

ARM Holdings plc

Update - Q4 and FY 2005

Sir Robin Saxby – Chairman

Warren East – CEO

Tim Score – CFO

Agenda

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

Introduction

Sir Robin Saxby - Chairman

Business Overview

Warren East - CEO

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.

2005 - Financial Summary

	FY 2005 \$m	FY 2004 \$m	
Licensing	187.0	167.1	+12%
PD	124.0	104.1	+19%
PIPD (Proforma)	63.0	63.0	0%
<i>Actual</i>	63.0	51.5	+22%
Royalties	158.7	138.7	+14%
PD	131.1	107.1	+22%
PIPD	27.6	31.6	-13%
<i>ex. Catch-up</i>	25.2	25.0	+1%
DevSys	46.5	36.1	+29%
Services	26.5	25.1	+6%
Total Revenue (Proforma)	418.7	367.0	+14%
<i>Actual</i>	418.7	355.5	+18%

2005 Business Highlights

■ Financial Highlights

- Revenues growing faster than the industry
- Revenue mix generating higher margins
- EPS up 24%
- Strong cash flow enables investment in innovation and increasing cash return to shareholders

■ Operational Highlights

- Integration of ARM and Artisan
 - 7 synergy deals
- Strong year for new technology development
- 1.7bn ARM Powered products shipped
 - Up 31%
 - Non-mobile up 46%
- Acquisition of microcontroller tools company

2005: Execution and Delivery

2005 Accolades from the industry

Top 10 most Significant Electronics Companies in last 30 yrs

Editor's Choice: Cortex-A8

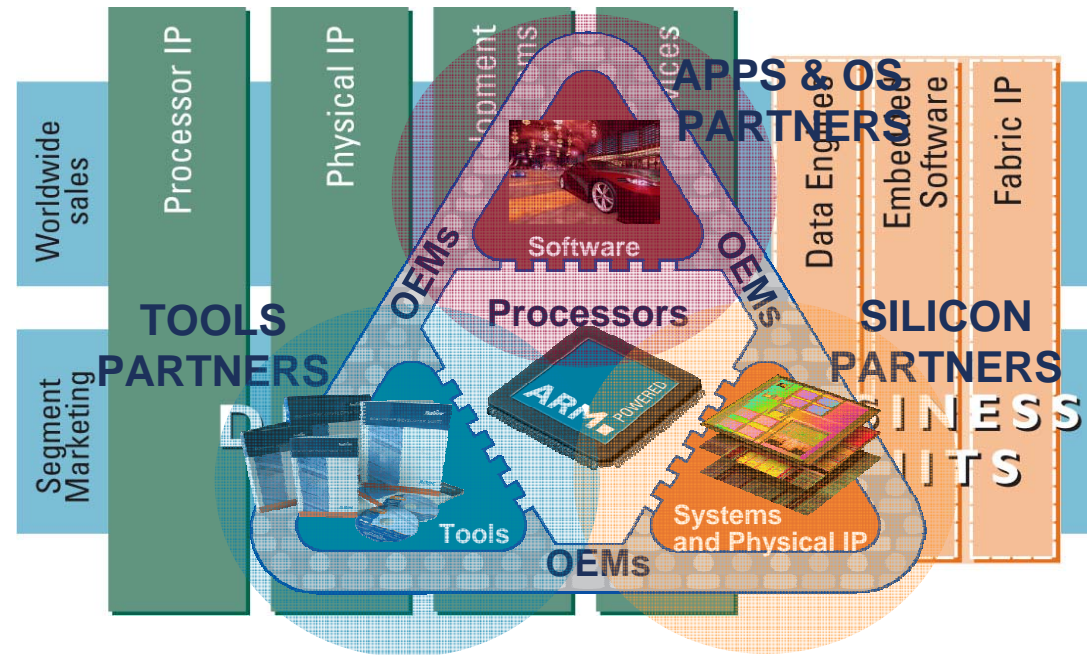
Best Embedded of 2005: Cortex-A8

Product of the Year: Cortex-A8

Best Processor-IP Core of 2005: Cortex-A8



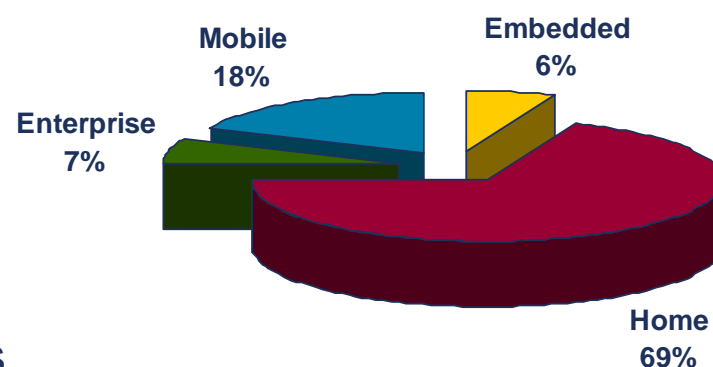
Changes in Operational Structure



- Streamline product development and internal communication
 - Focus still remains on building complete solutions
- One global sales group and segment marketing organisation

Combination of ARM and Artisan

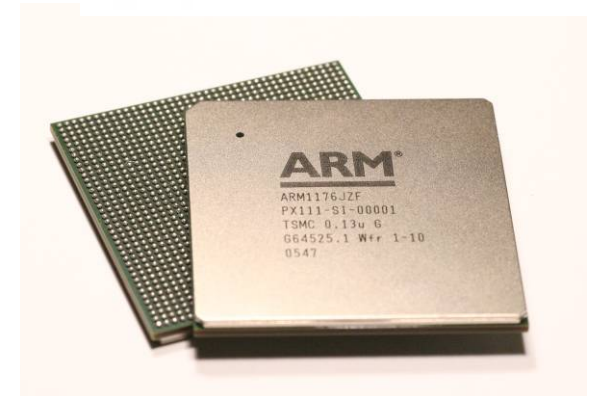
- Execution of the strategic rationale is underway
 - Cross-selling of physical IP to IDMs and fabless semiconductor companies
 - 7 synergistic deals signed in 2005 (1 in Q4 2005)
 - Optimised combined implementations of physical IP and processors
 - ARM1176™ processor + Advantage libraries
 - 750 MHz in 90nm TSMC90GT, 2.4 mm² (capable of 920 DMIPS)
 - Significant performance increase through collaborative design, advanced physical IP and process technology
 - Optimised Advantage libraries for Cortex-A8
- Utilising Artisan® sales channel to promote ARM processors
 - 143 DesignStart downloads of ARM7™ family processors
 - First tape-out occurred Nov. 2005
 - More visibility into new fabless companies
 - Earlier contact for processors and physical IP



Design Start Downloads
by Market

Processor Division (PD)

- Cortex-A8 processor launched at ARM DevCon
 - 5 lead licensees with some deliveries made in 2005
 - Industry's fastest processor for low-power mobile and consumer applications
 - Capable of 2000+ DMIPS
- Cortex-M3 processor reached general release
 - Deliveries made to lead licensees
 - First silicon back and working first time
- First ARM1176 processor test silicon generated
 - Incorporates IEM, TrustZone™ and AMBA® AXI technologies
- First ARM11 family phones shipping in the market
 - 3 versions in market to date
- Licensing portfolio for 2006 is very strong
 - Cortex-A8 and “Serval-E” enter general release 1H06



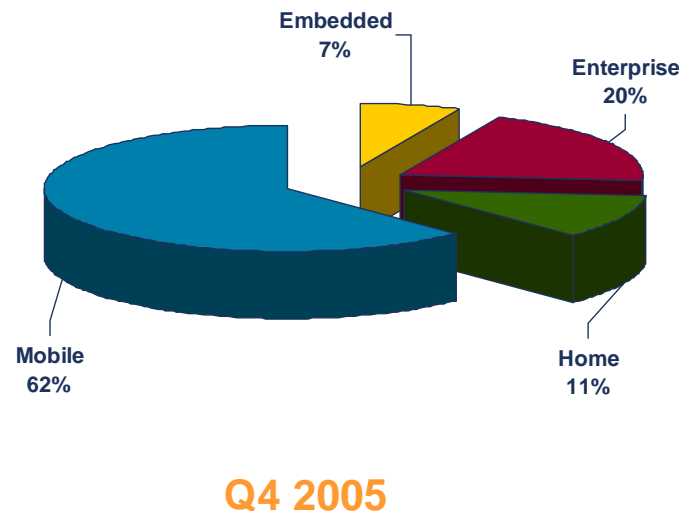
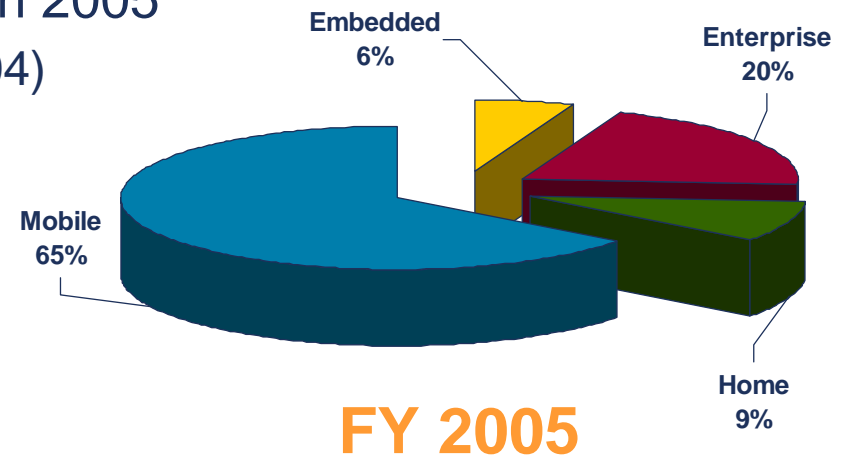
FOMA N902i

**First ARM11
based phone**



PD Royalty Analysis

- Reported shipments of 499M units for Q4 2005 and 1.67B for FY 2005
 - 31% Increase YoY
- 1B+ cores shipped into mobile market in 2005
 - Increase to 1.4 cores/phone (1.3 for 2004)
- Broad base increase in all areas
 - Hard Disk Drives
 - Game Consoles
 - STB/DVD
 - Smartcards
 - Printers
 - Flash Memory
 - DSC/DVD
 - Wifi
 - Bluetooth
 - Automotive
 - Digital Television



Physical IP Division (PIPD)

- Record backlog at end of Q4 2005
 - Up 10% YoY, more than 20% sequentially
- Significant platform licenses signed by in Q4 2005
 - (1) Metro and (1) Advantage™ at 90nm
 - (1) Metro and (2) Advantage at 65nm
- Strong licensing through out 2005
 - Grace Semiconductor: Classic platform at both 180nm and 130nm processes
 - IBM: Metro™ platform at 65nm
 - IBM–Chartered: Metro platform for their 65nm common platform
 - UMC: Metro platform at 130nm
- First product deliveries of Metro, Advantage and Velocity™ for 65nm
 - Foundry licensees and design partners received deliverables

Complete Product Offering



Fabless: ARM7TDMI®
Foundry Programme



Foundry:
Artisan Sage-X



MP3/MP4/DSC/Karaoke Handset

Development Systems Division

- Record revenue in 2005
 - Growth in long-term Partner/OEM contracts for RealView[®] DEVELOP products
 - Momentum in RealView CREATE Electronic System Level (ESL) design tools continues to grow
- 2006 product launches
 - Next generation of RealView Development Suite
 - RealView Microcontroller Development Kit
 - RealView and Keil[™] technology combined
 - Next generation of RealView CREATE (ESL) tools
- Acquired Keil to accelerate ARM MCU growth
 - Enable 8051 users to migrate directly to ARM

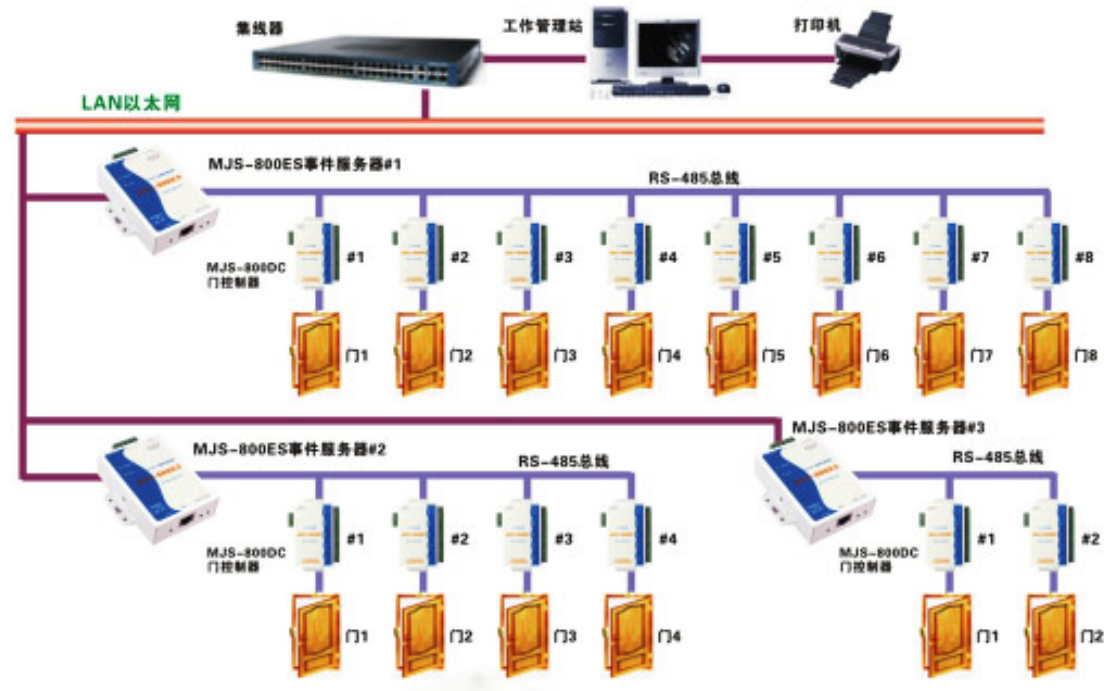


**LEGO Mindstorm NXT
ARM9 core-based MCU**

Case Study: ARM Powered® MCUs

- ARM Powered Security Door Access
 - TCP/IP-based central to remote door access control
 - Targeted for homes, hotels, banks, warehouses, schools, hospitals, government buildings, etc.
- Each control unit uses an ARM processor-based controller

Philips LPC2x series (ARM7TDMI-S)
Source: ZLGMCU



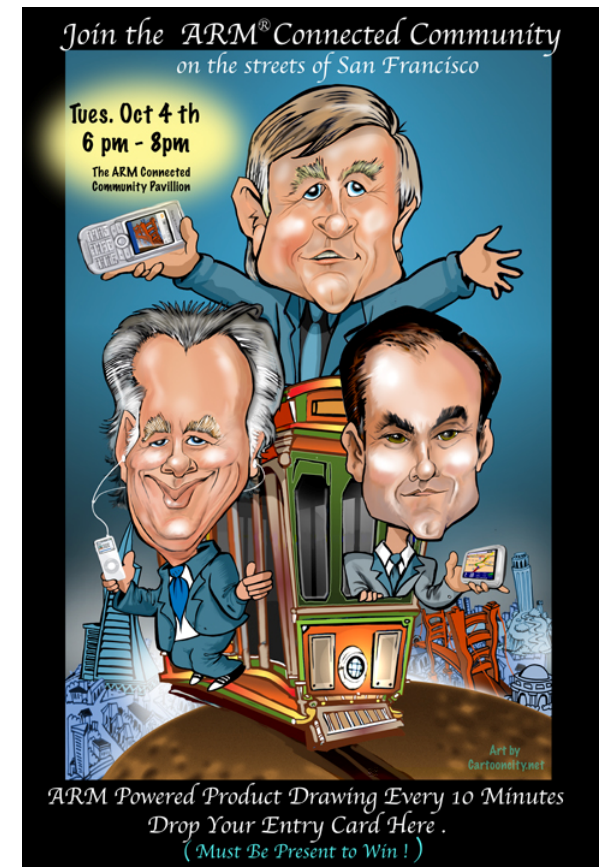
MJS-800
TCP/IP 网络型八门门禁控制器



ARM Developers' Conference 2005

- 2nd Annual Developers' Conference
 - 2200+ attendees, up from 1800 attendees in 2004
- 90 exhibitors & sponsors, 130+ papers & panel sessions

ARM DEVELOPERS'
CONFERENCE



Expanding Partnerships

- ARM becomes a contributor / member in HANA
 - High Definition Audio Video Network Alliance
- Bringing expertise in
 - High-volume, high-performance and cost-effective platforms
 - Open, secure execution platform for soft CA (Conditional Access) and support for multiple DRMs through TrustZone technology
- Other HANA members



Summary

- Strong year of Execution and Delivery by all parts of ARM
 - Deliveries made of advanced technologies
 - Cortex products and 65nm Physical IP
 - Underpins 2006 license revenues
- Synergies from acquisitions being realised
 - Cross selling and optimised implementations of physical IP (Artisan)
 - RealView tools for MCUs (Keil)
 - ESL tools momentum (Axys)
- ARM Partnership is shipping ~5.5M cores per day

Financial Review

Tim Score - CFO

Q4 2005 – Financial Highlights

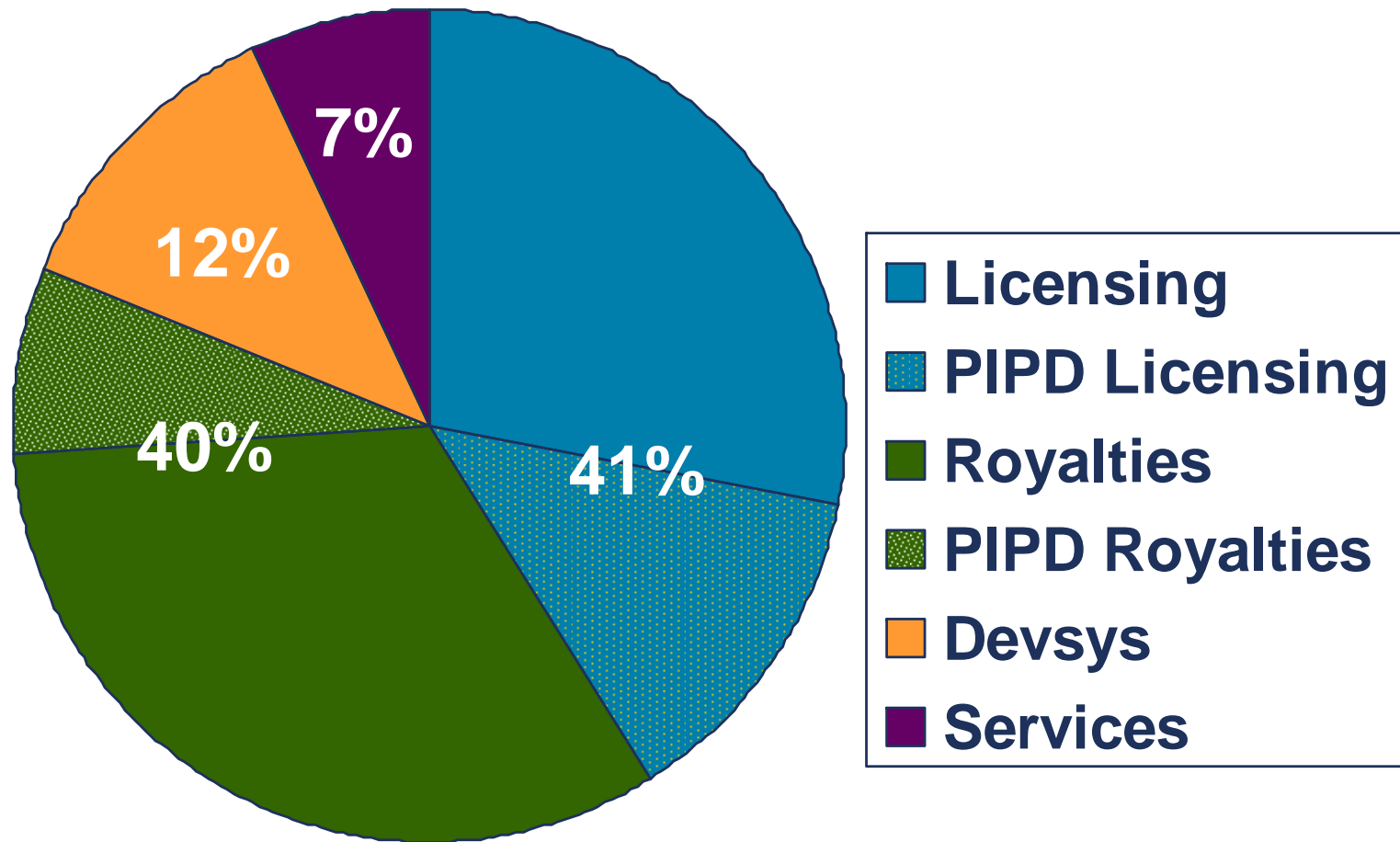
- Total revenues at £62.9m
 - \$109m at \$1.73
 - Up 8% on Q3 05
- Gross margin at 91% from 88% in Q3
 - Royalties at 40% of revenues (from 38% in Q3)
 - Lower revenue share licensing in Q4
- Operating margin at 35%
 - 31% in Q3
 - Investment in R&D higher
 - Modest bonuses in 2005
- Backlog flat sequentially
 - PIPD up more than 20%
 - PD backlog to build with Cortex licensing in 2006
- £27m cash returned to shareholders in 2005

Quarterly Results Summary

	Q105	Q205	Q305	Q405
	(£MM)	(£MM)	(£MM)	(£MM)
Total revenues	55.0	57.8	56.7	62.9
US\$ revenues	103.2	105.0	101.0	109.0
Normalised operating profit	17.9	18.4	17.7	22.0
Operating margin (%)	32.4%	31.8%	31.3%	35.0%
Normalised PBT	18.9	19.6	19.1	23.7
Normalised EPS (pence)	0.95	1.05	1.05	1.23
Net cash	141.8	154.6	164.7	160.9

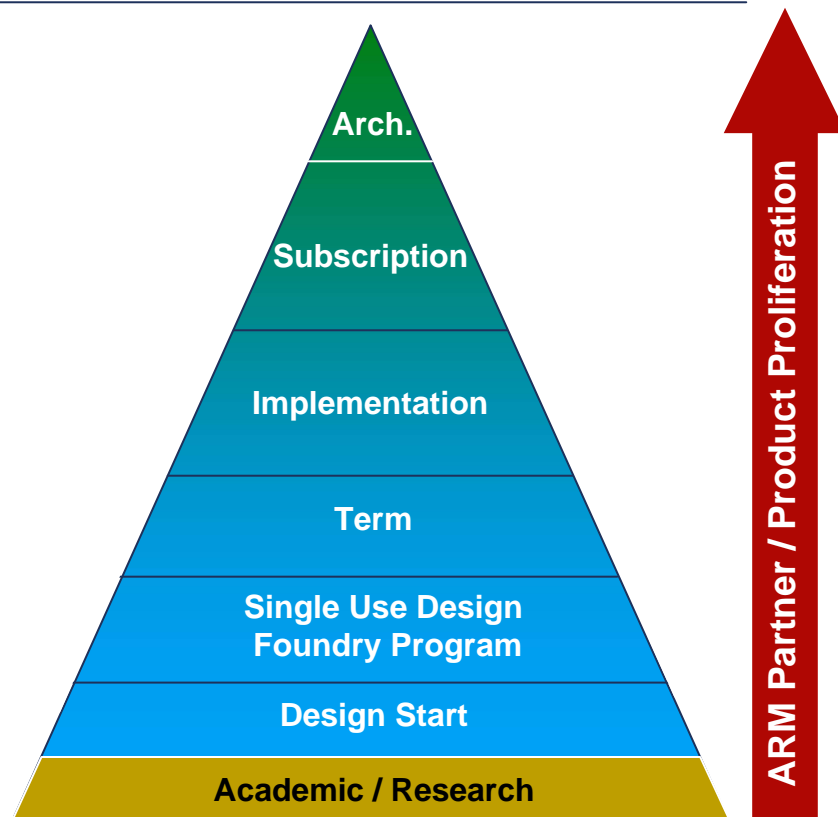
Numbers before acquisition-related and other stock-based compensation charges of £7.9m in Q4, £7.1m in Q3, £6.7m in Q2 and £6.3m in Q1.

Revenue Split – Q4 2005

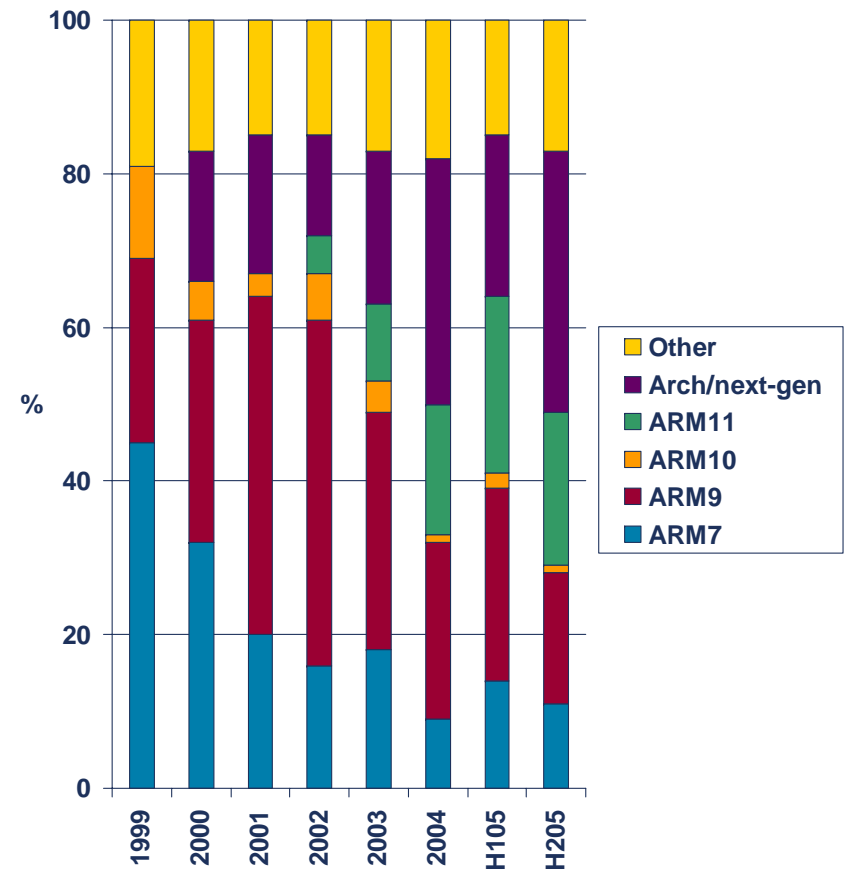


Processor Licensing Analysis

Licensing Models

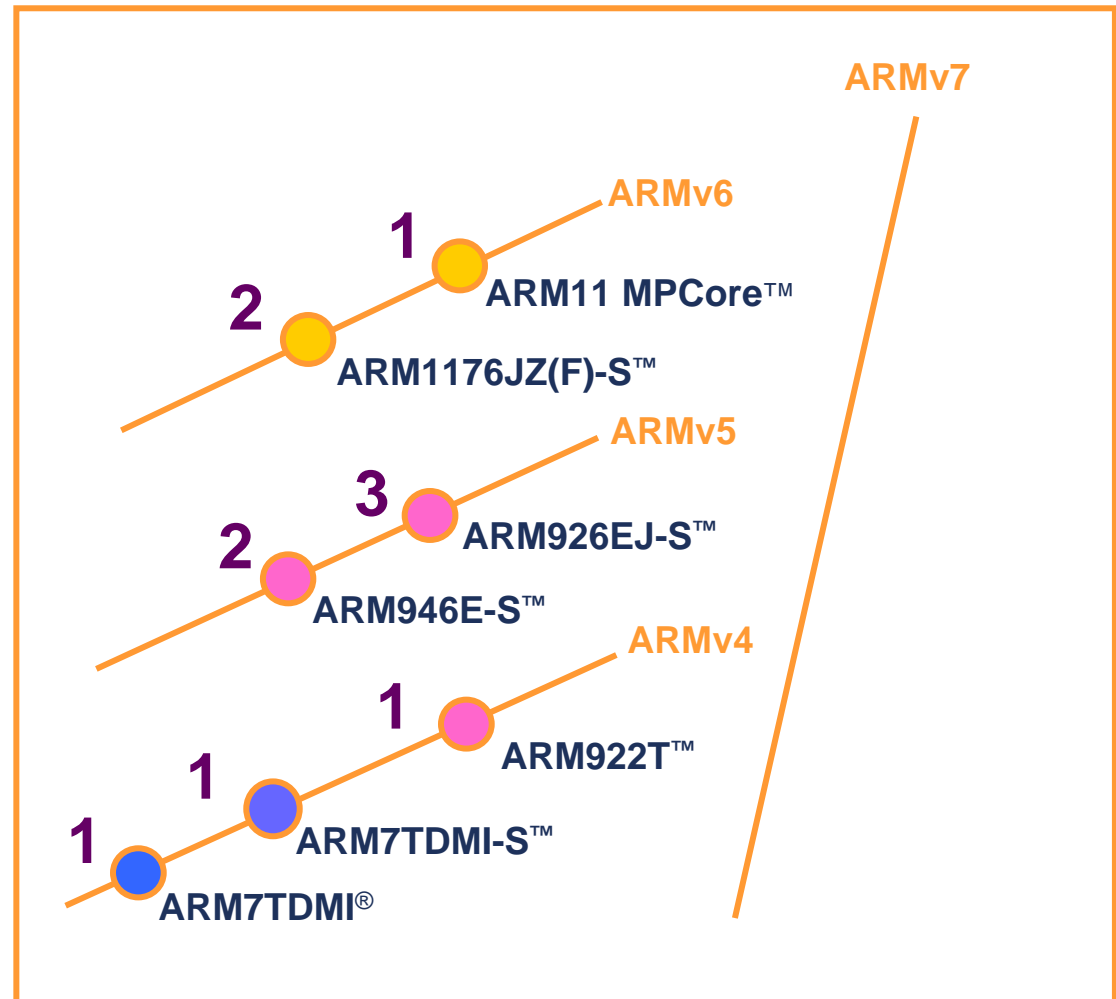


Core and Non-CPU Licensing

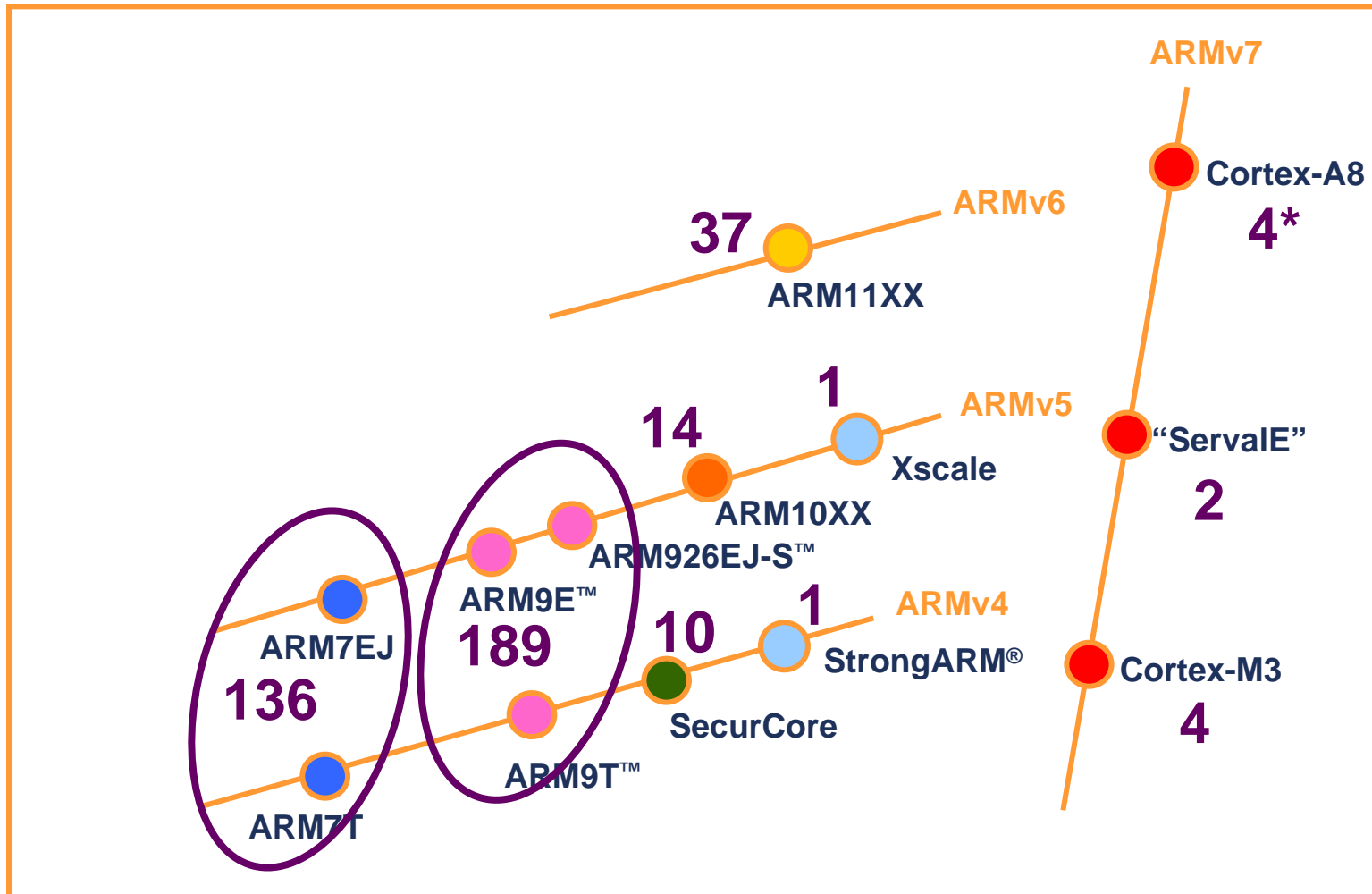


Processor Licensing – Q4 2005

- Q405: 11 licenses
- 5 new partners
 - 1 x ARM7™ family
 - 4 x ARM9™ family
- 4 existing partners
 - 3 derivatives
 - 1 x ARM7 family
 - 1 x ARM9 family
 - 1 x ARM11 family
 - 3 upgrades
 - 1 x ARM9 family
 - 2 x ARM11 family
- 172 Partners at end Q405



Processor Licensing – Cumulative



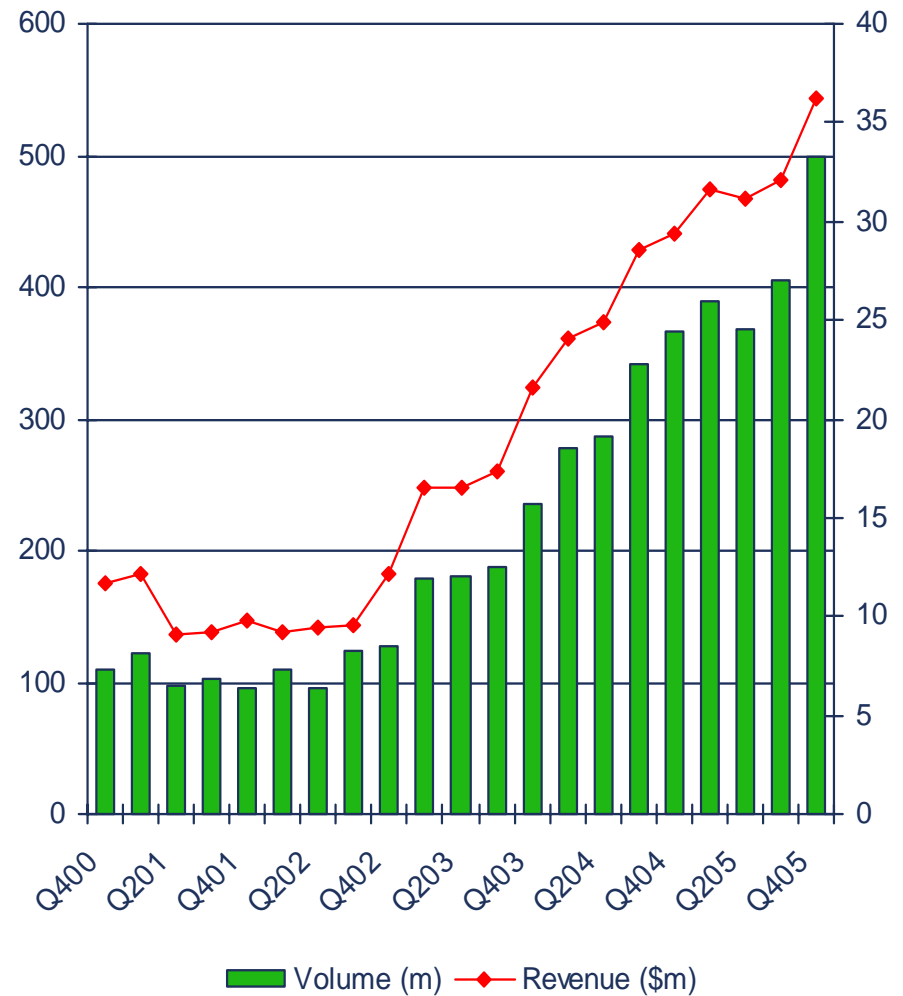
* One additional partner has access to Cortex-A8 under a subscription license

PD Royalties – Q4 2005

- 499m ARM Powered products shipped
 - Up 23% sequentially
 - Non-mobile growing faster than mobile
 - 46% up 05 vs 04
 - Mobile at 62% in Q4
- Q4 ARR at 7.3c (7.9c for FY 2005)
 - Strong growth in low-cost handsets, HDDs and Wi-Fi chipsets
 - ARM926 at 8% of shipments
 - First meaningful ARM11 shipments
 - ARM926 and ARM11 proportion to ramp in 2006
- 68 partners paying royalties
 - 40% of partners
 - 6 new shippers in Q4

PD Royalties

	Q105	Q205	Q305	Q405
Revenues (£m)	16.8	17.0	18.0	20.7
% Group Revs	31%	30%	32%	33%
Units (m)	389	369	405	499
Shippers	61	62	62	68
Revenues (\$m)	31.6	31.2	32.1	36.2

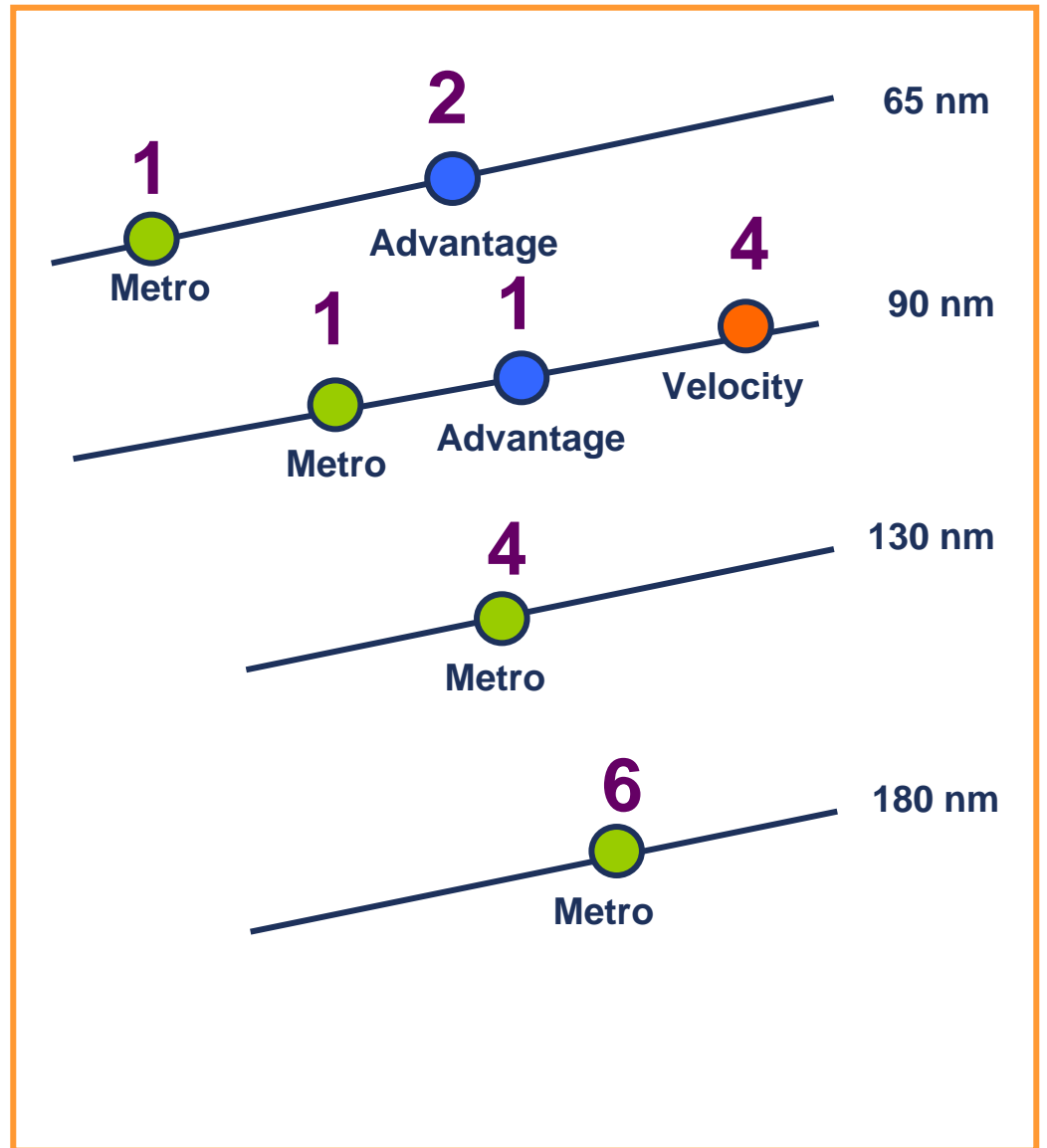


Physical IP Licensing Analysis

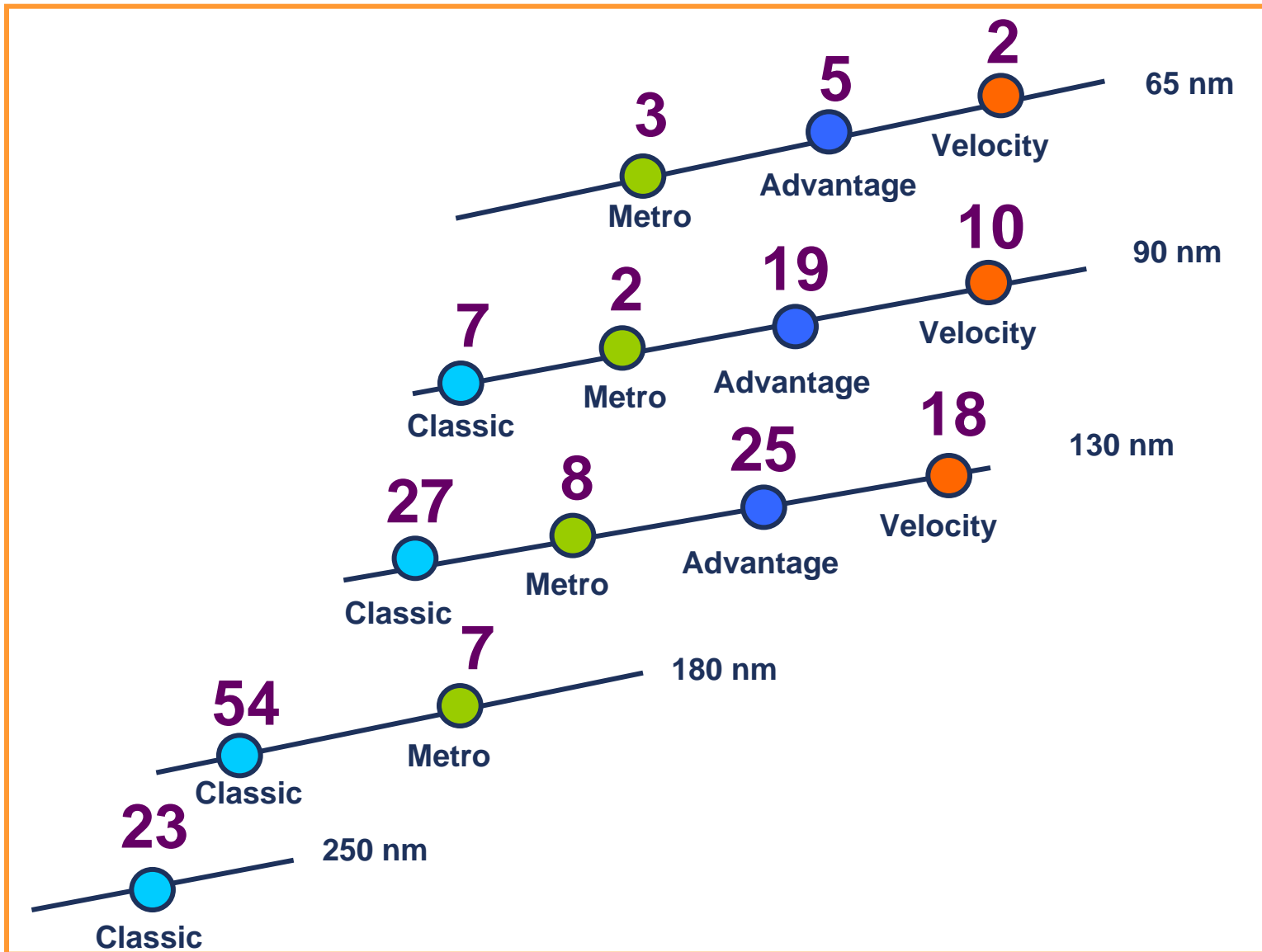
- More transparency to the make up of PIPD licensing activity
- Grouping into like for like categories for analysis
- Physical IP platform
 - Customer: Foundries & Integrated Device Manufactures
 - Typical License Fee: \$1M-\$3M
 - Contains a number of components (example:1 cell library, 5 memory compilers)
 - Perpetual, multi-use licenses
- End User cell libraries, memory compilers and PHYs
 - Customers: IDM and Fabless Semiconductor Companies
 - Typical License Fee: \$50K-500K
 - Per-use and multi-use licenses

Physical IP Licensing – Q4 2005

- Q405: 19 licenses
- 5 platform licenses
 - 1 x 65nm Metro
 - 2 x 65nm Advantage
 - 1 x 90nm Metro
 - 1 x 90nm Advantage
- 5 End User cell libraries
 - 2 x 130 nm Metro
 - 3 x 180 nm Metro
- 5 End User memory compilers
 - 2 x 130 nm Metro
 - 3 x 180 nm Metro
- 4 End User PHYs
 - 4 x 90 nm Velocity



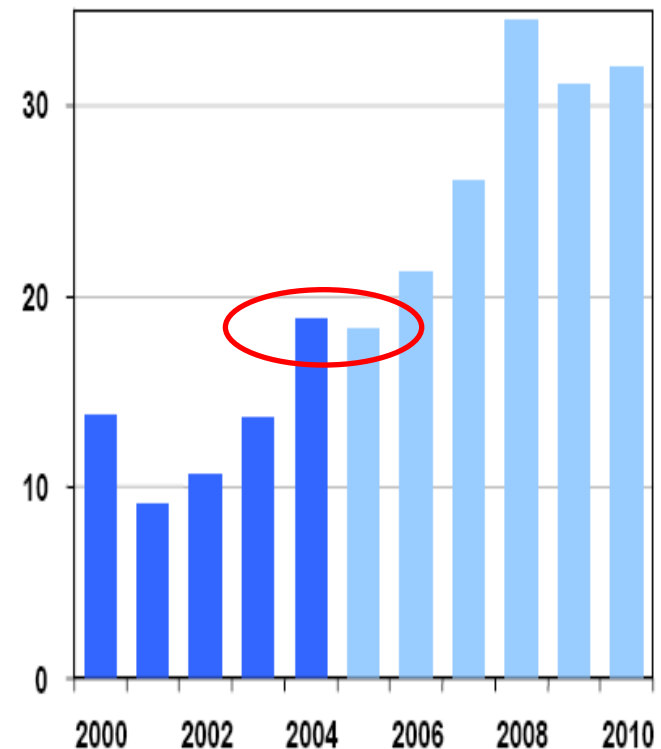
Physical IP Licensing – Cumulative



PIPD Royalties

- At \$8.0m up 33% sequentially
 - \$8.0m v. \$6.0m in Q3
- Q4 includes \$1.6m catch-up royalty
 - Enhanced internal analysis and follow up
 - More catch-up expected in 2006
 - Timing and quantum difficult to forecast
- FY underlying royalties up 1%
 - Foundry revenue down 3%
- 19 companies paying royalties

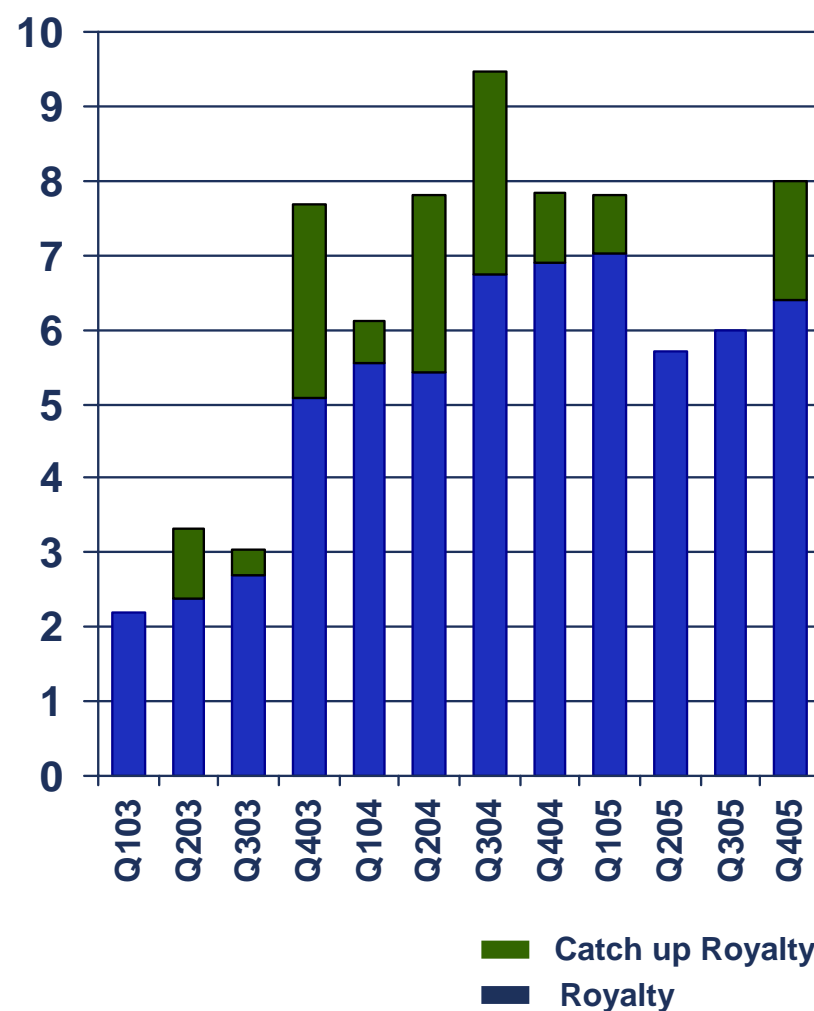
Foundry Revenue (\$B)



Source: Gartner Dataquest, November 2005

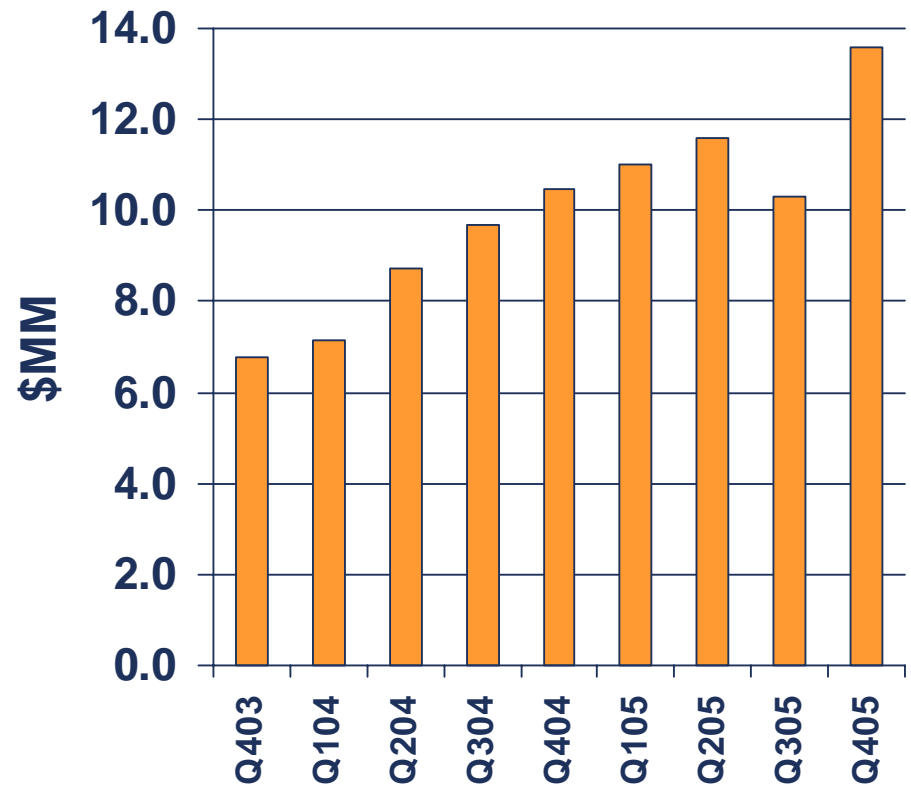
PIPD Royalties

	Q105	Q205	Q305	Q405
Revenues (£m)	4.1	3.1	3.4	4.7
% Group Revs	7%	5%	6%	7%
No. shipping	16	17	19	19
Revenues (\$m)	7.8	5.7	6.0	8.0

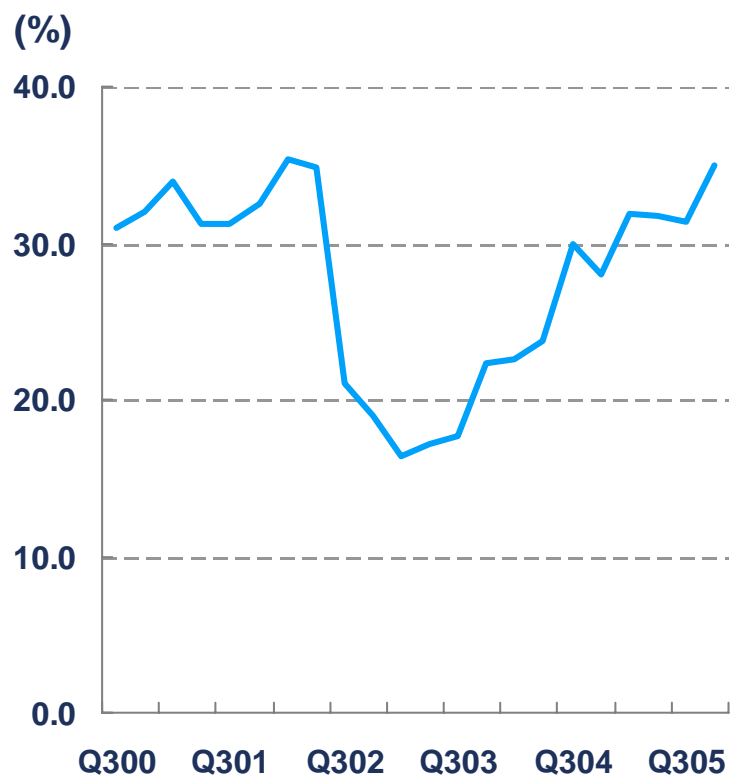


Development Systems

- Record quarter for Development Systems (\$13.5M)
- Sales in Q4 05
 - 35% (32% Q3) USA
 - 42% (39%) Asia
 - 23% (29%) Europe
- 12% of total revenues
- 35% revenues through distribution



Operating Margin



	Q205	Q305	Q405
R&D (£m)	15.8	13.9	15.6
R&D (%)	27%	25%	25%
SG&A (£m)	17.5	18.1	19.4
SG&A (%)	30%	32%	31%
Op Mgn (%)	31.8%	31.3%	35.0%

Values as percentage of sales

— Excludes acquisition-related and other stock-based compensation charges

2006 Acquisition-Related Charges

	Q1 06	Q2 06	Q3 06	Q4 06
	£MM	£MM	£MM	£MM
	(E)	(E)	(E)	(E)
Artisan intangibles amortisation	3.8	3.8	3.8	3.8
Other intangibles amortisation	0.8	0.8	0.8	0.7
FAS123(R) on ex-Artisan options	1.3	1.1	0.9	0.6
Total charges	5.9	5.7	5.5	5.1

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	6.7	12.7
Unvested Artisan options at acquisition	6.7	3.1	9.8	2.4	1.5	3.9
Total charges	11.9	9.0	20.9	8.4	8.2	16.6

US GAAP – FAS123(R)	2006 (£MM)		
	H1	H2	FY
“Ongoing” charge	6.7	6.8	13.5
Unvested Artisan options at acquisition ①	2.4	1.5	3.9
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.

Summary Balance Sheet – 31 December 05

	31 Dec 05
	£MM
Assets	
Cash	160.9
Trade debtors	55.5
Other debtors, inventory and investments	29.0
Property and equipment	12.8
Goodwill	385.6
Other intangibles	72.3
Total assets	716.1
Liabilities & shareholders' equity	
Deferred revenue	20.4
Other creditors	46.6
Shareholders' equity	649.1
Total liabilities & shareholders' equity	716.1

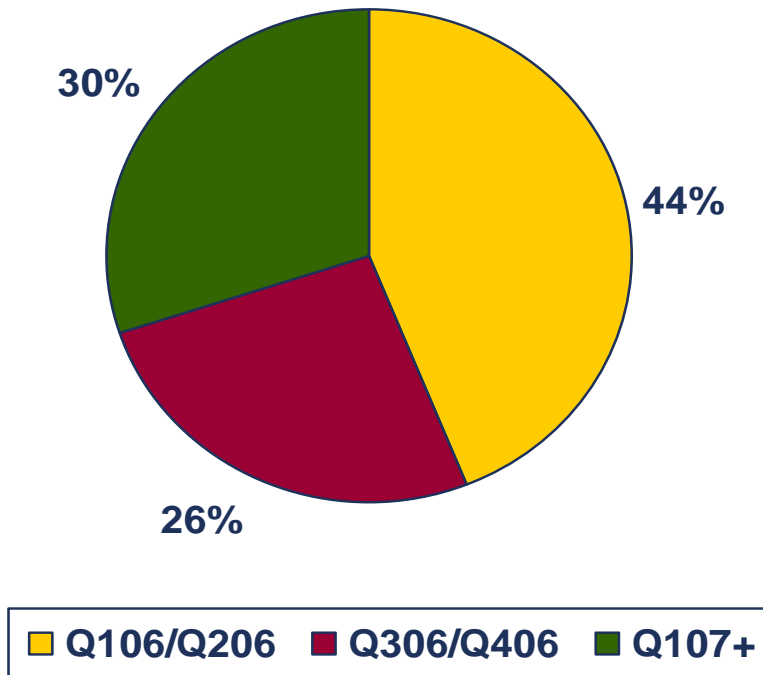
Cash Flow Summary

£MM	Q4 05	FY 2005
Operating activities	15.7	56.5
Interest	1.7	5.4
Tax	(4.1)	(14.4)
Capital expenditure	(1.7)	(6.3)
Acquisitions	(4.3)	(20.5)
Share options	1.0	13.9
Share buybacks and dividends	(15.4)	(26.6)
Other (forex)	3.3	10.1
Cash flow	(3.8)	18.1
Opening cash	164.7	142.8
Closing cash	160.9	160.9

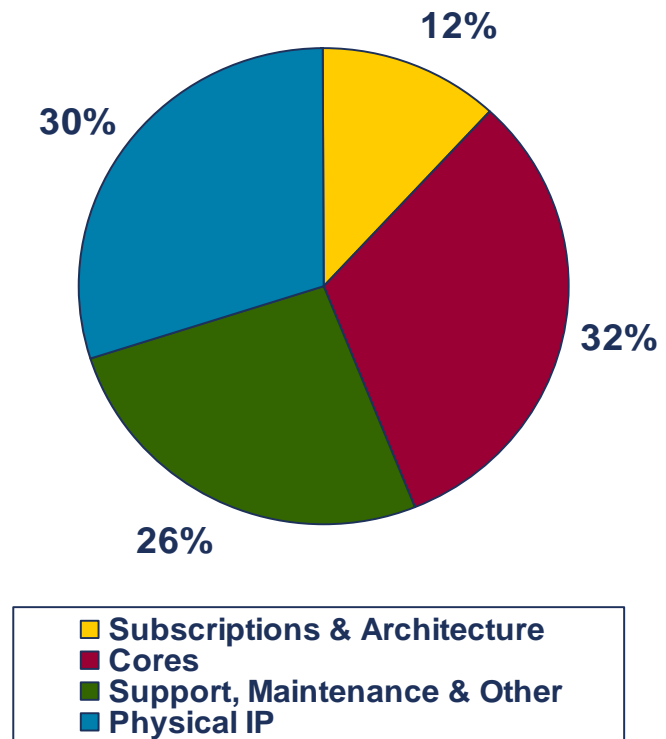
	Q4 05	FY 2005
Income from operations	14.1	47.9
Depreciation and amortization	7.2	28.4
Deferred stock-based compensation	2.5	9.7
Movements in working capital	(8.1)	(29.9)
Investments	-	0.4
Operating activities	15.7	56.5

Backlog

Backlog by Maturity Profile



Backlog Composition



Outlook

- 2005 provides good base to build on market leadership
 - Integration of ARM and Artisan
 - Introduction of new processor and physical technology
 - Acquisition of microcontroller tools company
 - Increasing profitability
- Confidence in a strong performance in line with market expectations
 - Cortex products available for general licensing
 - More synergistic revenue
 - Royalty momentum in both PD and PIPD
 - Growth in Development Systems