

For additional information, contact:

Edward Abbati, CFO
Global IP Sound
+1.415.397.2555
edward.abbati@globalipsound.com

Remee Vargas
FS Communications
+1.650.691.1488
remee@fscomm.com

Global IP Sound Reports Fourth Quarter and Year-End Results

(reported in thousands of SEK)

STOCKHOLM – February 12, 2004 - Global IP Sound AB, a leading provider of embedded voice processing technologies, today reported its financial results for the fourth quarter and fiscal year ended December 31, 2003.

Revenues for the fourth quarter of 2003 were SEK 2,359, a 427 percent increase from the fourth quarter of 2002, and a 53 percent increase over the previous quarter. Unearned revenue (based on multi-year contract bookings in which revenue must be recognized over an extended period) increased to SEK 6,418, a 567 percent increase compared to the third quarter of 2003. Operating expenses were SEK 8,968 for the quarter. This was a decrease of 34 percent compared to the same quarter in the previous year and an eight percent increase from the third quarter of 2003. The quarter-to-quarter increase is a result of higher sales costs, restructuring and seasonal year-end expenses. Operating loss for the fourth quarter of 2003 improved to SEK 6,608, compared to a loss of SEK 12,783 for the same period in the previous year.

For the full year, from January 1 – December 31, 2003, revenue is SEK 7,432, with operating loss of SEK 30,915. Cash (SEK 11,283) and accounts receivable at the end of the fourth quarter were SEK 18,937, a modest increase from the ending balance figure from September 30, 2003 of SEK 18,124.

"Our overall performance in the fourth quarter revenue met expectations, with solid growth in recognized revenue and future revenue from already contracted deals. The year ended with a total of 21 new agreements and the Company continues to maintain its overall expense base and to improve cash flow," said Edward Abbati, chief financial officer of Global IP Sound. "We did make a revision in accounting treatment for income that is contracted, but not yet paid, which has no effect the company's current cash position of cash flow. In fact, the combination of cash and accounts receivable balances increased modestly."

For both the fourth quarter and full-year, the Company reported a net profit after accounting for a one-time gain of SEK 41,679, which was realized as the result of a restructuring of certain assets

and subsidiaries. The reported profit for the fourth quarter is SEK 35,070. For the year, the reported profit is SEK 10,912.

During the quarter, the company advanced its multi-phase restructuring plan to operate as a United States-based corporation under the name Global IP Sound, Inc. (GIPS-Inc). On December 30, 2003, the first phase of the plan began with Global IP Sound AB (GIPS-AB) acquiring GIPS Europe AB (formerly AB Grundstenen). GIPS-AB then sold and transferred most of the operational net assets, employees and certain patent rights to GIPS Europe AB. The final phase of the plan occurred when GIPS-AB sold GIPS Europe AB and the remaining patent rights to GIPS- Inc. GIPS AB still retains 100 percent ownership in GIPS Inc. and its subsidiaries. Because of the transaction, the one-time gain (non-cash) of SEK 41,679 was recorded.

Business highlights for the quarter include:

- Increased revenue by 427 percent, to SEK 2,359, over same period last year
- Unearned revenue (based on multi-year contracts with unrecognized revenue in this period) increased 567 percent, to SEK 6,418
- Reduced operating expenses by 34 percent over same period last year
- Deployed by Tier One telecommunications provider in solutions shipping to multiple carriers and by Inter-tel in wireless (WiFi) solution
- Signed new license agreements with Telco Systems, WorldGate Communications, LongBoard and UP Technologies
- Deployed software reached more than 6.5 million end points (measured by downloads and shipments) by end of 2003
- Expanded customer list to 73 active accounts
- Launched two new products for conferencing and echo cancellation
- Named Product of the Year for 2003 by Communications Convergence magazine
- Restructured Company assets

"Packet-based voice calling is now steadily gaining both mind-share and market share around the world," said Gary Hermansen, president of Global IP Sound, Inc. "We have established a strong base both in wildly popular downloadable soft phones and with OEMs producing wireline and wireless converged communications platforms, and are well positioned for increased revenues in tandem with realistic market growth."

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NOTE: The Company cautions that these fourth quarter figures are un-audited and that the figures could change following further review by the Company's accounting staff. None of these figures have been reviewed by the Company's independent auditors, and the final results may change upon completion of the audit.