



DSP Group, Inc. Reports Second Quarter 2002 Earnings

July 17, 2002

SANTA CLARA, Calif., Jul 17, 2002 /PRNewswire-FirstCall via COMTEX/ --

Revenues for the Quarter Increased 45% Sequentially and 38% YoY

DSP Group, Inc. (Nasdaq: DSPG) today announced results for the second quarter of 2002, ending June 30, 2002.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20020715/SFM118LOGO>)

Moshe Zelnik, CFO of DSP Group, noted, "Given the contemplated combination of our DSP Core licensing business with Parthus Technologies plc., under U.S. GAAP, we have begun to report the statements of income of the product business of DSPG (the 'continued operations') as a stand alone company, with one line representing the net profit contribution of our DSP Core licensing business (the 'Discontinued Operations') and, two lines representing the net assets and net liabilities of the 'discontinued operations' in the balance sheets.

"Our statements of income for the second quarter 2002 include an unusual loss item (Impairment of available for sale marketable securities) in the amount of \$9,815,000, associated with the decline in value of our holdings of AudioCodes Ltd. shares (Nasdaq: AUDC). To facilitate the analysis of our financial statements, we have supplemented our GAAP financial statement by including a proforma P&L statements that excludes both this unusual loss item and the tax credit related to it, as well as the unusual item related to the 'aborted spin off expenses and others,' in the first quarter 2002.

"For the convenience of our stockholders, we also included a separate carve-out P&L statement for the Discontinued Operations -- Ceva Inc."

The Company previously reported that it has received a favorable ruling from the Internal Revenue Service, which satisfies the final precondition of the proposed combination of its DSP Cores Licensing business with Parthus Technologies plc. announced on April 5th, 2002.

The transaction remains subject to normal closing conditions, including approval by the High Court in Ireland and by the Parthus stockholders.

The Company also announced that it had two significant products launches during this quarter, the Xpert Teak, which is a first silicon platform of its kind offered in a licensing model, merging a DSP Core with a Host of subsystems. An article published in the EE Times on July 8, 2002 quoted Will Strauss, president of market research firm forward concepts (Tempe, Ariz.) saying, "This is the most complete DSP IP System on the street."

During the second quarter 2002, the Company began to ship its new 2.4 GHz Multi hand set chip sets which support up to 8 handsets on one base unit. The chip set also enables direct outdoor communication between handsets (2 way radio).

Eli Ayalon, Chairman & CEO of DSP Group, stated, "We are very proud of our financial results, they reflect the success of our R&D investment strategy in the last 4 years. Our R&D expense increased from \$8,400,000 in 1997 to \$26,100,000 in 2001. This effort resulted in a series of new products that drive our growth despite a very tough business environment. Our traditional policy of tight control of headcount and company expenses, enabled us to achieve a high degree of profitability during the second quarter, despite market conditions."

Ayalon also stated, "The separate reports of our two business lines unveil a sizeable and profitable fabless semiconductor company that has achieved a gross margin of 40% and operating profit of 13%, demonstrating significant and continuous growth.

"Our DSP Core Licensing business, despite the top line pressure due to the crisis in the communications technology sector, has shown continued profitability, with a gross margin of 93% and operating profit of 27.5% for the second quarter 2002. We believe that the combination of this business with Parthus will create a company that will play a major role in the Silicon IP market and will demonstrate both growth and profitability."

About DSP Group, Inc.

DSP Group, Inc. is a global leader in the development and marketing of high-performance, cost-effective, licensable digital signal processing cores. The Company's family of DSP cores provides solutions for low-power, cost-driven applications, such as cellular, broadband communication, VoIP, multimedia, advanced telecommunication systems, disk drive controllers and many other types of embedded control applications. By combining its DSP core technologies with its proprietary, advanced speech-processing algorithms -- DSP Group also delivers a wide range of enabling, application specific ICs for full-featured integrated telephony products and applications, including 900 MHz and 2.4 GHz wireless technologies. DSP Group, Inc., maintains an international presence with offices located around the globe.

This press release contains statements that qualify as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995, including statements concerning the role of the combination of our DSP Cores licensing business and Parthus in the Silicon IP market and its potential for growth and profitability. These forward-looking statements are based on current expectations and the Company assumes no obligation to update this information. In addition, the events anticipated in these forward-looking statements, including the proposed combination with Parthus, may not actually arise. The Company's actual results could differ materially from those described in this press release if for any reason the spin-off of our DSP Cores licensing business does not occur. Other factors which may affect future operating results or our stock price are discussed under "RISK FACTORS" in our reports on form 10-K for the year ended December 31, 2001 and form 10-Q for the quarter ended March 31, 2002, both of which have been filed with the Securities and Exchange Commission and are available on our Web site (<http://www.dspg.com>) under Investor Relations.

Earnings conference call

DSP Group has scheduled a conference call for 8:30 a.m. EDT today to discuss second quarter results and invites you to listen to a the live broadcast over the Internet. The broadcast can be accessed by all interested parties through the Investor Relations section (investor message board) of DSP Group's website at www.dspg.com or through PRNewswire's web site at <http://www.videonewswire.com/event.asp?id=6006>.

For more information, please contact Yaniv Arieli, Director of Investor Relations, DSP Group at 408-986-4423.

DSP GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME - US GAAP
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Product revenues and other	\$31,899	\$19,338	\$53,025	\$37,544
Cost of product revenues and other	19,154	11,416	31,766	21,157
Gross profit	12,745	7,922	21,259	16,387
Operating expenses:				
Research and development	4,975	4,921	9,879	9,986
Sales and marketing	2,541	2,325	4,477	4,432
General and administrative	985	1,220	1,915	2,236
Aborted spin off expenses and other	--	--	865	--
Total operating expenses	8,501	8,466	17,136	16,654
Operating income (loss)	4,244	(544)	4,123	(267)
Other income (expense):				
Interest and other income, net	2,541	3,344	5,150	6,621
Equity in gain of unconsolidated subsidiaries	--	--	--	105
Minority interest in loss of subsidiary	--	--	---	173
Income after financial and other	6,785	2,800	9,273	6,632
Impairment of available-for-sale marketable securities	(*) (9,815)	--	(*) (9,815)	--
Income (loss) before provision for income taxes	(3,030)	2,800	(542)	6,632
Provision (benefit) for (from) income taxes	(**) (2,112)	1,115	(**) (1,799)	1,720
Net income (loss) from continued operations	(918)	1,685	1,257	4,912
Net income from discontinued operations (***)	995	3,672	1,510	6,107
Net income	\$77	\$5,357	\$2,767	\$11,019
Net earnings per share:				
Basic	\$0.00	\$0.20	\$0.10	\$0.42

Diluted	\$0.00	\$0.20	\$0.10	\$0.40
Shares used in per share computations:				
Basic	27,035	26,574	26,993	26,495
Diluted	27,896	27,445	27,946	27,427

(*) Related to AudioCodes Ltd. Stock amortization

(**) Including tax credit related to AudioCodes Ltd.

(***) Related to the DSP Licensing activities which are planned to be discontinued following the merger with Parthus

DSP GROUP, INC.
CONSOLIDATED PRO FORMA STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Product revenues and other	\$31,899	\$19,338	\$53,025	\$37,544
Cost of product revenues and other	19,154	11,416	31,766	21,157
Gross profit	12,745	7,922	21,259	16,387
Operating expenses:				
Research and development	4,975	4,921	9,879	9,986
Sales and marketing	2,541	2,325	4,477	4,432
General and administrative	985	1,220	1,915	2,236
Total operating expenses	8,501	8,466	16,271	16,654
Operating income (loss)	4,244	(544)	4,988	(267)
Other income (expense):				
Interest and other income, net	2,541	3,344	5,150	6,621
Equity in gain of unconsolidated subsidiaries	--	--	--	105
Minority interest in loss of subsidiary	--	--	--	173
Income after financial and other	6,785	2,800	10,138	6,632
Provision for income taxes	1,355	1,115	1,958	1,720
Net income (loss) from continued operations	5,430	1,685	8,180	4,912
Net income from discontinued operations	995	3,672	1,510	6,107
Net income	\$6,425	\$5,357	\$9,690	\$11,019
Net earnings per share:				

Basic	\$0.24	\$0.20	\$0.36	\$0.42
Diluted	\$0.23	\$0.20	\$0.35	\$0.40
Shares used in per share computations:				
Basic	27,035	26,574	26,993	26,495
Diluted	27,896	27,445	27,946	27,427

The above pro forma consolidated statements of income have been adjusted to exclude the following items to US GAAP reported net income:

Reported net income per US GAAP	\$77	\$5,357	\$2,767	\$11,019
Adjustments:				
Aborted spin off expenses and other	--	--	865	--
Impairment of available-for-sale marketable securities (AudioCodes Ltd.)	9,815	--	9,815	--
Tax benefit	(3,467)	--	(3,757)	--
Pro forma net income	\$6,425	\$5,357	\$9,690	\$11,019

DSP GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2002	December 31, 2001
Assets		
Current Assets:		
Cash and cash equivalents	\$30,969	\$39,146
Cash designated to combination	40,000	
Marketable securities and short term bank deposits	56,133	70,893
Trade receivable, net	13,550	6,315
Inventories	9,747	2,048
Deferred income taxes	2,098	2,098
Other accounts receivable and prepaid Expenses	964	1,547
Assets of discontinued operation	14,544	12,197
Total current assets	168,005	134,244
Property and equipment, net	5,027	5,390
Long term marketable securities	126,795	139,752
Other investments	11,557	25,536
Other assets, net	6,263	6,229
Severance pay fund	1,252	1,228
Total Assets	\$318,899	\$312,379
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade payable	\$13,603	\$5,123
Other current liabilities	15,114	11,592
Liabilities of discontinued operation	5,806	7,852
Total current liabilities	34,523	24,567
Long term liabilities:		
Accrued severance pay	1,287	1,294
Deferred income taxes	2,205	7,541
Total long term liabilities	3,492	8,835
Stockholders' equity:		
Common stock	27	27

Additional paid-in capital	155,969	155,969
Less cost of treasury stock	(4,209)	(8,623)
Accumulated other comprehensive income (loss)	(200)	2,652
Retained earnings	129,297	128,952
Total stockholders' equity	280,884	278,977
Total liabilities and stockholders' equity	\$318,899	\$312,379

CEVA INC.
CONSOLIDATED STATEMENTS OF INCOME - US GAAP
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
License and royalties	\$3,782	\$5,856	\$6,995	\$10,666
Technical support, maintenance and other	804	1,164	1,687	2,322
Total revenues	4,586	7,020	8,682	12,988
Cost of revenues	305	341	616	607
Gross profit	4,281	6,679	8,066	12,381
Operating expenses:				
Research and development, net	1,566	1,481	3,216	2,688
Sales and marketing	790	702	1,493	1,330
General and administrative	662	674	1,355	1,354
Total operating expenses	3,018	2,857	6,064	5,372
Operating income	1,263	3,822	2,002	7,009
Financial income, net	32	115	50	221
Income before provision for income taxes	1,295	3,937	2,052	7,230
Provision for income taxes	300	265	542	1,123
Net income	\$995	\$3,672	\$1,510	\$6,107

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