IPG Photonics Reports Record Fourth-Quarter and Full-Year 2007 Sales

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High-Power Fiber Laser Sales for Materials Processing Applications Continue to Drive Revenue Growth

OXFORD, Mass., Feb 28, 2008 (BUSINESS WIRE) -- IPG Photonics Corporation (Nasdaq: IPGP), the world leader in high-power fiber lasers and amplifiers, today reported that revenues for the fourth quarter of 2007 increased by 31% to $55.1 million, up from $42.1 million for the fourth quarter of 2006. For the full year, revenues increased 32% to $188.7 million from $143.2 million in 2006. Revenue growth continues to be driven by strong sales of the Company's fiber lasers used for materials processing applications, which increased by 37% over the fourth quarter of 2006 to $39.4 million.

	Three Months Ended December 31,		
(In millions, except per share data)	2007	2006	% Change
Revenue	$55.1	$ 42.1	31%
Gross margin	42.9%	47.9%	
Operating income	$12.4	$ 10.6	16%
Operating margin	22.4%	25.3%	
Net income	$ 8.3	$ 16.6	-50%
Earnings (loss) per diluted share	$0.18	$(0.11)	-
Adjusted net income(1)	$ 8.3	$ 6.7	25%
Adjusted earnings per share(1)	$0.18	$ 0.17	6%

	Year Ended December 31,		
(In millions, except per share data)	2007	2006	% Change
Revenue	$188.7	$143.2	32%
Gross margin	45.0%	44.2%	
Operating income	$ 46.3	$ 36.0	29%
Operating margin	24.6%	25.1%	
Net income	$ 29.9	$ 29.2	2%
Earnings (loss) per diluted share	$ 0.65	$ 0.26	150%
Adjusted net income(1)	$ 29.9	$ 23.6	27%
Adjusted earnings per share(1)	$ 0.65	$ 0.61	7%

(1)Adjusted net income and adjusted earnings per share are non-GAAP measures. Please refer to the exhibit to this press release for a reconciliation of adjusted net income and adjusted earnings per share to net income and earnings per share, respectively.

Operating income increased 16% to $12.4 million for the fourth quarter of 2007, up from $10.6 million for the same period in

2006. Net income for the fourth quarter of 2007 was $8.3 million compared with $16.6 million in the fourth quarter of 2006, and earnings per diluted share increased to $0.18 from $(0.11). Results for the fourth quarter of 2006 included a $3.1 million charge related to the change in the fair value of the Company's previously outstanding series B warrants, as well as a $13.1 million benefit related to the release of a deferred tax valuation allowance. Without these charges and benefits, adjusted net income was $6.7 million and adjusted earnings per diluted share were $0.17 for the fourth quarter of 2006. Adjusted earnings per share excludes the items referenced above, a one-time deemed dividend of $18.3 million related to the beneficial conversion of preferred stock in the Company's initial public offering in 2006 and accretion relating to preferred stock. Operating expenses for the fourth quarter of 2007 were $11.3 million, or 20% of revenue, compared with $9.5 million, or 23% of revenue, in the fourth quarter of 2006.

For the full year 2007, operating income increased 29% to $46.3 million from $36.0 million for 2006. Net income for the year increased 2% to $29.9 million from $29.2 million, and earnings per diluted share increased to $0.65 from $0.26. Results for the full year 2006 included a $7.5 million charge related to the change in the fair value of the Company's previously outstanding series B warrants, as well as a $13.1 million benefit related to the release of a deferred tax valuation allowance. Without these charges and benefits, adjusted net income was $23.6 million and adjusted earnings per diluted share were $0.61 for the full year 2006, as compared to net income of $29.9 million and earnings per diluted share of $0.65 for the full year 2007.

Cash and cash equivalents were $38.0 million on December 31, 2007, compared to $75.7 million on December 31, 2006, primarily as a result of capital expenditures of $34.3 million and the repayment of $18.2 million of term debt, partially offset by net proceeds from our credit lines of $8.3 million. Short-term investments in marketable securities were $7.0 million.

Comments on the Fourth Quarter

"The marketplace continues to recognize and embrace the benefits of our fiber laser solutions in an increasing number of industries and applications," said Dr. Valentin Gapontsev, IPG Photonics' Chief Executive Officer. "This growth resulted in another quarter of record sales. Fiber lasers for materials processing applications continued to drive revenue growth in the quarter, along with seasonally strong sales of fiber laser technology for advanced applications such as test and measurement, instrumentation, remote sensing, scientific R&D and defense. Shipments of fiber lasers into the European Union, particularly Germany and Eastern Europe increased, and we also made significant penetration in China, India, South Korea and Thailand."

Business Outlook and Financial Guidance

"In 2007, we made further inroads into industries where our advanced fiber laser technology is displacing traditional lasers and other non-laser technologies. We expect this trend to continue into the coming year as new and existing customers adopt our technologies to their specific applications," said Dr. Gapontsev. "During the year, we also made considerable strides in completing major infrastructure improvements that broaden our geographic reach, increase our capacity and strengthen our position as the only fully integrated manufacturer of fiber lasers. While these investments slightly lowered our margins for the quarter, we believe they are essential to our competitive position and technological leadership and we look forward to capitalizing on these benefits going forward."

For the first quarter of 2008, IPG Photonics expects revenues in the range of $50 million to $54 million. The Company anticipates earnings per diluted share in the range of $0.14 to $0.18 based on 46,021,000 common shares, which includes 43,820,000 basic common shares outstanding and 2,201,000 potentially dilutive options at December 31, 2007.

Conference Call Reminder

The Company will hold a conference call to review its financial results and business highlights today, February 28, at 10:00 a.m. ET. The conference call will be webcast live over the Internet and can be accessed on the Investors section of the Company's website at www.ipgphotonics.com. The conference call can also be accessed by dialing (877) 604-9672 or (719) 325-4881. Interested parties that are unable to listen to the live call may access an archived version of the webcast on IPG's website.

Use of Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with generally accepted accounting principles (GAAP), this press release contains non-GAAP financial measures of adjusted net income and adjusted earnings per share for 2006, in each case excluding the benefit related to the release of the deferred tax valuation allowance and the impact of the fair value adjustment to the series B warrants and preferred stock accretion. The Company believes that the inclusion of these non-GAAP financial measures in this press release helps investors to gain a meaningful understanding of growth in the Company's core operating results and future prospects and can also help investors who wish to make comparisons between IPG Photonics and other companies. The Company's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring its core operating performance and comparing such performance to that of prior periods and to the performance of the Company's competitors. These measures also are used by management in its financial and operational decision-making.

The non-GAAP financial measures included in this press release are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this press release may be different from, and therefore may not be comparable to, similar measures used by other companies. Although non-GAAP financial measures used in this release exclude the benefit related to the release of the deferred tax valuation allowance and the accounting treatment of the fair value adjustment to the series B warrants and preferred stock accretion, these non-GAAP measures should not be relied upon independently, as they do not reflect the impact that these items have on

the Company's operating results. Reconciliations of the non-GAAP financial measures used in this press release to the most directly comparable GAAP financial measures are set forth in the exhibit to this press release.

About IPG Photonics Corporation

IPG Photonics is the world leader in high-power fiber lasers and amplifiers. Founded in 1990, IPG pioneered the development and commercialization of optical fiber-based lasers for use in a wide range of applications such as materials processing, advanced applications, telecommunications and medical applications. Fiber lasers have revolutionized the industry by delivering superior performance, reliability and usability at a lower total cost of ownership compared with conventional lasers, allowing end users to increase productivity and decrease operating costs. IPG has its headquarters in Oxford, Massachusetts, and has additional plants and offices throughout the world. For more information, please visit www.ipgphotonics.com.

Safe Harbor Statement

Information and statements provided by the Company and its employees, including statements in this press release, that relate to future plans, events or performance are forward-looking statements. These statements involve risks and uncertainties. Any statements in this press release that are not statements of historical fact are forward-looking statements, including, but not limited to, those relating to increasing demand for the Company's products, growth rates, displacing existing laser technologies, the demand for high-power fiber lasers, achieving strong performance in the first quarter of 2008, and the Company's revenue and EPS guidance for the first quarter of 2008. Factors that could cause actual results to differ materially include risks and uncertainties, including risks associated with the Company's ability to penetrate new applications for fiber lasers and increase market share, the rate of acceptance and penetration of IPG's products, effective management of growth, level of fixed costs from its vertical integration, intellectual property infringement claims and litigation, interruption in supply of key components, contract cancellations, manufacturing risks, competitive factors including declining average selling prices, building and expanding field service and support operations, uncertainties pertaining to customer orders, demand for products and services, development of markets for the Company's products and services and other risks identified in the Company's SEC filings. Readers are encouraged to refer to the risk factors described in the Company's Annual Report on Form 10-K (filed with the SEC on March 29, 2007) and its periodic reports filed with the SEC, as applicable. Actual results, events and performance may differ materially. Readers are cautioned not to rely on the forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update the forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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IPG PHOTONICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Year Ended December 31,	
	2007	2006	2007	2006
	(in thousands, except per share data)			
NET SALES	$ 55,067	$ 42,097	$ 188,677	$ 143,225
COST OF SALES	31,440	21,948	103,695	79,931
GROSS PROFIT	23,627	20,149	84,982	63,294
OPERATING EXPENSES:				
Sales and marketing	2,870	2,111	10,103	6,222
Research and development	2,656	2,230	9,527	6,544
General and administra-tive	5,749	5,170	19,028	14,522
Total operating expenses	11,275	9,511	38,658	27,288
OPERATING INCOME	12,352	10,638	46,324	36,006
OTHER INCOME (EXPENSE), Net:				
Interest				

(expense) income, net	(37)	(442)	674	(1,493)
Fair value adjustment to Series B Warrants	-	(3,088)	-	(7,444)
Other income, net	267	907	612	1,050
Total other income (expense)	230	(2,623)	1,286	(7,887)
INCOME BEFORE (PROVISION FOR) BENEFIT FROM INCOME TAXES AND MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	12,582	8,015	47,610	28,119
(PROVISION FOR) BENEFIT FROM INCOME TAXES	(3,899)	9,592	(15,522)	2,995
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	(346)	(971)	(2,193)	(1,881)
NET INCOME	8,337	16,636	29,895	29,233
ACCRETION OF SERIES B PREFERRED STOCK	-	(440)	-	(1,994)
BENEFICIAL CONVERSION FEATURE	-	(18,267)	-	(18,267)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	$ 8,337	$ (2,071)	$ 29,895	$ 8,972
NET INCOME (LOSS) PER SHARE:				
Basic	$ 0.19	$ (0.11)	$ 0.69	$ 0.27
Diluted	$ 0.18	$ (0.11)	$ 0.65	$ 0.26
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	43,820	30,399	43,269	27,896
Diluted	46,021	30,399	45,749	33,005
ADJUSTED EARNINGS PER SHARE(2)	$ 0.18	$ 0.17	$ 0.65	$ 0.61
ADJUSTED SHARES OUTSTANDING(2)	46,021	40,234	45,749	39,091

(2)Please refer to the exhibit to this press release for a reconciliation of adjusted earnings per share to earnings per share, respectively.

IPG PHOTONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2007	2006
ASSETS	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,972	$ 75,667
Marketable securities, at fair value	6,950	-
Accounts receivable, net	33,946	22,353
Inventories, net	60,412	42,162

Income taxes receivable	3,145	80
Prepaid expenses and other current assets	7,071	6,586
Deferred income taxes	6,195	9,591
Total current assets	155,691	156,439
DEFERRED INCOME TAXES	2,795	3,801
PROPERTY, PLANT, AND EQUIPMENT, Net	96,369	67,153
OTHER ASSETS	8,466	5,099
TOTAL	$263,321	$ 232,492
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line-of-credit facilities	$ 11,218	$ 2,603
Current portion of long-term debt	-	8,299
Accounts payable	9,444	7,640
Accrued expenses and other liabilities	13,724	13,940
Income taxes payable	96	8,289
Total current liabilities	34,482	40,771
DEFERRED INCOME TAXES AND OTHER LONG-TERM LIABILITIES	4,204	232
LONG-TERM DEBT	20,000	30,068
COMMITMENTS AND CONTINGENCIES		
MINORITY INTERESTS	4,455	2,827
STOCKHOLDERS' EQUITY:		
Common stock	4	4
Additional paid-in capital	275,506	271,122
Notes receivable from stockholders	-	(23)
Accumulated deficit	(90,497)	(120,392)
Accumulated other comprehensive income	15,167	7,883
Total stockholders' equity	200,180	158,594
TOTAL	$263,321	$ 232,492

GAAP TO NON-GAAP RECONCILIATION-NET INCOME AND EARNINGS PER SHARE

RECONCILIATION OF BASIC EPS TO ADJUSTED EPS - FOR THREE MONTHS ENDED	December 31, 2007	EPS	December 31, 2006	EPS
	(in thousands, except per share data)			
Reconciliation of shares used to calculate adjusted EPS				
Weighted average basic shares outstanding	43,820		30,399	
Weighted average common shares attributable to conversion of preferred stock (3)	-		(1,818)	
Total common shares issued upon conversion of preferred stock	-		9,296	
Potentially dilutive options	2,201		2,357	

Adjusted common equivalent shares outstanding	46,021		40,234	
Net income (loss) allocable to common stockholders used to calculate basic EPS	$ 8,337	$ 0.19	$ (2,071)	$(0.11)
Anti-dilutive and dilutive effect of additional shares on basic EPS		(0.01)		0.06
Accretion of preferred stock	-	-	440	0.01
Beneficial conversion related to preferred stock	-	-	18,267	0.45
Income attributable to preferred stock	-	-	-	-
Net income	8,337	0.18	16,636	0.41
Fair value adjustment to series B warrants	-	-	3,088	0.08
Benefit related to release of deferred tax valuation allowance	-	-	(13,060)	(0.32)
Adjusted net income	$ 8,337	$ 0.18	$ 6,664	$ 0.17

RECONCILIATION OF BASIC EPS TO ADJUSTED EPS - FOR YEAR ENDED	December 31, 2007	EPS	December 31, 2006	EPS
	(in thousands, except per share data)			
Reconciliation of shares used to calculate adjusted EPS				
Weighted average basic shares outstanding	43,269		27,896	
Weighted average common shares attributable to conversion of preferred stock (3)	-		(458)	
Total common shares issued upon conversion of preferred stock	-		9,296	
Potentially dilutive options	2,480		2,357	
Adjusted common equivalent shares outstanding	45,749		39,091	
Net income allocable to common stockholders used to calculate basic EPS	$29,895	$ 0.69	$ 7,877	$ 0.27
Dilutive effect of additional shares on basic EPS		(0.04)		(0.07)
Accretion of preferred stock	-	-	1,994	0.05
Beneficial conversion related to preferred stock	-	-	18,267	0.47
Income attributable to preferred stock	-	-	1,095	0.03
Net income	29,895	0.65	29,233	0.75
Fair value adjustment to series B warrants	-	-	7,444	0.19
Benefit related to release of deferred tax valuation				

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 allowance                                  -     -      (13,060) (0.33)
                                 ------------------- -------------------

     Adjusted net income            $29,895$ 0.65     $ 23,617 $ 0.61
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3. Weighted average common shares attributable to our preferred stock
 after conversion in common stock included in weighted average basic
 shares outstanding.
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SOURCE: IPG Photonics Corporation


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IPG Photonics Corporation
Chief Financial Officer
Tim Mammen, 508-373-1100
or
Sharon Merrill Associates, Inc.
David Calusdian, 617-542-5300
Executive Vice President
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