

# Investment case

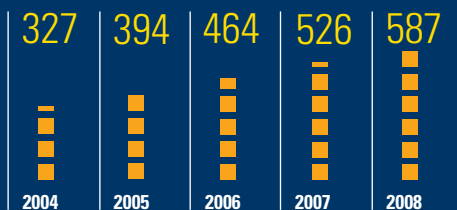


ARM Holdings plc is the world's leading semiconductor intellectual property (IP) supplier

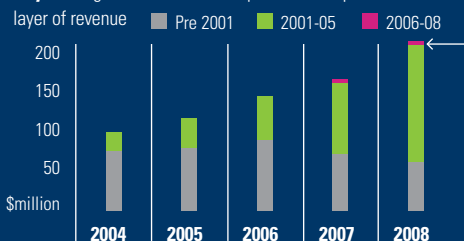
## 1 How does ARM make money?

ARM sells its technology for a licence fee plus a royalty on every ARM technology-based chip. ARM already has a substantial base of licences that will drive future royalties

### Cumulative licences



Royalties grow as each new chip starts to ship and adds another layer of revenue



Licences signed in the last three years have only just started generating royalties

## 2 How does ARM turn revenues into profits?

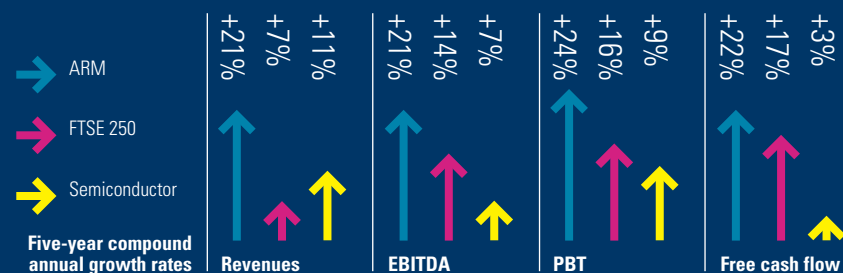
The majority of ARM's investments are directly related to headcount. Financial discipline balances cost control with the investment needed to develop the next generation technology

### Headcount

2004		1,170
2005		1,320
2006		1,660
2007		1,730
2008		1,740

For the last three years ARM has grown revenue without needing to significantly increase headcount – increasing the underlying profitability of the business

## 3 How does ARM compare with its peers? Over the last five years, ARM has outperformed in a wide range of measures



\* All 84 semiconductor companies in the UBS coverage universe (Q1 2009).