



**Electronic Arts**  
**Fiscal 2009 Third Quarter Update Call**  
**Prepared Comments**  
**December 9, 2008**

***Tricia Gugler:***

Welcome to our fiscal third quarter update call.

Today on the call we have John Riccitiello, our Chief Executive Officer and Eric Brown, our Chief Financial Officer.

Before we begin, I'd like to remind everyone that you may find copies of our SEC filings, our press release and a replay of this 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.

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-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 December 9, 2008 and disclaim any duty to update them.

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

**John Riccitiello:**

Thanks, Tricia.

The purpose of the call today is to:

- Provide an update on our recent performance and fiscal 2009 guidance.
- Provide further details to the cost management plan we announced on our earnings call in October.
- After that – Eric and I will take your questions.

We are almost 11 weeks into the third quarter, and it is now clear that we will be coming in with revenue significantly below our internal plan for the quarter. As a result, we will not be able to achieve our previously issued financial guidance for fiscal 2009.

A few observations on our projected shortfall:

- While we saw significant improvement in the overall quality of our key products this year -- that quality has not yet translated into enough sales. So far in calendar 08 we have shipped 17 titles with metacritic scores of 80 or above versus seven this time last year. Quality is a prerequisite for a great selling game – but it is not the entire equation.
- Today consumers are particularly selective in how they spend their discretionary dollars. We are seeing a stronger polarization around the top-ten selling titles.
- Key catalog titles continue to underperform and
- Lastly, and unique to this year, some major retailers are reducing their year-end inventories, and in particular, those inventories for titles not in the top five sell-thru for November and December. This may not impact publishers with titles in the top 5; however, we expect this will sharply reduce our December revenue versus prior expectations.

Given these observations – we are going to do three things differently.

- First, we will reduce titles and SKUs and invest more – particularly marketing – on the titles with the greatest hit potential.
- Second – we will focus on games with strong online features and ongoing new content. This will prolong the catalog sales life of our products.
- Third, we will reduce expenses beyond cutting the number of titles and SKUs.

On our last conference call, we announced a personnel reduction and a plan to reduce titles and SKUs in fiscal 10. The intent is to reduce our fiscal 10 expenses below fiscal 09 levels, excluding the impact of bonus, which, of course, varies depending upon our performance.

We are cutting SKUs at the bottom of the profitability range and planning to push our top titles more aggressively. Our goal is to deliver higher profits and margins, even if total revenue may be slightly lower than might otherwise be the case.

Cutting costs will not impact our commitment to game quality, investing in new properties and direct to consumer initiatives. We will be launching several new titles and online games in fiscal 2010.

We believe these steps will yield a stronger, more profitable company and one that will better weather any economic environment.

Now let me pass it to Eric.

**Eric Brown:**

Thanks John.

Let me provide some additional information on our performance. Our October and November sell-in numbers were close to expectations. On a sell-through basis, a few key titles, including FIFA continue to perform well. However, the majority of our portfolio is underperforming our sell-through projections. This fact, combined with the observation that some retailers are planning to end the calendar year with fewer weeks of inventory on hand, indicates that we will not have sufficient re-order activity in December to meet our Q3 expectations.

With two of the most important weeks of Q3 and all of Q4 still ahead of us and the greater uncertainty in the retail channel, we do not have enough information today to provide updated fiscal 09 guidance. We plan to update guidance on our call in early February.

Now let me provide a bit more color on focus and costs. While I won't get into specific numbers, let me share a few high-level points:

- First -- we are in the process of scaling back our fiscal 10 SKU plan significantly with a goal of reducing R&D year-over-year. We expect to have fewer SKUs next year compared to fiscal 09.
- Second – we are reducing variable and fixed spend in multiple areas including contracted services and T&E, and we plan to consolidate our facilities.
- Third – we will budget expenses and capital expenditures in fiscal 10 based on a more measured projection of revenue.

A good example that cuts across all three areas is the recent combination of the Sims and Casual labels which allows us to reduce SKUs, duplicative headcount and capital expenditures.

Net—we're going to continue to focus on quality and innovation, keeping what it takes to drive hit titles and our digital / direct to consumer initiatives, and taking a very hard look at cutting the rest.

We have pulled forward our planning process for fiscal 10. We expect to provide preliminary fiscal 10 guidance along with revised fiscal 09 guidance on our call in early February.

With that – John and I will take your questions.

## Safe Harbor Statement

*Some statements set forth in this document, including Electronic Arts' estimates of its financial performance and cost-saving initiatives, are forward-looking statements and are subject to change. Statements including words such as "anticipate", "believe", "estimate", "expect" or "it is likely" and statements in the future tense are forward-looking statements. These forward-looking statements are preliminary estimates based on current information and are subject to business and economic risks that could cause actual future results to differ materially from the Company's expectations set forth above. Some of the factors which could cause the Company's results to differ materially from its expectations include the following: sales of the Company's titles during the remainder of the quarter and fiscal year; consumer spending trends; the Company's ability to manage expenses during the remainder of the quarter, fiscal year and beyond; competition in the interactive entertainment industry; timely development and release of Electronic Arts' products; the Company's ability to successfully implement its cost reduction plans; the general health of the U.S. and global economy and the related impact on discretionary consumer spending; 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 the PlayStation 2; the Company's ability to predict consumer preferences among competing hardware platforms; the financial impact of potential future acquisitions by EA; the Company's ability to realize the anticipated benefits of acquisitions; consumer spending trends; the seasonal and cyclical nature of the interactive game segment; the Company's ability to attract and retain key personnel; changes in the Company's effective tax rates; the performance of strategic investments; 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, 2008 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2008. These forward-looking statements speak only as of December 9, 2008. Electronic Arts disclaims any obligation, and does not intend to, update these forward-looking statements.*