



GIGAMEDIA
Strategic Alliance with Blizzard
Entertainment, Inc. and
First-Quarter 2010 Financial Results
CONFERENCE CALL SCRIPT
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Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our conference call to discuss GigaMedia's strategic partnership with Blizzard Entertainment, as well as our first-quarter 2010 financial results.

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 2009.

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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:

Thank you all for joining us.

Today we announced a watershed deal for GigaMedia: a partnership with Blizzard Entertainment through our SE Asian games operation IAHGames – under which we are going to bring both Blizzard’s existing game library -- *Diablo*, *StarCraft* and *Warcraft* – to SEA – and also the most anticipated game of the year: *StarCraft II: Wings of Liberty*. We could not be more excited, more committed, more confident about this partnership and the market potential in fast growing SE Asia.

Before discussing our Asian game business further, I’d like to turn first to look at our Gambling Software Business.

For the last six years, our Gambling Software unit has been our largest and fastest growing division. Beginning with our acquisition of the business in April 2004 for a grand total of US\$32.5 million, we have enjoyed strong double-digit growth nearly every quarter until the European slow down in 2009. Our Everest Poker product grew to be the fourth largest poker site in the world where it remains today. And Everest Poker was awarded “Best Poker Operator” for two consecutive years by the independent industry journal *e-Gaming Review*.

Last year, we saw an opportunity and the need to take our business to the next level by finding a European partner. After much research, analysis, evaluation and soul searching, we decided to take this major step by joining in a strategic alliance with Mangas Gaming, one of the leaders in European online gambling, whose operations include BetClic, Expekt, and Bet-at-Home, together offering sports betting, poker and casino services to over four million registered users in over 25 countries.

Mangas Gaming is jointly owned by the Lov Group of famed media executive Stephane Courbit – and SBM – the Société des Bains de Mer de Monaco, controlled by the Principality of Monaco. SBM is the owner of the world renown Monte Carlo Casino in Monaco; the “Casino Royale” in operation for over 100 years and featured in three James Bond movies.

By joining our Everest Poker business with Mangas Gaming, we have created one of Europe’s largest and best gaming platforms, with the size and scale to claim dominant market positions in Europe. Moreover, Mangas Gaming also brings the unmatched credibility, reputation and trust of the famed Monte Carlo Casino, backed by the Government of Monaco itself.

And now – in France – we are see an exciting development which we believe will be validation of our strategic partnership.

France has adopted a new and liberalized regulatory structure for online poker and sportsbetting, with a scheduled opening by mid-June – in just 2 or 3 weeks.

The poker market is expected to grow dramatically, with several analysts estimating a market size for poker alone of over US\$400 million in 2011.

Everest and Mangas are best positioned to capitalize on this development, with Everest Poker one of the top poker brands in France and BetClic number one in French sportsbetting. We expect to enjoy the largest user numbers and largest liquidity pool from the outset – and to capitalize upon the local expertise of our media and land-based casino partners to grow this initial leadership position to one of market dominance.

I note that with even a 25 percent market share – and we will be expecting more than this -- we may be looking at an over US\$100 million revenue business from France alone – and with high operating margins due to the economies of scale and higher ARPU's.

Again, together with Mangas, we believe our Everest Poker business has an opportunity to win dominant market share positions in Europe, thereby delivering the strongest of financial results. In short, we believe Everest Poker will continue to be a highly important and valuable growth driver for GigaMedia's shareholders for many years to come.

Asian Games Business

Today we announced two major developments relating to our Asian Games Business: (1) our new partnership with Blizzard, and (2) our significant expansion into SE Asia through *IAHGames*.

We have spoken about Blizzard, so I'll say a few words about *IAHGames* and the SEA opportunity. We've been a 28 percent shareholder of IAH for a couple of years and have come to know them and the SEA market during this time. Today we are excited to announced that GigaMedia will increase it's stake to an 80 percent equity position in *IAHGames*.

By way of background, *IAHGames* is a leading publisher, operator and distributor based in Singapore with over 35 million registered users in SE Asia. Led by a team of game-industry veterans with a track record of delivering mega-hits in Asia,

IAHGames operates several award-winning titles including *FIFA Online 2*, *Granado Espada* and *Dragonica*.

We are especially enthusiastic about this move because we believe SE Asia is a huge and fast growing market opportunity, similar to China's online game market several years ago. With EA's *FIFA Online* game addressing soccer/football lovers and now Blizzard's current games and the soon to be released *Starcraft II*, we believe IAHGames is best positioned to capture the hearts, minds – and dollars – of the SEA gamers.

Led by IAHGames, SE Asia will be a major area of growth and expansion for GigaMedia. And combined with our game operations in North Asia, we see the additional benefit of operating synergies as we build out an online entertainment platform to address the valuable 15-35 year old MTV generation across Asia in the most relevant of channels.

In conclusion, we are very excited that this new year brings with it new partners and new prospects for both our European Gambling and our Asian Games Business.

While 2010 will still be a year of building, a year of transition, we believe our strategic position is strong and that our many investments in games and game studios will soon begin to bear fruit.

We remain committed to building a stronger GigaMedia with growing shareholder value as its cornerstone. We thank you for your interest and continued support.

I will now turn the call over to Thomas, our President and COO.

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

We have quite a few new business and operational updates to share with you today. Let me now highlight some of these in a brief review of our gaming software and our Asian online games businesses.

First, in the gaming software business, as Arthur mentioned, we completed the sale to Mangas in Q2 of this year. The year 2010 and beyond now looks very bright for the business. Everest is now part of one of the largest online gaming groups in Europe and its enhanced size and scale will also benefit from a large and successful sportsbook offering, especially in France. The deal positions Everest to capture potential growth from the soon to be opened and regulated French market, one of the largest in Europe, and following that to build a strong Italian presence. In addition, as

a business that has never operated in the United States, Everest is very well positioned for the expected future opening of the giant US market.

During 4Q 2009 and 1Q 2010, the gaming software business made significant progress on a number of major operational initiatives. Everest completed the player wallet front-end for its entire casino portfolio. The team also finished an enhancement of its SEO program, which resulted in a strong lift in search traffic. In another major project, Everest also began back-end architecture upgrades that will be critical for major 2010 technology initiatives, including full migration to Malta, French and Italian licenses, as well as cross-marketing to other Mangas platforms.

In sum, 4Q 2009 and 1Q 2010 were transition periods for the business. Focus has been on closing the Mangas transaction and maintaining Everest's strong brand position in Europe in a very challenging environment. In addition to the burdens of the Mangas deal, the economic downturn in Europe and strong competition from U.S.-facing sites in particular presented strong challenges.

Looking ahead, the business will face a traditional industry slowdown during the summer season. However, for the year we expect growing business momentum driven by the alliance with Mangas, and licensing in the French market.

In our Asian online games business, we are also enthusiastic about our strategic positioning. As Arthur mentioned, we announced today a major growth initiative, acquiring majority control of our affiliate *IAHGames*, and partnering with Blizzard Entertainment to distribute and operate in Southeast Asian markets several of Blizzard's blockbuster games.

Regional distribution and operation of Blizzard's games begins with the launch of *StarCraft II*, currently scheduled for July 2010. The game's retail box will be available in Indonesia, Malaysia, the Philippines, Singapore and Thailand, with purchase enabling players to play online through the new Southeast Asia version of Battle.net, the premier online gaming destination for Blizzard gamers. The Southeast Asia version of Battle.net will have servers in the same region, lowering latency for players, and will also offer special community events and tournaments and fully localized customer service, available only to gamers who have purchased the Southeast Asia game box.

New game initiatives in our Greater China operations were disappointing in 2009. Launches of *Holic*, *Warhammer Online*, and *Luna Online* were hurt by content issues, illegal player activities, hacking issues, software bugs, and other technical and

operational issues. But we have taken appropriate steps to rebuild our pipeline cautiously and strengthen all aspects of our operations.

In China, we are currently doing limited testing of *FreeStyle Manager*, a new version of the popular *FreeStyle* franchise. In Taiwan, FunTown has secured exclusive Taiwan rights to *A.V.A.*, an exciting first-person-shooter game distributed by Neowiz. We expect *A.V.A.* to begin commercial services in the third quarter of 2010.

Looking ahead, we are committed to building a leading Asian online games business. We expect to drive growth both organically and via acquisitions and we have the resources and financial flexibility necessary to expand our business regionally in Asia and strengthen our pipeline.

Thank you. That concludes my remarks and I will now turn the call over to Quincy for a review of our financial performance.

Quincy:

I would like to take the next few minutes to review our Q4 and Q1 consolidated financial results. And then I will review highlights in the Gambling Software Business and our Asian Online Games Business. Following that will be a Q&A session.

Consolidated Q4 2009 and Q1 2010 Results

Financial results in both quarters largely reflected trends in the gambling software business, which were shaped by seasonality, the global economic downturn, and strong competition. In addition, financial results in the fourth quarter reflected write-offs of several non-performing games and game investments, which had an aggregate non-cash impact on fourth-quarter net income of approximately \$49 million.

Total fourth-quarter revenues were \$40.3 million, down 10 percent YoY on lower contributions from the gambling software business, which was expected and in line with industry trends, but fourth-quarter revenues grew 8 percent QoQ on favorable seasonality in the gambling software business. Total first-quarter revenues were \$37.1 million, down 8 percent QoQ, due mainly to business transition and integration issues related to the sale of the gambling software business.

Gross margin has improved slightly over the past few quarters, growing from 74.5 percent in Q3 to 77.8 percent in Q4 and 78.9 percent in Q1. This improvement was attributable to the following:

- 1) Gross margins of the Gambling Software Business increased in Q4 on the traditional seasonal revenue boost;
- 2) Gross margins of the Asian Online Games business grew significantly in Q1, mainly due to improved performance in both T2CN and FunTown.

Consolidated income from operations in Q4 was a loss of \$42.0 million due mainly to non-cash write-downs totaling approximately \$38.3 million. These write-downs were largely composed of the following:

- 1.) impairment losses totaling approximately \$14.1 million related to goodwill on investments in China; and
- 2.) impairments totaling approximately \$23.0 million primarily related to capitalized software and licensed game costs for online games, as detailed in our press release.

In the first quarter of 2010, our consolidated income from operations grew QoQ to \$3.6 million. Operating margin was 9.8 percent. During the period, our sales and marketing expenses decreased by 37 percent QoQ as both the gambling software business and the Asian online games business decreased advertising and promotions.

Next, let's take a look at each business unit's performance.

Gambling Software Business

Results for the Gambling Software Business were largely in line with expectations and consistent with industry trends in 4Q 2009 and Q1 2010.

Q4 2009 revenues grew 16 percent QoQ, reflecting traditional winter season growth, with poker increasing 20 percent QoQ and casino up 10 percent QoQ.

Q1 2010 revenues decreased 12 percent QoQ, reflecting decreased player activity on seasonal factors, the global economic downturn, and business transition and integration issues.

Q4 income from operations decreased to a loss of \$941 thousand, largely on increased sales and marketing expenses.

Q1 income from operations grew to \$3.7 million. Sales and marketing expenses decreased 38 percent QoQ, which outpaced revenue decreases during the period and resulted in an operating margin of 14.4 percent.

The Asian Online Games Business – FunTown and T2CN.

Results for the Asian online games business were solid in Q4 and Q1.

In Q4, revenues decreased 9 percent QoQ to \$10.8 million, related to decreased promotional activities in both FunTown and T2CN following the summer student promotional campaigns and lower player activity. Helping to offset the quarterly sequential decrease in players and revenues were ARPU increases. Spend per player grew 9 percent QoQ in FunTown and increased 14 percent QoQ in T2CN.

In Q1, revenues grew 5 percent QoQ to \$11.3 million. Driving the growth were successful promotions by T2CN of FreeStyle during the Chinese New Year holiday. FunTown revenues remained steady QoQ.

As mentioned, operating income in Q4 was impacted by large non-cash write-downs. Excluding these write-downs, Q4 operating income was \$938 thousand.

Q1 operating income grew QoQ to \$2.1 million, driven by higher gross profit and a 20 percent decrease in selling and marketing expenses, resulting in an operating margin of 18.4 percent.

Outlook

Looking ahead, in April we completed the sale of a 60 percent interest in the gambling software business and expect to record a substantial one-time gain in Q2 2010 of approximately \$60-70 million. From Q2 onwards, we will deconsolidate the gambling software business and will account for our remaining 40 percent interest under equity accounting. From a cash position perspective, we have a net cash position of approximately \$115 million, taking into account the payment from Mangas Gaming of approximately \$100 million, transaction costs, and short-term bank borrowings.

Management expects to record write-offs estimated at around US\$7 million to US\$8 million in the second quarter related to certain legacy games, game intangibles, and underperforming games.

In Q3 we expect to close the acquisition of IAHGames and begin consolidating their results. We expect this acquisition to begin driving revenue growth as the year ends. Taking into account the investment cost, consolidation of IAHGames cash and IAHGames obligations under the Blizzard agreements, we expect to have a net cash position of \$95 million at closing of the transactions. In addition, we have about a \$30

million working capital line available with banks for our operations.

In sum, we are well positioned for growth and expansion and have sufficient financial resources to grow our Asian online games business through M&A initiatives on top of our organic growth initiatives.

Thank you.