



DSP Group Stockholders Meeting 2014

April 2014

Dear Stockholders:

2013 was a successful year for DSP Group, a year in which we saw our research and development investments in new initiatives turn into tangible product offerings, thereby allowing us to plant the constructive seeds for an inflection in our business. 2013 also was a year in which our disciplined operational execution drove solid financial performance with a strong focus on the bottom line and on cash generation, in addition to continuing our investments in new growth engines.

In 2013, we built an important and essential foundation for DSP Group's future growth. Three new product offerings were launched during the year covering three market segments:

- **Home Automation:** The DHX91 – our first ULE SoC targeting the home automation and Internet of Things (IoT) markets;
- **Enterprise Telephony:** The DVF99 – a powerful VoIP processor that enables us to address tier 1 customers in the enterprise telephony market; and
- **Mobile Telephony:** The DBMD2 – a high-performance, low-power voice enhancement chipset powered by HDClear, our noise cancellation technology targeting the mobile and wearable products.

The hard work and accomplishments of our employees are paving the road for achieving 2014's key milestones, including securing strategic design wins and generating revenues in each of the above three promising market segments.

Our 2013 financial performance exceeded our budgeted plan in almost every financial metric. We ended the year with revenues of \$151.1 million and despite our top line declining 7% year over year, we achieved a substantial improvement in our operating results.

- **Gross Margin:** 200 bps improvements in non-GAAP gross margins to 39.8% vs. 37.8% in 2012;
- **Operating Profit:** Return to non-GAAP operating profit of \$7.3 million, meaningfully above the non-GAAP operating loss of \$1.3 million in 2012;
- **Net Income:** Non-GAAP net income of \$9.5 million, meaningfully above non-GAAP net income of \$0.8 million in 2012; and
- **Cash Flow from Operations:** Generation of \$13.3 million in cash flows from operations in 2013.

Turning to our balance sheet, we ended the year with approximately \$128 million in cash and cash equivalent, representing an increase of approximately \$8 million in net cash balance. Moreover, we initiated a \$20 million share repurchase program in November 2013 and by year end bought back approximately 390,000 shares of our common stock at an average price of \$8.97 per share, for a total consideration of \$3.5 million.

Our plans for 2014 are focused on successfully executing our business plan of transitioning DSP Group from existing telephony products to new product lines and market domains, and the generation of new revenue streams that will create value for our stockholders. We believe we will show meaningful progress and strategic design wins, as well as resultant revenues from these new market verticals, in 2014 and onwards.

Finally, we would like to thank our employees, stockholders, business partners and customers for their continued, outstanding support, cooperation and loyalty during 2013.

We believe that with your support, our focus, the loyalty of our customers and the dedication of our employees, we are well positioned to meet market challenges in 2014 and reap the benefits of our investments in R&D that will enable us to resume revenue growth and reach that inflection point.



Patrick Tanguy
Chairman of the Board



Ofer Elyakim
Chief Executive Officer

** See DSP Group's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2014 for a reconciliation of these non-GAAP figures to GAAP figures.

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

Dr. Arie Heiman
Corporate Vice President and HDMobile Division Manager

Tali Chen
Corporate Vice President, Corporate Development

Doron Koren
Corporate Vice President and Platform Division Manager

Dima Friedman
Corporate Vice President of Operations

Yuval Bechori
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, Inc.

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 PLL, 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 9th, 2014 at 8:30am local time
Intercontinental New York Barclay
111 East 48th Street,
New York, NY 10017
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Fax: +1 212 980 3464
<http://Intercontinentalnybarclay.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

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.



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