

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

December 18, 2003

TAKE-TWO INTERACTIVE SOFTWARE, INC.  
(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 December 18, 2003 relating to Take-Two Interactive Software, Inc.'s financial results for the fourth fiscal quarter and fiscal year ended October 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 December 18, 2003, the Company issued a press release announcing its financial results for the fourth fiscal quarter and fiscal year ended October 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: December 18, 2003

By: /s/ Karl H. Winters

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Karl H. Winters  
Chief Financial Officer

Exhibit No.	Description
99.1	Press Release dated December 18, 2003 relating to Take-Two Interactive Software, Inc.'s financial results for the fourth fiscal quarter and fiscal year ended October 31, 2003.

Take-Two Interactive Software, Inc. Reports Fourth Quarter  
and Fiscal 2003 Financial Results

NEW YORK--(BUSINESS WIRE)--Dec. 18, 2003--Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced record financial results for its fourth quarter and fiscal year ended October 31, 2003.

Net sales for the fourth quarter ended October 31, 2003 were \$278.5 million, a 28% increase over \$218.4 million for the same period a year ago. Net income for the quarter of \$26.6 million represented an increase of 19% compared to \$22.3 million last year, with diluted net income per share of \$0.59, a 9% increase over \$0.54 last year.

Net sales for the fiscal year ended October 31, 2003 were \$1.04 billion, a 31% increase over \$795.0 million in fiscal 2002. Net income of \$100.0 million represented an increase of 40% compared to \$71.6 million last year, with diluted net income per share of \$2.31, compared to \$1.81, an increase of 28%.

#### Guidance

For the first quarter ending January 31, 2004, Take-Two is reiterating its net sales guidance of \$412 million, but is reducing its diluted net income per share guidance from \$1.21 to \$1.10. For the fiscal year ending October 31, 2004, Take-Two is reiterating its net sales guidance of \$1.18 billion, but is reducing its diluted net income per share guidance from \$2.68 to \$2.60. Take-Two is issuing initial guidance for the second quarter ending April 30, 2004 of \$218 million in net sales and \$0.41 of diluted net income per share.

#### Liquidity and Selected Balance Sheet Items

As expected, Take-Two operated in a cash flow deficit position of approximately \$44 million for the quarter. Operating cash flow for the fiscal year ended October 31, 2003 was approximately \$81 million. Working capital was \$351 million at October 31, 2003, as compared with \$197 million at the same time a year ago. The Company had more than \$183 million in cash as of October 31, 2003, as compared to \$108 million in cash at October 31, 2002.

#### Publishing Highlights - Fourth Quarter

In its fourth quarter of fiscal 2003, Take-Two's Rockstar Games publishing label launched Max Payne 2: The Fall of Max Payne for the PC, the sequel to the hit franchise that debuted in 2001. Rockstar extended the success of its blockbuster Grand Theft Auto franchise by releasing the Grand Theft Auto Double Pack for the PlayStation(R)2, consisting of Grand Theft Auto 3 and Grand Theft Auto: Vice City, in both North America and Europe. In addition, under a license agreement with Rockstar, Capcom Co., Ltd. released Grand Theft Auto 3 for the PlayStation(R)2 and PC in Japan. According to Enterbrain Inc., the parent company of Weekly Famitsu, Grand Theft Auto 3 has sold approximately 300,000 copies as of the week ending December 7, 2003, making it one of the most successful debuts of a Western video game in Japan.

The Company's Gathering label shipped Railroad Tycoon 3 and Hidden & Dangerous 2, sequels to the popular franchises, and Space Colony, a new title, all for the PC. The Company also shipped Conflict: Desert Storm II and Starsky & Hutch, both in North America only, for PlayStation(R)2, PC and Xbox(TM); Ford Racing 2 for PlayStation(R)2 and Xbox(TM) in North America only; MTV's Celebrity Deathmatch for PlayStation(R)2, PC, Xbox(TM) and PlayStation(R); and Ford Truck Mania for PlayStation(R). The Company also launched the PlayStation(R)2 Greatest Hits version of Conflict: Desert Storm, bringing Take-Two's catalog of Greatest Hits products for PlayStation(R)2 to six titles.

#### Publishing Highlights - First Quarter

In its first quarter of fiscal 2004, Rockstar Games shipped the Grand Theft Auto Double Pack for the Xbox(TM) in North America; Max Payne 2: The Fall of Max Payne for PlayStation(R)2 and Xbox(TM); Manhunt for PlayStation(R)2; and Max Payne for the Game Boy(R) Advance in North America. The Company also launched the Xbox Platinum Hits version of Conflict: Desert Storm. Rockstar will ship the Grand Theft Auto Double Pack for Xbox(TM) in Europe on January 2nd. Gathering expects to ship Mafia for PlayStation(R)2 and Xbox(TM) in late January.

Also in its first quarter, Take-Two completed the acquisition of TDK Mediactive, Inc., a California based publisher of videogames based on popular licensed properties, including The Haunted Mansion, Pirates of the Caribbean, The Land Before Time, Robotech, The Muppets and

Corvette. Upon closing, TDK Mediactive was renamed Take-Two Licensing. Products planned for the first quarter from TDK's portfolio include Star Trek(TM): Shattered Universe for PlayStation(R)2 and Xbox(TM).

To streamline Take-Two's publishing operations, the Company has reorganized and consolidated its publishing business into the following three labels: Rockstar Games, Gathering and Global Star. Rockstar will continue to focus on premium priced, groundbreaking entertainment. Gathering, which has historically focused on PC titles, with only a small selection of console products, will now serve as the publisher of all mid-priced and non-Rockstar premium priced products on the PC, console and handheld platforms. Global Star will publish PC, console and handheld titles that retail for \$19.99 and below. The Gotham Games label has been phased out. Gotham's catalog of products, along with TDK's licensed product portfolio, will be published by either Gathering or Global Star, depending upon the price point of the title. Global Star's products will be sold exclusively through our Jack of All Games' sales force, further strengthening Jack of All Games' dominant position in the value-priced product category. In addition, Jack of All Games' United States and Canadian distribution operations will be consolidated operationally to extend the reach of our domestic value console business into Canada.

#### Future Publishing Highlights

Rockstar is pleased to announce Red Dead Revolver from Rockstar San Diego, the developers of Rockstar Games' best-selling Midnight Club and Smuggler's Run franchises. As a major new franchise from Rockstar Games, Red Dead Revolver is a stylish, western themed, gun-fighting extravaganza intended for release on the PlayStation(R)2 and Xbox(TM) in the second fiscal quarter. Additionally, Rockstar looks forward to the expected March release of Grand Theft Auto: Vice City for PlayStation(R)2 and PC in Japan, under a license agreement with Capcom Co., Ltd.

As previously announced, Rockstar also expects to introduce The Warriors(TM), a new title based on the Paramount Pictures feature film. The release date of the title has been moved from the second fiscal quarter to the third fiscal quarter. Additional Rockstar products planned for fiscal 2004 include the next installment in the Grand Theft Auto franchise, which will be released in the fourth fiscal quarter. Rockstar also plans to release Manhunt for Xbox(TM) and the PC as well as an extension of the Grand Theft Auto franchise for the Game Boy(R) Advance during fiscal 2004.

Gathering's lineup includes Vietcong: Fist Alpha, an add-on to the popular Vietcong, and Vietcong: Purple Haze which will include Vietcong and Fist Alpha together; Destruction Derby Arena on PlayStation(R)2, the next generation installment to the successful PlayStation(R) franchise, Destruction Derby, complete with full online playability; a sequel to the popular Hidden & Dangerous franchise, and the introduction of several new properties from Gathering's distribution arrangement with Destineer Publishing. Titles planned for release under the Gathering label from TDK's portfolio include Robotech and Spy vs Spy.

Global Star is focusing on building strong, aggressively-priced game franchises primarily for the console systems, across various popular genres including racing, sports and action games. Global Star's lineup of original sports and racing titles includes Carve, a personal watercraft based racing game for the Xbox(TM), with online racing capability on Xbox(TM) Live, as well as Motocross Mania 3, the latest in the top selling Motocross Mania franchise, and a new console release in the successful Virtual Pool franchise. Global Star is also extending the recently acquired Army Men franchise with Army Men: Sarge's War for PlayStation(R)2 and Xbox(TM). Additionally, Global Star will release sports and racing console products from TDK's portfolio including Corvette and the PlayStation(R)2 title UFC: Sudden Impact(TM).

#### Distribution Highlights

The Company's Jack of All Games subsidiary, the leading North American distributor of videogame software, achieved record financial results in the fourth quarter and fiscal year, with fourth quarter net sales more than doubling over the comparable period last year. Jack of All Games continues to capitalize on the growing installed base of hardware and proliferation of software titles and outlets to purchase software by emphasizing sales of both exclusive and non-exclusive mid and budget-priced software to its expanding customer base.

Jack of All Games has been successful in increasing its market share as a value-added distributor due to its extensive assortment of products for all platforms other than the PC. They have also established a particularly strong presence in the budget segment of the business due to their expanding portfolio of value-priced products

and their expertise in selling these titles. During the fourth quarter, Jack of All Games continued to leverage this strategy, serving as the exclusive distributor of various Take-Two value-priced published products, including Starsky & Hutch, MTV's Celebrity Deathmatch, Ford Racing 2 and Ford Truck Mania.

#### Management

In November, Trevor Drinkwater was appointed to the new position of Chief Operating Officer. Trevor joined the Company from Warner Home Video, where he held several senior positions, including Senior Vice President of Sales. At Warner Home Video, Trevor was responsible for sales; sales service, including sales planning and analysis; customer service and vendor managed inventory programs with major retailers. Prior to Warner Home Video, Trevor was with Nestle Waters, formerly known as The Perrier Group of America, where he served as General Manager of the Western Region.

Jeffrey Lapin, Chief Executive Officer, commented, "Trevor's 15 years of senior management experience in sales and operations will be a valuable resource to Take-Two as we continue to expand our publishing and distribution operations, both domestically and internationally. His disciplined, analytical approach to the business will provide additional structure needed to further extend Take-Two's success."

#### Update on Securities and Exchange Commission Investigation

Take-Two is providing an update in regard to its previously announced Securities and Exchange Commission investigation. The Company has received a Wells Notice from the staff of the SEC stating the staff's intention to recommend that the SEC bring a civil action seeking an injunction and monetary damages against the Company alleging that the Company violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The proposed allegations stem from the Company's previously disclosed SEC investigation into, among other things, certain accounting matters related to the Company's financial statements, periodic reporting and internal accounting control provisions. The Company's Chairman, an employee and two former officers of the Company also received Wells Notices.

The SEC has also raised certain issues regarding the Company's application of SFAS 48 "Revenue Recognition When Right of Return Exists" and its impact on the Company's revenue recognition policies as set forth in the Company's current and historical financial statements, as well as guidance. The Company's guidance does not include any potential monetary penalties associated with the investigation. The Company believes that its revenue recognition policies, including the application of SFAS 48, as set forth in such financial statements are in accordance with generally accepted accounting principles. If the Company is unable to satisfactorily resolve this issue with the SEC, it would result in a change in the timing of the recording of revenue in historical, current and future financial statements.

The Company has initiated discussions with the Commission to address the issues raised in the Wells Notice.

#### Management Comments

Mr. Lapin concluded, "We believe that with Rockstar's portfolio of blockbuster franchises and highly anticipated new brands as a foundation, and Gathering's exciting lineup of proprietary and licensed properties, along with Global Star's value priced products incorporating mass market, licensed and children's titles, we have the most compelling and diversified product pipeline in Take-Two's history. Our Jack of All Games' distribution business has continued to capture increasing market share while improving profitability. Combined with exceptional success in the low priced, budget segment of the industry, Jack of All Games provides incremental visibility and predictability to our business model. In summary, we have all the elements in place to extend our success as a leader in the interactive entertainment industry."

#### Conference Call

Take-Two will host a conference call today at 8:30 am Eastern Time to review its results for the fourth quarter and fiscal year ended October 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 Wednesday, December 24, 2003.

## 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(R), Nintendo GameCube(TM) and Game Boy(R) Advance. The Company publishes and develops products through its wholly owned subsidiary labels: Rockstar Games, Gathering, Global Star and Joytech. The Company maintains sales and marketing offices in Cincinnati, New York, Toronto, London, Paris, Munich, Vienna, 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 July 31, 2003.

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

	Three months ended October 31,		Twelve months ended October 31,	
	2003	2002	2003	2002
Net sales	\$278,518	\$218,414	\$1,037,112	\$795,018
Cost of sales				
Product costs	152,273	106,750	537,257	411,517
Royalties	22,950	26,880	89,732	80,774
Software development costs	2,445	2,106	11,003	8,124
Total cost of sales	177,668	135,736	637,992	500,415
Gross profit	100,850	82,678	399,120	294,603
Operating expenses				
Selling and marketing	26,087	19,561	103,015	77,990
General and administrative	20,382	16,233	88,083	71,544
Research and development	7,688	3,821	25,107	11,524
Depreciation and amortization	3,234	4,216	16,923	10,830
Total operating expenses	57,391	43,831	233,128	171,888
Income from operations	43,459	38,847	165,992	122,715
Interest (income) expenses, net	(552)	(248)	(2,265)	480
Gain on Internet investments	-	(22)	(39)	(181)
Class action settlement costs	-	-	-	1,468
Total non-operating (income) expenses	(552)	(270)	(2,304)	1,767
Income before income taxes	44,011	39,117	168,296	120,948
Provision for income taxes	17,389	16,784	68,324	49,383
Net income	\$26,622	\$22,333	\$99,972	\$71,565

Per share data:

Diluted:				
Weighted average common shares outstanding	44,887	41,459	43,297	39,570
	=====	=====	=====	=====
-----				
Net income per share - Diluted	\$0.59	\$0.54	\$2.31	\$1.81
	=====	=====	=====	=====

OTHER INFORMATION	Three months ended		Twelve months ended	
-----	October 31,		October 31,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Total revenue mix				
-----				
Publishing	54%	72%	65%	72%
Distribution	46%	28%	35%	28%
Geographic revenue mix				
-----				
North America	72%	84%	72%	80%
International	28%	16%	28%	20%
Publishing platform revenue mix				
-----				
Sony PlayStation 2	44%	66%	71%	73%
Sony PlayStation	3%	4%	4%	6%
Microsoft Xbox	12%	4%	6%	5%
PC	39%	23%	17%	14%
Accessories and other	2%	3%	2%	2%

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

ASSETS	October 31,	October 31,
	2003	2002
	-----	-----
Current assets		
Cash and cash equivalents	\$183,477	\$108,369
Accounts receivable, net of provision for doubtful accounts, returns and sales allowances of \$56,910 and \$28,317 at October 31, 2003 and 2002, respectively	172,443	108,065
Inventories, net	101,748	74,391
Prepaid royalties	11,267	13,723
Prepaid expenses and other current assets	41,112	19,569
Deferred tax asset	6,071	5,392
	-----	-----
Total current assets	516,118	329,509
Fixed assets, net	22,260	15,319
Prepaid royalties	8,439	12,203
Capitalized software development costs, net	16,336	10,385
Investments	-	97
Goodwill, net	101,498	61,529
Intangibles, net	44,836	55,293
Deferred tax asset, net	-	7,983
Other assets, net	527	266
	-----	-----
Total assets	\$710,014	\$492,584
	=====	=====

LIABILITIES and STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$106,172	\$79,660
Accrued expenses and other current liabilities	56,707	50,698

Income taxes payable	2,229	1,603
Current portion of capital lease obligation	103	95
	-----	-----
Total current liabilities	165,211	132,056
Capital lease obligation, net of current portion	73	201
Deferred tax liability	8,486	3,885
	-----	-----
Total liabilities	173,770	136,142
	-----	-----
Stockholders' equity		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 44,227,215 and 40,361,739 shares issued and outstanding	442	404
Additional paid-in capital	350,852	273,502
Deferred compensation	(1,890)	(227)
Retained earnings	187,776	87,804
Accumulated other comprehensive loss	(936)	(5,041)
	-----	-----
Total stockholders' equity	536,244	356,442
	-----	-----
Total liabilities and stockholders' equity	\$710,014	\$492,584
	=====	=====

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