



**GIGAMEDIA Second-Quarter 2008
Financial Results
CONFERENCE CALL SCRIPT
AUGUST 12, 2008 AT 8 A.M. (EST)**

Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our second-quarter 2008 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, President and COO.

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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The agenda for today's call includes first a review by Arthur Wang of Q2 2008 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.

In the second quarter, we delivered good results despite a seasonal slow down: revenues up 31% to \$52.5 million driving a bottom-line non-GAAP net profit – that is excluding non cash share based compensation - of \$12.1 million, up 17 percent Y-o-Y, resulting in an fully diluted non-GAAP EPS of .20 per share.

Let me turn to the specific business units and highlight why we are so excited about our progress in building a leading online entertainment company.

Everest Poker and Casino Business

Overview. Second quarter for our Everest business was a solid quarter despite difficult operating conditions. In addition to the annual seasonal slow down, in the second quarter we faced strong competition for mindshare from the number one event in Europe – the European soccer championship which this year proved to be extraordinarily popular with record attendance and record viewership. Despite this and strong competitive pressures, we were able to deliver results which while below our norms, were in-line or better than our main competitors.

Specific Highlights/Updates.

Record Casino results. Despite the difficult operating environment, our casino software business delivered record revenues of US\$9.5 million in the second quarter, up 34% Y-over-Y and up 10% from the first quarter. The main driver has been the increasing integration of our poker and casino platforms, and the roll-out of our common wallet functionality. We expect this trend to continue in Q3 and Q4 and for further platform integration to drive new record casino results.

Everest Sportsbetting. After considerable study and negotiations we have selected a sportsbetting partner and plan to launch our Everest Sports betting offering early in Q4. More details will follow in a formal announcement as we prepare for launch but I would emphasize that this is a key first step into the giant sports betting market – broadening our product offering to our existing Everest players as well as attracting new types of players to our entertainment platform. In addition, we continue to

discuss additional strategic partnership and acquisition opportunities with sports betting firms around the world to further accelerate our growth in this area.

WSOP. This July we saw the start of the 2008 WSOP, the largest and richest in history. With Everest Poker as a primary sponsor – and Everest Poker emblazoned on the felt on every table and on the inner ring around on the televised championship tables, the WSOP welcomed over 58,000 players from 118 countries, all playing for a prize pool of over \$180 million. We are very proud to be sponsor of this the preeminent sports/entertainment event and pleased with the branding and visibility the WSOP brings to Everest with broadcasts ultimately reaching over 300 million households world-wide. TV airing of the 2008 WSOP have only just started in the US, to be followed by Europe and the rest of the world this Fall. Based on the past experience of the WSOP, we expect the WSOP broadcasts to provide a strong boost to Everest Poker starting in the Fourth Quarter and extending through 2009.

New Everest Poker VIP program. This quarter we are also launching our new Everest Poker VIP program, designed to both show appreciation and be aspirational for Everest players. We expect the VIP program will begin to contribute to our results in Q4 of this year.

Overall Summary Outlook for Q3 and Q4. For Q3, we expect the seasonal slow down and the added attractions of the Summer Olympics to result in revenue slightly lower than Q2. This will be followed by a strong up-turn in the fourth quarter, which will enjoy support from Everest Sportsbetting, the increased casino/poker platform integration and common wallet, the WSOP broadcasts and the new Everest Poker VIP program. We expect to finish the year with strong growth and strong momentum leading into 2009.

Asian Real Money Games

At the end of the 2Q, we released our new platform of real-money Asian games. Though delayed by several months from our original schedule to ensure product quality, I am happy to announce that our launch has been a success. While it remains early days, we have seen very large traffic and thousands of downloads. Moreover, our games have been well received, with our most active players averaging more than six hours a day of game play on our pachinko product, a strong endorsement of our Asian game development team. Player ARPU is running in-line with our expectations and is gradually rising. Two new pachi games are in final QA now and are scheduled for launch before the end of September, with additional games in the development pipeline.

While we expect revenue contributions this year to remain modest but increasing, we are committed to aggressively grow this business which we believe has potential to become another Everest.

Asian Online Games Platform

Overview. The second quarter was also a fine quarter with good operating results. Considerable attention was spent on operational enhancements and preparations for the launch of new games in the second half, as well as steps to build our games pipeline.

Specific Highlights/Updates

NBA STREET Online. The biggest development in our Asian games business is our recently announced partnership with Electronic Arts to operate their *NBA STREET Online* game in China. Basketball is number one in China with an estimated 300 million players and expected to grow further as the NBA starts a new professional basketball league – the China NBA or CNBA. We believe *NBA STREET* will further secure our position as the number one sports game operator in China. We plan to work closely with EA, the NBA and the many NBA stars to make *NBA STREET* the undisputed number one game in China.

This new deal with EA builds on a growing partnership between Giga and EA in Asia, where we will operate EA's *NBA STREET* and Warhammer games in Taiwan, Hong Kong and Macau; and in SE Asia, through our affiliate InfoComm Asia, where we will operate EA's FIFA soccer game. We look forward to continuing to build a close partnership with EA.

Operational Preparations. This Summer we have been busy making operational enhancements and preparing for the launch of new games in the Fall. Our next title is the cute style MMO named *Holic*, developed by mGames, authors of a top ten game in China. We believe *Holic* will fill the market niche previously occupied by *RO (Ragnarok Online)*, one of the all time most popular games across Asia. We are pleased to be releasing *Holic* in all of Greater China: China, Taiwan, Hong Kong and Macau. We have also released a new front-end to our world number one FunTown Mahjong platform and continued development of our state of the next generation game platform.

Studio/Developer Equity Partnerships. We are committed to offering the best in online entertainment to the 93 million registered users on our Pan-Asian Platform. To this end, we have adopted a three pillar content strategy. One is to partner, to license games from the best publishers, studios and developers in the world, such as our partnership with EA for *NBA STREET*, *Warhammer* and *FIFA online*. Another strategic pillar is self development: to continue to build our game development capability, already strong in Taiwan as evidenced by our number one Mahjong and other Asian games and increasing in strength in China. Finally, we believe in developing strategic equity partnerships with top studios and developers, a strategy by which we make equity investments and obtain rights and privileges for games under development which we believe have the best potential. To date, we have five such equity partnerships including with such top developers as XL Games, lead by Jake Song, the original creator of *Lineage*, one of the top MMOs in gaming history. We believe these equity partnerships, as well as our own game development and licensing with top firms such as EA will provide us with continued strong growth across Asia.

Conclusion

Overall, in the second and now third quarter we continue to make strong progress on our top strategic initiatives, putting in place the drivers of accelerated growth and market position. We are indeed building a new GigaMedia with growing shareholder value as its cornerstone. We thank you for your interest and continued support.

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

Let me now take a few minutes to review our Q2 consolidated financial results. I'll then highlight some key factors affecting the Q2 results in each of our core business units. Following that there will be an opportunity for you to ask questions.

Consolidated Second-Quarter 2008 Results

Overall, second-quarter results were in line with our expectations, despite a challenging operating environment.

Beginning with revenues, year-over-year, we grew consolidated revenues 31 percent, to \$52.5 million. Our gaming software business remained our largest business segment and contributed most of the growth in absolute dollar terms. Complementing this was strong growth in our Asian online games business, up 67 percent year-over-year.

On a sequential basis, our revenues decreased by 4 percent. This was largely due to the impact of the traditional seasonal downturn in online gaming activities on our gaming software business combined with the impact of the 2008 European soccer championship. The quarter-over-quarter revenue decline also reflected comparison with exceptionally strong revenues in our Asian online games business in Q1, which surged to record levels on the favorable mix of mass media game promotions, new game patches, and the Chinese New Year holiday.

Turning to consolidated operating income. Second-quarter operating income increased 18 percent to \$11.9 million from the same period in 2007. Both of our core businesses contributed to the year-over-year growth of our operating income.

Quarter-over-quarter, operating income decreased 8 percent compared to our Q1 results. Operating income margin also declined slightly, impacted by lower revenues and gross margin and higher product development and engineering expenses.

Consolidated net income in the second quarter grew 11 percent year-over-year to \$11.2 million and decreased 7 percent sequentially. The sequential decline in net income was mainly due to a lowered Q2 net income from the gaming software business, partially offset by a sequential increase in net income in the other business units.

We continued to maintain a robust balance sheet in the second quarter. Cash, cash equivalents, and current marketable securities at the end of Q2 were \$81.7 million and total debt was \$32.3 million. In Q2, we generated \$11.4 million in operating cash flow.

Let's now look in greater detail at the performance of our core business units.

Gaming Software Business

Following record results achieved in the first quarter, the gaming software business entered the seasonally quieter period of online gaming. The summer months, when many Europeans have long vacations and generally spend less time online, are always a challenge for our gaming software business, which targets the European markets. In addition to this seasonal slowdown, the very popular 2008 European Football Championship began in June, further reducing online gaming activity.

With this difficult operating environment as a backdrop, revenues for the gaming software business grew 26 percent year-over-year, but declined 4% sequentially, in line with the challenges faced.

Drilling down further, in poker, revenues grew 26 percent year-over-year and decreased 8 percent sequentially. We recorded 191,000 active depositing real-money customers in poker during the second quarter, down 8 percent sequentially. And during Q2, we added approximately 46,000 new depositing real-money poker players, which was down 32 percent sequentially.

As we recently announced, Everest Poker is celebrating record participation in this year's WSOP. TV broadcasts of the WSOP event are expected to begin in different countries in our targeted European markets at the end of 2008, and we expect that this in combination with positive seasonality will drive improved metrics in our poker business as we approach yearend.

In casino, cross-selling efforts targeting Everest Poker players is on track and proving successful. We have completed several key steps in integrating the poker and casino products, including cross-registration and launch of the casino product from the poker lobby. Initial indications are very positive. In June, approximately half of the new casino players were players of our Everest Poker product. We expect ongoing cross-selling initiatives to continue to drive user and revenue growth.

On the back of these initiatives, second-quarter revenues from the casino software business were a record \$9.5 million. This represented a 10 percent increase over Q1 results.

Operating income in our gaming software business grew 8 percent to \$10.4 million year-over-year and decreased 10 percent sequentially. The quarter-over-quarter decline reflected lower revenues from the business unit, which was partially offset by a reduction in sales and marketing expenses in Q2.

In sum, our gaming software business faced challenging operating environment in Q2 and we expect the negative seasonality factors to continue in the third quarter, but we are also confident that we have put in place the right steps to drive growth in Q4.

Asian Online Games Business – FunTown and T2CN

Let me now turn to our Asian online games business. We are continuing to scale up and build our pan-Asian platform and are very pleased with our progress.

Total second-quarter revenues from the Asian online games business climbed 67 percent year-over-year to \$12.0 million. As expected, second-quarter revenues were below first-quarter results. In the first quarter, our business benefited from the combined impact of mass media game promotions around the Chinese New Year holiday, new game patches and severe winter storms in China, which resulted in exceptionally high online activity.

Let us review the breakdown of revenues from this business unit further. Revenues from T2CN, our China platform, jumped 361 percent year-over-year to \$5.4 million. This was primarily due to the effect of three full months of consolidation of T2CN in Q2 of 2008, versus one month of consolidation during the same period last year. I would like to highlight that on a like-for-like basis, T2CN also achieved significant revenue growth. Revenues for the second quarter of 2008 were approximately \$1.8 million per month, up 54 percent from T2CN's revenues in the same one month period last year.

On a sequential basis, T2CN's key player metrics were lower than Q1's record results. In Q2, average monthly active paying accounts were approximately 447,000, down 13 percent from the first quarter, but average monthly revenue per active paying account was \$3.97, up 3 percent sequentially. Peak concurrent users of *FreeStyle* were approximately 139,000, a decrease of 25 percent from the first quarter.

FunTown, our Taiwan and Hong Kong online game platform, continued its steady growth trend with second-quarter revenues up 10 percent year-over-year at \$6.6 million. Revenues decreased 6 percent sequentially on lower revenues per customer. In Q2, average monthly active paying accounts were approximately 116,000, up 5 percent from the first quarter, but average monthly revenue per active paying account was \$19.02, down 10 percent quarter-over-quarter. Peak concurrent users were approximately 44,000, a 2 percent increase from the first quarter.

Q2 operating margin of the online game business was 26.3 percent, down from 28.8 percent in the first quarter, largely on lowered revenue and investments related to product development and platform integration and increases in G&A expenses.

Looking ahead, we expect revenues to climb in the second half of 2008 and 2009 as we begin to more fully leverage our unique regional platform and launch a strong set of major new game titles, including *Holic*, *NBA Street Online*, and *Warhammer*.

In conclusion, in Q2 we faced strong operating challenges, but we again delivered solid results – we continued to build and strengthen our businesses and we are on track for a very exciting 2008 and beyond.

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>.