

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended April 30, 2000

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 0-29230

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

DELAWARE 51-0350842
(State of incorporation or organization) (IRS Employer Identification No.)

575 Broadway, New York, NY 10012
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 334-6633

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of June 12, 2000, there were 28,887,788 shares of the registrant's Common Stock outstanding.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
QUARTER ENDED APRIL 30, 2000

FORM 10-Q

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Item 1.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
 Consolidated Condensed Balance Sheets
 As of April 30, 2000 (unaudited) and October 31, 1999

ASSETS:	April 30, 2000 ----- (unaudited)	October 31, 1999 -----
Current assets:		
Cash and cash equivalents	\$ 3,185,666	\$ 10,374,562
Accounts receivable, net of allowances of \$4,929,269 and \$6,816,682, respectively	82,628,593	108,802,903
Inventories	39,205,394	41,299,838
Prepaid royalties	23,662,774	20,118,160
Prepaid expenses and other current assets	11,667,020	6,374,031
Marketable securities	7,013,750	--
Deferred tax asset	2,004,689	2,004,689
Total current assets	----- 169,367,886	----- 188,974,183
Fixed assets, net	5,539,147	4,120,317
Prepaid royalties	75,000	1,510,530
Capitalized software development costs, net	3,415,467	2,226,670
Investment in affiliates	--	3,954,668
Other investments	4,100,000	100,000
Intangibles, net of accumulated amortization of \$6,016,473 and \$3,251,358 respectively	112,542,733	30,856,983
Other assets, net	--	973,026
Total assets	----- \$ 295,040,233 =====	----- \$ 232,716,377 =====
LIABILITIES and STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 39,578,580	\$ 71,229,744
Accrued expenses	25,032,850	20,161,810
Lines of credit, current portion	68,173,141	56,047,846
Current portion of capital lease obligation	38,269	65,204
Notes payable, net of discount	--	30,611
Total current liabilities	----- 132,822,840	----- 147,535,215
Notes payable, net of current portion	--	58,363
Capital lease obligation, net of current portion	44,261	19,882
Other liabilities	399,000	--
Minority interest	1,500,000	--
Total liabilities	----- 134,766,101	----- 147,613,460
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 28,879,122 and 23,085,455 shares issued and outstanding	288,791	230,855
Additional paid-in capital	135,037,191	67,345,381
Deferred compensation	(23,159)	(47,925)
Retained earnings	27,647,555	18,401,625
Accumulated other comprehensive loss	(2,676,246)	(827,019)
Total stockholders' equity	----- 160,274,132	----- 85,102,917
Total liabilities and stockholders' equity	----- \$ 295,040,233 =====	----- \$ 232,716,377 =====

The accompanying notes are an integral part of the consolidated condensed financial statements
 Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Operations
For the three months ended April 30, 2000 and 1999
and the six months ended April 30, 2000 and 1999 (unaudited)

	Three months ended April 30,		Six months ended April 30,	
	2000	1999	2000	1999
Net sales	\$ 70,036,073	\$ 52,165,332	\$192,925,799	\$120,445,985
Cost of sales	41,781,203	36,085,017	128,054,812	89,622,857
Gross profit	28,254,870	16,080,315	64,870,987	30,823,128
Operating expenses:				
Selling and marketing	9,912,061	5,328,266	25,187,685	9,489,469
General and administrative	7,324,710	6,225,883	16,619,630	10,637,381
Research and development costs	1,363,870	632,005	2,989,308	1,224,149
Depreciation and amortization	2,173,787	560,006	3,576,454	1,013,421
Total operating expenses	20,774,428	12,746,160	48,373,077	22,364,420
Income from operations	7,480,442	3,334,155	16,497,910	8,458,708
Interest expense, net	1,374,754	782,953	2,881,090	1,599,470
Income before equity in loss of affiliate and income taxes	6,105,688	2,551,202	13,616,820	6,859,238
Equity in loss of affiliate	606,378	--	762,682	--
Income before income taxes	5,499,310	2,551,202	12,854,138	6,859,238
Provision for income taxes	2,145,099	990,030	4,713,269	2,403,230
Net income	\$ 3,354,211	\$ 1,561,172	\$ 8,140,869	\$ 4,456,008
Per share data:				
Basic:				
Weighted average common shares outstanding	25,698,852	19,152,376	24,423,859	18,674,517
Net income per share	\$ 0.13	\$ 0.08	\$ 0.33	\$ 0.24
Diluted:				
Weighted average common shares outstanding	26,819,177	20,751,120	25,631,363	20,131,660
Net income per share	\$ 0.13	\$ 0.08	\$ 0.32	\$ 0.22

The accompanying notes are an integral part of the consolidated condensed financial statements. Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
For the six months ended April 30, 2000 and 1999 (unaudited)

	Six months ended April 30,	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 8,140,869	\$ 4,456,008
Adjustment to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,576,454	1,015,149
Loss on disposal of fixed assets	99,057	57,504
Net gain from eUniverse transactions	(2,776,449)	--
Equity in loss of affiliate	762,682	--
Provision for doubtful accounts	(1,349,052)	362,530
Provision for inventory	(41,832)	(28,904)
Amortization of deferred compensation	24,766	136,434
Forfeiture of compensatory stock options in connection with AIM acquisition	--	(146,418)
Amortization of affiliate purchase option	201,316	100,658
Issuance of compensatory stock	--	299,779
Changes in operating assets and liabilities, net of effects of acquisitions:		
Decrease in accounts receivable	22,692,917	7,262,129
Decrease in inventories, net	2,136,276	4,355,461
Increase in prepaid royalties	(18,035,989)	(4,575,076)
Increase in advances to developers	-	(1,641,911)
Increase in prepaid expenses and other current assets	(418,632)	(137,426)
(Increase) decrease in capitalized software development costs	(1,188,796)	75,428
Decrease in other assets, net	--	33,259
Decrease in accounts payable	(38,918,992)	(15,684,653)
Increase in accrued expenses	3,664,469	1,452,212
Decrease in other liabilities	--	(136,000)
	-----	-----
Net cash used in operating activities	(21,430,936)	(2,743,837)
	-----	-----
Cash flows from investing activities:		
Purchase of fixed assets	(1,224,909)	(1,599,373)
Cash paid for investments	(5,975,000)	(1,332,000)
Acquisitions, net cash paid	(4,274,611)	(81,712)
Additional cash paid for prior acquisition	(1,276,900)	--
	-----	-----
Net cash used in investing activities	(12,751,420)	(3,013,085)
	-----	-----
Cash flows from financing activities:		
Net borrowings under the line of credit	12,036,321	2,602,236
Repayment on notes payable	--	(409,381)
Proceeds from exercise of stock options	5,397,602	1,965,815
Proceeds from private placements	8,515,535	--
Proceeds from minority interest	1,500,000	--
Proceeds from the exercise of public warrants	--	223,889
Repayment of capital lease obligation	(44,926)	(51,226)
Tax benefit from exercise of stock options	1,940,655	723,323
	-----	-----
Net cash provided by financing activities	29,345,187	5,054,656
	-----	-----
Effect of foreign exchange rates	(2,351,727)	(613,426)
	-----	-----
Net decrease in cash for the period	(7,188,896)	(1,315,692)
Cash and cash equivalents, beginning of the period	10,374,562	2,762,837
	-----	-----
Cash and cash equivalents, end of the period	\$ 3,185,666	\$ 1,447,145
	=====	=====
Supplemental disclosure of non-cash investing and financing activities:		
Gain from DVDWave transactions	\$ (870,883)	\$ --
	=====	=====
Gain from eUniverse transactions	\$ (1,905,566)	\$ --
	=====	=====
Tax benefit from exercise of stock options	\$ 1,940,655	\$ 723,323
	=====	=====
Gathering purchase option	\$ -	\$ 1,275,000
	=====	=====
Supplemental information on businesses acquired:		
Fair value of assets acquired:		
Cash	\$ 195,270	\$ 343,865
Accounts receivable, net	390,420	5,852,779
Inventories, net	--	2,301,672
Prepaid expenses and other assets	4,899,200	320,123
Property and Equipment, net	1,011,622	629,155
Goodwill	83,291,209	5,136,686
Less liabilities assumed		
Line of credit	--	(2,210,517)
Accounts payable	(7,267,828)	(6,132,408)
Accrued expenses	(1,059,742)	(370,972)
Other liabilities	(24,046,405)	--
Stock issued	(48,980,169)	(5,237,842)
Direct transaction costs	--	(206,964)
Investment interest and purchase option	(3,963,696)	--
	-----	-----
Cash paid	4,469,881	425,577

Less cash acquired	(195,270)	(343,865)
Net cash paid (acquired)	<u>\$ 4,274,611</u>	<u>\$ 81,712</u>

During the six months ended April 30, 2000, the Company paid \$1,276,900 in cash and issued \$161,140 in common stock related to a prior period acquisition. Such payments were capitalized and recorded as Goodwill.

The accompanying notes are an integral part of the consolidated condensed financial statements. Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Stockholders' Equity
For the year ended October 31, 1999 and the six months ended April 30, 2000
(unaudited)

	Common Stock	
	Shares	Amount
Balance, November 1, 1998	18,071,972	\$ 180,719
Issuance of compensatory stock options	536,923	5,369
Exercise of stock options	613,218	6,133
Amortization of deferred compensation	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	364,766	3,648
Issuance of common stock in connection with DVDWave.com acquisition	50,000	500
Issuance of common stock in connection with Funsoft acquisition	60,281	603
Issuance of common stock in connection with the investment in affiliate	125,000	1,250
Issuance of common stock in connection with the Triad and Global acquisition	162,500	1,625
Proceeds from exercise of public warrants	40,795	408
Issuance of common stock in connection with a public offering, net of issuance costs	3,005,000	30,050
Issuance of common stock in lieu of royalty payments	55,000	550
Tax benefit in connection with the exercise of stock options	--	--
Foreign currency translation adjustment	--	--
Net income	--	--
Balance, October 31, 1999	23,085,455	230,855
Exercise of stock options	1,099,507	10,995
Amortization of deferred compensation	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	15,798	158
Issuance of common stock in connection with Pixel acquisition	2,561,245	25,612
Issuance of common stock in connection with GOD acquisition	1,060,017	10,600
Issuance of common stock in connection with private placements, net of issuance costs	876,678	8,767
Issuance of common stock in lieu of repayment of debt assumed from Pixel	167,922	1,679
Issuance of common stock in connection with the purchase of DVD	12,500	125
Tax benefit in connection with the exercise of stock options	--	--
Foreign currency translation adjustment	--	--
Unrealized gain on available-for-sale securities	--	--
Net income	--	--
Balance, April 30, 2000	28,879,122	\$ 288,791

	Additional	Deferred
	Paid-in Capital	Compensation
Balance, November 1, 1998	\$ 33,546,417	\$ (223,657)
Issuance of compensatory stock options	831,203	(5,625)
Exercise of stock options	2,378,753	--
Amortization of deferred compensation	--	181,357
Forfeiture of compensatory stock options in connection with AIM acquisition	(146,418)	--
Issuance of common stock in connection with LDA and Joytech acquisition	3,716,965	--
Issuance of common stock in connection with DVDWave.com acquisition	505,750	--
Issuance of common stock in connection with Funsoft acquisition	466,575	--

Issuance of common stock in connection with the investment in affiliate	1,273,750	--
Issuance of common stock in connection with the Triad and Global acquisition	1,399,938	--
Proceeds from exercise of public warrants	223,481	--
Issuance of common stock in connection with a public offering, net of issuance costs	21,822,509	--
Issuance of common stock in lieu of royalty payments	332,200	--
Tax benefit in connection with the exercise of stock options	994,258	--
Foreign currency translation adjustment	--	--
Net income	--	--
Balance, October 31, 1999	67,345,381	(47,925)
Exercise of stock options	5,386,607	--
Amortization of deferred compensation	--	24,766
Issuance of common stock in connection with LDA and Joytech acquisition	160,982	--
Issuance of common stock in connection with Pixel acquisition	38,553,140	--
Issuance of common stock in connection with GOD acquisition	10,390,817	--
Issuance of common stock in connection with private placements, net of issuance costs	8,506,768	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	2,605,310	--
Issuance of common stock in connection with the purchase of DVD	147,531	--
Tax benefit in connection with the exercise of stock options	1,940,655	--
Foreign currency translation adjustment	--	--
Unrealized gain on available-for-sale securities	--	--
Net income	--	--
Balance, April 30, 2000	<u>\$ 135,037,191</u>	<u>\$ (23,159)</u>
		Accumulated Other Comprehensive Income (Loss)
	Retained Earnings	
Balance, November 1, 1998	\$ 2,069,522	\$ (7,433)
Issuance of compensatory stock options	--	--
Exercise of stock options	--	--
Amortization of deferred compensation	--	--
Forfeiture of compensatory stock options in connection with AIM acquisition	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--
Issuance of common stock in connection with DVDWave.com acquisition	--	--
Issuance of common stock in connection with Funsoft acquisition	--	--
Issuance of common stock in connection with the investment in affiliate	--	--
Issuance of common stock in connection with the Triad and Global acquisition	--	--
Proceeds from exercise of public warrants	--	--
Issuance of common stock in connection with a public offering, net of issuance costs	--	--
Issuance of common stock in lieu of royalty payments	--	--
Tax benefit in connection with the exercise of stock options	--	--
Foreign currency translation adjustment	--	(819,586)
Net income	16,332,103	--
Balance, October 31, 1999	18,401,625	(827,019)
Exercise of stock options	--	--
Amortization of deferred compensation	--	--
Issuance of common stock in connection with LDA and Joytech acquisition	--	--
Issuance of common stock in connection with Pixel acquisition	--	--
Issuance of common stock in connection with GOD acquisition	--	--

Issuance of common stock in connection with private placements, net of issuance costs	--	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	--	--
Issuance of common stock in connection with the purchase of DVD	1,105,061	--
Tax benefit in connection with the exercise of stock options	--	--
Foreign currency translation adjustment	--	(2,351,727)
Unrealized gain on available-for-sale securities	--	502,500
Net income	8,140,869	--
Balance, April 30, 2000	<u>\$ 27,647,555</u>	<u>\$ (2,676,246)</u>
	Total	Comprehensive Income (Loss)
Balance, November 1, 1998	<u>\$ 35,565,568</u>	<u>\$ 7,304,367</u>
Issuance of compensatory stock options	830,947	--
Exercise of stock options	2,384,886	--
Amortization of deferred compensation	181,357	--
Forfeiture of compensatory stock options in connection with AIM acquisition	(146,418)	--
Issuance of common stock in connection with LDA and Joytech acquisition	3,720,613	--
Issuance of common stock in connection with DVDWave.com acquisition	506,250	--
Issuance of common stock in connection with Funsoft acquisition	467,178	--
Issuance of common stock in connection with the investment in affiliate	1,275,000	--
Issuance of common stock in connection with the Triad and Global acquisition	1,401,563	--
Proceeds from exercise of public warrants	223,889	--
Issuance of common stock in connection with a public offering, net of issuance costs	21,852,559	--
Issuance of common stock in lieu of royalty payments	332,750	--
Tax benefit in connection with the exercise of stock options	994,258	--
Foreign currency translation adjustment	(819,586)	(819,586)
Net income	16,332,103	16,332,103
Balance, October 31, 1999	<u>85,102,917</u>	<u>15,512,517</u>
Exercise of stock options	5,397,602	--
Amortization of deferred compensation	24,766	--
Issuance of common stock in connection with LDA and Joytech acquisition	161,140	--
Issuance of common stock in connection with Pixel acquisition	38,578,752	--
Issuance of common stock in connection with GOD acquisition	10,401,417	--
Issuance of common stock in connection with private placements, net of issuance costs	8,515,535	--
Issuance of common stock in lieu of repayment of debt assumed from Pixel	2,606,989	--
Issuance of common stock in connection with the purchase of DVD	1,252,717	--
Tax benefit in connection with the exercise of stock options	1,940,655	--
Foreign currency translation adjustment	(2,351,727)	(2,351,727)
Unrealized gain on available-for-sale securities	502,500	502,500
Net income	8,140,869	8,140,869
Balance, April 30, 2000	<u>\$ 160,274,132</u>	<u>\$ 6,291,642</u>

The accompanying notes are an integral part of
the consolidated condensed financial statements.
Certain amounts have been reclassified for comparative purposes

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Notes to Interim Consolidated Condensed Financial Statements
(Information at April 30, 2000 and for the three and six month periods
ended April 30, 2000 and 1999 is unaudited)

1. Organization:

Take-Two Interactive Software, Inc. (the "Company") is a leading global developer, publisher and distributor of interactive software games designed for multimedia personal computers and video game console platforms.

2. Significant Accounting Policies and Transactions:

Basis of Presentation

The Consolidated Condensed Financial Statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and disclosures necessary for a presentation of the Company's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's financial position, results of operations and cash flows for such periods. The results of operations for any interim periods are not necessarily indicative of the results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1999.

Risk and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to: the recoverability of capitalized software development costs, prepaid royalties, advances to developers and other intangibles, allowances for returns and income taxes. Actual amounts could differ from those estimates.

Prepaid Royalties

Prepaid royalties represent prepayments made to independent software developers under development agreements. Prepaid royalties are expensed at the contractual royalty rate as cost of goods sold based on actual net product sales. Management continuously evaluates the future realization of prepaid royalties, and charges to cost of sales any amount that management deems unlikely to be realized at the contractual royalty rate through product sales. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year.

Prepaid royalties were written down by \$109,242 and \$187,414 for the three months ended April 30, 2000 and 1999, respectively, and \$109,242 and \$844,112 for the six months ended April 30, 2000 and 1999, respectively, to estimated net realizable value. Amortization of prepaid royalties amounted to \$1,737,751 and \$1,952,532 for the three months ended April 30, 2000 and 1999, respectively, and \$4,791,016 and \$3,882,371 for the six months ended April 30, 2000 and 1999, respectively.

Capitalized Software Development Costs

Costs associated with research and development are expensed as incurred. Software development costs incurred subsequent to establishing technological feasibility are capitalized. Capitalized software costs are compared, by game title, to estimated net realizable value of the product and amounts in excess of estimated net realizable value, if any, are immediately written off.

Capitalized software costs were written down by \$240,184 and \$520,068 for the three months ended April 30, 2000 and 1999, respectively, and \$249,184 and \$688,068 for the six months ended April 30, 2000 and 1999, respectively, to estimated net realizable value. Amortization of capitalized software costs amounted to \$260,087 and \$180,000 for the three months ended April 30, 2000 and 1999, respectively, and \$328,970 and \$230,000 for the six months ended April 30, 2000 and 1999, respectively.

Segment Reporting

Statement of Financial Accounting Standards ("FAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments in annual financial statements. FAS No. 131 had no impact on the Company's results of operations, financial position or cash flows. The Company's operations fall within one reportable segment as defined by FAS No. 131.

Revenue Recognition

Distribution revenue is derived from the sale of third-party interactive software games and hardware and is recognized upon the shipment of product to retailers. Distribution revenue amounted to \$33,309,323 and \$21,065,177 for the three months ended April 30, 2000 and 1999, respectively, and \$93,973,518 and \$65,415,815 for the six months ended April 30, 2000 and 1999, respectively. The Company sometimes negotiates accommodations to retailers, including price discounts, credits and product returns, when demand for specific products fall below expectations. Historically, the Company's write-offs from returns for its distribution activities have been less than 1% of distribution revenues. Publishing revenue is derived from the sale of internally developed interactive software games or from the sale of product licensed from a third party developer and is recognized upon the shipment of product to retailers. Publishing revenue amounted to \$36,726,750 and \$31,100,155 for the three months ended April 30, 2000 and 1999, respectively, and \$98,952,281 and \$55,030,170 for the six months ended April 30, 2000 and 1999, respectively. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues.

The Company's distribution arrangements with retailers generally do not give them the right to return products, however, the Company generally accepts product returns for stock balancing or defective products. The Company's publishing arrangements require the Company to accept product returns. The Company establishes a reserve for future returns at the time of product sales, based primarily on these return policies, markdown allowances, and historical return rates, and as such, the Company recognizes

revenues net of product returns.

3. Income Taxes

The provisions for income taxes for the three months ended, as well as for the six months ended April 30, 2000 and 1999 are based on the Company's estimated annualized tax rate for the respective years, after giving effect to the utilization of available tax credits and tax planning opportunities.

4. Net Income per Share

The following table provides a reconciliation of basic earnings per share to dilutive earnings per share for the three and six months ended April 30, 2000 and 1999.

	Income -----	Shares -----	Per Share Amount -----
Three Months Ended April 30, 2000:			
Basic	\$3,354,211	25,698,852	\$.13
Effect of dilutive securities - Stock options and warrants		1,120,325	--
Diluted	<u>\$3,354,211</u> =====	<u>26,819,177</u> =====	<u>\$.13</u> =====
Three Months Ended April 30, 1999:			
Basic	\$1,561,172	19,152,376	\$.08
Effect of dilutive securities - Stock options and warrants		1,598,744	--
Diluted	<u>\$1,561,172</u> =====	<u>20,751,120</u> =====	<u>\$.08</u> =====
Six Months Ended April 30, 2000:			
Basic	\$8,140,869	24,423,859	\$.33
Effect of dilutive securities - Stock options and warrants		1,207,504	(.01)
Diluted	<u>\$8,140,869</u> =====	<u>25,631,363</u> =====	<u>\$.32</u> =====
Six Months Ended April 30, 1999:			
Basic	\$4,456,008	18,674,517	\$.24
Effect of dilutive securities - Stock options and warrants		1,457,143	(.02)
Diluted	<u>\$4,456,008</u> =====	<u>20,131,660</u> =====	<u>\$.22</u> =====

The April 30, 2000 computation for diluted number of shares excludes unexercised stock options and warrants which are anti-dilutive.

5. Business Acquisitions

In March 2000, the Company acquired from Broadband Solutions, Inc. all the outstanding capital stock of Toga Holdings, BV ("Toga") which owns Pixel Broadband Studios, Ltd. ("Pixel"). Pixel is

a leading developer of multiplayer broadband gaming technology. The outstanding shares of Toga were exchanged for approximately \$4.45 million in cash and 2,561,245 shares of common stock of the Company.

In April 2000, the Company purchased the 80.1% of Gathering of Developers, Ltd. ("Gathering"), which it did not already own. Gathering is a leading publisher of PC gaming software. To effect the acquisition, the outstanding shares of Gathering not already owned by the Company were exchanged for 1,060,017 shares of common stock of the Company.

The acquisitions have been accounted for as a purchase. The Consolidated Condensed Statement of Operations includes the operating results of each business from the date of acquisition.

The following unaudited pro forma results below assumes the acquisitions occurred on November 1, 1998:

	Six Months Ended April 30, 2000 -----	Six Months Ended April 30, 1999 -----
Net Sales	\$ 200,217,679	\$ 130,757,766
Net Income	\$ 8,577,271	\$ 288,963
Net Income per share (basic)	\$ 0.31	\$ 0.01
Net Income per share (fully diluted)	\$ 0.30	\$ 0.01

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisitions of Toga and Gathering been consummated as of November 1, 1998 nor are they necessarily indicative of future operating results.

6. Disposition of DVDWave.com

The Company has sold all of the capital stock of Falcon Ventures Corporation d/b/a DVDWave.com to eUniverse, Inc for 310,000 shares of common stock. The Company has recognized a gain of \$870,883 in connection with the transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: The statements contained herein which are not historical facts are forward looking statements that involve material risks and uncertainties, including but not limited to: risks associated with the Company's future growth, prospects and operating results; the ability of the Company to successfully integrate the businesses and personnel of newly acquired entities into its operations; the availability of adequate sources of financing; credit risks; inventory obsolescence; products returns; failure of our products to sell-through by retailers; changes in consumer preferences and demographics; technological change; competitive factors; unfavorable general economic conditions; and other factors described herein and in the Company's Registration Statement on Form S-3 as filed with the Securities And Exchange Commission, any or all of which could have a material adverse affect on the Company's business, financial condition and results of operations. Actual results may vary significantly from such forward-looking statements.

Overview

The Company derives its principal sources of revenues from publishing and distribution activities. Publishing revenues are derived from the sale of internally developed interactive entertainment software products or products licensed from third parties. Distribution revenues are derived from the sale of third-party software and hardware products. Publishing activities generally generate higher margins than distribution activities, with sales of PC software resulting in higher margins than sales of cartridges designed for video game consoles. The Company recognizes revenue from software sales when products are shipped.

The Company's published products are subject to return if not sold to consumers, including for stock balancing, markdowns or defective products. The Company establishes a reserve for future returns of published products at the time of product sales, based primarily on these return policies and historical return rates, and the Company recognize revenues net of product returns. The Company has historically experienced a product return rate of approximately 10% of gross publishing revenues (less than 1% of distribution revenues). If future product returns significantly exceed these reserves, the Company's operating results would materially be adversely affected.

Research and development costs (consisting primarily of salaries and related costs) incurred prior to establishing technological feasibility are expensed in accordance with Statement of Financial Accounting Standards ("FAS") No. 86 "Accounting for the Costs of Computer Software to Be Sold Leased, or Otherwise Marketed". In accordance with FAS No. 86, the Company capitalizes software development costs subsequent to establishing technological feasibility (completion of a detailed program design) which is amortized (included in cost of sales) based on the greater of the proportion of current year sales to total estimated sales commencing with the product's release or the straight line method. At April 30, 2000, the Company had capitalized \$3,415,467 of software development costs. The Company evaluates the recoverability of capitalized software costs, which may be reduced materially in future periods. See Note 2 to Notes to Consolidated Condensed Financial Statements.

Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by certain items reflected in the Company's statement of operations:

	Three Months Ended April 30,		Six Months Ended April 30,	
	2000 -----	1999 -----	2000 -----	1999 -----
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.7	69.2	66.4	74.4
Selling and marketing	14.2	10.2	13.1	7.9
General and administrative	10.5	11.9	8.6	8.8
Research and development costs	1.9	1.2	1.5	1.0
Depreciation and amortization	3.1	1.1	1.9	.8
Interest expense	2.0	1.5	1.5	1.3
Income taxes	3.1	1.9	2.4	2.0
Net income	4.8	3.0	4.2	3.7

Results of Three Months Ended April 30, 2000 and 1999

Net sales increased by \$17,870,741 or 34.3%, to \$70,036,073 for the three months ended April 30, 2000 from \$52,165,332 for the three months ended April 30, 1999. The increase in net sales was primarily attributable to the Company's expanded distribution operations. Distribution revenues increased by \$12,244,146 or 58.1%, to \$33,309,323 for the three months ended April 30, 2000 from \$21,065,177 for the three months ended April 30, 1999. In addition, publishing revenues increased by \$5,626,595, or 18.1% to \$36,726,750 for the three months ended April 30, 2000 from \$31,100,155 for the three months ended April 30, 1999.

Cost of sales increased by \$5,696,186, or 15.8%, to \$41,781,203 for the three months ended April 30, 2000 from \$36,085,017 for the three months ended April 30, 1999. This increase was primarily a result of the expanded scope of the Company's operations. Cost of sales as a percentage of net sales decreased from 69% to 60% primarily due to higher margin international and PC publishing activities. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Selling and marketing expenses increased by \$4,583,795, or 86.0%, to \$9,912,061 for the three months ended April 30, 2000 from \$5,328,266 for the three months ended April 30, 1999. Selling and marketing expenses as a percentage of net sales increased to 14.2% for the three months ended April 30, 2000 from 10.2% for the three months ended April 30, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to increased marketing and promotion efforts undertaken to broaden product distribution and to assist retailers in positioning our products for sale to consumers.

General and administrative expenses increased by \$1,098,827, or 17.6%, to \$7,324,710 for the three months ended April 30, 2000 from \$6,225,883 for the three months ended April 30, 1999. General and administrative expenses as a percentage of net sales decreased to 10.5% for the three months ended April 30, 2000 from 11.9% for the three months ended April 30, 1999. This increase in absolute dollars was primarily attributable to salaries, rent, insurance premiums and professional fees associated with the Company's expanded operations. The decrease as a percentage of net sales is a result of increased revenue growth without a proportionate increase in fixed costs.

Research and development costs increased by \$731,865, or 115.8%, to \$1,363,870 for the three months ended April 30, 2000 from \$632,005 for the three months ended April 30, 1999. This increase was primarily attributable to the Company's expansion of its product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Depreciation and amortization expense increased by \$1,613,781 or 288.2%, to \$2,173,787 for the three months ended April 30, 2000 from \$560,006 for the three months ended April 30, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

Interest expense increased by \$591,801, or 75.6%, to \$1,374,754 for the three months ended April 30, 2000 from \$782,953 for the three months ended April 30, 1999. The increase resulted from increased bank borrowings.

Income taxes increased by \$1,155,069, or 116.7% to \$2,145,099 for the three months ended January 31, 2000 from \$990,030 for the three months ended April 30, 1999. The increase in absolute dollars resulted primarily from increased pre-tax income. Income tax expense as a percentage of net sales remained constant.

As a result of the foregoing, the Company achieved net income of \$3,354,211 for the three months ended April 30, 2000, as compared to net income of \$1,561,172 for the three months ended April 30, 1999.

Results of Six Months Ended April 30, 2000 and 1999

Net sales increased by \$72,479,814 or 60.2%, to \$192,925,799 for the six months ended April 30, 2000 from \$120,445,985 for the six months ended April 30, 1999. The increase in net sales was primarily attributable to the Company's expanded presence in international markets. International publishing revenues increased by \$29,565,787 or 98.4%, to \$59,615,309 for the six months ended April 30, 2000 from \$30,049,522 for the six months ended April 30, 1999. In addition, revenues from distribution activities increased by \$28,557,703, or 43.7% to \$93,973,518 for the six months ended April 30, 2000 from \$65,415,815 for the six months ended April 30, 1999.

Cost of sales increased by \$38,431,955, or 42.9%, to \$128,054,812 for the six months ended April 30, 2000 from \$89,622,857 for the six months ended April 30, 1999. This increase was primarily a result of

the expanded scope of the Company's operations. Cost of sales as a percentage of net sales decreased primarily due to the higher margin publishing activities. In future periods, cost of sales may be adversely affected by manufacturing and other costs, price competition and by changes in product and sales mix and distribution channels.

Selling and marketing expenses increased by \$15,698,216, or 165.4%, to \$25,187,685 for the six months ended April 30, 2000 from \$9,489,469 for the six months ended April 30, 1999. Selling and marketing expenses as a percentage of net sales increased to 13.1% for the six months ended April 30, 2000 from 7.9% for the six months ended April 30, 1999. The increase in both absolute dollars and as a percentage of net sales was primarily attributable to increased marketing and promotion efforts undertaken to broaden product distribution and to assist retailers in positioning our products for sale to consumers.

General and administrative expenses increased by \$5,982,249, or 56.2%, to \$16,619,630 for the six months ended April 30, 2000 from \$10,637,381 for the six months ended April 30, 1999. General and administrative expenses as a percentage of net sales remained constant for the six month periods ended April 30, 2000 and 1999. The increase in absolute dollars was primarily attributable to salaries, rent, insurance premiums and professional fees associated with the Company's expanded operations.

Research and development costs increased by \$1,765,159, or 144.2%, to \$2,989,308 for the six months ended April 30, 2000 from \$1,224,149 for the six months ended April 30, 1999. This increase was primarily attributable to the Company's expansion of its product development operations. Research and development costs as a percentage of net sales remained relatively constant.

Depreciation and amortization expense increased by \$2,563,033 or 252.9%, to \$3,576,454 for the six months ended April 30, 2000 from \$1,013,421 for the six months ended April 30, 1999. The increase was primarily due to the amortization of intangible assets from acquisitions.

Interest expense increased by \$1,281,620, or 80.1%, to \$2,881,090 for the six months ended April 30, 2000 from \$1,599,470 for the six months ended April 30, 1999. The increase resulted primarily from increased bank borrowings.

Income taxes increased by \$2,310,039, or 96.1% to \$4,713,269 for the six months ended April 30, 1999 from \$2,403,230 for the six months ended April 30, 1999. The increase in absolute dollars resulted primarily from increased pre-tax income. Income tax expense as a percentage of net sales remained constant.

As a result of the foregoing, the Company achieved net income of \$8,140,869 for the six months ended April 30, 2000, as compared to net income of \$4,456,008 for the six months ended April 30, 1999.

Liquidity and Capital Resources

The Company's primary capital requirements have been and will continue to be to fund the acquisition, development, manufacture and commercialization of its software products. The Company has historically financed its operations primarily through the issuance of debt and equity securities and bank borrowings. At April 30, 2000, the Company had working capital of \$36,545,046 as compared to working capital of \$41,438,968 at October 31, 1999.

Net cash used in operating activities for the six months ended April 30, 2000 was \$21,430,936 compared

to net cash used by operating activities of \$2,743,837 for the six months ended April 30, 1999. The increase in net cash used in operating activities was primarily attributable to an increase in prepaid royalties. Net cash used in investing activities for the six months ended April 30, 2000 was \$12,751,420 as compared to net cash used in investing activities of \$3,013,085 for the six months ended April 30, 1999. The increase in net cash used in investing was primarily attributable to the Company's acquisition activities and third party investments. Net cash provided by financing activities for the six months ended April 30, 2000 was \$29,345,187 as compared to net cash provided by financing activities of \$5,054,656 for the six months ended April 30, 1999. The increase in net cash provided by financing activities was primarily attributed to an increase in net borrowings under the line of credit, cash received from private placements and the impact of increased exercises of stock options. At April 30, 2000, the Company had cash and cash equivalents of \$3,185,666.

In December 1999, the Company's subsidiary, Take-Two Interactive Software Europe Limited entered into a line of credit agreement with Barclays' Bank. The line of credit provides for borrowings of up to approximately British Pounds (pound)17,000,000 (approximately \$25,000,000). Advances under the line of credit bear interest at the rate of 1.4% over Barclays' base rate per annum, payable quarterly. Borrowings are collateralized by receivables of the Company's European subsidiaries, and are guaranteed by the Company. The line of credit is repayable upon demand and is subject to review prior to November 29, 2000. The outstanding balance and available credit under the revolving line of credit is \$18,190,158 and \$1,334,958, respectively, as of April 30, 2000.

In December 1999, the Company entered into a credit agreement with a group of lenders led by Bank of America, N.A., as agent, which provides for borrowings of up to \$75,000,000. The Company may increase the credit line to up to \$85,000,000 subject to certain conditions. Interest accrues on such advances at the bank's prime rate plus .5% or at LIBOR plus 2.5%. Borrowings under the line of credit are collateralized by all of the Company's assets. The line of credit expires on December 7, 2002. The outstanding balance and available credit under the revolving line of credit is \$49,982,983 and \$761,584, respectively, as of April 30, 2000.

In March and April 2000, the Company received net proceeds of \$8,515,535 from the sale of common stock.

The Company's accounts receivable, less an allowance for doubtful accounts and returns, at April 30, 2000 were \$82,628,593. Of such receivables, approximately \$8,322,831 or 10.1% were due from Ames Department Stores. Most of the Company's receivables are covered by insurance and generally have been collected in the ordinary course of business. The Company's sales are typically made on credit, with terms that vary depending upon the customer and the demand for the particular title being sold. The Company does not hold any collateral to secure payment from customers. As a result, the Company is subject to credit risks, particularly in the event that any of the receivables represent sales to a limited number of retailers or are concentrated in foreign markets. If the Company is unable to collect its accounts receivable as they become due and such accounts are not covered by insurance, the Company's liquidity and working capital position would be materially adversely affected.

Based on currently proposed operating plans and assumptions, the Company believes that projected revenues from operations and available cash resources will be sufficient to satisfy its contemplated cash requirements for the reasonably foreseeable future. The Company recently acquired from Broadband Solutions, Inc. all of the outstanding capital stock of Netherlands based Toga Holdings BV, which owns Pixel Broadband Studios, Ltd., a company engaged in the development of multiplayer broadband gaming technology, which may require the Company to seek additional financing to fund ongoing product and

technology development efforts. The Company has entered into a letter of intent in connection with a proposed public offering of the securities of Broadband Studios, Inc., the parent of Pixel. There can be no assurance that projected revenues from operations and available cash resources will be sufficient to fund the Company's operations or future expansion activities (including technology development) or that any additional financing will be available to the Company on commercially reasonable terms or at all. Failure to obtain any such additional financing could severely limit the Company's ability to continue to expand its operations.

Fluctuations in Operating Results and Seasonality

The Company has experienced and may continue to experience fluctuations in quarterly operating results as a result of timing in the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of our titles; development and promotional expenses relating to the introduction of new titles, sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by our competitors; product returns; changes in pricing policies by us and our competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in shipment.

Sales of our titles are seasonal, with peak shipments typically occurring in the fourth calendar quarter (our fourth and first fiscal quarters) as a result of increased demand for titles during the holiday season.

International Operations

Product sales in international markets, primarily in the United Kingdom and other countries in Europe and the Pacific Rim, have accounted for an increasing portion of the Company's revenues. For the six months ended April 30, 2000 and 1999, sales of products in international markets accounted for approximately 34.5% and 27.7%, respectively, of the Company's revenues. The Company is subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant impact on the Company's operating results. Product sales in France and Germany are made in local currencies. The Company does not engage in foreign currency hedging transactions.

Year 2000

Pursuant to the year 2000 issue, the Company had developed programs to address the possible exposures related to the impact of computer systems incorrectly recognizing the year 2000 or "00" as 1900. As a result of implementation of its programs, the Company did not experience any significant Year 2000 disruptions during the transition from 1999 to 2000, and since entering 2000 the Company has not experienced any significant Year 2000 disruptions to its business. In addition, the Company is not aware of any significant disruptions impacting its customers or suppliers. The Company will continue to monitor its computer system over the next several months.

Costs incurred to achieve Year 2000 readiness, which included modification to existing systems, replacement or non-compliant systems and consulting resources were not material to the Company's total operating expenses.

PART II - OTHER INFORMATION

Item 2. Changes in Securities

From February 2000 to April 2000, 202,500 options from the 1997 Stock Option Plan and 590,000 non-plan options were granted at exercise prices ranging from \$8.25 to \$12.64.

In March 2000, the Company issued 446,678 shares of Common Stock to an individual investor in exchange for \$5 million.

In April 2000, the Company issued 430,000 shares of Common Stock to a group of investors in a private placement for \$3,515,535 that was net of \$246,965 in commissions and discounts.

In connection with the above securities issuances, the Company relied on Section 4(2) and Regulation D promulgated under the Securities Act of 1933, as amended.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit

Exhibit 27 - Financial Data Schedule (SEC use Only)

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated March 14, 2000 relating to the acquisition of Pixel Broadband Studios, Ltd.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Take-Two Interactive Software, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Take-Two Interactive Software, Inc.

By: /s/ Ryan A. Brant

Dated: June 14, 2000

Ryan A. Brant
Chief Executive Officer

By: /s/ Larry Muller

Dated: June 14, 2000

Larry Muller
Chief Financial Officer

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENT INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	6-MOS	
Oct-31-2000		
Apr-30-2000		
	3,185,666	
	7,013,750	
	87,557,862	
	4,929,269	
	39,205,394	
169,367,886		
	9,765,273	
	4,226,126	
295,040,233		
132,822,840		0
	0	
	0	
	288,791	
295,040,233	159,985,341	
	192,925,799	
192,925,799		
	128,054,812	
	128,054,812	
	6,565,762	
	0	
2,881,090		
12,854,138		
	4,713,269	
	0	
	0	
	0	
	0	0
	8,140,869	
	0.33	
	0.32	