



Digital Video Systems, Inc.

DVS Announces Preliminary Court Action

PALO ALTO, Calif., February 9, 2005 -- Digital Video Systems, Inc., or DVS, (Nasdaq: DVID), a global leader in DVD technologies, announced that on February 4, 2005, the Superior Court in Santa Clara County entered judgment on a jury verdict against the Company in a wage dispute involving its former Chief Executive Officer, Mali Kuo. The jury determined that Ms. Kuo had entered into a series of binding employment contracts with the Company during the period 1999 through 2001 and that she was entitled to receive \$2,690,000.

In entering its decision, the Court noted its intention to reserve final judgment pending a hearing, presently scheduled for February 22, 2005, at which the Company will present motions and arguments to overturn or reduce the verdict.

DVS had originally instituted a lawsuit against Ms. Kuo alleging that it did not owe her any compensation on these contracts because the contracts were a series of proposals not executed or authorized by the Company's Board of Directors, and therefore were unenforceable. The Company's lawsuit also alleged, and the jury confirmed in its verdict, that Ms. Kuo had breached her fiduciary duties during the term of the contracts.

DVS intends to file motions challenging the jury's verdict including their finding that Ms. Kuo performed her duties in accordance with her employment contracts. The Company believes this finding is inconsistent with the jury's verdict that Ms. Kuo had violated her fiduciary obligations as CEO. Additionally, the Company will argue that she is estopped from asserting her rights under the employment contracts, whose existence she had not previously disclosed in filings with the Securities and Exchange Commission..

DVS's Chief Executive Officer, Thomas Spanier, took note of the jury's decision and stated, "Obviously we are surprised and disappointed with the jury's verdict. Our attorneys believe that we have strong arguments to overturn the verdict or reduce the damages. However, we cannot anticipate a final outcome until the process has been completed and the judge enters a final judgment."

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 and China and a subsidiary in India. Additional information may be obtained at 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 the Company's opportunities for success in its motions to overturn the verdict or reduce damages. Important factors that may cause actual results to differ include, but are not limited to 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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