

THQ Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Unaudited Condensed Consolidated Statement of Operations^(a)
Three Months Ended March 31, 2011
(in thousands, except per share data)

	GAAP		Adjustments to reconcile GAAP and Non-GAAP amounts				Non-GAAP	
	Amount	% of net sales	Impact of deferred revenue	Business realignment expenses	Stock-based compensation and related costs	Capitalization of interest	Amount	% of net sales
Net sales	\$ 124,237	100.0 %	\$ 124,316	\$ —	\$ —	\$ —	\$ 248,553	100.0%
Cost of sales:								
Product costs	52,463	42.2	31,544	—	—	—	84,007	33.8
Software amortization and royalties	24,711	19.9	32,580	(40)	(619)	(672)	55,960	22.5
License amortization and royalties	9,039	7.3	3,138	(375)	—	—	11,802	4.8
Total cost of sales	<u>86,213</u>	<u>69.4</u>	<u>67,262</u>	<u>(415)</u>	<u>(619)</u>	<u>(672)</u>	<u>151,769</u>	<u>61.1</u>
Gross profit	38,024	30.6	57,054	415	619	672	96,784	38.9
Operating expenses:								
Product development	27,007	21.7	—	(929)	(546)	—	25,532	10.3
Selling and marketing	47,904	38.6	—	(129)	(246)	—	47,529	19.1
General and administrative	12,229	9.8	—	(304)	(606)	—	11,319	4.5
Restructuring	455	0.4	—	(455)	—	—	—	—
Total operating expenses	<u>87,595</u>	<u>70.5</u>	<u>—</u>	<u>(1,817)</u>	<u>(1,398)</u>	<u>—</u>	<u>84,380</u>	<u>33.9</u>
Operating income (loss)	(49,571)	(39.9)	57,054	2,232	2,017	672	12,404	5.0
Interest and other income (expense), net	4,882	3.9	—	—	—	(4,990)	(108)	(0.1)
Income (loss) before income taxes	<u>(44,689)</u>	<u>(36.0)</u>	<u>57,054</u>	<u>2,232</u>	<u>2,017</u>	<u>(4,318)</u>	<u>12,296</u>	<u>4.9</u>
Income tax expense (benefit)	<u>(633)</u>	<u>(0.5)</u>					<u>1,844</u>	<u>0.7</u>
Net income (loss)	<u>\$ (44,056)</u>	<u>(35.5)%</u>					<u>\$ 10,452</u>	<u>4.2%</u>
Diluted earnings (loss) per share:								
Before "if-converted" method	\$ (0.65)						\$ 0.15	
Share count used	68,119						68,690	
After "if-converted" method	n/a						\$ 0.14	
Share count used	n/a						80,437	

^(a) See explanation in the earnings press release regarding the company's practice on reporting non-GAAP financial measures.