



**GIGAMEDIA First-Quarter 2007
Financial Results
CONFERENCE CALL SCRIPT
MAY 22, 2007 AT 8:00 A.M. (EST)**

Operator: Good day ladies and gentlemen and thank you for standing by. Welcome to the GIGAMEDIA LIMITED (“GigaMedia” or the “Company”) conference call to discuss first-quarter 2007 operating and financial results. At this time, all participants are in a listen only mode. Following the formal presentation, instructions will be given for the question and answer session. If anyone needs assistance at any time during the conference, please press the “*” followed by the “0” for operator assistance. As a reminder this conference is being recorded today, the 22nd of May 2007. I would now like to turn the conference over to Mr. Brad Miller. Please go ahead Mr. Miller.

Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our first-quarter 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, our CFO.

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 2006.

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The agenda for today's call includes first a review by Arthur Wang of 1Q 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 and thank you all for joining us.

We are very pleased to report our strong first-quarter results today, with revenue climbing 95 percent year-over-year to \$36.1 million and net income soaring 167 percent over last year to reach \$8.5 million. In our gaming software business we continued to hit new company records with Everest Poker. And in Asia, our casual game platform continues to deliver solid results in the context of heavy investments which should drive strong ongoing results.

Overall, an outstanding quarter.

Thomas will go through our financial results in more detail. Please allow me to highlight a few points of particular note concerning our first quarter.

First, our Poker and Traditional Gaming Software business. Once again we had a very strong quarter driven by Everest Poker. Top line revenues grew by nearly 50% from the fourth quarter – a remarkable sixth straight quarter of 50% Q-over-Q growth. Active real money player numbers followed suit with a 54% increase over 4Q.

Today, Everest Poker is the fourth largest poker site in the world – and the second largest in the world if you exclude sites that continue to accept US players despite the US prohibition.

And we are working hard to do better: in this second quarter we have signed a deal with ESPN in Europe to air the Everest Poker Minute, a

series of one minute poker shows offering poker tips, interviews with top players and the like. Next week we will unveil a new Everest Poker lobby and release Everest Poker in a fully localized Greek language product, our 15th language offering, more than any other site.

In addition, the 2007 EPEC has kicked-off with initial events in Holland and Sweden. This month will see the Everest Poker Austrian Open Championship and in something totally new: the Everest Poker Japan Cup, first online/offline poker tournament in Japan.

We are also launching a new affiliate management system to continue to drive our affiliate marketing efforts.

Our product offering has also broadened with our release of real money MahJong software in the first quarter. Mahjong is a traditional Asian game often called the poker of Asia. We have taken our market leading play for fun MahJong software and licensed it out on a real-money basis, and expect our initial licensee to launch commercial operation very shortly. This summer, our MahJong software will be joined by a suite of Japan specific gaming products such as pachinko, pachislo and Japanese variants of poker. I am tremendously excited about the potential for Asian games especially in the large Japanese market.

Overall, we have built a well-known and well-respected online brand, a pan-European online entertainment brand and platform, serving the 350 million consumers in the European Community – and soon in Asia – with a localized offering in 15 languages.

We plan to continue to invest in building this brand and 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.

Next, our Asian Casual Games business, where we had a very good first quarter and an even better quarter in context of the serious investments we made in the business.

In Q1, we increased our equity stake in China casual game platform T2CN, taking for the first time a control position in the company. T2CN is operator of the largest online sports game in China and we are excited about the opportunity to build T2 into a major player in China online entertainment.

In Q1, we also kicked-off the initial marketing for the red red hot hot Hellgate: London game which has been the run-away star of industry game shows. We are very much looking forward to the launch of Hellgate: London later this year.

More recently, we have licensed Phantasy Star Universe from industry titan SEGA games. PSU is the long awaited sequel to SEGA's award winning Phantasy Star Online series of role playing games. We are also very much looking forward to launching PSU late this year.

All told, today we have an online game platform that spans Greater China with large user numbers: over 65 million registered users, over 8 million users active in a given month. And on top of this, in Southeast Asia we are the largest shareholder of Infocomm Asia Holdings, with about 30% equity interest. We believe the market opportunity in Southeast Asia is similar to that of China three or four years ago and Infocomm Asia has secured three big titles for the region: Hellgate: London, Emil Chronicle Online, and Grenado Espada from the developer of the previous SE Asia favorite RO.

All told, we are building an online game platform with an enormous footprint, providing the ability to deliver entertainment to users on a scale and with the efficiency of broadcast television. I emphasize that this platform – which we initially monetize with online games – will provide us with an opportunity to deliver a wide variety of entertainment for ourselves and future partners.

In sum, we finish the first quarter with a strong strategic position and excellent operational momentum. Today's results reflect but the early returns from our investments into building a dominant online

entertainment platform. 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.

Let's now look in more detail at the financial performance of our business in the first quarter. I will start with our consolidated results and then review each business unit.

Overall, we delivered strong performance in the first quarter of 2007. We continued to drive strong organic growth with our world-leading poker software business. At the same time, we acquired T2CN to further expand the platform reach of our Asian online games business. We also began initial promotion of our triple-A title, Hellgate: London.

Let me quickly summarize our consolidated results in Q1:

- Consolidated revenues grew 95 percent year-over-year or 20 percent quarter-over-quarter to \$36.1 million. The key driver for our sequential revenue growth was record performance in our poker software business.

- Consolidated gross profit increased 118 percent to \$28.8 million from the same period last year and increased 22 percent

sequentially. Our consolidated gross profit margins grew to 79.7 percent in Q1 from 78.3 percent in the previous quarter.

- Operating income rose 164 percent year-over-year, and 8 percent sequentially to \$8.7 million. The quarter-over-quarter increase in our consolidated operating income was due to the growth in consolidated revenue and gross profit as mentioned before, which more than offset the sequential decline in our consolidated operating margin from 26.7 percent in Q4 2006 to 24.0 percent in Q1 2007. This sequential decrease in our operating margin was the result of margin decreases in our Asian online games business and our legacy broadband ISP business and an increase in non-cash share based compensation expenses, which together more than offset the increase in the operating margin of our gaming software business during the quarter.

- Net income climbed 167 percent year-over-year to \$8.5 million, resulting in fully-diluted earnings per share of 14 cents. Non-GAAP net income, excluding share-based compensation expense, was \$8.7 million, or 15 cents per fully-diluted share. Quarter-over-quarter, net income declined 14 percent, but this comparison is distorted by the impact in the fourth quarter of a one-time after-tax gain of approximately \$1.9 million related to the sale of certain marketable securities.

- We continued to maintain our financial strength during the first quarter. Quarter-over-quarter, our cash, cash equivalents, and current marketable securities increased from \$36.2 million to \$48.0 million. Operating cash flow for the period increased to \$11.0 million from \$9.1 million last quarter. Cash payments during Q1 related to our strategic investment in T2CN amounted to \$9.4 million. Capital expenditure was \$1.2 million for the quarter, and we recorded total debt of \$21.1 million at the end of the first quarter.

Let's now look at our business unit performance.

Gaming Software Business - CESL

The business unit once again delivered all-time highs in revenues and net income.

During the first quarter, the business unit generated \$26.3 million in revenues, representing 198 percent year-over-year growth and 33 percent growth sequentially. Gross profit grew 34 percent from last quarter. Operating income increased 45 percent sequentially; Operating income margin increased to 33.1 percent from 30.3 percent in the previous quarter as revenue growth exceeded increases in our selling and marketing expenses. Net income grew to \$8.3 million, a 246 percent improvement year-over-year or 41 percent growth sequentially.

Let me quickly break this down further into results for our poker software business and our casino software business.

Our poker business again achieved record results and remained the major force behind our gaming software business. Revenues from our poker software products were \$19.1 million, up 47 percent sequentially. Poker revenues represented 73 percent of CESL's total revenues. This growth was largely driven by increases in new player sign-ups on Everest Poker. Approximately 138,000 active depositing real-money customers played Everest Poker during the first quarter, up 53 percent sequentially. And during the quarter, approximately 68,000 new depositing real-money players were added.

Key factors driving Everest Poker user and revenue growth were efficient online and offline marketing and brand-building initiatives. During the first quarter Everest Poker continued a high-profile \$1 million tournament called Avalanche. Everest also launched television commercials and held weekly \$100,000 tournaments. To support continued growth, during the quarter we launched three new languages and several new player-facing features, as well as continuing to upgrade and improve our systems to enhance the overall gaming experience for customers.

Our casino software business also delivered strong results. First-quarter revenues from the casino software business were \$7.2 million. This represented a 39 percent increase year-over-year and 5 percent sequential growth, driven in large part by cross-selling of casino games on Everest Poker.

In sum, our gaming software business is continuing to scale up and benefit from the growing strength of the Everest brand.

Asian Online Games Business – FunTown and T2CN

FunTown continued to deliver solid revenue growth in the first quarter despite the effect of the Chinese New Year holiday and the short month of February during the quarter. Our strategy of expanding our game offerings and increasing our selection of in-game virtual items on our platform has been successful in driving continued revenue growth.

During the quarter, the increased operating expenses, primarily related to certain long-term growth initiatives, resulted in a lower operating and net income margin. These initiatives include the promotion of Hellgate: London, an increased marketing campaign for Funtown during the Chinese New Year holiday period and the integration of T2CN, our China online game platform. I will talk more about these initiatives in a moment.

Revenues in the period increased 19 percent year-over-year and 4

percent sequentially. Gross profit margin declined to 77.8 percent from 78.7 percent last quarter, due largely to an increased revenue mix from licensed games. Operating margin decreased to 15.0 percent from 35.1 percent in the previous quarter due to the Hellgate: London promotion, FunTown marketing and T2CN integration as I mentioned before. As a result, net income declined 15 percent year-over-year and 43 percent sequentially.

Despite the immediate negative financial impact, we believe these initiatives will drive long-term growth for our Asian online game business. Let me now go over these initiatives in more detail.

First, regarding our current portfolio of online games on the FunTown platform, as I mentioned, during the first quarter we continued strong mass-media marketing initiatives, which included television commercials in Taiwan. We also continued to drive growth in the advanced casual games Tales Runner. Revenues from Tales Runner were up 75 percent quarter-over-quarter. As a result, both the total active paying accounts and the monthly revenue per active paying account increased by 2 percent sequentially, to approximately 107,000 accounts and \$17 in ARPU, respectively, in the first quarter.

Second, we began to promote the highly anticipated game Hellgate: London, which is scheduled for launch in late 2007. In February we took advantage of the highly popular Taipei Game Show, a five-day

event that was attended by tens of thousands of visitors this year, and showcased Hellgate: London with an elaborate game display – the largest at the game conference. We received very positive feedback and expect the game will significantly increase our revenues and profitability when launched.

Third, we acquired an additional 39.9% equity interest in China's online casual sports game leader T2CN in the middle of the first quarter. We have also begun the integration of T2CN with GigaMedia and expect such integration will continue in the second quarter. As expected, financial contributions from T2CN in the first quarter were modest. In Q1, T2CN generated revenues of \$3.5 million and net income of \$361 thousand. However, since we account for our T2CN investment under the equity method, neither our revenue nor operating income benefited from T2CN's results in the first quarter. During the quarter, we recognized an equity investment income of approximately \$58 thousand, which represents our interest in T2CN's net income from mid-February through the end of March. We expect to consolidate the results of T2CN in the second quarter of 2007, and we believe that contributions from T2CN will continue to grow going forward.

Finally, a quick review of our Broadband ISP Business

Revenues, operating income and net income in our legacy broadband ISP business declined quarter-over-quarter in line with expectations. The decline was largely due to decreases in payments we receive for

bandwidth, consulting and support services related to the sale of our ADSL business in 2006. A decrease in our cable modem subscriber revenues also contributed to this decline. Looking ahead, we expect the contributions from our ISP business to continue to decline both in absolute terms and relative to our consolidated financials. This is in line with our ongoing strategy of shifting resources away from this legacy business.

To summarize, in Q1 we made great progress in our goal of building a powerful, leading online entertainment platform. We delivered tremendous growth in our gaming software business, particularly in the poker business, and strengthened the long-term growth prospects of our Asian online games business by adding T2CN in China and beginning promotional work for Hellgate: London.

We are well-positioned, executing strongly and excited about our opportunities and growth prospects in 2007. We are confident in our ability to continue driving growth and building shareholder value.

Thank you.