



## KVH Announces 3rd Quarter 2000 Results Quarterly Sales Increase of 56% Drives Return to Profitability

October 19, 2000

MIDDLETOWN, R.I.--(BUSINESS WIRE)--Oct. 19, 2000--KVH Industries, Inc. (Nasdaq: KVHI) today announced that the company generated net income of \$18,238 for the third quarter ended September 30, 2000. The company's return to profitability resulted from strong growth in communications and military sales, improvements in gross margin and lower operating expenses during the quarter.

"We made significant investments in R&D over the past three years and we are pleased to see those investments driving sales growth and most importantly, producing profitable results. Mobile Satellite product sales continued to demonstrate strong growth and a rebound in military navigation sales also contributed to our profitability," said Martin Kits van Heyningen, president and CEO.

Total revenues for the third quarter increased 56 percent to \$7.5 million from \$4.8 million in the 1999 period. Quarterly gross profits increased to \$3.0 million from \$1.5 million and gross margin as a percentage of net sales improved to 40 percent from 31 percent in 1999. Total operating expenses remained nearly flat at about \$3.0 million in both the 2000 and 1999 third quarters. The 2000 third quarter operating income was \$86,361 compared to \$1.6 million loss in 1999. Net earnings for the 2000 third quarter of \$18,238 or \$0.00 per share compare to a net loss of \$1.0 million or \$0.14 per share in 1999.

For the nine months ending September 30, 2000, total revenues increased 22 percent to \$21.1 million from \$17.3 million in the 1999 period. Gross profits increased to \$7.8 million from \$5.9 million and gross margin as a percentage of net sales increased to 37 percent from 34 percent. Year-to-date total operating expenses increased to \$9.1 million from \$8.4 million in 1999. The year-to-date operating loss declined to \$1.4 million in 2000 from a \$2.5 million loss in 1999. A net loss year-to-date of \$1.0 million or \$0.13 a share compares to a net loss of \$1.5 million or \$0.21 per share in 1999.

According to Chief Financial Officer Richard Forsyth, "We anticipate the positive sales trends that we experienced in the third quarter to continue into the fourth quarter of this year. We worked hard at controlling spending in the third quarter and succeeded in decreasing quarterly operating expenses as a percentage of revenues in every cost category. We realized an R&D expense savings of 24 percent over the prior year as we offset internal research spending with customer funding. Current research efforts related to our Mobile Broadband and Photonic Fiber projects are beginning to accelerate and we anticipate that R&D expense will return to historic levels beginning in the fourth quarter of 2000."

KVH is webcasting its third quarter 2000 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 after the call is completed.

KVH Industries, Inc., is a leading international provider of innovative mobile, high-bandwidth satellite communications systems and navigation products. Its award-winning products address a variety of markets worldwide, including mobile broadband satellite communications, tactical navigation, and fiber optics. The company has headquarters in Middletown, RI, (USA) with offices in Illinois, Florida and Denmark.

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 March 27, 2000. Copies are available through the company's Investor Relations Department or web site.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2000	1999	2000	1999
Net sales	\$7,461,492	4,781,389	21,109,261	17,280,203
Cost of sales	4,454,136	3,295,606	13,323,446	11,349,188
Gross profit	3,007,356	1,485,783	7,785,815	5,931,015

Operating expenses:

Research & development	882,350	1,158,263	2,972,633	3,068,103
Sales & marketing	1,433,292	1,389,290	4,474,048	3,783,490
Administration	605,353	524,340	1,697,414	1,576,299
Total operating expense	2,920,995	3,071,893	9,144,095	8,427,892
Income (loss) from operations	86,361	(1,586,110)	(1,358,280)	(2,496,877)
Other (expense) income	(55,026)	6,017	(249,585)	53,672
Profit (loss) before income taxes	31,335	(1,580,093)	(1,607,865)	(2,443,205)
Income tax (expense) benefit	(13,097)	538,509	590,214	948,884
Net income (loss)	\$18,238	(1,041,584)	(1,017,651)	(1,494,321)
Per share information:				
Income (loss) per share - basic	\$0.00	(0.14)	(0.13)	(0.21)
Income (loss) per share -diluted	\$0.00	(0.14)	(0.13)	(0.21)
Shares - basic	7,677,043	7,262,510	7,578,471	7,223,215
Shares - diluted	8,127,286	7,262,510	7,578,471	7,223,215

KVH Industries, Inc. and Subsidiary  
Consolidated Balance Sheets

September 30, 2000                      December 31, 1999  
(Unaudited)                                      (Audited)

Assets: □

Current assets:

Cash and cash equivalents	\$841,196	2,047,838
Accounts receivable, net	5,310,657	3,362,390
Costs and estimated earnings in excess of billings on uncompleted contracts	686,149	444,492
Inventories	3,633,213	3,672,269
Prepaid expenses and other deposits	341,620	292,793
Deferred income taxes	363,462	376,628
Total current assets	11,176,297	10,196,410
Property and equipment, net	6,805,686	7,227,778
Other assets, less accumulated amortization	739,629	839,113
Deferred income taxes	2,169,690	1,571,409
Total assets	\$20,891,302	19,834,710

Liabilities and stockholders' equity:

Current liabilities:

Current portion long term debt	\$75,961	75,643
Line of credit	1,354,647	--
Accounts payable	1,288,927	1,599,770
Accrued expenses	1,240,827	792,086
Total current liabilities	3,960,362	2,467,499
Long term debt	2,816,294	2,865,232
Total liabilities	6,776,656	5,332,731

Stockholders' equity:		
Common stock	76,827	72,969
Additional paid-in capital	16,194,340	15,567,880
Accumulated deficit	(2,156,521)	(1,138,870)
Total stockholders' equity	14,114,646	14,501,979
Total liabilities and stockholders' equity	\$20,891,302	19,834,710

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