



**GIGAMEDIA Fourth-Quarter and Full-
Year 2006 Financial Results
CONFERENCE CALL SCRIPT
MARCH 13, 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 fourth-quarter and full-year 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 13th of March 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 fourth-quarter and full-year 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 4Q and full-year 2006 business activities and financial performance. Thomas Hui will then provide details on our financial results during the periods. 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, very pleased to announce today our 2006 full year and Fourth Quarter financial results.

Full year revenue climbed 113 percent driving a net income line that tripled to \$30.8 million from just \$6.3 million in 2005. Consolidated operating income quadrupled as we delivered double digit increases in our operating income Q-over-Q in each consecutive quarter.

The outstanding full year numbers were the result of an even more outstanding Fourth Quarter. We recorded an all-time high consolidated net profit of US\$9.8 million. Most noteworthy, our quarterly operating income crossed US\$8.0 million for the first time in Q4, pointing to an even better 2007.

In simplest terms, we had a great year with excellent performance in every business unit. But although we deliver today strong financial results, I believe the 2006 numbers tell only half of the story: perhaps even more important are the key strategic accomplishments of the year.

Let me review our main business units with a focus on our strategic positioning today:

First, our Poker and Traditional Gaming Software business. Over the last three years, we have invested heavily into building a leading pan-European online entertainment brand and platform.

And we have enjoyed remarkable success, led by the Everest Poker product. Everest Poker was a new product we developed internally in 2004, launched in 2005 and from that standing start, have grown approximately 50% Q-over-Q in each of the last five quarters.

Today, Everest Poker stands atop the ranking as one of the top five poker platforms in the world – and actually one of the top three in the world, excluding sites that continue to accept US players.

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 with a localized offering in 11 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.

I believe EP is a demonstration of both smart strategy and strong execution. We have grown rapidly in part because of strong focus, strong execution, and in part because of our strategy of targeting the emerging growth markets: continental Europe and the giant non-English language markets of the world.

I note that all of our growth thus far has been organic, although we continue to explore partnerships, business combinations and acquisitions which would create shareholder value and expand our market position.

Next, our Asian Casual Games business. 2006 was a key strategic year for us in Asia. We began the year with our FunTown casual game platform in Taiwan and Hong Kong and have been busy building a pan-Asian game platform, primarily by acquisition.

Today, we have an online game platform that spans most of the Asian continent with large user numbers: at present we have over 50 million registered users, over 7 million users active in the last 30 days and peak concurrent users of over 175,000.

To this we add Southeast Asia where we are the largest shareholder with about 30% equity interest in an emerging leader – Infocomm Asia

Holdings. We believe the market opportunity in Southeast Asia is similar to that of China three or four years ago.

All told, we have built 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. We believe this platform – which we initially monetize with online games – provides us with an opportunity to deliver a wide variety of entertainment for ourselves and future partners.

Notwithstanding our outstanding performance in 2006 and the strong financial results we report today, I personally am even more gratified, even more excited about the strategic moves we have made and about the powerful online platform we are building. I believe the results today are but the early returns from our strategic investments into building a dominant online entertainment business.

Looking forward, I can say the First Quarter is going very well with continued strong growth in both Everest Poker and our Asian online games business.

In our poker software business, Everest Poker is launching three new languages addressing an additional 70 million consumers, bringing our fully localized solutions from 11 to 14 languages, more than any other platform. We have also released a completely new table design,

integrated voice chat into our gaming platform and enhanced our underlying software code to offer improved speed and performance for improved player experience.

Q1 also sees the launch of our real money MahJong software by our initial licensee. We look forward to reporting further on this and our own initiatives into the Japan market in the near future. We continue to be excited about the potential of this real money Asian game business and expect it to be a strong contributor for the full year.

In summary, 2006 marks the completion of three years under the new management team at GigaMedia. We have traveled far, from our early loss-making days as a legacy ISP and music retailer to our current position as a leading online entertainment provider. We are thrilled with our progress to date, confident in our ability to continue to execute our plans, and excited about our strategic position and prospects.

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 fourth quarter. I will start with our consolidated results and then move to look at each business unit.

The fourth quarter of 2006 was outstanding from top line to bottom line across all our businesses. During the period, GigaMedia again delivered excellent organic growth.

Let me quickly summarize the quarterly results:

- Consolidated revenues grew 155 percent year-over-year or 23 percent quarter-over-quarter to \$30.1 million. The key drivers for our quarterly sequential revenue growth were record performance in our poker software business and significant top-line growth in our Asian online games business.
- Operating income rose 361 percent year-over-year, and 33 percent sequentially to \$8 million as a result of increased revenue and expansion in our consolidated operating margin. Our operating income margin jumped to 26.7 percent from 14.8 percent a year ago and 24.8 percent in the previous quarter. The strong performance of our Asian online game business, FunTown, in the fourth quarter drove both the sequential and the year-over-year expansion of our margin.
- Net income jumped 317 percent year-over-year, and 52 percent sequentially to \$9.9 million, resulting in fully-diluted earnings per share of 17 cents. As stated in our release today, our fourth quarter net income also benefited from an after tax gain of \$1.9 million as a result of the sale of certain marketable securities during the quarter.

- We also maintained our financial strength during the quarter. During the period, our cash, cash equivalents, and current marketable securities increased from \$35.1 million to \$36.2 million. Operating cash flow for the period increased to \$9.1 million, partially offsetting cash payments during the quarter for our strategic investment in Infocom Asia and for our exclusive licensing of Hellgate: London, which together amounted to \$12.5 million. Capital expenditure was \$1.8 million for the quarter, and we recorded total debt of \$12.9 million at the end of the fourth quarter.

Overall then, our business ended the year performing better than ever and continuing to gain momentum. We are thrilled with our progress to date, and excited about our growth prospects.

Let's now look at our business unit performance.

Gaming Software Business - CESL

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

During the fourth quarter, the business unit generated \$19.8 million in revenues, representing 183 percent year-over-year growth and 34 percent growth sequentially. Operating income increased 155 percent from the same period in 2005 and 29 percent sequentially; Operating

income margin decreased slightly to 30.3 percent from 31.6 percent in the previous quarter due to increased selling and marketing expenses; net income grew to \$5.9 million, a 219 percent improvement year-over-year or 30 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 \$12.9 million, up 54 percent sequentially. Poker revenues represented 65 percent of CESL's total revenues. This growth was largely driven by the increase in the number of poker players on our platform. Approximately 90,000 active depositing real-money customers played Everest Poker during the fourth quarter, up 47 percent sequentially. And during the quarter, approximately 43,000 new depositing real-money players were added.

Everest Poker user and revenue growth has been driven by efficient, targeted marketing and brand-building initiatives, including high-profile poker tournaments. During the fourth quarter our licensee kicked off another exciting poker tour – the Everest Poker Nordic Summit, which targets Scandinavian players. Everest also launched its biggest event ever in late December – Avalanche, a \$1 million poker tournament that runs through September. Everest and Avalanche are off to a flying start

in 2007, positioning our poker software business for what looks to be another great year.

The traditional gaming software business also delivered strong results. Third-quarter revenues from the traditional gaming software business were \$6.9 million. This represented a 44 percent increase year-over-year and 8 percent sequential growth.

In sum, this business unit continues to scale up rapidly, we believe that there is plenty of growth potential from organic expansion in our target markets and we are confident in our ability to compete successfully in these markets.

Asian Online Games Business – FunTown

FunTown accelerated its growth momentum in the fourth quarter, delivering sharply improved performance. During the period we continued to execute our strategy to expand our game offerings to attract new gamers and increase gamer spending through offering an increased selection of in-game virtual items, and we supported this with strong marketing initiatives in both the third and the fourth quarter of 2006 to strengthen our brand. As a result of these initiatives, we accelerated the momentum we started to generate in the third quarter in our top-line, and experienced a significant improvement in our fourth-quarter operating margin.

Revenues in the period increased 16 percent sequentially. Operating margin increased to 35 percent from 27 percent in the previous quarter pushing up net income 48 percent sequentially. EBITDA margin was a healthy 44 percent.

Let me briefly go over a few of the key initiatives in the period. During the fourth quarter we continued strong marketing initiatives which begun in the previous quarter, 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.

On the product side we continued our program of monthly releases of new virtual items. As a result, monthly revenue per active paying account increased 20 percent sequentially to \$16.6 in the fourth quarter.

In addition, our newly licensed advanced casual game Tales Runner continued to increase in popularity. It is now one of the most popular online causal games in Hong Kong and is gaining traction in Taiwan. Tales Runner was a meaningful contributor of FunTown's fourth quarter revenues and we expect its contributions to increase in the first quarter. We also expect to launch two to three newly licensed games in 2007 to further enhance our product offerings.

During the fourth quarter in 2006, we also announced a number of strategic growth initiatives in the Asian online game sector. Let me take a moment to review each of these.

First, Hellgate: London. The global launch of Hellgate: London is scheduled for the second half of 2007. We showcased Hellgate: London at last month's Taipei game show which attracted tens of thousands of gamers. Given the extraordinary feedback we have received, we expect the addition of Hellgate: London to significantly increase our revenues and profitability.

Second, our China platform, T2CN. As stated in our release today, we will begin equity accounting for T2CN in the first quarter. We are in very early stages of building this growth platform and expect near term financial contributions to be relatively modest. However, our focus on sports, our large and already established player-base and our access to a deep pipeline of games through our relationship with Korean developer and operator CJ Internet all position us to deliver significant long-term growth.

Third, our Southeast Asian platform, investment in Infocomm Asia. As this investment will be cost accounted for, we do not expect any immediate direct financial contributions. However, Infocomm Asia further broadens our already unmatched regional footprint, giving us a strong position to secure regional licenses to top online games. We are

also well-positioned to develop regional marketing relationships with leading international brands and secure operational leverage through our regional footprint.

Finally, a quick review of our Broadband ISP Business

Our legacy broadband ISP business delivered another stable quarter. Increased revenues on the corporate side of the business helped offset a slight revenue decline on the consumer side of the business, and we continued strict cost and expense control measures. As a result, we posted revenue of \$5 million and operating income of \$1.3 million for the period.

We expect the relative contributions of our ISP business to our consolidated financials to continue to decline. Specifically, in the first quarter of 2007, we expect a decline in revenues and decreased profitability in the legacy ISP business as part of the service fees we receive in relation to the sale of our ADSL business will end in the quarter. This is in line with our ongoing strategy of shifting resources away from this legacy business.

To summarize, in 2006 we laid the foundation for a powerful online entertainment platform. We delivered tremendous growth in our gaming software business, especially in the poker business, and added another high-margin growth engine, our Asian online games business.

We are thrilled with where we are now, excited about the opportunities and growth prospects in front of us, and confident in our ability to execute and continue to deliver. 2007 promises to be a very exciting year, and we look forward to sharing it with you as we continue to grow shareholder value.

Thank you.