



September 2010



We Produce Games · We Create Fun

Safe Harbor Statement

This presentation contains forward-looking statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. The Company cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, the current global financial and credit markets crisis and its potential impact on the Chinese economy, the slower growth the Chinese economy experienced during the latter half of 2008 and in 2009, which could return at some point in the future, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Changyou's quarterly operating results and the Company's reliance on Tian Long Ba Bu as its major revenue source. Further information regarding these and other risks is included in Changyou's Annual Report on Form 20-F filed on February 26, 2010, and other filings with the Securities and Exchange Commission.



Industry Update

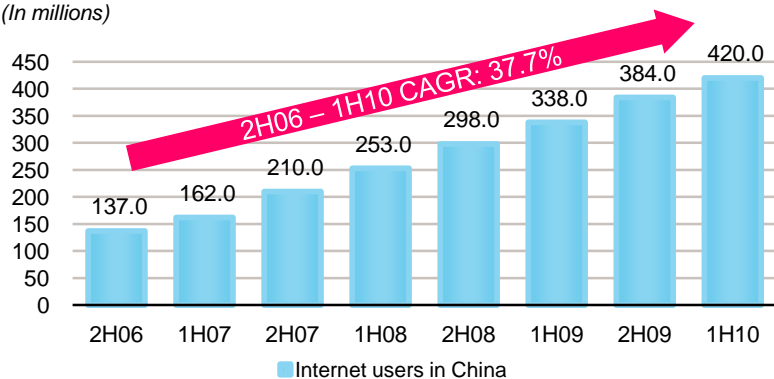
China's Growing Online Game Market

Internet user growth drives the expansion of the online game market in China

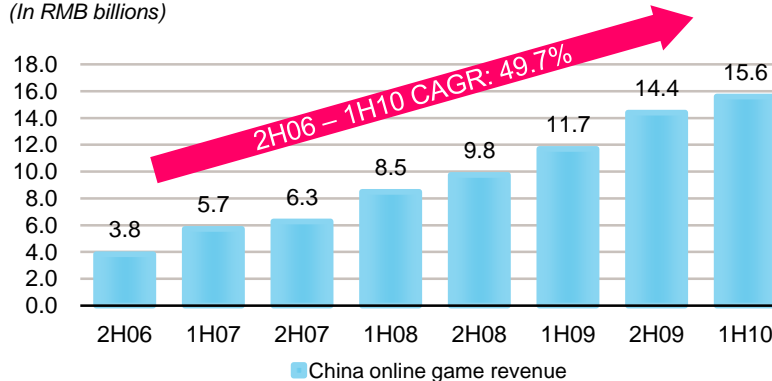
China – world's largest Internet market and still growing

Macro trends driving robust online game revenue growth

(In millions)



(In RMB billions)



Government strengthens online games management, encourages creativity and focuses on healthy and sustainable development of the industry

- On July 28, 2010, Chinese government officials stated that the government will:
 - Introduce policies related to online gaming in China to provide a solid foundation for the sustainable growth of the industry
 - Explore ways to effectively protect intellectual property rights
 - Encourage innovation and support domestic online games companies to expand overseas
- We believe the formalization of a standard set of regulations will help the sustained development of the industry. Changyou will continue to strongly support the work of the regulators and join in the formulation and implementation of these regulations and make greater contributions to the industry's development.

Source: CNNIC, Analysys



Financial Overview

Strong Financial Track Record

	2010 Q2	2010 Q1	2009 Q2	QoQ	YoY	2010 Q3 Guidance
Total revenues	\$77.7m	\$72.1m	\$66.6m	8%	17%	\$80.0m~83.0m
Game operation revenues	\$75.6m	\$70.2m	\$64.9m	8%	16%	N/A
Overseas licensing revenues	\$2.1m	\$1.9m	\$1.7m	15%	30%	N/A
Gross margin (non-GAAP)*	91%	93%	94%	N/A	N/A	N/A
Operating margin (non-GAAP)*	63%	67%	68%	N/A	N/A	N/A
Net income (non-GAAP)*	\$44.1 m	\$42.7m	\$40.2m	3%	10%	\$44.5m~46.0m
Diluted EPS (non-GAAP)*	\$0.82	\$0.80	\$0.75	3%	9%	\$0.83~0.86
<i>Cash Balance</i>	\$294.5m	\$265.4m	\$275.9m	11%	7%	N/A
<i>Debt Balance</i>	\$0	\$0	\$0	N/A	N/A	N/A
<i>Cash inflow from operations</i>	\$49.2m	\$43.3m	\$33.7m	14%	46%	N/A

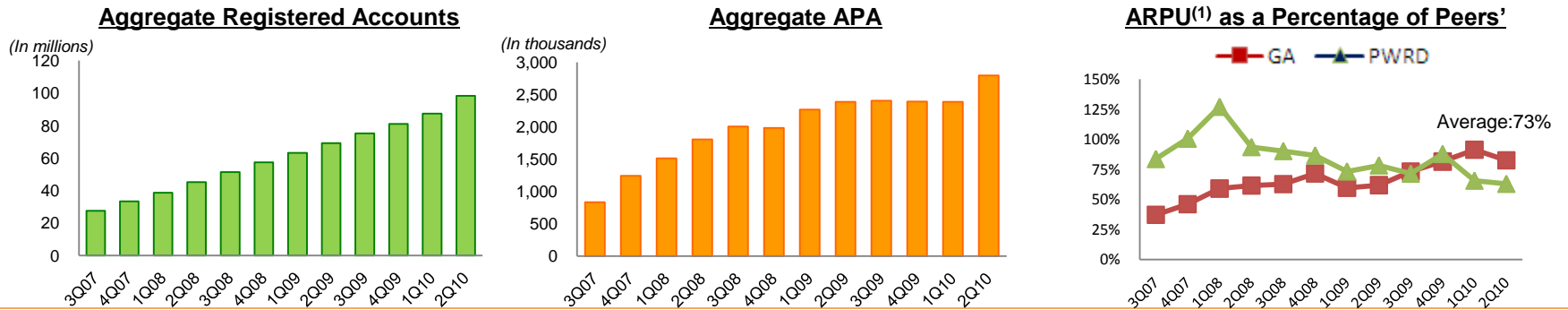
* Non-GAAP numbers exclude share-based compensation costs. Please refer to our earnings release, which is posted on the IR section of Changyou's website at <http://www.changyou.com/ir/> for GAAP numbers.

Changyou is a highly profitable online game developer with a strong, debt-free balance sheet and rich cash flows.



Business Highlights

Regular game content updates drives steady expansion of user base with potential for further upside growth in ARPU



Tian Long Ba Bu ("TLBB"):

- Released major expansion pack, "TLBB2", in April with important upgrades, including ultra-wide 360 degrees views, weather effects, new clans, and brand new SNS platform, boosting PCU to a record high, enlarging the user base and raising the number of active paying accounts
- Introduced new content in July, including the addition of coordinated motions for couples, team-based activities, and other enhancements to the in-game chat platform
- Plan to launch another major expansion pack in the fourth quarter of 2010 to further enrich the in-game experience of users and extend the game's lifespan

Blade Online series⁽²⁾:

- Added new continents, cities and challenges in Blade Online and enhanced visual effects in Blade Hero 2 to further distinguish the two games
- Plan to introduce new content for Blade Hero 2 in the second half of the year to attract new players

User-centric game development model and solid operation strategy deliver organic growth and maintain healthiness of games

Notes: (1) Based on company filings and research; (2) Includes Blade Online ("BO") and Blade Hero 2 ("BH2")

New games put in operation in 2010



Da Hua Shui Hu
("DHS")



Zhong Hua Ying Xiong
("ZHYX")

Game title

Theme

Development Progress

Plan

- 2D turn-based, cartoon-style game

- Began open beta testing on March 18
- Released the first expansion pack in July

- Plan to introduce summer events and other features in the third quarter to draw more students

- 3D martial arts game

- Began open beta testing on May 20

- Continue to work with developer on a new player guidance system and balanced game-play to extend the game's appeal

Upcoming games in 2010



Immortal Faith
("IF")



Legend of Ancient World
("LAW")

- 2D mystical adventure game

- Plan to launch the game in September

- Continue to fine-tune the game and prepare marketing activities for the open beta

- 2.5D fantasy game

- Plan to launch the game in 2H 2010

- Continue to collect valuable user feedback and data to fine-tune the game

Continue to bring new games to market that complement our portfolio and attract different types and demographics of users



Duke of Mount Deer

Unique features different from other games in the market

Multiple graphic modes

- The first in the industry to allow players to freely switch between multiple graphic modes
- Vivid graphics and 360 degree viewing angles



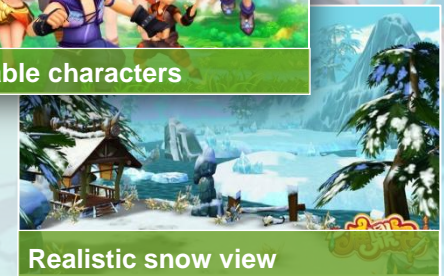
Social interactive game-play

- Target a wide range of people, across different genders and nationalities
- Various forms of social activities to foster larger community and enhance gamer stickiness



Cartoonish graphic style

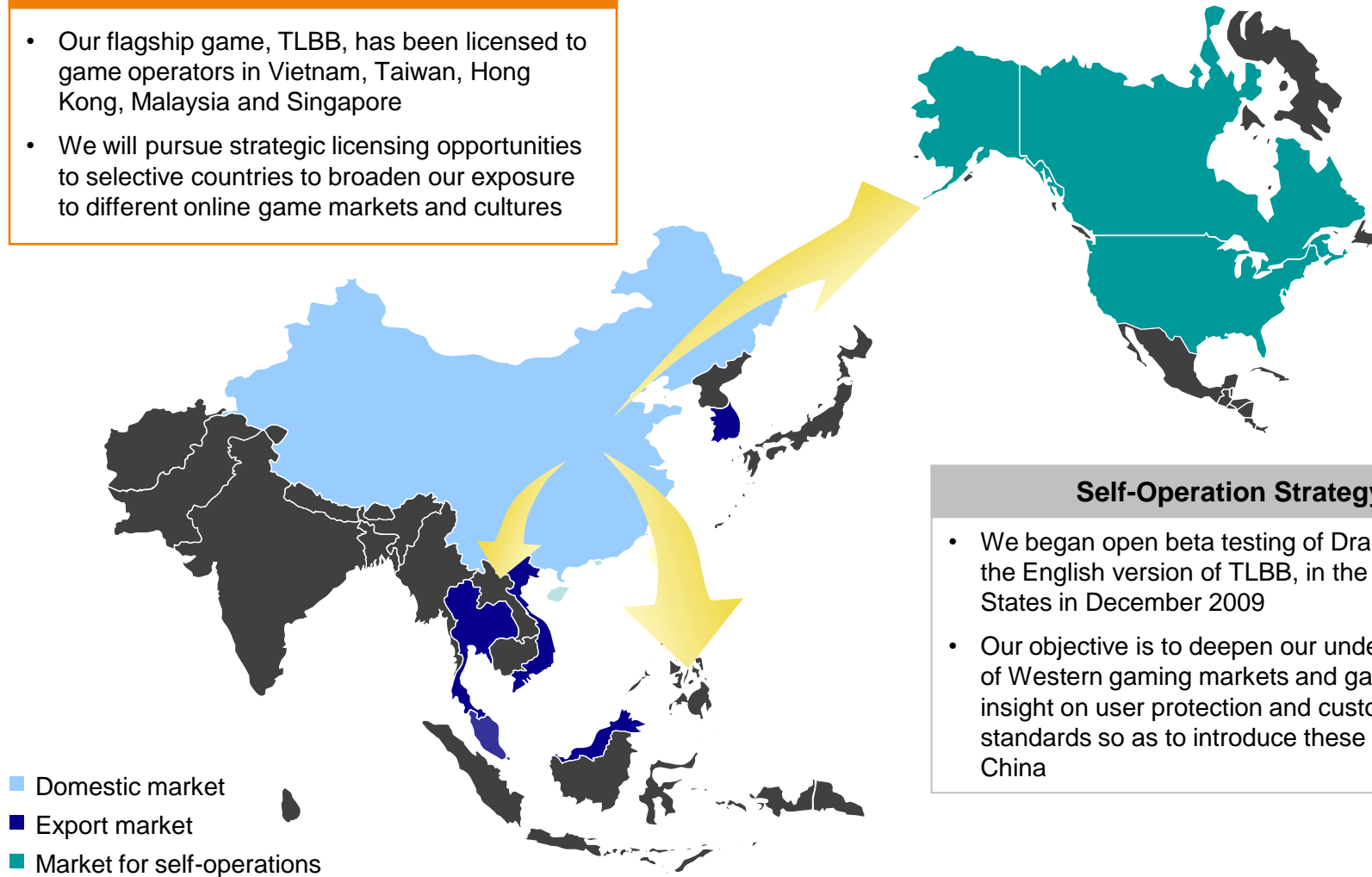
- Adorable exaggerations of characters
- Visually attractive scenery and realistic weather effects



Content development for the game has been completed and we are crafting a good marketing campaign in preparation for the launch of the game

Export Strategy

- Our flagship game, TLBB, has been licensed to game operators in Vietnam, Taiwan, Hong Kong, Malaysia and Singapore
- We will pursue strategic licensing opportunities to selective countries to broaden our exposure to different online game markets and cultures

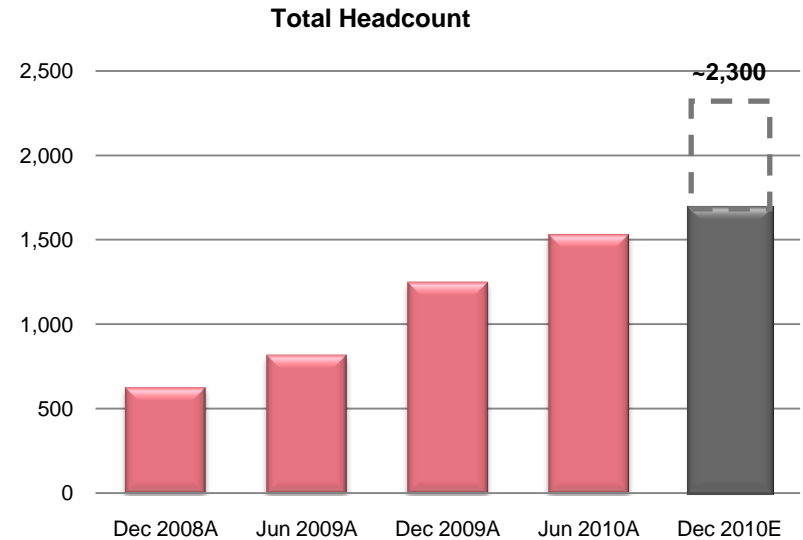


Self-Operation Strategy

- We began open beta testing of Dragon Oath, the English version of TLBB, in the United States in December 2009
- Our objective is to deepen our understanding of Western gaming markets and gain valuable insight on user protection and customer service standards so as to introduce these back in China

Recruit top-notch talent

- Added over 140 experienced game operators and engineers in May 2010 through the acquisition of I.C.E. Entertainment, a Shanghai-based online game developer and operator
- Total employees were approximately 1,530 as of June 30, 2010
- Plan to recruit 300-500 fresh graduates from leading universities across China in the second half of 2010
- Plan to recruit another 200 marketing and offline promotional staff to promote upcoming games
- As our business continues to expand, we will hire more people to enhance our R&D and game operation capabilities



Train and incentivize R&D engineers

- TLBB's well-established game development platform is a training base for R&D talent
- Experienced game development personnel provide valuable guidance to new hires and help them assimilate into Changyou's culture
- After new hires are properly trained, core developers are allocated to new game projects
- The team currently working on TLBB is already the third generation of game developers
- Unique incentive systems ensure maximum sharing of experience and know-how

Streamlined hiring and training practices strengthen foundation for long-term growth



Thanks!