

Kongsberg 15 September 2009

To the Shareholders of Kongsberg Automotive Holding ASA

I write to you in the capacity as Chairman of the Board of Directors of Kongsberg Automotive Holding ASA (“KOA” or the “Company”).

The purpose of this letter is to underline the importance of a positive voting for the share issues proposed for the Extraordinary General Meeting (EGM) on 25 September 2009.

The need for more equity

KOA reported an equity ratio of 7 % for Q2 2009. The guiding given is that the Q3 figures will be in line with Q2. It is therefore likely that this ratio will decline further. The forecasts presented by external analysts indicate a negative net profit also for 2010 based on the existing funding. The Norwegian Public Company Limited Liability Act (par 3-4) demands that the companies shall at any time have an equity that is sufficient given the risk and size of the business.

The lending banks have since last year underlined the importance of an improved equity position. At the same time KOA has been approach by many customers and suppliers that are worried about our high financial gearing.

We believe that our markets will recover. The profile of the recovery will strongly influence on the need for liquidity during 2010 and forward.

KOA has been successful in capturing new contracts over the last period. We see a lot of new market opportunities that we want to take advantage of and to do so we need more financial flexibility.

Timing and advisors

The Board has continuously monitored the situation and decided before the summer vacation this year to initiate a process to raise equity. The Oslo Stock Exchange was informed and accepted postponed information to the market. It was important to show the positive effects from cost cutting, restructuring, reduced net working capital and capex, and positive cash from sale of Aviation and access to new loans from Innovation Norway before we approached the banks and the capital market. The process was decided after numerous contacts and discussions with corporate banks and funding institutions both Nordic and international firms. Pareto Securities was chosen as the Lead Manager and Coordinator and SEB Enskilda thereafter as Joint Lead Manger. Later in the process Nordea Markets and DnBNOR Markets were added mainly to support the retail market (in total they raised 5 % of the subscription in the book-building process). The Board is of the clear opinion that the advisors have done a good job and we have no reason to believe that other managers would have delivered a better result.

The model

Different ways of increasing the equity were discussed. The Board is of the opinion that 120 MEUR is the absolute minimum proceeds needed from a share issue. This has mainly to do with the equity ratio and absolute equity level going forward. It has been known in the market that Ferd, holding 17% of the existing shares, will not participate in the planned share issuing.

Given the shareholder structure, the need for a sizable amount of capital, the timing, the cost and the challenge to establish underwriting, it was decided not to apply pre-emptive rights to existing shareholders. The best model was considered to be a private placement combined with a repair issue for the existing shareholders that were not invited into the private placement. The repair issue secures that existing shareholders will have the opportunity not to be diluted if they can and will follow in the issue.

The new bank terms

The Board is pleased with the outcome of the tough negotiations conducted with the banks, which was only achievable with a minimum amount of 120 MEUR in new equity. These discussions were concluded before the summer vacation which made it possible to start the placement immediately after the investors were back after the summer.

The reactions to what we had achieved with the banks from the investors that were taken into insider position before the book-building started were in general very positive. The new terms will significantly reduce the risk, improve the financial liquidity and reduce financing costs.

The pricing

Before the private placement started management and advisors held many investor presentations. Some of the investors, both existing shareholders and potential new investors, were taken into an insider position. Despite that they were told that we did not expect to give a significant discount on the trading share price, it became clear that it would not be possible to reach the minimum 60 MEUR in the private placement unless we dropped the price to 4 NOK as several of the largest potential subscribers had a price limit at this level. The Board gave that mandate just a few minutes before the placement was launched after pushing the managers to get a better price.

The Board had two options; either to stop the process or to execute it at 4 NOK, and to stop the process was in our opinion not an option given the balance sheet of KOA.

The private placement

The private placement gave the result that we were able to collect 825 MNOK from the market, the remaining 215 MNOK to get to the minimum of 1040 MNOK (equivalent to 120 MEUR) had to come from the banks who had guaranteed for up to 60 of the 120 MEUR. The existing shareholders contributed only with close to 30 % of the 825 MNOK above. That is a clear signal that the existing shareholders cannot provide the company with the equity needed.

Dilution

The Board is aware of the fact that those of the existing shareholders who are not able to follow in the repair issue will be diluted and regrets that. If the Board had been of the opinion that other options that could have represented a better balance between all stakeholders had been available, such model would have been presented. The price is not decided by the Board, but by the market.

Positive voting

I appeal to all shareholders who support the proposals presented by the Board either to vote for the shares at the EGM or to send proxy to the Chairman or the CEO before 20 September 2009. Such proxy form is attached to this letter. Not to vote or not to send proxy may have the outcome that the proposals will not get the needed 2/3 majority of the shares being present at the EGM.

Consequences if the proposal should not be accepted

The Board has been approached by a few shareholders that want to improve the outcome for existing shareholders who will be diluted. The Board is of the opinion that it is completely unrealistic to achieve a better package in negotiations with the banks and potential investors following a rejection of the solution presented to the EGM.

The Company needed waivers both for Q1 and Q2 this year to avoid being in breach with the bank covenants. With the existing terms the same will apply for Q3. If there is no known solution to the equity going forward, the banks may take actions that entirely could wipe out the value of the shares.



Consequences of an approval

Given that the share issues are approved, we will improve confidence among all stakeholders and benefit from our strong market position, acceptable financial costs, comfortable liquidity position and an expected recovery in the market.

I can assure you that the Board of Directors, Management and the whole organization will do their utmost to create shareholder value in the years to come.

We trust that you will continue to support Kongsberg Automotive by voting in favor of the share issue.



Curt Germundsson
Chairman
Kongsberg Automotive Holding ASA