



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

*For Immediate Release*

### **Digital Video Systems, Inc., Settles Lawsuit Against Ernst & Young; Recognizes \$350,000 Income**

PALO ALTO, Calif., August 13, 2003. Digital Video Systems Inc., (DVS /Nasdaq: DVID) announced today that it entered into a settlement and mutual release of claims with Ernst & Young, the Company's auditors for the fiscal years 1992 to 1998. The Company agreed to dismiss the lawsuit that it filed against Ernst & Young in June of 2001. In settlement of its claims, the Company has received a combination of cash and the extinguishment of indebtedness that the Company expects to recognize as approximately \$350,000.

Company spokeswoman Larissa Licea commented: "We are glad that this matter has been put to rest and are pleased with the outcome reached in this settlement."

#### **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 branch offices in South Korea, China and, in the near future, India. The Company's strategy is to remain a leading solutions provider at the forefront of the DVD industry.

#### ***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 expected income from certain non-recurring items, the Company's activities in India, its strategy and its market position. Important factors that may cause actual results to differ include, but are not limited to, the timely availability of components, sufficiency of working capital, 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. Digital Video Systems, Inc. assumes no obligation to update these forward-looking statements, and does not intend to do so.

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For Further Information Please Contact: Digital Video Systems, Inc.  
430 Cambridge Ave., Suite 110, Palo Alto, CA 94306  
**Tel:** 650.322.8108 **Fax:** 650.322.8109  
<http://www.dvsystems.com>

DVS Contact: Larissa Licea  
Office: 650.322.8108 X106 / Cell: 408-712-4165  
E-Mail: [lr@dvsystems.com](mailto:lr@dvsystems.com)

Investor Relations Contact:  
Sean Collins, Partner  
CCG Investor Relations  
15300 Ventura Blvd, Suite 303  
Sherman Oaks, CA 91403  
(818) 789-0100, ext. 202.