



**GIGAMEDIA First-Quarter 2006
Financial Results
CONFERENCE CALL SCRIPT
MAY 11, 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 first-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 11th of May 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 first-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 2005.

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The agenda for today's call includes first a review by Arthur Wang of 2006 Q1 business activities and financial performance, followed by a strategic overview and comments on our outlook. Thomas Hui will then provide details on our financial results during the first-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 to report today our first-quarter 2006 financial results – the best ever for GigaMedia. First Quarter revenue from continuing operations was up 82% year over year to US\$18.3 million, net profit climbed 210 percent to a record \$3.2 million, and consolidated EBITDA grew 131 percent to \$4.9 million, also an all-time high.

Today, I'd like to highlight a few points about the First Quarter, before turning to a discussion of our strategic developments.

First, our strong Q1 financial performance was driven by strong growth and strong execution of our Everest Poker and traditional gaming software business.

In Q1, we made excellent progress in our strategic concentration on the giant non-English language marketplace, offering our Everest Poker and Everest Casino software in end-to-end native solutions in 11 languages. Revenues from the Everest Poker software business grew over 60% Q-on-Q from the fourth quarter of 2005. Active real-money customers jumped 53% from the Fourth Quarter 2005 – altogether driving a 30% sequential Q-on-Q increase in net income.

Everest Poker user and revenue growth continues to be driven by marketing and brand-building initiatives. Q1 saw the launch of the Everest Poker European Championship – a series of country by

country land and online poker tournaments in Europe: response has been great, with every tournament thus far a complete sellout. In addition, Everest Poker hosted – as exclusive sponsor – the finale of the French Poker Tour at the Aerodrome in Paris and continues to sponsor satellite tournaments of the European Poker Tour and the World Poker Tour. To reward customer loyalty and increase lifetime player values, a new customer loyalty reward program was released in Q1.

On balance, this was a very strong growth quarter for our Everest Poker and gaming software business reflecting strong execution in Europe. I want to emphasize that we are seeing the early returns from our investment in Everest poker and look forward to continued strong growth.

Second, our newly acquired FunTown MahJong and Asian casual game business contributed strongly to our First Quarter performance.

In the first quarter of 2006 – the post-acquisition period generally considered the most sensitive in an M&A deal – we are happy to report that FunTown performed ahead of budget, exceeding both internal revenue and net income targets, delivering net income of \$1.2 million in the first quarter on revenues of \$4.3 million.

During Q1, FT releasing new games and a new 3D virtual community called FunTown Village where players can chat, shop, trade items, give gifts and even get married!

Most importantly, during Q1, FT added over 221,000 new users, increasing both average and peak concurrent user numbers.

We are very excited about the prospects for the FunTown casual game portal.

I am also happy to announce today that we have successfully completed our strategic investment into casual game operator T2CN Holding, operator of the largest on-line sports game in China.

Let me first summarize the primary terms of our investment. GigaMedia has made a US\$15 million investment and obtained preferred shares convertible into a minority equity stake in T2CN, along with customary preferred share rights and protections, and a seat on the Board of T2CN. GigaMedia and T2CN will together offer FunTown's existing games to the large T2CN user base on a revenue sharing arrangement. Giga will become T2CN's exclusive provider for FunTown's existing games and preferred provider for games newly developed by GigaMedia. Our investment in T2CN was made at an attractive valuation, representing a multiple of 8.65 times forward

earnings -- that is, full year 2006 earnings. Our investment will be accounted for on a cost-basis.

Our partnership with and co-ownership of T2CN is a major step for Giga in China, and is the first of several we are currently contemplating. Strategically, we become the exclusive provider of online games to one of the most exciting and fastest-growing companies in China with 21 million registered users, 6.9 million users active in the last 30 days, and over 250,000 peak concurrent users. We plan to roll-out FunTown games to this large user base during the Third Quarter.

I would also like emphasize that T2CN is a leader in online casual sports games. We see strong potential for Giga and T2CN to grow this high value market sector, especially given the increasing popularity of sports in China and the upcoming 2008 Beijing Summer Olympics. Online sports games is an untapped area in China, and we are very enthusiastic about growing in this attractive sector.

Finally, we believe that the true pedigree of T2CN can be seen from their marketing partnership with premier international brands such as Coca-Cola and the NBA. We are proud to be a partner and co-owner of this exciting company.

I am also happy to report that we are on schedule for a third quarter launch of our real money MahJong and Asian game business.

MahJong is the traditional game of choice for over a billion people, a huge, untapped market and a huge opportunity for GigaMedia. We intend to leverage FunTown's number one Mahjong position by bringing real-money MahJong to this market. We have received strong interest from a broad array of gaming operators, and we currently are in serious discussions with the premiere names in global online gaming.

With the strongest portfolio of traditional Asian games and a position of market leadership, GigaMedia is well positioned to build a dominant Asian online entertainment brand, leveraging our market-leading FunTown casual games and a now strengthened platform that includes 21 million users of T2CN.

We believe long-term winners will have full-range offerings of online games: running the continuum from games of fun, games of skill, games played for prizes, games played in tournaments, all the way to real money gaming. In this manner, it is possible to monetize along the entire continuum -- and upsell and cross sell players, reducing the major variable cost, customer acquisition.

Our goal here will be to offer a comprehensive entertainment destination, operating under a dominant Asian entertainment brand.

Finally, a word about our share price, which you may have noticed has increased in Q1. Simply put, our policy as a management team is not

to comment on our share price level or movement, except to say the following: we have taken careful note of the teachings of Warren Buffet and his cautionary warning to managements against decision-making and managing a business to maximize short term share price gains.

For the past two years, we have built the new GigaMedia in a methodical, step-by-step manner, restructuring our legacy business and transitioning to the high growth, high margin online entertainment business. Our singular focus, singular priority and singular commitment is to build a dominant long-term market leader, for which we are confident the success of our efforts will be reflected in the capital markets.

We are building a new GigaMedia, with growing shareholder value as its cornerstone. We thank you for your continued support.

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

Thomas: Thanks Arthur.

Now let us turn to look at our financial performance for the first quarter. I will begin by taking you through our consolidated results and follow that with a more detailed look at each of our business units.

Starting with our consolidated income statement, GigaMedia delivered the Company's best-ever results in the first quarter of 2006.

Consolidated revenues grew a better than expected 82% from the same period last year or 55% quarter-over-quarter to \$18.3 million. Operating income for the first quarter rose 88% sequentially to \$3.3 million, with our operating income margin expanding to 18% from 14.8% percent last quarter. There were two key drivers for the significant growth of our revenue and operating income: (1) strong and better-than-expected revenue growth in our poker software products; and (2) the addition of our high-margin online casual games business, FunTown.

As a result, net income jumped 210% from the first quarter last year or 34% sequentially to a record \$3.2 million, which resulted in an earnings per common share of 6.3 cents. To put that into perspective, in one quarter we have now generated more than half of our full-year net profit from last year.

We also finished the quarter with a healthy balance sheet. At the end of the first quarter, we had cash, cash equivalents, and current marketable securities of \$42.3 million. Net operating cash flow for the period was \$3.9 million. Even after adjusting for the \$5 million second payment for the FunTown acquisition and the \$15 million investment in T2CN in the second quarter, we still have a solid balance sheet with ample liquidity.

In sum then, with our high-margin online entertainment businesses CESL and FunTown driving rapid growth in our revenues, we were able to enhance overall operating margin and significantly increase bottom line.

To break down these consolidated results in more detail, let's now look at our business unit results.

Poker and Traditional Gaming Software Business - CESL

The poker and traditional gaming software business delivered exceptional performance in the first quarter. Our poker software vertical delivered dramatic growth, resulting in all-time highs in revenues and profitability for CESL.

For the period, the business unit generated \$8.8 million in revenues, a 105% growth from the first quarter last year. Operating income increased 197% from the same period in 2005, and net income reached \$2.4 million, representing a 115% growth year-over-year or 30% growth sequentially.

Operating margin decreased from the level achieved in the fourth quarter 2005 as a result of increased marketing spending by our licensee in building out the Everest brand, but still remained at a healthy 28%. Net income for the quarter benefited from the improved

terms in GigaMedia's revenue sharing agreement with our licensee for the poker software products.

During the period we continued to invest in scaling up and developing new products in the poker and traditional gaming software businesses. Capital expenditure amounted to approximately \$565 thousand, of which 46 percent related to software capitalization.

Let me now briefly review our two products in the entertainment software business: poker software and traditional gaming software.

First, poker. Growth in the first quarter was impressive and we continue to be optimistic and excited about market opportunities. Revenues from our poker software products were \$3.6 million, up 62% from the previous quarter. Poker now represents 41% of CESL revenues. Approximately 29,000 active real-money customers played Everest Poker during the first quarter, up 53% sequentially.

We continue to work closely with our licensee to capitalize on what we see as excellent growth opportunities in non-English-speaking Western European countries. Our licensee has moved rapidly and effectively to build the Everest poker brand through sponsorship of numerous poker tours and tournaments. In addition, its own proprietary tour is now underway, the Everest Poker European Championship, which covers 7 countries and runs from March to September. All of this

activity is driving impressive growth, which we expect to continue in 2006.

The traditional gaming software business also delivered a solid quarterly performance. First-quarter revenues from the traditional gaming software business were \$5.2 million. This represented a 23% increase from the first quarter in 2005. The increase in revenues was primarily related to the launch of new video slot machine games.

Online Casual Games Business – FunTown

This quarter's results include for the first time financial results of our online casual games business, which we acquired in January 2006.

FunTown delivered solid performance in the first quarter. Revenues in the period were \$4.3 million, net income was \$1.2 million. Operating margin was a healthy 27.6 percent.

I should highlight that the first quarter operating income and net income includes a \$322 thousand amortization expense related to the intangible assets acquired as a result of the acquisition of FunTown. On an EBITDA basis, FunTown generated \$1.6 million in the first quarter, or 38% EBITDA margin. First-quarter capital expenditure totaled approximately \$333 thousand, of which approximately 74% related to software capitalization.

While we are very pleased with this initial performance of our new online casual games growth platform, to drive further growth and expand our user base, we are focused on developing our product pipeline. In the second quarter FunTown will launch a number of new games, including Tales Runner, a 3D adventure racing game which we expect to further broaden FunTown's customer base.

We are also focused on growing FunTown's business through strategic partnerships. Our strategic partnerships with top Taiwan community blog site Wretch joins the four million members of FunTown with the over two million members of Wretch, broadening and enriching the entertainment and community offerings for the members of both portals.

As a result of our new strategic partnership with T2CN in China, we can now offer FunTown's games to T2CN's 21 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. This business is our last remaining legacy business. While this business does not hold a key role in our strategic growth plans, it does provide solid EBITDA contributions and requires relatively low investments since we have passed the build-out stage.

First-quarter revenues in the broadband ISP business were \$5.1 million; net income was \$519 thousand; EBITDA was \$1.3 million; and capex totaled approximately \$331 thousand.

Breaking this down, in the first quarter, revenues in the corporate side of the business were \$1.6 million, representing 31 percent of total revenues in our broadband ISP business. Although we saw a 7 percent sequential revenue increase related to an increase in lines leased during the period, competitive pressures in this business remain strong.

On the consumer side of the business, we continued to see erosion in our subscriber base resulting from strong market competition and our strategic decision to shift resources away from this business. As mentioned before, we continue to actively evaluate potential strategic alternatives for this business.

Looking ahead, we emphasize that GigaMedia's focus is on our high-growth, high-margin online entertainment businesses with large addressable markets. With CESL and FunTown we have positioned ourselves to benefit from attractive growth opportunities offered by their respective markets.

Finally, given our strong strategic position and growing business momentum, we are excited and bullish about our prospects for growth in 2006 and delivering increased 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>.