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

	Three Months Ended		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
<b>Revenue:</b>			
Online game	\$ 105,461	\$ 109,383	\$ 85,325
Online advertising	5,077	6,131	5,854
Cinema advertising	24,870	25,492	24,600
IVAS	1,797	3,452	4,091
Total revenue	<u>137,205</u>	<u>144,458</u>	<u>119,870</u>
<b>Cost of revenue:</b>			
Online game (includes share-based compensation expense of \$(12), \$1 and \$24 respectively)	17,119	17,097	16,505
Online advertising	1,491	1,674	1,620
Cinema advertising	22,729	24,509	18,203
IVAS	1,603	2,407	2,784
Total cost of revenue	<u>42,942</u>	<u>45,687</u>	<u>39,112</u>
<b>Gross profit</b>	<b>94,263</b>	<b>98,771</b>	<b>80,758</b>
<b>Operating expenses:</b>			
Product development (includes share-based compensation expense of \$(935), \$69 and \$2,004, respectively)	33,793	33,027	26,408
Sales and marketing (includes share-based compensation expense of \$(199), \$29 and \$401 respectively)	15,237	19,949	10,937
General and administrative (includes share-based compensation expense of \$(1,279), \$71 and \$3,104 respectively)	7,890	10,520	11,895
Total operating expenses	<u>56,920</u>	<u>63,496</u>	<u>49,240</u>
<b>Operating profit</b>	<b>37,343</b>	<b>35,275</b>	<b>31,518</b>
Interest income, net	7,647	7,687	5,343
Foreign currency exchange loss	(2,811)	(1,312)	(742)
Other income, net	5,441	3,940	2,267
<b>Income before income tax expense</b>	<b>47,620</b>	<b>45,590</b>	<b>38,386</b>
Income tax expense	61,059	11,489	8,425
<b>Net income/ (loss)</b>	<b>(13,439)</b>	<b>34,101</b>	<b>29,961</b>
Less: Net income/(loss) attributable to non-controlling interests	(281)	(105)	103
<b>Net income/ (loss) attributable to Changyou.com Limited</b>	<b>\$ (13,158)</b>	<b>\$ 34,206</b>	<b>\$ 29,858</b>
Basic net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ (0.25)</u>	<u>\$ 0.65</u>	<u>\$ 0.57</u>
ADSs used in computing basic net income attributable to Changyou.com Limited per ADS	<u>52,734</u>	<u>52,709</u>	<u>52,380</u>
Diluted net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ (0.25)</u>	<u>\$ 0.64</u>	<u>\$ 0.56</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>52,734</u>	<u>53,544</u>	<u>53,435</u>



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

	<u>As of Mar. 31, 2018</u>	<u>As of Dec. 31, 2017</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 729,318	\$ 571,139
Restricted cash	2,140	2,020
Accounts receivable, net	80,121	91,636
Short-term investments	321,844	404,584
Prepaid and other current assets	576,433	528,085
<b>Total current assets</b>	<b><u>1,709,856</u></b>	<b><u>1,597,464</u></b>
<b>Non-current assets:</b>		
Fixed assets, net	194,457	189,947
Goodwill	28,179	27,504
Intangible assets, net	6,205	8,460
Deferred tax assets	10,519	10,100
Other assets, net	59,610	88,548
<b>Total non-current assets</b>	<b><u>298,970</u></b>	<b><u>324,559</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,008,826</u></b>	<b><u>\$ 1,922,023</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Receipts in advance and deferred revenue	\$ 41,842	\$ 42,917
Accounts payable and accrued liabilities	499,472	494,934
Tax payables	19,430	19,468
<b>Total current Liabilities</b>	<b><u>560,744</u></b>	<b><u>557,319</u></b>
<b>Long-term liabilities:</b>		
Deferred tax liabilities	86,307	34,443
Long-term tax payable	14,666	14,114
Other long-term liabilities	821	790
<b>Total long-term liabilities</b>	<b><u>101,794</u></b>	<b><u>49,347</u></b>
<b>Total liabilities</b>	<b><u>662,538</u></b>	<b><u>606,666</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Changyou.com Limited shareholders' equity	1,345,331	1,312,005
Non-controlling interests	957	3,352
<b>Total shareholders' equity</b>	<b><u>1,346,288</u></b>	<b><u>1,315,357</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 2,008,826</u></b>	<b><u>\$ 1,922,023</u></b>

**CHANGYOU.COM LIMITED**

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

**(UNAUDITED, IN THOUSANDS, EXCEPT PER ADS AMOUNTS)**

	<b>Three Months Ended Mar. 31, 2018</b>		
	<b>Non-GAAP adjustments (a)</b>		
	<b>GAAP</b>	<b>Share-based compensation expense (b)</b>	<b>Non-GAAP</b>
Online game gross profit	\$ 88,342	(12)	88,330
Online advertising gross profit	3,586	-	3,586
Cinema advertising gross profit	2,141	-	2,141
IVAS gross profit	194	-	194
Gross profit	<b>\$ 94,263</b>	<b>(12)</b>	<b>94,251</b>
Gross margin	69%		69%
Operating expense	56,920	2,413	59,333
Operating profit	<b>\$ 37,343</b>	<b>(2,425)</b>	<b>34,918</b>
Operating margin	27%		25%
Income tax expense	61,059		61,059
Net loss	<b>\$ (13,439)</b>	<b>(2,425)</b>	<b>(15,864)</b>
Less: Net loss attributable to non-controlling interests	(281)	-	(281)
Net loss attributable to Changyou.com Limited	<b>\$ (13,158)</b>	<b>(2,425)</b>	<b>(15,583)</b>
Net margin attributable to Changyou.com Limited	(10%)		(11%)
Diluted net loss attributable to Changyou.com Limited per ADS	<b>\$ (0.25)</b>		<b>(0.30)</b>
ADSs used in computing diluted net loss attributable to Changyou.com Limited per ADS	<b>52,734</b>		<b>52,734</b>

Note:

(a) The Non-GAAP adjustment does not have an impact on income tax expense.

(b) 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 fluctuations 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)**

	<b>Three Months Ended Dec. 31, 2017</b>		
	<b>Non-GAAP adjustments</b>		
	<b>GAAP</b>	<b>Share-based compensation expense</b>	<b>Non-GAAP</b>
Online game gross profit	\$ 92,286	1	92,287
Online advertising gross profit	4,457	-	4,457
Cinema advertising gross profit	983	-	983
IVAS gross profit	1,045	-	1,045
Gross profit	\$ 98,771	1	98,772
Gross margin	68%		68%
Operating expense	63,496	(169)	63,327
Operating profit	\$ 35,275	170	35,445
Operating margin	24%		25%
Income tax expense	11,489		11,489
Net income	\$ 34,101	170	34,271
Less: Net loss attributable to non-controlling interests	(105)	3	(102)
Net income attributable to Changyou.com Limited	\$ 34,206	167	34,373
Net margin attributable to Changyou.com Limited	24%		24%
Diluted net income attributable to Changyou.com Limited per ADS	\$ 0.64		0.64
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	53,544		53,701

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