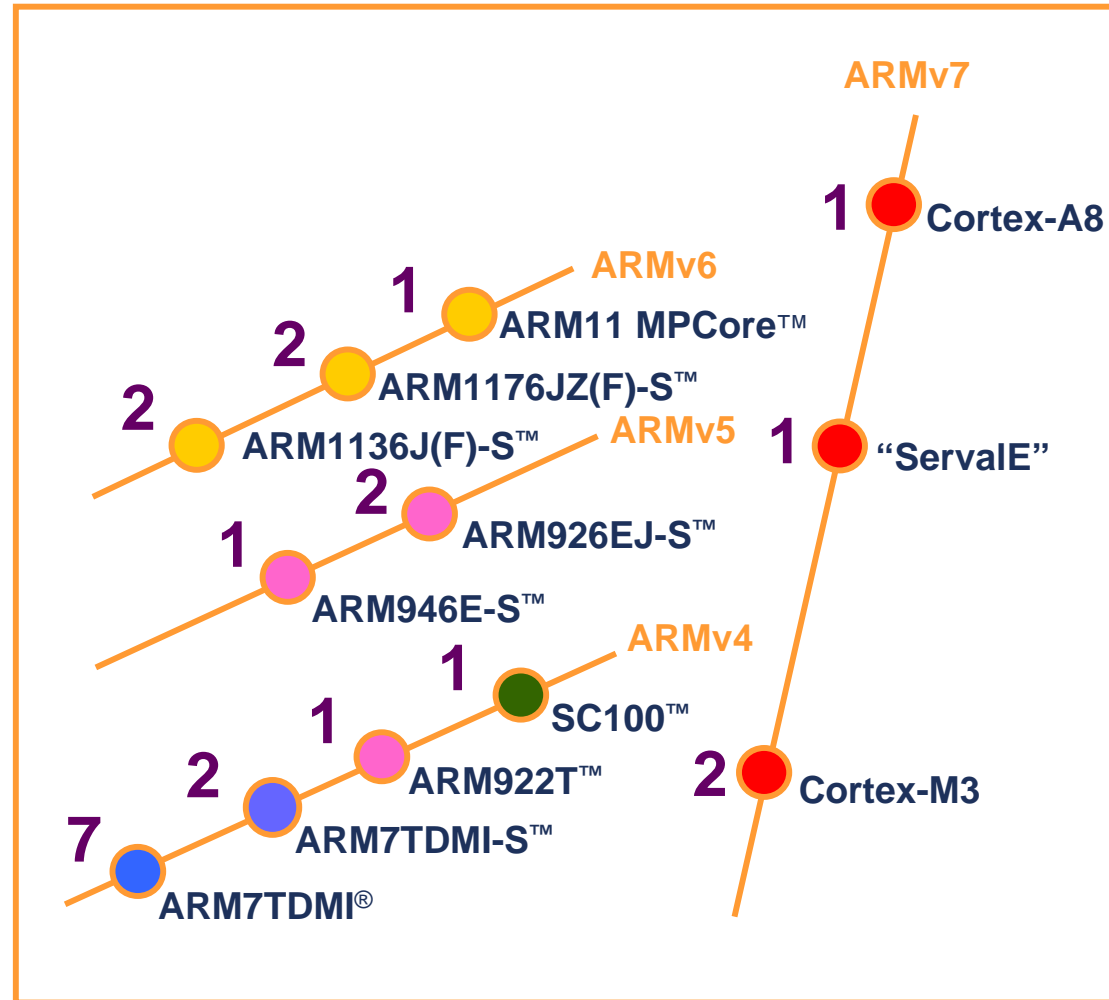


Core and Non-CPU Licensing

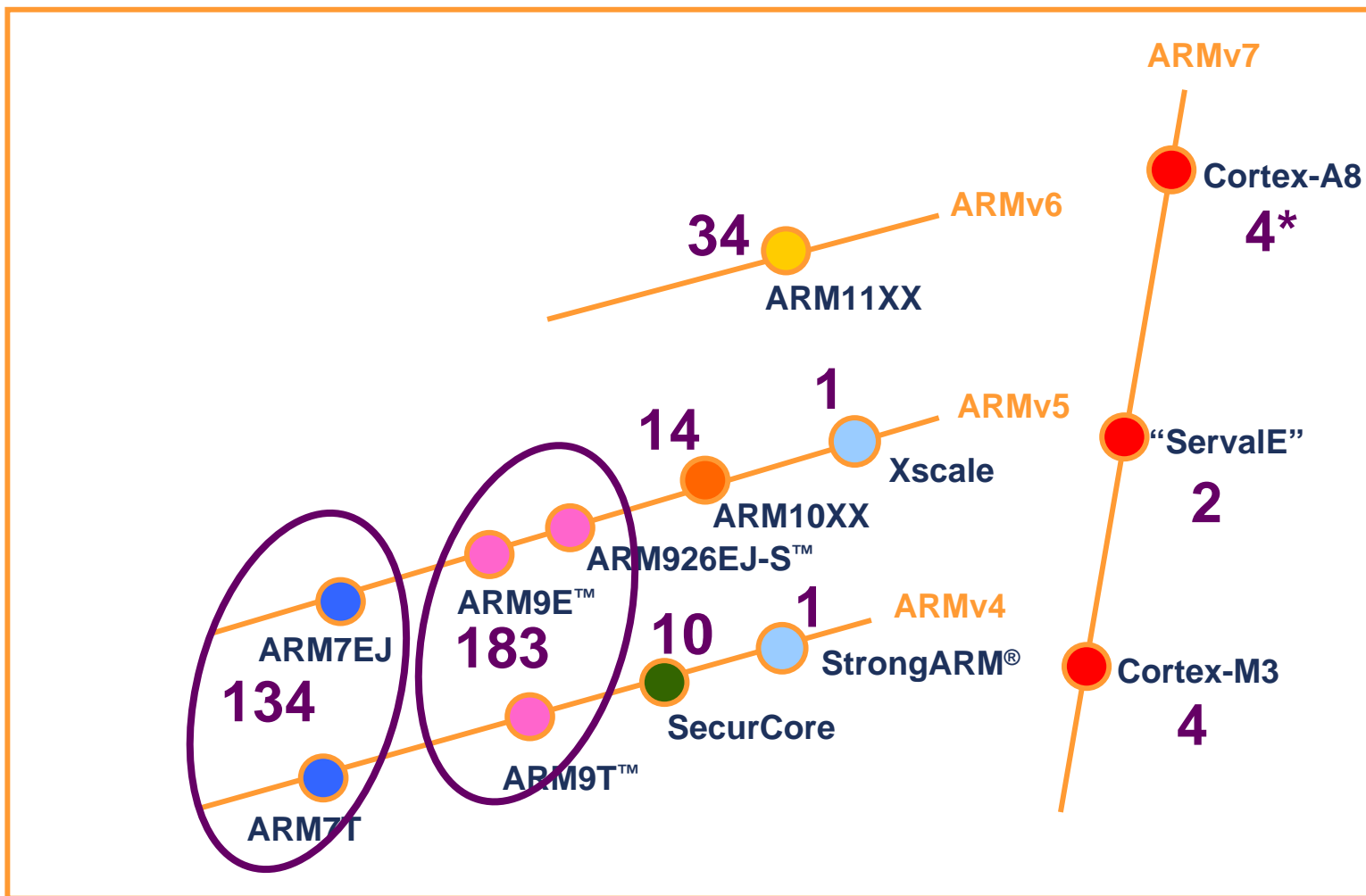


Microprocessor Licensing – Q3 2005

- Q305: 23 licenses
- 11 new partners
 - 7 x ARM7™ family
 - 4 x ARM9™ family
 - 3 x ARM11™ family
 - 1 x Cortex™ -M3
 - 1 x SecurCore family
- 6 existing partners
 - 4 derivatives
 - 2 x ARM7 family
 - 1 x ARM11 family
 - 1 x Cortex-M3
 - 3 upgrades
 - 1 x ARM11 family
 - 1 x Cortex-A8
 - 1 x ServalE
- 165 Partners at end Q305



Microprocessor Licensing – Cumulative



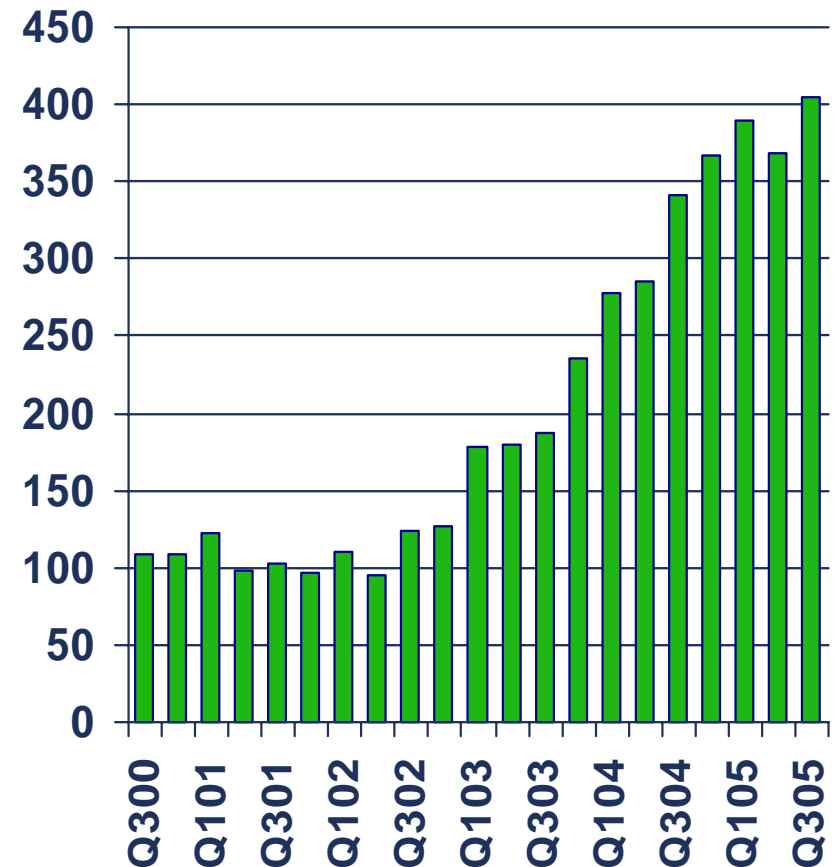
* One additional partner has access to Cortex-A8 under a subscription license

Royalties – Q3 2005 (original ARM)

- 405 million units shipped by our partners in Q2
 - Reported by ARM in Q3 2005
 - Mobile accounts for 64%
 - Non-mobile shipments up 39% YonY
- Increased royalty revenues Q2 to Q3
 - \$32.1 million (\$31.2 million in Q2)
- 62 partners shipping (out of 165)
 - 1 new shipper in Q3
- Q3 average royalty rate at 7.9 cents
 - ARM9 accounts for 31% of total shipments
 - ARM926 accounts for 6% of total shipments
 - With in the range seen over last 4 years of 7.2 and 9.2 cents

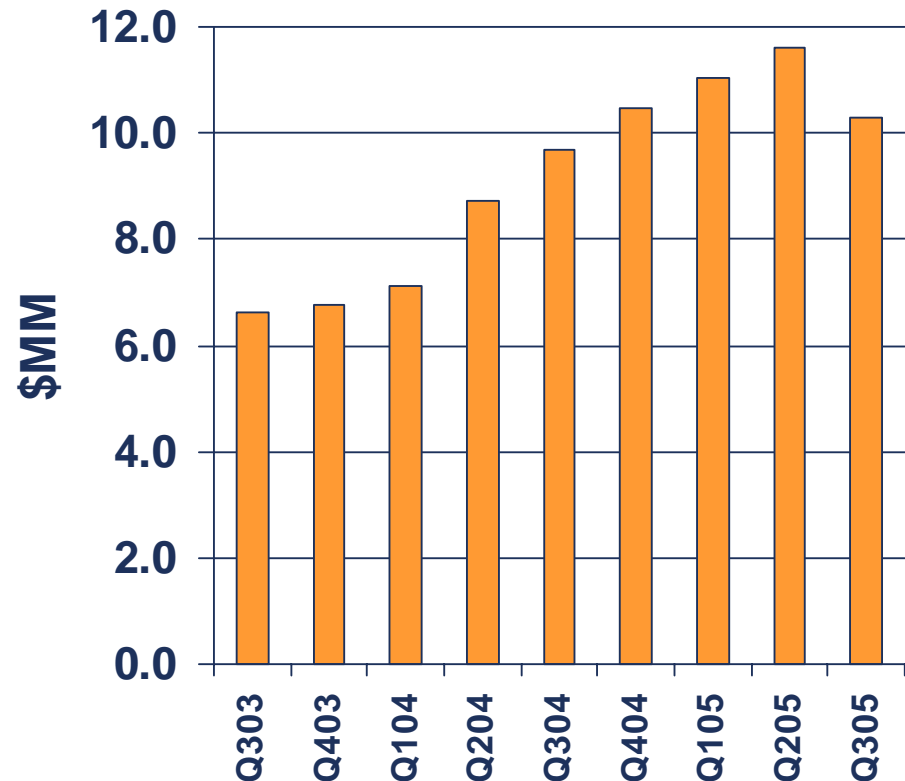
Royalties - Original ARM

	Q404	Q105	Q205	Q305
Roy.Revs (£MM)	16.3	16.8	17.0	18.0
% Group Revs	39%	31%	30%	32%
Units (MM)	367	389	369	405
No.shipping	60	61	62	62
Roy.Revs (\$MM)	29.4	31.6	31.2	32.1



Development Systems

- Sales in Q3 05
 - 32% (37% Q2) USA
 - 39% (24%) Asia
 - 29% (39%) Europe
- 10% of total revenues
- 36% revenues through distribution



Operating Margin



Operating margin excludes stock compensation, acquisition-related and non-recurring charges

	Q105	Q205	Q305
R&D (£MM)	14.7	15.8	13.9
R&D (%)	26.7%	27.3%	24.6%
SG&A (£MM)	16.1	17.5	18.1
SG&A (%)	29.3%	30.2%	31.9%
Op Mgn (%)	32.4%	31.8%	31.3%

Values as percentage of sales

2005 Acquisition-Related Charges

	Q1 05	Q2 05	Q3 05	Q4 05
	£MM	£MM	£MM	£MM
	(A)	(A)	(A)	(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	0.9
Total charges	6.0	6.2	5.7	5.2

Summary Balance Sheet – 30 September 05

30 Sep 05	
£MM	
Assets	
Cash	164.7
Trade debtors	52.2
Other debtors, inventory and investments	31.6
Property and equipment	12.8
Goodwill	369.1
Other intangibles	67.2
Total assets	697.6
Liabilities & shareholders' equity	
Deferred revenue	23.2
Other creditors	48.4
Shareholders' equity	626.0
Total liabilities & shareholders' equity	697.6

Cash Flow Summary

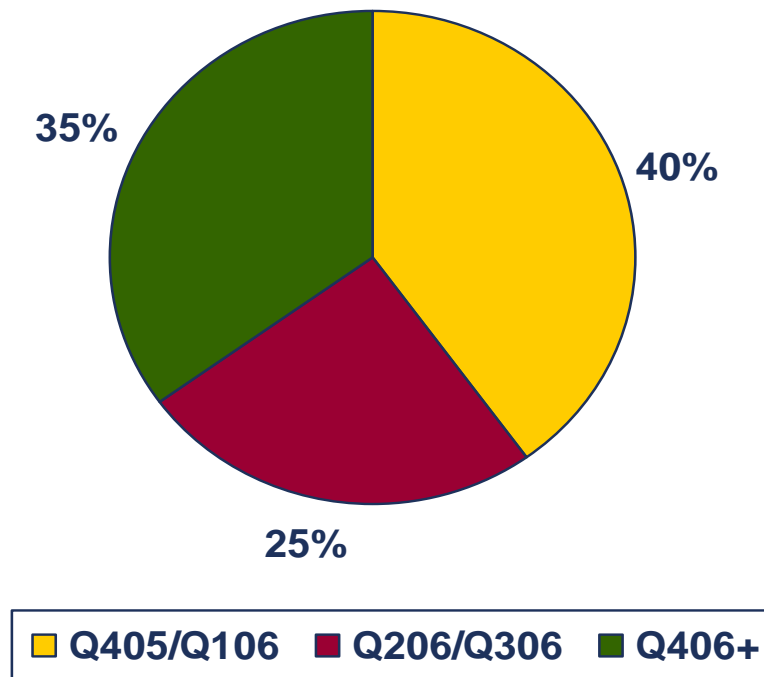
£MM	H1 05	Q3 05
Operating activities	22.6	18.2
Interest	2.2	1.4
Tax	(7.2)	(3.5)
Capital expenditure	(3.0)	(1.6)
Acquisitions	(14.5)	(1.7)
Share options	11.5	1.4
Share buybacks and dividends	(5.8)	(5.4)
Other (forex)	6.0	1.3
Cash flow	11.8	10.1
Opening cash	142.8	154.6
Closing cash	154.6	164.7

	H1 05	Q3 05
Income from operations	23.2	10.6
Depreciation and amortization	14.2	7.0
Deferred stock-based compensation	4.5	2.8
Movements in working capital	(19.6)	(2.2)
Investments	0.3	-
Operating activities	22.6	18.2



Backlog

Backlog by Maturity Profile



Backlog Composition

