



## **KVH Makes Great Strides During First Year in Automotive Satellite TV Market**

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### ***New TracVision A5 Sales and Distribution Agreement, Along with Expanded DIRECTV Programming, Announced During 2005 International Consumer Electronics Show Press Event***

MIDDLETOWN, R.I.--(BUSINESS WIRE)--Jan. 6, 2005-- For more than a decade, KVH Industries (Nasdaq: KVHI) has successfully brought the same high-quality television entertainment that people enjoy in their homes to them while they are traveling, first aboard boats and then RVs. In September 2003, KVH changed the face of the automotive passenger entertainment market when it began shipping its low-profile TracVision(R) A5 satellite TV antenna to retailers and consumers across the country. The award-winning TracVision A5 opened the automotive market to mobile satellite TV service, allowing travelers to enjoy crystal-clear, digital-quality DIRECTV(R) programming on open roads across the U.S. Yesterday, at a joint press conference with DIRECTV during the 2005 International Consumer Electronics Show, KVH representatives spoke with the media about the growing interest in the TracVision A5 and DIRECTV in automobiles as well as KVH's newest TracVision A5 sales and distribution agreement.

"I am extremely proud of the progress we've made since the TracVision A5 entered full-scale production and started shipping to the automotive market and consumers more than a year ago," said Martin Kits van Heyningen, KVH's president and chief executive officer, during the press conference. "Based on our experience designing, building, and selling almost 75,000 mobile satellite antennas for the boat and RV market, we knew that we had to offer not only an outstanding antenna system but also the content, service, and support necessary to create a complete, high-quality user experience. I believe that we have succeeded in this task by developing an integrated solution that makes live satellite TV practical and affordable in cars through our hybrid phased-array antenna technology and our collaboration with DIRECTV, the leading satellite TV provider in North America."

Creating a practical solution for live satellite TV in automobiles was a technological challenge that many companies sought to overcome but KVH, following three years of R&D, was the first to solve. To do so, KVH developed a new hybrid phased-array antenna solution designed to meet the performance, cost, and aesthetic goals necessary to succeed in the automotive market. The company also redesigned the satellite TV receivers to work in the demanding 12V automotive environment. In addition, KVH established a nationwide network of retail locations and entered into an agreement with DIRECTV to ensure that passengers in cars had access to programming from the premier satellite TV provider in the U.S. The result of these efforts is the award-winning TracVision A5, a consolidated package of hardware and satellite TV service that provides an entertaining experience for consumers.

The TracVision A5 reached consumers just as the demand for passenger entertainment systems began to skyrocket in the automotive marketplace. Passenger entertainment is now among the most popular automotive accessories on the market today, with more than one-third of 2004 model year SUVs and minivans sold in the U.S. equipped with in-vehicle video screens, according to J.D. Power and Associates. Industry analyst Frost & Sullivan expects that more than 18 million vehicles in the United States will be equipped with video systems by 2008.

Commenting on the proven popularity of entertainment in vehicles and the prospects for greater demand for live satellite TV in cars, Mr. Kits van Heyningen said, "Back in 1930, the Galvin Manufacturing Corporation - now better known by its newer name, Motorola - introduced the car radio, which cost about \$130 at the time (\$1,500 in today's dollars, adjusted for inflation). The pundits' reaction was that the idea was ridiculous! Even though attempts were made to outlaw radio in cars, Ford introduced the AM radio as standard equipment on some of its selected models in 1933 and by 1934 an estimated 1.5 million cars were equipped with factory-installed radios. Even with CD players and tape decks offered as standard equipment in most cars now, a Consumer Electronics Association survey found that people still listen to live radio almost 70% of the time in their car. We believe history could repeat itself as the tremendous demand for in-vehicle video systems is again demonstrating the value consumers place on having high-quality sources of entertainment in their cars."

To ensure that high-quality entertainment was available for cars, KVH built on its longstanding relationship with DIRECTV, and helped promote the concept of the DIRECTV TOTAL CHOICE(R) MOBILE programming package for automobiles.

"DIRECTV programming is not only available in one in eight homes across America - we now have more than 13.5 million customers - it can be seen from the skyways to the highways...live on commercial and private jets planes, in tractor trailer cabs, RVs, boats, and buses," remarked Daren Benzi, DIRECTV's vice president of sales development and strategy. "And now, thanks to the innovative people at KVH, we can add America's most popular mode of travel - automobiles."

The joint press conference served as DIRECTV's formal introduction of the TOTAL CHOICE MOBILE package for automobiles. The satellite TV programming package provides access to more than 125 channels of digital-quality TV programming and CD-quality music for customers using the TracVision A5 antenna.

"The DIRECTV experience for mobile users will get even better," Benzi said during his comments to the press. "I'm delighted to announce today that we recently signed an agreement with the Starz Encore Group to offer the STARZ Super Pak. This is the same premium movie service package available to our residential customers. It offers 750 movies every month on 13 digital movie channels and a wide variety of genres and themes from romance to action to mystery. This will be an exciting new addition for our mobile customers and will be available early this year."

At just \$4.99 per month for existing DIRECTV residential subscribers, TOTAL CHOICE MOBILE is half the cost of a monthly satellite radio subscription, and for customers subscribing only to the mobile programming package, the price is \$39.99 per month. KVH is the only satellite TV antenna manufacturer currently authorized to sell and support DIRECTV programming in cars.

"We are bringing this mobile satellite TV solution to vehicles through a multi-faceted strategy," continued Kits van Heyningen. "Our first target is the aftermarket. At the same time, we are pursuing sales of the TracVision A5 as a dealer-installed option, and in the longer term as a factory-installed component. I believe that we've made good progress in carrying out this strategy."

KVH's broad-based aftermarket distribution network now includes more than 800 retail locations, among them national and regional chains like Tweeter, Hi-Fi Buys, and The Good Guys, as well as automotive expeditors like Prestige Products Corporation and Autohaus Automotive. Leading conversion van manufacturers like Elk Automotive and Sherrod Vans are also choosing to include the TracVision A5 as an option on their vehicles.

With a well-established aftermarket sales program, KVH is now responding to growing interest among automakers. In the last several months, KVH representatives have met with 14 automotive Original Equipment Manufacturers (OEMs). Acceptance of the TracVision A5 and the concept of live DIRECTV in the car are gaining momentum as OEMs recognize the opportunity to use in-vehicle satellite TV to distinguish their vehicles from the competition.

As a result of these discussions, a number of automakers have equipped project cars with TracVision A5 and are carrying out long-term demonstrations and evaluations. In September 2004, General Motors identified the TracVision A5 as a "high-tech must-have" product for GM customers and featured the TracVision A5 in the GM booth at the SEMA Trade Show in November 2004.

Mr. Kits van Heyningen also touched on the company's latest milestone in its efforts to offer TracVision A5 as a dealer-installed option. "I'm pleased to announce that we've signed a major new sales and distribution agreement that opens the door for potential sales of the TracVision A5 directly through more than 1,800 OEM-affiliated car dealers across the United States. While our contractual arrangement prevents me from identifying the distributor or automaker at this time for competitive reasons, this new agreement and the efforts of our distribution partner could result in our first-ever OEM-approved sales through car dealers in three major automotive brands. We'll be providing additional details on this agreement in the weeks and months ahead.

"In the longer-term, we are working aggressively to develop TracVision systems that will support factory installation, which is the key to true mass production and sales. Our first step is to develop an embedded system that will have only a minimal profile above the roof. I expect that you'll see prototypes of the embedded TracVision system installed in concept vehicles within the next several months. At the same time, we are also making excellent progress on an entirely electronic system that will have no moving parts and be ideal for an entirely invisible in-roof installation."

KVH's leadership in this area has not gone unrecognized. General Motors honored KVH and the TracVision A5 with its "Most Innovative Product Design" Award in 2004. On January 3, 2005, the company received the Market Leadership Award from industry research firm Frost & Sullivan, recognizing KVH's pioneering efforts to develop and support the automotive satellite TV marketplace. KVH has also been named a finalist for the prestigious 2005 Automotive News PACE Award, as well as a Consumer Electronics Association "Design & Innovation Honoree," among others. These awards, coupled with KVH's TracVision A5 sales, OEM interest, and new distribution agreements, have clearly established KVH as the leader in the automotive satellite TV industry.

"Until we began shipping TracVision A5 to consumers in 2003, the pinnacle of in-vehicle entertainment consisted of satellite radio, passenger video screens, and a DVD player," concluded Mr. Kits van Heyningen. "With the introduction of mobile access to live DIRECTV programming, KVH and DIRECTV have changed the dynamic for what could be considered a well-equipped vehicle by offering a complete satellite TV system with all components designed specifically to meet the demanding needs of the automotive environment, more than 125 channels of live satellite TV and commercial-free music, and a monthly subscription cost half that of satellite radio. KVH and DIRECTV are now redefining the standard for high-quality automotive entertainment."

Note to editors - High-resolution images of KVH's satellite products are available at <http://www.kvh.com/mediasupport>. Additional details about KVH's complete family of mobile satellite TV solutions are available at <http://www.tracvision.com>.

KVH Industries, Inc., is the leader in designing and manufacturing mobile satellite solutions for vehicles and vessels, having produced and fielded almost 75,000 antennas for these applications. An ISO 9001-certified company, KVH has headquarters in Middletown, Rhode Island, with a fiber optic and military navigation product manufacturing facility in Tinley Park, Illinois, and a European sales, marketing, and support office in Kokkedal, Denmark.

This press release may contain certain forward-looking statements that involve risks and uncertainties. For example, the statements regarding the company's financial and product development goals for 2005 and beyond are forward-looking statements. 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 products suitable for automotive manufacturer use; failure to gain the acceptance of or orders from automotive manufacturers; widespread consumer demand for satellite TV service in cars fails to develop; lack of reliable vendors, service providers, and outside products; unforeseen changes in competing technologies and products; worldwide economic variances; and changes in consumer expectations and requirements. Additional factors are discussed in the company's most recent Form 10-Q filed with the SEC. Copies are available through the company's Investor Relations department and web site, [www.kvh.com](http://www.kvh.com). KVH assumes no obligation to update its forward-looking statements to reflect new information and developments.

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