

“ Our revolutionary low-profile antenna has opened a tremendous new market for KVH as we prepare to bring satellite TV and high-speed Internet to a huge audience of consumers in passenger vehicles. ”



Dear Fellow Investor,

At KVH, we deliver on expectations. We've built our reputation as a leader in the mobile satellite communications and defense navigation markets because of our ability to develop innovative new products and services, meet the demands of our diverse customer base, and maintain a financially sound, growing company. Our balanced approach in these markets allowed us to deliver the breakthrough year that we anticipated in January 2002. Throughout the year, we maintained our growth, expanded market share, and pursued new opportunities despite uncertain economic conditions. As a result, we are a stronger, more efficient company and equipped with the tools and technology to continue this momentum in the coming year.

Growth

We entered 2002 with the goals of achieving annual growth of 30 to 40%, doubling our defense revenues, and returning to profitability in the second half. We met or exceeded each of these with revenues of \$47.7 million – up 46% from 2001, 114% growth in defense sales, and profitability in the third and fourth quarters.

Value

We also focused on strengthening the company as a whole. We added new, experienced members to our management team and made great strides in refining how we do business. We increased efficiency in our operations, enabling us to reduce the cost of goods sold, improve asset utilization, and increase gross margin. The end result was a more streamlined and effective company with a stronger bottom line and an increased capacity to pursue exciting new opportunities. This performance is being recognized by the financial markets.

■ ■ ■ Products & Services

Our established product lines helped drive our success in 2002 as we expanded the customer base in each market. We collaborated with prospective customers to make certain that our products met their requirements and would be available when needed. For example, we worked closely with military planners to ensure our readiness to equip U.S. and allied troops with our proven TACNAV® tactical navigation systems. When that request came in September 2002, asking KVH to equip the U.S. Army Special Forces vehicle fleet with TACNAV systems, we were able to deliver hundreds of systems on the very short lead-time schedule that the Special Operations Command required. Our ability to meet this customer's technical, operational, and logistical demands was fundamental in our successful win of this large, long-term contract.

In the satellite communications business we expanded our product line and distribution network, enabling us to deliver more products and a greater variety of services to customers worldwide. We now have agreements in place with more than 10 major RV and motorcoach manufacturers, each of which is now installing KVH TracVision® satellite TV antennas as either standard or optional equipment on their new RVs and coaches. We also introduced new satellite communications services, including global voice, fax, and e-mail as well as the only in-motion broadband Internet service available in North America and Europe. Each of these services is supported by our existing and emerging satellite products, and helps establish new recurring revenue streams that should provide additional growth potential.

■ ■ ■ Integration

We made significant strides in expanding the capabilities and versatility of our fiber optic technology. The 2002 introduction of our new low-cost, high performance Digital Signal Processor (DSP) fiber optic gyros (FOGs) enabled us to integrate this sophisticated technology into our products. We now have the means to increase the value that we deliver with gyros by creating complete systems rather than standalone sensors. KVH FOGs are at the heart of our TACNAV FOG and TACNAV II navigation systems, which are already in use by the U.S., British, and other allied armies. Likewise, the new TracVision G8, which will be available in mid-2003, is the first of our in-motion satellite TV systems to use our FOGs to provide unmatched stabilization and tracking.

During 2002, we also launched an effort to develop a FOG-based inertial measurement unit (IMU) that extends the potential of our fiber optic technology. We expect that the integrated IMU will be capable of providing precision guidance and navigation data for a variety of commercial and military applications, including smart munitions. As we continue to refine our technology and offer improved performance at lower prices, we are able to pursue sizable new fiber optic market opportunities. I am confident that we will begin to see our fiber optic systems deliver on their potential in the coming year.

■ ■ ■ Innovation

Innovation has always been a hallmark of KVH's product development efforts, enabling us to offer versatile new products that expand our customer base and open new markets. Never has this been more apparent than with the January 2003 introduction of the TracVision A5 low-profile satellite TV antenna, the product of two years of research and development. Capitalizing on the tremendous popularity of rear-seat video systems, this groundbreaking antenna delivers access to hundreds of channels of satellite TV entertainment and makes in-motion satellite TV practical for passenger vehicles, such as mini-vans, sport utility vehicles, and automobiles.

To make this possible, KVH engineers invented an entirely new type of antenna using flat panel, phased array technology. Standing less than 5" high, this remarkable new system mounts on the roof of passenger vehicles and tracks the satellite TV signal as they drive along the open roads of the continental United States. Fully compatible with satellite TV services today, and capable of supporting high-speed, in-motion Internet access in the future, TracVision A5 clearly suits the growing demand for mobile digital entertainment and communications for people on the go. This breakthrough antenna builds on a decade of KVH innovation and leadership in the mobile satellite industry. We are now establishing a nationwide dealer network and preparing to deliver this exciting new system in mid-2003.

■ ■ ■ The Future

Gaining strength and stability from our diverse product lines, new technology, and multiple markets, we are well prepared for the opportunities and the challenges that lie ahead. We have our sights set on delivering sustained profitability and continued revenue growth during the coming year. I invite you to follow our progress by visiting our website – www.kvh.com – for the complete story and the latest information about KVH — our technology, products, partners, and customers.

Thank you for being an important part of KVH Industries. We look forward to your continued support.

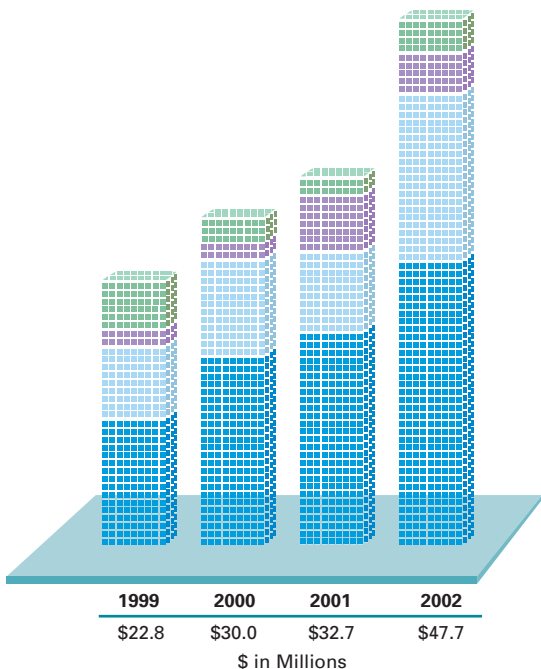
Sincerely,



Martin Kits van Heyningen
President and Chief Executive Officer

Growth

Gaining strength from the success of our product lines in diverse markets, we were able to weather the uncertain economic environment and post record revenues of \$47.7 million, a 46% increase over 2001.



Legacy



Fiber Optics



Tactical Navigation

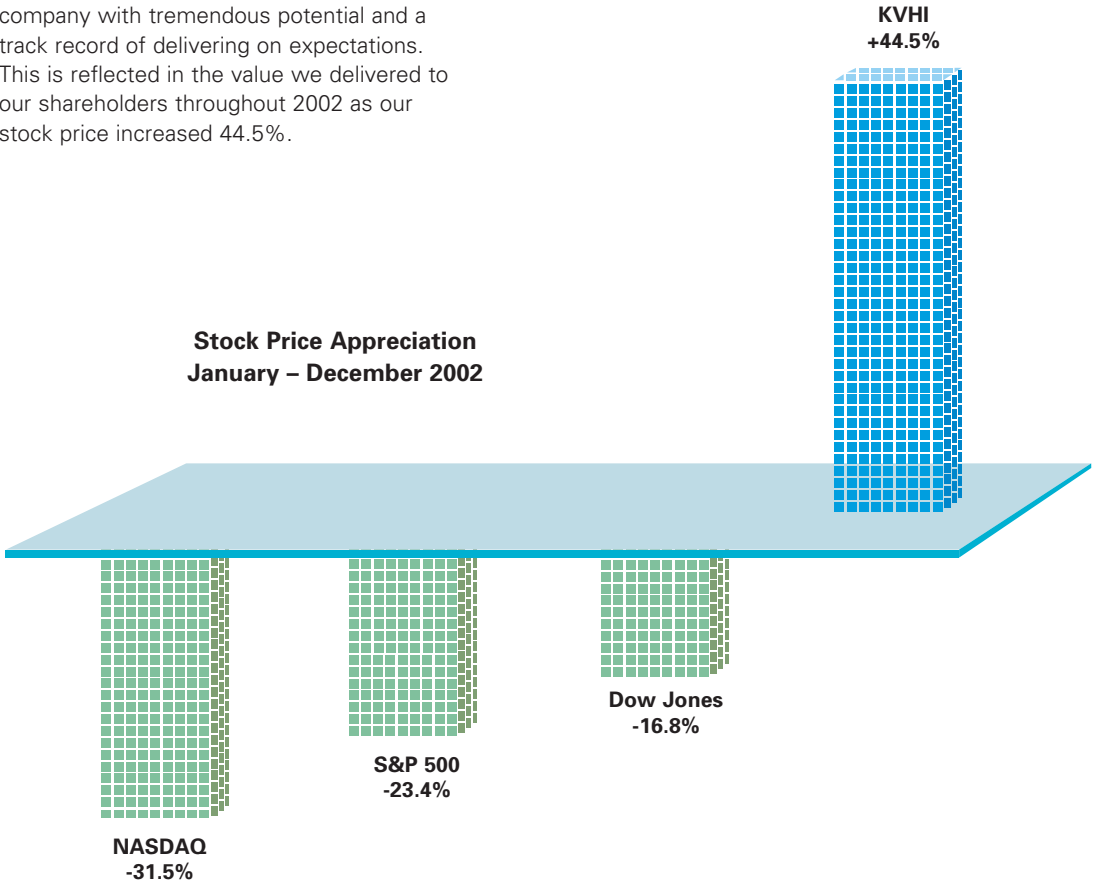


Mobile Broadband Satellite Communications

Revenues by Product Category

We have built a reputation as a growing company with tremendous potential and a track record of delivering on expectations. This is reflected in the value we delivered to our shareholders throughout 2002 as our stock price increased 44.5%.

Stock Price Appreciation January – December 2002



DELIVERING

value for our investors

Products & Services



Already established as the leading system among after-market dealers, our award-winning TracVision mobile satellite TV system is now the #1 choice among RV and coach manufacturers.



During 2002, we received TACNAV orders from the U.S. Army and Marines, Great Britain, Saudi Arabia, and Oman. TACNAV is also used on vehicles fielded by Australia, Canada, France, New Zealand, and Sweden, among others.

In 2002, we introduced new services, including high-speed mobile Internet, satellite TV activations, and Inmarsat airtime, enabling us to provide convenient one-stop shopping for satellite communications products and services.



DELIVERING
products and services
to meet customers' needs

The U.S. Army's new Ground Prophet vehicle is equipped with a TACNAV FOG system that uses integrated KVH gyros to provide the precision heading required by these next-generation signal intelligence vehicles.



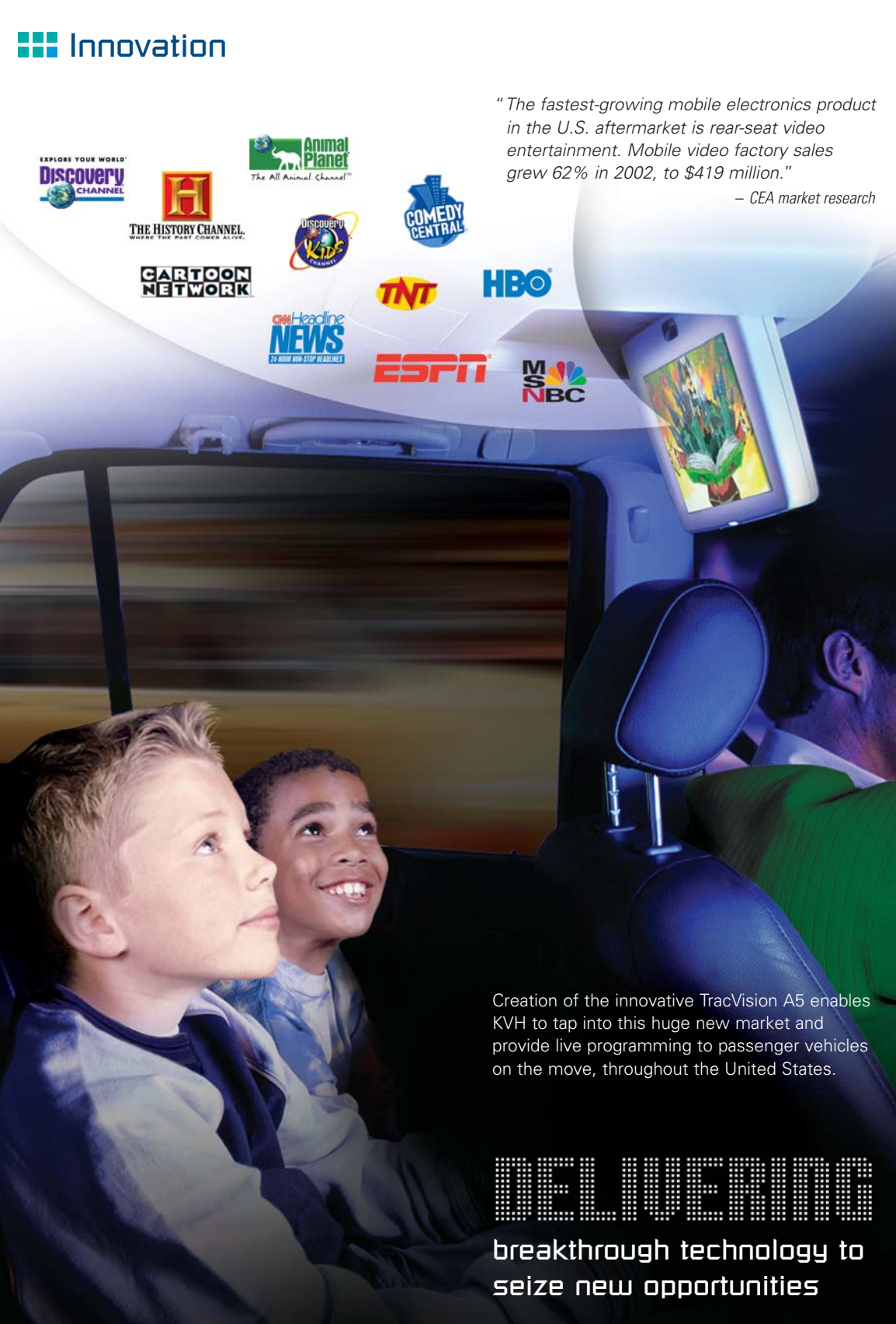
In 2002, we teamed with L-3 Communications to develop a low-cost, high-performance IMU suitable for the growing smart munitions market. We expect to market this precision technology for a broad range of defense, commercial, and industrial applications.



DELIVERING
greater value through the
integration of new fiber
optic technology

"The fastest-growing mobile electronics product in the U.S. aftermarket is rear-seat video entertainment. Mobile video factory sales grew 62% in 2002, to \$419 million."

— CEA market research



Creation of the innovative TracVision A5 enables KVH to tap into this huge new market and provide live programming to passenger vehicles on the move, throughout the United States.

DELIVERING
breakthrough technology to
seize new opportunities

■ ■ ■ KVH Industries, A Year in Review...

- First Quarter** KVH Industries' CEO Expects Substantial Revenue Growth in 2002
KVH Honored as STAGPARKWAY Vendor of the Year
New KVH Tracphone F77 Helps Mariners Stay On-line All the Time Worldwide
KVH Industries Introduces the eTrac Satellite E-mail System for Maritime Applications
KVH Fiber Optic Gyros Helping to Keep U.S. Trains on Track
- Second Quarter** KVH Provides Update – Forecast for 30-40% 2002 Revenue Growth Reiterated
New KVH DSP-5000 Fiber Optic Gyro Offers Breakthrough Price Performance
KVH Industries' TracNet Hits the Road with High-speed Internet Access
U.S. Military Selects KVH Fiber Optic Gyros for Stinger and ITAS Training Simulators
KVH Industries Awarded Patent for Reduced Configuration Fiber Optic Gyro
KVH Fiber Optic Gyros Selected for Two Military Turret Stabilization Applications
KVH TracVision Satellite TV Antennas Chosen by Fleetwood for 2003 Model RVs
KVH Launches Satellite Airtime Services as a Recurring Revenue Source
KVH Industries Wins Department of Defense Outstanding Quality Award
Featherlite Expands Use of KVH Satellite Technology Aboard Luxury Coaches
- Third Quarter** KVH TracVision Selected as Exclusive Satellite TV Solution by Rexhall Motorhomes
KVH Awarded \$1 Million in Development Contract by L-3 Communications
KVH and ABB Power Technology Products Division Develop New Optical Current Sensor
KVH Praised by Congressional Delegation for Contributions to War on Terrorism
KVH Fiber Optic Gyros Guide New U.S. Army Ground Prophet Signal Intelligence System
KVH TracVision and TracNet Provide Satellite TV/Internet on Marathon Luxury Coaches
- Fourth Quarter** U.S. Army Special Operations Command Selects KVH TACNAV Navigation Solution
KVH Patents Breakthrough Digital Signal Processing Technology for Fiber Optic Gyros
KVH Industries Announces Return to Profitability on 57% Revenue Growth
KVH Industries Sweeps NMEA Satellite Product Awards for Fifth Consecutive Year
KVH Introduces Newest TracVision Satellite TV Antennas for RVs and Motorcoaches
Emergency Responders Rely on KVH for Critical Information via Satellite TV
KVH Unveils Next-Generation Satellite TV Antenna at London International Boat Show
KVH Introduces Live Satellite TV in Cars at 2003 Consumer Electronics Show
KVH Receives \$1.6 Million Order to Upgrade U.K. Army Vehicles for Precision Navigation

To view all press releases on-line, visit www.kvh.com/press

■ ■ ■ KVH Industries, Delivering Around the Globe...

KVH Industries, Inc., is an international leader in designing and manufacturing innovative systems and solutions using its proprietary satellite antenna and fiber optic technologies for two principal markets – mobile satellite communications and defense-related navigation and guidance.

We have three locations. Our headquarters, in Middletown, Rhode Island, also houses the company's manufacturing facility for satellite communications and military navigation products. Fiber optic research, development, and manufacturing is carried out at our facility in Tinley Park, Illinois. Our European, Middle Eastern, and African satellite communications product sales, support, and marketing efforts are coordinated through our office in Hoersholm, Denmark.



>> KVH FIBER OPTIC GROUP
8412 W. 185TH STREET
TINLEY PARK, IL 60477
TEL: 708.444.2800
FAX: 708.444.2801



>>> KVH EUROPE A/S
VED KLAEDEBO 12
2970 HOERSHOLM
DENMARK
TEL: 011 45 45 160 180
FAX: 011 45 45 867 077



>> KVH HEADQUARTERS
50 ENTERPRISE CENTER
MIDDLETOWN, RI 02842
TEL: 401.847.3327
FAX: 401.849.0045

See our interactive annual report at www.kvh.com/annual

For additional information, please contact KVH Investor Relations at IR@kvh.com