

## Take-Two Interactive Software, Inc. Reports Record Second Quarter Fiscal 2002 Financial Results

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NEW YORK--(BUSINESS WIRE)--June 6, 2002--Take-Two Interactive Software, Inc. (NASDAQ: TTWO)

Company Announces Class Action Settlement Agreement  
Resulting In A Pre-Tax Charge of \$1.5 Million

Net Sales of \$170 Million Exceeds Guidance -  
EPS of \$0.25 Meets Consensus

Pro Forma EPS of \$0.27 Excluding Class Action  
Settlement Charge Exceeds Consensus

Company Raises Revenue and EPS Guidance For Fiscal 2002

Take-Two Interactive Software, Inc. (NASDAQ: TTWO) today announced financial results for its second quarter and six months ended April 30, 2002.

Net sales for the second quarter ended April 30, 2002 were \$170.3 million, a 93% increase over net sales of \$88.2 million for the same period a year ago. Net income was \$9.6 million, or \$0.25 per diluted share, compared to a net loss of \$11.5 million or \$0.35 per share for the second quarter of last year. During the quarter, the Company recorded a \$1.5 million pre-tax charge related to the settlement of a class action lawsuit. Excluding this charge and a \$32,000 pre-tax gain on Internet investments, pro forma net income for the second quarter was \$10.5 million, or \$0.27 per diluted share. Excluding operating impairment charges on Internet assets and loss on Internet investments, pro forma net income for the second quarter of the prior year was \$4.3 million or \$0.13 per diluted share.

Net sales for the six months ended April 30, 2002 were \$453.3 million, an 84% increase over net sales of \$245.8 million for the same period a year ago, with net income of \$44.5 million, or \$1.16 per diluted share, compared to a net loss of \$3.2 million or \$0.10 per share. Excluding the charge related to the class action settlement and gain on Internet investments, pro forma net income for the first six months of fiscal 2002 was \$45.2 million, or \$1.18 per diluted share. Excluding operating impairment charges on Internet assets, loss on Internet investments and cumulative effect of change in accounting principle, pro forma net income for the first six months of fiscal 2001 was \$17.9 million, or \$0.54 per diluted share. During the first six months of 2002 the Company recorded a \$159,000 pre-tax gain on Internet investments. The inclusion of this gain in net income did not result in an increase in diluted earnings per share for the six months ended April 30, 2002.

Presented below is a table summarizing the Company's financial results for the three and six months ended April 30, 2002 and 2001:

(In thousands, except per share data)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2002	2001	2002	2001
Statement of Operations Data:				
Net sales	\$170,330	\$88,179	\$453,256	\$245,770
	=====	=====	=====	=====
Income from operations	\$ 17,755	\$ 4,960	\$ 75,999	\$ 31,406
	=====	=====	=====	=====
Net income (loss)	\$ 9,637	\$(11,467)	\$ 44,466	\$ (3,235)
	=====	=====	=====	=====
Diluted net income (loss) per share	\$ 0.25	\$ (0.35)	\$ 1.16	\$ (0.10)
	=====	=====	=====	=====

Pro Forma Net Income:				
Net income excluding:				
operating impairment charges,				
class action settlement				
costs, (gain) loss on				
Internet investments				
and cumulative effect(1)(2)	\$ 10,487	\$ 4,296	\$ 45,241	\$ 17,865
	=====	=====	=====	=====
Diluted net income per share				
excluding: operating				
impairment charges, class				
action settlement costs,				
(gain) loss on Internet				
investments and cumulative				
effect(1)(2)	\$ 0.27	\$ 0.13	\$ 1.18	\$ 0.54
	=====	=====	=====	=====

(1) Pro Forma Net Income for the three and six months ended April 30, 2002 is calculated as follows: Net Income less the following line items, tax effected: Class Action Settlement Costs and Gain on Internet Investments. See attached table of Reconciliation of Net Income to Pro Forma Net Income.

(2) Pro Forma Net Income for the three and six months ended April 30, 2001 is calculated as follows: Net Loss less the following line items, tax effected: Operating Impairment Charges on Internet Assets, Loss on Internet Investments, and for the six months ended April 30, 2001 only, Cumulative Effect of Change in Accounting Principle. See attached table of Reconciliation of Net Income to Pro Forma Net Income.

## Guidance

The Company expects that during the remainder of fiscal 2002 it will continue to benefit from strong industry fundamentals and increased sales of its published products.

The Company is increasing its financial guidance for fiscal 2002 to \$733 million in net sales and \$1.68 of diluted net income per share. Excluding the charge related to the class action settlement and the gain on Internet investments, pro forma net income per share for fiscal 2002 is expected to be \$1.70.

The Company's guidance for the third quarter ending July 31, 2002 is \$100 million in net sales and \$0.07 of diluted net income per share.

## Liquidity & Selected Balance Sheet Items

The Company operated on a cash flow positive basis for the quarter, generating approximately \$30 million in cash flow from operations. Working capital was approximately \$146 million at April 30, 2002, as compared with approximately \$75 million at the same time a year ago. The Company had approximately \$70 million in cash and no borrowings under its lines of credit as of April 30, 2002, as compared to approximately \$7 million in cash and outstanding borrowings of approximately \$90 million at April 30, 2001.

Karl Winters, Chief Financial Officer, commented, "Take-Two's emergence as a top-tier publisher continues to be reflected in our operating results, and the strength of our balance sheet, cash flow levels and operating margins."

## Published Products

The first six months of fiscal 2002 represented another record period for Take-Two's published products, and in particular, the Company's Rockstar Games publishing label. Take-Two was the no.2 publisher of PlayStation(R)2 software in the United States during that period, according to NPDFunworld(SM) TRSTS Video Games Monthly Service for the six months ended April 30, 2002, garnering a 17.7% dollar share of this market. During the period, Take-Two was also the no.2 publisher across all console

software platforms, with a 10.6% dollar share.

Grand Theft Auto 3 for Sony's PlayStation(R)2 was the top selling video game across all platforms in the United States in both dollars and units for the second quarter and first six months of the Company's fiscal year, according to NPDFunworld. In addition, Grand Theft Auto 3 has been the best selling PlayStation(R)2 title in North America and Europe since the PlayStation(R)2 launch, having sold over six million units globally to date. As part of its strategy to provide maximum leverage to the Company's key brands, Take-Two has agreed to develop future console versions of its Grand Theft Auto franchise exclusively for the PlayStation (R)2 platform through October 2004.

In its second fiscal quarter, the Company released State of Emergency for the PlayStation(R)2 under its Rockstar Games publishing label. State of Emergency debuted in its launch week as the no.1 selling video game on any platform in both the United States and the United Kingdom, according to NPDFunworld and the ELSPA reports compiled by Chart-Track, respectively. The Company's Gathering of Developers label also released new additions to its top-selling Serious Sam and Tropico PC franchises and Mall Tycoon for PC was launched under the Take-Two Games label. In addition, Max Payne for Xbox was shipped in Europe.

Take-Two's line of PlayStation(R) value priced software products continues to perform well, with both Grand Theft Auto 2 and Motocross Mania ranking in the top ten best selling PlayStation(R) titles in the United States in units for the six months ended April 30, 2002 according to NPDFunworld. The Company was the no.5 third-party publisher of PlayStation(R) software for the first six months of its fiscal year, with a 7.8% unit share of the market.

In its second quarter of fiscal 2002, published products accounted for approximately 79% of Take-Two's total sales, while Jack of All Games' distribution sales accounted for 21%, compared to 55% and 45% respectively, for the same period a year ago.

#### Future Published Products

In its third quarter of fiscal 2002, the Company has shipped Grand Theft Auto 3 for the PC, and The Italian Job and Big Bass Fishing for the PlayStation(R). The Company also released Midnight Club and Smuggler's Run for Sony's PlayStation(R)2 Greatest Hits program.

The Company also plans to ship the highly anticipated Age of Wonders II along with Tropico Gold for the PC, Austin Powers Pinball for the PlayStation(R) and Smuggler's Run Warzones for the GameCube in its third quarter of fiscal 2002.

At the recent Electronic Entertainment Expo (E3) industry trade show, Take-Two announced several exciting new products, including Grand Theft Auto: Vice City for the PlayStation(R)2, the next installment in its blockbuster franchise due for initial release on October 22nd, and Serious Sam for Xbox, also targeted for Fall release. In addition, the Company announced its plans to introduce Desert Storm, a new action game based on the 1991 Gulf War, across multiple platforms this September.

Take-Two also announced the purchase of all intellectual property rights to the hit brand Max Payne, and that development has begun on a sequel to Max Payne, which continues to be a top-selling title on PlayStation(R)2, Xbox and the PC.

Other Fall/Winter product releases are expected to include Midnight Club 2 for the PlayStation(R)2, State of Emergency for the Xbox, Mafia, Stronghold Crusader and Serious Sam Gold for the PC, Spec Ops: Airborne Division for the PlayStation(R), additional releases for the PlayStation(R)2 Greatest Hits program, Duke Nukem' for the Game Boy Advance, as well as the launch of MTV's Celebrity Deathmatch on a variety of platforms.

Kelly Sumner, Chief Executive Officer, said, "We are very pleased with the further market share gains our products have achieved in the first six months of fiscal 2002, and the strong pipeline of titles we have planned for the balance of 2002 and continuing into 2003. Take-Two is strategically amassing an extensive portfolio of proprietary brands which we will continue to leverage through the development of sequels and products for multiple platforms, as well as extensions of our successful brands to other forms of entertainment."

#### Class Action Settlement

The Company also announced today that it has signed a definitive settlement agreement relating to the securities class action lawsuit previously filed against Take-Two and certain of its officers and former officers. The settlement is subject to final court

approval, which the Company expects will be granted. The terms of the settlement agreement require a cash payment of \$7.5 million, \$6.1 million of which will be covered by insurance proceeds. The Company has recognized a pre-tax charge of \$1.5 million in its second quarter to cover its share of costs associated with the settlement of the class action lawsuit, along with related legal fees.

Commenting on the settlement agreement, Kelly Sumner, Chief Executive Officer stated, "We believe the settlement that we agreed to was in the best interests of the Company and our shareholders and allows Take-Two's management team to focus our efforts on delivering additional top-selling products and continuing our solid financial performance."

#### Management / Additional Comments

As part of an ongoing effort to enhance its financial management team, the Company also announced the appointment of Mr. Robert Cavosi as Director of Financial Reporting and Mr. Manuel Rivero as Treasurer. Mr. Cavosi has over 30 years of experience in the areas of financial statement preparation, analysis and reporting, most recently as Director of Accounting Research and Planning at Fortune Brands. Mr. Rivero has spent the majority of his career in senior treasury positions with multi-national, publicly held companies, most recently at The Estee Lauder Companies. Take-Two also recently announced the appointment of movie producer Mr. Steven Tisch, best known for his Oscar Award winning film *Forrest Gump*, to its Board of Directors.

Paul Eibeler, President, stated, "Over the past six months our Company has worked diligently to ensure that we applied lessons learned from the events of this winter towards the betterment of Take-Two. Our improved internal controls, expansion of our financial management team and the strengthening of our Board of Directors evidence these efforts. Simultaneously, as demonstrated by the operating results Take-Two reported today, we are continuing to build a world-class interactive entertainment software company with a solid financial position."

#### About Take-Two Interactive Software

Headquartered in New York City, Take-Two Interactive Software, Inc. is an integrated global developer, marketer, distributor, and publisher of interactive entertainment software games and accessories for the PC, PlayStation(R), PlayStation(R)2, Xbox (TM), Nintendo GameCube and Nintendo Game Boy Advance. The Company publishes and develops products through various wholly owned subsidiaries including: Rockstar Games, Rockstar North, Gathering of Developers, Joytech, Global Star and under the Take-Two brand name. The Company maintains sales and marketing offices in Cincinnati, New York, Toronto, London, Paris, Munich, Vienna, Copenhagen, Milan, Sydney 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: 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 words "expect," "anticipate," "believe," "may," "estimate," "intend" and similar expressions are intended to identify such forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions including, but not limited to: risks associated with our future growth and operating results; our ability to continue to successfully manage growth and integrate the operations of acquired businesses; the availability of adequate financing to fund periodic cash flow shortages; credit risks; seasonal factors; inventory obsolescence; technological change; competitive factors; product returns; failure of retailers to sell-through our products; the timing of the introduction and availability of the Company's new software products and third-party hardware platforms; market and industry factors adversely affecting the carrying value of our assets; unfavorable general economic conditions (including the current economic downturn); and acts of war and terrorism, any or all of which could have a material adverse effect on our business, operating results and financial condition. These important factors and other factors that could affect the Company are described in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended October 31, 2001 and on Form 10-Q for the quarter ended January 31, 2002. Actual operating results may vary significantly from such forward-looking statements. The Company has no obligation to update such forward-looking statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Consolidated Condensed Statements of Operations  
For the three and six months ended April 30, 2002 and 2001 (unaudited)

(In thousands, except per share data)

	Three months ended April 30, 2002                      2001		Six months ended April 30, 2002                      2001	
	-----	-----	-----	-----
	(Unaudited)		(Unaudited)	
Net sales	\$ 170,330	\$ 88,179	\$ 453,256	\$ 245,770
Cost of sales (includes impairment charge on Internet gaming assets of \$3,786 for the three and six months ended April 30, 2001)	106,675	57,396	286,140	161,656
Gross profit	----- 63,655	----- 30,783	----- 167,116	----- 84,114
Operating expenses				
Selling and marketing (includes impairment charge on Internet gaming assets of \$401 for the three and six months ended April 30, 2001)	20,522	11,577	42,517	24,129
General and administrative	18,924	9,107	37,921	19,618
Research and development costs	3,937	1,601	5,891	3,001
Depreciation and amortization	2,517	3,538	4,788	5,960
Total operating expenses	----- 45,900	----- 25,823	----- 91,117	----- 52,708
Income from operations	17,755	4,960	75,999	31,406
Interest expenses, net	53	2,355	1,027	5,285
Class action settlement costs	1,468	-	1,468	-
(Gain) loss on Internet investments	(32)	20,754	(159)	20,754
Total non-operating expenses	----- 1,489	----- 23,109	----- 2,336	----- 26,039
Income (loss) before income taxes and cumulative effect of change in accounting principle	16,266	(18,149)	73,663	5,367
Provision (benefit) for income taxes	6,629	(6,682)	29,197	3,265
Income (loss) before cumulative effect of change in accounting principle	----- 9,637	----- (11,467)	----- 44,466	----- 2,102
Cumulative effect of change in accounting principle, net				

of taxes of \$3,558	-	-	-	5,337
	-----	-----	-----	-----
Net income (loss)	\$ 9,637	\$ (11,467)	\$ 44,466	\$ (3,235)
	=====	=====	=====	=====
Per share data:				
Diluted:				
Weighted average common shares outstanding	38,768	32,641	38,280	33,345
	=====	=====	=====	=====
Income (loss) before cumulative effect of change in accounting principle per share	\$ 0.25	\$ (0.35)	\$ 1.16	\$ 0.06
Cumulative effect of change in accounting principle per share	-	-	-	(0.16)
	-----	-----	-----	-----
Net income (loss) - Diluted	\$ 0.25	\$ (0.35)	\$ 1.16	\$ (0.10)
	=====	=====	=====	=====

OTHER INFORMATION

	Three months ended April 30,		Six months ended April 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Total revenue mix				
Publishing	79%	55%	72%	51%
Distribution	21%	45%	28%	49%
Geographic revenue mix				
North America	76%	75%	78%	76%
International	24%	25%	22%	24%
Publishing platform revenue mix				
Sony PlayStation 2	82%	38%	82%	40%
Sony PlayStation	6%	25%	6%	17%
Microsoft Xbox	6%	-	6%	-
PC	5%	34%	4%	34%
Nintendo Color GameBoy, GameBoy Advance and N64	-	-	-	2%
Sega Dreamcast	-	-	-	2%
Accessories	1%	3%	2%	5%

Reconciliation of Net Income to Pro Forma Net Income

	Three months ended April 30,		Six months ended April 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----

Net income (loss)	\$ 9,637	\$ (11,467)	\$ 44,466	\$ (3,235)
Exclude items to be tax-effected:				
Impairment charge on Internet assets recorded in cost of sales	-	3,786	-	3,786
Impairment charge on Internet assets recorded in selling & marketing	-	401	-	401
Class action settlement costs	1,468	-	1,468	-
(Gain) loss on Internet investments	(32)	20,754	(159)	20,754
	-----	-----	-----	-----
Total	1,436	24,941	1,309	24,941
Pro Forma effective tax rate	41%	37%	41%	37%
Total exclusions after tax	850	15,763	775	15,763
Additional item to be excluded, already presented tax-effected:				
Cumulative effect of change in accounting principle, net of taxes	-	-	-	5,337
Pro Forma net income excluding after-tax operating Internet impairment charges, class action settlement costs, (gain) loss on Internet investments and cumulative effect of change in accounting principle	\$ 10,487	\$ 4,296	\$ 45,241	\$ 17,865
	=====	=====	=====	=====
Weighted average common shares outstanding - Diluted	38,768	32,641	38,280	33,345
	=====	=====	=====	=====
Pro Forma net income per share excluding after-tax operating Internet impairment charges, class action settlement costs, (gain) loss on Internet investments and cumulative effect of change in accounting principle - Diluted	\$ 0.27	\$ 0.13	\$ 1.18	\$ 0.54
	=====	=====	=====	=====

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Consolidated Condensed Balance Sheets  
As of April 30, 2002 and October 31, 2001 (unaudited)  
(In thousands, except share data)

ASSETS	April 30, 2002	Oct. 31, 2001
	-----	-----
Current assets		
Cash and cash equivalents	\$ 69,617	\$ 6,056
Accounts receivable, net of provision for doubtful accounts and sales allowances of \$26,570 and \$26,106 at April 30, 2002 and October 31, 2001, respectively	65,095	94,950
Inventories, net	45,481	61,937
Prepaid royalties	18,852	21,892
Prepaid expenses and other current assets	25,755	17,925
Investments	500	6,241
Deferred tax asset	13,873	13,873
	-----	-----
Total current assets	239,173	222,874
Fixed assets, net	14,837	11,033
Prepaid royalties	12,950	11,097
Capitalized software development costs, net	10,649	11,934
Investments	98	75
Goodwill, net	56,033	56,033
Intangibles, net	29,410	32,142
Deferred tax asset	7,892	7,892
Other assets, net	-	1,917
	-----	-----
Total assets	\$371,042	\$354,997
	=====	=====
 LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 37,962	\$ 60,223
Accrued expenses and other current liabilities	41,514	20,250
Income taxes payable	13,794	-
Lines of credit, current portion	-	54,073
Current portion of capital lease obligation	92	99
	-----	-----
Total current liabilities	93,362	134,645
Capital lease obligation, net of current portion	254	291
	-----	-----
Total liabilities	93,616	134,936
	-----	-----
Stockholders' equity		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 37,532,243 and 36,640,972 shares issued and outstanding	375	366
Additional paid-in capital	227,376	213,908
Deferred compensation	(682)	-
Retained earnings	60,705	16,239
Accumulated other comprehensive loss	(10,348)	(10,452)
	-----	-----
Total stockholders' equity	277,426	220,061
Total liabilities and stockholders' equity	\$ 371,042	\$ 354,997
	=====	=====

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