



畅游
changyou

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

	Three Months Ended		
	Sep. 30, 2019	Jun. 30, 2019	Sep. 30, 2018
Revenue:			
Online game	\$ 108,012	\$ 102,147	\$ 95,971
Online advertising	2,832	4,022	4,872
IVAS	-	-	1,306
Total revenue	110,844	106,169	102,149
Cost of revenue:			
Online game (includes share-based compensation expense/ (benefit) of \$0, \$(17) and \$(3), respectively)	23,285	18,163	14,902
Online advertising	1,345	1,293	1,241
IVAS	-	150	1,155
Total cost of revenue	24,630	19,606	17,298
Gross profit	86,214	86,563	84,851
Operating expenses:			
Product development (includes share-based compensation expense/ (benefit) of \$0, \$(926) and \$(267), respectively)	27,874	30,372	29,326
Sales and marketing (includes share-based compensation expense/ (benefit) of \$0, \$(283) and \$(41), respectively)	17,870	10,596	7,173
General and administrative (includes share-based compensation expense/ (benefit) of \$(7), \$(639) and \$(533), respectively)	5,640	5,548	7,081
Total operating expenses	51,384	46,516	43,580
Operating profit	34,830	40,047	41,271
Interest income, net	3,996	3,778	3,136
Foreign currency exchange gain	1,375	1,022	1,785
Other income, net	5,914	1,876	9,123
Income before income tax expense	46,115	46,723	55,315
Income tax expense/ (benefit)	11,858	3,486	(12,347)
Net income from continuing operations	34,257	43,237	67,662
Net loss from discontinued operations, net of tax	(2,706)	(27,037)	(12,443)
Net income	31,551	16,200	55,219
Less: Net loss from continuing operations attributable to non-controlling interests	(29)	(74)	(20)
Net loss from discontinued operations attributable to non-controlling interests	-	-	-
Net income from continuing operations attributable to Changyou	34,286	43,311	67,682
Net loss from discontinued operations attributable to Changyou	(2,706)	(27,037)	(12,443)
Net income attributable to Changyou.com Limited	\$ 31,580	\$ 16,274	\$ 55,239
Basic net income/ (loss) attributable to Changyou.com Limited per ADS	\$ 0.59	\$ 0.30	\$ 1.04
From continuing operations	0.64	0.81	1.27
From discontinued operations	(0.05)	(0.51)	(0.23)
ADSs used in computing basic net income attributable to Changyou.com Limited per ADS	53,618	53,464	53,217
Diluted net income/ (loss) attributable to Changyou.com Limited per ADS	\$ 0.59	\$ 0.30	\$ 1.03
From continuing operations	0.64	0.81	1.26
From discontinued operations	(0.05)	(0.51)	(0.23)
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	53,677	53,673	53,632



畅游
changyou

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

	<u>As of Sep. 30, 2019</u>	<u>As of Dec. 31, 2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,867	\$ 454,305
Restricted cash	1,952	2,340
Accounts receivable, net	45,532	40,627
Short-term investments	163,547	190,068
Prepaid and other current assets	1,263,703	778,480
Current assets associated with discontinued operations	-	34,324
Total current assets	<u>1,559,601</u>	<u>1,500,144</u>
Non-current assets:		
Fixed assets, net	159,431	170,396
Goodwill	10,257	10,257
Intangible assets, net	10,229	13,856
Deferred tax assets	11,398	13,467
Restricted time deposits	-	243,910
Other assets, net	28,775	85,375
Non-current assets associated with discontinued operations	-	398
Total non-current assets	<u>220,090</u>	<u>537,659</u>
TOTAL ASSETS	<u>\$ 1,779,691</u>	<u>\$ 2,037,803</u>
LIABILITIES		
Current liabilities:		
Receipts in advance and deferred revenue	\$ 37,353	\$ 40,966
Accounts payable and accrued liabilities	1,250,322	729,158
Tax payables	25,002	17,715
Current liabilities associated with discontinued operations	-	101,105
Total current liabilities	<u>1,312,677</u>	<u>888,944</u>
Long-term liabilities:		
Deferred tax liabilities	89,111	83,026
Long-term tax payable	13,039	13,438
Long-term bank loans	-	220,000
Other long-term liabilities	827	751
Total long-term liabilities	<u>102,977</u>	<u>317,215</u>
Total liabilities	<u>1,415,654</u>	<u>1,206,159</u>
SHAREHOLDERS' EQUITY		
Changyou.com Limited shareholders' equity	362,434	829,735
Non-controlling interests	1,603	1,909
Total shareholders' equity	<u>364,037</u>	<u>831,644</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,779,691</u>	<u>\$ 2,037,803</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)

	Three Months Ended Sep. 30, 2019		
	Non-GAAP adjustments (a)		
	GAAP	Share-based compensation expense (b)	Non-GAAP
Online game gross profit	\$ 84,727	-	84,727
Online advertising gross profit	1,487	-	1,487
IVAS gross loss	-	-	-
Gross profit	<u>\$ 86,214</u>	<u>-</u>	<u>86,214</u>
Gross margin	<u>78%</u>		<u>78%</u>
Operating expenses	<u>51,384</u>	<u>7</u>	<u>51,391</u>
Operating profit	<u>\$ 34,830</u>	<u>(7)</u>	<u>34,823</u>
Operating margin	<u>31%</u>		<u>31%</u>
Income tax expense	<u>11,858</u>		<u>11,858</u>
Net income from continuing operations	<u>34,257</u>	<u>(7)</u>	<u>34,250</u>
Net loss from discontinued operations, net of tax	<u>(2,706)</u>	<u>-</u>	<u>(2,706)</u>
Net income	<u>\$ 31,551</u>	<u>(7)</u>	<u>31,544</u>
Less: Net loss from continuing operations attributable to non-controlling interests	<u>(29)</u>	<u>-</u>	<u>(29)</u>
Net loss from discontinued operations attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
Net income from continuing operations attributable to Changyou.com Limited	<u>34,286</u>	<u>(7)</u>	<u>34,279</u>
Net loss from discontinued operations attributable to Changyou.com Limited	<u>(2,706)</u>	<u>-</u>	<u>(2,706)</u>
Net income attributable to Changyou.com Limited	<u>\$ 31,580</u>	<u>(7)</u>	<u>31,573</u>
Net margin from continuing operations attributable to Changyou.com Limited	<u>31%</u>		<u>31%</u>
Diluted net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ 0.59</u>		<u>0.59</u>
From continuing operations	<u>0.64</u>		<u>0.64</u>
From discontinued operations	<u>(0.05)</u>		<u>(0.05)</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,677</u>		<u>53,681</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. The downward adjustment of share-based compensation expense 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)

	Three Months Ended Jun. 30, 2019		
	Non-GAAP adjustments (a)		
	GAAP	Share-based compensation expense (b)	Non-GAAP
Online game gross profit	\$ 83,984	(17)	83,967
Online advertising gross profit	2,729	-	2,729
IVAS gross loss	(150)	-	(150)
Gross profit	<u>\$ 86,563</u>	<u>(17)</u>	<u>86,546</u>
Gross margin	<u>82%</u>		<u>82%</u>
Operating expenses	<u>46,516</u>	<u>1,848</u>	<u>48,364</u>
Operating profit	<u>\$ 40,047</u>	<u>(1,865)</u>	<u>38,182</u>
Operating margin	<u>38%</u>		<u>36%</u>
Income tax expense	<u>3,486</u>		<u>3,486</u>
Net income from continuing operations	<u>43,237</u>	<u>(1,865)</u>	<u>41,372</u>
Net loss from discontinued operations, net of tax	<u>(27,037)</u>	<u>-</u>	<u>(27,037)</u>
Net income	<u>\$ 16,200</u>	<u>(1,865)</u>	<u>14,335</u>
Less: Net loss from continuing operations attributable to non-controlling interests	<u>(74)</u>	<u>-</u>	<u>(74)</u>
Net loss from discontinued operations attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>
Net income from continuing operations attributable to Changyou.com Limited	<u>43,311</u>	<u>(1,865)</u>	<u>41,446</u>
Net loss from discontinued operations attributable to Changyou.com Limited	<u>(27,037)</u>	<u>-</u>	<u>(27,037)</u>
Net income attributable to Changyou.com Limited	<u>\$ 16,274</u>	<u>(1,865)</u>	<u>14,409</u>
Net margin from continuing operations attributable to Changyou.com Limited	<u>41%</u>		<u>39%</u>
Diluted net income/ (loss) attributable to Changyou.com Limited per ADS	<u>\$ 0.30</u>		<u>0.27</u>
From continuing operations	<u>0.81</u>		<u>0.77</u>
From discontinued operations	<u>(0.51)</u>		<u>(0.50)</u>
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,673</u>		<u>53,681</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. The downward adjustment of share-based compensation expense 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)

	Three Months Ended Sep. 30, 2018		
	Non-GAAP adjustments (a)		
	GAAP	Share-based compensation expense (b)	Non-GAAP
Online game gross profit	\$ 81,069	(3)	81,066
Online advertising gross profit	3,631	-	3,631
IVAS gross profit	151	-	151
Gross profit	<u>\$ 84,851</u>	<u>(3)</u>	<u>84,848</u>
Gross margin	<u>83%</u>		<u>83%</u>
Operating expenses	43,580	841	44,421
Operating profit	<u>\$ 41,271</u>	<u>(844)</u>	<u>40,427</u>
Operating margin	<u>40%</u>		<u>40%</u>
Income tax benefit	(12,347)		(12,347)
Net income from continuing operations	<u>67,662</u>	<u>(844)</u>	<u>66,818</u>
Net loss from discontinued operations, net of tax	(12,443)	-	(12,443)
Net income	<u>\$ 55,219</u>	<u>(844)</u>	<u>54,375</u>
Less: Net loss from continuing operations attributable to non-controlling interests	<u>(20)</u>	<u>-</u>	<u>(20)</u>
Net loss from discontinued operations attributable to non-controlling interests	-	-	-
Net income from continuing operations attributable to Changyou.com Limited	67,682	(844)	66,838
Net income/ (loss) from discontinued operations attributable to Changyou.com Limited	(12,443)	-	(12,443)
Net income attributable to Changyou.com Limited	<u>\$ 55,239</u>	<u>(844)</u>	<u>54,395</u>
Net margin from continuing operations attributable to Changyou.com Limited	<u>66%</u>		<u>65%</u>
Diluted net income attributable to Changyou.com Limited per ADS	<u>\$ 1.03</u>		<u>1.01</u>
From continuing operations	1.26		1.25
From discontinued operations	(0.23)		(0.24)
ADSs used in computing diluted net income attributable to Changyou.com Limited per ADS	<u>53,632</u>		<u>53,685</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. 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.