



DSP Group, Inc. Reports Third Quarter 2002 Earnings ---- Achieves All Time Revenue Record 62% Increase YoY

October 22, 2002

SANTA CLARA, Calif., Oct 22, 2002 /PRNewswire-FirstCall via COMTEX/ -- DSP Group, Inc. (Nasdaq: DSPG) today announced results for the third quarter of 2002, ending September 30, 2002.

Record high revenues for our semiconductor business for the third quarter of 2002 were \$44,005,000, compared with revenues of \$27,143,000 for the third quarter of 2001, an increase of 62%. Net income for the third quarter of 2002 was \$8,772,000 and EPS was \$0.32 (diluted), compared with net income of \$6,854,000 and EPS \$0.25 (diluted) for the third quarter of 2001.

The discontinued operations, the DSP Core Licensing business, had revenues of \$4,852,000 and net income of \$981,000 for the third quarter of 2002.

Boaz Edan, COO of DSP Group said: "The successful launch of our 2.4 GHz line of products in the first half of 2002 is reflected in our substantial growth in revenues in the third quarter of 2002 compared with the third quarter of 2001. The 2.4 GHz line of products is driving our sales growth and significantly increasing our market share".

Eli Ayalon, Chairman & CEO of DSP Group stated: "In what may possibly be the most challenging downturn ever faced by the technology sector in general and semiconductor industry in particular, remarkably we have reached all time records in Revenues, Operating profit and Net Profit (excluding one time capital gains). The cash position of the company increased this quarter by \$13,152,000.

Mr. Ayalon went on saying: "These results show that following the spin off of our DSP Core Licensing business, we will be left with a strong fabless semiconductor company, having an exceptional level of annual revenues per employee, expected to exceed \$800,000 in 2002. Our employees and managers continue to show leadership in these tough times by achieving these excellent results."

In connection with the closing of the deal with Parthus Technologies plc, Moshe Zelnik, CFO of DSP Group stated: "The High Court of Ireland approved the scheme of arrangement that allows the combination of Parthus and Ceva into one Company. We are currently, together with Parthus, completing the process of registering the combination under the U.S. and U.K. Securities Laws, and expect that the transaction will close and trading of the common stock of ParthusCeva on NASDAQ and the London Stock Exchange will commence immediately following completion of the registration process.

About DSP Group, Inc.

DSP Group, Inc. is a semiconductor fabless company that is a leader in the wireless residential market. By combining its DSP Core technology with advanced RF, communication technology and speech-processing algorithms, DSP Group is a worldwide leader in developing and providing Total Telephony Solutions(TM). These applications include digital 900MHz, 2.4GHz, DECT and Bluetooth for residential and automotive applications. DSP Group's advanced RF CMOS and communications technology provides the company with a clear path to a Phone-on-a-Chip(TM) solution. DSP Group also develops and markets embedded, integrated silicon/software solution for Voice-over-Digital-Subscriber Line (VoDSL), voice-over-Internet-Protocol (VoIP) applications, and other voice over packet applications for Integrated Access Device (IAD) and IP Phone.

This press release contains statements that qualify as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995, including statements concerning the success of our 2.4GHz line of products and the completion of the spin-off of our DSP Core Licensing Business. 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 effect 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 and six months ended June 30, 2002, both of which have been filed with the Securities and Exchange Commission and are available on our Web site (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 third quarter results and invites you to listen to a 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.firstcallevts.com/service/ajwz365625949gf12.html>.

For more information, please contact Yaniv Arieli, 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		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Product revenues and other	\$44,005	\$27,143	\$97,029	\$64,687
Cost of product				

revenues and other	26,433	17,300	58,199	38,458
Gross profit	17,572	9,843	38,830	26,229
Operating expenses:				
Research and development	5,245	5,273	15,124	15,259
Sales and marketing	3,501	2,411	7,978	6,844
General and administrative	1,608	1,391	3,524	3,627
Aborted spin off expenses and other	--	--	865	--
Total operating expenses	10,354	9,075	27,491	25,730
Operating income	7,218	768	11,339	499
Other income:				
Interest and other income, net	2,416	3,022	7,566	9,637
Equity in earnings of affiliates	--	--	--	105
Minority interest in loss of subsidiary	--	--	--	173
Income after financial and other income	9,634	3,790	18,905	10,414
Impairment of available-for-sale marketable securities	--	--	(*) (9,815)	--
Income before provision for income taxes	9,634	3,790	9,090	10,414
Provision for income taxes	1,843	96	(**) 44	1,825
Net income from continuing operations	7,791	3,694	9,046	8,589
Net income from discontinued operations (***)	981	3,160	2,492	9,284
Net income	\$8,772	\$6,854	\$11,538	\$17,873
Net earnings per share for continuing operations:				
Basic	\$0.29	\$0.14	\$0.34	\$0.32
Diluted	\$0.29	\$0.14	\$0.32	\$0.31
Net earnings per share for discontinued operations:				
Basic	\$0.03	\$0.12	\$0.09	\$0.35
Diluted	\$0.03	\$0.11	\$0.09	\$0.34
Net earnings per share (combined):				
Basic	\$0.32	\$0.26	\$0.43	\$0.67
Diluted	\$0.32	\$0.25	\$0.41	\$0.65
Weighted average number of shares of Common Stock used in computing of:				
Basic	27,104	26,732	27,030	26,576
Diluted	27,707	27,790	27,848	27,539

(*) Related to impairment of AudioCodes Ltd. Stock

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Product revenues and other	\$44,005	\$27,143	\$97,029	\$64,687
Cost of product revenues and other	26,433	17,300	58,199	38,459
Gross profit	17,572	9,843	38,830	26,228
Operating expenses:				
Research and development	5,245	5,273	15,124	15,259
Sales and marketing	3,501	2,411	7,978	6,844
General and administrative	1,608	1,391	3,524	3,627
Total operating expenses	10,354	9,075	26,626	25,730
Operating income	7,218	768	12,204	499
Other income :				
Interest and other income, net	2,416	3,022	7,566	9,637
Equity in earnings of affiliates	--	--	--	105
Minority interest in loss of subsidiary	--	--	--	173
Income after financial and other income	9,634	3,790	19,770	10,414
Provision for income taxes	1,843	96	3,800	1,825
Net income from continuing Operations	7,791	3,694	15,970	8,589
Net income from discontinued operations	981	3,160	2,491	9,284
Net income	\$8,772	\$6,854	\$18,461	\$17,873
Net earnings per share for continuing operations:				
Basic	\$0.29	\$0.14	\$0.59	\$0.32
Diluted	\$0.29	\$0.14	\$0.57	\$0.31
Net earnings per share for discontinued operations:				
Basic	\$0.03	\$0.12	\$0.09	\$0.35
Diluted	\$0.03	\$0.11	\$0.09	\$0.34
Net earnings per share (combined):				
Basic	\$0.32	\$0.26	\$0.68	\$0.67
Diluted	\$0.32	\$0.25	\$0.66	\$0.65
Weighted average number of shares of Common Stock used in computing of:				
Basic	27,104	26,732	27,030	26,576
Diluted	27,707	27,790	27,848	27,539

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				
Adjustments:	\$8,772	\$6,854	\$11,538	\$17,873
Aborted spin off expenses and other	--	--	865	--
Impairment of available-for-sale				

marketable securities (AudioCodes Ltd.)	--	--	9,815	--
Tax benefit	--	--	(3,757)	--
Pro forma net income	\$8,772	\$6,854	\$18,461	\$17,873

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

Assets	September 30, 2002	December 31, 2001
Current Assets:		
Cash and cash equivalents	\$21,361	\$39,146
Cash designated to combination	40,759	--
Marketable securities and short term bank deposits	46,903	70,893
Trade receivable, net	7,558	6,315
Inventories	9,347	2,048
Deferred income taxes	2,098	2,098
Other accounts receivable and prepaid Expenses	1,149	1,547
Assets of discontinued operation	15,322	12,197
Total current assets	144,497	134,244
Property and equipment, net	4,572	5,390
Long term marketable securities	158,026	139,752
Other investments	8,627	25,536
Other assets, net	6,114	6,229
Severance pay fund	1,302	1,228
Total Assets	\$323,138	\$312,379
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade payable	\$7,225	\$5,123
Other current liabilities	19,308	11,592
Liabilities of discontinued operation	5,454	7,852
Total current liabilities	31,987	24,567
Long term liabilities:		
Accrued severance pay	1,365	1,294
Deferred income taxes	1,200	7,541
Total long term liabilities	2,565	8,835
Stockholders' equity:		
Common stock	27	27
Additional paid-in capital	155,969	155,969
Less cost of treasury stock	(2,744)	(8,623)
Accumulated other comprehensive income (loss)	(2,057)	2,652
Retained earnings	137,391	128,952
Total stockholders' equity	288,586	278,977
Total liabilities and stockholders' equity	\$323,138	\$312,379

Make Your Opinion Count - Click Here
<http://tbutton.prnewswire.com/prn/11690X39284742>

SOURCE DSP Group, Inc.

CONTACT: Yaniv Arieli, Investor Relations of DSP Group, +1-408-986-4423
/Photo: <http://www.newscom.com/cgi-bin/prnh/20020715/SFM118LOGO>
AP Archive: <http://photoarchive.ap.org>
PRN Photo Desk, +1-888-776-6555 or +1-212-782-2840

URL: <http://www.dspg.com>
<http://www.prnewswire.com>

Copyright (C) 2002 PR Newswire. All rights reserved.