



KVH Industries Announces Results for the Second Quarter

July 18, 2002

- Revenues Up 61% to \$12.6 Million - - Revenue at Highest Level in Company's History -

MIDDLETOWN, R.I., Jul 18, 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 second quarter ended June 30, 2002. Revenue for the period was \$12.6 million, up 61% from \$7.8 million for the second quarter ended June 30, 2001. Net loss for the period was \$0.8 million, or \$0.07 per share. By comparison, KVH recorded a net loss of \$2.0 million, or \$0.19 per share during the same period last year.

For the six months ended June 30, 2002, revenue increased roughly 40% to \$22.3 million from \$16.0 million for the six months ended June 30, 2001. KVH also reported a net loss of \$2.0 million or \$0.18 per share for the period, versus a \$3.5 million loss, or \$0.37 per share in the prior year.

"This quarter's record revenues, the improvement in our gross margins, and the introduction of several new products and services illustrate that we are successfully executing our business plan," commented Martin Kits van Heyningen, president and chief executive officer. "Based on growth in all of our target markets and the result of ongoing cost reduction efforts, we remain confident that we will achieve our goals of growing revenues 30 to 40% for the year and returning to profitability in the second half of 2002."

Overall, the company's satellite products recorded a 51% increase in revenue for the second quarter while sales of fiber optic products rose 7% for the same period. Sales of defense-related products rose 478% to \$2.7 million.

"Because of our strong position in the market, our products continue to show strength despite the uncertainty in the overall economy. This is evidenced by several new OEM contracts for our TracVision land mobile satellite TV systems, and the selection of our fiber optic gyros for use in two new military simulators," continued Mr. Kits van Heyningen. "We also continue to enhance our overall product line with introductions of new products and services. The initial acceptance of our new TracNet Mobile High-speed Internet System is very positive in both the land and marine markets, and our recently announced Inmarsat airtime service should create a new, recurring revenue stream for the company as we move forward."

With regard to the company's financial results, Richard Forsyth, vice president, finance, said, "The second quarter reflected substantial improvement in gross margins, which increased to 42% from 36% during the same period last year. This was the result of successful programs to increase efficiencies in our manufacturing operations and a favorable shift in the mix of our products. We are also paying careful attention to operating expenses. We have made significant investments in R&D and other business infrastructure to position the company for growth. The benefits are reflected in the sales figures and in the improving operating margins that came with this growth. We expect to show additional improvement in operating efficiencies in the coming quarters."

"We are on pace for record yearly revenues, we are seeing growth across the board, and new products and services are expanding our customer and revenue base," concluded Mr. Kits van Heyningen. "Looking ahead to the third quarter and the year as a whole, KVH is well positioned to achieve its goals for revenue growth and a return to profitability."

Second Quarter Highlights:

- During the quarter, three major OEM customers (Fleetwood, Featherlite, and Rexhall) selected KVH's TracVision mobile satellite TV antennas as standard or optional equipment on model year 2003 recreational vehicles and luxury motorcoaches.
- On May 13, 2002, KVH began shipping its KVH E-Core 4000 fiber optic gyros for use in turret stabilization applications aboard vehicles being constructed by two European systems integrators.
- On May 14, 2002, KVH announced that its fiber optic gyros had been selected by the U.S. military to provide motion tracking, visual stabilization, and image synchronization for the Stinger and Improved Target Acquisition System (ITAS) training simulators.

- On June 13, 2002, KVH announced that it would be offering its own branded global satellite communications services to complement its full line of satellite communications hardware. The service represents a new, recurring revenue opportunity for KVH as the company will purchase wholesale airtime from Inmarsat and then sell the service to its retail customers.
- On June 17, 2002, KVH received an award from the Defense Contract Management Agency (DCMA), a component of the U.S. Department of Defense, in recognition of the company's superior quality procedures. The award followed more than three years of on-site DCMA observation and assessment of KVH's quality and manufacturing system.

KVH is webcasting its second 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
JUNE 30, 2002 and DECEMBER 31, 2001

	June 30, 2002 (Unaudited)	December 31, 2001 (Audited)
Assets: □		
Current assets:		
Cash and cash equivalents	\$6,518,863	11,240,893
Accounts receivable, net	7,684,622	6,026,689
Costs and estimated earnings in excess of billings on uncompleted contracts	460,470	482,486
Inventories	5,132,578	4,124,203
Prepaid expenses and other deposits	669,019	406,866
Deferred income taxes	551,699	637,799
Total current assets	21,017,251	22,918,936
Property and equipment, net	7,515,677	7,431,287
Other assets, less accumulated amortization	507,537	573,849
Deferred income taxes	2,238,430	2,238,430
Total assets	\$31,278,895	33,162,502
Liabilities and stockholders' equity:		
Current liabilities:		
Current portion long-term debt	\$86,974	86,974
Accounts payable	2,262,624	2,084,507
Accrued expenses	1,334,947	1,143,790
Customer deposits	361,868	903,853
Total current liabilities	4,046,413	4,219,124
Long-term debt	2,656,006	2,697,147
Total liabilities	6,702,419	6,916,271
Stockholders' equity:		
Common stock	110,301	109,612
Additional paid-in capital	34,766,065	34,478,002
Accumulated deficit	(10,299,890)	(8,341,383)
Total stockholders' equity	24,576,476	26,246,231
Total liabilities and stockholders' equity	\$31,278,895	33,162,502

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

	Three months ended	
	June 30,	
	2002	2001
Net sales	\$12,641,244	7,829,217
Cost of sales	7,321,309	5,007,273
Gross profit	5,319,935	2,821,944
Operating expenses:		
Research & development	2,432,512	2,261,296
Sales & marketing	2,775,751	1,978,904
Administration	813,592	639,794
Loss from operations	(701,920)	(2,058,050)
Other income (expense):		
Other expense	(28,632)	(14,421)
Interest income (expense), net	(29,985)	78,575
Loss before income taxes	(760,537)	(1,993,896)
Income tax expense	51,600	--
Net loss	\$(812,137)	(1,993,896)
Per share information:		
Loss per share		
Basic	\$ (0.07)	(0.19)
Diluted	\$ (0.07)	(0.19)
Number of shares used in per share calculation: □		
Basic	11,005,426	10,318,065
Diluted	11,005,426	10,318,065

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

	Six months ended	
	June 30,	
	2002	2001
Net sales	22,282,757	15,961,888
Cost of sales	12,678,716	10,016,446
Gross profit	9,604,041	5,945,442
Operating expenses:		
Research & development	4,766,211	4,005,501
Sales & marketing	5,094,015	4,227,236
Administration	1,532,932	1,278,045
Loss from operations	(1,789,117)	(3,565,340)
Other income (expense):		
Other expense	(30,656)	(36,756)
Interest income (expense), net	(52,634)	70,834
Loss before income taxes	(1,872,407)	(3,531,262)
Income tax expense	86,100	--
Net loss	(1,958,507)	(3,531,262)
Per share information:		
Loss per share		
Basic	(0.18)	(0.37)

Diluted	(0.18)	(0.37)
Number of shares used in per share calculation: □		
Basic	10,989,609	9,477,323
Diluted	10,989,609	9,477,323

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, <http://www.kvh.com>.

SOURCE KVH Industries Inc.

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