



ARC International's Full Year 2008 Results

February 25, 2009

- Strategic direction unchanged
 - Fully committed to accelerate profitability and positive cash flow
 - Multimedia solutions that enhance the consumer experience and reduce development costs
- Restructuring substantially complete
- 2008 loss larger than expected
- Near term visibility limited
- Significant actions taken to enhance revenue opportunities
- ARC is well positioned

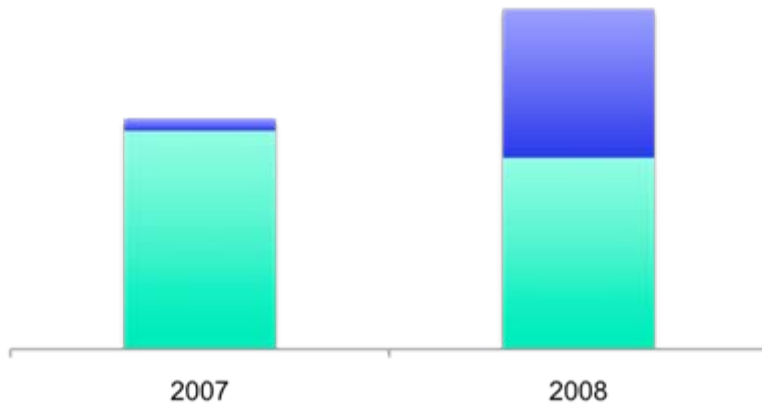
- Challenging market with lengthening sales cycles
- 2008 revenues increased
 - “Sound-to-Silicon” solutions strengthened product line
 - New wins with OEM and chip customers
 - Strengthened management team
- Future revenue opportunities
 - Acquisitions strengthen product offerings
 - Enter new market segments
 - PCs and Laptops
 - DTVs and Home Theaters
 - Portable Media Devices



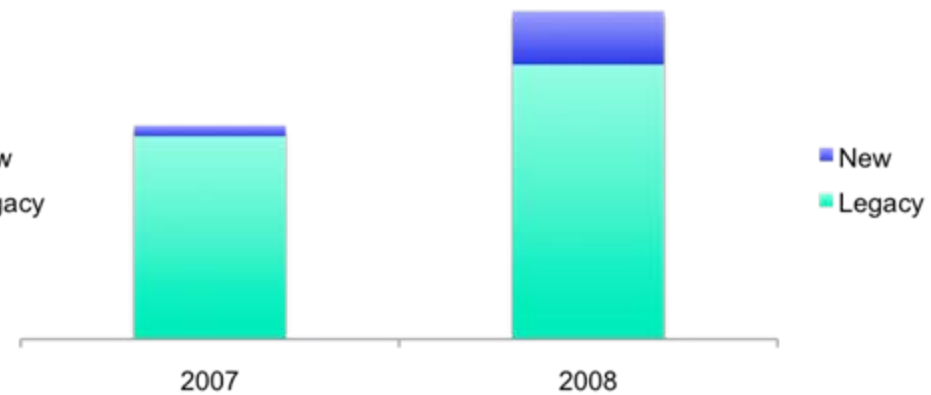
**8 ARC[®] Cores
Shipping per Laptop
From 4 Customers**

***ARC Technology Enables a
Better Consumer Experience***

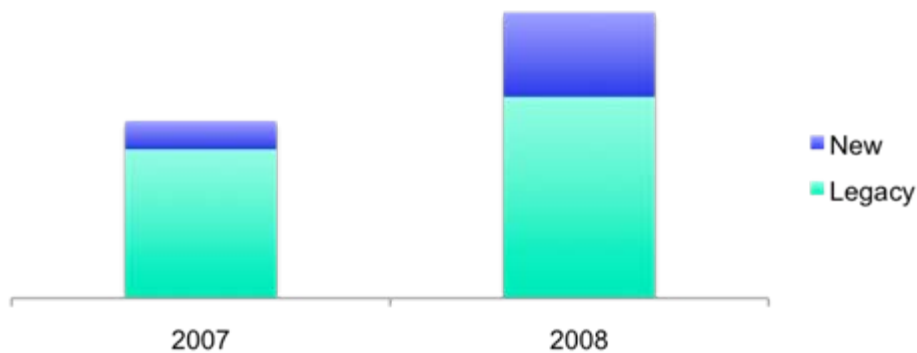
Royalties



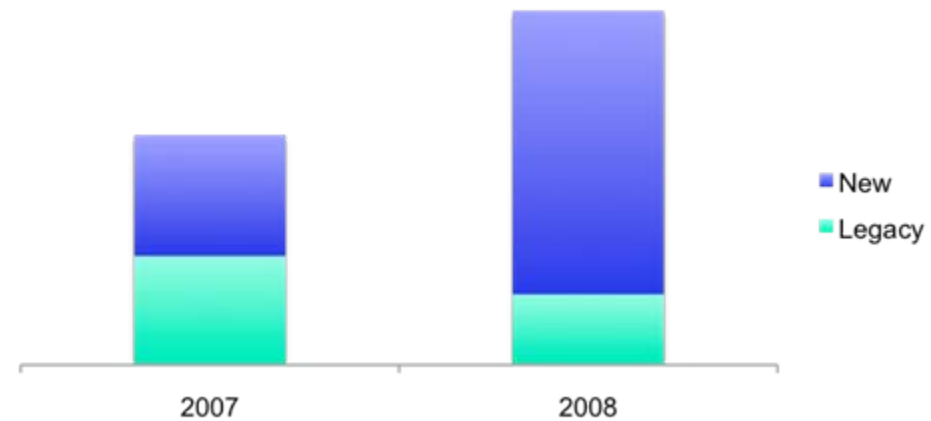
Unit Volumes



Contracts Contributing to Royalties



Average Royalty Rates





FY 2008 Financial Results

Top Line Revenue Growth

- Revenue £17.0m, up 18% (2007: £14.4m)
- Royalties £7.9m, up 61% (2007: £4.9m)
- Licensing £7.3m, flat (2007: £7.4m)

Op Ex Increased Due To Acquisitions

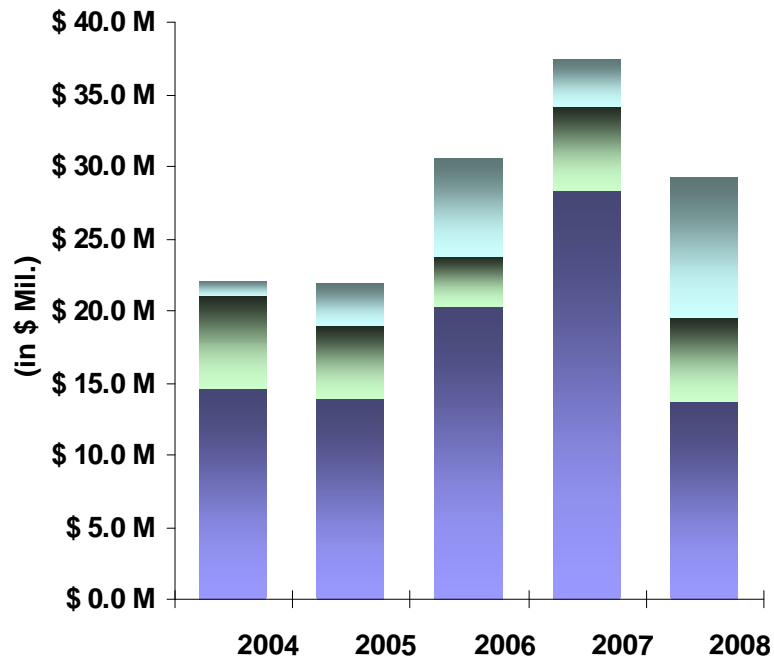
- £20.9m (2007: £18.0m)
 - Includes op ex from all acquisitions
 - Area of focus in restructuring

Net Loss With Addition of Sonic Focus

- £7.3m (2007: £2.5m)
 - Includes one-time expenses, charges and delayed contracts

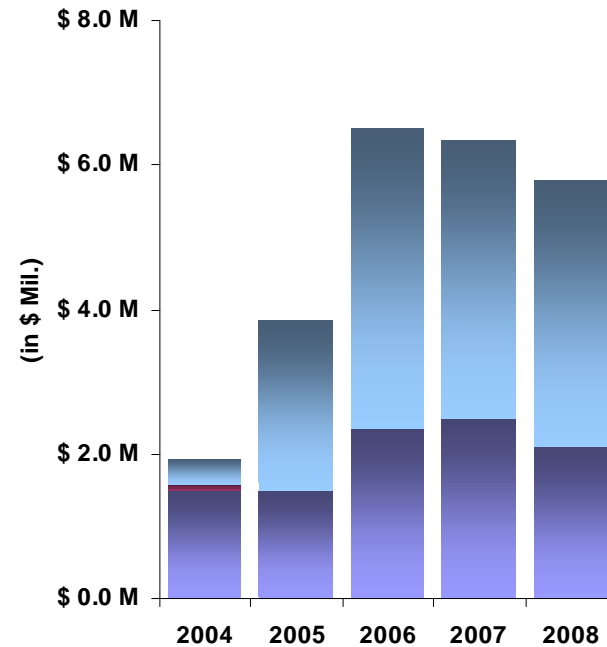
Operating Cash Usage Marginally Reduced

- Cash position at £12.7m



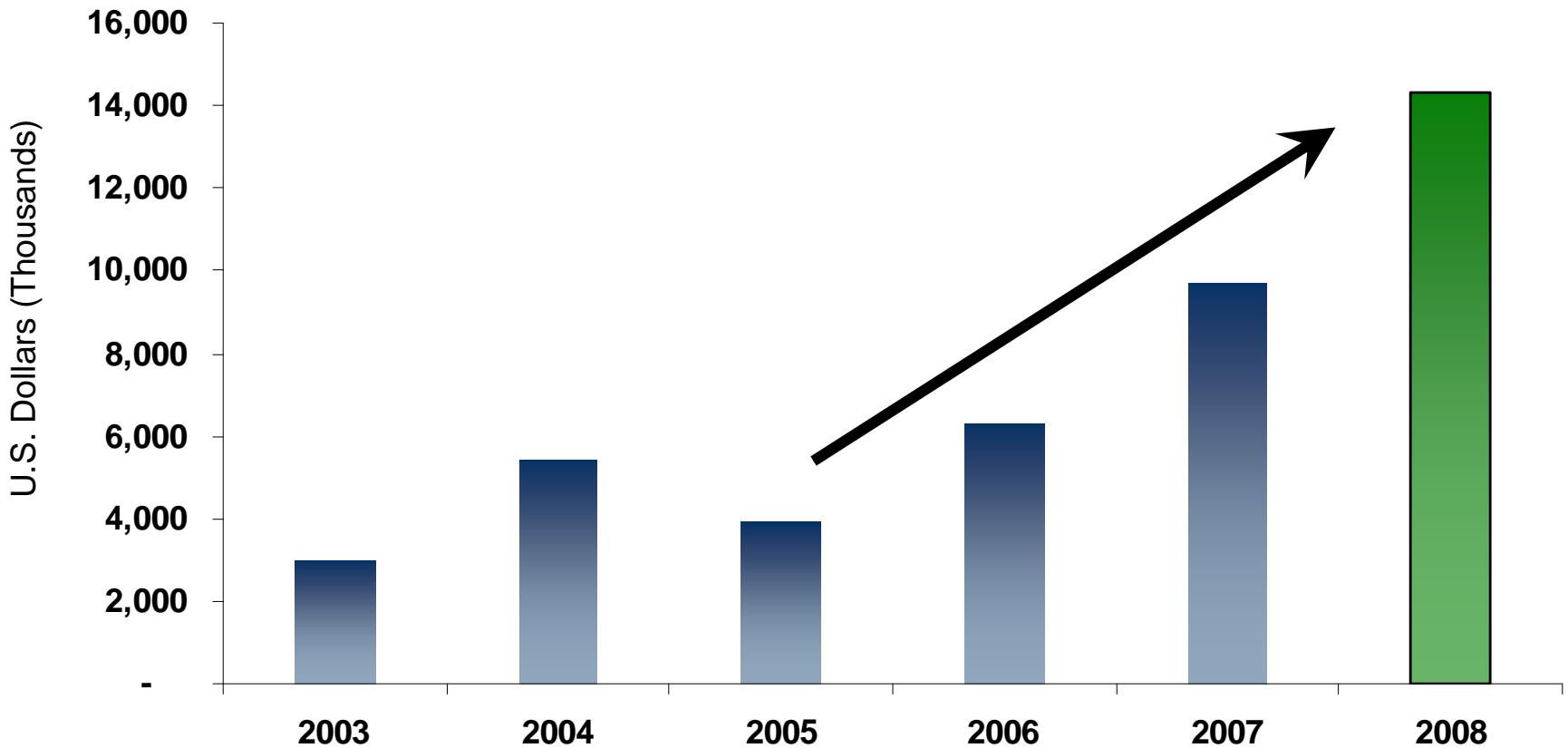
■ N. Amer. ■ Europe ■ Asia

Bookings



■ Maint/Train ■ Other Def. ■ Contractual

Rolling 12 Month Backlog



<i>(in £ million)</i>	YTD '08	YTD '07	Variance	% of Variance
Revenue	17.0	14.3	2.7	19%
Gross Margin %	91%	90%	1%	1 ppts
OPEX (incl CoGS)	(21.5)	(18.0)	(3.5)	(19%)
Reorg Exp	(2.3)	0.0	(2.3)	(100%)
Loss - E B I T D A	(6.2)	(3.8)	(2.4)	(63%)
Loss - E B I T	(9.3)	(5.5)	(3.8)	(69%)
Net Loss w/o Reorg	(5.0)	(2.6)	(2.4)	(92%)
Net Loss w/ Reorg	(7.3)	(2.6)	(4.7)	(181%)

<i>(in £ million)</i>	YTD '08	YTD '07	Variance	% of Variance
Cost of Revenue	1.3	1.4	0.1	8%
R & D Exp	9.5	7.3	(2.2)	(30%)
S & M Exp	5.5	5.4	(0.1)	(3%)
G & A Exp	4.5	3.6	(0.9)	(24%)
Reorg Cost	2.3	0.0	(2.3)	n/a
Share Option Exp	0.3	0.3	0.0	16%
OPER EXP + COS	23.3	18.0	(5.3)	(30%)
TOTAL EXPENSES*	26.3	19.7	(6.6)	(34%)

* Total expenses include depreciation & amortisation expenses, non-trading income, and loss from associate.

<i>(in £ million)</i>	2008	2007
Opening Cash and Short-term Investments	21.2	31.6
Net Cash Outflow from Ops.	(4.7)	(5.1)
Net Interest & Taxes	2.2	2.3
Cash from (used by) Operating Activities	(2.5)	(2.7)
Reorganization Expenses	(0.8)	0.0
Capital Expenses	(2.1)	(2.0)
Acquisitions	(2.5)	(6.1)
Issue of Ord. Share Cap.	(0.8)	0.5
Exchange	0.2	(0.1)
Closing Cash and Short-term Investments	12.7	21.2
CASH INFLOW/(OUTFLOW)	(8.6)	(10.4)

<i>(in £ million)</i>	Dec 2008	June 2008	Dec 2007
NON- CURRENT			
Intangible Assets	11.6	11.2	7.5
Tangible Assets	2.0	1.8	1.5
Other Receivables	0.4	0.4	0.4
Investment in Associate	0.4	0.4	0.4
Other Payables	(1.3)	(1.0)	(0.5)
Provision for Reorg Provision	(0.8) (0.1)	0.0 (0.1)	0.0 (0.0)
Total Non-Current	12.3	12.9	9.4
CURRENT			
Inventory	-	0.0	0.1
Trade Receivables	4.1	5.8	4.2
Other Receivables	0.9	0.3	1.4
Trade Payables	(0.8)	(1.2)	(0.7)
Other Payables	(5.4)	(4.6)	(3.9)
Deferred Revenue	(1.5)	(1.4)	(1.2)
Provision for Reorg Provision	(0.7) (0.2)	0.0 (0.2)	0.0 (0.2)
Cash & Investments	12.7	16.6	21.2
Total Current	9.2	15.4	20.9
NET ASSETS	21.5	28.3	30.3



Summary

- Actions have been taken to adapt to market conditions
 - Annual cost savings exceed 25%
 - Strengthened management team
 - Entering new multimedia markets with new solutions
- Well positioned to profit from customer opportunities
- Continue to monitor industry developments and take further actions if necessary

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