



ELECTRONIC ARTS™

Fiscal Year 2005 Update Conference Call

Today's Call

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EA Conference Call

Welcome and Safe Harbor

Good afternoon and thank you for joining us today.

Today on the call we have:

Larry Probst – Chairman and Chief Executive Officer and

Warren Jenson – Chief Financial and Administrative Officer

Before we begin – I'd like to remind you that:

1. You may find copies of our SEC filings, today's press release and a replay of the webcast on our web site at <http://investor.ea.com>. Shortly after the call – we will post a copy of Warren's remarks on our web site.
2. During the course of this call – we may make forward-looking statements regarding future events and the future financial results and performance of the Company. We caution you that actual events and results may differ materially. We refer you to our most recent Form 10-K and 10-Q filed with the SEC for a discussion of risk factors that could cause actual events or our actual results to differ materially from those discussed today. We make these statements as of March 21, 2005 and disclaim any duty to update them.

And now – I'd like to turn the call over to Warren.

Highlights

Our Performance

Good afternoon everyone.

For the next few minutes I'd like to cover a couple of things:

First – our expected Q4 results and where we underperformed, and

Second – the implications of our Q4 performance relative to our fiscal 2006 outlook.

Highlights

Our Performance

Fourth Quarter Performance

Let me begin by saying we are very disappointed that we are having this call. In short – we missed our plan and forecast.

From where we sit today our less than expected results were driven by several factors:

First – we underestimated the impact of the hardware shortages on our Q4 sales. In particular our PS2 related sales for the quarter have fallen well below our expectations.

Second – our Q3 releases have underperformed our expectations in Q4. We left Q3 with strong sales but that momentum has not carried through as we had expected.

Third – though our Q4 titles are performing well – we expected more. So far in North America we have had more top ten spots on both the Xbox and PS2 compared to a year ago – but overall we have had lower chart positions.

Finally – as a result of lower than expected sales we felt it appropriate that we add to our price protection and sales return reserves. This will have a negative impact on our margins for the quarter.

Highlights

Our Outlook

So – what does this mean for the year ahead and our outlook?

Over the past several weeks we have been in the middle of our annual planning and budgeting process. Based on our analysis and view of the marketplace – while we remain cautious – our outlook is largely unchanged. Specifically:

First – we see continued strength in current generation console sales – and feel this trend is playing out at retail. As a result, our calendar year 2005 estimates for hardware sales remain essentially the same. We do, however, expect to see lower PSP unit sales in Europe given the delayed launch.

Second – we still expect declines in current generation pricing but that premium titles will continue to hold premium price points. That said – we think there will be fewer titles in the year that will be able to lay claim to these higher price points – and they may not hold premium pricing for as long.

Highlights

Our Outlook

Third – top line growth. On our last call we expressed confidence in our ability to grow the top line in fiscal 2006 – no change here.

- **The PSP is launching this week in North America** – We expect to be the leader on this platform with roughly 15 titles in the coming year.
- **We have what we think will be a strong overall line up** – including Battlefield II, Medal of Honor European Assault, the Godfather, our full sports lineup and others.
- **In short – if the PSP, current generation platforms, and our titles perform to our expectations** – top-line growth in the 8 to 12 percent range looks doable.

We will continue to make the necessary investments to win on next generation platforms. We are well down the road in our preparations – and we will not skimp on investing for the long-term.

Finally – looking at EPS next year – our early planning suggests that we can keep EPS roughly flat year over year.

Highlights

Summary

In summary – we clearly missed our plan and forecast for the fourth quarter. That said – looking forward we see no change in the health of the marketplace and our opportunities.

Before opening this call to your questions – let me close with a couple of final thoughts:

Throughout the year we had been tracking to our operating plan – now we are not. As a result, none of our senior staff will be receiving bonuses this year. However, we still plan to reward our employee base appropriately.

As many of you know – up till now – we have had a strong record of delivering on our expectations. We expect better from ourselves and we will do everything possible to maintain your confidence as we move forward.

Operator – we will now open the call to questions.

EA Conference Call

Safe Harbor Statement

Some statements set forth in this conference call, including those under the headings “Our Performance”, “Our Outlook” and “Summary” contain forward-looking statements that involve risks and uncertainties. Statements including words such as "anticipate", "believe" or "expect" and statements in the future tense are forward-looking statements. These forward-looking statements include preliminary estimates based on current information and are subject to business and economic risks, which could cause actual events or actual future results to differ materially from those set forth in the forward-looking statements. Some of the factors which could cause our results to differ materially from our expectations include: sales of our titles during the remainder of the quarter; our ability to manage expenses during the remainder of the quarter; our ability to predict consumer preferences among competing hardware platforms; the availability of an adequate supply of hardware platforms; the seasonal and cyclical nature of the interactive game segment; timely development and release of our products; our ability to secure licenses to valuable entertainment properties on favorable terms; consumer spending trends; competition in our industry; our ability to attract and retain key personnel; changes in applicable tax rates; adoption of new accounting regulations and standards; potential regulation of our products in key territories; developments in the law regarding protection of our products; fluctuations in foreign exchange rates; and other factors described in our Annual Report on Form 10-K for the year ended March 31, 2004 and in our Form 10-Q for the quarter ended December 31, 2004. We do not intend to update these forward-looking statements, including those made under the “Our Performance”, “Our Outlook” and “Summary” headings.