DSP Group Stockholders Meeting 2015

April 2015

Dear Stockholders:

2014 was a banner year for DSP Group, as evidenced by a return to revenue growth in both the third and fourth quarters of 2014. Moreover, we fully met our key strategic and financial milestones and continued to focus on profitability, monetization of new product initiatives and enhancing our new revenue streams.

Concurrently with solidifying our leadership position in our core business in 2014, we continued to invest our profits and resources in growth engines: new product offerings in Office, Home/IoT and Mobile. All three initiatives are based on our fundamental core competency in voice processing and short range wireless communications.

The fruits of these investments are materializing as illustrated by new product performance highlights in 2014:

1. Office/VoIP segment – We posted solid revenue growth of 61% year over year to $14.3 million in sales, lifted by strong demand for our new VoIP SoCs. We also met a key milestone by securing our first Tier 1 design wins, which will fuel our continued growth in this segment.*
2. Home/IoT segment – We are offering a new IoT connectivity technology called ULE. We are excited by the positive market feedback, OEM traction and adoption of ULE. During 2014, we began mass shipments of ULE SoCs with a leading OEM customer. Moreover, a number of Tier 1 service providers have realized ULE's advantages and have selected our technology as the preferred IoT connectivity for home safety and monitoring.
3. Mobile segment – Our offerings consist of low power voice processing, always-on voice and a unique noise suppression technology. During 2014, our products entered the final design-in phases with a leading OEM customer. We expect to start generating revenues in 2015 from this segment.*

Our 2014 financial performance exceeded our budgeted plan in every financial metrics, we ended the year with revenues of $143 million and have achieved two straight quarters of revenue growth.

- **Gross Margin**: 30 bps improvements in non-GAAP gross margins to 40.1% vs. 39.8% in 2013; **
- **Operating Profit**: Non-GAAP operating profit of $6.5 million, 5% of revenues; **
- **Net Income**: Non-GAAP net income of $7.3 million, representing 5% of revenues;** and
- **Cash Flow from Operations**: Generation of $10.4 million in cash flows from operations in 2014.

Turning to our balance sheet, we ended 2014 with approximately $125 million in cash and cash equivalent. In 2014, reflecting our continued belief in the company's long term growth prospects, we repurchased 1.4 million shares of our common stock for approximately $12.5 million at an average price of $8.93 per share.

Our plans for 2015 are focused on successfully executing our business plan relating to new product offerings and resume full year revenue growth.* The continued growth in VoIP products, together with the anticipated broader adoption of DECT/ULE and roll-out of HD Clear, position us well for continued growth in 2015 and beyond.*

Finally, we would like to thank our customers, business partners, stockholders and our team for their continued, outstanding support, cooperation and loyalty during 2014.

We believe that with your support, our focus, the loyalty of our customers and the dedication of our staff, we are well positioned to meet market challenges in 2015 and reap the benefits of our investments and resume sustainable revenue growth.

Patrick Tanguy
Chairman of the Board

Ofer Elyakim
Chief Executive Officer

***Forward-Looking Information**

This letter contains forward-looking statements (which are denoted by an asterisk) that involve risks and uncertainties, as well as assumptions that if they materialize or prove incorrect, could cause DSP Group's results to differ materially from those expressed or implied by such forward-looking statements. Please review the "Risk Factors" section of DSP Group's 2014 Form 10-K that accompanies this letter for a description of the risks, uncertainties and assumptions associated with DSP Group's business and financial results. DSP Group assumes no obligation to update any forward-looking statements or information.

Non-GAAP Financial Information

This letter contains references to non-GAAP financial measures (which are denoted by a double asterisk). See DSP Group's current report on Form 8-K and attached Exhibit 99.1, filed with the Securities and Exchange Commission on January 29, 2015, for a reconciliation of the company's GAAP and non-GAAP gross margin, operating income and net income results for the twelve-month periods ended December 31, 2013 and 2014.

Corporate Directory

Management

Ofer Elyakim
Chief Executive Officer

Dror Levy
Corporate Vice President of Finance and Chief Financial Officer

David Dahan
Corporate Vice President and Chief Operating Officer

Lior Blanka
Corporate Vice President and Chief Technology Officer

Alex Sin
Corporate Vice President of Sales

Ran Klier
Corporate Vice President of Sales, Marketing and BizDev Europe and Americas

Tali Chen
Corporate Vice President, Corporate Development

Doron Koren
Corporate Vice President and Platform Division Manager

Dima Friedman
Corporate Vice President of Operations

Dotan Sokolov
Corporate Vice President and IC Division Manager

Jan Abelev
Corporate Vice President of Product Marketing

Directors

Patrick Tanguy
Chairman of the Board
Managing Director, Head of Operational Support, Wendel

Ofer Elyakim
Chief Executive Officer

Tom Lacey
Chief Executive Officer and Board Member, Tessera

Dr. Reuven Regev
Chairman & Chief Executive Officer, Topscan Ltd.

Norman J. Rice III
Managing Partner, New Castle Capital Group

Gabi Seligsohn
CEO, Kornit Digital Ltd.

Yair Seroussi
Chairman of the Board of Directors, Bank Hapoalim B.M

Norm P. Taffe
VP, GM Power Plant Products and Solutions, SunPower Corporation

Kenneth H. Traub
President, Ethos Management LLC

Independent Auditors
Kost, Forer Gabbay & Kassierer
A member of Ernst & Young Global, Tel Aviv, Israel

General Legal Counsel
Morrison & Foerster LLP, San-Francisco, California

Registrar and Transfer Agent
American Stock Transfer and Trust Company
New York, NY

Annual Meeting
The annual meeting of stockholders will be held on
June 8th', 2015 at 8:30am local time
New York Marriott East Side
525 Lexington Avenue
New York, NY 10017 |
Tel: +1 212.715 4000
Fax: +1 212.980 6175
www.nymarriotteastside.com

About DSP Group
DSP Group®, Inc. (NASDAQ: DSPG) is a leading global provider of wireless chipset solutions for converged communications. Delivering semiconductor system solutions with software and hardware reference designs, DSP Group enables OEMs/ODMs, consumer electronics (CE) manufacturers and service providers to cost-effectively develop new revenue-generating products with fast time to market.

At the forefront of semiconductor innovation and operational excellence for over two decades, DSP Group provides a broad portfolio of wireless chipsets integrating DECT/CAT-iq, ULE, Wi-Fi, PSTN, HDClear™, video and VoIP technologies.

DSP Group enables converged voice, audio, video and data connectivity across diverse mobile, consumer and enterprise products – from mobile devices, connected multimedia screens, and home automation & security to cordless phones, VoIP systems, and home gateways. Leveraging industry-leading experience and expertise, DSP Group partners with CE manufacturers and service providers to shape the future of converged communications at home, office and on the go.

For more information, visit www.dspg.com.

DSP GROUP®

DSP Group, Inc.
161 S San Antonio Rd, Suite 10, Los Altos, CA 94022, USA
Tel: +1(408) 986-4300
Fax: +1(408) 986-4323
www.dspg.com

For more information on our products and services, visit our website at: www.dspg.com or contact us at: ir@dspg.com