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

	Three Months Ended		
	Jun. 30, 2016	Mar. 31, 2016	Jun. 30, 2015
Revenues:			
Online game	\$ 99,226	\$ 102,529	\$ 172,350
Online advertising	11,541	7,885	15,143
IVAS	4,844	5,862	6,270
Others	13,549	13,564	8,391
Total revenues	<u>129,160</u>	<u>129,840</u>	<u>202,154</u>
Cost of revenues:			
Online game (includes share-based compensation expense of \$17, \$(7) and \$43 respectively)	25,383	26,133	43,929
Online advertising (includes share-based compensation expense of \$0, \$0 and \$0 respectively)	2,370	2,174	3,232
IVAS(includes share-based compensation expense of \$0, \$0 and \$0 respectively)	3,114	3,959	5,384
Others	11,017	9,584	7,132
Total cost of revenues	<u>41,884</u>	<u>41,850</u>	<u>59,677</u>
Gross profit	87,276	87,990	142,477
Operating expenses:			
Product development (includes share-based compensation expense of \$1,334, \$(540) and \$2,194 respectively)	31,112	30,057	41,952
Sales and marketing (includes share-based compensation expense of \$299, \$(103) and \$268 respectively)	13,353	12,453	33,091
General and administrative (includes share-based compensation expense of \$1,762, \$(624) and \$4,586 respectively)	13,668	11,023	22,367
Total operating expenses	<u>58,133</u>	<u>53,533</u>	<u>97,410</u>
Operating profit	29,143	34,457	45,067
Interest income	3,233	2,840	4,095
Foreign currency exchange gain / (loss)	2,450	(607)	(160)
Other income	3,522	3,847	1,905
Income before income tax expense	38,348	40,537	50,907
Income tax expense	(5,012)	(7,734)	(7,509)
Net income	33,336	32,803	43,398
Less: Net income/ (loss) attributable to non-controlling interests	402	513	(1,515)
Net income attributable to Changyou.com Limited	\$ 32,934	\$ 32,290	\$ 44,913
Basic net income per ADS attributable to Changyou.com Limited	<u>\$ 0.63</u>	<u>\$ 0.62</u>	<u>\$ 0.85</u>
ADs used in computing basic net income per ADS attributable to Changyou.com Limited	<u>52,254</u>	<u>52,241</u>	<u>52,706</u>
Diluted net income per ADS attributable to Changyou.com Limited	<u>\$ 0.62</u>	<u>\$ 0.61</u>	<u>\$ 0.84</u>
ADs used in computing diluted net income per ADS attributable to Changyou.com Limited	<u>53,113</u>	<u>52,876</u>	<u>53,264</u>



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

	<u>As of Jun. 30, 2016</u>	<u>As of Dec. 31, 2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 568,168	\$ 569,917
Accounts receivable, net	43,342	67,959
Short-term investments	118,820	174,515
Restricted time deposits ⁽⁹⁾	-	227,285
Deferred tax assets	4,593	4,673
Prepaid and other current assets	344,783	227,719
Total current assets	<u>1,079,706</u>	<u>1,272,068</u>
Non-current assets:		
Fixed assets, net	203,817	214,306
Goodwill	110,722	111,082
Intangible assets, net	20,142	25,139
Restricted time deposits ⁽⁹⁾	-	127,454
Time deposits	135,393	-
Deferred tax assets	7,950	12,729
Other assets, net	7,821	16,728
Total non-current assets	<u>485,845</u>	<u>507,438</u>
TOTAL ASSETS	<u>\$ 1,565,551</u>	<u>\$ 1,779,506</u>
LIABILITIES		
Current liabilities:		
Receipts in advance and deferred revenue	\$ 47,467	\$ 42,166
Accounts payable and accrued liabilities	367,404	275,926
Short-term bank loans ⁽⁹⁾	-	344,500
Tax payables	2,992	27,423
Deferred tax liabilities	25,461	24,884
Total current liabilities	<u>443,324</u>	<u>714,899</u>
Long-term liabilities:		
Long-term deferred tax liabilities	3,531	3,616
Long-term accounts payable	438	1,004
Long-term tax payable	13,908	-
Other long-term liabilities	722	738
Total long-term liabilities	<u>18,599</u>	<u>5,358</u>
Total liabilities	<u>461,923</u>	<u>720,257</u>
SHAREHOLDERS' EQUITY		
Changyou.com Limited shareholders' equity	1,074,475	1,029,479
Non-controlling interests	29,153	29,770
Total shareholders' equity	<u>1,103,628</u>	<u>1,059,249</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,565,551</u>	<u>\$ 1,779,506</u>

⁽⁹⁾ Changyou had repaid all of the remaining bank loans of \$345 million, and restricted time deposits of \$355 million that secured these loans had been released during the first quarter of 2016.

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 Jun. 30, 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	\$ 73,843	17	73,860
Online advertising gross profit	9,171	0	9,171
IVAS gross profit	1,730	0	1,730
Other gross profit	2,532	0	2,532
Gross profit	<u>\$ 87,276</u>	<u>17</u>	<u>87,293</u>
Gross margin	<u>68%</u>		<u>68%</u>
Operating profit	<u>\$ 29,143</u>	<u>3,412</u>	<u>32,555</u>
Operating margin	<u>23%</u>		<u>25%</u>
Net income	<u>\$ 33,336</u>	<u>3,412</u>	<u>36,748</u>
Net income attributable to Changyou.com Limited	<u>\$ 32,934</u>	<u>3,404</u>	<u>36,338</u>
Net margin attributable to Changyou.com Limited	<u>25%</u>		<u>28%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.62</u>		<u>0.68</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,113</u>		<u>53,759</u>

Note:

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

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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, 2016		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
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	\$ 87,990	(7)	87,983
Gross margin	68%		68%
Operating profit	\$ 34,457	(1,274)	33,183
Operating margin	27%		26%
Net income	\$ 32,803	(1,274)	31,529
Net income attributable to Changyou.com Limited	\$ 32,290	(1,283)	31,007
Net margin attributable to Changyou.com Limited	25%		24%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.61		0.58
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	52,876		53,870

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)**

	Three Months Ended Jun. 30, 2015		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
Online game gross profit	\$ 128,421	43	128,464
Online advertising gross profit	11,911	0	11,911
IVAS gross profit	886	0	886
Other gross profit	1,259	0	1,259
Gross profit	\$ 142,477	43	142,520
Gross margin	70%		71%
Operating profit	\$ 45,067	7,091	52,158
Operating margin	22%		26%
Net income	\$ 43,398	7,091	50,489
Net income attributable to Changyou.com Limited	\$ 44,913	7,072	51,985
Net margin attributable to Changyou.com Limited	22%		26%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.84		0.95
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	53,264		54,989

Note:

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