

Take-Two Interactive Software, Inc. Announces Fiscal 2006 Financial Results

February 28, 2007 5:50 PM ET

Full-Year Net Loss of \$184.9 million (\$2.60 per share) Reflects
Pre-Tax Charges of \$125 million

Pre-Tax Charges Include \$63.5 million (\$0.89 per Share) Non-Cash
Charge to Record Valuation Allowances for Deferred Tax Assets

NEW YORK--(BUSINESS WIRE)--Feb. 28, 2007--Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced financial results for the third quarter, fourth quarter and fiscal year ended October 31, 2006. All comparisons with year-ago periods reflect restated results for the fiscal 2005 third and fourth quarters and fiscal year.

Net revenue for fiscal 2006 was \$1.038 billion compared to \$1.201 billion in fiscal 2005, which included significant sales of Grand Theft Auto: San Andreas. Net loss for the year was \$184.9 million or \$2.60 per share compared to net income of \$35.3 million or \$0.50 per share in 2005. The fiscal 2006 results include a non-cash charge of \$63.5 million, or \$0.89 per share, primarily incurred during the third quarter to record valuation allowances for deferred tax assets required under Statement of Financial Accounting Standards (SFAS) 109.

Take-Two's fiscal 2006 results were adversely impacted by the video game industry's transition from current generation to next-generation platforms, which involved delays in the availability and consumer acceptance of certain next-generation hardware and lower average selling prices of the Company's software for current generation systems. Additionally, fiscal 2006 performance reflected higher development costs for Take-Two's next-generation titles and the Company's continued investment in building its sports business. While costly in the short term, these strategic initiatives are expected to have a positive impact on the Company's fiscal 2007 results and beyond as consumers increasingly transition to next-generation platforms.

In addition to the \$63.5 million charge to record the valuation allowance, Take-Two's results for fiscal 2006 reflected the following pre-tax expense items: \$26.4 million related to cost saving initiatives, including the closure of three development studios in the second and third quarters, resulting in severance charges, lease terminations and asset write-offs; \$12.1 million in stock-based compensation as required by SFAS 123(R); \$8.1 million for the impairment of goodwill and fixed assets at the Company's Joytech subsidiary; \$6.9 million for legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas; \$4.6 million for intangible asset write-offs; \$2.3 million for the relocation of the Company's international publishing headquarters to Geneva; and \$1.4 million in stock-based compensation from the re-measurement of certain restricted stock awards issued between May 2002 and June 2006. Approximately \$110.7 million of the \$125.3 million charges in fiscal 2006 were non-cash items.

Net revenue for the fourth quarter ended October 31, 2006 was \$266.6 million compared to \$306.8 million for the same period a year ago. Net loss for the quarter was \$14.0 million or \$0.20 per share compared to net income of \$18.9 million or \$0.27 per share in the 2005 fourth quarter. The fourth quarter 2006 loss includes \$5.5 million for legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas; a non-cash charge of \$4.0 million to record valuation allowances for deferred tax assets; \$2.6 million in stock-based compensation as required by SFAS 123(R); \$1.4 million for Geneva relocation expenses; and \$1.2 million for asset write-offs and studio closure expenses. Approximately \$7.4 million of the \$14.7 million charges in the fourth quarter were non-cash items.

Net revenue for the third quarter ended July 31, 2006 was \$241.2 million compared to \$169.9 million for the prior year period. Net loss for the third quarter was \$91.4 million or \$1.29 per share compared to a net loss of \$29.0 million or \$0.41 per share in the 2005 third quarter. The third quarter 2006 loss includes a non-cash charge of \$59.5 million to record valuation allowances for deferred tax assets; \$8.5 million for the impairment of goodwill and other assets, primarily at the

Company's Joytech subsidiary; \$3.9 million for studio closure expenses and asset write offs; \$2.6 million in stock-based compensation as required by SFAS 123(R); \$1.4 million for legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas; \$1.2 million in stock-based compensation expense resulting from the re-measurement of certain restricted stock awards; and \$0.9 million for Geneva relocation expenses. Approximately \$72.7 million of the \$78.0 million charges in the third quarter were non-cash items.

2006 Highlights

In 2006, Rockstar Games released Grand Theft Auto: Liberty City Stories for the PlayStation(R)2 computer entertainment system, Grand Theft Auto: Vice City Stories for the PSP(R) (PlayStation(R)Portable) system, Bully for PlayStation 2 (Canis Canem Edit in Europe) and Rockstar Games Presents Table Tennis for the Xbox 360(TM) video game and entertainment system from Microsoft. 2K and 2K Sports released numerous titles across multiple platforms during the year, including The Elder Scrolls(R) IV: Oblivion(TM), Prey, Major League Baseball 2K6, NBA 2K7, NHL 2K7, College Hoops 2K6, 24: The Game, Top Spin 2, Civilization IV: Warlords, The Da Vinci Code and Family Guy. In 2006, Take-Two renewed its multi-year license for National Hockey League (NHL) games.

During 2006, Take-Two focused significant development efforts on titles launched for the PSP system and Xbox 360 although sales of these next-generation titles significantly lagged sales of PlayStation 2 titles. Additionally, while 2K Sports expanded its portfolio and captured an increased share of the sports market, the install base of next-generation hardware was not yet sufficient to support the development and licensing costs of the sports business. Take-Two is confident that its strategic decision to invest significantly in both next-gen development and the sports business will prove beneficial as the install base of new platforms grows and consumers continue to shift their purchases toward software for these systems.

Product Pipeline

For 2007, Rockstar Games has released The Warriors, based on the Paramount Pictures film, for the PSP system and Grand Theft Auto: San Andreas for the PlayStation 2 in Japan in an arrangement with Capcom Co., Ltd. Rockstar will ship Grand Theft Auto: Vice City Stories for PlayStation 2 in March; and Manhunt 2 for the PlayStation 2, PSP system, and Nintendo's Wii(TM) this summer. Grand Theft Auto IV, the next-generation console debut of the genre-defining franchise, will be shipped simultaneously for the Xbox 360 and PLAYSTATION(R)3 in October. Starting in 2008, Rockstar will introduce exclusive episodic content downloads for Grand Theft Auto IV. Rockstar will also release new titles based on its proprietary brands, including L.A. Noire developed by Team Bondi.

2K and 2K Sports have released Major League Baseball 2K7 for multiple current and next-generation platforms; NBA 2K7 and NHL 2K7 for PLAYSTATION 3; College Hoops 2K7 for Xbox 360, Xbox and PlayStation 2; Sid Meier's Pirates!(R) for the PSP system; Ghost Rider for PlayStation 2, PSP system and Game Boy(R) Advance, based on the Marvel comic book franchise and Columbia Pictures film; and Jade Empire: Special Edition for PC, co-published with BioWare.

For the remainder of fiscal 2007, 2K and 2K Sports are expected to release a variety of titles across multiple platforms, including BioShock for Xbox 360 and Games for Windows; The BIGS, an arcade style Major League Baseball title on multiple current and next-generation platforms including Wii; College Hoops 2K7 for PLAYSTATION 3; The Darkness, based on the comic of the same name published by Top Cow Publishing and created by Marc Silvestri and Paul Jenkins for next-generation consoles; Fantastic 4: Rise of the Silver Surfer, based on the upcoming movie from Twentieth Century Fox/Marvel Studios, for multiple current and next-generation platforms, including Wii; The Elder Scrolls IV: Shivering Isles expansion pack for PC; All Pro Football 2K8 for next-generation consoles; as well as NHL 2K8 and NBA 2K8 across multiple current and next-generation platforms. In addition to the licensed 2K Sports lineup, starting in 2008, 2K will have new content based on its Civilization franchise and other products, including both original intellectual property and third-party titles.

Global Star Software is expected to publish a PC extension of its popular Deal or No Deal game and will continue its focus on video games incorporating popular licensed and children's entertainment properties, with several titles planned for Wii later this year.

Guidance

For the first quarter ended January 31, 2007, the Company anticipates net revenue in the range of \$265 million to \$275 million, with a net loss in the range of \$23 million to \$25 million, or \$0.33 to 0.35 per share, reflecting no tax benefit. Financial results for the first quarter are expected to be filed on Form 10-Q within the timeframe required by the Securities and Exchange Commission. For the full fiscal year 2007, the Company anticipates revenue in the range of \$1.2 billion to \$1.25 billion and expects to return to profitability in the fourth quarter and break even for the full fiscal year 2007. Additionally, the Company expects that the 2K Sports division will reach profitability in calendar 2007. Key assumptions underlying fiscal 2007 expectations include continued consumer acceptance of the Xbox 360, PLAYSTATION 3 and Wii; the successful launch of the PLAYSTATION 3 in Europe; the ability to develop and publish products that capture market share for these next-generation systems while continuing to leverage opportunities on legacy platforms; as well as the delivery of the titles detailed in this release.

Management Comments

"With today's Form 10-K filing we have taken a big step forward in closing the chapter on Take-Two's historical stock option practices and our near-term efforts to regain NASDAQ compliance and the confidence of investors," said Paul Eibeler, Take-Two's President and Chief Executive Officer.

Mr. Eibeler continued, "The console transition has been extremely challenging for us. While we are not satisfied with the Company's financial performance in 2006 and the first quarter of 2007, we are confident that our strategic decisions will pay off over the next year and beyond. We strongly believe that the significant financial commitments we have made to next-gen development and our sports business will position Take-Two to leverage the opportunities for our core franchises and sports titles as the hardware install base grows. Our internal studios continue to create some of the highest rated products in the industry, with consumer anticipation and demand for our proprietary next-gen titles Grand Theft Auto IV and BioShock, along with our sports lineup, contributing to our expected return to profitability."

Regulatory Update

Today's filing of the Company's Form 10-K for the fiscal year ended October 31, 2006 satisfies certain key conditions specified by the NASDAQ Listing Qualifications Panel for Take-Two to maintain continued listing on The NASDAQ Stock Market, as specified in a written notification by the NASDAQ Panel previously disclosed by the Company. Take-Two expects to satisfy the remaining NASDAQ listing requirements by filing its Form 10-Q for the third quarter ended July 31, 2006 on or before March 19, 2007 and holding its combined 2005 and 2006 annual meeting of stockholders on or before March 27, 2007. The Company has no update regarding the previously disclosed informal non-public Securities and Exchange Commission investigation into stock option grants or the subpoenas from the New York County District Attorney.

Conference Call

Take-Two will host a conference call today at 5:45 pm Eastern Time to review these results and other topics. The call can be accessed by dialing (877) 407-0984 or (201) 689-8577. A live listen-only 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. is a global developer, marketer, distributor and publisher of interactive entertainment software games for the PC, PlayStation(R) game console, PlayStation(R)2 and

PLAYSTATION(R)3 computer entertainment systems, PSP(R) (PlayStation(R)Portable) system, Xbox(R) and Xbox 360(TM) video game and entertainment systems from Microsoft, Wii(TM), 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 and 2K Sports, and Global Star Software; and distributes software, hardware and accessories in North America through its Jack of All Games subsidiary. 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.

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Safe Harbor Statement under the Private Securities Litigation 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 risks and uncertainties include the matters relating to the Special Committee's investigation of the Company's stock option grants and the restatement of our consolidated financial statements as well as the risks and uncertainties stated in this release. The investigation and conclusions of the Special Committee may result in claims and proceedings relating to such matters, including previously disclosed shareholder and derivative litigation and actions by the Securities and Exchange Commission and/or other governmental agencies and negative tax or other implications for the Company resulting from any accounting adjustments or other factors. In addition, there can be no assurance that the actions taken or to be taken by the Company as described herein will ensure the continued listing of the Company's common stock on NASDAQ. Other important factors are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2006 in the section entitled "Risk Factors".

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

| | Three months ended October 31, | |
|--|-----------------------------------|----------------|
| | 2006 | 2005 |
| | | As restated |
| Net revenue | \$266,556 | \$306,779 |
| Cost of goods sold: | | |
| Product costs | 131,723 | 140,243 |
| Royalties | 35,244 | 36,495 |
| Software development costs | 17,790 | 15,340 |
| Total cost of goods sold | 184,757 | 192,078 |
| Gross Profit | 81,799 | 114,701 |
| Selling and marketing | 37,827 (a) | 36,707 |
| General and administrative | 37,739 (b) | 33,425 |
| Research and development | 13,046 (c) | 16,300 |
| Impairment of goodwill and long-lived assets | 830 (d) | - |
| Depreciation and amortization | 6,621 | 6,437 |
| Total operating expenses | 96,063 | 92,869 |

| | | |
|--------------------------------------|------------|-----------|
| Income (loss) from operations | (14,264) | 21,832 |
| ----- | ----- | ----- |
| Interest income, net | 1,228 | 746 |
| Other expense | - | - |
| ----- | ----- | ----- |
| Interest and other, net | 1,228 | 746 |
| ----- | ----- | ----- |
| Income (loss) before income taxes | (13,036) | 22,578 |
| Income taxes | 979 (e) | 3,717 |
| ----- | ----- | ----- |
| Net income (loss) | \$(14,015) | \$ 18,861 |
| ===== | ===== | ===== |
| Basic earnings (loss) per share: | | |
| Basic | \$ (0.20) | \$ 0.27 |
| Diluted | \$ (0.20) | \$ 0.27 |
| Weighted average shares outstanding: | | |
| Basic | 71,199 | 70,158 |
| Diluted | 71,199 | 70,744 |

OTHER INFORMATION

Three months ended
October 31,

| | | |
|---------------------------------|-------|-------|
| | 2006 | 2005 |
| ----- | ----- | ----- |
| Total revenue mix | | |
| Publishing | 76% | 73% |
| Distribution | 24% | 27% |
| Geographic revenue mix | | |
| North America | 66% | 73% |
| International | 34% | 27% |
| Publishing platform revenue mix | | |
| Sony PlayStation 2 | 32% | 34% |
| Sony PSP | 29% | 20% |
| Microsoft Xbox 360 | 17% | 0% |
| PC | 13% | 19% |
| Microsoft Xbox | 5% | 22% |
| Accessories and other | 3% | 4% |
| Nintendo Handhelds | 1% | 1% |

For the Years Ended October 31,

| | | | |
|----------------------------|-------------|----------------------------|----------------------------|
| | 2006 | 2005 | 2004 |
| ----- | ----- | ----- | ----- |
| Net revenue | \$1,037,840 | As restated \$1,201,220 | As restated \$1,127,751 |
| ----- | ----- | ----- | ----- |
| Cost of goods sold: | | | |
| Product costs | 538,761 (f) | 593,757 | 619,685 |
| Royalties | 206,836 | 164,250 | 114,073 |
| Software development costs | 79,879 (g) | 28,371 | 15,922 |
| ----- | ----- | ----- | ----- |
| Total cost of goods sold | 825,476 | 786,378 | 749,680 |
| ----- | ----- | ----- | ----- |

| | | | |
|--|--------------|-----------|-----------|
| Gross Profit | 212,364 | 414,842 | 378,071 |
| Selling and marketing | 139,250 (h) | 156,668 | 119,257 |
| General and administrative | 154,015 (i) | 124,416 | 100,924 |
| Research and development | 64,258 (j) | 73,724 | 43,773 |
| Impairment of goodwill and long-lived assets | 15,608 (k) | - | - |
| Depreciation and amortization | 26,399 | 22,016 | 16,846 |
| ----- | ----- | ----- | ----- |
| Total operating expenses | 399,530 | 376,824 | 280,800 |
| ----- | ----- | ----- | ----- |
| Income (loss) from operations | (187,166) | 38,018 | 97,271 |
| ----- | ----- | ----- | ----- |
| Interest income, net | 2,684 | 3,702 | 1,973 |
| Other expense | - | - | (7,500) |
| ----- | ----- | ----- | ----- |
| Interest and other, net | 2,684 | 3,702 | (5,527) |
| ----- | ----- | ----- | ----- |
| Income (loss) before income taxes | (184,482) | 41,720 | 91,744 |
| Income taxes | 407 (l) | 6,406 | 29,625 |
| ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (184,889) | \$ 35,314 | \$ 62,119 |
| ===== | ===== | ===== | ===== |

Basic earnings (loss) per share:

| | | | |
|---------|-----------|---------|---------|
| Basic | \$ (2.60) | \$ 0.51 | \$ 0.93 |
| Diluted | \$ (2.60) | \$ 0.50 | \$ 0.91 |

Weighted average shares outstanding:

| | | | |
|---------|--------|--------|--------|
| Basic | 71,012 | 69,859 | 67,104 |
| Diluted | 71,012 | 70,882 | 68,589 |

OTHER INFORMATION

For the Years Ended October 31,

| | 2006 | 2005 | 2004 |
|---------------------------------|-------|-------|-------|
| ----- | ----- | ----- | ----- |
| Total revenue mix | | | |
| Publishing | 73% | 71% | 80% |
| Distribution | 27% | 29% | 20% |
| Geographic revenue mix | | | |
| North America | 69% | 68% | 67% |
| International | 31% | 32% | 33% |
| Publishing platform revenue mix | | | |
| Sony PlayStation 2 | 30% | 59% | 84% |
| Sony PSP | 18% | 6% | 0% |
| Microsoft Xbox 360 | 23% | 0% | 0% |
| PC | 17% | 11% | 3% |
| Microsoft Xbox | 6% | 19% | 9% |
| Accessories and other | 4% | 4% | 2% |
| Nintendo Handhelds | 2% | 1% | 2% |

For the Three Months Ended October 31, 2006:

-
- (a) Includes stock-based compensation expense of \$0.2 million as required by SFAS 123(R).
- (b) Includes stock-based compensation expense of \$0.1 million as required by SFAS 123(R), \$0.1 million of studio closure expenses, \$5.5 million of legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas, and \$1.4 million for Geneva relocation expenses.
- (c) Includes stock-based compensation expense of \$2.3 million as required by SFAS 123(R) and \$0.2 million of studio closure expenses.
- (d) Impairment of long-term assets.
- (e) Includes non-cash charges of \$4.0 million to record valuation allowances for deferred tax assets.

For the Year Ended October 31, 2006:

- (f) Includes \$1.1 million for write-off of other assets.
- (g) Includes \$17.0 million for write-offs related to studio closures.
- (h) Includes stock-based compensation expense of \$1.1 million as required by SFAS 123(R).
- (i) Includes stock-based compensation expense of \$6.9 million as required by SFAS 123(R), \$1.9 million of severance and lease termination charges for studio closures, \$6.9 million of legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas, \$2.3 million for Geneva relocation expenses, and \$1.4 million from the re-measurement of certain restricted stock awards issued between May 2002 and June 2006.
- (j) Includes stock-based compensation expense of \$4.1 million as required by SFAS 123(R) and \$3.5 million of severance and lease termination charges for studio closures.
- (k) \$2.9 million for impairment of intangibles and fixed assets for studio closures, \$4.6 million for write-off of other assets and \$8.1 million for impairment of goodwill and fixed assets at the Company's Joytech subsidiary.
- (l) Includes a non-cash charge of \$63.5 million to record valuation allowances for deferred tax assets.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

| | October 31, | |
|--|-------------|-------------|
| | 2006 | 2005 |
| ASSETS | | As restated |
| Current assets: | | |
| Cash and cash equivalents | \$ 132,480 | \$ 107,195 |
| Accounts receivable, net of allowances of \$91,509 and \$69,904 at October 31, 2006 and 2005, respectively | 143,199 | 197,861 |
| Inventory, net | 95,520 | 136,227 |
| Software development costs | 79,248 | 88,826 |
| Licenses | 5,959 | 7,651 |
| Prepaid taxes and taxes receivable | 60,407 | 40,453 |
| Prepaid expenses and other | 28,060 | 34,588 |
| Total current assets | 544,873 | 612,801 |

| | | |
|--|------------|------------|
| Fixed assets, net | 47,496 | 48,617 |
| Software development costs, net of current portion | 29,547 | 19,602 |
| Licenses, net of current portion | 1,807 | 2,330 |
| Goodwill | 187,681 | 179,893 |
| Other intangibles, net | 43,248 | 58,666 |
| Other assets | 14,154 | 13,311 |
| ----- | | |
| Total assets | \$ 868,806 | \$ 935,220 |
| ===== | | |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|------------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 123,947 | \$ 133,353 |
| Accrued expenses and other current liabilities | 139,599 | 113,570 |
| ----- | | |
| Total current liabilities | 263,546 | 246,923 |
| ----- | | |
| Deferred revenue | 50,000 | - |
| Other long-term liabilities | 4,868 | 2,467 |
| ----- | | |
| Total liabilities | 318,414 | 249,390 |
| ----- | | |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |
| Common Stock, \$.01 par value, 100,000 shares authorized; 72,745 and 70,667 shares issued and outstanding at October 31, 2006 and 2005, respectively | | |
| | 727 | 707 |
| Additional paid-in capital | 482,104 | 451,470 |
| Deferred compensation | - | (12,581) |
| Retained earnings | 60,659 | 245,548 |
| Accumulated other comprehensive income | 6,902 | 686 |
| ----- | | |
| Total stockholders' equity | 550,392 | 685,830 |
| ----- | | |
| Total liabilities and stockholders' equity | \$ 868,806 | \$ 935,220 |
| ===== | | |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
For the three and nine months ended July 31, 2006 and 2005
(in thousands, except per share amounts)

| | Three months ended July 31, | | Nine Months Ended July 31, | |
|----------------------------|--------------------------------|----------------|-------------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | ----- | | ----- | |
| | | As restated | | As restated |
| Net revenue | \$241,181 | \$ 169,899 | \$ 771,284 | \$894,441 |
| ----- | | | | |
| Cost of goods sold: | | | | |
| Product costs | 115,245 (a) | 92,525 | 407,038 | 453,514 |
| Royalties | 56,443 | 25,608 | 171,592 | 127,755 |
| Software development costs | 12,367 | 4,046 | 62,089 | 13,031 |
| ----- | | | | |
| Total cost of goods sold | 184,055 | 122,179 | 640,719 | 594,300 |

| | | | | |
|--|------------|------------|-------------|----------|
| Gross Profit | 57,126 | 47,720 | 130,565 | 300,141 |
| Selling and marketing General and administrative | 27,585 (b) | 32,449 | 101,423 | 119,961 |
| Research and development | 44,260 (c) | 32,381 | 116,276 | 90,991 |
| Impairment of goodwill and long-lived assets | 17,406 (d) | 19,899 | 51,212 | 57,424 |
| Depreciation and amortization | 8,529 (e) | - | 14,778 | - |
| | 6,290 | 5,691 | 19,778 | 15,579 |
| Total operating expenses | 104,070 | 90,420 | 303,467 | 283,955 |
| Income (loss) from operations | (46,944) | (42,700) | (172,902) | 16,186 |
| Interest income, net | 1,199 | 1,258 | 1,456 | 2,956 |
| Income (loss) before income taxes | (45,745) | (41,442) | (171,446) | 19,142 |
| Income taxes | 45,634 (f) | (12,466) | (572) | 2,689 |
| Net income (loss) | \$(91,379) | \$(28,976) | \$(170,874) | \$16,453 |

Basic earnings (loss) per share:

| | | | | |
|---------|-----------|-----------|-----------|---------|
| Basic | \$ (1.29) | \$ (0.41) | \$ (2.41) | \$ 0.24 |
| Diluted | \$ (1.29) | \$ (0.41) | \$ (2.41) | \$ 0.23 |

Weighted average shares outstanding:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | 71,095 | 70,556 | 70,954 | 69,768 |
| Diluted | 71,095 | 70,556 | 70,954 | 71,000 |

| OTHER INFORMATION | Three months ended July 31, | | Nine Months Ended July 31, | |
|---------------------------------|-----------------------------|------|----------------------------|------|
| | 2006 | 2005 | 2006 | 2005 |
| Total revenue mix | | | | |
| Publishing | 80% | 75% | 71% | 70% |
| Distribution | 20% | 25% | 29% | 30% |
| Geographic revenue mix | | | | |
| North America | 64% | 64% | 70% | 66% |
| International | 36% | 36% | 30% | 34% |
| Publishing platform revenue mix | | | | |
| Sony | | | | |
| PlayStation 2 | 39% | 16% | 30% | 68% |
| Microsoft | | | | |
| Xbox 360 | 24% | 0% | 25% | 0% |
| PC | 20% | 25% | 18% | 9% |
| Microsoft | | | | |

| | | | | |
|--------------------------|----|-----|-----|-----|
| Xbox | 7% | 43% | 7% | 18% |
| Sony PSP | 6% | 8% | 14% | 2% |
| Accessories and other | 3% | 5% | 4% | 2% |
| Nintendo Handhelds | 1% | 2% | 2% | 1% |

For the Three Months Ended July 31, 2006:

-
- (a) Includes \$0.9 million for write-off of an intangible.
- (b) Includes \$0.3 million credit for reversal of SFAS 123(R) stock based compensation due to forfeitures.
- (c) Includes stock-based compensation expense of \$2.4 million as required by SFAS 123(R), \$1.4 million of severance and lease termination charges for studio closures, \$1.4 million of legal and other professional fees associated with the investigation of stock option grants and the Company's responses to the New York County District Attorney's subpoenas, \$1.2 million from the re-measurement of certain restricted stock awards issued between May 2002 and June 2006, and \$0.9 million for Geneva relocation expenses.
- (d) Includes stock-based compensation expense of \$0.5 million as required by SFAS 123(R) and \$1.7 million of severance and lease termination charges for studio closures.
- (e) Impairment of goodwill and fixed assets, primarily at the Company's Joytech subsidiary.
- (f) Includes non-cash charge of \$59.5 million to record valuation allowances for deferred tax assets.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands, except per share amounts)

| | July 31, 2006 | October 31, 2005 |
|---|------------------|---------------------|
| | ----- | ----- |
| ASSETS | | |
| Cash and cash equivalents | \$ 179,130 | \$ 107,195 |
| Accounts receivable, net of allowances of \$82,532 and \$69,904 at July 31, 2006 and October 31, 2005, respectively | 98,027 | 197,861 |
| Inventory, net | 83,221 | 136,227 |
| Software development costs | 69,997 | 88,826 |
| Licenses | 5,907 | 7,651 |
| Prepaid taxes and taxes receivable | 68,732 | 40,453 |
| Prepaid expenses and other | 25,968 | 34,588 |
| ----- | ----- | ----- |
| Total current assets | 530,982 | 612,801 |
| ----- | ----- | ----- |
| Fixed assets, net | 46,482 | 48,617 |
| Software development costs, net of current portion | 30,057 | 19,602 |
| Licenses, net of current portion | 1,448 | 2,330 |
| Goodwill | 186,881 | 179,893 |
| Other intangibles, net | 46,063 | 58,666 |
| Other assets | 13,155 | 13,311 |
| ----- | ----- | ----- |
| Total assets | \$ 855,068 | \$ 935,220 |
| ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | \$ 80,081 | 133,353 |
| Accrued expenses and other current liabilities | 165,972 | 113,570 |
| ----- | ----- | ----- |
| Total current liabilities | 246,053 | 246,923 |

| | | |
|--|-------------------|-------------------|
| Deferred revenue | 50,000 | - |
| Other long-term liabilities | 3,988 | 2,467 |
| Total liabilities | 300,041 | 249,390 |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |
| Common Stock, \$.01 par value, 100,000 shares authorized; 72,573 and 70,667 shares issued and outstanding at July 31, 2006 and October 31 2005, respectively | | |
| | 726 | 707 |
| Additional paid-in capital | 473,695 | 451,470 |
| Deferred compensation | - | (12,581) |
| Retained earnings | 74,674 | 245,548 |
| Accumulated other comprehensive income | 5,932 | 686 |
| Total stockholders' equity | 555,027 | 685,830 |
| Total liabilities and stockholders' equity | \$ 855,068 | \$ 935,220 |

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SOURCE: Take-Two Interactive Software, Inc.