



**Earnings Conference Call  
Third Quarter Fiscal 2007  
December 31, 2006**

# Today's Call

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# EA Conference Call

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## Welcome and Safe Harbor

### Welcome to our third quarter fiscal 2007 earnings call.

Today on the call we have Larry Probst – Chairman and Chief Executive Officer; Warren Jenson – Chief Financial and Administrative Officer; and Frank Gibeau – Executive Vice President and General Manager of North America Publishing.

- 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 <http://investor.ea.com>. Shortly after the call we will post a copy of Warren's remarks on our website.
- Throughout this call we will present both GAAP and non-GAAP financial measures. Non-GAAP measures exclude charges and related income tax effects associated with:
  - acquired in-process technology,
  - amortization of intangibles,
  - certain litigation expenses,
  - 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.
- Information regarding our use of non-GAAP measures along with a schedule demonstrating how we calculate ROIC will be included with a copy of Warren's 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 included our trailing twelve month platform shares and our 2007 estimated market outlook 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 Form 10-Q for a discussion of risk factors that could cause our actual results to differ materially from those discussed today. We make these statements as of February 1, 2007 and disclaim any duty to update them.

And now – I'd like to turn the call over to Warren.

# Highlights

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## Our Performance

Good afternoon everyone.

We'd like to begin with a few highlights:

**Our third quarter performance was solid** – with bottom line results exceeding our expectations and our top line – right at the top of the range.

- **Revenue was \$1.28 billion** – up slightly year-over-year.
- **Gross margin was 63.3 percent** vs. 60.5 percent a year ago.
- **GAAP diluted earnings per share were \$0.50** vs. \$0.83 a year ago.
- **Non-GAAP diluted earnings per share were \$0.63\*** vs. \$0.86\* a year ago.

\* *Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 41 of this document.*

# Highlights

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## Our Performance

In the quarter – several titles stood out.

- **Need for Speed Carbon sold over eight million copies** – and was a top-five title in both North America and Europe.
- **FIFA 07 had a strong performance – since launch our revenue is up more than 30 percent.** In the UK – FIFA 07 was at the top of the charts across all platforms for five consecutive weeks. We estimate the overall FIFA franchise (FIFA 07, FIFA World Cup, etc.) was number one in Europe in 2006.
- **The Sims 2 Pets sold over five million copies** with more than 65 percent of our sales outside of North America. It is now our fastest selling Sims 2 expansion pack. It was also a hit on the NDS selling over one million copies.
- **Madden NFL 07 sold over three million copies in the quarter.** Since launch – our revenue is up 25 percent year-over-year. Madden NFL 07 was the number one title in North America in 2006.
- **In addition – we had six other titles that sold in excess of one million copies** – Need for Speed Most Wanted, Tiger PGA TOUR 07, The Sims 2, Superman Returns, NBA Live 07 and Battlefield 2142.

# Highlights

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## Our Performance

**We continued to see growth and payback in online. On a trailing 12-month basis our digital revenue reached a record \$115 million.**

**During the quarter our digital revenue was \$37 million – up 50 percent year-over-year. We sold 3.5 million pieces of digital content** including micro-transactions and digital downloads.

- **Pogo revenue for the quarter was \$21 million up 53 percent – and total paying subscribers passed through 1.4 million.** In total, more than 1.7 million Pogo based micro-transactions were completed – a sequential increase of 9X – driven by the successful launch of Pogo Gems.
- **In Korea – FIFA Online continues to expand with December being the highest revenue grossing month since launch.** To date – we have completed 1.4 million micro-transactions at an average retail price of approximately \$1.60 per item. In the month of December the average revenue per user (ARPU) was over \$10 – up from roughly \$6 in the month of September.

# Highlights

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## Our Performance

**We are also pleased with our early performance on the PS3. We ended with a strong 32 percent segment share.** All of our launch titles were in the top-10 with an average rating of 80.

**In summary – while we have work to do – we enter calendar 2007 from a position of strength:**

- Number one on the 360 – PS3 – PS2 – Xbox – PC and the PSP
- Number one in mobile phones and with a
- Stream of digital revenue that is continuing to expand.

# 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 Q3 financial results,

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

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

# Third Quarter Fiscal 2007

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## Net Revenue

### Q3

**Net revenue** was \$1.281 billion – up \$11 million from last year. Absent the impact of foreign exchange – revenue would have been down two percent.

Revenue was driven by Need for Speed Carbon, FIFA 07, The Sims 2 Pets and Madden NFL 07 – all selling over three million copies in the quarter. All four of these blockbuster franchises experienced both unit and revenue growth year-over-year.

We released 41 SKUs in the quarter vs. 49 a year ago.

Deferred revenue increased \$21 million sequentially – were this deferral not required – our total revenue would have been \$1.3 billion and EPS would have improved by approximately \$.04 and our operating margin by approximately 150 basis points.

# Third Quarter Fiscal 2007

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## Net Revenue by Platform

**Console** revenue was \$736 million – down seven percent due to fewer releases – most notably Harry Potter. The increase in next gen revenue of \$166 million did not offset the decline from current generation platforms.

**Mobility** – Revenue was \$229 million – up 19 percent.

- **On mobile phones** – revenue was an industry-leading \$35 million. We had four of the top-five games in both North America\* and in the UK. We estimate we had roughly 29 percent segment share in North America. In Europe – we estimate our segment share was north of 15 percent – up more than 200 percent year-over-year.
- **On handhelds** – revenue was \$194 million – up two percent. NDS revenue increased over 50 percent driven by The Sims 2 Pets – slightly offsetting the decline in GBA.

**PC** revenue was \$218 million – up 47 percent driven by the Sims 2 Pets and The Sims 2. In North America – EA had nine of the top-20 PC titles – with The Sims 2 franchise holding seven of them. In Europe, The Sims 2 Pets was the number one PC title in the quarter.

\* North America – October-November 2006 Telephia; UK December 2006 ELSPA

# Third Quarter Fiscal 2007

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## Net Revenue by Platform

**Co-Publishing and Distribution** revenue was \$49 million – down 51 percent due to significantly fewer releases and last year's strength of both Black and White and Half Life 2.

**Internet, Licensing, Advertising and Other** revenue was \$49 million – up 29 percent driven by advertising and Club Pogo. Total advertising revenue was \$13 million (dynamic, static, and banner) – up 140 percent year-over-year.

# Third Quarter Fiscal 2007

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## Net Revenue by Geography / Foreign Exchange Impact

### Geographically.

**North America revenue was \$637 million – up \$19 million – or three percent.** Console revenue was roughly flat – with next gen revenue offsetting the declines in current gen platforms. In addition – growth in PC and mobility offset the declines in co-pub and distribution. We had two top-five titles – with Madden at number one and Need for Speed Carbon at number five.

**International revenue was \$644 million – down \$8 million – or one percent.** Excluding a \$33 million positive impact from foreign exchange – international revenue would have decreased six percent.

- **Europe revenue was \$583 million – up \$6 million.** Increases in Xbox 360, Wii, PC and mobility were partially offset by the declines in current gen and co-pub and distribution. We estimate that EA had three of the top-five chart positions – Need for Speed Carbon, FIFA 07 and Sims 2 Pets.
- **Asia revenue was \$61 million – down \$14 million** driven by last year's performance of Harry Potter, Burnout and Star Wars Battlefront.

# Third Quarter Fiscal 2007

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## Gross Profit / Margin

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

**Gross Profit** in the quarter was \$811 million – up six percent.

**Gross Margin** was 63.3 percent vs. 60.5 percent – up 280 basis points driven by lower sales return charges and a lower mix of co-publishing and distribution titles.

# Third Quarter Fiscal 2007

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## Operating Expenses

### Op Ex

**As you know – at the beginning of the fiscal year we adopted SFAS 123R. In the third quarter this resulted in stock-based compensation of \$35 million.**

**Marketing and Sales.** Marketing and sales expense was \$165 million – up \$18 million primarily due to higher incentive and stock-based comp and the impact of acquisitions – partially offset by lower ad spend in Europe. Excluding the impact of stock-based comp and acquisitions – marketing and sales would have increased approximately six percent.

**General and Administrative.** G&A was \$91 million – up \$33 million primarily due to higher incentive and stock-based compensation, professional fees and the impact of acquisitions. Excluding the impact of stock-based comp and acquisitions – G&A would have increased approximately 31 percent year-over-year.

# Third Quarter Fiscal 2007

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## Operating Expenses

**Research and Development.** R&D was \$330 million – up \$124 million primarily due to personnel-related costs, acquisitions, higher contract services and facility-related expenses. Excluding the impact of stock-based comp and the impact of acquisitions – R&D would have increased approximately 42 percent.

R&D headcount was roughly 5,800 – up 16 percent from a year ago. Acquisitions (JAMDAT, Mythic, Phenomic, Headgate) accounted for 11 points of this increase.

**Please remember that in contrast to last year we anticipate a higher employee bonus payout – providing we meet our Q4 objectives. This is materially impacting our expense comps year-over-year.**

# Third Quarter Fiscal 2007

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## Bottom Line

**Our GAAP tax rate for the quarter was 35 percent vs. 29 percent a year ago.** As I have mentioned – you can expect our rate this year to be volatile and potentially fluctuate dramatically quarter-to-quarter.

Looking ahead – while things could change – we expect our GAAP tax rate for fiscal 2007 to be around 50 percent and our non-GAAP tax rate to be around 30 percent.

**GAAP Diluted Earnings per Share were \$0.50 vs. \$0.83 a year ago.**

**Non-GAAP Diluted Earnings per Share\* were \$0.63 vs. \$0.86.**

The \$0.13 difference between GAAP and non-GAAP EPS is principally due to stock-based compensation (\$0.09), amortization of intangibles (\$0.03) and restructuring charges (\$0.01).

**Our trailing 12 month operating cash flow was \$520 million vs. \$733 million for the comparable period.**

**Our return on invested capital\* on a trailing 12 month basis was 10 percent vs. 27 percent a year ago.**

*\* Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 41 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 42 of this document.*

# Third Quarter Fiscal 2007

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## Balance Sheet

**On to the Balance Sheet.**

**Cash, short-term investments and marketable securities** were \$2.6 billion – up \$270 million sequentially – primarily due to cash generated from operations.

**Gross accounts receivable** were \$779 million vs. \$829 million a year ago.

**Reserves against outstanding receivables** totaled \$228 million – down \$34 million from last year. Reserve levels were 11 percent as a percentage of trailing six month net revenue – down two points from last year. As a percentage of trailing nine month net revenue – reserves were nine percent – also down two points.

The channel is in great shape heading into calendar 2007.

**Inventory** was \$72 million – down \$4 million from a year ago. Other than Need for Speed Carbon – no one title represented more than \$4 million of net exposure.

# 2007 Outlook

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## Industry / EA

### Our Outlook

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

**Calendar 2007 and our upcoming fiscal year are all about three things – growth, reward and changing business models.** Let me talk about each for a moment.

### Growth

**In the traditional console, handheld and PC segments – we see a healthy year ahead.**

We expect growth in North America and Europe software sales to be between 13 to 18 percent driven by an expanding installed base and healthy tie ratios. When we exit calendar year 2007 – we expect an installed base of roughly 80 million next generation systems in North America and Europe (PS3, Xbox 360, Wii, NDS, PSP) – an increase of roughly 100 percent year-over-year.

# 2007 Outlook

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## Industry / EA

**For EA – our growth will be fueled by our strong line up.**

- We expect to launch more than ten wholly owned titles. Just to name a few – Army of Two, Burnout 5, Medal of Honor Airborne, SKATE, My Sims, Sim City, Need for Speed and Spore.
- In entertainment – Harry Potter, Warhammer, and The Simpsons. Through EA Partners we will co-publish both Crysis and Hellgate London. We have also reached an agreement with Pandemic Studios for global distribution of Mercenaries 2: World in Flames.
- In sports – our full line up will be back.

**Net – while we expect a very competitive year – we have our own slate of blockbusters on the way.**

# 2007 Outlook

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## Industry / EA

### By Platform

**For fiscal 2008 – you can expect us to ship between 20 and 25 SKUs on both the Xbox 360 and PS3.**

**On the Wii and the NDS – we are all over both.**

We have more than 15 SKUs in development for both the Wii and NDS – including several originals. We have shifted and acquired resources and are attacking these successful platforms.

- First – The Sims – you can expect a new title – My Sims – on both platforms. In addition, we are developing Sim City for the NDS.
- Second – Spore – not only will we be focusing on the PC and online – we are launching this innovative experience on the NDS. And
- Finally – EA Sports. We think our brand coupled with the right sports content can win on both platforms.

**In short – we are on it.**

# 2007 Outlook

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## Industry / EA

**In mobile – we expect global industry growth of 20 to 25 percent** – fueled by new handset sales, increased consumer adoption of mobile entertainment and more great games. For EA – we expect to continue to expand internationally – most notably in Europe. In the coming fiscal year – mobile revenue will likely pass through \$175 million.

**Online. For fiscal 2008 – we think our online revenue – before deferrals – could pass through \$200 million – up close to 60 percent year-over-year – driven by:**

- Digital downloads
- Dynamic in-game advertising
- Micro-transactions
- Warhammer in the MMO space
- POGO, and in
- Asia – we will aggressively ramp up our mid-session game offerings. We anticipate that FIFA Online will go live in both China and Japan. We also plan to roll out NBA Street.

# 2007 Outlook

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## Industry / EA

### Reward

The last few years have clearly been about investment. In the coming years, including fiscal 2008, it's about reward.

Looking ahead to fiscal 2008 – we expect:

- **Significant improvement in our non-GAAP operating margin.** This should be driven by a strong top line, growth in gross profit and comparatively slower growth in our expense base.
- **R&D to grow in the single digits in fiscal 2008.** If you strip out the growth from mobile and online – our core studio R&D should increase by no more than five percent.

# 2007 Outlook

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## Industry / EA

### Changing Business Models

As we have mentioned – given the expansion of online game play into many of our titles – you should expect to see more deferred revenue. **The challenge we have been wrestling with – is how to optimize the customer experience and expand our online service offering – but at the same time navigate the complexities of SOP 97–2** which deals with software revenue recognition where services are included as part of the software sale.

**From the customer perspective – we have now made one simple call – that is – beginning in fiscal 2008 we will continue to expand our online offering and we will not charge for online hosting as it relates to our package goods titles.**

Further – we now know that Sony will not charge for its online service.

# 2007 Outlook

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## Industry / EA

**So – what does all this mean?**

**Beginning in fiscal 2008 – for online enabled games on the PS3, PS2, PSP and PC – all packaged goods revenue will be amortized over the length of the online service period – which we currently estimate to be six months.**

**Given the significance of the holiday season – this means that likely more than \$400 million in revenue that would have otherwise been reported in fiscal 2008 will now be deferred and recognized in fiscal 2009.**

**We do not intend to defer any product costs.**

**Now – it is important to keep in mind that this change:**

- First - it will not impact any of your estimates for fiscal 2007.
- Second - it does not in any way impact the economic fundamentals of our business.
- Third - it will not adversely impact our cash flows – and finally you'll hear in a moment that
- Through our non-GAAP reporting – you will have comparability year-over-year – so you will – on an apples-to-apples basis – easily be able to judge our performance.

**In short – a big change in our GAAP results for fiscal 2008 – but no change in the economics of our business, our cash flows or your ability to judge our performance.**

# 2007 Outlook

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## Industry / EA

**Now let me talk about our reporting and comparability** – how you will be able to judge our performance year-over-year given this change.

If you look at our financial presentation this quarter – you will see we made a few changes.

**Most significantly – we added a line to our non-GAAP reconciliation where we plan to add or subtract the change in deferred revenue in order to determine our non-GAAP EPS.**

# 2007 Outlook

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## Industry / EA

**We have modified our non-GAAP measures – in this manner – for several very important reasons:**

- **First – the simple addition of this one line item will provide you with year-over-year comparability.** Again – we do not intend to defer any of the product costs. Therefore this one added line – will normalize our year-over-year comps.
- **Second – modifying our non-GAAP measures this way is more reflective of the cash characteristics of the business.** Remember that the deferral of revenue does not adversely impact cash flow. The business has not changed.
- **Third – it is how we will manage our business, assess our operating performance and measure management.** We want our team focused on the customer, improving cash generation and increasing our ROI.

# 2007 Outlook

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## Industry / EA

In addition – if you go to our website you will see an expanded set of schedules and reconciliations – including an FAQ – that should also assist you in understanding the impact of this change and our other non-GAAP adjustments.

### **A few things to note:**

- Package goods revenue associated with the Xbox 360 and Xbox will not be impacted in large part because Microsoft charges for its online service. As a result – we expect no change from current practice.
- As it relates to the Nintendo platforms – our revenue recognition will be dependent upon the ultimate service offering.
- For our MMO offerings – we will continue to recognize revenue as we do today. The package goods portion of the product is recognized over the service period.
- Micro-transaction revenue will continue to be recognized as we do today. For downloadables – revenue is recognized immediately. Where the micro content is only playable while connected to EA's servers – it is viewed as a service and recognized over the service period.

# 2007 Outlook

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## Industry / EA

To summarize on this point:

- **While our GAAP results for fiscal 2008 will be impacted significantly – this change is all about putting the customer first and letting the accounting follow.**
- **The economics and cash characteristics of our business are not changing.**
- **No adjustment to your GAAP or non-GAAP estimates for fiscal 2007 is required** as this is a prospective change we will make in fiscal 2008 – and finally,
- **You will have comparability through our non-GAAP measures.** You will be able to evaluate our fiscal 2008 performance – in all material respects – the same way you do today.

# Industry Update

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## Market Outlook

I'll now conclude my portion of today's call with our **Market Outlook and Financial Guidance**.

### 2007 Market Outlook

**For calendar 2007, we expect –**

- Overall North America and Europe console, handheld and PC software sales to increase 13 to 18 percent and
- Mobile software sales (cellular handsets) to increase 20 to 25 percent.

You can find a summary of our console, handheld and PC estimates on our website.

# Financial Guidance

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## Fourth Quarter Ending March 31, 2007

Now the numbers:

For the quarter ending March 31 – we expect:

- Revenue to be between \$550 and \$600 million.
- GAAP diluted loss per share to be between (\$0.17) and (\$0.12).
- Non-GAAP diluted earnings per share to be between roughly break-even and \$0.03.

**Overall – we expect our non-GAAP EPS\* to be roughly \$0.15 better than our GAAP results.** The estimated break-down of these adjustments is as follows:

- Stock-based compensation – approximately \$0.08
- Amortization of intangible assets – roughly \$0.03
- Restructuring charges – approximately \$0.02
- Acquisition charges – roughly \$0.02 associated with our acquisition of Mythic.

*\* Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 41 of this document.*

# Financial Guidance

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## Fourth Quarter Ending March 31, 2007

### On share count

- For positive earnings – the appropriate share count would be roughly 320 million.
- For a net loss – the appropriate share count would be approximately 315 million.

# Financial Guidance

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## Fourth Quarter Ending March 31, 2007

**In Q4 – we expect to ship 26 SKUs – compared to 29 a year ago.** We expect to have 15 next gen SKUs – including four for the 360, four for the Wii, three for the PS3 and two on both the NDS and PSP.

**In addition – for the launch of the PS3 in Europe – we will have at least five titles.**

In January – we released NCAA March Madness 07 on the Xbox 360 and PS2. This title is already off to a great start.

**During the quarter – we expect to release:**

- Def Jam ICON on the Xbox 360 and PS3 – which will include dynamic in-game ads
- Medal of Honor Vanguard on the PS2 and Wii
- Burnout Dominator on the PS2 and PSP
- NBA Street Homecourt on the Xbox 360 and PS3
- Command & Conquer 3: Tiberium Wars on the PC

# Financial Guidance

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## Fourth Quarter Ending March 31, 2007

- Champions League 07 on four platforms (Xbox 360, PS2, PSP and PC)
- Godfather The Game on the PS3 and Wii
- MVP 07 NCAA Baseball on the PS2
- Arena Football: Road to Glory on the PS2
- SSX Blur on the Wii
- Tiger Woods PGA Tour 07 on the Wii
- Theme Park on the NDS
- Pogo Island on the NDS
- The Sims Life Stories on the PC
- The Sims 2 Seasons Expansion Pack on the PC
- Battlefield 2142: Northern Strike Booster Pack on the PC

**On mobile phones** – we plan to launch six games (EA Sports NASCAR 07, MVP Baseball 07, Pool Multiplayer, Tetris Multiplayer, Pictionary, and the next iteration of Bejeweled).

# Financial Guidance

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## Full Year Ending March 31, 2007

### Full Year Guidance

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

- Revenue to be between \$3.025 and \$3.075 billion
- GAAP diluted earnings per share to be between \$0.15 and \$0.20
- Non-GAAP diluted earnings per share to be between \$0.70 and \$0.74\*

**Overall – we expect our non-GAAP EPS\* to be roughly \$0.55 better than our GAAP results.** The estimated break-down of these adjustments is as follows:

- Stock-based compensation – roughly \$0.34
- Amortization of intangible assets – approximately \$0.13
- Restructuring charges – roughly \$0.05
- Acquisition charges – approximately \$0.03 related to our acquisition of Mythic

\* Please see *Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 41 of this document.*

# Financial Guidance

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## Full Year Ending March 31, 2007

One final housekeeping item – as you begin building out your models for fiscal 2008 – please remember that we face a challenging comp in Q1 given last years strength of World Cup. That said – we do expect that Harry Potter will be a June release.

# Financial Guidance

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## Summary

Before we open the call to your questions I will conclude with a couple of closing thoughts.

**First** – it's great to have all the next generation platforms in the marketplace. These platforms and online are beginning to open up a new digital age for interactive entertainment.

We believe that we are uniquely positioned to take advantage of these opportunities given the investments we have made in next gen, online and in mobility.

**And second** – our long term priorities are clear

- Next gen leadership – including the Nintendo platforms,
- Winning in Online, Asia and Mobility,
- Expanding our wholly owned IP portfolio – while at the same time,
- Delivering long-term value to our shareowners.

Of course – these priorities are not without complexity – and we will make mistakes along the way. All that said – EA has the best team in the business to lead us through this changing, challenging and exciting time.

# Financial Guidance

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## Summary

**With that – Larry, Frank and I will open the call to 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 “2007 Outlook”, “Industry Update” 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 Electronic Arts’ results to differ materially from its expectations include the following: consumer demand for, and the availability of an adequate supply of, current-generation and next-generation hardware units (including the Microsoft Xbox 360, Sony PlayStation 3 and Nintendo Wii); sales of the Company’s titles; timely development and release of Electronic Arts’ products; 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; competition in the interactive entertainment industry; the Company’s ability to manage expenses during the remainder of fiscal year 2007; the Company’s ability to secure licenses to valuable entertainment properties on favorable terms; 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; and other factors described in the Company’s annual report on Form 10-K for the year ended March 31, 2006 and quarterly report on Form 10-Q for the quarter ended September 30, 2006. These forward-looking statements speak only as of February 1, 2007. Electronic Arts assumes no obligation and does not intend to update these forward-looking statements, including those made under the “2007 Outlook”, “Industry Update” and “Financial Guidance” 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 December 31, 2006. Electronic Arts assumes no obligation and does not intend to update these estimates prior to filing its Form 10-Q for the fiscal quarter ended December 31, 2006.*

# 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 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 February 1, 2007.*

# 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)*

	FY06		FY07	
	Q4	Q1	Q2	Q3
TTM Net Income	\$236	\$213	\$184	\$85
TTM Tax-Affected Stock-Based Comp.	2	31	57	84
<b>TTM Adjusted Net Income</b>	<b>\$238</b>	<b>\$244</b>	<b>\$241</b>	<b>\$169</b>
Equity	\$3,408	\$3,429	\$3,591	\$3,878
+ Debt	0	0	0	0
- Excess Cash <sup>(1)</sup>	(1,977)	(1,931)	(1,861)	(2,099)
<b>Invested Capital</b>	<b>\$1,431</b>	<b>\$1,498</b>	<b>\$1,730</b>	<b>\$1,779</b>
<b>TTM Avg. Invested Capital</b>				<b>\$1,610</b>
<b>TTM ROIC</b>				<b>10%</b>

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

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See Safe Harbor Statements (pages 3-5 and 40)