Earnings Conference Call
Third Quarter Fiscal 2008
December 31, 2007

Today's Call

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EA Conference Call

Welcome and Safe Harbor

Welcome to our third quarter fiscal 2008 earnings call.

Today on the call we have John Riccitiello – Chief Executive Officer and Warren Jenson – Chief Financial and Administrative 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 the 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. Non-GAAP measures exclude charges and related income tax effects associated with:

- acquired in-process technology,
- amortization of intangibles,
- certain litigation expenses,
- losses on strategic investments,
- restructuring charges,
- stock-based compensation and
- the impact of the change in deferred net revenue related to packaged goods and digital content.

In addition, the Company's non-GAAP results exclude the impact of certain one-time income tax adjustments.

EA Conference Call

Welcome and Safe Harbor

Our earnings release provides a reconciliation of our GAAP to non-GAAP measures. In addition, we include a detailed GAAP to non-GAAP reconciliation on our website.

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.

All references to “current generation systems” include the Xbox 360, the PS3 and the Wii. We are now referring to the PS2, Xbox and GameCube as “legacy systems”.

We have also included our industry hardware estimates and trailing twelve month platform shares in a supplemental schedule on our website.

EA Conference Call

Welcome and Safe Harbor

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-K and 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 January 31, 2008 and disclaim any duty to update them.

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

Strategic Update

Q308 Update

Thanks, Tricia. Before I turn the call over to Warren – let me take a few minutes and comment on our holiday quarter and our fiscal fourth quarter.

I would categorize our Q3 performance as solid – but mixed.

Strategic Update

Q308 Update

On the positive side:

- We delivered on the top and bottom line guidance we provided for the quarter.
- Our top line revenue of $1.73 billion (ex deferral) was the highest in EA's history and represents the single biggest revenue quarter for any third party publisher in our industry.
- We were very pleased with our European results – which came in stronger than expected even excluding the impact of foreign exchange. Titles like FIFA, Need for Speed and The Simpsons – all charted in the Top 10 in Europe.
- Our co-publishing and distribution business delivered big – revenue in the quarter was $372 million (ex deferral) up more than 7 times that of last year. Rockband, Orange Box and Crysis – all exceeded expectations. EA Partners is a core part of building our business and segment shares.
- We closed 2007 as the number one third party publisher on quality as measured by metacritic – and we were pleased with the progress on several titles, including: FIFA 08, NBA Live 08, NHL 08 and SKATE and the recently published Burnout Paradise.
- Finally – we closed calendar 2007 as the number one publisher (across all platforms) with 18 percent share in North America and 19 percent in Europe.

Strategic Update

Q308 Update

On the downside:

- While we are the third party quality leader – we are not satisfied with where we are. We did not have any internally developed breakaway titles and no one of EA's internally developed titles reached a metacritic rating of 90 or greater. This hit us particularly hard in North America where EA faced tough competition on a number of fronts. In North America excluding EA Partners – our business was essentially flat in a very robust market.
- As anticipated our calendar year shares were down. In both North America and Europe we lost three points. Although we hit our numbers and had anticipated our share losses – losing share is just not acceptable. Rebuilding share is a top priority.
- Lastly – while we made progress in arresting our headcount growth in our internal studios – we are still not quite where we want to be in terms of operating leverage.

Strategic Update

Q308 Update

Looking ahead to Q4 – When I came back to EA I made a commitment to invest in quality both because I believe it is the right decision for the long term financial health of the company and because it is what our consumers have a right to expect. This is an important principle, even if it results in short term pain. We have made the decision to move Battlefield Bad Company and Mercenaries 2 into fiscal 2009. Both titles are looking great, and we believe with additional polish we will build a better consumer experience and thereby maximize our economics. However – our Q4 bottom line guidance will be negatively impacted.

Strategic Update

Q308 Update

Finally – I look forward to seeing you in two weeks at our analyst day. We will discuss our long term strategies focusing on the four priorities we have shared with you during each of our calls this fiscal year.

1. Segment shares – we will outline our strategies to expand our shares.

2. Cost efficiency and productivity – we will share our goals for operating profitability at the peak of this cycle.

3. Expanding our digital revenue streams – we will outline plans for expanding our many digital revenue streams and the impact these new revenue sources can have on our operating margins.

4. Smart M&A - we will outline our strategic priorities and focus.

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

Highlights

Our Performance

Thanks, John. Good afternoon everyone.

We'd like to begin with a few highlights.

Our Q3 financial performance met our expectations.

For the quarter –

- **GAAP Revenue was $1.5 billion** up $222 million – despite a $231 million sequential increase in net deferred revenue.
- **Revenue (ex deferral)* was a record $1.73 billion** – up 35 percent or $453 million. Excluding the impact of foreign exchange – revenue (ex deferral) was up 28 percent.
- **GAAP diluted loss per share was ($0.10) vs. earnings per share of $0.50 a year ago.**
- **Non-GAAP diluted earnings per share* were $0.90 vs. $0.63 a year ago** – up 43 percent year-over-year.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document*

Highlights

Our Performance

A few highlights:

- **Need for Speed was our best selling title in the quarter – selling over 5.5 million copies –** with over 65 percent internationally. Although we would never call this performance a disappointment – units and revenue were down year-over-year.
- **FIFA 08 continued to perform** – selling over 4.5 million copies in the quarter. We had a strong North America launch with units up more than 25 percent. On a year to date basis – FIFA 08 is EA's best performing title. The innovation in this game is outstanding.
- **The Simpsons Game had a terrific debut selling four million copies** – exceeding our expectations. We are pleased to have another successful and global entertainment franchise in our portfolio.
- **Madden NFL 08 sold over 2.5 million copies in the quarter.** Year to date Madden has sold more than seven million copies down 13 percent year-over-year.
- **NBA Live 08 sold over 2 million copies**
- **Rock Band – had a strong debut selling 1.5 million copies** – beating our expectations even with supply constraints.

Highlights

Our Performance

Several titles did well against direct competitors

- **SKATE** – a new and highly rated IP from our Black Box studio outperformed an entrenched competitor. Despite the fact that we launched on three fewer platforms – we realized a 55 percent revenue share in North America. On current generation systems – SKATE outsold Tony Hawk nearly 2 to 1.
- **Rock Band** has redefined the music category. Despite a supply-constrained launch – Rock Band had 16 percent unit share and 27 percent dollar share in North America. Rock Band has quickly become the critics' favorite – claiming eight awards including – game of the year from Xbox Magazine and consumer publications like Wired. We look forward to its launch in Europe and the global Wii launch in Q109.
- **NBA Live 08** – has turned the corner on quality and is getting back on track. It garnered over 60 percent dollar and unit share against NBA 2K8 and is the top selling current generation basketball game. Looking ahead we expect even better results next year.
- **FIFA 08** – really hit the mark this year and is taking share from a well established competitor. We estimate FIFA 08 had a 56 percent dollar share – up seven points year-over-year.

Highlights

Our Performance

We continued to see growth in digital (online & mobile). On a trailing twelve month basis our digital revenue reached a record $170 million – up 47 percent. Our Pogo business delivered $95 million of revenue on a trailing twelve month basis.

And finally – we closed the acquisition of the BioWare and Pandemic studios – and welcome their teams to EA.

EA Conference Call

Agenda

For the next few minutes – I'll focus my remarks in two areas:

First – I'll cover our Q3 financial results,

Second – I'll go over our outlook and financial guidance.

And then following my comments – John and I will open the call to your questions.

Third Quarter Fiscal 2008

Net Revenue

Q3

Revenue (ex deferral)* was $1.734 billion – up 35 percent from a year ago. Excluding the impact of foreign exchange – revenue increased 28 percent. Revenue was driven by Need for Speed Pro Street, FIFA 08, Rock Band and The Simpsons Game.

Need for Speed Pro Street, Rock Band, The Simpsons, Half Life 2 Orange Box, Sims 2 Castaway, NBA Live 08 and Crysis all went platinum in the quarter. Year to date – we have 23 titles that have sold over one million copies – up five from a year ago.

We released 37 EA SKUs vs. 41 last year.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Third Quarter Fiscal 2008

Net Revenue by Platform

Console revenue (ex deferral)* was $876 million – up 19 percent. Current generation revenue offset the declines in legacy consoles. Current gen revenue (ex deferral) was $548 million – up 126 percent. The PS2 continued to be the most significant platform over the holidays with revenue of $324 million. For the calendar year our segment share on the Wii was 15 percent in Europe – up 11 points – and 12 percent in North America – up 3 points.

Mobile phone revenue was $38 million – up nine percent due to growth in Europe. We had three of the top-ten games in North America** and two of the top-ten in the UK**.

Handheld revenue (ex deferral)* was $235 million – up 21 percent. NDS was our best performing handheld platform with revenue of $122 million – over 2x that of last year driven by My Sims, Sims Castaway and The Simpsons. Revenue (ex deferral)* from the PSP was down six percent due to fewer SKUs.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

*** Source: North America – October - November 2007 Telephia; UK November 2007 ELSPA*

Third Quarter Fiscal 2008

Net Revenue by Platform

PC revenue (ex deferral)* was $153 million – down 30 percent due to last year's strength of The Sims and Battlefield franchises.

Co-Publishing and Distribution revenue (ex deferral) was $372 million – up over 7x from last year due to our strong line up of titles – Rock Band, Half Life 2 Orange Box, Crysis and Hellgate London.

Internet, Licensing, Advertising and Other (ex deferral) revenue was $60 million.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Third Quarter Fiscal 2008

Net Revenue by Geography / Foreign Exchange Impact

Geographically.

North America revenue (ex deferral)* was $861 million – up $224 million – or 35 percent. The increase was primarily driven by EA Partners. Current gen revenue was $288 million – up 79 percent. Legacy systems declined 45 percent year-over-year.

International revenue (ex deferral)* was $873 million – up $229 million – or 36 percent. Excluding an $85 million positive impact from foreign exchange – international revenue (ex deferral)* would have increased 22 percent.

- **Europe revenue (ex deferral)* was $792 million – up $209 million or 36 percent driven by Need for Speed, FIFA, The Simpsons and Crysis.** Excluding a $77 million benefit from foreign exchange – Europe revenue (ex deferral)* would have increased 23 percent. The increase was driven by the PS3, co-publishing and distribution, Wii and the NDS. Legacy systems declined 23 percent year-over-year.
- **Asia revenue (ex deferral)* was $81 million – up $20 million or 33 percent.**

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Third Quarter Fiscal 2008

Gross Profit / Margin

Moving on to the rest of the income statement.

GAAP Gross Profit in the quarter was $721 million – down 11 percent due to the revenue deferral.

GAAP Gross Margin was 48.0 percent vs. 63.3 – down 15.3 percentage points as a result of the revenue deferral and due to a higher mix of co-publishing and distribution revenue.

Non-GAAP Gross Profit* was $959 million – up 17 percent.

Non-GAAP Gross Margin* was 55.3 percent vs. 63.9 percent – down 8.6 margin points due to a higher mix of co-publishing and distribution revenue.

Please remember that while EA Partner revenue will pressure our gross margin – it does contribute importantly to our bottom line.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Third Quarter Fiscal 2008

Operating Expenses

Op Ex

Marketing and Sales. Marketing and sales expense, excluding stock-based comp, was $208 million* – up $48 million primarily due to higher advertising spend. As a percentage of revenue (ex deferral) – sales and marketing was 12 percent – consistent with last year.

General and Administrative. G&A, excluding stock-based comp, was $84 million* – up $3 million.

Research and Development. R&D, excluding stock-based comp, was $300 million* – down $10 million due to lower incentive based compensation.

R&D headcount was ~ 5,800** – flat to last year and down 300 sequentially. Headcount in high cost locations dropped by 400 or 8 percent year over year. Today approximately 17 percent of our R&D headcount is in a low cost location – up from 11 percent a year ago.

We expect BioWare and Pandemic to add roughly $30 million of R&D in Q4.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

*** Excludes 200 that were part of the headcount reduction that are seeking outplacement services.*

**** Shanghai, India, Romania, Montreal and Spain.*

Third Quarter Fiscal 2008

Operating Expense

Restructuring. Our previously announced reorganization plan resulted in $77 million of restructuring expense related to our facility closures (Chertsey & Chicago), contract terminations and staff reductions.

Third Quarter Fiscal 2008

Bottom Line

GAAP Diluted Loss per Share was ($0.10) vs. diluted earnings per share of $0.50 a year ago.

Non-GAAP Diluted Earnings per Share* were $0.90 vs. $0.63 a year ago – up 43 percent.

The $1.00 difference between GAAP loss per share and non-GAAP EPS was due to the change in deferred revenue ($0.61), restructuring ($0.22), stock-based compensation ($0.10), loss on strategic investments ($0.04) and amortization of intangibles ($0.03).

Our trailing 12 month operating cash flow was $267 million vs. $520 million for the comparable period. The decline was primarily a result of the timing of our sales. We expect our cash flow for the full fiscal year to rebound and be approximately $400 million – consistent with last year.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Third Quarter Fiscal 2008

Balance Sheet

Now on to the Balance Sheet.

Cash and short-term investments were $2.6 billion – up $400 million from last quarter.

Marketable equity securities and Investments in Affiliates were $866 million – up $117 million sequentially.

In our equity portfolio we had approximately $500 million of net gains – comprised of a $588 million gain on Ubisoft and a $100 million loss on Neowiz and The9. Of the $100 million – we recognized a loss of $12 million in the P&L this quarter. Depending upon market conditions – further write-downs could be required.

Third Quarter Fiscal 2008

Balance Sheet

Gross accounts receivable were $1.089 billion vs. $779 million a year ago – an increase of 40 percent primarily due to the growth in revenue (ex deferral) and the timing of our release schedule.

Reserves against outstanding receivables totaled $259 million – up $31 million from a year ago. Reserve levels were 10 percent as a percentage of trailing six month net revenue (ex deferral) – down one point. As a percentage of trailing nine month net revenue (ex deferral) – reserves were 8 percent – also down one point.

Inventory was $178 million – up $106 million from last year – primarily due to Rock Band inventory that was in staging or in transit and also due to the growth of our business.

Deferred net revenue from packaged goods and digital content was $595 million – up $231 million sequentially.

2008 Outlook

Industry / EA

Now our Outlook –

Before we get into the numbers – let me share our thoughts on the year ahead for the industry and for EA.

First – on the industry. We expect that software sales in North America and Europe will be up in the low double digits for calendar 2008 driven by a three horse race on consoles, continued strength in the handheld market and an another great year for software.

You can find our hardware assumptions on our website.

2008 Outlook

Industry / EA

Second – on EA.

Let me say from the outset – that we do not intend to give fiscal 2009 guidance on this call or at our analyst day. We are in the process of finalizing our operating plan – and it's just too early to get specific. That said – we want to share some color on our fiscal 2009 line up:

- We expect to launch over 10 new titles – including SPORE, Dead Space, Battlefield Bad Company, Dragon Age, Boom Blox, Monopoly, Mercenaries 2, UEFA Soccer, Lord of the Rings, Mirror's Edge, Tiberium, Sim Animals, Saboteur and Face Breaker.

- On the Nintendo Platforms – we plan to continue to improve our position. In fiscal 2009 we expect to ship 20+ titles for the Wii and over 15 NDS titles.

- In online – we expect to launch Warhammer in North America, Europe and Asia and Battlefield Heroes in North America and Europe. We also have several mid-session games in the works for Asia – including FIFA Online in China and NBA Street for Taiwan.

- In EA Mobile – in addition to our existing franchises – we expect to launch Spore, My Sims and a healthy offering of Hasbro titles.

Financial Guidance

Fourth Quarter Ending March 31, 2008

Now our guidance for the fourth quarter.

As John mentioned – we are lowering our bottom line estimates for the fourth quarter. This is the result of some ups and downs –

- First – two high-margin titles – Battlefield Bad Company and Mercenaries 2 – are now shipping in fiscal 2009.
- Second – we now expect Rock Band to ship in Europe in Q109.
- Third – on the positive side – we anticipate more Rock Band revenue in North America in Q4 vs. our prior estimates due to significant demand.

The result of all of these changes – is that our revenue guidance remains largely unchanged – but our bottom line will be negatively impacted by the shift in product mix – more co-publishing and distribution revenue and less high-margin owned IP.

Financial Guidance

Fourth Quarter Ending March 31, 2008

Now the numbers. Let me remind everyone that a one page summary of our financial guidance will be included with the call script on our website. Hopefully this will assist you to build your GAAP and non-GAAP models.

Our estimates include the projected impact of the BioWare and Pandemic acquisition.

For the quarter ending March 31.

First our GAAP guidance.

For the quarter, we expect –

- Revenue to be between $925 and $1.05 billion.
- Loss per share to be between ($0.52) and ($0.33)
- Gross margin to be between 60 and 62 percent.
- Basic share count to be 316 million.

Financial Guidance

Fourth Quarter Ending March 31, 2008

Now our non-GAAP guidance.

For the quarter, we expect –

- Revenue (ex deferral) to be between $775 and $850 million*.
- Non-GAAP earnings per share to be roughly breakeven*.
- Non-GAAP gross margin to be between 52 and 54 percent*.
- Basic share count to be 316 million.
- Diluted share count to be 325 million.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Financial Guidance

Fourth Quarter Ending March 31, 2008

Overall – we expect our non-GAAP EPS* to be roughly $0.35 to $0.49 better than our GAAP results. The estimated break-down of these adjustments is as follows:

- Change in deferred revenue related to packaged goods and digital content to be a credit of between ($0.52) and ($0.38).
- Acquisition-related charges – approximately $0.65
- Stock-based compensation – approximately $0.14.
- Amortization of intangible assets – roughly $0.05.
- Restructuring charges – approximately $0.03.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Financial Guidance

Fourth Quarter Ending March 31, 2008

In Q4 – from our EA studios, we expect to ship 16 SKUs – compared to 27 a year ago.

To date – we have shipped:

- Burnout Paradise on the PS3 and Xbox 360 – which is coming in with strong metacritic reviews. Compared to Burnout Revenge – our first week sell thru at retail is up over 20 percent year-over-year.
- NFL Tour on the PS3 and Xbox 360
- Sims Carnival for the PC
- Sims Carnival Bumper Blast and Snap City for the PC

Financial Guidance

Fourth Quarter Ending March 31, 2008

In addition – we plan to launch:

- FIFA Street 3 on three platforms (PS3, Xbox 360, NDS)
- Army of Two on the PS3 and Xbox 360
- Need for Speed Pro Street on the PSP
- Command and Conquer 3: Kane's Wrath Expansion Pack for the PC
- The Sims 2 Free Time for the PC
- The Sims Castaway Stories for the PC

Financial Guidance

Fourth Quarter Ending March 31, 2008

From our EA Partners Business – we plan to ship

- Ninja Reflex for the Wii and NDS
- In addition – we are unbundling Orange Box and releasing separate PC SKUs – Half Life 2: Episode 2, Portal and Team Fortress.

We are also launching three games for the Mac – Medal of Honor Airborne, Need for Speed Pro Street and The Sims Castaway Stories.

For wireless – we plan to launch eight games – Tetris 3D, Command and Conquer, Sims Pool, Sims Castaway, Monopoly Here and Now, FIFA Manager (Europe only), Merv Griffen Crosswords (NA only), Asterix @ the Olympics (Europe only)

Financial Guidance

Fiscal Year Ending March 31, 2008

Full Year Guidance.

For the full year, we expect:

- Revenue to be between $3.462 and $3.587 billion – as compared with our previous guidance of between $3.35 and $3.65 billion
- Diluted loss per share to be between ($1.67) and ($1.48)* – as compared with our previous guidance of between ($1.60) and ($0.91)
- Gross margin to be between 50 and 52 percent.
- Basic share count to be 317 million.

Financial Guidance

Fiscal Year Ending March 31, 2008

Now – our non-GAAP guidance.

For the full year – we expect:

- Revenue (ex deferral) to be between $3.875 and $3.950 billion* – you'll notice we have tightened our revenue range toward the high end of our previous guidance.
- Non-GAAP diluted earnings per share to be between $0.93 and $0.98* – we tightened our range in this case to the lower end of our previous guidance.
- Non-GAAP gross margin to be 55 to 57 percent*.
- Diluted share count to be 322 million.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

Financial Guidance

Fiscal Year Ending March 31, 2008

Overall – we expect our non-GAAP EPS* to be roughly $2.46 – $2.60 better than our GAAP results. The estimated break-down of these adjustments is as follows:

- Change in deferred revenue related to packaged goods and digital content to be between $0.92 and $1.06.
- Acquisition-related charges – approximately $0.65.
- Stock-based compensation – approximately $0.41.
- Restructuring charges – approximately $0.27.
- Amortization of intangible assets – roughly $0.15.
- Losses on strategic investments – $0.04.
- The difference between diluted and basic share count – approximately $0.02.

* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 40 of this document.*

EA Conference Call

Summary

With that – we'll be happy to take your questions.

EA Conference Call

Safe Harbor Statement

Some statements set forth in this presentation, including the estimates under the headings “2008 Outlook” and “Financial Guidance” 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 subject to 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: timely development and release of Electronic Arts’ products; competition in the interactive entertainment industry; the Company’s ability to successfully implement its reorganization plans; 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 legacy consoles, particularly the PlayStation 2; the Company’s ability to predict consumer preferences among competing hardware platforms; the Company’s ability to realize the anticipated benefits of its acquisition of VG Holding Corp.; consumer spending trends; the seasonal and cyclical nature of the interactive game segment; the Company’s ability to manage expenses during the remainder of fiscal year 2008 and beyond; the Company’s ability to attract and retain key personnel; changes in the Company’s effective tax rates; 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; fluctuations in foreign exchange rates; the Company’s ability to secure licenses to valuable entertainment properties on favorable terms; and other factors described in the Company’s Annual Report on Form 10-K for the year ended March 31, 2007 and Quarterly Report for the quarter ended September 30, 2007. These forward-looking statements speak only as of January 31, 2008. Electronic Arts assumes no obligation and does not intend to update these forward-looking statements, including those made under the headings “2008 Outlook” and “Financial Guidance”. In addition, the financial results set forth in this presentation 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, 2007. 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, 2007.

EA Conference Call

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 from the Company's unaudited condensed consolidated statements of operations: the impact of the change in deferred net revenue (packaged goods and digital content); acquired in-process technology; amortization of intangibles; certain litigation expenses; losses on strategic investments; restructuring charges; stock-based compensation; and income tax adjustments (consisting of the income tax effect of the foregoing items and certain one-time income tax adjustments). 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. Electronic Arts has provided a reconciliation of the most comparable GAAP financial measure to each non-GAAP financial measure in its earnings press release dated January 31, 2008.

Financial Guidance Summary

Fiscal 2008 and Q4 2008

($ in Millions, except per share data)

	GAAP			Non-GAAP		
Net Revenue						
Fiscal Year 2008	$3,462	-	$3,587	$3,875	-	$3,950
Q4 2008	$925	-	$1,050	$775	-	$850
Gross Margin - %						
Fiscal Year 2008	50%	-	52%	55%	-	57%
Q4 2008	60%	-	62%	52%	-	54%
Diluted EPS						
Fiscal Year 2008	($1.67)	-	($1.48)	$0.93	-	$0.98
Q4 2008	($0.52)	-	($0.33)	($0.03)	-	$0.02
Share Count (MM)						
Fiscal Year 2008	317 (basic)			322 (diluted)		
Q4 2008	316 (basic)			316 (basic) / 325 (diluted)		

Reconciliation of GAAP to Non-GAAP EPS

Fiscal 2008 and Q4 2008

	Q4 2008			FY 2008		
Non-GAAP EPS Guidance	($0.03)	-	$0.02	$0.93	-	$0.98
Change in deferred net revenue (packaged goods and digital content)	$0.38	-	$0.52	($1.06)	-	($0.92)
Acquisition-related charges	($0.65)	-	($0.65)	($0.65)	-	($0.65)
Amortization of intangibles	($0.05)	-	($0.05)	($0.15)	-	($0.15)
Restructuring charges	($0.03)	-	($0.03)	($0.27)	-	($0.27)
Stock-based compensation	($0.14)	-	($0.14)	($0.41)	-	($0.41)
Loss on strategic investments	$0.00		$0.00	($0.04)	-	($0.04)
Share count dilution	$0.00		$0.00	($0.02)	-	($0.02)
GAAP EPS Guidance	($0.52)	-	($0.33)	($1.67)	-	($1.48)