KVH Industries Reports Results for the Fourth Quarter; Company Reaffirms Goal of 30-40% Growth in 2002

February 21, 2002

MIDDLETOWN, R.I.--(BUSINESS WIRE)--Feb. 21, 2002--KVH Industries (Nasdaq: KVHI), a leading provider of high-bandwidth communications products, tactical navigation systems, and fiber optic products, today reported its results for the fourth quarter ended December 31, 2001. Revenue for the period was $8.8 million with a net loss of $1.2 million, or $0.11 per share. By comparison, KVH reported revenue of $8.8 million and a net profit of $76,531, or $0.01 per share for the fourth quarter ended December 31, 2000. Overall, the company's commercial products recorded a 25 percent increase in revenue for the fourth quarter over the same period last year. However, these positive gains were offset by a 40% or $1.4 million decline in defense sales. The decline in profitability of $1.2 million for the quarter reflected KVH's investment in its photonic fiber and mobile broadband initiatives.

For the fiscal year ended December 31, 2001, revenue increased 9 percent to $32.7 million from $29.9 million in 2000. KVH reported a net loss of $6.3 million, or $0.61 per share for the year, versus a loss of $941,120 or $0.12 per share in the prior year.

"KVH's balanced approach, with unique products supporting diverse markets, has allowed the company to maintain its growth in the face of slowing economic conditions in 2001," remarked Martin Kits van Heyningen, president and chief executive officer. "While the preliminary financial results we released in January anticipated quarterly revenues of approximately $9 million, a $191,000 defense order was not recognized as revenue due to a delay in export licensing. However, the export license has been received and revenue for that shipment will be recorded in the first quarter of 2002. At this time, we remain confident in our goals to achieve profitability in the second half of this year and annual revenue growth in the 30 to 40 percent range for the full year.

"A key element in our continued growth has been the outstanding performance of our fiber optic revenues, with sales up 164 percent for the year," Mr. Kits van Heyningen continued. "These sales, as well as the 5 percent growth of our satellite communications revenues, helped to offset the decline in our defense-related sales, which were down 22 percent for the year. Despite this decline, we reiterate our goal of doubling defense revenues during 2002. We are already well on our way as we entered 2002 with a defense order backlog of $5.5 million, roughly equal to last year's total defense shipments."

Development continued in KVH's photonic fiber initiative, which will allow the company to build high-speed optical networking components directly within a strand of optical fiber.

"We've made major breakthroughs in both the insertion loss and in the temperature stability of our photonic fiber," explained Mr. Kits van Heyningen. "We believe that our polymer approach now offers the best combination of stability and electro-optic coefficient of any known material."

The company has also made progress in its development of an ultra low-profile satellite television antenna for the automotive market. The company anticipates introducing the antenna to the marketplace in the second half of 2002. Efforts are underway to establish the initial distribution channels for the system, including KVH's existing dealer network, leading after-market retailers, major OEMs, and Tier 1 component suppliers.

With regard to the company's financial results, Richard Forsyth, chief financial officer, said, "Our fourth quarter gross profit as a percentage of sales increased to 42 percent in 2001 from 40 percent in the prior year, evidence that our cost reduction measures are having a beneficial effect. At the same time, our fiber optic manufacturing capability ramped up significantly as fiber optic sales grew almost 300 percent quarter-over-quarter, significantly reducing our manufacturing overhead as a percentage of sales. In 2002, we expect our gross profit to continue to increase gradually as we add higher margin defense and fiber optic products."

"Looking ahead, 2002 promises to be a breakthrough year for KVH," concluded Mr. Kits van Heyningen. "We have a solid backlog in our military and fiber optic markets, and our new services and products will fuel accelerating growth. I believe we will also begin to see a return on our significant investment in research and development in the past year. While we made this investment with the understanding that it would delay our return to profitability in the short run, I believe that the long-term results will be worthwhile."

Fourth Quarter Highlights:

- On October 22, 2001, KVH announced that Bell ExpressVu of Canada had named KVH the exclusive value-added reseller for the mobile DirecPC high-speed Internet service to U.S. customers. As the exclusive mobile reseller, KVH is the only company licensed to promote the high-powered DirecPC service, accept subscriptions, and activate accounts for mobile customers in the United States.
- On October 24, 2001, KVH introduced the TracNet Mobile High-speed Internet System, which offers high-speed Internet and wireless data access from mobile DirecPC through the company's TracVision satellite TV antennas.
- On November 9, 2001, KVH announced that the company had received a $3.9 million order from a prime contractor to procure KVH's TACNAV(TM) FOG tactical navigation system for use aboard U.S. military vehicles.

KVH is webcasting its fourth quarter/year-end 2001 conference call live at 11:30 a.m. Eastern Time today through the company's web site. The conference call may be accessed at http://www.kvh.com/InvRelations/index.asp. The audio archive also will be available on the company web site within three hours of the completion of the call.

KVH Industries, Inc., is a leading provider of innovative high-bandwidth communications products. Using proprietary fiber optic and satellite antenna technology, the company is developing next- generation systems with greater precision, durability, and versatility for communications, navigation, and

industrial applications. An ISO 9001-registered company, KVH has headquarters in Middletown, Rhode Island, with a fiber optic manufacturing facility in Illinois, and a European sales, marketing, and support office in Hoersholm, Denmark.

KVH INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 and 2000

	2001	2000
Assets:		
Current assets:		
Cash and cash equivalents	$ 11,240,893	5,411,460
Accounts receivable, net	6,026,689	6,553,976
Costs and estimated earnings in excess of billings on uncompleted contracts	482,486	419,145
Inventories	4,124,203	3,600,660
Prepaid expenses and other deposits	406,866	346,518
Deferred income taxes	637,799	637,799
Total current assets	22,918,936	16,969,558
Property and equipment, net	7,431,287	6,580,375
Other assets, less accumulated amortization	573,849	706,473
Deferred income taxes	2,238,430	2,238,430
Total assets	$ 33,162,502	26,494,836
Liabilities and stockholders' equity:		
Current liabilities:		
Current portion long term debt	$ 86,974	81,111
Bank line of credit	--	598,865
Accounts payable	2,084,507	1,478,198
Accrued expenses	1,143,790	1,164,790
Customer deposits	903,853	1,195,091
Total current liabilities	4,219,124	4,518,055
Long-term debt	2,697,147	2,784,121
Total liabilities	6,916,271	7,302,176
Stockholders' equity:		
Common stock	109,612	86,191
Additional paid-in capital	34,478,002	21,186,459
Accumulated deficit	(8,341,383)	(2,079,990)
Total stockholders' equity	26,246,231	19,192,660
Total liabilities and stockholders' equity	$ 33,162,502	26,494,836

KVH INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended December 31,		Twelve months ended December 31,	
	2001	2000	2001	2000
Net sales	$ 8,805,833	8,844,466	32,707,123	29,953,727
Cost of sales	5,112,073	5,296,992	20,255,238	18,620,438
Gross profit	3,693,760	3,547,474	12,451,885	11,333,289
Operating expenses:				
Research & development	2,157,761	929,521	7,885,374	3,902,154
Sales & marketing	2,166,897	1,848,133	8,411,910	6,322,181
Administration	524,824	523,057	2,514,178	2,220,471

(Loss) income from operations	(1,155,722)	246,763	(6,359,577)	(1,111,517)
Other income (expense):				
Interest income	55,234	--	364,212	54,056
Interest expense	(49,217)	(72,387)	(224,039)	(246,493)
Other expense	(13,182)	(67,268)	(41,989)	(196,803)
(Loss) income before income taxes	(1,162,887)	107,108	(6,261,393)	(1,500,757)
Income tax expense (benefit)	--	30,577	--	(559,637)
Net (loss) earnings	$(1,162,887)	76,531	(6,261,393)	(941,120)
Per share information:				
(Loss) income per share -- basic	$ (0.11)	0.01	(0.61)	(0.12)
(Loss) income per share -- diluted	$ (0.11)	0.01	(0.61)	(0.12)
Weight average number of shares outstanding:				
Basic	10,941,469	7,778,364	10,217,305	7,628,166
Diluted	10,941,469	8,197,506	10,217,305	7,628,166

This press release contains certain forward-looking statements that involve risks and uncertainties. For example, the statements regarding the company's financial and product development goals are forward-looking statements. The actual results realized by the company could differ materially from the statements made herein. Factors that might cause such differences include, but are not limited to: failure to develop and market fiber optic products; lack of reliable vendors, service providers, and outside products; continued poor military sales cycles; unforeseen changes in competing technologies and products; worldwide economic variances; and poor or delayed research and development results. Additional factors are discussed in the company's Annual Report on Form 10K filed with the Securities and Exchange Commission on February 8, 2001. Copies are available through the company's Investor Relations Department and web site, www.kvh.com.

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