ELECTRONIC ARTS

Q2 FY11 PREPARED COMMENTS

NOVEMBER 2, 2010

Peter Ausnit:

Thank you.

Welcome to EA's fiscal 2011 second quarter earnings call. Today on the call we have John Riccitiello, our Chief Executive Officer, Eric Brown, our Chief Financial Officer and John Schappert, our Chief Operating Officer.

Please note that our SEC filings and our earnings release are available at investor.ea.com. In addition, we have posted earnings slides to accompany our prepared remarks. Lastly, after the call, we will post our prepared remarks, an audio replay of this call, and a transcript.

This presentation and our comments include forward-looking statements regarding future events and the future financial performance of the Company. Actual events and results may differ materially from our expectations. We refer you to our most recent Form 10-Q for a discussion of risks that could cause actual results to differ materially from those discussed today. Electronic Arts makes these statements as of November 2nd, 2010 and disclaims any duty to update them.

Throughout this call, we will discuss both GAAP and non-GAAP financial measures. Our earnings release and the earnings slides provide a reconciliation of our GAAP to non-GAAP measures. These non-GAAP measures are not intended to be considered in isolation from, as a substitute for, or superior to our GAAP results. 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 in the prior year unless otherwise stated.

Now, I'll turn the call over to John Riccitiello. John?

John Riccitiello:

Thanks Peter.

We are pleased to report a strong Q2 with revenues and EPS above expectations. This completes a strong first half of FY11.

EA continues to focus on three strategic objectives to drive shareholder value:

Producing fewer, bigger, better packaged goods games…

Driving growth in digital…

Controlling cost and creating operating efficiencies.

In Q2, we delivered against all three objectives.

A great example of fewer, bigger, better games is *FIFA 11*. This title owes its success in the marketplace to our ability to deliver top quality games, on time, with effective marketing support. *FIFA* sales are up 20% versus last year on a comparable basis with sell-in approaching 8 million units.

We grew digital revenue by 35% year-over-year in the first half of FY11 through a combination of paid downloadable content, social games, and our success on the iPad and iPhone. We are also making excellent progress on digital revenue derived from our core packaged goods titles. DLC revenue on packaged goods is up 200% year-over-year. In Q2, we also implemented EA SPORTS Online pass, which creates yet another digital revenue stream from games that start with a disk.

We remain on track to reduce annualized operating expenses by $100 million this year thanks to a better leveraged product portfolio, more efficient marketing, global sourcing, and shared technologies. EA is focused on cost containment and Eric will discuss our restructuring plan to reduce key licensing and development costs further starting in FY12.

While we are ahead of our plan at the mid-year point, we still have most of the year ahead of us in terms of revenue and earnings. We are maintaining full year guidance, top and bottom line.

Now let me step back and offer a take on the industry. The game industry is growing; Digital is growing by 25% to 30%, and we're seeing solid double-digit growth in the high-definition packaged goods segments.

Packaged software sales for PC and High Definition Consoles are expected to be up in the mid-teens in the current calendar year, whereas standard definition software for the Wii and dedicated handhelds are expected to be down sharply. What we are seeing is three distinct market segments – strong growth in digital, strong growth in high definition packaged, and declines for Wii and handheld software. This distinction is highly relevant for investors, but often lost in broader headlines about packaged goods trends as reported by NPD.

Before I turn it over to Eric, I want to thank our studio and publishing teams for great execution in Q2.

Eric?

Eric Brown:

Thank you, John.

Q2 results exceeded our expectations for both non-GAAP revenue and non-GAAP EPS. Non-GAAP revenue of $884 million reflects our efforts to build digital revenue and drive packaged goods hits, with notable contributions from the worldwide launch of *FIFA 11* and strong catalog sales. Combined with higher gross margins and delayed expense phasing, Q2 revenue upside translated to non-GAAP EPS of $0.10, which was better than our expectations of a non-GAAP loss of ($0.15) to ($0.10) per share for the quarter.

Q2 non-GAAP net revenue was $884 million, down 23% year-over-year, as expected, on fewer titles. On a GAAP basis, net revenue was $631 million. Non-GAAP revenue was down, on a lighter title schedule compared to Q2 last year, which had nine titles including *The Beatles™: Rock Band* and *Need for Speed Shift* in its launch schedule. Q2 GAAP net revenue of $631 million was down by 20% year-over-year.

The effect of foreign exchange rates on non-GAAP revenue year-over-year was an adverse impact of $23 million this quarter.

Q2 non-GAAP gross profit margin was 59.2% compared to 48.4% a year ago due to lower distribution revenues, a higher mix of EA-owned catalog titles, and a greater percentage of digital revenues at higher margins. On a GAAP basis, gross profit margin was 42.5% versus 24.7% a year ago.

Q2 non-GAAP operating income was $39 million versus non-GAAP operating income of $19 million a year ago. On a GAAP basis, operating loss was ($252) million versus an operating loss of ($417) million a year ago.

Non-GAAP earnings per share was $0.10 versus $0.06 a year ago. GAAP diluted loss per share was ($0.61) versus a diluted loss per share of ($1.21) a year ago.

Headcount – we ended the quarter with 7,820 employees versus 8,829 a year ago and 7,758 in Q1 FY11. 22% of our employees are now in low cost locations.

Cash flow from operations this quarter totaled negative ($134) million versus positive $6 million a year ago. Our trailing 12 month operating cash flow has increased significantly, growing from $105 million in the twelve months ended Q2 last year to $192 million in the twelve months ended Q2 FY11. At the same time, capital expenditures have declined, excluding the purchase of our headquarters facilities. This has led to an increase in free cash flow from $19 million to $131 million in the twelve months just ended. EA remains on track to generate $250 to $300 million in operating cash flow this year.

EA has approximately **$5.00 per share in cash**, **short-term investments, and marketable securities**.

Inventory levels were well managed in the quarter and fell to $155 million from $250 million in the prior year. We are carrying significantly less distribution related inventory compared to last year.

Reserves for Sales Returns and Allowances, as a percentage of trailing six month non-GAAP net revenue, were 11%, up from 10% a year ago, and are down on a nine month basis to 7% from 8% last year.

Overall, the worldwide interactive entertainment segment, inclusive of packaged goods and digital, is flat to up 5% on a calendar year-to-date basis.

Consumers are moving towards high definition platforms and touch-enabled smart phones and tablets, built on Apple iOS, Google Android, and Windows Phone 7.

The **digital segment** continues to perform well. We estimate that the digital sector worldwide is growing at 25% to 30% year-over-year on an annualized basis, and that the September quarter was also strong.

In **packaged goods**, we continue to see strength in the **high definition console plus PC software market**, which we estimate is up 25% year-over-year in the Western World for the quarter and is up approximately 15% calendar year-to-date. This trend plays into our strength given our share position on high definition consoles and our market leadership on the PC.

Packaged software sales for standard definition and handheld platforms, including the Wii, PS2, PSP, and Nintendo DS, are down, we estimate, by approximately 32% in the quarter and calendar year-to-date. Particular areas of weakness are the Nintendo Wii and the music category, where EA has less exposure. In the Western World, Wii software is down 34% and music is down by 60%, year-over-year for the quarter.

We estimate that the **total Western World packaged goods software market** is down 2% year-over-year for the September quarter and down 4% on a calendar year-to-date basis. We see Europe performing better than North America, with Europe packaged goods software remaining flat compared to a decrease of 8% for North America. For the September quarter, Europe was up 2% year-over-year while North America was down 6%.

Turning to market share, EA was the number 1 publisher for the quarter and calendar year to date. Our share in Q2 FY11 was 21% overall with 23% in North America and 20% in Europe. Our calendar year-to-date share was 18% overall with 19% in North America and 17% in Europe. On a trailing twelve month basis, EA's Western World packaged goods share is stable at 18%, with 16% share coming from EA published titles excluding distribution, versus 15% a year ago.

In Q2, our **key frontline packaged goods** titles were *FIFA 11* and *Madden NFL 11,* which sold-in over six and three million units in the quarter, respectively.

Tiger Woods PGA TOUR 11, Battlefield: Bad Company 2, The Sims 3 and *FIFA 10* were **strong catalogue titles**. Our mix of catalogue revenue was 16% for Q2. We attribute this continued strength in catalogue sales to higher quality and the fact that almost of our games now have digital content extensions and feature online multi-player modes.

Q2 non-GAAP **digital revenue increased by 20%** from $138 million to $166 million year-over-year, comprising 19% of total revenue this quarter. This is the result of increases in PC digital distribution and console downloadable content. Mobile revenue was down slightly year-over-year at $49 million with growth in smart phone related revenue approximately compensating for a reduction in feature phone related revenue.

We now have over 80 million registered users in our Nucleus consumer registration system, up from 41 million a year ago. Titles like *FIFA*, *Battlefield: Bad Company 2* and *Madden NFL 11* drove registrations in Q2. Approximately 20% of registered users are active on a monthly basis.

EA has 49 million monthly active social game users (MAUs) and 8.5 million daily active users (DAUs). Playfish experienced improved monetization on the continued strength of *Pet Society, Restaurant City, FIFA Superstars* and *Madden Superstars*.

For the twelve months ended Q2 FY11, non-GAAP gross profit margins improved by over seven points, from 50.5% to 57.8% on an improved mix of EA published titles and higher digital revenue. Trailing 12 month non-GAAP operating margins improved from 1.8% to 3.3%.

Before moving into guidance, I would like to comment on two Q3 items.

First, EA purchased **Chillingo**, a leading publisher of iPhone and iPad games. Chillingo publishes two of the top grossing mobile games, *Angry Birds* and *Cut the Rope*. The total purchase price was $17 million upfront, with up to another $12 million in earnout over the next three years. Chillingo has the industry leading mobile publishing platform, which we intend to leverage across EAi.

Second, we announced a plan to **restructure** key licensing and development agreements to improve the long-term profitability of our packaged goods business. Consequently, we expect to incur one-time GAAP charges of up to approximately $180 million in the second half of FY11. Benefits of the restructuring are expected starting in fiscal 2012 and beyond.

I'd like to highlight a few points about this restructuring:

First, with these actions, there is no significant overall change in the total payments for licenses and contracts. We are, in large part, setting aside rights we won't be using. Net, there is an incremental cash outlay of only $10 million versus existing contractual amounts.

Second, there are other contracts that are also being negotiated that do not qualify as part of this restructuring. While we won't discuss the details of any one deal, we are addressing structural issues on contracts that were signed years ago, under significantly different market conditions.

Third, while some employees are impacted by this restructuring, it is a relatively small number. This is not a major personnel reorganization. We are continuing to hire in selected franchise teams and our digital businesses.

Once restructured, we expect that these deals will improve our long-term profitability, provide higher rates of return under current market conditions and provide us with downside protection should there be a league lockout.

For full year guidance, we are <u>reaffirming</u> our non-GAAP revenue and EPS ranges for fiscal 2011.

The first topic I would like to address is why we are keeping full year revenue and EPS guidance unchanged, despite $0.20 of non GAAP EPS over performance in Q2 versus prior guidance. The answer is straightforward:

First, we were able to bring the original Q3 launch of *FIFA 11* in North America forward into Q2 for a simultaneous release with Europe; this is approximately $0.05 worth of EPS phased from the second half of the year into Q2.

Second, we just announced the cancellation of *NBA Elite 11*. This is a loss of approximately $0.05 of EPS in the second half of FY11.

Third, we were able to delay expenses for marketing, contracted services and other items out of Q2 into the second half of the year; this is approximately negative ($0.05) worth of EPS moved from Q2 into the second half.

That adds to $0.15, and we carry the remaining $0.05 of Q2 EPS upside into the second half of the year as additional buffer against title level performance in the key peak season.

Currency exchange rates remain volatile and rate changes impact our reported revenue more than non-GAAP EPS thanks to natural hedges in our business. For the first half of FY11, we did not experience any FX variance for non-GAAP EPS versus our original cross rate assumptions. On a full year basis, our earnings are mostly hedged versus the Euro. Our R&D costs will increase if the Canadian dollar strengthens, and we have both revenue and earnings exposure should the British Pound weaken.

Our updated guidance assumes the following FX rates for the balance of the fiscal year: $1.36 USD to the Euro, $0.97 USD to the Canadian Dollar, and $1.58 USD to the British Pound. If spot rates as of October 29, 2010 persist during the fiscal year, we anticipate no impact to non-GAAP EPS and a zero to $10 million benefit to non-GAAP revenue for the year.

On a non-GAAP basis, we continue to expect a total of $3.65 to $3.90 billion in **FY11 revenue**. Our packaged goods expectations call for publishing revenue ranging from $2.725 to $2.975 billion; our distribution revenue expectations are for at least $175 million, and we expect approximately $750 million in digital revenue. The year-over-year dollar growth of $180 million in digital is divided roughly as follows:

- Approximately 30% from Console Full Games and DLC.
- Approximately 40% from PC and Browser Full Games and DLC.
- Approximately 30% from Mobile, Games Services, Subscriptions and Advertising.

We expect the worldwide market, inclusive of packaged goods and digital, to grow 7% year-over-year in calendar 2010, based on the assumption that total worldwide packaged goods will be down 5% and will be more than offset by digital growth of approximately 25% to 30%.

Analysts and investors should carefully examine the CY10 Western Packaged Goods software segment to understand our trends. High level NPD data does not provide a complete picture of the games industry. Based on our data and industry reports, we expect software for high definition platforms -- Xbox 360 and PS3 consoles and the PC -- to be up mid-teens for calendar 2010. We expect this growth will be offset by weak sales of packaged goods software for the Wii, PS2, PSP and NDS. Netting these subsegments results in an overall packaged goods decline of 5%, which is more than offset by growth on the digital side. On a full year basis, our packaged goods business, excluding distribution, is expected to be approximately 85% on high-definition platforms, and approximately 15% on standard-definition and handheld platforms.

Our title schedule now assumes 35 titles in the fiscal year, versus 36 titles in our original plan. EA plans to release 14 titles in Q3 and 8 titles in Q4. Our top 20 titles for FY11 are expected to generate approximately 77% of total non-distribution packaged goods revenue; this compares to 76% in FY10.

In regards to full year non-GAAP operating expenses, of the approximately $2.0 billion, we expect 26-28% R&D, 18-19% M&S and 7% G&A for the year, as a percent of total revenue.

EA is incurring significant development costs for a major new massively multiplayer online game. This game is not expected to ship in FY11.

We expect to end FY11 with total headcount of less than 8,000 and continue to move resources from high-cost to low-cost locations. Total low-cost location headcount is expected to increase to 24% by the end of FY11.

In terms of non-GAAP EPS, we are maintaining guidance for the full year at $0.50 to $0.70 per share on 334 million diluted shares. This corresponds to a non-GAAP operating income margin of approximately 6% to 8%, with approximately $5 million in Other Income and Expense. We are maintaining the EPS range taking into account:

- *FIFA 11* North American Q2 launch timing,
- The cancellation of *NBA Elite 11* in Q3, and
- Second half expense phasing.

On a GAAP basis, we are reaffirming our GAAP net revenue guidance of $3.35 to $3.60 billion and updating our GAAP EPS guidance to a loss of ($0.85) to a loss of ($0.55) per share. The GAAP guidance excludes second half restructuring charges, which we are finalizing.

For Q3 FY11, we expect Q3 non-GAAP revenue between $1.375 billion and $1.500 billion and non-GAAP EPS of $0.50 to $0.60. This reflects a shift of *FIFA 11* North American units from Q3 to Q2 and the cancellation of ***NBA Elite 11.*** **Non-GAAP gross** profit margin is expected to be approximately 58%, operating expense is expected to be approximately $575 million to $590 million, and share count is an estimated 334 million.

For Q4 FY11, we expect non-GAAP revenue between $850 million and $975 million and a non-GAAP EPS of $0.13 to $0.23, based on potential schedule risk at the end of the quarter. Non-GAAP gross profit margin is expected to be approximately 63% to 64%, operating expense is expected to be approximately $480 million to $500 million, and share count is an estimated 335 million.

This concludes our outlook and guidance.

Now, I'll turn the call over to John Schappert.

John Schappert:

Thanks Eric.

I'm going to offer some perspective on the sector, then outline EA's retail performance. I'll finish with an update on our progress in mobile and online games and services.

The segments of our industry where EA is investing are strong. As Eric mentioned, we expect the total software sector to be up 7% worldwide this year driven by growth in digital and high-definition and PC packaged goods. Total packaged goods have declined 4 percent in the calendar year to date. However, the high-definition platforms – the PlayStation 3 and XBox 360 – have grown by 23 percent in the same period. EA's portfolio strongly favors these growth platforms and we now command a 25 percent segment share on HD consoles.

Another positive for HD consoles is the introduction of new motion control technology from both Sony and Microsoft. We are encouraged by the early data we're seeing on Move and the pre-launch data on Kinect. EA is launching two titles for Kinect – *EA SPORTS Active 2*, and *Harry Potter and the Deathly Hallows Part 1*. For the Move, we have *Dead Space Extraction*, *Tiger Woods PGA Tour 11*, and *Create*. We believe these innovations will grow the HD console market.

The next point I want to make about the sector is that the impressive growth of the digital online business is largely invisible in the industry's retail tracking data. Today, we estimate that digital sales represent roughly 30 percent of revenue in Western markets, yet none of this is captured in retail tracking data.

EA has the leading share on the high-growth digital portable platforms – iPad and iPhone – and a comparatively small exposure on traditional handhelds.

So our overall take on the sector is that contrary to the headlines, there is a solid growth story for publishers that have invested in platforms where millions of consumers are choosing to play: HD consoles and online digital platforms.

With that, I'll now go over some highlights of EA's retail performance.

By now, you're familiar with our mantra: "Fewer, Bigger, Better". We've dramatically reduced our SKU plan, improved our overall product quality, and focused on hits we can take to the top of the charts.

This strategy is working. In the spring, we released ***Battlefield: Bad Company 2*** with a Metacritic index of 89. Today, *Bad Company 2* has sold through almost six million units – more than double the sales of the original. Congratulations to the team at our DICE Studio in Stockholm for turning *Battlefield: Bad Company* into a new, stand-alone franchise for EA.

Medal of Honor was released just two-weeks ago and has already sold-through more than two million units. This is a game we are proud of and the sales speak for themselves. Built with a superior multi-player experience, *Medal of Honor* is a key element in our strategy to capture shooter-category leadership along with blockbusters like *Battlefield: Vietnam*, *Bulletstorm*, *Crysis 2*, and the much-anticipated *Battlefield 3*.

Last week, we brought our flagship PC franchise, ***The Sims 3*** to High-Definition consoles for the first time ever. The early read on sales looks good.

EA SPORTS launched two new franchises: ***NBA JAM*** and ***MMA.***

NBA JAM is a great title for the Wii and will soon be available on Playstation 3 and Xbox 360.

MMA, our mixed martial arts game, launched with a great roster of fighters and innovative online features. It's off to a slow start, but we are optimistic that this one will find an audience of fight fans over the holidays. Also, as Eric mentioned, we have elected to cancel *NBA ELITE 11*. Future development on that franchise will be handled at EA Tiburon in Orlando.

Our soccer game, ***FIFA 11***, is breaking worldwide sales records. The game has sold in almost eight million units to date – up more than 20 percent over last year's great performance. *FIFA 11* has captured a worldwide segment share of more than 80 percent. It remains the #1 title in Europe, and has sold almost twice as many units as the #2 game in Europe. This is amazing growth from our largest franchise, which has sold, life-to-date, over 100 million units. Congratulations to the developers at EA Canada and the European publishing team who drove it to the top of the charts.

Looking ahead, we are preparing for the launch of more holiday blockbusters, including *EA SPORTS Active 2* and *Harry Potter and the Deathly Hallows Part 1.*

Our biggest release for Q3 is ***Need for Speed Hot Pursuit***. This is one of EA's greatest franchises and is back with action, cops, high-speed chases, crashes, and a hugely new innovative online feature -- Autolog -- a suite of connected features that allows friends and competitors to set up match races, compare times, and share their experiences. This one looks like a true holiday blockbuster.

Our message on packaged goods is simple: our strategy is working. EA is delivering Fewer titles, Better quality and Bigger hits. In Q2, we had six of the top 20 titles in the Western World and were the number one publisher with a 21% share. On HD consoles and PC our share was 28% in Q2 -- we lead on the largest, most attractive platforms.

Now I'll turn to our digital and online business – digital extensions to packaged goods software and a division we call EAi, which includes mobile, Pogo online games for the PC and Facebook, and the Playfish social gaming network. As Eric mentioned, we are on track to hit $750 million in total digital revenue this fiscal year and we're very excited about this side of our business.

I'll start with the proliferation of smart phones, tablets, and mobile operating systems. In recent weeks, we've seen great new products for Apple's iOS, Google's Android platform, and Microsoft's Windows Phone 7. We've also seen a strong launch of commercial games for Amazon's Kindle.

At EA, we're particularly proud of our leadership in this space. We are the number one publisher across the entire Apple App store. Our recent acquisition, Chillingo, is the number three publisher -- further strengthening our reach on this key platform.

Chillingo adds another dimension to our mobile leadership. EA Mobile has nailed this market with established brands like *FIFA*, *Madden*, *The Sims* and *Tetris*. Chillingo works with independent developers to bring their innovative, original creations to market. They provide the technology and expertise to turn a good indie game into a great big hit. And, they've proved it with great games like *Angry Birds* and *Cut the Rope*.

Another asset they bring to EA is Chillingo's social gaming platform, which allows friends to challenge each other, earn achievements, compete on leaderboards, and share their experiences on Facebook and Twitter.

Other opportunities for growth in mobile include Android and Windows Phone 7. Android is growing incredibly fast.

And then there is the Kindle, where the *Scrabble* game we publish in partnership with Hasbro outsold all other Kindle books to secure the #1 position in the Kindle store. Yes, an EA game was the #1 selling product, more than any book, on the Kindle store – for almost two straight weeks. *Scrabble* was knocked out of first place… by *another EA game*…*Solitaire* for Kindle.

Each of these, Android, Windows Phone 7, and the Kindle, represent new platforms and opportunities for our games.

Next, some big news from our casual online division, Pogo. Pogo has launched an initiative to grow beyond its strong PC base, and reach millions of new players on new platforms. To start, a beta version of Pogo is now available on Facebook with about 20 of Pogo's favorite games including *Poppit!*, *Word Whomp*, *Turbo 21*, and *First Class Solitaire*. Also on Pogo for Facebook are popular Hasbro titles such as *Scrabble, Monopoly, Boggle, Yahtzee Party!*, and *Trivial Pursuit*. Watch for more Pogo news, games and exciting new platforms in the weeks ahead.

Facebook continues to grow rapidly, with an estimated 250 million gamers, each playing an average of 3.5 hours per month. In Q2, Playfish saw improved monetization thanks to the launch of *Madden Superstars* and continued success of their top franchises.

And, today we announced a five-year agreement with Facebook – a strategic partnership to establish a simplified experience for consumer transactions. Going forward we will use Facebook credits as the exclusive payment method for our transactions on that platform.

Now, I'll turn the call back to John Riccitiello.

John Riccitiello:

Thanks John.

While we are very proud of our first half performance, we recognize that a big part of the upside came from bringing all of *FIFA* into Q2. As a result, we are maintaining our full year guidance.

Our Q3 title slate is ready to go; *Medal of Honor* and *The Sims 3* Console are tracking well -- between now and the holidays, we have a great slate highlighted by *Need for Speed Hot Pursuit*.

EA is executing against our three strategic objectives. We are outpacing the industry in terms of digital growth and we are creating meaningful digital revenue streams in our well-positioned packaged goods business.

And we are proving that our IP is working well, not only on the growing high-definition platforms, but also on casual platforms from social networks to mobile, helping drive our 35% growth rate on the digital side. We continue to lead in the most attractive segments of a growing game industry.

In closing, I'd like to mention one of our most important franchises, *Need for Speed*. *Need for Speed* is back in a huge way, so take a day off on November 16th and play *Need for Speed Hot Pursuit* with Autolog. You're going to love it.

With that, we are 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:

- Acquisition-related expenses
- Change in deferred net revenue (packaged goods and digital content)
- Gain (loss) on strategic investments
- Loss on lease obligation and facilities acquisition
- Loss on licensed intellectual property commitment
- Restructuring charges
- Stock-based compensation
- 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. In its earnings press release dated November 2, 2010, Electronic Arts has provided a reconciliation of the most comparable GAAP financial measure to the historical non-GAAP measures.

Forward-Looking Statements

Some statements set forth in this document, including the estimates relating to EA's fiscal year 2011 guidance information and the fiscal year 2011 key title slate, 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: sales of the Company’s titles; 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; 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™); the Company’s ability to predict consumer preferences among competing hardware platforms; the financial impact of recent acquisitions and 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 determine deferred 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; the stability of the Company’s key customers, and other factors described in the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010.

These forward-looking statements are current as of November 2, 2010. 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 document 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 September 30, 2010. 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 September 30, 2010.