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Global IP Sound Reports Third Quarter Results
(reported in thousands)

STOCKHOLM – October 17, 2003 - Global IP Sound AB, a leading provider of embedded VoIP technologies, today reported its third quarter results for the period ended September 30, 2003.

Revenues for the third quarter of 2003 were SEK 1,542, a 165 percent increase from the third quarter of 2002 and a 40 percent decrease from the second quarter of 2003. Operating expenses were SEK 8,279 for the quarter – a 20 percent decrease over the same quarter in the previous year and 18 percent less than the previous quarter. Net loss for the third quarter of 2003 improved to SEK 6,679, compared to a loss of SEK 9,410 for the same period in the previous year. The company continues to improve its net loss position.

For the year to date, from January 1 – September 30, 2003, revenue is SEK 5,073, with a net loss of SEK 24,158. Cash at the end of the third quarter was SEK 14,984.

Highlights for the quarter include:

- Signed an implementation agreement with Texas Instruments for GIPS iLBC low-bit rate codec
- Skype, developed by the founders of KaZaa, launched its beta with integrated GIPS SoundWare modules, and has had more than 1,300,000 downloads to date
- Increased pipeline to 72 active accounts with five Tier 1 accounts in the applications space and signed three agreements for integration services and licensing
- Patents granted by the Swedish patent office for three of the company's products: GIPS iLBC, GIPS Enhanced G.711 and GIPS iPCM-wb
- Progressing toward final stages of standardization for GIPS codecs in two standards-setting bodies
- Announced and launched GIPS ConferenceEngine, a server-based conference bridge plug-in
- Attended VON Fall 2003 showcasing a range of applications from IP phones and soft phones to collaboration/conferencing tools and WiFi VoIP

"In the third quarter, Global IP Sound revenues grew less than anticipated. These disappointing results can be attributed to key customers not shipping products this quarter as were originally forecasted. Closing contracts, moving customers to deployment and decreasing overall expenses will be the key drivers in achieving our financial goals for the fourth quarter" says Edward Abbati, chief financial officer of Global IP Sound.

During the last quarter, initial steps were taken to restructure the company to operate as a United States-based corporation under "Global IP Sound, Inc." This restructuring will not change the organizational infrastructure of the company – headquarters will remain in San Francisco with development in Sweden and sales in the Boston-area. Swedish-based "Global IP Sound AB" will become a holding company of the corporation and retain 100 % of its investment. The restructuring is intended to maximize the value of Global IP Sound for its shareholders, ease business transactions, and create more awareness and strengthen its position among VoIP's North American-based key players and financial markets. It's planned to be finalized in the fourth quarter.

"The lead article in *Wall Street Journal* on October 9, 2003, analyzed the prospects for VoIP. The VoIP industry is particularly strong in the North American markets," added Gary Hermansen. "It appears that restructuring as a US-based firm is timely and will strengthen our commitment to VoIP and our relationships with the key players in the market, most of whom are based in the US."

About Global IP Sound

Global IP Sound develops embedded voice processing technologies for real-time communications on packet networks. GIPS SoundWare™ provides better than PSTN voice quality and fidelity in end-to-end IP communications with robustness against packet loss, even in degraded networks. Global IP Sound's world-renowned speech processing and IP telephony experts deliver these solutions to Nortel Networks, Pingtel, Hotsip, and other VoIP providers. GIPS SoundWare is eXpressDSP™ certified by Texas Instruments. Global IP Sound has offices in Stockholm, San Francisco and Boston. More information is available at www.globalipsound.com.

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Global IP Sound, AB
unaudited, in thousands SEK

Consolidated income statement	Three Months Ended		Nine Months Ended	
	Sep 30, 2003	Sep 30, 2002	Sep 30, 2003	Sep 30, 2002
Other income	1,542	582	5,073	643
Gross profit	1,542	582	5,073	643
Information about the business activities				
Selling expenses	1,815	2,376	6,401	10,919
Administrative expenses ¹	3,729	3,859	11,549	16,519
Research and development costs	2,734	4,154	11,430	13,449
Operating loss	-6,737	-9,807	-24,307	-40,244
Result from financial investments				
Other interest income and similar profit/loss items	-101	-432	-277	-1,058
Interest expenses and similar profit/loss items	43	35	102	1,054
Total result from financial investments	-58	-397	-174	-4
Result after financial items	-6,679	-9,410	-24,133	-40,240
State tax	0	-1	25	18
Net loss for the year	-6,679	-9,410	-24,158	-40,258
Earnings Per Share	-0.19	-0.35	-0.82	-1.58
Average Outstanding Shares	34,712,463	26,697,576	29,490,660	25,458,041

Consolidated balance sheet	Nine Months Ended	
	Sep 30, 2003	Sep 30, 2002
Assets		
Fixed assets		
Intangible fixed assets		
Patents	1,373	1,359
Tangible fixed assets		
Plant and machinery	337	976
Equipment, tools, fixtures and fittings	869	1,222
Software	15	56
Costs of improvements to property	1,122	1,695
Vehicles	0	0
	2,343	3,949
Financial fixed assets		
Deposits	1,992	2,344
Other long-term receivables	1,604	1,760
	3,595	4,105
Total fixed assets	7,311	9,413
Current assets		
Current receivables	3,141	484
Other current investments		
Other current receivables	175	344

¹ includes company facility, depreciation and trademark costs

Prepaid expenses and accrued income	1,119	1,009
	4,435	1,837
Cash and bank balance	14,984	23,633
	14,984	23,633
Total current assets	19,418	25,470
Total assets	26,730	34,883

	Nine Months Ended	
	Sep 30, 2003	Sep 30, 2002
Equity and liabilities		
Equity		
Restricted equity		
Share capital (26 879 758 shares at nom SEK 0,1each)	4,255	2,688
Restricted reserves	183,389	169,252
Total restricted equity	187,643	171,940
Non-restricted equity		
Net loss previous year	-142,733	-89,947
Net loss of the year	-24,158	-52,786
Total non-restricted equity	-166,891	-142,733
Total equity	20,752	29,207
Long-term liabilities		
Long-term note	46	46
Total long-term liabilities	46	46
Current liabilities		
Accounts payable - trade	855	1,777
Other current liabilities	190	233
Unearned revenue	962	419
Accrued expenses and deferred income	3,924	3,201
Total current liabilities	5,931	5,630
Total equity and liabilities	26,730	34,883
Pledged assets	None	None
Contingent liabilities	None	None

	Nine Months Ended	
	Sep 30, 2003	Sep 30, 2002
Consolidated cash flow statement		
Operating activities		
Result after financial items	-24,133	-40,240
Adjustments for items not included in cash flow etc.		
Depreciation	1,076	1,702
Tax	-25	-18
Cash flow from operating activities before changes in working capital	-23,082	-38,556
Changes in working capital		
Increase in receivables	-2,598	4,234
Increase in accounts payables	302	-2,219
Cash flow from operating activities	-2,296	2,016

Investing activities

Acquisitions of intangible assets	-14	-44
Acquisitions of machinery and equipment	531	527
Investment in financial assets	509	-1,557
Loans provided	0	0
Cash flow from investing activities	1,026	-1,074

Financing activities

Share premium upon issue of new shares	16,259	40,193
Cash flow from financing activities	16,259	40,193

Cash flow for the year

Liquid funds at the beginning of the year	-8,093	2,579
Exchange difference, liquid funds	23,633	32,932
	-556	-780
Liquid funds at the end of the year	14,984	34,731