

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 Third Quarter 2006 Financial Results
(reported in thousands of U.S. Dollars and thousands of SEK; **un-audited**)

STOCKHOLM – October 25, 2006 - Global IP Sound AB, the leading provider of embedded media processing technologies, today reported its financial results for the third quarter ending September 30, 2006. The Company is now reporting its financial results in both Swedish Krona and U.S. Dollars.

Revenues for the third quarter of 2006 were 4,807 USD (SEK 35,118), a 125 percent increase from the third quarter of 2005, and a 45 percent increase from the prior quarter. Gross profit for the period was 4,109 USD (SEK 30,004) versus 2,845 USD (SEK 20,952) in the second quarter 2006. Gross profit margins for the third quarter of 2006 were 85 percent, slightly lower than the prior quarter percentage of 86 percent. Operating expenses were 3,002 USD (SEK 21,940) for the quarter, an increase of 144 percent compared to the same quarter in the previous year and a 40 percent increase from the second quarter of 2006. The increase in operating expense is related to the headcount expansion within sales, marketing and customer support. EBITDA for the quarter was 1,107 USD (SEK 8,064) a 23 percent margin and a 58 percent increase from the second quarter. Net income for the third quarter of 2006 was 4,263 USD (SEK 31,640), a 568 percent increase from the third quarter of 2005, and a 448 percent increase from the prior quarter. Net income margins were 89 percent versus 23 percent in the prior quarter. The surge in Net income is primarily due to contributions from operations, a lawsuit settlement, and an extraordinary gain from an employee share buyback program.

Cash and equivalents at the end of the third quarter were 17,655 USD (SEK 129,120), up from the ending balance at June 30, 2006 of 15,949 USD (SEK 115,102). For year to date 2006, the Company generated 4,689 USD (SEK 33,376) in positive operating cash flow. The Company's Cash Flow for the 9 months was 3,335 USD (SEK 25,980). In the third quarter, the Company invested 2,461 USD (SEK 18,001) in GIPS Inc. shares purchased from current GIPS employees resulting in an increase in Goodwill on the Balance Sheet. GIPS is currently experiencing a higher percentage of the Company's business coming from reported royalties, which are not fixed and have no bookings to unearned revenue. Total unearned revenue was 7,311 USD (SEK 53,468), down from the second quarter of 2006 due to the realization of higher fixed royalties in older contracts. "The business continues to be strong. This is the seventh consecutive profitable quarter for the Company. Revenue continues to grow with 35 new agreements and increased royalties over the prior

quarter. The cash receivables of the Company have grown considerably due to the significant increase in sales", said Edward Abbati, Chief Financial Officer of Global IP Sound.

"Q3 marked the largest revenue quarter in the company's history, and a significant milestone in the signing of a long-awaited deal with the world's largest network infrastructure company," said Gary Hermansen, Chief Executive Officer of Global IP Sound. "Wideband telephony is truly the promise of VoIP with its' ability to deliver higher-than PSTN call quality. Innovation remains a driving force within the company, and the release of our wideband codec iSAC, in both fixed point and low-complexity fixed point versions, is a major announcement for the VoIP-enabled hardware market. End users of GIPS-enabled gateways and IP Phones will now experience the same, consistent call quality that soft phone users have come to expect."

Business highlights for the second quarter include:

- Increased revenue by 125 percent, to 4,807 USD (SEK 35,118), over same period last year
- Signed a broad license agreement with the largest global network infrastructure company
- Signed four (4) new agreements in Japan
- Signed 35 agreements, including major customers such as Siemens Beijing, ZONE Telecom, ANet, Meisters, Ecentrex and Stelematics
- Increased customer deployments from 40 to 47
- Increased employee headcount from 60 to 66 full-time employees. Additional personnel added in sales, marketing and customer support
- Expanded product portfolio with GIPS fixed point iSAC , low complexity fixed point iSAC codec and a new addition to our Engine family of products called Network Interface Engine

Global IP Sound, AB

unaudited

USD, in thousands

Consolidated income statement	3 Months Ended		9 Months Ended	
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
License	4,119	1,644	10,322	4,425
Services	688	490	1,675	1,051
Revenue	4,807	2,134	11,997	5,476
Cost of goods				
Product	329	104	661	358
Services	369	229	966	696
Total Cost of goods	698	333	1,627	1,054
Gross Profit	4,109	1,801	10,370	4,422
Information about the business activities				
Selling expenses	1,544	598	3,646	1,703
Administrative expenses	730	379	2,207	1,130
Research and development expenses	728	253	1,497	746
Operating expenses	3,002	1,230	7,350	3,579
Earnings Before Interest, Tax, Depr & Amort	1,107	571	3,020	843
Depreciation & Amortization	72	35	152	110
Earnings Before Interest, Tax	1,035	536	2,868	733
Result from financial investments				
Other interest income and similar profit/loss items	(4,037)	(144)	(4,380)	(191)
Interest expenses and similar profit/loss items	67	-	123	13
Total result from financial investments	(3,970)	(144)	(4,257)	(178)
Result after financial items	5,005	680	7,125	911
Tax	742	42	875	135
Net profit (loss) for the period	4,263	638	6,250	776
Earnings Per Share (Basic)	0.08	0.01	0.12	0.02
Average Outstanding Shares	53,988,918	51,295,168	53,633,710	50,128,501

		USD, in thousands	
Consolidated balance sheet		Sept. 30, 2006	Sept. 30, 2005
Assets			
Fixed assets			
Intangible fixed assets			
Patents		325	209
Software		87	5
Purchased Technology		174	113
Other Intangibles		2,461	0
Total intangible fixed assets		3,047	327
Tangible fixed assets			
Plant and machinery			
Equipment, tools, fixtures and fittings		85	33
Costs of improvements to property		2	17
Vehicles		0	0
Total tangible fixed assets		87	50
Financial fixed assets			
Deposits		154	136
Deferred tax		1,548	1,631
Other long-term receivables		1,201	51
Total financial fixed assets		2,903	1,818
Total fixed assets		6,037	2,195
Current assets			
Current receivables		5,222	2,318
Short-term investments		0	0
Other current investments		3,421	6,567
Other current assets		152	47
Prepaid expenses and accrued income		165	100
Sub-total		8,960	9,032
Cash and Cash Equivalents		17,655	11,065
Total current assets		26,615	20,097
Total assets		32,652	22,292

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

		USD, in thousands	
Equity and liabilities		Sept. 30, 2006	Sept. 30, 2005
Equity			
Restricted equity			
Share capital		723	711
Restricted reserves		26,262	37,712
Total restricted equity		26,985	38,423
Non-restricted equity			
Net result previous year		-10,905	-26,269
Net loss of the year		6,250	775
Total non-restricted equity		-4,655	-25,494
Total equity		22,330	12,929
Long -term liabilities			
Unearned revenue, long-term		1,657	0
Long-term note		61	42
Total long -term liabilities		1,718	42
Current liabilities			
Accounts payable - trade		381	244
Other current liabilities		1,129	426
Unearned revenue		5,654	8,397
Accrued expenses and deferred income		1,440	254
Total current liabilities		8,604	9,321
Total equity and liabilities		32,652	22,292

Consolidated cash flow statement

USD, in thousands

9 Months Ended

Sept. 30, 2006

Sept. 30, 2005

Operating activities

Result after financial items	7,125	911
Adjustments for items not included in cash flow etc.		
Depreciation and Amortization	-16	-123
Tax	-744	-2
Other changes in assets and liabilities	-1,203	0
Cash flow from operating activities before changes in working capital	5,162	786

Changes in working capital

Increase in assets	-3,088	-4,728
Increase in liabilities	2,615	5,607
Cash flow from operating activities	4,689	1,665

Investing activities

Acquisitions of intangible assets	-2,683	-129
Acquisitions of machinery and equipment	-57	88
Investment in financial assets	41	397
Loans provided	0	0
Cash flow from investing activities	-2,699	356

Financing activities

Share premium upon issue of new shares ⁽¹⁾	1,361	6,724
Borrowings	4	-7
Deferred compensation	0	0
Cash flow from financing activities	1,365	6,717

Cash flow for the year

Cash flow for the year	3,355	8,738
Liquid funds at the beginning of the period	13,654	3,266
Exchange difference, liquid funds	646	-939
Liquid funds at the end of the period	17,655	11,065

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		9 Months Ended	
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
License	30,088	12,541	77,141	32,351
Services	5,030	3,686	12,518	7,682
Revenue	35,118	16,227	89,659	40,033
Cost of goods				
Product	2,421	811	4,940	2,621
Services	2,693	1,760	7,218	5,087
Total Cost of goods	5,114	2,571	12,158	7,708
Gross Profit	30,004	13,656	77,501	32,325
Information about the business activities				
Selling expenses	11,297	4,580	27,255	12,448
Administrative expenses	5,286	2,909	16,493	8,264
Research and development expenses	5,357	1,939	11,185	5,453
Operating expenses	21,940	9,428	54,933	26,165
Earnings Before Interest, Tax, Depr & Amort	8,064	4,228	22,568	6,160
Depreciation & Amortization	531	273	1,138	806
Earnings Before Interest, Tax	7,533	3,955	21,430	5,354
Result from financial investments				
Other interest income and similar profit/loss items	(30,130)	(1,062)	(32,735)	(1,395)
Interest expenses and similar profit/loss items	491	6	917	95
Total result from financial investments	(29,639)	(1,056)	(31,818)	(1,300)
Result after financial items	37,172	5,011	53,248	6,654
Tax	5,532	325	6,536	985
Net profit (loss) for the period	31,640	4,686	46,712	5,669
Earnings Per Share (Basic)	0.59	0.09	0.87	0.11
Average Outstanding Shares	53,988,918	51,295,168	53,633,710	50,128,501

Consolidated balance sheet		SEK, in thousands	
Assets		Sept. 30, 2006	Sept. 30, 2005
Fixed assets			
Intangible fixed assets			
Patents		2,375	1,618
Software		637	36
Purchased Technology		1,276	876
Other Intangibles		18,001	0
Total intangible fixed assets		22,289	2,530
Tangible fixed assets			
Plant and machinery			
Equipment, tools, fixtures and fittings		621	254
Costs of improvements to property		15	129
Total tangible fixed assets		636	383
Financial fixed assets			
Deposits		1,130	1,049
Deferred tax		11,310	12,608
Other long-term receivables		8,783	395
Total financial fixed assets		21,223	14,052
Total fixed assets		44,148	16,965
Current assets			
Current receivables		38,190	17,916
Short-term investments		0	0
Other current investments		25,018	50,774
Other current assets		1,115	362
Prepaid expenses and accrued income		1,209	777
Sub-total		65,532	69,829
Cash and Cash Equivalents		129,120	85,535
Total current assets		194,652	155,364
Total assets		238,800	172,329

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

		SEK, in thousands	
Equity and liabilities		Sept. 30, 2006	Sept. 30, 2005
Equity			
Restricted equity			
Share capital		5,399	5,305
Restricted reserves		276,237	280,923
Total restricted equity		281,636	286,228
Non-restricted equity			
Net result previous year		-165,045	-191,946
Net result current year		46,712	5,669
Total non-restricted equity		-118,333	-186,277
Total equity		163,303	99,951
Long -term liabilities			
Unearned revenue, long-term		12,119	0
Long-term note		451	321
Total long -term liabilities		12,570	321
Current liabilities			
Accounts payable - trade		2,784	1,888
Other current liabilities		8,255	3,291
Unearned revenue		41,349	64,916
Accrued expenses and d eferred income		10,539	1,962
Total current liabilities		62,927	72,057
Total equity and liabilities		238,800	172,329

Consolidated cash flow statement	SEK, in thousands	
	9 Months Ended	
	Sept. 30, 2006	Sept. 30, 2005
Operating activities		
Result after financial items	53,248	6,654
Adjustments for items not included in cash flow etc.		
Depreciation and Amortization	-554	340
Tax	-5,562	-12
Other changes in assets and liabilities	-9,854	0
Cash flow from operating activities before changes in working capital	37,278	6,982
Changes in working capital		
Increase in assets	-19,228	-41,108
Increase in liabilities	15,326	47,281
Cash flow from operating activities	33,376	13,155
Investing activities		
Acquisitions of intangible assets	-19,224	-1,319
Acquisitions of machinery and equipment	301	-603
Investment in financial assets	1,401	778
Loans provided	0	-57
Cash flow from investing activities	-17,522	-1,201
Financing activities		
Share premium upon issue of new shares ⁽¹⁾	10,036	50,654
Borrowings	0	0
Deferred compensation	0	0
Cash flow from financing activities	10,036	50,654
Cash flow for the year	25,890	62,608
Liquid funds at the beginning of the period	108,518	21,792
Exchange difference, liquid funds	-5,288	1,135
Liquid funds at the end of the period	129,120	85,535

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.