

Fonix Reports First Quarter 2006 Highlights and Results

SALT LAKE CITY, UT (May 12, 2006) Fonix Corporation (OTC BB: FNIX), an integrated communications carrier providing telecommunications services and value-added speech technologies, announces financial results for the quarter ended March 31, 2006. First quarter company highlights reflect market and customer performance for Fonix Speech, Inc. and Fonix Telecom, Inc.

Fonix Speech Highlights:

- **Casio introduces new electronic dictionaries featuring Fonix text-to-speech.** As part of an on-going contract, Casio released 15 new handheld dictionaries in the Japanese and Korean electronics markets, with Fonix receiving unit royalties from each device sold.
- **Fonix supports new Intel® processor.** At 3GSM 2006 in Barcelona, Fonix demonstrated speech interfaces for mobile devices on the next-generation Intel Monahans XScale® processor family, which is optimized for mobile and cellular devices.
- **Sun Microsystems endorses Fonix text-to-speech for Assistive products.** At the CSUN Technology and Persons with Disabilities Conference in Los Angeles, Sun Microsystems demonstrated Fonix DECTalk® TTS on its Solaris 10 operating system. Sun applications and screen readers for Solaris-based PCs can utilize Fonix TTS to “speak” text.
- **OC3 Entertainment adopts Fonix VoiceIn™ speech recognition for its facial animation software.** At this year’s Game Developers Conference (GDC), OC3 Entertainment demonstrated its new FaceFX Live facial animation technology for videogames, which incorporates Fonix VoiceIn speech recognition.
- **Fonix Speech organized as a wholly owned subsidiary of Fonix Corporation.** As a separate subsidiary, Fonix Speech has greater flexibility to pursue revenue opportunities in target markets, form independent strategic relationships with partnering companies, and maximize capital potential.

Fonix Telecom Highlights:

- **Fonix Telecom, Inc. entered into an Administrative Services Agreement with LecStar Telecom, Inc.** Per the agreement Fonix Telecom manages all Fonix Telecom assets, products and services, including those of LecStar. Fonix Telecom expanded telecom products and IT services to include next-generation IP products such as VoIP.
- **Fonix Telecom now offers services in North Carolina.** In March, Fonix Telecom became certified to provide Local Exchange and Long Distance services in North Carolina.

“Along with many other small- to mid-sized Telcos, Fonix is adjusting to recent telecom de-regulations,” says Thomas A. Murdock, Fonix Chairman and CEO. “Despite recent negative effects of regulatory changes in the telecom industry, which have substantially increased our Cost of Goods Sold (COGS), we continue to focus on increasing revenues and decreasing operating losses by expanding Fonix’s IP Telecom products and services and by growing current and emergent Speech channels.”

Fonix revenues were \$3,182,000 for the quarter ended March 31, 2006, a decrease of \$1,041,000 compared to \$4,223,000 for the same period in 2005; the change was primarily due to a decrease in telecom revenues. Operating expenses, exclusive of non-cash amortization, decreased by \$222,000, from \$3,935,000 to \$3,713,000 for the same period in 2005. Net loss was \$4,081,000 (\$0.01 per common share) for the first quarter in 2006 compared to \$4,080,000 (\$0.03 per common share) for the same period in 2005.

“We expect that our market position with our OEM speech channels and our transition to IP telecom products will allow Fonix to expand revenue opportunities,” says Roger D. Dudley, Fonix Executive VP and CFO. “Our revenues reflect recent negative regulatory changes in the telecom industry, but our company operating costs continue to decrease, which we anticipate will support revenue growth. We remain focused on our mission and our expanding customer partnerships, which continue to mature and will establish a firm base for future revenue growth. The company remains committed to providing customers with superior technologies and unrivaled service.”

About Fonix

Fonix Corporation, based in Salt Lake City, Utah, is an innovative communications and technology company that provides integrated telecommunications services and value-added speech technologies through Fonix Telecom, Inc., LecStar Telecom, Inc. and Fonix Speech, Inc. The combination of interactive speech technology and integrated telecommunications services allows Fonix to provide customers with comprehensive cost-effective solutions to enhance and expand their communications needs. Visit www.fonix.com for information, or call (801) 553-6600 and say “Sales.”

Statements released by Fonix that are not purely historical are forward-looking within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company’s expectations, hopes, intentions and strategies for the future. Investors are cautioned that forward-looking statements involve risk and uncertainties that may affect the Company’s business prospects and performance. The Company’s actual results could differ materially from those in such forward-looking statements. Risk factors include general economic, competitive, governmental and technological factors as discussed in the Company’s filings with the SEC on Forms 10-K, 10-Q and 8-K. The Company does not undertake any responsibility to update the forward-looking statements contained in this release.

	Three Months Ended	
	Mar 31, 2006	Mar 31, 2005
Revenues	\$ 3,182,000	\$ 4,223,000
Cost of revenues	_____	_____

	<u>(2,332,000)</u>	<u>(2,187,000)</u>
Gross profit	850,000	2,036,000
Expenses:		
Selling, general and administrative	3,142,000	3,415,000
Amortization of intangible assets	459,000	1,586,000
Product development and research	<u>571,000</u>	<u>520,000</u>
Total expenses	4,172,000	5,521,000