



May 2011



We Produce Games · We Create Fun

Safe Harbor Statement

This announcement 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, Changyou's historical and possible future losses and limited operating history, 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, 2011, and other filings with the Securities and Exchange Commission.



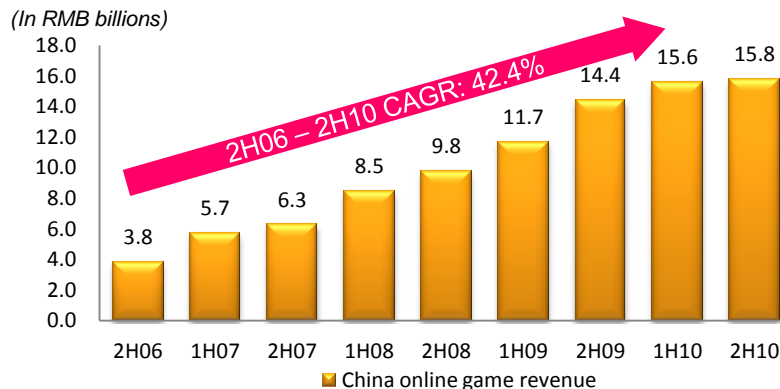
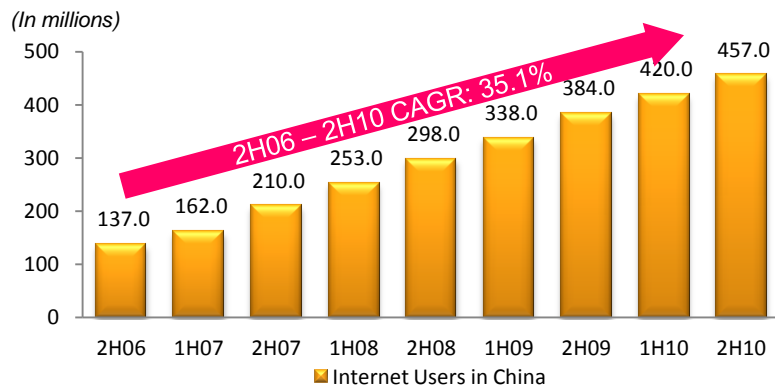
Industry Update

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



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

- At the CGIAC conference on January 19, 2011, 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
 - Support and encourage original game content developed by Chinese companies
 - Cooperate with online companies to effectively protect intellectual property rights
 - Encourage investments in advanced technologies and talent
 - 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.



Financial Overview

Strong Financial Track Record

	2011 Q1	2010 Q4	2010 Q1	QoQ	YoY	2011 Q2 Guidance**
Total revenues	\$97.1m	\$91.7m	\$72.1m	6%	35%	\$97.0m~100.0m
Online game revenues	\$94.9m	\$91.7m	\$72.1m	3%	32%	\$95.0m~97.0m
Game operation revenues	\$92.9m	\$89.5m	\$70.2m	4%	32%	N/A
Overseas licensing revenues	\$2.0m	\$2.2m	\$1.9m	-10%	7%	N/A
Other revenues	\$2.2m	-	-	N/A	N/A	N/A
Gross margin (non-GAAP)*	88%	90%	93%	N/A	N/A	N/A
Operating margin (non-GAAP)*	64%	62%	67%	N/A	N/A	N/A
Net income (non-GAAP)*	\$54.6 m	\$49.7 m	\$42.7m	10%	28%	\$49.0m~50.5m
Diluted EPS (non-GAAP)*	\$1.02	\$0.93	\$0.80	10%	28%	\$0.92~0.95
Cash Balance	\$406.5m	\$351.0m	\$265.4m	16%	53%	N/A
Debt Balance	\$0	\$0	\$0	N/A	N/A	N/A
Cash inflow from operations	\$58.9m	\$59.3m	\$43.3m	-1%	36%	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.

** The guidance excludes the acquisition of 7Road

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



Business Highlights

Franchise Games are Cornerstone of Growth

TLBB Remains Our Flagship Game

Launched a hit game

1

Continued to grow user base

2

Formed a large community

3

Build into an even more valuable franchise

4



We will continue to release expansion packs regularly to drive the narrative forward and keep the franchise and its user community vibrant and growing...

- Launched an expansion pack on March 18, 2011, that is aimed at encouraging user interaction and increasing the stickiness of the community
- Plan to launch TLBB 3, another major expansion pack, in 2H2011 to further enrich the in-game experience of users and extend the game's lifespan

An Award-winning Game



The Most-liked Online Game by Game Players by ChinaJoy for five consecutive years from 2006 to 2010



World's Top Five Most Profitable Game Franchises in 2009 by Forbes

The Most-installed MMORPGs in China's Internet Café

- | | | |
|---|--------------------------|-----------------|
| 1 | Fantasy Westward Journey | NetEase |
| 2 | TLBB | Changyou |
| 3 | Eudemonso | Netdragon |
| 4 | Wendao | Guangyu |
| 5 | Wool | Shanda Games |

User-centric game development model incorporating extensive feedback and solid operating strategy deliver organic growth and maintain healthy game portfolio

Our Next In-house Developed Game – DMD

-Unique features to differentiate game from others on the market



Our most anticipated 3D martial arts MMORPG

Development time	4 years
Type	3D cartoon-style martial arts MMORPG with the option to switch between 2.5D and 3D graphic modes
Revenue model	Item-based revenue model
Storyline	<ul style="list-style-type: none"> Adapted from the last martial arts novel written by Louis Cha, a book that has been adapted into numerous movies and television series and is widely known by Chinese people The story talks about the adventures of <i>Wei Xiaobao</i>, his encounters with the Emperor of the Qing Dynasty, his devious plots against the Emperor and how he eventually meets and woos 7 wives along the way

Cartoonish graphic style



Visually attractive scenery



Multiple graphic modes



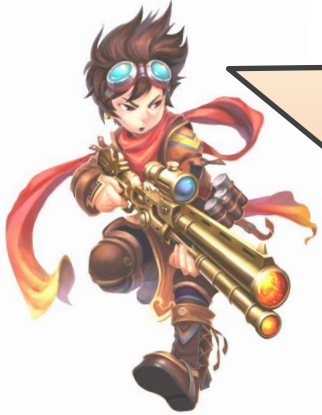
Social interactive game-play



Our Next In-house Developed Game – DMD (Cont'd)

- Taking our proven “community + martial arts” formula to the next level

Hardcore player



Martial arts fighting features:

- **Servers vs. Servers** - Several servers can form an alliance against competing teams of servers, bringing not only players, but communities, from different servers together
- **“Planet of Outland”** - Advanced players can transverse into a completely new world where they can battle, compete and build their own empires
- **Game Playability** - Over 100 new innovative types of game play that provide the advanced players an immersed gaming experience

Casual player



Community-based features:

- **Fully interactive community** - Players can purchase lands and build their own homes in a style that is fully customizable, like “The Sims”
- **Cross-server functionality** - Players can interact with friends from other servers, widening their social circle within the game
- **Life skills and mini-games** - Players can take a break from killing monsters and explore real life, including cooking, fishing, tailoring, crafting, gathering, or even mini-games

The depth of interaction enabled by technology today presents a massive opportunity to form lasting in-game relationships among players

Our Next In-house Developed Game – DMD (Cont'd)

- Build momentum leading up to DMD's launch

Named one of the most anticipated online games in China in 2010

Officially launched the marketing campaign in March 2011

Targeted marketing initiatives for core player group

Wider scale advertising for the masses

Launch the game in summer 2011

- Held several rounds of closed beta testing events to get the word out and capture gamers' interest



- Released tons of game previews, screenshots, videos, developer interviews to grow gamers' interest



- Invite China's top game unions to participate in the closed beta testing
- Host events at school campuses and Internet cafes



- Advertisements on major portals, game verticals, TV and cinemas



Our aim is to generate buzz and create maximum excitement leading up to DMD's launch

Transaction Summary

Changyou will acquire 68.258% of the equity of Shenzhen 7Road Technology Co., Ltd. and its affiliates (“7Road”) for fixed cash consideration of approximately US\$68.26 million, plus additional variable cash consideration of up to a maximum of US\$32.76 million that is contingent upon the achievement of specified performance milestones through December 31, 2012

Introduction to 7Road



Business

A reputable web-based game company that develops free-to-play multiplayer web games and jointly operates its product with over 50 of the most frequently visited game portals and SNS sites in China and overseas

Product

DDTank, one of the most popular multiplayer web-based shooting games in China, reaching more than 350,000 PCU globally in 2010Q4 and ranking among China’s top five web-based games on the Baidu search ranking

Financials

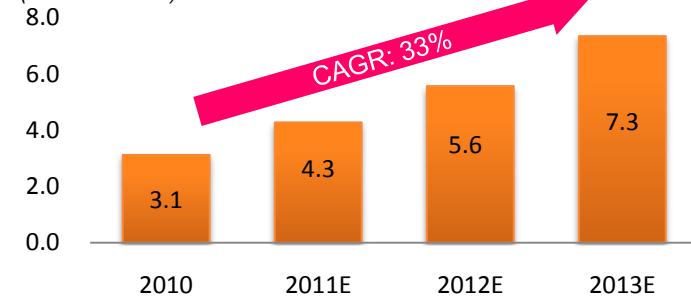
Based on 7Road’s management accounts, in the fourth quarter of 2010:

- Net revenue: \$5.8 million
- Net income: \$3.5 million
- Net margin: 60.3%

Industry Snapshot

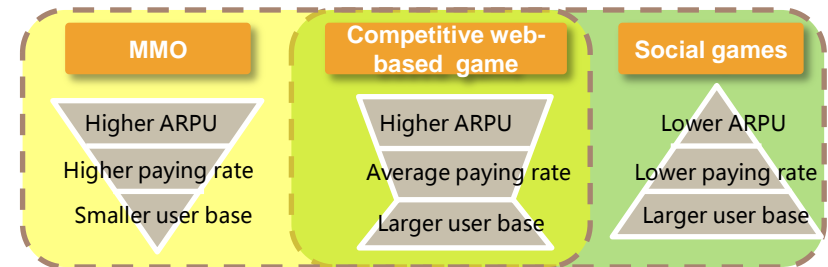
China Web-based Game Market Forecast

(In RMB billions)



Source: Iresearch

Competitive Strengths

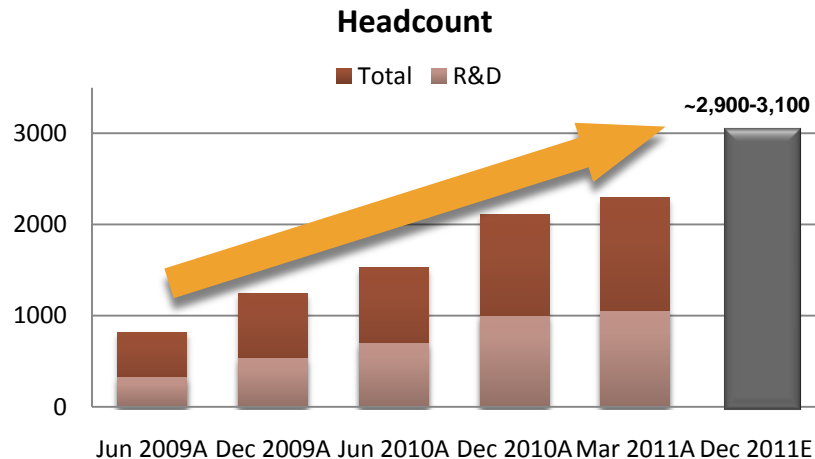


The competitive web-based game combines the best of MMO games and social games, offering an exciting experience for both hardcore and casual users, who connect in real time and play cooperatively and competitively

With this acquisition, Changyou will own one of the top web-based game titles in China, adding to its collection of MMO titles and well-positioning the company for further growth in both segments of the markets

Dedicated development team and growing talent pool

- We currently operate seven* online games in China and maintain a dedicated product development team for each game
- We have multiple product development teams that are responsible for developing new MMORPGs of various graphic styles and themes, including the most anticipated game “Duke of Mount Deer”
- We will acquire 300 talents through the acquisition of 7Road, most of them are engineers specialized in web-based games
- Total employees were approximately 2,300 as of March 31, 2011, with over 1,000 game engineers**



Attract and train top-notch talent

- We expect to increase our headcount by another 300 to 500 by the end of 2011 to further expand our game development and operational capabilities
- Continue to incentivize employees with competitive performance-based pay packages and opportunities that work on the company's key in-house developed projects

Incentivize and retain existing employees

- Developed a number of new in-house training programs for engineers in the past years
- 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
- 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

* Including Tian Long Ba Bu, Blade Online, Blade Hero 2, Da Hua Shui Hu, Zhong Hua Ying Xiong, Immortal Faith and San Jie Qi Yuan.

** Excluding 7Road



Thanks!