

Q2 2009

Global IP Solutions (GIPS) Holding AB (publ)
Report on the second quarter 2009



GLOBAL IP SOLUTIONS

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Second Quarter 2009 Highlights

- Bookings in the second quarter of 2009 were 3,873 TUSD, compared to bookings of 3,442 TUSD in the first quarter of 2009, and 4,768 TUSD in the second quarter of 2008.
- Revenue was 3,151 TUSD in the second quarter of 2009 versus 3,097 TUSD in the first quarter of 2009, and 2,697 TUSD in the second quarter of 2008.
- The Company had 10 design wins in the second quarter of 2009, including 4 deliveries each of VideoEngine and VoiceEngine Mobile products.
- Cash flow from operations was -1,655 TUSD year-to-date in 2009, compared with -4,511 TUSD in the first six months of 2008.
- Basic and diluted earnings per share were -0.05 (-0.15) USD in the second quarter of 2009. The Company has no plans to issue dividends.

“Revenue for the second quarter increased from Q1 in addition to an increase in bookings. The Company is also beginning to realize more efficiencies as productivity per employee increases,” said Emerick Woods, Global IP Solutions’ CEO. “While the global economy remains unstable we are continuing tight expense management. However, the focus of the company that has shifted from early adopter to high-value enterprise applications with mobile VoIP and real-time video over IP is demonstrating market and strategic success as design wins in both mobile and video continues,” added Woods

FINANCIAL OVERVIEW

Financial Overview TUSD	Q2 2009 (unaudited)	Q2 2008 (unaudited)	Q1-2 2009 (unaudited)	Q1-2 2008 (unaudited)	Q1-4 2008 (audited)
Revenue	3,151	2,697	6,247	4,848	10,184
EBITDA	(548)	(2,638)	(1,735)	(4,556)	(8,389)
Operating profit (EBIT)	(1,111)	(3,091)	(2,834)	(5,304)	(10,152)
Profit after financial items	(1,058)	(3,119)	(2,858)	(5,386)	(10,253)
Earnings for the period	(1,096)	(3,186)	(2,926)	(5,448)	(10,358)
Earnings per share, basic & diluted	\$ (0.05)	\$ (0.15)	\$ (0.13)	\$ (0.28)	\$ (0.49)

KEY FIGURES

Key Figures TUSD	Q2 2009 (unaudited)	Q2 2008 (unaudited)	Q1-2 2009 (unaudited)	Q1-2 2008 (unaudited)	Q1-4 2008 (audited)
Total assets	10,983	19,179	10,983	19,179	14,501
Share price at period end (NOK)	6.00	3.90	6.00	3.90	4.00
Employees at end of period	70	68	70	68	69

Comments on the quarter and six month period

Global IP Solutions (GIPS) Holding AB (the Company), a leading provider of multimedia processing technologies, today reported its financial results for the second quarter and six months ending June 30, 2009. The Company reports under International Financial Reporting Standards (IFRS). Unless otherwise specifically

stated, all amounts are presented in thousands of USD (TUSD) for the Group and thousands of Swedish kronor (TSEK) for the Parent Company. Figures in parentheses refer to the comparative period of 2008.

Bookings and design wins

Bookings reflect the committed value of new customer agreements, renewals, and reported royalties, which, in aggregate, generally exceeds recognized revenue for the period. Bookings were 3,873 (4,768) TUSD for the second quarter of 2009, a decrease of 19 percent from the second quarter of 2008. The comparable period included a major customer renewal of \$1,400 TUSD, which was not matched in the current year quarter. Bookings were 13 percent above the first quarter of 2009.

Bookings were 7,315 (8,122) TUSD for the first six months of 2009, a decrease of 10 percent from the comparable period of 2008. This was primarily due to the major customer renewal in 2008 mentioned above.

Design wins represent new agreements for the delivery of software to be embedded in combined products specified by a certain customer, as stipulated in an OEM contractual agreement. The Company secured 10 (13) new design wins from both existing and new customers in the second quarter, versus 14 design wins in the first quarter of 2009. Although the number of design wins declined, the Company delivered 4 VideoEngine and 4 VoiceEngine Mobile products in the quarter, which indicates solid demand for the Company's full line of IP solutions. For the first six months of 2009, the Company had 24 (29) design wins.

Revenue and gross profit

Revenue for the second quarter of 2009 was 3,151 (2,697) TUSD, a 17 percent increase over the second quarter of 2008, and a 2 percent increase over the first quarter of 2009. Product revenue accounted for 2,608 (1,953) TUSD, an increase of 34 percent compared to the second quarter of 2008. Service revenues decreased by 27 percent from the comparable quarter to 543 (744) TUSD.

Revenue for the first six months of 2009 was 6,247 (4,848) TUSD, a 29 percent increase over the comparable period of 2008. Product revenue accounted for 5,160 (3,533) TUSD, an increase of 46 percent compared to the first six months of 2008. Service revenues decreased by 17 percent from the comparable period to 1,087 (1,315) TUSD, due mostly to the current economic environment and its impact on the willingness of companies to pay for ongoing support.

The increase in revenue over the second quarter and first six months of 2008 is due primarily to an increase in platform fees recognized on new contracts, an increase in reported royalties, and the cumulative effect of contracts that have a license/usage fee component. Revenue from license/usage fees is recognized ratably over the period of the agreement.

Cost of goods sold was -353 (-357) TUSD in the second quarter of 2009. Gross profit was 2,798 (2,340) TUSD for the second quarter of 2009, a 20 percent increase over the second quarter of 2008. Gross margin was 89 percent for the second quarter of 2009.

Cost of goods sold was -778 (-523) TUSD in the first six months of 2009. Gross profit was 5,470 (4,324) TUSD for the first six months of 2009. Year-to-date cost of goods sold in 2009 included third-party royalty fees related to licensed technology, which did not exist in the comparable 2008 period.

Operating expenses and operating profit

Operating expenses were -3,909 (-5,431) TUSD in the second quarter of 2009, a decrease of 28% from the second quarter of 2008. Operating expenses were -8,304 (-9,628) TUSD in the first six months of 2009, a decrease of 14% from the comparable period of 2008. The decrease in both the second quarter and six month periods versus the 2008 comparable periods is primarily due to one-time costs in 2008 related to the conversion to IFRS reporting standards, the listing on Oslo Børs and legal matters.

EBITDA for the second quarter of 2009 was -548 (-2,638) TUSD, and operating profit (EBIT) was -1,111 (-3,091) TUSD. EBITDA for the first six months of 2009 was -1,735 (-4,556) TUSD, and operating profit (EBIT) was -2,834 (-5,304) TUSD. The primary reasons for the improvement in both measures for the quarter and year-to-date periods were the increase in revenue over the comparable periods, as well as the effect of one-time expenses in 2008 related to the conversion to IFRS reporting standards and the listing on Oslo Børs mentioned above.

Financial items and taxes

Financial items include realized exchange losses, interest income, and other non-operational items. Net financial items were 53 (-28) TUSD for the second quarter of 2009. For the first six months of 2009, net financial items were -24 (-82) TUSD.

The effective tax rate for the second quarter was -4 (-2) percent. For the six month period, the effective tax rate was -2 (-1) percent. Due to the Company's net loss condition, tax assets have not been recognized.

Earnings for the period

Earnings for the period was a loss of -1,096 (-3,186) TUSD for the second quarter of 2009. For the six month period, earnings for the period was a loss of -2,926 (-5,448) TUSD. The improvement over both the second quarter of 2008 and the comparative six month period resulted from both increased revenue and decreased operating expenses.

Earnings per share

The average number of basic and diluted shares outstanding was 22,547 (21,460) thousand in the second quarter of 2009, resulting in earnings per share of -0.05 (-0.15) USD. For the six month period, the average number of basic and diluted shares outstanding was 22,547 (19,753) thousand, resulting in earnings per share of -0.13 (-0.28) USD. Diluted earnings per share were the same as basic due to the Company's condition of losses for the periods presented.

Cash Flow

For the first six months of 2009, cash flow from operating activities was -1,655 (-4,511) TUSD. The improvement in operating cash flow is primarily the result of a large collection from a major customer during the first quarter of 2009 and the effect of lower operating expenses compared to 2008 (see "Operating expenses and operating profit," above).

Net cash flow from investing activities was -870 (-31) TUSD for the six month period. Capitalized development costs accounted for -722 (-564) TUSD of the net cash flow from investing activities

Net cash flow from financing activities was zero (9,368) in the first six months of 2009. Total cash flow for the six month period of 2009 was -2,525 (4,826) TUSD. Net cash flow for the six month period of 2008 included net proceeds of 9,368 TUSD from the Company's share offering completed in May 2008. Cash and cash equivalents was 4,063 TUSD at June 30, 2009.

Other Matters

On 3 August 2009, The Company announced that Anton Schwarz had joined the Company as vice president of worldwide sales. In this position, Mr. Schwarz will be responsible for expanding GIPS' global revenues, managing global customer relationships and accelerating the go-to-market strategies.

On January 14, 2009, one of the Company's customers, Nortel Networks Corporation (Nortel), filed for creditor protection under the bankruptcy laws of Canada, the United States and Europe in order to allow them to address their operational and financial challenges. Nortel informed the Company that it is a key supplier and plays a vital role in its ability to continue serving the needs of their customers. GIPS will continue to support Nortel under the terms of their agreement. The financial effect to the Company of Nortel's bankruptcy proceedings, if any, is not known yet.

As of June 30, 2009 the Company was not a party to any material outstanding litigation.

Share Capital

Since December 1999, and through July 21, 2008, the Company's shares had been trading on the Norwegian Securities Dealers Association's Over-The-Counter market (the "OTC-List") with the stock market symbol "GIPS". On July 22, 2008 the Company successfully completed a listing of its shares on Oslo Børs. See the 2008 Annual Report for more detail of the Company's share capital history.

22,547,360 shares were outstanding at 30 June 2009. At that date, the Company's closing share price was 6.00 NOK, which resulted in a total market capitalization of approximately 135 MNOK. Since May 2008, all companies within the GIPS Group are (directly or indirectly) wholly-owned subsidiaries of the Company.

Parent Company

The Parent Company had revenue of 708 (0) TSEK during the second quarter, and revenue of 1,347 (0) TSEK in the first six months of 2009, which was intercompany in nature. Earnings for the period was a loss of -115 (-2,301) TSEK for the second quarter, and -660 (-2,967) TSEK for the six month period. Administrative expenses relate primarily to the costs of trading on Oslo Børs, as well as limited administrative personnel assigned to the Parent company.

Use of estimates

No significant new estimates have been utilized compared to those previously reported.

Accounting principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). In addition, recommendation RFR 1.2, Supplementary Accounting Rules for Groups, of the Swedish Financial Reporting Board (RFR) has been applied.

This consolidated interim report has been prepared in accordance with the Swedish Annual Report Act and with IAS 34, Interim Financial Reporting. For the Parent Company, the Swedish Annual report Act and RFR recommendation RFR 2.2, Accounting for Legal Entities, have been applied. The consolidated accounts have been prepared in accordance with standards approved by the European Commission.

As of January 1, 2009, the Group has adopted IFRS 8, Operating Segments. The change has not affected the Group's earnings or financial position. Further, the Group has applied IAS 1 (Revised), Presentation of Financial Statements, since January 1, 2009. The change had a retroactive effect on the Group's accounting in that income and expenses previously reported directly against stockholders' equity are now presented in a separate report immediately after the statement of operations. With the exception of these changes in principles, the accounting principles applied are the same as those applied in the annual report. For detailed information about the Company's accounting principles, please see the Company's 2008 Annual Report.

Risks and Uncertainties

Besides the general economic downturn, no additional significant risks or uncertainties have been identified compared to the risks and uncertainties presented in the 2008 Annual Report.

Outlook 2009

GIPS has witnessed a growing number of design wins within mobile VoIP and video. Additionally, the demand for the Company's VoiceEngine products remains steady as there is an industry-wide push for the adoption of HD voice – or wideband voice technology as it is also known for the growing mobile and unified communications markets.

GIPS attended and participated in nearly a half dozen industry events through the second quarter of 2009 along with the distribution of industry thought leadership papers to further increase its awareness-building marketing efforts in 2009. The dual goals of expanding sales with existing customers and establishing increased awareness among potential new clients is being realized and will persist as an objective in 2009.

While the effects of the global recession on GIPS' industry still remains unclear, the Company does remain cautiously optimistic that customers continue to recognize the value of investing in the Company's leading media processing technology.

Responsibility statement

This interim report has not been subject to review by our auditors. We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008, which has been prepared in accordance with IAS 34 Interim Financial Reporting, give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5–6 fourth paragraph.

Stockholm, August 20, 2009
Global IP Solutions (GIPS) Holding AB (publ)
Corporate Identity Number 556573-9017

Ditlef de Vibe, *Chairman of the Board*
John Markus Lervik, *Member of the board*
Gunnel Duveblad, *Member of the board*
Allen Adams, *Member of the board*
Per Arne Henaes, *Member of the board*
Haavard Nord, *Member of the board*
Emerick Woods, *CEO*

August 20, 2009

Forthcoming reporting dates

- Third quarter 2009 results – 11 November, 2009
- Fourth quarter 2009 results – 24 February, 2010

Appendix:

1. Brief overview of the Group.
2. Brief overview of the Parent Company.
3. Operating Segments.

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Appendix 1

Brief overview of the Group

STATEMENT OF OPERATIONS

Consolidated Statement of Operations	Q2 2009	Q2 2008	Q1-2 2009	Q1-2 2008	Q1-4 2008
TUSD	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Total revenue	3,151	2,697	6,247	4,848	10,184
Cost of goods sold	(353)	(357)	(778)	(523)	(1,204)
Gross profit	2,798	2,340	5,470	4,324	8,980
Selling expenses	(1,605)	(1,637)	(3,597)	(3,709)	(7,926)
Research & development costs	(1,075)	(916)	(2,142)	(1,758)	(3,790)
Administrative expenses	(1,229)	(2,878)	(2,565)	(4,161)	(7,416)
Operating expenses	(3,909)	(5,431)	(8,304)	(9,628)	(19,132)
EBIT (operating profit)	(1,111)	(3,091)	(2,834)	(5,304)	(10,152)
Financial income	54	32	18	82	190
Financial expense	(1)	(60)	(42)	(164)	(291)
Net financial items	53	(28)	(24)	(82)	(101)
Profit after financial items	(1,058)	(3,119)	(2,858)	(5,386)	(10,253)
Income taxes	(38)	(67)	(68)	(62)	(105)
Earnings for the period	(1,096)	(3,186)	(2,926)	(5,448)	(10,358)
Attributable to equity holders of the group	(1,096)	(3,186)	(2,926)	(5,448)	(10,358)
Attributable to minority interest holders	-	-	-	-	-
Earnings per share					
Average number of shares - basic (000's)	22,547	21,460	22,547	19,753	21,158
Earnings per share - basic	\$ (0.05)	\$ (0.15)	\$ (0.13)	\$ (0.28)	\$ (0.49)
Average number of shares - diluted (000's)	22,547	21,460	22,547	19,753	21,158
Earnings per share - diluted	\$ (0.05)	\$ (0.15)	\$ (0.13)	\$ (0.28)	\$ (0.49)

STATEMENT OF COMPREHENSIVE INCOME

Cosolidated Statement of Comprehensive Income	Q2 2009	Q2 2008	Q1-2 2009	Q1-2 2008	Q1-4 2008
TUSD	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Earnings for the period	(1,096)	(3,186)	(2,926)	(5,448)	(10,358)
Exchange rate differences	(14)	141	(16)	97	(134)
Other comprehensive income for the period, net of tax	(14)	141	(16)	97	(134)
Total comprehensive income for the period	(1,110)	(3,045)	(2,942)	(5,351)	(10,492)
Attributable to equity holders of the group	(1,110)	(3,045)	(2,942)	(5,351)	(10,492)
Attributable to minority interest holders	-	-	-	-	-

STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position	June 30, 2009	June 30, 2008	Dec. 31, 2008
TUSD	(unaudited)	(unaudited)	(audited)
Intangible assets	3,150	3,422	3,349
Tangible fixed assets	298	163	316
Financial assets	136	418	156
Accounts receivable	2,926	3,492	3,701
Other current assets	409	769	377
Short term investments	0	1,450	0
Cash and cash equivalents	4,063	9,465	6,602
Total assets	10,983	19,179	14,501
Shareholders' equity	4,223	12,006	7,024
Non-current, non-interest-bearing liabilities	1,846	670	2,119
Current deferred revenue	3,063	3,316	2,954
Trade payables	541	565	576
Other current non-interest-bearing liabilities	1,310	2,622	1,828
Total equity and liabilities	10,983	19,179	14,501

CASH-FLOW STATEMENT

Consolidated Statement of Cash Flows	Q1-2 2009	Q1-2 2008
TUSD	(unaudited)	(unaudited)
Cash flow from operating activities before changes in working capital	(1,953)	(4,700)
Cash flow from changes in working capital	298	189
Cash flow from operating activities	(1,655)	(4,511)
Cash flow from investing activities	(870)	(31)
Cash flow from financing activities	-	9,368
Cash flow for the period	(2,525)	4,826
Beginning cash	6,602	3,896
Currency Translation	(14)	743
Cash and cash equivalents at the end of the period	4,063	9,465

STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity TUSD	June 30, 2009 (unaudited)	June 30, 2008 (unaudited)
Opening equity at January 1	7,024	7,886
Issuance of shares	-	9,308
Retirement of minority interest through share issuance	-	(417)
Equity-settled share-based payment charges	141	109
Cash-settled share-based payments transformed to equity-settled	-	471
Total comprehensive income for the period	(2,942)	(5,351)
Closing equity	4,223	12,006

Appendix 2

Parent company in brief

STATEMENT OF OPERATIONS

Parent Statement of Operations TSEK	Q2 2009 (unaudited)	Q2 2008 (unaudited)	Q1-2 2009 (unaudited)	Q1-2 2008 (unaudited)	Q1-4 2008 (audited)
Total revenue	708	0	1,347	0	368
Gross profit	708	0	1,347	0	368
Administrative expenses	(1,687)	(2,501)	(3,779)	(3,174)	(9,125)
EBIT (operating profit)	(979)	(2,501)	(2,432)	(3,174)	(8,757)
Net financial items	864	200	1,772	207	1,298
Profit after financial items	(115)	(2,301)	(660)	(2,967)	(7,459)
Income taxes	0	0	0	0	0
Earnings for the period	(115)	(2,301)	(660)	(2,967)	(7,459)

STATEMENT OF FINANCIAL POSITION

Parent Statement of Financial Position TSEK	June 30, 2009 (unaudited)	Dec. 31, 2008 (audited)
Financial assets	212,796	212,796
Other current assets	60,774	61,832
Cash and cash equivalents	548	571
Total assets	274,118	275,199
Shareholders' equity	273,260	273,941
Current non-interest-bearing liabilities	858	1,258
Total equity and liabilities	274,118	275,199

Appendix 3

Operating segments

The Company has adopted IFRS 8 Operating Segments from the beginning of 2009. IFRS 8 requires disclosure of segment information, as reported to management. Comparative figures are adjusted as necessary to match the current presentation.

Revenue by Region	Q2 2009	Q2 2008	Q1-2 2009	Q1-2 2008	Q1-4 2008
TUSD	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Americas	2,142	1,759	3,917	3,095	6,224
Europe	719	417	1,260	723	1,484
Asia	290	521	1,070	1,030	2,476
Total revenue	3,151	2,697	6,247	4,848	10,184

Operating Profit by Region	Q2 2009	Q2 2008	Q1-2 2009	Q1-2 2008	Q1-4 2008
TUSD	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Americas	(764)	(1,588)	(2,258)	(3,141)	(6,302)
Europe	(103)	(1,158)	(393)	(1,823)	(3,239)
Asia	(191)	59	153	102	206
Unallocated	(52)	(404)	(337)	(442)	(817)
Operating profit	(1,110)	(3,091)	(2,835)	(5,304)	(10,152)

Assets by Region	30-Jun-09	30-Jun-08	31-Dec-08
TUSD	(unaudited)	(unaudited)	(audited)
Americas	6,920	14,561	12,125
Europe	2,066	3,218	2,044
Asia	187	398	164
Unallocated	1,810	1,002	168
Total assets	10,983	19,179	14,501

Liabilities by Region	30-Jun-09	30-Jun-08	31-Dec-08
TUSD	(unaudited)	(unaudited)	(audited)
Americas	4,730	4,569	5,513
Europe	1,227	1,186	1,179
Asia	96	163	137
Unallocated	1,007	1,255	648
Total liabilities	7,060	7,173	7,477

No single customer exceeded 13 percent of revenues for the second quarter or six month period of 2009, and no regular reporting of revenue by customer is required by management.