



**GIGAMEDIA Second-Quarter 2006
Financial Results
CONFERENCE CALL SCRIPT
AUGUST 8, 2006 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 second-quarter 2006 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 August 2006. 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 2006 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 2006 Q2 business activities and financial performance. Thomas Hui will then provide details on our financial results during the second-quarter 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 today to report our second-quarter 2006 financial results – the best ever for GigaMedia. Second quarter revenues from continuing operations were up 92 percent year-over-year to US\$21.0 million, net profit climbed 819 percent to a record \$11.2 million, and consolidated EBITDA grew 391 percent to \$13.6 million, also an all-time high.

To add some perspective, now half-way through 2006, our operating margin has expanded to 21.9 percent from 14.8 percent in the fourth quarter of 2005. For the first six months of 2006, net profit has grown to \$14.4 million, more than double our full-year 2005 net income, and we have delivered an EPS for the first half of 2006 of \$.28, up from \$.13 for full-year 2005.

Before speaking about our major business units, let me highlight a few points about the Second Quarter:

First: Operating Results. While our big net income number takes the headline, the most important news today is the strong growth in our operating income – all driven by the organic growth of our core businesses. Quarter-on-quarter, our operating income in Q2 climbed forty percent from Q1 of this year. We have concentrated much time and attention on continuing to improve our execution and are pleased

with the progress we are making. We look forward to further gains built on continued solid execution.

Second: Momentum. We are very excited, very energized by the momentum we have developed in our European poker products. Poker revenues grew 62 percent in Q1 of this year, and then another 65 percent in Q2. We are committed ... to continue to drive this growth, to capitalize on these early results, to capture significant market share in countries across Europe.

Third: Restructuring Nearly Complete. For the past two and a half years, the new management at Giga has been busy: on the one hand restructuring and transitioning out of our legacy businesses and at the same time, building the new GigaMedia focused on the high growth, high margin online entertainment sector. With the sale of our ADSL unit in the second quarter, our transition from the old Giga is nearly complete. As a management team we look forward – with enthusiasm, with vigor – to a single-pointed focus on growing the New GigaMedia.

Let me now briefly review the performance of our core businesses, and then add a few updates on our 2006 growth initiatives.

Our entertainment software business had an excellent quarter. Multi-player poker has grown rapidly and in Q2 for the first time contributed over half of our entertainment software revenues. Active real-money

players on Everest Poker jumped 50 percent over Q1, driving net profit for the entire entertainment software business up 41 percent over the first quarter of the year.

In the second half of 2006, we will be working hard to build on and accelerate this growth. In September, we will host the finals of the Everest Poker European Championship, bringing regional and single country champions together for the finale in Barcelona. In addition, we will continue to sponsor seats for third party tournaments such as the World Poker Tour and the World Series of Poker currently underway. Our marketing initiatives are showing high ROIs, and we therefore plan to increase our marketing and brand building activities.

Turning now to FunTown, where good quarterly performance was unfortunately impacted by seasonality, in particular by end-of-school year exam season and to a lesser extent by World Cup fever. Despite this, our net profit held steady. During Q2 we expanded our suite of games and added 311,000 new players, increasing peak concurrent users to over 34,000 players.

In the second half, we plan to drive our growth with the launch of several new games and by building on our strategic partnerships with Wretch and T2CN.

Wretch is a leading community and blog site in Asia, currently ranked 32nd in the world in daily traffic according to Internet metrics firm Alexa. Under the terms of our strategic partnership, we combine Wretch's strength in blogs, online photo sharing and other community offerings with FunTown's leading MahJong and other online casual games. We have begun by sharing of traffic and users and plan to further enrich our respective offerings and communities.

In May, we formed an exclusive partnership and made a strategic investment in T2CN, a leading game portal and operator of the largest online sports game in China. Our partnership – which we target to launch by quarters-end – will bring our number one FunTown MahJong and other Asian games to the 28 million registered users of T2CN in China, an important expansion of our China market reach.

Before I turn the call over to Thomas, I would like to provide a quick update on our real-money MahJong product. During the first half, we have taken FunTown's leading Mahjong games and added real-money cash-wager functionality, drawing on the extensive experience of our real money software operations. Our product is now ready in a "beta" release and upon completion of final quality assurance testing, we look forward to a roll-out later this quarter. Initial contribution will be small but we remain highly optimistic about the medium and long-term prospects for this business.

On top of these growth initiatives, we also 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 this half-year mark, we are happy to report that our business restructuring is nearly complete. Our growth to date gives us confidence in our strategic direction and execution plans. We are executing well, generating strong momentum in high-margin, high-growth businesses. We are indeed building a new GigaMedia, with growing shareholder value as its cornerstone.

Let me now turn the call over to our CFO Thomas Hui...

Thomas: Thanks Arthur.

Let me turn now to look at our financial performance for the second quarter. I will begin by taking you through our consolidated results and follow that with a look at each business unit.

Starting with our consolidated income statement, GigaMedia delivered significant organic growth and achieved the Company's best-ever results in the second quarter of 2006. Consolidated revenues grew 92% year-over-year or 15% quarter-over-quarter to \$21.0 million. Operating income for the second quarter rose 40% sequentially to \$4.6 million, with our operating income margin expanding to 21.9% from 18.0% percent last quarter. There were two key drivers for the significant growth of our revenue and operating income: (1) strong

revenue growth in our poker software products; and (2) operating margin expansion in all business units.

We also recorded approximately \$7.7 million in pre-tax non-operating income during the period. This was related to a gain recorded in connection with the sale of our ADSL business in May.

Net income jumped 255% sequentially to a record \$11.2 million, resulting in earnings per common share of 22 cents.

We finished the quarter with a healthy balance sheet. At the end of the second quarter, we had cash, cash equivalents, and current marketable securities of \$30.7 million. Net operating cash flow for the period was \$8.5 million. Capital expenditure was \$1.3 million for the quarter. Subsequent to quarter end, in July, we redeemed approximately \$11.7 million of the \$15 million convertible note outstanding which were issued in relation to our acquisition of FunTown. However, even after adjusting for this payment, we still have a solid balance sheet with ample liquidity.

Overall then, 2Q was a very successful quarter for us both financially and operationally. Our disciplined, methodical approach to building a high-margin, high-growth online entertainment platform is continuing to gain traction and build momentum.

Let's now look at our business unit performance.

Poker and Traditional Gaming Software Business - CESL

This business unit had an exceptional quarter. Solid execution more than offset the negative impact of seasonality and the World Cup games in Germany, with the poker software vertical again delivering dramatic growth and driving all-time highs in revenues and profitability for CESL.

During the second quarter, the business unit generated \$11.7 million in revenues, representing 124% year-over-year growth and 32% growth sequentially. Operating income increased 183% from the same period in 2005 and 45% sequentially; net income grew to \$3.4 million, a 153% improvement year-over-year or 41% growth sequentially. Operating margin increased to 31.0% from 28.3% in the previous quarter.

The poker software vertical has been the primary driver of the entertainment software business over the past year. We launched our poker software in full functionality in Q2-2004 and are now seeing strong returns on the investments and solid momentum for future growth.

Revenues from our poker software products were \$6.0 million, up 65% sequentially. Poker now represents 51% of CESL revenues.

Approximately 43,000 active real-money customers played Everest Poker during the second quarter, up 50% sequentially.

The traditional gaming software business also delivered solid results. Second-quarter revenues from the traditional gaming software business were \$5.7 million. This represented a 20% increase year-over-year and a 10% sequential growth. The increase in revenues was related to the launch of new games, as well as the benefits of brand building. While our licensee's marketing efforts have focused on promoting Everest Poker in the European markets, Everest Casino is seeing some benefit to the growing buzz surrounding the Everest brand.

Online Casual Games Business – FunTown

FunTown delivered solid performance in the second quarter. In line with expectations, revenues in the period declined 6% sequentially due to seasonality and the negative impact of the World Cup. The second quarter is traditionally a period of decreased online casual game play due to school exams in May and June. Despite the decrease in revenues, operating income was up 6% sequentially and net income was up 1% sequentially. Operating margin increased to 31.3 percent. The improvement in efficiencies is a result of reduced selling and marketing expenses during the period.

Similar to the first quarter, second quarter operating income and net income includes a \$322 thousand amortization expense related to the intangible assets acquired as part of the FunTown acquisition. FunTown generated \$1.7 million in EBITDA in the second quarter. EBITDA margin was a very healthy 41.5%.

Going forward, in addition to continued investment in new games to drive organic growth, we will also focus on leveraging growth opportunities through strategic partnerships. As Arthur mentioned, FunTown's existing strategic partnership with top community blog site Wretch gives us access to the site's 2 million members and a broad and rich array of entertainment and community offerings for the members of both sites. In addition, as a result of our new strategic partnership with T2CN in China, we can now offer FunTown's games to T2CN's 28 million registered users. We look forward to working closely with T2CN to extend our customer reach in China.

Broadband ISP Business

Finally, let me briefly go over our broadband ISP business. As we have previously announced, during the second quarter we disposed of our ADSL business, which generated a net pre-tax gain of approximately \$7.7 million.

Second-quarter revenues in the broadband ISP business were \$5.3 million; net income was \$8.1 million; and EBITDA was \$9.5 million.

Breaking this down, in the second quarter, revenues in the corporate side of the business were \$1.8 million, representing 32.8% of total revenues in our broadband ISP business. We saw a 10% sequential revenue increase related to an increase in number of leased-lines during the period, but competitive pressures in this business remain strong.

On the consumer side of the business, efficiencies improved as we closed ADSL direct sales outlets and continue our cost control initiatives lowering both the product development and engineering expenses and selling and marketing expenses.

To conclude, half-way through 2006 we have made excellent progress in driving organic growth. Looking ahead, we will continue to focus on the high-growth, high-margin online entertainment businesses by adding new products to our platforms and increasing marketing initiatives to future drive growth. We believe we are very well positioned with our entertainment software business and our online casual games business to capitalize on the excellent growth opportunities in Europe and Asia and expect to drive increased shareholder value going forward.

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 visit our Web site at <http://www.gigamedia.com.tw>.