



## **KVH's Fourth Quarter Revenue Grows 60 Percent; Company Expects Strong 2001 Revenue Growth**

February 8, 2001

MIDDLETOWN, R.I.--(BUSINESS WIRE)--Feb. 8, 2001--KVH Industries, Inc. (Nasdaq: KVHI) today reported that revenue for the fourth quarter ended December 31, 2000, grew 60% to \$8.8 million from \$5.5 million in the fourth quarter of 1999.

The Company also reported fully diluted earnings per share for the fourth quarter of \$0.01 compared to a loss of \$0.17 per share for the same quarter of 1999. Operating income for the period was \$0.2 million and net income was approximately \$0.1 million compared to a loss of \$1.5 million and \$1.2 million, respectively, for the same period in 1999.

"In 2000 we set out to return KVH to profitability," said Martin Kits van Heyningen, President and CEO. "We clearly accomplished this goal by achieving earnings on an EBITDA basis during the second quarter of 2000, followed by increasing net earnings in the third and fourth quarters of the year. Robust revenue growth in each of our three target markets: Fiber Optics, Mobile Satellite Communications, and Tactical Navigation are driving our business. KVH's reputation for high-quality products, superior technology, and reliability are gaining increased recognition and acceptance in these rapidly growing markets. Our strong revenue growth allowed us to achieve profitability while aggressively investing in new technology development."

For the year ended December 31, 2000, KVH stated that revenue increased 32% to approximately \$30.0 million for 2000, compared to \$22.8 million for 1999. The company reported net loss per share of \$0.12, compared to a loss of \$0.37 per share in the comparable year-ago period. Operating loss was \$1.1 million and net loss was \$0.9 million compared to an operating loss of \$4.0 million and a net loss of \$2.7 million, for fiscal 2000 and 1999, respectively.

Richard Forsyth, Chief Financial Officer, commented, "Throughout fiscal 2000, we have been highly successful in decreasing quarterly operating expenses as a percentage of revenue in every cost category, leading to significant improvements in operating profitability. This quarter we drove our operating efficiencies to the bottom line. Looking ahead to 2001 we anticipate that the positive trends we experienced during 2000 in our core business will continue. However, the pace of investment in our photonic fiber and mobile broadband/TV research initiatives will determine the company's overall profitability."

Mr. Kits van Heyningen commented, "During the past year, we made an initial investment in two technologies that, if successfully developed, could accelerate the growth of KVH Industries. Our goal is to bring the initial products using these technologies to market within 18 months. We believe these products will address customer requirements in very large markets."

"To fully capitalize on the potential both of these projects have demonstrated during the initial phases of development, we have decided to invest heavily in these programs. As part of that decision, the company recently completed a private placement of Common Stock for \$5 million. As 2001 progresses and we gain a better understanding of the commercial potential for both technologies, we may accelerate the development efforts. Such acceleration would require our seeking additional outside capital. In addition, acceleration in the programs' schedules would involve increased R&D spending, which, as a result, may cause us to operate at a net loss during the year. By pursuing these development programs, we believe we are setting KVH on a long-term course to compete in two multi-billion dollar markets that we currently don't address."

### Fourth-quarter highlights:

- On December 12, 2000, KVH Industries announced a two-year, \$4.7 million contract to equip the new armored vehicles of an undisclosed southeast Asian country with KVH's TACNAV(TM) tactical navigation systems.
- On December 6, 2000, KVH Industries introduced the TracVision(R) L3 mobile satellite television antenna in North America. The TracVision L3 has a gyro-stabilized antenna and receives programming from DIRECTV(R), the DISH Network(TM), and other high-powered, DVB-compatible satellite systems worldwide.
- On November 6, 2000, KVH Industries announced a \$1.5 million contract award for the production of E-Core(TM) Fiber Optic Gyros, which will be deployed in the Javelin Basic Skills Trainer produced by Orlando-based ECC International Corporation.
- On October 18, 2000, KVH Industries introduced the latest in its line of marine satellite television antennas - the TracVision G6 and TracVision 6. These systems have a 24-inch antenna enabling them to receive satellite television signals throughout a wider coverage area than smaller 18-inch antennas.

December 31, 2000 and 1999

	2000 (Unaudited)	1999 (Audited)
Assets: □		
Current assets:		
Cash and cash equivalents	\$ 5,411,460	2,047,838
Accounts receivable, net	6,553,976	3,362,390
Costs and estimated earnings in excess of billings on uncompleted contracts		
Inventories	419,145	444,492
Prepaid expenses and other deposits	3,600,660	3,672,269
Deferred income taxes	346,518	292,793
Deferred income taxes	637,799	376,628
Total current assets	16,969,558	10,196,410
Property and equipment, net	6,580,375	7,227,778
Other assets, less accumulated amortization	706,473	839,113
Deferred income taxes	2,238,430	1,571,409
Total assets	\$ 26,494,836	19,834,710
Liabilities and stockholders' equity:		
Current liabilities:		
Current portion long-term debt	\$ 81,111	75,643
Borrowings against bank line of credit	598,865	--
Accounts payable	1,478,198	1,599,770
Accrued expenses	1,164,790	792,086
Customer deposits	1,195,091	--
Total current liabilities	4,518,055	2,467,499
Long-Term Debt	2,784,121	2,865,232
Total liabilities	7,302,176	5,332,731
Stockholders' equity:		
Common stock	86,191	72,969
Additional paid-in capital	21,186,459	15,567,880
Accumulated deficit	(2,079,990)	(1,138,870)
Total stockholders' equity	19,192,660	14,501,979
Total liabilities and stockholders' equity	\$ 26,494,836	19,834,710

KVH INDUSTRIES, INC. AND SUBSIDIARY  
Consolidated Statements of Operations  
(Unaudited) □

	Three months ended December 31,		Twelve months ended December 31,	
	2000	1999	2000	1999
Net sales	\$ 8,844,466	5,542,226	29,953,727	22,822,429
Cost of goods □ sold	5,296,992	3,685,062	18,620,438	15,034,250
Gross □ profit	3,547,474	1,857,164	11,333,289	7,788,179
Operating □ expenses: □				
Research □ & development	929,521	1,131,267	3,902,154	4,199,370
Sales & marketing	1,848,133	1,687,741	6,322,181	5,471,231
Administration	523,057	535,569	2,220,471	2,111,868

Operating				
profit (loss)	246,763	(1,497,413)	(1,111,517)	(3,994,290)
Other income				
(expense):				
Interest				
expense, net	(72,387)	(9,155)	(192,437)	(40,236)
Other				
(expense)				
income	(21,805)	10,499	(133,723)	19,805
(Loss) gain				
on foreign				
currency				
translation	(45,463)	9,116	(63,080)	63,644
Income (loss)				
before income				
tax expense				
(benefit)	107,108	(1,507,873)	(1,500,757)	(3,951,077)
Income tax				
expense				
(benefit)	30,577	(304,939)	(559,637)	(1,253,822)
Net income				
(loss)	\$ 76,531	\$ (1,202,934)	(941,120)	(2,697,255)
Per share				
information:				
Net income				
(loss) per				
common share				
- basic	\$ 0.01	(0.17)	(0.12)	(0.37)
Net income				
(loss) per				
common share				
- diluted	\$ 0.01	(0.17)	(0.12)	(0.37)
Weight average				
number of				
shares				
outstanding:				
Basic	7,778,364	7,264,460	7,628,166	7,234,961
Diluted	8,197,506	7,264,460	7,628,166	7,234,961

KVH is webcasting its fourth 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 provider of innovative high-bandwidth communications products, navigation systems, and fiber optic products. Using proprietary fiber optic and satellite antenna technology, 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 Illinois, and a European sales, marketing, and support office in Hoersholm, 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, and in the company's Form 10Q filed with the Securities and Exchange Commission on October 19, 2000. Copies are available through the company's Investor Relations Department or web site.

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