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

	Three Months Ended		
	Jun. 30, 2017	Mar. 31, 2017	Jun. 30, 2016
Revenue:			
Online game	\$ 122,398	\$ 85,325	\$ 99,226
Online advertising	7,076	5,854	11,541
Cinema advertising	17,360	24,600	13,549
IVAS	3,527	4,091	4,844
Total revenue	<u>150,361</u>	<u>119,870</u>	<u>129,160</u>
Cost of revenue:			
Online game (includes share-based compensation expense of \$44, \$24, and \$17 respectively)	11,612	16,505	25,383
Online advertising	1,705	1,620	2,370
Cinema advertising	19,627	18,203	11,017
IVAS	2,078	2,784	3,114
Total cost of revenue	<u>35,022</u>	<u>39,112</u>	<u>41,884</u>
Gross profit	115,339	80,758	87,276
Operating expense:			
Product development (includes share-based compensation expense of \$3,500, \$2,004, and \$1,334 respectively)	35,726	26,408	31,112
Sales and marketing (includes share-based compensation expense of \$719, \$401, and \$299 respectively)	12,501	10,937	13,353
General and administrative (includes share-based compensation expense of \$5,219, \$3,104, and \$1,762 respectively)	13,606	11,895	13,668
Total operating expense	<u>61,833</u>	<u>49,240</u>	<u>58,133</u>
Operating profit	53,506	31,518	29,143
Interest income	7,106	5,343	3,233
Foreign currency exchange (loss)/gain	(1,558)	(742)	2,450
Other income, net	2,586	2,267	3,522
Income before income tax expense	61,640	38,386	38,348
Income tax expense	(10,060)	(8,425)	(5,012)
Net income	51,580	29,961	33,336
Less: Net income attributable to non-controlling interests	36	103	402
Net income attributable to Changyou.com Limited	\$ 51,544	\$ 29,858	\$ 32,934
Basic net income attributable to Changyou.com Limited per ADS	<u>\$ 0.98</u>	<u>\$ 0.57</u>	<u>\$ 0.63</u>
ADSs used in computing basic net income attributable to Changyou.com Limited per ADS	<u>52,607</u>	<u>52,380</u>	<u>52,254</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.96</u>	<u>\$ 0.56</u>	<u>\$ 0.62</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,480</u>	<u>53,435</u>	<u>53,113</u>



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

	<u>As of Jun. 30, 2017</u>	<u>As of Dec. 31, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 518,439	\$ 597,188
Accounts receivable, net	94,119	47,150
Short-term investments	301,442	233,491
Prepaid and other current assets	604,437	484,995
Assets held for sale ¹	-	103,079
Total current assets	1,518,437	1,465,903
Non-current assets:		
Fixed assets, net	188,937	189,770
Goodwill ⁶	110,363	26,502
Intangible assets, net	14,200	12,335
Deferred tax assets	7,724	7,952
Other assets, net	6,694	5,575
Total non-current assets	327,918	242,134
TOTAL ASSETS	\$ 1,846,355	\$ 1,708,037
LIABILITIES		
Current liabilities:		
Receipts in advance and deferred revenue	\$ 42,461	\$ 43,541
Accounts payable and accrued liabilities	472,777	460,674
Tax payables	14,904	8,381
Liabilities held for sale ⁶	-	3,902
Total current Liabilities	530,142	516,498
Long-term liabilities:		
Long-term deferred tax liabilities	31,556	29,336
Long-term tax payable	13,613	13,295
Other long-term liabilities	1,060	744
Total long-term liabilities	46,229	43,375
Total liabilities	576,371	559,873
SHAREHOLDERS' EQUITY		
Changyou.com Limited shareholders' equity	1,239,517	1,117,767
Non-controlling interests	30,467	30,397
Total shareholders' equity	1,269,984	1,148,164
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,846,355	\$ 1,708,037

¹In the third quarter of 2016, the Company's management had an intention to divest the Company's interest in MoboTap. Therefore, the assets and liabilities of MoboTap were recognized as assets-held-for-sale and liabilities-held-for-sale, respectively, in the Company's financial statements for the third and fourth quarters of 2016. In the first quarter of 2017, due to the suspension of negotiations with the potential buyers of MoboTap, the Company's management determined that the disposal is unlikely to be completed within one year. As a result, the assets-held-for-sale and liabilities-held-for-sale related to MoboTap have been reclassified as assets and liabilities, in the Company's balance sheet as of June 30, 2017.

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, 2017		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
Online game gross profit	\$ 110,786	44	110,830
Online advertising gross profit	5,371	0	5,371
Cinema advertising gross loss	(2,267)	0	(2,267)
IVAS gross profit	1,449	0	1,449
Gross profit	\$ 115,339	44	115,383
Gross margin	77%		77%
Operating expense	61,833	(9,438)	52,395
Operating profit	\$ 53,506	9,482	62,988
Operating margin	36%		42%
Income tax expense	10,060	0	10,060
Net income	\$ 51,580	9,482	61,062
Less: Net income attributable to non-controlling interests	36	3	39
Net income attributable to Changyou.com Limited	\$ 51,544	9,479	61,023
Net margin attributable to Changyou.com Limited	34%		41%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.96		1.14
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	53,480		53,749

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, 2017		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
Online game gross profit	\$ 68,820	24	68,844
Online advertising gross profit	4,234	0	4,234
Cinema advertising gross profit	6,397	0	6,397
IVAS gross profit	1,307	0	1,307
Gross profit	\$ 80,758	24	80,782
Gross margin	67%		67%
Operating expense	49,240	(5,509)	43,731
Operating profit	\$ 31,518	5,533	37,051
Operating margin	26%		31%
Income tax expense	8,425	0	8,425
Net income	\$ 29,961	5,533	35,494
Less: Net income attributable to non-controlling interests	103	3	106
Net income attributable to Changyou.com Limited	\$ 29,858	5,530	35,388
Net margin attributable to Changyou.com Limited	25%		30%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.56		0.66
ADSS used in computing diluted net income attributable to Changyou.com Limited per ADS	53,435		53,771

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
Cinema advertising gross profit	2,532	0	2,532
IVAS gross profit	1,730	0	1,730
Gross profit	<u>\$ 87,276</u>	<u>17</u>	<u>87,293</u>
Gross margin	68%		68%
Operating expense	<u>58,133</u>	<u>(3,395)</u>	<u>54,738</u>
Operating profit	<u>\$ 29,143</u>	<u>3,412</u>	<u>32,555</u>
Operating margin	<u>23%</u>		<u>25%</u>
Income tax expense	5,012	0	5,012
Net income	<u>\$ 33,336</u>	<u>3,412</u>	<u>36,748</u>
Less: Net income attributable to non-controlling interests	<u>402</u>	<u>8</u>	<u>410</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>