



**Earnings Conference Call
First Quarter Fiscal 2008
June 30, 2007**

Today's Call

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EA Conference Call

Welcome and Safe Harbor

Welcome to our first quarter fiscal 2008 earnings call.

Today on the call we have John Riccitiello – Chief Executive Officer; Warren Jenson – Chief Financial and Administrative Officer; and Frank Gibeau – President of EA Games.

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:

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

Information regarding our use of non-GAAP measures along with a schedule demonstrating how we calculate ROIC will be included with a copy of today's prepared remarks we post 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.

We have also included a summary of our financial guidance with our prepared remarks, as well as our 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 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 August 1, 2007 and disclaim any duty to update them.

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

Change Agenda

Q108 Update

Thanks, Tricia. I'd like to briefly talk about our Q1 performance, our fall and holiday line up and then give an update on our agenda of change at EA.

We are pleased that our Q1 numbers exceeded our guidance given the strength of our catalog and a solid launch of Harry Potter. We have to say up front that we are not pleased with our year to date segment shares. For the first six months of the calendar year our shares have been in the mid-teens – down seven points in North America and down six points in Europe. While anticipated – this is not acceptable. For the remainder of our fiscal year – you should see our quarterly share performance improve to the low to mid twenties given the breadth and quality of our line up.

Change Agenda

Q108 Update

Looking ahead – we have a strong slate. Make no mistake – the competition will be out in full force – but we will be, too. In addition to EA SPORTS and blockbusters like Need for Speed, The Simpsons and Medal of Honor – we'll launch ten new properties. That's more new titles than we've launched in recent memory and includes highly anticipated games like SKATE, Army of Two, Rock Band, as well as Boogie and Playground for the Nintendo Wii.

I am particularly impressed with how our studios are addressing accessibility, innovation and the new platforms.

- Boogie – from EA Montreal is right where we need to be – it's on the Wii, it's innovative and it's perfect for the casual consumer.
- EA Sports – this fall our Wii sports titles will include a family play mode making the games even more accessible to a broader audience. Parents now have a chance when playing against their kids.
- Sims City Societies on the PC is a fresh take on a popular franchise – and proves sequels can be as innovative as new IP.
- SKATE – this property is getting great early reviews and brings a whole new approach to the skating genre.

Change Agenda

Q108 Update

When you add it all up – no one is coming to the holidays with more collective strength than EA. This fall and holiday promise to be really really exciting.

Let me update you on our go-forward agenda.

As most of you know – we accomplished two important objectives this past quarter.

First – we reorganized our business into four Labels – we are now in the process of aligning our people, systems and processes into this structure.

Second – our Label leadership is now in place – joining Nancy Smith, Frank Gibeau and the rest of the management team are Kathy Vrabeck and Peter Moore. Clearly – this company and our strategy are attracting some of the most creative and successful people in our business. I'm particularly proud that this team came together so quickly – giving us the foundation to drive our change agenda that much faster.

Change Agenda

Q108 Update

Over the next several months we will be building out the specifics of our go-forward strategy. Our plan will be focused on the following five long-term priorities:

- **Increasing our segment shares** – it's about growing our core franchises, going after new IP, new audiences and new platforms – including the Nintendo Wii and NDS.
- **Expanding new revenue streams** – including in-game advertising, micro-transactions, subscriptions and the expansion of our mid-session games.
- **Smart growth through acquisitions.**
- **On the cost side, the first thing we need to do is simplify our infrastructure.** EA's historical structure served the Company well – but we now believe we are at a scale where we can streamline many of our systems and processes in order to drive margin benefit and better scale our business.
- **Second, R&D productivity.** Today we are not getting enough bang for the buck. We expect to better utilize our capacity, make sure our spending is matched to the opportunity and take advantage of opportunities for low cost development.

Change Agenda

Q108 Update

While you won't hear anything more definitive or quantitative today – I can tell you we are on the case and in the process of formulating the specifics of our plans. We look forward to reporting our progress.

In summary the change agenda at EA is moving forward.

I'll now turn the call to Warren.

Highlights

Our Performance

Thanks John. Good afternoon.

Before getting to the specifics – let me remind everyone that effective this quarter we no longer charge for hosting as it relates to certain online-enabled package goods titles. This change – as you know – requires the deferral of significant revenue which is materially impacting our GAAP results.

Now – a few highlights:

Our first quarter performance exceeded our guidance – both on the top and bottom line.

- **GAAP Revenue was \$395 million** down \$18 million year-over-year – driven by a \$36 million sequential increase in net deferred revenue.
- **Revenue (ex deferral)* was \$431 million** – up four percent from a year ago. Excluding the impact of foreign exchange – revenue (ex deferral) was roughly flat.
- **GAAP diluted loss per share was (\$0.42) vs. (0.26) a year ago.**
- **Non-GAAP diluted loss per share* was (\$0.22) vs. (\$0.12) a year ago.**

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

Highlights

Our Performance

During this light release quarter – several titles stood out.

- **Harry Potter and THE ORDER OF THE PHOENIX** sold two million copies in just one week.
- **Command and Conquer 3 Tiberium Wars** continues to do well with the **introduction of the Xbox 360 SKU**. Life to date, this title has sold over two million copies on the PC and Xbox 360.
- **The Sims franchise had another great quarter with four titles launching** – including Sims 2 Celebration Stuff, Sims 2 H&M Fashion, Sims Pets Stories and Sims 2 Deluxe. In total – the Sims franchise sold over three million copies up 18 percent – with over 65 percent sold internationally.
- And finally, **our catalog continued to perform.**

Highlights

Our Performance

In the quarter:

- **Our digital revenue (ex deferral) was \$39 million** – up 40 percent year-over-year.
- **Pogo revenue was \$24 million up 57 percent.** Today, this business is monetized with every business model – including advertising, subscriptions, digital downloads and micro-transactions. Since launching Gems last fall – subscribers have purchased \$6.7 million worth of Gems with each buyer purchasing \$27 on average. Internationally – Pogo is now up and running in the UK, Germany and France.
- **FIFA Online (Korea) had its strongest quarter since commercialization.** We continue to expand into more internet cafes and experiment with content and pricing. Life to date – we have completed four million micro-transactions at roughly \$1.39 per item. Since launch – the average revenue per buyer is \$18. In addition, we have begun development on two other mid-session games for Asia – Battlefield and NBA Street.
- **The Warhammer closed beta** has more than 300 thousand registered testers – making this one of the most successful MMO introductions.
- **We made a 15 percent equity investment in The9 and are partnering with them to bring FIFA Online to China.**

Highlights

Our Performance

- **And finally, at the E3 Summit – EA won Six Best of E3 Awards** – up from three a year ago. Congratulations to the Madden, Burnout, Crysis and Rock Band teams!

EA Conference Call

Agenda

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

First – I'll review our Q1 financial results,

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

First Quarter Fiscal 2008

Net Revenue

Q1

Revenue (ex deferral)* was \$431 million – up four percent from a year ago and roughly flat excluding the impact of foreign exchange. This performance was driven by **Harry Potter and THE ORDER OF THE PHOENIX, Command and Conquer 3 Tiberium Wars, Need for Speed Carbon, The Sims 2 Pets and FIFA 07.**

We released 14 EA SKUs in the quarter vs. 16 a year ago.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

First Quarter Fiscal 2008

Net Revenue by Platform

Console revenue (ex deferral)* was \$169 million – down 13 percent primarily due to our light release schedule. Harry Potter – which launched the last week of the quarter – did not offset the strength of last years FIFA World Cup. Next gen revenue (ex deferral) was \$96 million or 57 percent of total.

On mobile phones – revenue was \$34 million – up three percent year-over-year. We had five of the top-ten games in North America** and two of the top-ten in the UK**.

On handhelds – revenue (ex deferral)* was \$57 million – up 10 percent. NDS revenue of \$25 million was over 3x that of last year – driven by Sim City and Harry Potter. Revenue (ex deferral) from both the PSP and GBA were down year-over-year.

PC revenue (ex deferral)* was \$96 million – up 45 percent driven by the Sims franchise and the continued strength of C&C 3. C&C 3 was #3 on the PC in North America and we estimate #2 in Europe.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

***Source: North America – April - May 2007 Telephia; UK May 2007 ELSPA*

First Quarter Fiscal 2008

Net Revenue by Platform

Co-Publishing and Distribution revenue was \$39 million – down three million.

Internet, Licensing, Advertising and Other revenue was \$36 million – up 38 percent primarily due to subscription and advertising growth on Pogo. Club Pogo subscribers (1.5 million) are up 17 percent year-over-year.

First Quarter Fiscal 2008

Net Revenue by Geography / Foreign Exchange Impact

Geographically.

North America revenue (ex deferral)* was \$171 million – down \$38 million – or 18 percent driven by year-over-year declines in catalog. The increase in Wii, subscriptions, PC and NDS did not offset declines in other platforms.

International revenue (ex deferral)* was \$260 million – up \$56 million – or 27 percent. Excluding a \$17 million positive impact from foreign exchange – international revenue (ex deferral) would have increased 19 percent.

- **Europe revenue (ex deferral)* was \$225 million – up \$56 million or 33 percent driven by the strength of catalog, Harry Potter and The Sims.** Increases in next gen more than offset the declines of current gen. In addition, PC and NDS each had growth of over \$10 million.
- **Asia revenue (ex deferral)* was \$35 million – flat to last year.**

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

First Quarter Fiscal 2008

Gross Profit / Margin

Moving on to the rest of the income statement.

GAAP Gross Profit in the quarter was \$229 million – down seven percent due to revenue deferral.

GAAP Gross Margin was 58.0 percent vs. 59.3 – down 130 basis points also due to the revenue deferral.

Non-GAAP Gross Profit was \$272 million – up eight percent.

Non-GAAP Gross Margin was 63.1 percent vs. 60.8 percent – up 230 basis points primarily due to the favorable mix of wholly owned properties.

First Quarter Fiscal 2008

Operating Expenses

Op Ex

Sales and Marketing. Sales and marketing expense was \$82 million – up \$5 million primarily due to higher personnel-related costs.

General and Administrative. G&A was \$71 million – up \$12 million primarily due to higher contracted services associated with systems initiatives in North America and Europe and higher professional fees. Salary and related cost were roughly flat year-over-year.

Research and Development. R&D was \$250 million – up \$34 million or 16 percent. For the year, we continue to expect R&D to be up in the high single digits year-over-year.

R&D headcount was ~ 6,000 – up 16 percent from a year ago and up two percent sequentially. Acquisitions (Mythic, Phenomic, Headgate, Singshot) accounted for five points of the year-over-year increase.

First Quarter Fiscal 2008

Bottom Line

GAAP Diluted Loss per Share was (\$0.42) vs. a loss of (\$0.26) a year ago.

Non-GAAP Diluted Loss per Share* was (\$0.22) vs. a loss of (\$0.12) a year ago.

The \$0.20 difference between GAAP and non-GAAP EPS was principally due to the change in deferred revenue (\$0.09), stock-based compensation (\$0.07) and amortization of intangibles (\$0.04).

Our trailing 12 month operating cash flow was \$243 million vs. \$589 million for the comparable period. The decline was primarily a result of the timing of the collection of our receivables, lower net income and the adoption of SFAS 123R – which required us to classify the excess tax benefit on stock options in financing cash flows on a prospective basis.

Our return on invested capital* on a trailing 12 month basis was nine percent vs. 19 percent a year ago.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 38 of this document.*

First Quarter Fiscal 2008

Balance Sheet

Now on to the Balance Sheet.

Cash and short-term investments were \$2.2 billion – down \$446 million from year end primarily due to cash utilized in operations and our investments in Neowiz and The9.

Marketable equity securities were \$660 million – up \$319 million sequentially primarily due to our investments in Neowiz and The9.

Gross accounts receivable were \$299 million vs. \$225 million a year ago – an increase of \$74 million primarily due to the timing of our release schedule.

Reserves against outstanding receivables totaled \$176 million – down \$8 million from a year ago. Reserve levels were 17 percent as a percentage of trailing six month net revenue – consistent with last year. As a percentage of trailing nine month net revenue – reserves were eight percent – also consistent with last year.

Inventory was \$74 million – up \$15 million from last year and up \$12 million sequentially. Other than NCAA Football and Harry Potter – no one title represented more than \$5 million of net exposure.

Deferred net revenue from packaged goods and digital content was \$68 million – up \$36 million from year-end.

First Quarter Fiscal 2008

Balance Sheet

This quarter we adopted FIN 48 which clarifies the accounting and recognition for uncertain income tax positions. The impact of this adoption is reflected on our balance sheet and did not impact our P&L. The net result was a \$36 million increase in deferred tax assets, a \$32 million increase in net equity and a reclassification of \$278 million from current to long-term liabilities.

2008 Outlook

Industry / EA

Our Outlook and Guidance

Before getting into the numbers – a few quick observations.

First – even though we exceeded our guidance for the first quarter – we are not adjusting our full year non-GAAP EPS estimates. It's just too early.

Second – we don't intend to update our industry guidance at this time – although it seems clear that Nintendo is showing upside – giving us confidence in the higher end of our 13 to 18 percent range for North America and Europe.

Third – as John mentioned we are very much looking forward to the holidays – it should be an exciting season for consumers. A lot of terrific titles are on the way – and great software sells hardware.

And finally – we are heading into the sweet spot of our release schedule. We have one of our strongest lineups ever with ten new properties, 13+ titles for both the Wii and NDS and a strong portfolio for the PS2 and PC.

Financial Guidance

Fiscal Year 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.

First our GAAP guidance.

For the full year, we expect:

- Revenue to be between \$3.2 and \$3.5 billion – which is a \$100 million increase to our previous range.
- Diluted loss per share to be between (\$0.63) and (\$0.10).
- Gross margin to be between 50 and 55 percent.
- Basic share count to be 317 million.
- We now expect that between \$350 and \$450 million in revenue will be deferred and recognized in fiscal 2009. This is a reduction from our previous estimate of \$400 to \$500 million.

Financial Guidance

Fiscal Year Ending March 31, 2008

We expect our GAAP revenue for the back half of the year to land in roughly the following percentages –

- 40 - 43 percent in Q3 and
- 27 - 32 percent of the total in Q4.

For Gross Margin – we expect the following percentages by quarter –

- 50 - 55 percent in Q3 and
- 60 - 65 percent in Q4.

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 \$3.65 and \$3.85 billion* – an increase to our range of \$50 million.
- Non-GAAP diluted earnings per share to be between \$0.90 and \$1.20*.
- Non-GAAP gross margin to be 57 to 59 percent*.
- Diluted share count to be 325 million.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

Financial Guidance

Fiscal Year Ending March 31, 2008

Overall – we expect our non-GAAP EPS* to be roughly \$1.30 - 1.53 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 \$0.82 and \$1.05.
- Stock-based compensation – approximately \$0.31.
- Amortization of intangible assets – roughly \$0.13.
- Restructuring charges related to the reorganization and establishment of an international publishing headquarters in Geneva – approximately \$0.04.

We expect our non-GAAP revenue (ex deferral)* for the back half of the year to land in roughly the following percentages –

- 40 - 43 percent in Q3 and
- 20 - 24 percent of the total in Q4.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

Financial Guidance

Second Quarter Ending September 30, 2007

For the quarter ending September 30.

A couple of changes since we last spoke. We now are planning to launch Crysis in early November and FIFA will launch in North America the first week of Q3 as opposed to the last week of Q2. These timing changes will shift roughly \$60 million of revenue (ex deferral) and roughly \$0.10 of Non-GAAP EPS out of Q2.

First our GAAP guidance.

For the quarter, we expect –

- Revenue to be between \$465 and \$570 million.
- Diluted loss per share to be between (\$0.92) and (\$0.76).
- Gross margin to be between 26 and 32 percent.
- Tax benefit rate to be between 20 to 25 percent.
- Basic share count to be 312 million.

Financial Guidance

Second Quarter Ending September 30, 2007

Now our non-GAAP guidance.

For the quarter, we expect –

- Revenue (ex deferral) to be between \$825 and \$910 million*.
- Non-GAAP diluted earnings per share to be between \$0.10 and \$0.20*.
- Non-GAAP gross margin to be between 57 and 59 percent*.
- Non-GAAP tax rate to be between 15 to 20 percent.
- Diluted share count to be 321 million.

Financial Guidance

Second Quarter Ending September 30, 2007

Overall – we expect our non-GAAP EPS* to be roughly \$0.96 to \$1.02 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 \$0.84 and \$0.90.
- Stock-based compensation – approximately \$0.08.
- Amortization of intangible assets – roughly \$0.03.
- Restructuring charges related to the reorganization and establishment of an international publishing headquarters in Geneva – roughly \$0.01.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-5 and 36 of this document.*

Financial Guidance

Second Quarter Ending September 30, 2007

In Q2 – we expect to ship 44 SKUs – compared to 43 a year ago.

- NCAA Football 08 on four platforms (Xbox 360, PS3, PS2, Xbox).
- FIFA 08 on seven platforms in Europe (Xbox 360, PS3, Wii, NDS, PSP, PS2 and PC)
- Madden NFL 08 on nine platforms (Xbox 360, PS3, Wii, NDS, PSP, PS2, Xbox, Game Cube and PC)
- Tiger PGA TOUR on seven platforms (Xbox 360, PS3, Wii, NDS, PSP, PS2, PC)
- Medal of Honor Airborne on the Xbox 360 and PC
- My Sims on the Wii and NDS
- NASCAR 08 on three platforms (Xbox 360, PS3, PS2)
- NHL 08 on four platforms (Xbox 360, PS3, PS2, PC)

Financial Guidance

Second Quarter Ending September 30, 2007

- Boogie on the Wii
- Rugby 08 on two platforms (PS2 and PC)
- The Sims 2 Bon Voyage for the PC
- SKATE for the Xbox 360
- Harry Potter and the Order of the Phoenix on the GBA

EA Mobile – plans to launch six games on cellular handsets (Madden NFL 08, Medal of Honor Airborne, Burnout, SKATE, The Simpsons, Sims Bowling Multiplayer).

With that, we would now 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”, “Financial Guidance”, and “Financial Guidance Summary” 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 Electronic Arts’ results to differ materially from its expectations include the following: 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; the consumer demand for, and the availability of an adequate supply of next-generation 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 prior-generation consoles, particularly the PlayStation 2; the Company’s ability to predict consumer preferences among competing hardware platforms; consumer spending trends; the seasonal and cyclical nature of the interactive game segment; the Company’s ability to manage expenses during fiscal year 2008; 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. These forward-looking statements speak only as of August 1, 2007. Electronic Arts assumes no obligation and does not intend to update these forward-looking statements, including those made under the “2008 Outlook”, “Financial Guidance”, and “Financial Guidance Summary” headings. In addition, the financial results used 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 quarter ended June 30, 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 June 30, 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: net revenue excluding the impact of the change in deferred net revenue, non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per share. These non-GAAP financial measures exclude the following items from the Company's statement of operations: acquired in-process technology; amortization of intangibles; certain litigation expenses; restructuring charges; stock-based compensation; and income tax adjustments (consisting of the tax effect of the items listed above and certain one-time tax adjustments). In addition, Electronic Arts may consider whether other significant non-recurring items that arise in the future should also be excluded from 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 and 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 August 1, 2007.

Financial Guidance Summary

Fiscal 2008 and Q2 2008

(\$ in Millions, except per share data)

Net Revenue

Fiscal Year 2008

Q2

Quarterly Allocation - % of Total Net Revenue

Q3

Q4

Gross Margin - %

Fiscal Year 2008

Quarterly Margin - %

Q2

Q3

Q4

Income Tax (Benefit) / Rate

Q2

Diluted EPS

Fiscal Year 2008

Q2

Share Count (MM)

Fiscal Year 2008

Q2

GAAP			Non-GAAP		
\$3,200	-	\$3,500	\$3,650	-	\$3,850
\$465	-	\$570	\$825	-	\$910
40%	-	43%	40%	-	43%
27%	-	32%	20%	-	24%
50%	-	55%	57%	-	59%
26%	-	32%	57%	-	59%
50%	-	55%			
60%	-	65%			
(20	-	25%)	15%	-	20%
(\$0.63)	-	(\$0.10)	\$0.90	-	\$1.20
(\$0.92)	-	(\$0.76)	\$0.10	-	\$0.20
317 (basic)			325 (diluted)		
312 (basic)			321 (diluted)		

Supplemental Information

ROIC

Return on Invested Capital (“ROIC”) is one measure we look at to evaluate our operational and asset efficiency. Note that ROIC is not a measure of financial performance under GAAP and should not be considered in isolation or as an alternative to net income as an indicator of company performance, or as an alternative to operating cash flow as a measure of liquidity. The following illustrates our methodology (in millions).

(Dollars in Millions)

	FY07			FY08
	Q2	Q3	Q4	Q1
TTM Net Income	\$184	\$85	\$76	\$62
TTM Tax-Affected Stock-Based Comp.	57	84	107	99
TTM Adjusted Net Income	\$241	\$169	\$183	\$161
Equity ⁽¹⁾	\$3,574	\$3,854	\$4,003	\$4,018
+ Debt	0	0	0	0
- Excess Cash ⁽²⁾	(1,861)	(2,099)	(2,325)	(1,878)
Invested Capital	\$1,713	\$1,756	\$1,677	\$2,140
TTM Avg. Invested Capital				\$1,822
TTM ROIC				9%

(1) Excludes stock-based compensation.

(2) Excess cash equals cash, cash equivalents and short term investments minus 10% of TTM revenue.