



KVH Industries Reports Results for the Third Quarter; Company Posts Continued Quarterly and Year-to-Date Growth

October 23, 2001

MIDDLETOWN, R.I.--(BUSINESS WIRE)--Oct. 23, 2001--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 third quarter ended September 30, 2001. Revenue for the period was \$7.9 million with a net loss of \$1.6 million, or \$0.14 per share. By comparison, KVH reported revenue of \$7.5 million and a net profit of \$18,238, or \$0.00 per share for the third quarter ended September 30, 2000.

For the nine months ended September 30, 2001, revenue increased 13% to \$23.9 million from \$21.1 million for the nine months ended September 30, 2000. KVH reported a net loss of \$5.1 million, or \$0.51 per share for the nine months ended September 30, 2001, versus \$1.0 million or \$0.13 per share in the prior year.

"Our quarterly revenue growth was driven by a strong 15% growth in our satellite communications products and a 112% increase in our fiber optic revenues over the third quarter of fiscal year 2000," noted Martin Kits van Heyningen, president and chief executive officer. "This growth helped to offset slowness in the military market, where our revenues were down 20% from the same quarter last year."

Mr. Kits van Heyningen pointed out that the company has started to see a significant acceleration in a number of KVH's ongoing programs to supply the TACNAV(TM) family of tactical navigation systems for military vehicles in the United States and allied forces abroad. "The tragic events of September 11 and the resulting support for counter-terrorism and homeland defense have created an increased and urgent demand for KVH's TACNAV systems."

"We have already communicated our commitment to the Defense Department that we will do whatever it takes to support the U.S. military and its allies, and we will give military requests for assistance the highest priority. We anticipate that military orders and corresponding revenues will expand significantly in the coming months," he added.

As part of its mobile broadband initiative, KVH continued the development of its new ultra-low profile satellite antenna, which will be capable of bringing satellite TV and high-speed Internet into automobiles, sport utility vehicles, and mini-vans. On October 22, KVH announced that it had achieved a milestone as Bell ExpressVu of Canada awarded KVH the rights to serve as the exclusive reseller for the high-powered DirecPC(R) broadband Internet service for mobile consumers in the United States. The new mobile DirecPC service is broadcast using Bell ExpressVu's high-powered Digital Video Broadcast (DVB) satellite, and can be received by KVH TracVision(R) antennas mounted on boats and vehicles anywhere within the continental United States and as far as 100 miles off the U.S. coast. KVH anticipates earning revenues from related equipment sales as well as through monthly fees charged to service subscribers.

Development continued in KVH's photonic fiber initiative, which 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.

With regard to the company's financial results, Richard Forsyth, chief financial officer, said, "We've made significant progress in our two development projects and, as a result, project spending is beginning to decline. We anticipate further improvement in our operating results in the current quarter and are optimistic that we will return to profitability as our project spending winds down in the second half of 2002."

Mr. Kits van Heyningen concluded, "Even though world events and military planning add an element of unpredictability to any forecasts, we expect that while our annual revenue growth this year will end up within the 10-15% range, our revenue growth will return to its historic levels next year."

Third Quarter Highlights

- On July 18, 2001, KVH announced that it had been awarded a \$1.5 million contract to provide its TACNAV tactical navigation system for use aboard the New Zealand Army's new fleet of Light Armored Vehicles (LAVs).
- On August 21, 2001, KVH announced that it had hired S. Joseph Bookataub as its Chief Operating Officer. The company cited Mr. Bookataub's management experience, from GE, Xerox, NCR, and other leading technology firms, and his proven record of controlling and reducing product costs in growing companies as key factors in his hiring.

KVH is webcasting its third 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

	September 30, 2001 (Unaudited)	December 31, 2000 (Audited)
Assets: □		
Current assets:		
Cash and cash equivalents	\$ 13,258,113	5,411,460
Accounts □ receivable, net	5,738,014	6,553,976
Costs and estimated earnings In excess of billings on uncompleted contracts	677,704	419,145
Inventories	3,569,368	3,600,660
Prepaid expenses and other deposits	761,956	346,518
Deferred income taxes	637,799	637,799
Total current assets	24,642,954	16,969,558
Property and equipment, net	7,134,534	6,580,375
Other assets, less accumulated amortization	607,005	706,473
Deferred income taxes	2,238,430	2,238,430
Total assets	\$ 34,622,923	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	1,609,256	1,478,198
Accrued expenses	2,004,394	1,164,790
Customer deposits	1,124,914	1,195,091
Total current liabilities	4,819,675	4,518,055
Long-term debt	2,729,964	2,784,121
Total liabilities	7,549,639	7,302,176
Stockholders' equity:		
Common stock	109,242	86,191
Additional paid-in capital	34,142,538	21,186,459
Accumulated deficit	(7,178,496)	(2,079,990)
Total stockholders' equity	27,073,284	19,192,660
Total liabilities and stockholders' equity	\$ 34,622,923	26,494,836

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

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Net sales	\$7,939,402	7,461,492	23,901,290	21,109,261
Cost of sales	5,126,719	4,454,136	15,143,165	13,323,446
Gross profit	2,812,683	3,007,356	8,758,125	7,785,815
Operating □ expenses: □				
Research & development	1,722,112	882,350	5,727,613	2,972,633
Sales & marketing	2,017,777	1,433,292	6,245,013	4,474,048
Administration	711,309	605,353	1,989,354	1,697,414
(Loss) income from operations	(1,638,515)	86,361	(5,203,855)	(1,358,280)
Other income (expense): □				
Other income (expense)	7,950	(3,493)	(28,806)	(120,050)
Interest income (expense), net	63,321	(51,533)	134,155	(129,535)
Loss (income) before income tax expense (benefit)	(1,567,244)	31,335	(5,098,506)	(1,607,865)
Income tax expense (benefit)	--	13,097	--	(590,214)
Net (loss) income	\$ (1,567,244)	18,238	(5,098,506)	(1,017,651)
Per share information: □				
(Loss) income per share □				
Basic	\$ (0.14)	0.00	(0.51)	(0.13)
Diluted	\$ (0.14)	0.00	(0.51)	(0.13)
Number of shares used in per share calculation: □				
Basic	10,924,145	7,677,043	9,964,896	7,578,471
Diluted	10,924,145	8,127,286	9,964,896	7,578,471

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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