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Global IP Sound Reports Second Quarter Results

STOCKHOLM - July 15, 2003 - Global IP Sound AB, a leading provider of embedded VoIP technologies, today reported its second quarter results for the period ended June 30, 2003.

Revenues for the second quarter of 2003 were SEK 2,579K, a 171 percent increase from the first quarter of 2003 and a significant percentage increase over the same quarter in the previous year. Operating expenses were SEK 10,054K for the quarter – a 29 percent decrease over the same quarter in the previous year and nine percent decrease from the first quarter of 2003. Net loss for the second quarter of 2003 improved to SEK 7,475K, compared to a loss of SEK 14,089K for the same period in the previous year. The company improved its net loss position via the combination of increased revenue and reduced operating expenses, which included a headcount reduction in the quarter.

For the year to date, from January 1 – June 30, 2003, revenue is SEK 3,530K, with a net loss of SEK 17,479K. Cash at the end of the second quarter was SEK 5,531K.

Highlights for the quarter include:

- Increased revenue by 171 percent to SEK 2,579K
- Signed five contracts, including a tier-one semiconductor supplier
- Increased pipeline to 68 active accounts
- Initiated expense reduction program
- Closed a share rights issue raising 17.23 million NOK (gross proceeds)

“In the second quarter, Global IP Sound continued to grow its revenues while lowering its overall expense base. We are also seeing more license revenue from existing customers. Entering the third quarter, we are well-positioned to meet the 2003 plan,” said Edward Abbati, chief financial officer of Global IP Sound.

“The company continues to meet the goals of its go-to-market strategy. Our sales pipeline is growing, with the number of potential customers and deployments of GIPS technology expanding across a breadth of applications,” added Gary Hermansen, president and chief executive officer of

Global IP Sound. “We’re seeing interest from a variety of customers in a cross-section of our technology.”

The company has seen a significant increase in the level of interest in Global IP Sound products and technologies since the implementation of the go-to-market strategy one year ago. GIPS NetEQ continues to be the flagship product, with growing interest in other GIPS SoundWare solutions such as GIPS iLBC and GIPS Echo Cancellation. The sales pipeline is filling with customers at all phases – from product evaluation to implementation and deployment. Global IP Sound’s 68 active accounts include new relationships as well as return customers that have started new projects with the company. Most recently during the quarter, Global IP Sound signed five new agreements, one with an existing customer and four with new customers: Inter-Tel, Skype, VidSoft, and a tier-one semiconductor provider.

Although the go-to-market strategy and the VoIP market remain focused on silicon and gateways, Global IP Sound has also experienced significant movement in the application space, particularly the wireless and enterprise collaboration markets. Several strategic providers and developers are in the process of evaluating and implementing GIPS SoundWare solutions into new and innovative voice-over-packet products, including WiFi-enabled VoIP handset and softphone implementations and collaboration environments. Another area in which Global IP Sound is experiencing increased interest is within the cable industry, where providers have started to examine possibilities to deploy voice over cable as part of a “Triple Play” solution offering simultaneous voice, video, and data over a single cable directly to their customers.

During the second quarter, the company also completed a rights issue securing 17.23 million NOK in new financing (gross proceeds) to expand its sales and marketing efforts. The funding helps Global IP Sound continue to improve its operating plan and its ability to expand market adoption for future growth.

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, Boston and Austin. More information is available at www.globalipsound.com.

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Global IP Sound, AB

unaudited, in thousands SEK

Consolidated income statement	3 Months Ended		6 Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Other income	2,579	51	3,530	61
Gross profit	2,579	51	3,530	61
Information about the business activities				
Selling expenses	2,187	5,027	4,585	8,543
Administrative expenses	3,683	4,286	7,820	12,661
Research and development costs	4,184	4,827	8,695	9,295
Operating loss	-7,475	-14,089	-17,570	-30,437
Result from financial investments				
Other interest income and similar profit/loss items	-34	-446	-175	-626
Interest expenses and similar profit/loss items	17	220	59	1,019
Total result from financial investments	-17	-226	-117	393
Result after financial items	-7,458	-13,863	-17,454	-30,830
State tax	-2	0	25	19
Net loss for the year	-7,456	-13,862	-17,479	-30,849
Earnings Per Share	-0.28	-0.54	-0.65	-1.24
Average Outstanding Shares	26,879,758	25,706,257	26,879,758	24,838,274

Consolidated balance sheet	June 30, 2003	December 31, 2002
Assets		
Fixed assets		
Intangible fixed assets		
Patents	1,373	1,359
Tangible fixed assets		
Plant and machinery	575	976
Equipment, tools, fixtures and fittings	984	1,222
Software	26	56
Costs of improvements to property	1,310	1,695
Vehicles	0	0
	2,895	3,949
Financial fixed assets		
Deposits	2,023	2,344
Other long-term receivables	1,643	1,760
	3,667	4,105

Total fixed assets	7,934	9,413
Current assets		
Current receivables	3,806	484
Other current investments		
Other current receivables	256	344
Prepaid expenses and accrued income	1,189	1,009
	5,251	1,837
Cash and bank balance	5,531	23,633
	5,531	23,633
Total current assets	10,781	25,470
Total assets	18,716	34,883

Equity and liabilities

June 30, 2003

December 31, 2002

Equity

Restricted equity		
Share capital (26 879 758 shares at nom SEK 0,1each)	2,688	2,688
Restricted reserves	168,623	169,252
Total restricted equity	171,311	171,940
Non-restricted equity		
Net loss previous year	-142,733	-89,947
Net loss of the year	-17,479	-52,786
Total non-restricted equity	-160,212	-142,733
Total equity	11,099	29,207
Long-term liabilities		
Long-term note	46	46
Total long-term liabilities	46	46
Current liabilities		
Accounts payable - trade	1,800	1,777
Other current liabilities	228	233
Unearned revenue	1,999	419
Accrued expenses and deferred income	3,544	3,201
Total current liabilities	7,570	5,630
Total equity and liabilities	18,716	34,883

	0	0
Pledged assets	None	None
Contingent liabilities	None	None

Consolidated cash flow statement	6 Months Ended	
	June 30, 2003	June 30, 2002
Operating activities		
Result after financial items	-17,454	-30,830
Adjustments for items not included in cash flow etc.		
Depreciation	686	1,051
Tax	-25	-19
Cash flow from operating activities before changes in working capital	-16,793	-29,798
Changes in working capital		
Increase in receivables	-3,413	5,868
Increase in accounts payables	1,941	-967
Cash flow from operating activities	-1,473	4,901
Investing activities		
Acquisitions of intangible assets	-14	-44
Acquisitions of machinery and equipment	369	618
Investment in financial assets	438	316
Loans provided	0	0
Cash flow from investing activities	793	889
Financing activities		
Share premium upon issue of new shares	0	31,671
Cash flow from financing activities	0	31,671
Cash flow for the year	-17,473	7,663
Liquid funds at the beginning of the year	23,633	32,932
Exchange difference, liquid funds	-629	2,379
Liquid funds at the end of the year	5,531	42,973