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Global IP Sound Reports Third Quarter 2004 Results

(reported in thousands of SEK)

STOCKHOLM – October 13, 2004 - Global IP Sound AB, a leading provider of embedded voice processing technologies, today reported its financial results for third quarter ended September 30, 2004.

Revenues for the third quarter of 2004 were SEK 7,639, a 40 percent increase from the second quarter of 2004, and a 395 percent increase over the previous year's quarter. Unearned revenue (based on multi-year contract bookings in which revenue must be recognized over an extended period) increased to SEK 16,657, a 51 percent increase compared to the second quarter of 2004. Gross Profit for the period was SEK 6,964. Operating expenses were SEK 7,889 for the quarter, which was comparable to the same quarter in the previous year and an 11 percent increase from the second quarter of 2004. Net loss for the third quarter of 2004 improved to SEK 2,900, compared to a loss of SEK 6,679 for the same period in the previous year.

Cash at the end of the third quarter was SEK 22,846, as compare to the ending balance figure from June 30, 2004 of SEK 25,417.

"The Company continues to show solid revenue growth performance with thirteen new OEM license agreements, three of which were from Asian companies - TenCent, SoftFoundry and UP Tech. Revenues from the quarter were from both new contracts plus existing agreements. Overall expenses were inline with our expectations. The 11 percent increase in operating expense was largely attributed to an increase sales and marketing," said Edward Abbati, chief financial officer of Global IP Sound.

"The VoIP market is accelerating at a significant rate, and as a result we are signing more deals than ever before. Third quarter marked our first million-dollar (US dollar equivalent) quarter, and we continue to bridge the gap to break even on an earning before interest and tax basis. While the majority of our revenue continues to come from early design wins, Q3 also brought the first royalty report and resulting revenue from Skype. We are encouraged

by this trend. Our sales pipeline remains strong, with a focus on the Tier One enterprise applications market,” said Gary Hermansen, Chief Executive Officer of Global IP Sound.

Business highlights for the quarter include:

- Thirteen new OEM license agreements
- First royalties from Skype Technologies S.A.
- Increased revenue by 395 percent, to SEK 7,639 over same period last year
- Kept operating expenses level over same period last year
- Deployed software reached more than 26 million end points (measured by downloads and shipments)

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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, in thousands SEK					
		3 Months Ended	9 Months Ended		
Consolidated income statement		September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
License		6,068	(2)	12,812	2,374
Services		1,571	1,545	4,276	2,699
Net Turnover		7,639	1,542	17,089	5,073
Cost of goods		675	0	1,405	0
Gross Profit		6,964	1,542	15,683	5,073
Information about the business activities					
Selling expenses		2,767	1,800	6,113	6,337
Administrative expenses		2,582	3,332	7,456	10,246
Research and development expenses		2,539	2,716	7,762	11,330
Operating expenses		7,889	7,848	21,332	27,913
Earnings Before Interest, Tax, Depr & Amort		-925	-6,306	-5,648	-22,840
Depreciation & Amortization		1,826	430	5,506	1,467
Earnings Before Interest, Tax		-2,751	-6,737	-11,154	-24,307
Result from financial investments					
Other interest income and similar profit/loss items		-39	-101	-164	-277
Interest expenses and similar profit/loss items		188	43	251	102
Total result from financial investments		148	-58	87	-174
Result after financial items		-2,900	-6,679	-11,241	-24,133
State tax		0	0	18	25
Net loss for the period		-2,900	-6,679	-11,258	-24,158
Earnings Per Share (Basic)		-0.06	-0.19	-0.24	-0.74
Average Outstanding Shares		49,545,168	34,712,463	46,045,168	32,754,287
Consolidated balance sheet					
				September 30, 2004	September 30, 2003
Assets					
Fixed assets					
Intangible fixed assets					
Patents				38,808	1,373
Tangible fixed assets					
Plant and machinery					
Equipment, tools, fixtures and fittings				584	1,206
Software				0	15
Costs of improvements to property				388	1,122
Vehicles				0	0

Total tangible fixed assets			972	2,343
Financial fixed assets				
Deposits			1,032	1,992
Other long-term receivables			366	1,604
			1,399	3,595
Total fixed assets			41,179	7,311
Current assets				
Current receivables			9,901	2,631
Other current investments			13,229	510
Other current receivables			633	552
Prepaid expenses and accrued income			739	742
			24,502	4,435
Cash and bank balance			22,846	14,984
Total current assets			47,348	19,418
Total assets			88,527	26,730
Equity and liabilities			September 30, 2004	September 30, 2003
Equity				
Restricted equity				
Share capital			4,955	4,255
Restricted reserves			205,426	183,389
Total restricted equity			210,380	187,643
Non-restricted equity				
Net loss previous year			-131,821	-142,733
Net loss of the year			-11,258	-24,158
Total non-restricted equity			-143,079	-166,891
Total equity			67,301	20,752
Long-term liabilities				
Long-term note			111	46
Total long-term liabilities			111	46
Current liabilities				
Accounts payable - trade			1,122	855
Other current liabilities			2,095	1,738
Unearned revenue			16,657	962
Accrued expenses and deferred income			1,242	2,376
Total current liabilities			21,116	5,931
Total equity and liabilities			88,527	26,730
Consolidated cash flow statement			9 Months Ended	September 30, 2003
Operating activities			September 30, 2004	
Result after financial items			-2,900	-6,679

Adjustments for items not included in cash flow etc.		660	0
Depreciation and Amortization		1,711	390
Tax		0	0
Cash flow from operating activities			
before changes in working capital		-529	-6,289
Changes in working capital			
Increase in receivables		-6,909	816
Increase in accounts payables		4,215	-1,639
Cash flow from operating activities		-2,694	-823
Investing activities			
Acquisitions of intangible assets		0	0
Acquisitions of machinery and equipment		118	163
Investment in financial assets		31	32
Loans provided		1,226	39
Cash flow from investing activities		1,374	234
Financing activities			
Share premium upon issue of new shares		925	16,259
Warrants		-660	0
Deferred compensation		0	0
Cash flow from financing activities		265	16,259
Cash flow for the year		-1,584	9,380
Liquid funds at the beginning of the year		25,417	5,531
Exchange difference, liquid funds		-987	73
Liquid funds at the end of the period		22,846	14,984