

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

Dec. 31, 2016         Sep. 39, 2016         Dec. 31, 2015         Dec. 31, 2016         Dec. 31, 2015           Remut:		Three Months Ended				<b>Twelve Months Ended</b>					
$\begin{tabular}{ c c c c c c c c c c c c c c c c c c c$			Dec. 31, 2016	_	Sep. 30, 2016		Dec. 31, 2015	-	Dec. 31, 2016	_	Dec. 31, 2015
$\begin{tabular}{ c c c c c c c c c c c c c c c c c c c$	Revenues										
Online atvertising         8.332         11.651         14.798         39.409         57.832           Cinema advertising         20.371         21.058         13.315         68.542         42.573           IVAS         64.20         4.600         6.796         21.726         24.385           Total revenues         130.523         135.802         101.910         525.385         761.636           Online game(includes share-based compensation expense of \$15,526,547,531 and \$57 respectively)         20.936         23.719         28.266         96.171         156.518           Online diversing         13.452         11.906         8.303         45.999         22.211           INVAS (includes share-based compensation expense of \$5.05, \$21, \$0 and \$20 respectively)         3.792         2.711         3.963         13.576         19.647           Gross profit         89,544         94,765         119,163         359.575         544,875           Operating expense:         includes share-based         20.516         20.934         43.841         121,619         170.605           Start		\$	95,400	\$	98,553	5	\$ 127,001	\$	395,708	\$	636,846
$\begin{array}{c} Cnem adversing \\ PVAS \\ Total revenues \\ \hline 130,523 \\ \hline 100 \\ 150,500 \\ \hline 100 \\ \hline $	-	-	· · ·	+	,			+		+	· · · · · ·
Total revenues         130,523         135,862         161,910         525,385         761,636           Conding gamefincheds share-based compensation expense or \$15,55,54,74,531 and \$37 respectively) Online advertising         20,936         23,719         28,266         96,171         156,318           Cinema advertising         20,936         23,719         28,266         96,171         156,318           Cinema advertising         20,936         2,761         2,315         10,014         11,565           Cinema advertising         13,452         11,906         8,203         45,599         29,231           Total cost of revenues         40,979         41,097         42,747         165,810         216,761           Gress profit         89,544         94,765         119,163         359,575         544,875           Operating componestic includes, share-based compensation expense of \$(361), \$477, \$11,989         18,748         15,456         56,543         92,355           Start, Start and administrative (includes share-based compensation expense of \$(361), \$477, \$11,989         18,748         15,456         56,543         92,355           General and administrative (includes share-based compensation expense of \$(361), \$477, \$27,97         9,222         16,647         19,791         50,560         80,269	-										
Cost of revenues:         Dolling game(includes share-based compensation expense of \$(55, \$26, \$47, \$51 and \$57 respectively)         20,936         23,719         28,266         96,171         156,318           Online game(includes share-based compensation expense of \$(55, \$26, \$47, \$51 and \$57 respectively)         2,799         2,761         2,315         10,104         11,565           Cherna advertising         13,452         11,906         8,203         45,959         22,231           TVAS/includes share-based compensation expense of \$0, \$0, \$52, \$5 and \$20, respectively)         3,792         2,711         3,963         13,575         544,875           Operating expenses:         Product development (includes share-based compensation expense of \$(47), \$2,524, \$30,516         29,934         43,841         121,619         170,605           S2,867, \$2,881 and \$5,477, respectively)         30,516         29,934         43,841         121,619         170,605           S2,867, \$2,881 and \$5,477, respectively)         30,516         29,934         43,841         121,619         170,605           S4,457, \$2,722 and \$1,017, respectively)         30,516         29,934         43,841         121,619         170,605           S4,407, \$2,721 and \$1,017, respectively)         30,516         29,934         43,841         121,619         10,640           Compens	IVAS		6,420		4,600		6,796		21,726		24,385
Online         game(include shar-based compensation expense of \$(5), \$26, \$47, \$13 and \$37 respectively) $20,936$ $23,719$ $28,266$ $96,171$ $156,318$ Online advertising $2799$ $2,761$ $2.315$ $10,104$ $11,565$ Cinema advertising $13,452$ $11,906$ $8,203$ $45,959$ $29,231$ Total cost of revenues $40,979$ $41,097$ $42,747$ $165,810$ $216,761$ Gross profit $89,544$ $94,765$ $119,163$ $359,575$ $544,875$ Operating expenses $revenues$ $30,516$ $29,934$ $43,841$ $121,619$ $170,605$ Sca.867,757, zespectively) $30,516$ $29,934$ $43,841$ $121,619$ $106,655$ Gordwill	Total revenues		130,523	_	135,862	-	161,910	-	525,385	_	761,636
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Cost of revenues:										
off S(5), S26, S47, S31 and S37 respectively)       2,799       2,761       2,315       10,104       11,565         Cincema advertising       13,452       11,906       8,203       45,959       29,231         IVAS/Richides share-based compensation expense of \$0, \$0, \$0, \$0, \$0, and \$(2) respectively)       3,792       2,711       3,363       13,576       19,647         Gross profit       89,544       94,765       119,163       359,575       544,875         Operating expenses:       Product development (includes share-based compensation expense of \$4(1), \$437, \$52,524, \$30,516       29,934       43,841       121,619       170,605         Sales and marketing (includes share-based compensation expense of \$4(51), \$437, \$51, \$11,989       18,748       15,456       56,543       92,325         S447, \$572 and \$1,017 respectively)       General and administrative (includes share-based compensation expense of \$4(61,351, \$427, \$11,989       18,748       15,456       56,543       92,355         Godowill impairment and impairment of intengibles via acquisitions of basineses       -       -       40,324         Total operating expenses       51,727       65,329       79,088       228,722       383,553         Operating profit       37,817       29,436       40,075       130,883       161,322         Interesti income	Online game(includes share-based compensation										
			20,936		23,719		28,266		96,171		156,318
$\begin{array}{c} 13,452 \\ \text{IV-AS}(\text{Nicholdes share-based compensation expense of $3,792 \\ \text{Operating expenses} \\ \hline 13,452 \\ \text{Total cost of revenues} \\ \hline 13,792 \\ \hline 141,097 \\ \hline 141,097 \\ \hline 142,747 \\ \hline 165,810 \\ \hline 19,647 \\ \hline 19,647 \\ \hline 10,979 \\ \hline 101,097 \\ \hline 101,097$											
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	6		,		,		,		,		,
S0, S0, S(2), S0 and S(2) respectively) $3.792$ $2.711$ $3.985$ $15.576$ $19.647$ Total cost frevenues       40.979       41.097       42.747       165.810       216.761         Gross profit       89,544       94,765       119,163       359,575       544.875         Operating expenses:       Product development (includes share-based compensation expense of \$(47), \$2.524, \$37, respectively)       30.516       29.934       43.841       121.619       170.605         Sales and marketing (includes share-based compensation expense of \$(43, \$437, \$437, \$11.989       18.748       15.456       56.543       92.355         Groost S49,183       84.877 respectively)       9.222       16.647       19.791       50.560       80.269         S40,95,54,918 and S4.97 respectively)       9.222       16.647       19.791       50.560       80.269         Goodwill impairment and impairment of intangibles via acquisitions of businesses       -       40.324       40.075       130.853       161,322         Interest income       5.217       5.879       4.432       17,169       15.444         Foreign currency exchange gain       2.747       518       963       51.08       2.944.652         Income tax (expense) benefit       (29.356)       519	e		13,452		11,906		8,203		45,959		29,231
Total cost of revenues $40,979$ $41,097$ $42,747$ $165,810$ $216,761$ Gross profit         89,544         94,765         119,163         359,575 $544,875$ Operating expenses: Product development (includes share-based compensation expense of $5(437)$ , $52,524$ , 52,867, $52,881$ and $55,475$ , respectively) $30,516$ $29,934$ $43,841$ $121,619$ $170,605$ Sales and marketing (includes share-based compensation expense of $5(437)$ , $52,254$ , 5437, $5572$ and $51,017$ respectively) $30,516$ $29,934$ $43,841$ $121,619$ $170,605$ General and administrative (includes share-based compensation expense of $5(435)$ , $54,215$ , 5437, $5572$ and $51,017$ respectively) $9,222$ $16,647$ $19,791$ $50,560$ $80,269$ Goodwill impairment and impairment of intangibles via acquisitions of businesses Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $388,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $52,175$ $5.879$ $4,432$ $17,169$ $15,444$ Foreign currecy exchang gain $52,177$ $5.879$ $4,4$			3,792		2,711		3,963		13,576		19,647
Operating expenses:           Product development (includes share-based compensation expense of \$(437), \$2,254, 30,516         29,934         43,841         121,619         170,605           Sales and marketing (includes share-based compensation expense of \$(1), \$437, 11,989         18,748         15,456         56,543         92,355           Sales and marketing (includes share-based compensation expense of \$(1), \$437, 11,989         11,989         18,748         15,456         56,543         92,355           S487, \$572 and \$1,017 respectively)         General and administrative (includes share-based compensation expense of \$(435), \$4,215, 9,222         16,647         19,791         50,560         80,269           \$4,095, \$4,918 and \$8,497 respectively)         Goodwill inpairment and impairment of intragibles via acquisitions of businesses			40,979	-	41,097	•	42,747	-	165,810	_	216,761
Operating expenses:           Product development (includes share-based compensation expense of \$(437), \$2,254, 30,516         29,934         43,841         121,619         170,605           Sales and marketing (includes share-based compensation expense of \$(1), \$437, 11,989         18,748         15,456         56,543         92,355           Sales and marketing (includes share-based compensation expense of \$(1), \$437, 11,989         11,989         18,748         15,456         56,543         92,355           S487, \$572 and \$1,017 respectively)         General and administrative (includes share-based compensation expense of \$(435), \$4,215, 9,222         16,647         19,791         50,560         80,269           \$4,095, \$4,918 and \$8,497 respectively)         Goodwill inpairment and impairment of intragibles via acquisitions of businesses	Gross profit		89,544		94,765		119,163		359,575		544,875
Product development (includes share-based compensation expense of \$(437), \$2,524, \$30,516 $29,934$ $43,841$ $121,619$ $170,605$ Sz,867, \$2,881 and \$5,475, respectively)       Sales and marketing (includes share-based compensation expense of \$(4), \$437, \$11,989 $18,748$ $15,456$ $56,543$ $92,355$ S487, \$572 and \$1,017 respectively)       General and administrative (includes share-based compensation expense of \$(435), \$42,15, \$9,222 $16,647$ $19,791$ $50,560$ $80,269$ S4095, \$4,918 and \$8,497 respectively)       Goodwill impairment and impairment of intangibles via acquisitions of businesses $  40,324$ Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $383,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $224,653$ Income tax (expense) benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $43,884$ $38,645$ $144,947$ $2123$ $(22,1$											
compensation expense of \$(437), \$2,524, 30,516         29,934         43,841         121,619         170,605           \$2,867, 52,881 and \$5,475, respectively)         Sales and marketing (includes share-based compensation expense of \$(61), \$437, \$1,989         18,748         15,456         56,543         92,355           \$487, \$572 and \$1,017 respectively)         General and administrative (includes share-based compensation expense of \$(63), \$4,215, \$9,222         16,647         19,791         50,560         80,269           \$4,095, \$4,918 and \$8,497 respectively)         9,222         16,647         19,791         50,560         80,269           Goodwill impairment and impairment of intangibles via acquisitions of businesses         -         -         40,324           Total operating expenses         \$1,727         65,329         79,088         228,722         383,553           Operating profit         37,817         29,436         40,075         130,853         161,322           Interest income         5,217         5,879         4,432         17,169         15,444           Foreign currency exchange gain         2,747         518         963         5,108         2,954           Income befor income tax expense         \$1,244         38,524         46,534         168,653         244,682           Income tax (expen											
\$2,867, \$2,881 and \$5,475, respectively)         Sales and marketing (includes share-based compensation expense of \$(61), \$437, \$11,989       18,748       15,456       56,543       92,355         \$487, \$572 and \$1,017 respectively)       General and administrative (includes share-based compensation expense of \$(435), \$4,215, \$9,222       16,647       19,791       50,560       80,269         \$6000000000000000000000000000000000000	Product development (includes share-based		20.516		20.024		12 0 11		101 (10		170 605
Sales and marketing (includes share-based compensation expense of \$(61), \$437, 11,989       18,748       15,456       56,543       92,355         General and administrative (includes share-based compensation expense of \$(435), \$4,215, 9,222       16,647       19,791       50,560       80,269         \$4,095, \$4,918 and \$8,497 respectively)       Goodwill impairment and impairment of intargibles via acquisitions of businesses       -       -       40,324         Total operating expense       \$1,727       65,329       79,088       228,722       383,553         Operating profit       37,817       29,436       40,075       130,853       161,322         Interest income       5,217       5,879       4,432       17,169       15,444         Foreign currency exchange gain       2,747       518       963       5,108       2,954         Income before income tax expense       51,244       38,254       46,653       244,682         Income before income (loss) attributable to non-controlling interests       869       339       (248)       2,123       (22,157)         Net income attributable to Changyou.com Limited per ADS       0.78       0.74       9.74       \$       2.78       \$       4.06         ADSs used in computing basic net income attributable to Changyou.com Limited per ADS       52,231 <t< td=""><td></td><td></td><td>30,516</td><td></td><td>29,934</td><td></td><td>43,841</td><td></td><td>121,619</td><td></td><td>170,605</td></t<>			30,516		29,934		43,841		121,619		170,605
compensation expense of \$(61), \$437, \$11,989         18,748         15,456         56,543         92,355           \$487, \$572 and \$1,017 respectively)         General and administrative (includes share-based compensation expense of \$(435), \$4,215, \$9,222         16,647         19,791         50,560         80,269           Goodwill impairment and impairment of intargibles via acquisitions of businesses         -         -         40,324           Total operating expenses         51,727         65,329         79,088         228,722         383,553           Operating profit         37,817         29,436         40,075         130,853         161,322           Interest income         5,217         5,879         4,432         17,169         15,444           Foreign currency exchange gain         2,747         518         963         5,108         2,954           Other income         5,463         2,691         1,064         15,523         64,962           Income tak expense         51,224         38,524         46,534         168,653         244,663           Income tak (expense) benefit         41,888         39,043         38,217         147,070         190,627           Less: Net income/         141,888         39,043         38,217         147,070         190,627     <	× •										
General and administrative (includes share-based compensation expense of \$(435), \$4,215, \$4,005, \$4,918 at \$8,497 respectively)9,22216,64719,79150,56080,269Goodwill impairment and impairment of intangibles via acquisitions of businesses $   40,324$ Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $383,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2,954$ Other income $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income tax (expense) benefit(9,356) $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,019$ \$ $38,704$ \$ $38,465$ \$ $144,947$ \$ $212,784$ Basic net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ \$ $0.74$ \$ $2.78$ \$ $4.06$ ADSs used in computing basic net income attributable to $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to $50,77$ $0.73$ $0.73$ $2.72$ $4.02$ ADSs used in computing diluted net income attributable to <td></td> <td></td> <td>11,989</td> <td></td> <td>18,748</td> <td></td> <td>15,456</td> <td></td> <td>56,543</td> <td></td> <td>92,355</td>			11,989		18,748		15,456		56,543		92,355
compensation expense of \$(435), \$4,215, \$4,095, \$4,918 and \$8,497 respectively)         9,222         16,647         19,791         50,560         80,269           Goodwill impairment and impairment of intangibles via acquisitions of businesses											
S4,095, S4,918 and S8,497 respectively)Goodwill impairment and impairment of intangibles via acquisitions of businesses Total operating expenses $    40,324$ Depending profit37,81729,43640,075130,853161,322Operating profit37,81729,43640,075130,853161,322Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2,954$ Other income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2,954$ Other income $5,263$ $2,691$ $1,064$ $15,523$ $64,962$ Income tax expense $51,244$ $38,524$ $466,534$ $168,653$ $244,682$ Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(24,082)$ Net income $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ $0.74$ $2.78$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $0.77$ $0.73$ $0.73$ <th< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></th<>											
Goodwill impairment of intangibles via acquisitions of businesses Total operating expenses $1$ $40,324$ Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $383,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2,954$ Other income $5,463$ $2,691$ $1.064$ $15,523$ $64,962$ Income before income tax expense $51,224$ $38,524$ $46,534$ $168,653$ $244,682$ Income tax (expense) benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ $0.74$ $2.78$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $8$ $0.77$ $0.73$ $0.73$ $2.72$ $4.02$ ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS $8$ $0.77$ $0.73$ $0.73$ $2.72$ $5.462$ Diluted net inco			9,222		16,647		19,791		50,560		80,269
intangibles via acquisitions of businesses40,324Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $383,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2,954$ Other income $5,463$ $2,691$ $1,064$ $15,523$ $64,962$ Income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ $0.74$ $2.78$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $8$ $0.77$ $0.73$ $0.73$ $5$ $2.72$ $4.02$ ADSs used in computing diluted net income attributable toADS used in computing diluted net income attributable to $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable											
Total operating expenses $51,727$ $65,329$ $79,088$ $228,722$ $383,553$ Operating profit $37,817$ $29,436$ $40,075$ $130,853$ $161,322$ Interest income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2.954$ Other income $5,217$ $5,879$ $4,432$ $17,169$ $15,444$ Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2.954$ Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income before income/(loss) attributable to non-controlling interests $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ $0.74$ $2.78$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$			-		-		-		-		40,324
Interest income       5,217       5,879       4,432       17,169       15,444         Foreign currency exchange gain       2,747       518       963       5,108       2,954         Other income       5,463       2,691       1,064       15,523       64,962         Income before income tax expense       51,244       38,524       46,533       168,653       24,662         Income before income tax (expense)/ benefit       (9,356)       519       (8,317)       (21,583)       (54,055)         Net income       41,888       39,043       38,217       147,070       190,627         Less: Net income/(loss) attributable to non-controlling interests       869       339       (248)       2,123       (22,157)         Net income attributable to Changyou.com Limited $$0.78$ 0.74 $$0.74$ $$2.78$ $$4.06$ ADSs used in computing basic net income attributable to $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$ ADSs used in computing diluted net income attributable to $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$ <td></td> <td>_</td> <td>51,727</td> <td>_</td> <td>65,329</td> <td></td> <td>79,088</td> <td>-</td> <td>228,722</td> <td>_</td> <td>383,553</td>		_	51,727	_	65,329		79,088	-	228,722	_	383,553
Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2.954$ Other income $5,463$ $2,691$ $1,064$ $15,523$ $64,962$ Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $224,682$ Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited $$0.78$ $0.74$ $$0.74$ $$2.78$ $$4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$ ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$	Operating profit		37,817		29,436		40,075		130,853		161,322
Foreign currency exchange gain $2,747$ $518$ $963$ $5,108$ $2.954$ Other income $5,463$ $2,691$ $1,064$ $15,523$ $64,962$ Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $224,682$ Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited $$0.78$ $0.74$ $$0.74$ $$2.78$ $$4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$ ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS $$0.77$ $$0.73$ $$0.73$ $$2.72$ $$4.02$	Interest income		5 217		5 879		4 432		17 169		15 444
Other income $5,463$ $2,691$ $1,064$ $15,523$ $64,962$ Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited\$ $0.78$ \$ $0.74$ \$ $2.78$ \$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS $$0.77$0.73$2.72$4.02ADSs used in computing diluted net income attributable toChangyou.com Limited perADS$0.77$0.73$2.72$4.02ADSs used in computing diluted net income attributable to52,33152,29252,16452,28052,462Diluted net income attributable toChangyou.com Limited perADS$0.77$0.73$2.72$4.02ADSs used in computing diluted net income attributable to$0.77$0.73$2.72$4.02$					,						
Income before income tax expense $51,244$ $38,524$ $46,534$ $168,653$ $244,682$ Income tax (expense)/ benefit(9,356)519(8,317)(21,583)(54,055)Net income $41,888$ $39,043$ $38,217$ $147,070$ $190,627$ Less: Net income/(loss) attributable to non-controlling interests869 $339$ (248) $2,123$ (22,157)Net income attributable to Changyou.com Limited\$ $0.78$ $0.74$ \$ $0.74$ \$ $2.78$ \$Basic net income attributable to Changyou.com Limited per ADS $0.78$ $0.74$ \$ $0.74$ \$ $2.78$ \$ $4.06$ ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS\$ $0.77$ \$ $0.73$ \$ $2.72$ \$ $4.02$ ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS\$ $0.77$ \$ $0.73$ \$ $2.72$ \$ $4.02$			,								
Income tax (expense)/ benefit $(9,356)$ $519$ $(8,317)$ $(21,583)$ $(54,055)$ Net income41,88839,04338,217147,070190,627Less: Net income/(loss) attributable to non-controlling interests $869$ $339$ $(248)$ $2,123$ $(22,157)$ Net income attributable to Changyou.com Limited\$0.78\$0.74\$2.78\$4.06ADSs used in computing basic net income attributable to Changyou.com Limited per ADS $52,331$ $52,292$ $52,164$ $52,280$ $52,462$ Diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02				-				-		_	
Net income Less: Net income/(loss) attributable to non-controlling interests41,88839,04338,217147,070190,627Net income attributable to Changyou.com Limited\$69339(248)2,123(22,157)Net income attributable to Changyou.com Limited per ADS\$0.780.74\$0.74\$2.78\$4.06ADSs used in computing basic net income attributable to Changyou.com Limited per ADS\$2,33152,29252,16452,28052,462Diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02	•		,		,						,
interests869339(248)2,123(22,157)Net income attributable to Changyou.com Limited\$41,019\$38,704\$212,784Basic net income attributable to Changyou.com Limited per ADS0.780.74\$0.74\$2.78\$ADSs used in computing basic net income attributable to Changyou.com Limited per ADS52,33152,29252,16452,28052,462Diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02ADSs used in computing diluted net income attributable to\$0.77\$0.73\$2.72\$4.02	Net income			-	39,043			-	147,070		190,627
Net income attributable to Changyou.com Limited\$41,019\$38,704\$38,465\$144,947\$212,784Basic net income attributable to Changyou.com Limited per ADS\$0.78\$0.74\$0.74\$2.78\$4.06ADSs used in computing basic net income attributable to Changyou.com Limited per ADS52,33152,29252,16452,28052,462Diluted net income attributable to Changyou.com Limited per ADS\$0.77\$0.73\$2.72\$4.02ADSs used in computing diluted net income attributable to ADS\$0.77\$0.73\$2.72\$4.02	Less: Net income/(loss) attributable to non-controlling										
Basic net income attributable to Changyou.com Limited per ADS       0.78       0.74       0.74       2.78       4.06         ADSs used in computing basic net income attributable to Changyou.com Limited per ADS       52,331       52,292       52,164       52,280       52,462         Diluted net income attributable to Changyou.com Limited per ADS       \$       0.77       \$       0.73       \$       2.72       \$       4.02         ADSs used in computing diluted net income attributable to       \$       0.77       \$       0.73       \$       2.72       \$       4.02	interests		869	_	339		(248)	-	2,123	_	(22,157)
ADSs used in computing basic net income attributable to Changyou.com Limited per ADS       52,331       52,292       52,164       52,280       52,462         Diluted net income attributable to Changyou.com Limited per ADS       \$ 0.77 \$ 0.73 \$ 0.73 \$ 2.72 \$ 4.02         ADSs used in computing diluted net income attributable to	Net income attributable to Changyou.com Limited	\$	41,019	\$_	38,704	5	\$ 38,465	\$	144,947	\$_	212,784
Changyou.com Limited per ADS       52,331       52,292       52,164       52,280       52,462         Diluted net income attributable to Changyou.com Limited per ADS       \$ 0.77 \$ 0.73 \$ 0.73 \$ 2.72 \$ 4.02         ADSs used in computing diluted net income attributable to	Basic net income attributable to Changyou.com Limited per ADS	\$	0.78	\$	0.74	5	\$ 0.74	\$	2.78	\$	4.06
Changyou.com Limited per ADS       52,331       52,292       52,164       52,280       52,462         Diluted net income attributable to Changyou.com Limited per ADS       \$ 0.77 \$ 0.73 \$ 0.73 \$ 2.72 \$ 4.02         ADSs used in computing diluted net income attributable to	ADSs used in computing basic net income attributable to										
ADS       \$ 0.77 \$ 0.73 \$ 0.73 \$ 2.72 \$ 4.02         ADSs used in computing diluted net income attributable to       \$ 0.77 \$ 0.73	Changyou.com Limited per ADS	_	52,331	=	52,292		52,164	-	52,280	=	52,462
ADS       \$ 0.77 \$ 0.73 \$ 0.73 \$ 2.72 \$ 4.02         ADSs used in computing diluted net income attributable to	Diluted net income attributable to Changvou.com Limited per										
		\$	0.77	\$_	0.73		\$0.73	\$	2.72	\$_	4.02
	ADSs used in computing diluted net income attributable to										
	Changyou.com Limited per ADS	_	53,346	=	53,219		52,846	=	53,139	=	52,881



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

	As of 1	Dec. 31, 2016	As of Dec. 31, 2015	
ASSETS				
Current assets:				
Cash and cash equivalents	\$	597,188	\$	569,917
Accounts receivable, net		47,150		67,959
Short-term investments		233,491		174,515
Restricted time deposits <sup>1</sup>		-		227,285
Prepaid and other current assets		484,995		227,719
Assets held for sale <sup>2</sup>		103,079		-
Total current assets		1,465,903		1,267,395
Non-current assets:		, <u>,</u>		<u> </u>
Fixed assets, net		189,770		214,306
Goodwill <sup>12</sup>		26,502		111,082
Intangible assets, net		12,335		25,139
Restricted time deposits <sup>11</sup>		-		127,454
Deferred tax assets <sup>3</sup>		7,952		17,402
Other assets, net		5,575		16,728
Total non-current assets		242,134		512,111
TOTAL ASSETS	\$	1,708,037	\$	1,779,506
LIABILITIES				
Current liabilities:				
Receipts in advance and deferred revenue	\$	43,541	\$	42,166
Accounts payable and accrued liabilities	Ŧ	460,674	-	275,926
Short-term bank loans <sup>11</sup>				344,500
Tax payables		8,381		27,423
Liabilities held for sale <sup>12</sup>		3,902		
Total current Liabilities		516,498		690,015
Long-term liabilities:		010,000		0,0,010
Long-term deferred tax liabilities <sup>13</sup>		29,336		28,500
Long-term accounts payable		-		1,004
Long-term tax payable		13,295		-
Other long-term liabilities		744		738
Total long-term liabilities		43,375		30,242
Total liabilities		559,873		720,257
SHAREHOLDERS' EQUITY				
Changyou.com Limited shareholders' equity		1,117,767		1,029,479
Non-controlling interests		30,397		29,770
Total shareholders' equity		1,148,164		1,059,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	1,708,037	\$	1,779,506

<sup>&</sup>lt;sup>1</sup> Changyou repaid all of the remaining bank loans of \$345 million, and restricted time deposits of \$355 million that secured these loans were released during the first quarter of 2016.

<sup>&</sup>lt;sup>2</sup> Changyou management had an intention to divest the Company's interest in MoboTap in the third quarter of 2016. Therefore, the assets and liabilities of MoboTap were recognized as "Assets held for sale" and "Liabilities held for sale," respectively, since the third quarter of 2016.

<sup>&</sup>lt;sup>3</sup> The Company early adopted the Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes, retrospectively from the fourth quarter of 2016. The guidance requires current deferred income tax assets and liabilities to be classified as non-current assets and liabilities in balance sheet. As a result of the adoption of this guidance, \$4.7 million of current deferred tax assets recorded in prepaid and other current assets, and \$24.9 million of deferred tax liabilities were reclassified to non-current as of December 31, 2015.

## 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 Dec. 31, 2016

Non-GAAP adjustments

### Share-based

	GAAP	compensation expense (a)	Non-GAAP
Online game gross profit	\$ 74,464	(5)	74,459
Online advertising gross profit	5,533	0	5,533
Cinema advertising gross profit	6,919	0	6,919
IVAS gross profit	2,628	0	2,628
Gross profit	\$ 89,544	(5)	89,539
Gross margin	 69%		69%
Operating expenses	51,727	933	52,660
Operating profit	\$ 37,817	(938)	36,879
Operating margin	 29%		28%
Income tax expense	(9,356)	0	(9,356)
Net income	\$ 41,888	(938)	40,950
Less: Net income attributable to non-controlling interests	869	8	877
Net income attributable to Changyou.com Limited	\$ 41,019	(946)	40,073
Net margin attributable to Changyou.com Limited	 31%		31%

Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.77	0.75
ADSs used in computing diluted net income attributable to		
Changyou.com Limited per ADS	 53,346	53,785

(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.

## 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 Sep. 30, 2016

Non-GAAP adjustments

		Share-based				
		GAAP	compensation expense (a)	Non-GAAP		
Online game gross profit	\$	74,834	26	74,860		
Online advertising gross profit		8,890	0	8,890		
Cinema advertising gross profit		9,152	0	9,152		
IVAS gross profit		1,889	0	1,889		
Gross profit	\$	94,765	26	94,791		
Gross margin	_	70%		70%		
Operating expenses		65,329	(7,176)	58,153		
Operating profit	\$	29,436	7,202	36,638		
Operating margin		22%		27%		
Income tax benefit		519	0	519		
Net income	\$	39,043	7,202	46,245		
Less: Net income attributable to non-controlling interests		339	8	347		
Net income attributable to Changyou.com Limited	\$	38,704	7,194	45,898		

Net margin attributable to Changyou.com Limited	28%	34%
Diluted net income attributable to Changyou.com Limited per ADS \$	0.73	0.85
ADSs used in computing diluted net income attributable to		
Changyou.com Limited per ADS	53,219	53,796

(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 Dec. 31, 2015					
		Non-GAAP adjustments				
		Share-based				
	GAAP	compensation expense (a)	Non-GAAP			
Online game gross profit	\$ 98,735	47	98,782			
Online advertising gross profit	12,483	0	12,483			
Cinema advertising gross profit	5,112	0	5,112			
IVAS gross profit	2,833	(2)	2,831			
Gross profit	\$ 119,163	45	119,208			
Gross margin	 74%		74%			

Operating expenses		79,088	(7,449)	71,639
Operating profit	\$	40,075	7,494	47,569
Operating margin		25%		29%
Income tax expense		(8,317)	0	(8,317)
Net income	\$	38,217	7,494	45,711
Less: Net loss attributable to non-controlling interests		(248)	(43)	(291)
Net income attributable to Changyou.com Limited	\$	38,465	7,537	46,002
Net margin attributable to Changyou.com Limited		24%		28%
Diluted net income attributable to Changyou.com Limited per A	DS \$	0.73		0.85
ADSs used in computing diluted net income attributable to				
Changyou.com Limited per ADS		52,846		53,928

(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)

Twelve Months Ended Dec. 31, 2016

Non-GAAP adjustments

	Share-based					
	GAAP	compensation expense (a)	Non-GAAP			
Online game gross profit	\$ 299,537	31	299,568			
Online advertising gross profit	29,305	0	29,305			
Cinema advertising gross profit	22,583	0	22,583			
IVAS gross profit	8,150	0	8,150			
Gross profit	\$ 359,575	31	359,606			
Gross margin	 68%		68%			
Operating expenses	228,722	(8,371)	220,351			
Operating profit	\$ 130,853	8,402	139,255			
Operating margin	 25%		27%			
Income tax expense	(21,583)	0	(21,583)			
Net income	\$ 147,070	8,402	155,472			
Less: Net income attributable to non-controlling interests	 2,123	33	2,156			
Net income attributable to Changyou.com Limited	\$ 144,947	8,369	153,316			

Net margin attributable to Changyou.com Limited	28%	29%
Diluted net income per ADS attributable to Changyou.com Limited \$	2.72	2.85
ADSs used in computing diluted net income per ADS attributable		
to Changyou.com Limited	53,139	53,803

(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)

Twelve Months Ended Dec. 31, 2015

Non-GAAP adjustments

#### Share-based

	GAAP	compensation expense (a)	Non-GAAP
Online game gross profit	\$ 480,528	37	480,565
Online advertising gross profit	46,267	0	46,267
IVAS gross profit	4,738	(2)	4,736
Other gross profit	13,342	0	13,342
Gross profit	\$ 544,875	35	544,910
Gross margin	72%		72%

Operating expenses	383,553	(14,989)	368,564
Operating profit	\$ 161,322	15,024	176,346
Operating margin	21%		23%
Income tax expense	(54,055)	0	(54,055)
Net income	\$ 190,627	15,024	205,651
Less: Net loss attributable to non-controlling interests	(22,157)	14	(22,143)
Net income attributable to Changyou.com Limited	\$ 212,784	15,010	227,794
Net margin attributable to Changyou.com Limited	28%		30%
Diluted net income per ADS attributable to Changyou.com Limited	\$ 4.02		4.20
ADSs used in computing diluted net income per ADS attributable to			
Changyou.com Limited	 52,881		54,280

\_

\_

#### Note:

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