



**Earnings Conference Call  
Second Quarter Fiscal 2008  
September 30, 2007**

*Note to Readers: Please see page 22 and 30 for corrections made to information provided on the conference call.*

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# Today's Call

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## Table of Contents

	Page
Welcome and Safe Harbor Statement	3-5
Strategic Update	6-10
Highlights	11-15
Agenda	16
Second Quarter Results	17-25
2008 Outlook	26-27
Financial Guidance	28-37
Summary	38
Safe Harbor Statement	39
Non-GAAP Financial Measures	40
Supplemental Information	41-42

# EA Conference Call

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## Welcome and Safe Harbor

### Welcome to our second 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](http://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

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## 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 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

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## 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 November 1, 2007 and disclaim any duty to update them.

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

# Strategic Update

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## Q208 Update

Thanks, Tricia. Before we get into our Q2 results, let me take a few minutes and update you on our activities over the last few months.

**Our label-based structure is now largely in place.** Employees are essentially in the right seats and our systems migration is underway. Peter Moore, Nancy Smith, Frank Gibeau and Kathy Vrabeck are in command of four labels that can now run faster and smarter. They and their teams are acutely focused on product quality and innovation, driving segment shares and improving our cost structure.

**We are in the process of completing our acquisition of BioWare and Pandemic.** And I want to congratulate the BioWare team on Mass Effect – the early reviews look great. We look forward to having them join us in January.

**And – we are in the midst of building our strategic and financial plans for FY09 and beyond.** As the teams build out their plans – they are focusing on the four long-term priorities we discussed on our last call.

# Strategic Update

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## Q208 Update

**First – Increase our segment shares.** Although there is much work to do, we've already begun to execute.

- Our long term relationship with Hasbro will bring incredible casual and family oriented franchises to our line up – like Monopoly, Littlest Pet Shop, Tonka and Nerf.
- Titles from the BioWare and Pandemic studios could add up to two additional share points and will also expand our presence in the MMO space.
- Our pipeline of wholly owned IP is robust – we've been investing in new IP, some of which has begun to ship this year
- And – we've made progress on the Nintendo platforms. This has been a priority for the company. While it will be a battle for the full year – we are now pleased to report that we are the number one third party publisher on the Wii in both North America and Europe year to date. Still work to do – but we are on it.

These strategic actions will help us grow share in FY09 and beyond.

# Strategic Update

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## Q208 Update

**Second – Expand digital revenue streams.** We are extremely focused on driving our digital revenue streams including wireless, advertising, subscriptions, digital downloads, micro-transactions and our Asia based online business. These segments will grow at a faster rate than the traditional packaged goods business and will be a significant part of our long-term growth and margin story.

**Third – Smart growth through acquisitions.** As I mentioned – we recently announced our acquisition of BioWare and Pandemic. We expect this deal to generate significant returns for the company over the long term. Going forward – we will continue to pursue the right acquisitions to further build our business.

# Strategic Update

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## Q208 Update

### **Fourth – Leverage of our P&L thru cost efficiency and productivity.**

Let me update you on some recent actions. Today we announced a restructuring which includes headcount reductions and facility closures.

This was a difficult decision because it impacts the careers of some very talented people. Some of the talent will be assigned to new projects. Permanent full time employees that leave the company will be offered severance and outplacement assistance.

While these actions are small in relation to our worldwide employee base, it is a step to align our cost structure with our business.

# Strategic Update

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## Q208 Update

**In summary – we are focused on increasing segment shares, expanding our digital revenue, growing through smart acquisitions and leveraging our P&L through cost efficiency and productivity.**

I recognize that we have a lot to do – but we are making progress.

I look forward to sharing more with you on our next call and at our analyst meeting in Redwood Shores that we have scheduled for February 12, 2008.

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

# Highlights

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## Our Performance

Thanks, John. Good afternoon everyone.

**We are pleased with our Q2 financial performance – both top and bottom line results were above the high end of our GAAP and non-GAAP guidance.**

**For the quarter –**

- **GAAP Revenue was \$640 million** down \$144 million year-over-year – driven by a \$296 million sequential increase in net deferred revenue.
- **Revenue (ex deferral)\* was \$936 million** – up 19 percent or \$152 million. Excluding the impact of foreign exchange – revenue (ex deferral) was up 16 percent year-over-year.
- **GAAP diluted loss per share was (\$0.62) vs. earnings per share of \$0.07 a year ago.**
- **Non-GAAP diluted earnings per share\* were \$0.27 vs. \$0.21 a year ago.**

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

# Highlights

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## Our Performance

**Q2 – as usual – was a big sports quarter.**

- **FIFA 08 had a strong International launch** – selling 2.9 million copies in just one week. In Europe, all platforms experienced unit growth with estimated sell through up 18 percent year-over-year. FIFA 08, which launched in October in North America, is also off to a strong start.
- **Madden NFL 08 was our best selling title in the quarter – selling 4.5 million copies.** Although units were down year-over-year, revenue was roughly flat given the higher price points on current generation software.
- **NCAA Football 08 sold 1.7 million copies on four platforms.** Both revenue and units were down year-over-year driven by declines in legacy consoles.
- **Tiger Woods PGA TOUR 08 sold 1.6 million copies.**
- **NHL 08 hit the mark critically – with an 88 rating – selling 700 thousand copies in the quarter.**

**Overall – a solid performance from EA Sports.**

# Highlights

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## Our Performance

In the quarter, several other titles stood out:

- **MySims had a successful debut selling 1.2 million copies on the Wii and NDS –** with over 60 percent on the NDS. This is a big win for us on the Nintendo platforms and a great example of what can be accomplished by focusing on innovation specifically for these platforms.
- **Harry Potter and The Order of the Phoenix continues to do well with close to three million copies sold since launch.**
- **SKATE – with a metacritic rating of 85 – had a strong opening – selling over 500 thousand copies on the Xbox 360 and PS3.** SKATE – brought innovation and accessibility to the skate boarding genre and has given us a new franchise.

# Highlights

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## Our Performance

**We also moved forward on several strategic fronts.**

- **Owned IP** – We are pleased with the reception of our three new owned IPs – SKATE, My Sims and Boogie.
- **New Platforms** – This quarter we launched 9 SKUs on the Wii and NDS with MySims and Boogie only available on these platforms. We generated \$130 million in revenue (ex deferral)\* on the Nintendo systems (Wii and NDS).
- **Online revenue was \$42 million – up 58 percent year-over-year.** We're continuing to make progress on all online initiatives. In September, we launched the new EA online store – which should make it even easier for consumers to buy our content directly.
- **And finally, we announced our proposed acquisition of BioWare and Pandemic.** This acquisition does a few things for us strategically – helps fill out the gap we have in the RPG, Action and Adventure genres, brings high quality talent, builds on our presence in the MMO space and expands our portfolio of owned IP.

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

# Highlights

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## Our Performance

**In summary – a great quarter, a solid season for EA Sports, a stronger strategic position and acquisitions for our future.**

# EA Conference Call

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## Agenda

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

**First** – I'll review our Q2 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.

# Second Quarter Fiscal 2008

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## Net Revenue

### Q2

**Revenue (ex deferral)\* was \$936 million** – up 19 percent from a year ago. Excluding the impact of foreign exchange – revenue increased 16 percent year-over-year. Revenue was driven by Madden NFL 08, FIFA 08, NCAA Football 08, Tiger Woods PGA TOUR 08 and MySims – each of which went platinum in the quarter.

We released 45 EA SKUs vs. 43 a year ago.

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

# Second Quarter Fiscal 2008

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## Net Revenue by Platform

**Console** revenue (ex deferral)\* was \$618 million – up 20 percent from a year ago. Current generation revenue offset the declines in legacy consoles. Current gen revenue (ex deferral) was \$399 million or 65 percent of total.

**Mobile phone** revenue was \$37 million – up six percent. We had three of the top-ten games in North America\*\* and four of the top-ten in the UK\*\*.

Although the mobile business is up year-over-year – we are reducing our full year estimate for fiscal 2008. We now expect the mobile business to generate \$155 million in revenue versus our previous estimate of \$175 million. We have temporarily lost some momentum given a weaker than expected North America segment and a few execution issues. That said – we have every confidence that the team is doing the right things to grow this business.

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

\* *Source: North America – July - August 2007 Telephia; UK August 2007 ELSPA*

# Second Quarter Fiscal 2008

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## Net Revenue by Platform

**Handheld** revenue (ex deferral)\* was \$94 million – up nine percent. NDS was our best performing handheld platform with revenue of \$47 million – over 3x that of last year driven by MySims and Harry Potter. Revenue (ex deferral)\* from both the PSP and GBA were down year-over-year.

**PC** revenue (ex deferral)\* was \$116 million – up 35 percent driven by the Sims and Medal of Honor franchises. We had 8 of the top 20 titles in North America and we estimate 10 of the top 20 in Europe.

**Co-Publishing and Distribution** revenue was \$32 million – down seven million.

**Internet, Licensing, Advertising and Other** revenue was \$39 million – up 63 percent primarily due to growth in Club Pogo and in-game advertising. Club Pogo was driven by a 15 percent year-over-year increase in subscribers and an increase in the annual subscription fee. In-game advertising (dynamic and static) was \$5 million in the quarter.

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

# Second Quarter Fiscal 2008

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## Net Revenue by Geography / Foreign Exchange Impact

### Geographically.

**North America revenue (ex deferral)\* was \$525 million – up \$13 million – or three percent.** The increase in current generation consoles, subscriptions, advertising and the NDS offset the declines from legacy consoles and the PSP. Legacy systems declined 50 percent year-over-year.

**International revenue (ex deferral)\* was \$411 million – up \$139 million – or 51 percent.** Excluding a \$23 million positive impact from foreign exchange – international revenue (ex deferral)\* would have increased 43 percent.

- **Europe revenue (ex deferral)\* was \$375 million – up \$130 million or 53 percent driven by the strong launch of FIFA 08 and My Sims.** Excluding a \$21 million benefit from foreign exchange – Europe revenue (ex deferral)\* would have increased 44 percent. Legacy systems declined 11 percent year-over-year. In addition, NDS and PC each had growth of \$25 million year-over-year.
- **Asia revenue (ex deferral)\* was \$36 million – up \$9 million or 33 percent.**

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

# Second Quarter Fiscal 2008

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## Gross Profit / Margin

**Moving on to the rest of the income statement.**

**GAAP Gross Profit** in the quarter was \$245 million – down 45 percent due to the revenue deferral.

**GAAP Gross Margin** was 38.3 percent vs. 56.8 – down 19 percentage points also as a result of the revenue deferral.

**Non-GAAP Gross Profit\*** was \$549 million – up 21 percent.

**Non-GAAP Gross Margin\*** was 58.7 percent vs. 57.8 percent – up 90 basis points primarily due to a higher mix of owned IP.

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

# Second Quarter Fiscal 2008

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## Operating Expenses

### Op Ex

**Sales and Marketing.** Sales and marketing expense, excluding stock-based comp, was \$159 million\* – up \$55 million primarily due to higher advertising spend to support our Q2 releases, including new IP launches. For the year, we continue to expect sales and marketing to decline one to two points as a percentage of non-GAAP revenue.

**General and Administrative.** G&A, excluding stock-based comp, was \$74 million\* – up \$11 million primarily due to higher contracted services associated with system and outsourcing initiatives in North America and Europe and higher personnel related costs.

**Research and Development.** R&D, excluding stock-based comp, was \$237 million\* – up \$18 million or eight percent. For the year, excluding the impact of the BioWare and Pandemic acquisition, we expect R&D to increase in the high\*\* single digits year-over-year.

R&D headcount was ~ 6,100 – up nine percent from a year ago and up two percent sequentially.

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

\*\* *Note Correction*

EA Conference Call – November 1, 2007 – Second Quarter Ended September 30, 2007  
See Safe Harbor Statements (pages 3-5 and 39)

# Second Quarter Fiscal 2008

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## Bottom Line

**GAAP Diluted Loss per Share was (\$0.62)** vs. diluted earnings per share of \$0.07 a year ago.

**Non-GAAP Diluted Earnings per Share\* were \$0.27** vs. \$0.21 a year ago.

The \$0.89 difference between GAAP loss per share and non-GAAP EPS was due to the change in deferred revenue (\$0.74), stock-based compensation (\$0.10), amortization of intangibles (\$0.03), restructuring (\$0.01) and the difference between basic and diluted share count (\$0.01).

**Our trailing 12 month operating cash flow was \$145 million** vs. \$571 million for the comparable period. The decline was primarily a result of lower non-GAAP net income and the timing of our sales. We expect our cash flow for the full fiscal year to rebound and exceed the \$397 million from the prior year .

**Our return on invested capital on a trailing 12 month basis was 8 percent** vs. 20 percent a year ago.

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

# Second Quarter Fiscal 2008

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## Balance Sheet

**Now on to the Balance Sheet.**

**Cash and short-term investments** were \$2.2 billion – flat to last quarter.

**Marketable equity securities** were \$716 million – up \$56 million sequentially due to overall market appreciation in our investments.

**Gross accounts receivable** were \$609 million vs. \$439 million a year ago – an increase of 39 percent primarily due to the growth in revenue (ex deferral) and the timing of our release schedule.

**Reserves against outstanding receivables** totaled \$185 million – up \$13 million from a year ago. Reserve levels were 14 percent as a percentage of trailing six month net revenue (ex deferral) – consistent with last year. As a percentage of trailing nine month net revenue (ex deferral) – reserves were nine percent – also consistent with the prior year.

**Inventory** was \$103 million – up \$36 million from last year. Other than NBA Live 08, FIFA 08 and Madden NFL 08 – no one title represented more than \$5 million of net exposure. This quarter – in addition to building inventory for the FIFA launch in North America – we also manufactured inventory for the October release of NBA Live 08.

# Second Quarter Fiscal 2008

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## Balance Sheet

**Deferred net revenue from packaged goods and digital content** was \$364 million – up \$296 million sequentially.

# 2008 Outlook

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## Industry / EA

### Now our Outlook –

**First – on the industry.** We expect that software sales in North America and Europe will be up 15 to 20 percent for the calendar year. We have increased our range based on the strength of the Nintendo platforms.

In addition – the recent actions by Sony and Microsoft should fuel demand for the PS3 and Xbox 360.

# 2008 Outlook

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## Industry / EA

**Second – we have a strong lineup for the holidays.**

We're coming to market with a balance of perennial blockbusters and new IP. In addition, we have a strong line up for the Nintendo platforms.

We have over 10 titles this holiday including NBA Live 08, Half Life 2: Orange Box, Hellgate London, NCAA March Madness 08, Need for Speed Pro Street, The Simpsons, Sim City Societies, Playground, Smarty Pants, Crysis and Rock Band.

By platform we expect to have (excluding EA Partner titles) –

- Seven titles on the Wii – including two originals Smarty Pants and Playground
- On the Xbox 360 and PS3 we will have five titles for each platform.
- On handhelds – we will have five titles for the NDS and four for the PSP.
- And on the PS2 – we expect to ship seven titles.

**A lot of terrific entertainment is on the way this holiday – there should be something for everyone.**

# Financial Guidance

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## Fiscal Year Ending March 31, 2008

Now our guidance – and a few observations:

**First – As John mentioned – today we announced a restructuring that will result in facility closures and staff reductions of approximately 350 people across the studio, publishing and corporate divisions.** In the UK, we are consolidating our operations which will result in the closure of our Chertsey facility. We expect to incur charges of \$90 to \$110 million, the majority of which will be incurred in our fiscal third quarter. This will significantly impact our fiscal 2008 GAAP EPS. We expect these actions to result in annual operating cost savings of approximately \$25 million to \$30 million.

**Second – we are increasing our revenue range by \$150 million and adjusting our non-GAAP EPS by \$0.05 for the dilutive impact of the BioWare and Pandemic acquisition.**

**This guidance reflects –**

- The strength of our year-to-date performance, favorable foreign exchange rates and the expected strength of our lineup – especially our EA Partner titles, which typically carry a lower margin – offset by
- The negative financial impact of moving Army of Two from Q3 to Q4, Warhammer shipping in fiscal 2009 and our revised estimate for our mobile business. Keep in mind that Army of Two and Warhammer are higher margin products.

# Financial Guidance

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## Fiscal Year Ending March 31, 2008

Also – please remember that foreign exchange upside does not automatically fall to the bottom line – our local currency COGS and operating expenses naturally offset much of the benefit.

**Finally – we want to highlight that we have several titles launching in Q4. There is always development risk. Should one or more of these move out of the fiscal year – this would further impact our guidance.**

# Financial Guidance

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## 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.

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

### First our GAAP guidance.

#### For the full year, we expect:

- Revenue to be between \$3.35 and \$3.65 billion – which is a \$150 million increase to our previous range.
- Diluted loss per share to be between (\$1.60) and (\$0.91)\*.
- Gross margin to be between 51 and 54 percent.
- Basic share count to be 314 million.
- We still expect that between \$350 and \$450 million in revenue will be deferred and recognized in fiscal 2009.

\* *Note Correction*

# Financial Guidance

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## Fiscal Year Ending March 31, 2008

**Now – our non-GAAP guidance.**

**For the full year – we expect:**

- Revenue (ex deferral) to be between \$3.8 and \$4.0 billion\* – which is a \$150 million increase to our previous range.
- Non-GAAP diluted earnings per share to be between \$0.85 and \$1.15\*.
- Non-GAAP gross margin to be 57 to 59 percent\*.
- Diluted share count to be 322 million.

In addition – one point on headcount. In fiscal 2008, we plan to end the year with roughly 8,300 people – a five percent increase (excluding Pandemic & BioWare). This is down five percentage points from our original plan. It's also important to note that all of the increase is occurring in lower cost regions of the world (Shanghai, India, Romania, Montreal and Spain). We expect our headcount in higher cost regions of the world to be down year-over-year.

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

# Financial Guidance

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## Fiscal Year Ending March 31, 2008

**Overall – we expect our non-GAAP EPS\* to be roughly \$2.06 – 2.45 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 \$0.86 and \$1.10.
- Acquisition-related charges associated with our purchase of BioWare and Pandemic – of approximately \$0.48 to \$0.61.
- Charges related to the reorganization plan we announced today – approximately \$0.19 to \$0.21.
- Stock-based compensation – approximately \$0.39.
- Amortization of intangible assets – roughly \$0.15.
- Restructuring charges related to the reorganization and establishment of an international publishing headquarters in Geneva – approximately \$0.01.
- 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.*

# Financial Guidance

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## Third Quarter Ending December 31, 2007

For the quarter ending December 31.

First our GAAP guidance.

For the quarter, we expect –

- Revenue to be between \$1.325 and \$1.575 billion.
- Earnings per share to be between a loss per share (\$0.28) and earnings per share of \$0.12.
- Gross margin to be between 47 and 50 percent.
- Basic share count to be 314 million.
- Diluted share count to be 323 million.

# Financial Guidance

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## Third Quarter Ending December 31, 2007

Now our non-GAAP guidance.

For the quarter, we expect –

- Revenue (ex deferral) to be between \$1.625 and \$1.8 billion\*.
- Non-GAAP diluted earnings per share to be between \$0.75 and \$0.95\*.
- Non-GAAP gross margin to be between 55 and 57 percent\*.
- Diluted share count to be 323 million.

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

# Financial Guidance

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## Third Quarter Ending December 31, 2007

**Overall – we expect our non-GAAP EPS\* to be roughly \$0.83 to \$1.03 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 \$0.54 and \$0.74.
- Charges related to the reorganization plan we announced today – of approximately \$0.17 to \$0.19.
- Stock-based compensation – approximately \$0.09.
- Amortization of intangible assets – roughly \$0.03.
- 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.*

# Financial Guidance

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## Third Quarter Ending December 31, 2007

**In Q3 – from our EA studios, we expect to ship 37 SKUs – compared to 41 a year ago.**

To date – we have shipped:

- NBA Live 08 on six platforms (Xbox 360, PS3, PS2, Wii, PSP and PC)
- The Simpsons on six platforms (Xbox 360, PS3, Wii, PS2, NDS and PSP)
- Playground on the Wii and NDS
- The Sims 2 Castaway on four platforms (Wii, PS2, NDS and PSP)

In addition – we plan to ship:

- Need for Speed Pro Street on six platforms (Xbox 360, PS3, Wii, PS2, NDS and PC)
- NCAA March Madness 08 on three platforms (Xbox 360, PS3 and PS2)
- Sim City Societies on the PC
- Smarty Pants on the Wii
- The Sims 2 Teen Style Stuff on the PC
- Boogie on the PS2 and NDS

# Financial Guidance

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## Third Quarter Ending December 31, 2007

- Madden NFL 08 Espanol on the Xbox 360 and PS2
- Medal of Honor Airborne on the PS3
- Medal of Honor Heroes 2 on the Wii and NDS. The Wii SKU will be available for the Nintendo Zapper.

**EA Partners** has already launched Half Life 2: Orange Box for the PC which is off to an excellent start. Hellgate London for the PC (including Collectors Edition) just shipped yesterday.

In addition, we expect to ship:

- Rockband (North America only) on the Xbox 360, PS3 and PS2
- Crysis and Crysis Collectors Edition on the PC
- Orcs and Elves on the NDS

**EA Mobile** – plans to launch 11 games on cellular handsets (Sims DJ, Need for Speed Pro Street, Blastdown, Sim City Societies, Harry Potter Classes, NBA Live 08, Pictionary Multiplayer (NA only), ESPN Darts (NA only), Dakar 08 (Europe only), Orcs and Elves 2 and FIFA 08).

# EA Conference Call

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## Summary

In summary – let me conclude with a few thoughts.

**First** – we are making good progress on the reorganization, label strategies and operating plans and look forward to updating you at our analyst meeting in February.

**Second** – we've begun to take steps to reshape our P&L and strengthen our long term trajectory.

**Third** – we are looking forward to the holidays and the back part of the year – we've got some great titles on the way.

Now we would be happy to take your questions.

# EA Conference Call

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## 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 pending 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 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 and Quarterly Report for the quarter ended June 30, 2007. These forward-looking statements speak only as of November 1, 2007. 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 September 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 September 30, 2007.*

# EA Conference Call

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## 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; 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 November 1, 2007.*

# Financial Guidance Summary

## Fiscal 2008 and Q3 2008

(\$ in Millions, except per share data)

	GAAP		Non-GAAP	
<b>Net Revenue</b>				
Fiscal Year 2008	\$3,350	- \$3,650	\$3,800	- \$4,000
Q3 2008	\$1,325	- \$1,575	\$1,625	- \$1,800
<b>Gross Margin - %</b>				
Fiscal Year 2008	51%	- 54%	57%	- 59%
Q3 2008	47%	- 50%	55%	- 57%
<b>Diluted EPS</b>				
Fiscal Year 2008	(\$1.60)	- (\$0.91)	\$0.85	- \$1.15
Q3 2008	(\$0.28)	- \$0.12	\$0.75	- \$0.95
<b>Share Count (MM)</b>				
Fiscal Year 2008	314M (basic)		322M (diluted)	
Q3 2008	323M (diluted)		323M (diluted)	

# Reconciliation of GAAP to Non-GAAP EPS

## Fiscal 2008 and Q3 2008

	Q3 2008		FY 2008	
<b>Non-GAAP EPS Guidance</b>	\$0.75	-	\$0.95	\$0.85 - \$1.15
<b>Change in deferred net revenue</b> (packaged goods and digital content)	\$0.74	-	\$0.54	\$1.10 - \$0.86
<b>Acquisition-related charges</b>	\$0.00		\$0.00	\$0.61 - \$0.48
<b>Amortization of intangibles</b>	\$0.03	-	\$0.03	\$0.15 - \$0.15
<b>Restructuring charges</b>	\$0.19	-	\$0.17	\$0.22 - \$0.20
<b>Stock-based compensation</b>	\$0.09	-	\$0.09	\$0.39 - \$0.39
<b>Share Count Dilution</b>	(\$0.02)	-	\$0.00	(\$0.02) - (\$0.02)
<b>GAAP EPS Guidance</b>	(\$0.28)	-	\$0.12	(\$1.60) - (\$0.91)