



KVH Industries Reports Results for the Second Quarter; Backlog For the Quarter Totals \$14.6 Million Versus \$4.6 Million For the First Quarter of 2001

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MIDDLETOWN, R.I., Jul 19, 2001 (BUSINESS WIRE) -- KVH Industries (Nasdaq: KVHI), a leading provider of high-bandwidth communications products, tactical navigation systems, and fiber optic products, today reported its results for the second quarter ended June 30, 2001. Revenue for the period was \$7.8 million with a net loss of \$2.0 million, or \$0.19 per share. By comparison, KVH reported revenue of \$8.0 million and a net loss of \$0.2 million, or \$0.02 per share for the second quarter ended June 30, 2000. The higher net loss on a quarterly basis reflects the Company's ongoing research and development investments in its Photonic Fiber and Mobile Broadband projects. Backlog for the quarter totaled \$14.6 million versus \$4.6 million for the first quarter of 2001.

For the six months ended June 30, 2001, revenue increased 17% to \$16.0 million from \$13.6 million for the six months ended June 30, 2000. KVH also reported a net loss of \$3.5 million, or \$0.37 per share for the six months ended June 30, 2001, versus \$1.0 million or \$0.14 per share in the prior year.

"Our quarterly satellite communication revenues rose 10% over the same period last year despite the difficult economic environment," commented Martin Kits van Heyningen, President and Chief Executive Officer. "This marks the eighteenth consecutive posting of quarterly year-over-year growth in this market. We are clearly gaining market share in this sector of our business and are positioning the company for a market recovery in 2002."

"We also grew bookings for our military markets with key orders coming from Australia, New Zealand, and France. While we did record a 58% decrease in military revenues for the quarter, we built a shippable military backlog of \$11 million by quarter's end. In addition, we saw strong sales growth in our fiber optic business with sales up 36% during the second quarter and 118% year-to-date," Mr. Kits van Heyningen added.

In May, the company announced that it had completed the financing initiative it began at the end of 2000, raising a total of \$19.5 million. KVH is directing these resources primarily toward the development of the company's Photonic Fiber and Mobile Broadband initiatives.

KVH's proposed photonic fiber will allow the company to build high-speed optical networking components directly within a strand of optical fiber, a fundamentally different concept from the planar optic chip-based approach used by others. In addition to its ongoing research, KVH has started construction on a chemical lab and a clean room at its Tinley Park, Illinois, fiber optic manufacturing plant. These new facilities will enable the company to manufacture both polymers and optical networking components, such as its proposed 40 gigabit per second modulator.

"Most significantly, we continue to develop research collaborations directed at developing polymer materials for use in these products," remarked Mr. Kits van Heyningen. "Our goal is to develop and manufacture entirely proprietary material, securing our unique position in the industry and guaranteeing us a continuous source of polymer supply."

The company has also made good progress with its Mobile Broadband initiative, which is intended to make in-motion satellite TV and broadband Internet reception available to the automotive market. The company engaged in testing of operational prototype designs during the second quarter and expects to remain on schedule and provide early customer demonstrations of the new antenna before the end of the year.

With regard to the company's financial results, Richard Forsyth, Chief Financial Officer, said, "The Company's net loss for the second quarter of 2001 was impacted by the rescheduling of a military order to the second half of 2001. However, we were able to curtail some spending during the second quarter to offset lower revenues. We also elected to fully reserve our quarterly income tax benefit, which increased our net loss by \$867,164, or \$0.08 per share. Last year's second quarter tax benefit reduced our loss by \$0.1 million or approximately \$0.02 per share."

Mr. Kits van Heyningen concluded, "Our original outlook for the year has been tempered by the challenging economic environment. As a result, we now believe that 2001 revenues will exceed 2000 revenues by approximately 15% to 20%."

Second-quarter Highlights:

-- On June 4, 2001, KVH Industries announced a new working relationship with Atlanta-based STAGPARKWAY, the nation's largest distributor of parts and accessories to the recreational vehicle aftermarket. Through this relationship, TracVision land-mobile satellite TV systems and accessories will be marketed to more than 3,000 RV and truck dealerships nationwide.

-- On May 31, 2001, KVH Industries announced that it completed its private equity-financing plan with a private placement of 615,384 common shares to an institutional investor on May 25, 2001. This sale brings the total additional equity raised by the company since December 2000 to \$19.5 million. Proceeds of the placement will be used primarily to finance the company's Photonic Fiber and Mobile Broadband research and development projects.

-- On May 11, 2001, KVH Industries announced that it had received a contract from Giat Industries to provide the new TACNAV(TM) II tactical navigation system for integration with Giat Industries' SIT-VI Battlefield Management System (BMS). KVH's contract is worth more than \$2.7 million if all of the options are exercised.

KVH is webcasting its second quarter 2001 conference call live at 11:30 a.m. Eastern Time today through the company's web site at <http://www.kvh.com/company>. The audio also will be archived at the company web site within three hours following the completion of the call.

KVH Industries, Inc., is an international leader in developing and manufacturing innovative, mobile, high-bandwidth satellite communications systems, tactical navigation products, and fiber optic products. 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

	June 30, 2001 (Unaudited)	December 31, 2000 (Audited) □
Assets: □		
Current assets:		
Cash and cash equivalents	\$ 16,321,487	5,411,460
Accounts receivable, net	4,772,994	6,553,976
Costs and estimated earnings □		
In excess of billings on uncompleted contracts	554,138	419,145
Inventories	3,602,145	3,600,660
Prepaid expenses and other deposits	692,150	346,518
Deferred income taxes	637,799	637,799
Total current assets	26,580,713	16,969,558
Property and equipment, net	6,935,886	6,580,375
Other assets, less accumulated amortization	640,161	706,473
Deferred income taxes	2,238,430	2,238,430
Total assets	\$ 36,395,190	26,494,836
Liabilities and stockholders' equity: □		
Current liabilities:		
Bank line of credit	\$ --	598,865
Current portion long-term debt	81,111	81,111
Accounts payable	1,681,555	1,478,198
Accrued expenses	1,958,539	1,164,790
Customer deposits	1,269,354	1,195,091
Total current liabilities	4,990,559	4,518,055
Long-term debt	2,748,646	2,784,121

Total liabilities	7,739,205	7,302,176
Stockholders' equity:		
Common stock	109,237	86,191
Additional paid-in capital	34,158,000	21,186,459
Accumulated deficit	(5,611,252)	(2,079,990)
Total stockholders' equity	28,655,985	19,192,660
Total liabilities and stockholders' equity	\$ 36,395,190	26,494,836

KVH Industries, Inc., and Subsidiary
Consolidated Statements of Operations
(Unaudited) □

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Net sales	\$ 7,829,217	7,951,254	15,961,888	13,647,769
Cost of sales	5,007,273	5,051,034	10,016,446	8,869,310
Gross profit	2,821,944	2,900,220	5,945,442	4,778,459
Operating □ expenses: □				
Research & development	2,261,296	1,015,841	4,005,501	2,090,283
Sales & marketing	1,978,904	1,622,368	4,227,236	3,040,756
Administration	639,794	564,327	1,278,045	1,092,061
Loss from operations	(2,058,050)	(302,316)	(3,565,340)	(1,444,641)
Other income (expense): □				
Other income (expense)	(14,421)	55,245	(36,756)	(149,533)
Interest □ income □ (expense), □ net	78,575	(42,263)	70,834	(45,026)
Loss before income tax benefit	(1,993,896)	(289,334)	(3,531,262)	(1,639,200)
Income tax benefit	--	119,692	--	603,311
Net loss	\$ (1,993,896)	(169,642)	(3,531,262)	(1,035,889)
Per share information: □				
Loss per share				
Basic	\$ (0.19)	(0.02)	(0.37)	(0.14)
Diluted	\$ (0.19)	(0.02)	(0.37)	(0.14)

Number of
shares used
in per share
calculation: □

Basic	10,318,065	7,621,919	9,477,323	7,528,917
Diluted	10,318,065	7,621,919	9,477,323	7,528,917

This press release may contain certain forward-looking statements that involve risks and uncertainties. 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 Annual Report on Form 10K filed with the Securities and Exchange Commission on February 8, 2001. Copies are available through the company's Investor Relations Department and web site, www.kvh.com.

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