



GIGAMEDIA Fourth-Quarter and Full- Year 2007 Financial Results

CONFERENCE CALL SCRIPT

MARCH 11, 2008 AT 8 A.M. (EST)

Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our fourth-quarter and full-year 2007 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 4Q and full-year 2007 business activities and financial performance. Thomas Hui will then provide details on our financial results during the periods. 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.

We are very pleased to announce today our 2007 full-year and fourth-quarter financial results. In numeric terms, 2007 was an outstanding year. As a company we grew dramatically with revenue climbing 77%, operating income up 73% and net income rising 68%, excluding non-cash share based compensation. But even more important, I would like to emphasize that 2007 was a watershed strategic year – a year of significant investment and building to forge the foundation for more dramatic, more exciting growth in upcoming years.

As our President and COO Thomas HUI will share with you details about operating and financial performance, I will concentrate on our strategic position, plans and outlook and why we are so excited about our position today.

Our Poker and Casino Software Business

In 2007, we enjoyed strong success in building out the Everest online entertainment brand. Numerous marketing initiatives combined with strong operations have solidified our position as the fourth largest poker site in the world. Our poker and casino software was consistently improved and broadened with the addition of the Omaha poker game, over 15 casino games, and two new language/geographic offerings. Our efforts have gained recognition not only among our players but also our competitors: Everest Poker was awarded Poker Operation of the Year for 2007 by industry journal e-Gaming Review.

In 2008, we plan to continue to build the Everest brand as a leading poker and casino brand with strong market visibility, market recognition, market acceptance and trust – among the 350 million consumers of the European Union and around the world – in South America and Asia and ultimately, the United States. We have many plans to bring this about; let me highlight a few:

1. The World Series of Poker. We recently announced that Everest Poker had secured a key multi-year sponsorship of the legendary WSOP, the world's oldest, largest, richest and most famous poker tournament. Last year, over 50,000 players physically attended the WSOP to play for a prize pool of over US\$150 million. Under the terms of the sponsorship, Everest Poker will be featured on the felt at every table in the World Series – and more, on the televised Championship table, on the inner-

rung that surrounds the inside of the table, most visible when players check their pocket cards. Everest Poker will also have significant visibility at the event with signage, player sponsorships, and special parties and functions. The WSOP has a viewership of over 350 million homes from over 2700 hours of broadcasts. In short, the WSOP is the greatest gaming event on the planet – and we look to the WSOP to help drive Everest to the next level.

2. Sports Betting. This year we plan to acquire, merge or form a strong strategic alliance with a major European sports book. Sports are an enormous segment of the online entertainment and betting space, but until recently, our view was that regulations were too restrictive for us to be involved. As a result, we have been leaving a lot of money on the table. The good news is that in the last year, we have seen several moves toward licensing and liberalization in certain of our target markets and we have concluded that now is a good time for us to enter.

By having a sports offering to pair with Everest, we will be able to expand our offering from just poker and casino to poker, casino and sports – and to offer our highly popular Everest poker and casino games to sports bettors. By sharing players and traffic – essentially making our entertainment offering more broad and more deep, we are confident we can increase per player values – allowing us to further invest into our brand and player acquisition.

3. Poker and Casino integration. We also plan to strengthen the connection between our poker and casino offerings, opening a window in the poker client to allow players to play black jack while waiting for others in a poker game, and improving cross-selling between products.

4. Launching Everest Poker into the United States. As you are all aware, though the poker business in the United States was outlawed in November of 2006, interest in and demand for poker has remained very strong. In response, legislators have begun to reconsider the prohibition, a process most observers believe will result in the adoption of 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. In our favor is the fact that we have never offered poker in the US before – and therefore, never run afoul of US laws from the past. In addition, our status....as the only US listed poker firm, as the only poker firm subject to and complying with US corporate and securities laws, as the only poker firm preparing financials in US GAAP, as the only poker firm complying with Sarbanes

Oxley and other corporate governance measures – all of this suggests we will be better positioned than our competitors to obtain an early license.

The US is an enormous poker market, one which we are very excited to enter as a fully licensed and fully legal offering once the new regulations are adopted. We plan to begin preparations this year and are considering initially offering play-for-fun, tournament or subscription play for the interim. Moreover, we believe our multi-year sponsorship of the World Series of Poker will set the stage for our full launch into the US upon legalization.

In short, in 2007 we have invested strongly into making Everest a well recognized, well accepted and trusted brand for online poker and casino. We believe these investments will drive further growth – in Europe initially – but before long, also into the giant United States market.

Our Asian Online Games Business

In Asia, we have taken major steps to build the first and only Pan-Asian online games and entertainment platform – extending our traditional base in Taiwan, HK and Macau into the Chinese mainland with our acquisition of T2CN and across the 10 countries of SE Asia with our investment in InfoComm Asia, for which we are the largest shareholder. Today we have over 68 million registered users with over 9 million active in the last 30 days; we look to double these numbers and then double again as we grow our pan-Asian platform. Let's look at some of our plans for this business:

1. Top Games from Top Partners. To fuel our growth in this large and rapidly growing market, we been fortunate to partner with top game and entertainment firms from around the world including Flagship Studios – creators of the Diablo and Warcraft games - and Electronic Arts – a global leader in digital entertainment with over 200 popular titles. In 2008 – 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. In addition, our SE Asia affiliate Infocomm Asia has just signed a tremendous new game title with EA Sports: FIFA Online 2, the sequel to the blockbuster FIFA “football” (soccer to Americans) game that had over five million users and was the No. 1 mid-session sports game in Korea.

2. Top relations with top studios. In 2007, we made equity investments into three top game development studios: SoftStar, one of Asia's oldest and most famous game companies, XLGames, founded by gaming legend Jake Song – creator of

Lineage, the most popular online game franchise in history; and Neostorm, a game development powerhouse with creative talent from NCsoft Corporation, Nexon Corporation and NHN Corporation. Together with our self-development projects and our licensing from top global partners like EA, our investment in talented studios forms the third prong of our content investments, a three-prong investment plan to ensure we have a strong pipeline of online entertainment and games to drive growth for the years ahead.

Real-Money Asian Games

2007 also saw the launch of our first real money mahjong product and the development and release in open beta of our suite of Japanese products including Pachinko, Pachislo and MahJong.

As I have reported before, the results from the initial launch of real-money Mahjong have been lower than planned due primarily we believe to certain marketing and platform deficiencies by our initial licensee. These problems have since been corrected and we are told that several new marketing initiatives are underway including the use of online marketing affiliates, strategic partnerships with land based channels, banner advertisements and event marketing. We believe we will see positive results from these efforts and will report more as more data becomes available.

We also continue discussions with several other potential licensees and expect to finalize terms soon. We believe these will help expand the market significantly when these licensees launch in 2008.

Our suite of Japanese products was launched in open beta (on a play for fun basis) at the end of 2007. The purpose of the OB launch was mainly to give our affiliate partners a sneak preview of the new product offering and to begin soliciting new affiliate networks in Japan.

In the two months since OB, the initial feedback has been overwhelmingly positive; both our existing and new affiliate partners are very excited, very positive. In addition, with no promotion, no marketing, we have hundreds of software downloads everyday and the upward trend continues.

We have also sought detailed feedback from focus groups and selected partners. Their opinions have been highly valuable, highly informative and as a result, we're decided to make certain modification of the products in the area of pachis games

themselves, lobby/parlor functionality, art and graphics, as well as backend business management tools.

We expect commercial launch in the second quarter.

We hope and expect that our product will be able to replicate as much as possible the gaming features of existing pachino machines and the ambiance of the land-based pachinko parlors, as well as introducing elements that are commonly offered in an online environment such as avatars, player rankings and community features.

Despite the launch delays we continue to see an enormous market opportunity for Asian real money and play for prize games. We look forward with enthusiasm to a strong ramp up in 2008.

Conclusion

Overall, we are very excited about 2008 and expect strong growth in both in top and bottom line terms and in our strategic position in Europe and Asia. In the short-term we expect a strong first quarter, driven by continued outstanding performance in every business unit. In the medium to long-term, we believe our strong investments in 2007 have laid the foundation for more dramatic, more exciting growth in upcoming years. We are indeed 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.

As Arthur mentioned, 2007 was quite simply a great year for our business. I would like to start today's discussion with a brief overview of full-year 2007 results and then move to look at our fourth-quarter performance.

Full-Year 2007 Results

We had a very strong year with record revenues, operating income and net income, driven by strong execution in our core businesses. Revenues grew 77 percent and operating income increased 73 percent, resulting in record net income of \$38.9 million. In 2006, we recorded a significant non-operating gain of approximately \$7 million, after tax, related to the sale of our legacy ADSL business. Excluding this gain, to get a better apples-to-apples comparison, net income grew 63 percent year-over-year in 2007.

Both of our core businesses, i.e. our gaming software business and Asian online games business, had stellar performance in 2007. Let's take a quick look now at these two, starting with results of our gaming software business.

Gaming software revenues were \$119 million in 2007, an increase of 116 percent from 2006. Growth was largely due to our poker software product, which soared 190 percent year-over-year. Operating income from the gaming software business unit grew 125 percent to \$37.7 million.

The Asian online games business also had a very solid 2007. Full-year revenues jumped 75 percent to \$32.8 million. Operating income grew 21 percent over 2006 to \$6.7 million.

Let's now turn our discussion to our fourth-quarter 2007 results.

Consolidated Fourth-Quarter 2007 Results

In the fourth quarter, our consolidated revenues were up 59 percent year-over-year, or 11 percent sequentially, to \$47.7 million. Our poker software business continued to be the main driver of our revenue growth. Increases in revenues from our Asian online game business also contributed to our revenue growth year-over-year.

Consolidated gross profit was \$37.6 million in the fourth quarter, a 60 percent improvement year-over-year and 13 percent growth sequentially. Gross margins increased slightly to 78.8 percent.

Consolidated operating income reached \$9.3 million in the fourth quarter, which represented a 16 percent increase year-over-year and a 7 percent decline sequentially. Operating margin was 19.5 percent in Q4 2007.

The year-over-year increase in operating income was due to strong growth in our consolidated revenue and gross profit, which was partially offset by an operating margin decline due to increases in selling and marketing expenses across all of our core business units, growth in product development and engineering expenses in our gaming software business and, finally, the consolidation and ongoing integration of T2CN which increased general and administrative expenses.

Quarter-over-quarter, our operating income declined due to higher operating expenses. Selling and marketing expenses grew 34 percent to \$20 million, mainly due to increases in advertising and marketing activities in our gaming software

business which was implemented to take advantage of the seasonally strong winter months in Q4.

Product development and engineering expenses increased 92 percent sequentially to \$2.8 million from last quarter, reflecting increases in R&D related expenses in our gaming software business and an increase in product development expenses at T2CN due to an one-off event in Q3.

General and administrative expenses decreased 19 percent sequentially from Q3 to \$5.4 million, primarily due to lower staff-related compensation expenses and lower professional service fees.

Non-operating income for the fourth quarter was \$354 thousand, compared to \$1.5 million in Q3 and \$2.2 million in the same period in 2006. The sequential decline reflected one-time gains as a result of the cancellation of preferred-share warrants and the termination of a licensing agreement, both at T2CN in Q3, and the year-over-year decline reflected certain gains from the disposal of marketable securities in Q4 2006.

Finally, as a result of these factors, our net income in the fourth quarter grew 8% year-over-year and 10% sequentially to \$10.7 million. Our fourth-quarter consolidated net income also benefited from a minority interest loss and income tax benefits during the period.

Turning now to our balance sheet, we ended 2007 in a very strong financial position. Cash, cash equivalents, and current marketable securities at the end of Q4 were \$79.9 million and total debt was \$33.3 million. In Q4, we generated \$13.3 million in operating cash flow.

Let's now look at our business unit performance.

Gaming Software Business

During the fourth quarter, the business unit generated a record \$34.2 million in revenues, up 73 percent over last year and 17 percent over the previous quarter.

Revenues from our poker software products were \$26.8 million, an increase of 107 percent year-over-year and 21 percent sequentially. Driving this was our award winning Everest Poker offering. Everest Poker is continuing to attract growing numbers of real-money players and to strengthen as a leading international gaming brand. Approximately 182,000 active depositing real-money customers played

Everest Poker during the fourth quarter, up 102 percent year-over-year and 12 percent sequentially. And during the quarter, Everest Poker added approximately 57,000 new depositing real-money players.

Our casino software business also delivered solid results. Fourth-quarter revenues from the casino software business were \$7.4 million. This represented a 7 percent increase year-over-year and 2 percent increase sequentially, driven in large part by the launch of new games and cross-selling of casino games to Everest Poker players.

Operating income from our gaming software business increased 3% sequentially to \$9.8 million in the fourth quarter as a result of significant revenue growth. Operating income growth was partially offset by increases in operating expenses in the areas of selling and marketing expenses commensurate with seasonally strong winter months, as well as product development and engineering expenses designed to expand our platform functionalities and product offerings.

As a result of these factors, net income from the business unit in the fourth quarter increased 19 percent sequentially to \$10.9 million.

In sum, our gaming software business is continuing to deliver and drive growth and, as noted in our release today, in the first two months of 2008 we have experienced an exciting pickup in revenues. For January and February combined, average net daily revenue was up approximately 12 percent over that achieved in the fourth quarter of 2007.

Asian Online Games Business – FunTown and T2CN

Total revenues from the Asian online games business in the period increased an impressive 92 percent year-over-year to \$10.1 million, driven by strong contributions from FunTown, and consolidation of our China game platform, T2CN. Quarter-over-quarter, revenues were flat.

Breaking revenues down further, fourth-quarter revenues from FunTown grew 16 percent year-over-year and declined 1 percent sequentially to \$6.1 million. Strong contributions from Tales Runner were the main driver for FunTown's year-over-year results.

Turning to T2CN, total fourth-quarter revenues were \$4 million, up 2 percent sequentially, primarily due to an increase in revenues from our basketball game FreeStyle. This pickup in performance is related to the addition of new content to the game and new promotional activities during the period.

For the Asian online games business as a whole, gross profit was \$6.8 million, roughly flat quarter-over-quarter. Gross profit margin was 68 percent during the fourth quarter.

As mentioned earlier, the Asian online games business also recorded an operating income decline in the fourth quarter – at \$1.2 million in Q4, down from \$2.3 million in Q3. The quarter-over-quarter decline primarily reflected an increase in product development and engineering expenses as a result of the termination of a licensing agreement at T2CN in Q3.

As a result of these factors, combined with the decline in non-operating income at T2CN I spoke about earlier, net income from the business unit in the fourth quarter declined 50 percent sequentially to \$1.3 million.

Looking ahead, the competitive advantages of our unique pan-regional platform and our strong portfolio of top game titles will be the key drivers for our Asian online games business. To date we have licensed a very strong set of exciting games, including NBA Street Online, Holic, Warhammer and HellGate: London, partnering with some of the world's leading game developers such as Electronic Arts. We have also complemented this by investing in leading game studios, giving us the ability to source hot titles at favorable terms. We fully expect both top and bottom-line results to accelerate strongly in 2008 as we launch new titles, drive subscriber numbers and expand our reach.

To summarize, in Q4 we again made excellent progress in our core businesses. First, we continued driving very strong growth in our gaming software business while at the same time building our platform and enhancing our offerings. Second, we continued strengthening our Asian online games business, deepening our game pipeline, and adding key strategic partnerships. Both our gaming software business and our Asian online games business are on track for a very exciting 2008.

Thank you.