

ARM Holdings plc

Fourth Quarter & Full Year

Update 2002

Sir Robin Saxby - Chairman

Warren East - CEO

Tim Score - CFO



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Agenda

- Introduction - Sir Robin Saxby
- Business Overview - Warren East
- Financials Review - Tim Score
- Q&A

Sir Robin Saxby Chairman



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Q4 2002 - Chairman's summary

- Continued momentum fuels royalty growth
- Efficient and quick implementation of cost cut
- Strong market position
- Maintained focus on new product creation-
ARM11 delivery
- Strengthening of Partner relationships
- Wiser and sharper in light of tough experience
- Clearer strategic vision
- Market conditions generally still tough

Warren East CEO



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Q4 Key items

Business Highlights

- 13 new licences signed
- Meaningful increase in royalty revenues – record volume qtr
- ARM1136 licenses with LSI, Qualcomm and TI announced
- ARM Approved Licensing Programme introduced with Flextronics as first licensee

Operations

- Total workforce reduced by 12% with annual saving in employee costs of £5 million

Technology

- ARM1136J-S successfully delivered to lead Partners
- Announced strategic collaboration with National Semiconductor to develop and market new low power technology

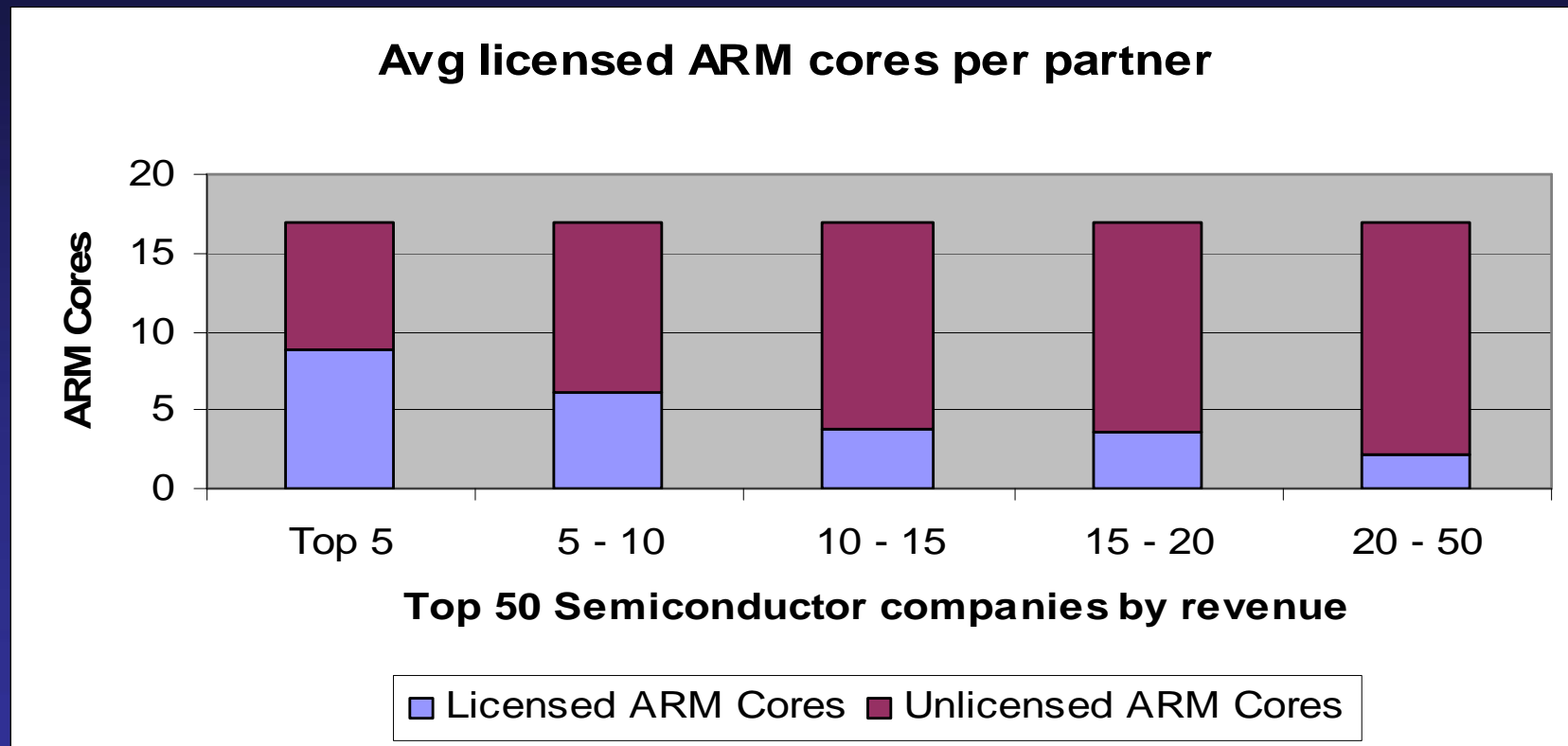


Current trading and prospects

- Long-term growth indicators remain healthy
- Reasonable visibility provided by backlog, current run rate of non-license revenues and strategic nature of partner relationships
- But timing of closure of license deals remains unpredictable
- Reported revenues exposed to further weakening of US dollar
- Therefore revenues to remain flattish for foreseeable future

ARM penetration and opportunity

- Penetration of Top 50 Semiconductor companies



Foundry Programme update

Licensees:

Partners = 51

No. of Partners Shipping = 6

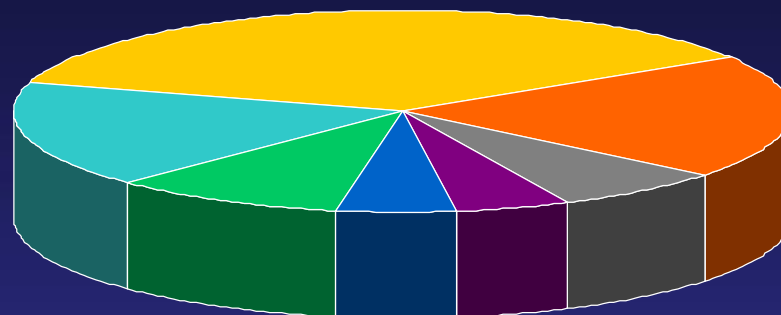
(Partner Revenue = License Fee + Royalties)

Approved Foundries = 7

(Foundry Revenue = License Fee)

Licensed Partners by Segment

■ Consumer
 ■ Industrial
 ■ Wireless
 ■ Networking
■ Educational
 ■ Imaging
 ■ Storage



Approved Foundries:

Foundry	Headquartered	Licensed Products				Process Geometry Supported
		ARM7TDMI	ARM922T	ARM946E	ARM1022E	
TSMC	Taiwan	X	X	X	X	Down to 0.13u
UMC	Taiwan	X	X	X	X	Down to 0.13u
Chartered	Singapore	X		X		0.18u only
Anam	Korea		X			0.18u only
Silterra	Malaysia	X				0.18u only
Tower	Israel	X				0.18u only
AMI	US	X				0.35u only



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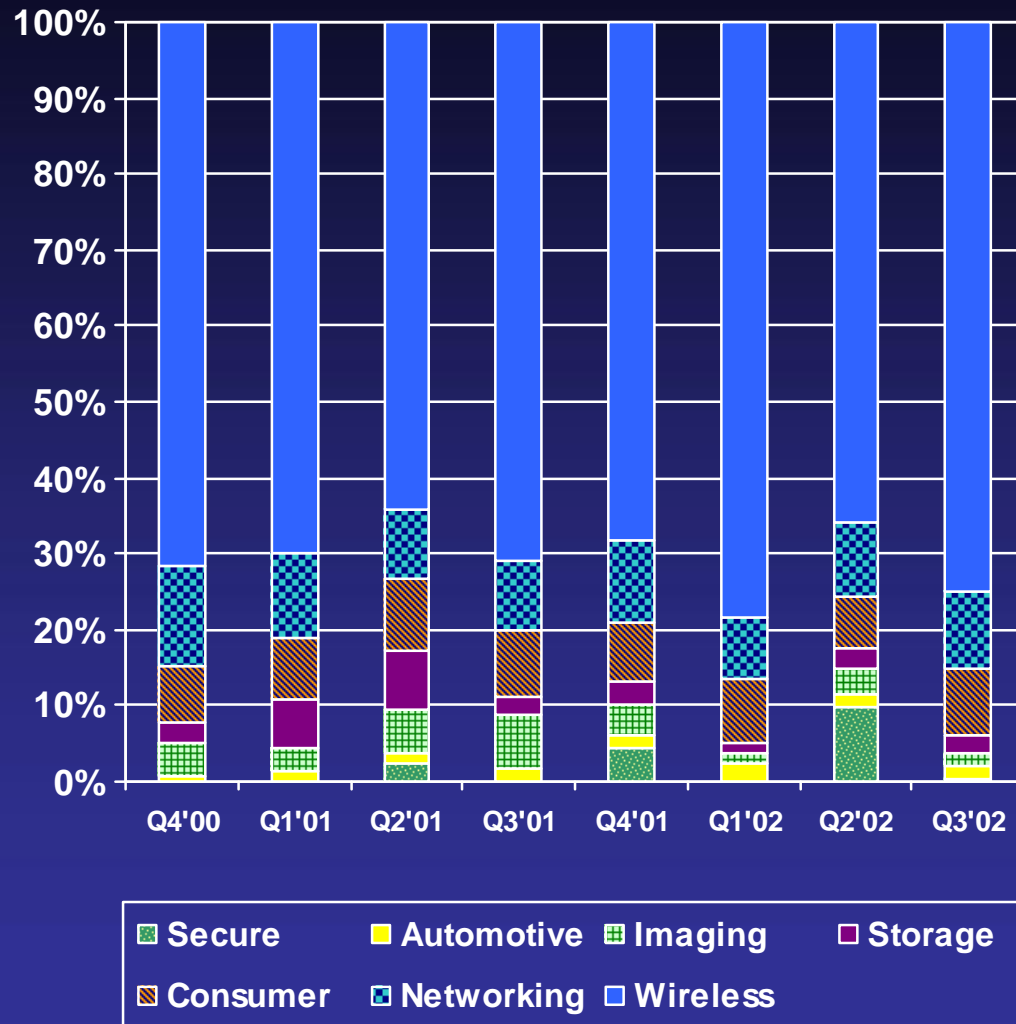
Approved Licensing Programme - 'ALP'

- Flextronics signed as first 'ALP' Partner in Q402
- Strategic intent of programme:
 - Engage with a *select* number of companies who are complementary to ARM's business model
 - Extend ARM's reach and increase number of ARM based design wins
- Scope of engagement:
 - Flextronics given rights to license/ sub-license certain ARM Products as part of a design services offering
 - Products offered are aligned with the ARM Foundry Programme roadmap
 - Design kits delivered to Flextronics enable 'off the shelf' offering to customers
 - Revenue due on design start or signature of design services contract
 - Royalties collected on shipment of product containing ARM core

Royalties update

- Royalty revenues increased 26% sequentially in Q4
- Q4 unit shipments at record levels of 127 million
- Increases in units and values spread broadly across partners
- Number of partners shipping increased to 43 - 37 multi-use, 6 per-use
- Proportion of ARM9 based revenues increasing
- Multi-core devices being introduced
- Total unit shipments reported in 2002 at 456 million

Unit shipments by segment



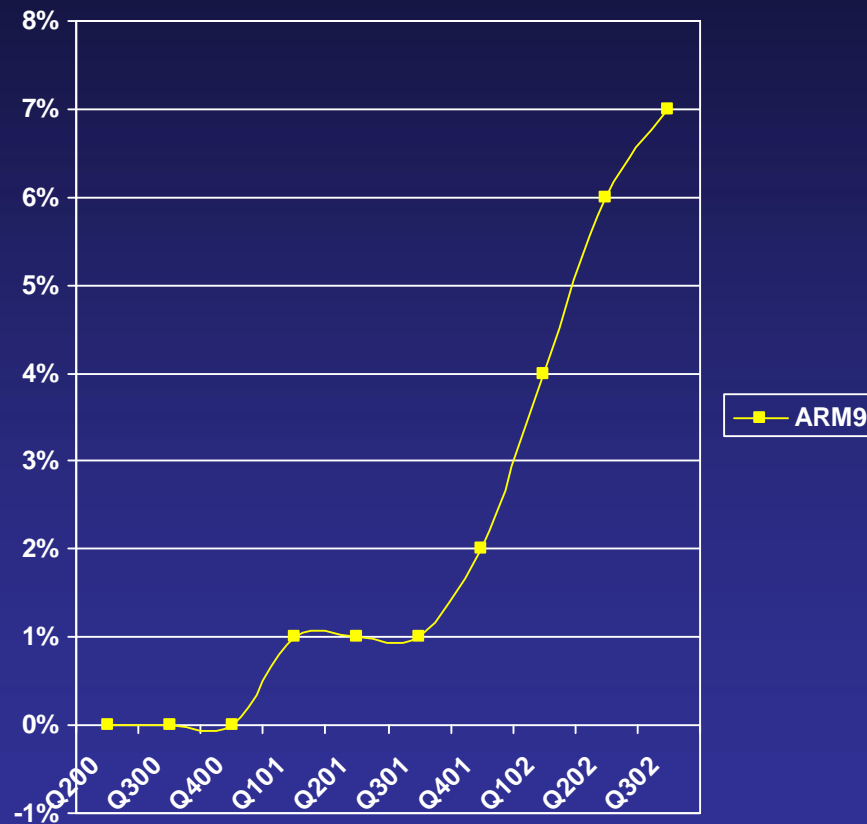
ARM estimates



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Royalties - product mix

ARM9 as % of Total Units Shipped



ARM9 as % of Total Royalties



Development Systems

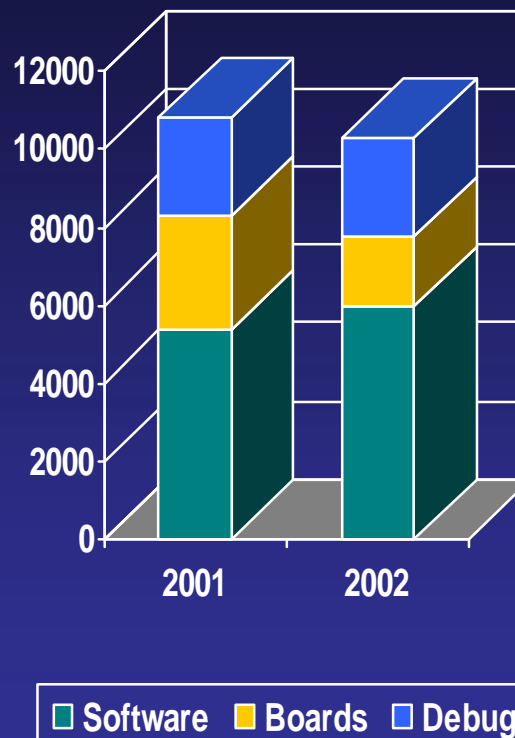
Boards:

- Volumes -26%
- Revenues -40%
- Problems obtaining Si for new cores in H2
- Alternate development methods available
- Licensees buy boards to evaluate and validate licences

Software toolkits:

- Volumes +11%
- Revenues +14%
- Leading indicator of growth in ARM designs

Product Volumes



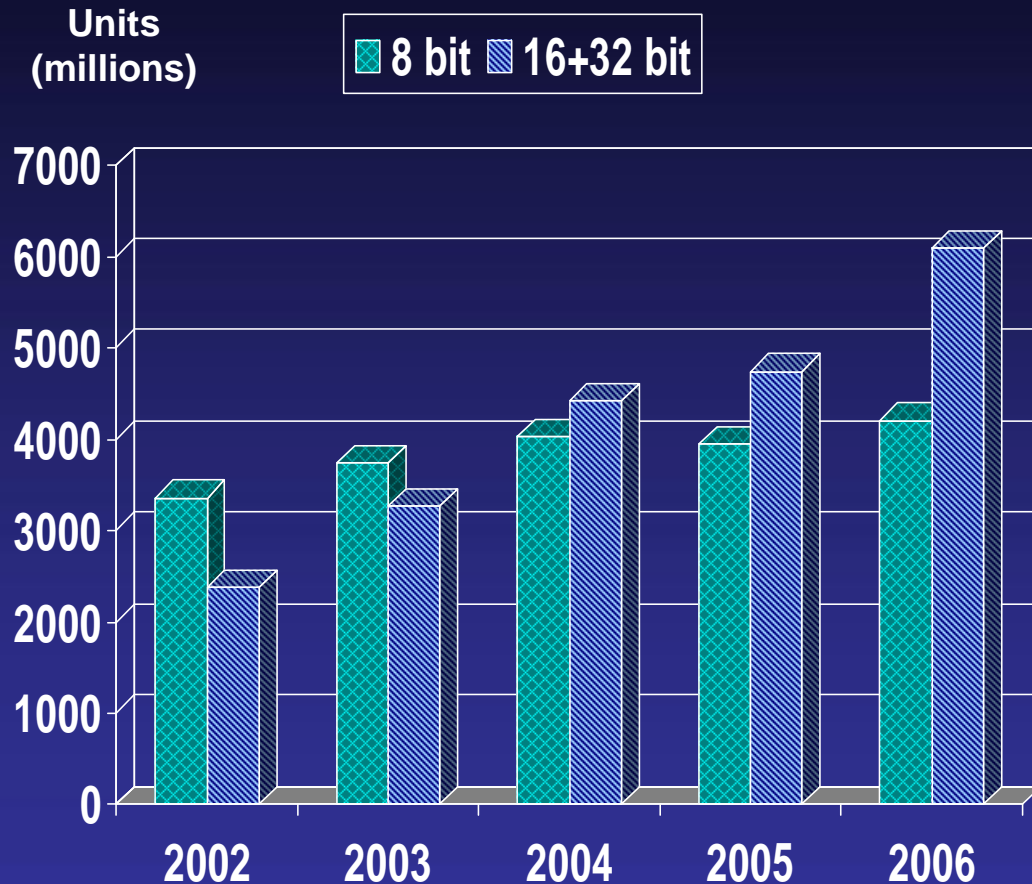
Debug tools:

- Volumes +2%
- Revenue -2%
- Price pressure in competitive market
- Mature product range
- New RealView™ products in Q1'03

- Major new products started shipping in Dec'02 and Jan'03
- Customers adopting the RealView debug products

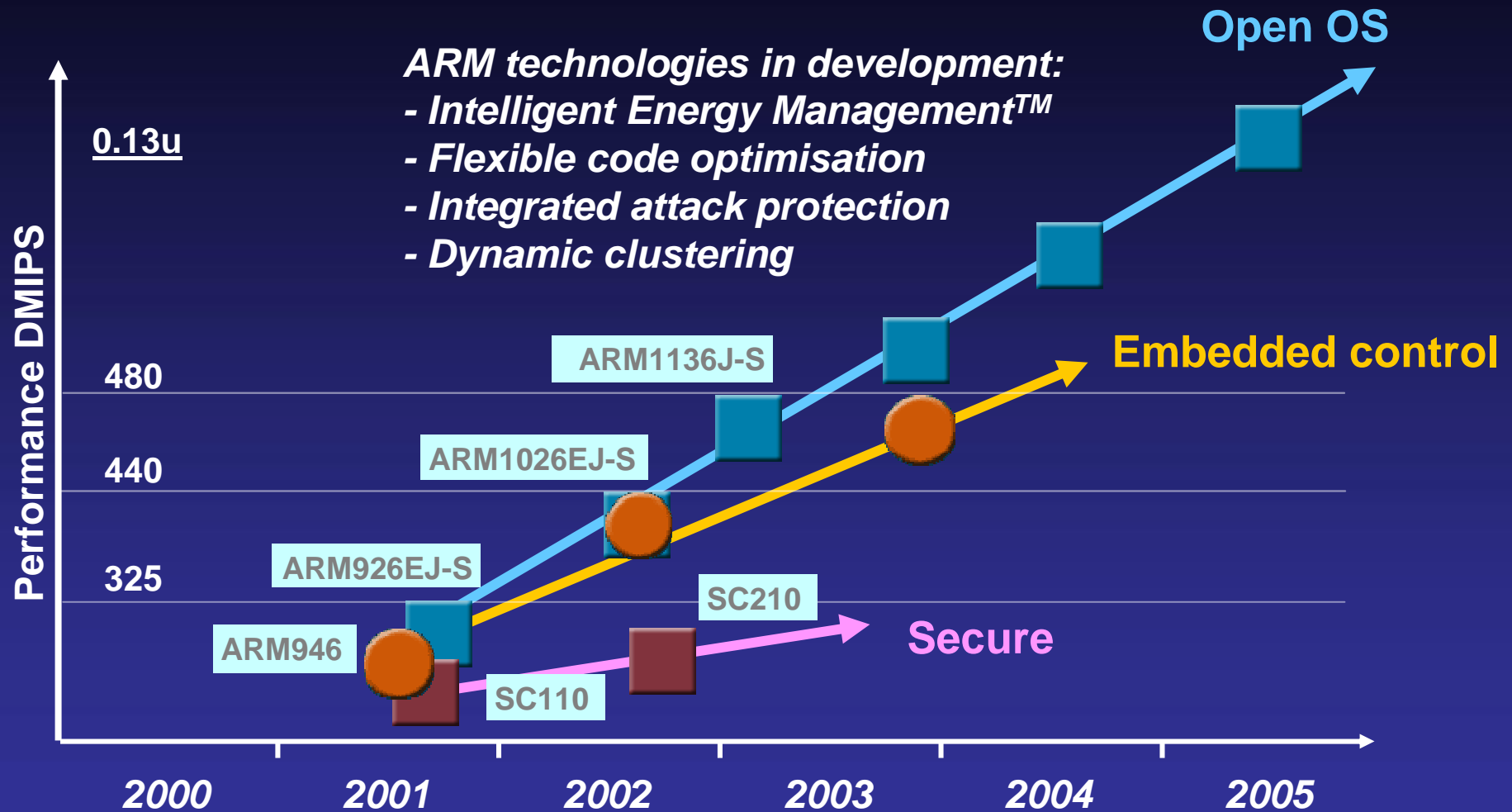
Outlook for 16/32 bit market

- Technology drivers
 - Greater performance
 - Software complexity
 - Higher speed communications protocols
- Applications drivers
 - Wireless connectivity
 - Digital consumer
 - Automotive control
- Commercial drivers
 - Narrowing ASPs



Source: SEMICO Research Corporation, August 2002

CPU roadmap



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www.MPRonline.com



THE INSIDER'S GUIDE TO MICROPROCESSOR HARDWARE



SAMSUNG TWISTS ARM PAST 1GHz

Applying Alpha Processor Technology to the ARM1020E

By Markus Levy {10/16/02-03}

Long live the Alpha processor! Samsung appears to have successfully used experience gained from its famous and deceased Alpha processor. The Alpha processor returns in a different embodiment in the guise of a 1.2GHz ARM1020E core that Samsung calls Halla, named for

ARM

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Recent announcements

Product announcements

- ARM1136J-S and ARM1136JF-S
 - Up to 533 MHz typical performance in 0.13u
- ARM11 PrimeXsys Platform
 - Cuts system-on-chip design time and cost
 - Out of the box OS support
- New RealView ICE and RealView Trace
 - Accelerated debug of multi-core designs

Technology announcements

- AMBA 3.0 program with over 25 ARM Partners
 - New protocol and physical design for high performance
- Intelligent Energy Management
 - Dynamic performance analysis to extend battery life

Summary

Business operations

- Business stabilised after Q3 disappointment
- Licence model evolution (Foundry, Term, ALP)
- Roadmap solidifies
- New Development System products start shipping
- ARM1136 delivered on time and highest quality yet (Dec 23rd)

Technology & partnership

- Intelligent Energy Management – National Semiconductor
- >1GHz ARM10 - Samsung
- ARM926 silicon - Qualcomm

Future

- Production product mix shifting: ARM9
- Momentum behind ARM architecture continues to gather pace



Tim Score CFO



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Q4 2002 - Financial highlights

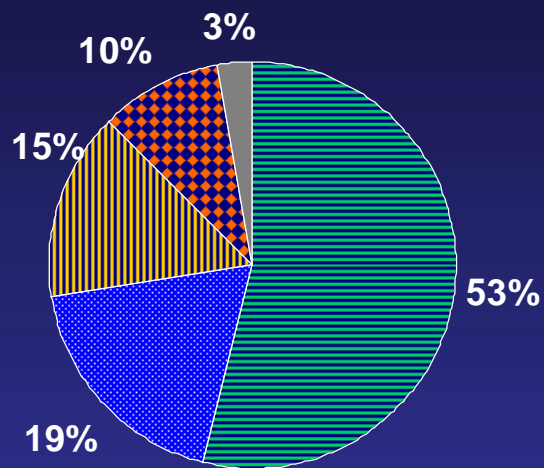
- Slower licensing activity continues but 13 licenses signed in the quarter
- Royalty revenues increased by 26%
- Operating margin at 19.4%
- £2 million redundancy costs giving rise to savings in annual employee costs of approximately £5 million
- Operating cash flow of £15.8 million. Net cash up by £8.6 million(after redundancy costs and £1.5 million investment in Superscape)
- Good cash collection and healthy ageing of receivables

Results Q4 2002

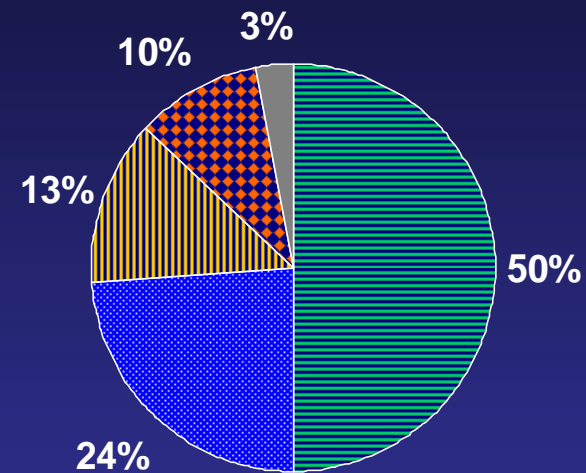
	2002	Q402	Q401	Q302
	£MM	£MM	£MM	£MM
Total revenues	150.9	32.3	40.2	33.3
Operating profit	41.3	6.3	12.8	7.0
Mgn	27.4%	19.4%	31.8%	21.0%
PBT- US GAAP	47.4	7.5	13.8	8.0
Net - US GAAP	31.6	3.6	8.8	5.9
EPS - US GAAP(p)	3.1	0.4	0.9	0.6

Revenue breakdown

Q3 2002



Q4 2002



Licensing Royalties Dev Sys
Support Consulting

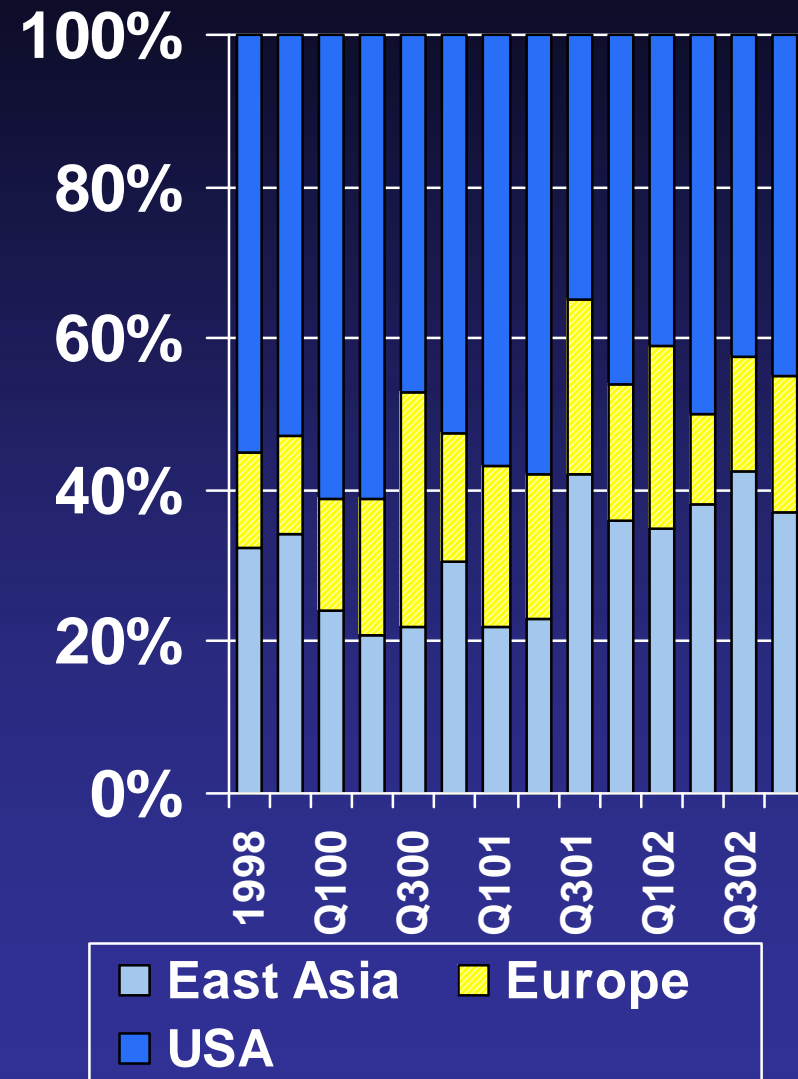
Geographical analysis

■ Revenues Q4 02

- 44% USA (49% Q4 01)
- 38% East Asia (38% Q4 01)
- 18% Europe (13% Q4 01)

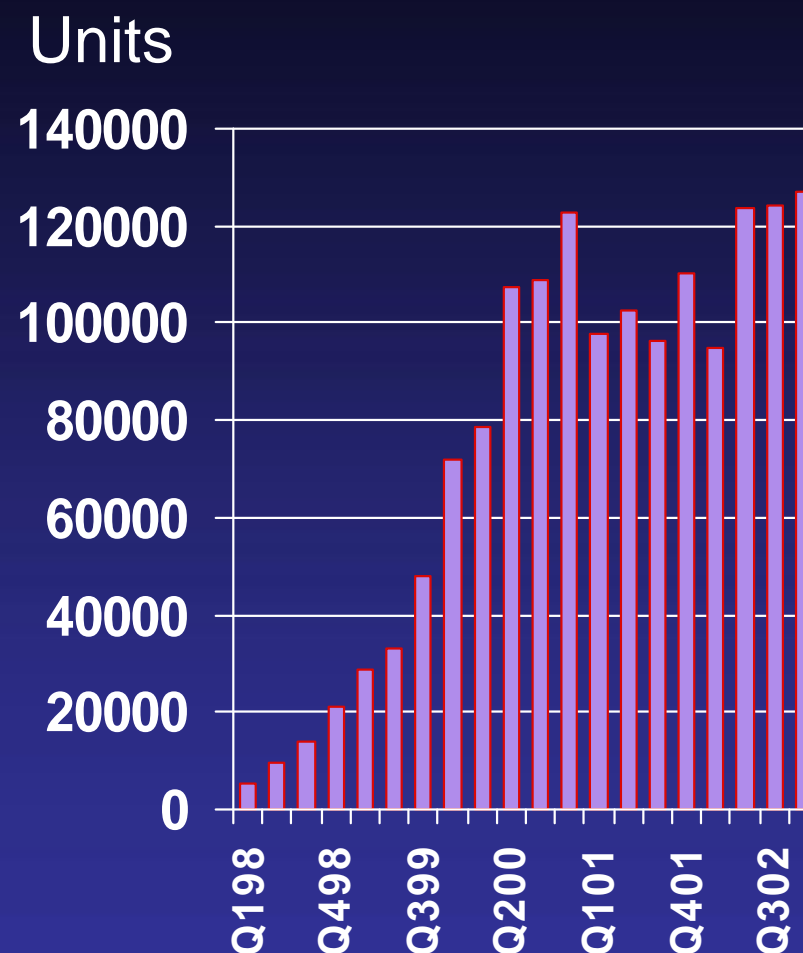
■ Bookings Q4 02

- 45% USA
- 43% East Asia
- 12% Europe



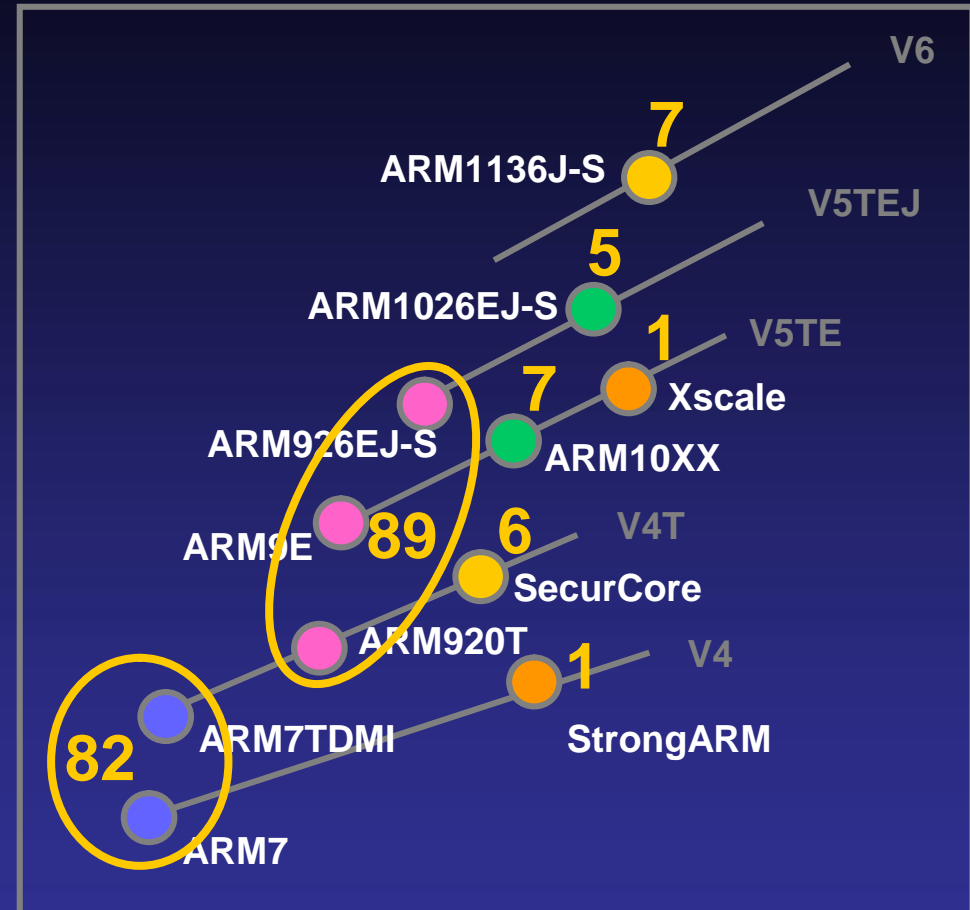
Royalties

	Q1 02	Q2 02	Q3 02	Q4 02
Roy.Revs, £	6.4M	6.5M	6.2M	7.8M
% of Revs	15%	15%	19%	24%
Units	110M	95M	124M	127M
No.shipping	34	35	37	43
Roy.Revs, \$	9.2M	9.4M	9.6M	12.1M



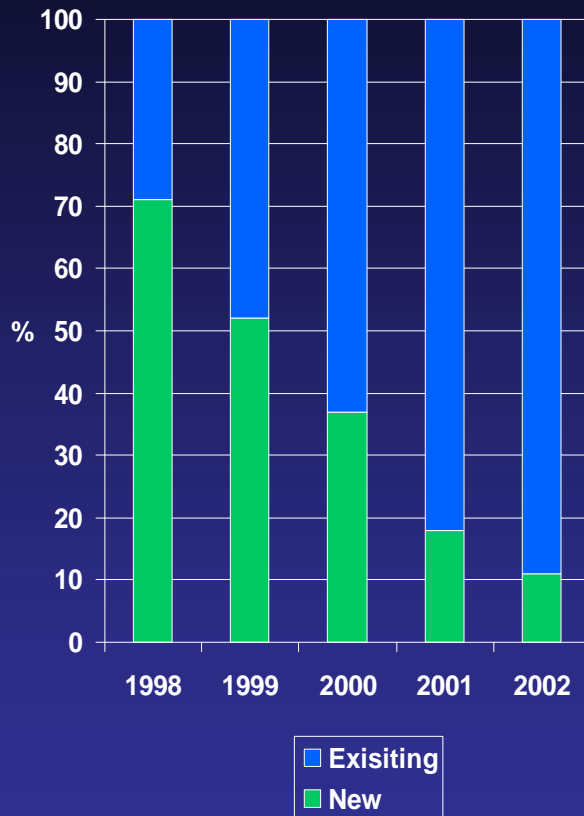
Core licensing

- Q4 02: 13 licenses
- 7 new partners in Q4 2002
 - 2 per use
- 3 upgrades
 - 2 x ARM1026 cores
 - 1 x ARM922 cores
- 3 “derivatives”
- 108 partners at end 2002

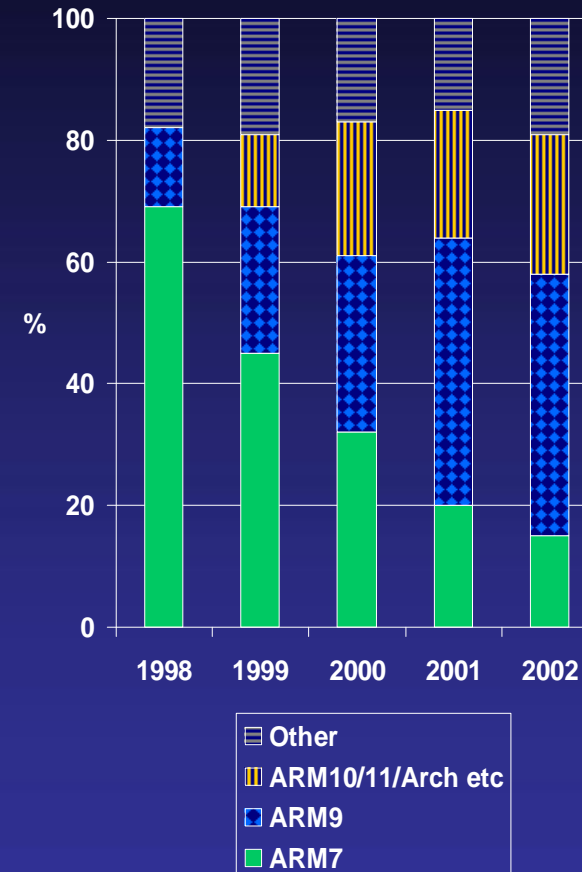


Licensing activity

New vs existing licensees



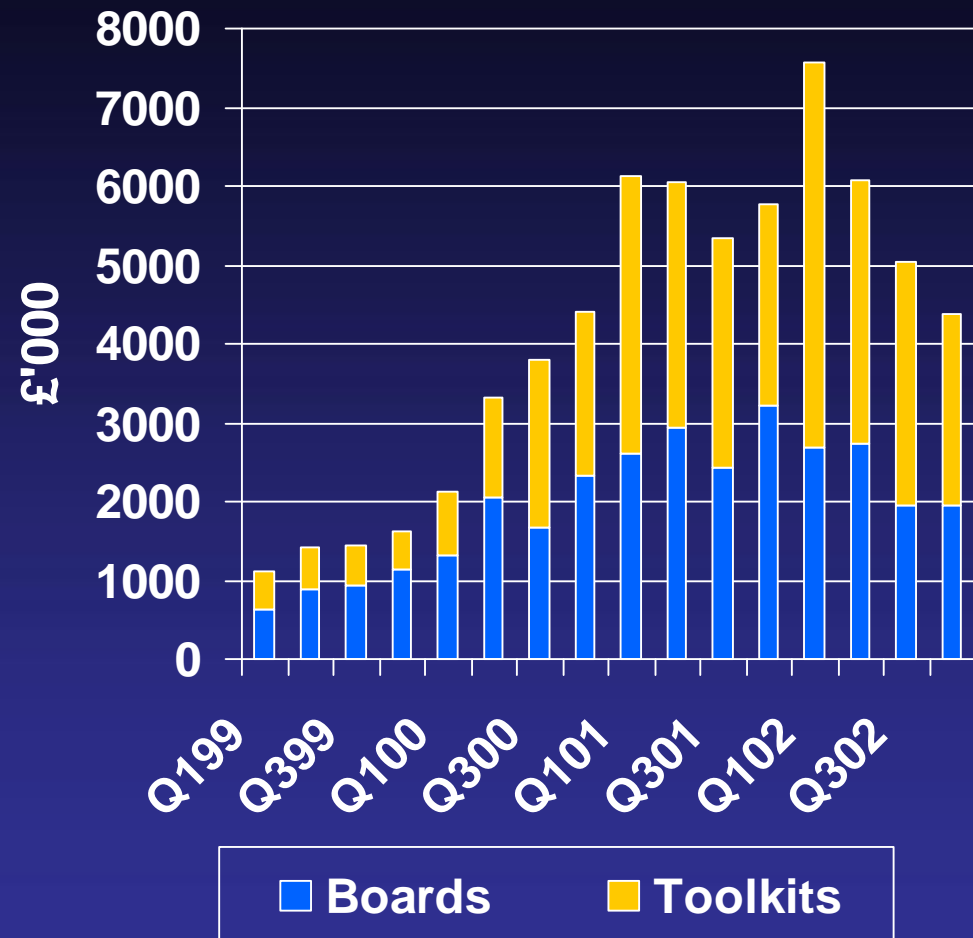
Core and non CPU licenses



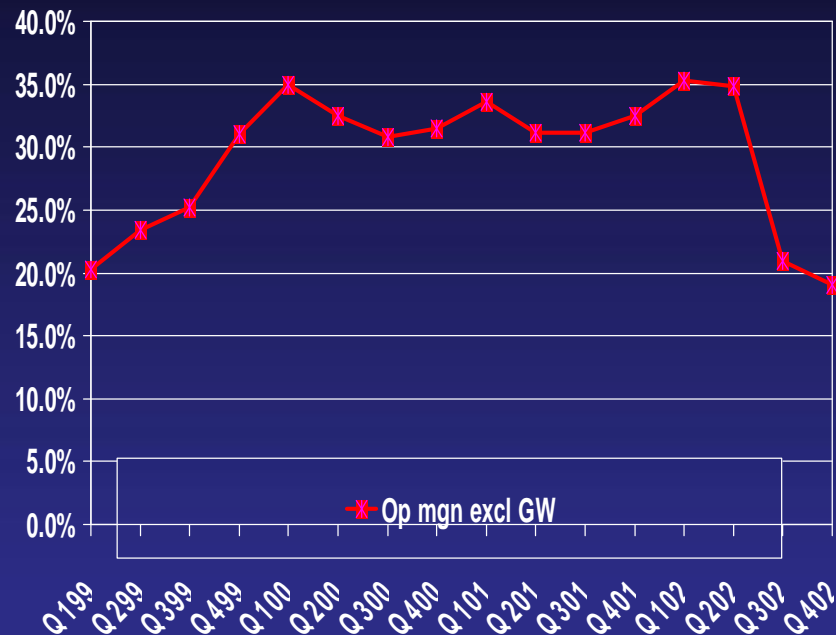
Customer concentration : Largest customer 5%, Top ten customers 34%

Development Systems

- Dev't systems sales Q4 02
 - 21% (32%) USA
 - 44% (42%) East Asia
 - 35% (26%) Europe
- 13% of revenues in Q4 02
- 37% revenues through distribution
- 14 distributors in total - 2 China, 2 Japan, 3 Europe, 1 Taiwan, 3 USA, 1 Israel, 1 New Zealand, 1 Singapore



Operating margin trend



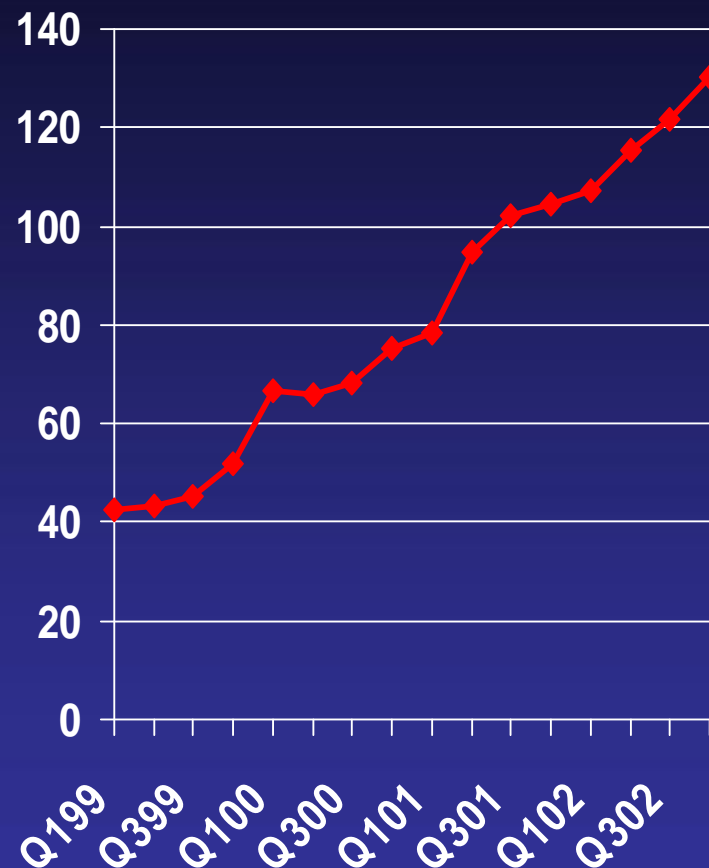
	Q3 02	Q402
R+D, %	36.7%	33.9%
R+D, £M	12.2	11.0

	Q3 02	Q402
SG+A, %	31.4%	38.7%
SG+A, £M	10.4	12.5

	Q3 02	Q402
Op Mgn	21.0%	19.4%

Values as percentage of sales

Cash generation in Q4 02



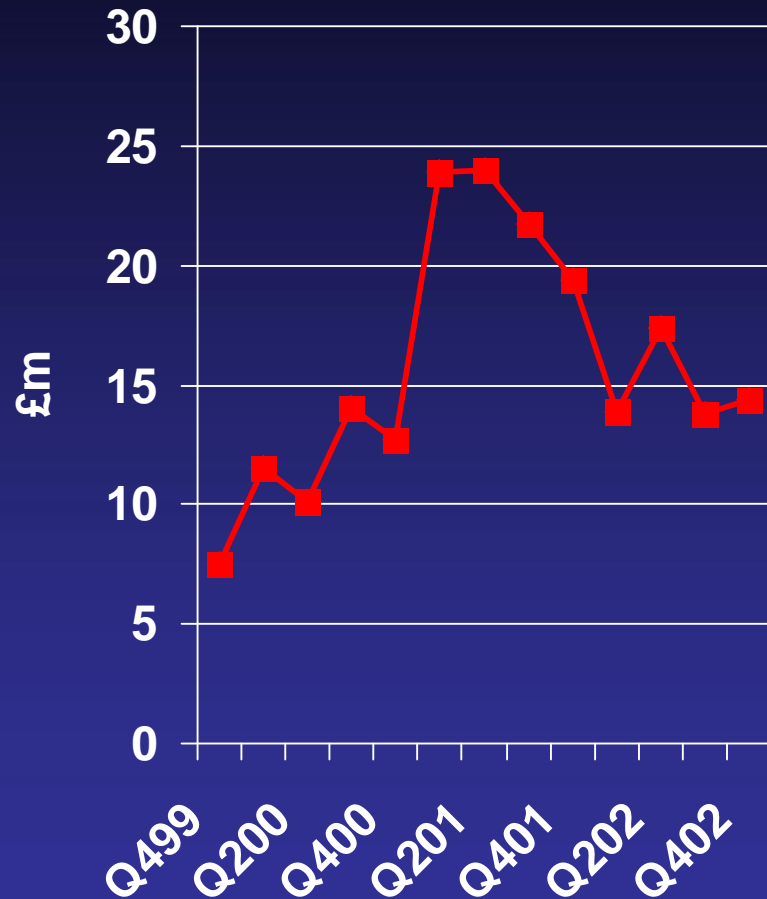
	Q3 02	Q402
	£MM	£MM
Operating cash	16.4	15.3
Capex/inv'ts	-4.5	-4.6
Tax	-5.6	-2.1
Cash at qtr end	121.7	130.3

Receivables

- Receivables down due to lower revenues and good cash collection
- Ageing healthy with 65% due within 30 days and 15% due in more than 90 days

	Q1 01	Q2 01	Q3 01	Q4 01	Q1 02	Q2 02	Q3 02	Q4 02
	£MM	£MM	£MM	£MM	£MM	£MM	£MM	£MM
Trade receivables	32.5	27.7	27.2	24.8	33.3	40.2	28.2	20.5
Bad debt provision	0.1	0.3	0.5	0.8	1.2	2.3	2.1	2.2

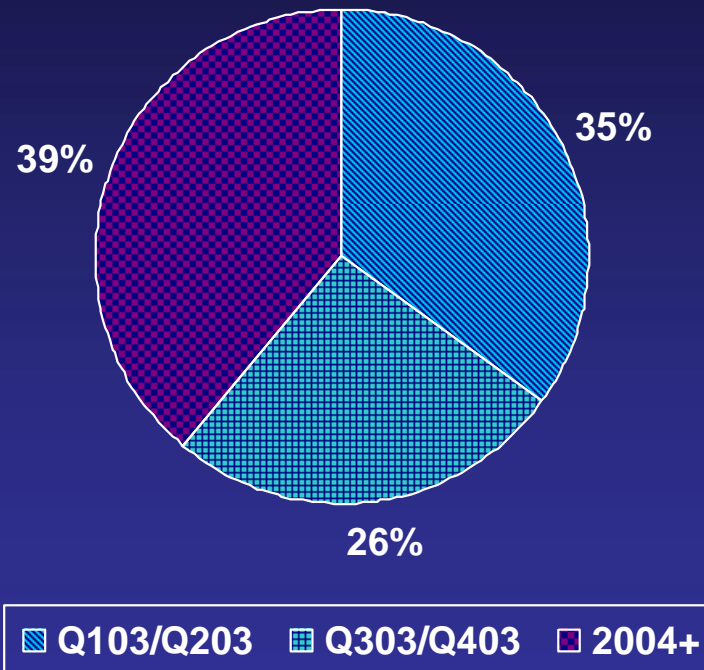
Deferred revenues



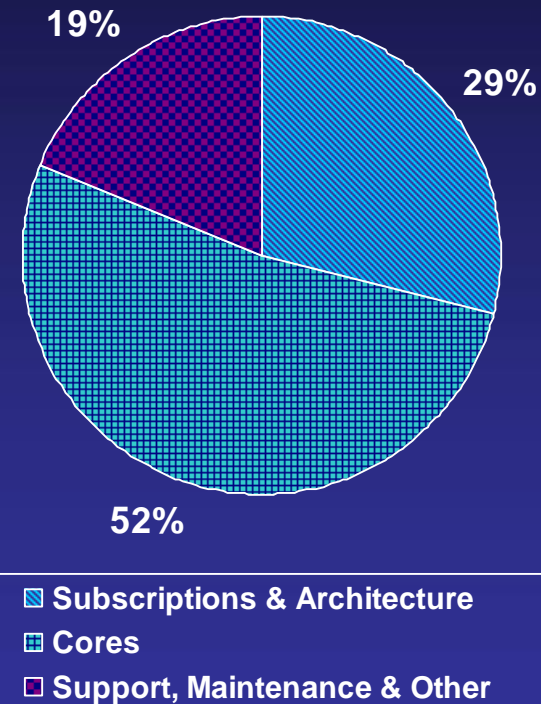
- Deferred revenues: invoiced sales not yet recognized
- Small proportion of total backlog
- Amount dependent on product maturity mix of portfolio
- Amount remains within “normal” band

Backlog

Backlog by Maturity Profile



Backlog Composition



ARM Holdings plc

Fourth Quarter & Full Year

Update 2002

Sir Robin Saxby - Chairman

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