



**GIGAMEDIA Second-Quarter 2005
Financial Results
CONFERENCE CALL SCRIPT
SEPTEMBER 8, 2005 AT 8:30 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 second-quarter 2005 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 8th of September 2005. 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 second-quarter 2005 results conference call for GigaMedia Limited. Here 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 2005.

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The agenda for today's call includes first a review of 2005 Q2 business activities and financial performance, as well as our outlook, by Arthur Wang. Thomas Hui will then follow with details on our financial results during the second quarter and further insight into our expectations for 2005. 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 pleased to announce our strong second quarter results today, our fifth consecutive quarter of profitability, with net income of \$1.2 million, a 119% jump from Q2 of last year, and a 20% increase from Q1 of this year. Please allow me to briefly highlight three points of particular note concerning our second quarter:

First, we have delivered good earnings growth despite substantial losses in our music distribution business. Over the last 18 months, the new management team at Giga has worked hard to restructure this legacy music business. Despite many improvements, we have simply been swimming against the tide. In light of the continuing decline in the music retail sector, we have decided to explore a sale of this unit. We have retained financial advisors and are now in formal discussions with potential purchasers.

Second, our entertainment software business delivered strong results in a second quarter traditionally hurt by a seasonal slow down. Net revenues from Giga alone increased to \$3.1 million from \$2.3 million last year, driving a bottom line profit of US\$1.4 million for our entertainment software unit – a 19% increase over Q1 of this year. We are excited and very bullish about the growth prospects of this business.

Third, I consider the real story of our second quarter to be structural:

reflecting our commitment to invest, to build, to strengthen the foundation of the new GigaMedia: our online entertainment software platform. In the second quarter, we continued to lay the ground work for significant, long term growth in our target international markets. We improved our back-end systems, engineered the scalability and ability to ramp up to meet growing demand, and released many new products, most importantly our Tournament Poker product which can be found at EverestPoker.com.

In addition, we continue to consider strategic acquisitions in the online entertainment sector that would drive long-term growth and be accretive to our earnings.

In sum, at the half year mark, we are happy to report that our business momentum and progress continue. We have now recorded five consecutive quarters of net profit, and are on-track for what we have great confidence will be another record year. We are building a new GigaMedia, with growing shareholder value as its cornerstone.

Thank you very much. Let me now turn the call over to Thomas Hui, our CFO.

Thomas: Thanks Arthur.

Let me now go over certain financial details in each of our business units for the quarter and end with a few additional comments on our outlook.

Entertainment Software Business

Growth of our entertainment software unit continued during the second quarter. As noted in our press release today, we saw total revenues from this business unit increase 21% Q-on-Q, from US\$4.3 million to US\$5.2 million. Excluding the revenue consolidated due to the requirements of FIN 46, our revenue from the business unit resulting from the revenue-sharing agreement with UIM increased approximately 10% Q-on-Q from US\$2.8 million to US\$3.1 million. As a result of such increases, our net income increased 19% Q-on-Q, from US\$1.2 million to US\$1.4 million.

During the quarter, we continued our investment to broaden and enhance our traditional online gaming software products by launching new games and enhancing functionalities. These investments have led to an increase in the number of recurring existing players, or players from the existing player base who played during the quarter. The increased level of activities helped offset the traditional seasonal downturn in the entertainment software business.

In the poker product vertical, we continued to see encouraging results and focused on scalability in both hardware and software following the launch of the multi-table tournament games at the beginning of the quarter. Both the number of new players and the number of recurring existing players increased significantly during the quarter.

Going forward, we expect revenue from new games in the traditional online gaming software products and the newly launched poker software products to offset the seasonal decline of revenue in the 3Q. In the 4Q, we expect revenue growth to accelerate as we enter the peak season for the business.

Broadband ISP Business

Turning now to our broadband ISP business, we continued to make progress in growing our corporate ISP business. Demand for corporate broadband services remains healthy. Market demand and solid execution allowed us to grow total lines provided in our corporate services. Revenue from our corporate business grew approximately 14% Q-on-Q and accounted for approximately 31% of total revenue from the broadband ISP business.

On the consumer side of the business, we saw overall market growth slowing. As a result of the mature market conditions and heightened

competition for subscribers, our subscribers in the consumer broadband ISP business reduced 3.6% in the second quarter. Our blended ARPU was roughly flat compared to the first quarter. Because of these factors, revenue from our consumer ISP business was down 5.3% Q-on-Q.

During the quarter, we also divested a minor asset, the gigigaga.com Web site. This move is consistent with our strategy of shifting resources away from the consumer business. The divestment generated a one time income of approximately US\$670k.

Music Distribution Business

During the second quarter, the music business continued to be negatively impacted by a strong downturn in the music distribution market, which also negatively affected our consolidated financial results. Revenue from the business unit was down 29% Q-on-Q during the period. In an effort to reduce fixed costs, we continued to shift some of our stores to the combined store format during the quarter. However, the revenue decline, which was primarily a result of the general industry decline, outpaced our reduction in costs and expenses. We ended the quarter with a net loss of US\$394k for the business unit.

As we have indicated in our previous releases, we have been closely monitoring the operations and evaluating the strategic future of our

music distribution business. The secular downtrend of the general music distribution market in Taiwan has continued to negatively impact the long term strategic attractiveness of this business unit. The step we announced today, entering into discussions with potential buyers, is consistent with our objective to enhance shareholder value in the long run.

To conclude, we have now delivered five consecutive quarters of net profit. Our entertainment software business is operating in healthy markets with attractive growth potential. We have a solid balance sheet with approximately US\$50 million in cash, cash equivalents and current marketable securities. Finally, we also see a number of attractive strategic opportunities that could be accretive to our financials. It is an exciting time for GigaMedia and we look forward to continuing to transform and grow.

Thank you.

Brad: Thanks Thomas.

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 -

Brad: Thank you again for joining us today. For further information about GigaMedia or if you have questions and would like to contact the Company, please see our Web site at <http://ir.giga.net.tw>.