



**GIGAMEDIA Second-Quarter 2007
Financial Results
CONFERENCE CALL SCRIPT
AUGUST 14, 2007 AT 8 A.M. (EST)**

Brad: Thank You. This is Brad Miller, investor relations director of GigaMedia. Welcome to our second-quarter 2007 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, COO and 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 2007.

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date, GigaMedia will not be reviewing or updating the material that is contained therein.

The agenda for today's call includes first a review by Arthur Wang of 2Q 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.

We are very pleased to report today our strong second-quarter 2007 financial results. In simple terms, we had an excellent quarter. Financial results were strong in every business unit with second-quarter revenues climbing 88 percent year-over-year to \$40.1 million and operating income up 119 percent over last year to \$10.1 million, another record for GigaMedia.

More important, our business is positioned to deliver even greater growth: we expect a very strong second half of 2007 driving continued growth and momentum into 2008.

Thomas will go through our financial results in more detail. Please allow me to highlight a few points of particular note concerning our second quarter with an eye to the future.

Our Cash Wager Gaming Software Business

Everest Poker enjoyed another outstanding quarter in Q2, delivering good growth despite the onset of summer seasonality.

In my mind, our continued growth stems primarily from two factors: (1) our high quality poker product, fully localized into 15 languages and (2) the strong brand

awareness of Everest Poker, built upon our nine year operating history in Europe, continually strengthened by public relations, event sponsorship, mass media and other marketing initiatives.

In Q2 we were very active, with a host of marketing and event related activities including the kick-off of the multi-nation 2007 Everest Poker European Cup, the continuation of Everest's \$1,000,000 Avalanche tournament, the widespread airing of the Everest Poker Minute on the ESPN European network, the sponsorship of numerous Everest brand and third party events and TV programs. I am especially pleased to announce that the Everest Poker Japan Cup, the 1st ever online/offline Poker event in Japan, was a strong success.

We also continued to improve Everest's offerings, upgrading systems and products to improve the overall gaming experience for our customers, and rolled out enhanced marketing tools for affiliates.

For the second half, we plan to drive even stronger growth through a wide variety of powerful customer acquisition and player retention activities including PR and event sponsorship, mass media marketing, online marketing campaigns, and enhanced service offerings. We also plan to enter into new affiliations, new partnership.

Going forward we expect to see very strong growth of Everest Poker in the second half, moderated in the 3Q by the annual summer seasonality. We expect to finish the year with not only very strong growth but more importantly, with very strong momentum heading into 2008.

We are also pleased to announce the launch of our cash wager MahJong software by our initial licensee. While this launch was unfortunately delayed, we are pleased that things are now on track. Our plan in the second half is to extend our licensing of MahJong more broadly in response to the tremendous interest and demand from

operators around the world. As with our initial launch of Everest Poker in April 2005, we expect this business to ramp up over the next six months and begin to make real contributions over the course of the year.

In addition, we are very excited about a new – I would say revolutionary – suite of Japanese online gaming products which we will be launching in the Fall. Our suite of products will address – in many cases for the first time ever – the enormous demand for traditional Japanese games such as Pachinko, Pachi-slo, Grand Slam single player MahJong, multiplayer MahJong and Japanese poker and card games. We are very excited about the enormous potential for these products.

In summary: from a standing start in 2005, Everest Poker has now climbed into the top ranks as the fourth largest poker site in the world. It is our commitment to build on this position to become the dominant gaming solution worldwide, to offer the best of West – Poker, Casino – and the best of the East – Mahjong, Pachinko – to capitalize on the foundation built upon nine years of actual operating experience in the European and Asian markets. The non-English language world presents an enormous market opportunity for which we believe we are best positioned to exploit.

Our Online Games Platform in Asia

I personally am most excited about developments in our Asian online game business. The second quarter was our best to date, driven by solid execution and new growth initiatives at FunTown.

In July we assumed majority control of T2CN, increasing our equity stake to 52%. T2CN is the operator of the largest online sports game in China and we are excited about the opportunity to build T2 into a major player in Chinese online entertainment.

Together FunTown, T2CN and our part ownership of South East Asian platform Infocomm Asia combine to form the first pan-Asian online gaming platform, a game

and entertainment platform with a geographic footprint covering one-quarter the world. At present, we have over 64 million registered users and peak concurrent users of over 250,000 persons. And our commitment is to grow these numbers dramatically. Initially, we see strong monetization from games played for fun and games played for prizes, but as our numbers grow and match and even exceed those of traditional broadcast media, we see an opportunity to be a primary provider of online entertainment to the MTV generation across Asia – the sweet spot of 15-35 year olds – with many related monetization streams.

We are now in the final stages of negotiation on several very exciting partnerships involving game publishing, licensing and operations, including deals with several of the premiere game developers in the world today. We believe these opportunities combined with the continued expansion of our existing business will allow us to drive growth on the order of several multiples over the next year.

ISP

Before concluding, one word on our legacy ISP business. We are currently in formal discussions concerning the sale of this non-core business unit. We will report to the market any news or developments as appropriate.

Outlook

Looking forward, we expect an outstanding second half of 2007, with strong growth in all of our businesses in both absolute and percentage terms. More important, we see this growth – combined with developments now underway – driving continued strong growth momentum in 2008.

I have been the CEO of GigaMedia for three and a half years now and during this time, I have never been as happy, as confident, as excited about our business as I am today.

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.

Let's take a closer look now at the financial performance of our business in the second quarter. I will start by reviewing our consolidated results and then focus on our two core business units.

Overall, we delivered strong performance in the second quarter of 2007. Despite the negative impact of seasonality, we continued to drive strong organic growth with our poker software business. At the same time, we delivered much improved results in our Asian online game business. To further strengthen and accelerate the growth of our Asian online games business, we also acquired a majority interest in our China online game platform, T2CN, and began to consolidate its financial results for part of the quarter. More on all of these later.

Let me quickly summarize our consolidated results in Q2 2007:

- Consolidated revenues grew 88 percent year-over-year or 11 percent quarter-over-quarter to \$40.1 million. This growth was due to record performance in our poker software business and strongly improved performance in our Asian online games business.

- Consolidated gross profit increased 101 percent from the same period last year or 11 percent sequentially to \$31.8 million. Our consolidated gross profit margin was 79.4 percent in Q2, flat compared to 79.7 percent in the previous quarter.

- Operating income rose 119 percent year-over-year, and 16 percent sequentially to \$10.1 million. The quarter-over-quarter increase in our

consolidated operating income was due to the growth in consolidated revenue I mentioned before, as well as a slight increase in our consolidated operating margin to 25.2 percent in Q2 2007. The sequential increase in our operating margin was the result of margin expansion in our Asian online games business, which more than offset the continued decline in our non-core legacy ISP business and an increase in headquarter expenses during Q2.

- In Q2 2007, we generated net income of US\$10.1 million or \$0.17 per diluted shares, which represented a 19 percent growth sequentially from Q1 2007. I want to emphasize here that a straight Q2 vs. Q2 comparison of our net income on a year-over-year basis is not a good measurement of the operating performance of our business. This is because Q2 net income last year was distorted by a one-time disposal gain of \$7.0 million related to the sale of our ADSL business. Q2 2007 net income of \$10.1 million represented a 139 percent growth year-over-year if we exclude the impact of such one-time disposal gain from the net income of Q2 2006.

- We continued to maintain a robust balance sheet during the second quarter. Quarter-over-quarter, our cash, cash equivalents, and current marketable securities increased significantly from \$48.0 million to \$72.4 million. The increase was a result of strong operating cash flow and the consolidation of T2CN. We generated very strong cash flow during the second quarter. Operating cash flow for the period increased to \$17.0 million from \$11.0 million for Q1. During Q2 we made a final cash payment of approximately \$5.0 million related to our acquisition of FunTown. We also made a cash payment of approximately \$1.8 million related to our strategic investment in Softstar Entertainment. Capital expenditure was \$2.2 million for the quarter, and we recorded total debt of \$24.3 million at the end of the second quarter.

Let's now look at our business unit performance.

Gaming Software Business

The second quarter is traditionally one of the weakest business periods for the gaming software business as Continental Europeans typically spend less time playing online games during summer months. Despite this, the business unit once again delivered all-time highs in revenues and net income.

During the second quarter, the business unit generated \$29.2 million in revenues, representing 150 percent year-over-year growth and 11 percent growth sequentially. Gross profit and operating income each grew 11 percent from last quarter. Operating margin remained stable at 33.0 percent. Net income grew 172 percent year-over-year and 11 percent sequentially to \$9.2 million.

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

Our poker business again achieved record results and remained the driving force behind our gaming software business. Revenues from our poker software products were \$21.8 million, up an impressive 265 percent from a year ago and up 14 percent sequentially. These growth figures are exceptional in their own right, but are even more outstanding when you take into account the negative impact of seasonality during the quarter. Growth was driven by increases in real-money players on Everest Poker. Approximately 154,000 active depositing real-money customers played Everest Poker during the second quarter, up 254 percent year-over-year and 12 percent sequentially. And during the quarter, approximately 54,000 new depositing real-money players were added. To support future growth, we launched an online poker offering in Greek in Q2, giving Everest Poker an industry-leading 15 end-to-end native language solutions.

Our casino software business also delivered strong results. Second-quarter revenues from the casino software business were \$7.1 million. This represented a 25 percent increase year-over-year, driven in large part by the launch of new slot games and cross-selling of casino games on Everest Poker. Casino revenues declined a modest 1 percent sequentially due to seasonality.

In sum, our gaming software business is continuing to deliver and sustain growth momentum. During this traditionally slow second quarter, we continued to improve platform systems and to develop enhanced tools for our marketing affiliates in preparation for what we expect to be a very strong second half of 2007.

Asian Online Games Business – FunTown and T2CN

In the second quarter, our Asian online games business accelerated its growth momentum, delivering sharply improved performance on the back of strong marketing initiatives undertaken in the first quarter and continued execution of our strategy to expand our product offerings and our platform reach. As a result of these initiatives, we accelerated our momentum in our top line and experienced a significant improvement in our second-quarter operating margin.

Revenues in the period increased 67 percent year-over-year and 31 percent sequentially to \$7.2 million. Gross profit margin remained flat at 77.6 percent. Operating margin rebounded to 32.1 percent from 15.0 percent in the previous quarter, as we recorded strong top-line growth and reduced selling and marketing expenses. Recall that Q1 operating margins were negatively impacted by Hellgate: London promotion at the Taiwan Game Show and a mass media marketing campaign for our FunTown brand. Finally, net income increased 84 percent year-over-year and 119 percent sequentially to \$2.3 million.

Breaking this down further, second-quarter revenues from FunTown, our Taiwan and Hong Kong platform, grew 40 percent year-over-year and 10 percent sequentially to

\$6.0 million, with growth driven by strong contributions from our advanced casual game Tales Runner and an increase in both the number of paying accounts and per player contribution. Average monthly active paying accounts were approximately 116,000 during the second quarter, up 8 percent sequentially, and ARPU of active players was approximately \$17, up 2 percent sequentially.

During the quarter, we continue to execute on our strategy of increasing contributions from licensed games on our platform. Tales Runner is an early demonstration of successful execution of such strategy. Tales Runner is already contributing significantly to FunTown's top line and remains the top-ranked online casual game in Hong Kong, according to Yahoo! Building on this success, during the second quarter, we continued to prepare for the launch of several newly licensed games in the next few quarters.

In addition, to further deepen our product pipeline, we made a strategic investment in SoftStar Entertainment during the second quarter. SoftStar is one of the leading game development studios in Greater China. We invested approximately \$1.8 million and obtained convertible preferred shares representing approximately 16.1 percent of the total outstanding shares of SoftStar. We also gained preferential access to games offered by SoftStar and will join its board. This investment further strengthens our ability to source and self-develop online games for our platforms in Greater China.

Turning now to our China online games platform T2CN, second-quarter total net revenues from T2CN grew 10 percent to \$3.5 million from \$3.2 million in Q1. We began to consolidate results of T2CN in June and we increased our equity ownership to 52.3 percent in July. Therefore, we only consolidated one-month worth of revenue from T2CN, or \$1.2 million in the second quarter. Total number of active paying accounts in the last 30 days for T2CN declined 6 percent to approximately 356,000

while gross ARPU increased by approximately 11 percent. Looking ahead, we will continue to integrate our systems with T2CN and expect to add two new sports games to T2CN's online platform in the second half of this year, a tennis game and a snowboarding game.

Overall, our Asian online games business is on track, accelerating its business momentum, and poised for a tremendous growth.

Finally, a Quick Review of Our Broadband ISP Business

Results in our legacy broadband ISP business declined quarter-over-quarter in line with expectations. The decline was largely due to decreases in payments we received for bandwidth, consulting and support services related to the sale of our ADSL business in 2006. Looking ahead, we expect the contributions from our ISP business to continue to decline both in absolute terms and relative to our consolidated financials. This is in line with our ongoing strategy of shifting resources away from this legacy business.

To summarize, in Q2 we made steady progress in our goal of building a powerful, leading online entertainment platform. First, we sustained growth in our gaming software business despite negative seasonal factors. Second, we delivered significantly improved growth in our Asian online games business and positioned ourselves with our China platform, T2CN, and a pipeline of game titles to dramatically accelerate growth. Both our gaming software business and our Asian online games business are on track for a very strong year.

We are well-positioned, executing strongly and excited about our opportunities and growth prospects. We are also very confident in our ability to continue to drive growth and build shareholder value.

Thank you.