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

	Three Months Ended		
	Sep. 30, 2015	Jun. 30, 2015	Sep. 30, 2014
Revenues:			
Online game	\$ 152,501	\$ 172,350	\$ 150,338
Online advertising	18,255	15,143	16,718
IVAS	5,400	6,270	7,357
Others	12,719	8,391	6,406
Total revenues	<u>188,875</u>	<u>202,154</u>	<u>180,819</u>
Cost of revenues:			
Online game (includes share-based compensation expense of \$(97), \$43 and \$58 respectively)	34,637	43,929	33,949
Online advertising	2,572	3,232	4,289
IVAS	4,175	5,384	6,668
Others	7,342	7,132	5,430
Total cost of revenues	<u>48,726</u>	<u>59,677</u>	<u>50,336</u>
Gross profit	140,149	142,477	130,483
Operating expenses:			
Product development (includes share-based compensation expense of \$(621), \$2,194 and \$166 respectively)	39,557	41,952	52,993
Sales and marketing (includes share-based compensation expense of \$280, \$268 and \$13 respectively)	21,919	33,091	52,943
General and administrative (includes share-based compensation expense of \$(3,027), \$4,586 and \$277 respectively)	14,714	22,367	27,109
Goodwill impairment and impairment of intangibles via acquisitions of businesses	40,324	0	0
Total operating expenses	<u>116,514</u>	<u>97,410</u>	<u>133,045</u>
Operating profit/(loss)	23,635	45,067	(2,562)
Interest income	3,279	4,095	4,642
Foreign currency exchange gain/ (loss)	2,335	(160)	(599)
Other income (a)	58,555	1,905	283
Income before income tax expense	87,804	50,907	1,764
Income tax expense	(25,784)	(7,509)	(291)
Net income	62,020	43,398	1,473
Less: Net loss attributable to non-controlling interests	(19,098)	(1,515)	(1,850)
Net income attributable to Changyou.com Limited	\$ 81,118	\$ 44,913	\$ 3,323
Basic net income per ADS attributable to Changyou.com Limited	\$ 1.55	\$ 0.85	\$ 0.06
ADs used in computing basic net income per ADS attributable to Changyou.com Limited	<u>52,238</u>	<u>52,706</u>	<u>52,872</u>
Diluted net income per ADS attributable to Changyou.com Limited	\$ 1.55	\$ 0.84	\$ 0.06
ADs used in computing diluted net income per ADS attributable to Changyou.com Limited	<u>52,388</u>	<u>53,264</u>	<u>52,947</u>

Note:

(a) Other income in the third quarter of 2015 includes a one-off income related to the divestment of 7Road and certain overseas assets.



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

	<u>As of Sep. 30, 2015</u>	<u>As of Dec. 31, 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 430,509	\$ 220,794
Accounts receivable, net	64,735	77,969
Short-term investments	260,431	191,577
Restricted time deposits	241,680	282,186
Deferred tax assets	2,948	4,918
Prepaid and other current assets	202,485	29,927
Assets held for sale	10,080	0
Total current assets	<u>1,212,868</u>	<u>807,371</u>
Non-current assets:		
Fixed assets, net	221,242	243,837
Goodwill	111,443	258,997
Intangible assets, net	29,357	68,276
Restricted time deposits	130,105	135,256
Deferred tax assets	12,026	18,704
Other assets, net	18,697	15,524
Total non-current assets	<u>522,870</u>	<u>740,594</u>
TOTAL ASSETS	<u>\$ 1,735,738</u>	<u>\$ 1,547,965</u>
LIABILITIES		
Current liabilities:		
Receipts in advance and deferred revenue	\$ 44,115	\$ 39,178
Accounts payable and accrued liabilities	256,768	138,507
Short-term bank loans	25,500	25,500
Tax payables	20,942	18,471
Deferred tax liabilities	24,096	22,356
Current contingent consideration	0	3,935
Liabilities held for sale	1,251	0
Total current liabilities	<u>372,672</u>	<u>247,947</u>
Long-term liabilities:		
Long-term bank loans	319,000	344,500
Long-term contingent consideration	0	1,929
Long-term deferred tax liabilities	3,717	5,748
Long-term accounts payable	1,399	5,143
Total long-term liabilities	<u>324,116</u>	<u>357,320</u>
Total liabilities	<u>696,788</u>	<u>605,267</u>
SHAREHOLDERS' EQUITY		
Changyou.com Limited shareholders' equity	1,008,833	890,388
Non-controlling interests	30,117	52,310
Total shareholders' equity	<u>1,038,950</u>	<u>942,698</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,735,738</u>	<u>\$ 1,547,965</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)

	<u>Three Months Ended Sep. 30, 2015</u>		
	<u>Non-GAAP adjustments</u>		
	<u>GAAP</u>	<u>Share-based compensation expense (a)</u>	<u>Non-GAAP</u>
Online game gross profit	\$ 117,864	(97)	117,767
Online advertising gross profit	15,683	0	15,683
IVAS gross profit	1,225	0	1,225
Other gross profit	5,377	0	5,377
Gross profit	<u>\$ 140,149</u>	<u>(97)</u>	<u>140,052</u>
Gross margin	<u>74%</u>		<u>74%</u>
Operating profit	<u>\$ 23,635</u>	<u>(3,465)</u>	<u>20,170</u>
Operating margin	<u>13%</u>		<u>11%</u>
Net income	<u>\$ 62,020</u>	<u>(3,465)</u>	<u>58,555</u>
Net income attributable to Changyou.com Limited	<u>\$ 81,118</u>	<u>(3,484)</u>	<u>77,634</u>
Net margin attributable to Changyou.com Limited	<u>43%</u>		<u>41%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 1.55</u>		<u>1.43</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>52,388</u>		<u>54,155</u>

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 ADSs"

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	<u>\$ 142,477</u>	<u>43</u>	<u>142,520</u>
Gross margin	<u>70%</u>		<u>71%</u>
Operating profit	<u>\$ 45,067</u>	<u>7,091</u>	<u>52,158</u>
Operating margin	<u>22%</u>		<u>26%</u>
Net income	<u>\$ 43,398</u>	<u>7,091</u>	<u>50,489</u>
Net income attributable to Changyou.com Limited	<u>\$ 44,913</u>	<u>7,072</u>	<u>51,985</u>
Net margin attributable to Changyou.com Limited	<u>22%</u>		<u>26%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 0.84</u>		<u>0.95</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,264</u>		<u>54,989</u>

Note:

(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 Sep. 30, 2014		
	Non-GAAP adjustments		
	GAAP	Share-based compensation expense (a)	Non-GAAP
Online game gross profit	\$ 116,389	58	116,447
Online advertising gross profit	12,429	0	12,429
IVAS gross profit	689	0	689
Other gross profit	976	0	976
Gross profit	\$ 130,483	58	130,541
Gross margin	72%		72%
Operating loss	\$ (2,562)	514	(2,048)
Operating margin	(1%)		(1%)
Net income	\$ 1,473	514	1,987
Net income attributable to Changyou.com Limited	\$ 3,323	514	3,837
Net margin attributable to Changyou.com Limited	2%		2%
Diluted net income per ADS attributable to Changyou.com Limited	\$ 0.06		0.07
ADSs used in computing diluted net income per ADS attributable to Changyou.com Limited	52,947		53,049

Note:

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