

## Take-Two Interactive Software, Inc. Reports Third Quarter Fiscal 2005 Financial Results

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NEW YORK, Sep 07, 2005 (BUSINESS WIRE) -- Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced financial results for its third quarter and nine months ended July 31, 2005.

Net sales in the third quarter increased 6% to \$169.9 million, compared to \$160.9 million in the third quarter of fiscal 2004. Net loss for the quarter was \$28.8 million, compared to a net loss of \$14.4 million last year, with a net loss of \$(0.41) per share compared to a net loss per share of \$(0.21) last year.

Net sales for the nine months ended July 31, 2005 increased 30% to \$894.4 million, compared to \$689.7 million for the same period a year ago. Net income for the first nine months increased to \$18.3 million from net income of \$2.7 million in the comparable period last year. Diluted earnings per share of \$0.26 increased from \$0.04 per diluted share in the prior year's first nine months.

Take-Two attributed its increased third quarter sales to the launch of Grand Theft Auto: San Andreas for Xbox and PC and Midnight Club 3: DUB Edition for the PSP(TM), along with the release of Charlie and the Chocolate Factory on multiple platforms and Sid Meier's Pirates! for Xbox.

The Company initiated its stock repurchase program during the third quarter and completed the entire \$25 million program shortly after the end of the quarter. Approximately 925,000 shares were purchased at an average price of \$26.96 per share.

### Guidance

Take-Two is updating its fiscal 2005 guidance primarily to reflect the movement of Bully for PlayStation 2 and Xbox out of the current fiscal year to provide additional development time for the title, the movement of the Japanese launch of Grand Theft Auto: San Andreas for PlayStation 2 out of the current fiscal year, and the movement of Sid Meier's Civilization IV for PC from fiscal 2006 into fiscal 2005. The Company now expects \$1.22 to \$1.27 billion in net sales and \$0.85 to \$0.90 in diluted net income per share for the fiscal year ending October 31, 2005.

Take-Two is issuing initial guidance for fiscal 2006, excluding the estimated impact from adoption of FASB 123(R):

-- For the fiscal year ending October 31, 2006, \$1.4 to \$1.5 billion in net sales and \$1.25 to \$1.55 in diluted net income per share.

-- For the first quarter ending January 31, 2006, \$350 to \$400 million in net sales and \$0.14 to \$0.20 in diluted net income per share.

The Company's diluted earnings/(loss) per share for all periods above do not include the impact of adopting FASB 123(R), requiring the expensing of employee stock options. With the adoption of FASB 123(R) beginning on November 1, 2005, the Company's estimated diluted net income per share guidance will be \$1.05 to \$1.30 for the fiscal year ending October 31, 2006 and \$0.10 to \$0.15 for the first quarter ending January 31, 2006.

### Rockstar Games

In the third quarter, Rockstar released Grand Theft Auto: San Andreas for Xbox and PC and Midnight Club 3: DUB Edition for the PSP system. Midnight Club 3: DUB Edition was the best selling PSP title in the United States in July, according to NPD Funworld(R) estimates. Also in the third quarter, Rockstar launched the PlayStation 2 Greatest Hits version of Red Dead Revolver, bringing Take-Two's catalog of Greatest Hits products for PlayStation 2 to eleven titles.

Rockstar released Midnight Club 3: DUB Edition for the PSP in Europe last week in conjunction with the European

launch of the PSP system. Later in the fourth quarter Rockstar is introducing an all new Grand Theft Auto title: Grand Theft Auto: Liberty City Stories, for the PSP in North America and Europe. Returning to Liberty City, the setting of Grand Theft Auto 3, the title has an entirely original storyline with all new missions and the freedom, production value and gameplay of all Grand Theft Auto titles.

Also planned for fourth quarter release is The Warriors(TM) for PlayStation 2 and Xbox, a new Rockstar title based on the Paramount Pictures feature film. Developed by Rockstar Toronto, The Warriors expands the cinematic journey of the film, reinventing the street brawler to create an intense, stylized and unparalleled gameplay experience.

Rockstar's fiscal 2006 pipeline includes the release of Bully on PlayStation 2 and Xbox in the second quarter and a sequel of a Rockstar brand in the third quarter. Grand Theft Auto: San Andreas for PlayStation 2 is expected to be released in Japan in the first quarter. A title based on a new brand for the Xbox 360(TM) is planned for the second quarter. Additional fiscal 2006 products include two new titles for the PSP system, as well as extensions of the Grand Theft Auto franchise.

#### 2K Games, 2K Sports and Global Star

Products released in the third quarter included Sid Meier's Pirates! for Xbox and Charlie and the Chocolate Factory on multiple platforms.

Fourth quarter titles from 2K Games will include Sid Meier's Civilization IV for PC; Shattered Union and Serious Sam II, both for Xbox and PC; Zathura for PlayStation 2 and Xbox; Call of Cthulhu: Dark Corners of the Earth(TM) for Xbox; and the North American release of Conflict: Global Terror on multiple platforms.

2K Sports' fourth quarter releases will include NBA 2K6 and NHL 2K6, both for PlayStation 2 and Xbox; Top Spin for PlayStation 2; and World Poker Tour on multiple platforms.

Global Star's fourth quarter releases will include Ford vs Chevy for PlayStation 2 and Xbox and console titles for Codename: Kids Next Door and Dora the Explorer.

Fiscal 2006 first quarter releases include The Elder Scrolls IV: Oblivion for PC and Xbox 360 from 2K Games; and NBA 2K6, NHL 2K6, College Hoops 2K6, Top Spin 2, and Amped 3, all for the Xbox 360 from 2K Sports. Additionally, 2K Sports will ship College Hoops 2K6 on PlayStation 2 and Xbox, and Top Spin 2 on the Game Boy(R) Advance and Nintendo DS(TM).

Additional products planned for fiscal 2006 include Prey, Snow, and 24: The Game from 2K Games and various MLB, NBA and other sports titles from 2K Sports.

#### Jack of All Games

The Company's Jack of All Games distribution business realized reduced sales in the third quarter primarily attributable to a decrease in average selling prices of interactive entertainment products as the industry transitions to next-generation technology along with increased competition in the value software market. Jack of All Games is focused on improving fourth quarter and fiscal 2006 performance through increased sales of value added product bundles, multi-game compilations and exclusive product offerings.

#### Management Comments

Paul Eibeler, President and Chief Executive Officer, stated, "Take-Two is in an excellent competitive position as our industry enters its next cycle of growth. We have a high quality line-up that is the most diverse in our history--including the latest versions of established franchises, as well as newer titles that will become tomorrow's hits. Our Rockstar, 2K Games, 2K Sports and Global Star labels are building a product pipeline that will appeal to a broad range of consumers."

Mr. Eibeler continued, "We are particularly excited about the capabilities of the next generation hardware, which play to our strength--the ability to produce creative and engaging games that generate enthusiastic responses from gamers and reviewers alike. And, we have the financial and operational resources to capitalize on the opportunities presented by the current installed base and the millions of next generation console and handheld units that will be added in the coming months and years."

#### Conference Call

Take-Two will host a conference call today at 4:30 pm Eastern Time to review its third quarter results and to discuss its outlook. A live webcast of the call is available by visiting <http://ir.take2games.com> and a replay will be available following the call at the same location.

#### About Take-Two Interactive Software

Headquartered in New York City, Take-Two Interactive Software, Inc. (NASDAQ: TTWO) is an integrated global developer, marketer, distributor and publisher of interactive entertainment software games and accessories for the PC, PlayStation(R) game console, PlayStation(R)2 computer entertainment system, PSP(TM) (PlayStation(R)Portable) system, the Xbox(R) video game and entertainment system from Microsoft, the Xbox 360(TM) video game and entertainment system from Microsoft, Nintendo GameCube(TM), Nintendo DS(TM) and Game Boy(R) Advance. The Company publishes and develops products through its wholly owned labels Rockstar Games, 2K Games, 2K Sports and Global Star Software; and distributes products in North America through its Jack of All Games subsidiary. Take-Two also manufactures and markets video game accessories in Europe, North America and the Asia Pacific region through its Joytech subsidiary. The Company maintains sales and marketing offices in Cincinnati, New York, Toronto, London, Paris, Munich, Madrid, Vienna, Milan, Sydney, Breda (Netherlands) and Auckland. Take-Two's common stock is publicly traded on NASDAQ under the symbol TTWO. For more corporate and product information please visit our website at [www.take2games.com](http://www.take2games.com).

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Safe Harbor Statement under the Private Securities Reform Act of 1995: This press release contains forward-looking statements made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws. Such forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to them. The Company has no obligation to update such forward-looking statements. Actual results may vary significantly from these forward-looking statements based on a variety of factors. These important factors are described in the Company's Form 10-Q for the quarter ended April 30, 2005 in the section entitled "Risk Factors".

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
 Condensed Consolidated Statements of Operations  
 For the three and nine months ended July 31, 2005 and 2004  
 (In thousands, except per share data)

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Net sales	\$169,899	\$160,858	\$894,441	\$689,738
Cost of sales				
Product costs	92,525	101,156	453,514	430,107
Royalties	25,608	14,600	127,755	47,614
Software development costs	4,046	2,242	13,031	7,797
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Total cost of sales	122,179	117,998	594,300	485,518
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Gross profit	47,720	42,860	300,141	204,220
Operating expenses				
Selling and marketing	32,437	24,677	119,643	82,850
General and administrative	32,539	24,685	89,931	72,775
Research and development	19,736	10,529	56,938	32,186
Depreciation and amortization	5,691	4,327	15,579	11,982
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Total operating expenses	90,403	64,218	282,091	199,793
Income (loss) from operations	(42,683)	(21,358)	18,050	4,427
Interest income, net	1,261	530	2,965	1,604
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Income (loss) before income taxes	(41,422)	(20,828)	21,015	6,031
Provision (benefit) for income taxes	(12,642)	(6,393)	2,732	3,284
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Net income (loss)	\$(28,780)	\$(14,435)	\$ 18,283	\$ 2,747
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Per share data:

Basic:

Weighted average common shares outstanding	70,556	67,260	69,768	66,923
	=====	=====	=====	=====
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Net income (loss) per share - Basic	\$ (0.41)	\$ (0.21)	\$ 0.26	\$ 0.04
	=====	=====	=====	=====

Diluted:

Weighted average common shares outstanding	70,556	67,260	70,974	68,331
	=====	=====	=====	=====
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Net income (loss) per share - Diluted	\$ (0.41)	\$ (0.21)	\$ 0.26	\$ 0.04
	=====	=====	=====	=====

OTHER INFORMATION

	Three months ended		Nine months ended	
	July 31,		July 31,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Total revenue mix				
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Publishing	75%	61%	70%	61%
Distribution	25%	39%	30%	39%

Geographic revenue mix

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North America	64%	75%	66%	76%
International	36%	25%	34%	24%

Publishing platform revenue mix

Sony PlayStation 2	16%	61%	68%	55%
Microsoft Xbox	43%	26%	18%	34%
Nintendo GameCube	2%	1%	-	1%
PC	25%	6%	9%	3%
Sony PSP	9%	-	-	-
Other Platforms and Accessories	5%	6%	5%	7%

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Condensed Consolidated Balance Sheets  
As of July 31, 2005, April 30, 2005 and October 31, 2004  
(In thousands, except share data)

ASSETS	July 31, 2005	April 30, 2005	October 31, 2004
Current assets			
Cash and cash equivalents	\$195,355	\$210,241	\$155,095
Accounts receivable, net of allowances of \$81,720, \$ 56,496, and \$72,215 at July 31, 2005, April 30, 2005 and October 31, 2004, respectively	61,735	127,278	285,709
Inventories, net	104,414	116,568	154,345
Software development costs	51,423	50,802	33,980
Licenses	6,787	5,981	4,240
Prepaid expenses and other current assets	94,645	73,871	60,018
Deferred tax asset	11,686	11,701	11,554
Total current assets	526,045	596,442	704,941
Fixed assets, net	46,644	43,075	34,291
Software development costs, net of current portion	61,365	47,423	30,342
Licenses, net of current portion	2,146	2,650	1,425
Goodwill, net	175,316	166,417	135,477
Intangibles, net	62,612	59,934	36,104
Deferred tax asset	6,219	6,219	6,219
Other assets, net	1,875	2,061	1,714
Total assets	\$882,222	\$924,221	\$950,513

LIABILITIES and STOCKHOLDERS' EQUITY

Current liabilities			
Accounts payable	\$ 76,839	\$ 90,524	\$163,961
Accrued expenses and other current liabilities	102,428	84,982	125,567
Income taxes payable	7,452	8,758	17,319
Total current liabilities	186,719	184,264	306,847

Other long-term liabilities	2,933	2,741	2,963
Deferred tax liability	12,950	11,026	5,233
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Total liabilities	202,602	198,031	315,043
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Stockholders' equity			
Common stock, par value \$.01 per share;			
100,000,000 shares authorized;			
71,589,309, 71,193,228 and 68,159,477			
shares issued and outstanding at			
July 31, 2005, April 30, 2005 and			
October 31, 2004, respectively			
	716	712	682
Additional paid-in capital	442,918	436,477	381,928
Deferred compensation	(8,329)	(13,095)	(3,896)
Retained earnings	268,685	297,465	250,402
Treasury Stock, at cost	(23,309)	-	-
Accumulated other comprehensive income			
(loss)	(1,061)	4,631	6,354
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Total stockholders' equity	679,620	726,190	635,470
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Total liabilities and			
stockholders' equity	\$882,222	\$924,221	\$950,513
	=====	=====	=====

All share and per share data reflect a three-for-two stock split distributed on April 11, 2005 to stockholders of record on March 28, 2005.

**SOURCE:** Take-Two Interactive Software, Inc.

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