

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) December 16, 2004

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

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrant under any of the
following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act
(17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
(17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange
Act (17 CFR 140.14D-2(b))
- Pre-commencement communications pursuant to Rule 13c-4(C) under the Exchange
Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On December 16, 2004 Take-Two Interactive Software, Inc. (the "Company")
issued a news release reporting the earnings results of the Company for its
fiscal quarter and year ended October 31, 2004. A copy of the news release is
attached to this Current Report as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the exhibit

included herewith, is furnished pursuant to Item 2.02 and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated December 16, 2004 relating to Take-Two Interactive Software, Inc.'s financial results for the fourth fiscal quarter and year ended October 31, 2004.

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 17, 2004

By: /s/ Karl H. Winters

Karl H. Winters
Chief Financial Officer

INDEX TO EXHIBITS

| Exhibit No. | Description |
|-------------|--|
| 99.1 | Press Release dated December 16, 2004 relating to Take-Two Interactive Software, Inc.'s financial results for the fourth fiscal quarter and year ended October 31, 2004. |

Take-Two Interactive Software, Inc. Reports
Fourth Quarter and Fiscal 2004 Financial Results

NEW YORK--(BUSINESS WIRE)--Dec. 16, 2004--Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today announced financial results for its fourth quarter and fiscal year ended October 31, 2004.

Net sales for the fourth quarter ended October 31, 2004, which included the launch of the blockbuster title Grand Theft Auto: San Andreas for the PlayStation(R)2 computer entertainment system, were \$438.0 million compared to \$277.6 million for the same period a year ago. Net income for the quarter was \$62.6 million, which included a \$7.5 million accrual to establish a reserve in connection with the Company's SEC investigation as discussed below. Fourth quarter 2004 net income of \$62.6 million and diluted net income per share of \$1.36 compared to net income of \$26.3 million and diluted net income per share of \$0.58 the prior year.

Net sales for the fiscal year ended October 31, 2004 were \$1.13 billion compared to \$1.03 billion for fiscal 2003. Net income of \$65.4 million, including the \$7.5 million accrual related to the Company's SEC investigation, compared to \$98.1 million in net income last year, with diluted net income per share of \$1.43 compared to \$2.27 last year.

Take-Two has accrued a \$7.5 million expense in the fourth quarter associated with the Company's previously disclosed SEC investigation into certain accounting matters related to the Company's financial statements, periodic reporting and internal accounting controls. This accrual, which was not previously included in the Company's guidance, is based on a settlement offer the Company made to the staff of the SEC in November 2004, which the staff has agreed to recommend to the SEC. If approved, the proposed settlement would fully resolve all claims relating to the investigation by the SEC that began in December 2001. Pursuant to the offer of settlement, under which the Company would neither admit nor deny the allegations of the complaint, Take-Two would agree to pay a non-tax deductible civil penalty of \$7.5 million and would be enjoined from future violations of the federal securities laws.

Guidance

Take-Two is updating its guidance for fiscal 2005 as follows:

- For the fiscal year ending October 31, 2005, \$1.2 to \$1.25 billion in net sales and \$2.00 to \$2.20 in diluted net income per share.
- For the first quarter ending January 31, 2005, \$440 to \$460 million in net sales and \$1.00 to \$1.10 in diluted net income per share.

Take-Two is issuing initial guidance for its second quarter of fiscal 2005 as follows:

- For the second quarter ending April 30, 2005, \$170 to \$190 million in net sales and a net loss of \$(0.10) to \$(0.20) per share.

Liquidity and Selected Balance Sheet Items

Take-Two used approximately \$21 million in cash for operating activities in the quarter. Working capital was approximately \$395 million at October 31, 2004, as compared with approximately \$348 million at the same time a year ago. The Company had approximately \$155 million in cash as of October 31, 2004, as compared to \$183 million in cash at October 31, 2003.

Fourth Quarter Highlights

Rockstar's Grand Theft Auto: San Andreas, released in late October for PlayStation 2, was a significant contributor to fourth quarter and fiscal year results. Created by the world-class developers Rockstar North, Grand Theft Auto: San Andreas was the top performing product in Take-Two's publishing business this quarter and fiscal year. According to NPDFunworld(SM), Grand Theft Auto: San Andreas was the top selling PlayStation 2 title in the United States in October and November.

Global Star shipped ESPN NHL 2K5 and ESPN NBA 2K5, both for PlayStation 2 and Xbox(R) under the co-publishing and exclusive distribution agreement with SEGA Corporation for the ESPN Videogames sports titles. Global Star also shipped Conflict: Vietnam, the third title in the successful Conflict series, in North America on

PlayStation 2, Xbox and PC; Kohan II: Kings of War for PC; Robotech: Invasion for PlayStation 2 and Xbox; Outlaw Golf 2 for Xbox; and Cartoon Network's Codename: Kids Next Door - Operation: S.O.D.A. for the Game Boy Advance.

During the fourth quarter, the Company acquired Indie Built, a Salt Lake City, Utah-based development studio focused on next generation console products.

Jack of All Games' distribution business was affected in the quarter by the limited availability of console hardware, resulting in reduced sales of hardware and related software but minimal bottom line impact. In response to these market factors, the Company has rebalanced its sales mix and modified its product forecasts to better match consumer demand and compensate for lower short-term hardware sales and reductions in related software sales. Initial results to date in the first quarter indicate this strategy has been effective in improving the performance of this business.

Fiscal 2005 Publishing Highlights

Rockstar Games:

Rockstar has an extensive product lineup planned for fiscal 2005, beginning with Midnight Club 3: DUB Edition, the third installment in the multi-million unit selling, genre-defining Midnight Club racing franchise developed by Rockstar San Diego. The product was moved to the second quarter to allow additional development time for this highly anticipated, open-ended street racing title for PlayStation 2 and Xbox.

The Warriors(TM), a new Rockstar PlayStation 2 title based on the Paramount Pictures feature film, is being moved to the third quarter.

As announced today, Rockstar is introducing Grand Theft Auto: San Andreas for Xbox in the third quarter of fiscal 2005, along with a simultaneous release of the PC version of the title.

Additional products planned for fiscal 2005 from Rockstar include a new console title based on a proven brand from Rockstar's internal studios, titles based on two of Rockstar's premier brands for Sony's highly anticipated PlayStation(R)Portable platform (PSP(TM)) and the release of Grand Theft Auto: San Andreas in Japan.

In the first quarter, Rockstar launched the PlayStation 2 Greatest Hits version of Manhunt, bringing Take-Two's catalog of PlayStation 2 Greatest Hits products to nine titles.

Global Star:

During the first quarter, Global Star shipped Outlaw Golf 2 for PlayStation 2 and Dora The Explorer: Super Star Adventures for Game Boy Advance, with Ford Racing 3 for PlayStation 2, Xbox and PC also scheduled for release this quarter. Among the titles planned for second quarter release are Close Combat: First to Fight for Xbox and PC; Stronghold 2 for PC; and Motocross Mania 3 for PlayStation 2 and Xbox. Other titles planned for release in fiscal 2005 include Charlie and the Chocolate Factory on multiple platforms.

Global Star's fiscal 2005 lineup includes the ESPN Videogames sports titles, under the Company's co-publishing and exclusive distribution agreement with SEGA. ESPN College Hoops for PlayStation 2 and Xbox has shipped in the first quarter, with ESPN Major League Baseball scheduled for release in the second quarter. While recent industry developments preclude the release of an officially licensed professional football title, the Company and SEGA are evaluating opportunities to publish a title based on the critically acclaimed 2K football game.

Management Comments

Richard Roedel, Chairman and Chief Executive Officer, stated, "Fiscal 2004 was a rebuilding year for us, as we made key management additions and improved certain areas of our distribution and publishing businesses. We achieved a number of important accomplishments in 2004 which make Take-Two a much stronger company going into 2005:

- Grand Theft Auto: San Andreas was the largest videogame launch in Take-Two's history, further strengthening both our Rockstar label and the Company's financial position.
- Rockstar established two new internally owned and developed proprietary brands with the successful introduction of Red Dead Revolver and Manhunt.
- The addition of a variety of high profile licensed properties, including selected sports titles, has expanded Take-Two's

product pipeline and provided an added element of diversification to the Company's publishing business.

-- Internal development resources were expanded and important handheld and next generation platform development capabilities were added through several studio acquisitions."

Paul Eibeler, President, added, "We are entering fiscal 2005 in a strong, competitive position. With the tremendous success of Grand Theft Auto: San Andreas, Rockstar Games has magnified the power of the Grand Theft Auto brand, and they will continue to build on the franchise with the launch of Xbox and PC versions of Grand Theft Auto: San Andreas in June. Our product portfolio going into 2005, which includes titles based on a combination of proven franchises, new brands and licensed properties, is the strongest in the Company's history. Combined with the expansion of our management team and the strengthening of our internal operations, we believe we are building the foundation for long term, sustained growth in the interactive entertainment industry."

Conference Call

Take-Two will host a conference call today at 4:30 pm Eastern Time to review its results for the fourth quarter and fiscal year and to discuss its outlook. A live webcast of the call is available by visiting <http://ir.take2games.com> and a replay of the call will be archived through the close of business on Friday, December 31, 2004.

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 labels Rockstar Games and Global Star Software; and distributes products in North America through its Jack of All Games subsidiary. Take-Two also manufactures and markets video game accessories in Europe, North America and the Asia Pacific region through its Joytech subsidiary. The Company maintains sales and marketing offices in Cincinnati, New York, Toronto, London, Paris, Munich, Madrid, Vienna, Milan, Sydney, Breda (Netherlands) 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.

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

Safe Harbor Statement under the Private Securities 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 important factors are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2003 and on Form 10-Q for the quarter ended July 31, 2004 in the section entitled "Cautionary Statement and Risk Factors".

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Statements of Operations
For the three months and year ended October 31, 2004 and 2003
(In thousands, except per share data)

| | Three months ended | | Twelve months ended | |
|---------------|--------------------|-----------|---------------------|-------------|
| | October 31, | | October 31, | |
| | 2004 | 2003 | 2004 | 2003 |
| | ----- | | | |
| Net sales | \$438,013 | \$277,607 | \$1,127,751 | \$1,033,693 |
| Cost of sales | | | | |
| Product costs | 189,578 | 152,273 | 619,685 | 537,257 |
| Royalties | 66,459 | 22,699 | 114,073 | 89,294 |

| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| Software development costs | 8,125 | 2,445 | 15,922 | 11,003 |
| Total cost of sales | 264,162 | 177,417 | 749,680 | 637,554 |
| Gross profit | 173,851 | 100,190 | 378,071 | 396,139 |
| Operating expenses | | | | |
| Selling and marketing | 34,756 | 26,087 | 117,606 | 103,015 |
| General and administrative | 25,451 | 20,382 | 98,226 | 88,083 |
| Research and development | 11,073 | 7,688 | 43,259 | 25,107 |
| Depreciation and amortization | 4,864 | 3,234 | 16,846 | 16,923 |
| Total operating expenses | 76,144 | 57,391 | 275,937 | 233,128 |
| Income from operations | 97,707 | 42,799 | 102,134 | 163,011 |
| Interest income, net | (372) | (552) | (1,976) | (2,265) |
| Gain on Internet investments | - | - | - | (39) |
| Provision for settlement (1) | 7,500 | - | 7,500 | - |
| Total non-operating expenses (income) | 7,128 | (552) | 5,524 | (2,304) |
| Income before income taxes | 90,579 | 43,351 | 96,610 | 165,315 |
| Provision for income taxes | 27,948 | 17,087 | 31,232 | 67,197 |
| Net income | \$62,631 | \$26,264 | \$65,378 | \$98,118 |

(1) Represents the Company's estimate of the non-tax deductible civil penalty associated with its previously disclosed SEC investigation.

Per share data:

Basic:

| | | | | |
|--|--------|--------|--------|--------|
| Weighted average common shares outstanding | 45,101 | 43,542 | 44,736 | 41,965 |
| Net income per share - Basic | \$1.39 | \$0.60 | \$1.46 | \$2.34 |

Diluted:

| | | | | |
|--|--------|--------|--------|--------|
| Weighted average common shares outstanding | 46,080 | 44,887 | 45,682 | 43,297 |
| Net income per share - Diluted | \$1.36 | \$0.58 | \$1.43 | \$2.27 |

| OTHER INFORMATION | Three months ended October 31, | | Twelve months ended October 31, | |
|---------------------------------|-----------------------------------|------|------------------------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Total revenue mix | | | | |
| Publishing | 80% | 54% | 68% | 65% |
| Distribution | 20% | 46% | 32% | 35% |
| Geographic revenue mix | | | | |
| North America | 67% | 72% | 72% | 72% |
| International | 33% | 28% | 28% | 28% |
| Publishing platform revenue mix | | | | |

| | | | | |
|--------------------|-----|-----|-----|-----|
| Sony PlayStation 2 | 84% | 44% | 68% | 72% |
| Sony PlayStation | - | 3% | 1% | 4% |
| Microsoft Xbox | 10% | 12% | 23% | 6% |
| GameCube | - | - | 1% | - |
| PC | 3% | 39% | 3% | 17% |
| Handheld | 2% | - | 2% | - |
| Accessories | 1% | 2% | 2% | 1% |

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Consolidated Condensed Balance Sheets
As of October 31, 2004 and 2003
(In thousands, except share data)

| ASSETS | Oct. 31, 2004 | Oct. 31, 2003 |
|--|------------------|------------------|
| Current assets | | |
| Cash and cash equivalents | \$155,095 | \$183,477 |
| Accounts receivable, net of allowances of \$72,215 and \$62,817 at October 31, 2004 and 2003, respectively | 285,709 | 166,536 |
| Inventories, net | 154,345 | 101,748 |
| Prepaid royalties | 38,220 | 12,196 |
| Prepaid expenses and other current assets | 60,018 | 41,112 |
| Deferred tax asset | 11,554 | 8,173 |
| Total current assets | 704,941 | 513,242 |
| Fixed assets, net | 34,291 | 22,260 |
| Prepaid royalties | 3,982 | 8,439 |
| Capitalized software development costs, net | 27,785 | 16,336 |
| Goodwill, net | 135,477 | 101,498 |
| Intangibles, net | 36,104 | 44,836 |
| Long-term deferred tax asset | 6,219 | 160 |
| Other assets, net | 1,714 | 527 |
| Total assets | \$950,513 | \$707,298 |
| LIABILITIES and STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$163,961 | \$106,172 |
| Accrued expenses and other current liabilities | 128,530 | 56,883 |
| Income taxes payable | 17,319 | 2,265 |
| Total current liabilities | 309,810 | 165,320 |
| Deferred tax liability | 5,233 | 8,486 |
| Total liabilities | 315,043 | 173,806 |
| Stockholders' equity | | |
| Common stock, par value \$.01 per share; 100,000,000 shares authorized; 45,439,651 and 44,227,215 shares issued and outstanding at October 31, 2004 and 2003, respectively | 454 | 442 |
| Additional paid-in capital | 382,156 | 350,852 |
| Deferred compensation | (3,896) | (1,890) |
| Retained earnings | 250,402 | 185,024 |
| Accumulated other comprehensive income (loss) | 6,354 | (936) |
| Total stockholders' equity | 635,470 | 533,492 |
| Total liabilities and stockholders' equity | \$950,513 | \$707,298 |

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