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Global IP Sound Reports Second Quarter 2005 Results
(reported in thousands of SEK; **unaudited**)

STOCKHOLM – July 12 2005 - Global IP Sound AB, a leading provider of embedded voice processing technologies, today reported its financial results for the second quarter ending June 30, 2005.

Revenues for the second quarter of 2005 were SEK 12,536, a 129 percent increase from the second quarter of 2004, and an 11 percent increase over the prior quarter. Gross Profit for the period was SEK 9,713 versus SEK 8,956 in the first quarter 2005. Operating Expenses were SEK 8,762 for the quarter, which was an increase of 23 percent compared to the same quarter in the previous year and a 10 percent increase from the first quarter of 2005.

Net Income for the second quarter of 2005 was SEK 576, a 42 percent increase from the first quarter of 2005.

Cash and Short-term Investments at the end of the second quarter were SEK 29,987, as compared to the ending balance from March 31, 2005 of SEK 29,093. In June, the Company issued 3.5 million shares and raised approximately SEK 50 M to support the future sales and R&D expansion. The funds raised are not reflected in the second quarter cash balance because of timing of when those funds were transferred to the Company's accounts in early July 2005. The Unearned Revenue of SEK 65,270 increased SEK 27,445 or 138% over the first quarter of 2005. Cash Flow for the year decreased by SEK 7,448 due to the fact the Company moved its cash to higher yield short-term investment accounts (US Government backed, AAA rated securities with a 120 day maturity).

"The Company continues to show solid growth performance with 13 new OEM license agreements that include Avcon, V2Tech, Netease, BICOM, Finarea, Ecton, Talk Free, Pingtel, nanoCom, Santa Cruz Networks and three Tier 1 Internet Service Providers. As a result of these agreements, along with an increase in royalty shipments, we saw a significant increase in Revenue, Unearned Revenue and Net Income," Said Edward Abbati, Chief Financial Officer of Global IP Sound.

"Q2 was an important quarter for us. We raised a significant amount of money to support the company's plan to capture the expanding VoIP market opportunities in both technology and market positions. At the same time, we continued to show solid quarter-over-quarter growth. Most importantly, we signed license deals with three of the world's largest ISPs, putting us one step closer to becoming the de facto industry standard for high quality Voice-over IP calls." Said Gary Hermansen, Chief Executive Officer of Global IP Sound.

Business highlights for the 2nd quarter include:

- Increased revenue by 129 percent, to SEK 12,536, over same period last year
- Raised \$6.38 million in funding to support geographic, sales and technical expansion
- Signed 13 new license agreements with major customers including Avcon, V2Tech, Netease, BICOM, Finarea, Ecton, Talk Free, Pingtel, nanoCom, Santa Cruz Networks.
- Signed license agreements with three Tier 1 Internet firms
- Expanded customer list to 70+ active accounts

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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

Consolidated income statement	3 Months Ended		6 Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
License	10,591	4,316	19,810	6,744
Services	1,945	1,159	3,996	2,705
Revenue	12,536	5,475	23,806	9,449
Cost of goods				
Product	1,028	668	1,810	730
Services	1,795	0	3,327	0
Total Cost of goods	2,824	668	5,137	730
Gross Profit	9,713	4,807	18,669	8,719
Information about the business activities				
Selling expenses	4,040	1,829	7,868	3,346
Administrative expenses	2,740	2,394	5,355	4,874
Research and development expenses	1,982	2,898	3,514	5,223
Operating expenses	8,762	7,121	16,737	13,443
Earnings Before Interest, Tax, Depr & Amort	951	-2,314	1,932	-4,724
Depreciation & Amortization	239	351	533	702
Earnings Before Interest, Tax	712	-2,665	1,398	-5,426
Result from financial investments				
Other interest income and similar profit/loss items	-246	-80	-333	-125
Interest expenses and similar profit/loss items	51	42	89	64
Total result from financial investments	-195	-38	-244	-61
Result after financial items	907	-2,627	1,643	-5,365
Tax	331	7	661	18
Net profit (loss) for the period	576	-2,633	982	-5,383
Earnings Per Share (Basic)	0.01	-0.06	0.02	-0.12
Average Outstanding Shares	49,545,168	46,045,168	49,545,168	44,295,168

Consolidated balance sheet

June 30, 2005	June 30, 2004
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Assets

Fixed assets

Intangible fixed assets

Patents	1,692	43,338
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Tangible fixed assets

Plant and machinery		
Equipment, tools, fixtures and fittings	338	699
Software	613	0
Costs of improvements to property	133	549
Vehicles	0	0
Total tangible fixed assets	1,084	1,248
Financial fixed assets		
Deposits	999	1,063
Deferred tax	12,933	0
Other long-term receivables	401	1,592
Total financial fixed assets	14,333	2,655
Total fixed assets	17,109	47,241
Current assets		
Current receivables	11,007	7,687
Short-term investments	11,792	-
Other current investments	61,508	8,671
Other current receivables	350	561
Prepaid expenses and accrued income	659	674
Sub-total	85,316	17,593
Cash and Cash Equivalents	18,195	25,417
Total current assets	103,511	43,010
Total assets	120,620	90,251

Equity and liabilities	June 30, 2005	June 30, 2004
Equity		
Restricted equity		
Share capital	4,955	4,955
Restricted reserves	234,569	205,487
Total restricted equity	239,523	210,442
Non-restricted equity		
Net loss previous year	-191,946	-131,821
Net loss of the year	981	-5,382
Total non-restricted equity	-190,964	-137,203
Total equity	48,559	73,239
Long-term liabilities		
Long-term note	321	111
Total long-term liabilities	321	111

Current liabilities

Accounts payable - trade	1,184	1,587
Other current liabilities	3,017	1,987
Unearned revenue	65,270	11,045
Accrued expenses and deferred income	2,269	2,282
Total current liabilities	71,740	16,901

Total equity and liabilities

120,620	90,251
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Consolidated cash flow statement**Operating activities**

Result after financial items	1,643	-5,364
Adjustments for items not included in cash flow etc.	0	0
Depreciation and Amortization	1,134	862
Tax	-661	-18

Cash flow from operating activities before changes in working capital

2,116	-4,520
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Changes in working capital

Increase in current assets	-56,595	-8,711
Increase in current liabilities	46,964	4,516

Cash flow from operating activities

-9,631	-4,195
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Investing activities

Acquisitions of intangible assets	-304	0
Acquisitions of machinery and equipment	-1,303	-251
Investment in financial assets	504	861
Loans provided	-63	-91

Cash flow from investing activities

-1,166	519
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Financing activities

Share premium upon issue of new shares ⁽¹⁾	1,232	22,247
Borrowings	0	0
Deferred compensation	0	0

Cash flow from financing activities

1,232	22,247
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Cash flow for the year

-7,448	14,051
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Liquid funds at the beginning of the period

21,792 11,283

Exchange difference, liquid funds

3,852 83

Liquid funds at the end of the period

18,196 25,417

Footnote:

(1) 2005 figure of 1,232 reflects the Nortel warrant charge against Additional Paid-In-Capital