

**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) **August 4, 2016**

**TAKE-TWO INTERACTIVE SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-34003**  
(Commission  
File Number)

**51-0350842**  
(IRS Employer  
Identification No.)

**622 Broadway, New York, New York**  
(Address of principal executive offices)

**10012**  
(Zip Code)

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

(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 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition**

On August 4, 2016, Take-Two Interactive Software, Inc. (the "Company") issued a press release announcing the financial results of the Company for its first fiscal quarter ended June 30, 2016. A copy of the press release is attached to this Current Report as Exhibit 99.1 and is incorporated by reference herein.

The information included in this Current Report on Form 8-K, including Exhibit 99.1 hereto, that is furnished pursuant to this Item 2.02 shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. In addition, the information included in this Current Report on Form 8-K, including Exhibit 99.1 hereto, that is furnished pursuant to this Item 2.02 shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference into such filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits:

- 99.1 Press Release dated August 4, 2016 relating to Take-Two Interactive Software, Inc.'s financial results for its first fiscal quarter ended June 30, 2016.

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SIGNATURES

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

(Registrant)

By: /s/ Matthew Breitman  
Matthew Breitman  
Senior Vice President, Deputy General Counsel  
& Corporate Secretary

Date: August 4, 2016

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**EXHIBIT INDEX**

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>  |
|-----------------------|--|
| 99.1                  | Press Release dated August 4, 2016 relating to Take-Two Interactive Software, Inc.'s financial results for its first fiscal quarter ended June 30, 2016. |

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FOR IMMEDIATE RELEASE

**CONTACT:**

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**Take-Two Interactive Software, Inc. Reports Results for Fiscal First Quarter 2017**

*GAAP net revenue grew to \$311.6 million*

*GAAP net loss narrowed to \$0.46 per diluted share*

*Non-GAAP net loss narrowed to \$0.21 per diluted share*

**New York, NY – August 4, 2016** – Take-Two Interactive Software, Inc. (NASDAQ:TTWO) today reported results for its fiscal first quarter 2017, ended June 30, 2016. In addition, the Company provided its initial financial outlook for its fiscal second quarter 2017, ending September 30, 2016. As previously announced, beginning this quarter, the Company will no longer adjust its Non-GAAP financial metrics for the net effect from deferral in net revenue and related cost of goods sold. The Company has recast its prior year's first quarter Non-GAAP financial metrics to conform to its current presentation. In addition, Take-Two's financial outlook conforms to the Company's new Non-GAAP metrics.

**Financial Results**

For fiscal first quarter 2017, GAAP net revenue grew 13% to \$311.6 million, as compared to \$275.3 million for fiscal first quarter 2016. The largest contributors to GAAP net revenue in fiscal first quarter 2017 were *Grand Theft Auto V*® and *Grand Theft Auto Online*, *NBA*® *2K16* and *Battleborn*®.

The change in deferred net revenue, which represents revenue recognized during the current period that was deferred in prior periods, net of revenue that is being deferred into future periods, was (\$39.0) million in fiscal first quarter 2017 versus \$91.1 million in fiscal first quarter 2016.

GAAP digitally-delivered net revenue grew to \$172.1 million, as compared to \$154.0 million for fiscal first quarter 2016. Recurrent consumer spending (virtual currency, downloadable add-on content and online games) grew 18% year-over-year and accounted for 57% of GAAP digitally-delivered net revenue, or 31% of total GAAP net revenue. The largest contributors to GAAP digitally-delivered net revenue in fiscal first quarter 2017 were *Grand Theft Auto V* and *Grand Theft Auto Online*, and *NBA 2K16*.

The change in deferred digitally-delivered net revenue was \$19.1 million in fiscal first quarter 2017 versus \$100.0 million in fiscal first quarter 2016.

GAAP cost of goods sold was \$191.4 million, as compared to \$202.6 million for fiscal first quarter 2016.

Non-GAAP cost of goods sold was \$187.0 million, as compared to \$197.9 million for fiscal first quarter 2016.

The change in deferred cost of goods sold, which represents cost of goods sold recognized during the current period that were deferred in prior periods, net of cost of goods sold that are being deferred into future periods, was (\$24.6) million in fiscal first quarter 2017 versus \$0.1 million in fiscal first quarter 2016.

GAAP net loss narrowed to \$38.6 million, or \$0.46 per diluted share, as compared to GAAP net loss of \$67.0 million, or \$0.81 per diluted share, for the year-ago period.

Non-GAAP net loss narrowed to \$17.6 million, or \$0.21 per diluted share, as compared to \$33.2 million, or \$0.40 per diluted share, for the year-ago period.

The net effect from deferral of net revenue and related cost of goods sold, which represents the after-tax net effect on net income (loss) from the change in deferred revenue and the change in deferred cost of goods sold, was (\$11.3) million (including tax benefit of \$3.1 million) in fiscal first quarter 2017 versus \$67.4 million (including tax expense of \$23.6 million) in fiscal first quarter 2016.

On May 18, 2016, Take-Two provided its financial outlook for the fiscal first quarter ending June 30, 2016, including Non-GAAP net revenue of \$225 to \$260 million and Non-GAAP net loss per diluted share of \$0.30 to \$0.40. This outlook was based on the Company's prior Non-GAAP measures, which were adjusted for the net effect from deferral in net revenue and related cost of goods sold. If calculated based on these prior measures, the Company's fiscal first quarter results would have included Non-GAAP net revenue of \$272.6 million (based on GAAP net revenue of \$311.6 million adjusted for the change in deferred net revenue of (\$39.0) million) and Non-GAAP net loss of \$28.9 million, or \$0.34 per diluted share (based on the Company's new presentation of Non-GAAP net loss of \$17.6 million, adjusted for the net effect from deferral of net revenue and related cost of goods sold of (\$11.3) million).

As of June 30, 2016, the Company had cash and short-term investments of \$1.189 billion.

## Operational Metric - Bookings

During fiscal first quarter 2017, total bookings, which represents the total amount billed by the Company from sales of physical product sold-in to retail and available to consumers, net of allowances, plus product digitally-delivered to consumers during the period, were \$253.4 million, as compared to \$353.8 million during fiscal first quarter 2016, which had benefitted from the launch of *Grand Theft Auto V* for PC. The largest contributors to bookings were *Grand Theft Auto V* and *Grand Theft Auto Online*, *NBA 2K16* and *Battleborn*. Catalog accounted for \$208.7 million of bookings led by *Grand Theft Auto* and *NBA 2K*. Digitally-delivered bookings were \$172.7 million, as compared to \$245.1 million in last year's fiscal first quarter, led by *Grand Theft Auto*, *NBA 2K*, and *Battleborn*. Bookings from recurrent consumer spending (virtual currency, downloadable add-on content and online games) grew 22% year-over-year and accounted for 60% of digitally-delivered bookings, or 41% of total bookings.

## Management Comments

"Fiscal 2017 is off to a solid start, with first quarter net revenue up 13% year-over-year," said Strauss Zelnick, Chairman and CEO of Take-Two. "Our results were driven by the continued strong performance of *Grand Theft Auto V* and *NBA 2K*, coupled with growth in revenue and bookings from recurrent consumer spending, including record bookings from *Grand Theft Auto Online*."

"We anticipate a robust holiday season for Take-Two, anchored by the upcoming launches of *Mafia III*, *Sid Meier's Civilization VI*, *NBA 2K17* and *WWE 2K17*. We plan to continue to support our titles with an array of innovative offerings designed to promote ongoing engagement and drive recurrent consumer spending, including additional free content for *Grand Theft Auto Online*. Looking ahead, our exciting development pipeline extends well beyond the current fiscal year, and we expect to grow bookings and cash flow from operations in fiscal 2018."

## Business and Product Highlights

Since April 1, 2016:

### **Rockstar Games:**

- Released new free content updates for *Grand Theft Auto Online*, including:
  - Cunning Stunts*, which features a total of 27 brand-new, high-octane Stunt Races utilizing ramps, loops, wall rides, tubes, raised tracks and dynamic objects for a radical new take on *Grand Theft Auto Online* racing, along with 19 new vehicles, clothing and the launch of the Stunt Race Creator

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tools, which allow the community to make and share their own custom stunt races. Also added on August 2, 2016 was the Entourage Adversary Mode.

- Further Adventures in Finance and Felony* — one of the game's biggest and deepest updates yet, which expands the VIP experience of the *Executives and Other Criminals* update to give players the opportunity to become CEO of their own Criminal Enterprise. *Further Adventures in Finance and Felony* combines all new gameplay with a host of special new vehicles, exciting new features and much more.
- A May 3, 2016 update featuring the new 'In & Out' Adversary Mode and more.
- Made *Red Dead Redemption* available as part of Microsoft's Xbox One Backward Compatibility program, enabling owners of the Xbox 360 versions of *Red Dead Redemption*, *Red Dead Redemption Undead Nightmare*, and *Red Dead Redemption: Game of the Year Edition* to play the game on Xbox One. In addition, *Red Dead Redemption* is now available for purchase through digital download from the Games Store on Xbox One.
- Rockstar Games also is hard at work on some exciting future projects that will be revealed soon.

### **2K:**

- Launched *Battleborn*, a groundbreaking new title from the creators of *Borderlands* at Gearbox Software, on PlayStation 4, Xbox One and PC. *Battleborn* is being supported with a rich array of both free and paid additional content, including a Season Pass, as well as the free-to-play *Battleborn Tap* companion App, which mirrors the game's progression and loot system.
- Launched the physical release of *Tales from the Borderlands*, the critically acclaimed and award-winning episodic adventure game from Telltale Games, on PlayStation 4, PlayStation 3, Xbox One, Xbox 360 and PC.
- Released the BETA version of *Evolve™ Stage 2*, enabling consumers to play *Evolve* for free on PC via Steam. More than 1 million new players joined the hunt in the first week.
- XCOM® 2* is now planned for release on PlayStation 4 and Xbox One on September 27, 2016 in North America and September 30, 2016 internationally. Players who pre-order *XCOM 2* or *XCOM 2 Digital Deluxe Edition* will receive the *Resistance Warrior Pack*.
- Announced that *BioShock®: The Collection*, which includes *BioShock*, *BioShock 2*, and *BioShock Infinite* completely remastered for new-generation consoles in full high resolution with up to 60 frames per second, will be released for PlayStation 4, Xbox One, and PC\* on September 13, 2016 in North America, September 15, 2016 in Australia, and September 16, 2016 internationally. *BioShock: The Collection* brings the three titles together for the first time, complete with all single-player DLC and a never-before-seen video series, "Director's Commentary: Imagining *BioShock*," which includes insights from series creator Ken Levine.
- Announced that Indiana Pacers All-Star shooting guard Paul George will be the cover athlete for *NBA 2K17*, which will launch on September 20, 2016 for PlayStation 4, PlayStation 3, Xbox One, Xbox 360 and PC. 2K also revealed the return of *NBA 2K Early Tip-Off Weekend*, enabling fans who pre-order *NBA 2K17* at participating North American retail and online vendors to receive their copy beginning on Friday, September 16, 2016, four days ahead of the game's official street date, along with bonus in-game digital content. In addition, 2K will release the *NBA 2K17 Kobe Bryant Legend Edition*, celebrating the storied career of the recently retired Lakers icon, on PlayStation 4 and Xbox One.
- Announced that Brock Lesnar will be the cover Superstar for *WWE® 2K17*, which is scheduled for release on October 11, 2016 for PlayStation 4, PlayStation 3, Xbox One and Xbox 360. In addition, Bill Goldberg will make his virtual return in *WWE 2K17* through two playable characters representing his WCW® and WWE personas. The playable characters, along with two playable arenas, will be available as bonus content for those who pre-order the game at participating retailers.
- Announced that *Sid Meier's Civilization® VI*, the next entry in the award-winning turn-based strategy franchise that has sold-in over 35 million units, is currently in development for PC at Firaxis Games and planned for launch on October 21, 2016.
- Announced that *Mafia III*, the next installment in 2K's successful organized crime series that is currently in development at Hangar 13, is planned for launch on October 7, 2016 for Xbox One, PlayStation 4 and PC. Collector's, deluxe and standard editions of *Mafia III* will be available for all three

platforms, and those who pre-order any edition of *Mafia III* will receive the *Family Kick-Back*, which includes three exclusive vehicles and weapons available to players at launch.

\* *Bioshock: The Collection* will only be available for PC through digital-download.

## Financial Outlook for Fiscal 2017

Take-Two is providing its initial financial outlook for its fiscal second quarter ending September 30, 2016. In addition, the Company is updating its financial outlook for its fiscal year ending March 31, 2017, including to conform to the Company's new Non-GAAP measures that no longer adjust for the net effect from deferral in net revenue and related costs of goods sold. Additional details regarding our financial outlook are available by visiting <http://ir.take2games.com>.

|  | Second Quarter<br>Ending 9/30/2016 (1) | Fiscal Year<br>Ending 3/31/2017 (1) |
|--|--|-------------------------------------|
| <b>Net revenue</b>                                     | <b>\$375 to \$425 million</b>          | <b>\$1.75 to \$1.85 billion</b>     |
| <b>Net income</b>                                      | <b>\$31 to \$45 million</b>            | <b>\$208 to \$244 million</b>       |
| Stock-based compensation expense (2)                   | \$11 million                           | \$50 million                        |
| Non-cash amortization of discount on convertible notes | \$6 million                            | \$19 million                        |
| Gain on long-term investment, net                      | —                                      | \$1 million                         |
| Income tax adjustment                                  | (\$9) to (\$11) million                | (\$49) to (\$56) million            |
| <b>Non-GAAP net income</b>                             | <b>\$39 to \$51 million</b>            | <b>\$229 to \$258 million</b>       |
| <b>Net income per diluted share</b>                    | <b>\$0.32 to \$0.44</b>                | <b>\$1.98 to \$2.29</b>             |
| <b>Non-GAAP net income per diluted share</b>           | <b>\$0.35 to \$0.45</b>                | <b>\$2.00 to \$2.25</b>             |

## Deferred Net Revenue and Cost of Goods Sold

|  |                    |                     |
|--|--------------------|---------------------|
| Change in deferred net revenue   | (\$8) million      | (\$200) million     |
| Net effect from deferral of net revenue and related cost of goods sold | (\$17) million (3) | (\$118) million (4) |

## Operational Metric

|                 |                               |                               |
|-----------------|-------------------------------|-------------------------------|
| <b>Bookings</b> | <b>\$350 to \$400 million</b> | <b>\$1.5 to \$1.6 billion</b> |
|-----------------|-------------------------------|-------------------------------|

- (1) The individual components of the financial outlook may not foot to the totals as the Company does not expect actual results for every component to be at the low end or high end of the outlook range simultaneously.
- (2) The Company's stock-based compensation expense for the periods above includes the cost of approximately 0.9 million restricted stock units previously granted to ZelnickMedia that are subject to variable accounting. Actual expense to be recorded in connection with these shares is dependent upon several factors, including future changes in Take-Two's stock price.
- (3) Includes tax impact of \$6 million.
- (4) Includes tax impact of \$37 million.

Key assumptions and dependencies underlying the Company's financial outlook include: the timely delivery of the titles included in this financial outlook; continued consumer acceptance of the Xbox One and PlayStation 4; the ability to develop and publish products that capture market share for these new-generation systems while continuing to leverage opportunities on the Xbox 360, PlayStation 3 and PC; and stable foreign exchange rates. See also "Cautionary Note Regarding Forward Looking Statements" below.

## Product Releases

The following titles were released since April 1, 2016:

| Label | Title                                 | Platforms                        | Release Date   |
|-------|---------------------------------------|----------------------------------|----------------|
| 2K    | <i>Tales from the Borderlands</i>     | PS4, PS3, Xbox One, Xbox 360, PC | April 26, 2016 |
| 2K    | <i>Battleborn</i>                     | PS4, Xbox One, PC                | May 3, 2016    |
| 2K    | <i>Battleborn Tap</i>                 | iOS, Android                     | May 3, 2016    |
| 2K    | <i>XCOM 2: Alien Hunters (DLC)</i>    | PC                               | May 12, 2016   |
| 2K    | <i>XCOM 2: Shen's Last Gift (DLC)</i> | PC                               | June 30, 2016  |
| 2K    | <i>Evolve Stage 2</i>                 | PC                               | July 7, 2016   |

Take-Two's lineup of future titles announced to date includes:

| Label | Title                              | Platforms                        | Release Date        |
|-------|------------------------------------|----------------------------------|---------------------|
| 2K    | <i>BioShock: The Collection</i>    | PS4, Xbox One, PC                | September 13, 2016* |
| 2K    | <i>NBA 2K17</i>                    | PS4, PS3, Xbox One, Xbox 360, PC | September 20, 2016  |
| 2K    | <i>XCOM 2</i>                      | PS4, Xbox One                    | September 27, 2016* |
| 2K    | <i>Mafia III</i>                   | PS4, Xbox One, PC                | October 7, 2016     |
| 2K    | <i>WWE 2K17</i>                    | PS4, PS3, Xbox One, Xbox 360     | October 11, 2016    |
| 2K    | <i>Sid Meier's Civilization VI</i> | PC                               | October 21, 2016    |

\* North American release date; international release typically follows three days later.

## **Conference Call**

Take-Two will host a conference call today at 4:30 p.m. Eastern Time to review these results and discuss other topics. The call can be accessed by dialing (877) 407-0984 or (201) 689-8577. A live listen-only webcast of the call will be available by visiting <http://ir.take2games.com> and a replay will be available following the call at the same location.

## **Non-GAAP Financial Measures**

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses Non-GAAP measures of financial performance. These Non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or superior to, the corresponding GAAP financial measures, and may be different from similarly titled measures used by other companies. Management believes that the presentation of these Non-GAAP financial measures facilitates comparison of the Company's operating performance between periods and helps investors to better understand the operating results of Take-Two by excluding certain items that may not be indicative of the Company's core business, operating results or future outlook, such as stock-based compensation and non-cash amortization of discount on convertible notes; charges relating to business reorganizations; and gains on strategic non-core business investments. Internally, management makes Non-GAAP adjustments to the Company's financial measures as set forth below to assess the company's operating results and in planning and forecasting. The Non-GAAP adjustments to the Company's financial measures are as follows:

- *Stock-based compensation* — stock-based compensation is a non-cash expense that is subject to stock price volatility. The Company does not consider stock-based compensation charges when evaluating business performance and management does not contemplate stock-based compensation expense in its short- and long-term operating plans. In addition, when considering the impact of equity award grants, the Company places a greater emphasis on overall shareholder dilution rather than the accounting charges associated with such grants. As a result, the Company has excluded such expenses from its Non-GAAP financial measures.
- *Business reorganization* — although the Company has incurred business reorganization expenses in the past, each charge relates to a discrete event based on a unique set of business objectives and circumstances. Management does not believe these charges reflect the Company's primary business, ongoing operating results or future outlook. As such, the Company believes it is appropriate to exclude these expenses and related charges from its Non-GAAP financial measures.
- *Non-cash amortization of discount on convertible notes* — the Company records non-cash amortization of discount on convertible notes as interest expense in addition to the interest expense already recorded for coupon payments. The Company excludes the non-cash portion of the interest expense from its Non-GAAP financial measures because these amounts are unrelated to its ongoing business operations.
- *Gain on long-term investment, net* — from time to time, the Company makes strategic non-core business investments. Because the Company does not exercise significant control over these investments, it excludes the impact of any gains and losses on such investments from its Non-GAAP financial measures.
- *Income tax adjustment* — the Company calculates a provision/benefit for income taxes on a standalone, Non-GAAP basis inclusive of the adjustments noted above. The income tax adjustment reflects the difference between our GAAP and Non-GAAP provision/benefit for income taxes.

In the future, Take-Two may also consider whether other items should also be excluded in calculating the Non-GAAP financial measures used by the Company.

## **Final Results**

The financial results discussed herein are presented on a preliminary basis; final data will be included in Take-Two's Quarterly Report on Form 10-Q for the period ended June 30, 2016.

## **About Take-Two Interactive Software**

Headquartered in New York City, Take-Two Interactive Software, Inc. is a leading developer, publisher and marketer of interactive entertainment for consumers around the globe. The Company develops and publishes products through its two wholly-owned labels Rockstar Games and 2K. Our products are

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designed for console systems and personal computers, including smartphones and tablets, and are delivered through physical retail, digital download, online platforms and cloud streaming services. The Company's common stock is publicly traded on NASDAQ under the symbol TTWO. For more corporate and product information please visit our website at <http://www.take2games.com>.

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

## **Cautionary Note Regarding Forward-Looking Statements**

The statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws and may be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "potential," "predicts," "projects," "seeks," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for the Company's future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including: our dependence on key management and product development personnel, our dependence on our Grand Theft Auto products and our ability to develop other hit titles, the timely release and significant market acceptance of our games, the ability to maintain acceptable pricing levels on our games, and risks associated with international operations. Other important factors and information are contained in the Company's most recent Annual Report on Form 10-K, including the risks summarized in the section entitled "Risk Factors," the Company's most recent Quarterly Report on Form 10-Q, and the Company's other periodic filings with the SEC, which can be accessed at [www.take2games.com](http://www.take2games.com). All forward-looking statements are qualified by these cautionary statements and apply only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(in thousands, except per share amounts)

|  | <u>Three months ended June 30,</u> |                    |
|--|------------------------------------|--------------------|
|  | <u>2016</u>                        | <u>2015</u>        |
| Net revenue  | \$ 311,552                         | \$ 275,297         |
| Cost of goods sold:  |                                    |                    |
| Software development costs and royalties                       | 63,659                             | 50,493             |
| Internal royalties   | 59,673                             | 105,829            |
| Product costs  | 44,979                             | 39,941             |
| Licenses   | 23,069                             | 6,352              |
| Total cost of goods sold                                       | <u>191,380</u>                     | <u>202,615</u>     |
| Gross profit   | 120,172                            | 72,682             |
| Selling and marketing  | 71,134                             | 45,567             |
| General and administrative                                     | 46,743                             | 49,035             |
| Research and development                                       | 33,900                             | 34,142             |
| Depreciation and amortization                                  | 7,378                              | 6,575              |
| Total operating expenses                                       | <u>159,155</u>                     | <u>135,319</u>     |
| Loss from operations   | (38,983)                           | (62,637)           |
| Interest and other, net  | (4,506)                            | (7,534)            |
| Gain on long-term investment                                   | 1,350                              | —                  |
| Loss before income taxes                                       | (42,139)                           | (70,171)           |
| Benefit from income taxes                                      | (3,572)                            | (3,148)            |
| Net loss   | <u>\$ (38,567)</u>                 | <u>\$ (67,023)</u> |
| Loss per share:  |                                    |                    |
| Basic and diluted loss per share                               | \$ (0.46)                          | \$ (0.81)          |
| Weighted average shares outstanding:                           |                                    |                    |
| Basic and Diluted  | <u>84,588</u>                      | <u>82,833</u>      |
| <b>Computation of Basic and Diluted EPS:</b>                   |                                    |                    |
| Net loss for basic and diluted EPS calculation                 | \$ (38,567)                        | \$ (67,023)        |
| Weighted average common shares outstanding - basic and diluted | <u>84,588</u>                      | <u>82,833</u>      |
| Basic and Diluted loss per share                               | <u>\$ (0.46)</u>                   | <u>\$ (0.81)</u>   |

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share amounts)

|   | <u>June 30,</u>     | <u>March 31,</u>    |
|---|---------------------|---------------------|
|   | <u>2016</u>         | <u>2016</u>         |
|   | (Unaudited)         |                     |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 796,328          | \$ 798,742          |
| Short-term investments  | 392,489             | 470,820             |
| Restricted cash   | 318,504             | 261,169             |
| Accounts receivable, net of allowances of \$67,744 and \$45,552 at June 30, 2016 and March 31, 2016, respectively | 141,150             | 168,527             |
| Inventory   | 12,734              | 15,888              |
| Software development costs and licenses   | 167,218             | 178,387             |
| Deferred cost of goods sold   | 92,515              | 98,474              |
| Prepaid expenses and other  | 56,734              | 53,269              |
| Total current assets  | <u>1,977,672</u>    | <u>2,045,276</u>    |
| Fixed assets, net   | 72,414              | 77,127              |
| Software development costs and licenses, net of current portion   | 247,272             | 214,831             |
| Deferred cost of goods sold, net of current portion   | 5,301               | 17,915              |
| Goodwill  | 215,622             | 217,080             |
| Other intangibles, net  | 4,609               | 4,609               |
| Other assets  | 15,837              | 13,439              |
| Total assets  | <u>\$ 2,538,727</u> | <u>\$ 2,590,277</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable  | \$ 37,781           | \$ 30,448           |

|   |              |              |
|---|--------------|--------------|
| Accrued expenses and other current liabilities  | 619,435      | 607,479      |
| Deferred revenue  | 604,411      | 582,484      |
| Total current liabilities   | 1,261,627    | 1,220,411    |
| Long-term debt  | 504,385      | 497,935      |
| Non-current deferred revenue  | 153,912      | 216,319      |
| Other long-term liabilities   | 85,263       | 74,227       |
| Total liabilities   | 2,005,187    | 2,008,892    |
| Stockholders' equity:   |              |              |
| Preferred stock, \$.01 par value, 5,000 shares authorized   | —            | —            |
| Common stock, \$.01 par value, 200,000 shares authorized; 104,599 and 103,765 shares issued and 87,407 and 86,573 outstanding at June 30, 2016 and March 31, 2016, respectively | 1,046        | 1,038        |
| Additional paid-in capital  | 1,082,765    | 1,088,628    |
| Treasury stock, at cost; 17,192 common shares at June 30, 2016 and March 31, 2016, respectively   | (303,388)    | (303,388)    |
| Accumulated deficit   | (205,564)    | (166,997)    |
| Accumulated other comprehensive loss  | (41,319)     | (37,896)     |
| Total stockholders' equity  | 533,540      | 581,385      |
| Total liabilities and stockholders' equity  | \$ 2,538,727 | \$ 2,590,277 |

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(in thousands)

|   | <u>Three months ended June 30,</u> |             |
|---|------------------------------------|-------------|
|   | <u>2016</u>                        | <u>2015</u> |
| <b>Operating activities:</b>  |                                    |             |
| Net loss  | \$ (38,567)                        | \$ (67,023) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                    |             |
| Amortization and impairment of software development costs and licenses                    | 41,034                             | 23,590      |
| Depreciation and amortization   | 7,378                              | 6,575       |
| Amortization and impairment of intellectual property                                      | —                                  | 32          |
| Stock-based compensation  | 15,100                             | 19,086      |
| Amortization of discount on Convertible Notes   | 6,098                              | 5,727       |
| Amortization of debt issuance costs   | 381                                | 398         |
| Other, net  | (3,171)                            | 183         |
| Changes in assets and liabilities:  |                                    |             |
| Restricted cash   | (57,335)                           | (60,315)    |
| Accounts receivable   | 28,226                             | 87,198      |
| Inventory   | 2,696                              | 8,341       |
| Software development costs and licenses   | (62,392)                           | (43,131)    |
| Prepaid expenses, other current and other non-current assets                              | (3,867)                            | (20,693)    |
| Deferred revenue  | (36,446)                           | 91,903      |
| Deferred cost of goods sold   | 17,223                             | 1,243       |
| Accounts payable, accrued expenses and other liabilities                                  | 36,394                             | 52,368      |
| Net cash provided by (used in) operating activities                                       | (47,248)                           | 105,482     |
| <b>Investing activities:</b>  |                                    |             |
| Change in bank time deposits  | 78,691                             | (187,045)   |
| Proceeds from available-for-sale securities   | 29,795                             | —           |
| Purchases of available-for-sale securities  | (30,836)                           | (444)       |
| Purchases of fixed assets   | (4,230)                            | (18,769)    |
| Proceeds from sale of long-term investments   | 1,350                              | —           |
| Purchase of long-term investments   | (1,885)                            | —           |
| Net cash used in investing activities   | 72,885                             | (206,258)   |
| <b>Financing activities:</b>  |                                    |             |
| Excess tax benefit from stock-based compensation  | 887                                | 8,066       |
| Tax payment related to net share settlements on restricted stock awards                   | (25,166)                           | (6,541)     |
| Net cash provided by (used in) financing activities                                       | (24,279)                           | 1,525       |
| Effects of foreign exchange rates on cash and cash equivalents                            | (3,772)                            | 3,915       |
| Net decrease in cash and cash equivalents   | (2,414)                            | (95,336)    |
| Cash and cash equivalents, beginning of year  | 798,742                            | 911,120     |
| Cash and cash equivalents, end of period  | \$ 796,328                         | \$ 815,784  |



**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO Non-GAAP MEASURES (Unaudited)**  
(in thousands, except per share amounts)

|   | Three months ended June 30, |                    |
|---|-----------------------------|--------------------|
|   | 2016                        | 2015               |
| <b>Gross Profit</b>   |                             |                    |
| <b>GAAP Gross Profit</b>                                    | \$ 120,172                  | \$ 72,682          |
| Stock-based compensation                                    | 4,386                       | 4,694              |
| <b>Non-GAAP Gross Profit</b>                                | <u>124,558</u>              | <u>\$ 77,376</u>   |
| <b>Income (Loss) from Operations</b>                        |                             |                    |
| <b>GAAP Loss from Operations</b>                            | \$ (38,983)                 | \$ (62,637)        |
| Stock-based compensation                                    | 15,100                      | 19,086             |
| Business reorganization, restructuring and related expenses | —                           | 1,228              |
| <b>Non-GAAP Loss from Operations</b>                        | <u>\$ (23,883)</u>          | <u>\$ (42,323)</u> |
| <b>Net Income (Loss)</b>                                    |                             |                    |
| <b>GAAP Net Loss</b>  | \$ (38,567)                 | \$ (67,023)        |
| Stock-based compensation                                    | 15,100                      | 19,086             |
| Business reorganization, restructuring and related expenses | —                           | 1,228              |
| Non-cash amortization of discount on Convertible Notes      | 6,099                       | 5,727              |
| Gain on long-term investment                                | (1,350)                     | —                  |
| Income tax adjustment                                       | 1,133                       | 7,810              |
| <b>Non-GAAP Net Loss</b>                                    | <u>\$ (17,585)</u>          | <u>\$ (33,172)</u> |
| <b>Diluted Loss Per Share</b>                               |                             |                    |
| GAAP loss per share   | \$ (0.46)                   | \$ (0.81)          |
| Non-GAAP earnings loss per share                            | \$ (0.21)                   | \$ (0.40)          |
| <b>Number of diluted shares used in computation</b>         |                             |                    |
| GAAP  | 84,588                      | 82,833             |
| Non-GAAP  | 84,588                      | 82,833             |
| <b>Computation of Diluted GAAP EPS:</b>                     |                             |                    |
| Net loss for diluted EPS calculation                        | \$ (38,567)                 | \$ (67,023)        |
| Weighted average common shares outstanding - diluted        | 84,588                      | 82,833             |
| Diluted loss per share                                      | <u>\$ (0.46)</u>            | <u>\$ (0.81)</u>   |
| <b>Computation of Diluted Non-GAAP EPS:</b>                 |                             |                    |
| Net loss for diluted earnings per share calculation         | \$ (17,585)                 | \$ (33,172)        |
| Weighted average common shares outstanding - diluted        | 84,588                      | 82,833             |
| Diluted loss per share                                      | <u>\$ (0.21)</u>            | <u>\$ (0.40)</u>   |

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**RECONCILIATION OF Non-GAAP TO Non-GAAP AS PREVIOUSLY DEFINED MEASURES (Unaudited)**  
(in thousands)

|   | Three Months Ended June 30, |                   |
|---|-----------------------------|-------------------|
|   | 2016                        | 2015              |
| <b>GAAP Net Revenues</b>  | \$ 311,552                  | \$ 275,297        |
| Change in deferred net revenues                                 | (38,996)                    | 91,095            |
| <b>Non-GAAP (As Previously Defined) Net Revenues</b>            | <u>272,556</u>              | <u>366,392</u>    |
| <b>GAAP Digital Online Revenues</b>                             | \$ 172,078                  | \$ 153,985        |
| Net effect from deferral in digital online revenues             | 19,086                      | 99,978            |
| <b>Non-GAAP (As Previously Defined) Digital Online Revenues</b> | <u>\$ 191,164</u>           | <u>\$ 253,963</u> |
| <b>Non- GAAP Gross Profit</b>                                   | \$ 124,558                  | \$ 77,376         |
| Change in deferred net revenues                                 | (38,996)                    | 91,095            |
| Change in deferred cost of goods sold                           | 24,623                      | (130)             |
| <b>Non-GAAP (As Previously Defined) Gross Profit</b>            | <u>\$ 110,185</u>           | <u>\$ 168,341</u> |
| <b>Non-GAAP Loss from Operations</b>                            | \$ (23,883)                 | \$ (42,323)       |
| Change in deferred net revenues                                 | (38,996)                    | 91,095            |
| Change in deferred cost of goods sold                           | 24,623                      | (130)             |

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Non-GAAP (As Previously Defined) (Loss) Income from Operations</b>                    | <b>\$ (38,256)</b> | <b>\$ 48,642</b>   |
| <b>Non-GAAP Net Loss</b>   | <b>\$ (17,585)</b> | <b>\$ (33,172)</b> |
| Net effect from deferral of net revenue and related cost of goods sold, net of taxes (1) | (11,310)           | 67,380             |
| <b>Non-GAAP (As Previously Defined) Net (Loss) Income</b>                                | <b>\$ (28,895)</b> | <b>\$ 34,208</b>   |

(1) Includes a tax benefit of \$3,063 and tax expense of \$23,585 for June 30, 2016 and June 30, 2015, respectively

|   |           |           |
|---|-----------|-----------|
| <b>Diluted Loss Per Share</b>                                     |           |           |
| Non-GAAP diluted loss per share                                   | \$ (0.21) | \$ (0.40) |
| Non-GAAP, as previously defined diluted (loss) earnings per share | \$ (0.34) | \$ 0.31   |
| Number of diluted shares used in computation                      |           |           |
| Non-GAAP  | 84,588    | 82,833    |
| Non-GAAP, as previously defined                                   | 84,588    | 114,442   |

|   |             |             |
|---|-------------|-------------|
| <b>Computation of Diluted Non-GAAP EPS:</b>             |             |             |
| Net loss for diluted EPS calculation                    | \$ (17,585) | \$ (33,172) |
| Weighted average shares outstanding - basic and diluted | 84,588      | 82,833      |
| Diluted loss per share                                  | \$ (0.21)   | \$ (0.40)   |

|  |             |           |
|--|-------------|-----------|
| <b>Computation of Diluted Non-GAAP, as previously defined EPS:</b> |             |           |
| Non-GAAP net (loss) income   | \$ (28,895) | \$ 34,208 |
| Less: net income (loss) allocated to participating securities      | —           | (1,541)   |
| Add: interest expense, net of tax, on Convertible Notes            | —           | 1,372     |
| Net (loss) income for diluted earnings per share calculation       | \$ (28,895) | \$ 34,039 |
| Weighted average shares outstanding - basic and diluted            | 84,588      | 82,833    |
| Add: dilutive effect of common stock equivalents                   | —           | 31,609    |
| Total weighted average shares outstanding - diluted                | 84,588      | 114,442   |
| Less: weighted average participating shares outstanding            | —           | (5,154)   |
| Weighted average common shares outstanding - diluted               | 84,588      | 109,288   |
| Diluted (loss) earnings per share                                  | \$ (0.34)   | \$ 0.31   |

**TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES**  
**Net Revenue by Geographic Region, Distribution Channel, and Platform Mix**  
(in thousands)

|  | Three Months Ended<br>June 30, 2016 |            | Three Months Ended<br>June 30, 2015 |            |
|--|-------------------------------------|------------|-------------------------------------|------------|
|  | Amount                              | % of Total | Amount                              | % of Total |
| <b>Net Revenues by Geographic Region</b> |                                     |            |                                     |            |
| United States                            | \$ 193,101                          | 62%        | \$ 143,438                          | 52%        |
| International                            | 118,451                             | 38%        | 131,859                             | 48%        |
| Total net revenues                       | 311,552                             | 100%       | 275,297                             | 100%       |
| <b>Change in Deferred Net Revenues</b>   |                                     |            |                                     |            |
| United States                            | \$ (49,861)                         |            | \$ 7,457                            |            |
| International                            | 10,865                              |            | 83,638                              |            |
| Total changes in deferred net revenues   | (38,996)                            |            | 91,095                              |            |

|   | Three Months Ended<br>June 30, 2016 |            | Three Months Ended<br>June 30, 2015 |            |
|---|-------------------------------------|------------|-------------------------------------|------------|
|   | Amount                              | % of Total | Amount                              | % of Total |
| <b>Net Revenues by Distribution Channel</b> |                                     |            |                                     |            |
| Digital online                              | \$ 172,078                          | 55%        | \$ 153,985                          | 56%        |
| Physical retail and other                   | 139,474                             | 45%        | 121,312                             | 44%        |
| Total net revenues                          | 311,552                             | 100%       | 275,297                             | 100%       |
| <b>Change in Deferred Net Revenues</b>      |                                     |            |                                     |            |
| Digital online                              | \$ 19,086                           |            | \$ 99,978                           |            |
| Physical retail and other                   | (58,082)                            |            | (8,883)                             |            |
| Total changes in deferred net revenues      | (38,996)                            |            | 91,095                              |            |

|                                     | Three Months Ended<br>June 30, 2016 |            | Three Months Ended<br>June 30, 2015 |            |
|-------------------------------------|-------------------------------------|------------|-------------------------------------|------------|
|                                     | Amount                              | % of Total | Amount                              | % of Total |
| <b>Net Revenues by Platform Mix</b> |                                     |            |                                     |            |

|  |    |                 |             |    |                |             |
|--|----|-----------------|-------------|----|----------------|-------------|
| Console                                | \$ | 254,026         | 82%         | \$ | 222,574        | 81%         |
| PC and other                           |    | 57,526          | 18%         |    | 52,723         | 19%         |
| Total net revenues                     |    | <u>311,552</u>  | <u>100%</u> |    | <u>275,297</u> | <u>100%</u> |
| <b>Change in Deferred Net Revenues</b> |    |                 |             |    |                |             |
| Console                                | \$ | (40,181)        |             | \$ | (37,211)       |             |
| PC and other                           |    | 1,185           |             |    | 128,306        |             |
| Total changes in deferred net revenues |    | <u>(38,996)</u> |             |    | <u>91,095</u>  |             |

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