



**Earnings Conference Call
Second Quarter Fiscal 2007
September 30, 2006**

Today's Call

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EA Conference Call

Welcome and Safe Harbor

Welcome to our second 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

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 2006 estimated market outlook in a supplemental schedule on our website.

EA Conference Call

Welcome and Safe Harbor

- During the course of this call – we may make forward-looking statements regarding future events and the future financial performance of the Company. We caution you that actual events and results may differ materially. We refer you to our most recent Form 10-K and 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 November 2, 2006 and disclaim any duty to update them.

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

Highlights

Our Performance

Good afternoon everyone.

We'd like to begin with a few highlights from the quarter.

Our second quarter was strong – and exceeded our expectations.

- **Revenue was a Q2 record \$784 million** – up \$109 million or 16 percent.
- **GAAP diluted earnings per share were \$0.07 vs. \$0.16** – and
- **Non-GAAP diluted earnings per share were \$0.21*** – an improvement of six cents or 40 percent.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 31 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 32 of this document.*

Highlights

Our Performance

Q2 – as usual – was all about sports.

- **Madden NFL 07 had another record year – selling five million copies in just five weeks.** To date, we estimate sell through is up 15 percent year-over-year.
- **NCAA Football 07 hit an all time high selling over two million copies in the quarter** and we estimate current sell through is up 16 percent.
- **FIFA 07 current gen had a strong international launch – selling nearly two million copies in just one week.**
- **Tiger Woods PGA TOUR 07 to date has sold more than one million copies.** Tiger Woods PGA TOUR 07 will be a PS3 launch title and will ship on the Wii in our fourth quarter.
- **NBA Live 07 sold over one million copies in the quarter, and**
- **NHL 07 is having its strongest year ever – with estimated sell through up over 25 percent.**

Highlights

Our Performance

In the quarter, we also moved forward on several strategic fronts.

- **First – we are pleased to be partnering with Apple on the iPod.** In September we launched Tetris, Mini Golf and Mahjong.
- **Second – we have joined with Massive and IGA to introduce dynamic in-game advertising.** We started with Battlefield 2142 a couple of weeks ago – and Need for Speed Carbon is now live.
- **Third – FIFA Online in Korea continues to do well.** To date we have completed over 700 thousand micro-transactions at an average retail price of approximately \$1.45 per item. FIFA Online is currently in the top-five online mid-sessions games in Korea (based on peak concurrent users).
- **Fourth – we launched Pogo in the UK.**
- **And finally – we acquired Phenomic Games – a talented European RTS developer.** We welcome the team to EA.

In summary – an excellent fall season for EA Sports, a record Q2 top line performance and a stronger strategic position.

EA Conference Call

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 – Larry, Frank and I will open the call to your questions.

Second Quarter Fiscal 2007

Net Revenue

Q2

Net revenue was \$784 million – up 16 percent driven by Madden NFL 07, Godfather, NCAA 07, FIFA 07 and continued strength in catalog. By platform – the revenue increase was driven by Xbox 360 and cellular phones – partially offset by declines in current generation consoles. We released 43 SKUs in the quarter vs. 37 a year ago.

During the quarter we had two titles – Madden NFL and NCAA – that sold in excess of two million copies.

Second Quarter Fiscal 2007

Net Revenue by Platform

Console revenue was \$514 million – up 10 percent. The increase was driven by Xbox 360 – which more than offset the decline in current gen platforms. During the quarter, 360 revenue was 21 percent of total revenue – up six points from last quarter. Year to date, we are number one on the 360, PS2, Xbox, PSP and PC in both North America and in Europe.

Mobility – Revenue was \$121 million – up \$59 million – almost 2x that of last year.

- **On mobile phones** – revenue was an industry leading \$35 million. We had four of the top-ten games in North America* and in the UK. Since acquiring JAMDAT – eight of EA's franchises are now available on mobile phones. As compared to JAMDAT's year ago performance – revenue was up 75 percent.
- **On handhelds** – revenue was \$86 million – up 43 percent driven by growth on all platforms.

PC revenue was \$86 million – down five percent primarily due to last year's strength of Battlefield 2.

** North America -- July-August 2006 Telephia; UK September 2006 ELSPA*

Second Quarter Fiscal 2007

Net Revenue by Platform

Co-Publishing and Distribution revenue was \$39 million – up 22 percent driven by the success of Dead Rising and Half Life 2.

Internet, Licensing and Other revenue was \$24 million. Club Pogo subscriptions are up 39 percent year-over-year to 1.4 million. This quarter, we plan to introduce a gem-based buying service on Pogo.com which will bring more premium content to our customers through micro-transactions.

Second Quarter Fiscal 2007

Net Revenue by Geography / Foreign Exchange Impact

Geographically.

North America revenue was \$512 million – up \$69 million or 16 percent – driven by the Xbox 360, cellular phones and PSP – partially offset by declines in current gen. We had three top-ten titles across all platforms. Madden NFL and NCAA were number one and two, respectively.

International revenue was \$272 million – up \$40 million or 17 percent. Excluding a \$10 million positive impact from foreign exchange – international revenue would have increased 13 percent.

- **Europe revenue was \$245 million – up \$54 million or 28 percent** – driven by the Xbox 360, PS2 and PSP – partially offset by declines in Xbox. In Europe our PS2 business grew 18 percent due to the strong launch of FIFA 07.
- **Asia revenue was \$27 million – down \$14 million.** Xbox 360 revenue did not offset the declines in current gen.

Second Quarter Fiscal 2007

Gross Profit / Margin

Moving on to the rest of the income statement.

Gross Profit in the quarter was \$445 million – up 14 percent.

Gross Margin was 56.8 percent vs. 57.9 – down 110 basis points driven by higher licensing costs and lower average selling prices – partially offset by lower sales return charges.

Second Quarter Fiscal 2007

Operating Expenses

Op Ex

As you know – at the beginning of the fiscal year we adopted SFAS 123R. In the second quarter this resulted in stock-based compensation of \$33 million.

Marketing and Sales. Marketing and sales expense was \$108 million – relatively flat to last year. Excluding stock-based compensation (\$4 million) – marketing and sales would have decreased by three percent due to lower ad spending.

General and Administrative. G&A was \$72 million – up \$20 million primarily due to personnel-related costs – including stock-based compensation. Excluding the impact of stock-based compensation (\$9 million) and the impact of acquisitions – G&A would have been up \$7 million or 13 percent.

Second Quarter Fiscal 2007

Operating Expenses

Research and Development. R&D was \$238 million – up \$56 million primarily due to the expensing of stock-based compensation, the addition of studio headcount and the impact of our acquisitions (JAMDAT / Mythic). Excluding stock-based compensation (\$19 million) and the impact of acquisitions – R&D increased approximately 15 percent.

R&D headcount was approximately 5,600 – up roughly 400 from last quarter and up 17 percent from a year ago. The JAMDAT, Mythic and Phenomic acquisitions accounted for 10 points of this increase.

Second Quarter Fiscal 2007

Bottom Line

Our GAAP tax rate for the quarter was 42 percent. As I mentioned in our last call – you can expect our rate this year to be volatile and potentially fluctuate dramatically quarter-to-quarter.

GAAP Diluted Earnings per Share were \$0.07 vs. \$0.16 a year ago.

Non-GAAP Diluted Earnings per Share* were \$0.21 vs. \$0.15.

The \$0.14 difference between GAAP and non-GAAP EPS is principally due to stock-based compensation (\$0.09), amortization of intangibles (\$0.03), restructuring charges (\$0.01) and acquisition charges (\$0.01).

Our trailing 12 month operating cash flow was \$571 million vs. \$592 million for the comparable period.

Our return on invested capital* on a trailing 12 month basis was 17 percent vs. 39 percent a year ago.

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 31 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 32 of this document.*

Second Quarter Fiscal 2007

Balance Sheet

On to the Balance Sheet.

Cash, short-term investments and marketable securities were \$2.4 billion – down \$21 million from last quarter primarily due to our acquisition of Mythic Entertainment.

Gross accounts receivable were \$439 million vs. \$465 million a year ago – a decrease of six percent due to the timing of our release schedule.

Reserves against outstanding receivables totaled \$172 million – up \$35 million. Reserve levels were 14 percent as a percentage of trailing six month net revenue – up one point. As a percentage of trailing nine month net revenue – reserves were nine percent – consistent with last year.

Inventory was \$67 million – down \$7 million from a year ago. Other than FIFA 07 – no one title represented more than \$4 million of net exposure.

We recorded \$86 million of intangibles related to our acquisition of Mythic. Of this amount – \$22 million will be amortized to the P&L over 3-5 years.

2007 Outlook

Industry / EA

Our Outlook and Guidance.

Before getting into the numbers – a few observations.

First – while things can change very quickly – the current sales environment appears to be healthy. The strength of the year-to-date numbers backs this up. As a result, we have increased our industry software growth estimates for the year.

Second – we are very much looking forward to the holidays – it's the beginning of prime time for next generation technology and entertainment:

- On the Xbox 360 we will have four titles and lots of downloadable content.
- On PS3 we will also have four titles – Madden NFL 07, Need for Speed Carbon, Tiger Woods PGA Tour 07 and Fight Night Round 3.
- On the Wii – both Need for Speed Carbon and Madden NFL 07 will be available at launch.
- In the quarter, we will release three titles on the Nintendo DS, five on the PSP, nine on mobile phones and one on the iPod.

Third – don't forget about current gen – particularly the PS2. This remains the largest platform globally and we are the leading publisher.

2007 Outlook

Industry / EA

Fourth – as a result of our first half performance and the relative strength in the marketplace – we are taking our numbers up for the year. That said – we have also made some adjustments to our SKU plan that will move a couple of titles into fiscal 2008 – specifically – Army of Two and Crysis.

In summary – the industry appears to be healthy, and we are looking forward to having all next gen platforms in the marketplace. Longer term – we are building a powerful global line-up for fiscal 2008 and beyond. We have some great titles in the works and expect to extend our leadership position.

Industry Update

Market Outlook

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

2006 Market Outlook

As I mentioned earlier, we have revised our software estimates. We now expect software sales in North America and Europe to be flat to up five percent for calendar 2006. You can find a summary of our estimates on our website.

Industry Update

Guidance

Now – on to our financial guidance:

Once again – I'd like to lead with a few points of caution:

First – transition is not over – while we are bullish on the long-term – many short-term uncertainties exist. There could easily be hardware delays and shipment quantities could fall short.

Second – demand and / or pricing for current generation platforms and software could fall below that which is in our forecast.

Third – there is always development risk – particularly given the challenges of transition. It is possible that a title could slip out of any given quarter or the fiscal year. And finally –

It is important that you carefully review and assess the risk factors detailed in our SEC filings.

Financial Guidance

Third Quarter Ending December 31, 2006

Now the numbers:

For the quarter ending December 31 – we expect:

- Revenue to be between \$1.2 and \$1.3 billion
- GAAP diluted earnings per share to be between \$0.33 and \$0.43
- Non-GAAP diluted earnings per share to be between \$0.50 and \$0.60

Overall – we expect our non-GAAP EPS* to be roughly \$0.17 better than our GAAP results. The estimated break-down of these adjustments is as follows:

- Stock-based compensation – approximately \$0.09
- Acquisition charges – roughly \$0.04 associated with our acquisition of Mythic
- Amortization of intangible assets – roughly \$0.03, and
- Restructuring charges – approximately \$0.01 related to our international reorganization

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 31 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 32 of this document.*

Financial Guidance

Third Quarter Ending December 31, 2006

In Q3 – we expect to ship 41 SKUs – compared to 49 a year ago.

To date, we have released:

- Battlefield 2142 on the PC* – which by the way is off to a great start
- Medal of Honor Heroes on the PSP
- Need for Speed: Carbon on eight platforms (Xbox 360, PS2, Xbox, NGC, PSP, NDS, GBA, PC*)
- The Sims 2: Pets on four platforms (NGC, PS2, NDS, PC) – this title has already gone platinum in just three weeks.

** Offered at retail and through EA digital downloader*

Financial Guidance

Third Quarter Ending December 31, 2006

In addition, we expect to release:

- Fight Night Round 3 on the PS3
- Madden NFL 07 on the PS3 and Wii
- Tiger Woods PGA Tour on the PS3
- Need for Speed: Carbon on the PS3 and Wii
- NFL Street 3 on two platforms (PS2, PSP)
- Superman Returns on five platforms (Xbox 360, PS2, Xbox, NDS, GBA)
- The Sims 2: Pets on two platforms (PSP, GBA)
- The Sims 2: Holiday Edition on the PC
- The Sims 2: Happy Holiday Stuff on the PC*
- Cricket 07 on two platforms (PS2, PC)
- Dark Age of Camelot: Labyrinth of the Minotaur on PC* (Expansion Pack)
- Lord of the Rings: The Battle for Middle Earth II: Rise of the Witch-King on PC (Expansion Pack)
- EA Replay on the PSP

** Offered at retail and through EA digital downloader*

Financial Guidance

Third Quarter Ending December 31, 2006

Also in the quarter – we will offer new in-game content on Xbox Live Marketplace for Tiger Woods PGA TOUR 07, Godfather and Need for Speed Carbon.

On mobile phones – we plan to launch nine games (NBA Live 07, EA Sports Fight Night Round 3, Texas Hold'em 2, Medal of Honor, NCAA Basketball, Sims Pets, FIFA 07, Dakar 2007, Scrabble).

On the iPod – we plan to release a game pack which will include both Sudoku and Solitaire.

Financial Guidance

Full Year Ending March 31, 2007

Full Year Guidance

For the full year, we expect:

- Revenue to be between \$2.950 and \$3.125 billion
- GAAP diluted earnings per share to be breakeven to \$0.15
- Non-GAAP diluted earnings per share to be between \$0.55 and \$0.70*

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 \$0.33
- Amortization of intangible assets – approximately \$0.13
- Acquisition charges – approximately \$0.05 related to our acquisition of Mythic and Digital Illusions, and
- Restructuring charges – roughly \$0.04 related to our international reorganization

** Please see Non-GAAP Financial Measures and reconciliation information on pages 3-4 and 31 of this document and the supplemental schedule demonstrating how we calculate ROIC on page 32 of this document.*

Financial Guidance

Full Year Ending March 31, 2007

Looking ahead – we again ask you to keep in mind that with the introduction of next generation platforms and the global expansion of online gaming – you will see more games delivered with significantly enhanced online game play. In some situations, this may delay the recognition of revenue. This, of course, will have no adverse impact on cash flows.

Financial Guidance

Summary

I will now conclude with a couple of closing thoughts.

First – this is a great time to be in this business – as traditional media battles technology and the Internet – we embrace them. As I said a few minutes ago – this is the beginning of prime time for interactive entertainment.

Second – Our long term priorities are clear:

- Next gen leadership,
- 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.

With that – Larry, Frank and I will open the call to your questions.

EA Conference Call

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: the timely release of next-generation hardware; 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 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. These forward-looking statements speak only as of November 2, 2006. 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 September 30, 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 September 30, 2006.

EA Conference Call

Non-GAAP Financial Measures

To supplement the Company's unaudited condensed consolidated financial statements presented in accordance with GAAP, Electronic Arts uses certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. The non-GAAP financial measures used by Electronic Arts include non-GAAP 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 expense; 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 further believes that where the adjustments used in calculating non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP diluted earnings (loss) per share are based on specific, identifiable charges that impact different line items in the Company's statements of operations (including cost of goods sold, marketing and sales, general and administrative, research and development expense and income tax expense), that it is useful for investors to understand how these specific line items are affected by these adjustments.

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 2, 2006.

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	
	Q3	Q4	Q1	Q2
TTM Net Income	\$260	\$236	\$213	\$184
TTM Tax-Affected Stock-Based Comp. ⁽¹⁾	2	2	32	57
TTM Adjusted Net Income	\$262	\$238	\$245	\$241
Equity	\$3,341	\$3,410	\$3,458	\$3,618
+ Debt	0	0	0	0
- Excess Cash ⁽²⁾	(2,270)	(1,977)	(1,931)	(1,861)
Invested Capital	\$1,071	\$1,433	\$1,527	\$1,757
TTM Avg. Invested Capital				\$1,447
TTM ROIC				17%

(1) Tax affected at statutory rate

(2) Excess cash equals cash and equivalents minus 10% of TTM revenue.

EA Conference Call – November 2, 2006 – Second Quarter Ended September 30, 2006

See Safe Harbor Statements (pages 3-5 and 30)