



**Digital Video Systems, Inc.**

## **Digital Video Systems Licenses its H.264 AVC Technology**

PALO ALTO, Calif., September 30, 2004 -- Digital Video Systems (Nasdaq: [DVID](#) - [News](#)) announced today that it has sold a non-exclusive license to its intellectual property related to H.264 AVC technology, also known as MPEG-4 part 10, to Enmedia, Inc. Under the license agreement, Digital Video Systems received 500,000 shares of Series A preferred stock of Enmedia, Inc.

H.264 AVC is a next-generation video compression standard that offers a 100% performance improvement over the popular MPEG-2 and MPEG-4 standards in use today, and is finding acceptance for a wide variety of applications. H.264 AVC is expected to be implemented in everything from mobile phones to high-definition television (HDTV) set-top boxes. H.264 AVC has been approved by the DVD Forum, an industry group that defines DVD Format specifications, for use in the next generation DVD technology that will support HDTV and other new features.

Since HDTV signals require nearly 10 times the amount of storage space used in current video signals, it is presently impossible to store a two-hour HDTV movie on today's DVD disc. Improved software compression solutions such as H.264 AVC allow encoding large amounts of ultra-high quality video on existing industry standard discs without the need to introduce advanced hardware technologies throughout the supply chain.

Tom Spanier, Digital Video Systems CEO, stated, "We are pleased to take an ownership position in Enmedia. Enmedia was founded by Dr. Edmund Sun, the founder of both Digital Video Systems, Inc. and C-Cube, a semiconductor company that pioneered video compression technology, which was eventually acquired by LSI. We are impressed by the development team of industry veterans which Dr. Sun has assembled. Enmedia has the expertise to commercialize this exciting technology offering us a profit opportunity that can be independently funded and managed.

### **About Enmedia**

Enmedia is a privately owned fabless semiconductor developer focusing on chip solutions for next-generation multi-media platforms.

### **About Digital Video Systems, Inc.**

Established in 1992, DVS is a publicly held company specializing in the development and application of digital video technologies enabling the convergence of data, digital audio, digital video and high-end graphics. DVS is headquartered in Palo Alto, California, with subsidiaries and manufacturing facilities in South Korea, China and India. Additional information may be obtained at [www.dvsystems.com](http://www.dvsystems.com).

*Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Any statements made in this release that are not historical facts contain forward-looking information that involves risks and uncertainties. These forward-looking statements include, but are not limited to, statements regarding DVS's, products and their features, development efforts, strategic relationships with other companies and the ability to profit on preferred stock of Enmedia. Important factors that may cause actual results to differ include, but are not limited to, sufficiency of working capital, the impact of*

*competitive products and services, the Company's ability to manage growth and acquisitions of technology or businesses, risks attendant to strategic agreements involving other companies, 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. Digital Video Systems, Inc. assumes no obligation to update these forward-looking statements, and does not intend to do so.*

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