

Providing information to people on the *road...*

KVH offers mobile entertainment, communications, and Internet for RVs, trucks, and motorcoaches



News Briefs

Happenings

- ▶▶ [HDTV-ready KVH TracVision M3 DX Leads All-new 14-inch TracVision Marine Satellite TV Family](#)
- ▶▶ [KVH Reports Results for Fourth Quarter and Fiscal Year 2006](#)
- ▶▶ [KVH Receives \\$2.6 Million Order for Fiber Optic Gyro-based Inertial Measurement Units](#)

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- ▶▶ [New England Boat Show 02.17 - 02.24 Booth # 341 Boston, MA](#)
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## See what's new at KVH

**KVH Industries, Inc.**  
Investor Update



# Forward-looking Statements

**This presentation may include forward-looking statements. Forward-looking statements include our current expectations and predictions of future results or events. These statements are inherently uncertain, and actual results and events could differ materially from our expectations or predictions. Important factors that could cause actual results or events to vary from our expectations and predictions include the risk factors described in our annual and quarterly reports filed with the SEC. We assume no obligation to update our forward-looking statements to reflect new information or developments.**

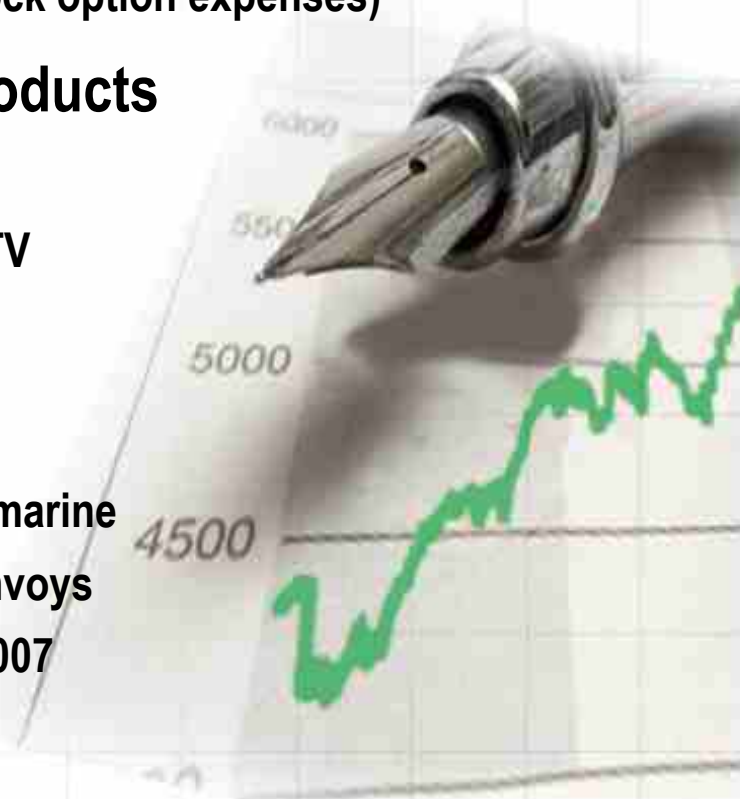
# An Introduction to KVH

- **Focused on mobile markets**
  - Mobile communications
  - Defense navigation and guidance
- **Strong core technologies**
  - Innovative new systems
- **Strategic relationships**
  - DIRECTV, Microsoft MSN TV, others
- **Strong financially**
  - Profitable with solid balance sheet
- **Recent product introductions**
  - Strengthened market positions and positioned company for future growth
- **Significant commitment to ongoing technology and product development**



## 2006 Recap

- **We exceeded our financial goals**
  - Revenue growth 11%
  - EPS growth approximately 60% (excluding stock option expenses)
- **Successfully introduced major new products**
  - Complete refresh of RV satellite TV family
  - Breakthrough TracVision M3 marine satellite TV for U.S. and Europe
  - New TracVision A7 automotive system with enhanced features
  - TracNet 100 mobile Internet for RV, auto, and marine
  - Mobile communication system for military convoys
  - Development launched on new products for 2007



# Diversified Revenue Sources

## Communications

70% of Revenues

### Mobile Communication Systems



## Defense

30% of Revenues

### Fiber Optics and Sensors



## **KVH Focused on Three Mobile Markets**

- **Automotive, Marine, Recreational Vehicles**
- **Demand increasing for mobile access to live information while on the move**
- **Connecting mobile users to live satellite TV and Internet**
- **Combining product sale, installation, and activation through our unique distribution channels**



# KVH's Mobile Communication Strategy

- **Provide best-in-class service for mobile satellite TV and broadband Internet**
  - Work with the best service providers
  - Leverage increasing interest in mobile video
- **Address platforms, not hand-held units**
  - Enables product differentiation based on key market knowledge
- **Focus on systems, not simply antennas**
- **Provide high-quality mobile video**
  - Live content, hundreds of channels, true HDTV resolution
- **Offer reliable, cost-effective solutions to critical military needs**



# Expanding the Marine Market: 14" TracVisions

- **New 14" diameter TracVision systems**
  - Low-cost “at anchor” TracVision M2
  - In-motion TracVision M3 ST (DIRECTV) and TracVision DX (HDTV & European services)
  - Super-efficient antenna offers performance comparable to 18" systems
  - Addition to our award-winning 18", 24" & 32" products
- **Opening previously untapped market of boats 25-40'**
- **International recognition**
  - 2006 NMEA Industry Award winner
  - 2006 DAME Award winner, Marine Electronics
- **Addressing recent challenges in North American marine market**





# Revitalizing the RV Market: TracVision R-series

- Complete overhaul of RV line with the new TracVision R-series in 2006
- Solid growth in second half 2006
  - Drove renewed revenue growth despite declining vehicle sales
- Flagship product: TracVision R6
  - 12-inch high, high-efficiency antenna
  - Integrated GPS
  - DewShield™ electronic dew elimination
  - Supports DIRECTV, DISH and ExpressVu
- Value products: TracVision R4 & R5
  - Enhanced capabilities at competitive cost



# Leading the Auto Market: TracVision A7

- **TracVision A7 automotive satellite TV system**
  - 185 channels of DIRECTV with coast-to-coast coverage
  - Includes local channels thanks to integrated GPS and new receiver designed with DIRECTV
  - \$4.99/month for existing DIRECTV subscribers
- **Enhanced performance and design**
  - High-gloss automotive finish
  - Improved tracking, silent motors, easier install
  - Satellite switching for multi-satellite programming
- **2007 CEA Innovations Honoree**
- **Building new interest and sales**
  - Still only automotive satellite TV product on the market in the U.S.



# Connecting Mobile Users: TracNet 100

- **Mobile high-speed Internet system**
  - Marine, RV and automotive variants
  - Available nationwide through existing dealer networks
- **Media player with integrated MSN TV**
  - Connects directly to TV and video systems
  - Computer-free Internet and media access
- **Built-in WiFi router creates mobile hot spot**
- **Uses EVDO broadband data service**
- **Supports multiple users and devices**



# Mobile Access to Streaming Audio & Video

The screenshot displays a mobile application interface with a blue header labeled "Music • Radio Plus" and a "Help" icon. The main content area is divided into two columns of station categories: "Browse for stations by category" (including Featured Stations, Country, Hip-Hop/R&B, Jazz, New Age, Pop, and Rock) and "My Stations" (listing Thailand: FM 100.5, Digitally Imported - Deep House, and an "Edit/More" option). A "Home Media: Music" section below offers to listen to music from home networks or other devices. A bottom navigation bar includes "8 Unread mail", "5 Contacts online", and "msntv" branding. A secondary screen is partially visible, showing a "Help" icon, a satellite image of a storm, "msn Parental Controls", and a "News" section with a "Browse Category" button. A yellow box highlights the "Entertainment" category in the secondary screen's navigation bar, with a yellow arrow pointing from the "Home Media: Music" section to it.

# Leveraging Our Technology Investment

- **Common antenna electronics and software**
  - Improving economy of scale
  - Increasing pace of new product introductions
- **Common mobile satellite TV receivers**
  - Supporting TracVision systems in cars, boats, and RVs
  - Designed in cooperation with DIRECTV
- **Expanding product capabilities in all product lines**
- **Applying mobile communications expertise to consumer and defense markets**



# Adapting KVH Satellite Technology for Defense

- **Highly mobile military forces require communications on the go**
  - Satellite-based solutions (satcom-on-the-move)
  - Secure inter-vehicle systems
- **Leveraging commercial satellite experience**
- **Combining KVH's communication and navigation expertise and technology**
- **Ruggedized low-profile antennas for military satellite communication**
  - L, Ku, and Ka bands
- **Developing OEM antennas as well as complete systems**



# Supporting Military Convoys

- **Major communication gaps in convoy operations**
  - Few vehicles have radios
- **KVH Convoy Comms system closes those gaps**
  - Enables secure, real-time status, update, and alert communications among convoy members
  - Employs rugged PDA with color touch screen
  - Secure RF communications
  - Each system relays signals downrange to more distant vehicles
  - Compatible with KVH TACNAV
- **Cost-effective design**
- **Initial military testing underway**
  - 200,000 vehicles in target market



# Icon-based Messaging

- Predefined messages support convoy operations

## - High Priority Alerts



## - Medium Priority Alerts



## - Low Priority Messages





# Fiber Optic Gyros: Strong Growth Potential

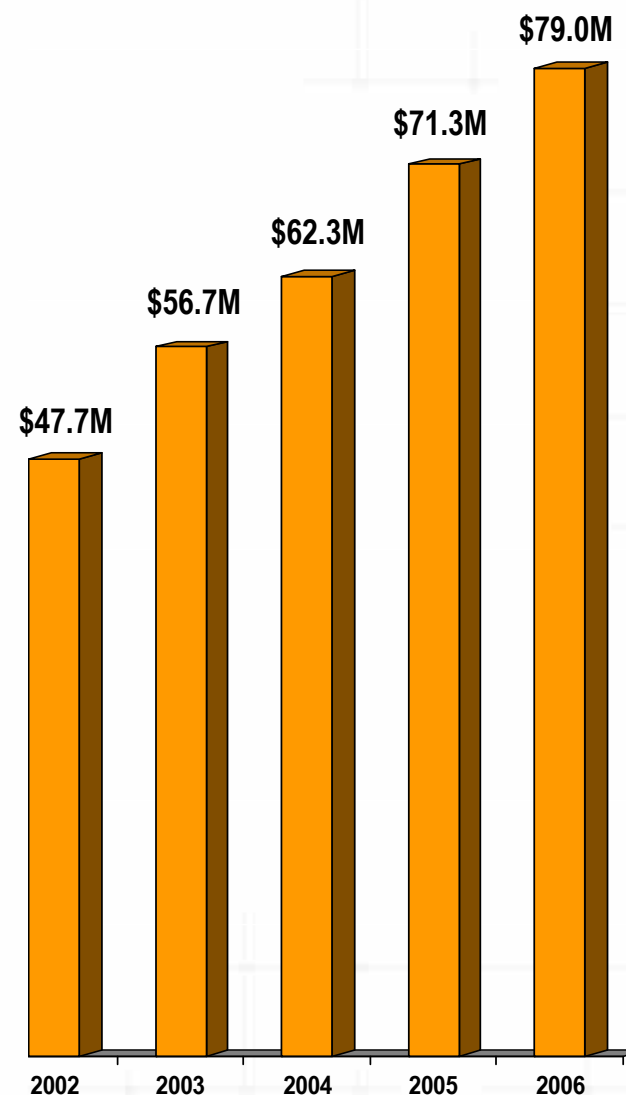
- **Design wins & new opportunities**
  - Stabilized weapons, guidance systems
  - Supporting pointing, navigation & stabilization applications
- **Strong intellectual property position**
- **Offering greater accuracy & reliability**
  - 1- and 2-axis FOGs; 3-axis inertial measurement units
  - Replacement for mechanical gyros
  - Smaller FOGs in development phase
- **Growing revenue stream**
  - FOG revenue up >45% in 2006



# Operational & Financial Overview

# Finance and Operations

- **Solid record of sales growth**
  - Diversified revenue sources
- **Strong management team**
- **Improving & refining operations**
  - Continued emphasis on operating efficiency
- **Financial resources**
  - Positioned for growth
  - Strong balance sheet
- **Continuing strong investment in new products**



**KVH Overall Revenues**

# Operating Model

(% of Revenue)

	FY 2005	FY 2006	Target Run Rate
Revenue	100	100	100
Cost of Goods	58	60	56
Gross Margin	42	40	44
R&D	11	10	11
SG&A	28	28	23
Operating Margin	3	2.5	≥10

## Looking at 2007

- **Continuing aggressive product development**
  - New products in pipeline for introduction throughout the year
  - Aiming to strengthen leadership technology in existing markets and pursue new opportunities
- **Anticipating strengthening military and marine sales in second half**
- **Top and bottom line expectations for FY 2007**
  - 10-17% annual revenue growth to roughly \$87-\$92 million
  - 60-90% growth in EPS to roughly \$0.40-\$0.48

## **KVH Summary**

- **Creating mobile products for large markets**
  - Mobile satellite systems
  - Defense navigation and guidance
- **2006 marked by major new product introductions**
  - Marine, RV, automotive
  - New convoy communications product for military applications
  - Additional products in development
- **Strategic relationships in place**
- **Focus is on profitable growth**



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