

Take-Two Interactive Software, Inc. Reports First Quarter Fiscal 2007 Financial Results

March 12, 2007 7:46 AM ET

NEW YORK--(BUSINESS WIRE)--March 12, 2007--Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced financial results for its first quarter ended January 31, 2007.

Net revenue for the first quarter was \$277.3 million compared to \$265.0 million for the first quarter of fiscal 2006. Net loss for the quarter was \$21.5 million or \$0.30 per share, compared to a net loss of \$29.1 million or \$0.41 per share in the prior year's first quarter. The first quarter 2007 loss includes \$6.4 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, \$6.1 million to record valuation allowances for deferred tax assets as required under Statement of Financial Accounting Standards (SFAS) 109, and \$2.2 million in stock-based compensation as required by SFAS 123(R).

While Take-Two's first quarter results continued to be negatively impacted by the video game industry's ongoing transition to next-generation platforms, the Company realized higher gross profit margins in both its publishing and distribution businesses compared to the first quarter last year. Publishing margins rose due to increased sales of the Company's sports products, primarily NBA(R) 2K7, along with the contribution of higher margin titles such as Grand Theft Auto: Liberty City Stories for the PlayStation(R)2 computer entertainment system and Grand Theft Auto: San Andreas for the PlayStation 2 in Japan. Distribution gross margins rose due to a more favorable mix of software titles sold, particularly an increase in those for next-generation platforms compared to the prior period. Take-Two's operating expenses declined by \$10.0 million, or approximately 10%, from last year's first quarter as a result of reduced sales and marketing expenses, the closure of three development studios in 2006, and lower stock-based compensation.

Take-Two generated approximately \$12.1 million in cash flow from operations in the quarter, bringing the Company's cash position to \$138.2 million as of January 31, 2007.

As previously announced, because the Company provided a comprehensive business update in connection with its February 28, 2007 conference call for the fiscal 2006 fourth quarter, no conference call will be held for the first quarter results.

First Quarter Highlights

Rockstar Games' Grand Theft Auto: Vice City Stories for the PSP (PlayStation(R)Portable) system, Grand Theft Auto: San Andreas and Bully for PlayStation 2, and Grand Theft Auto: Liberty City Stories for the PSP and PlayStation 2 were among the largest contributors to revenue during the quarter. 2K's leading titles in the quarter were NBA 2K7 for the Xbox 360(TM) video game and entertainment system from Microsoft and PLAYSTATION(R)3 and PlayStation 2 computer entertainment systems, The Elder Scrolls(R) IV: Oblivion(TM) for Xbox 360, and College Hoops 2K7 for Xbox 360.

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.
CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended January 31,	
	2007	2006
Net revenue	\$ 277,340	\$ 264,981
Cost of goods sold:		
Product costs	164,143	160,853
Royalties	27,713	32,867
Software development costs	12,369	15,594
Total cost of goods sold	204,225	209,314
Gross Profit	73,115	55,667
Selling and marketing	35,024 (a)	41,644 (e)
General and administrative	38,614 (b)	38,453 (f)
Research and development	14,150 (c)	17,709 (g)
Depreciation and amortization	6,661	6,651
Total operating expenses	94,449	104,457
Loss from operations	(21,334)	(48,790)
Interest income, net	862	253
Loss before income taxes	(20,472)	(48,537)
Provision (benefit) for income taxes	1,076 (d)	(19,415)
Net loss	\$ (21,548)	\$ (29,122)
Loss per share:		
Basic	\$ (0.30)	\$ (0.41)
Diluted	\$ (0.30)	\$ (0.41)

Weighted average shares outstanding:		
Basic	71,360	70,870
Diluted	71,360	70,870

OTHER INFORMATION	Three Months Ended January 31,	
	2007	2006
Total revenue mix		
Publishing	58%	60%
Distribution	42%	40%
Geographic revenue mix		
North America	77%	72%
International	23%	28%
Publishing platform revenue mix		
Sony PlayStation 2	36%	30%
Sony PSP	20%	33%
Microsoft Xbox 360	15%	10%
PC	12%	12%
Sony PlayStation 3	6%	0%
Accessories and other	6%	6%
Microsoft Xbox	4%	7%
Nintendo Handhelds	1%	2%

For the Three Months Ended January 31, 2007:

- (a) Includes stock-based compensation expense of \$0.2 million as required by SFAS 123(R).
- (b) Includes stock-based compensation expense of \$1.3 million as required by SFAS 123(R) and \$6.4 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.
- (c) Includes stock-based compensation expense of \$0.7 million as required by SFAS 123(R).
- (d) Includes a charge of \$6.1 million to record valuation allowances for deferred tax assets.

For the Three Months Ended January 31, 2006:

- (e) Includes stock-based compensation expense of \$0.7 million as required by SFAS 123(R).
- (f) Includes stock-based compensation expense of \$3.1 million as required by SFAS 123(R).
- (g) Includes stock-based compensation expense of \$0.7 million as required by SFAS 123(R).

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

	January 31, 2007	October 31, 2006
ASSETS		
	(Unaudited)	(Unaudited)
Current assets:		
Cash and cash equivalents	\$ 138,151	\$ 132,480
Accounts receivable, net of allowances of \$78,847 and \$91,509 at January 31, 2007 and		

October 31, 2006, respectively	79,107	143,199
Inventory, net	82,194	95,520
Software development costs and licenses	97,839	85,207
Prepaid taxes and taxes receivable	39,474	60,407
Prepaid expenses and other	23,241	28,060
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Total current assets	460,006	544,873
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Fixed assets, net	49,673	47,496
Software development costs and licenses, net of current portion	39,636	31,354
Goodwill	188,179	187,681
Other intangibles, net	41,448	43,248
Other assets	14,544	14,154
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Total assets	\$ 793,486	\$ 868,806
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 61,819	\$ 123,947
Accrued expenses and other current liabilities	140,391	139,599
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Total current liabilities	202,210	263,546
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Deferred revenue	50,000	50,000
Other long-term liabilities	5,918	4,868
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Total liabilities	258,128	318,414
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Commitments and contingencies		
Stockholders' Equity:		
Common Stock, \$.01 par value, 100,000 shares authorized; 72,795 and 72,745 shares issued and outstanding at January 31, 2007 and October 31, 2006, respectively	728	727
Additional paid-in capital	487,516	482,104
Retained earnings	39,111	60,659
Accumulated other comprehensive income	8,003	6,902
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Total stockholders' equity	535,358	550,392
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Total liabilities and stockholders' equity	\$ 793,486	\$ 868,806
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SOURCE: Take-Two Interactive Software, Inc.