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CHANGYOU.COM LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS EXCEPT PER ADS AMOUNTS)

	Three Months Ended		
	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2015
Revenues:			
Online game	\$ 102,529	\$ 127,001	\$ 184,994
Online advertising	7,885	14,798	9,636
IVAS	5,862	6,796	5,919
Others	13,564	13,315	8,148
Total revenues	<u>129,840</u>	<u>161,910</u>	<u>208,697</u>
Cost of revenues:			
Online game (includes share-based compensation expense of \$(7), \$47 and \$44 respectively)	26,133	28,266	49,486
Online advertising (includes share-based compensation expense of \$0, \$0 and \$0 respectively)	2,174	2,315	3,446
IVAS (includes share-based compensation expense of \$0, \$(2) and \$0 respectively)	3,959	3,963	6,125
Others	9,584	8,203	6,554
Total cost of revenues	<u>41,850</u>	<u>42,747</u>	<u>65,611</u>
Gross profit	87,990	119,163	143,086
Operating expenses:			
Product development (includes share-based compensation expense of \$(540), \$2,867 and \$1,035 respectively)	30,057	43,841	45,255
Sales and marketing (includes share-based compensation expense of \$(103), \$487 and \$(18) respectively)	12,453	15,456	21,889
General and administrative (includes share-based compensation expense of \$(624), \$4,095 and \$2,843 respectively)	11,023	19,791	23,397
Total operating expenses	<u>53,533</u>	<u>79,088</u>	<u>90,541</u>
Operating profit	34,457	40,075	52,545
Interest income	2,840	4,432	3,638
Foreign currency exchange (loss) / gain	(607)	963	(184)
Other income	3,847	1,064	3,438
Income before income tax expense	40,537	46,534	59,437
Income tax expense	(7,734)	(8,317)	(12,445)
Net income	32,803	38,217	46,992
Less: Net income/ (loss) attributable to non-controlling interests	513	(248)	(1,296)
Net income attributable to Changyou.com Limited	\$ 32,290	\$ 38,465	\$ 48,288
Basic net income per ADS attributable to Changyou.com Limited	<u>\$ 0.62</u>	<u>\$ 0.74</u>	<u>\$ 0.92</u>
ADSs used in computing basic net income per ADS attributable to Changyou.com Limited	<u>52,241</u>	<u>52,164</u>	<u>52,738</u>
Diluted net income per ADS attributable to Changyou.com Limited	<u>\$ 0.61</u>	<u>\$ 0.73</u>	<u>\$ 0.91</u>
ADSs used in computing diluted net income per ADS attributable to Changyou.com Limited	<u>52,876</u>	<u>52,846</u>	<u>53,025</u>



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CHANGYOU.COM LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED, IN THOUSANDS)

	<u>As of Mar. 31, 2016</u>	<u>As of Dec. 31, 2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 551,900	\$ 569,917
Accounts receivable, net	53,358	67,959
Short-term investments	101,004	174,515
Restricted time deposits	-	227,285
Deferred tax assets	4,690	4,673
Prepaid and other current assets	300,250	227,719
Total current assets	<u>1,011,202</u>	<u>1,272,068</u>
Non-current assets:		
Fixed assets, net	212,151	214,306
Goodwill	111,169	111,082
Intangible assets, net	22,694	25,139
Restricted time deposits	-	127,454
Deferred tax assets	9,740	12,729
Time deposits	137,506	-
Other assets, net	8,241	16,728
Total non-current assets	<u>501,501</u>	<u>507,438</u>
TOTAL ASSETS	<u>\$ 1,512,703</u>	<u>\$ 1,779,506</u>
LIABILITIES		
Current liabilities:		
Receipts in advance and deferred revenue	\$ 46,908	\$ 42,166
Accounts payable and accrued liabilities	329,034	275,926
Short-term bank loans	-	344,500
Tax payables	15,243	27,423
Deferred tax liabilities	25,518	24,884
Total current liabilities	<u>416,703</u>	<u>714,899</u>
Long-term liabilities:		
Long-term deferred tax liabilities	3,646	3,616
Long-term accounts payable	641	1,004
Other long-term liabilities	741	738
Total long-term liabilities	<u>5,028</u>	<u>5,358</u>
Total liabilities	<u>421,731</u>	<u>720,257</u>
SHAREHOLDERS' EQUITY		
Changyou.com Limited shareholders' equity	1,060,906	1,029,479
Non-controlling interests	30,066	29,770
Total shareholders' equity	<u>1,090,972</u>	<u>1,059,249</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,512,703</u>	<u>\$ 1,779,506</u>

CHANGYOU.COM LIMITED

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATIONS MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES

(UNAUDITED, IN THOUSANDS, EXCEPT PER ADS AMOUNTS)

	<u>Three Months Ended Mar. 31, 2016</u>		
	<u>Non-GAAP adjustments</u>		
	<u>GAAP</u>	<u>Share-based compensation expense (a)</u>	<u>Non-GAAP</u>
Online game gross profit	\$ 76,396	(7)	76,389
Online advertising gross profit	5,711	0	5,711
IVAS gross profit	1,903	0	1,903
Other gross profit	3,980	0	3,980
Gross profit	<u>\$ 87,990</u>	<u>(7)</u>	<u>87,983</u>
Gross margin	<u>68%</u>		<u>68%</u>
Operating profit	<u>\$ 34,457</u>	<u>(1,274)</u>	<u>33,183</u>
Operating margin	<u>27%</u>		<u>26%</u>
Net income	<u>\$ 32,803</u>	<u>(1,274)</u>	<u>31,529</u>
Net income attributable to Changyou.com Limited	<u>\$ 32,290</u>	<u>(1,283)</u>	<u>31,007</u>
Net margin attributable to Changyou.com Limited	<u>25%</u>		<u>24%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.61</u>		<u>0.58</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>52,876</u>		<u>53,870</u>

Note:

- (a) To eliminate share-based compensation expense measured using the fair value method. The downward adjustment of share-based compensation expense in the current period was a result of fluctuation in the market price for the Company's ADS, as certain share-based compensation expense needs to be re-measured based on the fair value of each period end until the grant date is established.

CHANGYOU.COM LIMITED

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATIONS MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES

(UNAUDITED, IN THOUSANDS, EXCEPT PER ADS AMOUNTS)

	<u>Three Months Ended Dec. 31, 2015</u>		
	<u>Non-GAAP adjustments</u>		
	<u>GAAP</u>	<u>Share-based compensation expense (a)</u>	<u>Non-GAAP</u>
Online game gross profit	\$ 98,735	47	98,782
Online advertising gross profit	12,483	0	12,483
IVAS gross profit	2,833	(2)	2,831
Other gross profit	5,112	0	5,112
Gross profit	<u>\$ 119,163</u>	<u>45</u>	<u>119,208</u>
Gross margin	<u>74%</u>		<u>74%</u>
Operating profit	<u>\$ 40,075</u>	<u>7,494</u>	<u>47,569</u>
Operating margin	<u>25%</u>		<u>29%</u>
Net income	<u>\$ 38,217</u>	<u>7,494</u>	<u>45,711</u>
Net income attributable to Changyou.com Limited	<u>\$ 38,465</u>	<u>7,537</u>	<u>46,002</u>
Net margin attributable to Changyou.com Limited	<u>24%</u>		<u>28%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.73</u>		<u>0.85</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>52,846</u>		<u>53,928</u>

Note:

(a) To eliminate share-based compensation expense measured using the fair value method.

CHANGYOU.COM LIMITED

RECONCILIATIONS OF NON-GAAP RESULTS OF OPERATIONS MEASURES TO THE NEAREST COMPARABLE GAAP MEASURES

(UNAUDITED, IN THOUSANDS, EXCEPT PER ADS AMOUNTS)

	Three Months Ended Mar. 31, 2015		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
Online game gross profit	\$ 135,508	44	135,552
Online advertising gross profit	6,190	0	6,190
IVAS gross loss	(206)	0	(206)
Other gross profit	1,594	0	1,594
Gross profit	\$ 143,086	44	143,130
Gross margin	69%		69%
Operating profit	\$ 52,545	3,904	56,449
Operating margin	25%		27%
Net income	\$ 46,992	3,904	50,896
Net income attributable to Changyou.com Limited	\$ 48,288	3,885	52,173
Net margin attributable to Changyou.com Limited	23%		25%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.91		0.97
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	53,025		54,046

Note:

(a) To eliminate share-based compensation expense measured using the fair value method.