



Letter to shareholders from Kongsberg Automotive ASA

Dear KAshareholders,

further to the recent letter from Makuria Investment Management (UK) LLP, Teleios Capital Partners LLC, and Constructive Capital AS, please see the response below from the board of Directors of Kongsberg Automotive.

About the open letter to KA shareholders:

The Board of Directors in Kongsberg Automotive ASA ("KA") welcomes views from shareholders and is open to establish a constructive dialogue. However, we are surprised by the aggressive approach and lack of willingness to have a dialogue with the board or the nomination committee. Demanding that a 10% shareholder group shall decide 100% of the external board members is not good corporate governance and disrespectful of other shareholders.

Background and focus:

In their letter, the minority shareholders acknowledge KA's outstanding industry reputation, yet at the same time criticize the company for a lack of focus. It is quite clear that KA's strong record of business wins during the last twelve months of EUR 320m is a strong vote of confidence from our customers regarding our strategy, and shows clear market focus.

KA has worked through the global financial crisis, and turned the business around to create a solid platform for growth. KA has never ignored that growth has been a challenge, but have also recognized that investments in R&D have been absolutely necessary to renew the product portfolio. While KA still have improvement potential versus our peers, it's important to keep in mind that the key focus areas over the last years have been to:

- deleverage the debt,
- increase R&D efforts required to create sales growth, and
- streamline the product portfolio.

Without these actions we could obviously have improved the margins short-term, but with a clear sacrifice to long-term shareholder value. Following our Capital Markets Day (CMD), we have received positive support from the shareholders on this agenda.

It is important to note that KA employee representatives have also issued a statement where they express great concern regarding the approach of the minority shareholders. The employees support the strategic direction of the company and the efforts to build sustainable growth.

Strategic focus going forward

The company's plans includes a:

- strategic growth focus on key areas: seat comfort, efficient powertrains and advanced fluid handling
- optimization of our product portfolio including divestment of the LDC activity
- growing in emerging markets with our manual transmission portfolio
- building a financial platform with dividend potential.

This plan provides important continuity to deliver long-term industrial development, and is supported by the board and employees alike. All these items were addressed at our CMD.

Performance and market confidence

When KA management presented its plans for growth and value creation at the CMD, KA's share price appreciated by close to 10%. The share price has appreciated by more than 300% the last three years. We do however recognize that the picture is different for a 10 year horizon including the financial crisis in 2008 and 2009. The minority shareholders seems however less willing to reflect upon any external factors.

We realize that our communication of the strategic plans could have been better in the past, but our focus has been on the execution of the plans and securing import business wins with our key customers.

What's best for the shareholders and the company – deliver the presented plans or restart with a completely new board?

We respect that our owners may wish to have changes to the board, but the issue here is less about the candidates proposed by the minority investors, and more about good governance, and respecting all shareholders' interests.

The reasons for the rush of the minority shareholders, and what they seek, has not yet been clearly stated.

The board urges all shareholders to consider if a sudden replacement of all shareholder elected board members serves the long term interest of all owners.

The board supports the Nomination Committee's proposal to make the election of the Board of Directors at the ordinary Annual General Assembly in March 2016 following good corporate governance and respecting all shareholders.

On behalf of the Board of Directors of Kongsberg Automotive ASA

Ulla-Britt Fräjdin-Hellqvist

Chairwoman

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Chairwoman of the Board of Directors

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