

For additional information, contact:

Edward Abbati, CFO
Global IP Sound
+1.415.397.2555
edward.abbati@globalipsound.com

Sailaja Tennati
Calysto Communications
+1.404.213.8164
stennati@calysto.com

Global IP Sound Reports Second Quarter 2006 Financial Results
(reported in thousands of U.S. Dollars and thousands of SEK; **un-audited**)

STOCKHOLM – August 3, 2006 - Global IP Sound AB, the leading provider of embedded voice processing technologies, today reported its financial results for the second quarter ending June 30, 2006. The Company is now reporting its financial results in both Swedish Krona and U.S. Dollars.

Revenues for the second quarter of 2006 were 3,319 USD (SEK 24,462), a 93 percent increase from the second quarter of 2005, and a 14 percent decrease from the prior quarter. Gross profit for the period was 2,845 USD (SEK 20,952) versus 1,329 USD (SEK 9,713) in the second quarter 2005. Gross profit margins for the second quarter of 2006 were 86 percent versus 88 percent in the prior quarter. Operating expenses were 2,144 USD (SEK 15,861) for the quarter, an increase of 79 percent compared to the same quarter in the previous year and a 3 percent decrease from the first quarter of 2006. Net income for the second quarter of 2006 was 778 USD (SEK 5,677), an 885 percent increase from the second quarter of 2005, and a 36 percent decrease from the prior quarter. Net income margins were 23 percent versus 31 percent in the prior quarter.

Cash and equivalents at the end of the second quarter were 15,949 USD (SEK 115,102), up from the ending balance at March 31, 2006 of 13,654 USD (SEK 108,518). For year to date 2006, the Company generated 689 USD (SEK 3,478) in positive operating cash flow. Cash flow was better than the previous year due to the continued progression of cash collections from newly signed contracts. Total unearned revenue was 7,887 USD (SEK 56,918), down from the first quarter of 2006 due to a change in GIPS policy for booking support agreements. GIPS policy is to book one year of support services versus multi-year services as unearned revenue. The Company is also seeing a higher percentage of the Company's business coming from royalties, which has no impact on unearned revenue.

"While GIPS revenue was lower than the first quarter, the market for GIPS Technology is still very strong, and the outlook for the company is positive. The shortfall in revenue was primarily due to late contract signings and the delay in a significant customer's launch, which delayed the payment of royalty revenue. We fully expect to meet the annual revenue goals. We believe this quarter's success measurement should include the record number of contract signings, which will help drive future revenues and a strong cash flow", said Edward Abbati, Chief Financial Officer of Global IP Sound.

"There are a number of factors regarding Q2 that on the whole are very positive signs for the company. First, the Company is now executing on its hardware strategy with the signing of two major hardware deals with industry leaders Texas Instruments and AudioCodes. Second, we are continuing to penetrate Tier 1 Asian customers with the signing of Sify – a major portal in India. Third, this quarter we executed 29 agreements, more than any other quarter in the company's history. Fourth, two key international carriers are evaluating GIPS technology. And finally, most importantly, we have a solid and full sales pipeline, and have hired additional sales staff to capture it," said Gary Hermansen, Chief Executive Officer of Global IP Sound.

Business highlights for the second quarter include:

- Increased revenue by 93 percent, to 3,319 USD (SEK 24,462), over same period last year
- Added two GIPS Sales offices; Raleigh, North Carolina, and New Delhi, India
- Signed 29 agreements with major customers including Texas Instruments, Highspring, Bluenote, Digital On Net, Huacomm, Sify, Mobile Technika, and many others
- Two key international carrier evaluations
- Increased customer deployments from 34 to 40
- Increased GIPS employee headcount in the areas of Sales, Marketing, and Engineering
- Expanded product portfolio with GIPS VoiceEngine Mobile for OSE (Operating System Embedded)

Global IP Sound, AB

Unaudited

USD, in thousands

Consolidated income statement	3 Months Ended		6 Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
License	2,764	1,451	6,203	2,781
Services	555	265	987	561
Revenue	3,319	1,716	7,190	3,342
Cost of goods				
Product	173	141	333	254
Services	301	246	596	467
Total Cost of goods	474	387	929	721
Gross Profit	2,845	1,329	6,261	2,621
Information about the business activities				
Selling expenses	1,010	553	2,104	1,105
Administrative expenses	717	374	1,477	752
Research and development expenses	417	272	768	493
Operating expenses	2,144	1,199	4,349	2,350
Earnings Before Interest, Tax, Depr & Amort	701	130	1,912	271
Depreciation & Amortization	41	32	80	75
Earnings Before Interest, Tax	660	98	1,832	196
Result from financial investments				
Other interest income and similar profit/loss items	(213)	(33)	(343)	(47)
Interest expenses and similar profit/loss items	39	7	56	12
Total result from financial investments	(174)	(26)	(287)	(35)
Result after financial items	834	124	2,119	231
Tax	56	45	132	93
Net profit (loss) for the period	778	79	1,987	138
Earnings Per Share (Basic)	0.01	0.00	0.04	0.00
Average Outstanding Shares	53,692,043	49,545,168	53,456,106	49,545,168

USD, in thousands

Consolidated balance sheet	June 30, 2006	June 30, 2005
Assets		
Fixed assets		
Intangible fixed assets		
Patents	352	217
Software	96	79
Purchased Technology	173	0
Total intangible fixed assets	621	296
Tangible fixed assets		
Plant and machinery		
Equipment, tools, fixtures and fittings	83	43
Costs of improvements to property	3	17
Vehicles	0	0
Total tangible fixed assets	86	60
Financial fixed assets		
Deposits	154	128
Deferred tax	1,612	1,658
Other long-term receivables	2,088	51
Total financial fixed assets	3,854	1,837
Total fixed assets	4,561	2,193
Current assets		
Current receivables	3,250	1,411
Short-term investments	0	1,512
Other current investments	3,227	7,884
Other current assets	147	45
Prepaid expenses and accrued income	125	84
Sub-total	6,749	10,936
Cash and Cash Equivalents	15,949	2,332
Total current assets	22,698	13,268
Total assets	27,259	15,461

Certain prior-year amounts have been reclassified to conform with the current presentation

Equity and liabilities

USD, in thousands

June 30, 2006

June 30, 2005

Equity

Restricted equity

Share capital

Restricted reserves

Total restricted equity

Non-restricted equity

Net loss previous year

Net loss of the year

Total non-restricted equity

Total equity**Long-term liabilities**

Unearned revenue, long-term

Long-term note

Total long-term liabilities**Current liabilities**

Accounts payable - trade

Other current liabilities

Unearned revenue

Accrued expenses and deferred income

Total current liabilities**Total equity and liabilities**

	723	666
	26,131	31,689
	26,854	32,355
	-10,905	-26,269
	1,987	138
	-8,918	-26,131
	17,936	6,224
	2,351	0
	56	41
	2,407	41
	208	152
	537	387
	5,536	8,366
	635	291
	6,916	9,196
	27,259	15,461

Consolidated cash flow statement

Operating activities

Result after financial items
Adjustments for items not included in cash flow
etc.

Depreciation and Amortization

Tax

Other changes in assets and liabilities

Cash flow from operating activities

before changes in working capital

Changes in working capital

Increase in assets

Increase in liabilities

Cash flow from operating activities

Investing activities

Acquisitions of intangible assets

Acquisitions of machinery and equipment

Investment in financial assets

Loans provided

Cash flow from investing activities

Financing activities

Share premium upon issue of new shares ⁽¹⁾

Borrowings

Deferred compensation

Cash flow from financing activities

Cash flow for the year

Liquid funds at the beginning of the period

Exchange difference, liquid funds

Liquid funds at the end of the period

USD, in thousands

6 Months Ended

June 30, 2006

June 30, 2005

2,119

231

-38

-114

-47

-2

-1,396

0

638

115

-876

-6,631

927

5,482

689

-1,034

-193

-77

-56

90

-25

378

0

-1

-274

390

1,272

171

4

-7

0

0

1,276

164

1,691

-480

13,654

3,266

604

-454

15,949

2,332

Footnotes:

(1) Includes the Nortel warrant charge against Additional Paid-In-Capital

Certain prior-year amounts have been reclassified to conform with the current presentation

Global IP Sound, AB

unaudited

SEK, in thousands

Consolidated income statement	3 Months Ended		6 Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
License	20,329	10,591	47,053	19,810
Services	4,133	1,945	7,488	3,996
Revenue	24,462	12,536	54,541	23,806
Cost of goods				
Product	1,279	1,028	2,519	1,810
Services	2,231	1,795	4,525	3,327
Total Cost of goods	3,510	2,823	7,044	5,137
Gross Profit	20,952	9,713	47,497	18,669
Information about the business activities				
Selling expenses	7,460	4,041	15,958	7,868
Administrative expenses	5,301	2,740	11,207	5,355
Research and development expenses	3,100	1,982	5,827	3,514
Operating expenses	15,861	8,763	32,992	16,737
Earnings Before Interest, Tax, Depr & Amort	5,091	950	14,505	1,932
Depreciation & Amortization	305	239	607	533
Earnings Before Interest, Tax	4,786	711	13,898	1,399
Result from financial investments				
Other interest income and similar profit/loss items	(1,594)	(246)	(2,604)	(333)
Interest expenses and similar profit/loss items	294	51	426	89
Total result from financial investments	(1,300)	(195)	(2,178)	(244)
Result after financial items	6,086	906	16,076	1,643
Tax	409	331	1,004	661
Net profit (loss) for the period	5,677	575	15,072	982
Earnings Per Share (Basic)	0.11	0.01	0.28	0.02
Average Outstanding Shares	53,692,043	49,545,168	53,456,106	49,545,168

Consolidated balance sheet		SEK, in thousands	
Assets		June 30, 2006	June 30, 2005
Fixed assets			
Intangible fixed assets			
Patents		2,545	1,692
Software		691	613
Purchased Technology		1,245	0
Total intangible fixed assets		4,481	2,305
Tangible fixed assets			
Plant and machinery			
Equipment, tools, fixtures and fittings		604	338
Costs of improvements to property		18	133
Total tangible fixed assets		622	471
Financial fixed assets			
Deposits		1,111	999
Deferred tax		11,634	12,933
Other long-term receivables		15,066	401
Total financial fixed assets		27,811	14,333
Total fixed assets		32,914	17,109
Current assets			
Current receivables		23,458	11,007
Short-term investments		0	11,792
Other current investments		23,290	61,508
Other current assets		1,059	350
Prepaid expenses and accrued income		900	659
Sub-total		48,707	85,316
Cash and Cash Equivalents		115,102	18,195
Total current assets		163,809	103,511
Total assets		196,723	120,620

Certain prior-year amounts have been reclassified to conform with the current presentation

Equity and liabilities		SEK, in thousands	
		June 30, 2006	June 30, 2005
Equity			
Restricted equity			
Share capital		5,399	4,955
Restricted reserves		274,012	234,569
Total restricted equity		279,411	239,523
Non-restricted equity			
Net result previous year		-165,045	-191,946
Net result current year		15,072	981
Total non-restricted equity		-149,973	-190,964
Total equity		129,438	48,559
Long-term liabilities			
Unearned revenue, long-term		16,964	0
Long-term note		409	321
Total long-term liabilities		17,373	321
Current liabilities			
Accounts payable - trade		1,500	1,184
Other current liabilities		3,876	3,017
Unearned revenue		39,954	65,270
Accrued expenses and deferred income		4,582	2,269
Total current liabilities		49,912	71,740
Total equity and liabilities		196,723	120,620

SEK, in thousands

6 Months Ended

June 30, 2006

June 30, 2005

Consolidated cash flow statement**Operating activities**

Result after financial items	16,076	1,643
Adjustments for items not included in cash flow etc.		

Depreciation and Amortization	-817	485
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Tax	-355	-12
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Other changes in assets and liabilities	-11,290	0
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Cash flow from operating activities

before changes in working capital	3,614	2,116
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Changes in working capital

Increase in assets	-2,447	-56,595
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Increase in liabilities	2,311	46,964
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Cash flow from operating activities	3,478	-7,515
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Investing activities

Acquisitions of intangible assets	-936	-941
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Acquisitions of machinery and equipment	424	-666
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Investment in financial assets	1,095	504
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Loans provided	0	-63
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Cash flow from investing activities	583	-1,166
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Financing activities

Share premium upon issue of new shares ⁽¹⁾	9,388	1,232
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Borrowings	0	0
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Deferred compensation	0	0
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Cash flow from financing activities	9,388	1,232
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Cash flow for the year

	13,449	-7,448
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Liquid funds at the beginning of the period	108,518	21,792
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Exchange difference, liquid funds	-6,865	3,852
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Liquid funds at the end of the period	115,102	18,196
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Footnotes:

(1) Includes the Nortel warrant charge against Additional Paid-In-Capital
 Certain prior-year amounts have been reclassified to conform with the current presentation

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This release may be deemed to contain forward-looking statements, which are subject to the safe harbor provisions of the Private Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events and the future financial performance of Global IP Sound that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Among the important factors or risks that could cause actual results or events to differ materially from those in the forward-looking statements in this release are: business and economic conditions and growth trends in the networking industry and in various geographic regions; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; the growth of the Internet and levels of capital spending on Internet-based systems; variations in customer demand for products and services, including sales to the service provider market; changes in customer order patterns or customer mix; increased price competition; increased competition in the VoIP industry; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; litigation involving patents, intellectual property, stockholder and other matters; the ability to recruit and retain key personnel; financial risk management; currency fluctuations and other international factors; and potential volatility in operating results. Any projections in this release are based on limited information currently available to Global IP Sound, which is subject to change. Although any such projections and the factors influencing them will likely change, Global IP Sound will not necessarily update the information, since Global IP Sound will only provide guidance at certain points during the year. Such information speaks only as of the date of this release.