GIGAMEDIA Fourth-Quarter and Full-Year 2008 Financial Results

CONFERENCE CALL SCRIPT

MARCH 31, 2009 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 2008 results conference call for GigaMedia Limited.

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 2008.

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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: Thanks Brad and thank you all for joining us.

Today, we have Thomas Hui, our President and COO and Quincy Tang, our CFO with me. I will begin with a strategic overview of our business; followed by Thomas who will discuss operational highlights and finally Quincy will take us through the numbers in more detail.

In 2008 we delivered solid results despite the difficult macro-economic environment. Full year revenue was up 25 percent and full year net income up 14 percent, both driven by 22 percent growth in poker and casino software and 39 percent growth in our Asian online games business.

Turning to 2009, we are highly confident in the fundamental strength of our business and in the high quality/low cost entertainment value we provide to our millions of players worldwide.

On the poker/casino side, our top line softness is reflecting the macroeconomic downturn. But the key player metrics – in particular, new player acquisition – remain solid, demonstrating the continued appeal and entertainment value of the Everest gaming platform. Players continue to come – but they are betting less. So we are increasing cross marketing between our gaming platforms, continuing to release new games to enrich the gaming and entertainment experience and utilizing new marketing partnerships – while at the same time implementing an appropriate set of cost reductions and controls – all with the goal of maintaining our financial performance in-line with last year.

In Asia, we have one of the strongest game pipelines in the region and expect to see strong growth of the top and bottom line in 2009. Some of this pipeline are games that were slated for 2008 release but which were delayed – meaning we have an especially strong 2009 and 2010.

Let me turn now to the specific business units and highlight what we are doing to strengthen our business and sustain our momentum.

Poker and Casino Software Business

The challenging operating environment which began in the Fall 2008 has continued into the First Quarter 2009 where we are now looking at an approximate 10 percent Q-on-Q fall in revenue for poker and casino.

We believe, however, that our core business is entirely sound and that with proper execution of our 2009 plan, and the eventual return of consumer confidence, we will be well positioned for a return to strong growth.

Everest Poker remains the fourth largest site in the world. Everest remains one of the most popular and well-known Poker rooms in continental Europe according to a recently published player survey. For the last two years, Everest Poker has been awarded Poker Operation of the Year by independent industry journal eGaming Review. And despite the economic downturn, Everest Poker continues to perform as well or better than almost all of our competitors.

We believe our Q1 revenue softness is fundamentally attributable to macro-economic issues: the serious economic downturn in Europe and the depreciation of the Euro. Though per player revenue is down, our new player acquisition continues to be fine, giving us confidence that once consumer confidence returns in the coming months, we should see player yields return to historic levels.

Nonetheless, as a matter of prudent management and to protect profitability and cash flow during this downturn, we are making a number of changes to our cost structure which should yield significant cost savings; we estimate between US$5-6 million a year. Please allow me to highlight a few steps we are taking:

1. Staff reductions. This week we executed a layoff of ~8 percent of staff at CESL. We do not expect this cut to materially impact execution of our 2009 plan.
2. Affiliate Partner Program. We anticipate additional cost savings from CPA cost containment functionality in our affiliate management software to be launched next month – as well as some improved terms with our affiliates. Naturally, we are carefully balancing these cost saving opportunities with our ongoing player acquisition targets, but anticipate these saving to begin to occur in mid Q2.
3. Payment processing costs. We have recently identified new payment processing channels with more competitive rates which should yield significant savings beginning in mid/late-Q2.

While cost reductions and improved efficiencies are an important and prudent management policy, we at the same time continue to drive the business with new products and marketing initiatives.

In the First Quarter, we released a new suite of Flash based casino games, as well as teaser games with no download requirements to attract players and improve conversion to real money play. In addition, we introduced a new VIP Player Store which allows players to use VIP and loyalty points to purchase merchandise. The

First Quarter also saw the launch of the 2009 Everest Poker European Championship and the Everest sponsored Spanish Poker Tour – as well as promotions and qualifying events for the mother of all events, the World Series of Poker, for which Everest is the exclusive poker sponsor.

For the rest of 2009, we will continue to drive the business hard as a leaner and more efficient operation. Moreover, we invested heavily in numerous initiatives during 2008 and we are excited to begin to see the yield on these investments now in 2009. Let me highlight some examples…

Cross Marketing - We will be launching the next phase of our common wallet technology in Q2, a major step in our next-generation platform. This will allow us to more effectively cross-register players seamlessly between our existing 2 verticals as well as our new Everest Bets and future products. We anticipate that this phase will materially improve the rate of cross-registrations from poker to casino. Despite some initial steps, our monetization between poker and casino is still but a fraction of our competitors which suggests we have considerable additional monetization available here.

Local Marketing Partnerships. In 2009 we look to expand our brand and our market presence by entering into marketing partnerships with strong local media groups and entertainment firms. We currently are in discussions with partners in Italy, France, Germany and Spain – and look to finalize an initial deal with the next months.

Business Intelligence – We are now starting to get a return on the significant investment made in 2008. We now have dramatically improved visibility into our business and with greater facility and speed. With these tools we look forward to deep, accurate and timely database marketing across the platform, based on a refined understanding customer behavior/profiles - all to maximize player LTV.

New generation Everest Poker. We are very excited about our new Everest Poker front-end client to be release in Q2. Our customer tests showed an 18 percent lift in downloads/conversions from this new front-end client.

Sports book – This remains a young initiative which began at end of 2008. We are working closely with our partner VC and are bullish about the future. We believe that the key driver in 2009 will be a more tightly integrated solution, where the players remain on a common wallet, and are able to easily move chips/funds between the verticals, obtain and utilize loyalty points throughout the Everest portfolio.

World Series of Poker – The grand finale and conclusion of the 2008 WSOP in November 2008 instead of July as in past years has meant that television broadcasts of the WSOP have only partially begun. Many key markets, including Italy, Spain, Portugal, Sweden, Denmark and Russia have yet to start airing programs and most other countries have only completed limited or partial broadcast. All of this means continuing TV promotion of Everest Poker in our target markets. But in addition to ongoing benefits from the 2008 WSOP, we are very optimistic about the 2009 event which will be of special and improved benefit to Everest.

Traditional Asian Games. Our unique platform of Asian games launched in the Fall of last year and has grown double digits month on months since then. We have just concluded marketing partnerships with two major entertainment groups in Japan and look forward to accelerated growth from these channels beginning in the second quarter. In addition, two new Pachi games will be launched in the second quarter. We continue to believe that traditional Asian games are a huge market opportunity and we are building our business methodically to become a major contributor, ramping up from this year into 2010. As with our build out of Everest Poker, we plan to release more operational metrics as our business develops.

In summary, we look to deliver financial performance in line with our 2008 results for this division.

Asian Online Games Business

The 2008 performance of our Asian Online Games unit – revenue up 39 percent and operating income up 16 percent -- would be fine for some companies but in truth was a disappointment for us. Our planned launch of several top games was delayed due to development delays and missed deadlines on the part of some of our third party game providers. Nonetheless, the net result is an even stronger game pipeline for 2009 and into 2010, with potential megahits and explosive growth drivers for GigaMedia.

Let me just highlight our latest news and leave a fuller discussion to Thomas. We are excited to announce our licensing of Luna Online for our exclusive operation in China. Luna Online is currently one of the hottest games in Asia, with strong user numbers and in some markets, revenue even matching World of Warcraft. As a cute-style MMO, Luna addresses the large, lucrative niche that looks for strong social interaction and charming Japanese anime-style characters in games. Luna's unique mix of social networking and matchmaking allows for great character interactions and community building, making it a great fit for Asian gamers. We are very excited about launching this game in China this Summer and expect it to target the market niche previously occupied by Ragnarok Online, one of the all-time most popular games across Asia.

In summary, we are very confident that Luna and the other strong games in our line-up will drive very strong top and bottom line growth in Asia both for 2009 and beyond.

Conclusion

Before concluding, a word on potential mergers and acquisitions. With a view to maximizing shareholder value, we are now in discussions with several interested parties concerning the possibility of a strategic merger or sale. We have retained a financial advisor. No further information is available at present. If such a merger or sale does not proceed, we will seek strategic acquisition targets as well as consider joining poker liquidity with other operators and platforms.

As a publicly listed firm with a strong balance sheet we believe we have good opportunity to make accretive acquisitions during the course of this challenging year.

To conclude, despite difficult operating conditions, we remain confident in the strength of our business and the value of the online entertainment platform we are building. For 2009, our accelerated growth in Asia and careful management in Europe point to another strong year for GigaMedia, with growing shareholder value as its cornerstone. We thank you for your interest and continued support.

With that I would like to hand the call over to Thomas.

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

Let me take you through our business and operational highlights now, starting with our gaming software business and following with our Asian online games business.

Revenues from our gaming software business in the fourth quarter grew 3 percent Y-o-Y, composed of a 50 percent increase in casino revenues and a 10 percent decline in poker revenues. Record casino results demonstrate continued success in leveraging our investments in the Everest brand. In poker, results showed the impact of strong headwinds – namely, the economic downturn in Europe, depreciation of the euro against the U.S. dollar, and strong competition. Given these factors, as Arthur mentioned, we are acting decisively to make the business leaner and taking actions to ensure we will weather global macroeconomic challenges. Overall, the Everest brand and our market position remain solid.

Poker revenues in the fourth quarter held relatively steady Q-o-Q. During the fourth quarter, our poker platform had approximately 184,000 active real-money customers, up 4 percent from the previous quarter. During the quarter, we added approximately 44,000 new real-money poker players, up 15 percent quarter-over-quarter.

The poker business continues to attract a strong player base and remains a healthy business. However, player yields have been negatively affected by two factors. First, competition over players increased in 2008, with some sites using profits generated from customers in the United States to market to European players, and many operators joining poker networks to improve the liquidity they can offer. This has led to some increase in the number of players playing on multiple sites. Second, it is clear from our Q4 results that the global economic crisis and accompanying depreciation of the euro has had some effect on gamer spending. The net result of these factors has been a downturn in player yields and revenues.

Turning to casino, casino revenues in the fourth quarter were again very strong, with continued success in cross-selling to Everest Poker players offsetting market challenges. As we enhance integration between our poker and casino offerings, more and more Everest Poker players are playing on Everest Casino. We also plan to launch a suite of flash-based games requiring no download to further enhance player conversion.

Turning now to our Asian online games business, revenues decreased 5 percent Y-o-Y and 15 percent Q-o-Q, with both declines related to decreased fourth-quarter contributions from our China platform, T2CN.

We experienced a temporary, sharp drop in player activity in T2CN's game FreeStyle during the fourth quarter due to a hacking incident. This was resolved in December and both player activity levels and revenues have rebounded sharply.

For the fourth quarter, T2CN's average monthly active paying accounts were approximately 336,000, down 16 percent from the third quarter, and average monthly revenue per active paying account was $3.45 during the period, down 15 percent quarter-over-quarter. These declines were related to the aforementioned hacking incident. Peak concurrent users of *FreeStyle* were approximately 111,000, a decrease of 6 percent from the third quarter.

FunTown's average monthly active paying accounts were approximately 102,000 during the fourth quarter, down 6 percent from the third quarter, and average monthly revenue per active paying account was $19.59 during the period, up 2 percent quarter-over-quarter. Peak concurrent users were approximately 38,000, an 18 percent decrease from the third quarter.

Overall, fourth-quarter results of the Asian online game business were fundamentally sound, with effective cost controls and good growth in operating income and net profit. However, these results only hint at the strength of our platform and its growth potential. We have invested heavily in this business and are confident in our ability to deliver very strong growth going forward. Fourth-quarter results did not include any new game launches, but we expect to offer new games in each quarter of 2009.

Looking ahead, we are very excited about the prospects of our new game pipeline. Let me now go over the key developments with regard to our new game titles, namely, *Holic*, *Warhammer Online*, *Luna Online* and *NBA Street Online*.

We successfully launched *Holic* in January 2009 in Taiwan. Peak concurrent users of *Holic* in February were approximately 12,000. We expect launch in China in the second half of 2009 following some additional game development by its developer, mGame.

Our next launch is EA's exciting new game *Warhammer Online*. Since its launch, EA has taken what was already a strong game and made it better. Most recently, EA/Mythic launched version 1.3 of the game in North American and Europe. As part of this, Warhammer gets two new character classes, a number of large event competitions and other new content. The scope of this expansion is extensive.

We will begin limited closed beta testing of *Warhammer Online* version 1.3 in Taiwan in April, open beta in May, and look forward to an exciting commercial launch in June.

Next, as Arthur mentioned, we have just obtained exclusive China rights for Luna Online. Given Luna's success in other Asian markets, we expect it to be a major hit in China when it is launched in Q3 2009.

Finally, we also plan to launch another game title from EA this year, *NBA Street Online*. Sports games are an underserved niche in Asia and basketball is one of the most popular sports in the region. Given this enormous market opportunity, the global appeal of EA's sports brand, and the excitement of NBA stars who appear in the game, we expect *NBA Street Online* to be a major hit in China and Taiwan. EA is taking great care to finalize refinements to the game for Asian markets. We expect that it will be ready for commercial launch in China and Taiwan by Q3/Q4 this year.

In summary, we continue to be very confident about our gaming software business and excited about our Asian online games businesses. In Europe, our strategy in 2009 is to continue to leverage the Everest brand and carefully mange costs. And in Asia our proven ability to source top content, an exciting pipeline for 2009 and our massive reach give us powerful assets to accelerate our growth strongly.

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

Quincy: Thanks Thomas.

Let me now take a few minutes to review our Q4 consolidated financial results. Following that I'll highlight some key factors affecting Q4 results in each of our core business units. There will then be an opportunity for you to ask questions.

Consolidated Fourth-Quarter 2008 Results

Overall, fourth quarter was very challenging.

Beginning with revenues, both year-over-year and quarter-over-quarter, consolidated revenues were relatively steady, growing 1 percent Y-o-Y and declining 2 percent Q-o-Q, to $44.6 million. During both periods, small growth in our gaming software business was offset by revenue decreases in our Asian online games business. Revenue declines in the Asian online games business were related to a fourth-quarter hacking incident in T2CN, which Thomas mentioned.

Our gross profit margin in Q4 was 80.7 percent which was steady Q-o-Q and down slightly from last year.

Our 4Q 2008 consolidated operating income decreased Y-o-Y by 16 percent to $7.9 million, and increased Q-o-Q, up 36 percent.

The Y-o-Y decrease was due to a decline in our operating margin to 17.7 percent from 21.3 percent a year ago. This reflected a margin decline in the gaming software business from amortization of expenses related to sponsorship of the World Series of Poker, as well as increases in general and administrative, and product development and engineering expenses. This more than offset an increased operating margin in our Asian games business where we tightened cost controls and increased efficiencies.

The quarter-over-quarter increase in consolidated income from operations was primarily the result of a sequential consolidated operating margin increase in the Asian online games business, which more than offset the aforementioned margin decrease in the gaming software business. Last quarter, certain non-cash charges in our Asian online games business resulted in negative income from operations in that business unit.

For more insight into our period results, let's look now at key line item details.

On a Y-o-Y basis, we had lower G&A expenses and higher selling and marketing expenses with product development expenses remaining flat. Total general and administrative expenses decreased by approximately $648 thousand, or 13 percent, led by a strong 30 percent reduction in the Asian online games business. The decline in G&A helped offset a Y-o-Y increase of approximately $1.4 million, or 7 percent, in total selling and marketing expenses. This increase was mainly due to amortization expenses in our online poker software business for sponsorship of the World Series of Poker.

On a Q-o-Q basis, we had lower G&A expenses as well as lower product development and engineering expenses, with higher selling and marketing expenses. Total general and administrative expenses decreased by approximately $1.2 million, or 22 percent, led by a 39 percent reduction in our Asian online games business. Total product development and engineering expenses decreased by $1.4 million or 35 percent, largely related to a 22 percent reduction in our gaming software business. The quarterly sequential reductions in G&A and product development and engineering expenses helped offset a Q-o-Q increase of approximately $3.3 million, or 19 percent, in selling and marketing expenses, which was related to initial amortization of expenses related to our sponsorship of the World Series of Poker.

Turning now to net income, GAAP consolidated net income declined 15 percent to $9.1 million from the fourth quarter of 2007, reflecting the period decline in operating income and the net impact of higher minority interest income and the benefit of income from discontinued operations. Net income declined by 25 percent from the third quarter of 2008 as a result of weaker performance in our gaming software business.

We continued to maintain a strong balance sheet in the fourth quarter. Cash, cash equivalents, and current marketable securities at the end of Q4 were $99.4 million and total debt decreased to $15.2 million, with the Q-o-Q decrease in our cash position attributable to loan repayments of $14.3 million.

Full-Year 2008 Results

Overall, full-year 2008 results demonstrated our ability to deliver solid top and bottom-line growth while continuing to build a leading online entertainment company.

Revenues grew 25 percent to $190.4 million, led by 22 percent growth in our gaming software business and 39 percent growth in the Asian online games business. Gross profit margin remained solid at 81.5 percent. Consolidated operating income grew 2 percent, and operating margin was 20.0 percent – in line with expectations. Net income grew 14 percent Y-o-Y to a record $44.4 million.

In sum, we executed well, delivering a solid year while continuing to invest heavily in and build-out our core businesses. We faced a tough operating environment and a number of delays in scaling up our business, but as a result of our work, we expect much greater success going forward.

Next, let's look in greater detail at the performance of our core business units.

Gaming Software Business

Fourth-quarter revenues for the gaming software business grew 3 percent year-over-year. As expected, revenues were up 2 percent over the third quarter.

In poker, revenues declined 10 percent year-over-year and held steady quarter-over-quarter.

Offsetting this were outstanding results in our casino software business. We continued to drive excellent growth here by cross-selling casino games to Everest Poker players. Casino revenues were $11.0 million in the fourth quarter, up 50 percent Y-o-Y and relatively steady Q-o-Q. As Thomas mentioned, we expect ongoing cross-selling initiatives to continue to drive user growth and strong performance.

Gross profit margin in Q4 was 83.3 percent, down from 87.0 percent in 2007 and steady Q-o-Q. The Y-o-Y decrease resulted from increased payment processing costs and depreciation of office equipment during the period.

Operating income in our gaming software business decreased 47 percent to $5.2 million year-over-year and decreased 45 percent sequentially. Operating margins declined year-over-year to 14.7 percent from 28.7 percent in 2007 and from 27.0 percent in the third quarter of 2008. The year-over year decrease was primarily due to increases in sales and marketing, general and administrative, and product development and engineering expenses. The quarter-over-quarter decline in operating margin mainly reflected increased sales and marketing expenses, as we began to record amortization expenses in the fourth quarter for our multi-year sponsorship of the World Series of Poker. This increase, as well as increased general and administrative expenses during the period, more than offset decreased product development and engineering expenses.

In sum, it was a challenging quarter for the poker business, and another strong quarter for the casino business. We anticipate that the operating environment will continue to be challenging as the timing for recovery of the global economy is uncertain and market competition in online gaming continues to be very strong, and we are taking action to reduce our operating costs during these difficult times.

Asian Online Games Business – FunTown and T2CN

Let me now turn to our Asian online games business.

Overall, results for the business were solid. Operating margins grew Y-o-Y and Q-o-Q, as did net income.

As Thomas noted, revenues in the fourth quarter were negatively impacted by a hacking incident in China of T2CN's game FreeStyle, making Y-o-Y and Q-o-Q revenue comparisons of the Asian online games business somewhat distorted. Revenues in the Asian online games business declined 5 percent Y-o-Y and by 15 percent Q-o-Q.

Breaking down revenues by business unit, revenues from T2CN, our China platform, declined 12 percent year-over-year to $3.5 million. On a sequential basis, revenues decreased 29 percent in Q4 2008 from Q3. As Thomas mentioned, metrics for *FreeStyle* in the first quarter of 2009 have rebounded sharply.

Revenues from FunTown, our Taiwan and Hong Kong online game platform, were steady Y-o-Y and Q-o-Q at $6.0 million as we did not launch any major new games during the periods.

Gross profit margin in Q4 was 71.4 percent, up slightly from 68.0 percent last year and comparable with 73.2 percent in the third quarter of 2008.

We are very pleased to report that operating income jumped 167 percent from the same period last year, driven by strong margin expansion to 34.2 percent from 12.1 percent in 2007. Margin expansion resulted from effective cost controls, with a 36 percent decrease in sales and marketing and a 30 percent decrease in general and administrative expenses.

Quarter-over-quarter, operating income grew sharply from a loss of $2.4 million. As described in our announcements, third-quarter results were distorted by several non-cash items. Excluding such items to obtain a more meaningful comparison, operating income for the Asian online games business grew approximately 100 percent Q-o-Q, from $1.6 million, and operating margin more than doubled from 14.6 percent.

Looking ahead, we expect revenues to grow significantly in the first quarter and accelerate in 2009 as we begin to more fully leverage our unique regional platform and launch the outstanding set of new game titles Thomas mentioned earlier, including *Warhammer, Luna Online* and *NBA Street Online*.

In conclusion, in Q4 we faced strong operating challenges, but we again delivered solid results – we continued to build and strengthen our businesses and we are committed to controlling our operating costs in order to sustain momentum against the economic headwinds.

Thank you.

Brad: Thanks Quincy.

We will now move into a question and answer session. Operator, at this point, we would like to open the call up to questions.

- Q&A Session -