



## **KVH Industries Announces Return to Profitability on 57% Revenue Growth**

October 17, 2002

**-- Record Third Quarter Revenues of \$12.4 Million  
-- Company Anticipates Sustained Growth in the Fourth Quarter**

MIDDLETOWN, R.I., Oct 17, 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 third quarter ended September 30, 2002. Net income for the period was \$0.15 million, or \$0.01 per share. By comparison, KVH recorded a net loss of \$1.6 million, or \$0.14 per share during the same period last year. Revenue for the period was \$12.4 million, up 57% from \$7.9 million for the third quarter ended September 30, 2001.

For the nine months ended September 30, 2002, revenue increased 45% to \$34.7 million from \$23.9 million for the nine months ended September 30, 2001. KVH also reported a net loss of \$1.8 million or \$0.16 per share for the period, versus a net loss of \$5.1 million, or \$0.51 per share in the prior year.

"By successfully executing our strategic plan, KVH has generated record third quarter revenues and returned to profitability as expected," commented Martin Kits van Heyningen, president and chief executive officer. "As our business continues to strengthen, I expect that we will remain profitable in the fourth quarter and meet our goals for both quarterly and yearly revenue growth."

Overall, the company's satellite products recorded revenue increases of 55% for the third quarter and 45% year-to-date. Sales of defense-related solutions rose 81% to \$4.3 million for the quarter and are up 118% for the first nine months of the year. Fiber optic sales rose 60% for the quarter and are comparable to 2001 year-to-date results.

"The quarterly gains were driven by the continued strength of our satellite communications business, reflective of the demand in the RV marketplace, and several key contracts for military navigation systems," continued Mr. Kits van Heyningen. "These military programs illustrate the importance of our defense-related products in meeting the critical needs of the U.S. armed forces and its allies. The expansion in defense-related sales is having a complementary positive effect on our fiber optic business as the use of FOGs has expanded greatly in military applications developed by our customers and KVH."

With regard to the company's financial results, Pat Spratt, chief financial officer, said, "During the third quarter, we began to reap the benefits gained from having a clear game plan and focusing on operating improvements in all areas. A shift in our product mix towards higher-margin military systems and excellent progress with our product cost initiatives led to a strong improvement in gross margin to 45%, up 10 points from 35% during the same period last year. Compared to the second quarter of this year, operating expenses were reduced by \$0.6 million. Inventory reflects the focus that is being put on asset management as inventory turns approach 6 per year. Furthermore, the company was cash flow positive for the quarter, resulting in a \$1 million increase in our cash balance to \$7.6 million. As we continue to improve our operating model and maintain our sales momentum, we expect to sustain very solid revenue growth and improve profitability in the fourth quarter."

"The third quarter was the cross-over point in what we believe will be a breakthrough year for KVH," concluded Mr. Kits van Heyningen. "We entered the year with the goals of returning to profitability in the second half, doubling defense revenues, and achieving annual growth of 30 to 40%, and I am pleased to say that we are on track to achieve all three. Already, our revenues for the first nine months exceed our total revenues for all of 2001 and we are in a solid position financially, operationally, and competitively in each of our key markets. We intend to build on this success as we move forward."

### Third Quarter Highlights:

- During the quarter, KVH signed agreements with three major OEM customers, each of which will offer KVH's TracVision mobile satellite TV antennas as standard or optional equipment on model year 2003 recreational vehicles and luxury motorcoaches.
- On July 10, 2002, KVH received development contracts valued at approximately \$1 million from New York-based L-3 Communications Corporation (NYSE: LLL) for the development of a low-cost, high-performance inertial measurement unit (IMU) for defense-related applications.
- On July 22, 2002, KVH announced that it had signed a product development agreement with the ABB High-voltage Business Area to cooperate in the development of a new fiber optic current sensor.
- On September 16, 2002, KVH received the latest order for more than \$1 million worth of TACNAV FOG navigation systems for use aboard U.S. Army Ground Prophet signal intelligence vehicles.
- On October 3, 2002, KVH announced that it had been awarded a \$3.6 million contract to provide TACNAV navigation systems for the U.S. Special Forces vehicle fleet. This program is potentially worth in excess of \$10 million.

KVH is webcasting its third quarter 2002 conference call live at 10:30 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, navigation, and precision pointing 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 Tinley Park, Illinois, and a European sales, marketing, and support office in Hoersholm, Denmark.

KVH INDUSTRIES, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2002 and DECEMBER 31, 2001

|  | September 30,<br>2002<br>(Unaudited) | December 31,<br>2001<br>(Audited) |
|--|--------------------------------------|-----------------------------------|
| Assets:  |                                      |                                   |
| Current assets:  |                                      |                                   |
| Cash and cash equivalents  | \$7,554,275                          | 11,240,893                        |
| Accounts receivable, net   | 8,626,087                            | 6,026,689                         |
| Costs and estimated earnings<br>in excess of billings on uncompleted contracts | 414,059                              | 482,486                           |
| Inventories  | 4,326,041                            | 4,124,203                         |
| Prepaid expenses and other deposits  | 579,535                              | 406,866                           |
| Deferred income taxes  | 551,699                              | 637,799                           |
| Total current assets   | 22,051,696                           | 22,918,936                        |
| Property and equipment, net  | 7,540,962                            | 7,431,287                         |
| Other assets, less accumulated amortization                                    | 474,381                              | 573,849                           |
| Deferred income taxes  | 2,238,430                            | 2,238,430                         |
| Total assets   | \$32,305,469                         | 33,162,502                        |
| Liabilities and stockholders' equity:  |                                      |                                   |
| Current liabilities:   |                                      |                                   |
| Current portion long-term debt   | \$86,974                             | 86,974                            |
| Accounts payable   | 2,969,588                            | 2,084,507                         |
| Accrued expenses   | 1,624,153                            | 1,143,790                         |
| Customer deposits  | 130,320                              | 903,853                           |
| Total current liabilities  | 4,811,035                            | 4,219,124                         |
| Long-term debt   | 2,635,435                            | 2,697,147                         |
| Total liabilities  | 7,446,470                            | 6,916,271                         |
| Stockholders' equity:  |                                      |                                   |
| Common stock   | 110,790                              | 109,612                           |
| Additional paid-in capital   | 34,917,840                           | 34,478,002                        |
| Accumulated deficit  | (10,149,947)                         | (8,341,383)                       |

|  |              |            |
|--|--------------|------------|
| Accumulated other comprehensive loss       | (19,684)     | -          |
| Total stockholders' equity                 | 24,858,999   | 26,246,231 |
| Total liabilities and stockholders' equity | \$32,305,469 | 33,162,502 |

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

|   | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|---|-------------------------------------|-------------|------------------------------------|-------------|
|   | 2002                                | 2001        | 2002                               | 2001        |
| Net sales                                       | \$12,435,313                        | 7,939,402   | 34,718,070                         | 23,901,290  |
| Cost of sales                                   | 6,837,186                           | 5,126,719   | 19,515,902                         | 15,143,165  |
| Gross profit                                    | 5,598,127                           | 2,812,683   | 15,202,168                         | 8,758,125   |
| Operating expenses:                             |                                     |             |                                    |             |
| Research & development                          | 2,230,457                           | 1,722,112   | 6,996,668                          | 5,727,613   |
| Sales & marketing                               | 2,316,560                           | 2,017,777   | 7,410,575                          | 6,245,013   |
| Administration                                  | 850,191                             | 711,309     | 2,383,123                          | 1,989,354   |
| Income (loss) from operations                   | 200,919                             | (1,638,515) | (1,588,198)                        | (5,203,855) |
| Other (expense) income:                         |                                     |             |                                    |             |
| Other (expense) income                          | (16,398)                            | 7,950       | (47,054)                           | (28,806)    |
| Interest (expense) income, net                  | (34,578)                            | 63,321      | (87,212)                           | 134,155     |
| Income (loss) before income taxes               | 149,943                             | (1,567,244) | (1,722,464)                        | (5,098,506) |
| Income tax expense                              | -                                   | -           | 86,100                             | -           |
| Net income (loss)                               | \$149,943                           | (1,567,244) | (1,808,564)                        | (5,098,506) |
| Per share information:                          |                                     |             |                                    |             |
| Earnings (loss) per share                       |                                     |             |                                    |             |
| Basic   | \$0.01                              | (0.14)      | (0.16)                             | (0.51)      |
| Diluted   | \$0.01                              | (0.14)      | (0.16)                             | (0.51)      |
| Number of shares used in per share calculation: |                                     |             |                                    |             |
| Basic   | 11,056,374                          | 10,924,145  | 11,017,596                         | 9,964,896   |
| Diluted   | 11,356,194                          | 10,924,145  | 11,017,596                         | 9,964,896   |

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; uneven 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).

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