



# Comments on Rofin's Investor Presentation

March 4, 2016

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## Key Observations on Rofin's Presentation

- We believe Rofin uses **selective data points and generalities to mask weak historical financial performance**. We believe reality shows a different picture: poor company performance compared to its peer group **over years and the destruction of stockholder value**.
- Rofin presents the **current Board** as the best solution; however, we believe the Board has a **responsibility for the poor company performance and the destruction of stockholder value** over the past years.
- We believe **Rofin has never presented a comprehensive strategy to the public**. Rofin-Sinar does **not** present **any analysis to demonstrate how** their strategy will **create long-term stockholder value**. We believe Rofin has **plagiarized the SilverArrow strategy** by accepting all headlines and sandbagging the numbers presented.
- We believe Rofin again did **not** present **any evidence** to support many of the **personal unsubstantiated allegations** of our nominees.

## Observations on Rofin's Presentation

Rofin Says ...	Our observation
Rofin has a Clearly Defined Strategy to Drive <u>Continued</u> Growth	Rofin's sales and market share keeps losing ground compared to its peers: <ul style="list-style-type: none"> <li>▪ Sales grew by only 2.4% CAGR while total relative market grew with a CAGR of 7.0% (2006 – 2015);</li> <li>▪ Rofin's sales relative to its peer group decreased by 35% from 20% down to 13% from 2006 to 2015.</li> <li>▪ Rofin expects a sales growth rate between -5% and +1% only.</li> </ul>
Rofin is Delivering on its Fiber Laser Strategy – Approximately 50% of its High-Power Sales are now Fiber	Rofin has not disclosed the proportion of High-Power Fiber Laser sales to total sales. Mr. Merk has publicly stated at the November 24, 2015 German Equity Forum when asked about high power fiber laser's share of turnover "we only disclose that figure once the high power fiber laser sales are of a significant size"
Rofin's strong R&D capability is focused on further technological advancements to support long-term growth	We believe Rofin risks deterioration of its competitive position with below peer group average R&D spending: <ul style="list-style-type: none"> <li>▪ EBIT margin development shows a negative trend over the past 5 years;</li> <li>▪ R&amp;D spending is 30% lower than peer group average (2015). Gap in R&amp;D spending compared to peer group tend to increase over the past 3 years.</li> </ul>
Rofin's Margin Enhancement Strategy is Already Succeeding	We believe that Rofin is unable to achieve the margins of its peer group's average and that currency effects create the illusion of progress: <ul style="list-style-type: none"> <li>▪ Gross margin was constantly below peer groups average between 2011 and 2015;</li> <li>▪ The comparison of the gross margin of 2015 vs. 2014 shows almost no improvement if viewed on constant currency rates.</li> </ul>
ROFIN's Proactive Cost Reduction and Efficiency Programs are Driving Margin Gains	We believe the consolidation of companies and sites was long overdue. For example, two German companies recently merged were in Rofin's possession since 1997 and 2007, respectively.

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Rofin says ...	Our observation
Results for Seasonally Low Q1 Generally in Line with Management Expectations	The Company's stock price decreased dramatically after the communication of Q1 results. Rofin's results were below analyst expectations.
The Company's Historical Performance is a Success	<ul style="list-style-type: none"> <li>▪ We believe Rofin's sales and market share keeps losing ground compared to its peers</li> <li>▪ We believe Rofin is unable to achieve the margins of its peer group's average and uses currency effects to create the illusion of progress</li> </ul>
Current Board Best Qualified to increase Long-term value for all shareholders	<ul style="list-style-type: none"> <li>▪ We believe the Board, which has an average tenure of 17 years, is fully responsible for the poor performance of the company and the poor governance level in the past.</li> <li>▪ We believe that the board composition demonstrates an entrenched board without proper governance. We believe that the Board has taken unacceptable actions.</li> </ul>
Rofin Has A Standard Board Vetting Process	The Rofin Nominating Committee has not contacted our references, and we believe they have instead relied upon private investigators and inaccurate press clippings.

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Mr. Limberger Has a Track Record of Long-Term Value Destruction	Mr. Thomas Limberger is a highly experienced corporate restructuring expert with deep knowledge of the laser, optoelectronics and materials processing markets and Rofin's customer and technology base. He also is the main representative behind SilverArrow's ownership of ~10% of Rofin's outstanding shares. We believe he will help ensure that Rofin's operations are streamlined, managed more efficiently, while helping steer the Company into new developing markets and applications. With deep corporate and M&A experience from previous CEO positions and multinational directorships, we believe he is an ideal candidate to fix the Company's issues and fill the knowledge gap of the Board.
Mr. Kovler Has Significant Character Concerns	Mr. Jordan Kovler brings the necessary corporate governance, M&A, investor relations and business development expertise. We believe he will help ensure that Rofin's corporate governance significantly improves, along with the Company's transparency, investor relations program and any potential M&A. He has advised over 50 boards of US publicly traded companies on a wide range of issues and challenging the status quo in these situations to ensure these boards made the best decisions for its holders.
We Repackage ROFIN's Actions as our Strategy ...	We believe ROFIN has not presented a comprehensive strategy to the public, neither in its investor presentations nor in its quarterly or annual reports. We believe Rofin has not presented any analysis to demonstrate how their strategy will create long-term stockholder value. We have a clear strategy to fix Rofin, which we believe has partially been adopted by Rofin after we initiated our discussions with them after the first quarter 2015. We believe we presented our strategy first, and that Rofin has only made changes as a result of our advocacy. We believe Rofin has missed many opportunities to change the company over the past couple of years.

*SilverArrow*

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