



**GIGAMEDIA Third-Quarter 2005
Financial Results
CONFERENCE CALL SCRIPT
NOVEMBER 17, 2005 AT 8:30 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 2005 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 17th of November 2005. 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 2005 results conference call for GigaMedia Limited. Here 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 of 2005 Q3 business activities and financial performance, as well as our outlook, by Arthur Wang. Thomas Hui will then follow with details on our financial results during the third quarter and further insight into our expectations for 2005. 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 announce today our third quarter 2005 results – with a net income of US\$1.7 million, a growth of 150% from Q3 of last year, and a 41% increase from Q2 of this year. Our third quarter earnings are the highest in the Company's history.

Please allow me to highlight certain developments and aspects of our third quarter results:

First, early investment returns. In the third quarter, we are seeing the early returns from our investments in our entertainment software business. Since acquiring our Cambridge Entertainment Software unit in April 2004, we have committed substantial resources... to building a world-class gaming platform with a robust and scalable architecture... and to introducing new and exciting games onto this platform. In the third quarter, traditionally our softest quarter, we begin to see the results of this investment as adoption of our new products and gaming solutions ramped up. We expect further acceleration and further growth in the fourth quarter and in 2006 – both in terms of market share and in revenue. We are committed to build on our position as one of the leading non-English language gaming solutions.

Second, European opportunity. The rapid growth of our poker software "EverestPoker.com" has been almost entirely in Europe, considered by most industry analysts to be the next big market for online poker. Our entertainment software unit has been operating for over six years in

Europe and is experienced in delivering end-to-end native-language gaming solutions in 16 languages. In addition, exciting, new marketing initiatives are underway: for example, EverestPoker is sponsoring the 2005-2006 French Poker Tour, a series of live and on-line tournaments culminating in the championship at the Aviation Club in Paris in January 2006. With our strong starting position, we see an opportunity to capture a leading or top-tier market position in Europe, capitalizing on the trust and branding built over our many year "in-country" history, the strength of our multi-language offerings and the excitement surrounding our new marketing initiatives.

Third, commitment to high-growth business. In the third quarter, GigaMedia disposed of a major legacy business, our land-based music distribution unit. Since joining in 2004, the new management team at Giga has worked hard to restructure our legacy businesses, delivering profitability across every division, despite tremendous operating challenges. Nonetheless, management remains determined to shed non-core businesses to allow focus on high-growth, high-margin opportunities.

Fourth, strategic acquisitions. The management team is currently conducting due diligence in respect of a very interesting acquisition opportunity in the online entertainment sector. If successful, management believes the acquisition will accelerate top and bottom-line growth in the short term and create significant long-term

opportunities. We are excited about the opportunity and hope to announce a definitive deal within a few weeks.

In sum, we are excited and very pleased with our business momentum. We have now recorded six consecutive quarters of net profit, and we are only beginning to see returns on our restructuring and the investments made in our growth platform.

We are building a new GigaMedia, and we look forward to growing shareholder value with your continued support.

Thank you very much. Let me now turn the call over to Thomas Hui, our CFO.

Thomas: Thanks Arthur.

Let me now go over certain financial details for our business units in the quarter and end with a few additional comments on our outlook.

Entertainment Software Business

The entertainment software business had an excellent quarter, with strong year-over-year revenue and net income growth. As noted in our press release today, solid execution of traditional and new product initiatives in this business more than offset the negative impact of

seasonality. During the third quarter, the business unit generated \$5.5 million revenues, a 6% growth from the second quarter. Let me now briefly go over the two verticals in the entertainment software business: traditional gaming software and poker software.

In the traditional gaming software business, third quarter revenues grew strongly, up 31% from the year-ago period, like-for-like consolidating UIM's revenues. This performance was driven by the release of new games, new language offerings and software enhancements designed to improve the overall player experience. Online gaming traditionally declines in summer with the third quarter being the weakest period of the year. However, we did not see the degree of softness in sales typical for the period. Revenues in the traditional gaming vertical were down only 4% Q-on-Q.

Continued rollout and growth of our new poker software vertical also helped offset the effects of seasonality on total revenues for our entertainment software business. In poker, both the number of new players and the number of recurring existing players increased significantly during the quarter. Revenues from poker were up 74% from the previous quarter. As Arthur mentioned, we believe there are significant opportunities for continued expansion of poker in the non-English-speaking European countries, which are our principal markets. And, we have the ability to rapidly scale the platform to the appropriate levels as the market expands.

Looking ahead, we expect strong revenue growth in the fourth quarter resulting from both a seasonal increase in the traditional gaming vertical and continued growth of the poker vertical. We are also confident that our rapid top-line growth in poker will translate into solid net income growth in the entertainment software business going forward.

Broadband ISP Business

Turning now to our broadband ISP business, in the third quarter we continued to focus on growing our corporate ISP business. Demand for corporate broadband services remains healthy. However, revenue growth was offset by two factors in the quarter:

- 1) an approximately 3% depreciation of the NT dollar, and
- 2) competition in certain bandwidth reselling products.

As a result of these factors, our corporate ISP revenues declined 3% Q-on-Q. We do not believe this is indicative of any trend. We believe competition in this business has stabilized. We are confident that our corporate ISP business will continue to deliver top-line growth beginning in Q1, driven by customer IT spending in the new year.

On the consumer side of the business, we continue to see overall market growth slowing and strong competition, particularly in the ADSL segment. As a result of the mature market conditions and strong

competition for subscribers, our subscribers in the consumer broadband ISP business declined 5% in the third quarter. Our blended ARPU decreased approximately 6% compared to the second quarter. Both the subscriber and ARPU declines were largely related to decreases in the metrics of our ADSL business, which is the most competitive, lowest margin segment of our broadband operations. Overall, revenues from our consumer ISP business were down 7% Q-on-Q.

Again, our focus going forward with the broadband ISP business is to continue to grow the corporate side of the business which now represents approximately 32% of total revenues in the business unit, and we intend to continue to develop this business going forward to offset the declines we are seeing in our consumer broadband operations.

Lastly, there were a few non-operating items in the period. Third quarter financials benefited from treasury activities, which generated an investment income of approximately \$358 thousand. Results also benefited from the disposal of G-Music, which generated a net gain of \$168 thousand.

To conclude, we have now a track record of six consecutive quarters of net profit. Our entertainment software business delivered very strong results in the weakest period of the year and is positioned to benefit

strongly from the seasonal up-cycle in online gaming. We have a solid balance sheet with approximately \$56 million in cash, cash equivalents and current marketable securities. Finally, we also see a number of attractive strategic opportunities that could be accretive to our financials. We are on track, executing well, and growing stronger. We are entering an exciting season and look forward to continuing to grow in the quarters ahead.

Thank you.