



Investor Contacts: Gerald Tucciarone
Chief Financial Officer
631/434-1600 extension 306

HAUPPAUGE DIGITAL REPORTS FISCAL 2001 FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS

Reports earnings of \$0.04 on sales of \$42.8 million

HAUPPAUGE, NY – December 27, 2002 - Hauppauge Digital, Inc. (NASDAQ: HAUP), a leading developer and manufacturer of digital video TV and data broadcast receiver products for personal computers, today reported financial results for the fiscal fourth quarter and fiscal year ended September 30, 2002.

FOURTH QUARTER RESULTS

Net sales for the quarter were \$9.9 million, compared to \$9.1 million for the prior year's fourth quarter, an increase of 8%. The sales growth was attributable to Domestic and European sales, as both regions experienced sales growth over last year's fourth quarter.

Gross profit margins were 27.6% for the fourth quarter, compared with gross profit margins of 19.8% (excluding a \$1.8 million reserve for obsolete and slow moving inventory) for the prior years fourth fiscal quarter. Gross margin increase over the previous year was due to favorable product mix, lower material costs and reduced labor costs. Including the reserve for obsolete and slow moving inventory of \$1,862,766, gross margins for the fourth quarter of fiscal 2001 were (0.6%). A similar provision for the fourth quarter of fiscal 2002 was not required. Selling, General and Administrative expenses decreased by \$14,558, the result of lower spending for general corporate and administrative expenses. Spending for research and development increased 12%, reflecting the Company's commitment to product development and enhancement. Fourth quarter 2001 results also included \$701,919 in costs associated with the write off of goodwill.

Net loss for the quarter was \$179,540, or \$0.02 on a basic and diluted basis, compared to loss of \$3,741,219, or \$0.26 on a basic and diluted basis, for the prior year's fourth quarter.

Fourth quarter 2001 results included \$1,000,000 in insurance proceeds pursuant to a key man life insurance policy.

FISCAL YEAR RESULTS

Net sales for the fiscal year ended September 30, 2002 were \$42.8 million compared to \$50.9 million for the same period in fiscal 2001, a decrease of 16%.

Gross margins for the fiscal year were 26.0%, compared to 21% (excluding a \$1.8 million reserve for obsolete and slow moving inventory) for fiscal 2001. The gross margin increase was due to favorable product mix, lower material costs and reduced labor costs. Including an increase to our reserve for obsolete and slow moving inventory of \$1,862,766, gross profit margins for the previous fiscal year was 17.4%. A similar provision for fiscal 2002 was not required. Selling, General and Administrative expenses decreased by \$1,213,429, the result of a cost reduction program initiated during fiscal 2001. Spending for research and development increased 5% over last year, reflecting the Company's commitment to product development and enhancement. Fiscal 2001 results also included \$701,919 in costs associated with the write off of goodwill and \$212,500 in costs associated with a litigation settlement.

Net income for the fiscal year ended September 30, 2002 was \$347,522, or \$0.04 per share on a basic and diluted basis, compared to a loss of \$2,281,697, or \$0.26 per share on a basic and diluted basis, for the prior fiscal year. Fiscal 2001 results included \$2,000,000 in insurance proceeds pursuant to a key man life insurance policy.

SHARE REPURCHASE

Under its stock repurchase program, the Company continued to repurchase shares on the open market during the quarter. The Company has, as of September 30, 2002, repurchased approximately 514,000 shares pursuant to such program. The stock repurchase program, as amended, authorizes the Company to purchase up to an aggregate of 850,000 shares.

DISCUSSION OF RESULTS

Ken Plotkin, Hauppauge's Chief Executive Officer, stated, "Our last two quarters of fiscal 2002 showed sales increases over the previous year, totaling approximately \$1,466,000 over the last six months of fiscal 2001. These are the first quarterly sales increases we have seen since fiscal 2000. This trend seems to have continued into our first fiscal quarter of 2003, as we are experiencing an up tick in sales for the quarter.

"Our Research and Development program continues to deliver new products to the market. In our fourth fiscal quarter, the Company secured orders from a major PC OEM for our Personal Video Recorder product, the WinTV-PVR-250, which was introduced in Q3 of 2002. We have been advised that this OEM plans to include the WinTV-PVR-250 in their Windows XP Media Center Edition models in 2003.

“Also during the last fiscal quarter of 2002, we began shipping our first Digital Entertainment Center (DEC) products in Europe. The DEC product line is a series of digital set top boxes designed to receive over the air or satellite digital TV in Europe. We are pleased by the initial sales of this product”.

SEC CERTIFICATIONS

Both Chief Executive Officer Ken Plotkin and Chief Financial Officer Gerald Tucciarone has furnished to the U.S. Securities and Exchange Commission (SEC) the certification required by Section 906 of the Sarbanes-Oxley Act of 2002. This certification accompanied the Company’s Annual Report on Form 10-K for the Fiscal Year Ended September 30, 2002. In addition, such Officers have provided the certifications required by Section 302 of such act.

ABOUT HAUPPAUGE DIGITAL

Hauppauge Digital, Inc. is a leading developer and manufacturer of digital TV and data broadcast receiver products for personal computers. Through its Hauppauge Computer Works, Inc. and Hauppauge Digital Europe subsidiaries, the Company designs and develops digital video boards for TV-in-a-window, digital video editing and video conferencing. The Company is headquartered in Hauppauge, New York, with administrative offices in New York, Singapore, Ireland and Luxembourg and sales offices in Germany, London, Paris, The Netherlands, Sweden, Italy, Spain, Singapore and California. The Company’s Internet web site can be found at <http://www.hauppauge.com>.

<p>Certain statements in this Release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those described in the Company's filings with the Securities and Exchange Commission, including, but not limited to, the Company's Annual Report on form 10-K for the fiscal year ended September 30, 2002.</p>

[Financial Table Follows]

**HAUPPAUGE DIGITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

Three Months ended

	September 30,	
	<u>2002</u>	<u>2001</u>
Net Sales	\$ 9,872,358	\$ 9,136,870
Cost of Sales	<u>7,148,127</u>	<u>9,190,212</u> (1)
Gross Margins	2,724,231	(53,342)
Selling, General and Administrative expenses	2,418,188	2,432,746
Research & Development expenses	463,285	415,260
Write off of goodwill	<u>-</u>	<u>701,919</u>
Loss from operations	(157,242)	(3,603,267)
Other income (expense):		
Interest income	6,696	15,326
Interest expense	-	(4,287)
Foreign currency	2,432	(460)
Non operational USD to Euro re-measurement	(15,923)	(5,734)
Life insurance proceeds	<u>-</u>	<u>1,000,000</u>
Total other income (expense)	<u>(6,795)</u>	<u>1,004,845</u>
Loss before income tax expense (benefit)	(164,037)	(2,598,422)
Income tax expense	<u>15,503</u>	<u>1,257,797</u>
Loss before cumulative effect of a change in accounting principle	(179,540)	(3,856,219)
Cumulative effect of a change in accounting principle	<u>-</u>	<u>115,000</u>
Net loss	<u>\$ (179,540)</u>	<u>\$(3,741,219)</u>
Per share results-basic and diluted:		
(Loss) before cumulative effect of a change in accounting principle	\$ (0.02)	\$ (0.43)
Cumulative effect of a change in accounting principle	<u>-</u>	<u>0.01</u>
Net (loss) per share-basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.42)</u>
Weighted average shares-basic	8,881,219	8,928,892
Weighted average shares-diluted	8,943,328	8,928,892

(1) Cost of sales include an inventory reserve of \$ 1,862,776 for the fiscal fourth quarter of 2001

-more-

**HAUPPAUGE DIGITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

	Years ended September 30,	
	<u>2002</u>	<u>2001</u>
Net Sales	\$ 42,796,726	\$ 50,910,463
Cost of Sales	<u>31,661,073</u>	<u>42,056,859</u> (1)
Gross Margins	11,135,653	8,853,604

Selling, General and Administrative expenses	9,069,045	10,282,474
Research & Development expenses	1,591,551	1,510,092
Litigation settlement	-	212,500
Write off of goodwill	-	701,919
Income (loss) from operations	<u>475,057</u>	<u>(3,853,381)</u>
Other income (expense):		
Interest income	34,781	42,137
Interest expense	-	(30,833)
Foreign currency	4,750	6,740
Non operational USD to Euro re-measurement	(98,066)	(15,863)
Life insurance proceeds	-	2,000,000
Total other income (expense)	<u>(58,535)</u>	<u>2,002,181</u>
Income (loss) before taxes on income	416,522	(1,851,200)
Income tax provision	<u>69,000</u>	<u>749,497</u>
Income (loss) before cumulative effect of a change in accounting principle	347,522	(2,600,697)
Cumulative effect of a change in accounting principle	-	319,000
Net income (loss)	<u>\$ 347,522</u>	<u>\$ (2,281,697)</u>
Per share results-basic and diluted:		
Income (loss) before cumulative effect of a change in accounting principle	\$ 0.04	\$ (0.29)
Cumulative effect of a change in accounting principle	-	0.03
Net income (loss) per share-basic and diluted	<u>\$ 0.04</u>	<u>\$ (0.26)</u>
Weighted average shares-basic	8,887,107	8,910,117
Weighted average shares-diluted	9,002,150	8,910,117

(1) Cost of sales include an inventory reserve of \$ 1,862,776 for the fiscal fourth quarter of 2001

#####