

July 30, 2004

Competition in MGAM's core business cuts into its phony-baloney earnings.

Yesterday Multimedia Games, Inc. (NASDAQ: MGAM, \$24.54) reported that it had just 85 more player stations in operation at the end of the quarter than it had on March 31, 2004, excluding its Washington State Class III games. Multimedia's CEO stated during the earnings conference call yesterday afternoon that the Company's Class II games are "no longer the game of choice" in Oklahoma casinos. Approximately 70% of Multimedia's net revenues for the six months ended March 31, 2004 were from Native American tribes located in Oklahoma.

Multimedia's operating results have now deteriorated in each of the last nine quarters. This disastrous record has been hidden from investors by the use of irregular and highly questionable earnings accounting.

In its peak performing quarter ended March 31, 2002 Multimedia achieved pretax earnings totaling \$1,346 per player station. In the quarter ended June 30, 2004 Multimedia managed pretax earnings of \$893 per player station. This 33.7% decline in pretax earnings per player station is only a part of the actual overall deterioration of Multimedia's business. The results are far worse if expense capitalization is normalized.

Yesterday Multimedia also disclosed that "a significant number of player terminals were removed from several sites in Oklahoma" because the Company adhered to its 30% participation model in response to tribal requests for reductions in its participation.

Asensio & Company, Inc. covers Multimedia Games, Inc. and maintains a Strong Sell and Short Sell opinion. A summary of the basis of our opinion is found in our October 2, 2003 report published on www.asensio.com.

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