



GLOBAL IP SOLUTIONS

# Global IP Sound

6 February 2007

# Investor Presentation

- Agenda
  - 4Q'06 Company Highlights
  - 4Q'06 Business Highlights
  - 4Q'06 Financial Review
  - Market Perspective
  - 2007 Focus
  - Q & A



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# 4Q'06 Company Highlights

- **Revenue**
  - Best quarter in the company's history
  - \$5.1m in 4Q'06
  - 51% increase over 4Q'05
  - 6% increase Qtr-Qtr growth
- **Profitability**
  - 8 consecutive quarters of positive EBITDA and Net Income
  - \$1.2m EBITDA
  - \$0.8m Net Income
- **Cash flow**
  - \$3.2m Operating Cash Flow YTD
  - \$1.3m Net Cash Flow YTD
- **Signed key customers**
  - Oracle, LG, Net2Phone, IBM/Lotus, SK Communications, and Texas Instruments
- **Global Expansion**
  - 49% of revenue from outside the U.S. in 4Q'06

# 4Q'06 Business Highlights

- 25 new agreements signed
- 21 new design wins
- Expanded product portfolio with new fixed point iSAC codec and Network Interface Engine
- Increased customer deployments from 47 to 57
- Signed an exclusive license from Espré for a video codec
- Recruited a new Chief Financial Officer, William Scharninghausen
- Chief Financial Officer, Edward M. Abbati, to Executive Vice-President of Sales & Ops
- Signed a definitive agreement to acquire CrystalVoice Communications



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# Financials

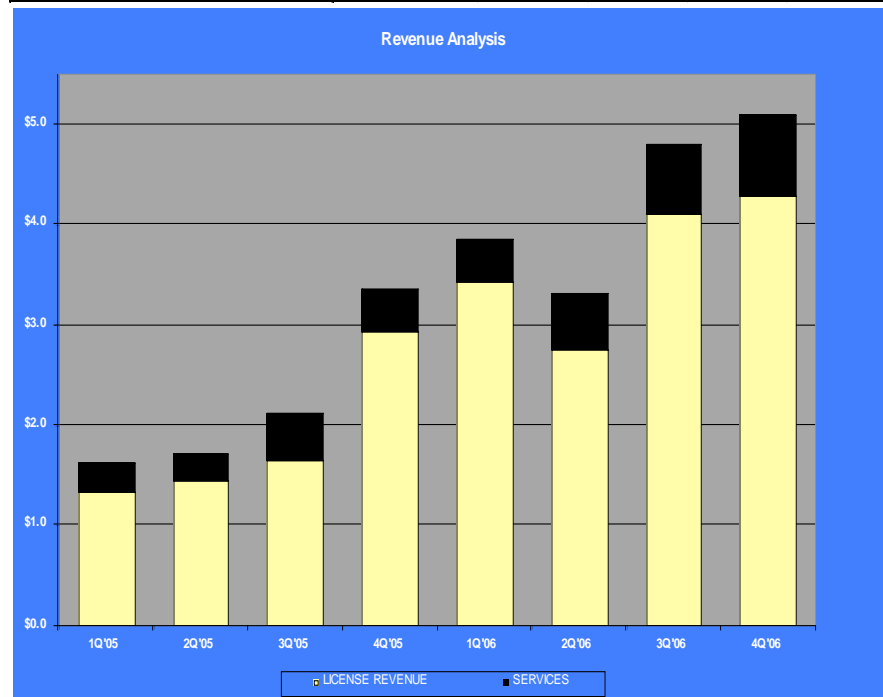
# 4Q'06 Financial Highlights

(un-audited)

## Revenue

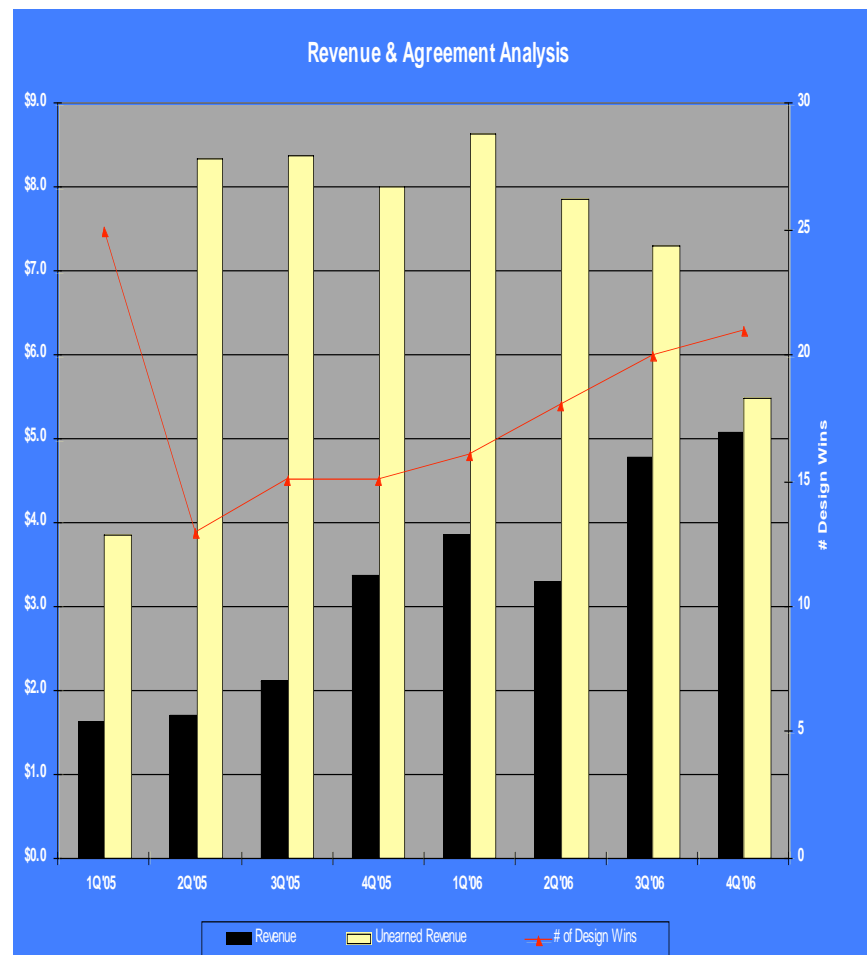
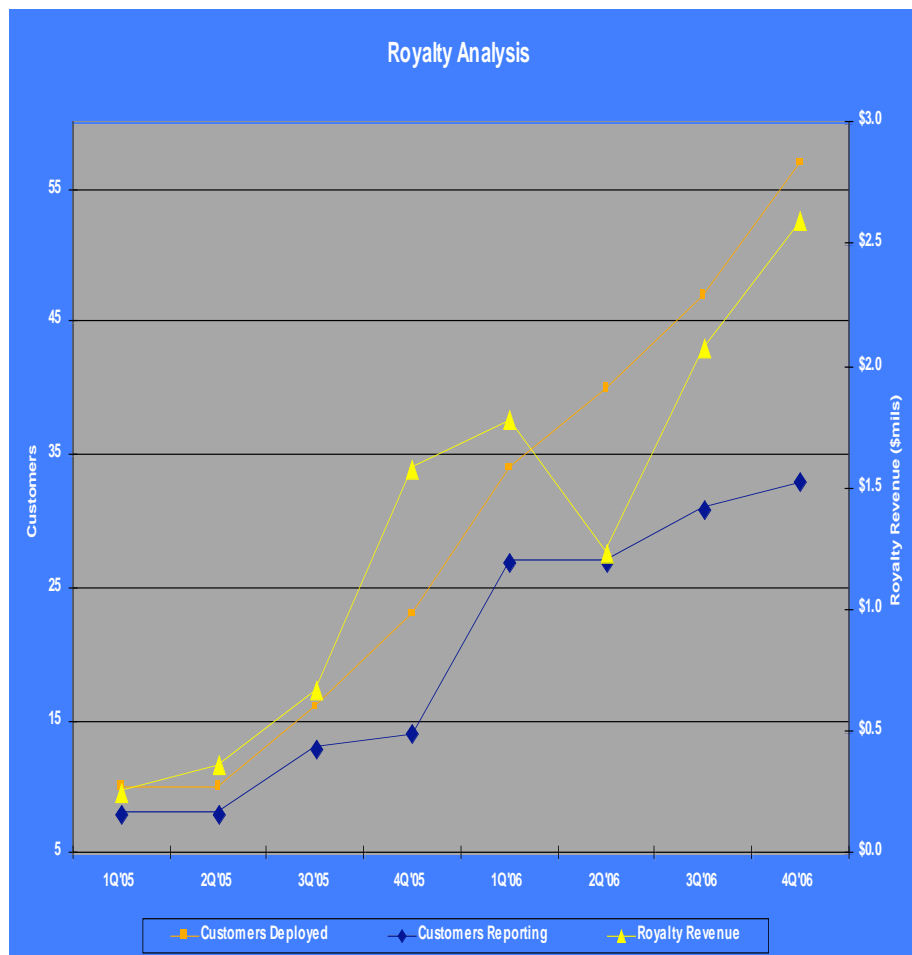
- 4Q'06 revenue \$5.1m, 51% increase from 4Q'05, 6% increase from 3Q'06
  - Royalty revenue represented 51% of total revenue in 4Q'06
- 6% increase the result of:
  - New opportunities with Oracle, IBM, Yahoo and SK Communications
- Revenue by Territory:
  - US 51%, Asia 24% Europe 25%

Revenue (usd) (000)					
	4Q'06	3Q'06	Chg	4Q'05	Chg
Revenue					
Product	4,289	4,119	4%	2,936	46%
Services	804	688	17%	435	85%
Net Revenue	5,093	4,807	6%	3,371	51%



# 4Q'06 Financial Highlights

(un-audited)



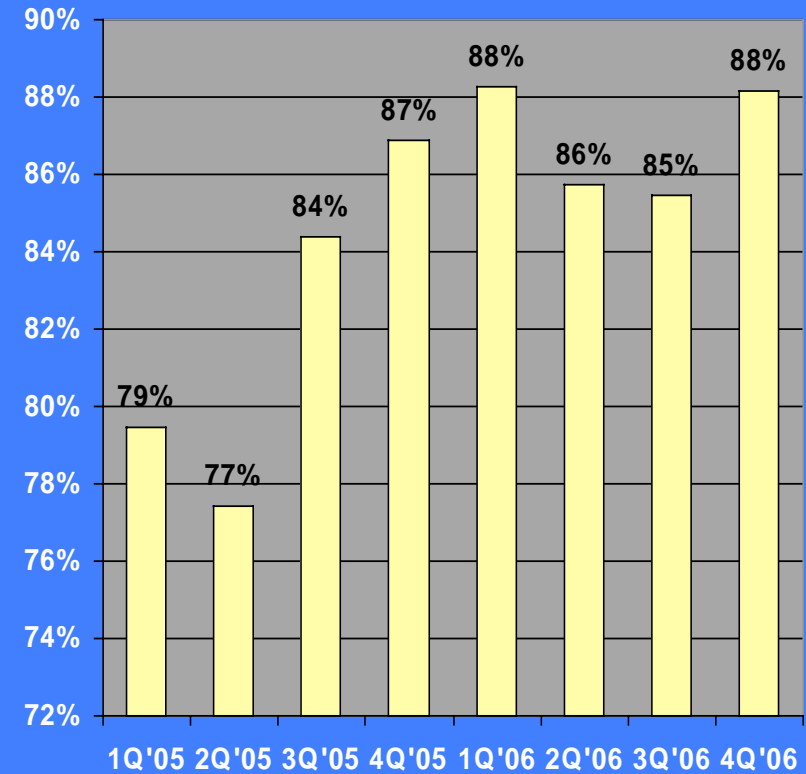
# 4Q'06 Financial Highlights

(un-audited)

## Gross Profit

- 4Q'06 gross profit \$4.5m, gross margin 88% vs 85% from previous quarter
  - Better margins due to lower 3<sup>rd</sup> party rep costs in certain markets during Q4 and rising revenue

## Gross Margins Analysis

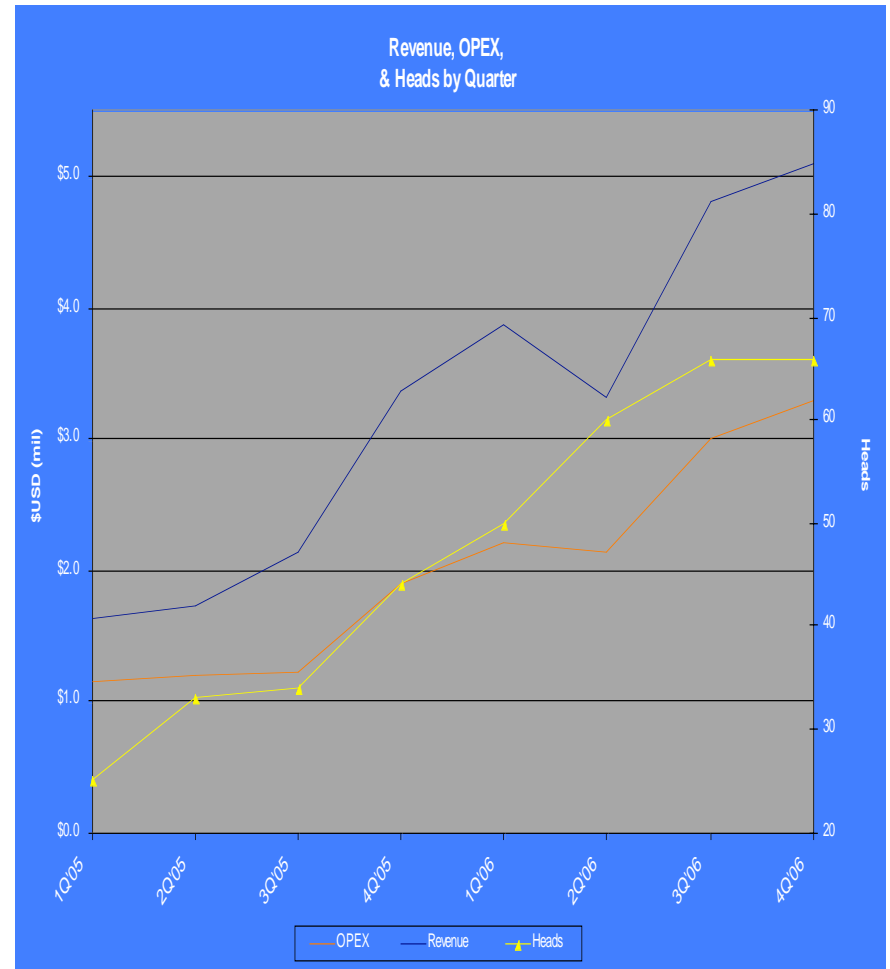


# 4Q'06 Financial Highlights

(un-audited)

## Operating Expenses

- 4Q'06 operating expenses \$3.3m, 74% increase from previous year, 10% increase from previous quarter
  - Headcount during Q4 remained flat at 66 employees
  - Higher selling and administrative expenses due to increased sales and expansion activities



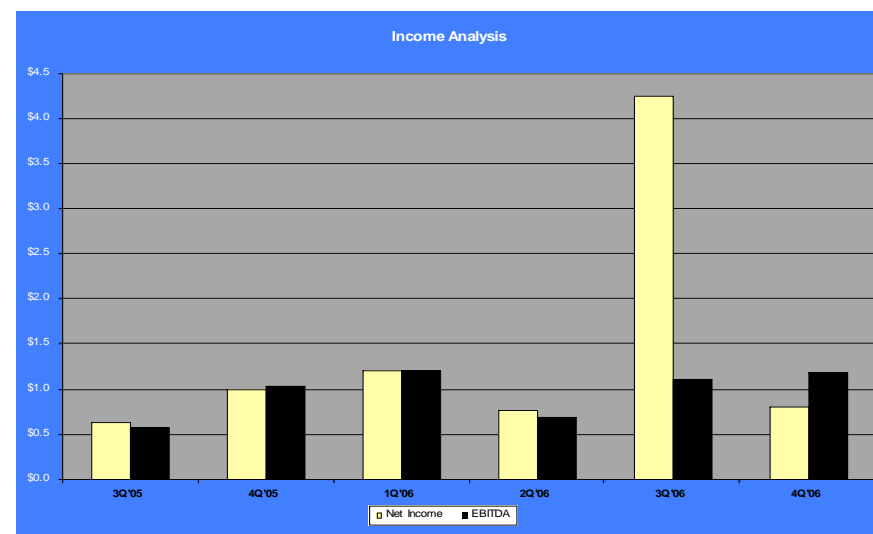
# 4Q'06 Financial Highlights

(un-audited)

## Profit

- 4Q'06 EBITDA \$1.2m vs. \$1.0m in the previous year and \$1.1 in the previous quarter
- EBITDA margin was 23% vs. 23% from 3Q'06
  - The Company continues to focus on costs, expansion, and market capture
- 4Q'06 Net income \$0.8m vs. \$1.0m in the previous year and \$4.3m in the previous quarter
  - Taxes due to sustained profitability contributed to lower comparables
  - Q3'06 included the favorable settlement of a lawsuit and a one-time gain for the employee share buyback program
- Net income margin was 16% vs. 89% in 3Q'06

Income Statement (usd) (000)					
	4Q'06	3Q'06	Chg	4Q'05	Chg
Revenue					
Product	4,289	4,119	4%	2,936	46%
Services	804	688	17%	435	85%
Net Revenue	5,093	4,807	6%	3,371	51%
Total COGS	602	698	-14%	442	36%
Gross Profit	4,491	4,109	9%	2,929	53%
% Revenue	88%	85%		87%	
Operating Expenses	3,297	3,002	10%	1,894	74%
EBITDA	1,194	1,107	8%	1,035	15%
% Revenue	23%	23%		31%	
EBIT	1,019	1,035	-2%	994	3%
Net Profit (Loss)	814	4,263	-81%	1,006	-19%
% Revenue	16%	89%		30%	



# 4Q'06 Financial Highlights

(un-audited)

- **Balance Sheet**
  - Intangible assets (“Purchased Technology”) increased due to the video codec purchased from Espre
- **Cash**
  - Cash and short-term investments was \$15.8m at end of 3Q, down from 17.7m in the previous quarter, due to tax payments, the Espre video codec license, and expenditures toward the January acquisition of Crystal Voice Communications
  - Operating Cash Flow was \$3.2m YTD, down primarily due to tax payments that were not needed in prior years

Balance Sheet (usd) (000)					
As of	12/31/06	9/30/06	Chg	12/31/05	Chg
Cash & ST Investments	15,836	17,655	-10%	13,654	16%
Accounts receivable	5,770	5,222	10%	2,499	131%
Unbilled accounts rec.	2,459	3,421	-28%	3,141	-22%
Other current assets	1,029	317	225%	232	344%
Intangible assets	4,956	3,047	63%	493	905%
Other assets	3,048	2,990	2%	3,304	-8%
<b>Total assets</b>	<b>33,098</b>	<b>32,652</b>	<b>1%</b>	<b>23,323</b>	<b>42%</b>
Current liabilities	3,778	2,950	28%	1,178	221%
Unearned revenue	5,514	7,311	-25%	4,811	15%
Other liabilities	66	61	9%	3,261	-98%
Equity	23,740	22,330	6%	14,073	69%
<b>Total liabilities &amp; equity</b>	<b>33,098</b>	<b>32,652</b>	<b>1%</b>	<b>23,323</b>	<b>42%</b>

Cash Flow (usd) (000)			
Year to date ended	Dec-06	Dec-05	Chg
Cash Flow from Operating Activities	3,219	4,241	-24%
Cash flow from investing	(3,647)	233	-1665%
Cash flow from financing	1,762	6,798	-74%
Net cash flow	1,334	11,272	-88%
Beginning cash	13,654	3,266	318%
Exchange difference	848	(884)	-196%
<b>Ending cash</b>	<b>15,836</b>	<b>13,654</b>	<b>16%</b>

# 2006 Financial Highlights

(un-audited)

## Revenue

- 2006 Revenue was \$17.1m, a 93% increase over 2005.

## Gross Profit

- 2006 Gross profit was \$14.9m, 87% margin compared to a 83% margin in 2005

## Profit

EBITDA margin for 2006 was 25% vs. 21% in 2005. The Company attributes the increase in margin to higher revenue growth versus overall growth in operating expenses

- 2006 Net income \$7.1m vs. \$1.8m in the previous year. The increase is due to the factors mentioned above and a one-time favorable legal settlement
- Net income margin was 41% vs. 20% in 2005

Income Statement (usd) (000)			
Year to date	2006	2005	Chg
Revenue			
Product	14,611	7,362	98%
Services	2,478	1,485	67%
Net Revenue	17,089	8,847	93%
COGS			
Product	797	506	58%
Services	1,432	990	45%
Total COGS	2,229	1,496	49%
Gross Profit	14,860	7,351	102%
% Revenue	87%	83%	
Operating Expenses	10,647	5,473	95%
EBITDA	4,213	1,878	124%
% Revenue	25%	21%	
EBIT	3,886	1,727	125%
Net Profit (Loss)	7,064	1,782	296%
% Revenue	41%	20%	



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# Market Update

# Global IP Solutions

- Global IP Sound is now Global IP Solutions to better reflect its enhanced offerings
- GIPS now has two business units
  - GIPS Solutions
  - GIPS Media Engines
- Global IP Solutions reflects our broader technology offerings
- GIPS has significant brand recognition within the VoIP community, which will maintain our market visibility and value

# 2007 Vision

- Move from a voice processing company to a media processing company
  - Voice and Video strategic focus for the company
    - Will integrate video into all of GIPS engines -- clients and servers
  - Exclusive license from Espré Communications Inc.
    - Espré LSVX video codec
    - Will develop on top of IPR to bring LSVX into leadership position

# Solutions Group

- Acquisition of CrystalVoice complete
- Re-branding of GIPS complete
  - Series of Editor and Analyst meetings in Europe, US and Asia
  - Several articles published
  - New web site launched [www.gipscorp.com](http://www.gipscorp.com)
- Sales and Marketing hiring well underway
- Channel relationships with Cisco, Avaya and 3Com are primary targets

# Solutions Product Line



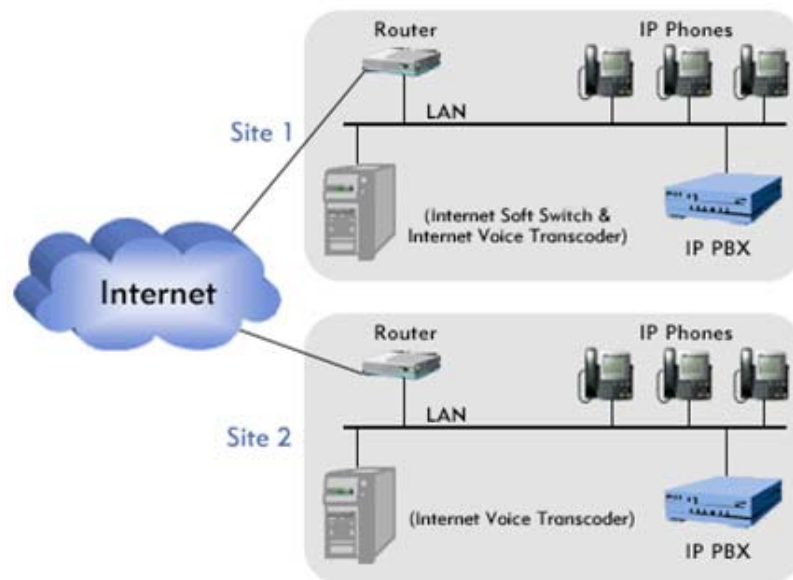
Click-to-Talk Button



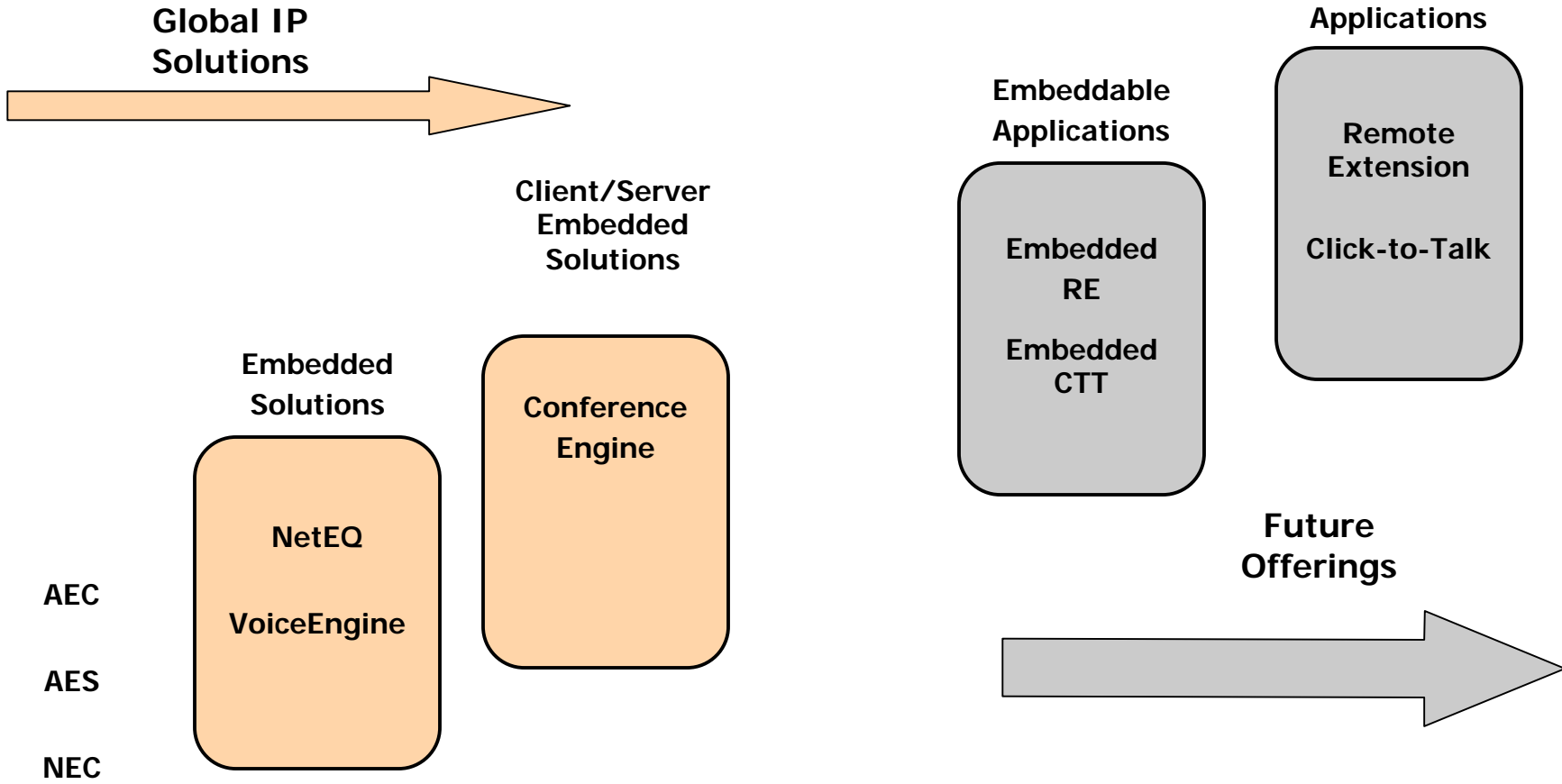
Click-to-Talk Phone Console



Remote Extension Softphone



# Product Evolution



# Capitalizing on New Markets

- Partner with Industry leading companies to expand product offering
  - Paradiel -- leading NAT and FW traversal technology that will be incorporated into VoiceEngine Secure

**Paradiel**  
BRINGING IDEAS TO LIFE

- ADI -- VoIP reference designs for ATAs and IP Phones

 **ANALOG  
DEVICES**

- Gemtek – ATA device that is market-ready Q1 2007

**Gemtek**



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# Q&A