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changyou

Presentation
December 2014



Safe Harbor Statement

These materials contain forward-looking statements. Statements 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, continuing volatility in global financial and credit markets and its potential impact on the Chinese economy; slowing growth in the Chinese economy, the uncertain regulatory landscape in the People's Republic of China; fluctuations in Changyou's quarterly operating results, Changyou's current and projected future losses due to increased spending for marketing for software on mobile devices; the possibility that Changyou will be unable to develop successful games for mobile platforms or successfully monetize mobile games it develops or acquires; the possibility that Changyou's efforts in building and monetizing its platform business will not be successful; the possibility that Changyou's investment in MoboTap will not produce hoped-for benefits to Changyou, including enhancements to Changyou's efforts in building its platform business; 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 28, 2014, and other filings with the Securities and Exchange Commission.

Company at a Glance

Stock Information

NASDAQ Ticker:
Stock Price (12/1/2014):

CYOU
\$22.55

52-week Range:
Market Cap:

\$17.13 - \$34.32
\$1.19 B

Management Team

Ms. Carol Yu, Co-CEO
Mr. Dewen Chen, Co-CEO

Mr. Xiaojian Hong, COO
Ms. Rucia Ren, Acting CFO

Mr. Simon Wang, Head of Changyou Games
Mr. Qing Wei, Executive Producer of TLBB
Mr. Jack Liu, Head of Platform Products

Games

- CYOU is a leading online game developer and operator in China.
- TLBB continues to be a significant revenue contributor for CYOU and remains one of the most popular martial-arts MMORPGs in China.
- Mobile games are expected to contribute a greater proportion of revenue as CYOU diversifies its online games portfolio.
- Total average monthly active accounts of the Company's games^(a) in 2014Q3 were 29 million.

Platform Strategy

- CYOU is exploring various ways to capture the business opportunities in mobile space with a stronger focus on user retention and marketing ROI.
- Total average monthly active accounts of the Company's platform channels^(b) in 2014Q3 were 275 million. Of that number, roughly 84 million were monthly active users for mobile apps.

Note:

- Calculated as the simple average of the sum of monthly active accounts of all of the MMOGs, Web games and mobile games operated by the Company during the quarter. Monthly active accounts for games are defined as game accounts that were logged in at least once during the month.
- Calculated as the simple average of the sum of the monthly unique visitors to the Company's web game operation platform, the 17173 website and 17173's non-game products, plus the monthly logged-in accounts of non-game applications during the quarter.

Agenda



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1

PC Games

2

Mobile Games

3

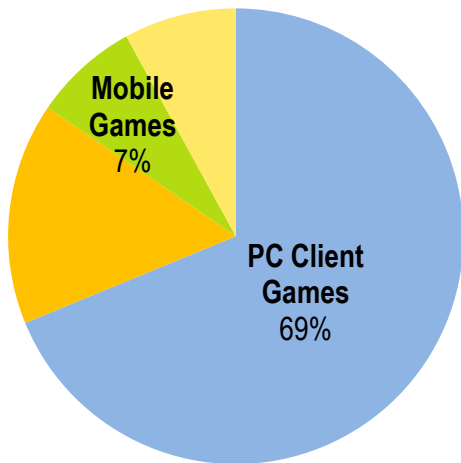
Platform

PC Games: client games continue to be a strategic focus for us as it remains a significant part of overall online games industry.

China Games Market Size by Revenue

2013 1H

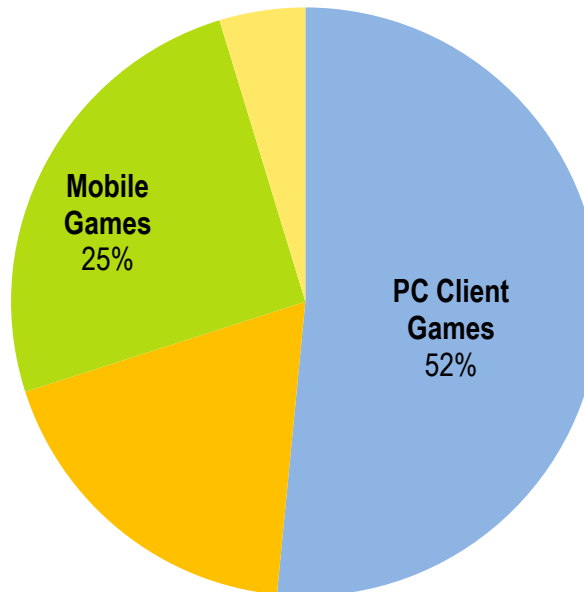
RMB 33.9 Billion



■ PC Client Games ■ Web Game
■ Mobile Games ■ Social Games

2014 1H

RMB 49.6 Billion



- Market size for PC client games is still significant
- Competition in this market is low, as it takes time and resources to develop and operate a successful client game
- Time for CYOU to solidify its leadership position in PC client games

Note:
Source: China Gaming Industry Report 20141H, GPC, IDG & CNG

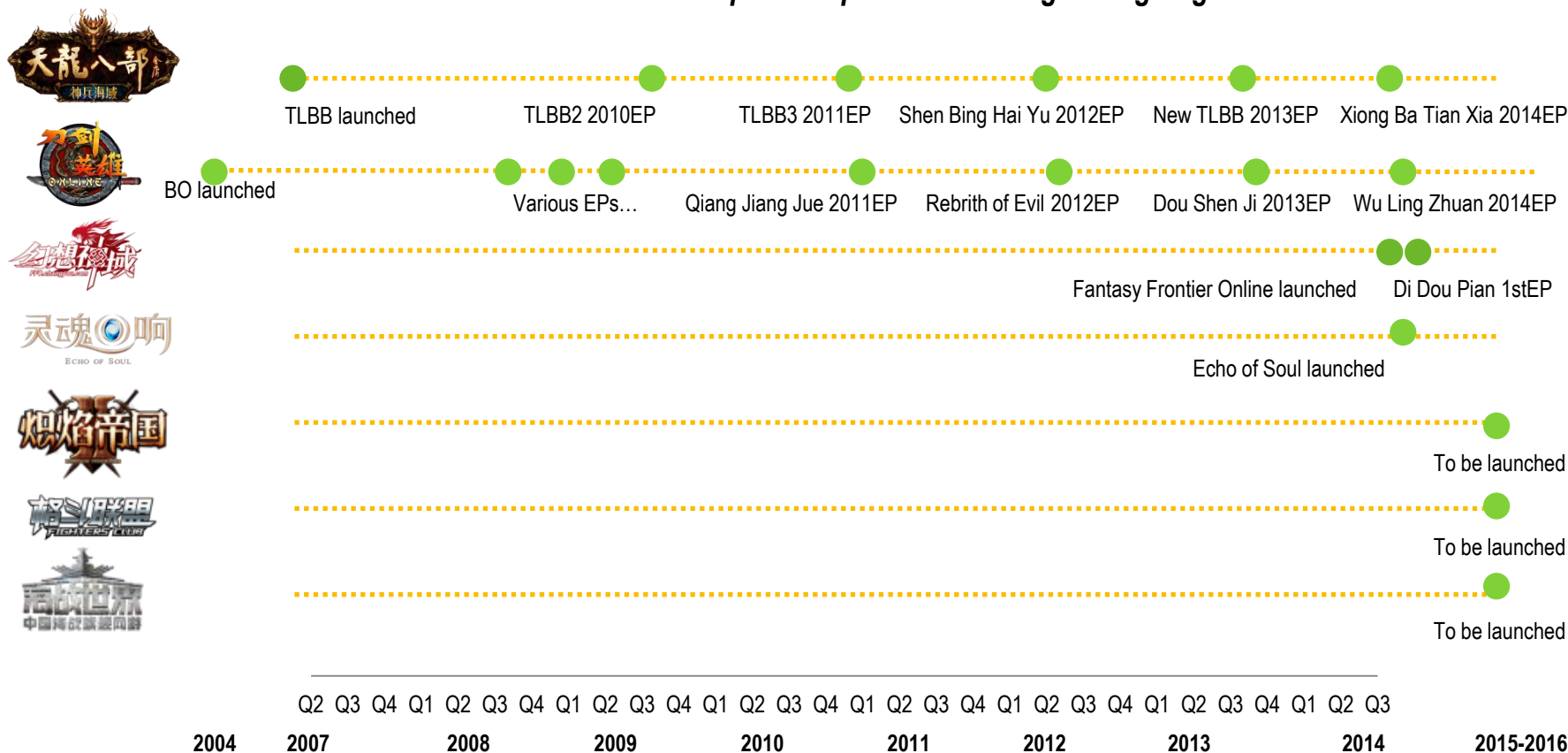
PC Games: flagship game TLBB remains popular among game players through timely releases of new expansion packs



- Our aim is to create a fun and balanced in-game environment to ensure TLBB's long term sustainability
- Continue to issue new expansion packs to include enriched clan functions, more social interactions as well as new cross-server gameplay
- Steady growth in user engagement is observed as a result
- Performance remains resilient in its seventh year of operation
- Co-branding effect with TLBB 3D mobile version

PC Games: We continue to offer new expansion packs for our legacy PC games while rolling out new games appealing to a younger generation of PC game players.

We will continue to release expansion packs and new games going forward.



Mobile Games: TLBB 3D became a major hit in China, recording ~ RMB 200 million in gross billing in the first month after launch.



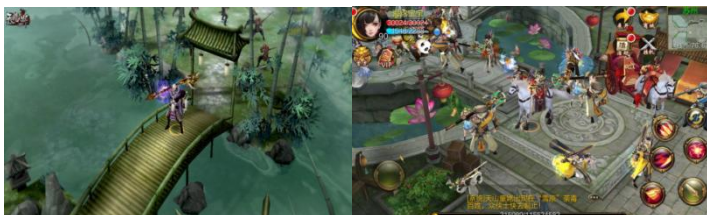
iPad Ranking



iPhone Ranking



- First MMORPG mobile game from CYOU.
- User demand for MMO games is strong on mobile and TLBB 3D was the first of its kind
- Leveraged the extensive experience in designing and developing MMO games on PC
- Within days of the launch, the game became the most popular mobile game on iOS
- DAU surpassed 1 million on its first day
- Gross billing reached RMB 200 million in the first month after launch



- Successfully launched in overseas markets through an extensive network of strong overseas partners
- Our partners include: **Nexon** in Korea and **Efun** in Taiwan, ranked number one and three respectively in their perspective markets

Mobile Games: Greater contribution from mobile games is expected as we further diversify our online games portfolio.

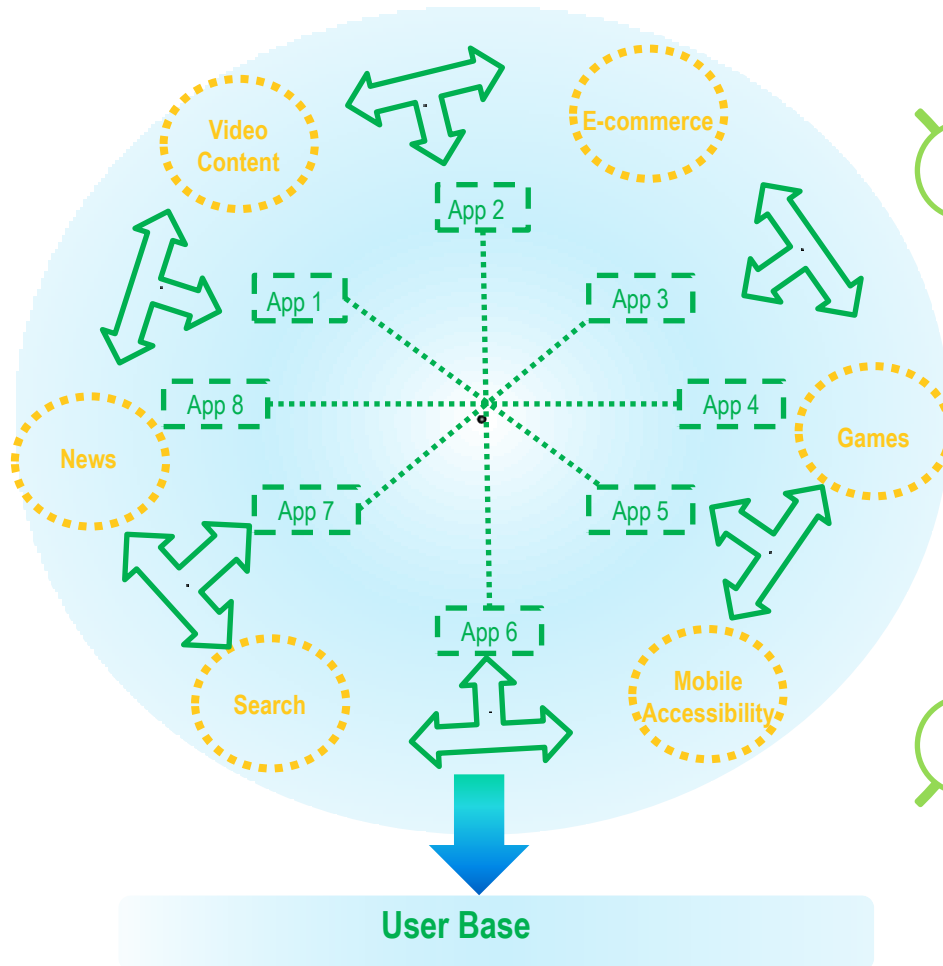
Pipeline:

~10 mobile games in the pipeline, majority of which is expected to be launched in the first quarter of 2015.

	Name	Type
	Dashfire	ARPG Mobile Games
	Xuan Yuan Jian	RPG Mobile Games
	Twin of Brothers	RPG Mobile Games
...

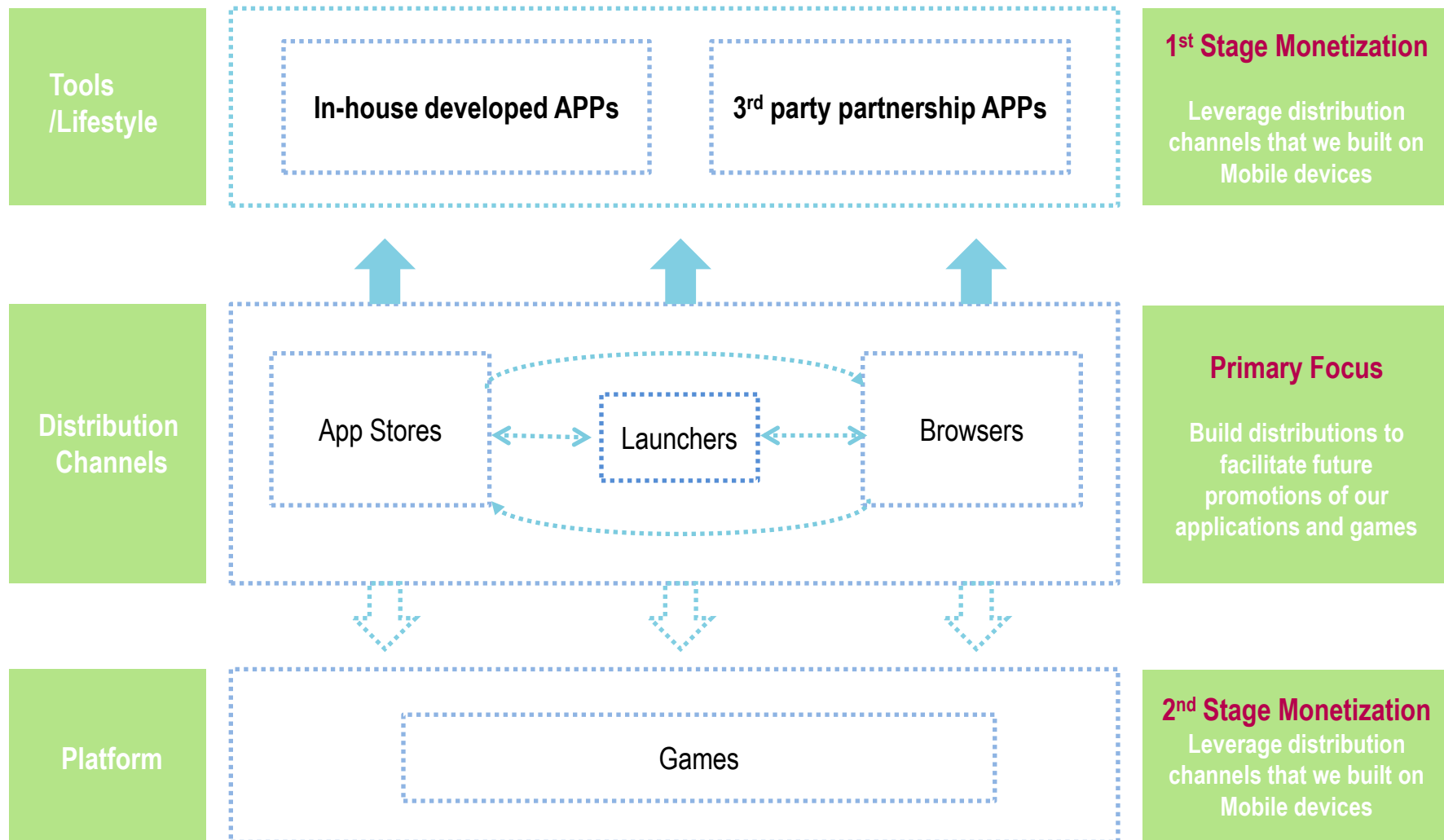
- Mid-hard core games will be CYOU's key focus on mobile
- A mid-hard core game typically means
 - larger ARPU
 - higher user engagement
 - longer lifecycle
- Success on TLBB 3D proves this strategy
- Leverage our expertise in designing and development of MMO PC client games
- Leverage our extensive experience and network in operation, channel marketing and IP acquisition

Mobile Platform: We remain consistent in our user-centric approach in exploring various opportunities on mobile with a stronger focus on improving marketing ROI



- Identify user demands
- Each product meets at least one of these demands
- Cross promotion between products
- Focus on target markets
- Improve product quality and increase user retention
- More effective and disciplined marketing

Mobile Platform: Our ecosystem



Mobile Platform: Dolphin Browser is an example of our platform strategy and is an important piece of the mobile ecosystem

#4 Mobile browser in terms of global downloads

Global Download	Product	Major Markets
1	Opera Browser	India, Indonesia, Russia
2	UC Browser	India, Indonesia, Russia
3	Mozilla Firefox	Europe, US, Russia, Brazil
4	Dolphin Browser	Europe, Russia, Japan
5	Google Chrome	Europe, US, Russia, Brazil
6	Baidu Browser	Indonesia, Thailand, Mexico
7	CM Browser	US, Russia, Brazil
8	Daum Browser	S.Korea
9	Photon Flash Player & Browser	US, Turkey, India
10	Yandex Browser	Russia



- Acquired Dolphin Browser in July
- Cross promotion between Dolphin and other CYOU mobile products
- Dolphin ranking moved up to the fourth place, in terms of global downloads, three months since acquisition

Source: App Annie, Jan-Oct 2014

Strong and Focused Management Team



Ms. Carol Yu
Co-CEO

- President and CFO of Sohu
- Previously served as Senior VP of Investment Banking at Donaldson Lufkin & Jenrette Securities Corporation and Audit Partner at Arthur Anderson



Mr. Dewen Chen
Co-CEO

- Co-founder and President of Changyou
- Ten years of experience in MMORPG business and was previously Sohu's Director of Marketing & Operations of the MMORPG games responsible for overall marketing, promotion and distribution



Mr. Xiaojian Hong
COO

- Co-founder of Changyou
- Previously CTO of Changyou
- Ten years of experience in the MMORPG business and played a key role in building Sohu's MMORPG software development division



Mr. Simon Wang
Head of Changyou Games

- Responsible for the overall operation and marketing of Changyou Games
- Ten years of experience in online games business and previously worked as GM of Games Business at Perfect world



Mr. Qing Wei
Executive Producer of TLBB

- Executive producer of TLBB, Changyou's flagship game
- Thirteen years of R&D experience in online games business and played a vital part in the creation and development of TLBB



Mr. Jack Liu
Head of Platform Products

- Responsible for Changyou's PC and mobile platform products
- Over 20 years of sales experience and previously served as sales VP in Oracle



Ms. Rucia Ren
Acting CFO

- Over 13 years of experience in the financial field
- Previously served various finance roles at Baidu and worked as an audit manager at PwC and E&Y

Share Repurchase Plan in Place

Sohu.com Inc., our largest shareholder, the board and the management are fully confident in the future prospects of CYOU. We will continue with the \$100 million share repurchase program announced in July 2013.

Plan Duration	July 27, 2013 to July 26, 2015
Total Amount Authorised	US\$100 million
Amount Repurchased ⁽¹⁾	US\$17.3 million
Remaining Amount	US\$82.7 million

(1) of September 30, 2014



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Financial Overview



Financial Results and Guidance

Changyou's online games business and online advertising business continues to be highly cash-generative.

	2014 Q3	2014 Q2	2013Q3	QoQ	YoY	2014 Q4 Guidance
Total revenues	\$180.8m	\$177.8m	\$183.1m	2%	(1%)	\$188.0~198.0m
Online game	\$150.3m	\$153.9m	\$161.5m	(2%)	(7%)	\$155.0~165.0m
Online advertising	\$16.7m	\$14.7m	\$16.4m	13%	2%	\$20.0~21.0m
IVAS	\$7.4m	\$4.8m	\$1.1m	52%	550%	N/A
Others	\$6.4m	\$4.3m	\$4.0m	48%	59%	N/A
Gross margin (non-GAAP) *	72%	76%	84%	N/A	N/A	N/A
Product development(non-GAAP)*	\$52.8m	\$49.0m	\$30.2m	8%	75%	N/A
Sales and marketing(non-GAAP)*	\$52.9m	\$69.4m	\$28.1m	(24%)	88%	N/A
General and administrative(non-GAAP)*	\$26.8m	\$22.5m	\$12.9m	19%	108%	N/A
Operating loss/income (non-GAAP) *	\$(2.0)m	\$(6.6)m	\$81.8m	N/A	N/A	N/A
Net income attributable to Changyou.com Limited (non-GAAP) *	\$3.8m	\$2.4m	\$73.2m	N/A	N/A	N/A
Diluted net income per ADS attributable to Changyou.com Limited (non-GAAP) *	\$0.07	\$0.04	\$1.37	N/A	N/A	N/A
Balance in cash and cash equivalents and short-term investments	\$386.8m	\$393.2m	\$525.6m	N/A	N/A	N/A
Restricted time deposits (current and non-current)	\$434.4m	\$372.1m	\$365.7	N/A	N/A	N/A
Bank loans (short term and long-term)	\$370.0m	\$257.0m	\$354.0	N/A	N/A	N/A
Cash inflow from operations	\$46.1m	\$2.9m	\$96.5m	N/A	N/A	N/A

- Non-GAAP results exclude share-based compensation expense, goodwill impairment, impairment of intangibles via acquisitions of businesses and related tax impact, non-cash tax benefits from excess tax deductions related to share-based awards and income/expense from the adjustment of contingent consideration previously recorded for acquisitions. Please refer to our earnings release, which is posted on the IR section of Changyou's website at <http://ir.changyou.com/>, for GAAP numbers.
- SBC expense in the third quarter of 2014 of product development is \$166k, of sales and marketing is \$13k, of general and administrative is \$277k; SBC expense in the second quarter of 2014 of product development is \$64k, of sales and marketing is \$13k, of general and administrative is \$364k; SBC expense in the third quarter of 2013 of product development is \$124k, of sales and marketing is \$35k, of general and administrative is \$127k.

Thank you!

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