



## **KVH Announces 47% Revenue Growth and Improved Profitability in Fourth Quarter**

February 20, 2003

***Record Quarterly Revenues of \$13 Million; Profit of \$0.03 per Share -- Company Anticipates Sustained Growth in 2003***

MIDDLETOWN, R.I., Feb 20, 2003 /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 fourth quarter ended December 31, 2002. Net income for the period was \$0.3 million, or \$0.03 per share. By comparison, KVH recorded a net loss of \$1.2 million, or \$0.11 per share, during the same period last year. Revenue for the period was \$13 million, up 47% from \$8.8 million for the fourth quarter ended December 31, 2001.

For the fiscal year ended December 31, 2002, revenue increased 46% to \$47.7 million from \$32.7 million for the fiscal year ended December 31 2001. KVH reported a net loss of \$1.5 million, or \$0.13 per share, for the fiscal year ended December 31, 2002, versus a net loss of \$6.3 million, or \$0.61 per share, in the prior year.

"2002 was a breakthrough year for KVH," said Martin Kits van Heyningen, KVH president and chief executive officer. "We entered the year with the goals of returning to profitability in the second half, doubling our defense revenues, and achieving annual growth of 30 to 40 percent. I'm pleased to report that we met or exceeded each of these goals."

Overall, the company's satellite products recorded revenue increases of 52% for the fourth quarter and 46% for the year as a whole, with revenue for the year of \$25.9 million. Sales of defense-related solutions rose 106% for the quarter and were up 114% for the year on revenue of \$15.3 million. Sales of OEM and component fiber optic products were down 41% for the quarter and 17% for the year on revenue of \$3.6 million. However, total FOG sales, including FOGs embedded in KVH defense navigation products, were roughly equal to 2001 levels. Legacy products, which include OEM sensors and marine navigation systems, rose 16% for the quarter but declined 18% for the full year on revenue of \$2.8 million.

"Our mobile satellite communications sales thrived during 2002 as we expanded our distribution network, introduced new products, and gained market share in both our marine and land mobile markets," continued Mr. Kits van Heyningen. "We signed multiple OEM agreements with RV manufacturers. As a result, our TracVision satellite TV antennas are offered as standard or optional equipment on a majority of new Class A RV and luxury coaches built in the United States. Most recently, we introduced our TracVision A5 low-profile satellite TV antenna for SUV, mini-vans, and other automobiles. The product of two years of research and development, TracVision A5 will allow KVH to enter the expanding market for automotive video systems by offering satellite TV to passenger vehicles throughout the continental United States. We anticipate initial shipments of the TracVision A5 antenna will begin late in the second quarter of 2003."

Looking at the company's defense-related business, Mr. Kits van Heyningen remarked, "The addition of several new customers, new orders from our existing customer base, and an acceleration of existing programs helped to drive our defense-related sales to record highs. We are seeing a growing recognition of the value of our TACNAV navigation systems in light of concerns regarding GPS jamming and the potential for expanded counter-terrorism and military activities by the United States and its allies. However, the uneven military procurement process continues to make it difficult to accurately predict our revenue patterns from quarter to quarter."

With regard to the company's financial results, Pat Spratt, chief financial officer, said, "Gross margin was up 4 percentage points for the quarter and 6 points for the year while operating expenses, as a percentage of sales, were down 12 points on a quarterly basis and 11 points for the year. In addition to our emphasis on sustaining growth in profits, we are also very focused on improving asset utilization. A case in point is our improvement in inventory, which was \$3.9 million for the fourth quarter. On an annual basis, inventory was \$0.2 million less than our year-end 2001 inventory level. And yet, with this reduced inventory we were able to support a 46 percent increase in annual revenue. For 2003, we are striving to continue to show improvements in operating margins, EPS, and asset utilization."

"Looking ahead, KVH is in a solid position financially, operationally, and competitively in each of our key markets, and we intend to build on this success as we move forward," concluded Mr. Kits van Heyningen. "We began 2003 with a solid backlog of military orders, and our satellite communications products continue to perform well and gain market share. Exciting new products, including the TracVision A5 and the maritime TracVision G8, which was introduced in January 2003, promise to open key new markets to KVH. Despite ongoing unpredictability in the global economy and the uncertainty that comes with the possibility of war with Iraq, I believe that our diverse revenue streams, award-winning products, and expanding services should enable us to achieve our goals of increased profitability for the year and annual revenue growth of 20 to 30 percent."

Recent Highlights:

- During the fourth quarter, KVH introduced TracNet 2.0, an enhanced version of its TracNet Mobile High-speed Internet System that offers higher access speeds and extended coverage. The company also announced that a European version of TracNet 2.0 would be available for use in Europe beginning in 2003.
- On October 29, 2002, KVH announced that its TracVision 4 satellite TV system and Tracphone 252 satellite communications antenna had been named the "Best Product" in their respective categories by the National Marine Electronics Association (NMEA). This is the fifth consecutive year that KVH has received awards in these two categories.
- On January 7, 2003, KVH announced that it had received four new military contracts during the fourth quarter, including a \$1.6 million contract from the British Army to upgrade its existing KVH TACNAV navigation systems with KVH's new fiber optic gyro-based upgrade.
- On January 9, 2003, KVH unveiled its TracVision A5 low-profile satellite TV antenna. The TracVision A5, designed for use on SUVs, mini-vans, and automobiles, stands approximately 4-1/2" high and uses a groundbreaking hybrid phased array to provide more than 300 channels of satellite TV and 50 channels of commercial-free music to cars throughout the continental United States.

KVH is webcasting its fourth quarter and fiscal year 2002 conference call live at 10:30 a.m. Eastern Time today through the company's web site. The conference call can 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  
DECEMBER 31, 2002 and 2001

	2002	2001
Assets ☐		
Current assets:		
Cash and cash equivalents	\$7,239,255	11,240,893
Accounts receivable, net	9,716,292	6,026,689
Costs and estimated earnings in excess of billings on uncompleted contracts	377,058	482,486
Inventories	3,947,207	4,124,203
Prepaid expenses and other deposits	587,647	406,866
Deferred income taxes	616,877	637,799
Total current assets	22,484,336	22,918,936
Property and equipment, net	7,384,888	7,431,287
Other assets, less accumulated amortization	441,225	573,849
Deferred income taxes	2,238,430	2,238,430
Total assets	\$32,548,879	33,162,502

Liabilities and Stockholders' Equity

Current liabilities:

Current portion of long-term debt	\$93,262	86,974
Accounts payable	2,321,104	2,084,507
Accrued expenses	2,007,470	1,143,790
Customer deposits	91,665	903,853
Total current liabilities	4,513,501	4,219,124
Long-term debt excluding current portion	2,603,885	2,697,147
Total liabilities	7,117,386	6,916,271
Stockholders' equity:		
Preferred stock, \$0.01 par value	-	-
Common stock, \$0.01 par value	111,498	109,612
Additional paid-in capital	35,134,093	34,478,002
Accumulated deficit	(9,818,025)	(8,341,383)
Accumulated other comprehensive income	3,927	-
Total stockholders' equity	25,431,493	26,246,231
Total liabilities and stockholders' equity	\$32,548,879	33,162,502

KVH INDUSTRIES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2002	2001	2002	2001
Net sales	\$12,976,413	8,805,833	47,694,483	32,707,123
Cost of sales	6,988,929	5,112,073	26,504,831	20,255,238
Gross profit	5,987,484	3,693,760	21,189,652	12,451,885
Operating expenses:				
Research & development	1,858,278	2,157,761	8,854,946	7,885,374
Sales & marketing	2,540,209	2,166,897	9,950,784	8,411,910
Administration	1,210,704	524,824	3,593,827	2,514,178
Income (loss) from operations	378,293	(1,155,722)	(1,209,905)	(6,359,577)
Other income (expense):				
Interest income	21,642	55,234	101,011	364,212
Interest expense	(53,126)	(49,217)	(219,707)	(224,039)
Other expense	(14,887)	(13,182)	(61,941)	(41,989)
Income (loss) before income taxes	331,922	(1,162,887)	(1,390,542)	(6,261,393)
Income tax expense	-	-	86,100	-

Net income (loss)	\$331,922	(1,162,887)	(1,476,642)	(6,261,393)
Per share information:				
Income (loss) per share				
- basic	\$0.03	(0.11)	(0.13)	(0.61)
Income (loss) per share				
- diluted	\$0.03	(0.11)	(0.13)	(0.61)
Weighted average number				
of shares outstanding:				
Basic	11,105,641	10,941,469	11,039,676	10,217,305
Diluted	11,457,796	10,941,469	11,039,676	10,217,305

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 for 2003 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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