



**GIGAMEDIA First-Quarter 2008
Financial Results
CONFERENCE CALL SCRIPT
MAY 13, 2008 AT 8 A.M. (EST)**

Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our first-quarter 2008 results conference call for GigaMedia Limited. Here again to speak with you and answer your questions today are Arthur Wang, our CEO, and Thomas Hui, President and COO.

Before I turn it over to today's speakers, I would like to remind you that a number of forward-looking statements will be made during this conference call. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of GigaMedia and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, GigaMedia's actual results could differ materially from these statements. Information about factors that could cause, and in some cases have caused, such differences can be found in GigaMedia's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission in June 2007.

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The agenda for today's call includes first a review by Arthur Wang of Q1 2008 business activities and financial performance. Thomas Hui will then provide details on our financial results during the period. After the speaker presentations, we will go into

a question and answer session. With that, I would like to turn the call over to Arthur, our CEO.

Arthur: Thanks Brad.

Before proceeding, on behalf of the entire GigaMedia family I would like to say thank you for all the calls and expressions of concern regarding the terrible earthquake in central China yesterday. Fortunately, none of the GigaMedia family were injured and our operations are unaffected. Our thoughts and prayers go out to the thousands of victims and their families affected by this tragedy.

Turning now to our business review: we were delighted with our performance in the first quarter. Revenue up 51% to a record \$54.6 million driving a bottom-line Non-GAAP net profit – that is excluding non cash share based compensation - of \$12.8 million, up 46 percent Y-o-Y. In our gaming software business we continued to hit new company records with Everest Poker. Complementing this, we also drove strong growth in our casino software business. And in Asia, our casual games platform delivered sharply accelerated growth. Overall, an outstanding quarter with two points worthy of special attention:

First: Operating Income. I believe the most important news today is the strong growth in our operating income which climbed to \$12.9 million, a company record and a 39 percent growth sequentially over the previous quarter. We have concentrated much time and attention on strong execution and are pleased with the progress we are making.

Second: Early returns. In past quarters we have invested in new products and platforms for the delivery of many forms of online entertainment. I think our First Quarter results demonstrate a little bit of the true potential of our business. We are just beginning to capitalize on these platform investments to drive cross-selling and other synergies in our gaming software business – and to launch new products such as traditional Asian games like MahJong and Pachinko. In addition, our Asian casual games platform will see a host of new offerings in the second half. We are committed ... to continue to drive strong growth, to capitalize on these early results and turn them into ever increasing shareholder value.

Let me briefly describe for you now our primary growth drivers, as well as what we are doing to deliver continued strong growth in 2008 and beyond.

Our Gaming Software Business

Let me begin with our gaming software business. Once again we had a very strong quarter driven by Everest Poker whose revenues grew by 56 percent year over year and by 11 percent quarter over quarter. Most noteworthy, in the First Quarter, we increased active depositing players by 14 percent over the previous quarter and grew new depositing players by 19 percent also sequentially.

For our casino products, our cross selling activities drove casino software revenues up 17 percent compared with Q4, a number we expect to grow considerably as our full cross-selling functionality is enabled in the Second and Third Quarter.

As pleased as we are with our achievements with Everest, we are working hard to do even better, taking things to a new level. Allow me to briefly share with you now the exciting initiatives we have underway to expand the platform, build the brand, and continue driving strong long-term growth:

1. The World Series of Poker. One of our most exciting initiatives is our recent announcement that Everest Poker has secured a key multi-year sponsorship of the legendary WSOP, the world's oldest, largest, richest and most famous poker tournament. Everest Poker will be featured on the felt at every table in the World Series – and in particular, on the inner-rung that surrounds the inside of the Championship table, most visible during televised game play. The WSOP has a viewership of over 350 million homes from over 2700 hours of broadcasts. In short, the WSOP is THE world's greatest gaming event – and we are very excited about leveraging this relationship to continue driving strong growth and to enhance the Everest brand worldwide.

2. Sports Betting. As we have announced previously, we plan to acquire, merge or form a strong strategic alliance with a major European sports book in 2008. By having a sports product to pair with Everest, we will be able to share players and traffic and increase monetization from each player – allowing us to further invest into our brand and player acquisition.

In addition, sports betting will allow us to address some of the seasonality of our online poker and casino business, providing a host of popular products and marketing activities during the summer months when many top sporting events take place.

We have entered into discussions with several outstanding firms and are moving forward in due course.

3. Poker and Casino integration and cross-selling. We also plan to integrate our poker and casino offerings, opening a window in the poker client to allow players to play blackjack while waiting for others in a poker game, and improving cross-selling between our products. As an example of the potential here, during the first quarter we implemented strong cross-selling initiatives of new casino games to Everest Poker players, driving unusually strong growth in casino player yields and casino revenues. In the second quarter, we have further integrated our casino and poker offerings to drive further cross-selling and long-term growth.

4. Launching Everest Poker into the United States. We join many others in the view that the US will repeal its prohibition on poker and adopt a new system whereby poker offerings by licensed, regulated companies will be allowed.

It is our intention to be first in line for such a license and our belief that we are well positioned to be one of the first recipients as the leading NASDAQ listed, US GAAP filing, Sarbane-Oxley compliant poker offering.

We believe our multiyear sponsorship of the World Series of Poker will set the stage for our full launch into the US upon legalization.

In just three years, we have built Everest into one of the world's leading gaming brands. We intend to continue investing in building both the brand and our platform to enhance our entertainment offerings – and by doing so, to increase our ability to monetize on the platform as revenue and operating leverage increase.

I note that all of our growth thus far has been organic. We continue to explore partnerships, business combinations and acquisitions which would create shareholder value and expand our market position. Indeed, I expect there will be significant developments in this regard in 2008.

Our Asian Online Games Business

The Asian online games business had a great quarter, more than doubling operating margins and tripling operating income sequentially on record revenues, demonstrating the inherent scalability of the platform. As impressive as this performance was, Q1 results were still but early returns from our strong investments in the business. We achieved this quarter's record results on existing products. Later this year and into 2009 we are rolling out a number of games with potential to be megahits in the market and explosive growth drivers for GigaMedia.

In Asia, we are on our way to building an unrivaled gateway to online entertainment in the region, a one-stop shop for game developers and entertainment providers addressing the region's huge, lucrative market. Today we have over 80 million registered users, over 9 million users active last month, and we look to double these numbers and then double them again as we grow our pan-Asian platform. Two points I would like to highlight:

1. **New Games.** To fuel our growth in this large and rapidly growing market, we have been fortunate to secure a tremendous set of new games by partnering with top game and entertainment firms from around the world including Electronic Arts – a global leader in digital entertainment with over 200 popular titles and Flagship Studios – creators of the Diablo and Warcraft games. In the second half of 2008 and into 2009 we will be launching the exciting NBA Street Online game from EA Sports and the epic MMORPG Warhammer Online from the EA Mythic Studio, as well as Hellgate: London from Flagship Studios. We also hope to have some new and exciting announcements on this front very soon.

2. **Strategic investments.** In 2007, we made equity investments into three top game development studios. Since then, we have built strong relationships with several more game studios and will be announcing further equity investments of a similar nature soon. Together with our self-development projects and our licensing from top global partners like EA, our investment in talented studios forms the third leg of our content pipeline, a multisource approach to ensure we have a strong pipeline of online entertainment and games to drive growth for the years ahead.

Real-Money Traditional Asian Games

Turning now to real-money Asian games initiative, we are excited to announce that the formal, commercial launch date for our revolutionary suite of Japanese gaming products will be the middle of June. Our Japan offering will include traditional Asian gaming products such as MahJong, pachinko, pachislo and Japanese variants of poker. We have begun pre-launch marketing, I am pleased to say on a foundation built from hundreds of downloads per day of our games. We are tremendously excited about this growth initiative, given the potential of the large Japanese market.

Conclusion

Overall, we start 2008 with a great quarter, a demonstration of both sound strategy and strong execution. We are thrilled with our progress thus far but even more excited by our heartfelt belief that today's results are but the early returns from our

many investments into building a dominant online entertainment business. As has been our commitment from the beginning: we are building a new GigaMedia with growing shareholder value as its cornerstone. We thank you for your interest and continued support.

Thomas: Thanks Arthur and thank you all for joining us.

Simply put, GigaMedia's first quarter 2008 financial results were outstanding. Let me now take a few minutes to review with you what we achieved in the period, and what we expect going forward.

Consolidated First-Quarter 2008 Results

In the first quarter, we grew consolidated revenues 51 percent year-over-year, or 15 percent sequentially, to \$54.6 million. While in absolute terms, our poker and casino software business continued to be the main driver of our revenue growth, in terms of percentage growth the Asian online games business was our fastest growing business in the first quarter, highlighting the increasingly diversified nature of our revenue streams. I will share more with you on growth in the Asian online games business in a moment.

Consolidated operating income was a record \$12.9 million in the first quarter, which represented a 49 percent increase year-over-year and a 39 percent jump sequentially. We achieved strong quarterly sequential growth in our operating income on the back of strong margin expansion, with our consolidated operating margin growing to 23.6 percent from 19.5 percent in the fourth quarter of 2007. Consolidated operating margin expansion was a result of the combined effect of significant revenue growth and effective cost control, especially in the areas of selling and marketing, and demonstrated the inherent scalability of our core businesses.

Net income in the first quarter grew 43 percent year-over-year and 13 percent sequentially to \$12.1 million. As noted in the press release today, net income was impacted by an increase in tax expenses in the quarter as a portion of our tax losses carried forward was either utilized or expired in 2007. Our effective tax rate was approximately 3.9 percent in the first quarter. Looking ahead, we expect our effective tax rate for full-year 2008 to be in the mid-to-high single digits.

We continued to maintain a robust balance sheet in the first quarter. Cash, cash equivalents, and current marketable securities at the end of Q1 were \$79.9 million

and total debt was \$32.2 million. In Q1, we generated \$9.0 million in operating cash flow.

In sum, we delivered very strong results in all key metrics. Let's now look into the performance of our core business units.

Gaming Software Business

During the first quarter, the business unit generated a record \$38.3 million in revenues, up 46 percent over last year and 12 percent over the previous quarter.

Revenues from our poker software products were \$29.7 million, an increase of 11 percent sequentially. Driving this was our award-winning Everest Poker offering. Approximately 208,000 active depositing real-money customers played Everest Poker during the first quarter, up 14 percent sequentially. And during the quarter, Everest Poker added approximately 68,000 new depositing real-money players, up 19 percent quarter-over-quarter.

Complementing this, our casino software business delivered exceptional results as well. First-quarter revenues from the casino software business were \$8.6 million. This represented a 17 percent increase sequentially. The launch of highly successful new video slot games and the cross-selling of casino games to Everest Poker players were the main factors contributing to our first quarter success in the casino vertical.

While we drove strong revenue increases in poker and casino, selling and marketing expenses actually decreased in absolute dollar terms by 3 percent sequentially to \$15.9 million in the first quarter. As stated in our press release today, the sequential decline in selling and marketing expenses primarily reflected strong mass media promotional campaigns in the fourth quarter of last year, which resulted in higher than normal selling and marketing expenses in that period.

Operating income in our gaming software business increased 17 percent sequentially to \$11.5 million in the first quarter, driven by revenue growth and an increase in the unit's operating margin to 30.1 percent from 28.7 percent in the fourth quarter of 2007.

In sum, our gaming software business is continuing to deliver and drive growth and derive benefits from our investments in building the Everest Poker brand. Looking ahead, we face the traditional seasonal decline in online gaming activities in Q2 and Q3. However, we believe our cross-selling and new product initiatives as outlined by Arthur earlier could partly mitigate the impact of seasonality.

Asian Online Games Business – FunTown and T2CN

Let me now turn to our Asian online games business, which delivered outstanding results in the first quarter. Total revenues from the Asian online games business surged to a record \$12.9 million, more than double last year's results or up 28 percent sequentially. I would like to highlight that the sequential 28 percent growth was all organic, generated from existing game offerings with no new game launches in the first quarter. This impressive sequential growth was driven by effective marketing campaigns, timely game content updates, seasonally strong Chinese new year holiday period and appreciation of both the RMB and the NT\$ against the US\$ in the first quarter.

Let's take a more detailed look at the revenues from this business unit. First, in Taiwan and Hong Kong, FunTown had a strong first quarter, with revenues growing 15 percent quarter-over-quarter to \$7.0 million. The sequential growth was due to a significant increase in ARPU as a result of strong contributions from Tales Runner and successful game promotion campaigns around and during the Chinese New Year targeting the existing customer base of FunTown's casual games. Monthly ARPU increased 21% sequentially to US\$21 in the first quarter.

Added to this, we began to see the initial results of ongoing restructuring and integration of T2CN. Total first-quarter revenues for T2CN were \$5.9 million, up an impressive 48 percent sequentially, driven by a significant increase in the number of players on T2CN's platform. T2CN's total active paying accounts jumped 43 percent sequentially to 514,000 in the first quarter, due to strong performance of FreeStyle. FreeStyle remains the #1 online sports game in China, and the sequential pickup in the game's performance was related to the following:

1. The addition of new content to the game via new game patches in January and March allowing players to enhance their skills and offering dozens of new in-game items;
2. New promotional activities during the period in conjunction with a hit movie in China; and
3. Increased online gamer activity around and during the Chinese New Year as a result of a severe snowstorm during the period.

Operating income surged 353 percent from a year ago to \$3.7 million and more than tripled from the previous quarter. Operating margin in the first quarter climbed sharply to 28.8 percent from 15.0 percent in 2007 and from 12.1 percent in the previous quarter, reflecting the scalability of our Asian online games business. Year-over-year,

we executed well, driving strong revenue growth and effectively controlling increases in sales and marketing expenses, which offset the period decline in gross margin and higher G&A expenses related to platform expansion and integration. Quarter-over-quarter, we continued to increase player numbers and monetization, driving operating margin expansion by growing our gross profit margin and controlling selling and marketing expenses.

Overall, Q1 results for the Asian online games business were excellent, demonstrating that the business is highly scalable and that even on the basis of our existing portfolio of games alone, the business is on track to drive strong growth in 2008.

Looking ahead, we expect revenues to climb in the second half of 2008 as we begin to more fully leverage our unique regional platform and launch several major new games in Q3 and Q4. We have licensed a very strong set of exciting new games, including NBA Street Online, Holic, Warhammer and HellGate: London, which have enormous market potential. We have also complemented this by investing in leading game studios, giving us preferential access to future hot titles.

In conclusion, in Q1 we again executed well – we continued to drive strong growth and we expanded margins in our core businesses, resulting in record profitability. Both our gaming software business and our Asian online games business are on track for a very exciting 2008.

Thank you.