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

	Three Months Ended		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
<b>Revenue:</b>			
Online game	\$ 99,054	\$ 94,106	\$ 105,461
Online advertising	3,382	4,198	5,077
Cinema advertising	20,109	17,917	24,870
IVAS	763	1,550	1,797
Total revenue	<u>123,308</u>	<u>117,771</u>	<u>137,205</u>
<b>Cost of revenue:</b>			
Online game (includes share-based compensation expense/ (benefit) of \$0, \$7 and \$(12), respectively)	14,362	14,499	17,119
Online advertising	1,194	1,239	1,491
Cinema advertising	18,683	23,520	22,729
IVAS	1,043	1,310	1,603
Total cost of revenue	<u>35,282</u>	<u>40,568</u>	<u>42,942</u>
<b>Gross profit</b>	<b>88,026</b>	<b>77,203</b>	<b>94,263</b>
<b>Operating expenses:</b>			
Product development (includes share-based compensation expense/ (benefit) of \$0, \$492 and \$(935), respectively)	30,961	32,566	33,793
Sales and marketing (includes share-based compensation expense/ (benefit) of \$0, \$121 and \$(199), respectively)	10,579	11,990	15,237
General and administrative (includes share-based compensation expense/ (benefit) of \$9, \$620 and \$(1,279), respectively)	5,311	8,129	7,890
Goodwill impairment and impairment of intangible assets acquired as part of acquisition of a business	-	16,369	-
Total operating expenses	<u>46,851</u>	<u>69,054</u>	<u>56,920</u>
<b>Operating profit</b>	<b>41,175</b>	<b>8,149</b>	<b>37,343</b>
Interest income, net	2,473	6,655	7,647
Foreign currency exchange gain/ (loss)	137	67	(2,811)
Other income, net	3,609	3,172	5,441
<b>Income before income tax expense</b>	<b>47,394</b>	<b>18,043</b>	<b>47,620</b>
Income tax expense	10,698	7,981	61,059
<b>Net income/ (loss)</b>	<b>36,696</b>	<b>10,062</b>	<b>(13,439)</b>
Less: Net loss attributable to non-controlling interests	(203)	(84)	(281)
<b>Net income/ (loss) attributable to Changyou.com Limited</b>	<b>\$ 36,899</b>	<b>\$ 10,146</b>	<b>\$ (13,158)</b>
Basic net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ 0.69</u>	<u>\$ 0.19</u>	<u>\$ (0.25)</u>
ADSs used in computing basic net income/ (loss) attributable to Changyou.com Limited per ADS	<u>53,251</u>	<u>53,233</u>	<u>52,734</u>
Diluted net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ 0.69</u>	<u>\$ 0.19</u>	<u>\$ (0.25)</u>
ADSs used in computing diluted net income/ (loss) attributable to Changyou.com Limited per ADS	<u>53,665</u>	<u>53,656</u>	<u>52,734</u>



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

	<u>As of Mar. 31, 2019</u>	<u>As of Dec. 31, 2018</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 439,211	\$ 454,534
Restricted cash	4,866	4,775
Accounts receivable, net	56,363	57,389
Short-term investments	193,925	190,068
Prepaid and other current assets	<u>904,148</u>	<u>721,059</u>
<b>Total current assets</b>	<b><u>1,598,513</u></b>	<b><u>1,427,825</u></b>
<b>Non-current assets:</b>		
Fixed assets, net	171,870	170,746
Goodwill	10,257	10,257
Intangible assets, net	12,673	13,904
Deferred tax assets	13,721	13,467
Restricted time deposits	178,213	243,910
Other assets, net	<u>60,387</u>	<u>85,375</u>
<b>Total non-current assets</b>	<b><u>447,121</u></b>	<b><u>537,659</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,045,634</u></b>	<b><u>\$ 1,965,484</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Receipts in advance and deferred revenue	\$ 41,045	\$ 45,343
Accounts payable and accrued liabilities	845,600	753,071
Tax payables	<u>21,908</u>	<u>18,211</u>
<b>Total current liabilities</b>	<b><u>908,553</u></b>	<b><u>816,625</u></b>
<b>Long-term liabilities:</b>		
Deferred tax liabilities	86,039	83,026
Long-term tax payable	13,696	13,438
Long-term bank loans	139,980	220,000
Other long-term liabilities	<u>2,461</u>	<u>751</u>
<b>Total long-term liabilities</b>	<b><u>242,176</u></b>	<b><u>317,215</u></b>
<b>Total liabilities</b>	<b><u>1,150,729</u></b>	<b><u>1,133,840</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Changyou.com Limited shareholders' equity	893,199	829,735
Non-controlling interests	<u>1,706</u>	<u>1,909</u>
<b>Total shareholders' equity</b>	<b><u>894,905</u></b>	<b><u>831,644</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 2,045,634</u></b>	<b><u>\$ 1,965,484</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, 2019</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	\$ 84,692	-	84,692
Online advertising gross profit	2,188	-	2,188
Cinema advertising gross profit	1,426	-	1,426
IVAS gross loss	(280)	-	(280)
Gross profit	<u>\$ 88,026</u>	<u>-</u>	<u>88,026</u>
Gross margin	71%		71%
Operating expenses	46,851	(9)	46,842
Operating profit	<u>\$ 41,175</u>	<u>9</u>	<u>41,184</u>
Operating margin	33%		33%
Income tax expense	10,698		10,698
Net income	<u>\$ 36,696</u>	<u>9</u>	<u>36,705</u>
Less: Net loss attributable to non-controlling interests	(203)	-	(203)
Net income attributable to Changyou.com Limited	<u>\$ 36,899</u>	<u>9</u>	<u>36,908</u>
Net margin attributable to Changyou.com Limited	30%		30%
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.69</u>		<u>0.69</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,665</u>		<u>53,680</u>

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.

**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, 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	\$ 79,607	7	79,614
Online advertising gross profit	2,959	-	2,959
Cinema advertising gross loss	(5,603)	-	(5,603)
IVAS gross profit	240	-	240
Gross profit	<u>\$ 77,203</u>	<u>7</u>	<u>77,210</u>
Gross margin	66%		66%
Operating expenses	69,054	(1,233)	67,821
Operating profit	<u>\$ 8,149</u>	<u>1,240</u>	<u>9,389</u>
Operating margin	<u>7%</u>		<u>8%</u>
Income tax expense	7,981		7,981
Net income	<u>\$ 10,062</u>	<u>1,240</u>	<u>11,302</u>
Less: Net loss attributable to non-controlling interests	(84)	-	(84)
Net income attributable to Changyou.com Limited	<u>\$ 10,146</u>	<u>1,240</u>	<u>11,386</u>
Net margin attributable to Changyou.com Limited	<u>9%</u>		<u>10%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.19</u>		<u>0.21</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,656</u>		<u>53,682</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)**

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

Note:

(c) 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.