Tricia Gugler:

Welcome to our third quarter fiscal 2009 earnings call.

Today on the call we have John Riccitiello, our Chief Executive Officer and Eric Brown, our Chief Financial Officer.

Before we begin, I'd like to remind you that you may find copies of our SEC filings, our earnings release and a replay of this webcast on our web site at investor.ea.com. Shortly after the call we will post a copy of our prepared remarks on our website.

Throughout this call we will present both GAAP and non-GAAP financial measures. Our earnings release provides a reconciliation of our GAAP to non-GAAP measures. These non-GAAP measures are not intended to be considered in isolation from – a substitute for – or superior to – our GAAP results – and we encourage investors to consider all measures before making an investment decision. All comparisons made in the course of this call are against the same period for the prior year – unless otherwise stated.

Please see the supplemental information on our website for our trailing twelve month segment shares, our Q409 releases and a summary of our financial guidance.

During the course of this call – we may make forward-looking statements regarding future events and the future financial performance of the Company. We caution you that actual events and results may differ materially. We refer you to our most recent Form 10-Q for a discussion of risk factors that could cause our actual results to differ materially from those discussed today. We make these statements as of February 3, 2009 and disclaim any duty to update them.

Now I would like to turn the call over to John.

John Riccitiello:

Thanks, Tricia.

Earlier today we announced our third quarter results came in below our expectations and that we have significantly reduced our financial outlook for FY09.

On today's call --

- I will to discuss our performance in FY09, including our cost cutting actions. I will outline the key conclusions we draw from the year.
- I will then outline our outlook for the industry in 2009 and EA's plans and financial guidance for FY10.
- Eric will review our holiday quarter results, discuss our cost cutting initiatives in more detail and provide our specific guidance for FY09 and FY10.
- I'll wrap up with a few closing thoughts, then will open it up for Q&A.

We are disappointed with our holiday quarter and FY09 performance. These results point to three conclusions which are incorporated into our strategies going forward.

- First – We need to improve our approach for bringing key titles to market. Consumers have become more cautious and we need longer lead times on marketing and, in some cases, more productive investment of our publishing resources. In short – we need to start earlier and focus more.
- Second, in this environment, we believe our operating expenses are too high and need to come down.
- Third, the Nintendo Wii is even more important than one year ago -- it is the clear leader this cycle. In CY08, we were the #3 publisher on this platform in both North America and in Europe – but we need to move further up in the charts.

Now – I would like to cover our holiday quarter.

First a few comments on the industry. Industry software sales in the holiday quarter were up 15% in North America and we estimate 10% in Europe. These holiday quarter results, while below industry growth rates recorded earlier in the year, were solid. The Nintendo Wii delivered the strongest performance among the console players. We also saw continued strong growth in various subscription and micro-transaction businesses, showing the ongoing strength and potential of direct-to-consumer business models. This strong sector performance, in the shadow of a very challenging macroeconomic environment, is yet another solid data point suggesting our industry can fare well in tough times.

In Q3, EA significantly missed its numbers and revenue came in approximately $150M below street estimates. Although it is difficult to tease apart the macro and the micro – a significant portion relates to our own performance.

Clear and simple – our titles did not perform to our expectations. With the exception of FIFA, we did not deliver the blockbuster titles or the chart position we expected. Competitively, EA had only 1 of the top 5 titles in North America and Europe vs. typically 2 or more. We were depending on new IP in a year where consumers were even more cautious with their dollars. And, one of our anchor titles – Need for Speed -- did not deliver fully on our expectations.

From a macro standpoint, we saw certain retailers reduce inventories below historical and expected levels, particularly in North America. During the holiday quarter, we saw a significant discrepancy between our sell-in and sell-through. This is a consequence of key retailers bringing down inventory levels. This is a circumstance we don't expect to be repeated in the future. In addition, the strengthening of the US dollar negatively influenced our Q3 sales by approximately $55M.

Adding to this, our expense base was geared for a business that assumed much more revenue – resulting in a significant shortfall in our profitability. And, while we began cutting expenses aggressively in Q3, we could not get ahead of the revenue shortfall to achieve our target profitability in the quarter.

Before I move to the future, let me spend a moment on some of the positives our teams accomplished so far this year. We did make progress on some important initiatives that will create value for EA for years to come.

- First – new IP. We launched Dead Space, SPORE, Warhammer Online, Mirror's Edge and a number of Hasbro games. And, we expect to benefit in the future from increased sales from these franchises. Generally, games with a "2" on them will sell better than the first version – and do so with a lower R&D budget.
- Second – quality. Overall, we made significant strides in driving innovation and quality into our games. Our 2008 slate was better than our CY07 slate. We had 13 titles rated at 80 or above vs. 7 last year – a statistic we are particularly proud of. This is 2x to 3x that of other third party publishers.
- Third – we expanded our kids / family business. We built on our own IP, with My Sims and Boom Blox, and in partnership with Hasbro we added several key titles, including Littlest Pet Shop and Nerf-n-Strike.
- And finally, digital direct, which includes online and wireless, was up 27% year to date to more than $300M.
    - Our successful Pogo business hit an all-time high of 1.7M paying subscribers.
    - We successfully launched a new MMO -- Warhammer Online -- and added a number of titles and countries to our growing Asia online business and,
    - EA Mobile – has generated $141M in revenue so far this year – up 29%. Over the holidays, we had 6 of the top 20 iPhone games.

With that, I'd like to turn our attention to the future. In the past, we highlighted two focus areas of our strategy – drive hits in our core business and grow our direct to consumer businesses. To these pillars, we'd add two more: manage expenses aggressively and increase focus on the Nintendo Wii platform.

First – drive hits in our core. We plan to match strong quality with strong marketing – particularly for our top ten titles. Operationally, we expect to improve the way we go to market with our titles – starting earlier to create positive buzz and demand. Consistent with this strategy, we have made a decision to move titles – including -- The Sims 3, Godfather 2 and Dragon's Age for the PC from Q4 FY09 to FY10. These titles have high potential – based on consumer research and early reviews from critics.

- In the case of The Sims 3, we're moving this title to June 3 to give us additional time to build the worldwide marketing campaign a title like this deserves.
- With Godfather 2, we're moving it to Q1 FY10, providing a better launch window and more time for longer lead marketing.
- With Dragon Age -- we're moving the PC launch to Q3 FY10 to coincide with the console launch, giving us the opportunity to make a bigger splash with this epic BioWare RPG title. Of course, the BioWare team will continue to polish the game for even greater quality.

Other potential hit titles are also getting a new approach. For example, we have completely reworked the development model for the Need for Speed franchise. We are moving this franchise to parallel development in separate studios, allowing for a full two year development cycle for each annual title.

These are just a few examples of our commitment to improving our position in the global top 5 and top 10, which is where we see the strongest returns for EA's core business.

Second – aggressively manage expenses. As you know, we have been working to reduce our cost base – given the uncertain macro environment, changing industry trends and our recent performance. We are planning FY10 operating expenses at approximately $2.1BN – which is a $500M decrease from our previously expected FY10 run rate. This is a substantial expense reduction and is the consequence of tough calls on headcount, SKU count, facilities, variable spend and capex. Eric will discuss the cost reductions in more detail.

Third – capitalize on the progress we have made on the Wii. We have a spectacular slate for FY10, which will be supported by a Wii focused advertising campaign. We're starting FY10 strong with Tiger Woods PGA TOUR, EA SPORTS Active, EA SPORTS Tennis, Boom Blox 2, Harry Potter, and My Sims Racing – all in Q1. And it gets better each quarter.

Fourth – drive our content direct to consumer. This is a strategic initiative that is very important for the long-term. In FY09, we made a $150M online investment with limited associated revenue. In FY10, all significant online spending, except for the LucasArts/BioWare Star Wars MMO, will be generating positive income. These investments are working -- we expect over $500M of digital direct revenue in FY10.

Now to our outlook for the industry and EA.

First the industry. We believe we are roughly mid-way through what is shaping up to be an extended console cycle. As you know, CY08 was a very strong year for the game business, with software sales up over 20%. We enter CY09 with a 50% increase in the hardware (consoles and handhelds) installed base with more room to move on hardware pricing. And, we expect to exit the year with a larger console installed base as compared with the same point in the previous cycle.

We're entering CY09 optimistic about the industry, but are tempering our optimism somewhat to reflect the continued global economic recession. For CY09, our projections assume no major uptick in the broader economic environment and software sales growth in the mid-single digits for both North America and Europe.

We planned our expense base assuming conservative revenue growth, which we believe is prudent in these times.

- On FY10 revenue. We're assuming no growth in segment shares despite the moves of key titles like The Sims 3, Dragon Age PC, Godfather 2 and

Harry Potter. We've planned our core titles conservatively – even though we have a stronger slate and we plan to push our top 10 titles harder this year. We also assumed that our co-publishing and distribution revenue will be down approximately $300M in FY10. These assumptions result in a revenue projection of $4.3BN in FY10 – or 5% growth.

- Our expenses match this conservative view on revenue. Every expense category will be down, with the exception of variable marketing. We expect FY10 operating expenses to be roughly $2.1BN – down significantly from our run rate.
- Net -- this translates to roughly $1.00 in non-GAAP EPS in FY10 – which is approximately 10% non-GAAP operating margin.

These targets are achievable and appropriate given the macro environment.

Now, I would like to turn the call over to Eric.

Eric Brown:

Thank you, John. Good afternoon everyone.

For Q3, we delivered non-GAAP revenue of $1.74BN, which was flat to last year and non-GAAP diluted EPS of $0.56 vs. $0.90 a year ago.

On a GAAP basis, revenue was $1.65BN – up 10% year-over-year, and GAAP diluted loss per share was $2.00 vs. a loss per share of $0.10 a year ago. This quarter – our GAAP EPS includes one-time charges for goodwill impairment and a tax valuation allowance which together comprise $1.91 in GAAP EPS loss. I will touch on these in more detail shortly.

Key titles in the quarter were --

- FIFA 09 -- our best selling title with 7.8M copies – up 4% year to date, over last year's FIFA 08. In Europe, we estimate it was the #1 title across all platforms in the holiday quarter.
- Need for Speed Undercover – sold 5.2M copies – down 7% from last year's Need for Speed Pro Street. Sell thru was up in Europe year-over-year, but down in North America.
- Littlest Pet Shop – sold 2.8M copies on the Wii, NDS and PC – a great start for a new IP. It charted in the top-five on the NDS in both North America and Europe in the holiday quarter.
- In addition – Dead Space, Mirror's Edge, Madden NFL 09 and NBA Live 09 each sold over one million copies. Madden 09 was the #6 title across all platforms in North America for CY08.

From EA Partners --

- Rock Band 2 - in partnership with MTV/Harmonix - sold 1.9M copies.
- Left 4 Dead - in partnership with Valve - sold 1.8M copies.

In our digital direct businesses, we generated $116M in revenue – up 28% year-over-year with strong performance across all units, including Pogo.

- Warhammer Online now has over 300K paying subscribers in North America and Europe.
- Wireless revenue was $50M – up $11M from a year ago on the strength of Monopoly and SPORE.
- Digital download games and micro-transaction revenue was $21M – up 75% due to further expansion of our online distribution capabilities.

I would now like to spend some time discussing Q3 in more detail. Please note that all of the following references to third quarter results are non-GAAP, unless otherwise stated.

Q3 Results.

Non-GAAP Revenue* was $1.74BN – flat year-over-year. At constant currency rates, revenue increased 4%. The growth was primarily driven by our distribution business, wireless and subscription revenue. Our core packaged goods business slowed considerably in December.

By geography.

North America non-GAAP revenue* was $910M – up $49M – or 6% primarily due to our distribution business.

International non-GAAP revenue* was $832M – down $41M – or 5% driven by adverse FX. At constant currency rates, revenue was up 4%, primarily due to FIFA 09.

Moving to the rest of the income statement.

Non-GAAP Gross Profit* was $821M – down $138M or 14% year-over-year.

Non-GAAP Gross Profit Margin* was 47.1% vs. 55.3%. The decrease is primarily attributable to --

- Approximately 6 points related to a higher mix of distribution revenue and lower margins in our co-publishing business.
- Approximately 2 points related to an increase in price protection and returns reserves. At quarter end, we had increased exposure in the retail channel that required additional reserves.

Operating Expenses.

Before getting into the details, let me point out a couple of factors that affect a number of line items in our Q3 P&L –

- First – only a small portion of our cost reduction program was implemented in time to affect our Q3 results,
- Second – for bonus, we recorded a credit of $12M this quarter vs. an expense of $80M last year.

Marketing and Sales. Non-GAAP marketing and sales expense was $245M – up $37M. Excluding the impact of bonus, marketing and sales was up $51M primarily due to more advertising spend for a larger slate of titles in Q3 vs. Q3 last year.

General and Administrative. Non-GAAP G&A expense was $71M – down $13M. Excluding the impact of bonus, G&A was roughly flat year-over-year. Lower facility and personnel related costs were offset by increases in bad debt expense and contracted services.

Research and Development. Non-GAAP R&D was $271M – down $29M. Excluding the impact of bonus in each year, R&D was up $32M year-over-year primarily due to our VGH acquisition.

Restructuring Charge. During the quarter, we recorded $18M of restructuring expense -- $13M from the plan we announced on December 19th.

Below the Operating Income line.

Non-GAAP other income and expense was $14M – down $18M from a year ago due to a decline in interest income and increased foreign exchange losses.

Income Taxes.

- On a GAAP basis, we recorded a provision of $324M, which included a $244M valuation allowance charge that we are required to record against deferred tax assets that are deemed currently unrealizable for accounting purposes. This determination is based on historic GAAP losses, which includes the revenue deferral. In addition, the Q3 tax provision includes the reversal of deferred tax benefits recorded in the first six months of the year. We will be able to realize these assets when we return to GAAP profitability.
- On a non-GAAP basis, we recorded taxes at 28%.

GAAP Diluted Loss per Share was $2.00 vs. a diluted loss per share of $0.10 a year ago. Please see our GAAP to non-GAAP reconciliation in our earnings release. This quarter – our GAAP EPS also includes one-time charges for goodwill impairment and a tax valuation allowance approximating $1.91 in GAAP EPS loss.

Non-GAAP Diluted Earnings per Share* were $0.56 vs. diluted earnings per share of $0.90 a year ago.

Our trailing twelve month operating cash flow was $82M vs. $267M for the prior period. Even though we lowered our outlook, we expect to be slightly cash flow positive for the year.

Turning to the Balance Sheet.

Cash and short term investments were approximately $2.0BN at quarter end – up $134M from last quarter due to cash generated from operations.

Marketable equity securities and other investments were $302M – down $338M from last quarter due to declines in the market value of our strategic investments.

During the quarter – we recognized a pre-tax loss of $27M in the P&L related to our investment in The9. At quarter end – after the write down -- we had a net unrealized gain of $128M – comprised of a $132M unrealized gain on Ubisoft and a $4M unrealized loss on Neowiz.

Gross accounts receivable were $1.1BN – relatively flat to last year and consistent with our revenue.

Reserves against outstanding receivables totaled $303M – up $44M from a year ago.

During the quarter – our sales reserve rate was 16% of revenue vs. 11% a year ago. The increase year-over-year is related to higher price protection and return reserves recorded in the quarter as a result of greater inventory in the channel.

Inventory was $295M – up $117M from a year ago. Excluding our EA Partner inventory, for which EA has limited exposure -- inventory was up $55M primarily due to a broader slate of titles. No single EA title represented more than $15M in net exposure.

Goodwill was $808M, after the impairment charge. During the quarter, we recorded a $368M non-cash charge for a goodwill impairment related to our wireless business. Although we took a charge, this highly profitable business is meeting our expectations in FY09 and we expect continued strong growth in the years ahead.

Ending deferred net revenue from packaged goods and digital content was $512M – down $83M from a year ago primarily due to revenue mix.

Now to our Outlook.

Before, I get into our guidance, I would like to provide more detail on our cost reduction plans.

We started this work back in October – as we discussed on our Q2 call – with a focus on rationalizing our SKU plan and scrutinizing all operating and capital budgets for FY10. As John indicated earlier, we went into our FY10 planning process with a goal of matching operating expenses with a more conservative projection of revenue. We moved up the timing of our internal budget process so that we could adjust our SKU plan allowing us to take out costs sooner rather than later.

We now expect total non-GAAP operating expenses of approximately $2.1BN in FY10 – down $500M from our prior expectations for FY10. This is down $300M from the $2.4BN run rate we had at the time of our Q209 earnings call in October.

We also expect to benefit from savings in FY09 – ending the year with operating expenses of approximately $2.25BN.

We made reductions in five different areas – let me discuss each briefly.

- First. Our product portfolio. We increased the hurdle rate for new titles. This resulted in a 30% reduction in the number of SKUs we plan to launch in FY10 vs. our previous plans. Excluding our EA Partner business -- we expect to publish approximately 50 titles and 125 SKUs in FY10. The 125 SKUs compares with 145 in FY09. Had we not shifted certain titles from FY09 to FY10 – the delta would have been even greater.
- Second. Personnel Costs.
  - Headcount – We are reducing headcount by 1,100 people – or 11% of our workforce. This includes headcount at all levels – staff, managers, directors, and VPs and above – and across all functions and geographies. Most of the reductions are in high cost locations. We expect 3/4 of the reductions to be completed by fiscal year-end.
  - We are also eliminating merit increases in FY10 and finally
  - We continue to take advantage of low cost locations. At the end of FY09 – we expect to have 19% of our employees in low cost locations – vs. 13% a year ago.
- Third. Facilities. We expect to close 12 facilities – up from the nine we communicated on Dec 19th.
- Fourth. Other variable spend. We reviewed all operating budgets -- including contracted services and T&E – resulting in significant cuts for FY10. We plan for every expense category to be down year-over-year with the exception of direct advertising.
- And finally. Capital Spending. We expect to reduce our estimated FY09 capex spend of $110M by approximately 40% in FY10.

Net – these actions will yield a half billion dollars of savings from our previously expected FY10 run rate. For the restructuring component -- which includes facility closures and severance – we expect to incur a total charge of $65M to $75M over the next twelve months and the reconciliation between GAAP and non-GAAP.

Now for our Guidance.

Please refer to our press release for our revenue and EPS guidance for both FY09 and FY10 and our reconciliation of our GAAP to non-GAAP financial measures.

On FY09.
Our revised FY09 revenue outlook is $900M below the low end of our previous guidance. The difference is attributable to --

1) approximately $500M shortfall as a result of weaker than expected sales due to macro-economic and EA-specific issues
2) approximately $300M related to the shift of titles to FY10 and
3) approximately $100M due to the strengthening of the USD

In addition --

- We expect GAAP and non-GAAP gross profit margins of approximately 50%.
- We expect GAAP operating expenses of approximately $2.95BN and non-GAAP operating expense of approximately $2.25BN.
- On taxes – on a GAAP basis we expect tax expense of approximately $250 to $275M and expect to record non-GAAP taxes at 28%.

For FY10.

- We expect GAAP operating expenses of approximately $2.4BN and non-GAAP of approximately $2.1BN.
- We expect GAAP gross profit margins of approximately 57% to 59% and non-GAAP of approximately 58% to 59%.
- On a Non-GAAP basis. We expect all of our expense line items to be down in absolute dollars and down as a percentage of revenue. This is also true, assuming we pay a full bonus in FY10 vs. a much lower bonus funding assumption in FY09.
  - We expect R&D to be approximately 27% of revenue.
  - We expect sales and marketing to be approximately 15% of revenue.
  - And we expect G&A to be approximately 6% of revenue.
- A dollar in non-GAAP EPS translates to a non-GAAP operating margin* of approximately 10%.
- We expect that non-GAAP other income and expense will be roughly $25M – down significantly from last year as a result of steep declines in interest rates.
- On taxes – on a GAAP basis we expect tax expense of approximately $40 to $60M and expect to record non-GAAP taxes at 28%.

FX Assumptions.

- FX rates have been volatile this year and we expect that to continue. For purposes of guidance, we are using current spot rates.
- To the extent the US dollar continues to strengthen against the Euro and GBP, we will have downside revenue and EPS exposure. To the extent the Canadian dollar strengthens against the US dollar, we will also have downside EPS exposure.

That concludes our guidance and outlook commentary.

With that – I'll turn it back to John.

John Riccitiello:

Thanks, Eric.

Before we take your questions, I want to close with a few thoughts.

- First -- we are optimistic for the industry in the year ahead.
- Second, we've hit the reset button on our cost structure. While we have not lowered our ambitions, we have mapped our cost structure to a more

conservative revenue projection. We've made the hard calls – now it's all about execution.

- And finally – we have been and will continue to be focused on game quality and innovation. Our FY10 slate is very promising. Let me tell you about some of the titles I'm particularly excited about this year --

In Q1

- EA SPORTS will drive our Wii initiative with the debut of a new Tennis franchise and with EA SPORTS Active – a new fitness product.
- Also from EA SPORTS is the return of our acclaimed Fight Night franchise.
- At the end of Q1, Harry Potter and the Half-Blood Prince releasing in conjunction with the motion picture from Warner Brothers.
- The main event is the launch of The Sims 3 on June 3rd -- a brand new experience with a host of online features. I'd urge you check out the new Sims website.

In Q2

- We'll launch Need for Speed Shift. This is the first title under our new approach to development. Our Nintendo title – Need for Speed Nitro will follow in Q3.
- In July and August we'll deliver the one-two punch of NCAA Football and Madden NFL.

In Q3

- We will launch Dragon Age – an epic new IP from BioWare.
- We're introducing Brutal Legend – a heavy metal action fantasy starring Jack Black.
- And NBA Live – a franchise that has made a big rebound with critics and consumers -- will be back with a leap forward with the Dynamic DNA online feature.

In Q4

- Battlefield Bad Company will be back on consoles from our DICE studio in Stockholm.
- BioWare will release Mass Effect 2 on multiple platforms.
- And the Redwood Shores team that gave us Dead Space will launch a brand new intellectual property based on Dante's Inferno.

In addition, our partners at MTV/Harmonix have announced a new music title based on the Beatles to be released in FY10.

With that – we would be happy to take your questions.

***Non-GAAP Financial Measures**

To supplement the Company's unaudited condensed consolidated financial statements presented in accordance with GAAP, Electronic Arts uses certain non-GAAP measures of financial performance. The presentation of these non-

GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. The non-GAAP financial measures used by Electronic Arts include: non-GAAP net revenue, non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss) and historical and estimated non-GAAP diluted earnings (loss) per share. These non-GAAP financial measures exclude the following items, as applicable in a given reporting period, from the Company's unaudited condensed consolidated statements of operations:

- Amortization of intangibles
- Stock-based compensation
- Acquired in-process technology
- Restructuring charges
- Losses on strategic investments
- Change in deferred net revenue (packaged goods and digital content)
- Certain abandoned acquisition-related costs
- Estimated goodwill impairment

Through the end of fiscal 2008, Electronic Arts made certain income tax adjustments to its non-GAAP financial measures to reflect the income tax effects of each of the items it excluded from its pre-tax non-GAAP financial measures, as well as certain discrete one-time income tax adjustments. This approach was consistent with how the Company evaluated operating performance, planned, forecasted and analyzed future periods, and assessed the performance of its management team.

In fiscal 2009, the Company began using a fixed, long-term projected tax rate of 28 percent internally to evaluate its operating performance, to forecast, plan and analyze future periods, and to assess the performance of its management team. Accordingly, the Company has applied the same 28 percent tax rate to its fiscal 2009 non-GAAP financial results.

Electronic Arts may consider whether other significant non-recurring items that arise in the future should also be excluded in calculating the non-GAAP financial measures it uses.

Electronic Arts believes that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding the Company's performance by excluding certain items that may not be indicative of the Company's core business, operating results or future outlook. Electronic Arts' management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing the Company's operating results both as a consolidated entity and at the business unit level, as well as when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate comparisons of the Company's performance to prior periods.

In addition to the reasons stated above, which are generally applicable to each of the items Electronic Arts excludes from its non-GAAP financial measures, the Company believes it is appropriate to exclude certain items for the following reasons:

Amortization of Intangibles. When analyzing the operating performance of an acquired entity, Electronic Arts' management focuses on the total return provided by the investment (*i.e.,* operating profit generated from the acquired entity as compared to the purchase price paid) without taking into consideration any allocations made for accounting purposes. Because the purchase price for an acquisition necessarily reflects the accounting value assigned to intangible assets (including acquired in-process technology and goodwill), when analyzing the operating performance of an acquisition in subsequent periods, the Company's management excludes the GAAP impact of acquired intangible assets to its financial results. Electronic Arts believes that such an approach is useful in understanding the long-term return provided by an acquisition and that investors benefit from a supplemental non-GAAP financial measure that excludes the accounting expense associated with acquired intangible assets.

In addition, in accordance with GAAP, Electronic Arts generally recognizes expenses for internally-developed intangible assets as they are incurred, notwithstanding the potential future benefit such assets may provide. Unlike internally-developed intangible assets, however, and also in accordance with GAAP, the Company generally capitalizes the cost of acquired intangible assets and recognizes that cost as an expense over the useful lives of the assets acquired (other than goodwill, which is not amortized, and acquired in-process technology, which is expensed immediately, as required under GAAP). As a result of their GAAP treatment, there is an inherent lack of comparability between the financial performance of internally-developed intangible assets and acquired intangible assets. Accordingly, Electronic Arts believes it is useful to provide, as a supplement to its GAAP operating results, a non-GAAP financial measure that excludes the amortization of acquired intangibles.

Stock-Based Compensation. Electronic Arts adopted SFAS 123(R), "*Share-Based Payment*" beginning in its fiscal year 2007. When evaluating the performance of its individual business units, the Company does not consider stock-based compensation charges. Likewise, the Company's management teams exclude stock-based compensation expense from their short and long-term operating plans. In contrast, the Company's management teams are held accountable for cash-based compensation and such amounts are included in their operating plans. Further, when considering the impact of equity award grants, Electronic Arts places a greater emphasis on overall shareholder dilution rather than the accounting charges associated with such grants.

Video game platforms have historically had a life cycle of four to six years, which causes the video game software market to be cyclical. The Company's management analyzes its business and operating performance in the context of these business cycles, comparing Electronic Arts' performance at similar stages of different cycles. For comparability purposes, Electronic Arts believes it is useful to provide a non-GAAP financial measure that excludes stock-based compensation in order to better understand the long-term performance of its core business.

Restructuring Charges. Although Electronic Arts has engaged in various restructuring activities in the past, each has been a discrete, extraordinary event based on a unique set of business objectives. Each of these restructurings has been unlike its predecessors in terms of its operational implementation, business impact and scope. The Company does not engage in restructuring activities on a regular basis or in the ordinary course of business. As such, the Company believes it is appropriate to exclude restructuring charges from its non-GAAP financial measures.

Change in Deferred Net Revenue (Packaged Goods and Digital Content). Beginning in fiscal 2008, Electronic Arts was no longer able to objectively determine the fair value of the online service included in certain of its packaged goods games and online content. As a result, the Company began recognizing the revenue from the sale of these games and content over the estimated online service period. Although Electronic Arts defers the recognition of a significant portion of its net revenue as a result of this change, there has been no adverse impact to its operating cash flow. Internally, Electronic Arts' management excludes the impact of the change in deferred net revenue related to packaged goods games and digital content in its non-GAAP financial measures when evaluating the Company's operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of its management team. The Company believes that excluding the impact of the change in deferred net revenue from its operating results is important to facilitate comparisons to prior periods during which the Company was able to objectively determine the fair value of the online service and not delay the recognition of significant amounts of net revenue related to online-enabled packaged goods.

Certain Abandoned Acquisition-Related Costs. Electronic Arts incurred significant legal, banking and other consulting fees related to the Company's proposed acquisition and related cash tender offer for all of the outstanding shares of Take-Two Interactive Software, Inc. On August 18, 2008, the Company allowed the tender offer to expire without purchasing any shares of Take-Two and, on September 14, 2008, the Company announced that it had terminated discussions with, and would not be making a proposal to acquire, Take-Two. The costs incurred in connection with the abandoned proposal and tender offer were outside the ordinary course of business and will be excluded by the Company when assessing the performance of its management team. As such, the Company believes it is appropriate to exclude such expenses from its non-GAAP financial measures.

Estimated Goodwill Impairment. Adverse economic conditions, including the decline in the Company's market capitalization and expected financial performance, indicated that a potential impairment of goodwill existed during the three months ended December 31, 2008. As a result, the Company performed goodwill impairment tests for its reporting units in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" and determined that goodwill related to its mobile reporting unit was impaired. As the Company excludes the GAAP impact of acquired intangible assets (such as goodwill) from its financial results when analyzing the operating performance of an acquisition in subsequent periods, Electronic Arts believes it is appropriate to exclude estimated goodwill impairment charges from its non-GAAP financial measures.

In its earnings press release dated February 3, 2009, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measure to each of the historical non-GAAP financial measures.

Safe Harbor Statement

Some statements set forth in this document, including the estimates relating to operating expense reductions in fiscal year 2010, charges that the Company will incur in connection with its restructuring plan and estimates relating to EA's fiscal year 2009 and 2010 guidance information contain forward-looking statements that are subject to change. Statements including words such as "anticipate", "believe", "estimate" or "expect" and statements in the future tense are forward-looking statements. These forward-looking statements are preliminary estimates and expectations based on current information and are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth in the forward-looking statements. Some of the factors which could cause the Company's results to differ materially from its expectations include the following: the Company's ability to successfully implement its cost reduction plans; sales of the Company's titles during the remainder of fiscal year 2009 and fiscal year 2010; the general health of the U.S. and global economy and the related impact on discretionary consumer spending; fluctuations in foreign exchange rates; consumer spending trends; the Company's ability to manage expenses during the remainder of the fiscal year and beyond; the competition in the interactive entertainment industry; the effectiveness of the Company's sales and marketing programs; timely development and release of Electronic Arts' products; the consumer demand for, and the availability of an adequate supply of console hardware units (including the Xbox 360® video game and entertainment system, the PLAYSTATION®3 computer entertainment system and the Wii™); consumer demand for software for the PlayStation 2; the Company's ability to predict consumer preferences among competing hardware platforms; the financial impact of potential future acquisitions by EA; the Company's ability to realize the anticipated benefits of acquisitions; the seasonal and cyclical nature of the interactive game segment; the Company's ability to attract and retain key personnel; changes in the Company's effective tax rates; the performance of strategic investments; the impact of certain accounting requirements, such as the Company's ability to estimate and recognize goodwill impairment charges and make tax valuation allowances; adoption of new accounting regulations and standards; potential regulation of the Company's products in key territories; developments in the law regarding protection of the Company's products; the Company's ability to secure licenses to valuable entertainment properties on favorable terms; and other factors described in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008. These forward-looking statements speak only as of February 3, 2009. Electronic Arts assumes no obligation and does not intend to update these forward-looking statements. In addition, the preliminary financial results set forth in this release are estimates based on information currently available to Electronic Arts. While Electronic Arts believes these estimates are meaningful, they could differ from the actual amounts that Electronic Arts ultimately reports in its Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2008. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended December 31, 2008.