

CONTACT: Investor Relations  
Digital Video Systems, Inc.  
408-392-0268  
ir@dvsystems.com

## Digital Video Systems, Inc. Announces Second Quarter 2002 Earnings

SAN JOSE, Calif., Aug. 12 -- Digital Video Systems, Inc. (Nasdaq: [DVID - News](#)), a leading manufacturer of DVD loaders and other DVD-based products, today reported its operating results for the second quarter ended June 30, 2002.

Digital Video Systems, Inc. posted consolidated net revenues of \$42,559,000 for the second quarter ended June 30, 2002, compared to \$33,583,000 for the quarter ended June 30, 2001. Consolidated net income for the second quarter ended June 30, 2002 was \$715,000 or \$0.12 basic and diluted net income per share, compared to consolidated net income of \$584,000 or \$.11 basic and \$.10 diluted net income per share for the quarter ended June 30, 2001.

For the six months ended June 30, 2002, the Company posted consolidated net revenues of \$65,426,000 compared to \$50,015,000 for the six months ended June 30, 2001. The consolidated net loss for the six months ended June 30, 2002 was \$2,798,000 or \$0.48 basic and diluted net loss per share, compared to consolidated net income of \$395,000 or \$.08 basic and \$.07 diluted net income per share for the six months ended June 30, 2001.

During the quarter ended June 30, 2002, the Company has benefited from significant reduction in costs of procured components. Additionally, the China joint venture, Shanghai Fangyuan Digital Technology Ltd (SFDT), accounted for nearly 20% of revenue helping the Company to realize substantial savings in the labor content of its product. As a result, the gross margin in the quarter ended June 30, 2002 has increased to 14% compared to 15.2% in the comparable quarter last year and 0.6% during the first quarter of this year. The Company believes that it can continue to reduce cost in the second half of 2002.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001
Revenue	\$42,559,000	\$33,583,000	\$65,426,000	\$50,015,000
Net income (loss)	715,000	584,000	(2,798,000)	395,000
Basic net income (loss) per share	0.12	0.11	(0.48)	0.08
Diluted net income (loss) per share	0.12	0.10	(0.48)	0.07
Shares used in computing basic net income (loss) per share	5,910,000	5,051,000	5,889,000	5,266,000
Shares used in computing diluted net income (loss) per share	5,910,000	5,358,000	5,889,000	5,726,000

### About DVS

Digital Video Systems, Inc., established in 1992, specializes in the development and application of digital video technologies. The Company currently develops and markets DVD loaders for DVD video players in the consumer electronics market.

DVS is a publicly held company headquartered in San Jose, California, with subsidiaries and branch offices in South Korea and China.

Any statements made in this release that are not historical facts contain forward-looking information that involves risks and uncertainties. Important factors that may cause actual results to differ include, but are not limited to, the impact of competitive products and services, the company's ability to manage growth and acquisitions of technology or businesses, the effect of economic and business conditions, and other risks detailed from time to time in the company's filings with the Securities and Exchange Commission.