



**GIGAMEDIA Third-Quarter 2006
Financial Results
CONFERENCE CALL SCRIPT
NOVEMBER 9, 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 third-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 9th of November 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 third-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 Q3 business activities and financial performance. Thomas Hui will then provide details on our financial results during the third-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 were delighted with our performance in the third quarter. Consolidated net profit was \$6.5 million, up 278 percent Y-o-Y, driven by record operating income of \$6.0 million, a 441 percent jump from last year. To put these numbers in context, in this quarter alone we generated more profit than all of last year.

Today's results provide proof-positive of the enormous potential of our international strategy: to build a dominant online entertainment provider serving the giant non-English language markets of the world.

In just over two years, we have traveled far from our starting position as a legacy ISP and music retailer. We are thrilled with our progress to date, and have great confidence we are on-track for more record performance in the quarters ahead of us.

Before speaking about our major business drivers, let me highlight a few points:

First: Operating Results. Once again, the most important news today is the strong growth in our operating income which climbed over \$6 million for the first time in our company's history, noteworthy as a growth of 31 percent sequentially over the previous three-month period. 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: Early returns. In past quarters I have maintained that the performance of Everest Poker and our casino software in continental Europe represented only the very early returns on our investments. I think our Third- Quarter results provide strong support for this proposition. Poker revenues climbed another 40% while we doubled the number of active players, both as compared to Q2. Moreover, we remain very excited by the momentum we are seeing. In the third quarter we added 31,000 new money depositing players. 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: the impact of new US regulations. On October 13th, the US adopted a new ban on Internet gaming in the US. As we have previously noted, GigaMedia does now and has always generated all its revenues from markets outside the United States and therefore, we anticipate no adverse financial impact from this new law.

Let me briefly describe for you now our primary growth drivers, as well as what we are doing to deliver continued strong growth in 2007.

First, our traditional poker and gaming software business. From the start, our strategy has been to bypass the crowded (and now prohibited) US market and focus on the enormous non-English language community by offering our end-to-end poker software solutions in 11 languages.

In the early days, it was difficult to speak with certainty about the potential for Everest Poker in Europe: would players in Europe take to poker as they have in the US? While the market is still very young, I think today's results provide solid proof of the market potential. By leveraging our first-mover advantage in Continental Europe and over nine years of experience in these markets, we have enjoyed dramatic growth.

Much of our success has come from the strength of our suite of products. We continually innovate our online poker and traditional gaming products. In our poker business, we have added features such as hand history tracking so that players may keep a record of their hands, and are now finishing a player notes feature for players to record observations about competitors. In our traditional gaming software business, we offer at least one new game each month. New games such as video slots and updated versions of popular games have kept interest high and proved very popular. Complementing all of this are ongoing code enhancements and scalability improvements.

Our success has also been related to highly effective marketing, which again leverages our deep experience in international markets. Everest Poker and Everest Casino have become, in a short period of time, leading brands in our target markets. During the third quarter, we saw the launch of a major mass media campaign utilizing both television and Web advertisements. These initiatives will continue in the fourth quarter and be joined by the launch of the Everest Poker Nordic Summit. Following the hugely successful Everest Poker European Championship, a tour which recently concluded in Barcelona, we are very excited about the roll-out of this new tour in Scandinavia.

Let me turn now to our second growth driver, our Asian games business. The Third Quarter has been busy with many initiatives; let me highlight two.

First, we expanded our market reach beyond our traditional strongholds of Taiwan and Hong Kong into mainland China and launched a new casual game platform called T2Fun with our strategic partner and investee company T2CN, operator of the leading sports casual game in China. T2Fun offers over 70 casual games and has tens of thousands of daily visitors, though we expect limited revenue contribution for the near term.

Second, we have been focused on strengthening our game pipeline by working with leading game studios and publishers to bring exciting top titles to the Asian market. Given our proven leadership in casual games, we believe we are well positioned to secure and operate such “killer” titles which promise strong growth for our core casual games platform.

Turning to real-money Mahjong and other Asian games, our planned third- quarter launch has been delayed due to a number of uncertainties involving our potential partners in light of the major change the gaming environment in the US. Now that the situation has become clear, we are excited to proceed and have entered into a preliminary agreement with a leading player in global online gaming and expect to report our first revenue contribution – albeit small – during this fourth quarter. We expect this business to ramp up considerably in the first half of 2007 and become a major contributor for the full year.

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, in the third quarter the new Giga continued to deliver strong performance. Our growth to date gives us confidence in our strategic direction and operational plans. We are executing well, generating

strong momentum in high-margin, high-growth businesses. We are indeed building a new GigaMedia and look forward to growing shareholder value with your continued support.

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 third quarter, starting first with our consolidated results and moving later to look at each business unit.

GigaMedia again delivered excellent organic growth in the third quarter of 2006. Simply put, this is a blow-out quarter. We achieved record results in top-line revenue and operating income. Given that we delivered performance this strong during our weakest quarter seasonally, we are very excited about the future growth prospects for our business. Let me quickly summarize the results for this quarter:

- Consolidated revenues grew 118 percent year-over-year or 15 percent quarter-over-quarter to \$24.2 million.
 - Operating income rose 441 percent year-over-year, and 31 percent sequentially to \$6.0 million, with our operating income margin expanding to 25.0 percent from 21.9 percent last quarter.
- The key driver for the significant growth of our revenue and operating income was record performance in our poker software products. More on the exciting performance of this business in a moment.

- Net income jumped 278 percent year-over-year to \$6.5 million, resulting in fully-diluted earnings per share of \$0.11 cents. As you will recall, our second quarter net income benefited from a one-time gain as a result of the sale of the ADSL business in May this year. If we remove the effect of one-time gains, our \$6.5 million net income this quarter also represented a significant improvement over the last quarter.
- We also strengthened our balance sheet in the quarter. During the quarter, we grew our cash, cash equivalents, and current marketable securities from \$30.7 million to \$35.1 million. Net operating cash flow for the period was \$8.0 million. Capital expenditure was flat at \$1.3 million for the quarter.

As you will note, during the period, we redeemed the full amount of the \$15 million convertible bond outstanding which was issued in relation to our acquisition of FunTown. This early redemption resulted in two major financial benefits: (1) it removed the potential dilutive effect of the convertible bond, and (2) it generated a one-time gain of \$627 thousand. The redemption was financed by internally generated operating cash flow and short term bank loans. As a result, we recorded total debt of \$12.7 million at the end of the third quarter.

Overall then, our 3Q results point to a strong business with high margins and high growth that is continuing to gain momentum. We are

enthusiastic about our progress to date, and confident that we will be able to sustain strong growth by continuing to methodically build on our online entertainment platforms.

Let's now look at our business unit performance.

Poker and Traditional Gaming Software Business - CESL

The third quarter is traditionally the weakest period for this business. Despite this, the business unit delivered all-time highs in revenues and net income. This was clearly an exceptional quarter.

During the third quarter, the business unit generated \$14.7 million in revenues, representing 157 percent year-over-year growth and 26 percent growth sequentially. Operating income increased 203 percent from the same period in 2005 and 29 percent sequentially; net income grew to \$4.5 million, a 240 percent improvement year-over-year or 34 percent growth sequentially.

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

Our poker business again achieved record results. Revenues from our poker software products were \$8.4 million, up 40 percent sequentially. Poker revenues represented 57 percent of CESL's total revenues. This growth was driven by the increase in number of poker players on our

platform. During the quarter, we added approximately 31,000 new depositing real-money poker players. Approximately 61,000 active depositing real-money customers played Everest Poker during the third quarter, up 40 percent sequentially.

The traditional gaming software business also delivered strong results. Third-quarter revenues from the traditional gaming software business were \$6.4 million. This represented a 38 percent increase year-over-year and 11 percent sequential growth.

During the quarter, we continued to capitalize on our unique ability to offer gaming software in 16 native languages, as well as extensive relationships and deep experience from over nine years of focusing on the Continental European markets.

Our strategy has also leveraged development by our licensee of the Everest brand, whose Everest Poker and Everest Casino gaming solutions are exclusively powered by our software. Everest Poker user and revenue growth has been driven by high-profile marketing and brand-building initiatives. During the fourth quarter our licensee will be kicking off another exciting poker tour – the Everest Poker Nordic Summit, which targets Scandinavian players.

Also driving growth were additional initiatives in the third quarter. On the product side, we completed significant code enhancements,

launched product upgrades, and optimized player bonuses and conversion rates. In marketing, television ads were launched and search engine optimization efforts were strengthened to better capture demand in our targeted markets. All of these actions continue to fuel strong growth in our business and strengthen our leading position in Continental Europe.

Online Casual Games Business – FunTown

FunTown delivered solid performance in the third quarter. During the period we increased our marketing and product investments in the platform to strengthen our brand. As a result of these initiatives, we began to generate some momentum in our top-line, and experienced a slight reduction in our operating margin.

Revenues in the period increased 6 percent sequentially while net income declined 1 percent sequentially. Operating margin decreased to 28.0 percent from 31.3 percent in the previous quarter and EBITDA margin was a healthy 38.2 percent.

Let me briefly go over a few of the key initiatives in the period. During the third quarter we increased our marketing initiatives, which included the launch of a large mass media campaign with television commercials in Taiwan focused on our leading MahJong offering and traditional board games. We also held our annual land-based MahJong tournament, a huge marketing event for us. Our tournament was once

again attended by thousands of participants and hundreds of our member guilds, all competing for game-related prizes.

On the product side we continued our program of monthly releases of new avatars and virtual items, which allows us to incorporate real-world styles and events into our games. In addition, our newly licensed racing game Tales Runner is beginning to yield results. It is now one of the top performing online games in Hong Kong. We expect contributions from Tales Runner to increase in the fourth quarter.

Overall we see great opportunity for our online casual games business in Greater China. We are well positioned to capitalize on our number one position in Taiwan through increased licensing of third-party developed online games, including “top” titles from leading international developers. We also expect to grow geographically through our partnership with T2CN, a leader in online sports games in China. T2CN recently announced an exciting joint venture with a leading online games developer and operator in Korea named CJ Internet. We expect this joint venture will provide access to a very deep online games pipeline.

Finally, a quick word on our legacy ISP business. As we have indicated previously, we view this as a non-core business. We have decided to explore the sale of the business and have retained a financial advisor.

To summarize, in our weakest quarter seasonally we outperformed, achieving record operating results. Our growth momentum in the fourth quarter remains strong in each of our core business lines. On top of this, we continue to pursue strategic acquisitions and transactions that would be accretive to our results. Much exciting work is ahead of us, and we look forward to sharing it with you as we continue to strengthen our business and grow shareholder value.

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>.