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Global IP Solutions (GIPS) Holding AB Reports First Quarter 2007 Financial Results

(*Reported in thousands of U.S. Dollars and thousands of SEK*; **un-audited**)

STOCKHOLM – April 18, 2007 - Global IP Solutions (GIPS) Holding AB, the leading provider of embedded media processing technologies, today reported its financial results for the first quarter ending March 31, 2007. The Company is reporting its financial results in both Swedish Krona (SEK) and U.S. Dollars (USD).

Effective April 17, 2007 the company has changed its name from Global IP Sound AB to Global IP Solutions (GIPS) Holding AB.

Revenues for the first quarter of 2007 were 4,806 USD/SEK 33,699, a 24 percent increase from the first quarter of 2006, and a 6 percent decrease from the prior quarter. Gross profit for the first quarter was 4,164 USD/SEK 29,197 compared to 4,490 USD/SEK 32,091 in the fourth quarter 2006. Gross profit margins for the first quarter of 2007 were 87 percent, compared to 88 percent in the prior quarter. Operating expenses were 4,435 USD/SEK 31,095 for the quarter, compared to 3,297 USD/SEK 23,591 in the fourth quarter of 2006.

EBITDA for the quarter was (271) USD/SEK (1,898). Net loss for the quarter was (550) USD/SEK (3,855). These decreases were primarily the result of a revenue shortfall in the first quarter, which resulted from delays in sales opportunities.

Cash and cash equivalents at the end of the first quarter were 10,663 USD/SEK 74,459, down from the ending balance at December 31, 2006 of 15,836 USD/SEK 108,297. For year to date 2007, the company generated 174 USD/911 SEK in positive operating cash flow. The company's net cash flow was (5,150) USD/SEK (36,676). The decrease in the cash position is primarily the result of the acquisition of CrystalVoice Communications, Inc. The Q1'07 results do not reflect final adjustments, if any, resulting from the acquisition of CrystalVoice Communications.

"Our first quarter results were below those of the previous quarter due to delayed customer opportunities. We have experienced growth in revenue related to deployment royalties reported by customers, in addition, our gross margins continue to be strong", said William Scharninghausen, Chief Financial Officer of Global IP Solutions.

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"We understand that our Q1 performance was below expectations and capabilities. We have taken immediate steps to improve the performance of the organization by focusing on revenue growth. The sales pipeline and market conditions continue to show positive opportunities for the company", said Gary Hermansen, Chief Executive Officer of Global IP Solutions.

Business highlights for the first quarter include:

- Increased 2007 revenue by 24 percent, to 4,806 USD (SEK 33,699), compared to the first quarter 2006
- Signed 36 new agreements
- Increased customer deployments from 57 to 60
- Additional personnel added in sales, marketing, and engineering
- Acquired CrystalVoice Communications, Inc., a Santa Barbara based company providing enterprise-based solutions
- Re-branded the company from Global IP Sound to Global IP Solutions

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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.

Global IP Sound, AB

Unaudited

USD, in thousands

Consolidated income statement	3 Months Ended			
	March 31, 2007		March 31, 2006	
License	4,034		3,439	
Services	772		432	
Revenue	4,806		3,871	
Cost of goods				
Product	206		160	
Services	436		295	
Total Cost of goods	642		455	
Gross Profit	4,164		3,416	
		87%		88%
Information about the business activities				
Selling expenses	2,790		1,093	
Administrative expenses	972		760	
Research and development expenses	673		351	
Operating expenses	4,435		2,204	
Earnings Before Interest, Tax, Depr & Amort	(271)		1,212	
		-6%		31%
Depreciation & Amortization	339		39	
Earnings Before Interest, Tax	(610)		1,173	
Result from financial investments				
Other interest income and similar profit/loss items	(152)		(130)	
Interest expenses and similar profit/loss items	39		17	
Total result from financial investments	(113)		(113)	
Result after financial items	(497)		1,286	
Tax	53		77	
Net profit (loss) for the period	(550)		1,209	
		-11%		31%
Earnings Per Share (Basic)	(0.01)		0.02	
Average Outstanding Shares	54,138,918		53,045,168	

Consolidated balance sheet

	USD, in thousands	
	March 31, 2007	March 31, 2006
Assets		
Fixed assets		
Intangible fixed assets		
Patents	351	290
Software	76	122
Purchased Technology	1,936	182
Other Intangibles	7,280	0
Total intangible fixed assets	9,643	594
Tangible fixed assets		
Plant and machinery		
Equipment, tools, fixtures and fittings	166	73
Costs of improvements to property	45	3
Total tangible fixed assets	211	76
Financial fixed assets		
Deposits	212	144
Deferred tax	2,414	1,539
Total financial fixed assets	2,626	1,683
Total fixed assets	12,480	2,353
Current assets		
Current receivables	5,100	3,124
Other current assets	1,647	111
Prepaid expenses and accrued income	389	121
Sub-total	7,136	3,356
Cash and Cash Equivalents	10,663	14,070
Total current assets	17,799	17,426
Total assets	30,279	19,779

Certain items have been reclassified to conform with the current presentation

Equity and liabilities		USD, in thousands	
		March 31, 2007	March 31, 2006
Equity			
Restricted equity			
Share capital		726	715
Restricted reserves		28,014	38,265
Total restricted equity		28,740	38,980
Non-restricted equity			
Unrestricted Reserves		-3,410	-24,487
Net loss of the year		-550	1,209
Total non-restricted equity		-3,960	-23,278
Total equity		24,780	15,702
Long-term liabilities			
Unearned revenue, long-term		0	0
Long-term note		89	41
Total long-term liabilities		89	41
Current liabilities			
Accounts payable - trade		388	339
Other current liabilities		742	646
Unearned revenue		2,032	2,578
Accrued expenses and deferred income		2,248	473
Total current liabilities		5,410	4,036
Total equity and liabilities		30,279	19,779

Consolidated cash flow statement

	USD, in thousands	
	Three Months Ended	
	March 31, 2007	March 31, 2006
Operating activities		
Result after financial items	-497	1,286
Adjustments for items not included in cash flow etc.		
Depreciation and Amortization	339	39
Tax	-7	-35
Cash flow from operating activities before changes in working capital	-165	1,290
Changes in working capital		
(Increase) decrease in assets	285	-679
Increase (decrease) in liabilities	54	-472
Cash flow from operating activities	174	139
Investing activities		
Acquisitions of intangible assets	-5,063	-124
Acquisitions of machinery and equipment	-261	-20
Investment in financial assets	0	0
Loans provided	0	0
Cash flow from investing activities	-5,324	-144
Financing activities		
Share premium upon issue of new shares	0	353
Borrowings	0	0
Deferred compensation	0	0
Cash flow from financing activities	0	353
Cash flow for the year	-5,150	348
Liquid funds at the beginning of the period	15,836	13,654
Exchange difference, liquid funds	-23	68
Liquid funds at the end of the period	10,663	14,070

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	
	March 31, 2007	March 31, 2006
License	28,284	26,724
Services	5,415	3,355
Revenue	33,699	30,079
Cost of goods		
Product	1,442	1,240
Services	3,060	2,293
Total Cost of goods	4,502	3,533
Gross Profit	29,197	26,546
Information about the business activities		
Selling expenses	19,565	8,497
Administrative expenses	6,813	5,906
Research and development expenses	4,717	2,728
Operating expenses	31,095	17,131
Earnings Before Interest, Tax, Depr & Amort	(1,898)	9,415
Depreciation & Amortization	2,374	302
Earnings Before Interest, Tax	(4,272)	9,113
Result from financial investments		
Other interest income and similar profit/loss items	(1,064)	(1,011)
Interest expenses and similar profit/loss items	275	133
Total result from financial investments	(789)	(877)
Result after financial items	(3,483)	9,990
Tax	372	595
Net profit (loss) for the period	(3,855)	9,395
Earnings Per Share (Basic)	(0.07)	0.18
Average Outstanding Shares	54,138,918	53,045,168

Consolidated balance sheet

	SEK, in thousands	
	March 31, 2007	March 31, 2006
Assets		
Fixed assets		
Intangible fixed assets		
Patents	2,453	2,255
Software	533	946
Purchased Technology	13,520	1,413
Other Intangibles	51,546	0
Total intangible fixed assets	68,052	4,614
Tangible fixed assets		
Plant and machinery		
Equipment, tools, fixtures and fittings	1,159	564
Costs of improvements to property	312	23
Total tangible fixed assets	1,471	587
Financial fixed assets		
Deposits	1,477	1,117
Deferred tax	16,858	11,959
Total financial fixed assets	18,335	13,076
Total fixed assets	87,858	18,277
Current assets		
Current receivables	35,616	24,276
Other current assets	11,497	865
Prepaid expenses and accrued income	2,716	942
Sub-total	49,829	26,083
Cash and Cash Equivalents	74,459	109,325
Total current assets	124,288	135,408
Total assets	212,146	153,685

Certain items have been reclassified to conform with the current presentation

Equity and liabilities	SEK, in thousands	
	March 31, 2007	March 31, 2006
Equity		
Restricted equity		
Share capital	5,414	5,340
Restricted reserves	180,447	272,323
Total restricted equity	185,861	277,663
Non-restricted equity		
Unrestricted Reserves	-8,265	-165,045
Net result current year	-3,855	9,395
Total non-restricted equity	-12,120	-155,650
Total equity	173,741	122,013
Long-term liabilities		
Long-term note	620	321
Total long-term liabilities	620	321
Current liabilities		
Accounts payable - trade	2,713	2,632
Other current liabilities	5,183	5,016
Unearned revenue	14,189	20,030
Accrued expenses and deferred income	15,700	3,673
Total current liabilities	37,785	31,351
Total equity and liabilities	212,146	153,685

SEK, in thousands

Consolidated cash flow statement	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating activities		
Result after financial items	-3,483	9,990
Adjustments for items not included in cash flow etc.		
Depreciation and Amortization	2,374	302
Tax	-47	-270
Cash flow from operating activities before changes in working capital	-1,156	10,022
Changes in working capital		
(Increase) decrease in assets	903	-4,705
Increase (decrease) in liabilities	1,164	-4,381
Cash flow from operating activities	911	936
Investing activities		
Acquisitions of intangible assets	-35,676	-853
Acquisitions of machinery and equipment	-1,911	-51
Investment in financial assets	0	0
Loans provided	0	0
Cash flow from investing activities	-37,587	-904
Financing activities		
Share premium upon issue of new shares	0	2,783
Borrowings	0	0
Deferred compensation	0	0
Cash flow from financing activities	0	2,783
Cash flow for the year	-36,676	2,815
Liquid funds at the beginning of the period	108,297	108,518
Exchange difference, liquid funds	2,838	-2,008
Liquid funds at the end of the period	74,459	109,325

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