

WHO KNOWLES PRECISION DEVICES?

APRIL 18, 2019



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How We Think About Knowles

- Knowles is comprised of four distinct businesses with different end-markets, competitive positioning, growth drivers, and market maturity.

Segment:

Hearing Health (“HH”)

- Knowles has been the technological and market leader for acoustic components used in hearing aids since 1946

MEMS Microphones (“MEMS”)

- Leveraging its acoustic expertise, Knowles invented and commercialized silicon MEMS microphones used in mobile handsets, ear-worn and IoT devices

Intelligent Audio (“IA”)

- Audio signal processing capabilities that allow voice-wake, improve sound quality, interpret and process external audio inputs, and suppress noise

Audio Segment (Total)

Precision Devices Segment

- High-reliability, harsh environment ceramic capacitors and filters serving the aerospace and defense, medical, telecommunications, industrial, and automotive markets

Unallocated Corporate Expense

Total Knowles Corp.

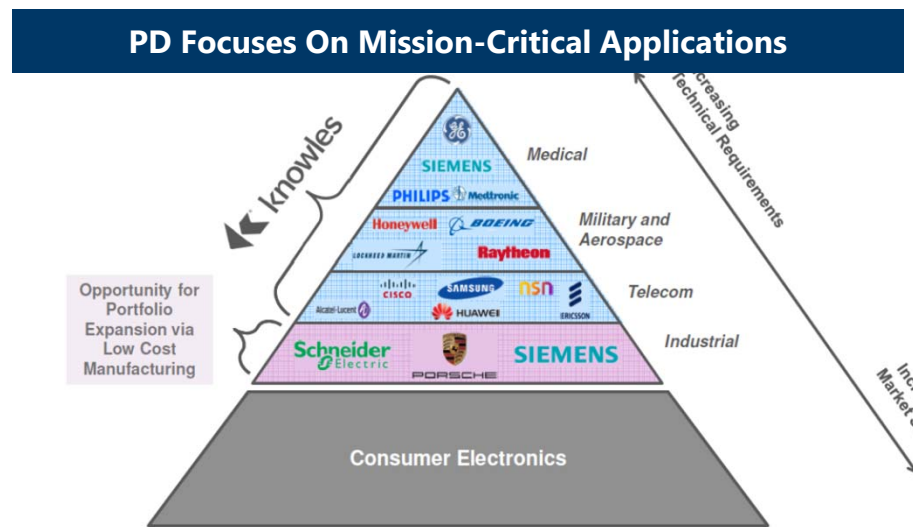
KN Overview (FY 2018)¹				
Revenue¹	% Total	Operating Profit (Adj)	Margin	% Total
\$225MM	27%	\$70MM	31%	60%
\$445MM	54%	\$111MM	25%	95%
\$12MM	1%	\$(55)MM	N/M	-47%
\$682MM	83%	\$126MM	19%	108%
\$145MM	17%	\$34MM	23%	29%
		\$(43)MM	N/M	-37%
\$827MM		\$117MM	14%	

¹ Caligan/FE estimates for HH, MEMS, and IA based on financial disclosures in Knowles 2018 10-K and quarterly financial supplements. Operating Profit estimates are Non-GAAP Adjusted EBIT. 3

What Makes Up Knowles' Precision Devices

- Knowles' Precision Devices ("PD") segment, produces high-reliability, harsh environment ceramic capacitors and electro magnetic interference ("EMI") filters for use in mission-critical applications in military, medical, electric vehicle, and telecommunications market segments
- Radar, pacemakers, MRI equipment, satellites, airplanes, electric vehicles and mobile phone base stations contain PD capacitors and filters
- Knowles' PD segment is made up of six different acquisitions including:
 - Dielectric Laboratories, acquired by Dover in 1985
 - Novacap (focused on aerospace and defense end markets), acquired by Dover in 1987
 - Syfer, acquired by Dover in 2000, which had just created a now ubiquitous technology to avoid cracking a multi-layer ceramic capacitor ("MLCC")
 - Voltronics, acquired by Dover in 2004, which provided precision trimmer capacitor capabilities
 - StackiCap, acquired by Dover in 2012
 - Subsequent to Knowles' spin from Dover, Knowles' Precision Devices has purchased Johanson Manufacturing and Compex for \$20.5MM in aggregate adding ~\$14MM in revenues

Precision Devices Financial Summary ² (\$MM)			
	2016	2017	2018
Revenues	93.8	106.8	144.7
<i>Growth</i>		13.9%	35.5%
Gross Profit	32.5	40.9	60.9
<i>Margin</i>	34.6%	38.3%	42.1%
R&D	2.5	4.2	5.8
<i>% of Revenues</i>	2.7%	3.9%	4.0%
SG&A	16.9	16.1	22.3
<i>% of Revenues</i>	18.0%	15.1%	15.4%
EBITDA	20.4	25.4	39.9
<i>Margin</i>	21.7%	23.8%	27.6%



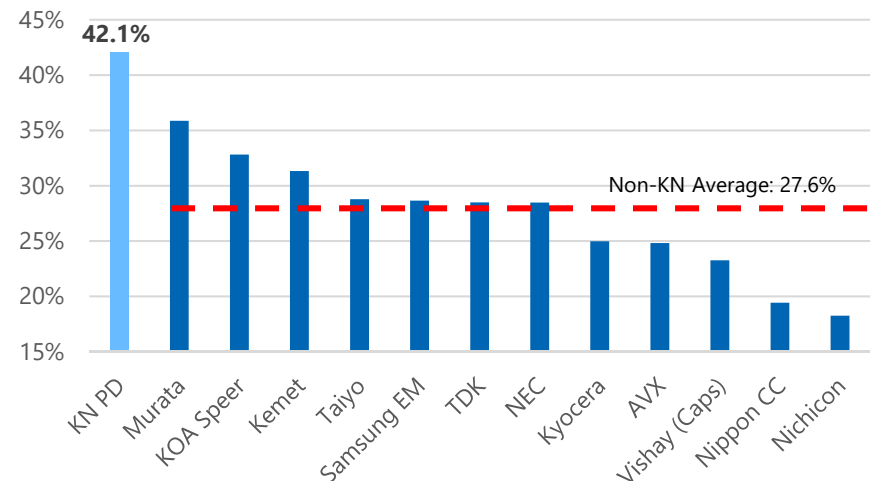
¹ Caligan/FE estimates based on disclosures in Knowles' 2014 Analyst Day presentation of end-market revenue.

² Knowles quarterly financial supplements from 2016 – 2018 for Precision Devices and Knowles' 10-Ks. All financials on a non-GAAP basis.

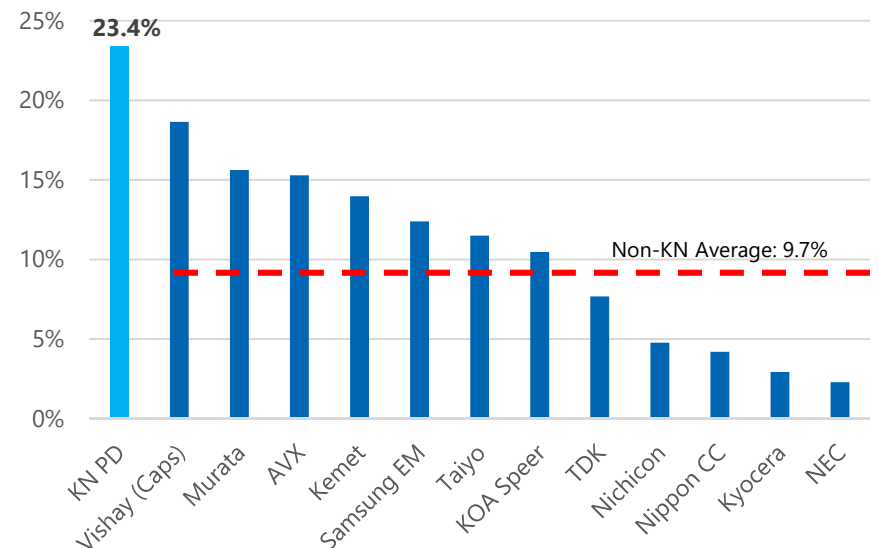
Precision Devices Is Not A Commodity Passive Component Supplier

- PD does not make commodity capacitors and filters that are found in a majority of consumer electronic devices but instead makes ceramic capacitors with substantial engineering content per device where customers value quality, reliability, and performance for mission-critical applications
- PD's differentiation versus commodity capacitors can be seen in its gross margin and EBIT margin profile; **PD has gross margins that are 1,450 basis points and EBIT margins that are ~1,400 basis points greater than commodity capacitor manufacturers**
- In certain defense and medical applications, PD enters multi-year contracts with fixed pricing where PD is a sole sourced provider
- Due to PD's reputation for quality, reliability, and speed, PD is often the first call for many customers having already qualified its products for demanding technical specifications and possessing US manufacturing facilities for defense end-markets
- Rather than sharing part numbers and being commingled in the same bin with capacitors made by other manufacturers, PD capacitors and filters are designed to meet customer specifications for individual applications

Ceramic Capacitor Producers LTM Gross Margins¹



Ceramic Capacitor Producers LTM EBIT Margins²



¹ S&P Capital IQ and Knowles' 4Q2018 financial supplements. Competitor set includes publicly traded companies that produce capacitors.

² S&P Capital IQ and Knowles' 4Q2018 financial supplements. Competitor set includes publicly traded companies that produce capacitors.

Knowles Has Repeatedly Stated It Is Transitioning To An Audio Company And That Precision Devices Is Not-Strategic To Knowles

Transition to Audio Solutions Provider

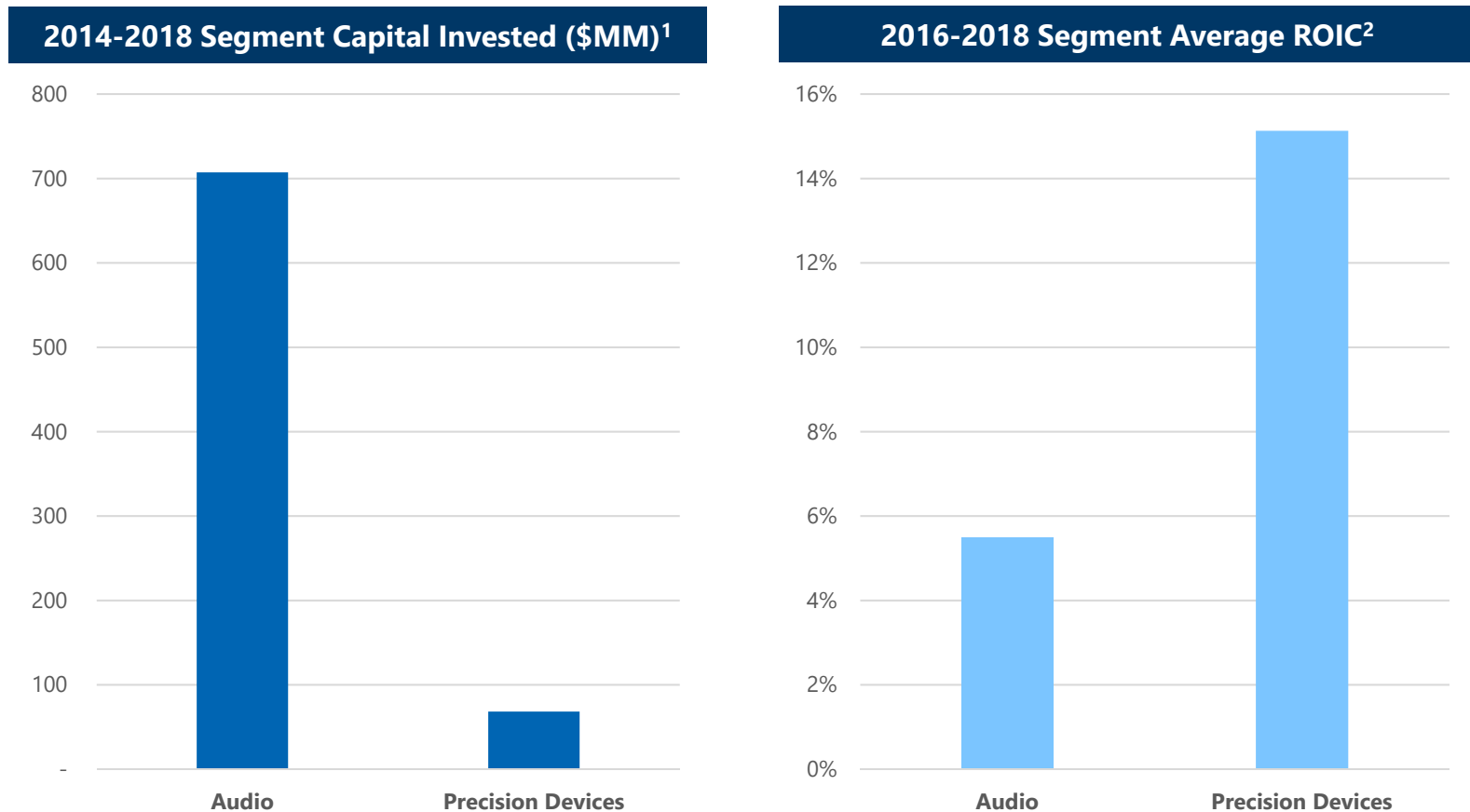
Date	Public Statement
3Q 2018 Earnings Call	"Our transition from an acoustic component supplier to an audio solutions provider is well underway." - Jeff Niew, October 24, 2018
2Q 2018 Earnings Call	"As we transition from an acoustic component supplier to an audio solutions provider, we're expanding our available market and enabling macro audio trends." - Jeff Niew, July 24, 2018
2018 JPM TMT	"So in all, we're very excited about the products we made on our multi-year transition from being acoustic components supplier into an audio solutions provider" - Jeff Niew, May 17, 2018
2017 JPM TMT	"About 2 years ago -- just short of 2 years ago, Knowles acquired the company, Audience, with the idea that we were looking to make a transformative acquisition relative to not just being an acoustic component supplier but becoming more of a company that provides solution to audio input problems." - Jeff Niew, May 23, 2017

Non-Strategic Precision Devices

Date	Public Statement
4Q 2017 Earnings Call	"As I mentioned, we are pleased to complete the divestiture of our timing business during the quarter. The sale of this non-strategic business has sharpened our focus on growth platforms where we have strong market positions and attractive margin profiles" - Jeff Niew, February 7, 2018
2017 Roth Conference	"And just to mention here, Precision Devices, we do have a crystal oscillator business that makes high-end crystal oscillators for primarily mil-space and the base station market, and we also have a capacitor business that makes high-end capacitors. Both of these businesses are cash flow positive, generate cash for us, don't require a tremendous amount of investment back in the business. I would say they're not very strategic to the Audio portion of our business, but they are nice businesses for us. And I won't say too much more about that today. I'd rather move on and talk more about the Audio portion, which is 77%." - Jeff Niew, March 14, 2017

Capital Invested Since Spin Demonstrates Knowles' Priorities On Audio

- Since the Spin, Knowles has invested more than \$700MM in the businesses that represent its current Audio Segment and less than \$70MM in its current Precision Devices segment¹
- Shareholders should expect Knowles to deploy its capital in its highest return opportunity projects, but instead, Knowles spent 10X the capital in the segment where it earned 1,000bps lower ROIC (excluding Sound Solutions)



¹ All information sourced from Knowles 10-Ks. Includes estimates of \$15MM of research and development ("R&D") and \$5MM of capital expenditures in 2014 for Hearing Health and \$4MM of R&D and \$4MM of capital expenditures for capacitors/filters in 2014. Capital Invested includes R&D, capital expenditures, and acquisitions.

² All information sourced from Knowles 10-Ks. ROIC defined as the result of dividing (a) (i) GAAP EBIT multiplied by (ii) 1 minus Knowles' effective tax rate ("ETR") of 15% by (b) year-end segment total assets.

Synergies In Strategic Combinations Are Enormous

- Strategic buyers that either (i) currently manufacture ceramic based technologies or (ii) overlap in end-market applications will have material synergies with similar customers, products, and manufacturing facilities
- These synergies are obviously not available to Knowles' shareholders as long as the business is held by Knowles
- We believe that the net present value of capturing part of those synergies outweigh any benefit garnered from trying to time a sale
- On a non-deal roadshow in late 2018, Knowles' management indicated they have received reverse inquiry into the Precision Devices segment

Synergies in Passive Component & Semiconductor Transactions

<u>Acquirer</u>	<u>Target</u>	<u>Publicly</u>		<u>EV/EBITDA</u>		
		<u>Announced</u> <u>Cost Synergies</u>	<u>LTM</u> <u>EBITDA</u>	<u>EV/EBITDA</u> <u>(Pre-Synergy)</u>	<u>(Post-</u> <u>Synergy)</u>	<u>Synergies /</u> <u>EBITDA</u>
Tessera (Xperi)	DTS	15.0	71.0	13.3x	11.0x	21%
Infineon	Int'l Rectifier	67.7	175.4	13.8x	9.9x	39%
Microchip	Microsemi	300.0	555.3	18.1x	11.8x	54%
Littelfuse	IXYS	30.0	44.6	15.7x	9.4x	67%
TTM	Anaren	15.0	55.0	14.1x	11.1x	27%
Microsemi	Knowles Timing	19.0	9.0	14.8x	4.8x	211%
Cobham	Aeroflex	85.0	122.7	11.9x	7.0x	69%
Weighted Average				16.4x	10.9x	70%

Source: All comparable data from S&P Capital IQ and publicly announced cost synergies. Knowles Timing Device synergy estimates detailed on slide 9 from public transcripts of Microsemi.

 Acquisitions of private companies or divisions of public companies.

Case Study: Knowles' Timing Devices

- Knowles sold its high reliability Timing device business to Microsemi in November 2017 for ~15x LTM EBITDA. At multiple investor conferences shortly after the acquisition closed, Microsemi management stated that they believed they were going to triple the operating margin through cost synergies including manufacturing consolidation and operating expense reduction
- *"We did a small acquisition -- which closed last quarter. We -- a company by the name of Vectron is a carve out from Knowles Corporation.... **Historically, for the last few years, the company has done about \$100 million in revenue, and it's done so at a low 30s gross margin. So we're significantly below our 16%-plus margins today and it's done so at about a 10% EBITDA margin, give or take. That's a business where we think we can turn that EBITDA margin into something like the gross margin. Meaning, we think we can triple that operating margin. There are some redundant fab facilities, which we need to shutter. There's very good overlap for us in the space, which means we can take out a lot of synergy on the operating expense lines.**"*
- Robert Adams, Former SVP of Corporate Development, Microsemi, Corp., January 18, 2018
- *"But I'll tell you the way we think about it. It was an undermanaged asset that's acquired. Gross margins were in the low 30s, and the op margin was below 10% of revenues. That's a business over the 2-year time frame when we consolidate those facilities, we're going to trim some of the nonpalatable, nonstrategic product offerings. Gross margin's going to go up. We're not saying it's going to go up to a corporate gross margin kind of number. There's not that much headroom there. **But on the op line, it's an op line we think we can bring into the 30% zone. It's a 2-year program, but it's an op margin we can triple.**"* - Robert Adams, Former SVP of Corporate Development, Microsemi, Corp., February 14, 2018

Path To \$2+ Of EPS In 2020

- High reliability components suppliers with significant defense and medical end-market exposure have transacted at mid-teens EBITDA multiples, including Knowles' Timing Device Business
- We believe that Knowles can sell its PD segment at an attractive price, without any tax-leakage, in a quick and robust process
- Proceeds would provide Knowles with flexibility to tender for its convertible debt and return capital directly to shareholders
- Combined with either revenue growth or expense reduction in Intelligent Audio that brings the business unit to breakeven, **Knowles could be on pace to generate \$2.00+ in EPS in 2020**
- We believe that a divestiture of PD would have material benefits that are difficult to quantify from public information including forcing a rationalization of the divisional structure at Knowles into a functional structure to materially reduce unallocated corporate expense

Precision Devices Divestiture Generates Meaningful EPS Accretion

2019 Consensus PD EBITDA ¹	44		
EV/EBITDA Multiple	12.0x	14.0x	16.0x
Total EV (\$mm)	528	616	704

Step 1: Repurchase Shares

<i>Tender Premium to Current Price</i>	0%	5%	10%
Modified Dutch Tender Price	18.95	19.90	20.85

Shares Repurchased	27.9	31.0	33.8
Revised 2019 Net Income ²	79.9	79.9	79.9
Revised S/O ³	73.6	70.5	67.6
Revised 2019 EPS	1.09	1.13	1.18

Step 2: Remove IA Drag on Profitability

Accretion From Removing IA Drag ⁴	0.64	0.66	0.69
%	58.9%	61.5%	64.1%

Step 3: Rationalize Unallocated Corporate Expense

Expense Reduction ⁵	0.12	0.19	0.25
%	11.3%	17.4%	23.6%

New EPS	1.84	1.99	2.13
Multiple	14.0x	14.0x	14.0x

New Share Price	25.81	27.80	29.77
<i>Upside</i>	36.2%	46.7%	57.1%

¹ S&P Capital IQ and Caligan/FE calculations.

² Revised Net Income equal to 2019 consensus net income of \$100.6MM less \$30.8MM of net income from Precision Devices plus \$10.1MM of increased net income from a forced conversion of Knowles' Convertible Notes.

³ Assumes Knowles' fully diluted shares outstanding of 93.2mm plus shares from exercise of convertible note less the note hedge (8.1 million shares, net) and Knowles closing price of \$18.95 on April 15, 2019.

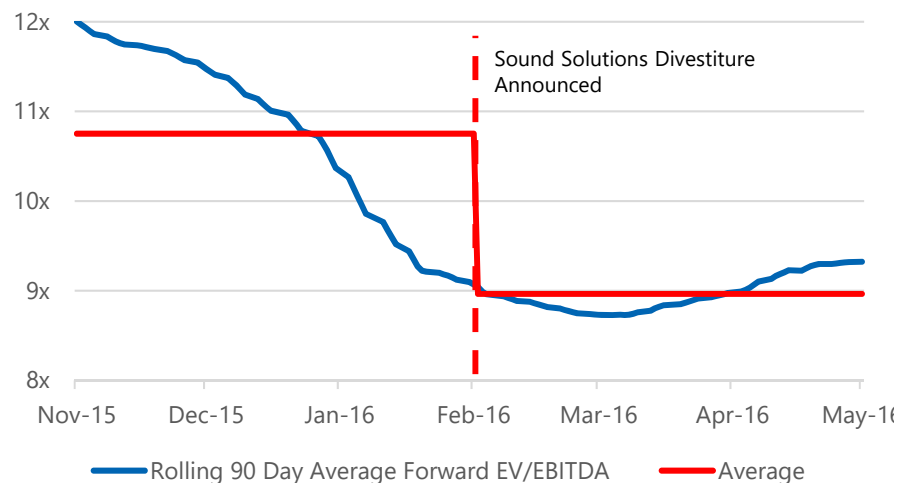
⁴ Assumes \$(55)MM of Non-GAAP EBIT becomes \$0MM of Non-GAAP EBIT either through revenue growth or expense reduction.

⁵ Assumes \$13MM to \$28MM of unallocated corporate expenses can be reduced through moving from a divisional to a functional corporate structure.

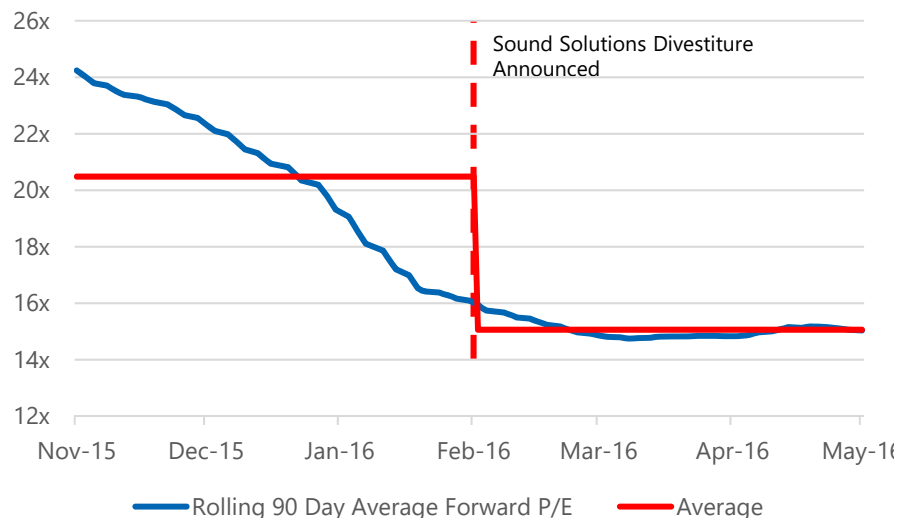
Argument That Knowles Will De-Rate From Divestiture Is Debunked By Its Own Trading History

- One of the reasons Knowles has given to argue against a strategic review of Precision Devices is that they may “de-rate” due to an increase in mobile handset exposure
- This argument is disproven by Knowles’ own trading history after it divested Sound Solutions in 2016. Mobile handsets represented 50% of Knowles’ revenue in 2015, pre-divestiture and 34% in 2016 post-divestiture
- In the 3 months pre-announcement of divestiture, Knowles’ rolling 90 day average multiples were:
 - 20.5x Forward P/E
 - 10.75x Forward EV/EBITDA
- For the 3 months post-announcement of divestiture, Knowles’ rolling 90 day average multiples were:
 - 15x Forward P/E
 - 9x Forward EV/EBITDA
- For full year 2015, Knowles traded at an average 9.8x Forward EV/EBITDA multiple and traded at an average of 19.6x Forward EPS in 2015 and 15.0x Forward EPS in 2016

Forward EV/EBITDA Pre/Post Sound Solutions¹



Forward P/E Pre/Post Sound Solutions¹

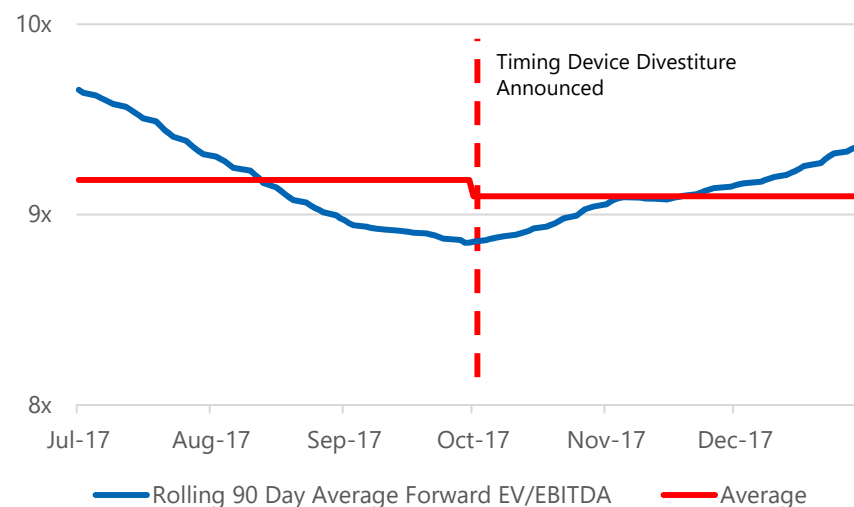


¹ All trading multiples from S&P Capital IQ.

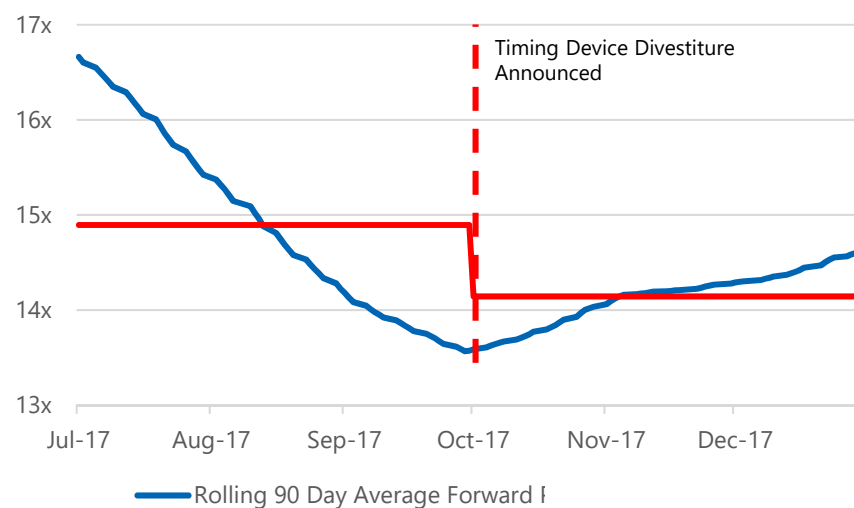
Knowles' Divestiture Of Timing Devices Had Negligible Impact On Trading Multiples

- Similarly, the effect of the divestiture of Knowles' crystal oscillator division ("Timing Devices") in 2017, which the compensation committee cited as being "not core to our overall strategy,"² had a negligible impact on trading multiples
- In the 3 months pre-announcement of divestiture, Knowles' rolling 90 day average multiples were:
 - 14.9x Forward P/E
 - 9.2x Forward EV/EBITDA
- For the 3 months post-announcement of divestiture, Knowles' rolling 90 day average multiples were:
 - 14.1x Forward P/E
 - 9.1x Forward EV/EBITDA

Forward EV/EBITDA Pre/Post Timing Devices¹



Forward P/E Pre/Post Timing Devices¹



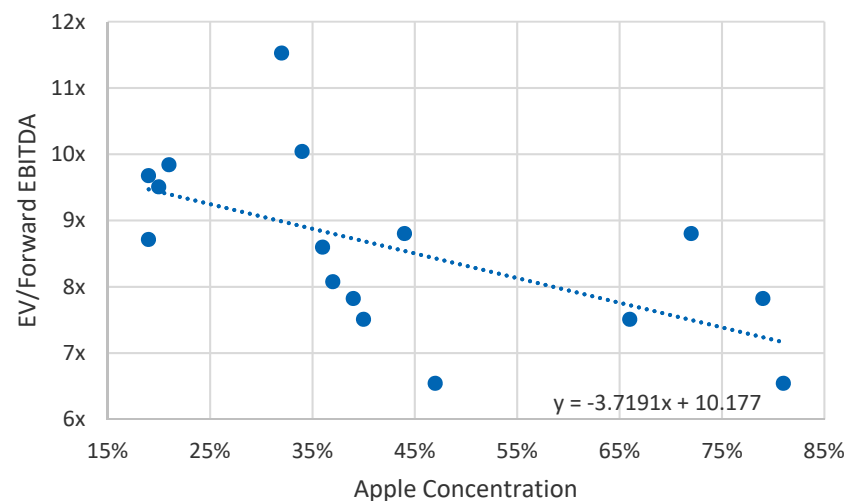
¹ All trading multiples from S&P Capital IQ.

² Knowles' 2018 proxy statement.

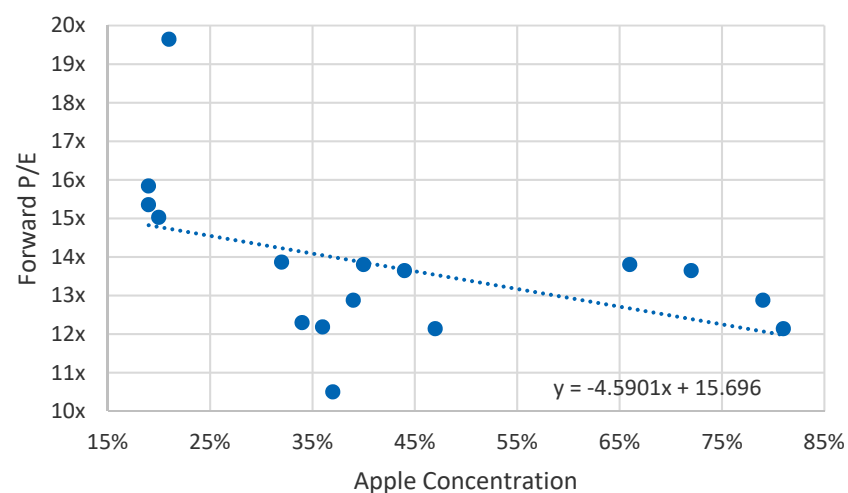
Cited Examples Of Handset Concentration Conflate Negative Effect Of Customer Concentration On Trading Multiples

- Part of the Company's misguided analysis regarding "de-rating" is based on customers they cited with material mobile handset exposure (CRUS, SWKS, and QRVO)
- This analysis conflates the negative effect of customer concentration on trading multiples with mobile handset exposure
- From 2015-2018, the average revenue from Apple for the competitors cited has been:
 - CRUS: 75%
 - SWKS: 43%
 - QRVO: 35%
 - KN 20%**
- Divesting Precision Devices would move Knowles' 2018 Apple concentration from 19% to 23%, a negligible increase
- A simple regression on average Apple revenue concentration for the competitors cited versus average forward EBITDA and earnings multiples from 2015 – 2018 demonstrates that a Precision Device divestiture may remove 0.15x from Knowles' Forward EBITDA multiple and 0.2x from Knowles' Forward Earnings multiple

Apple Concentration vs. Forward EV/EBITDA¹



Apple Concentration vs. Forward P/E¹



¹ Caligan/FE calculations from SEC filings for Qorvo, Skyworks, and Cirrus Logic and average trading multiples from S&P Capital IQ.

What Is The Right Comp Set For Knowles?

- Caligan and Falcon Edge ask investors – which peer set does Knowles most closely resemble?

Electronic Components

	LTM Gross Margin	LTM EBITDA Margin	LTM R&D (% of Revenue)	LTM ROIC	Disclosed Customer Concentration
Littelfuse	40.1%	21.2%	5.1%	8.9%	10.7% (Arrow)
Rogers	35.4%	18.7%	3.8%	7.7%	None
II-VI	39.4%	19.6%	10.3%	7.8%	None
Average	38.3%	19.8%	6.4%	8.1%	N/A

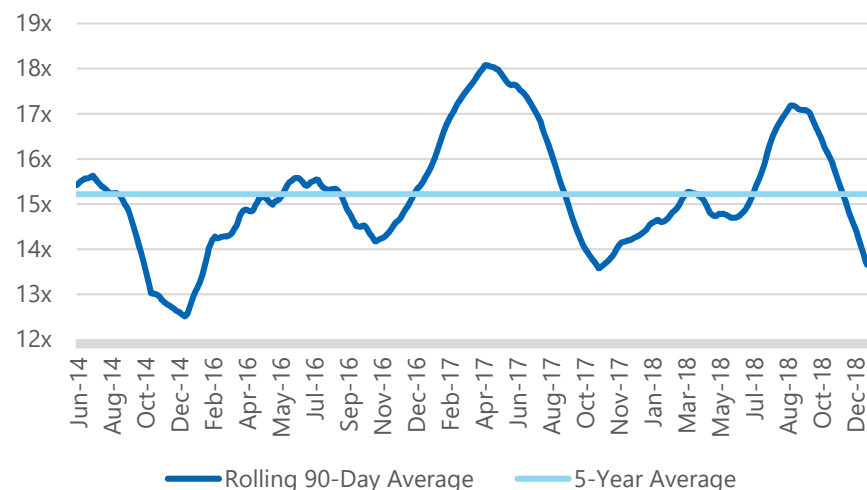
Semiconductors

	LTM Gross Margin	LTM EBITDA Margin	LTM R&D (% of Revenue)	LTM ROIC	Disclosed Apple Exposure
Cirrus Logic	50.1%	15.6%	30.7%	7.1%	81%
Skyworks	50.1%	41.2%	11.0%	22.5%	47%
Qorvo	49.5%	29.6%	14.6%	2.9%	36%
Average	49.9%	28.8%	18.7%	10.8%	55%

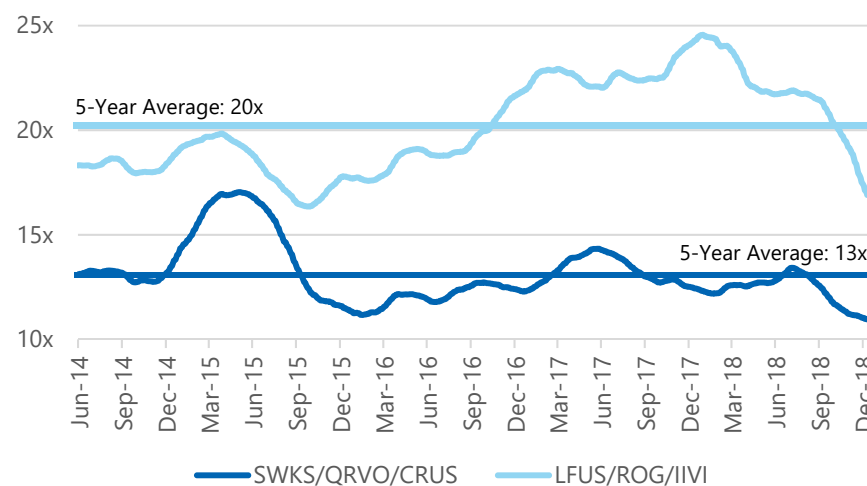
Knowles

	LTM Gross Margin	LTM EBITDA Margin	LTM R&D (% of Revenue)	LTM ROIC	Disclosed Apple Exposure
KN (ex-PD)	39.3%	24.6%	6.7%	5.6%	23%
KN (ex-PD,IA)	39.5%	33.3%	7.2%	9.2%	23%

Rolling 90-Day Average KN Forward P/E¹



Rolling 90-Day Average Forward P/E ("Peers")¹

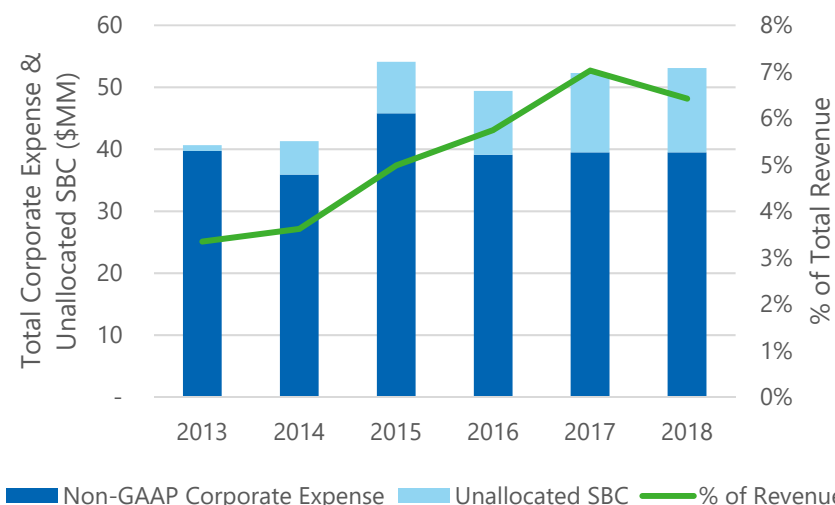


¹ S&P Capital IQ. KN excluding 2015 due to Sound Solutions losses and acquisition of Audience. All %s based on GAAP expenses and revenues.

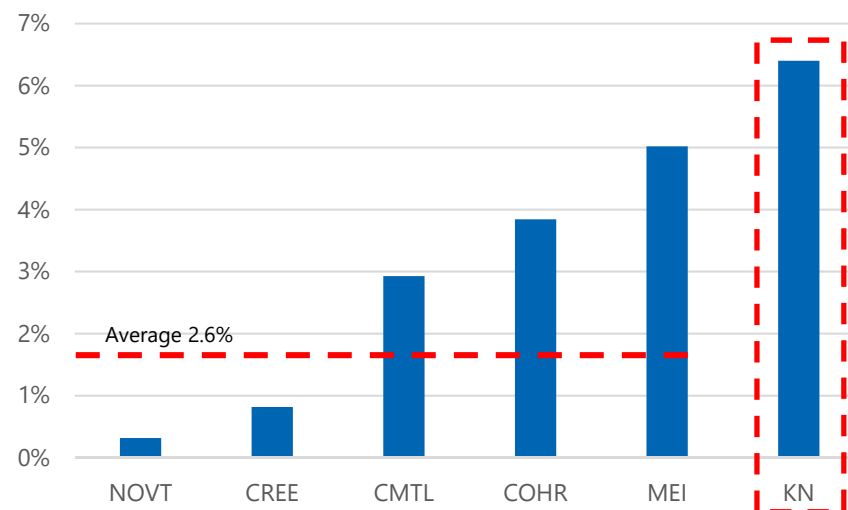
Divesting Precision Devices Should Force A Rationalization Of Knowles' Unallocated Corporate Expense

- Knowles divested its speaker and receiver business in 2016 and its oscillator business in 2017, reducing its total revenues by ~\$400mm since 2013. However, Knowles' unallocated corporate overhead and stock-based compensation ("SBC") has increased, as a percentage of total revenues, from 3.3% in 2013 to 6.4% in 2018
- Knowles has not reduced its corporate overhead in proportion to its divestitures and fall in its MEMS revenues. **If Knowles reduced its corporate overhead to the same percentage of revenue that it was in 2013, Knowles would increase EBITDA by \$25.6mm or EPS by \$0.23**
- Compared to its proxy peers, and other companies in electronic components and communications space with aggregate revenues of less than \$1 billion, Knowles has the highest unallocated corporate expense, as a percentage of revenue (and notionally)
- Knowles' unallocated corporate expenses spiked in 2015 to \$56mm, prior to the divestitures of the speaker/receiver business or the crystal oscillator business. So the argument that these are "stranded" costs is impossible to make – either these are more Intelligent Audio costs that should be classified as such or the Company has become \$13mm more inefficient since its spin
- In connection with a sale of PD, we would expect Knowles to undertake a holistic review of its operating model

KN Unallocated Corporate Overhead Growth



Proxy Peer Unallocated Corporate Expense (% Revenues)



¹ Operating Expenses includes segment level SG&A and R&D. Source: Knowles SEC Filings.

Outstanding Questions For Shareholders

Despite public pronouncements that Precision Devices is not strategically linked to Knowles' audio business, the Board has seemingly concluded that it is not in the Board's interest to explore a sale at this time. We disagree and believe that it is incumbent on the Board to address several specific issues:

- The Board reduced Jeff Niew's long-term incentive target for 2018, driven by divestitures that had decreased the revenue of the Company and changed Knowles' peer group composition. Does Knowles' compensation structure create a perverse incentive to avoid future divestitures regardless of whether a divestiture would create value for shareholders?
- A major factor of consideration regarding asset sales and use of proceeds will be driven by "conviction" in the Audio segment's mid to long-term financial prospects. What is the potential accretion if Knowles divests Precision Devices and reinvests in its core business through share repurchases?
- Artificial targets such as keeping handset revenue at below 50% of total revenue are, in our view, also inappropriate in consideration of such strategic discussions. Will a divestiture with appropriate and well-considered reinvestment of proceeds lead to better risk-adjusted returns for shareholders?
- How much cost could be removed by focusing Knowles exclusively on acoustics? What is the potential effect of moving from a divisional structure to a functional structure on Knowles' allocated and unallocated corporate expense?

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IMPORTANT INFORMATION ABOUT PROXY PARTICIPANTS

Caligan, Caligan CV I LP, Samuel Merksamer, David Johnson, Falcon Edge, Falcon Edge Global Master Fund, LP, Moraine Master Fund, LP, Richard Gerson and Jonathan Christodoro (collectively, the "Participants") intend to file with the SEC a definitive proxy statement and accompanying form of proxy to be used in connection with the solicitation of proxies from the stockholders of the Company. All stockholders of the Company are advised to read the definitive proxy statement and other documents related to the solicitation of proxies by the Participants when they become available, as they will contain important information, including additional information related to the Participants. The definitive proxy statement and an accompanying proxy card will be furnished to some or all of the Company's stockholders and will be, along with other relevant documents, available at no charge on the SEC website at <http://www.sec.gov/> and from the Participants' proxy solicitor, D.F. King & Co., Inc, by requesting a copy via email to KN@dfking.com. Information about the Participants and a description of its direct or indirect interests by security holdings is contained in the preliminary proxy statement filed by Caligan with the SEC on April 8, 2019. This document is available free of charge from the sources indicated above.