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Third-Quarter Revenue Increases 62% Year Over Year

Strong High Power Laser Sales for Materials Processing Applications Drive Growth

OXFORD, Mass.--(BUSINESS WIRE)-- [IPG Photonics Corporation](#) (NASDAQ: IPGP) today reported financial results for the third quarter of 2011 ended September 30, 2011.

<i>(In millions, except per share data)</i>	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	\$ 129.1	\$ 79.8	62%	\$ 351.0	\$ 198.3	77%
Gross margin	54.6%	50.0%		54.4%	45.9%	
Operating income	\$ 49.2	\$ 20.5		\$ 129.5	\$ 41.6	
Operating margin	38.1%	25.7%		36.9%	21.0%	
Net income attributable to IPG Photonics Corporation	\$ 32.9	\$ 13.2		\$ 86.7	\$ 26.9	
Earnings per diluted share	\$ 0.66	\$ 0.28		\$ 1.77	\$ 0.57	

Management Comments

"IPG delivered another quarter of record revenue and net income," said Dr. Valentin Gapontsev, IPG Photonics' Chief Executive Officer. "Third-quarter revenues grew by more than 62% year over year, with continued strength from high power lasers for materials processing applications. Gross and operating margins were strong at 55% and 38%, respectively, and EPS improved to \$0.66 compared with \$0.28 in the third quarter of 2010. Net income and other adjustments attributable to non-controlling interest in our Russian subsidiary reduced EPS by \$0.04 per share in Q3 2011 as compared to \$0.00 in the third quarter of 2010."

"High power laser sales were up 131% year over year, due primarily to continued strength from cutting and welding applications, especially from the auto industries in Germany and the U.S.," said Dr. Gapontsev. "Medium power lasers were up 95% year over year as a result of growth in microelectronics and battery welding applications. Pulsed laser sales increased by 10% year over year as demand for marking and engraving applications in general manufacturing increased. Lasers used for materials processing applications, which grew 69% year over year in the third quarter, comprise nearly 90% of total revenues. Sales were up across all major geographies year over year, while China, Germany and Russia delivered the greatest increases."

"We ended the quarter with \$196.6 million in cash, an increase of \$8.4 million in the third quarter of 2011," said Dr. Gapontsev. "During the first nine months of 2011, IPG generated \$56 million in cash from operations and invested \$35 million in capital expenditures. Our capex spending thus far in 2011 is on target with our original goal of \$50 million, which will be used to expand our manufacturing capacity and add to our network of application laboratories and sales facilities."

Business Outlook and Financial Guidance

"During 2011, fiber lasers have become the laser solution of choice for many materials processing applications as OEM's and end users have recognized their ability to increase productivity and reduce operating costs," said Dr. Gapontsev. "We anticipate that our growth will continue to be led by our high power laser products, particularly for materials processing applications. As always, we are planning for the long term. Our strategy is to invest in R&D and capacity expansion to further solidify our technology superiority and our position as the leader in fiber lasers."

"While IPG is not immune to global macro-economic conditions and there is some uncertainty in the global macro-economic environment, fiber lasers' growing share of the laser market and the continued acceptance of our products and technology foretell exciting growth prospects for the long term," concluded Dr. Gapontsev.

IPG Photonics expects revenue in the range of \$122 million to \$135 million for the fourth quarter of 2011. The Company anticipates earnings per diluted share in the range of \$0.60 to \$0.71 based on 48,747,000 common shares, which includes 47,483,000 basic common shares outstanding and 1,264,000 potentially dilutive options at September 30, 2011.

As discussed in more detail below, actual results may differ from this guidance due to various factors including, but not limited to product demand, competition and general economic conditions. This guidance is subject to the risks outlined in the

Conference Call Reminder

The Company will hold a conference call to review its financial results and business highlights today, November 1, 2011 at 10:00 a.m. ET. The conference call will be webcast live and can be accessed on the "[Investors](#)" section of the Company's website at www.ipgphotonics.com. The conference call also can be accessed by dialing (877) 709-8155 or (201) 689-8881. Interested parties that are unable to listen to the live call may access an archived version of the webcast, which will be available for approximately one year on IPG's website.

About IPG Photonics Corporation

[IPG Photonics Corporation](#) 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 telecommunications](#) and [medical](#). 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, spending on capital expenditures in 2011, anticipated growth being continued to be lead by high power laser products, investing in R&D and capacity expansion, solidifying our technology superiority and our position as the leader in fiber lasers, fiber lasers' growing share of the laser market, the continued acceptance of our products and technology, growth prospects for the long term, and revenue and earnings per share expectations for the fourth quarter of 2011. Factors that could cause actual results to differ materially include risks and uncertainties, including risks associated with the strength or weakness of the business conditions in industries and geographic markets that the Company serves, particularly the effect of economic downturns; reduction in customer capital expenditures; potential order cancellations and push-outs and financial and credit market issues; 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, including from transportation disruptions from natural and man-made events; manufacturing risks; inventory write-downs; foreign currency fluctuations; 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 15, 2011) 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.

IPG PHOTONICS CORPORATION CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands, except per share data)			
NET SALES	\$ 129,064	\$ 79,809	\$ 350,958	\$ 198,271
COST OF SALES	58,605	39,878	160,127	107,332
GROSS PROFIT	70,459	39,931	190,831	90,939
OPERATING EXPENSES:				
Sales and marketing	5,656	4,527	16,451	13,797
Research and development	6,501	4,981	18,842	13,868
General and administrative	10,997	7,800	27,499	22,012
(Gain) loss on foreign exchange	(1,927)	2,078	(1,413)	(325)
Total operating expenses	21,227	19,386	61,379	49,352
OPERATING INCOME	49,232	20,545	129,452	41,587
OTHER EXPENSE, Net:				
Interest expense, net	(209)	(350)	(585)	(749)
Other income (expense), net	145	(322)	(465)	(414)
Total other expense	(64)	(672)	(1,050)	(1,163)
INCOME BEFORE PROVISION FOR INCOME TAXES	49,168	19,873	128,402	40,424
PROVISION FOR INCOME TAXES	(14,899)	(6,558)	(39,248)	(13,340)
NET INCOME	34,269	13,315	89,154	27,084
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,400	89	2,481	155
NET INCOME ATTRIBUTABLE TO IPG PHOTONICS CORPORATION	\$ 32,869	\$ 13,226	\$ 86,673	\$ 26,929

NET INCOME ATTRIBUTABLE TO IPG PHOTONICS
CORPORATION PER SHARE:

Basic	\$	0.68	\$	0.28	\$	1.82	\$	0.58
Diluted	\$	0.66	\$	0.28	\$	1.77	\$	0.57
WEIGHTED AVERAGE SHARES OUTSTANDING:								
Basic		47,483		46,533		47,298		46,285
Diluted		48,747		47,700		48,684		47,410

**IPG PHOTONICS CORPORATION
CONSOLIDATED BALANCE SHEETS**

	<u>September 30, 2011</u>		<u>December 31, 2010</u>	
	<u>(In thousands, except share and per share data)</u>			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$	196,586	\$	147,860
Accounts receivable, net		80,361		55,399
Inventories, net		117,276		72,470
Prepaid income taxes and income taxes receivable		14,494		2,663
Prepaid expenses and other current assets		13,532		13,816
Deferred income taxes, net		9,363		8,593
Total current assets		<u>431,612</u>		<u>300,801</u>
DEFERRED INCOME TAXES, NET		4,763		4,489
INTANGIBLE ASSETS, NET		6,954		7,131
PROPERTY, PLANT AND EQUIPMENT, NET		143,339		120,683
OTHER ASSETS		9,656		8,751
TOTAL	\$	<u>596,324</u>	\$	<u>441,855</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Revolving line-of-credit facilities	\$	7,731	\$	6,841
Current portion of long-term debt		1,546		1,333
Accounts payable		15,241		9,510
Accrued expenses and other liabilities		51,248		50,105
Deferred income taxes, net		5,863		3,387
Income taxes payable		29,029		11,594
Total current liabilities		<u>110,658</u>		<u>82,770</u>
DEFERRED INCOME TAXES, NET AND OTHER LONG-TERM LIABILITIES		4,756		1,735
LONG-TERM DEBT, NET OF CURRENT PORTION		16,296		15,644
REDEEMABLE NONCONTROLLING INTERESTS		45,651		24,903
Total liabilities		<u>177,361</u>		<u>125,052</u>
COMMITMENTS AND CONTINGENCIES (NOTE 13)				
IPG PHOTONICS CORPORATION STOCKHOLDERS' EQUITY:				
Common stock, \$0.0001 par value, 175,000,000 shares authorized; 47,526,216 shares issued and outstanding at September 30, 2011; 46,988,566 shares issued and outstanding at December 31, 2010		5		5
Additional paid-in capital		329,416		310,218
Retained earnings		91,753		5,567
Accumulated other comprehensive (loss) income		(2,447)		810
Total IPG Photonics Corporation stockholders' equity		<u>418,727</u>		<u>316,600</u>
NONCONTROLLING INTERESTS		236		203
Total stockholders' equity		<u>418,963</u>		<u>316,803</u>
TOTAL	\$	<u>596,324</u>	\$	<u>441,855</u>

**IPG PHOTONICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
	<u>(In thousands)</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$	89,154
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		18,182
Provisions for inventory, warranty & bad debt		11,859
Other		8,104
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable/payable		(20,746)
Inventories		(52,261)
Other		1,703
Net cash provided by operating activities		<u>55,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment		(34,750)
Acquisition of businesses, net of cash acquired		(450)
Other		189
Net cash used in investing activities		<u>(35,011)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line-of-credit facilities		585
Principal payments on long-term borrowings		(1,046)
Sale of redeemable noncontrolling interests		19,973
Exercise of employee stock options, issuances under employee stock purchase plan and related tax benefit from exercise		12,001
Other		-
Net cash provided by financing activities		<u>31,513</u>
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(3,771)
NET INCREASE IN CASH AND CASH EQUIVALENTS		48,726
CASH AND CASH EQUIVALENTS — Beginning of period		147,860
CASH AND CASH EQUIVALENTS — End of period	\$	<u>196,586</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$	809
Income taxes paid	\$	19,465
	\$	<u>20,274</u>
	\$	<u>757</u>
	\$	<u>6,363</u>

or

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Executive Vice President

Source: IPG Photonics Corporation

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