



## KVH Industries Announces Results for the First Quarter

April 25, 2002

### Company Records 19% Overall Growth; Defense-related Sales Up 102%

MIDDLETOWN, R.I., Apr 25, 2002 /PRNewswire-FirstCall via COMTEX/ -- KVH Industries (Nasdaq: KVHI), a leading provider of high-bandwidth satellite communications products, defense-related navigation systems, and fiber optic products, today reported its results for the first quarter ended March 31, 2002. Revenue for the period was \$9.6 million with a net loss of \$1.1 million, or \$0.10 per share. By comparison, KVH reported revenue of \$8.1 million and a net loss of \$1.5 million, or \$0.18 per share for the first quarter ended March 31, 2001.

Overall, the company's satellite products recorded a 29 percent increase in revenue for the first quarter over the same period last year and sales of defense-related products rose 102 percent, also over the same period last year. However, these positive gains were partially offset by a 51 percent or \$0.5 million decline in fiber optic sales due to a product shipment that was delayed to meet revised customer specifications. The order is expected to ship in the second quarter.

"KVH posted record first quarter sales, driven by growing demand for our satellite communications systems and the resurgence of our defense-related revenues," remarked Martin Kits van Heyningen, president and chief executive officer. "Based on our current sales trends, a total order backlog of roughly \$7 million in the second quarter, and the effectiveness of our ongoing cost reduction efforts, I believe that we are on track to achieve our goals of returning to profitability during the second half of the year and growing our revenues by 30 to 40 percent this year."

"We are also very excited about our newest fiber optic product, the DSP- 5000 fiber optic gyro, which was introduced to the marketplace last week," continued Mr. Kits van Heyningen. "With its integrated digital signal processing, the DSP gyro represents a significant technical leap for KVH FOG technology. We now offer a gyro capable of tactical-grade accuracy for a fraction of the cost of competing gyros. This new gyro opens a number of new military and commercial markets to KVH. We expect that our DSP class of gyros will become the foundation for all of KVH's gyro-based products in the future," he said.

In addition to the company's work on the new DSP gyro, development continued on KVH's ActiveFiber(TM) technology, which will allow the company to build high-speed optical networking components directly within a strand of optical fiber.

The company also made progress in its development of a low-profile satellite television antenna for the automotive market. The company plans to conduct driving demonstrations for key retailers and potential distributors during the summer and anticipates introducing the antenna to the marketplace late in the second half of 2002.

With regard to the company's financial results, Richard Forsyth, chief financial officer, said, "Our first quarter gross profit as a percentage of sales rose to 44 percent from 38 percent in the first quarter of the prior year, and increased by 37 percent to \$4.3 million from \$3.1 million in 2001. The improvement in our first quarter gross margins resulted from a doubling of higher margin, defense-related shipments, improvements in our direct costs, and a decrease in manufacturing overhead spending."

"Looking ahead to the second quarter and the year as a whole, I continue to believe that 2002 will be a breakthrough year for KVH," concluded Mr. Kits van Heyningen.

#### First Quarter Highlights:

- On February 13, 2002, KVH announced that it had signed an agreement to become the primary U.S. distributor of marine satellite communications products for Thrane & Thrane, one of the leading manufacturers of Inmarsat global satellite communication systems. KVH and the Denmark-based Thrane & Thrane will also work together to introduce new products geared toward supporting high-speed, two-way data communications in the U.S. maritime market.
- On February 14, 2002, KVH introduced the Tracphone(R) F77 and eTrac systems. The Tracphone F77 offers mariners worldwide, high-speed access to the Internet, e-mail, and voice communications via the new Inmarsat Fleet F77 service. The KVH eTrac is a low-cost, global e-mail solution that uses the Inmarsat mini-C service.

KVH is webcasting its first quarter 2002 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>. The audio archive also will be available on the company web site within three hours of the completion of the call.

KVH Industries Inc., designs and manufactures products that enable mobile communication, defense navigation, and direction

sensing through the use of its proprietary mobile satellite antenna and fiber optic technologies. 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  
MARCH 31, 2002 and DECEMBER 31, 2001

	March 31, 2002 (Unaudited)	December 31, 2001 (Audited)
Assets: □		
Current assets:		
Cash and cash equivalents	\$9,073,634	11,240,893
Accounts receivable, net	6,971,414	6,026,689
Costs and estimated earnings in excess of billings on uncompleted contracts	395,092	482,486
Inventories	5,126,771	4,124,203
Prepaid expenses and other deposits	425,868	406,866
Deferred income taxes	603,299	637,799
 Total current assets	 22,596,078	 22,918,936
 Property and equipment, net	 7,566,370	 7,431,287
Other assets, less accumulated amortization	540,693	573,849
Deferred income taxes	2,238,430	2,238,430
 Total assets	 \$32,941,571	 33,162,502
 Liabilities and stockholders' equity:		
Current liabilities:		
Current portion long-term debt	\$86,974	86,974
Accounts payable	3,214,322	2,084,507
Accrued expenses	1,177,421	1,143,790
Customer deposits	587,165	903,853
 Total current liabilities	 5,065,882	 4,219,124
 Long-term debt	 2,676,576	 2,697,147
 Total liabilities	 7,742,458	 6,916,271
 Stockholders' equity:		

Common stock	109,874	109,612
Additional paid-in capital	34,576,992	34,478,002
Accumulated deficit	(9,487,753)	(8,341,383)
Total stockholders' equity	25,199,113	26,246,231
Total liabilities and stockholders' equity	\$32,941,571	33,162,502

KVH INDUSTRIES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited) □

	Three months ended March 31,	
	2002	2001
Net sales	\$9,641,513	8,132,671
Cost of sales	5,357,407	5,009,173
Gross profit	4,284,106	3,123,498
Operating expenses:		
Research and development	2,333,699	1,744,205
Sales and marketing	2,318,264	2,248,332
General and administrative	719,340	638,251
Loss from operations	(1,087,197)	(1,507,290)
Other expense:		
Other expense	2,024	22,335
Interest expense, net	22,649	7,741
Loss before income taxes	(1,111,870)	(1,537,366)
Income taxes	34,500	--
Net loss	\$(1,146,370)	(1,537,366)
Per share information:		
Loss per share:		
Basic	\$(0.10)	(0.18)
Diluted	\$(0.10)	(0.18)
Number of shares used in per share calculation:		
Basic	10,973,616	8,626,470
Diluted	10,973,616	8,626,470

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 2001 Form 10-K filed with the Securities and Exchange Commission on March 20, 2002. Copies are available through the company's Investor Relations department and web site, [www.kvh.com](http://www.kvh.com).

SOURCE KVH Industries

CONTACT: Richard Forsyth, Chief Financial Officer of KVH Industries, +1-401-847-3327; or Phil Davidson or Jolinda Taylor, +1-617-747-3600; or Ron Heckmann, +1-415-296-7383; all of Morgen-Walke Associates