

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

September 3, 2003  
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TAKE-TWO INTERACTIVE SOFTWARE, INC.  
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(Exact name of registrant as specified in its charter)

Delaware

0-29230

51-0350842

-----  
(State or other jurisdiction  
of incorporation)

-----  
(Commission  
File Number)

-----  
(I.R.C. Employer  
Identification No.)

622 Broadway, New York, New York

10012

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's telephone number, including area code: (646) 536-2842

Not Applicable

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Former name or former address, if changed since last report

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

99.1 Press Release dated September 3, 2003 relating to Take-Two Interactive Software, Inc.'s financial results for the third fiscal quarter ended July 31, 2003.

Item 9. Regulation FD Disclosure

The information on this Form 8-K is being furnished to, but not filed with, the Securities and Exchange Commission solely under Item 12 of Form 8-K.

Item 12. Results of Operations and Financial Condition

On September 3, 2003, the Company issued a press release announcing its financial results for the third fiscal quarter ended July 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Date: September 3, 2003

By: /s/ Karl H. Winters

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Karl H. Winters  
Chief Financial Officer

Exhibit No.	Description
99.1	Press Release dated September 3, 2003 relating to Take-Two Interactive Software, Inc.'s financial results for the third fiscal quarter ended July 31, 2003.

FOR IMMEDIATE RELEASE

CONTACT

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Take-Two Interactive Software, Inc. Reports  
Record Third Quarter Fiscal 2003 Financial Results

COMPANY RAISES REVENUE AND EPS GUIDANCE FOR FISCAL 2003 AND  
ISSUES INITIAL GUIDANCE FOR FISCAL 2004

COMPANY ANNOUNCES AGREEMENT TO ACQUIRE TDK MEDIACTIVE

New York, NY - September 3, 2003 - Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced record financial results for its third quarter and nine months ended July 31, 2003.

Net sales for the third quarter ended July 31, 2003 were \$155.6 million, a 27% increase over \$122.5 million for the same period a year ago. Net income of \$7.7 million represented an increase of 60% compared to \$4.8 million last year, with diluted net income per share of \$0.18, a 50% increase over \$0.12 last year.

Net sales for the nine months ended July 31, 2003 were \$758.6 million, a 32% increase over \$575.7 million for the same period a year ago. Net income of \$73.4 million represented an increase of 49% compared to \$49.2 million in the comparable period last year, with diluted net income per share of \$1.72, compared to \$1.26, an increase of 36%.

Acquisition of TDK Mediactive, Inc.

Take-Two is also announcing an agreement to purchase TDK Mediactive, Inc. (OTC BB: TDKM), a California based publisher of a rapidly expanding portfolio of video game franchises based on popular licensed properties, including Shrek, Pirates of the Caribbean, The Haunted Mansion, The Land Before Time, Robotech, The Muppets, Corvette and Masters of the Universe. For the fiscal year ended March 31, 2003, TDK reported revenue of \$42.2 million, with a net loss of \$8.3 million, or \$0.36 per share.

Under the terms of the agreement, Take-Two will purchase TDK Mediactive for approximately \$22.7 million, consisting of (1) \$0.55 per share for each of the 23,005,885 shares outstanding (approximately \$12.6 million); (2) purchase of debt of approximately \$9.9 million (\$1.9 million in cash and \$8 million in restricted shares of common stock of Take-Two, or approximately 270,000 shares); and (3) approximately \$0.2 million to retire outstanding stock options. Take-Two expects the acquisition of TDK Mediactive to close in the first week of November, with the closing subject to customary terms and conditions.

Take-Two and TDK Mediactive have also entered into a separate agreement providing Take-Two with the exclusive North American distribution rights for certain TDK titles on various platforms, including The Haunted Mansion, currently scheduled for launch in mid-October in anticipation of the Thanksgiving release of the Disney feature film. Among other products, the distribution agreement also includes Star Trek: Shattered Universe and Corvette, both scheduled for launch in late October.

Commenting on the acquisition, Jeff Lapin, Chief Executive Officer, said, "In a little over two years, TDK Mediactive has become a meaningful player in the interactive entertainment industry by identifying, securing and building strong video game franchises based on popular, well established licensed brands. The addition of TDK's mass market and children's licensed properties will complement our portfolio of proprietary brands, and will provide an excellent platform for Take-Two to further expand and diversify its product offerings. In addition, we believe our proven product development and marketing capabilities will enhance TDK's product offerings and our distribution resources will offer additional outlets for TDK's products."

#### Guidance

Take-Two is raising its financial guidance for the fiscal year ending October 31, 2003 to \$1.015 billion in net sales and \$2.30 of diluted net income per share.

For the fiscal year ending October 31, 2004, the Company's initial guidance is \$1.18 billion in net sales and \$2.68 of diluted net income per share. The Company's guidance for the first quarter ending January 31, 2004 is \$412 million in net sales and \$1.21 of diluted net income per share.

The Company's fiscal 2003 guidance gives effect to the distribution agreement entered into between Take-Two and TDK Mediactive. Take-Two is currently determining the full impact of the acquisition on its fiscal 2004 guidance; on a preliminary basis, the Company's guidance assumes the acquisition will add approximately \$35 million in net sales, primarily weighted toward the back half of the fiscal year, and have no material effect on its fiscal 2004 diluted net income.

#### Liquidity and Selected Balance Sheet Items

Take-Two generated approximately \$18 million in cash flow from operations during the quarter, with operating cash flow for the nine months ended July 31, 2003 of \$123 million. Working capital was approximately \$299 million at July 31, 2003, as compared with \$149 million at the same time a year ago. The Company had more than \$225 million in cash as of July 31, 2003, as compared to approximately \$74 million in cash as of July 31, 2002.

Karl Winters, Chief Financial Officer, commented, "Take-Two's continued strong performance has resulted in another record quarter, with the further strengthening of our financial position. Our significant cash flow generation confirms the success of our business model, which is solidly anchored by our publishing business and supported by our complementary distribution operations. As we enter fiscal 2004, we believe we are well positioned for another period of strong growth."

#### Distribution Highlights

Jack of All Games, the leading North American distributor of videogame software and hardware, has increasingly capitalized on the growing installed base of hardware and proliferation of software titles by emphasizing sales of both exclusive and non-exclusive mid and budget-priced software to its expanding customer base. During the third quarter, Jack of All Games continued to see the direct benefits of this strategy in the form of increased market share and improved profitability.

## Publishing Highlights - Third Quarter

In its third quarter of fiscal 2003, Take-Two's Rockstar Games introduced additional extensions to its blockbuster Grand Theft Auto franchise, which has sold over 25 million units worldwide since the introduction of the brand. Rockstar shipped Grand Theft Auto: Vice City for the PC and the PlayStation(R)2 Greatest Hits version of Grand Theft Auto 3. Rockstar also released the highly anticipated Midnight Club 2 for the Xbox(TM) and PC, a sequel to the multi-million unit selling franchise. Strong sales of Midnight Club 2 for PlayStation(R)2, released late in the second quarter, continued into the third quarter.

Gathering released the sequels Age of Wonders: Shadow Magic and Stronghold Warchest, both for the PC. Gotham Games launched the new title The Great Escape in North America on PlayStation(R)2, PC and Xbox(TM) and shipped Motocross Mania 2 and ATV Mania for the PlayStation(R).

## Future Publishing Highlights

Rockstar Games' products planned for release in the fourth quarter include the launch of Max Payne 2: The Fall of Max Payne, the sequel to the hit franchise that has sold over 4 million units since its debut in 2001. The title will launch on PC, and will be in stores in North America on October 15th, with PlayStation(R)2 and Xbox(TM) versions planned for release in the first quarter.

As announced today, Rockstar is introducing a double pack of Grand Theft Auto 3 and Grand Theft Auto: Vice City for both the Xbox(TM) and PlayStation(R)2. The Grand Theft Auto double pack will be in stores in North America on October 22nd for PlayStation(R)2 and on November 4th for Xbox(TM). Rockstar also looks forward to the late September release of Grand Theft Auto 3 for PlayStation(R)2 and PC in Japan, under a license agreement with Capcom Co., Ltd.

Gathering's lineup of titles for the fourth quarter includes Railroad Tycoon 3 and Hidden & Dangerous 2, sequels to the popular franchises which have each sold over 1 million units, and Space Colony, a new title, all for the PC. Gotham Games expects to ship Conflict: Desert Storm II and Starsky & Hutch, both in North America only, for PlayStation(R)2, PC and Xbox(TM). Gotham is also launching MTV's Celebrity Deathmatch for PlayStation(R)2, PC, Xbox(TM), GameCube and PlayStation(R).

Rockstar's extensive first quarter lineup includes the North American release of the Grand Theft Auto double pack for Xbox(TM) and the launch of the new title Manhunt for PlayStation(R)2. Manhunt was developed internally by Rockstar North, the creators of the global blockbuster Grand Theft Auto series and is scheduled to be in stores in North America on November 19th. Rockstar will also ship the PlayStation(R)2 and Xbox(TM) versions of Max Payne 2: The Fall of Max Payne in the first quarter.

Also planned for a first quarter release is Gathering's Mafia for PlayStation(R)2 and Xbox(TM), the sequel to the popular franchise introduced last fall.

Additional products planned for fiscal 2004 from Rockstar Games include the next installment in the Grand Theft Auto franchise, extensions of other proprietary intellectual properties from Rockstar's internal studios, as well as the launch of The Warriors(TM), a new title based on the Paramount Pictures feature film. Gathering's lineup includes both sequels to the popular Hidden & Dangerous and Vietcong franchises, and the introduction of other new properties.

The Company's success in distributing mid and value-priced software has demonstrated the increasing demand for this type of product as the console cycle progresses and the installed base of hardware and software expands. Take-Two plans to capitalize on this trend by expanding its product offerings of attractively priced mass-market titles in its publishing business. The Company's product pipeline for fiscal 2004 includes a variety of mass-market and children's licensed properties from TDK.

## Management Comments

Jeff Lapin, Chief Executive Officer, commented, "As we approach the busy holiday season and enter fiscal 2004, we believe we are in the strongest position in Take-Two's history. Rockstar's portfolio of blockbuster franchises and highly anticipated new brands, combined with Gathering's exciting lineup of proprietary and licensed properties, and TDK's mass market and children's titles, represents a compelling and diversified product pipeline. With Jack of All Games' complementary distribution business providing incremental visibility and predictability to our business model, we anticipate another robust year for Take-Two."

## Conference Call

Take-Two will host a conference call today at 8:30 am Eastern Time to review its results for the third quarter and nine months ended July 31, 2003 and to discuss its outlook. A live webcast of the call is available by visiting [WWW.TAKE2GAMES.COM](http://WWW.TAKE2GAMES.COM), and a replay of the call will be archived through the close of business on Friday, September 5, 2003.

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## 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) game console, PlayStation(R)2 computer entertainment system, Xbox(TM) video game system from Microsoft(TM), Nintendo GameCube(TM) and Nintendo Game Boy Advance(TM). The Company publishes and develops products through its wholly owned subsidiary labels: Rockstar Games, Gotham Games, Gathering, Joytech and Global Star. The Company maintains sales and marketing offices in Cincinnati, New York, Toronto, London, Paris, Munich, Vienna, Copenhagen, Milan, Sydney, Amsterdam 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).

All trademarks and copyrights contained herein are the property of their respective holders.

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 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 Annual Report on Form 10-K for the fiscal year ended October 31, 2002 and on Form 10-Q for the quarter ended April 30, 2003.

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TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Consolidated Condensed Statements of Operations  
For the three and nine months ended July 31, 2003 and 2002 (unaudited)  
(In thousands, except per share data)

	Three months ended July 31,		Nine months ended July 31,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
Net sales	\$ 155,587	\$ 122,461	\$ 758,594	\$ 575,717
Cost of sales				
Product costs	81,642	62,567	384,984	303,880
Royalties	10,434	12,245	66,782	53,894
Software development costs	1,842	2,125	8,558	6,018
Total cost of sales	93,918	76,937	460,324	363,792
Gross profit	61,669	45,524	298,270	211,925
Operating expenses				
Selling and marketing	20,013	15,912	76,928	58,429
General and administrative	19,372	17,390	67,701	55,311
Research and development	7,043	1,812	17,419	7,703
Depreciation and amortization	2,930	2,541	13,689	6,614
Total operating expenses	49,358	37,655	175,737	128,057
Income from operations	12,311	7,869	122,533	83,868
Interest (income) expenses, net	(625)	(299)	(1,713)	728
Gain on Internet investments	--	--	(39)	(159)
Class action settlement costs	--	--	--	1,468
Total non-operating (income) expenses	(625)	(299)	(1,752)	2,037
Income before income taxes	12,936	8,168	124,285	81,831
Provision for income taxes	5,287	3,402	50,935	32,599
Net income	\$ 7,649	\$ 4,766	\$ 73,350	\$ 49,232
Per share data:				
Diluted:				
Weighted average common shares outstanding	43,548	40,231	42,701	38,947
Net income per share - Diluted	\$ 0.18	\$ 0.12	\$ 1.72	\$ 1.26

OTHER INFORMATION

	Three months ended July 31,		Nine months ended July 31,	
	2003	2002	2003	2002
Total revenue mix				
Publishing	60%	70%	69%	72%
Distribution	40%	30%	31%	28%
Geographic revenue mix				
North America	75%	80%	72%	78%
International	25%	20%	28%	22%
Publishing platform revenue mix				
Sony PlayStation 2	40%	51%	79%	75%
Sony PlayStation	4%	6%	4%	6%
Microsoft Xbox	15%	3%	4%	6%
PC	40%	37%	11%	11%





TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES  
Consolidated Condensed Balance Sheets  
As of July 31, 2003 (unaudited) and October 31, 2002  
(In thousands, except share data)

ASSETS	July 31, 2003	October 31, 2002
	-----	-----
Current assets		
Cash and cash equivalents	\$ 225,859	\$ 108,369
Accounts receivable, net of provision for doubtful accounts, returns and sales allowances of \$40,500 and \$29,194 at July 31, 2003 and October 31, 2002, respectively	65,996	107,188
Inventories, net	73,902	74,391
Prepaid royalties	15,576	13,723
Prepaid expenses and other current assets	30,055	19,569
Deferred tax asset	5,392	5,392
	-----	-----
Total current assets	416,780	328,632
Fixed assets, net	20,078	15,319
Prepaid royalties	8,182	12,203
Capitalized software development costs, net	13,986	10,385
Investments	--	97
Goodwill, net	101,095	61,529
Intangibles, net	39,888	55,293
Deferred tax asset	7,983	7,983
Other assets, net	565	266
	-----	-----
Total assets	\$ 608,557	\$ 491,707
	=====	=====
LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 56,105	\$ 79,660
Accrued expenses and other current liabilities	46,311	49,821
Income taxes payable	15,458	1,603
Current portion of capital lease obligation	101	95
	-----	-----
Total current liabilities	117,975	131,179
Capital lease obligation, net of current portion	99	201
Deferred tax liability	6,178	3,885
	-----	-----
Total liabilities	124,252	135,265
	-----	-----
Stockholders' equity		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 43,287,167 and 40,361,739 shares issued and outstanding	433	404
Additional paid-in capital	327,410	273,502
Deferred compensation	(3,162)	(227)
Retained earnings	161,154	87,804
Accumulated other comprehensive loss	(1,530)	(5,041)
	-----	-----
Total stockholders' equity	484,305	356,442
	-----	-----
Total liabilities and stockholders' equity	\$ 608,557	\$ 491,707
	=====	=====